



FOURTH EDITION

EUROPE IN FIGURES

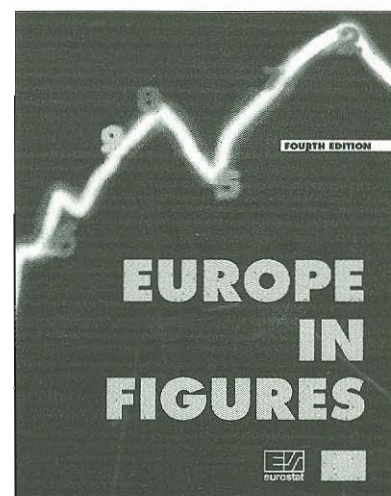


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2010

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Production

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1995: ENLARGEMENT AND NEW CHALLENGES

The European Community was designed from the beginning to be an open structure. It has just acquired three new Member States.

Since 1 January 1995, the Europe of the Fifteen has been faced with new challenges.

The Treaty of Rome, the Single Act and the Treaty on European Union were important stages in the process of constructing Europe. It now remains for economic and monetary union to become a reality if we wish the policies we have drawn up in common to be more effective and, above all, the citizens of the Union to be brought into closer contact.

By collecting, harmonizing and disseminating information on all aspects of economic and social life, Eurostat is playing a crucial role — that of providing the European Union with a high-quality statistical service — at the very heart of this dynamic process.

The aim of this publication, which is intended primarily for educational purposes, is to supply all those interested in and seeking a better understanding of Europe with increasingly accurate, independent and objective information.

This fourth edition sets out to fulfil one of the primary tasks of statistics: to explain.

Yves-Thibault de SILGUY

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THE EUROPEAN UNION

1947

Marshall Plan for the economic revival of a Europe devastated by war

17 MARCH 1948

Benelux Treaty enters into force

1948

Creation of the Organization for European Economic Cooperation (OEEC) to administer the Marshall Plan aid

1949

Creation of the Council of Europe based in Strasbourg

9 MAY 1950

Schuman Declaration

18 APRIL 1951

Signing of the Treaty of Paris establishing the European Coal and Steel Community (ECSC)

1952-54

Development and failure of the plan for a European Defence Community (EDC)

25 MARCH 1957

Signing of the Treaties of Rome establishing the European Economic Community (EEC) and the European Atomic Energy Community (Euratom)

1967

Merger of the executive institutions of the three Communities (ECSC, EEC and Euratom)

1 JULY 1968

Completion of the customs union

1968

Introduction of the common agricultural policy (CAP)

22 JANUARY 1972

Signing of the Treaties of Accession of Denmark, Ireland, Norway and the United Kingdom

1 JANUARY 1973

Denmark, Ireland and the United Kingdom join the European Community (EUR 9)

28 MAY 1979

Signing of the Treaty of Accession of Greece

JUNE 1979

First election of the European Parliament by direct universal suffrage

1 JANUARY 1981

Greece joins the Community (EUR 10)

12 JUNE 1985

Signing of the Treaties of Accession of Portugal and Spain

1 JANUARY 1986

Portugal and Spain join the European Community (EUR 12)

FEBRUARY 1986 to 1 JULY 1987

Signing of the Treaty and entry into force of the Single Act

3 OCTOBER 1990

Unification of Germany

7 FEBRUARY 1992

Signing of the Maastricht Treaty setting up the European Union

2 MAY 1992

Signing in Oporto of the Treaty setting up the European Economic Area

1 JANUARY 1993

Completion of the European single market

1 NOVEMBER 1993

Establishment of the European Union with the entry into force of the Maastricht Treaty

1 JANUARY 1994

Establishment of the European Economic Area

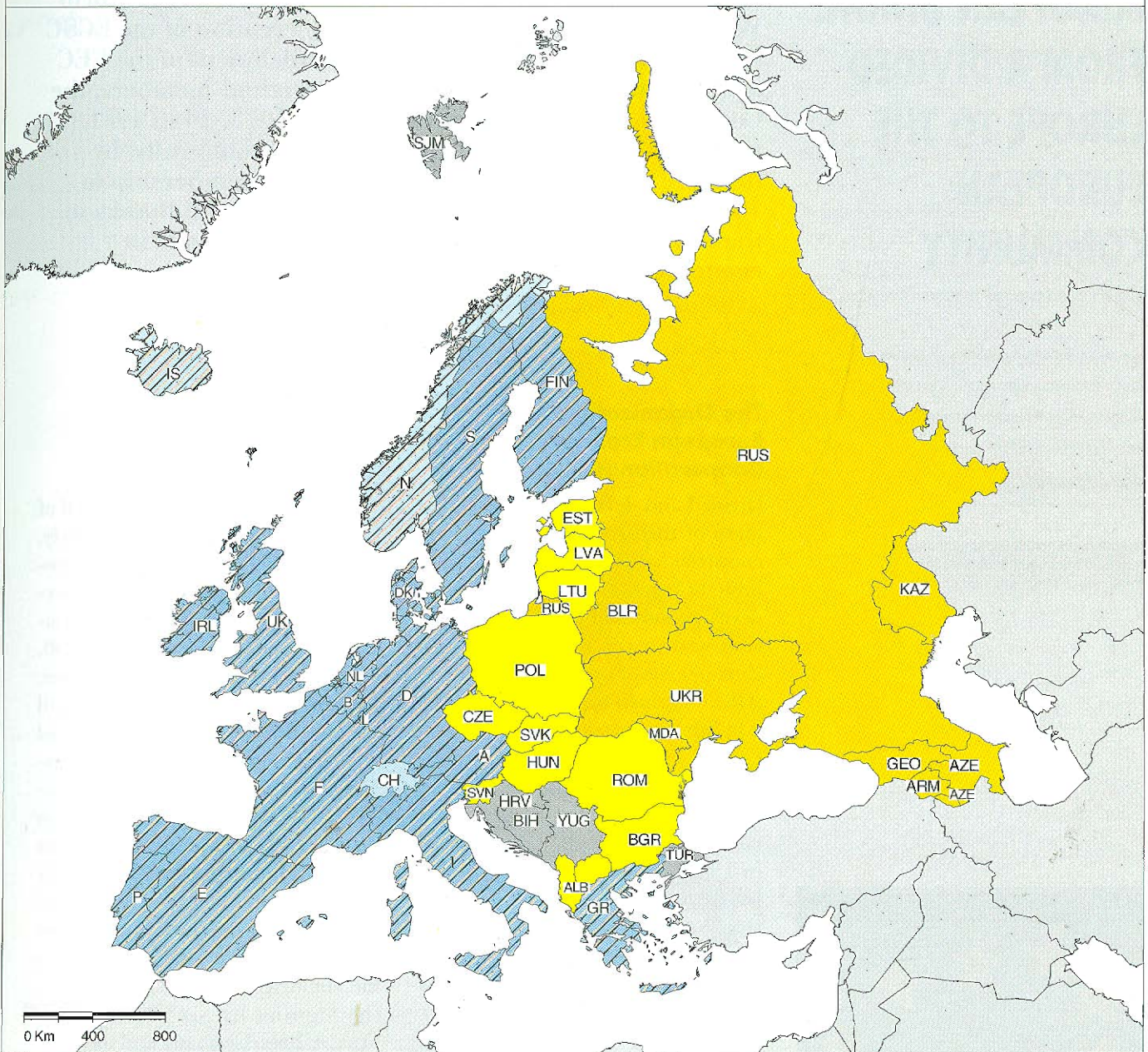
24 JUNE 1994

Signing of the Treaties of Accession of Austria, Finland, Norway and Sweden

1 JANUARY 1995

Austria, Finland and Sweden join the European Union (EUR 15)

The countries of Europe, 1995



- European Union (EU)
- European Free Trade Association (EFTA)
- Central and East European countries (CEECs)

- Commonwealth of Independent States (CIS)
- European Economic Area (EEA)
- Other European zones
- Non-Europe

BUILDING THE EUROPEAN UNION: FROM A DIVIDED EUROPE TO THE EUROPEAN COMMUNITY

The building of the European Community — which various bodies for economic, financial and cultural cooperation had initiated at the end of the Second World War — really got under way with the creation of the ECSC in 1952 and continued with the establishment of the EEC and Euratom in 1958. From the six original members, the Community gradually grew to nine in 1973, 10 in 1981, and 12 in 1986. In 1995, the European Community, by then the European Union, expanded its membership to 15. At the same time, it acquired greater depth thanks to the introduction of common policies and actions in economic, monetary and social spheres.

The Organization for European Economic Cooperation (OEEC)

Divided and devastated in the aftermath of the Second World War, the countries of Western Europe were brought together for the first time to develop close and effective cooperation within the Organization for European Economic Cooperation (OEEC), which was set up in 1948 to administer the aid granted by the United States under the Marshall Plan. By gradually liberalizing trade and payments, the OEEC boosted commerce between its members. In 1960, it was superseded by the Organization for Economic Cooperation and Development (OECD), which was gradually joined by all the major Western industrialized nations.

The Council of Europe

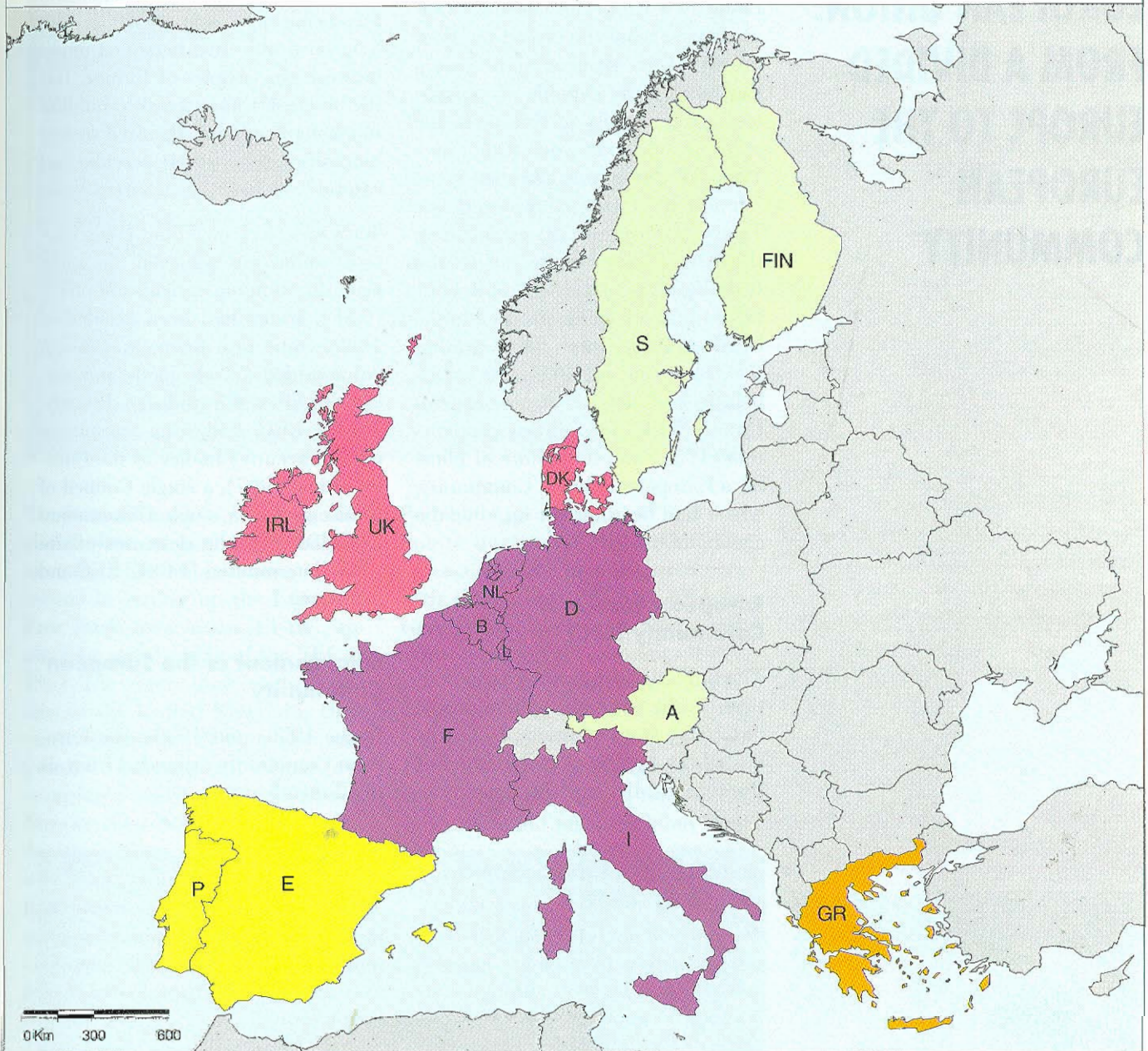
In 1949, the idea of a united Europe took shape with the establishment of the Council of Europe, set up to promote cooperation in the political, economic, cultural and social spheres. The organization's achievements have been limited, however, remaining largely confined to the protection of human rights and the cultural and social fields.

The European Coal and Steel Community (ECSC)

Neither the OECD nor the Council of Europe was a supranational body, because the member countries refused to yield any part of their sovereignty. The process of building Europe was launched on 9 May 1950, when the French Foreign Minister, Robert Schuman, proposed that all the countries of Europe set up a coal and steel community to be administered by a supranational 'High Authority'. The Schuman Declaration developed Jean Monnet's idea that Europe should be built brick by brick, via modest, but concrete, achievements that would gradually establish *de facto* solidarity between the countries. This led, in 1951, to the signing by six countries — France, Italy, Germany and the three Benelux countries (Belgium, Luxembourg and the Netherlands, which had set up a customs union in 1948) — of the Treaty of Paris establishing the European Coal and Steel Community (ECSC). In May 1953, the common market in coal and steel came into effect.



The European Union



Dates of accession



BUILDING THE EUROPEAN UNION: FROM A DIVIDED EUROPE TO THE EUROPEAN COMMUNITY

The failure of the European Defence Community (EDC)

Plans for a European Defence Community merging the armed forces of the six ECSC Member States into a European army capable of guaranteeing the security of Europe in the state of cold war prevailing since 1947 fell through in 1954 when the French Parliament rejected the Treaty of Paris (1952) establishing the EDC. This failure led to the fledgling army of the Federal Republic of Germany being attached to the North Atlantic Treaty Organization (NATO, set up in 1949), the establishment of the Western European Union (WEU) for military cooperation (1954) and the failure of plans for a European Political Community, which had been drawn up after the signing of the EDC treaty.

European Economic Community (EEC)

The building of Europe was to continue in the economic sphere on the basis of *de facto* solidarity. 1957 witnessed the signing of two Treaties of Rome establishing the European

Economic Community (EEC) and the European Atomic Energy Community (Euratom), which both came into being on 1 January 1958. The long-term objective remained union between the peoples of Europe, but the first task was to create a common market permitting the free movement of persons, goods, services and capital.

Ten years later, on 1 July 1968, customs union was achieved; the same year, the common agricultural policy (CAP), which had been decided in 1962, came into force. In 1967, a value-added tax on goods and services (VAT) was introduced throughout the EEC. Following the merger of the executive bodies of the Communities (1967), a single Council of Ministers and a single Commission presided over the destinies of the three Communities (ECSC, EEC and Euratom).

Enlargement of the European Community

In the 1970s and 1980s, the European Community expanded from six to 12 members.

Extracts from the Schuman Declaration of 9 May 1950

Europe will not be made all at once, or according to a single general plan. It will be built through concrete achievements, which first create a *de facto* solidarity. The gathering together of the nations of Europe requires the elimination of the age-old opposition of France and Germany. The first concern in any action undertaken must be those two countries.

The French Government proposes to place all Franco-German produc-

tion of coal and steel under a common High Authority, in an organization open to other European countries.

By pooling basic production and by setting up a new High Authority, whose decisions will be binding on France, Germany and other member countries, this proposal will build the first concrete foundation of a European federation which is indispensable to the preservation of peace.



Extracts from the Treaty of Paris establishing the ECSC

Title One

The European Coal and Steel Community

Article 1

By this Treaty, the High Contracting Parties establish among themselves a European Coal and Steel Community, founded upon a common market, common objectives and common institutions.

Article 2

The European Coal and Steel Community shall have as its task to contribute, in harmony with the general economy of the Member States

and through the establishment of a common market ... to economic expansion, growth of employment and a rising standard of living in the Member States.

The Community shall progressively bring about conditions which will of themselves ensure the most rational distribution of production at the highest possible level of productivity, while safeguarding continuity of employment and taking care not to provoke fundamental and persistent disturbances in the economies of the Member States.

The United Kingdom, which had declined offers to join the ECSC and later the EEC and had been instrumental in setting up the European Free Trade Association (EFTA), applied for membership of the EEC in 1961. The negotiations for the accession of the United Kingdom, Denmark, Ireland and Norway were suspended twice, and were not completed until 1972. However, Norway then declined to ratify the Accession Treaty when membership was rejected by referendum, and the first enlargement, which took effect on 1 January 1973, expanded the Community from six to nine Member States.

The second and third enlargements opened EC membership to three Mediterranean countries that had returned to democracy after a period of dictatorship: Greece on 1 January 1981, followed by Portugal and Spain on 1 January 1986. The European Community grew again in 1990 as a result of German unification. Following the collapse of communism in the German Democratic

Republic and the political and economic decline of the USSR, the process of unification gathered pace with the agreement and active involvement of the EC: the Berlin wall came down on 9 November 1989, economic, monetary and social union was achieved on 1 July 1990 and political union on 3 October 1990. The five new German *Länder* now form part of the customs union and receive aid for integration from the EU.

Several Mediterranean countries have officially applied for membership of the European Community: Turkey and Morocco in 1987, Cyprus and Malta in 1990. These countries are linked with the EU by association agreements, but their applications for membership have been rejected (in the case of Morocco, which is not a European country) or deferred.

The pull of the European Community, which became the European Union in 1993, on the other countries of Europe can be gauged by the fact that several EFTA countries,

BUILDING THE EUROPEAN UNION: FROM A DIVIDED EUROPE TO THE EUROPEAN COMMUNITY

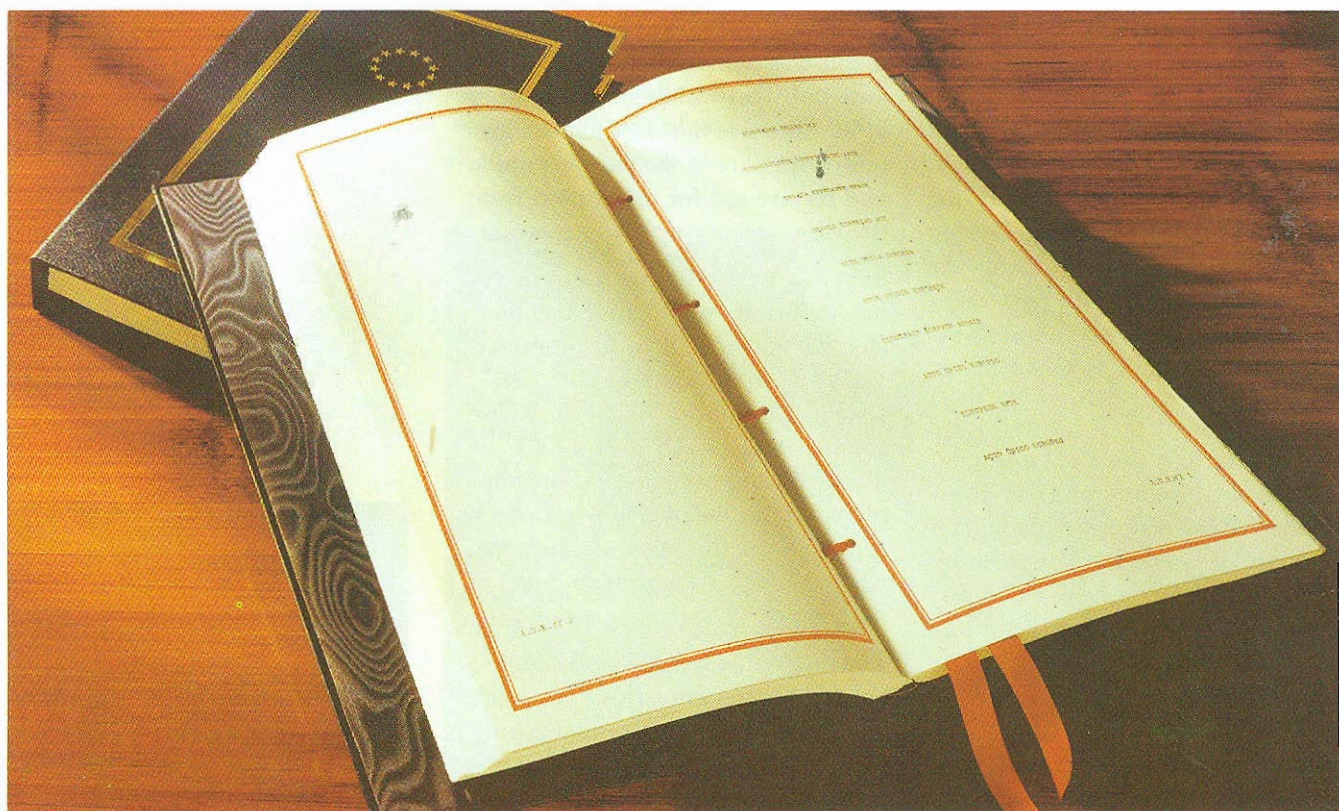
namely Austria, Finland, Norway and Sweden, which have been members of the European Economic Area (EEA) since 1 January 1994, applied to join the EU. The negotiations were completed in March 1994, the Treaties were signed on 24 June 1994 and membership became effective on 1 January 1995 for Austria, Finland and Sweden, but not Norway, which had rejected EU membership by referendum. Switzerland, which turned down membership of the EEA by referendum but had applied to join the EC in 1992, has itself ruled out, at least for the time being, accession to the EU.

Though the accession of the former communist countries of Central and Eastern Europe that have expressed a desire to join the EU (Bulgaria, Hungary, Poland, Romania, the

Czech Republic and Slovakia) is regarded favourably, it cannot take place until the conditions set by the EU — i.e. an open market economy capable of standing up to competition from western Europe and democratic institutions attentive to human rights — have been met in full.

Deepening of the European Community

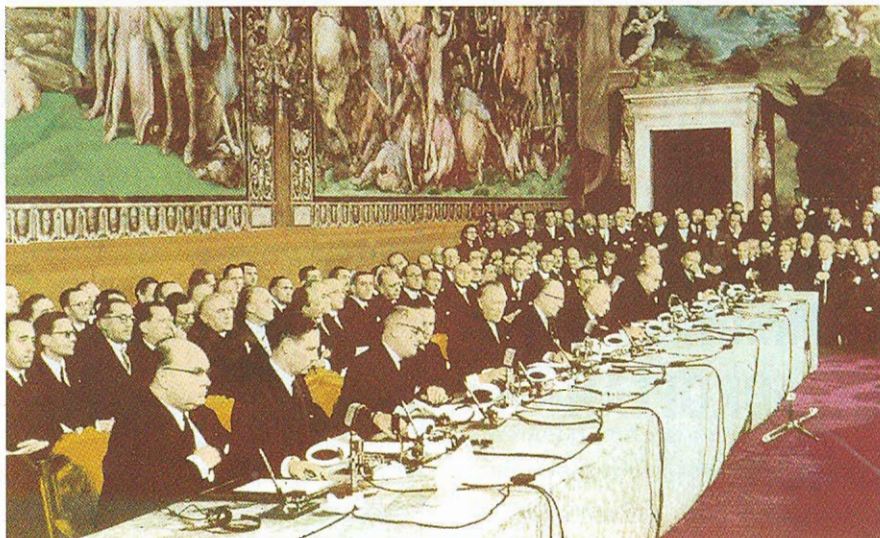
Hand in hand with the enlargement of the Community has gone its deepening, which was first manifested in the implementation of common policies to accompany customs union: a common trade policy, competition policy, the common agricultural policy (CAP) and a common transport policy. The range of common policies was extended, following enlargement, to cover fisheries, regional de-



development, energy, research and development and social affairs. These policies have been financed by enlarging the EC budget and setting up Structural Funds (European Social Fund, European Agricultural Guidance and Guarantee Fund, European Regional Development Fund).

In another direction, the EC has, via the Yaounde and later the Lomé Conventions, organized development aid and cooperation with countries that are former colonies and dependent territories of France, Belgium, the Netherlands, the United Kingdom, Spain and Portugal. Such co-operation arrangements currently extend to 70 countries in Africa, the Caribbean and the Pacific (ACP States).

The deepening of the Community was also marked by the setting-up, in 1974, of the European Council (meeting of the Heads of State or Government), the first election of the European Parliament by universal suffrage in 1979 and the establishment, in 1979, of the European Monetary System (EMS) designed to create stable exchange rates between the currencies of the Member States.



Treaty of Rome (Principles — extracts)

Article 3

... the activities of the Community shall include, as provided in this Treaty and in accordance with the timetable set out therein

- (a) the elimination, as between Member States, of customs duties and of quantitative restrictions on the import and export of goods, and of all other measures having equivalent effect;
- (b) the establishment of a Common Customs Tariff and of a common commercial policy towards third countries;
- (c) the abolition, as between Member States, of obstacles to freedom of movement for persons, services and capital;
- (d) the adoption of a common policy in the sphere of agriculture;
- (e) the adoption of a common policy in the sphere of transport;
- (f) the institution of a system ensuring competition in the common market is not distorted;
- (g) the application of procedures by which the economic policies of Member States can be coordinated and disequilibria in their balances of payment remedied;
- (h) the approximation of the laws of Member States to the extent required for the proper functioning of the common market;
- (i) the creation of a European Social Fund in order to improve employment opportunities for workers and to contribute to the raising of their standard of living;
- (j) the establishment of a European Investment Bank to facilitate the economic expansion of the Community by opening up fresh resources;
- (k) the association of the overseas countries and territories in order to increase trade and to promote jointly economic and social development.

BUILDING THE EUROPEAN UNION: FROM THE EUROPEAN COMMUNITY TO THE EUROPEAN UNION

The Single European Act and the Treaty on European Union have been the main vehicles for strengthening and deepening the European Community.

The Single Act, signed in 1986, amended and supplemented the Treaties of Rome; its main aim was to give new momentum to European integration by establishing a single internal market with a population of more than 340 million in 1993 and by strengthening economic and social cohesion. However, it was only a step on the road towards European union. The Treaty on European Union, which was signed in Maastricht on 7 February 1992 and came into force on 1 November 1993 following its ratification by the 12 Member States of the European Community, established a European Union founded on the European Communities, the main aim of which is the establishment of an economic and monetary union. Yet it also embraces the various forms of cooperation that have grown up alongside the Communities: political cooperation and cooperation in the spheres of legal and home affairs.

The Single European Act

The principal aim of the Single European Act was to establish a single internal market to provide scope for the exercise of the four fundamental freedoms provided for in the Treaty of Rome, which founded the European Community, enabling people, goods, services and capital to circulate freely. This entailed the removal of numerous obstacles and barriers which consume time and money, hinder development potential and international competitiveness and curb economic growth and social progress. By early 1994, nearly all the 282 concrete measures set out by the European Commission in order to achieve the required degree of harmonization of legislation and regulations had come into force. The most important of these were:

- the elimination of technical barriers through the creation of uniform

European standards on freedom of establishment for the liberal professions, the recognition of qualifications, student mobility, university cooperation, the opening-up of public procurement contracts, the freedom to provide services (e.g. transport and telecommunications), cross-border cooperation by firms, the liberalization of capital movements, etc.;

- the elimination of customs controls on cross-border movements of people and goods and their replacement by the domestic levying of VAT and excise duties on goods imported from another Member State, the harmonization of regulations and greater cooperation between national tax authorities and police forces;
- the reduction of disparities between VAT rates and excise duties with a view to harmonizing them throughout the Member States.



Other provisions contained in the Single Act include:

- the strengthening of economic and social cohesion, especially the reduction of the disparities between

the more prosperous regions and those which are in decline or economically underdeveloped, through the action of the financially bolstered structural funds (ERDF, EAGGF-Guidance and ESF);

- harmonization of rules applying to working conditions, occupational health and safety and the promotion of dialogue between management and trade unions (Community Charter on the fundamental rights of workers adopted in 1989 by 11 Member States, with the abstention of the United Kingdom);

- strengthening of research and technological development through the introduction of research programmes and the promotion of co-operation among research centres;

- strengthening of the European Monetary System (EMS);

- protection of the environment through preventive action and Community regulations.

The Single Act therefore introduced a major reform of the Community institutions with the aim of improving their effectiveness. The European Council, i.e. the meeting of the Heads of State or Government, which sets the broad lines of Community policy, was institutionalized. The European Parliament is more closely linked with the drafting of Community legislation via the cooperation procedure. In the Council of Ministers, qualified majority voting now extends to most spheres relating to the establishment of the single market (with the exception of taxation). A Court of First Instance was set up in the Court of Justice, mainly for personal actions.

The Single Act also institutionalized 'political cooperation' in the area of external relations; it forms an integral part of Community action.

European Union

In its own words, the Maastricht Treaty establishing the European Union, which came into force on 1 November 1993, '... marks a new

Single European Act (Preamble — extracts)

(The Heads of State of the 12 Member States of the EC)

- Moved by the will to continue the work undertaken on the basis of the Treaties establishing the European Communities and to transform relations as a whole among their States into a European Union, in accordance with the solemn Declaration of Stuttgart of 19 June 1983,
- Resolved to implement this European Union on the basis, firstly, of the Communities operating in accordance with their own rules and, secondly, of European cooperation among the signatory States in the sphere of foreign policy and to invest this Union with the necessary means of action,
- Determined to work together to promote democracy on the basis of the fundamental rights recognized in the constitutions and laws of the Member States, in the Convention for the Protection of Human Rights and Fundamental Freedoms and the European Social Charter, notably freedom, equality and social justice,
- Convinced that the European idea, the results achieved in the fields of economic integration and political cooperation, and the need for new developments correspond to the wishes of the democratic peoples of Europe, for whom the European Parliament,

elected by universal suffrage, is an indispensable means of expression,

- Aware of the responsibility incumbent upon Europe to aim at speaking ever increasingly with one voice and to act with consistency and solidarity in order more effectively to protect its common interests and independence, in particular to display the principles of democracy and compliance with the law and with human rights to which they are attached, so that together they may make their own contribution to the preservation of international peace and security in accordance with the undertaking entered into by them within the framework of the United Nations Charter,
 - Determined to improve the economic and social situation by extending common policies and pursuing new objectives, and to ensure a smoother functioning of the communities by enabling the institutions to exercise their powers under conditions most in keeping with Community interests,
 - Whereas at their Conference in Paris from 19 to 21 October 1972 the Heads of State or Government approved the objective of the progressive realization of economic and monetary union,
- ... have decided to adopt this Act ...

BUILDING THE EUROPEAN UNION: FROM THE EUROPEAN COMMUNITY TO THE EUROPEAN UNION

stage in the process of creating an ever closer union among the peoples of Europe, in which decisions are taken as closely as possible to the citizen ...'. This union '...shall respect the national identities of its Member States....'

- The Treaty introduces Community citizenship with the right to vote in local and European elections for Community residents in the EC country where they live; the right to petition the European Parliament, to apply to an ombudsman in the event of a dispute with the Community institutions and to request the diplomatic and consular protection of another Member State.

- It strengthens the democratic nature of the European institutions and enshrines the new principle of subsidiarity, according to which what can be done locally, regionally or nationally should not be done at Community level.

- The powers of the European Parliament have been strengthened in a number of areas by means of the 'co-decision' procedure, which allows it to legislate almost on an equal footing with the Council in several fields; the assent procedure has been extended to cover international agreements; its control over the Commission has also been enhanced, as the appointment of Members

Treaty on European Union (extracts)

Article A

By this Treaty, the High Contracting Parties establish among themselves a European Union, hereinafter called 'the Union'.

This Treaty marks a new stage in the process of creating an ever closer union among the peoples of Europe, in which decisions are taken as closely as possible to the citizen.

The Union shall be founded on the European Communities, supplemented by the policies and forms of cooperation established by this Treaty. Its task shall be to organize, in a manner demonstrating consistency and solidarity, relations between the Member States and between their peoples.

Article B

The Union shall set itself the following objectives:

- to promote economic and social progress which is balanced and

sustainable, in particular through the creation of an area without internal frontiers, through the strengthening of economic and social cohesion and through the establishment of economic and monetary union, ultimately including a single currency in accordance with the provisions of this Treaty;

- to assert its identity on the international scene, in particular through the implementation of a common foreign and security policy including the eventual framing of a common defence policy, which might in time lead to a common defence;
- to strengthen the protection of the rights and interests of the nationals of its Member States through the introduction of a citizenship of the Union;
- to develop close cooperation on justice and home affairs;

- to maintain in full the *acquis communautaire* and build on it with a view to considering ... to what extent the policies and forms of co-operation introduced by this Treaty may need to be revised with the aim of ensuring the effectiveness of the mechanisms and the institutions of the Community.

Article F

1. The Union shall respect the national identities of its Member States, whose systems of government are founded on the principles of democracy.

2. The Union shall respect fundamental rights, as guaranteed by the European Convention for the Protection of Human Rights and Fundamental Freedoms signed in Rome on 4 November 1950 and as they result from the constitutional traditions common to the Member States, as general principles of Community law.

European Union

European Community

Treaty of Rome amended by the Single European Act

Democratization of the institutions

Citizenship

New powers

Enhanced powers

Economic and monetary union:

- single currency
- European Central Bank
- single monetary policy
- economic policy coordination

Common foreign and security policy

Common foreign policy:

- systematic cooperation
- joint positions and actions

Common defence policy based on the Western European Union (WEU)

Justice and home affairs

Enhanced cooperation:

- asylum policy
- rules governing the crossing of the external borders of the Member States
- immigration policy
- combating drug addiction
- combating international fraud
- customs, police and judicial cooperation



BUILDING THE EUROPEAN UNION: FROM THE EUROPEAN COMMUNITY TO THE EUROPEAN UNION

of the Commission must now be approved by the Parliament.

- A Committee of the Regions has been set up comprising representatives of the local and regional authorities of the Member States; it is consulted by the Council or the Commission prior to decisions concerning the regions.
- Communications between the Commission and the Parliament have been stepped up.
- Economic and monetary union (EMU), an integral part of the European Community, is to be achieved in three stages in accordance with the procedures and timetable set out in the Treaty.

The first stage began on 1 July 1990 and ended on 31 December 1993.

During this period the following measures were implemented:

- the liberalization of capital movements;
- the completion of the single market;
- the adoption of the Maastricht Treaty;
- the freezing of the composition of the ecu (1 November 1993);
- the first steps towards economic and monetary convergence.

The second stage, which began on 1 January 1994 and will end some time between 1 January 1997 and 31 December 1999, has the following objectives:

- increased convergence of economic and monetary policies;
- the establishment on 1 January 1994 of a European Monetary Institute (EMI), which met for the first time in Frankfurt on 11 January 1994 and is responsible for strengthening monetary policy coordination, promoting the role of the ecu and preparing the way for the creation of a European Central Bank;

Subsidiarity (Extract from the Treaty on European Union)

In areas which do not fall within its exclusive competence, the Community shall take action, in accordance with the principle of subsidiarity, only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member

States and can therefore, by reason of the scale or effects of the proposed action, be better achieved by the Community. Any action by the Community shall not go beyond what is necessary to achieve the objectives of this Treaty.

Main indicators for the Member States of the European Union

	EUR 15	B	DK	D	GR	E	F	IRL
Total population (1 000)	369 121.9 ¹	10 084.7	5 189.4 ¹	80 594.4	10 368.2	39 082.6	57 664.9 ¹	3 563.3
Rate of activity (%)	:	40.6	55.8	49.1	40.2	39.2	44.2	38.0 ²
Unemployment rate (%) ²	:	9.4	10.3	7.2	7.7	21.8	10.8	18.4
Employment in agriculture (%)	:	2.9	5.2	3.7	21.9	10.1	5.9	13.8 ²
Employment in industry (%)	:	30.9	27.4	39.1	25.4	32.7	29.6	28.9
Employment in services (%)	:	66.2	67.4	57.2	52.8	57.2	64.5	57.1
Total taxes and social security contributions (% GDP)	:	45.2 ²	49.1 ²	42.1 ²	:	35.8	43.0 ²	37.1 ²
Agriculture (% GDP)	:	1.8	3.6	1.2	17.0	3.8	3.1	7.6
Industry (% GDP)	:	31.4	27.2	39.4	27.3	34.0	30.9	38.0
Services (% GDP)	:	66.7	69.2	59.3	55.6	62.2	66.0	54.4
GDP per capita (PPS) ²	:	17 946.0	17 815.0	17 147.0	9 999.0	12 330.0	17 434.0	12 833.0
Export/import ratio	:	93.6 ³	116.4	105.0	41.3	70.8	96.5	129.9

¹ Estimation.

² 1993.

³ 1992 including Luxembourg.

– strengthening of economic convergence and the creation of a Cohesion Fund to assist the less prosperous Member States in implementing their convergence programme and reducing the development gap within the Community; national legislation should be amended to grant greater independence to national central banks.

Transition to the third stage will take place some time between 1 January 1997 (and possibly even before then) and 1 January 1999. The ERM will be dissolved and the European Central Bank will be set up to pursue a single monetary policy laid down by the European System of Central Banks (ESCB), composed of the ECB and the national central banks. Exchange rates between the currencies of the countries taking part in the Union will be irrevocably fixed and the ecu will become the single currency of the Union. Before the end of 1996, in the light of such indicators as exchange rates, inflation rates, interest rates and national debt, the European Council will have to decide — by a qualified majority —

The objectives of the common foreign and security policy

- To safeguard the common values, fundamental interests and independence of the Union;
 - To strengthen the security of the Union and its Member States in all ways;
 - To preserve peace and strengthen international security, in accordance with the principles of the United Nations Charter as well as
- the principles of the Helsinki Final Act and the objectives of the Paris Charter;
- To promote international cooperation;
 - To develop and consolidate democracy and the rule of law, and respect for human rights and fundamental freedoms.

which Member States are eligible to join the Union, and will have to set a date for its inception. If such a decision cannot be made before the end of 1997, monetary union will take place on 1 January 1999 at the latest with the countries that fulfil the necessary conditions. For the countries concerned, entry to the Union will be automatic, except for the United Kingdom, which reserves the right not to move to the third phase of EMU and to take the final step only if the UK Parliament votes in favour of so doing. For its

part, Denmark has decided by referendum not to take part in the third phase of EMU, and will not do so unless a new referendum reverses this decision.

- The common foreign and security policy (CFSP) is an extension of the political cooperation practised informally since 1970 and enshrined in the Single Act. The Maastricht Treaty established a single institutional framework for European external relations, namely the European Union. Common foreign and security pol-

Main indicators for the Member States of the European Union

I	L	NL	A	P	FIN	S	UK	
57 057.0 ¹	398.1 ¹	15 290.3	7 986.0 ¹	9 876.1	5 066.5	8 718.6	58 182.0 ¹	Total population (1 000)
40.8	44.0	47.0	46.8	48.2	49.6	51.7	50.0	Rate of activity (%)
11.1	2.6	8.8	3.6	5.1	17.9	8.1	10.4	Unemployment rate (%) ²
7.9	3.1	3.9	7.1	11.5	8.6	3.2	2.2	Employment in agriculture (%)
33.2	29.6	25.2	35.6	32.6	27.8	26.6	30.2	Employment in industry (%)
59.0	67.3	70.9	57.4	56.0	63.5	70.1	67.5	Employment in services (%)
42.3 ²	52.7 ²	47.9 ²	43.0 ²	32.4 ²	47.1	51.9	31.9 ²	Total taxes and social security contributions (% GDP)
3.3	1.7	4.0	3.4 ²	6.3	6.7 ²	3.1 ²	1.5	Agriculture (% GDP)
33.5	35.8	30.9	43.9 ²	39.0	38.0 ²	40.4 ²	34.5	Industry (% GDP)
63.2	62.5	65.1	52.7 ²	54.7	55.3 ²	56.5 ²	64.0	Services (% GDP)
16 228.0	25 422.0	16 308.0	17 718.0	10 934.0	14 387.0	15 822.0 ¹	15 690.0	GDP per capita (PPS) ²
94.5	:	95.3	82.7	60.6	113.2	116.9	84.4	Export/import ratio

¹ Estimation. ² 1993. ³ 1992 including Luxembourg.

icy is determined by the European Council, the European Parliament and the Council of Ministers by qualified majority voting in the Council of Ministers on matters chosen by a unanimous vote of the European Council. In practice, it amounts to an institutionalized form of intergovernmental cooperation covering 'all spheres' of foreign and security policy. The Western European Union (WEU) is responsible for drafting and implementing decisions and actions of the European Union that have defence implications. Such actions will be implemented in compliance with Member States' obligations under the North Atlantic Treaty (NATO).

- Enhanced cooperation in the fields of justice and home affairs is provided for under a procedure enabling the Council of Ministers to adopt joint positions and joint action on matters of common interest such as asylum policy, controls at the external borders of the Union, immigration policy, measures to combat drug addiction and international fraud, and judicial, police and customs cooperation.
- The Treaty on European Union also provides for a broadening of the Community's role in such areas as the environment, social policy, research and development, trans-European networks, telecommunications, health, culture and consumer protection.

The Schengen Agreements

The Schengen Agreement was signed in 1985 by Belgium, France, Germany, Luxembourg and the Netherlands in order to permit the free movement of persons within the context of the single market. In 1990, these same countries signed the Supplementary Convention implementing the agreement. This entered into force on 26 March 1995 and was implemented gradually with a view to the complete elimination, by 1 July 1995, of internal border checks by seven EU Member States (the first five signatories plus

Spain and Portugal). Greece and Italy are due to follow suit at a later stage. Austria, Finland and Sweden have expressed their wish to be party to the Schengen Agreements, while Denmark has requested observer status. The Schengen information system (SIS), which is based in Strasbourg, allows close cooperation between the police and judiciary of the signatory countries thanks to the pooling of information on wanted persons supplied by national police forces.

The convergence criteria

Before moving on to the third stage of EMU, the extent to which each Member State achieves a high degree of sustainable economic convergence will be observed on the basis of a number of criteria:

- **inflation:** it cannot be more than 1.5% higher than the average inflation rate of the three countries with the greatest price stability;
- **public finance:** the national debt cannot exceed 60% and the government deficit 3% of GDP;
- **exchange rate:** must stay within the normal fluctuation bands set by the EMS exchange-rate mechanism for at least two years, with-

out any devaluation of the currency against that of any other Member State;

- **long-term interest rates:** cannot be more than two points higher than those of the three countries with the lowest inflation.

The decision as to whether a given country can progress to the final phase of EMU will be based on an assessment of its compliance with the above criteria, also bearing in mind the trends in such indicators and any exceptional circumstances that might explain a given economic result inconsistent with the above criteria.

The three stages of EMU

1 January 1990

STAGE I

31 December 1993

1 January 1994

STAGE II

31 December 1996

1 January 1997

STAGE III

1 January 1999

STAGE III

Freezing the composition
of the ecu basket

Creation of the EMI

EMI

COMMISSION

report

report

EU COUNCIL

conclusions

EUROPEAN COUNCIL
(qualified majority)

decides

does a majority of the
Member States fulfil
the convergence criteria?

YES

NO

Introduction of single currency
for countries concerned

EMI

COMMISSION

report

report

EUROPEAN COUNCIL
(qualified majority)

on reaching 1 January 1998 deadline

Automatic introduction of single
currency for countries fulfilling
the convergence criteria

THE EUROPEAN UNION AND COOPERATION IN EUROPE

The Member States of the European Union and in some instances the Union itself belong to various international bodies of which other European and Western nations are members: the Council of Europe, the OECD and NATO. Together with most of the members of EFTA, the European Community forms the European Economic Area.

Following the breakdown of their Communist regimes, the European Union has forged links with the countries of Central and Eastern Europe (CEECs), including the countries of the former Soviet Union which now form the Commonwealth of Independent States, both within the Organization for Security and Cooperation in Europe (OSCE) and the framework of aid programmes and cooperation agreements.

The 33 members of the Council of Europe

Belgium	Czech Republic
Denmark	Estonia
Germany	Hungary
Greece	Iceland
Spain	Liechtenstein
France	Lithuania
Ireland	Malta
Italy	Norway
Luxembourg	Poland
Netherlands	Romania
Austria	San Marino
Portugal	Slovakia
Finland	Slovenia
Sweden	Switzerland
United Kingdom	Turkey

Andorra
Bulgaria
Cyprus

Special guests

Albania	Croatia
Belarus	Latvia
Former Yugoslav Republic of Macedonia	Moldova
	Russia
	Ukraine

Council of Europe

The Council of Europe, set up on 5 May 1949, is an intergovernmental organization with a 1995 membership of 33 countries, including the 15 Member States of the European Union. Its headquarters are in Strasbourg and its decision-making body is the Committee of Ministers composed of the ministers of foreign affairs of its 33 member countries. The Parliamentary Assembly, whose members are appointed by the national parliaments, is a consultative body.

According to Article 1 of the Statute, 'the aim of the Council of Europe is to achieve a greater unity between its members for the purpose of safeguarding and realizing the ideals and principles which are their common heritage and facilitating their economic and social progress'.

In promoting cooperation between its member countries, the activities of the Council of Europe may in principle extend to all fields, with the exception of defence. In practice, it operates in three main areas: defend-

ing and fortifying pluralist democracy and human rights, attempting to find solutions to social problems, furthering the growth of a genuine European cultural identity. The major achievement of the Council is the European Convention for the Protection of Human Rights and Fundamental Freedoms, which was signed in Rome in 1950 and came into force in 1953. This established a European Court and Commission of Human Rights in Strasbourg. Most of the signatories to the Convention acknowledge the right of their citizens to make direct appeals to the Commission if they feel that their rights have been violated.

The work of the Council of Europe includes the preparation of conventions, primarily in the areas of cultural and social affairs, health, environmental protection, conserving natural resources, wildlife and natural habitats, combating terrorism, etc. These conventions are binding only after ratification by the member countries.

By opening its arms to the countries of Central and Eastern Europe and the

former USSR, either as members or as special guests, the Council of Europe hopes to play an active part in establishing the principle of the rule of law throughout the continent and safeguard the rights of minorities.

Organization for Economic Cooperation and Development (OECD)

The 15 Member States of the Community are also members of the Organization for Economic Cooperation and Development (OECD), which was created on 14 December 1960 and now has 25 members (Mexico was admitted on 18 May 1994), including the United States of America, Canada and Japan. The purpose of the OECD is to coordinate the economic and social policies of the member countries with the aim of promoting economic well-being and contributing to the harmonious operation of the world economy.

The European Commission regularly participates in the work of the OECD Council. Unanimous agreement is required for Council decisions, which are then binding on the member countries' governments.

North Atlantic Treaty Organization (NATO)

NATO was set up in 1949 to guarantee the security of its member countries through a policy of collective defence. The Organization has 15 members, including 10 of the 15 EU Member States. Ireland is not a member and France, although a member, has taken no part in the integrated defence system since 1966.

The North Atlantic Council, composed of representatives of the 16 governments (including France), defines the policy of the Alliance, which aims not only to ensure collective defence through an integrated weapons

The 25 members of the OECD

Belgium	United Kingdom
Denmark	Australia
Germany	Canada
Greece	Iceland
Spain	Japan
France	Mexico
Ireland	New Zealand
Italy	Norway
Luxembourg	Switzerland
Netherlands	Turkey
Austria	United States of America
Portugal	
Finland	
Sweden	

and command structure but also to contribute to international *détente* by reducing emphasis on military aspects and fostering peaceful cooperation between East and West, especially in the areas of scientific research and environmental protection. These latter aspects have taken on greater prominence since the dissolution of the Warsaw Pact (1 July 1991). Ties between the European Community and the Atlantic Alliance were strengthened in 1994 and are destined to become even closer. The Atlantic Alliance has offered the former Warsaw Pact countries of Central and Eastern Europe a 'partnership for peace', providing for consultation in the event of any threat to the independence and security of these countries, joint military exercises, joint peace-keeping and humanitarian operations, and does not preclude future membership.

Western European Union (WEU)

Some Community Member States also belong to the Western European Union (WEU), set up in 1954 fol-

lowing the collapse of the European Defence Community. It now comprises 10 members and is the only purely European organization involved in defence. The Treaty on European Union entrusts the WEU with drafting and implementing EU decisions and initiatives concerning defence. The WEU is destined to become an essential component of the defence of the European Union and to grow in stature as a means of strengthening the European pillar of NATO. The WEU's operational role has been reinforced by the creation of military units under its direct command, the organization of meetings of commanders-in-chief and closer military cooperation. The EU Member States that do not belong to the WEU are welcome to join the organization or take part as observers.

The 10 members of the Western European Union

Belgium	Italy
Germany	Luxembourg
Greece	Netherlands
Spain	Portugal
France	United Kingdom

Associate members

Iceland	Turkey
Norway	

Observers

Austria	Ireland
Denmark	Sweden
Finland	

Partner-observers

Bulgaria	Lithuania
Czech Republic	Poland
Estonia	Romania
Hungary	Slovakia
Latvia	

THE EUROPEAN UNION AND COOPERATION IN EUROPE

European Free Trade Association (EFTA)

EFTA was set up at the instigation of the United Kingdom in 1960 following the failure of the British proposal for a large free trade area incorporating the European Community. Its composition has changed as a result of the accession of some of its members to the European Community (Denmark and the United Kingdom in 1973 and Portugal in 1986). In 1993, it had a membership of seven.

EFTA has succeeded in eliminating all customs duties and quantitative restrictions on industrial products between member countries and with the European Community, though agricultural products, with some minor exceptions, are excluded from free trade agreements. Trade between the Community and the EFTA countries have always been considerable and accounts for almost a quarter of all Community imports and exports.

European Economic Area (EEA)

The completion of the single European market has brought the EFTA countries face to face with the need to reorganize their relationship with the Community, which explains their desire to be associated with preparations for the single market and the applications of some EFTA countries for EU membership. Negotiations for the creation of a European Economic Area (EEA) got under way in 1989, and led to the signature on 2 May 1992 in Oporto of a Treaty establishing the European Economic Area, which was to come into force on 1 January 1993 and include 19 countries. However a referendum in Switzerland rejected membership of the EEA by a majority of 50.3%, which entailed the temporary and involuntary withdrawal of Liechtenstein. As a result, the EEA, which came into being on 1 January 1994, included only 17 countries with a total population of some 373 million: the 12 Member States of the European Union, Iceland (Liechtenstein effectively joined on 1 January 1995), Austria, Finland, Norway and Sweden. The last four countries had applied to join the EU and the Accession Treaties were signed in June 1994. Since 1 January 1995, three of them — Austria, Finland and Sweden — are members of the EU.

In addition to free trade in industrial products, already established between the EC and EFTA since 1973, the Oporto Treaty extends the 'four freedoms' of the Treaty of Rome — free movement of goods, services, persons and capital — to the EFTA signatories, who incorporate into their national legislation the principal mechanisms of the single market, with a number of exceptions and transitional periods for certain sectors. Special arrangements were agreed for agriculture, fisheries and transport, but the EEA is not a customs union as it does not provide for a common external tariff.

Organization for Security and Cooperation in Europe (OSCE)

The 15 members of the European Union have taken part in the Conference on Security and Cooperation in

The 16 members of the Atlantic Alliance

Belgium	Netherlands
Denmark	Portugal
Germany	United Kingdom
Greece	Canada
Spain	Iceland
France	Norway
Italy	Turkey
Luxembourg	

United States of America

The members of EFTA

1959	1991	1995
Austria	Austria	Iceland
Denmark	Finland	Liechtenstein
Norway	Iceland	Norway
Portugal	Liechtenstein	Switzerland
Sweden	Norway	
Switzerland	Sweden	
United Kingdom	Switzerland	

The members of the European Economic Area (EEA)

Belgium	Luxembourg
Denmark	Netherlands
Germany	Austria
Greece	Portugal
Spain	Finland
France	Sweden
Ireland	United Kingdom
Italy	Liechtenstein
Iceland	Norway

Europe (CSCE), which became the OSCE in 1994, from its inception. The CSCE met for the first time in Helsinki in 1975. This meeting led to the Helsinki Final Act, signed by the 35 countries taking part (all the countries of Europe at the time, except Albania, plus the United States and Canada). This document provides for five-yearly follow-up conferences and expresses, in the form of declarations of intent, the results of negotiations in three fields: security in Europe, economic, scientific, technical and envi-

ronmental cooperation, and human rights.

The Paris summit from 19 to 21 November 1990 acknowledged the changes that had taken place in Central and Eastern Europe in 1989 and 1990 (unification of Germany, collapse of communist regimes and growth of democracy) and confirmed the role of the CSCE as a political framework for peace and harmony in Europe. At the summit, the CSCE was institutionalized through the establishment of new structures and institutions: a Council of Ministers meeting at least once a year; a secretariat-general in Vienna and a secretariat office in Prague; two-yearly follow-up meetings of the member countries; a 'Conflict prevention centre' in Vienna; an 'Office for free elections' in Warsaw; an 'Office for democratic institutions and human rights'. Two permanent political organs are based in Vienna: the Permanent Committee of the CSCE and the Forum for Security Cooperation. Special Committee for Disarmament Negotiations.

The Paris summit also led to the signing of the 'Charter of Paris for a new Europe', which affirmed a desire to cooperate towards protecting human rights, establishing democracy and the rule of law, economic freedom, friendly relations between States and security in Europe and the world, and laid down guidelines for such cooperation in the future. In Paris, the member countries ratified a major agreement on conventional disarmament.

Since the Budapest Conference in November 1994, the CSCE has been known as the Organization for Security and Cooperation in Europe (OSCE).

The OSCE is, above all, a broad forum for international debate and discussion, which produces statements of principle. It has few means of action, its operations being mainly confined to observation missions, but it plays an important role in the prevention of conflicts and the management of crises, particularly through its special powers in the field of preventive diplomacy.

Treaty of Oporto (preamble extracts)

(The EEC, the ECSC, the 12 Member States of the EEC and Austria, Finland, Iceland, Liechtenstein, Norway, Sweden and Switzerland)

- Determined to contribute, on the basis of a market economy, to worldwide trade liberalization and cooperation, in particular in accordance with the provisions of the General Agreement on Tariffs and Trade and the Convention on the Organization for Economic Cooperation and Development;
- Considering the objective of establishing a dynamic and homogeneous European Economic

Area, based on common rules and equal conditions of competition and providing for the adequate means of enforcement including at the judicial level, and achieved on the basis of equality and reciprocity and of an overall balance of benefits, rights and obligations for the Contracting Parties;

- Determined to provide for the fullest possible realization of the free movement of goods, persons, services and capital within the European Economic Area, as well as for strengthened and

broadened cooperation in flanking and horizontal policies;

- Aiming to promote a harmonious development of the European Economic Area and convinced of the need to contribute through the application of this Agreement to the reduction of economic and social regional disparities;

Have decided to conclude the following agreement:

THE EUROPEAN UNION AND COOPERATION IN EUROPE



Preamble to the Charter of Paris of 21 November 1990 (extracts)

We, the Heads of State or Government of the States participating in the Conference on Security and Cooperation in Europe, have assembled in Paris at a time of profound change and historic expectations. The era of confrontation and division of Europe has ended. We declare that henceforth our relations will be founded on respect and cooperation ...

Ours is a time for fulfilling the hopes and expectations our peoples have cherished for decades: steadfast commitment to democracy based on human rights and fundamental freedoms, prosperity through economic liberty and social justice and equal security for all our countries ...

The members of the OSCE Organization for Security and Cooperation in Europe (1994)

Belgium	Cyprus
Denmark	Czech Republic
Germany	Estonia
Greece	Georgia
Spain	Hungary
France	Kazakhstan
Ireland	Kyrgyzstan
Italy	Latvia
Luxembourg	Lithuania
Netherlands	Malta
Austria	Moldova
Portugal	Monaco
Finland	Poland
United Kingdom	Romania
Iceland	Russia
Liechtenstein	San Marino
Norway	Slovakia
Sweden	Slovenia
Switzerland	Tadjikistan
Albania	Turkey
Armenia	Turkmenistan
Azerbaijan	Ukraine
Belarus	United States of America
Bosnia-Herzegovina	Uzbekistan
Bulgaria	Vatican
Canada	Yugoslavia (suspended)
Croatia	

The Former Yugoslav Republic of Macedonia (FYROM) is an observer. Japan takes part in the work of the OSCE as a non-participant State.

Following the admission of the Central and East European countries, Russia and all the other members of the CIS, the OSCE had 52 members in 1994 (the Yugoslav Federal Republic, i.e. Serbia and Montenegro, has been suspended since 1993). The European Union is represented in the OSCE in its own right.

Since the collapse of Comecon (28 July 1991) and the Warsaw Pact (1 July 1991), the Central and East European countries (CEECs) have viewed the European Community as a host organization that could offer assurance against a return of the old order, a guarantee of economic development and a means of avoiding the potential disruption of ethnic disorder.

For such reasons, the majority have expressed a desire to join the European Union.

As early as 1989, the European Community decided to help the CEECs and the members of the CIS (Commonwealth of Independent States, which replaced the Soviet Union after the fall of communism in December 1991) in their transition to a market economy, their economic development and the consolidation of democracy. The EU's financial aid and technical assistance to these countries takes the form of the PHARE and TACIS programmes and association and partnership agreements (see Sections 18.1 and 18.2).

Main indicators for non-EU countries in Western Europe in 1993

	EEA and EFTA members			EFTA Member
	Iceland	Norway	Liechtenstein	Switzerland
Total area (1 000 km ²)	103.0	323.9	0.2	44.3
Total population (1 000)	261.1	4 312.0	30.3	6 938.3
Population density (inhabitant/km ²)	2.6	13.4	189.0	168.8
Life expectancy (male) ¹	76.7	74.2	66.0	74.3
Life expectancy (female) ¹	80.7	80.3	72.0	81.2
Population in general education (1 000)	56.0 ²	712.0	4.0	1 168.0
Higher education graduates (1 000)	:	72.3 ²	:	28.0 ¹
Employment in agriculture (% of total employment)	9.2	5.5	1.7	5.6 ¹
Employment in industry (% of total employment)	17.9	16.9	41.0	24.7 ¹
Employment in transport (% of total employment)	6.7	7.9	3.3	6.2 ¹
Employment in market services (% of total employment)	29.0	30.8	36.1	44.6 ¹
Employment in non-market services (% of total employment)	37.3	38.7	18.0	19.0 ¹
Unemployment rate (%)	5.3	6.2	0.0	4.4
Imports from EUR 12 (million ECU)	558.0	10 125.0	:	38 450.0
Total imports (million ECU)	1 153.0	20 799.0	:	52 971.0
Exports to EUR 12 (million ECU)	715.0	18 400.0	:	31 246.0
Total exports (million ECU)	1 195.0	27 608.0	1 204.0	55 116.0
GDP (billion ECU)	5.2	88.3	1.0 ⁵	186.8 ¹
GDP per capita (PPS)	17 542.0	18 034.0	25 453.0 ⁵	21 288.0 ¹
Agriculture (% of GDP)	12.5 ³	2.9 ³	:	3.3 ⁴
Industry (% of GDP)	20.9 ³	32.1 ³	:	25.7 ⁴
Services (% of GDP)	58.7 ³	61.4 ³	:	63.2 ⁴
Construction (% of GDP)	7.9 ³	3.6 ³	:	8.1 ⁴

¹ 1992. ² 1991/92. ³ 1991. ⁴ 1990. ⁵ 1988.

THE ENLARGEMENT OF THE EUROPEAN UNION BY THREE NEW MEMBER STATES

Even before their accession, the new Member States — Austria, Finland and Sweden — had very close economic links with the European Union, which greatly facilitated the membership negotiations. They were members of the European Free Trade Association (EFTA), which had free trade agreements with the Community covering most industrial products, but excluding agricultural products, and carried out a significant proportion of their trade with the EC (in the region of 55 to 60% in 1990).

These three countries were also signatories to the Oporto Treaty (1992) establishing the European Economic Area (EEA), which came into being on 1 January 1994. As members of this group, they embraced the four freedoms set out in the Treaty of Rome — free movement of goods, people, services and capital — and incorporated the main mechanisms of the single market into their national legislation.

Four countries considered joining the European Union for a number of reasons, chief among which was the desire to participate in taking decisions regarding the single market that concerned them directly. They applied to do so in 1992, negotiations concerning the enlargement of the Union got under way on 1 February 1993 for Austria, Finland and Sweden and on 5 April 1993 for Norway, which had submitted its application somewhat later. The

Extracts from the Act concerning the conditions of accession ... of the Republic of Austria, the Republic of Finland and the Kingdom of Sweden and the adjustments of the Treaties on which the Union is founded.

Part one - Principles

Article 2

From the date of accession, the provisions of the original Treaties and the acts adopted by the institutions before accession shall be binding on the new Member States and shall apply in those States under the conditions laid down in those Treaties and in this Act.

Article 3

The new Member States undertake in respect of those conventions or instruments in the field of justice and home affairs which are inseparable

from the attainment of the objectives of the EU Treaty:

- to accede to those which, by the date of accession, have been opened for signature by the present Member States, and to those which have been drawn up by the Council ... and recommended to the Member States for adoption;
- to introduce administrative and other arrangements, such as those adopted by the date of accession by the present Member States or by the Council, to facilitate practical cooperation between Member States' institu-

tions and organizations working in the field of justice and home affairs.

Article 4

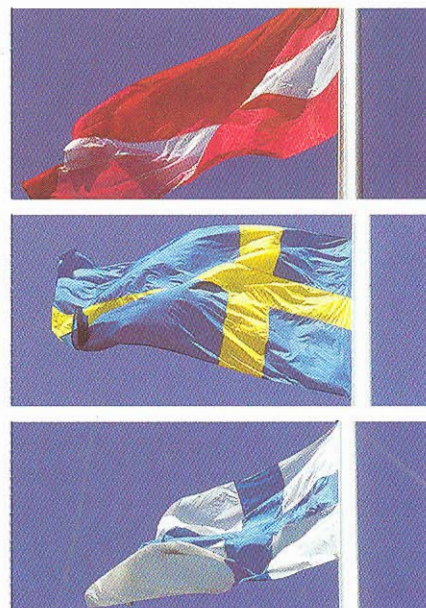
1. The new Member States accede by this Act to the decisions and agreements adopted by the Representatives of the Governments of the Member States meeting within the Council. They undertake to accede from the date of accession to all other agreements concluded by the present Member States relating to the functioning of the Union or connected with the activities thereof ...

negotiations were completed in March 1994 (1 and 16 March) and the Accession Treaties were officially signed in Corfu on 24 June 1994 at the meeting of the European Council. Three countries ratified the treaties by popular vote: Austria on 12 June, Finland on 16 October and Sweden on 13 November 1994, and they became full members on 1 January 1995. On 28 November 1994, the Norwegian people rejected EU membership for the second time by referendum.

The new members of the Union are relatively sparsely populated countries with high standards of living, very advanced social legislation, highly developed and diversified industry and much concern about environmental protection, but whose agriculture, owing to geographical conditions, requires considerable support. As net contributors to the Community budget, the three new Member States enhance the economic and political importance of the European Union.

With the addition of the three new members, the European Union grew on 1 January 1995 by 871 000 km² to a total of 3 235 000 km². Its population rose by 21.6 million to a total of 369.1 million inhabitants; however, population density fell from 147 to 114 inhabitants per km².

In the Accession Treaties, the new members accept all the legislation and institutions of the European Union. What has come to be known as the *acquis communautaire* is applied by them from the moment of their membership of the Union. However, exceptions and adjustments concerning certain details are provided for, generally for a transitional period that varies from one to five (and exceptionally six) years.



The *acquis communautaire*

The expression *acquis communautaire* designates first and foremost the Community legislation underpinning the four freedoms set out in the Treaty of Rome, which form the basis for the single market:

- free movement of goods through the elimination of technical barriers to trade (introduction of Community standards, eradication of monopolies, opening up of public procurement contracts), and the introduction of a common customs tariff;
- free movement of services (banking and financial services, information and telecommunications, transport);
- free movement of capital (introduction of uniform conditions governing investment and capital transfers for all individuals and companies in the Community);
- free movement of persons (freedom to work in another EU country, recognition of qualifications, non-discrimination in employment, social life, security, etc.).

THE ENLARGEMENT OF THE EUROPEAN UNION BY THREE NEW MEMBER STATES

Extracts from the Joint Declaration on common foreign and security policy

1. The Union notes the confirmation by ... Austria, Finland and Sweden of their full acceptance of the rights and obligations attaching to the Union and its institutional framework known as the *acquis communautaire*, as it applies to present Member States. This includes in particular the content, principles and political objectives of the Treaties, including those of the Treaty on European Union.

The Union and ... the Republic of Austria, the Republic of Finland and the Kingdom of Sweden agree that:

- accession to the Union should strengthen the internal coherence of the Union and its capacity to act effectively in foreign and security policy;
- the new Member States will, from the time of their accession, be ready and able to participate fully and actively in the common foreign and security policy as defined in the Treaty on European Union.

It also designates the measures relating to the various common policies: the common agricultural policy, the common fisheries policy, the structural policy and funds, the common transport policy, the social policy, the environment policy, the Third World development aid policy, etc.

The new Member States also subscribe to the provisions of the Maastricht Treaty concerning economic and monetary union and the introduction of a single currency, the common foreign and security policy (CFSP), cooperation in the sphere of justice and home affairs, and European citizenship.

Transitional measures

Generally speaking, these are temporary exemptions from Community rules granted to certain new Member States to allow for special circumstances relating to the position, topography, climate or history of the country in question. They cover, in particular:

- *the free circulation of goods*: in a limited number of well-defined cases, national rules may be maintained for a period of four years in order to preserve high safety, health or environmental standards; such exceptions concern the packaging, labelling, sale and use of certain chemical products, pesticides, fertilizers or batteries, certain regulations in the veterinary and plant health field, pollution standards for certain motor vehicles, etc.;
- *competition*: in the Scandinavian countries, the retailing of alcoholic beverages is allowed to remain a State monopoly provided there is no discrimination against similar products from other Member States; Austria enjoys similar exemptions for tobacco;

- *the environment*: national legislation may be maintained for a period of two or four years for the protection of certain animal species, waste regulations, the content of certain chemical products in fuels, etc.; Community standards will be reviewed within five years for the purpose of harmonization; for Austria, the agreement restricting, from 1 January 1993, the number of heavy goods vehicles allowed to transit through the country was extended (automatic extension from 1995 to 1998, semi-automatic for the following three years);

- *energy*: in the nuclear energy field, while Euratom is responsible for monitoring the transport and safety of nuclear materials, each new Member State is free to decide on its generation of nuclear power;

- *agriculture*: in all three countries, agriculture has had to adapt to difficult geographical conditions (mountain and Arctic regions) and enjoys a high degree of national protection; national support is therefore to be phased out over a period of five years and compensated by a contribution from the Community budget; technical arrangements for agricultural markets and a new structural funds objective will facilitate full and effective integration into the CAP;

- *direct taxes and duties*: the two Scandinavian countries may maintain quantitative limits on tax-free imports of tobacco, spirits, wines and beer by persons travelling from other EU countries that are lower than those allowed by Community regulations; all three countries are allowed to maintain VAT exemptions on various goods and services, such as public health care

in Austria, cinema tickets in Sweden, etc.

Special agreements

These concern:

- the Lapp people, whose territory extends from Finland into Sweden (and Norway) and who may be granted exclusive rights to raise reindeer and maintain their traditional way of life;
- the Åland islands belonging to Finland, which, by virtue of their special status based on a 1921 decision of the League of Nations, enjoy exemptions concerning the right of establishment, the property rights of foreigners and indirect taxation.

The Structural Funds

The new members of the Union receive credits from various funds to promote economic and social cohesion. The areas eligible for the five priority objectives defined in 1993 were decided before enlargement. When the Austrian Accession Treaty

was drafted, the Burgenland region was declared eligible for Objective 1. A new priority objective (No 6) was established for the sparsely populated regions of Finland and Sweden north of the 62nd parallel (eight or fewer inhabitants per km²), and these areas will receive up to ECU 741 million over the 1995 to 1999 period.

Contributions to the Union budget

Having accepted the *acquis communautaire*, the new Member States participate to the full in financing the Union's expenses and contribute to the European Union's own budget resources raised from VAT, customs duties and contributions calculated on the basis of GDP, etc. However, each country receives compensation in decreasing monthly amounts for four years up to a total of ECU 2 559 million. In addition, the Union budget will cover any outstanding payments due from the new members within the framework of the EEA.

FURTHER READING

Eurostat publications

Basic statistics of the European Community, annual
Eurostatistics, monthly
Eurostat yearbook 1995

European documentation

Europe on the move
The European Community in the 1990s
From single market to European Union
European Union
Questions and answers about the European Union
The enlargement of the European Union
Economic and monetary union
The single market
The European Economic Area
The European Community and its eastern neighbours

Electronic products

Eurostat CD
New CRONOS database

Other publications

Internal market — annual reports
Internal market — implementing measures
Info 92 — completing the single market (six volumes)

GLOSSARY

Freetrade area

An area comprising a number of countries that have entered into reciprocal freetrade agreements within which goods (with the possible exclusion of certain products) can be traded free of quotas and customs duties or at reduced tariffs.

Customs union

In a customs union, customs duties are abolished as between member countries, which means that all goods can be freely imported and exported without quotas, and a common external tariff is established for goods imported from non-member countries.

Single market

An economic area within which persons, goods, services and capital have unrestricted freedom of movement, which entails the elimination not only of customs barriers, but also of technical, tax and legislative obstacles.

Approximation of laws

Approximation of national laws, regulations and administrative provisions that have a direct impact on the establishment or operation of the common market. The Council, acting by a qualified majority on a proposal from the Commission and in cooperation with the European Parliament and after consulting the Economic and Social Committee, adopts measures concerning the approximation of laws on the internal market, except where otherwise provided in the Treaty.

Schengen Convention

The Schengen Convention provides for the free movement of persons from 26 March 1995 between the territories of seven signatories: Germany, Belgium, Spain, France, Luxembourg, the Netherlands and Portugal.

FOR FURTHER INFORMATION

Eurostat Information Office

Jean Monnet Building
Office 83/089
L2920 Luxembourg
Tel. (352) 4301 34567
Fax (352) 43 64 04

Data shop

Office 3/235
Rue de la loi 130
B-1049 Brussels
Tel. (32-2) 299 66 66
Fax (32-2) 295 01 25

Referendums on EU membership

Country	Date	Turnout (%)	Yes (%)	No (%)
Austria	12.6.1994	82.3	66.6	33.4
Finland	16.10.1994	74.0	57.0	43.0
Sweden	13.11.1994	83.3	52.3	46.8
Norway	28.11.1994	88.6	47.8	52.2

THE EUROPEAN UNION'S INSTITUTIONS

The Community's institutional system is unlike any other: the European Union is much more than an intergovernmental organization, since it has a legal personality of its own together with far-reaching powers, but it is not a federation, in which the national governments and parliaments are subordinate to central federal institutions.

What makes for the uniqueness and effectiveness of the Community's institutional system is the sharing of tasks between the Commission, responsible for tabling proposals in the general interest, and the Council, which has the decision-making power. The European Parliament plays an increasingly active role in the dialogue between these two institutions. This system



ensures that account is taken of all the interests and problems of the Member States, irrespective of their relative size and economic strength.

The Treaties of Paris and Rome established three Communities: the ECSC, the EEC and Euratom. Initially some of their institutions were separate — each Community had its own Commission (called the High Authority in the case of the ECSC) and a separate Council of Ministers — but they also had a common Parliamentary Assembly and Court of Justice. In 1967, the separate institutions merged to form a single Commission and a single Council for the three Communities.

The subsequent enlargements from six to 12 Member States changed the composition of the institutions but not their structure or their powers. The Single European Act, however, gave the Community wider powers and introduced major changes in the way the European institutions operate and their relations with one another. It went beyond the mainly economic scope of the Paris and Rome Treaties and paved the way for the European Union, which was established on 1 November 1993. The scope of the European Union, which is based on the European Communities, extends to political cooperation and cooperation in the spheres of home affairs and justice and covers the implementation of economic and monetary union. This broadening of scope has led to major institutional changes, mainly to the benefit of the European Parliament and the Court of Auditors, which has become one of the institutions, and a Committee of the Regions has been set up. The common foreign and security policy (CFSP), like justice and home affairs, is conducted via intergovernmental cooperation, but it is managed by the Council assisted by the Commission and in consultation with the Parliament. The enlargement of the European Union in 1995 led to a change in the composition of the institutions; however, a thoroughgoing review of the whole Community system is scheduled in the Maastricht Treaty for 1996.

THE EUROPEAN UNION'S INSTITUTIONS

The European Council	The Council of the European Union	The Commission	The European Parliament
The European Council gives the Union the impetus necessary for its development and lays down general political guidelines.	The Council represents the interests of the Member States and is the Union's legislature. It is assisted in its work by Coreper (Committee of Permanent Representatives of the Member States to the Communities).	The Commission has the well-nigh exclusive right to table legislation. It endeavours to ensure compliance with the provisions of the Treaties and other Community legislation and is responsible for the implementation of Community policies.	The Parliament has the right to request that the Commission put forward a proposal. The appointment of the Commission is subject to its approval. It monitors the Commission, takes part in the legislative process by means of the co-decision procedure, participates in drafting the budget and monitors Community expenditure.
The Court of Justice	The Court of Auditors	The Economic and Social Committee	The Committee of the Regions
The Court of Justice monitors the lawfulness of the Community's acts and organs and the Member States' compliance with Community law.	The Court of Auditors provides the Council and the Parliament with a statement of the reliability and exactitude of the accounts and the lawfulness of the underlying transactions. It submits a report on the financial year just ended and assists the Council and the Parliament in monitoring and implementing the budget.	The ESC has a consultative role. It can deliver an opinion on its own initiative.	The Committee of the Regions has a consultative role. It can deliver an opinion on its own initiative.

Locations

The European Council meeting in Edinburgh in December 1992 confirmed the seats of the European institutions.

The extraordinary meeting of the European Council on 29 October 1993 in Brussels devoted to the implementation of the Treaty on European Union decided on the locations of the new European agencies.

The location of the three principal institutions of the European Union was confirmed in 1992:

The European Parliament

- Strasbourg for its monthly plenary part-sessions, including the budget session;
- Brussels for additional plenary sessions and for committee work;
- Luxembourg for the secretariat.

The Council of the European Union

- Brussels;
- sessions in Luxembourg in April, June and October.

The European Commission

- Brussels, with certain departments in Luxembourg (including Eurostat and the Publications Office).

Other locations



THE COMMISSION

The European Commission is responsible for both proposing and implementing Community policy. It is the driving force behind the European Community, manages the common policies, implements the budget and directs the administration.

Composition

The Commission has 20 Members, appointed by common agreement of the 15 governments of the Member States generally for a renewable four-year term of office. Since 1995, the European Parliament is consulted before the governments nominate the future president of the Commission, and the Commission (President and Members following nomination) is subject as a body to a vote of approval by the Parliament before being appointed by common agreement of the governments. The term of office of the Commission has been extended to five years. The Commissioners undertake during their period of office to be completely independent in the performance of their duties of both the governments and the Council, which cannot dismiss the Commission. Only the adoption of a censure motion by the European Parliament can bring about the collective resignation of the Commission, which is then replaced. This procedure has so far never been used.

There are two Commissioners each for France, Germany, Italy, Spain and the United Kingdom and one for each of the other Member States. Each Commissioner is responsible for a portfolio and has authority over one or more Directorates-General.

The Commission meets in Brussels every week. Its departments, with a staff of about 17 000, are divided between Brussels, Luxembourg and a number of external locations.

Powers

The Commission is the guardian of the Treaties and sees to it that both their provisions and those adopted by the Community institutions are properly implemented. If a Member State fails to fulfil its obligations under the Treaties, the Commission, after an objective investigation, calls on the country concerned, under the supervision of the Court of Justice, to take the necessary measures to rectify the situation.

The Commission initiates Community policy: it draws up proposals for Community legislation, which it presents to the Council of Ministers. It draws up the budget of the European Union, which is established by the Council of Ministers and forwarded to the European Parliament. It draws up reports on the economic, social and legal situation in the Union and in particular an annual general report, which it presents to the Parliament.

The Commission is the executive body of the European Communities. By virtue of the executive powers conferred on it by the Treaties and by the Council, it:

- adopts implementing regulations for the provisions of the Treaties and those adopted by the Council for implementing the various Community policies;
- applies the rules of the Treaties to individual cases involving governments, businesses or private individuals;

Presidents of the Commission

1958-67

Walter HALLSTEIN (D)

1967-70

Jean REY (B)

1970-72

Franco Maria MALFATTI (I)

1972-73

Sicco MANSHOLT (NL)

1973-77

François-Xavier ORTOLI (F)

1977-81

Roy JENKINS (UK)

1981-85

Gaston THORN (L)

1985-95

Jacques DELORS (F)

1995-

Jacques SANTER (L)

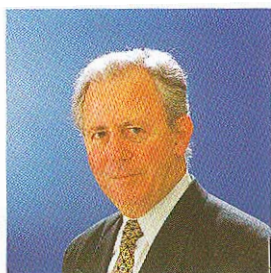
- administers the 'safeguard clauses', under which, in exceptional cases and for a limited period, exemptions to the rules of the Treaties may be granted;
- administers Community funds such as the European Social Fund (ESF), the European Agricultural Guidance and Guarantee Fund (EAGGF), the European Regional Development Fund (ERDF) and the European Development Fund (EDF), the Cohesion Fund set up under the Maastricht Treaty and the resources intended to finance the official operations of the European Union; the Commission also administers the assistance programmes (PHARE and TACIS) for the Central and East European countries and the CIS;
- negotiates, on behalf of the European Union, agreements on mat-

ters falling within the Union's field of competence (in particular trade agreements) and represents the Union in international organizations (GATT, OECD, ILO, etc.).

The Commission is assisted in its many tasks by a large number of committees set up by Community legislation and working parties comprising representatives of the Member States' governments.

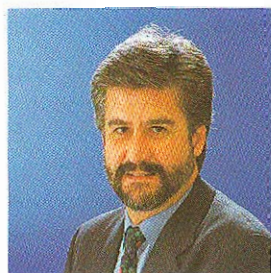


SPECIAL RESPONSIBILITIES OF THE MEMBERS OF THE COMMISSION



President
Jacques SANTER (L)

- Secretariat-General
- Legal Service
- Security Office
- Forward Studies Unit
- Inspectorate-General
- Joint Interpreting and Conference Service
- Spokesman's Service
- Monetary matters (with Mr de Silguy)
- Common foreign and security policy (CFSP) and human rights (with Mr Van den Broek)
- Institutional matters and Intergovernmental Conference (with Mr Oreja)



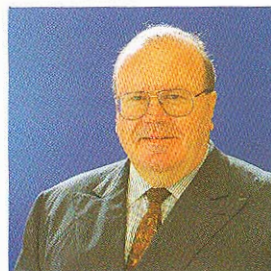
Vice-President
Manuel MARIN (E)

- External relations with southern Mediterranean countries, the Middle and Near East, Latin America and Asia (except Japan, China, Korea, Hong Kong, Macao and Taiwan), including development aid



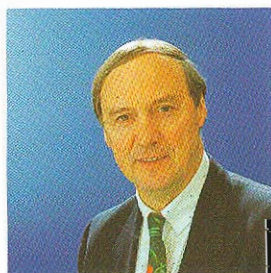
Vice-President
Sir Leon BRITTAN (UK)

- External relations with North America, Australia, New Zealand, Japan, China, Korea, Hong Kong, Macao and Taiwan
- Common commercial policy
- Relations with the OECD and WTO



Martin BANGEMANN (D)

- Industrial affairs
- Information and telecommunications technologies



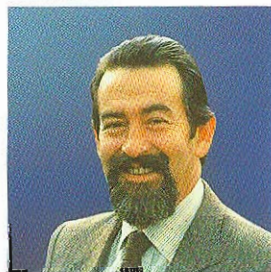
Karel VAN MIERT (B)

- Competition



Hans VAN DEN BROEK (NL)

- External relations with the countries of Central and Eastern Europe (CEECs), the former Soviet Union, Mongolia, Turkey, Cyprus, Malta and other European countries
- Common foreign and security policy (CFSP) and human rights (in agreement with the President)
- External diplomatic missions



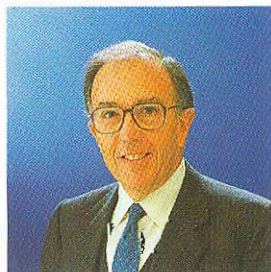
João de Deus PINHEIRO (P)

- External relations with the African, Caribbean and Pacific (ACP) countries and South Africa, including development aid
- Lomé Convention



Pádraig FLYNN (IRL)

- Employment and social affairs
- Relations with the Economic and Social Committee



Marcelino OREJA (E)

- Relations with the European Parliament
- Relations with the Member States (transparency, communication and information)
- Culture and audiovisual policy
- Publications Office
- Institutional matters and preparations for the 1996 Intergovernmental Conference (in agreement with the President)



Édith CRESSON (F)

- Science, research and development
- Joint Research Centre
- Human resources, education, training and youth



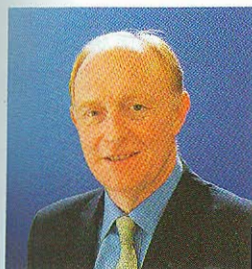
Ritt BJERREGAARD (DK)

- Environment
- Nuclear safety



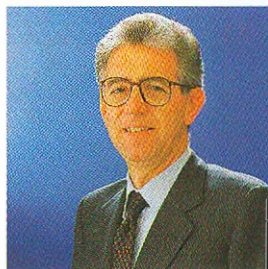
Monika WULF-MATHIES (D)

- Regional policies
- Relations with the Committee of the Regions
- Cohesion Fund (in agreement with Mr Kinnock and Mrs Bjerregaard)



Neil KINNOCK (UK)

- Transport (including trans-European networks)



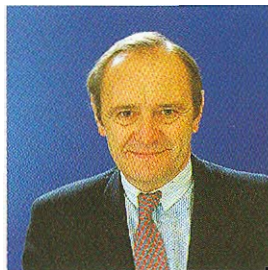
Mario MONTI (I)

- Internal market
- Financial services and financial integration
- Customs
- Taxation



Emma BONINO (I)

- Consumer policy
- European Community Humanitarian Office (ECHO)
- Fisheries



Yves-Thibault de SILGUY (F)

- Economic and financial affairs
- Monetary matters (in agreement with the President)
- Credit and investments
- Statistical Office



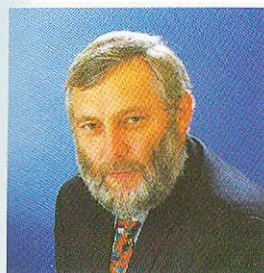
Christos PAPOUTSIS (GR)

- Energy and Euratom Supply Agency
- Small and medium-sized enterprises (SMEs)
- Tourism



Anita GRADIN (S)

- Immigration, justice and home affairs
- Relations with the Ombudsman
- Financial control
- Fraud prevention



Franz FISCHLER (A)

- Agriculture and rural development



Erkki LIIKANEN (FIN)

- Budget
- Personnel and administration
- Translation and in-house computer services

THE COUNCIL

Community legislation

Under the Treaty of Paris establishing the ECSC, the Commission plays a vital role in matters concerning coal and steel. It is empowered to:

- take decisions, which must be applied as they stand by the Member States;
- make recommendations, which are binding as to the aims to be pursued but leave the Member States the choice of how to apply them;
- deliver opinions, which have no binding force.

Under the Treaties of Rome (EEC and Euratom), both the Council and, for implementing measures, the Commission are empowered to:

- adopt regulations, which are directly applicable in all Member States, and directives, which are binding on Member States as to the result to be achieved but leave them the choice of form and methods of application;
- take decisions, which are binding and are addressed to a government, a company or a private individual;
- make recommendations and deliver opinions, which are not binding.

ECSC legislative procedure is thus different from that of the EEC.

The European Council is the supreme body of the European Union and brings together the Heads of State or Government.

The Council of the European Union is the Union's principal decision-making body and acts alone or jointly with the European Parliament. It brings together, at regular intervals, the representatives of the Member States at ministerial level and its composition varies according to the agenda.

The European Council

The idea of a European Council meeting on a regular basis took shape at the Paris summit in December 1974. From the March 1975 meeting in Dublin to the European Council meeting in Essen in December 1994, the European Council has met 59 times.

The Treaty on European Union officially established the European Council as an institution. It states that the European Council should meet at least twice a year and bring together the Heads of State or Government and the President of the Commission. They are assisted by the Member States' Ministers for Foreign Affairs and a Member of the Commission.

The European Council is presided by the Head of State or Government of the Member State which holds the Presidency of the Council.

The European Council is the organ that gives the European Union its political impetus and defines its general political guidelines.

The Council of the European Union

The Council of the European Union is made up of a representative of each Member State at ministerial level, authorized to commit the government of that Member State.

Pursuant to a decision taken by the representatives of the governments

of the Member States on 12 December 1992, the Council is based in Brussels. However, it holds its April, June and October sessions in Luxembourg and, by unanimous decision in exceptional circumstances, it may opt to meet elsewhere.

The 'General Council', which meets once a month and is composed of the Ministers for Foreign Affairs, deals with external relations and major political questions. For discussions on specialized matters (agriculture, economic and financial matters, environment etc.) the Council is composed of the ministers responsible for the field in question. The frequency of such specialist meetings varies with the subject matter.

The Commission is free to attend Council meetings, but the Council may opt to discuss matters *in camera*. The members of the Council and the Commission may be accompanied by the officials who assist them.

The Presidency of the Council is held by each Member State in turn. The Presidency will be exercised by Spain during the second half of 1995 and will thereafter rotate at half-yearly intervals in the following order: Italy, Ireland, the Netherlands, Luxembourg, the United Kingdom, Austria, Germany, Finland, Portugal, France, Sweden, Belgium, Spain, Denmark and Greece. The Council, acting unanimously at the proposal of the Mem-

ber States concerned, may decide that a Member State should exercise the Presidency out of turn.

The Council of the European Union acts by a majority that varies with the field in question. On Community matters, Article 148 of the EC Treaty states the general rule that the Council shall act by a simple majority of its members. However, in the vast majority of cases, the Treaty calls for a qualified majority, for which purpose the Member States are weighted (see Table right). With the accession of three new Member States (Sweden, Finland and Austria), the qualified majority is set at 62 votes where the decision is taken at the proposal of the Commission and, in all other cases, 62 provided at least 10 Member States are in favour.

Following the adoption of the Single European Act, and more recently the Treaty on European Union, unanimity has become the exception in Community matters. However, it has been maintained in certain sensitive areas (such as taxation) and it is still the rule where the Council amends the Commission's proposal.

In the ECSC field — with the exception of the special procedure for budgetary matters — Council decisions other than those requiring a qualified majority or unanimity are taken by a majority of the members of the Council. Such a majority is deemed to have been achieved if the votes of an absolute majority of the representatives of the Member States include those of the representatives of two Member States each producing at least one ninth of the value of the Community's total coal and steel production.

As regards the second and third fields: common foreign and security policy (CFSP) and cooperation in

Qualified majority in the Council of the European Union

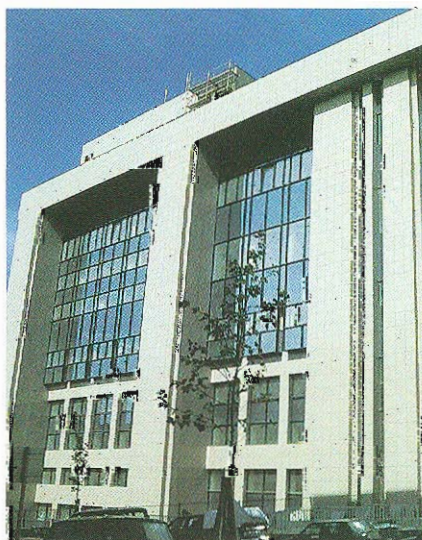
	Number of votes
B	5
DK	3
D	10
GR	5
E	8
F	10
IRL	3
I	10
L	2
NL	5
A	4
P	5
FIN	3
S	4
UK	10
Total	87
Qualified majority	62

the spheres of justice and home affairs (JHA), the general rule is that the Council acts by unanimous vote. However, in certain cases, it must decide (unanimously) that certain matters may be decided by qualified majority.

The Council of the European Union has general decision-making powers as regards the implementation of the objectives of the Treaty. It delegates to the Commission power to implement the rules that it lays down. In certain cases it may reserve the right to exercise executive powers directly.

Alongside the Commission, it is the guarantor of consistency and continuity in the external actions of the Union, particularly through the Presidency of the Council, which plays a central role.

The Council takes on the central role in the common foreign and security policy and cooperation in the sphere of justice and home affairs.



THE EUROPEAN PARLIAMENT



The European Parliament is associated with the legislative process, it has budgetary powers and is the Community's supervisory body. Although its powers have been significantly strengthened by the Maastricht Treaty, they are nevertheless more limited than those of parliaments in parliamentary democracies.

Composition

Since 1979, the 626 Members of the European Parliament (1995 figure) have been elected by direct universal suffrage according to the voting systems applicable in the various Member States (i.e. proportional representation except in the United Kingdom, where there is majority voting). The number of seats allocated to each Member State is mainly a function of the size of its population and was increased for the Parliamentary elections of 1994 to allow, in particular, for German unification and again in 1995 with the accession of new Member States

to the European Union. European Parliament elections take place every five years.

MEPs are grouped not by nationality but by political affiliation, and there are at present nine political groups. The Parliament is headed by a Bureau composed of a President and 14 Vice-Presidents elected by the Members.

Following the decisions of the European Council meeting in Edinburgh in 1992, the Parliament is based in Strasbourg, where it holds its 12 monthly plenary part-sessions, including the budget session. Additional plenary sessions are held in Brussels, where its committees also meet, and its Secretariat and staff are based in Luxembourg.

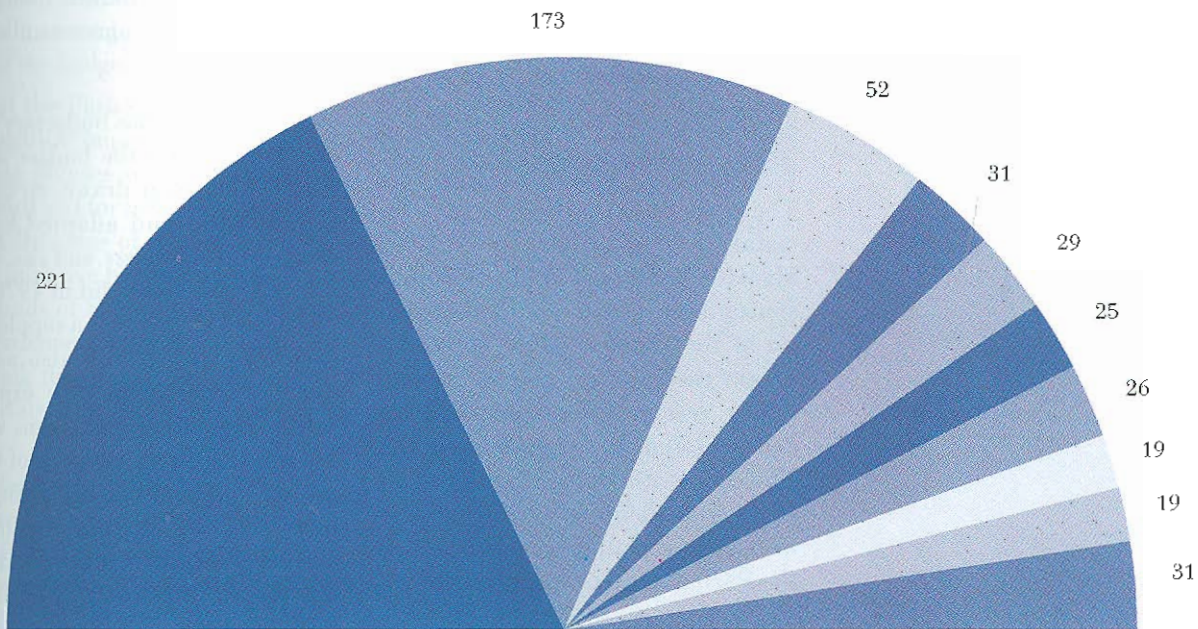
Number of seats in the European Parliament

Belgium	25
Denmark	16
Germany	99
Greece	25
Spain	64
France	87
Ireland	15
Italy	87
Luxembourg	6
Netherlands	31
Austria	21
Portugal	25
Finland	16
Sweden	22
United Kingdom	87
Total	626

The Parliament's powers

Since the adoption of the Single European Act and the Maastricht Treaty, the Parliament has real legislative powers via the co-decision and assent procedures, and, in certain fields, what is called the 'cooperation' procedure. The co-decision procedure enables the Parliament to adopt regulations, directives or other acts jointly with the Council on a wide range of important matters, such as the administration of the internal market, the free movement of workers and freedom of establishment, research, the environment, consumer affairs, trans-European networks, culture, education, public health, etc. The power of assent,

**Political composition of the European Parliament elected in June 1994
(1995, following the accession of three new Member States)**



- Group of the Party of European Socialists (PSE)
- Group of the European People's Party (PPE)
- Group of the European Liberal Democratic and Reformist Party (ELDR)
- Confederal Group of the European United Left (GUE)
- Forza Europa Group (FE)
- Group of the European Democratic Alliance (RDE)
- The Green Group in the European Parliament (V)
- Group of the European Radical Alliance (ARE)
- European of Nations Group (Coordination group) (EDN)
- Non-attached (NI)

THE EUROPEAN PARLIAMENT

initially restricted to the accession of new members and association agreements with non-EU countries, has been extended to cover decisions concerning the residence rights of European citizens, the organization of the Structural Funds, the creation of Cohesion Funds, certain institutional provisions relating to economic and monetary union, all international agreements of any importance and the introduction of uniform voting procedures for elections to the European Parliament.

The cooperation procedure (or procedure under Article 189c of the Maastricht Treaty) applies to decisions adopted by a qualified majority of the Council in the following areas: the internal market, social policy, research, economic and social cohesion, the environment etc. The cooperation procedure involves the Commission, while the co-decision procedure is restricted to the Parliament and the Council.

The Parliament exercises supervisory power over the full range of the Commission's activities and can pass, by a two-thirds majority, a vote of censure on the Commission. Since

1994, the Parliament is directly involved in the nomination of the Commission and its President, as it is consulted by the governments of the Member States before they nominate a President for the Commission, and the Commission as a body is subject to a vote of approval in the Parliament before being appointed by joint agreement of the governments.

The Parliament has budgetary powers. It examines the budget of the European Union drawn up by the Commission and adopted by the Council of Ministers and can reject it as a whole (as it did in 1979 and 1985, and in 1982 for a supplementary budget). It can also amend items of 'non-compulsory' expenditure in the budget, i.e. items which are not the direct outcome of Community legislation: operating expenses of the institutions, 'operational' expenditure such as appropriations for the European Social Fund and the Regional Fund, and appropriations for research, industrial policy, etc, though its powers here are limited to an annual rate of increase. As regards 'com-

Turnout in European elections

	1979	1984	1989	1994
EUR 12	63.0	61.0	58.5	56.8
B	91.6	92.2	90.7	90.7
DK	47.1	52.3	46.1	52.9
D	65.7	56.8	62.4	60.0
GR ¹	78.6	77.2	79.9	71.2 ²
E ³		68.9	54.8	59.1
F	60.7	56.7	48.7	52.7
IRL	63.6	47.6	68.3	44.0
I	85.5	83.9	81.5	74.8
L	88.9	87.0	87.4	88.5
NL	57.8	50.5	47.2	36.0
P ³		72.2	51.1	35.5
UK	31.6	32.6	36.2	36.4

¹ 1981 instead of 1979.

² Official figure.

³ 1987 instead of 1984.

pulsory' expenditure, i.e. funds that must be disbursed by virtue of the Treaty or acts adopted under it (the largest being agricultural market support), the Parliament can propose amendments that must be accepted or rejected by a qualified majority of the Council. It is the President of the Parliament who formally announces the final adoption of the budget.

One of the Parliament's roles is to give political impetus: it can ask for existing policies to be extended or amended and for new ones to be initiated. By virtue of the limited powers of initiative bestowed upon it by the Heads of State or Government, the Parliament may, by a majority vote, ask the Commission to submit proposals in a certain number of fields.

The Maastricht Treaty confirmed the Parliament's right to receive petitions from any citizen or organization in the European Union, which one of its standing committees is entrusted with examining. It is also responsible for appointing an Ombudsman empowered to receive complaints from any citizen of the Union (or any private individual or organization resident therein) concerning instances of maladministration in the activities of the Community institutions, with the exception of the Court of Justice.

Presidents of the European Parliament since the introduction of direct elections by universal suffrage (term of office: two and a half years)

1979: Simone VEIL (F)

1982: Piet DANKERT (NL)

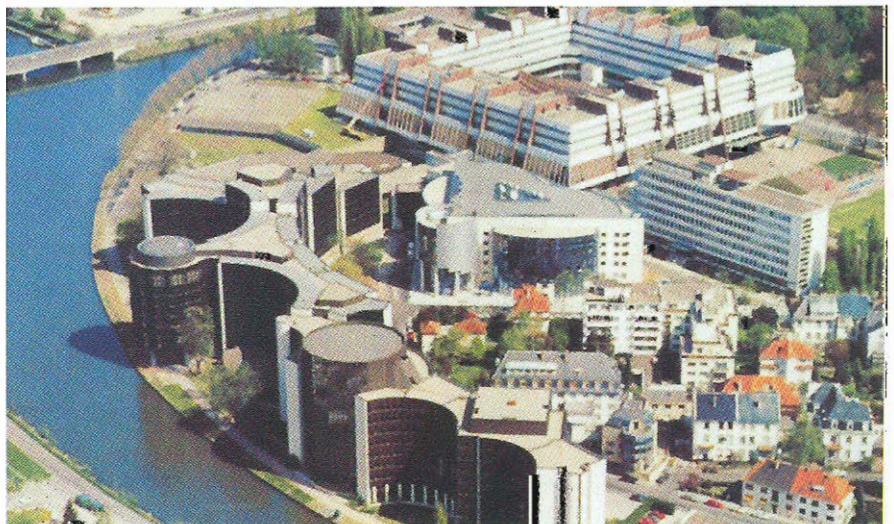
1984: Pierre PFLIMLIN (F)

1987: Sir Henry PLUMB (UK)

1989: Enrique BARÓN CRESPO (E)

1992: Egon KLEPSCH (D)

1994: Klaus HÄNSCH (D)



DECISION-MAKING IN THE EUROPEAN UNION

The acts adopted by the Community institutions under the provisions of the Treaties constitute genuine 'European legislation' directly applicable in all the Member States. Initially restricted by the Treaties of Rome to the Commission and the Council working closely together, the Community's decision-making, by virtue of the Single European Act (1986) and the Treaty on European Union (1993), now involves the European Parliament in the legislative process.

Following rather complex procedures that vary according to the matter in hand, the drafting of a Community act involves the Commission, the Council and the Parliament. The Commission proposes, the Council decides and the Parliament is consulted, but in certain specific cases also has equal power, exercised jointly with the Council, to adopt regulations and directives.

The proposals drafted by the Commission, following consultation with a number of specialist committees according to the particular field to

which the decision applies and with a wide range of experts from the governments and professional and trade union organizations of the Member States, are submitted to the Council of Ministers, which discusses the matter in the presence of a representative of the Commission.

The proposal may be amended by the Commission in deference to the opinion of the Parliament. The Council acts in most cases by qualified majority and adopts the Community act; however, unanimity is required for the Council to reject the Commission's proposal.

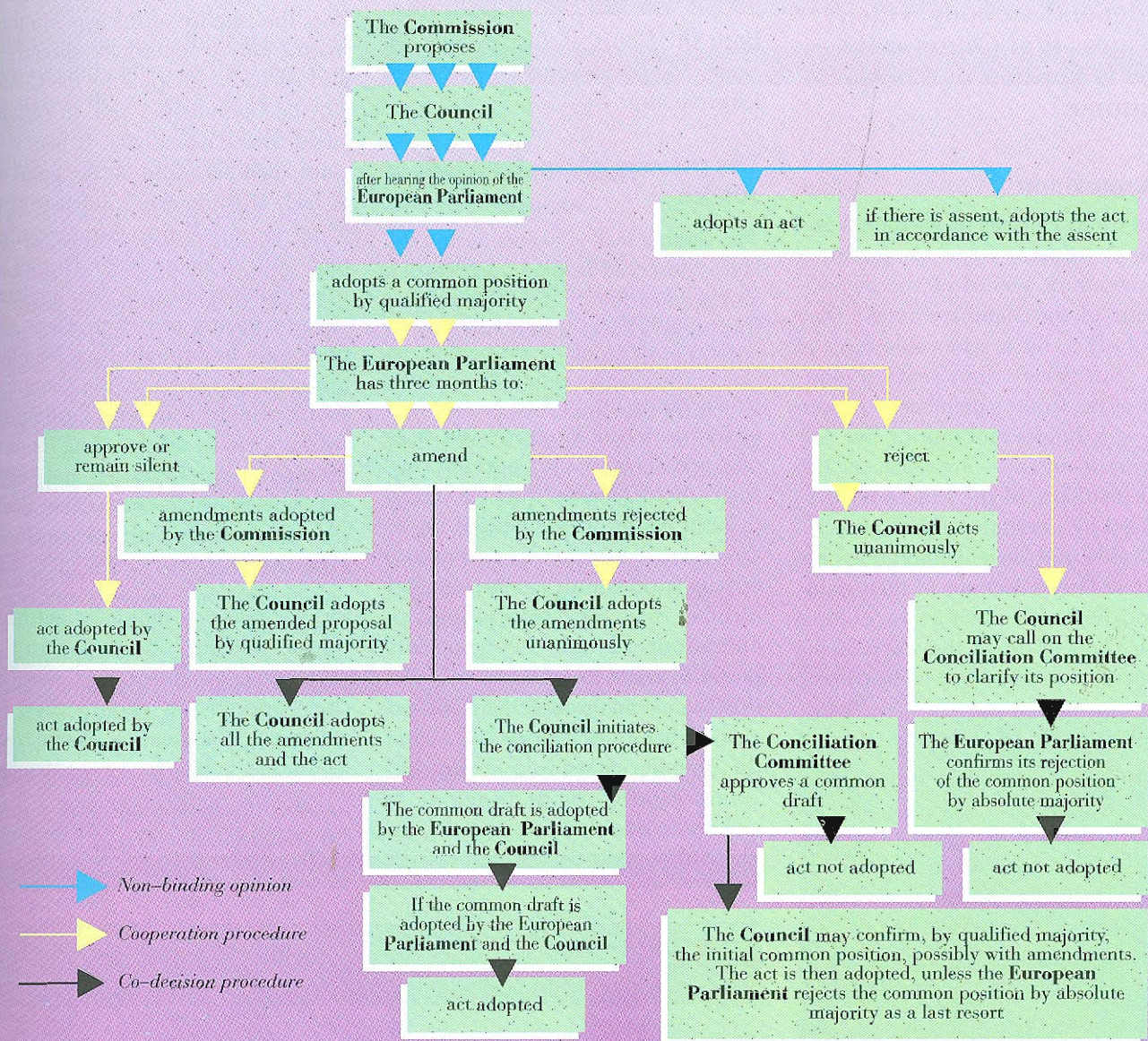
Under the cooperation procedure, which was introduced by the Single Act and confirmed by the Maastricht Treaty and applies to social policy, education and vocational training, the environment, implementing measures regarding EMU, the Structural Funds and trans-European networks, the Council adopts, at the Commission's proposal, a common position, which is submitted to the Parliament for examination. The Parliament has three months to accept (expressly or tacitly), reject or amend the proposal. The Commission then decides whether to adopt the Parliament's amendments or not. The Council proceeds with a second reading. If the proposal has been rejected by the Parliament, it must act unanimously. If the Parliament has put forward amendments and they have been adopted by the Commission, the Council acts by qualified majority. If the Commission has not adopted the amendments, it must act unanimously.

The co-decision procedure introduced by the Treaty on European Union enables the Parliament to adopt, jointly with the Council, regulations and directives concerning

the administration of the internal market, the free movement of workers and freedom of establishment, research, trans-European networks (general guidelines), culture, public health, etc. Under this procedure, the Council, at the proposal of the Commission and after obtaining the opinion of the Parliament, establishes a common position, which is submitted to the Parliament. If the Parliament accepts, the Council adopts it without further ado. If it rejects it, following the failure of conciliation proceedings, the act is not adopted. If the Parliament amends the common position of the Council by an absolute majority of its Members and the Council adopts all the amendments (on which the Commission has delivered its opinion), the act is adopted; if not, the Conciliation Committee, which comprises equal numbers of Members of the Council and representatives of the Parliament (with the participation of the Commission) attempts to reach an agreement on a common draft, on which the Council (by qualified majority) and the Parliament (by absolute majority) both vote. If it is rejected by either institution, the draft act is deemed not to have been adopted. Should the Conciliation Committee fail to reach an agreement, the Council may restate its common position (possibly including amendments by the Parliament). The act is then adopted unless the Parliament rejects it by an absolute majority of its Members.

Decision-making in the European Union

From non-binding opinion to co-decision



By virtue of the co-decision procedure, introduced by the Maastricht Treaty (Article 189b), the European Parliament has the power to adopt acts jointly and on equal terms with the Council. This procedure applies to the following fields: the internal market, the free movement of workers, freedom of establishment, recognition of qualifications, access of employees to work, and to certain new or strengthened areas of responsibility.

THE COURT OF JUSTICE

The Court of Justice of the European Communities is the supreme judicial authority of the European Communities — an independent body which ensures that Community law is applied in a uniform manner.

Composition

The Court consists of 15 Judges and nine Advocates-General appointed by common accord of the governments of the Member States. They hold office for a renewable term of six years. Every three years, a number of the Court's members — seven or eight Judges and four or five Advocates-General — are replaced. The independence of the Judges is guaranteed by the Statute; they are irremovable and their deliberations are secret. They select one of their number to be President for a term of three years and to direct the work of the Court and preside over its hearings.

The function of the Advocates-General is, in the words of the Treaties, 'acting with complete impartiality and independence, to make, in open court, reasoned submissions on cases brought before the Court, in order to assist the Court in the performance of the tasks assigned to it'.

The Court sits in plenary session where a Member State or an institution is party to the action, but most cases are heard by chambers set up within the Court.

A Court of First Instance, attached to the Court of Justice, was set up in 1989. It is composed of 15 Judges

appointed for a renewable term of six years by common accord of the governments of the Member States. A number of members of the Court of First Instance are renewed every three years. The Court of First Instance sits in a number of chambers, but for important matters it may sit in plenary session, in which case, the President nominates one of its members to act as Advocate-General.

Both the Court of Justice and the Court of First Instance are based in Luxembourg.

The powers of the Court of Justice

The Court's task is to ensure that the law is observed in the interpretation and application of the Treaties. For this purpose, action may be taken in a number of forms.

Proceedings for failure to fulfil an obligation: the Commission may take action before the Court if it considers that a Member State has failed to fulfil one of its obligations under the Treaties. Member States may also initiate proceedings against another Member State for failure to fulfil an obligation, though they generally prefer to settle their disputes within the Council or through the Commission. If the Court of Justice finds that the Member State in question has

failed to fulfil one of its obligations, the country is bound to act in compliance with the judgment of the Court. If it fails to do so, the Commission may take further action before the Court, which may condemn the Member State to pay a lump sum or periodic penalty.

Proceedings for declaration that an act is void: the Court of Justice monitors the legality of the acts of other institutions (regulations, directives and decisions adopted by the Council, the Commission and, in certain cases, the Parliament). It may declare such acts void on the grounds of lack of competence, infringement of an essential procedural requirement, infringement of the Treaties or rules of law relating to their application, or misuse of power. These actions may be brought by a Member State, the Council or the Commission, or by the European Parliament with a view to safeguarding its own prerogatives. Individuals and organizations may take action if the decision concerns them directly and individually.

Proceedings for failure to act: this censures silence or inaction on the part of the Parliament, the Council or the Commission should they, in violation of the Treaties, abstain from legislating, in which case the Member

Cases settled by the Court of Justice

	1989	1990	1991	1992	1993	1994
Direct actions						
– judgment	–	6	15	19	4	17
– orders	–	3	4	5	15	300
Cases involving staff						
– judgment	–	51	26	40	43	37
– orders	1	17	19	33	29	25
Actions brought by individuals						
– judgment	–	1	–	–	–	–
– orders	–	1	–	7	6	5
Total	1	79	64	104	97	384

States and other Union institutions may take action before the Court.

Proceedings to establish liability: The Court of Justice has jurisdiction to hear cases relating to damages for loss and injury caused by the Union institutions or their agents in the exercise of their functions. The common agricultural policy has given rise to the most litigation in this area.

Reference for a preliminary ruling: this was introduced by the Treaties to guarantee the uniform application of Community law by the national courts of the Member States.

The national courts cooperate with the Court of Justice by means of references for preliminary rulings concerning interpretation of the content or scope of the Treaties and Community acts, or for a decision on the validity of acts adopted by the Union institutions.

When a question as to the interpretation of the Treaties or the validity and interpretation of acts adopted by the institutions is raised before a court in a Member State, and it considers that a decision on the matter is required before it can reach a judgment, it may ask the Court of Justice to deliver a preliminary ruling on the matter. When such a question is raised before the court of last instance in a Member State, it is required to bring the matter before the Court of Justice.

The Court of Justice is the only court competent to deliver a final interpretation of Community law or to find that the act of an institution is void.

Consultative role: the Court may be asked to issue an opinion on agreements that the EU intends to enter into with non-EU countries. Such opinions are binding.

Judgments pronounced by the Court of Justice

Years	Preliminary rulings	Direct actions	Cases involving staff	Actions brought by individuals	Total
1953-60	—	49	8	—	57
1961-70	89	112	99	—	300
1971-80	545	172	180	—	897
1981-90	863	649	324	5	1 841
1991	108	90	—	1	199
1992	112	88	—	1	201
1993	128	69	—	—	197
1994	110	51	—	—	161
Total	1 055	1 280	611	7	3 853

Powers of the Court of First Instance

The Court of First Instance has jurisdiction to hear all actions brought by individuals and organizations, such as proceedings in the areas of competition, anti-dumping measures, coal and steel cases, actions for damages, and actions brought by Community officials. Appeals against rulings of the Court of First Instance on matters under its jurisdiction may be brought before the Court of Justice, though this right is restricted to questions of law.

Through its judgments and interpretations, the Court of Justice is helping to build up a body of European case-law applicable to all: to Community institutions, Member States, national courts, firms and private individuals.

The Court of Justice is the only court competent to interpret Community law and to rule on the validity of the acts of the institutions. The Maastricht Treaty has strengthened the authority of the Court by granting it power to impose a fine or periodic penalty on a Member State should the country in question fail to comply with its judgments.



THE COURT OF AUDITORS

The European Court of Auditors was established in 1977 as the independent body in charge of auditing European public finances.

Composition

The Court is a collegial body with 15 Members, one from each Member State, appointed for a renewable six-year term of office by the Council after consultation with the European Parliament. It is based in Luxembourg. The Maastricht Treaty strengthened the powers of the Court by granting it institutional status and broadening its role in the area of the statement of assurance as to the reliability of the accounts and the legality of the underlying transactions.

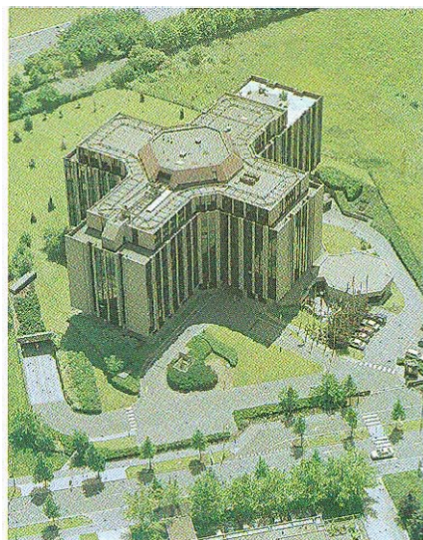
The work of the Court of Auditors

The main function of the Court is that of auditor. It examines the accounts of all revenue and expenditure of the European Communities and of all organizations set up by the Communities. It investigates whether all revenue has been received and all expenditure incurred in a lawful and regular manner and whether the financial management has been sound. Audits are based on records submitted by the Community institutions or by auditors sent out to audit certain departments of institutions, governments or organizations receiving Community funding. Audits may be carried out not only in the Member States but also in non-member countries that receive Community aid, such as ACP (African, Caribbean and Pacific) States receiving support from the European Development Fund or Central and East European countries. The findings arising from the Court's auditing work appear in an annual report published in the *Official Journal of*

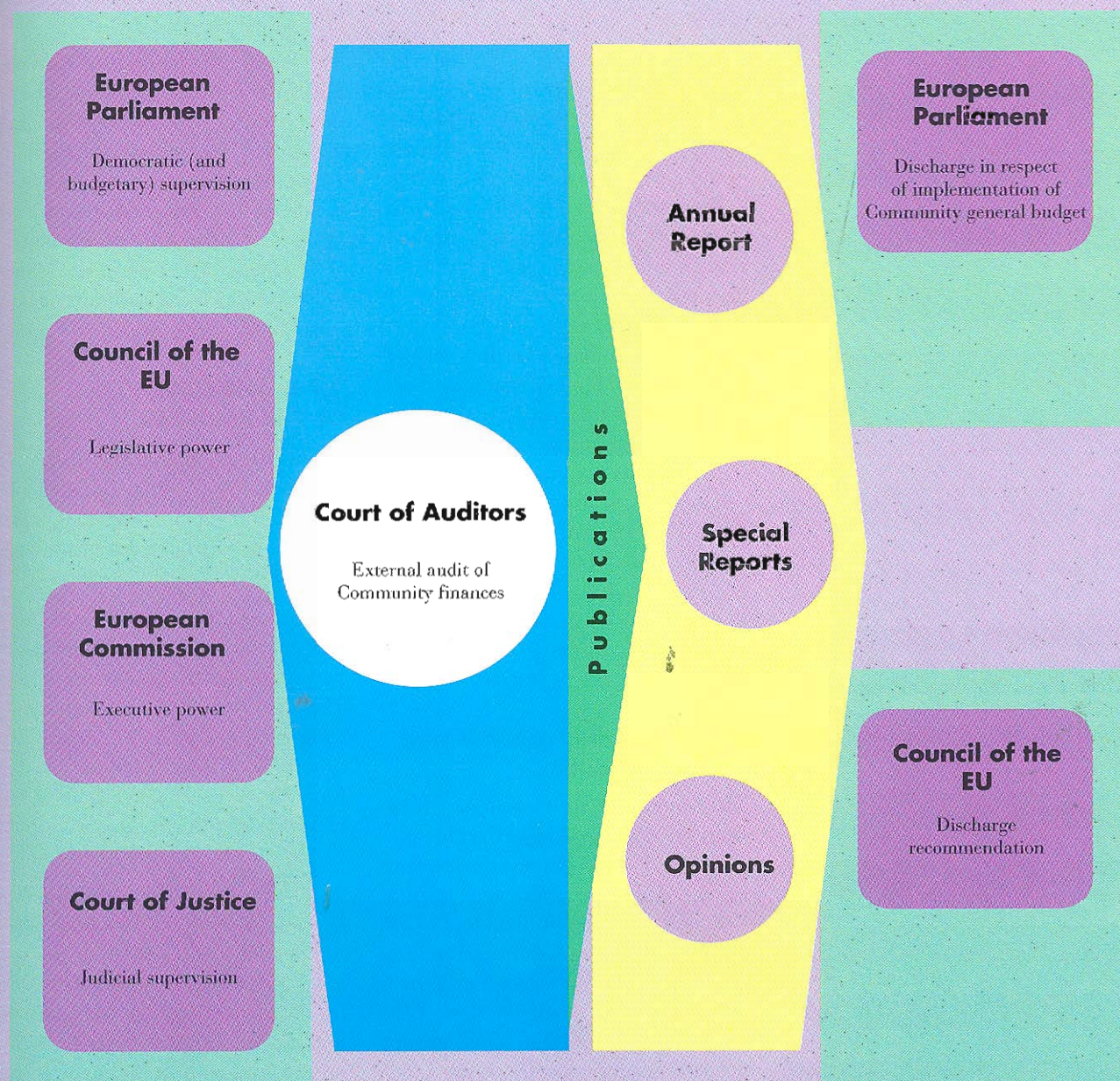
the European Communities. In addition to the annual report, the Court of Auditors may publish its findings at any time in the form of a special report.

The Court of Auditors also has an advisory function whereby it plays a part in the drafting of Community financial and budgetary legislation. The Court's opinion must be sought on financial regulations and it may be consulted by the Community institutions on any draft regulation with financial implications.

The results of the Court's investigations and audits and its opinions are used by the Community institutions in drawing up the budget, drafting European legislation and establishing the financial basis for Community policies. The Parliament and the Council take the Court's annual report as the basis for granting public approval in the form of a discharge in respect of the use made of Community funds.



The Court of Auditors



THE CONSULTATIVE COMMITTEES

The Economic and Social Committee and the Committee of the Regions are two consultative bodies that advise the Community's decision-making bodies on the social, occupational and regional concerns of Europeans.

Origin of the 222 members of the Economic and Social Committee

	Number
B	12
DK	9
D	24
GR	12
E	21
F	24
IRL	9
I	24
L	6
NL	12
A	12
P	12
FIN	9
S	12
UK	24

Origin of the 222 members of the Committee of the Regions

	Number
B	12
DK	9
D	24
GR	12
E	21
F	24
IRL	9
I	24
L	6
NL	12
A	12
P	12
FIN	9
S	12
UK	24

2.7.A THE ECONOMIC AND SOCIAL COMMITTEE OF THE EUROPEAN COMMUNITIES

Composition

The Committee consists of representatives of a number of economic and social fields, divided into three groups: employers, workers and miscellaneous activities (agriculture, transport, wholesaling and retailing, small and medium-sized businesses, liberal professions and consumers). It is based in Brussels and has 222 members nominated by the governments of the Member States and appointed by the Council for a renewable four-year term of office. Such appointments are made on a personal basis and appointees must not be bound by the instructions of any organization. The members continue to pursue their professional activities and meet in Brussels only when required to do so for the work of the Committee.

The role of the Economic and Social Committee

The Committee is a consultative body that brings together different economic and social interest groups with the united aim of realizing European Union. It is an institutional tool which ensures that the Commission, the Council and the European Parliament are aware of the points of view of the various economic and social groups on the current priorities of the Community. It has nine specialist sections and must be consulted by the Commission and the Council before certain decisions can be taken. It may also, either on request or on its own

initiative, issue opinions on all aspects of Community legislation. Its role is therefore that of consultant to the political decision-makers.

The Single Act broadened the Committee's role in drafting legislation for the creation of the European single market. The Maastricht Treaty strengthened the Committee's independence by empowering it to draw up its own Rules of Procedure and enabling it to play a part in several new fields for which the Commission is responsible.

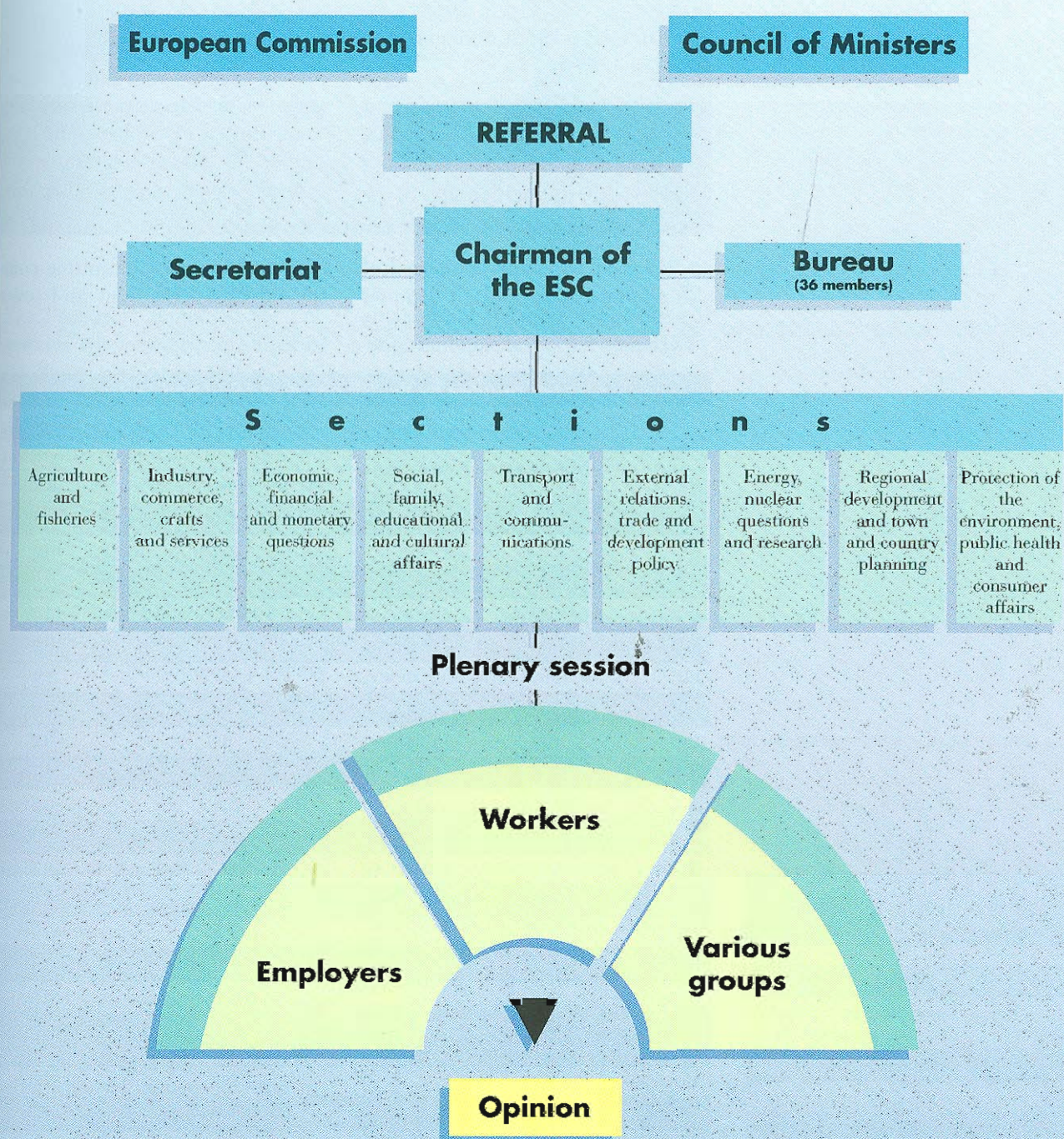
2.7.B THE COMMITTEE OF THE REGIONS

Set up by the Maastricht Treaty, the Committee of the Regions enables local and regional authorities to have a direct say in the work of the Communities.

Its 222 members are representatives of local and regional authorities and are appointed for a four-year term. The distribution of appointments by country is the same as for the Economic and Social Committee. It is based in Brussels and has an organizational structure in common with the Economic and Social Committee.

The Committee of the Regions must be consulted before decisions affecting regional interests are taken. It may examine all proposals submitted by the Commission to the Economic and Social Committee and deliver opinions on its own initiative. It must be consulted on matters concerning education, culture, public health, structural networks and funds, and in all other cases where the Council or the Commission sees fit to consult it.

Genesis of Economic and Social Committee opinions



THE EUROPEAN INVESTMENT BANK

The European Investment Bank (EIB) was founded in 1958 by the Treaty of Rome establishing the European Economic Community as the means of financing capital investment for promoting the balanced development of the Community.

Organization of the EIB

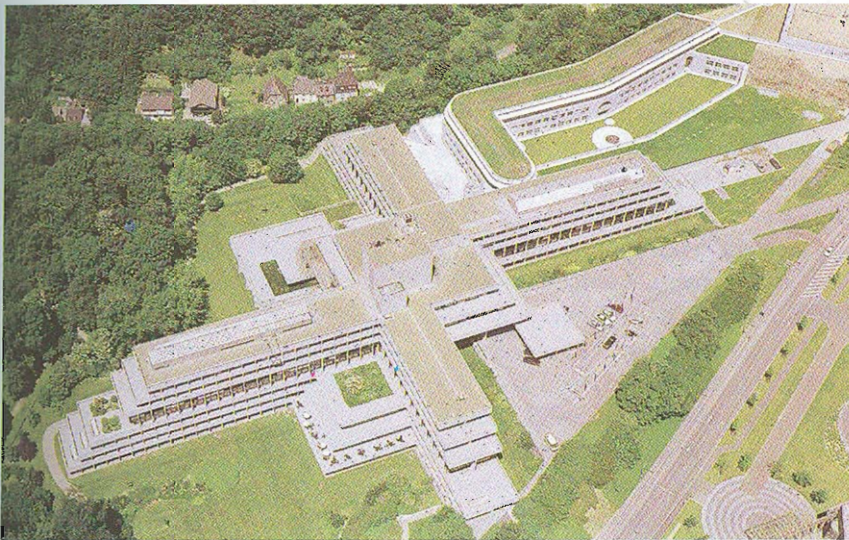
The EIB is based in Luxembourg and administered by:

- a Board of Governors composed of ministers nominated by the Member States which lays down general directives for the credit policy of the Bank;
- a Board of Directors composed of 25 administrators and 13 deputies
- a Management Committee composed of a President and seven appointed for a renewable five-year term of office by the Board of Governors on the basis of nominations by the Member States and the Commission; it directs the general administration of the Bank and takes major decisions on granting and raising loans, setting lending rates etc.;

Loans granted by the EIB between 1990 and 1994

	million ECU	%
Within the EU	78 649	100.0
B	1 705	2.2
DK	3 519	4.5
D	8 332	10.6
GR	1 967	2.5
E	14 322	18.2
F	10 187	13.0
IRL	1 437	1.8
I	18 115	23.0
L	88	0.1
NL	1 354	1.7
A	162	0.2
P	5 626	7.2
FIN	60	0.1
S	15	0.0
UK	10 774	13.7
Others ¹	985	1.3
Outside the EU	6 658	100.0
Africa, Caribbean, Pacific		
Overseas countries and territories (OCTs)	1 485	22.3
Mediterranean Basin	2 194	33.0
Central and Eastern Europe	2 659	39.9
Latin America, Asia	319	4.8
Overall total	85 307	100.0

¹ Projects of interest to the Community located outside the territory of the Member States.



Vice-Presidents appointed for a renewable six-year term of office by the Board of Governors; it is responsible for the current business of the Bank, drafting proposals on the raising and granting of loans and implementing the decisions of the Board of Directors.

The EIB's capital, subscribed by the 15 Member States of the European Union, has been raised several times by the Board of Governors and was doubled in 1990. Since 1 January 1995, it has totalled ECU 62 billion, enabling the Bank to grant loans and issue guarantees up to a ceiling of ECU 155 billion (250% of subscribed capital).

The role of the EIB

As an independent Community institution, the EIB is responsible for granting loans and issuing guarantees to finance capital projects consistent with the aims of Community economic policy. Within the European Union it finances investments whose purpose is to:

- foster the economic advancement of less prosperous regions;

- make industry more competitive at international level, particularly by promoting state-of-the-art technologies and small and medium-sized businesses;
- improve transport and telecommunications infrastructures of benefit to the Community;
- protect the environment and improve the quality of life: town planning, water supply and treatment, pollution control, waste management, soil protection, etc.;
- improve the security of energy supplies.

It participates in financing projects resulting from the White Paper on growth, competitiveness and employment presented by the Commission in December 1993, especially those concerning trans-European transport networks, energy and information. The EIB manages the new European Investment Fund (EIF) set up in 1992 as part of the growth initiative with an initial authorized capital of ECU 2 billion.

Outside the Community, the EIB helps implement Community development policy under the Lomé Con-

Breakdown of EIB lending by aim in 1994 (million ECU)

Regional development	12 035
Infrastructure of interest to the Community	5 698
Environment and quality of life	4 866
Energy	3 526
Small and medium-sized enterprises	1 693
Ability of firms to compete and European integration	98

THE EUROPEAN INVESTMENT BANK

ventions (70 African, Caribbean and Pacific States), financial agreements with 12 Mediterranean countries and what is known as 'horizontal financial cooperation' aimed at financing regional or common interest projects on both sides of the Mediterranean in the areas of communications, energy and environmental protection. Since 1989, it has financed projects in several Central and East European countries (Poland, Hungary, the Czech Republic, Slovakia, Bulgaria, Romania, Estonia, Latvia and Lithuania), particularly in the areas of transport, communications and energy, to assist the economic recovery of such countries and their transition to a market economy.

The EIB cooperates closely with other Community funds in financing loans to the coal and steel and nuclear energy sectors.

The EIB raises virtually all the resources needed to finance its lending

by tapping the capital markets, chiefly through bond issues. Its excellent credit rating enables it to obtain the most favourable conditions available, the benefits of which are then passed on to the recipients of its loans.

Currency breakdown of borrowings in 1994 (million ECU after exchange)

	Amount	%
Italian lira (LIT)	2 560	18.1
German mark (DM)	2 051	14.5
US dollar (USD)	1 659	11.7
Pound sterling (UKL)	1 518	10.7
French franc (FF)	1 153	8.1
Spanish peseta (PTA)	948	6.7
Swiss franc (SFR)	856	6.0
Belgian franc (BFR)	752	5.3
Dutch guilder (HFL)	661	4.7
Portuguese escudo (ESC)	584	4.1
Japanese yen (YEN)	580	4.1
ECU	300	2.1
Luxembourg franc (LUF)	201	1.4
Irish punt (IRL)	177	1.2
Austrian schilling (OS)	59	0.4
Danish kroner (DKR)	53	0.4
Greek drachma (DR)	36	0.3
Total	14 148	100.0

FURTHER READING**European documentation**

Working together: the institutions of the European Community
Democracy at work in the European Union
A citizen's Europe

Other publications

Directory of the European Commission
European Parliament - Rules of Procedure and fact sheets on the European Parliament
Council of the European Union - Guide to the Council
European Union - Interinstitutional Directory
Annual reports: Council, Commission, Court of Auditors, ESC, etc.

GLOSSARY**GATT: General Agreement on Tariffs and Trade**

Concluded in 1947 under the aegis of the UN Economic and Social Committee, the GATT came into effect on 1 January 1948. This interim agreement is still in force and covers more than 115 countries. The members of the GATT undertake to reduce obstacles to the growth of trade by lowering customs duties, eliminating quantitative restrictions and removing non-tariff barriers such as manufacturing standards and health regulations, etc. Customs duties are lowered during rounds of international negotiations and have been brought down gradually from 40% to about 3% of the value of goods traded at the end of the last series of negotiations, the 'Uruguay Round', which opened in 1986 and ended in December 1993. The Uruguay Round led to the signing of an agreement in April 1994 in Marrakech providing for the establishment of a World Trade Organization and relating in particular to trade in agricultural products and services, and intellectual property, trade marks and patents. The European Union is represented at the GATT negotiations by the European Commission, which negotiates agreements that are subsequently signed and ratified by the individual Member States.

Discharge procedure

The European Parliament exercises financial supervision over the whole budget of the European Union (revenue and expenditure) and issues a discharge at the end of the financial year after the Council has delivered a recommendation. In the work leading to the vote of discharge, the Parliament is assisted by the Court of Auditors. The European Commission also participates in this work.

ILO: International Labour Organization

The ILO is a United Nations organization set up in 1919 and based in Geneva. It has 161 members and aims to improve working conditions, increase employment opportunities and organize worldwide technical assistance programmes.

THE FINANCING OF THE EUROPEAN UNION AND COMMUNITY POLICIES

In order to meet the objectives set out in the Treaties, the European Union has, from the very outset, made every effort to implement common policies aimed at promoting economic and social progress and improving living conditions by removing the internal barriers dividing Europe, strengthening economic unity and closing the gaps between regions.

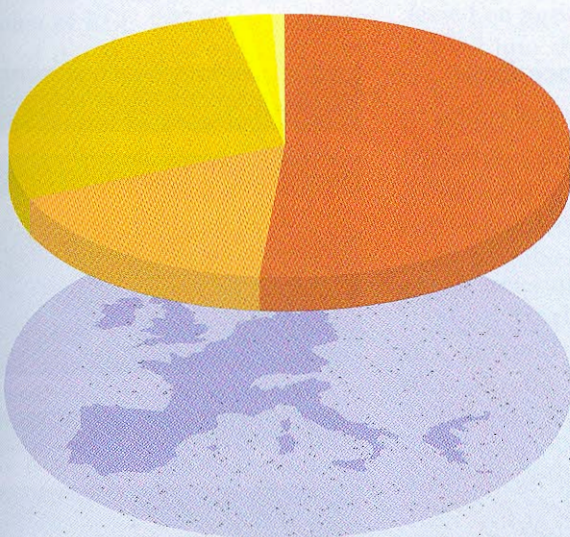
The EU has put together a range of financial instruments to provide itself with the means to achieve these aims. Foremost amongst these is the Community budget, which has been financed since 1970 from own resources, and the use of which has been supervised since 1977 by the Court of Auditors.

In 1995, the total EU budget came to ECU 76 billion, which was 1.2% of the Member States' GDP or a contribution of ECU 205 for each citizen of the EU.

Some activities in specific fields are financed by extra-budgetary resources: in the coal and steel sector, the ECSC has resources obtained from borrowings and a levy on coal and steel production, while the main channel for Third World aid is the European Development Fund, to which Member States contribute directly.

A major slice of the resources comes in the form of loans granted by the European Investment Bank, both inside and outside the EU, to support economic development in the regions and in the Third World. These loans are for the most part financed through borrowing. In 1978, the EU set up the New Community Instrument (NCI), which allows it to grant loans financed by funds borrowed directly by the Commission and channelled through the EIB.

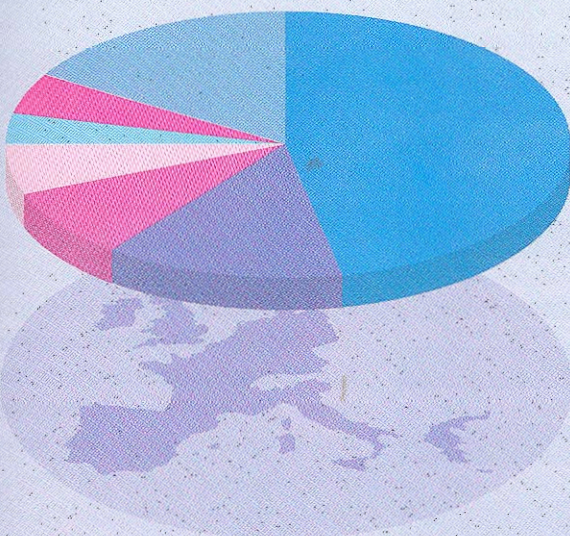
General EU budget in 1995 (%)



Revenue

VAT	51.4
Customs duties	16.9
GNP-based resource	28.4
Agricultural levies	1.1
Sugar and isoglucose levy	1.5
Miscellaneous	0.7

Total revenue (ECU) 76.5 billion



Expenditure

Agriculture and fisheries	46.8
Regional policy and transport	13.6
Social policy	8.5
Development cooperation	6.1
Research, energy, technology	3.8
Administrative costs	5.0
Miscellaneous	16.2

THE BUDGET

The budget reflects the policy of the European Union. Apart from expenditure in connection with the common agricultural policy and external action, which indeed accounts for over half the total, the Community budget is above all directed at investment for enhancing the economic potential of the EU.

The budgetary procedure

The Commission, the Council of Ministers and the European Parliament are all involved in drawing up the Community budget.

Each year, the Commission draws up a preliminary draft budget, which is sent to the Council. The Council then either adopts it or amends it by qualified majority to produce a draft budget which comes before the European Parliament. Parliament discusses it at first reading and can either approve and adopt it or propose modifications for 'compulsory' expenditure and adopt amendments for 'non-compulsory' expenditure. ('Compulsory' expenditure is expenditure arising directly from the European Treaties or other acts adopted pursuant to the

Number of EU staff shown in the 1995 budget

European Parliament	4 091
Council	2 542
Commission	19 628
• Administrative	14 918
• R&D	3 497
• Publications Office	545
• Other	147
Court of Justice	979
Court of Auditors	511
Economic and Social Committee	750
Committee of the Regions	
Total	28 501

Treaties; it accounts for some 53% of the budget).

The budget is then re-examined by the Council, which can either accept the modifications and amendments made by the Parliament by qualified majority and thus adopt the budget, or make changes, in which case the budget returns for its second reading in Parliament, which then has the final say. At this point it can reintroduce the amendments after a 'conciliation procedure' with the Council and a vote by qualified majority (three fifths of the votes cast) and thus finally adopt the budget. If it rejects the draft, the Council is obliged to produce another.

The power of decision with regard to the budget is therefore shared between the Council and the European Parliament, which, being elected by universal suffrage exercises a form of

Trends in EU expenditure from 1985 to 1995

Year	Expenditure (million ECU)	Expenditure per citizen (ECU)	% of Community GDP	% of Member States' public expenditure
1985	28 833.2	105.5	0.93	1.9
1986	35 820.2	111.2	1.01	2.1
1987	36 234.8	112.2	0.97	2.0
1988	42 495.2	131.2	1.05	2.2
1989	42 284.1	129.9	0.96	2.0
1990	45 608.0	139.3	0.96	2.0
1991	55 155.8	159.7	1.07	2.2
1992	60 300.5	173.9	1.11	2.2
1993	66 443.4	190.8	1.22	2.3
1994	72 376.5	207.0	1.28	2.5
1995	74 449.4	212.1	1.25	2.4

democratic control, since the adoption of the budget and the discharge given to the Commission in respect of its implementation both rest with it.

Revenue

Budget revenue for 1995 was ECU 76 billion, which works out at a contribution of ECU 205.5 per citizen, 1.2% of the Member States' GDP and about 2.4% of their budgets. In 1973, the European Community budget made up 0.5% of GDP. This percentage has increased in proportion to the development of the common policies, as the EU assumes responsibility for an ever-increasing share of each Member State's policies and the financing thereof. The resources were increased in 1988 by a reform aimed at implementing the Single Act. This reform also established strict budgetary discipline to control expenditure and set a ceiling on the EU's own resources, which, since 1970, had replaced national contributions from the Member States. In order to carry out the activities required in application of the Maastricht Treaty, this ceiling will be increased from 1.20% of GDP in 1993 to 1.27% in 1999 and the budget will be increased by ECU 27 billion in real terms over the same period to reach ECU 87.5 billion in commitment appropriations.

Revenue in the European Union's general budget is made up of the following:

- VAT (value-added tax) provides over half the revenue (51.4% in 1995) by means of a levy on the gross value-added tax of each Member State. Initially set at 1%, this levy was raised to 1.4% in 1985 before a ceiling of 55% of GNP was set on its basis of assessment in 1988. (The new decision on own resources, which is currently in the

process of being ratified by the Member States, will reduce the maximum VAT rate from 1.4% to 1% in 1999. The basis of assessment will be gradually be reduced to 50% of GNP in 1999);

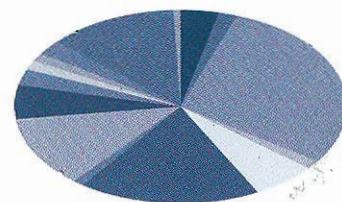
- customs duties on goods entering the EU, together with the amounts levied on agricultural products imported into the EU, accounted for 16.9% of revenue collected in order to align Community prices with the prices of various imported products;
- sugar and isoglucose levies, which were introduced in order to encourage producers to limit surpluses, accounted for 1.8% of revenue;
- in 1988, the European Council decided to introduce a 'fourth resource', which is based on each Member State's GNP with careful attention each country's ability to pay; in 1995, it accounted for 28.4% of revenue.

Expenditure

By far the largest part of EU expenditure, which totals ECU 82 billion if the EDF and the ECSC are also taken into account, is operating expenditure. At ECU 4 billion, administrative costs (the EU operates with around 28 000 officials) account for only 5% of the budget. Almost 90% of the expenditure is allocated to economic, social, cultural and regional programmes in the Member States or the Third World.

The agricultural sector still accounts for over half of Community expenditure, with farm price guarantees and aid paid directly to farmers to maintain their incomes alone taking up 45.0% of the budget. While the amount spent on 'green Europe' may at first sight appear disproportionate, it can be explained by the fact that it is in this area that Communi-

**Financing of the 1995 general budget by Member State
Payment appropriations (%)**



B	3.7	L	0.2
DK	1.8	NL	5.7
D	29.1	A	2.7
GR	1.4	P	1.5
E	6.3	FIN	1.4
F	17.7	S	2.5
IRL	1.1	UK	12.6
I	11.6	Miscellaneous	0.7

THE BUDGET

ty financing has most clearly taken over from national financing.

Structural measures are the second-largest item of expenditure, with ECU 26.3 billion or 32.1% of the budget. It was in order to strengthen the economic and social cohesion of the Union in the run-up to the single market and economic and monetary union that it was decided to coordinate the Structural Funds, double the funds available between 1987 and 1993 and allocate a sum of ECU 143 billion for the period 1994-99. These increased funds are aimed at reducing regional imbalances as part of the regional policy, stepping up the fight against unemployment and taking action in the fisheries sector.

Research and technological development are the subject of a framework programme which enables the EU to support a large number of research projects involving cooperation between teams from different Member States; ECU 3 billion (3.7 % of total financial commitments) are allocated to this sector. The other internal Community policies in the fields of training, youth, culture, audiovisual media, information, social measures, energy, nuclear safety, the environment, consumer protection, industry and trans-European networks receive a total of ECU 2 billion (2.4% of total expenditure) in 1995.

ECU 4.9 billion (6.0% of expenditure) are set aside for external measures, comprising development co-operation with the countries of Central and Eastern Europe, the independent countries of the former Soviet Union, Latin America and the Mediterranean countries, together with food aid and emergency aid. This total does not include the financial and technical aid under the Lomé Convention for seventy African, Caribbean and Pacific

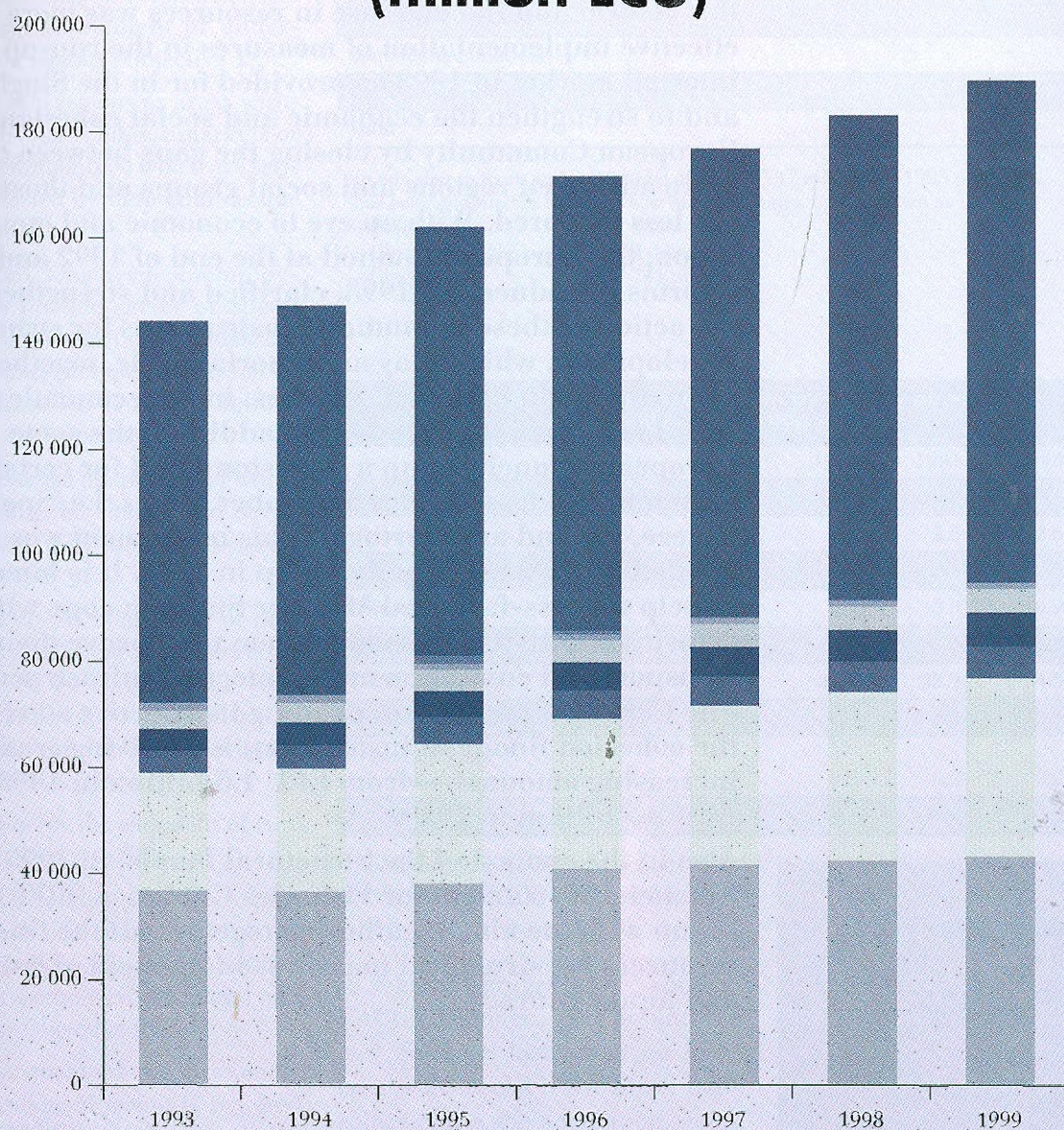
countries, which is financed from the extra-budgetary European Development Fund (EDF): ECU 10.8 billion between 1990 and 1995, of which ECU 1.8 billion for 1995 (2.2% of total expenditure).



General budget: 1993-99

financial perspectives

Commitment appropriations (million ECU)

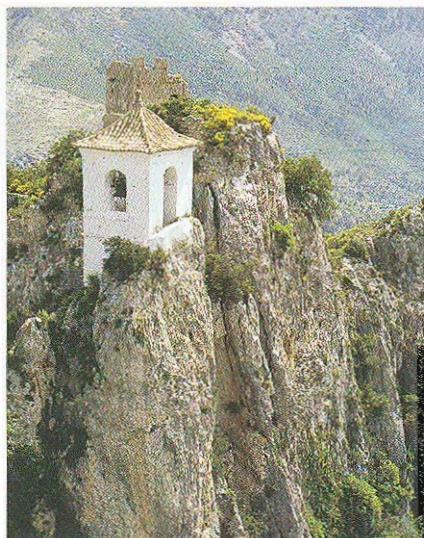


- Total commitment appropriations
- Compensation
- Reserves
- Administration
- External measures
- Internal policies
- Structural measures
- Common agricultural policy

THE STRUCTURAL FUNDS AND REGIONAL POLICY

The three Structural Funds — the European Regional Development Fund (ERDF) set up in 1975, the European Social Fund (ESF) established in 1958 and the European Agriculture Guidance and Guarantee Fund (EAGGF), Guidance Section, set up in 1964 — have been reformed to make them more efficient and additional financial resources have been made available. The purpose behind this reform and the increase in resources was more effective implementation of measures in the run-up to the internal market in 1993 as provided for in the Single Act, and to strengthen the economic and social cohesion of the European Community by closing the gaps between the more advanced regions and social groups and those which are less favoured. With an eye to economic and monetary union, the European Council at the end of 1992 and reforms introduced in 1993, clarified and strengthened the action of these Community instruments for structural development, which play an important role, together with the national and regional policies, in the economic and social cohesion of the Union. In addition, the same European Council set up a Cohesion Fund for certain economically less-favoured Member States, i.e. Spain, Greece, Ireland and Portugal. This instrument was created in 1993 and finally set up in 1994. It is intended to help the less-favoured Member States to cope with the transition to EMU and enable them to improve their transport and environmental-protection infrastructures. The Cohesion Fund (and, pending its effective start-up, the cohesion financial instrument) is receiving gradually increasing amounts — from ECU 1.5 billion in 1993 to ECU 2.6 billion in 1999.

Also in the context of the Structural Funds, in 1993 a Financial Instrument for Fisheries Guidance (FIFG) was set up with the aim of gathering together all the financial resources for structural measures in the field of fisheries and aquaculture.



The Structural Funds

Activities under the Structural Funds are based on four complementary and indissociable principles.

1. Concentration of activity on six priority objectives:

- to promote the development and structural adjustment of underdeveloped regions (Objective 1);
- to redevelop regions or areas within regions (local labour markets or urban communities) which are seriously affected by industrial decline (Objective 2);
- to combat long-term unemployment, to provide career prospects for young people (aged under 25) and to reintegrate persons at risk of being excluded from the labour market (Objective 3);
- to facilitate the adaptation of workers to industrial change and developments in the production systems (Objective 4);
- to speed up the adaptation of production, processing and marketing structures in agriculture and forestry and to help modernize and restructure the fisheries and aquaculture sectors (Objective 5a);
- to promote the development of rural areas (Objective 5b);
- since the beginning of 1995, to promote the development of the northern regions in the new Member States in Scandinavia (Finland and Sweden) (Objective 6).

To achieve these six priority objectives, coordinated action is required from the ERDF, which is the main instrument for achieving Objectives 1, 2, 5b and 6, the ESF, which comes into play first and foremost in the fight against long-term unemployment, the integration of young people into working life and the readaptation of workers, but also contributes

Appropriations for the Structural Funds 1994-99
(million ECU at 1994 prices) ¹

Objective	Appropriation
1: Underdeveloped regions	98 810
2: Regions experiencing industrial decline	14 922
3 and 4: Long-term unemployment	13 948
5a: Adaptation of agricultural structures	5 985
5b: Development of rural areas	6 134
Community initiatives	13 467
Transitional and innovative measures	1 491
Total	149 757

¹ In addition to these amounts a total of ECU 4 747 million (at 1995 prices) has been allocated to the three new Member States, broken down as follows:

- Objective 1: ECU 184 million;
- Objectives 2-5b: ECU 3 822 million;
- Objective 6: ECU 741 million.

Approximate breakdown by priority objective
(billion ECU, 1994 prices) ¹

	1994	1995	1996	1997	1998	1999
Objective 1	12.9	13.9	14.9	16.0	17.4	18.8
Objective 2	2.2	2.3	2.4	2.5	2.6	2.8
Objectives 3 and 4	2.1	2.2	2.3	2.4	2.5	2.6
Objective 5a	1.2	1.1	0.9	0.9	0.9	0.9
Objective 5b	0.7	1.0	1.1	1.1	1.1	1.1
Total Objectives	19.1	20.5	21.7	22.9	24.5	26.2
Community initiatives	1.9	2.0	2.2	2.3	2.4	2.6
Transitional and innovative measures	0.3	0.2	0.2	0.2	0.2	0.2
Total funds	21.3	22.7	24.1	25.4	27.2	29.0

¹ In addition to these amounts, a total of ECU 4.7 billion (at 1995 prices) has been allocated to the three new Member States, spread over the period 1995-99.

to regional programmes, and the EAGGF Guidance Section and the new Financial Instrument for Fisheries Guidance (FIFG), which basically finance the adaptation, guidance and strengthening of agricultural and fisheries structures (Objective 5a) and the development of rural areas under Objectives 1 and 5b. The European Investment Bank mainly grants loans and provides guarantees.

2. One of the key principles behind the operations of the Structural Funds is partnership. Community action is intended to complement or contribute to the corresponding national programmes. It is the fruit of close cooperation between the Commission, the Member State concerned and the competent authorities designated by the Member State at national, regional, local or other level, all parties being considered as

THE STRUCTURAL FUNDS AND REGIONAL POLICY

partners working towards a common goal. The partnership covers the preparation, financing, monitoring and assessment of the operations. The Commission's role in this partnership is to ensure that Community resources are spent in accordance with the priorities and policies established by the EU. The initial onus, however, lies on the Member States and their regions themselves to take responsibility for their development, and, in keeping with the principle of subsidiarity, the EU only becomes involved in complementing the national and regional programmes. The reforms of 1993 strengthened the coordination between the Commission and all the competent national, regional or local authorities designated by the Member States.

3. The principle of the additionality of the resources allocated by the structural funds and the Member States' structural expenditure by public or quasi-public bodies is designed to ensure that they have a real economic impact. The Member States are therefore expected to

maintain their equivalent expenditure at least at the same level as in the previous programming period.

4. A fourth principle is that of programming: this involves taking a global view of the problems experienced by the weakest regions, devising an overall strategy and applying it for long enough for it to be able to produce results.

In accordance with this principle, plans are drawn up by the Member States for each objective. After negotiations with the Commission, these result in a set of Community support frameworks (CSF) or single programming documents (SPD) setting out the priorities, the financial resources and the forms of Community intervention for a period of three to six years.

These Community support frameworks are translated into operational programmes for each of the selected areas of priority action, containing detailed descriptions of the measures to be cofinanced by the EU; this makes it possible to check whether the funds are being spent as planned and to assess the results.

Appropriations for the Structural Funds by Member State for the period 1994-99
(million ECU at 1994 prices)¹

Objective	B	DK	D	GR	E	F	IRL
1: Underdeveloped regions	730	-	13 640	13 980	26 300	2 490	5 620
2: Regions experiencing industrial decline	160	56	733	-	1 130	1 765	-
3 and 4: Long-term unemployment	465	301	1 942	-	1 843	3 203	-
5a: Adaptation of agricultural structures	195	267	1 143	-	446	1 932	-
5b: Development of rural areas	77	54	1 227	-	664	2 238	-
6: Nordic regions	-	-	-	-	-	-	-
Community initiatives	233	89	1 902	1 086	2 428	1 422	384
Total	1 859	767	20 586	15 066	32 810	12 750	6 004

NB: n.d.: not yet determined.

¹ In addition to these amounts, a total of ECU 1 367 million has been set aside for Community initiatives and ECU 1 491 million for innovative action, to be allocated at a later stage.

² 1985 prices.

The SPDs, on the other hand, set out priorities and specify the aid to be granted.

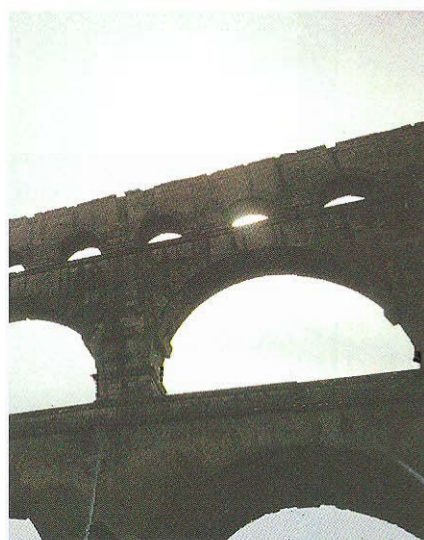
The implementation of the programmes or SPDs is monitored by Monitoring Committees comprising regional and national representatives and representatives of the Commission and the EIB.

Besides cooperating with the Member States, the Commission can take the initiative itself to supplement the programmes carried out jointly with the Member States in fields and sectors which it feels are vital or should have priority. The purpose of the Community initiatives is to back up other European policies, promote the application of these policies in the regions or contribute towards solving problems which are common to a number of regions: this covers cross-border cooperation, the economic and social redevelopment of regions hit by sectoral crises (Rechar, Resider, RETEX, Konver), aid to peripheral regions, vocational training and job creation, the reintegration into society of persons excluded from the labour market, modernization of

the fishing industry in coastal regions etc. The Community initiative programmes (CIP) are cofinanced by the Structural Funds and implemented by the Member States and the regions concerned. Some 9% of the commitment appropriations of the Structural Funds have been earmarked for these programmes for the period 1994-99.

The Commission also draws up pilot projects aimed at exploring new avenues in areas such as urban renewal, interregional cooperation, promoting the creation of networks or local development.

The financial resources of these three Structural Funds and the FIFG have been increased substantially, from ECU 7 billion or some 19% of the Community budget in 1987 to ECU 23 billion or 30% of the budget of the European Union in 1995. It is intended to step up this effort still further in the future and bring the Structural Funds up to 33% of the total budget of the European Union in 1999.



Regional policy

Objectives 1, 2, 5b and the new Objective 6 are the only ones of a specifically regional nature, but the others of real interest to regions experiencing economic and social difficulties. Objective 1 covers those regions whose per capita GDP is less than 75% of the Community average. These are above all peripheral regions with relatively little industry or where industry is threatened, and in-

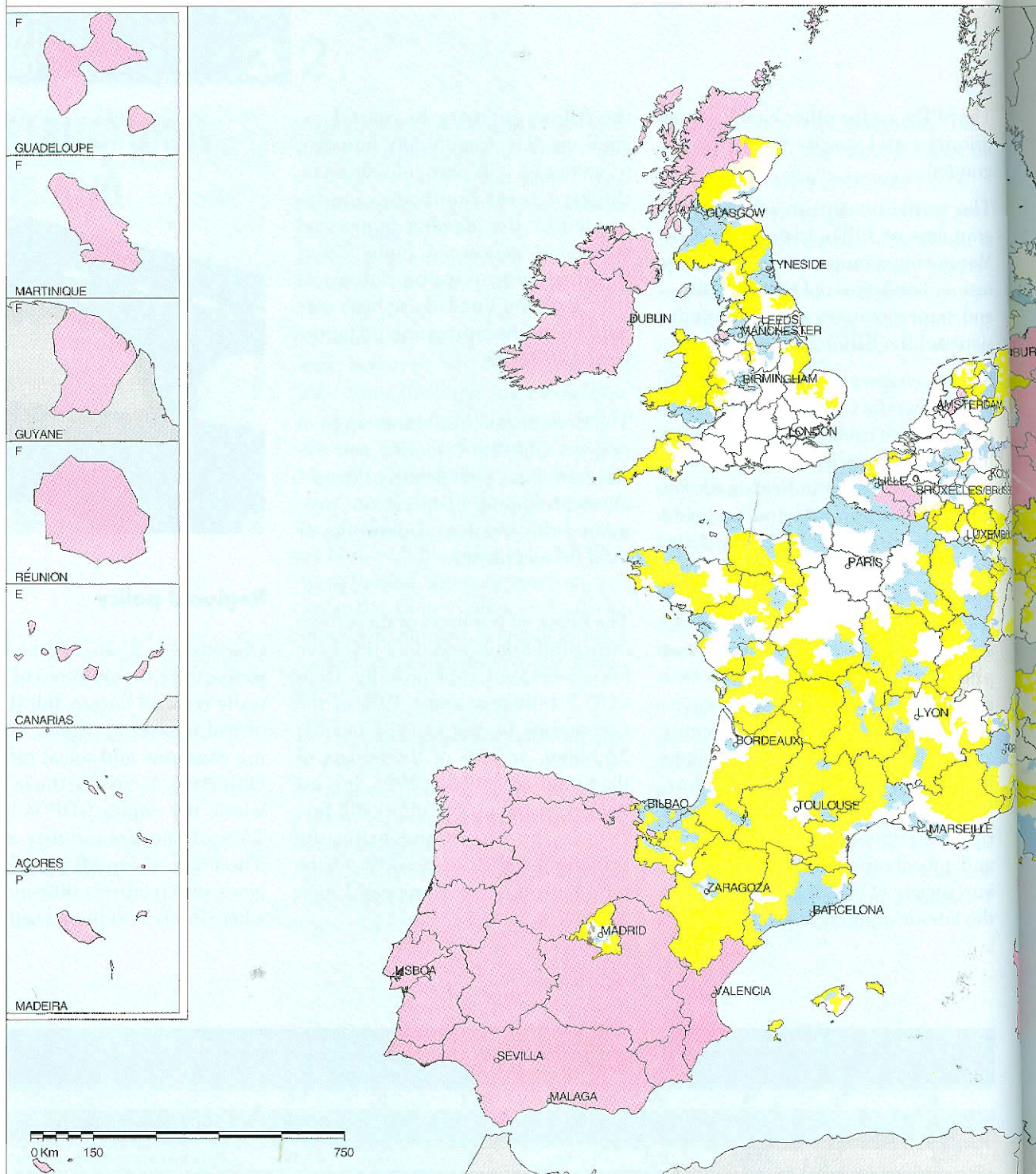
Appropriations for the Structural Funds by Member State for the period 1994-99
(million ECU at 1994 prices)¹

I	L	NL	A ²	P	FIN ²	S ³	UK	Objective
14 860	—	150	184	13 980	—	—	2 360	1: Underdeveloped regions
684	7	300	n.d.	—	n.d.	n.d.	2 142	2: Regions experiencing industrial decline
1 715	23	1 079	n.d.	—	n.d.	n.d.	3 377	3 and 4: Long-term unemployment
814	40	165	n.d.	—	n.d.	n.d.	450	5a: Adaptation of agricultural structures
901	6	150	n.d.	—	n.d.	n.d.	817	5b: Development of rural areas
—	—	—	—	—	511	230	—	6: Nordic regions
1 705	13	241	—	1 416	—	—	1 119	Community initiatives
20 679	89	2 084	1 623	15 396	1 704	1 420	10 265	Total

NR: n.d.: not yet determined.

¹ In addition to these amounts, a total of ECU 1 367 million has been set aside for Community initiatives and ECU 1 491 million for innovative action, to be allocated at a later stage.

² 1985 prices.



Regions eligible for Objectives 1* and 5b (1994-99) and Objective 2 (1994-96)

Objective 1:
regions of lagging
development

Totally eligible

Objective 2:
declining industrial
areas

Totally eligible
 Partly eligible

Objective 5b:
development of
rural areas

Totally eligible
 Partly eligible



NB: The list of regions eligible for the Structural Funds is published in the *Official Journal of the European Communities*.
This map has no legal status.
Boundaries are for NUTS level 2.
At the time of this publication, the corresponding information referring to the new Member States was not available.

* Objective 1 for region Abruzzi (Italy): 1994-96.

THE STRUCTURAL FUNDS AND REGIONAL POLICY

clude the whole of Greece, Ireland and Portugal, some 70% of Spain (11 regions in the south and west), the Italian Mezzogiorno, Corsica, a number of districts in Nord-Pas-de-Calais and the French overseas departments (FODs), Northern Ireland the Scottish Highlands and Merseyside in the United Kingdom, Flevoland in the Netherlands, Hainaut in Belgium and the five new *Länder* and East Berlin in Germany; 26.6% of the population of the EU lives in these regions. Burgenland in Austria has been on the list since 1 January 1995. The development priorities in these regions include promoting the production sector, modernizing the infrastructures for communications, telecommunications and energy and water supply, research and development, vocational training, business services etc.

The industrial regions in decline targeted by Objective 2 are those areas which meet each of the following criteria: a rate of unemployment above the Community average, a ratio of

The Cohesion Fund

The Cohesion Fund provided for in the Treaty on European Union with a view to promoting economic and social cohesion and solidarity between Member States makes a financial contribution to projects in the fields of the environment and trans-European transport infrastructures in those Member States in which per capita GNP, measured in terms of purchasing power parities, is less than 90% of the Community average and which have established a programme with the aim of meeting economic convergence criteria set out in the Treaty.

Until the end of 1999, only four Member States — Greece, Spain, Ireland and Portugal — will be eligible for aid from this Fund.

The commitment appropriations available for this Fund for the period 1993-99 will total ECU 15.15 billion at 1992 prices, broken down as follows:

- ECU 1.5 billion for 1993;
- ECU 1.75 billion for 1994;
- ECU 2 billion for 1995;
- ECU 2.25 billion for 1996;
- ECU 2.5 billion for 1997;
- ECU 2.55 billion for 1998;
- ECU 2.6 billion for 1999.

The amounts will be divided among the Member States roughly as follows:

- Spain: 52 to 58% of the total;
- Greece: 16 to 20% of the total;
- Portugal: 16 to 20% of the total;
- Ireland: 7 to 10% of the total.

Community initiatives for the period 1994-99
(billion ECU, 1994 prices)

Community initiative	Amount 1994-99	of which Objective 1
Interreg	2.90	2.30
Leader	1.40	0.90
REGIS	0.60	0.60
Employment and development of human resources	1.40	0.80
ADAPT	1.40	0.40
Rechar	0.40	0.10
Resider	0.50	0.10
Konver	0.50	0.20
RETEX	0.50	0.40
PAIX (Ireland/Northern Ireland)	0.30	0.30
SME	1.00	0.80
URBAN	0.60	0.40
PESCA	0.25	0.10
To be allocated among CIs	2.02	1.21
Total	13.77	8.61

persons employed in industry to the total of those in employment which is equal to or higher than the Community average, and a significant decline in industrial employment. Coverage may also extend to areas which are contiguous with those defined above, urban communities with an unemployment rate at least 50% higher than the Community average where there has been a major decline in industrial employment, areas undergoing industrial change which are suffering a serious increase in unemployment, areas (particularly urban areas) facing serious problems in the redevelopment of run-down industrial sites, and areas affected by problems in connection with the restructuring of the fisheries sector. Around 58 million people, or 16.8% of the total population of the EU, live in these areas.

This list of regions is revised every three years. The priority in these regions is employment and the quality of the economic environment: the promotion of new activities, the redevelopment of sites, land and buildings, economic restructuring and improvement of the region's image, training, research and development, forging closer links between universities and industry, etc.

The areas covered by Objective 5b are selected on the basis of their level of socioeconomic development, assessed in terms of per capita GDP and in particular the large proportion of jobs in agriculture compared with total employment, the low level of agricultural incomes, low population density and the tendency towards substantial depopulation. Peripheral areas and islands, mountain regions and regions which have suffered badly from the reform of the CAP or the restructuring of the

fisheries sector may also be covered. In these areas, which have a population of over 28.5 million, or 8.2% of the Community total, the focus is on diversifying economic activity and creating jobs in non-agricultural sectors - particularly in tourism and small and medium-sized businesses.

The regions targeted by Objective 6 are the very sparsely populated areas in Finland and Sweden (eight or fewer inhabitants per km²) north of the 62nd parallel



THE MAIN COMMUNITY POLICIES

The completion of the internal market in 1993 involved the reinforcement and development of the common policies with a view to bringing about greater economic and social cohesion in the European Community, and with the prospect of economic and monetary union this has become even more important. It was with this aim in mind that the Structural Funds were reformed to make the regional policy more effective, although other fields, in particular social policy, have also benefited. The priority objectives drawn up by the Commission and the Council target the environment, energy, industry (see Chapter 13), research and technological development (see Chapter 7), transport and infrastructures. The reform of the common agricultural policy was decided on in 1992 and is gradually being implemented.

The common agricultural policy (CAP)

■ Objectives

In 1957, at a time when agricultural production in the Member States was far from meeting requirements, the objectives of the CAP were set out in the Treaty of Rome: to increase agricultural productivity and thus ensure a fair standard of living for farmers, to stabilize markets, to

assure the availability of supplies, and ensure reasonable prices for consumers.

■ The means

In order to attain these objectives, the various markets for agricultural products have been organized at Community level since 1962, in accordance with three fundamental principles:

- market unity, which implies total freedom of trade and therefore the abolition of customs duties at intra-Community borders and the establishment of a common external customs tariff, common prices and common rules of competition;
- Community preference, which gives priority to the sale of Community products and protects the internal market from fluctuations in price levels on the world market;
- joint financial responsibility, which means that the costs of the common policy are borne jointly; CAP revenue and expenditure are shown directly in the EU budget.



The common organization of markets has gradually expanded to cover virtually all European production of agricultural commodities.

EU expenditure on the CAP is effected through the European Agriculture Guidance and Guarantee Fund (EAGGF). Its Guarantee Section finances price guarantees, purchases by intervention agencies, storage costs, direct income subsidies, subsidies for the marketing of products, and export refunds to offset the difference between prices on the Community market and those on the world market. The EAGGF Guidance Section finances the improvement of agricultural structures, and

the means at its disposal have been substantially increased with the reform of the Structural Funds.

■ Results

The results produced by the CAP after almost 30 years can be summarized as follows:

- it has assured availability of supplies through a substantial increase in production, as reflected in the spectacular growth in productivity, to the extent that the food shortages of the 1960s have been transformed into surpluses for a number of products, i.e. milk, table wine, meat, cereals and sugar;

The GATT agreements and agriculture in the EU

One of the aims of the Uruguay Round negotiations was to reduce the restrictive effects on world trade of the measures to support and protect agriculture introduced by many countries, including the USA and the Member States of the EU. This aim was achieved by converting various forms of protection into customs duties destined to be substantially reduced in the near future.

Thanks to the reform of the CAP, the European Union was able to subscribe to the commitments given in this field. The external protection system of the common agricultural policy, primarily comprising levies on imports of agricultural produce, has been maintained in order to allow Community preference to continue but has been modified to improve access to the market. Minimum import levels have been fixed and the levies have been converted into

customs tariffs, which are destined to be reduced by up to 36%.

Internal support mechanisms still exist, but the EU has undertaken to lower the overall level of internal support by 20% over six years. This corresponds to the figures proposed in connection with the reform of the CAP. Certain programmes aimed at restricting production, such as the set-aside plan, have been retained.

Export subsidies for agricultural products were reduced under the GATT agreements. The developed countries, thus also the EU, undertook to cut these subsidies by 36% over a period of six years and to reduce the volume of subsidized exports by 21% over the same period. These reductions correspond to the changes introduced in the most recent reform of the CAP.

A clause prohibits countries for a period of nine years from taking

legal action against the internal policies of other members, provided they comply with the commitments entered into under the agreement.

The conclusion of these negotiations should provide a more stable framework for trade in agricultural produce, make the agricultural sector more market-oriented and more competitive, and lead to greater compatibility between the CAP and the rules of international trade.

Furthermore, it is likely that the increase in Community import quotas will affect consumer prices, albeit to a limited extent, since the new customs duties will remain very high.

The GATT agreement also bans the use of health and plant-protection measures for protectionist purposes and encourages the application of international standards.

THE MAIN COMMUNITY POLICIES

- reasonable consumer prices have been ensured and the markets stabilized for most products;
- regular supplies have been guaranteed, with the aid of worldwide trade links;
- farmers' incomes rose at more or less the same rate as other incomes until the end of the 1970s, since when they have been under pressure as a result of the stagnation or even decline in producer prices arising from the growing surpluses in the 1980s; there are, moreover, major differences in income between farmers depending on the products, the size of the holdings and the region.

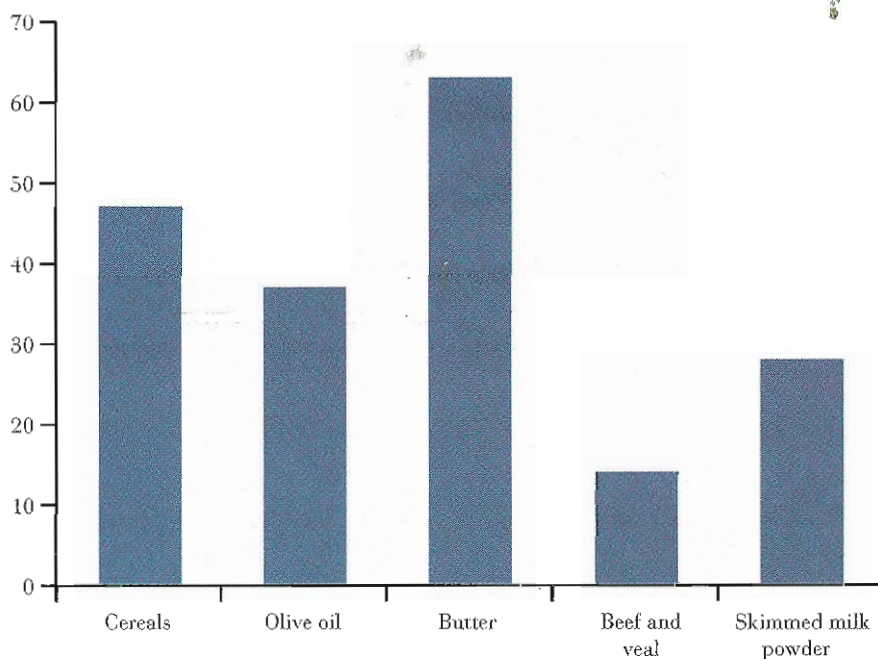
■ The reform of the CAP

The CAP has brought about structural surpluses which have substantially increased stocks. Expenditure on guarantees (which increased six-fold between 1970 and 1986) has become a great burden on the EU budget but has still not been able to counteract the drop in agricultural incomes particularly in the case of small holdings and those in less-favoured regions.

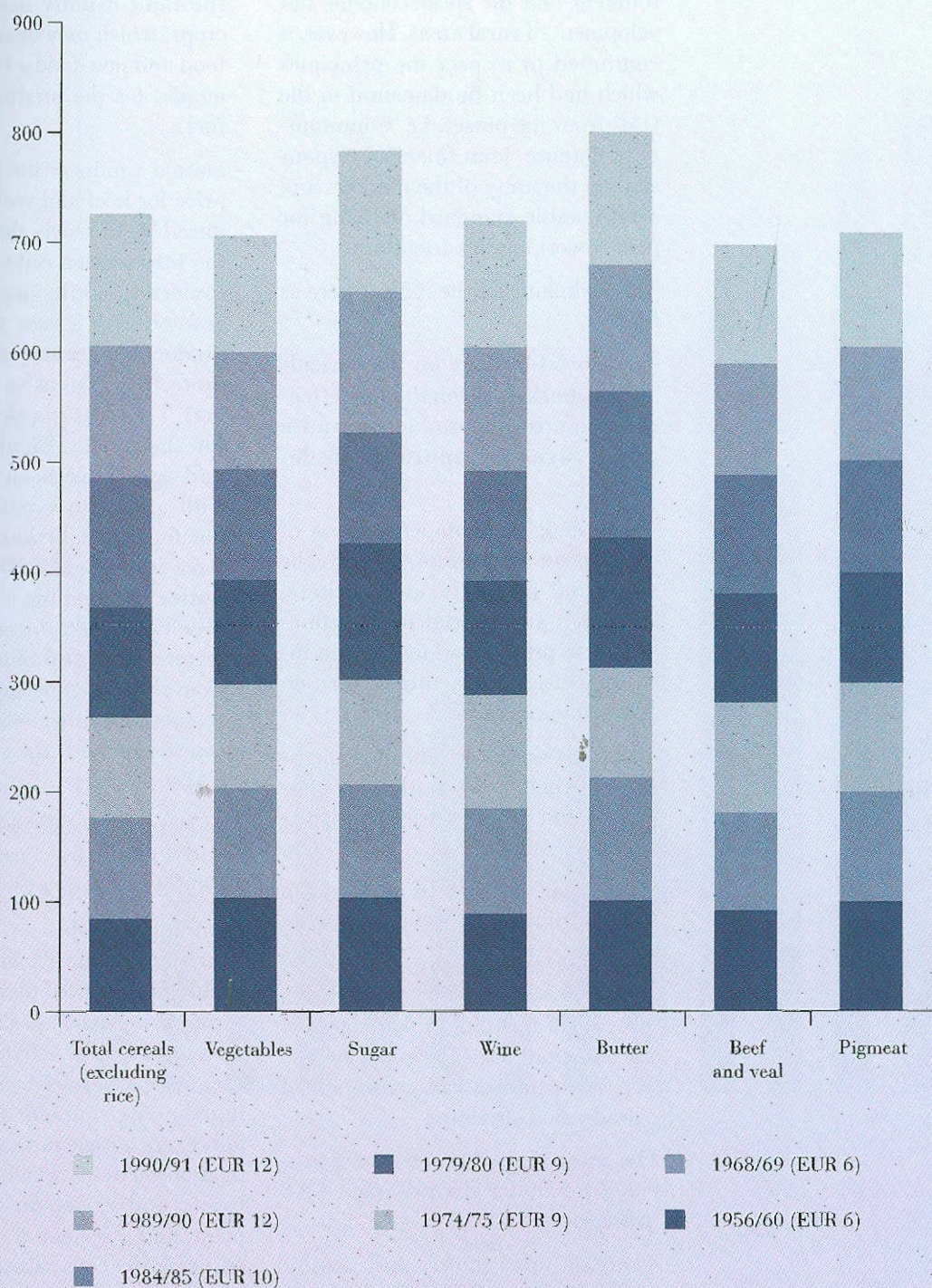
In spite of the successive measures introduced since 1984 with a view to reducing costs and eliminating surpluses for example, milk quotas, the system of stabilizers (involving maximum guaranteed quantities) and the co-responsibility levies, together with structural measures aimed at promoting afforestation, protecting certain environmentally sensitive areas and encouraging diversification in agriculture and the set-aside of arable land a radical reform of the CAP proved necessary. This was adopted in June 1992.

The fundamental reform of the majority of the arrangements for the common organization of markets, together with major accompanying measures, was a decisive turning point in the development of the CAP.

Number of days' consumption in stock (June 1994)



Self-sufficiency in certain important agricultural products (%)



THE MAIN COMMUNITY POLICIES

This reform primarily involved turning a price-support policy into a policy geared more to direct aid to producers, while also providing a response to the increasing concern about the improvement of the environment and the socioeconomic development of rural areas. However, it continued to respect the principles which had been fundamental to the CAP from the outset, i.e. Community preference, joint financial responsibility, the unity of the markets and a reasonable standard of living for people working in agriculture.

The main aims of the reform were as follows:

- improved balance on the agricultural markets through more effective control of production and a more dynamic approach to demand;
- increasing the competitiveness of European agriculture, on both the internal and external markets, through substantial price reductions to promote an increase in internal use and facilitate sales on the world market;
- more extensive production methods to help protect the environment and reduce agricultural surpluses;
- a certain redistribution of aid in favour of the holdings most at risk;
- keeping an adequate number of farmers active, while favouring a degree of mobility in the factors of production particularly the land so as to encourage rationalization of production structures.

The most important measures provided for under the reformed CAP concern:

- cereals, oleaginous and proteinaceous crops, for which the guaranteed prices are being reduced

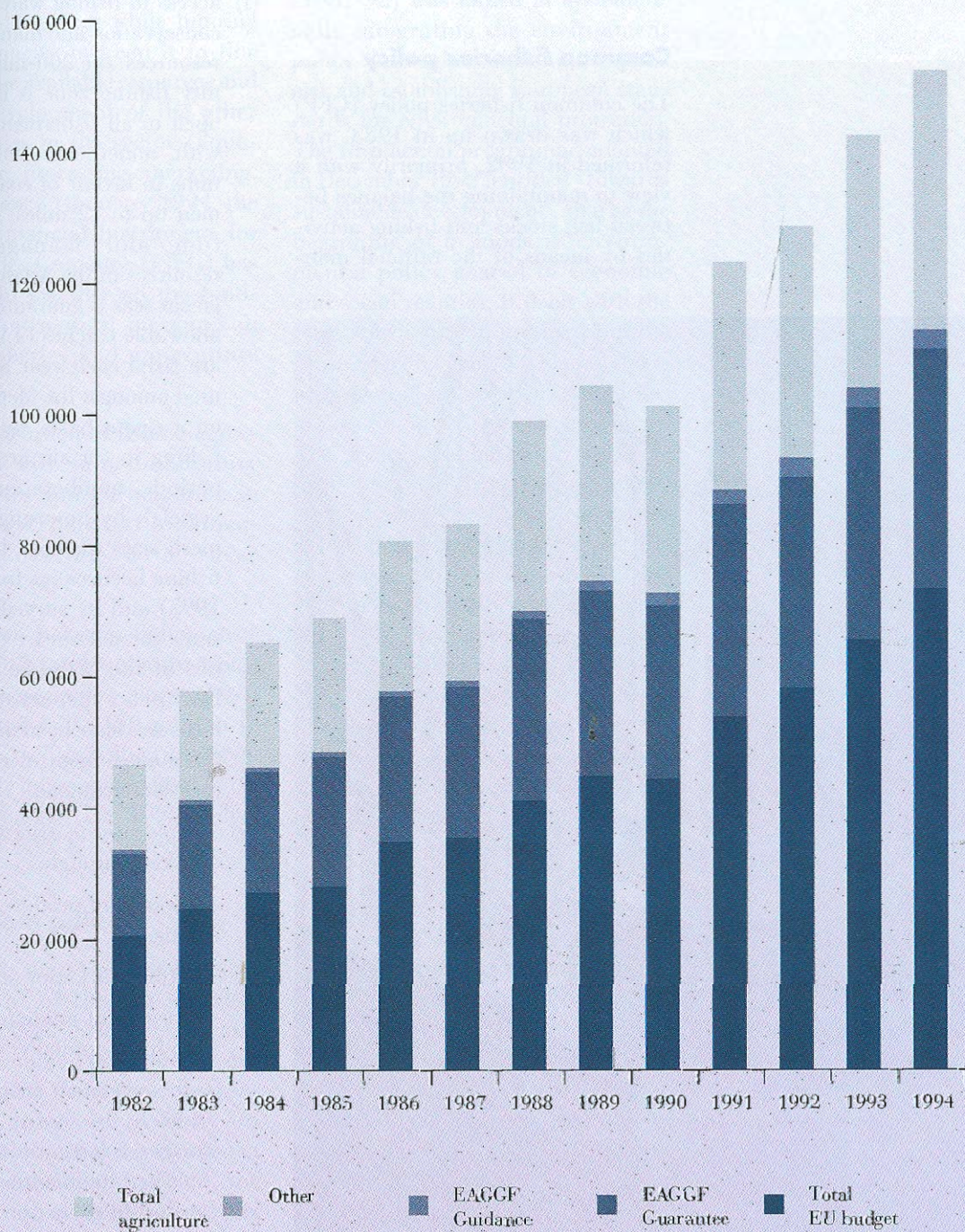
(by up to 30% over three years in the case of cereals), but which enjoy a system of compensatory aid in order to maintain agricultural incomes; this aid is linked to the set-aside of a certain percentage of the land usually used for these crops, which may be used for non-food and non-fodder crops (for example, for the production of bio-fuel);

- animal produce: the intervention price for beef and veal is being reduced by 15% over three years and the intervention ceilings are being lowered, while premiums are granted with a view to promoting product quality and environmental protection (extensive stock-farming). The measures already in force for sheepmeat, pigmeat, poultry and eggs have been maintained with a view to avoiding overproduction; the milk quotas remain in force and the guaranteed prices for butter are coming down by 5% over two years; the stock-farming sector should also generally benefit from the reduction in the prices of cereals and other feedingstuffs in connection with the reform of the CAP.

The reformed CAP is being implemented gradually starting from the 1993/94 marketing year.

In addition to this set of measures, which are primarily aimed at controlling production, there are the 'accompanying measures', which concern agricultural activities and land use, i.e. measures aimed at conserving the environment (a system of aids to encourage farmers to use production methods which are less polluting and easier on the environment, and a system of aids aimed at ensuring the conservation of natural resources and the maintenance of the natural environment), afforestation

EAGGF expenditure (million ECU)



THE MAIN COMMUNITY POLICIES

aids (to cover the cost of the work and the maintenance of plantations, to compensate for loss of income and to improve wooded areas) and an early-retirement scheme for farmers (retirement premiums, annual premiums, pension supplement).

Common fisheries policy

The common fisheries policy (CFP) which was drawn up in 1983, was reformed in 1992, primarily with a view to maintaining the balance between fish stocks and fishing activities by means of the rational man-

agement of resources under the principle of subsidiarity, particularly through measures to put the onus on the fishing industry itself and through inspection. The common fisheries policy covers four main areas:

- (i) access to fishing waters, and the conservation and management of resources: the 200-mile Community fishing zone is in principle open to all fishermen in the EU with, nonetheless, some restrictions in favour of coastal fishermen up to 12 miles; the protection; and management of resources in the Atlantic and adjacent seas is guaranteed by total allowable catches (TACs), which are fixed each year and distributed amongst the Member States on a quota basis, by restricting fishing in certain areas (fishing periods, numbers and types of vessels), by imposing minimum mesh sizes for nets, by granting fishing licences (as from January 1995) and by surveillance measures carried out by the authorities of the Member States and European inspectors; similar measures have been drawn up for the management of resources in the Mediterranean;
- (ii) the common organization of markets through:
 - a system of producer organizations;
 - setting marketing standards;
 - a system of guide prices which are fixed annually;
 - an external trade system which, by using reference prices fixed annually, allows market stabilization measures to be taken in the event of a crisis caused by large-scale imports at abnormally low prices;



(iii) a structural policy developed in 1986 and revised in 1992 to introduce multiannual guideline programmes subsidized by the EU to improve productivity in fishing; its main aims are the renewal and modernization of the fishing fleet while limiting its capacity to keep it in line with the available resources and the development of the other activities in the sector (aquaculture, processing, marketing, etc.); since 1 January 1994, the new Financial Instrument for Fisheries Guidance (FIFG) has brought together all the funding of structural measures in the fisheries and aquaculture sector;

(iv) the conclusion of fishing agreements with non-Community countries and participation in intergovernmental organizations dealing with these matters.

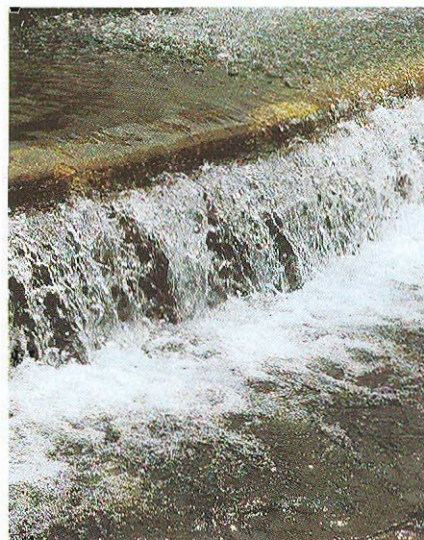
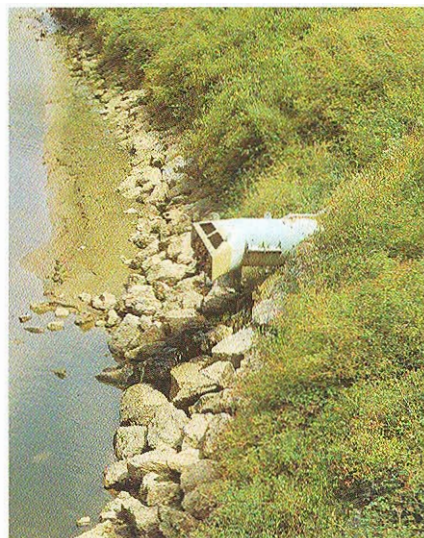
The common fisheries policy costs relatively little, and while the Community appropriations allocated to it did rise from ECU 190 million in 1986 to ECU 776 million in 1994, this still only amounts to about 1.1% of the EU budget. The 1995 budget for the CFP is ECU 849 million.

Environment policy

Since 1972, the Heads of State or Government of the EC Member States have been laying the foundations for a common policy on the environment. The first two action programmes consisted mainly of measures to restore the environment on a European scale. In 1983, the third programme highlighted the fundamental principle which is the current basis of the EU's policy on the environment, namely that pre-

vention is better than cure. It was the Single European Act which laid down the explicit legal and political bases of a meaningful policy on the environment.

The fourth action programme (1987-92) was aimed at systematically integrating the environment policy with other Community policies and establishing European standards for environmental protection. The fifth action programme adopted in December 1992, entitled 'Towards sustainable development', marks the beginning of a 'modern' environmental policy geared to economic and social realities. It deals with the form which growth must take in the future starting from the idea that it is not possible to make unlimited demands on our planet's environment. The strategy is based on partnerships between governments, industry, consumers and all other parties involved in economic and social life. It stresses more rational use of resources (reduced production, more efficient utilization, re-use and recycling), the development of renewable, non-polluting energy sources and the recovery of energy from industrial waste, and waste management to avoid accumulation and encourage recovery. The programme provides for an ecological dimension in all Community policies, tax or economic incentives for products and services which respect the environment, improved information and education for the general public and aid for research and technological development. It reaffirms the polluter-pays principle, but also provides for specific financial aid mechanisms, such as the financial instrument for the environment (LIFE) and the Cohesion Fund for Spain, Portugal, Greece and Ireland set up by the Treaty on European Union.

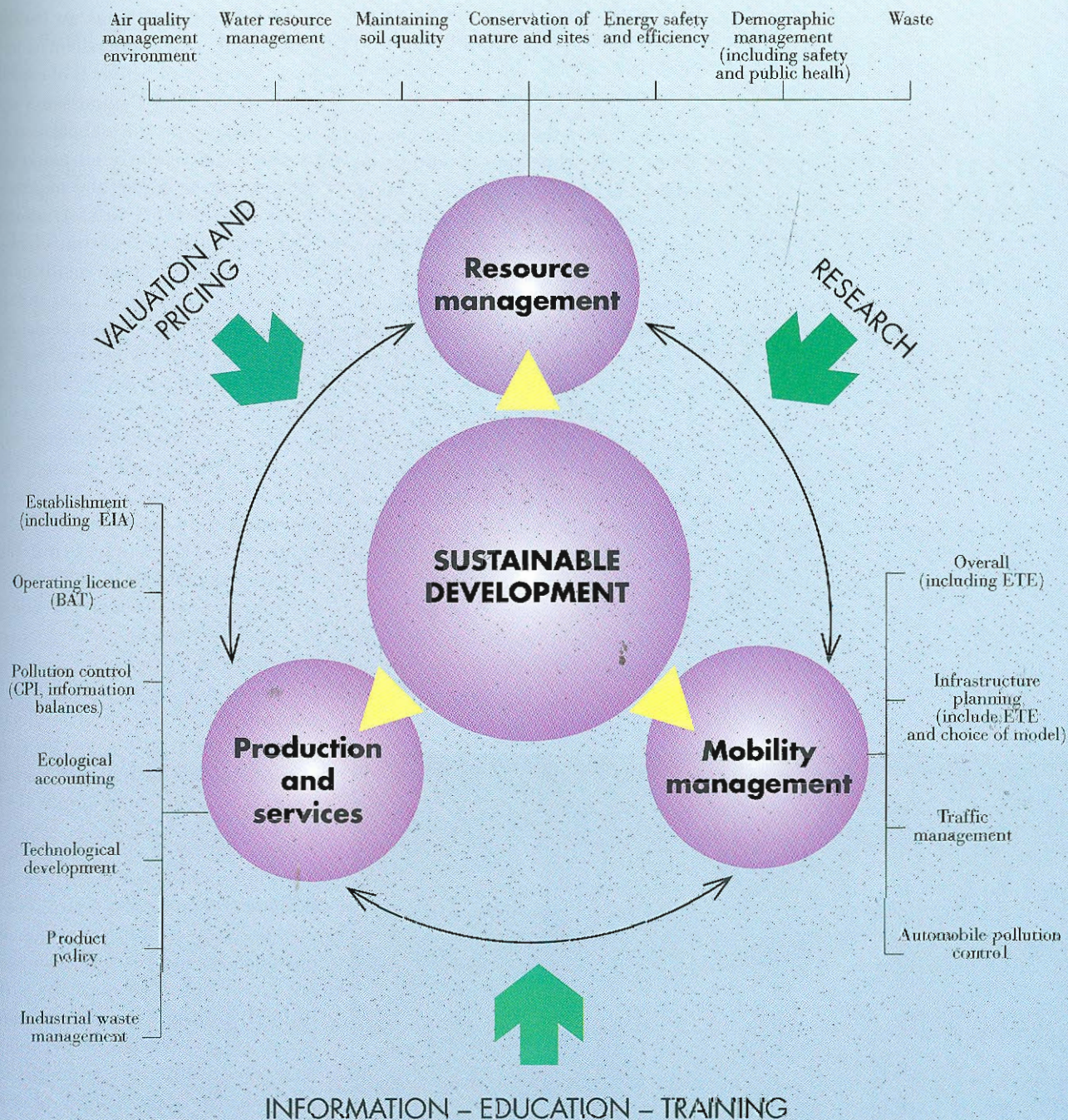


THE MAIN COMMUNITY POLICIES

The EU's new environment policy is based on the principle of prevention — in other words, an approach to economic and social progress which takes care to avoid ecological damage. If they are to be effective, environmental protection measures cannot be considered in isolation. The ecological dimension must be taken into account in the overall planning and decision-making process in all sectors, but particularly in agriculture, the oil industry, energy, transport, tourism and regional development. Moreover, the strengthening of environmental protection standards should not be regarded as mere red tape, but as a necessity, and it should be borne in mind that the additional costs involved are not non-productive but often generate economic growth and jobs, as suggested in Chapters 9 and 10 of the 1993 White Paper on competitiveness, growth and employment.



Sustainable development



THE MAIN COMMUNITY POLICIES

Energy policy

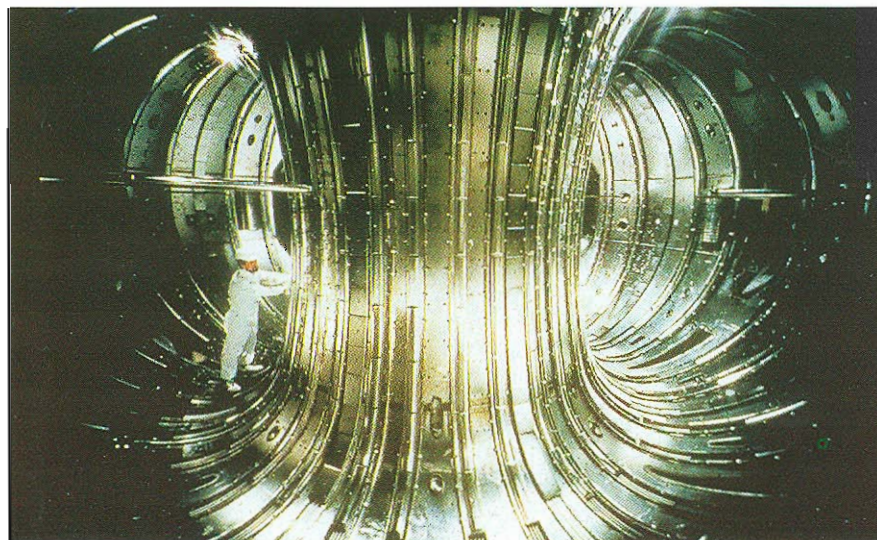
Energy plays a strategic part in the economy and is marketed very much as a public service. The aims of the measures taken under the common energy policy are the completion of the internal energy market, security of supply (involving cooperation with both consumer and producer countries outside the EU) and environmental protection.

To ensure that the energy market operates under the same conditions as other markets, steps must be taken to dismantle the obstacles to trade and the distortions of competition hampering the internal market. The initial focus of the action carried out by the Commission is transparency in energy costs, particularly for gas and electricity, in order to ensure that all energy sectors are open to competition. This involves removing or modifying the monopolies and the State aid which are frequent features in the energy sector, aligning the systems of indirect taxation (rates of VAT and excise duties), and opening up the public energy markets under the same conditions as for other sectors of the economy. A further objective is the free movement of goods

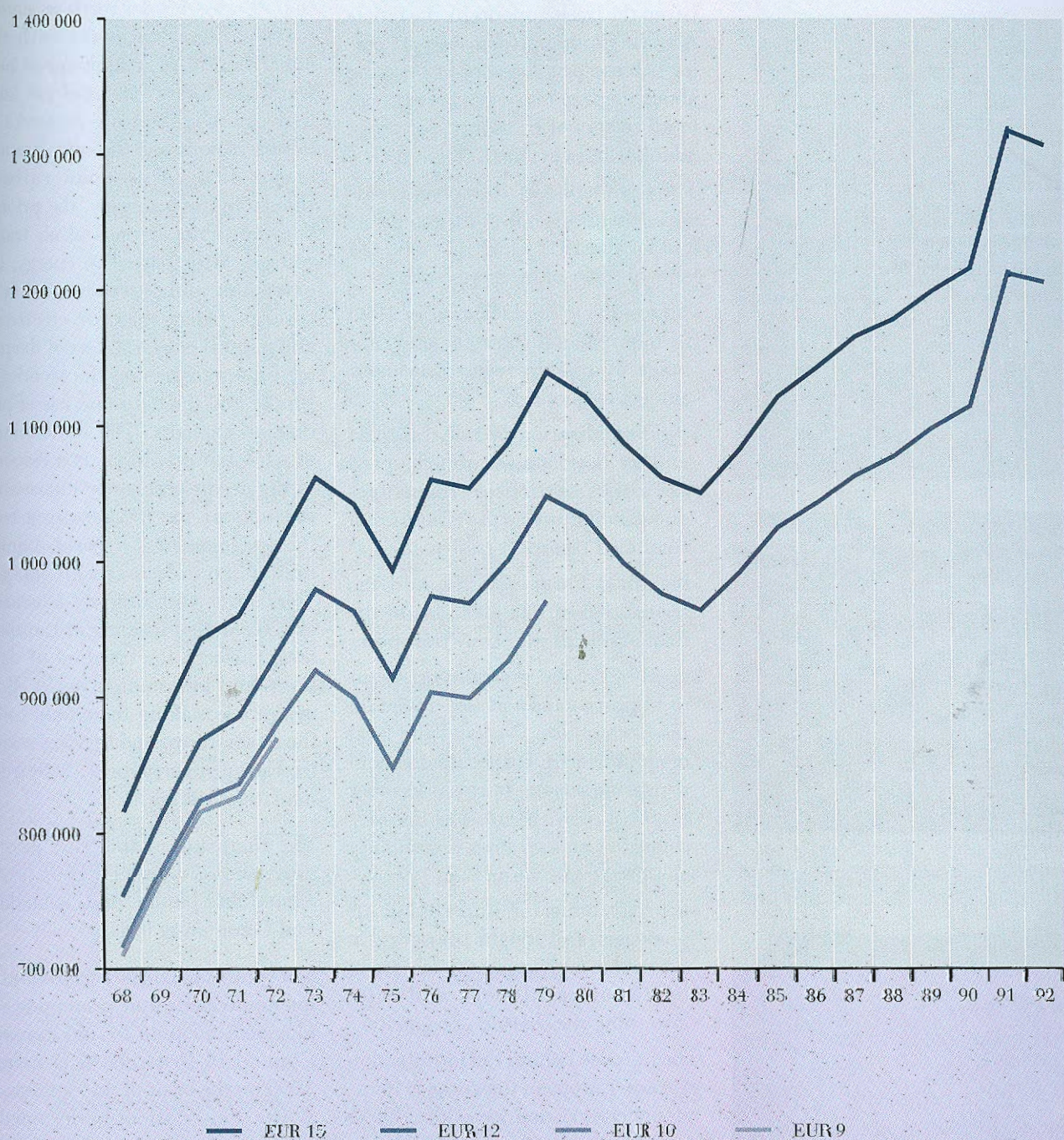
and services in the energy sector, and in particular the removal of technical barriers through the harmonization of regulations and legal or technical standards regarding the quality of products, the equipment used by producers or consumer appliances.

Given that the EU has an energy deficit and is therefore reliant on imports, security of supply is of capital importance. The Commission's activities centre on the stabilization of markets (particularly oil markets), energy conservation, the improvement of transport infrastructures with the interconnection of networks, transshipment facilities at ports and oil and natural gas storage facilities. Attention is also being given to developing the external aspects of the common energy policy, through cooperation agreements on energy issues and the drafting of a pan-European energy charter. This charter, which was signed by almost 50 countries in the Hague on 17 December 1991, clearly brings out how interdependent the countries of Europe are with regard to energy and specifies the areas for cooperation between producers and consumers of energy. It is being implemented under international law, including the GATT rules, by virtue of the signing, by almost all the parties to the charter, of an initial Treaty in Lisbon on 17 December 1994.

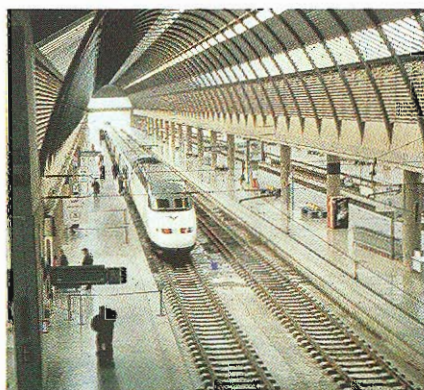
Environmental protection has now become a component of all Community policies. It is of particular importance for the energy policy, since the production of electricity, whether through burning coal or hydrocarbons or from nuclear energy, and the energy consumed by industry and transport are major sources of pollution. The common energy policy aims to cut down pollution, encourage energy conservation, promote



Gross internal energy consumption (1 000 toe)



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the use of new forms of renewable energy, stimulate research on the interaction between energy and the environment and encourage improvements in energy efficiency.

Transport and infrastructure policy

Given the fresh impetus by the Single Act, the Community's transport policy has the primary aim of bringing about the free movement of services in all sectors of transport — by sea, inland waterway, road, rail and air.

The completion of European transport networks is one of the top priorities of the EU, which has taken a large number of measures such as:

- the complete liberalization in 1993 of international transport and cabotage by road, a sector previously subject to quotas;
- the liberalization of rail transport and the development of high-speed networks, which are measures aimed at improving the efficiency of combined transport (rail-road);
- technical harmonization and the recognition of qualifications in the field of inland waterway transport;
- measures in the sea transport sector to improve safety at sea, maintain the Community fleet and the level of employment, ensure the freedom to provide services between Member States and with non-Community countries, and set up a Community shipping register and flag;
- a programme for liberalizing air passenger and freight transport, in particular with greater flexibility in operating regulations and rules governing the sharing of capacity.

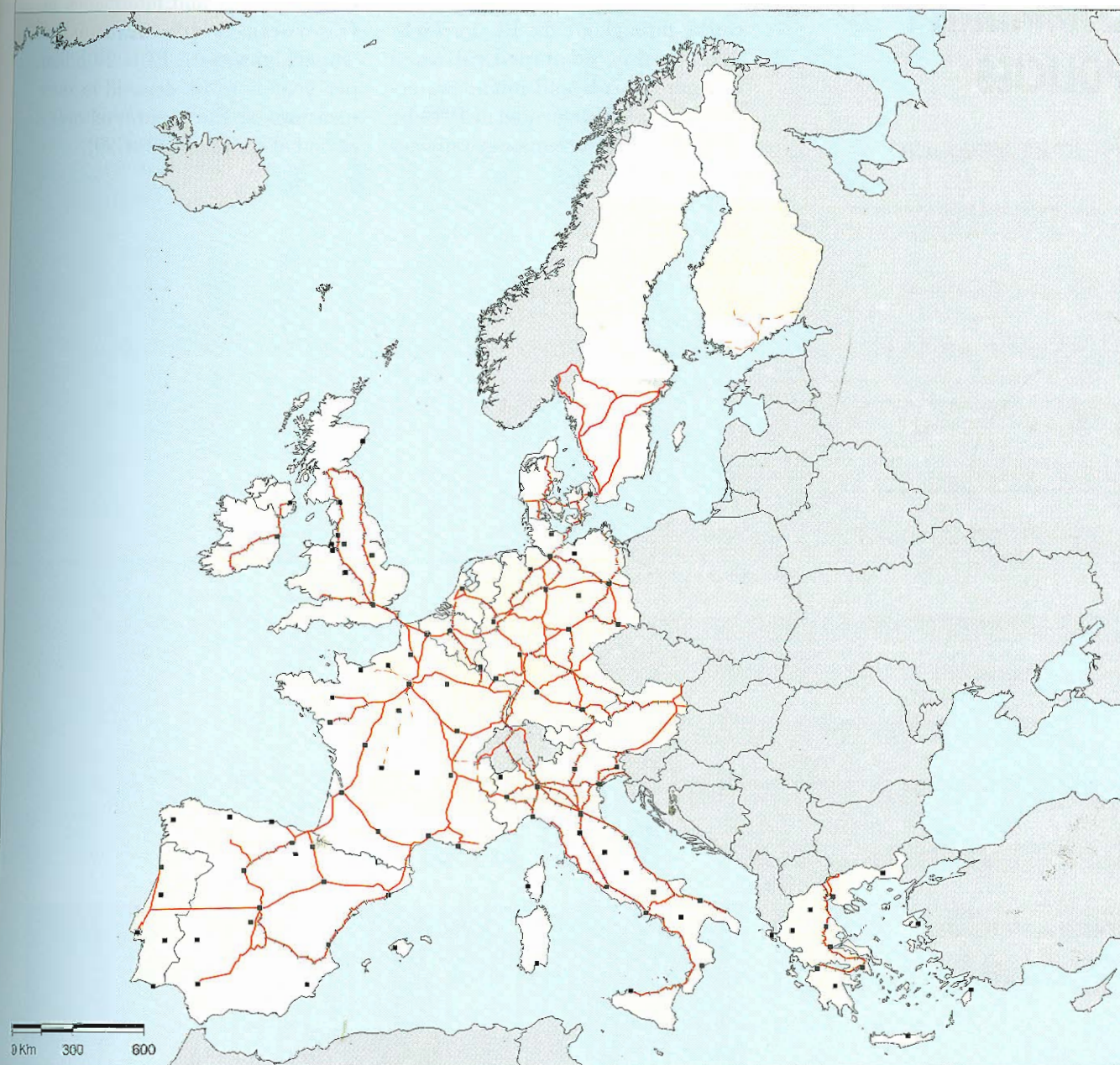
The purpose behind the introduction of trans-European networks is to interconnect existing networks, fill in the 'missing links' or unblock the bottlenecks between the various

national networks, overcome the isolation of the peripheral regions and extend the Community networks towards northern, central, eastern and Mediterranean Europe. The trans-European network programme is primarily aimed at road transport infrastructures with the interconnection of cross-border roads or motorways, and at railways with the construction of a high-speed network, the improvement of rail links between neighbouring networks in border regions and the completion of major trans-European railway routes. In air transport, the priority is to unify the systems of air traffic control. With regard to energy, the extension and interconnection of transport networks for electricity and natural gas form part of the policy for strengthening the security of supply and the optimum use of production capacity. The development of telecommunications is a response to the need to exchange information throughout the EU resulting from the development of a world of multimedia (sound, text and image). Telematics will support education and vocational training at European level through the creation of databases and information banks. Businesses are making increasing use of the new information services carried by European networks, (electronic mail, teleworking).

The financing of this vast priority programme is through both private capital and public funds at national and Community levels.

The plan of action for combating unemployment and promoting employment adopted by the European Council in Brussels in December 1993 on the basis of the Commission White Paper stresses the need to speed up the creation of trans-European transport, energy and telecom-

Trans-European high-speed train network



Existing high-speed railway links

Agglomeration

Planned high-speed railway links

Combined transport network

THE MAIN COMMUNITY POLICIES

munications networks. The 'outline plans' which had already been produced, showing the layout of the networks throughout the EU for high-speed trains, combined rail-road transport, roads and inland waterways, were supplemented in 1994 by plans for the conventional railways

infrastructure, ports and airports, the transport and distribution of gas and electricity and information infrastructures (the information 'superhighways'). ECU 20 billion per year is to be devoted to these measures at European-level over a period of six years (1994-99).



Trans-European road network



Existing trans-European road links

■ Agglomeration

Planned trans-European road links

THE MAIN COMMUNITY POLICIES

Competition policy

The European Union has created a single market open to companies in all the Member States, which can sell their products, seek the goods and services they need and directly extend their activities through investments in other Member States. Having set up this single market, the Union has also developed a single system of competition rules which apply at Community level, particularly with a view to preventing companies from creating artificial obstacles to trade. Furthermore, when the activities of companies and their competitive relationships transcend national borders it is difficult for the national authorities to protect competition effectively, and, for their part, companies wish to avoid hav-

ing to deal with a variety of competition rules in the various Member States. This single system is also designed to protect the consumer by preventing companies and governments from acting in a manner which is likely to restrict competition and hence deprive the consumer of the advantages arising from rivalry between companies. The competition rules apply to all companies — European or not — selling goods and services within the European Union and the entire European Economic Area. Companies established outside the EU infringe these rules if any anti-competitive conduct on their part extends to the European market. Penalties have in the past been imposed on a number of companies on these grounds.

Extracts from the Treaty of Rome concerning rules on competition

Article 85

1. The following shall be prohibited as incompatible with the common market: all agreements between undertakings, decisions by associations of undertakings and concerted practices which may affect trade between Member States and which have as their object or effect the prevention, restriction or distortion of competition within the common market, and in particular those which:

- (a) directly or indirectly fix purchase or selling prices or any other trading condition;
- (b) limit or control production, markets, technical development, or investment;
- (c) share markets or sources of supply;

- (d) apply dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;
- (e) make the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.

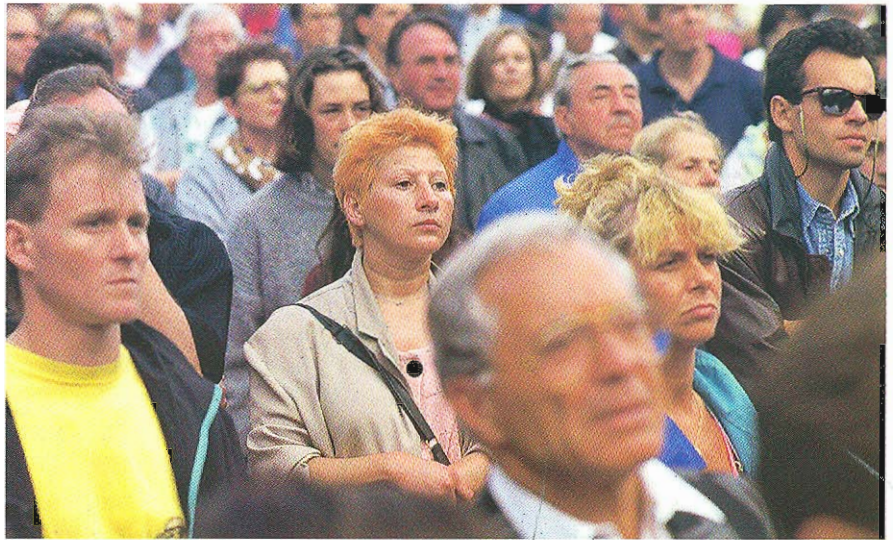
Article 86

Any abuse by one or more undertakings of a dominant position within the common market or in a substantial part of it shall be prohibited as incompatible with the common market in so far as it may affect

trade between Member States. Such abuse may, in particular, consist in:

- (a) directly or indirectly imposing unfair purchase or selling prices or other unfair trading conditions;
- (b) limiting production, markets or technical development to the prejudice of customers;
- (c) applying dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;
- (d) making the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.

Any conduct resulting from an agreement between companies or a dominant position held by a company which affects the normal functioning of the market may be subject to penalties if it is likely significantly to affect trade between Member States. Competition must in principle operate in all sectors of activity and economic operators must therefore be prevented from entering into agreements which are likely to re-compartmentalize the markets and indirectly re-establish the internal borders. Companies should thus not be able to fix their selling prices jointly in such a way as to deprive the consumer of the possibility of taking advantage of different prices. Similarly, agreements between manufacturers and retailers may be justified if they are in the interests of efficient distribution or the provision of high-quality after-sales service, but must not be used to make it impossible for consumers living in one Member State to buy a product in another where the price is lower. In addition, companies with a large share of the market cannot abuse their dominant position to make consumers pay higher prices or oust less powerful competitors without infringing Community rules. Finally, infringements of a more structural nature could result from merger operations, which will be prohibited if they give companies a lasting possibility of operating without paying attention to competitors or their customers. Free competition may also be impaired by action on the part of the Member States themselves — for example, they may be tempted to subsidize domestic companies directly or indirectly in order to help them compete with companies from other Member States. In addition, by granting exclusive rights for certain basic services such as electricity, wa-



ter, transport or telecommunications, governments directly restrict competition, which may result in lower-quality services with little innovation and high prices.

Within the European Union, competition policy has made a decisive contribution to the integration of hitherto separate national markets to form a single market. This is an advantage both for consumers and industry and for the economy as a whole. Competition enables consumers to choose goods and services at the best price among those offered by companies in all the Member States of the European Community, thanks to the rivalry between companies trying to identify and meet consumers' requirements. The system therefore encourages companies to invest and innovate in such a way as to bring out the most competitive products. In addition, companies which are subject to competition within the European market are better equipped to face up to their non-European rivals on world markets. More generally, competition is a fundamental force in market economies,

THE MAIN COMMUNITY POLICIES

ensuring that prices reflect the genuine relationship between supply and demand.

On the basis of the Treaties establishing the European Union and the European Economic Area, companies with foreign capital registered in Europe are treated in the same way as European companies and are therefore obliged to respect European rules concerning competition in the same way as any other European company. The decisive criterion is the effect which anti-competitive conduct could have on trade between Member States. If it has such an effect, the conduct in question may be prohibited, regardless of the nationality of the companies involved. For example, an American computer company established in Europe will have to comply with European provisions and not with American standards. This principle also applies to European companies established abroad. European companies may adopt practices or sign agreements between themselves or with non-European companies relating to non-European markets, in which case the competition rules of the countries whose markets are concerned will apply. Thus, agreements between two European motor manufacturers to share the United States market will be subject to American competition rules. The European Union has the right to analyse the contents of agreements between foreign companies in respect of their impact on the European market. The Court of Justice of the European Communities has decided that in such cases the territorial principle will apply, i.e. the European Union may oppose any agreement between foreign companies which could restrict or distort competition, but only in so far as the agreement is imple-

mented within the territory of the European Union.

Social policy

Ever since 1957, the Treaty of Rome has included among its explicit objectives the improvement of living and working conditions, but in its social provisions it merely mentions equality of remuneration between men and women, social security for migrant workers and vocational training. It provides for the establishment of a European Social Fund – which was in fact set up in 1961 – responsible for vocational training and the reintegration of unemployed persons into working life.

Since 1974, a social action programme has been in operation. It has three main aims: full and better employment, improved living and working conditions and involvement of the two sides of industry.

Unquestionable progress has been made in the realization of these objectives, but progress on the harmonization provided for has been only fragmentary. Since 1986, with the Single Act, the establishment of a genuine social area has been one of the central elements in Community policy. The single market is meant to comprise a social dimension so that all social categories and regions may benefit from the impetus it generates. This was the aim of the reform of the Structural Funds (see Section 3.2) and the Community Charter of the Fundamental Social Rights of Workers, adopted in Strasbourg in December 1989 by 11 Member States, the United Kingdom abstaining.

On the basis of this Social Charter, the Commission has embarked on the development of a body of Com-



munity legislation on social rights. The aim of action by the European Union is not to standardize the national social systems but rather to promote common priorities and strengthen national policies and make them more consistent.

For the time being, Community activity focuses on the following points: increasing the coordination of social security systems, harmonization in the fields of equality between men and women at the workplace and the social and occupational integration of handicapped persons, harmonization of legislation on atypical (insecure) work, health and safety at work and protection of minors, old people and handicapped people. A Protocol on social policy, adopted by the European Council in December 1991, incorporated into the Maastricht Treaty and valid in all the Member States except the United Kingdom, defines the framework for attaining a number of objectives in labour legislation. The agreement on social policy opens up the possibility of collective agreements at European level; it also defines the fields in which only a qualified majority rather than unanimity is required for the Council to approve decisions.

Community action in the social field favours dialogue between the two sides of industry and gives priority to concerted action on the legislation for achieving these objectives, with the ultimate aim of reaching framework agreements between workers and employers in all areas where this proves to be possible. The White Paper on European social policy adopted by the Commission in July 1994 aims to set out the strategy for consolidating and developing the

Union's action in this area in the future. It is centred on four main themes: the development of the European social model, the top priority given to employment, consolidation of the legislative basis, and strengthening coordinated action to integrate people who are excluded from the labour market. The White Paper proposes a number of specific measures in fields where tangible progress could be made in the short term, together with areas for longer-term consideration.

The plan of action for combating unemployment and promoting employment adopted by the European Council in Brussels in December 1993 on the basis of the Commission's White Paper on growth, competitiveness and employment sets out a general framework comprising seven priorities on which policies conducted by the Member States at national level should be based:

- improving education and training systems;
- improving flexibility within companies and on the labour market;
- studying, at company level, economically sound approaches to the reorganization of work;
- targeted reduction of the indirect costs of labour (compulsory duties), particularly for unskilled workers;
- improved use of the public funds devoted to combating unemployment (guidance for unemployed people through public or private specialized agencies);
- specific action for young people leaving school without adequate training;

The Community Charter of the Fundamental Social Rights of Workers

This Charter reiterates the main principles pertaining to the following rights:

- freedom of movement and establishment;
- employment and remuneration;
- improvement of living and working conditions;
- social protection;
- freedom of association and the negotiation of collective contracts;
- vocational training;
- equal pay for men and women;
- information, consultation and participation of workers;
- protection of health and safety at work;
- protection of children and adolescents;
- entitlement of elderly persons to a pension and social protection;
- rights of handicapped persons to training and occupational and social reintegration.

THE MAIN COMMUNITY POLICIES

- development of new areas of employment (quality of life, environment).

National policies for combating unemployment are supplemented by Community-level activities, particularly comprising measures to promote small and medium-sized businesses and the establishment of major trans-European transport, energy and information networks.

In December 1994, the Essen European Council adopted a series of spe-

cific proposals for action by the Member States with a view to promoting human resources, speeding up job creation, reducing the indirect costs of labour, promoting active labour-market policies and action for disadvantaged groups. The Member States are called on to incorporate these recommendations into their national policies and translate them into a multi-annual programme, taking account of the peculiarities of the economic and social situation in each country.

Consumer policy

The entry into force of the Treaty on European Union has raised consumer policy to the level of a genuine Community policy, which is being implemented under the second three-year action plan (1993-95) in favour of European consumers.

The European Union aims to achieve a high level of consumer protection by means of harmonizing legislation on consumer products, particularly foodstuffs, cosmetics, domestic appliances, etc., and on services, with a view safeguarding the economic interests, health and physical safety of the citizens of Europe. The measures taken concern the quality, presentation and marketing of products, guarantees and after-sales service and informing and educating consumers to make them more aware of their rights. In accordance with the principle of subsidiarity, efforts have been made to promote the cooperation of consumer, producer and supplier organizations at national and local level.

Other community policies

Research and development policy, education policy, industrial policy, trade policy and development aid pol-



they are all dealt with in the chapters on these different topics.

The European Union takes joint action in various other fields such as culture, audiovisual media, communications, the fight against drugs, public health, citizens' rights, external and internal political cooperation, legal affairs, security, etc.

FURTHER READING

Eurostat publications

Portrait of the regions: three volumes
Regions: Statistical yearbook
Rapid Reports/Statistics in focus (Regions)

Electronic products

Eurostat CD
 Eurostat GIS Atlas
 Regiomap
 New CRONOS database

European Documentation

The budget of the European Union
Helping Europe's regions
Building the social dimension
The social challenge
The fight for jobs
Consumers' rights in the single market
Competition policy in the European Community
Transport in the 1990s
Trans-European networks
Rural development
The European Union Cohesion Fund

Other publications

Regional policy: periodic reports on the economic and social situation and development of the regions
Europe 2000: regional programmes such as transport and environment
White Paper on growth, competitiveness and employment, 1993
White Paper on social policy
Social Europe: two issues per year plus one magazine
Guide to Community initiatives 1994-99
Annual reports (General Report, Report on Competition Policy, etc.)
'July 1993 to December 1994: 18 months of European Union policy', in Social Europe, 3/94.
Employment and industrial relations (European glossary)
Equality in law between men and women

GLOSSARY

Cohesion:

the cohesion policy is taken to mean strengthening the economic and social cohesion of the Community in order to promote the harmonious development of the whole of the Community and, in particular, to reduce the gap between the different regions and the backwardness of the less-favoured regions. A special title on economic and social cohesion was introduced into the EEC Treaty by the Single Act.

Financial instruments:

these comprise loans and guarantees provided by the European Investment Bank, the New Community Instrument (NCI) and Euratom, ECSC financial intervention (redeployment aid, loans, interest-rate subsidies, guarantees), as well as interventions funded from appropriations entered in the Community budget for structural policy measures and from budget appropriations for research.

Subsidiarity:

principle according to which the only powers transferred to the Community are those which can be exercised more effectively at Community level than by the Member States acting independently. Subsidiarity applies, for example, to research and technological development, the environment, regional policy, and economic and monetary union.

Oleaginous plant:

plant providing oil for human or animal consumption or for industry; the main products concerned in the European Union are sunflowers, colza and olives.

Proteinaceous plant:

plant providing proteins for animal feedingstuffs — mainly peas, broad beans, field beans and sweet lupins.

Infrastructures:

all the installations and networks necessary for transport and communications, i.e. networks for land-transport (roads, railways), inland waterway transport (rivers, canals), maritime transport (ports), air transport (airports), water distribution, energy distribution (electricity, oil, gas), and telecommunications (telephone, radio, television, telematics, etc.) including satellites.

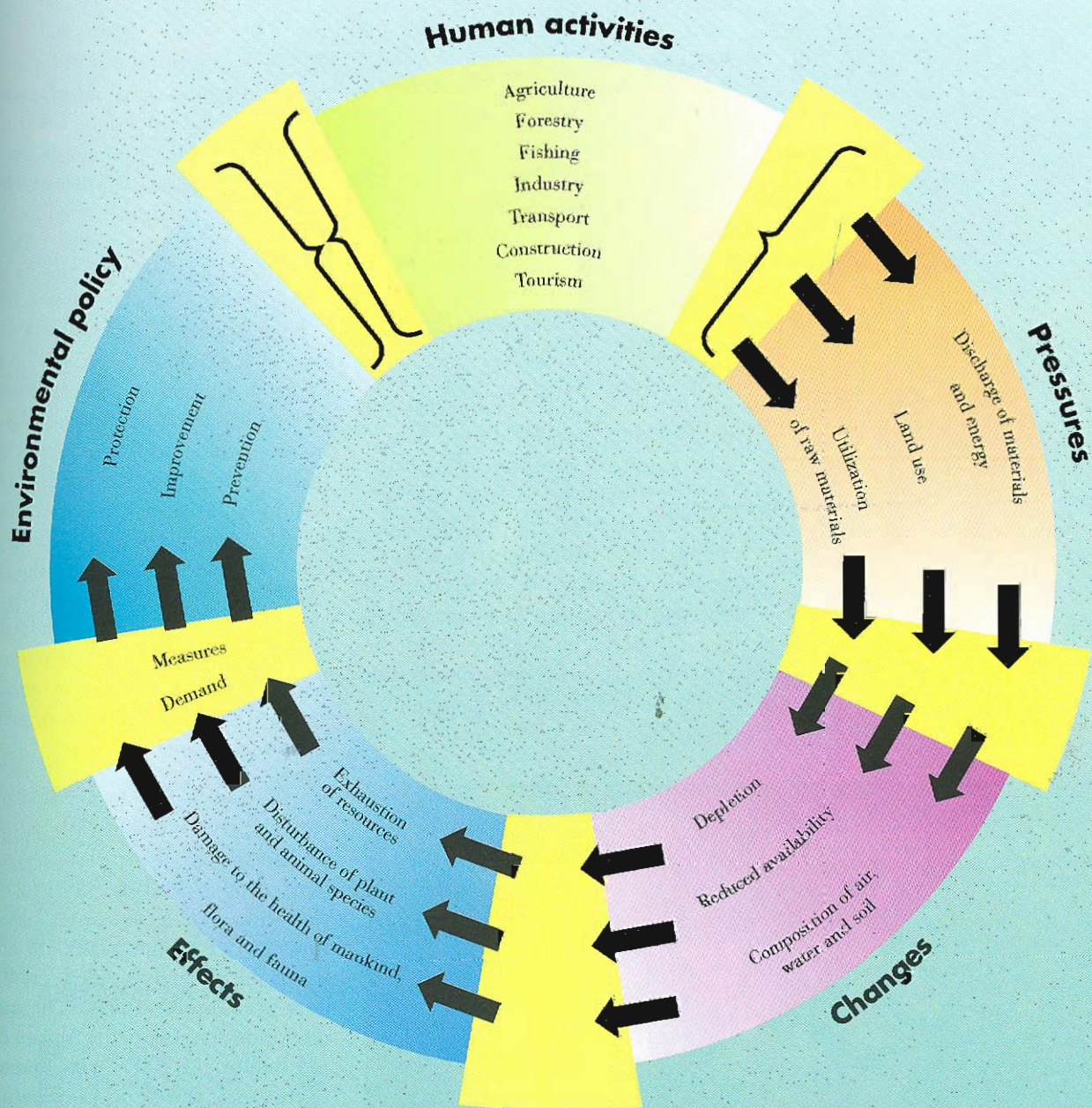
THE ENVIRONMENT

The environment may be defined as man's physical surroundings, on which he depends for his existence and all his activities. Human beings need air for breathing, water for drinking and many other uses, meat (animals) and vegetables (plants) for food, materials from the soil to construct houses and other buildings, land on which to produce crops, travel, relax, etc. The environment thus consists of air, water and soil, which are used by plants and animals as well as by man.

As space for the growing human population is obviously limited, and because natural resources are being used ever more intensively, an increasing strain is being put on the environment. Humans are encroaching more and more upon the soil, air and water, which are being polluted by all kinds of noxious substances, losing their original properties and becoming denatured. Public awareness of these dangers is growing, at both local and international level – pollution knows no frontiers and affects neighbouring countries as well as the European Union. Convinced that only Europe-wide (or even world-wide) regulations can help overcome the dangers threatening the environment, the Community has been running a series of projects since 1972. Work on these has been stepped up since the Single European Act and the Treaty on European Union came into force.

The Union has also drawn up environmental action programmes, the fifth of which is currently under way, and is signatory to a number of conventions seeking to protect land and sea – the Oslo and Paris Conventions (marine protection), the Basle Convention on Wastes, etc.

The European Union is also playing an important rôle in implementing the decisions taken by the United Nations' World Conference on the Environment, known as Rio '92, and the programme it adopted, Agenda 21.



THE PHYSICAL AND HUMAN ENVIRONMENT

Although the European Union is relatively modest in size (3 238 700 km²), its restricted area, its geographical situation and its natural conditions, usually extremely favourable, have made it a densely populated part of the world (370 million inhabitants, i.e. an average density of 114 inhabitants per km²) and a major centre of economic activity.

Relief

The European Union, which occupies the western portion of Eurasia, has a very varied relief, broken up by mountain ranges and massifs, plateaux and small plains. This varied topography is conducive to the intrusion of maritime air masses, making Europe an early and dense centre of settlement.

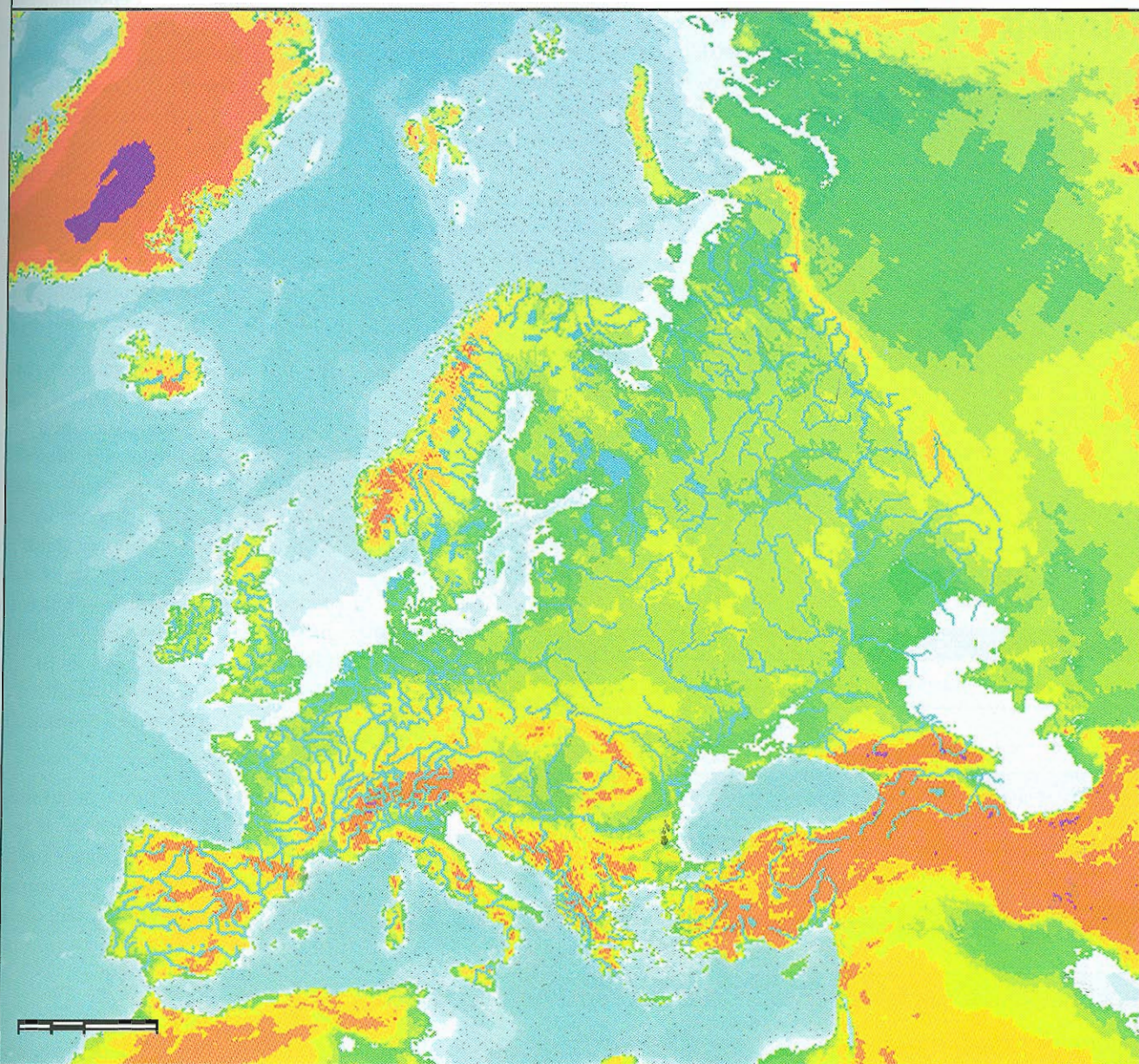
In the north, the crystalline rocks of the Scandinavian shield form mountain ranges, plateaux and plains shaped by glaciation from the Tertiary and Quaternary Eras. The mountains, which rise to a maximum altitude of 2 469 m, are flat-topped and cut through by deep entrenched glacial valleys that are flooded on the coast (fjords). The moraine-covered plateaux and plains hold numerous lakes.

The central portion features a number of medium-altitude mountain ranges (rarely exceeding 1 000 m), rounded or flat and made up of mainly crystalline, schistose or sandstone rocks. Formed during the Primary era, these were eroded, uplifted and then folded/faulted during the Tertiary era. They are dotted with extinct volcanoes and hold rift valleys such as the Rhine Valley or the Scottish Lowlands and vast sedimentary basins consisting of low limestone or sandstone plateaux and depressions of clay, sand or marl (the London, Paris and Swabian-Franconian Basins). These ancient ranges form the southern border of the vast North European Plain, marked by Tertiary and Quaternary glaciation which left behind hills of moraine and vast expanses of sand or clay, the seaward, low-lying fringes of which are prone to flooding.

South-eastern Europe is characterized by high mountain ranges formed in the Tertiary era. These consist of crystalline, schistose or limestone rocks, the latter heavily folded. The alpine peaks are often sharp and heavily eroded, cradling deep glaciated valleys. The main mountain ranges are the Alps (4 800 m), the Jura (1 700 m), the Pyrenees (3 400 m), the Betic Cordillera (3 480 m), the Apennines (2 900 m) and the Pindus Mountains (2 600 m). The land often rises to these high peaks across subalpine plateaux such as the Bavarian or the pre-Pyrenean plateau, or forms deep de-



The relief of Europe



Altitudes (in m)

≤ -2 000	-50 à -3	200 à 500
-2 000 à -1 000	-3 à 0	500 à 1 000
-1 000 à -500	0 à 50	1 000 à 2 000
-500 à -100	50 à 100	2 000 à 3 000
-100 à -50	100 à 200	> 3 000

Source: Cartography and geographic information management, GISCO.

THE PHYSICAL AND HUMAN ENVIRONMENT

pressions such as the Po Valley or the Ebro or Danube plains.

This varied relief has encouraged settlement in the plains and valleys, travel and trade being fostered by the natural corridors formed by the major river valleys or plains and rift valleys. Even the mountains, which tend to be a hostile environment, have not escaped human settlement. Only the vast frozen wastes of northern Scandinavia remain virtually unpopulated.

Climate

The European Union encompasses a wide range of climates that can basically be described as oceanic. Situated between 35° north (Crete) and 70° north (Northern Finland) and washed by the Atlantic Ocean, the North Sea and the Mediterranean, the European Union is in a temperate zone, with oceanic influences playing a major role. Although the climate varies considerably, there are five main types, as follows:

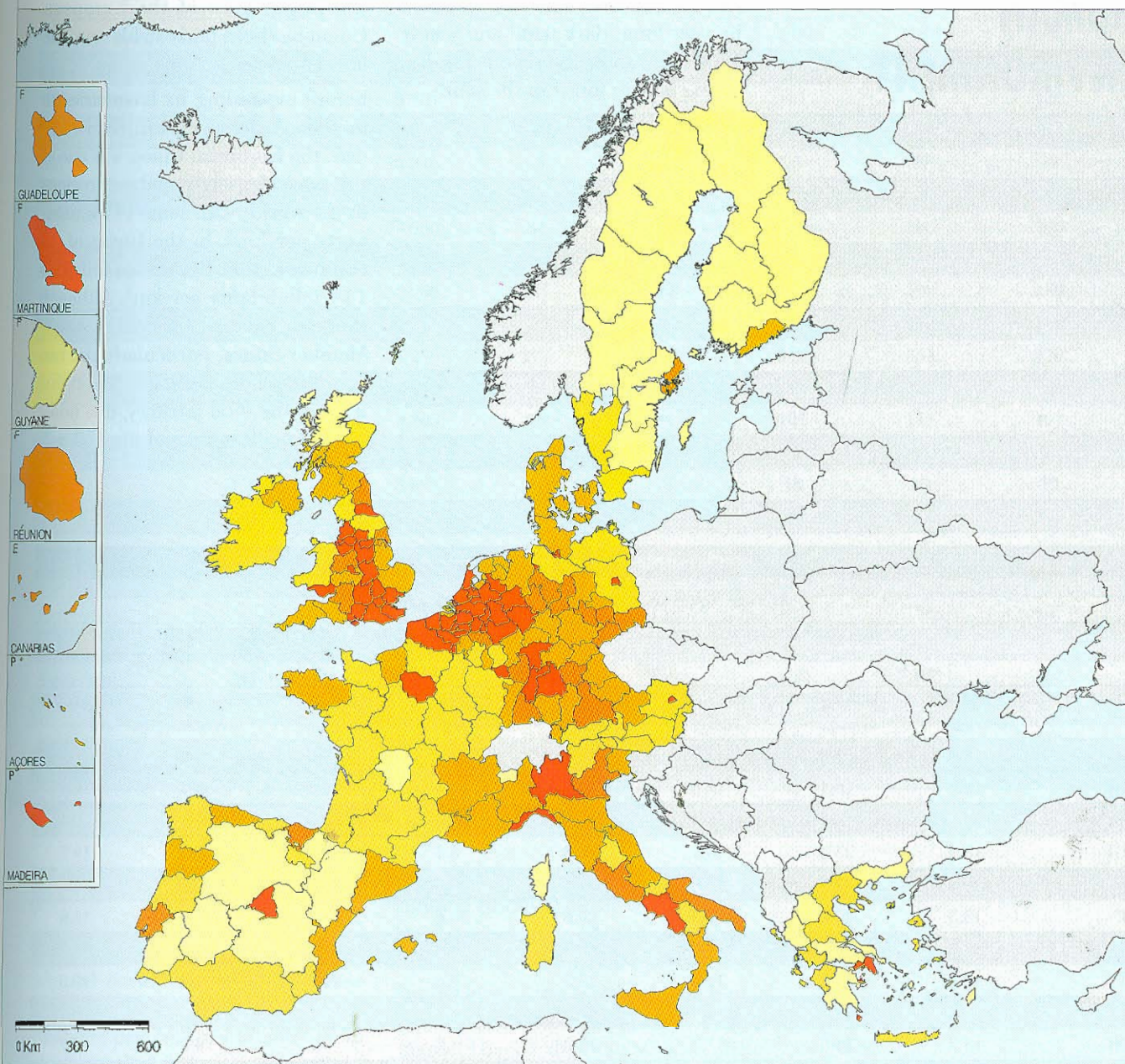
- oceanic or Atlantic, characterized by relatively mild winters, cool summers and constant humidity, and favouring the growth of deciduous and coniferous forests, grasslands and, in the higher areas, heather, broom and gorse. This type of climate dominates the entire western edge of the European continent, varying according to latitude (from the polar region to the Mediterranean) and gradually giving way inland to a continental-type climate;
- continental (or, more accurately, semi-continental) on the eastern fringes of the EU, characterized by cold, dry winters and hot, stormy summers. This type of climate is particularly suited to coniferous forests and grasslands;
- Mediterranean, characterized by mild, wet winters, hot, dry summers and infrequent but heavy rainfall. This type of climate is typical of the coastal areas of the Mediterranean. Vegetation is mainly in the form of shrubs able to withstand the summer drought. There are few forests but wide areas of scrub and garigue and, in places, steppe vegetation;
- mountain, which varies according to the region, altitude and aspect. In

Climatological data, by country

Annual rainfall (mm), recorded by weather stations

	Long term		1993	
	Lowest average	Highest average	Lowest average	Highest average
B	726.0	1 057.2	549	1 150
DK	530.0	810.5	557	905
D	465.9	1 889.5	435	1 495
GR	361.1	994.1	197	730
E	74.4	1 872.7	185	1 587
F	533.4	1 472.6	368	1 234
IRL	752.7	1 432.3	502	1 332
I	162.3	1 465.1	227	1 319
L	:	:	832	832
NL	748.6	819.4	632	959
A	807.0	1 280.3	581	1 443
P	517.5	1 735.6	518	1 069
FIN	:	:	512	589
S	:	:	373	1 041
UK	537.2	1 198.2	530	1 648
Iceland	:	:	:	:
Norway	:	:	551	2 440
Switzerland	933.8	1 345.7	:	:

Population density in the European Union, 1992



Inhabitants per km²
(EUR 15 = 114 inhabitants/km²)



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these areas, the vegetation changes with altitude;

- North Scandinavian, characterized by very long, dark, cold and windy winters. Most of the area is tundra, giving way to forest in the south.

Population

Following a period of rapid growth, the population of the European Union has been fairly stable since the late 1970s.

Before expanding its boundaries to include Austria, Finland and Sweden, the European Union was one of the most densely populated regions in the world, with some 147 inhabitants per km². In the Union of 15 countries, this figure has fallen to 114 inhabitants per km². Although the area covered by the three new Member States, particularly the two Scandinavian countries, represents 27% of the total territory, it is home to a mere 22 million of the 370 mil-

Climatological data, by country

Average temperatures recorded by weather stations (°C)

	Summer (April to September)				Winter (October to March)			
	Long term		1993		Long term		1993	
	Lowest average	Highest average	Lowest average	Highest average	Lowest average	Highest average	Lowest average	Highest average
B	12.0	15.0	12.1	16.0	2.7	5.8	3.0	7.1
DK	12.2	13.1	12.3	13.0	2.5	4.2	3.1	4.6
D	7.6	16.2	8.1	17.4	-1.8	6.9	-1.4	6.2
GR	18.4	23.2	18.3	23.3	8.1	15.0	7.9	14.7
E	10.5	22.9	16.6	21.1	1.8	15.2	5.9	15.2
F	13.3	20.0	13.2	20.6	3.6	11.7	2.4	11.6
IRL	11.3	13.2	11.7	13.4	5.8	8.2	6.3	8.5
I	9.0	22.5	11.0	23.5	-0.6	16.2	1.5	15.6
L	:	:	14.9	14.9	:	:	4.1	4.1
NL	13.2	14.3	13.3	15.2	4.0	5.2	4.7	6.7
A	4.6	15.4	13.0	17.2	-4.1	3.4	-3.7	4.4
P	13.1	20.3	16.3	20.0	5.0	14.2	7.8	14.3
FIN	:	:	11.0	11.1	:	:	1.7	2.5
S	:	:	10.6	12.9	:	:	0.4	3.8
UK	9.9	13.8	9.6	14.8	5.0	7.7	3.8	8.3
Iceland	:	:	:	:	:	:	:	:
Norway	:	:	10.6	12.5	:	:	-1.1	4.5
Switzerland	14.8	17.5	4.9	18.1	3.7	6.7	4.0	6.1

Population density

	Area (1 000 km ²)	Population (1 000 inhabitants)	Density (inhabitant/km ²)				
	1990	1993	1960	1970	1980	1990	1993
B	30.5	10 068	302	319	326	327	330
DK	43.1	5 181	108	116	121	119	120
D	356.6	80 975	227	248	252	224	227
GR	132.0	10 346	63	68	75	77	78
E	504.8	39 114	60	68	75	77	77
F	549.1	57 530	84	93	99	103	105
IRL	70.3	3 560	41	43	49	50	51
I	301.3	56 960	171	183	192	192	189
L	2.6	395	122	132	142	147	152
NL	41.2	15 239	277	315	342	364	370
A	83.9	7 910	84	89	90	91	94
P	92.1	9 865	96	94	107	113	107
FIN	337.1	5 055	13	14	14	15	15
S	450.0	8 692	17	18	18	19	19
UK	244.1	58 095	217	231	234	235	238
Iceland	103.0	262	2	2	2	2	3
Liechtenstein	0.2	30	102	131	161	178	187
Norway	323.9	4 299	11	12	13	13	13
Switzerland	41.3	6 908	128	149	153	162	167
EUR 12	2 367.7	347 328	125	135	141	146	147
EUR 15	2 238.7	368 984	97	105	110	113	114
EEA	3 665.8	373 576	87	94	98	101	102

lion total, or 6% of the total population.

The population of the EU is not distributed evenly across all Member States. For example, there are 15 inhabitants per km² in Finland, 19 in Sweden and 51 in Ireland, compared with 239 per km² in the United Kingdom, 331 in Belgium and 372 in the Netherlands. Iceland has by far the lowest population density of all the EEA countries, with 3 inhabitants per km².

The differences between the various regions of the EU are even more pronounced. The most densely populated

regions follow a diagonal band running from the north-west of England to northern Italy, passing through the southern part of the Netherlands, the north of Belgium and the Rhine-Ruhr area of Germany. The Ile de France, with the Paris conurbation, is outside this band, as are the Madrid and Naples regions. In total, over 20% of the inhabitants of the EU live on less than 4% of its territory, with a density of over 530 inhabitants per km². The most densely populated areas are highly urbanized industrial regions or business centres. Sparsely populated regions are not necessarily poor

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mountain areas or subpolar regions but in some cases, such as the Champagne area of France, regions with vast, highly-mechanized agricultural estates. Population, especially in Spain, tends to be concentrated in the coastal areas, where tourism and related activities have attracted job-seekers. The sun has likewise prompted population movements to the Mediterranean coastal areas of the Italian Riviera and the French Côte d'Azur.

Most of the EU's population lives in built-up areas. Urbanization is particularly marked in Belgium, the Netherlands, Germany and the United Kingdom, where more than 80% of the total population live in towns or cities. In France, the United Kingdom and particularly Germany, much of the population lives in conurbations.

Population density and, to an even greater extent, urbanization have a considerable impact on the environment in terms of pollution and the depletion of natural resources.

Land use

Land use is determined by a number of characteristics physical (soil quality), geographical (relief) and climatic, as well as by types of human activity (agriculture, forestry, industry), human settlement (conurbations, etc.) and means of communication (roads, railways, airports).

The EU territory covers a wide variety of soil types, and some 40% of its area is given over to agriculture in the form of arable land, i.e. land regularly farmed (22%), grassland (14%) or permanent crops such as vines. Forests account for almost a third of the total area, the highest figures being for Finland (69%) and Sweden (62%). In Greece, forests (including scrub and brushwood areas) cover 44% of the land, while grassland predominates in the United Kingdom (45%) and, to an even greater extent, in Ireland (53%). Arable land covers almost two thirds of the total area of Denmark. The arctic areas of Sweden and Finland are really only suited to the rearing of reindeer. An ever-increasing percentage of the total land area is covered by industry, recreational areas and communications networks (see Section 14.2), together with residential buildings in expanding urban areas. Apart from their impact on the countryside, these encroachments affect the environment: rainwater, for example, is carried away by sewers and drainage systems, and is thus no longer available to replenish underground water supplies.

Urbanization in the EU

	Conurbations of over 250 000 inhabitants (1985)		% of population living in towns or villages of fewer than 2 000 inhabitants		
	No	Population (millions)	1950	1970	1980
B	5	3.8	:	:	:
DK	1	1.4	8.5	11.7	17.2
D	39	26.3	8.4	6.5	:
GR	2	3.7	:	37.0	32.0
E	13	9.3	16.7	11.0	8.6
F	19	17.6	:	27.2	26.8
IRL	1	1.0	:	:	:
I	17	11.7	:	:	:
L	—	0.0	:	:	:
NL	7	4.1	1.2	0.7	0.6
P	2	1.1	:	:	:
UK	17	19.8	28.0	21.2	11.6

Land use in 1993

	Total area (1 000 km ²)	Arable area	Grasslands area	permanent crops	Of which forests	other crops	water
EUR 15	3 240.1	21.9	13.6	3.3	34.6	22.6	3.7
EUR 12	2 368.2	29.7	19.3	4.9	25.6	18.3	1.7
B	30.5	26.4	17.2	0.5	20.2	32.1	0.9
DK	43.1	63.8	4.6	0.3	10.3	19.0	1.6
D	357.0	32.7	14.7	0.6	29.1	20.8	2.1
GR	132.0	22.2	13.6	8.9	43.6	9.4	2.4
E	504.8	30.1	11.6	9.7	31.5	15.1	1.1
F	549.1	32.7	19.7	2.2	27.2	16.6	1.2
IRL	70.3	10.7	52.5	0.0	4.7	29.4	2.7
I	301.3	29.6	15.0	11.0	21.3	18.8	2.4
L	2.6	22.2	26.5	0.8	34.6	15.6	0.4
NL	41.5	22.2	24.8	1.0	8.0	35.7	8.2
A ¹	83.9	18.2	23.8	²	38.5	18.2	1.3
P	92.0	24.0	9.1	8.5	32.3	25.6	0.5
FIN ¹	338.1	7.5	0.4	²	68.7	13.6	9.9
S ¹	450.0	6.2	1.2	²	62.3	21.8	8.5
UK	244.1	24.9	45.3	0.2	10.0	18.3	1.3
Iceland ¹	70.3	13.3	66.8	²	4.9	13.0	2.0
Norway ¹	323.9	2.7	0.3	²	25.7	66.0	5.3
Switzerland ¹	41.3	10.0	39.0	²	25.5	21.9	3.7

¹ 1991 data, 'arable' includes permanent crops.

² Included under 'arable'.

POLLUTION

Pollution mainly affects the air, water and soil, while toxic and hazardous waste poses a growing threat to the environment.

Atmospheric pollution

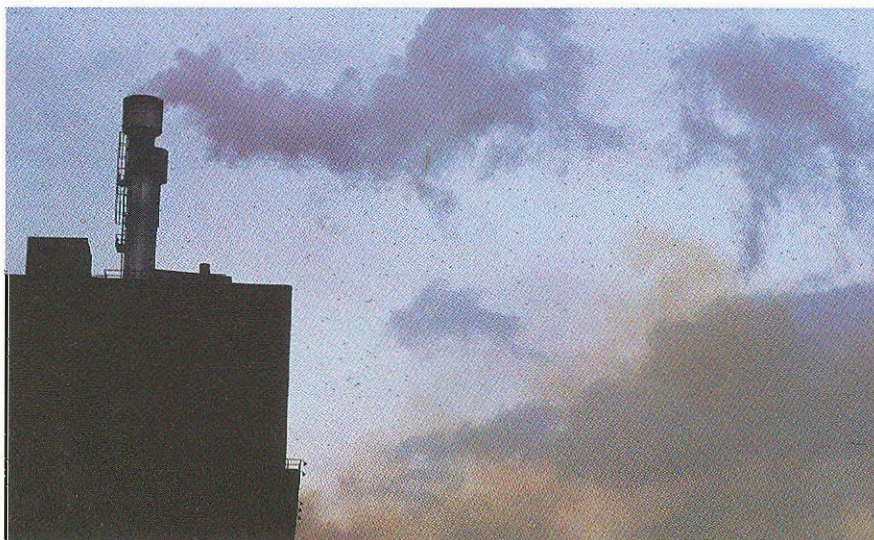
Atmospheric pollution is the presence in the ambient air of pollutants in the form of gases, solids or liquids in quantities or concentrations which are harmful to humans, plants, animals, dwellings or other types of property. These pollutants come from emissions produced by natural sources (volcanoes, lightning) and, to an ever-increasing extent, human activity: the use of fossil fuels, livestock farming and agriculture, industrial activities, etc.

Emission rates vary greatly within the EU, and depend essentially on the climate, the degree of industrialization and the density of motor vehicles. In agricultural regions, emissions of ammonia or organic compounds predominate, whereas

industrial regions are primarily responsible for emissions of sulphur and nitrogen oxides (produced by combustion plants) and a large number of other chemical substances (some of them considered carcinogenic), which are produced by industrial manufacturing processes. As part of its environmental policy, the European Commission has drafted certain directives to combat increases in atmospheric pollution and reduce levels of pollutants. Amongst other things, it has targeted the sulphur content of fuels, combustion conditions (to avoid NO_x emissions) and the compulsory fitting of catalytic converters to motor cars. All of these initiatives are intended to improve air quality and to protect mankind and the environment.

Nowadays, an increasing number of stations are monitoring concentrations of atmospheric pollutants. Measurements show that the most densely-populated regions are also those with the highest NO_x emission rates.

Energy consumption is one of the main sources of atmospheric pollution; although some countries (Denmark, Luxembourg, United Kingdom) recorded a slight fall between 1970 and 1992, energy consumption rose in the European Union as a whole. Total energy consumption per inhabitant varies considerably, from 1.5 tpe in Portugal to 9.3 tpe in Luxembourg. In the countries where consumption fell most sharply (Luxembourg and Denmark), it dropped by 20%. The



countries showing the greatest increase (Portugal and Greece) more than doubled their consumption in 20 years. Even so, their energy consumption per inhabitant is still quite modest compared with the EU average.

The agents chiefly responsible for atmospheric pollution are sulphur dioxide (SO_2), nitrogen oxides (NO_x), ammonia, ozone (O_3) and certain oxidizing agents. The first three are the main contributors to the acid deposits which increase the acidity of water and soil to such an extent that in several regions, some varieties of plants and animals are in danger of dying out.

Sulphur oxides (SO_x)

The main source of sulphur oxide emissions (and, to a lesser extent, nitrogen oxide emissions) is the combustion of solid and liquid fuels. Electricity production by conventional power stations is a prime source of such emissions. In the 1960s, the problem of pollution near major power stations was dealt with by constructing tall chimneys to disperse pollutants over a wider area. The results of this policy can now be seen in the lakes of Finland and Sweden, where acid levels are high owing to pollutants from other European countries.

Emissions of SO_2 have generally fallen since 1970 (the amounts emitted per inhabitant have fallen by over 50% in some countries). Even so, the EU has set itself the target of reducing the 1985 figures by a further 35%. This will be done by:

- continuing to reduce the sulphur content of fuels (desulphurization);
- using fuels with a lower sulphur content (oil instead of coal, natural gas instead of oil);

	Energy consumption					
	Total energy consumption (1 000 tpe)	Total energy consumption (tpe per inhabitant)				
	1990	1990	1975	1980	1985	1990
B	36 859	4.8	100	110	104	113
DK	16 450	3.3	84	91	90	82
D	310 966	4.4	103	119	118	112
D ¹	76 662	4.9	110	121	132	110
D ²	234 304	4.3	101	118	114	112
GR	21 091	2.1	138	170	191	230
E	69 456	2.2	144	164	160	194
F	132 466	3.7	107	122	125	133
IRL	9 983	2.8	103	122	127	144
I	143 401	2.6	109	118	115	130
L	13 165	9.3	88	82	70	76
NL	64 518	4.4	114	122	112	118
A	19 700	3.2	109	126	124	133
P	14 196	1.5	130	145	150	228
FIN	16 830	5.8	108	133	136	148
S	18 080	5.5	102	104	120	118
UK	192 280	3.7	94	93	94	97
Iceland	810	5.6	112	127	139	173
Norway	11 580	5.1	106	129	137	142
Switzerland	15 640	3.7	92	125	135	140

¹ New Länder.

² Old Länder.

- installing filters in industrial plants, particularly power stations and refineries.

In addition to emissions from fixed combustion plants, mention should also be made of those from motor vehicles, although these are lower and produced primarily in urban areas. The policy to reduce the sulphur content of motor fuel led to a reduction of SO_2 emissions in the 1970s and 1980s, but in some countries

these reductions have been offset by an increase in fuel consumption.

Nitrogen oxides (NO_x)

There is a close link between emissions of NO_x and combustion conditions. The higher the temperature of combustion, the greater the amount of nitrogen oxide produced. Atmospheric burners in particular produce an excess of nitrogen, which is the major component of air. Technical solutions have been sought in a bid

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to reduce emissions, furnace temperatures being lowered without a corresponding loss of energy. The target that the European Union has set itself is to reduce the 1990 levels of NO_x emissions by 30%.

Motor vehicles are a major source of nitrogen oxide pollution, emissions being concentrated in urban areas at ground level. Attempts have also been made in this field to improve combustion conditions, and catalytic converters are now in general use in a bid to reduce some of the emissions. Unfortunately, the additional

exhaust produced by the growing number of vehicles makes up for the reduction in emissions, as demonstrated by a study carried out in the Netherlands.

Trends in NO_x emissions are not the same in all Member States. They have fallen by 4.2 kg per tpe in Portugal and risen by 2.4 kg per tpe in Ireland. They have increased by 4.4 kg and 11.4 kg per inhabitant respectively in these two countries. Total emissions in all Member States of the EU are roughly the same as they were in 1980.

Emissions of sulphur oxides

	(1 000t SO _x)			(kg SO _x /tpe)		(kg SO _x per inhabitant)	
	1980	1985	1990	1980	1990	1980	1990
B	828	452	443	19.4	12.0	84.1	44.4
DK	451	343	180	23.7	10.9	88.0	35.0
D	7 650	7 900	5 800			97.7	73.1
D ¹	4 350	5 400	4 800	50.3	62.6	259.9	297.9
D ²	3 300	2 500	1 000	12.5	4.3	53.6	15.8
GR	400	500	510	27.2	24.2	41.5	50.6
E	3 319	2 190	2 316	50.2	33.3	88.8	59.4
F	3 338	1 470	1 202	20.6	9.1	62.0	21.2
IRL	222	140	178	27.6	17.8	65.3	50.8
I	3 800	2 504		29.9		67.3	
L	24	16		7.1		65.8	
NL	466	276	207	7.3	3.2	32.9	13.8
A	397	195	90	20.1	4.6	52.6	11.7
P	266	198	284	30.6	20.0	27.2	28.8
FIN	584	382	260	32.1	15.4	122.2	52.2
S	507	267	135	20.4	7.5	61.0	15.8
UK	4 898	3 724	3 780	25.9	19.7	87.0	65.8
Iceland	6	6		9.4		26.3	
Norway	142	98	54	12.8	4.7	34.8	12.7
Switzerland	126	96	62	8.6	4.0	19.9	9.2

¹ New Länder.

² Old Länder.

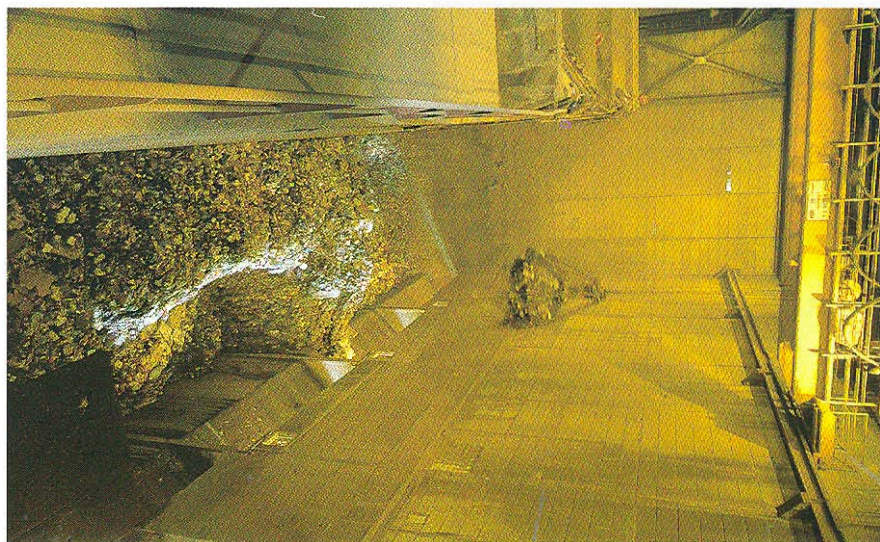
Carbon dioxide (CO₂)

Although carbon dioxide occurs naturally and is harmless in itself, its growing concentration in the atmosphere adds to the greenhouse effect and leads to global warming. The greenhouse effect is compounded by methane (natural gas) from the decomposition of organic matter (e.g. livestock waste), nitrous oxide (N₂O) and some chlorofluorocarbons. CO₂ emissions, like SO₂ emissions, come mainly from the combustion of fossil fuels. The main sources of such emissions are thus electricity production and motor traffic.

In accordance with the framework agreement on climate changes which it has signed, the European Union has set itself the target of freezing CO₂ emissions at 1990 levels by the year 2000. One of the planned ways of doing this is to introduce a tax on fuel to encourage users to limit consumption and seek solutions that are more energy efficient.

CO₂ emissions depend largely on the fuel used. The emission coefficient for coal, for example, is 94 tonnes per terajoule (TJ), whereas for natural gas it is slightly over half that figure, at 56 t/TJ. The emission coefficient for liquid fuels is around 75 t/TJ.

There is no really efficient way of eliminating these emissions or reducing their effects on the climate other than the use of alternative energy sources such as wind, hydroelectric power, nuclear energy or — the ideal solution — a massive reduction in energy consumption. The use of natural gas instead of coal to reduce CO₂ emissions is a stop-gap solution.



Ozone (O₃)

In addition to these 'macropollutants', there is a whole range of 'micropollutants' which, despite their exceedingly low concentrations, still contribute to air pollution. Many of these substances are harmful and often carcinogenic, even at very low concentrations. Polycyclic aromatic hydrocarbons (PAHs), pesticides and polychlorinated biphenyls (PCBs) are examples of such pollutants. Some of these pollutants, which are often found in vehicle exhaust gases, react with nitrogen oxides under certain weather conditions (sunshine, lack of wind) to form ozone. This produces the smog which hangs over certain cities and regions in summer (Athens, Rome, the Ruhr valley, etc.). In major cities, the concentration of ozone due to traffic may reach unacceptable levels in the summer, presenting a health hazard. Danger levels are reached more and more frequently. In 1993 and 1994, several countries began to restrict the use of private cars in urban areas when weather conditions meant there

were likely to be dangerous concentrations.

Chlorofluorocarbons (CFCs)

The development of the chemical industry has led to the manufacture of numerous synthetic materials, some of which, in gaseous form, react with the different components of the air. One of the most urgent problems is the emission of chlorofluorocarbons (CFCs). These contribute to the depletion of the ozone layer that protects the earth from ultraviolet radiation, possibly causing skin diseases. CFCs are used, among other things, as coolants in refrigeration plants and propellants in aerosols and fire extinguishers. The European Union has undertaken to ban the production and consumption of CFCs altogether by 1997. This policy has already produced tangible results: the production of CFCs in the Union (EUR 12) has fallen to some 45% of the 1988 level, when production peaked. By the end of 1993, the use of CFCs as propellants (the most serious type of pollutant) had fallen to some 10% of the maximum quantity

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recorded in 1987. For refrigeration, the manufacture of foam plastics and other applications, the quantities used have fallen by 45% since 1988. CFCs in old refrigerators or large transformers are often recovered and reused for industrial purposes. Only a small quantity of CFCs are destroyed using special, environment-friendly techniques. The remaining quantities pose a long-term threat to the ozone layer, and will continue to do so until CFCs are completely eliminated.

	Emissions of nitrogen oxides						
	(1 000 t NO _x)			(kg NO _x /tpe)		(kg NO _x per inhabitant)	
	1980	1985	1990	1980	1990	1980	1990
B	442	281	334	10.3	9.1	44.9	33.5
DK	273	298	283	14.4	17.2	53.3	55.1
D	3 640	3 700	3 190	10.4	10.3	46.5	40.2
D ¹	540	600	590	6.2	7.7	32.3	36.6
D ²	3 100	3 100	2 600	11.7	11.1	50.4	41.1
GR	:	746	:	:	:	:	:
E	950	839	980	14.4	14.1	25.4	25.2
F	1 823	1 615	1 750	11.3	13.2	33.8	30.8
IRL	73	91	115	9.1	11.5	21.5	32.8
I	1 480	1 595	:	11.6	:	26.2	:
L	23	19	:	6.8	:	63.0	:
NL	548	544	552	8.6	8.6	38.7	36.9
A	:	:	:	:	:	:	:
P	166	96	211	19.1	14.9	17.0	21.4
FIN	246	245	222	12.4	11.3	32.6	28.8
S	186	216	230	16.7	19.9	45.5	54.2
UK	2 365	2 392	2 779	12.5	14.5	42.0	48.4
Iceland	136	216	230	16.7	19.9	45.5	54.2
Norway	13	12	:	20.3	:	57.0	:
Switzerland	196	:	184	13.4	11.8	31.0	27.4

¹ New Länder.

² Old Länder.

Emissions of carbon dioxide (1 000 t)

	Total CO ₂ (million tonnes CO ₂)			Emissions per tonne of fuel (tonnes CO ₂ /tpe)			Per inhabitant (tonnes CO ₂ per inhabitant)		
	1970	1980	1990	1970	1980	1990	1970	1980	1990
B	126.12	127.82	103.55	3.10	2.99	2.81	13.09	12.98	10.39
DK	62.04	63.26	51.11	3.04	3.33	3.11	12.59	12.35	9.94
D	1 007.24	1 069.56	962.78	3.32	3.05	3.10			
D ¹	270.77	306.82	300.75	3.60	3.55	3.92	15.87	18.33	18.77
D ²	736.48	762.74	662.03	3.22	2.89	2.83	12.14	12.39	10.50
GR	24.05	51.45	69.25	3.24	3.49	3.28	2.74	5.34	6.84
E	110.71	200.00	203.23	3.09	3.03	2.93	3.28	5.35	5.22
F	425.98	484.47	357.25	3.13	2.99	2.70	8.39	8.99	6.30
IRL	18.02	25.10	30.90	3.17	3.12	3.10	6.11	7.38	8.82
I	285.84	372.40	380.05	2.82	2.93	2.65	5.33	6.60	6.59
L	13.77	10.57	9.72	3.47	3.15	3.07	40.50	28.96	25.44
NL	127.65	151.67	139.03	2.60	2.38	2.15	9.79	10.72	9.30
A	50.34	52.24	54.34	3.13	2.64	2.76	6.74	6.92	7.05
P	13.63	27.12	41.03	2.87	3.12	2.89	1.54	2.78	4.16
FIN	40.32	55.13	51.42	3.09	3.03	3.06	8.75	11.53	10.32
S	92.32	71.19	49.46	2.97	2.87	2.74	11.48	8.57	5.77
UK	643.12	588.69	560.17	3.17	3.11	2.91	11.56	10.45	9.76
Iceland	1.39	1.87	2.25	2.67	2.92	2.78	6.81	8.19	8.83
Norway	25.10	40.14	38.31	2.80	3.61	3.31	6.47	9.82	9.02
Switzerland	39.53	40.95	41.94	2.90	2.80	2.68	6.39	6.48	6.25

¹ New Länder.² Old Länder.

Production and consumption of chlorofluorocarbons CFC-11 and 12 in EUR 12 (1 000 t)

	1980	1985	1990	1991	1992	1993 ¹
EU production	295.7	336.3	209.9	194.0	179.9	160.8
EU sales	216.9	228.4	135.9	120.2	100.1	92.2
of which Aerosols	126.4	117.6	19.8	14.1	13.3	12.7
Non-aerosols	90.5	110.8	116.1	106.1	86.8	79.5
Refrigeration	21.2	24.3	26.8	27.7	27.7	31.5
Foam plastics	61.9	74.4	80.9	72.8	56.1	45.5
Solvents and other	7.4	12.1	8.4	5.6	3.0	2.5
EU exports	79.4	107.4	75.7	77.9	80.6	74.6
World production	742.7	938.3	1 026.1	1 134.3	:	:
EU production as % of world production	39.8	35.8	36.3	33.2	:	:

¹ Provisional data.

POLLUTION

Water

Water pollution poses another serious threat to the environment. Water is present in various forms such as ice, snow, rain, surface water, groundwater and sea water. Without it, life would not exist: water is responsible for transporting the nutritive elements in plants and animals and it evacuates their waste; some organic matter is produced in water. Some of the water which man uses is taken from surface waters and some from underground supplies. There has been a large increase in amounts of surface water used by man since water has been used as a coolant in electricity production and for irrigation in agriculture, which has risen sharply as a result of the increase in crop yields and lower groundwater levels.

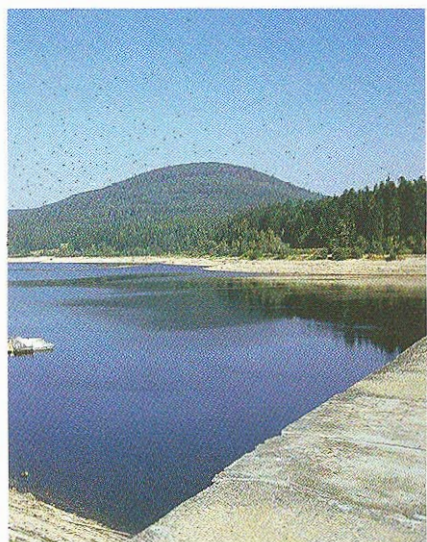
Resources and abstraction

Human activity has a major impact on the availability of water. Formerly, most of the water that fell as rain was absorbed into the soil before entering rivers. Once man began to lay concrete and asphalt and construct drainage networks, water entered rivers much more quickly. Water tables are not replenished as they formerly were, which in combination with high abstraction may lead to a fall in groundwater levels, thus causing certain areas to dry up. This forces flora and fauna to adapt to the new conditions, and may cause species to die out. Another negative effect is that in areas where much of the land is built up, rainfall quickly swells rivers, which may lead to catastrophic flooding, as several recent examples illustrate.

As regards water abstraction, it is difficult to compare countries, as data are not yet homogeneous. Some countries include uses that do not

appear in previous data, while others have made major efforts to reduce water abstraction by installing air coolers or water recycling circuits. Similarly, the use of brackish water or sea water to replace fresh water in industrial applications may distort data for previous years, partly because these types of water were not always accounted for separately.

The availability of water plays an important role in consumption. Where there is an abundant supply of water, the user consumes more. Consumption varies considerably from one Member State of the Union to the next, from 100 litres per person per day in Portugal to 300 litres in Sweden for domestic consumption. This figure is not 100% reliable, as it also includes water for industrial and commercial purposes, it being very difficult to separate domestic and public consumption.



Waste-water treatment

EU legislation contains provisions on water quality, in particular the quality of potential drinking waters, bathing waters and waters for fishing and fish-farming. Residues of substances such as mercury, cadmium and hexachlorocyclohexane are covered in directives regulating their limit values in industrial waste water. An EU directive on the treatment of urban waste water states that, by the year 2005, waste water from towns and cities must be treated in treatment plants and, in affect-

ed areas, nitrogen and phosphorus will have to be removed. Treatment plants have been built in all EU countries, but the type of treatment and percentage of the population concerned still vary greatly from one country to the next. Major industries often have their own treatment plants.

As can be seen from the table on the population served by water treatment works, biological treatment is not yet the standard purification method in several countries of the Union. Furthermore, even with bio-

Renewable water resources and abstraction of fresh water

	Renewable water resources		Abstraction of fresh water					
	million m ³ per year	m ³ per inhabitant per year	1970		1980		1990	
			Total million m ³	% of ground- water	Total million m ³	% of ground- water	Total million m ³	% of ground- water
B	12 500	1 254	9 481	8	9 030	9	:	:
DK	13 000	2 529	720	:	:	:	1 200	:
D	171 000	2 156	:	:	51 336	:	58 852	13
D ¹	34 000	2 092	:	:	9 130	:	11 345	14
D ²	162 000	2 568	29 488	26	42 206	16	47 507	13
GR	58 650	5 794	4 254	26	6 945	28	:	:
E	117 000	3 003	24 600	15	39 920	13	36 900	15
F	198 000	3 490	23 500	:	35 104	16	37 730	16
IRL	50 000	14 273	:	:	793	31	:	:
I	175 000	3 035	41 900	:	56 200	:	56 200	:
L	5 000	13 089	:	:	:	:	59	46
NL	91 000	6 086	13 270	8	14 794	7	:	:
A	92 000	11 929	:	:	2 190	52	2 120	53
P	73 000	7 398	:	:	1 687	:	7 288	42
FIN	108 000	21 661	3 300	3	3 700	5	3 001	8
S	168 000	19 612	4 073	13	4 106	14	2 932	20
UK	120 000	2 090	:	:	13 912	18	14 237	19
Iceland	168 000	658 824	:	:	100	95	:	:
Norway	392 000	92 409	2 380	:	2 025	:	:	:
Switzerland	54 000	8 045	1 140	84	1 103	84	1 166	81

¹ New Länder.

² Old Länder.

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logical treatment, efficiency varies greatly depending on the techniques used and the composition of waste water (efficiency ranging from 65% to over 95% of the 'biochemical oxygen demand' or BOD).

The treatment of waste water is a far from perfect solution to environmental problems, but it does help reduce water pollution and to some extent transforms pollutants into carbon dioxide and nitrogen, although the energy produced during this process in turn causes air pollution. Furthermore, a considerable proportion of the pollutants is concentrated in the sludge which is spread on fields (if it is not too highly polluted) or dumped. Leaching and erosion may then lead to ground-water pollution.

A further solution, incineration, also causes atmospheric pollution, and the ash still has to be dumped.

Quantities of sludge from waste-water treatment plants in the EU Member States (EUR 12) total approximately 6.5 million tonnes of dry matter per year. Production per inhabitant, in dry matter, ranges from 35 grammes to 111 grammes per day, the EUR 12 average being 78 grammes. However, these figures are not 100% reliable, as definitions and estimation methods have not yet been harmonized.

The EU tries to make maximum use of sludge produced by waste-water treatment, while avoiding the risk of pollution from the pollutants they

Quality of bathing waters¹

	Sea							
	1990		1991		1992		1993	
	S	NC	S	NC	S	NC	S	NC
B	39	0	39	8	39	0	39	3
DK	0	:	0	:	6	0	315	0
D	:	:	524	30	419	15	399	11
GR	471	2	1 011	2	1 197	1	1 240	2
E	1 190	9	1 290	6	1 335	5	1 399	3
F	1 729	9	1 417	4	1 756	6	1 690	4
IRL	60	0	64	2	90	1	90	1
I	3 350	7	3 748	6	4 000	5	4 017	4
L	-	-	-	-	-	-	-	-
NL	:	:	:	:	41	7	39	0
P	210	13	155	1	208	6	208	8
UK	446	14	453	13	455	11	457	9
EUR 12	7 495	8	8 701	7	9 546	6	9 893	4

AB: S: Number of sites monitored.

NC: Percentage of sites not complying with the directive on bathing waters.

¹ Number of sites monitored and percentage of sites not complying with the standards contained in the directive on bathing waters. Parameter: total coliforms.

contain. In order to protect the environment from pollution by sludge residues, their use on farmland is controlled by a directive that limits the concentrations of heavy metals in spreadable sludges, together with the permissible quantities, and states that produce from land treated in this way may not be harvested or the fields used for grazing until a certain period of time has elapsed.

Forty per cent of sludge is dumped, 37% is used in agriculture and 11% incinerated. Although 6% is still discharged at sea, this figure is to be rapidly reduced under an EU directive that requires Member States to stop this type of dumping by the end of 1998.



Quality of bathing waters¹

Inland								
1990		1991		1992		1993		
S	NC	S	NC	S	NC	S	NC	
58	7	67	21	82	38	78	33	B
:	:	103	0	106	2	105	2	DK
1 237	22	872	33	1 137	30	989	16	D
:	:	:	:	4	0	4	0	GR
216	25	242	20	294	30	289	24	E
1 757	16	1 549	7	1 650	11	1 544	9	F
:	:	:	:	5	0	5	0	IRL
606	13	611	9	620	13	615	9	I
20	25	14	29	15	0	16	0	L
436	16	550	8	472	11	346	10	NL
:	:	:	:	:	:	8	0	P
:	:	:	:	:	:	:	:	UK
4 330	18	4 008	14	4 385	18	3 999	12	EUR 12

NB: S: Number of sites monitored.

NC: Percentage of sites not complying with the directive on bathing waters.

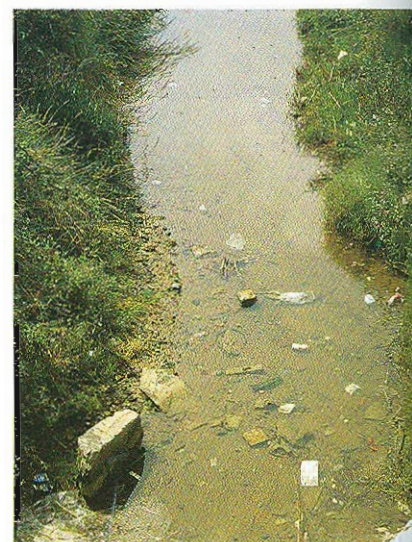
¹ Number of sites monitored and percentage of sites not complying with the standards contained in the directive on bathing waters.
Parameter: total coliforms.

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Water quality

The quality of both surface and ground water has deteriorated since the beginning of the century. Intensive farming, together with the increased use of fertilizers, the leaching of waste materials from tips and the use of water for waste disposal all add increasing amounts of extraneous substances to water, the most dangerous being pesticide and herbicide residues. However, concentrations of nitrates from the oxidation of ammonia and organic substances are also a growing cause for concern.

A further aspect of water quality is the hygiene of bathing waters. An EU directive on the bacteriological quality of bathing waters requires Member States to monitor concentrations of microbes and certain other parameters (clarity, absence of oil) on a regular basis. However, the standards imposed by this directive are neither interpreted by nor incorporated into the legislation of all the Member States in the same way. Even so, this directive has made a major contribution to improving



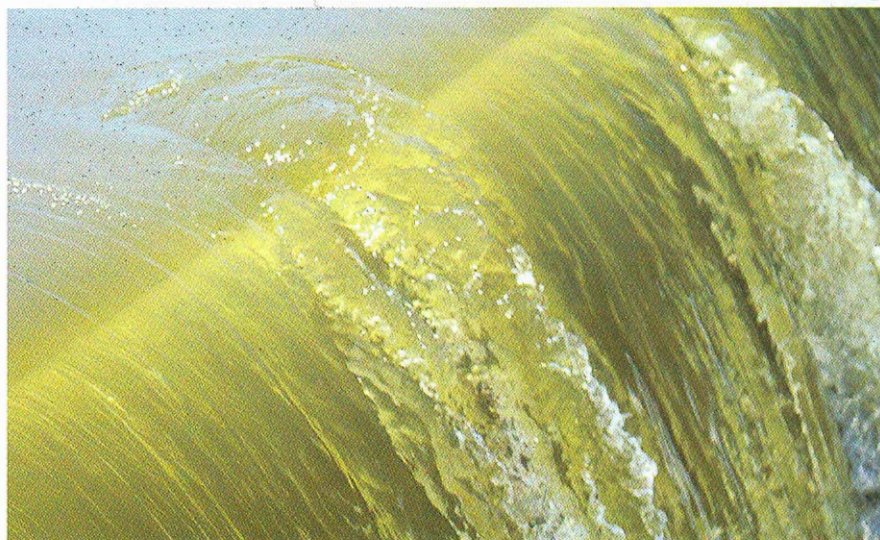
bathing areas, the number of areas monitored having increased significantly.

There are so many parameters affecting water quality and the impact on biotopes is so varied that it is impossible in practice to express water quality in simple and consistent terms. All one can do is quote figures relating to certain parameters for selected stretches of water. These show

Water quality indicators — selected rivers

River	Sampling station	Dissolved oxygen (O ₂) (mg/l)					Biochemical oxygen demand (O ₂) (mg/l)				
		75	80	85	90	91	75	80	85	90	91
Akeloos	Agrinion Kastraki	:	:	9.2	11.3	10.8	:	:	:	:	:
Elbe	Geesthacht	:	10.8	10	:	:	:	2.2	1.7	:	:
Danube	Jochenstein	10.3	10.6	10.5	:	:	3.1	3.1	3.2	:	:
Ebro	Tortosa	:	:	:	9.1	9.2	:	:	:	2.3	4.6
Elbe	Geesthacht	:	8.9	8.1	:	:	:	6.2	8.6	:	:
Escaut/Schelde	Doel	:	1.9	5	4.7	4.5	:	5	3	3.4	:
Moselle/Mosel	Grevenmacher	9.8	9.3	9.7	9.1	9.3	6.5	4.2	3.6	4.3	3.2
Po	Borgoforte	:	:	8.5	:	:	:	:	4.8	:	:
Rhine	St Vallier	6.6	8	8	9.8	:	7	3.2	2.3	2.8	:
Boyne	Slane Bridge	:	10.1	9.5	:	:	:	2.9	2.4	:	:
Skjern Å	Alergård	:	:	:	:	:	:	7	5.5	:	:
Tagus	Alcántara	:	:	:	:	:	:	:	:	:	:
Trent	Nottingham	9.2	9.9	10	10.6	11.2	4.4	3.9	2.2	3.7	2.8

that pollution from oxidizable substances has fallen over the past few years thanks to the construction of treatment plants and investment by industry. There has also been a marked fall in the phosphate content of rivers in the north of the EU flowing through densely populated areas. This is due to the replacement of phosphates in detergents by other, non-polluting substances, and the removal of phosphates by treatment plants. Even so, the values measured in these rivers are still higher than those recorded in rivers flowing through sparsely populated areas in the south of the EU.



Water quality indicators — selected rivers

Nitrogen (NO ₃) (mg/l)					Total phosphate (P) (mg/l)					Cadmium (Cd) (mg/l)					River	Sampling station
75	80	85	90	91	75	80	85	90	91	75	80	85	90	91		
:	:	0.0	:	0.2	:	:	:	:	0.06	:	:	:	:	:	Akeloos	Agrinion Kastraki
:	:	3.0	:	:	:	0.08	0.09	:	:	:	0.2	:	:	:	Boyne	Slane Bridge
0.3	0.5	0.6	:	:	:	0.18	0.21	:	:	:	0.2	0.1	:	:	Danube	Jochenstein
:	:	9.7	12.3	:	:	:	:	:	:	:	:	:	10	0.3	Ebro	Tortosa
:	3.9	3.0	:	:	:	0.36	0.53	:	:	:	:	0.4	:	:	Elbe	Ceesthacht
:	4.2	3.8	4.2	4.7	:	0.55	0.99	0.76	0.72	:	5.8	1.1	1.4	1.1	Escaut/Schelde	Doel
2.4	2.7	:	3.0	2.9	0.18	0.37	0.55	0.77	0.57	:	:	:	:	:	Moselle/Mosel	Grevenmacher
:	:	0.5	:	:	:	:	0.33	:	:	:	:	:	:	:	Po	Borgoforte
:	3.3	4.0	4.5	4.2	:	0.72	0.66	0.62	0.30	:	2.3	1.6	0.1	0.1	Rhône	St Vallier
:	1.4	1.3	:	:	:	0.30	0.34	:	:	:	:	:	:	:	Boyne	Slane Bridge
:	2.7	2.6	3.3	:	:	0.14	0.13	0.10	:	:	10	:	:	:	Skjern Å	Alergård
:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	Tagus	Alcántara
8.7	8.0	9.2	9.3	9.8	0.79	:	:	:	:	:	5.9	0.3	0.6	0.4	Trent	Nottingham

POLLUTION

Soil pollution

The depth of soil between a mountain and the mouth of a river may vary from a few centimetres to a few metres. The food supply of all land creatures depends on this surface layer, which contains organic elements (such as bacteria, worms and insect larvae) and humus from the decomposition of leaves and grass. The biochemical cycles that form the basis of plant and animal life take place in the soil: mineral salts and water are absorbed by plants, which are eaten by animals and returned to earth in the form of excrement and

the remains of dead animals. As long as this cycle takes place within the same area, a certain balance is maintained.

But, in order to improve his harvests, man has worked and changed the soil by ploughing, weeding and the use of organic and chemical fertilizers, herbicides and pesticides. Any agricultural activity affects soil quality and groundwater. Ploughing exposes any soil not protected by a layer of vegetation to the wind and rain, which may erode some of that soil and deplete the fertile layer. Deforestation has much the same effect.

Population served by sewage treatment plants (%)

	Total					of which by biological treatment				
	1970	1975	1980	1985	1990	1970	1975	1980	1985	1990
B	3.8	5.5	22.9	23	25	3.8	5.5	22.9	23	25
DK	54.3	:	80	90	98	22.4	80	:	:	98
D	:	:	:	:	85.5	:	:	:	:	79.7
D ¹	:	75.2	80	85	91.3	:	56.4	80	:	90.3
D ²	:	:	:	:	62.4	:	:	:	:	37.7
GR	:	:	0.5	10	10	:	:	0.5	9.3	10
E	:	14.3	17.9	29	50	:	7.3	9.1	15.8	50
F	19	:	43.6	49	68.3	:	:	0	:	:
IRL	:	:	26	44	:	:	11	:	21	:
I	14	:	55	61	6	:	:	:	:	:
L	28	:	83	90.4	5	0	65	69	87	:
NL	:	:	87	93	:	37	:	79	91	:
A	17	:	65	72	5	0	28	58	67	:
P	:	:	4	20.9	:	:	:	:	11.5	:
FIN	16	:	72	76	11	48	63	72	76.1	:
S	63	:	94	95	44	78	81	93	95	:
UK	:	:	83	87	:	:	76	77	79	:
Iceland	:	:	:	1	2	0	:	:	:	:
Norway	21	27	34	42	57	20	26	27	34	57
Switzerland	35	55	70	83	90	35	55	70	83	90

¹ New Länder.

² Old Länder.

Application of fertilizers to agricultural land

	Nitrogen fertilizers (nitrogen t/km ²)						Phosphate fertilizers (phosphate t/km ²)					
	1970	1975	1980	1985	1990	1991	1970	1975	1980	1985	1990	1991
B	21.5	23.1	25.6	25.8	23.7	22.1	18.1	15.2	13.4	12.0	10.0	7.9
DK	10.8	12.7	14.1	14.6	15.4	14.4	4.7	4.8	4.2	4.1	3.4	3.0
D	13.3	15.2	18.4	18.4	14.4	14.3	10.7	9.8	9.8	8.5	4.9	4.3
D ¹	10.6	13.7	14.9	15.5	:	:	8.5	8.9	7.7	6.4	:	:
D ²	14.9	16.2	20.7	20.3	:	:	12.1	10.3	11.2	9.9	:	:
GR	5.1	7.1	8.5	11.4	10.9	10.2	3.0	4.1	4.0	4.6	4.8	4.5
E	2.8	3.5	4.4	4.7	5.3	5.0	2.1	2.0	2.3	2.3	2.6	2.5
F	7.6	9.0	11.4	12.5	13.0	13.4	9.5	8.8	9.4	7.6	7.0	6.5
IRL	6.3	12.4	24.8	30.4	39.2	37.3	13.3	10.9	13.1	12.9	14.7	14.7
I	4.0	5.9	8.1	8.7	7.3	7.6	3.5	4.0	6.0	5.7	5.4	5.5
L	:	:	:	:	:	:	:	:	:	:	:	:
NL	46.7	56.9	58.8	58.5	42.9	40.6	12.6	10.2	10.1	9.5	8.1	7.8
A	7.5	7.5	9.8	10.8	9.0	8.7	7.3	4.7	6.1	5.9	4.9	4.7
P	2.5	4.5	4.4	4.3	4.7	4.3	1.1	2.4	2.6	2.2	2.5	2.4
FIN	6.3	7.5	7.7	8.4	8.5	6.6	6.7	6.5	5.9	6.4	4.8	3.0
S	7.4	8.6	8.2	8.4	7.4	6.3	4.8	4.7	4.1	2.9	2.0	1.6
UK	11.1	15.0	17.7	22.2	22.9	20.4	7.8	5.6	5.8	6.2	5.7	5.1
Norway	9.6	12.4	13.5	12.5	12.7	12.5	6.5	7.2	7.7	6.3	4.0	3.6

Source: FAO.

¹ New Länder.² Old Länder.

Fertilizers, both natural and artificial, help increase crop yields, provided they are used under the right conditions and at the right time. If they are not, some of the nutrients are leached out by rainwater and carried into the groundwater, increasing its nitrate content sometimes to very high levels, as can be seen in certain regions of the EU. The spreading of slurry may lead to vastly increased levels of chemicals in the groundwater if more is applied to the soil than can be absorbed by plants. The quantity of nitrogen fertilizer per square kilometre of arable land is highest in the Netherlands. Having been on the increase for a long time, it is now stable or even

falling in several countries. Trends in the use of phosphate-based fertilizers are similar.

The use of herbicides and pesticides destroys organisms such as earthworms and reduces soil aeration. Furthermore, if pesticides are not used correctly (which is all too often the case), the chemical agents in them pass through the soil into the groundwater.

The EU has set itself the target of reducing the quantity of pesticides applied per unit of arable land by the year 2000 and promoting the control of crop parasites (both animal and plant) using biological methods rather than chemical pesti-

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cides and insecticides. Fewer pesticides means less of a threat to the environment. The European Commission has regulated the marketing of plant protection products via directives that will play an important role in the authorization and use of new products.

Mine workings and quarries also have a considerable impact on the soil. Some types of extraction — sandpits, for example — may completely change the landscape. Hills may be flattened and artificial ponds created, as in the Meuse valley.

Refuse tips pose another threat to soil quality, since the leaching of waste by rainwater carries soluble chemical elements into the water. Waste is now managed more carefully, with a view to environmental protection. Tips may be set up on an impermeable layer with a drainage system which collects the percolated water and prevents pollutants leaching into the soil. Regulations also ban the dumping of dangerous products, for which special tips have to be provided. But it is extremely difficult to manage waste properly. The man-

agement of some tips leaves much to be desired and the oldest of them may cause soil pollution problems for a long time to come. Furthermore, it is often not known whether tips set up between 1950 and 1970 contain dangerous substances.



Waste

Community legislation in the environmental field has defined the elusive phenomenon of waste as 'any substance or object which the holder disposes of or wishes (or is required) to dispose of'. In general, household waste consists of leftover food, packaging, used care products, rags, etc. Industrial waste may include all sorts of residues from manufacturing processes, cleaning products, used oils and greases and products that have passed their expiry date.

Waste is generally classified in one of three categories: municipal waste, in-

dustrial waste and hazardous waste, the latter being produced by households as well as industry.

EU policy is to try to ensure that waste is managed in such a way that it no longer represents a health risk or poses a threat to the environment. The Commission has outlined five areas in which action is required:

- waste prevention;
- recycling and reutilization;
- optimum final disposal;
- improved management of disposal sites;
- rehabilitation of polluted sites.

Methods used for the processing or final disposal of municipal waste

		Total quantity (1 000 t)	Mechanical sorting (%)	Composting (%)	Incineration (%)	Dumping (%)	Recycling (%)	Other (%)
B	1980	3 082	:	11	23	50	:	16
DK	1985	2 430	:	9	54	30	7	:
D	1990	27 958	:	3	17	77	:	3
D ¹	1990	6 786	:	0	0	99	:	0
D ²	1990	21 172	:	4	22	70	:	4
GR	1990	3 000	:	6	0	100	:	:
E	1990	12 546	:	20	5	75	:	:
F	1990	20 320	:	6	37	47	4	6
IRL	1984	1 100	—	—	—	100	:	—
I	1991	20 033	100	0	6	90	:	4
L	1990	170	—	1	69	30	:	—
NL	1989	7 430	3	4	34	43	4	0
A	1990	2 506	18	3	12	68	16	0
P	1990	2 538	:	12	—	32	:	56
FIN	1990	3 100	:	2	2	77	19	:
S	1990	3 200	:	3	41	44	13	:
UK	1989	20 000	13	:	13	70	:	5
Iceland			:	:	:	:	:	:
Norway	1990	2 000	4	0	23	85	12	1
Switzerland	1990	3 000	:	8	77	15	:	—

¹ New Länder.

² Old Länder.

POLLUTION

Since the Second World War, there has been a marked increase in the quantity of waste as a result of the growth in production. Cheap energy has led to a relative fall in the cost of consumer goods, and products with short life spans have appeared on the market. General prosperity has transformed lifestyles, and people buy new clothes, furniture, etc. much more often. In order to increase their turnover, shop owners have entered the market, distributing mass publicity material supplied by a printing industry taking advantage of cheap paper. This all ends up as waste. An OECD study shows a correlation between the trend in GDP, the final consumption of households and the production of municipal waste.

Industrialized and heavily urbanized countries produce more waste than countries with rural economies, where household (kitchen) waste is recycled, either as feed for domestic animals or as garden fertilizer. Definitions of what exactly constitutes waste may thus vary from country to country.

Municipal waste includes household, bulky and garden waste. It also includes similar waste produced by small commercial and industrial enterprises. These types of waste are generally collected by municipal refuse collection services. The introduction of cheap, disposable packaging has vastly increased the quantity of waste. The effects are plain to see in

Quantity of waste produced by type of activity and type of waste (1 000 t)

	Reference year	Sector			
		Municipal	Agriculture	Mining and quarrying	Manufacturing
B	1988	3 410	:	:	27 00
DK	1985	2 430	:	:	2 304
D	1990	27 958	:	19 296	81 906
D ¹	1990	6 786	:	4 066	13 077
D ²	1990	21 172	:	15 230	68 829
GR	1990	3 000	90	3 900	4 304
E	1990	12 546	112 102	70 000	13 800
F	1990	20 320	400 000	100 000	50 000
IRL	1984	1 100	22 000	1 930	1 580
I	1991	20 033	:	:	34 710
L	1990	170	:	:	1 300
NL	1990	7 430	19 210	391	7 665
A	1990	4 783	880	21	31 801
P	1990	2 538	:	202	662
FIN	1990	3 100	23 000	21 650	10 160
S	1990	3 200	21 000	28 000	13 000
UK	1990	20 000	80 000	107 000	56 000
Iceland	1990	80	:	:	135
Norway	1990	2 000	18 000	9 000	2 000
Switzerland	1990	3 000	:	:	1 000

the quantity and composition of municipal waste. Most countries have started collecting waste glass and paper separately for recycling. Separate collection is one of the methods used to reduce the quantity of waste, but it will never replace the need for genuine recycling of these materials, which can only be done by reintroducing reusable packaging (not an easy thing to do) or, in the case of certain non-food products, dispensing with packaging entirely.

It is clear from the table on municipal waste trends that quantities are still on the increase in certain countries, whereas other countries have already started to reduce their urban refuse production. The most ad-

vanced country in this field is the Netherlands, where municipalities must collect organic waste separately (paper, products of vegetable origin, etc.).

The countries in the north of the EU are generally better served by municipal waste services, which cover all or almost all the population.

Municipal waste is processed in various ways, the oldest and commonest being tipping. This is coming in for increasing criticism, however, as tips take up a great deal of space and cause land and groundwater pollution. There is an increasing move towards incineration, particularly in industrialized and densely populated

Quantity of waste produced by type of activity and type of waste (1 000 t)

Sector			Type			Reference year	
Energy production	Other sector	Demolition waste	Dredging waste	Sludge from treatment plants			
1 069	2 830	680	4 305	687	1988	B	
1 532	:	1 747	:	1 263	1985	DK	
29 598	:	:	:	:	1990	D	
16 921	:	:	:	:	1990	D ¹	
12 677	:	120 394	:	1 750	1990	D ²	
7 680	:	:	:	:	1990	GR	
:	:	22 000	:	10 000	1990	E	
:	9 800	:	:	600	1990	F	
130	860	240	:	570	1984	IRL	
:	:	34 374	:	3 428	1991	I	
:	:	5 240	:	15	1990	L	
1 553	:	12 390	17 500	320	1990	NL	
1 150	:	18 309	111	365	1990	A	
165	15	:	:	:	1990	P	
950	150	7 000	3 000	1 000	1990	FIN	
625	3 850	1 200	:	220	1990	S	
13 000	15 400	32 000	21 000	1 000	1990	UK	
:	:	:	:	:	1990	Iceland	
:	:	2 000	:	100	1990	Norway	
:	:	2 000	:	260	1990	Switzerland	

¹ New Länder.

² Old Länder.

POLLUTION

Municipal waste trends (kg per inhabitant)				
	1975	1980	1985	1990
B	296	313	:	:
DK	:	399	475	:
D	:	:	:	350
D ¹	:	:	:	416
D ²	333	348	317	333
GR	:	259	304	296
E	226	270	260	322
F	271	289	294	360
IRL	175	188	312	:
I	257	252	265	348
L	330	351	357	445
NL		498	435	497
A	186	222	228	620
P	:	213	247	257
FIN	:	:	510	624
S	293	302	317	374
UK	324	312	341	348
Iceland	:	:	:	314
Norway	424	416	474	472
Switzerland	297	351	383	441

¹ New Länder. ² Old Länder.

countries. Another way of reducing municipal waste is composting, where part of the waste is transformed into other products that can be used in farming and gardening. However, these must compete with other products such as liquid manure and sewage sludge.

More and more waste is being processed in large plants, which means that waste can be sorted prior to final treatment (combustion, composting or recycling) or tipping. In a small number of plants, checks can be carried out for the presence of hazardous products.

Recycling of waste

Many materials regarded as waste can be reused, particularly if they are collected separately. They can then be used for a number of different purposes, for example, scrap metal can be used as a raw material in foundries, waste oil or timber waste can be used as fuel, etc. These types of product are no longer considered to be waste if they are produced in large quantity, but as materials of economic value. They are then excluded from waste statistics.

In order to reduce waste, most countries have started collecting certain products separately — not just waste paper and glass, but also used batteries, plastic packaging, tin cans, etc. Old refrigerators are a special case, as they must undergo special treatment to prevent CFC-type coolants from escaping. Another way of reducing waste is to sort it after collection. However, this is very time-consuming and the resultant quality is inferior to that obtained by separate collection.



Recycling activities and rates (%)

	Paper and cardboard		Glass	
	1980	1990	1980	1990
B	15	:	33	55
DK	26	35	8	60
D	:	:	:	:
D ¹	:	:	:	:
D ²	33	40	20	45
GR	:	30	:	15
E	38	51	:	27
F	37	46	20	29
IRL	4	3	8	23
I	38	47	20	48
L	:	:	:	:
NL	46	50	17	67
A	30	:	20	60
P	38	39	:	30
FIN	35	41	10	36
S	34	43	:	44
UK	29	31	5	21
Iceland	:	:	:	:
Norway	22	26	:	22
Switzerland	38	49	36	65

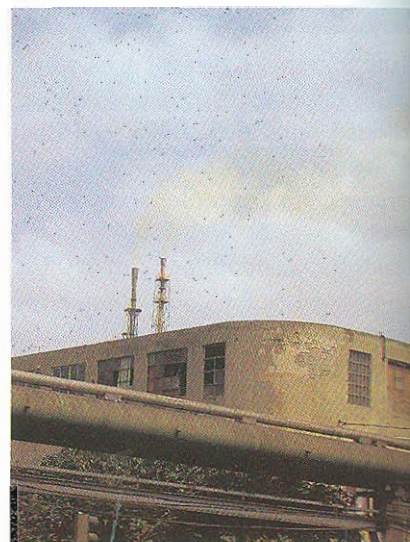
¹ New Länder.

² Old Länder.

POLLUTION

Hazardous waste

One of the special problems of industry is hazardous waste. Certain activities involve the production of unwanted substances that pose a major threat to the environment and the general public. A Commission directive on hazardous waste requires Member States to follow certain rules during its processing, transportation and final disposal, and to introduce a system for recording all hazardous waste. Whether or not a product is included on the list of hazardous wastes depends on its toxicological characteristics and concentration. The official list of dangerous waste is not yet complete.



Production, transport and disposal of hazardous waste

		Production	Import	Export		Thermal processing		Other processing methods		Recycling		Dumping	
		(1 000 t)	(1 000 t)	(1 000 t)	(%)	(1 000 t)	(%)	(1 000 t)	(%)	(1 000 t)	(%)	(1 000 t)	(%)
B		:	:	:	:	:	:	:	:	:	:	:	:
DK	1990	106	2	13	13	:	:	:	:	:	:	:	:
D		:	:	:	:	:	:	:	:	:	:	:	:
D ¹		:	:	:	:	:	:	:	:	:	:	:	:
D ²	1990	6 000	63	522	9	:	:	:	:	:	:	:	:
GR	1990	450	:	0.3	:	:	:	:	:	121	27	:	:
E	1987	1 708	82	20	1	:	:	:	:	:	:	:	:
F	1990	3 958	458	16	0	893	23	1 193	30	:	:	2 312	58
IRL	1990	66	:	14	:	:	:	:	:	:	:	:	:
I	1990	3 246	-	20	0.6	:	:	:	:	:	:	:	:
L		:	:	:	:	:	:	:	:	:	:	:	:
NL	1990	1 040	199	195	19	212	20	:	:	41	4	300	29
A	1990	616	20	68	11	55	9	145	24	15	2	134	22
P	1987	1 043	:	2	0.2	:	:	:	:	:	:	:	:
FIN	1987	314	20	12	4	32	10	200	64	25	8	45	14
S	1985	500	47	43	9	:	:	:	:	:	:	:	:
UK	1990	2 540	45	1	-	0	:	:	:	:	:	:	0
Iceland	1989	5	-	0.2	2.0	:	:	:	:	:	:	:	:
Norway	1990	200	-	22	11	3	2	2	1	30	15	:	:
Switzerland	1990	520	7	121	23	:	:	:	:	:	:	:	:

¹ New Länder.

² Old Länder.



Waste processing and disposal plants

		Tips		Incineration plants		Processing centres	
		Total number	Total capacity (1 000 t)	Total number	Total capacity (1 000 t)	Total number	Total capacity (1 000 t)
B	1990	30	:	9	:	8	:
DK	1985	:	50 241	:	:	:	1 686
D	1987	10 400	:	162	:	450	:
D ¹	1987	6 000	:	2	:	30	:
D ²	1987	4 400	:	160	:	420	:
GR	1990	:	:	1	:	:	4
E	1990	94	9 376	17	606	33	2 564
F	1990	484	16 000	306	8 700	76	1 560
IRL		:	:	:	:	:	:
I	1991	1 463	33 681	204	1 912	230	6 317
L	1990	4	150	1	150	-	:
NL	1990	373	:	8	2 850	:	:
A	1990	160	3 216	4	370	23	150
P	1990	303	821	:	:	2	303
FIN	1990	750	25 000	2	150	1	25
S	1990	282	7 500	23	1 800	:	:
UK	1990	4 193	:	212	:	122	:
Iceland		:	:	:	:	:	:
Norway	1990	500	:	50	:	:	:
Switzerland	1990	60	20 000	31	2 300	:	:

¹ New Länder.

² Old Länder.

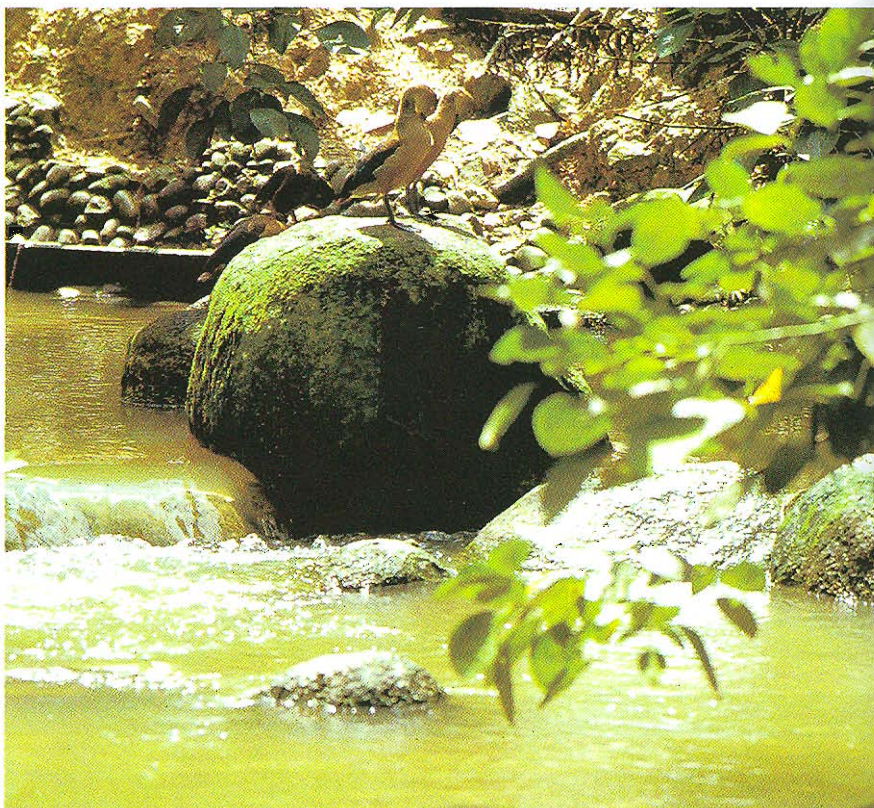
NATURE CONSERVATION AND PROTECTION

Compared with tropical regions, the European Union does not have a particularly wide range of plants and animal species. Furthermore, virtually all existing habitats and the plant and animal communities which depend on them have been changed by man. The forest which probably once covered most of the area of the EU countries no longer exists, and most present-day forests have been planted with common species for timber production or, in some cases, recreational purposes.

Nature protection policies

Several Member States long ago adopted nature conservation policies in an attempt to maintain the wide variety of semi-natural habitats which still remained and protect those plants and animal species which appeared to be under particular threat. Several countries have drawn up lists of species considered to be endangered, particularly from changes in land use or agricultural practices and, in some cases, hunters and collectors.

These data are used to develop and back policies aimed at protecting the diversity of species in general and to show whether the measures taken to protect certain species have been successful. The following table illustrates the problems of biodiversity, showing the number of species known and the percentage of these under threat. As can be seen, each country has a large number of species in each category that must be considered endangered.



Ramsar Convention wetland sites



▼ Ramsar site

NB: The Ramsar Convention, signed in 1971, is a global environmental agreement to designate, protect and manage wetlands: marshes, bogs, estuaries, lakes, etc.

NATURE CONSERVATION AND PROTECTION

With the assistance of numerous non-government organizations in the nature-conservation sector, Member States have designated a number of exemplary habitats as nature reserves. These reserves vary widely in terms of both size and the level of protection afforded.

Most countries carry out at least random inspections in the most important areas, to ensure that nature conservation has priority over economic development. In some cases, stricter

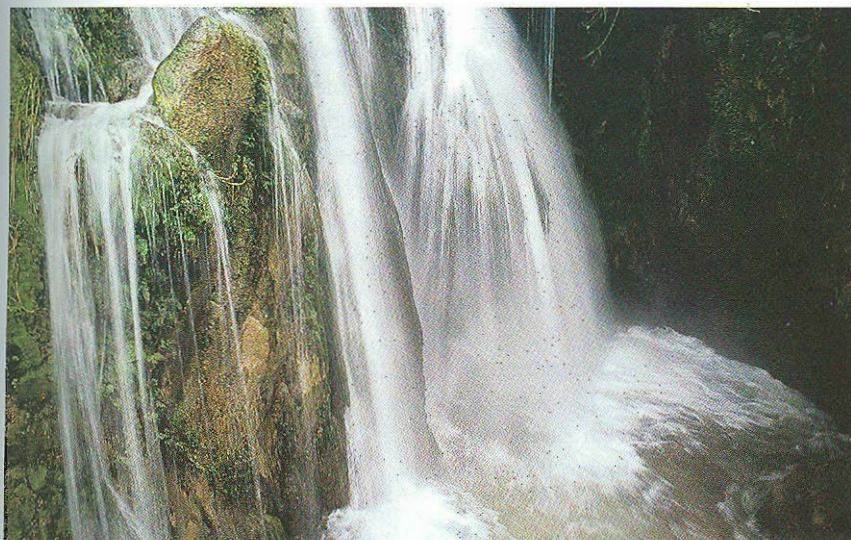
measures have been taken — for example, public access to such areas may be limited.

Known species and percentages of surveyed species considered to be endangered

	Mammals		Birds		Freshwater fish		Reptiles	
	Known species	Endangered species	Known species	Endangered species	Known species	Endangered species	Known species	Endangered species
B	65	22	169	29	:	:	8	75
DK	50	24	170	13	33	18	5	0
D	:	:	:	:	:	:	:	:
D ¹	74	5	220	31	51	39	8	63
D ²	94	39	273	40	70	66	13	77
GR	116	49	407	25	106	20	57	12
E	119	17	327	12	68	24	55	18
F	115	50	353	37	75	23	36	50
IRL	31	16	141	8	26	23	1	:
I	97	11	230	43	56	18	51	25
L	62	53	280	19	38	34	7	86
NL	66	29	180	33	34	79	7	100
A	88	38	219	36	73	42	14	86
P	99	17	311	13	28	29	34	9
FIN	59	12	234	7	60	12	5	20
S	63	19	242	8	45	11	6	:
UK	44	:	520	28	34	21	6	33
Iceland	4	:	75	7	5	20	:	:
Norway	54	7	249	9	41	5	5	20
Switzerland	83	27	204	41	53	38	15	73

¹ New Länder.

² Old Länder.



Known species and percentages of surveyed species considered to be endangered

Amphibians		Invertebrates		Vascular plants		
Known species	Endangered species	Known species	Endangered species	Known species	Endangered species	
17	100	42 000	:	1 415	24	B
14	29	3 760	13	1 200	10	DK
:	:	:	:	:	:	D
19	58	:	:	2 100	24	D ¹
19	68	:	:	2 728	24	D ²
16	6	:	:	4 900	2	GR
25	8	25 000	2	3 000	6	E
30	50	67 500	:	4 700	3	F
3	33	:	:	815	20	IRL
33	24	57 300	4	6 190	12	I
15	87	30 000	:	1 200	13	L
16	63	27 700	:	1 436	35	NL
21	90	> 30 000	:	2 873	30	A*
17	:	:	:	3 150	4	P
5	20	18 499	:	1 350	7	FIN
13	46	23 400	2	1 900	9	S
6	33	:	:	1 494	10	UK
0	:	1 245	:	383	3	Iceland
5	40	20 000	:	1 310	7	Norway
20	80	45 400	:	2 696	21	Switzerland

¹ New Länder.

² Old Länder.

NATURE CONSERVATION AND PROTECTION

European Union action

The EU has drawn up guidelines for nature conservation and coordinating national practices in this field, but these principles have not yet been translated into fact. Some legislation is still at the proposal stage. The most important measure for the conservation of species so far approved is the directive on birds, which requires Member States to implement measures protecting some 175 species of birds. These protective measures cover both the maintenance of suitable habitats and a ban on hunting or shooting the species in question.

The following table shows the areas protected under international agree-

ments. These are also included in the previous table, provided they meet the minimum size requirement, though they may be classed under different headings. Some nature reserves, for example, may be included in several of the categories mentioned.

Finally, it is becoming increasingly widely recognized that some EU policies, particularly agricultural and regional development policies, have a direct — and in some cases detrimental — impact on habitats and species. Nature conservation is now taken into account in Community economic development projects. For example, systematic checks are carried out to ensure that projects fi-

Main protected areas (by category)

	Scientific reserves		National parks		Natural monuments		Nature reserves		Protected countryside	
	No	ha	No	ha	No	ha	No	ha	No	ha
B	:	:	:	:	:	:	1	3 975	1	67 854
DK	4	8 877	:	:	2	6 290	17	78 742	42	328 609
D	:	:	:	:	:	:	:	:	:	:
D ¹	:	:	:	:	:	:	26	36 486	199	1 961 682
D ²	:	:	1	13 100	:	:	28	132 988	25	2 809 792
GR	:	:	8	52 642	2	18 000	5	10 633	5	22 428
E	:	:	9	122 763	:	:	51	1 571 040	101	1 817 288
F	4	17 054	5	261 333	:	:	40	129 376	31	4 370 936
IRL	:	:	3	22 495	:	:	3	4 315	:	:
I	:	:	3	125 892	:	:	54	277 451	51	897 222
L	:	:	1	360	:	:	9	440	:	:
NL	3	4 211	1	5 400	22	220 595	42	124 825	:	:
A	:	:	:	:	:	:	32	94 834	97	1 499 060
P	:	:	2	99 422	2	3 888	9	73 221	8	277 111
FIN	16	151 170	17	354 080	:	:	:	:	2	302 000
S	:	:	15	589 212	:	:	73	1 061 822	11	107 374
UK	:	:	1	4 128	:	:	42	133 177	95	4 501 829
Iceland	1	270	3	180 100	5	38 604	5	51 950	8	645 000
Norway	24	2 637 285	17	1 910 200	:	:	5	18 705	21	196 248
Switzerland	:	:	1	16 887	:	:	14	94 272	:	:

¹ New Länder.

² Old Länder.

nanced under the Community structural funds do not damage habitats listed as important by the EU directive on birds.

Birds of prey have suffered particularly badly from environmental pollution. The use of pesticides in farming has forced them to take poisoned prey, numbers of which have themselves diminished. Their habitats have been encroached upon, and some have disappeared altogether. Certain species need extensive territories, and these are much rarer than they used to be. Since the inherent dangers of pesticides have been realized, their use reduced and protective measures introduced (e.g. bans on hunting), populations have grown again. Even so, these types of bird are still under threat.



Population of selected birds of prey by main habitat

	Main habitat		Dense forest	Permanent wetlands	Reedbeds and rough pasture	Water meadows	Remote mountainous or craggy areas	
	Osprey	White-tailed	Hobby	Marsh	Montagu's harrier	Short-eared owl	Golden eagle	Peregrine falcon
B	:	:	200	60	:	1	:	0
DK	0	:	10	600	50	3	:	:
D	150	140	1 000	3 000	300	100	25	135
GR	:	1	100	60	5	0	140	100
E	10	:	1 600	481	1 000	0	1 192	1 628
F	24	:	2 000	740	2 500	10	255	700
IRL	:	:	:	:	:	:	:	270
I	:	:	250	50	200	:	300	430
L	:	:	3	:	0	:	:	:
NL	:	:	1 400	800	6	60	:	0
A	:	:	200	150	10	0	200	80
P	2	:	100	25	400	:	20	25
FIN	900	80	2 500	300	0	3 000	220	100
S	3 000	100	500	500	65	2 000	600	25
UK	72	8	500	87	6	1 000	420	1 200
Iceland	:	35	:	:	:	100	:	:
Norway	150	1 500	20	0	:	1 000	700	150
Switzerland	:	:	180	:	0	:	200	120

NATURE CONSERVATION AND PROTECTION



Internationally designated sites

	Barcelona Convention ¹		Biogenetic reserves		Biosphere reserves	
	No	area (km ²)	No	area (km ²)	No	area (km ²)
B	:	:	17	72	:	:
DK	:	:	:	:	:	:
D	:	:	1	7	12	11 581
GR	8	242	16	223	2	88
E	6	210	:	:	13	8 598
F	68	2 655	35	434	8	6 466
IRL	:	:	14	69	2	88
I	10	260	37	336	3	38
L	:	:	1	0	:	:
NL	:	:	18	2 704	1	2 600
A	:	:	54	1 925	4	276
P	:	:	8	456	1	4
FIN	:	:	:	:	1	3 500
S	:	:	43	11 525	1	965
UK	:	:	18	80	13	443
Iceland	:	:	:	:	:	:
Norway	:	:	11	1 569	1	15 550
Switzerland	:	:	9	114	1	169

¹ Reserves covered by the protocol known as the 'Barcelona Convention' for the protection of the Mediterranean Sea against pollution. This covers areas in the Mediterranean granted special protection.

² Natural areas of international and European importance that have been awarded a diploma by the Council for Europe for the protection afforded.

³ The Ramsar Convention relates to wetlands.



Internationally designated sites

'Birds' Directive		European Diploma sites ²		Ramsar Convention ³		National parks		
No	Area (km ²)	No	Area (km ²)	No	Area (km ²)	No	Area (km ²)	
36	4 313	1	40	6	79	:	:	B
111	9 610	:	:	27	7 345	:	:	DK
214	8 416	6	606	31	6 729	10	6 999	D
26	1 916	1	49	11	1 044	10	687	GR
140	23 989	3	799	17	1 022	9	1 228	E
91	6 609	6	2 741	8	4 226	6	3 461	F
21	60	:	:	21	130	3	225	IRL
74	3 104	5	775	46	570	8	4 504	I
5	7	1	389	4	18	:	:	L
13	3 069	1	44	15	3 149	10	36	NL
:	:	1	463	7	1 025	3	1 180	A
36	3 323	1	3	2	306	1	714	P
:	:	:	:	11	1 013	19	656	FIN
:	:	4	4 605	30	3 828	16	6 324	S
76	2 605	5	2 168	57	2 153	11	13 931	UK
:	:	:	:	2	575	3	18	Iceland
:	:	:	:	14	163	15	10 446	Norway
:	:	1	169	8	70	1	169	Switzerland

¹ Reserves covered by the protocol known as the 'Barcelona Convention' for the protection of the Mediterranean Sea against pollution. This covers areas in the Mediterranean granted special protection.

² Natural areas of international and European importance that have been awarded a diploma by the Council for Europe for the protection afforded.

³ The Ramsar Convention relates to wetlands.

EXPENDITURE ON ENVIRONMENTAL PROTECTION

The general public has become increasingly aware of the need to protect the environment against pollution. Protective measures are designed to prevent damage to the environment or to repair damage already done. Environmental protection is now a priority concern in economic policy, the general aim being sustainable development.

All measures taken in this area cost money. However, investing in anti-pollution measures means spending less on subsequent clean-ups and helps prevent irreparable damage. Clean-ups involve repairing damage, for example treating polluted land, rehabilitating old tips, etc.

Efficient use must be made of economic resources to protect the environment. In order to encourage enterprises to take the necessary measures, governments may levy taxes that are directly linked to pollution. The 'polluter pays' principle is one of the most important weapons in the fight against pollution. It is easier to quantify expenditure than to estimate how it benefits the environment. An effort must be made to draw up common definitions at European level and so produce comparable economic data. As there is no such harmonization as yet, the following table can show expenditure trends in a few Member States only.

Expenditure on the environment is generally divided into public and private expenditure. The former includes all government investments, while the latter includes investment by industry in capturing emissions and/or rendering them less harmful.

The table does not show cumulative investments, meaning that figures for countries that invested very early



**Expenditure on pollution control financed by the public sector
(% of GDP)**

	1985	1987	1988	1989	1990
B	:	:	:	:	:
DK	0.7	0.8	0.9	0.9	1
D	0.7	0.8	0.8	0.8	0.8
GR	:	:	:	:	:
E	:	0.5	0.5	0.6	0.6
F	0.6	0.7	0.7	0.7	0.6
IRL	:	:	:	:	:
I	:	:	:	0.5	:
L	:	:	:	:	:
NL	1	0.9	:	0.9	:
A	1	1	1	:	:
P	:	:	0.5	0.4	:
FIN	:	:	:	:	:
S	:	0.6	:	:	:
UK	0.7	:	:	:	0.4
Iceland	:	:	:	:	:
Norway	:	:	:	:	:
Switzerland	0.7	:	0.7	0.8	:
Canada	0.7	0.7	0.7	0.8	0.8
USA	0.5	0.6	0.5	0.6	0.6

Source: OECD.

in pollution control and where investment is limited to replacement are lower than the figures for countries that have only just begun to tackle environmental problems.

The way these problems are perceived varies from country to country, as shown by the table for expenditure by area of pollution. Problems are linked directly to types of activity in different countries. A country in which services predominate will spend less in all fields than a country with a large agri-foodstuffs or oil sector.

EXPENDITURE ON ENVIRONMENTAL PROTECTION

The European Environment Agency

Following a vote by the European Parliament, the European Commission took the initiative in 1990 to create the European Environment Agency (EEA). Its start-up was delayed by a number of political difficulties and, in October 1993, the European Council decided to set it up in Copenhagen. Following the appointment of the Executive Director, its work began, and it has been building up a team since 1 July 1994. The main aims of the EEA are as follows:

- (i) to set up a European environmental information and observation network (EIONET);
- (ii) to supply the European Union and its Member States with information that is objective, reliable and comparable at European level, thus allowing them to take the necessary measures to protect the environment, evaluate the implementation of such measures and ensure that the public is properly informed about the state of the environment;

(iii) to supply the necessary scientific and technical backup.

The EEA helps the Commission frame environmental policy according to the rules laid down in the fifth environmental action programme (adopted on 1 February 1993). The EEA is active mainly in the fields of air quality and atmospheric pollution, water resources, water quality and pollutants, soil quality, flora, fauna and biotopes, the use of land and natural resources, waste management, noise emissions, coastal protection and substances hazardous to the environment. Special attention is given to transborder phenomena in these fields.

The EEA must answer questions such as 'How bad is pollution?', 'What are the risks to public health and natural habitats?' and 'What can be done to remedy the situation?' It is responsible for disseminating data collected from a wide range of sources, and for drawing up a report on the state of the environment every three years.

Most of the EEA's work will be carried out in specialized centres known as European Thematic Centres (ETCs), which will be set up in the Member States of the Union.

The EEA obviously needs a great deal of information — national, regional and local. These will be collected from national focal points (NFPs), which will coordinate work at national level. The ETCs, NFPs, specialist environmental institutions and the EEA together form the European environmental information and observation network (EIONET).

The harmonization of methods used in the Member States is an urgent priority. Measurement and analysis methods do not currently allow data to be compared between the Member States. The EEA, once it has carried out research on the comparability of methods, will give its opinion on the harmonization of sampling frequency, measurements and analyses, the aim being to ensure greater efficiency and reliability in the field of environmental protection.

Expenditure on pollution control by area (% of GDP)

		Water		Waste		Air	
		Public sector	Private sector	Public sector	Private sector	Public sector	Private sector
B		:	:	:	:	:	:
DK	1990	4.9	:	3.3	:	:	:
D	1989	5.1	2.6	2.6	1.1	0.0	4.2
GR		:	:	:	:	:	:
E	1990	3.3	:	2.2	:	0.1	:
F	1990	3.1	1.2	3.1	1.1	:	1.0
IRL		:	:	:	:	:	:
I	1989	1.9	0.8	2.8	3.1	:	1.3
L		:	:	:	:	:	:
NL	1989	4.4	1.7	3.0	0.9	0.1	1.9
A	1990	6.2	2.7	3.6	0.8	0.0	2.6
P	1989	2.6	0.4	0.8	0.2	0.0	0.1
FIN		:	:	:	:	:	:
S	1986	3.1	:	2.6	:	0.3	:
UK	1990	0.7	5.1	2.0	2.0	0.1	3.2
Iceland		:	:	:	:	:	:
Norway		:	:	:	:	:	:
Switzerland	1989	4.7	:	3.0	:	:	:
Canada	1989	5.4	1.1	1.8	0.5	:	1.2
USA	1990	4.3	2.4	1.5	2.9	0.2	3.1

Source: OCDE.

FURTHER READING

Eurostat publications

Environment statistics
Europe's environment: statistical compendium

Electronic products

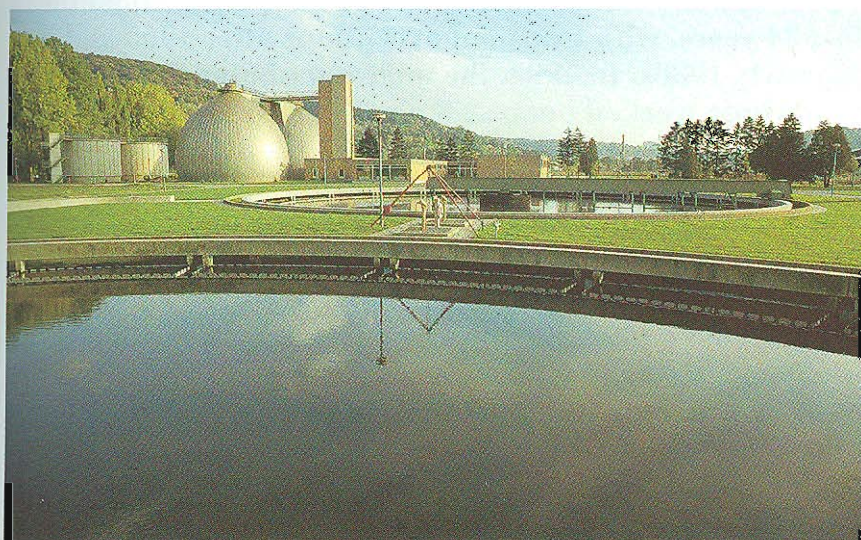
Eurostat CD
New CRONOS database

European Documentation

Pollution knows no frontiers

Other publications

The state of the environment in the European Community
Quality of bathing water: yearly
Fifth environmental action programme
Europe's environment: the Dobri's assessment



POPULATION

Eurostat's population projections for the countries of the European Union, broken down by sex and age expressed in years, for the period 1990-2020, are based on two hypotheses:

- The 'low' scenario is based on the following assumptions:
 - continuation of the downtrend in the average number of children per woman to a level of approximately 1.5 for the generations of women born recently;
 - a slight rise in life expectancy at birth in the 1990s and subsequent levelling out;
 - a return to more moderate levels of net immigration, giving an annual surplus, as from 1994, of approximately 280 000 persons for the 15 Member States.
- The 'high' scenario is based on the following assumptions:
 - a rising fertility rate per generation, to a level of approximately two children per woman;
 - continuation of the uptrend in longevity over the next three decades;
 - net immigration of 845 000 persons per annum, as from 1994, into the countries of the European Union.

On 1 January 1994, the population of the 15 Member States of the European Union stood at 370 million. This represented 6.5% of the total world population, compared with 10.4% in 1960 and Eurostat's projected figure of about 5% in 2020.

This drop in the share of the world's population is due to the slower rate of demographic change in the European Union than the rest of the world. Between 1960 and 1994, the Community population rose by 17% whereas the populations in Africa and Latin America increased by factors of 2.5 and 2 respectively.

Where the population increase of a country is concerned, there are two quite distinct elements: natural increase (births over deaths) and the balance of migration (immigrants over emigrants).

The natural increase in the European Union dropped from 7.7 per 1 000 in 1960 to 1.0 per 1 000 in 1990, one of the lowest rates in the world. Within the EU, the rates in 1993 ranged from 5.0 per 1 000 in Ireland to -1.2 in Germany. Italy also had a negative rate of -0.1 per 1 000, for the first time since 1960.

Such a low rate of population growth, a typical feature of developed countries, is primarily the result of low fertility. As in the industrialized nations as a whole, there has been a sharp drop in fertility since the mid 1960s and this has led to a marked reduction in the numbers in the lower age brackets of the population. Advances in the fight against mortality have also been the cause of a steady upward trend in life expectancy. Taken together, these two factors have led to an ageing of the Community population.

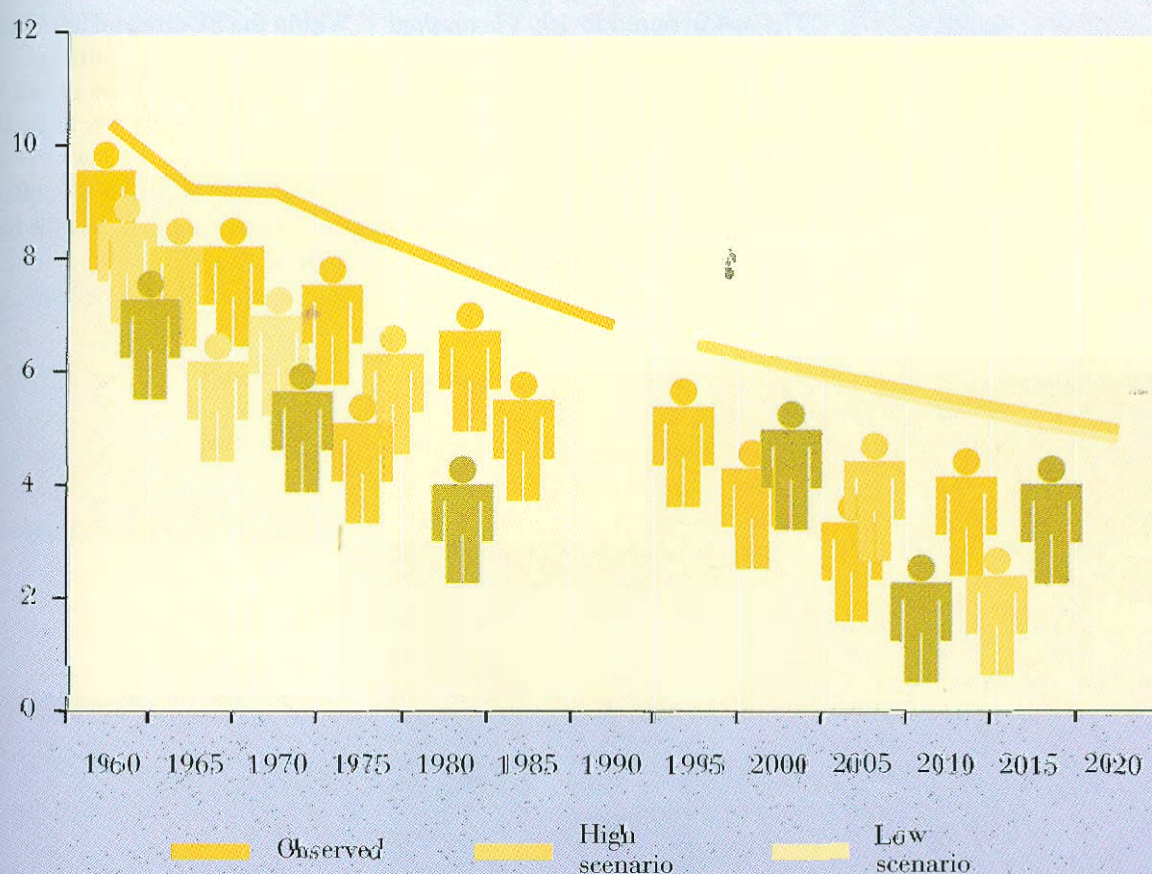
The migratory balance has been positive throughout the last 34 years, with transient exceptions after 1965 and in the early 1980s. In 1993, the migratory balance for the EU as a whole worked out at 2.8 per 1 000. In that year, Ireland was the only Member State with a negative balance, losing almost two persons per 1 000 inhabitants, whereas Germany and Luxembourg recorded large increases accounting for more than 0.5% of their respective populations.

On 1 January 1992, there were more than 16 million foreigners living in EU countries, representing 4.3% of the total population; and two thirds of these were from non-Union countries.

While the consequences of this demographic situation have been mitigated by the positive migratory balance, it

nevertheless remains a major challenge facing the Community at the start of the 21st century. Europe will have to cope with a smaller and ageing active population as well as with social and economic imbalances caused by the growing number of elderly and retired persons in the population.

Population of the EU as a percentage of world population (%)



STRUCTURE OF THE POPULATION

The most obvious feature of the demographic structure of the European Union is the ageing of the population, due to diminishing numbers of births and increasing longevity.

The age pyramid

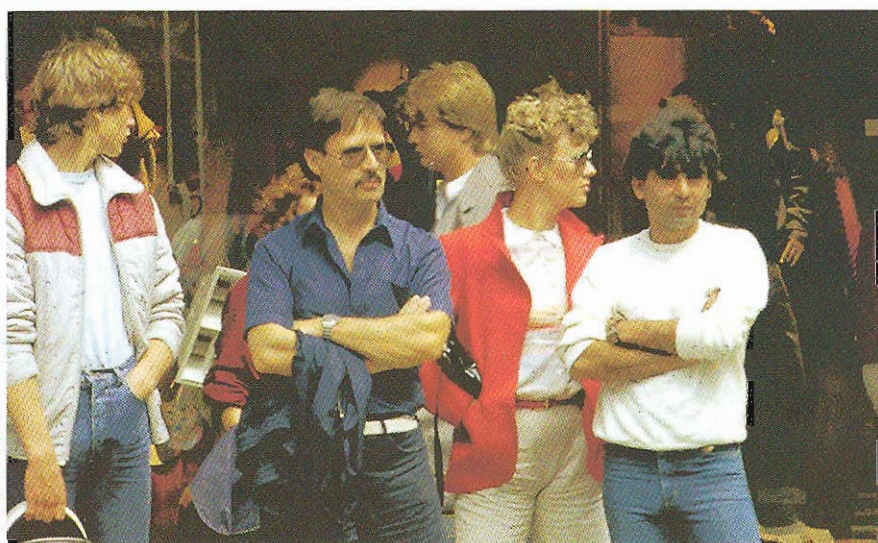
Between 1960 and 1993 the age pyramid in the European Union underwent a radical change. In 1960, it was clearly affected by the two world wars: losses in the fighting, fewer births in wartime and also, a generation later, when these smaller numbers began to have children, a further drop in the number of births. The pyramid base was swollen by the increased fertility during the 'baby boom' between the end of the Second World War and the early 1960s.

The age pyramid in 1993 is marked instead by a drop in fertility from the mid 1960s and the steeper decline which was a feature of the mid 1970s. The accelerating downtrend was due to countries in southern Europe (Greece, Italy, Spain and Portugal) joining the group of countries with low fertility rates.

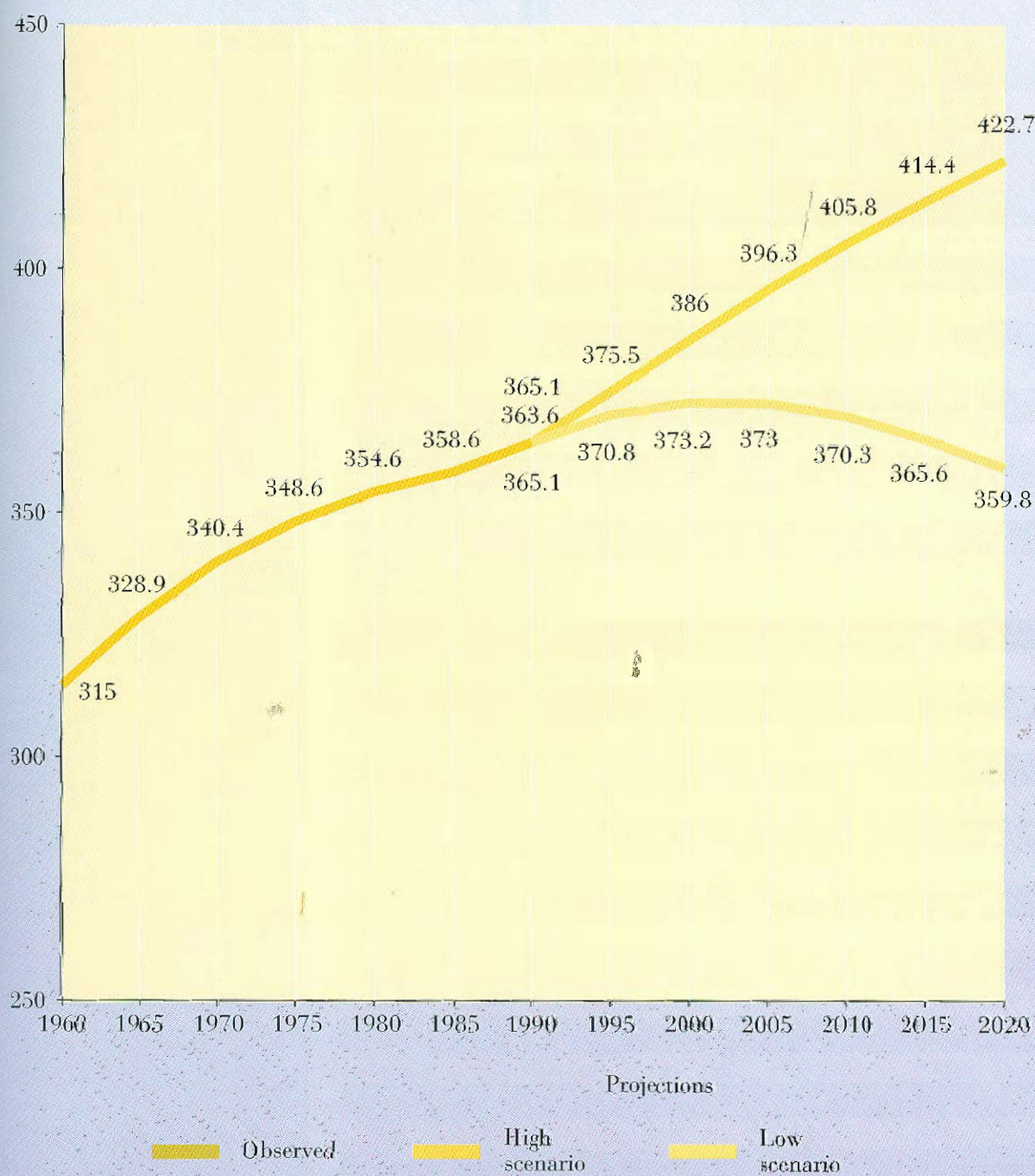
Ageing of the population

In 1993, 24.4% of the population of the EU was under 20 years of age and 20.2% was over 60. Although their populations are also steadily ageing, the USA and Japan have much higher percentages of young people aged under 20 than does the EU; the figures for these two countries are 28.2% and 25.5% respectively. People over 80 account for 3.7% of the Community population, a figure which has more than doubled in the last 30 years (1.6% in 1960).

Within the EU, Ireland has an exceptionally young population, with 34.9% under 20 years of age, compared with only 21.5% in Germany. Ireland also has the lowest percentage (15.3%) of people over 60, while the United Kingdom has the highest with 22.2%.



Change in the population of the EU (millions)



STRUCTURE OF THE POPULATION

Population of the EU by age group (%)

	0-19	20-59	≥ 60
1960	31.8	52.8	15.4
1965	32.2	51.4	16.4
1970	32.1	50.4	17.5
1975	31.5	50.3	18.2
1980	30.1	52.0	17.9
1985	27.8	53.4	18.8
1990	25.5	54.9	19.6
1995	24.2	55.4	20.4
2000	23.8	55.0	21.3
2005	23.4	54.6	22.0
2010	22.9	53.9	23.2
2015	22.2	53.5	24.3
2020	21.6	52.8	25.7

Population by age group at 1 January 1993 (%)

	0-19	20-39	40-59	≥ 60	of which ≥ 80
EU	24.4	30.7	24.7	20.2	3.7
B	24.3	30.5	24.2	21.1	3.7
DK	23.8	29.9	26.2	20.1	3.9
D	21.5	31.6	26.5	20.4	3.9
GR	24.6	29.6	25.0	20.8	3.4
E	26.5	31.3	22.7	19.6	3.0
F	26.8	30.0	23.6	19.7	4.0
IRL	34.9	28.9	21.0	15.3	2.4
I	22.6	30.9	25.3	21.3	3.6
L	23.3	32.4	25.2	19.2	3.3
NL	24.6	32.9	24.9	17.6	3.0
A	23.7	31.9	24.1	20.3	3.9
P	27.4	29.4	23.7	19.5	2.7
FIN	25.4	29.1	26.7	18.8	3.1
S	24.6	27.5	25.4	22.4	4.5
UK	24.3	29.9	23.6	22.2	3.8

The ageing of the population

The expression 'ageing of the population' means an increase in the proportion of the elderly in a given population.

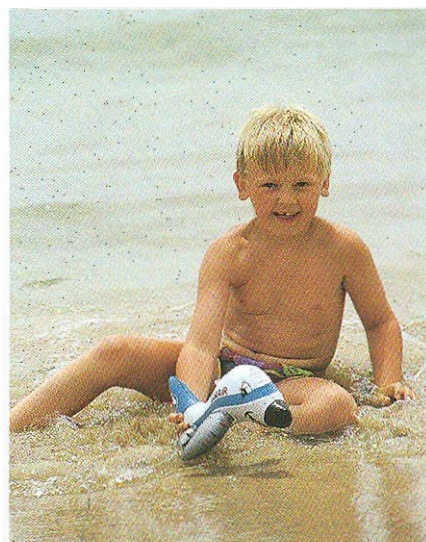
The population can age either because of a fall in the birth rate, which reduces the number of young people and narrows the base of the age pyramid, or because people live longer, which causes the top of the age pyramid to become wider.

Both of these processes are currently affecting the population of the European Union. The populations of all the Member States are ageing, although Belgium, Italy and the United Kingdom are by far the most seriously affected. The recent decline in fertility rates in Spain, Portugal and Greece (and even in Ireland) will inevitably cause the populations of these countries to age at an accelerating rate.

Population ageing is a global problem which is also bound to affect the Third World sooner or later.

It is the most important social phenomenon of the late 20th century and poses a number of problems: a drop in the proportion of persons in employment will make it difficult to finance retirement pensions, stretch social protection budgets and require an ever-increasing stock of special housing, etc.

Age pyramid of the European Union: comparison between 1960 and 1993
(% of total population)



MORTALITY

In 1993, the European Union recorded 3.7 million deaths, or a gross mortality rate of 10 per 1 000. The infant mortality rate has dropped sharply since 1960 and is one of the lowest in the world. Life expectancy in the EU is among the highest in the world, with women living on average about six years longer than men.

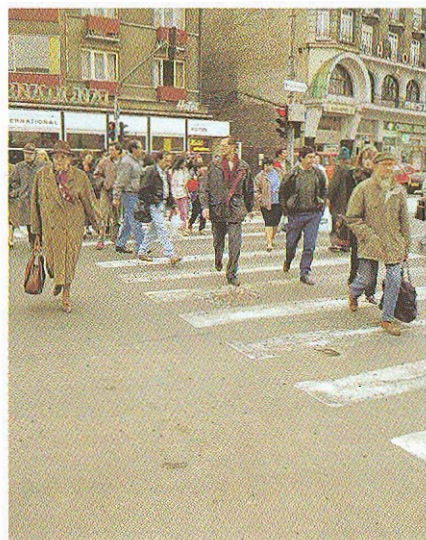
Mortality

The mortality rate has to be interpreted carefully. It is simultaneously expanded by the increase in the number of old people and diminished by longer life expectancy. The result is that lower mortality rates have been recorded in some countries where health conditions are less advanced, since the population in these countries has a younger age structure and therefore a lower mortality rate.

Any study of mortality rates must look at a breakdown by age and sex. Two basic conclusions may be drawn from this approach: women are more likely to outlive men in every age group, and the probability of death, which is fairly high in the first year of life, drops to its lowest level around the age of 10 to 12, after which it gradually rises. Between the ages of 20 and 25 the probability-of-death curves reach a relative peak because of the high number of road deaths in this age group.

Infant mortality

In 1992, for every thousand births there were seven deaths before the age of one. The infant mortality rate is one of the most telling indicators of the economic and social state of a country. The European Union has one of the lowest infant mortality rates in the world. The figure has dropped by a factor of almost five, from 34.8 per 1 000 in 1960 to 7.0 in 1992. Progress in the battle against deaths in the first year of life



Life expectancy at birth								
	Men				Women			
	1960	1970	1980	1990	1960	1970	1980	1990
EUR 12	67.3	68.5	70.7	72.7	72.7	74.8	77.4	79.1
B	67.7	67.8	70.0	72.6	73.5	74.2	76.8	79.4
DK	70.4	70.7	71.2	72.2	74.4	75.9	77.3	77.7
D	67.2	68.2	:	72.1	:	:	:	78.4
GR	67.3	72.2	74.5	74.4	72.4	73.8	76.8	79.5
E	67.4	69.2	72.5	73.3	72.2	74.8	78.6	80.3
F	66.9	68.4	70.2	72.7	73.6	75.9	78.4	80.9
IRL	68.1	68.8	70.1	72.0	71.9	73.5	75.6	77.5
I	67.2	69.0	70.6	73.6	72.3	74.9	77.4	80.2
L	66.5	67.1	69.1	71.8	72.2	73.4	75.9	78.5
NL	71.5	70.7	72.7	73.8	75.3	76.5	79.3	80.1
A	66.2	66.9	69.4	72.6	72.7	74.1	76.6	79.1
P	61.2	64.2	67.7	70.4	66.8	70.8	75.2	77.4
FIN	65.5	66.5	69.9	70.9	72.5	75.0	78.5	78.9
S	71.5	72.2	73.4	74.8	75.5	77.7	79.6	80.4
UK	67.9	68.7	70.2	72.9	73.7	75.0	76.2	78.5

has been even more dramatic in countries where conditions were poor at the outset. While Denmark and the Netherlands cut their infant mortality rates by two thirds, the reduction in Portugal was 85% and in Spain and Italy 80%.

Infant mortality may be broken down into neonatal mortality (death at 7 to 28 days) and early neonatal mortality (death within the first seven days). A large proportion of deaths before the age of one occur in the first week of life. In 1989-91, neonatal mortality accounted for about half of all infant deaths.

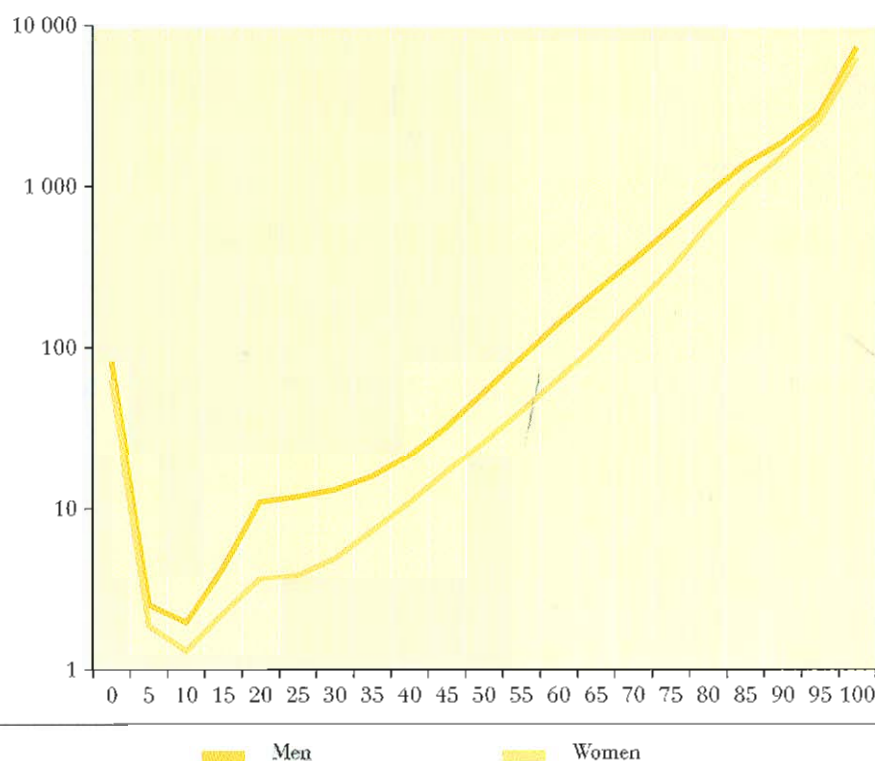
Life expectancy

Life expectancy at birth in the European Union (EUR 12) in 1990 was 72.5 years for men and 79.1 years for women, which meant it was among the best in the world. The corresponding figures for the USA were 72.8 for men and 79.9 for women and for Japan 75.9 and 81.7. The difference in the rates for the two sexes is particularly marked in France, where the life expectancy of a female child at birth is 8.2 years more than that of a male child. In the UK, the difference in 1990 was only five years.

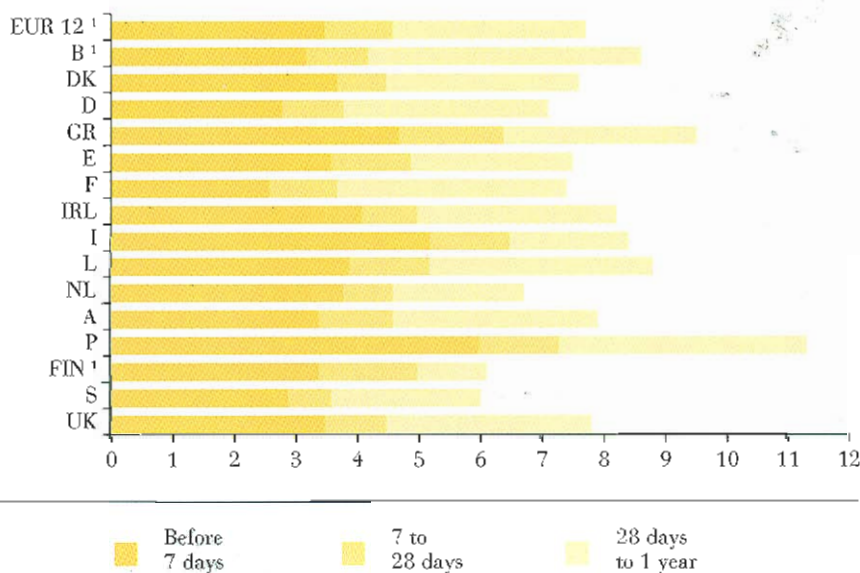
During the last 30 years, the increases in life expectancy have varied for men between 1.6 years in Denmark and 9.1 years in Portugal and for women between 3.3 and 10.6 years in the same two countries.

This disparity can be explained partly by the different starting points. Since 1960, life expectancy has increased least in those countries which already had fairly high rates, such as Denmark, the Netherlands and Sweden, which are losing their lead and even being overtaken by other countries in the 1990s.

Probability of death by age and sex in the European Union (EUR 12) (average for 1989-91)



Infant mortality per 1 000 live births in 1989-91



¹ Estimate.

FERTILITY

In 1993, 4.1 million live births were recorded in the European Union, compared with 5.8 million in 1960. Over the same period, the proportion of fourth and subsequent children dropped from about one in five to about one in 15 births. The drop in the fertility rate is one of the main features of the population trend in the European Union and is apparent in most of the Member States.

Pattern of fertility

Between the mid 1960s and 1992, fertility in the EU was in constant decline; but the rate of change varied and the last eight years of the period were marked by a virtually stable level of fertility.

The overall pattern was affected by trends which varied from one Member State to another:

- the rate was unchanged in Austria, France, Germany and the United Kingdom;
- there was a slight recovery in the fertility rate in Belgium and the Netherlands and a greater recovery in Denmark, Luxembourg, Finland and Sweden;
- the southern EU countries (Greece, Italy, Spain and Portugal) experienced a sharp swift drop, which is now slowing down; the trend started later in these countries but their rates are now the lowest in the EU;
- Ireland is the only country in the Union where, despite a considerable drop in the last 10 years, the fertility rate is still at generation replacement level.

The total fertility indicator may be affected by isolated or temporary factors which have no impact on the long-term trend. A decision to put off having children is a good example. On the other hand, the completed fertility rate indicates the number of children born throughout their childbearing years to women born in the same year. It makes it possible to follow the pattern of fertility regardless of any 'fashionable' trends, but there is a time lag since the figures cover the whole childbearing period.

The fertility rate for the generations born between 1935 and 1958 went down in every Member State except Greece and Sweden, where it re-



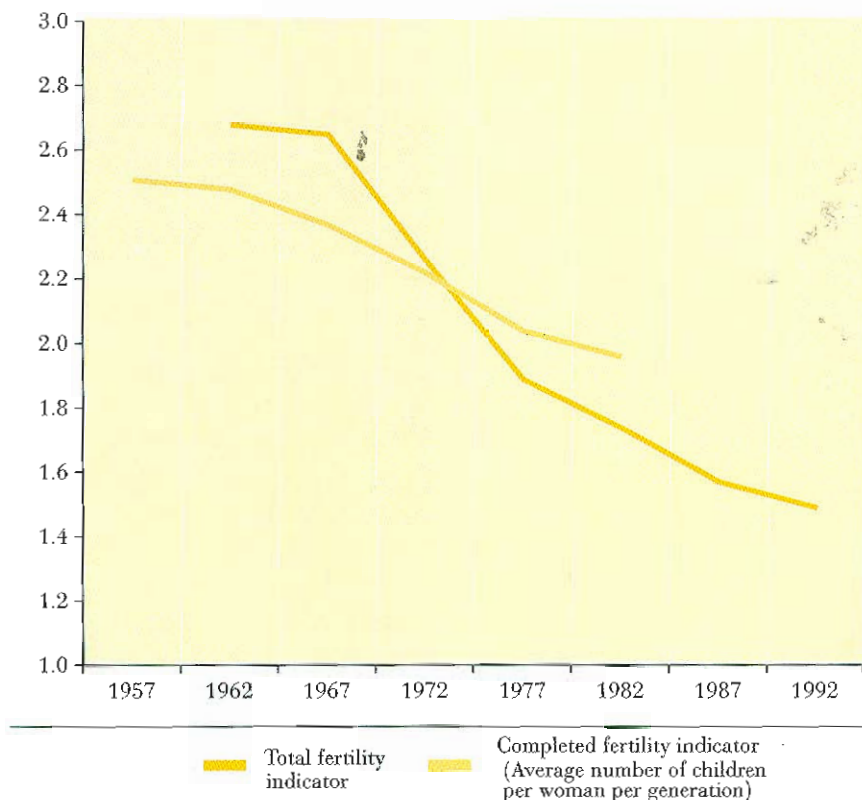
Average completed fertility (lifetime births per woman) for female generations born 1930 to 1958¹

	1930	1935	1940	1945	1950	1955	1956	1957	1958
B	2.30	2.28	2.15	1.95	1.83	1.80	1.80	1.81	1.80
DK	2.36	2.38	2.24	2.06	1.90	1.83	1.83	1.83	1.83
DE	2.17	2.16	1.98	1.79	1.72	1.67	1.66	1.65	1.65
GR	2.21	2.02	2.01	2.00	2.07	2.03	1.98	1.91	1.89
E	2.59	2.67	2.59	2.43	2.18	1.90	1.86	1.84	1.79
F	2.63	2.59	2.43	2.24	2.11	2.13	2.13	2.13	2.11
IRL	3.50	3.44	3.27	3.27	3.01	2.74	2.65	2.57	2.52
I	2.29	2.28	2.14	2.07	1.90	1.77	1.74	1.70	1.66
L	1.97	2.00			1.72	1.68	1.69	1.68	1.65
NL	2.65	2.50	2.21	2.00	1.90	1.86	1.86	1.85	1.84
A	2.32	2.45	2.17	1.76	1.91	1.64	1.73	1.70	1.64
P	2.95	2.85	2.61	2.31	2.02	1.96	1.94	1.92	1.92
FIN		2.30	2.03	1.87	1.85	1.88	1.90	1.92	1.92
S	2.11	2.14	2.05	1.96	2.00	2.04	2.05	2.06	2.07
UK	2.35	2.41	2.36	2.17	2.05	2.01	2.01	2.00	1.98

¹ Values for 1945 and onwards are completed by estimates based on the age-specific fertility rates of the year of observation.

remained stable. The biggest drop between these two generations occurred in Portugal (down by 1.03 children per woman) followed by Ireland (down by 0.92), while in the remaining EU countries the reduction was at least 0.4 children per woman.

Total fertility indicator for the EU



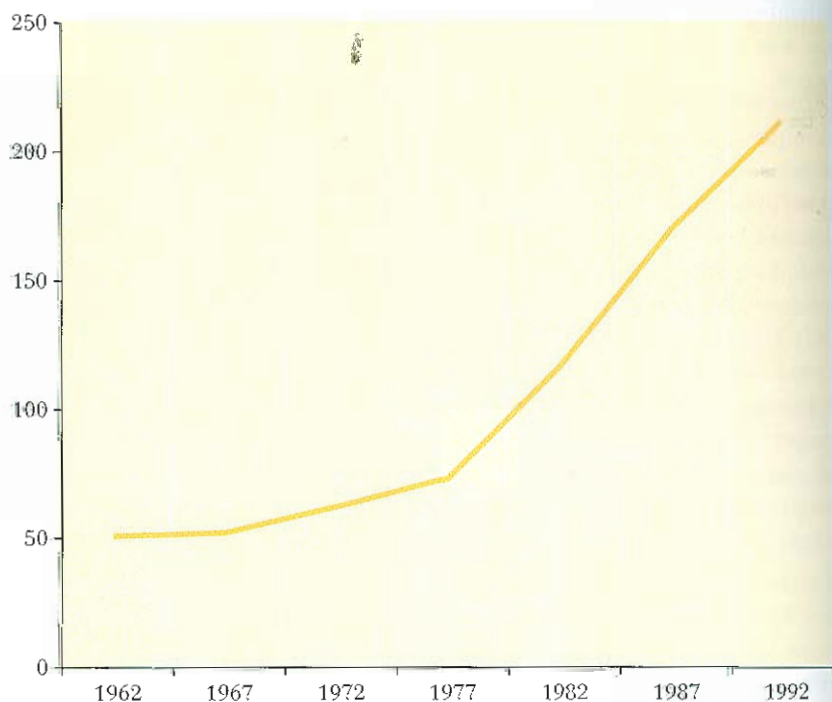
FERTILITY

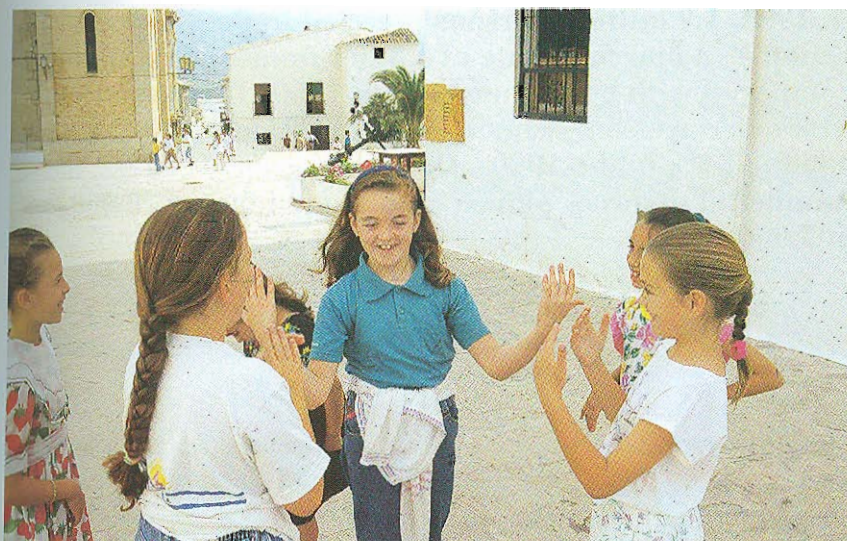
Illegitimate births

One of the most notable changes in the socio-demographic pattern of recent years has been the steady increase in the number of illegitimate births. In the 1960s, the figures were fairly stable, but the period between 1970 and 1992 saw an almost four-fold rise in the illegitimacy rate, from 5.6% of all births to 21.2%. The increase is apparent in all the Member States, but the levels vary depending on the initial figures and the subsequent rate of increase. In 1992, Swe-

den, (49.6%), Denmark (46.4%), France (33.2%) and the United Kingdom (30.8%) had the highest figures for illegitimate births, while in Italy (7.2%) and Greece (2.7%) the phenomenon was much less apparent.

Illegitimate births in EUR 12 (per 1 000 births)





Fertility indicators

The completed fertility indicator shows the number of children born to women of the same generation, i.e. to those born in the same year, by the end of their childbearing years or by the standard cutoff age of 50. This figure is an indication of the fertility of a generation, since it represents the average number of children born to each woman in the specific generation (longitudinal analysis).

The total fertility indicator is the sum of the fertility rates by age group for all women between 15 and 49 in the same calendar year (cross-sectional analysis). It indicates the fertility recorded during the calendar year under review. It is thus affected by the differing behavioural patterns of women whose situations vary greatly during their childbearing years. Some women are just beginning to bear children while others have com-

pleted their families. This indicator reflects, as it were, the completed fertility of a notional generation. The total fertility indicator represents the average number of children a woman would have had during her childbearing years if throughout this period she had manifested the fertility behaviour recorded during the calendar year in question.

The two indicators reflect two different sets of circumstances, since a woman's childbearing behaviour depends as much on her present situation as on the life she has lived and her attitude to the future.

The completed fertility of generations provides a longitudinal view of fertility but it can be known only when the childbearing years are over. The total fertility indicator does not represent the figure for any actual generation but provides short-term fertility data every year.

MARRIAGE

In 1993, 1.9 million persons married in the European Union — a marriage rate of 5.3 per thousand inhabitants compared with 8 per thousand in 1960. The proportion of first marriages fell from 91% of the EU total (EUR 12) in 1960 to 84% in the 1990s. Over the period 1960-92, the number of divorces almost quadrupled from 170 000 to 607 000.

Marriage trends

After remaining more or less stable between 1960 and 1975, the number of marriages in the EU dropped sharply up to the 1980s. There was a slight revival in 1985-89, but the downtrend was renewed and the marriage rate of 5.3 per 1 000 inhabitants for 1993 was the lowest since 1960. The German figures have dropped since 1990 because marriage rates are lower in the eastern *Länder*. In 1992, Portugal had the highest rate (7.1) partly because many emigrants return to the country to get married. In Sweden and Ireland, on the other hand, the rates were 4.3 and 4.5 per 1 000 inhabitants respectively. In the latter case,

the explanation lies in the large proportion of children in the country's population.

Average age at first marriage

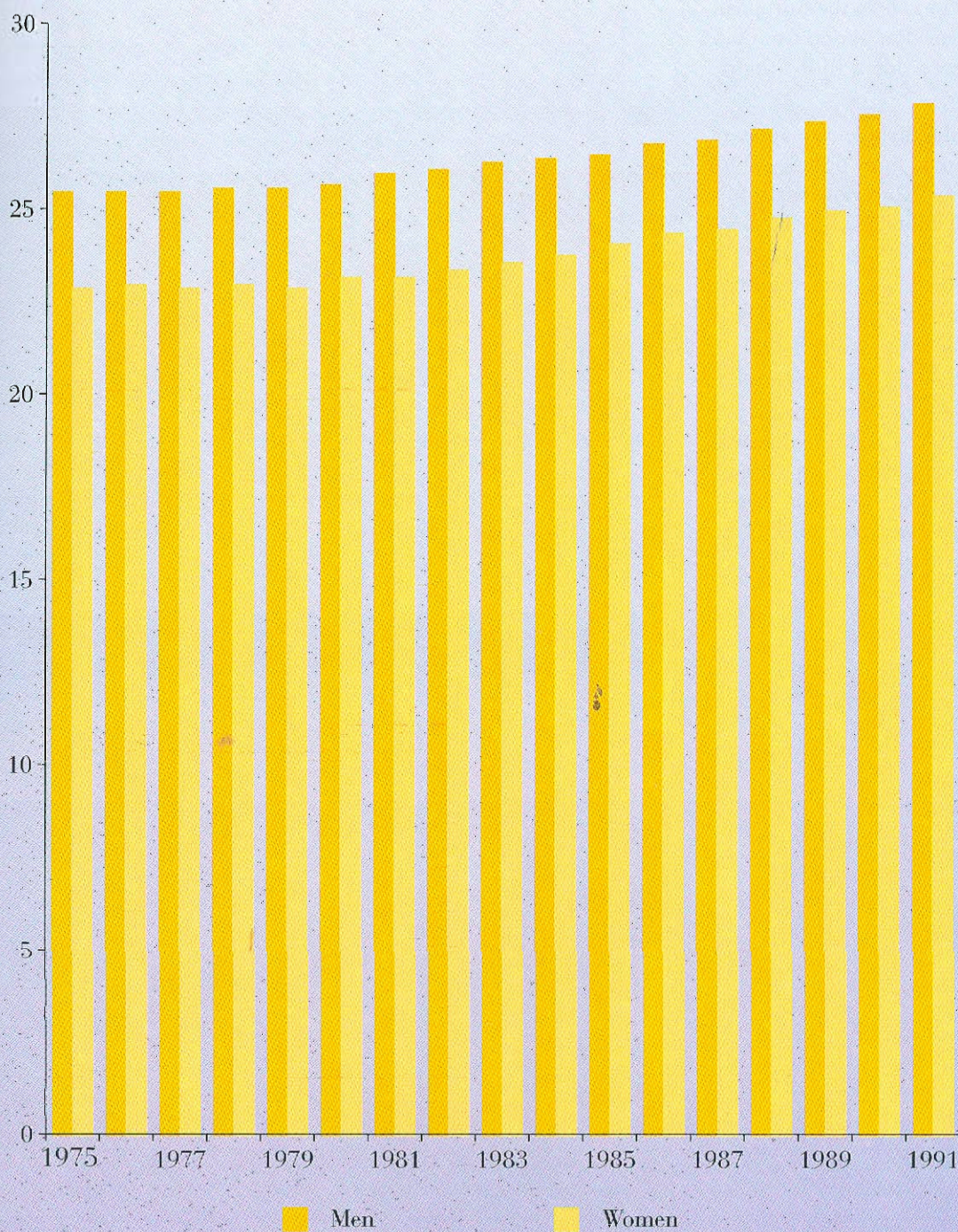
Numbers of marriages between young single people are steadily falling, and the average age at the time of first marriage is steadily increasing. Thus, in 1992, men were on average 2.4 years older at the time of first marriage than they were in 1975, while women were 2.5 years older. In Portugal, the average age of a woman at the time of her first marriage was 24.3 in 1992, compared with 28 in Denmark.

The age difference between the partners at first marriage appears to be stable throughout the European Union: men are approximately 2.5 years older than women. On the other hand, the figures for 1992 show a difference of 4.3 years in Greece as against only 1.9 years in Finland.

In certain EU countries, such as Italy and Greece, there seems to be a link between falling marriage rates and declining fertility rates. Children tend to be born in wedlock in these countries, so that if the number of marriages is falling (as is the case) the fertility rate for married women can be expected to fall as well, especially if there is no change in current patterns of behaviour.



Average age at time of first marriage in the EU 1975-91



MARRIAGE

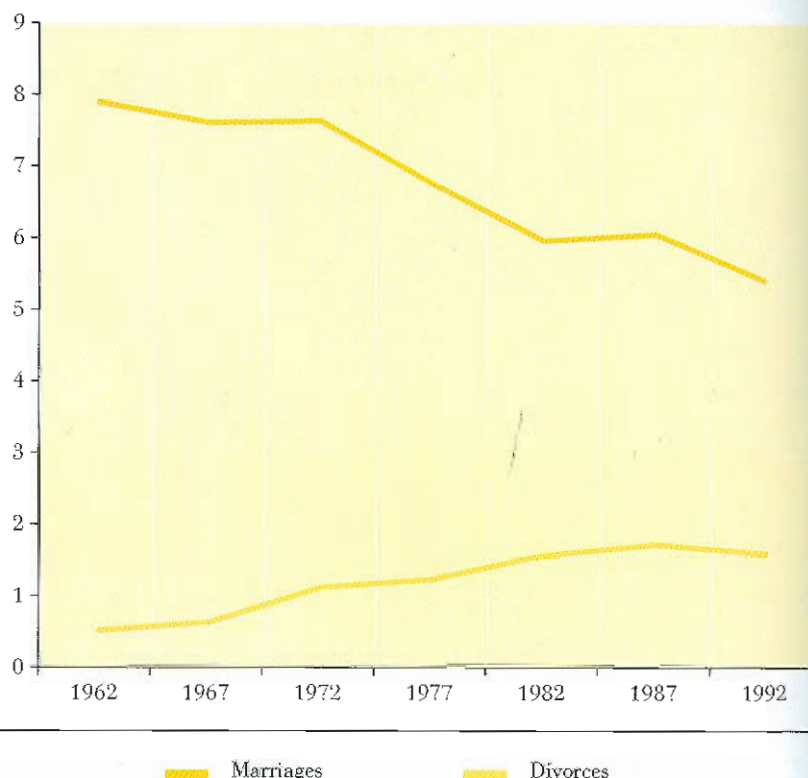
Divorce

The period 1960-85 saw a more or less uninterrupted rise in the number of divorces. The rate in the European Union rose over that period from 0.5 to 1.7 divorces per 2 000 inhabitants.

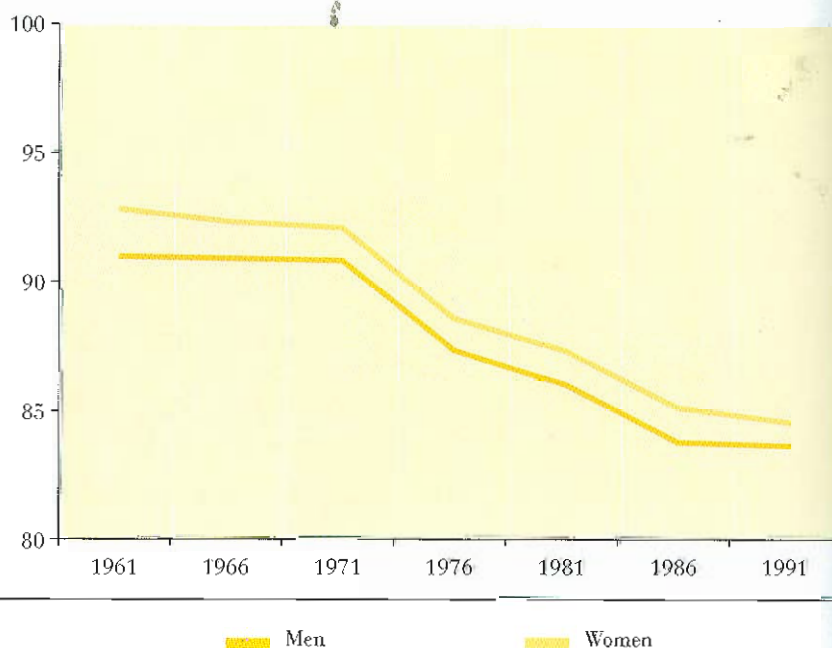
Since 1985, the divorce rate appears to have remained more or less stable, albeit with striking contrasts between the Member States. In Germany it fell by 34% between 1987 and 1992, whereas it carried on rising in Portugal from 1 per 1 000 inhabitants in 1989 to 1.3 in 1992.

The figures for the Mediterranean countries (Greece, Italy, Spain) are lower than 1 per 1 000 inhabitants, while those for the countries of northern Europe, including Denmark, Finland, Sweden and the UK, are more than twice as high.

Trend in numbers of marriages and divorces in the EU per 1 000 inhabitants



Men and women marrying for the first time in the EU, 1960-91 (% of total marriages)



Average age at time of first marriage



FOREIGN RESIDENTS

On 1 January 1992, the 366 million inhabitants of the European Union included 10.6 million nationals of non-member countries, or 2.9% of the total. There were also 5.2 million Community citizens living in a Member State other than their country of origin.

Structure of the foreign population

Most of the foreign population from non-member countries (72.1%) lives in three countries: Germany (4.2 million), France (2.3 million) and the United Kingdom (1.2 million), where foreigners accounted for 5.2%, 4.0% and 2.1% respectively of the total population on 1 January 1992. These three countries are host to 73.8% of the total number of foreigners from other Member States. Luxembourg is the country with the largest percentage of foreign residents, with a foreign population of 32.1% (mostly from other Member States of the European Union).

Nearly half (47.2%) of the foreigners from outside the Community come from other countries in Europe, especially Turkey and former Yugoslavia. The Maghreb countries (Morocco, Algeria and Tunisia) account for 18.9% of the resident foreigners.

The large number of foreigners in the European Union can be explained by immigration in response to the need for labour, especially for certain jobs considered menial or badly paid, and by the appeal of the European Union to people in non-member countries.

Non-national residents make up a fairly young population. The wide base and narrow apex of the age pyramid of foreigners from non-member countries reveal just how young this population is. A very large proportion of these non-national residents are adult, i.e. of economically

active age, and there are many children, whereas older foreigners account for a much lower percentage than in the general population.

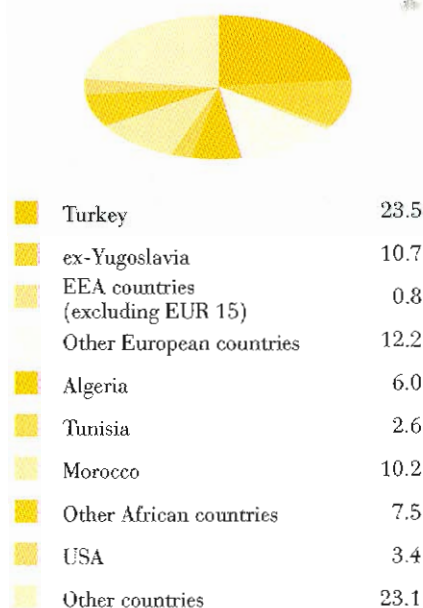
Migratory flows

In 1992, Germany was host to approximately two thirds of the immigrants in EU countries and accounted for the same proportion of emigrants from the Union. This phenomenon is partly due to the geographical position and relative size of the country, which naturally attracts a flow of immigrants from the countries of Eastern Europe including, in particular, immigrants of German origin. The high absolute values for Germany put the migratory flow patterns of the other member countries of the European Union in the shade.

Not all immigrants are foreigners coming into the country concerned; some are nationals returning after a few years abroad. And not all emigrants are nationals leaving their country to reside in another; they may be people who immigrated years before and who have now decided to return to their country of origin. The immigration/emigration figures therefore result from patterns of behaviour which differ from country to country.

Of the immigrants to EU countries, 35% are citizens of another EU country. They are returning to their own country or moving to another EU country. Of these immigrants, 44% are nationals of European countries which are not members of

Country of origin of non-Community foreigners at 1 January 1992 (%)



Breakdown of resident population (at 1 January 1992)

	Non-Community foreigners		Community foreigners		Nationals	
	(1 000)	(%)	(1 000)	(%)	(1 000)	(%)
EUR 15	10 610	2.9	5 204	1.4	349 569	95.7
B	363	3.6	559	5.6	9 099	90.8
DK	130	2.5	39	0.8	4 993	96.7
D	4 184	5.2	1 699	2.1	74 208	92.7
GR	146	1.4	68	0.7	10 066	97.9
E	194	0.5	167	0.4	38 695	99.1
F	2 275	4.0	1 322	2.3	53 055	93.7
IRL	22	0.6	73	2.1	3 454	97.3
I	418	0.7	119	0.2	56 220	99.1
L	13	3.2	116	28.9	272	67.9
NL	551	3.6	182	1.2	14 396	95.2
A	438	5.6	79	1.0	7 278	93.4
P	83	0.8	31	0.3	9 741	98.8
FIN	26	0.5	12	0.2	4 991	99.3
S	346	4.0	148	1.7	8 150	94.3
UK	1 194	2.1	818	1.4	54 948	96.5

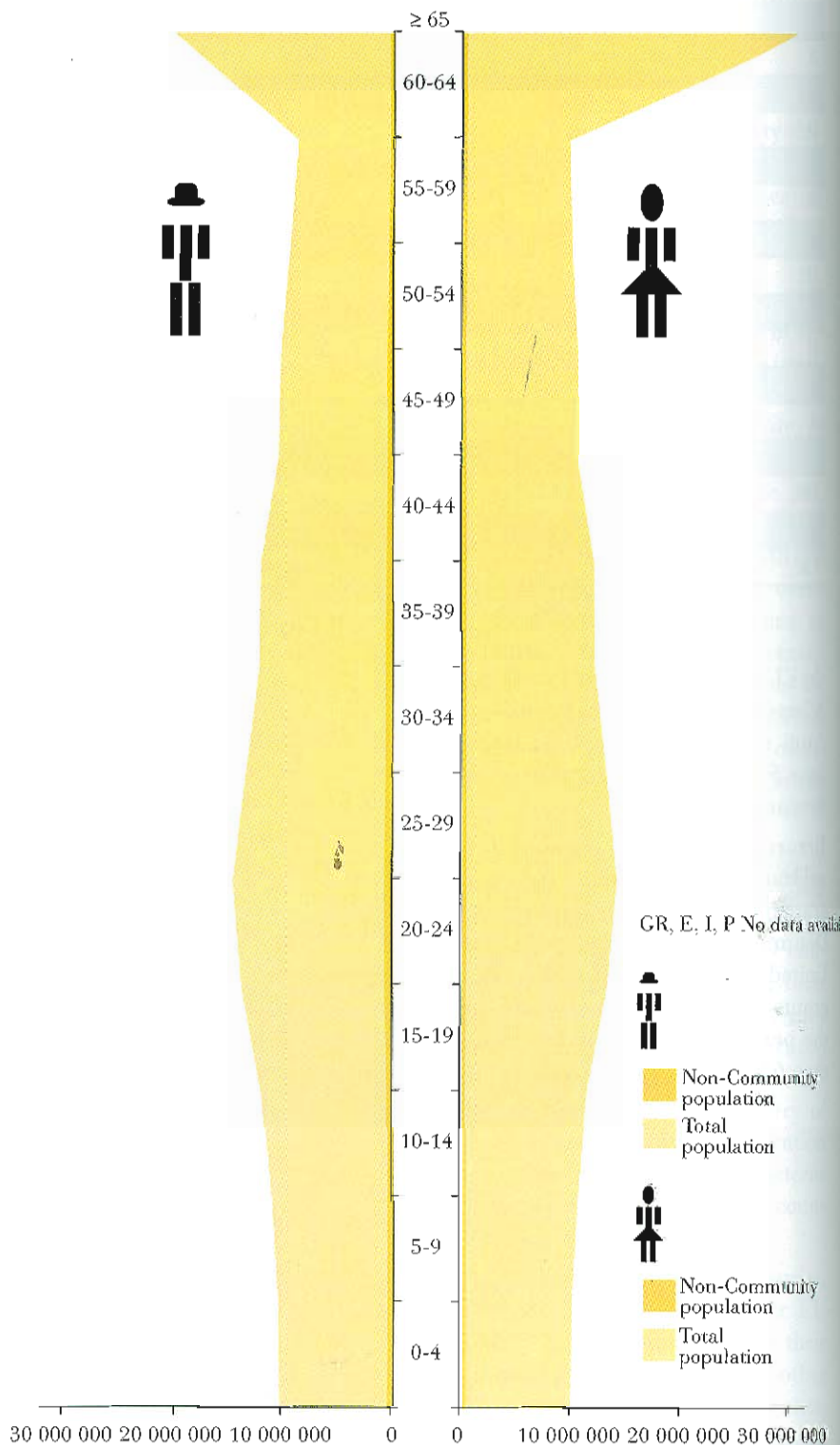
the EU and 21% are non-Europeans. A large proportion of the immigrants from non-member countries are from former Yugoslavia, Poland and Romania.

Returning nationals account for a substantial proportion of the immigration flows into EU countries. In Denmark, Greece, Spain and the United Kingdom, half of all immigrants are returning nationals, and the percentage in Ireland is no less than 63%.



FOREIGN RESIDENTS

Age pyramid of foreigners in the EU (EUR 12)
at 1 January 1992



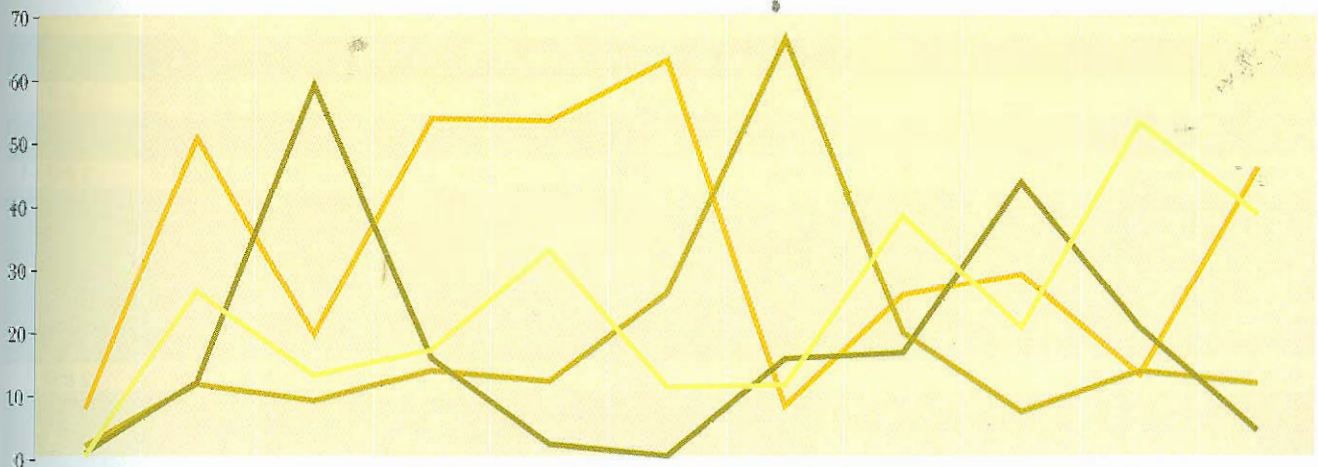
Immigration by nationality 1992 (main groups)



Dutch	44 594
Greek	45 494
North American	45 744
ex-USSR	76 241
Turkish	105 712
Romanian	113 647
Polish	138 658
British	141 917
German	312 063
ex-Yugoslavia	397 174



Immigration to the EU in 1992 (%)



Nationals Other EU countries

European other than EU

Non-European

STRUCTURE OF HOUSEHOLDS

Private households in the European Union now have fewer members on average than before. The nuclearization of households is evidenced by the rising number of households with only one or two members.

According to the censuses of 1990/91, the European Union (EUR 12) had 131 million private households compared with 111 million at the time of the 1981/82 censuses. This rise of more than 18% was far higher than the rise in the total EU population (2.6%) over the same period.

These 131 million private households accounted for 98.7% of the total population compared with 98.5% in 1981/82.

The intercensal decline in the average number of persons per household was experienced in every Member State apart from Greece, where the figure remained stable between 1981 and 1991. The explanation lies in falling birth rates, rising numbers of divorces and increasing longevity which pushed up the numbers of elderly persons, widowers and above all widows living on their own. Three

southern European countries (Spain, Portugal and Greece) and Ireland are the only Member States in which the average number of persons in each household was still above three in 1991.

The most radical changes in numbers of private households were to be found at the two extremes. There was a striking fall in the number of households with more than five members and a striking increase in the number of households with only one or two members. The number of one-person households has risen substantially in every Member State since the 1960s and they now account for more than 30% of all private households in Denmark, Germany and the Netherlands.

In the European Union (EUR 12), over two thirds of private households are family households (92 million out

Breakdown of private households by type in 1990/91 (1 000)

	EUR 12	B	DK	D	GR	E ⁴
Total private households	130 879	3 953 ¹	2 274	35 256	3 205	11 836
Family households	92 029	2 708	1 406	21 973	2 527 ¹	9 837
Households comprising one family	90 095	2 675	1 362	21 195		9 701
Couples without children	30 217	904	606 ²	8 201	761	2 122
Couples with children	50 062	1 410	597 ²	10 762	1 573	6 605
Single-parent families	9 879	362	131 ²	2 232	193	974
Households comprising two or more families	1 919	32	44	768		136
Non-family households	38 853	1 243	868	13 283	678	2 000
Households comprising one person	34 223	1 124	782	11 857	521	1 585
Households comprising two or more unrelated persons	4 630	120	86	1 425	157	414

¹ Including 2 000 households of indeterminate type.

² Only families without other persons.

³ The breakdown into single-family households and multi-family households is not available.

⁴ Results derived from the 1991 socio-demographic survey.

⁵ Including 28 000 family households comprising grandparents and grandchildren.

Source: Community programme of population censuses, 1990/91.



Breakdown of private households by type in 1990/91 (1 000)

F	IRL	I	L	NL	P	UK	
21 542	1 029	19 909	145	6 162	3 146	22 422	Total private households
15 254	751	15 192	100	3 841	2 634 ⁵	15 802	Family households
15 117	744	14 851	98	3 838	2 511	15 596	Households comprising one family
5 372	141	3 853	31	1 387	698	6 142	Couples without children
8 200	493	9 299	56	2 062	1 570	7 434	Couples with children
1 544	110	1 700	11	388	214	2 020	Single-parent families
137	7	341	2	3	123	206	Households comprising two or more families
6 288	278	4 717	45	2 321	511	6 620	Non-family households
5 845	208	4 100	37	1 846	436	5 882	Households comprising one person
443	71	617	8	476	76	737	Households comprising two or more unrelated persons

¹ Including 2 000 households of indeterminate type.

² Only families without other persons.

³ The breakdown into single-family households and multi-family households is not available.

⁴ Results derived from the 1991 socio-demographic survey.

⁵ Including 28 000 family households comprising grandparents and grandchildren.

Source: Community programme of population censuses, 1990/91.

STRUCTURE OF HOUSEHOLDS

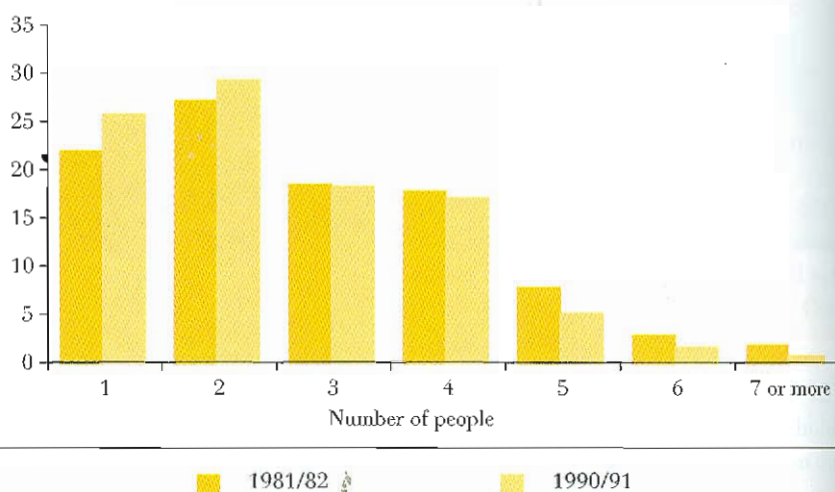
of 131 million). Multi-family-private households have become exceptional (2 million compared with 90 million single-family households).

The most frequent type of family is that of the couple with children (50 million). Thirty million private households consist of couples without children, a description which covers two very different situations, because their numbers include couples who do not yet have any chil-

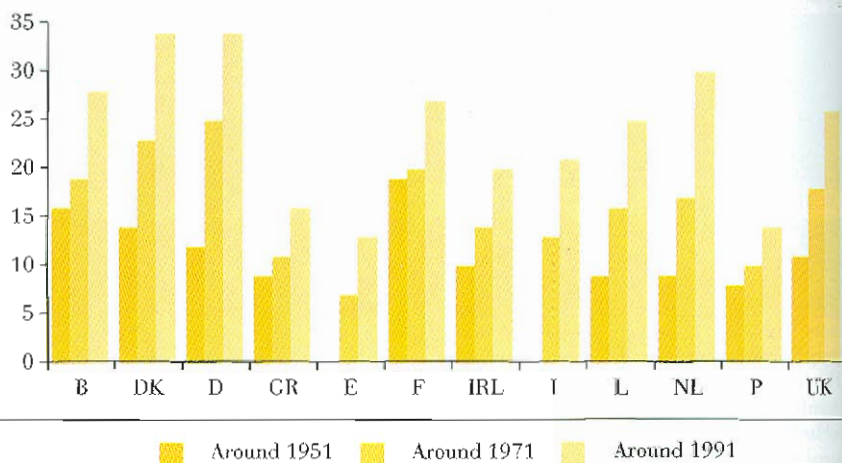
dren, couples whose children have left home and couples who will never have any children.

Finally, there are in the European Union (EUR 12), nearly 9 million households consisting of a single parent and one or more children; and mothers make up a very large majority of the heads of such households. Only 15% of single-parent families have the father as the head of household.

Breakdown of private households by size in the EU (%)



Single-person households in the EU



Average number of persons per household

	1981/82	1990/91
EUR 12	2.8	2.6
B	2.7	2.5
DK	2.4	2.2
D	2.5	2.2
GR	3.1	3.1
E	3.6	3.3
F	2.7	2.6
IRL	3.6	3.3
I	3.0	2.8
L	2.8	2.6
NL	2.7	2.4
P	3.3	3.1
UK	2.7	2.5

Source: Community programme of population censuses, 1990/91.

In the current European Union (EUR 15), there are 140 million households. The smallest households are in Sweden (2.1 persons per household). The figures for Austria and Finland (2.4 and 2.5) are the same as those for the Netherlands and Belgium respectively. Sweden has nearly 40% of households consisting of a single person, followed by Denmark and Germany. Finland (31.7%) and Austria (29.7%) are slightly above the average for EUR 12 (26.1%). In Sweden, there are no children in more than half of all households (53.5%). In Austria, 13% of families are in the single-parent category, compared with 7% in Finland and 8.5% in Sweden.

FURTHER READING

Eurostat publications

A social portrait of Europe
Demographic statistics yearbook, 1994
Demographic statistics yearbook, 1995
Asylum-seekers in the European Union: better data needed
Asylum-seekers and refugees: a statistical report
 Volume 1: EC Member States
 Volume 2: EFTA countries
Migration statistics, 1994
International migration in the EU Member States, 1992
The population of the European Economic Area on 1 January 1994, in Rapid Reports (Population and social conditions), 4/94
Non-nationals form over 4% of total population in the European Union, in Rapid Reports (Population and social conditions), 7/94

Electronic products

Eurostat CD
 New CRONOS database (REGIO)

Other publications

Social Europe: periodical and supplements

EDUCATION

The number of pupils and students in the European Union stood at 71 million in 1991/92, or almost one fifth (19%) of its total population. Almost 60% of pupils and students were in compulsory education, 25% in post-compulsory secondary education and 14% in higher education.

Owing to the fall in the birth rate, the number of pupils in compulsory education has declined steadily since the early 1970s. By contrast, the number of young people staying on in education at the end of their compulsory schooling (upper secondary and higher education) has increased considerably over the same period.

In Belgium, France, Germany and the Netherlands, around 90% of young people aged 16 to 18 were in education or training in 1991/92. By contrast, the percentages in Spain, Italy, Portugal and the United Kingdom were much lower (EU average 77%). On average, 39% of 19 to 21-year-olds were attending school or at university.

The proportion of females in post-compulsory education continues to rise: in upper secondary education, from 98 females per 100 males in 1985/86 to 102 in 1991/92, and in higher education from 87 females per 100 males to 95 over the same period.

In 1991/92, 83% of pupils enrolled in general secondary education were learning English as a foreign language, 31% French and 17% German. Pupils in the Flemish-speaking part of Belgium and in the Netherlands were learning more foreign languages than their counterparts in the other Member States.

Almost one third (30%) of students in higher education graduated in social sciences, business studies and administration or law in 1991.

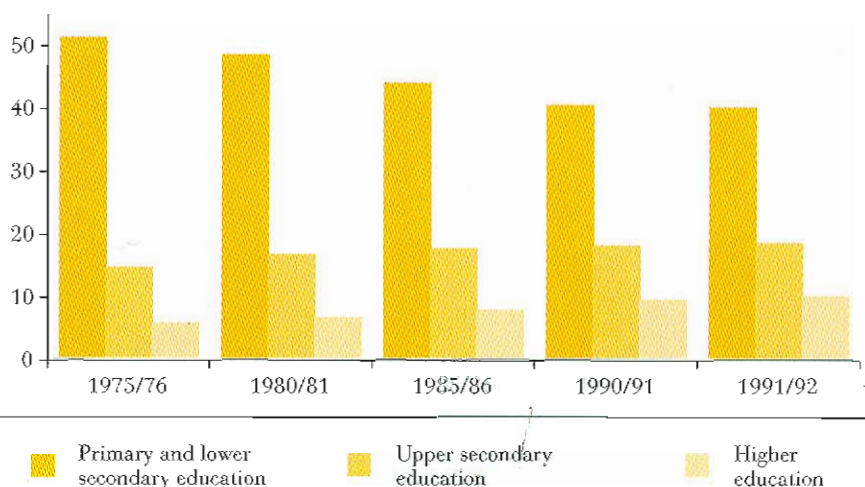


Participation in post-compulsory education

There are significant variations in the starting age and duration of compulsory education between the EU Member States. In most countries, the starting age for compulsory education is 5 or 6 years. Luxembourg and Northern Ireland (4 years), Denmark, Finland and Sweden (7 years) are exceptions to this rule. The length of compulsory schooling ranges from 8 years in Italy, Spain and Portugal (in the two latter countries, recent reforms have extended this to 10 and 9 years respectively), 12 years in Belgium and Germany and 13 years in the Netherlands. The participation rates for the 16 to 18 and 19 to 21 age groups provide a useful indication of how many young people remain in education at the end of compulsory schooling, the vast majority of pupils having completed their full-time compulsory education by the age of 16. However, it is important to note that a number of pupils within this age range may be (re)taking exams that are normally associated with the end of compulsory schooling.

In the European Union as a whole, an average of 77% of 16 to 18-year-olds were still in education or training in 1991/92. There were, however, considerable variations between the Member States ranging from just over 50% in Portugal to 93% in Germany (excluding the new *Länder*). Differences between countries can be explained in part by variations in the minimum school leaving age. In four Member States (Belgium, Germany, the Netherlands and Austria), part-time compulsory education continues beyond the age of 16. Consequently, these countries have relatively high participation rates for 16 to 18 year olds (more than 90%,

Changes in the number of pupils and students between 1975/76 and 1991/92 — EUR 15¹



¹ Excluding the new German *Länder*.

Percentage of pupils in general secondary education learning English, French and German as a foreign language in 1991/92

	English	French	German
EUR 15 ¹	83	31	17
B ²	58	1	6
B ³	68	98	22
DK	92	8	58
D ⁴	93	23	—
GR	—	—	—
E	92	10	0
F	84	—	27
IRL ⁵	—	69	24
I	61	33	3
L	—	—	—
NL	96	65	53
A	96	9	—
P	55	25	0
FIN	79	0	1
S	77	13	35
UK ⁶	—	59	20

0 = Less than half the unit used = zero.

¹ EUR 15 — excluding GR and L.

² French-speaking community (plus the small German-speaking community).

³ Flemish-speaking community.

⁴ Excluding Brandenburg, Saxony-Anhalt and Thuringia.

⁵ Full-time only.

⁶ England and Scotland only.

EDUCATION

except in the case of Austria): France is notable for a similarly high participation rate (90%), even though compulsory schooling ends at 16.

By contrast, in Spain and Portugal (where pre-reform compulsory schooling ended at the age of 14), the number of pupils and students aged 16 to 18 was significantly lower (66% and 49% respectively). Italy, where the leaving age is still 14 (69%), falls well below the EU average, as does the United Kingdom (71%).

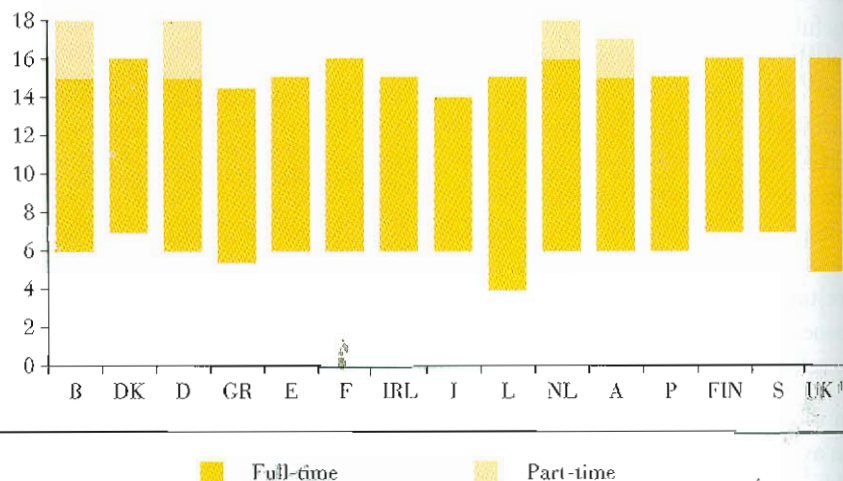
The minimum school leaving age is, of course, not the only determining

factor. Labour market conditions, government incentives, tradition, etc., often have a significant influence.

On average, 39% of 19 to 21 year olds in the EU were enrolled in schools or universities in 1991/92. Although participation rates decrease with age, the disparity between the 16 to 18 and 19 to 21-year-old age groups varies significantly from country to country. A comparison of the rates of 16 to 18 year olds and 19 to 21 year olds shows that the largest fall occurred in Austria and Sweden, where



Duration of compulsory education



¹ Northern Ireland: 4-16 years.

Percentage of female graduates, by field of study (1991)

	EUR 15	B	DK	D ¹	GR	E	F	IRL
Total	49	52	53	43	53	57	48	47
Humanities, religion, theology, fine arts	64	59	75	58	76	64	69	58
Social sciences, business studies, law	50	54	40	43	55	54	60	56
Natural sciences, mathematics and computer science	35	36	32	26	41	44	32	48
Medical sciences, health care and related	71	70	88	68	63	66	51	56
Engineering, architecture, transport	16	22	17	10	22	17	16	10
Others	64	66	69	62	55	72	63	62

¹ Excluding new Länder.

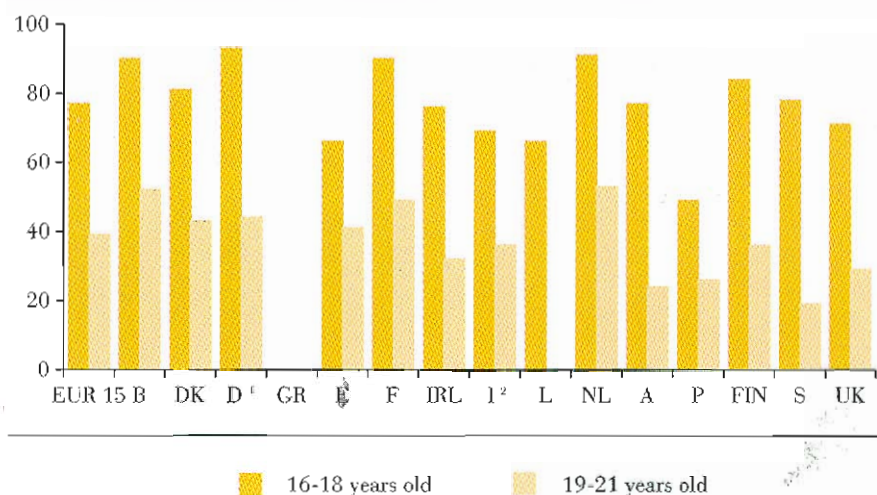
² There are only about 1 000 students in higher education.

³ 1989.

the number of young people aged 19 to 21 still in education stood at 33% and 29% respectively. Spain experienced the smallest fall with 41% of 19 to 21 year olds still enrolled in schools or universities compared with only 66% of 16 to 18 year olds. Belgium, France and the Netherlands all recorded larger falls than Spain but maintained their relative positions, with around 50% of 19 to 21 year olds continuing their studies.



**Participation rates (in education or training)
of 16-21 years old 1991/92 (%)**



¹ Excluding new Länder.

² Estimated data (1988/89) from Italian household survey.

Percentage of female graduates, by field of study (1991)

I	L ²	NL	AT	P ¹	FIN	S	UK	
51		43	48	61	57	58	49	Total
81		58	59	77	72	54	58	Humanities, religion, theology, fine arts
46		40	45	58	58	59	47	Social sciences, business studies, law
55		23	30	66	31	33	34	Natural sciences, mathematics and computer science
46		61	60	72	85	84	80	Medical sciences, health care and related
20		12	18	31	14	19	19	Engineering, architecture, transport
58		55	69	69	67	77	59	Others

¹ Excluding new Länder.

² There are only about 1 000 students in higher education.

³ 1989.

EDUCATION

Equal opportunities

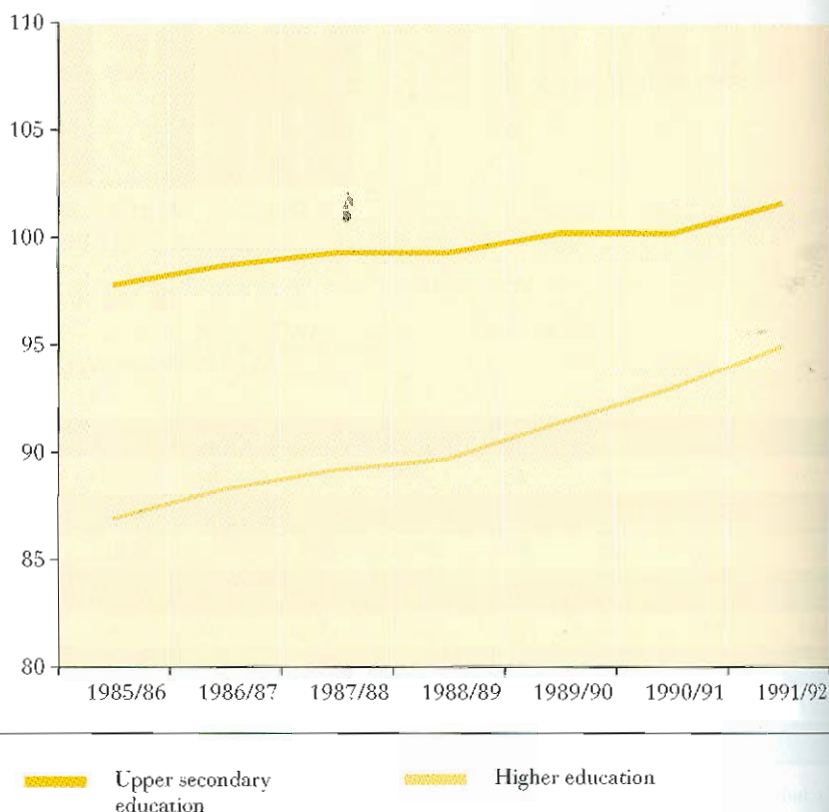
The participation of females in post-compulsory schooling provides a useful indication of equal opportunities in education. Even in the relatively short period between 1985/86 and 1991/92, the ratio of females to males changed significantly. In 1985/86, there were 98 females to every 100 males in upper secondary education in the European Union. By 1991/92, there were 102. Over the same period, the number of females to 100 males in higher education also rose, from 87 to 95. The corresponding figure for the population as a whole in this age group (18 to 24) was 96. While this implies that equality of opportunity has been

achieved in the Union as a whole, there are some significant differences between countries. Females are particularly over-represented in Portugal (153 per 100 males), Sweden (117), France (116), Norway (114), Finland (112) and Denmark (111), but are considerably under-represented in Germany (71). In some countries, the ratio may be affected by compulsory military service.

SCED, the UNESCO International Standard Classification of Education, distinguishes between some 20 fields of study. In order to facilitate comparisons, these are merged into six main groups, as follows:

- Field 1: Humanities, religion, theology, fine and applied arts.
- Field 2: Social and behavioural sciences; business studies and administration; law; information and documentation.
- Field 3: Exact and natural sciences; mathematics and computer science.
- Field 4: Medical sciences, health care and related.
- Field 5: Industrial production; engineering; architecture and town planning; transport and telecommunications.
- Field 6: Other (education science, home economics, tertiary sector studies, agriculture, forestry and fishery, miscellaneous n.e.c.).

Females per 100 males in upper secondary and higher education between 1985/86 and 1992/93 (EUR 12) ¹



¹ Excluding the new German *Länder*.

Foreign language learning in general secondary education

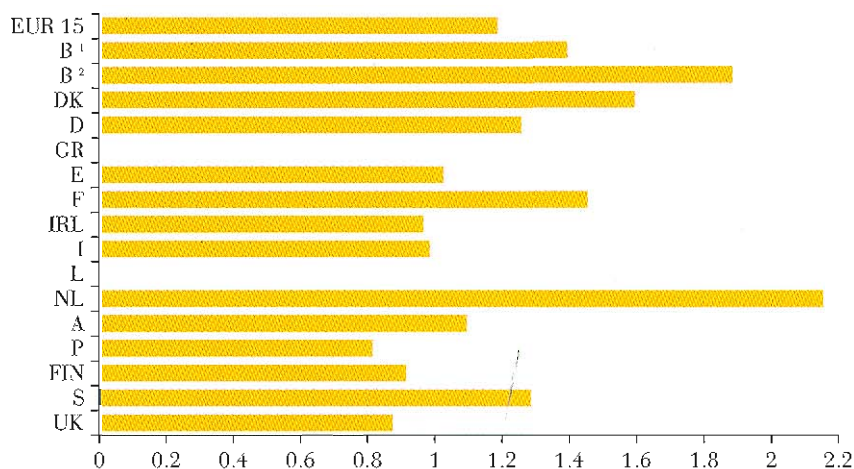
In the European Union in 1991/92, pupils enrolled in general secondary education (compulsory and post-compulsory) were learning an average of 1.2 modern languages (this is the average number of foreign languages being studied by a pupil at a given point in time, not the number of foreign languages studied throughout their schooling). In five Member States, the average was one language (ranging from 0.8 in Portugal to 1.1 in Austria). In the other EU countries, the figures were much higher: 1.3 in Germany and Sweden, 1.4 in the French-speaking community in Belgium and in France, 1.6 in Denmark, 1.9 in the Flemish-speaking community in Belgium and 2.2 in the Netherlands.

Of the pupils enrolled in general secondary education in the Union in 1991/92, 83% were learning English as a foreign language, 31% French and 17% German.

English is the most widely-taught language in all the countries concerned, with the exception of the Flemish community in Belgium (where English is studied by 68% of pupils and comes second after French). In five Member States (Denmark, Germany, Spain, the Netherlands and Austria), more than 90% of pupils learn English.

The second most widely-taught language is generally French. In Ireland (69%) and the United Kingdom (59%), French is by far the most widely-taught foreign language, with over half the pupils learning it. Apart from the Flemish-speaking community in Belgium (98%), the Netherlands (65%) was the only other country with more than one third of its pupils learning French. Between 23% and 33% of pupils in Germany,

Foreign language tuition per pupil in general secondary education in 1991/92 (average number of hours taught)



¹ French-speaking community.

² Flemish-speaking community.



EDUCATION

Portugal and Italy were also studying French. The lowest figures (10% or less) were for Denmark, Spain, Austria and Finland.

More than half the pupils in Denmark (58%) and the Netherlands (53%) were learning German. German was also being studied by 20-35% of pupils in the United Kingdom, Ireland and France. Very few pupils were learning German in Spain, Italy or Portugal.

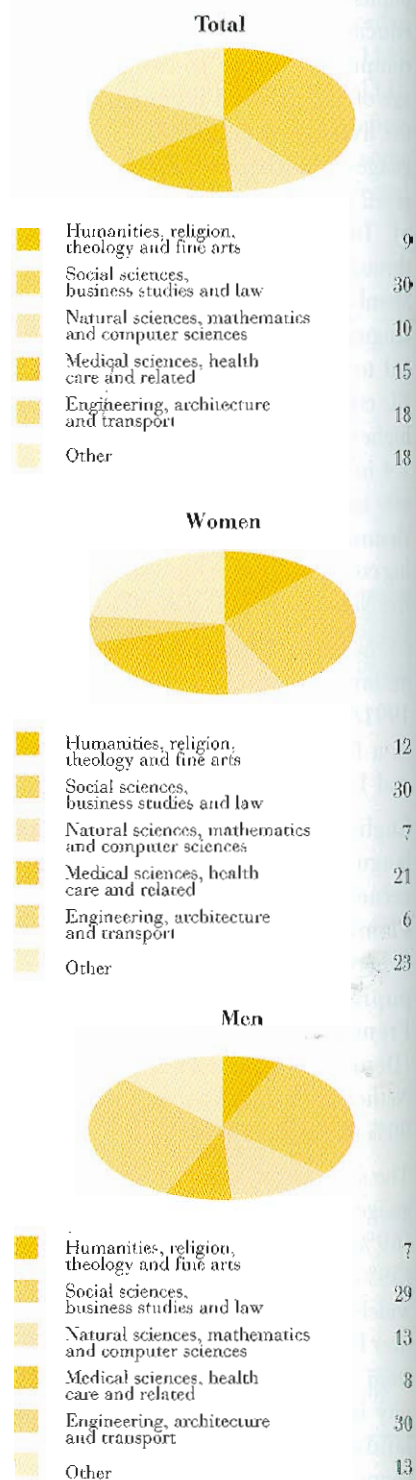
Fields of study in higher education

In 1991, around 1.5 million students obtained a higher education qualification in the European Union. Owing to the diverse nature of the higher education systems of the Member States and, in particular, the different concepts of 'graduating' that exist, it is difficult to draw conclusions from inter-country comparisons. For example, the length of higher education programmes may vary from two to seven years. In addition, some countries may award two or even three diplomas or degrees prior to the doctorate, others only one.

In the Union as a whole, around one third of students (30%) graduated in social sciences, business studies and administration or law, 9% in humanities, religion, theology or fine arts and 10% in natural sciences, mathematics or computer science.

More than 49% of graduates were female. However, this percentage varies considerably depending on the field of study. While females outnumbered males in medical, health care and related studies (71%) and humanities, religion, theology and fine arts (64%), they accounted for only 35% of graduates in natural sciences, mathematics and computer science and for even fewer (16%) in

Higher education graduates by field of study in 1991 (EUR 15)



NB: New Länder are not included in the figures for Germany. 1989 figures for Portugal.

engineering, architecture and transport studies.

The 'Others' group includes teacher training (data are not yet harmonized at international level) as well as subjects with relatively few students. In all Member States, females outnumber males in this group.

FURTHER READING

Eurostat publications

A social portrait of Europe
Education across the European Union 1991/92: Rapid Reports
(Population and social conditions)
Pupils and students in the Community in 1990/91: Rapid Reports
(Population and social conditions)

European documentation

Education and training
A young people's Europe
Equal opportunities for women in the Community

Other publications

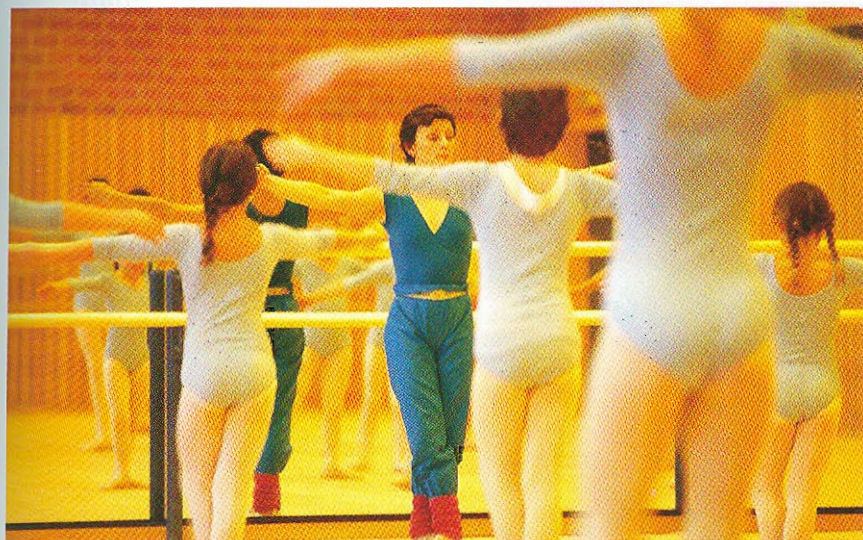
Higher education institutions in the EFTA states
Vocational training - European Journal (twice yearly)
CEDEFOP annual report
Directory of higher education institutions in the European Community
Educational and vocational guidance in the EU

GLOSSARY

Level of education

The various types of national education have been broken down according to the levels defined in the UN International Standard Classification of Education (ISCED), now used in all the Member States of the Union.

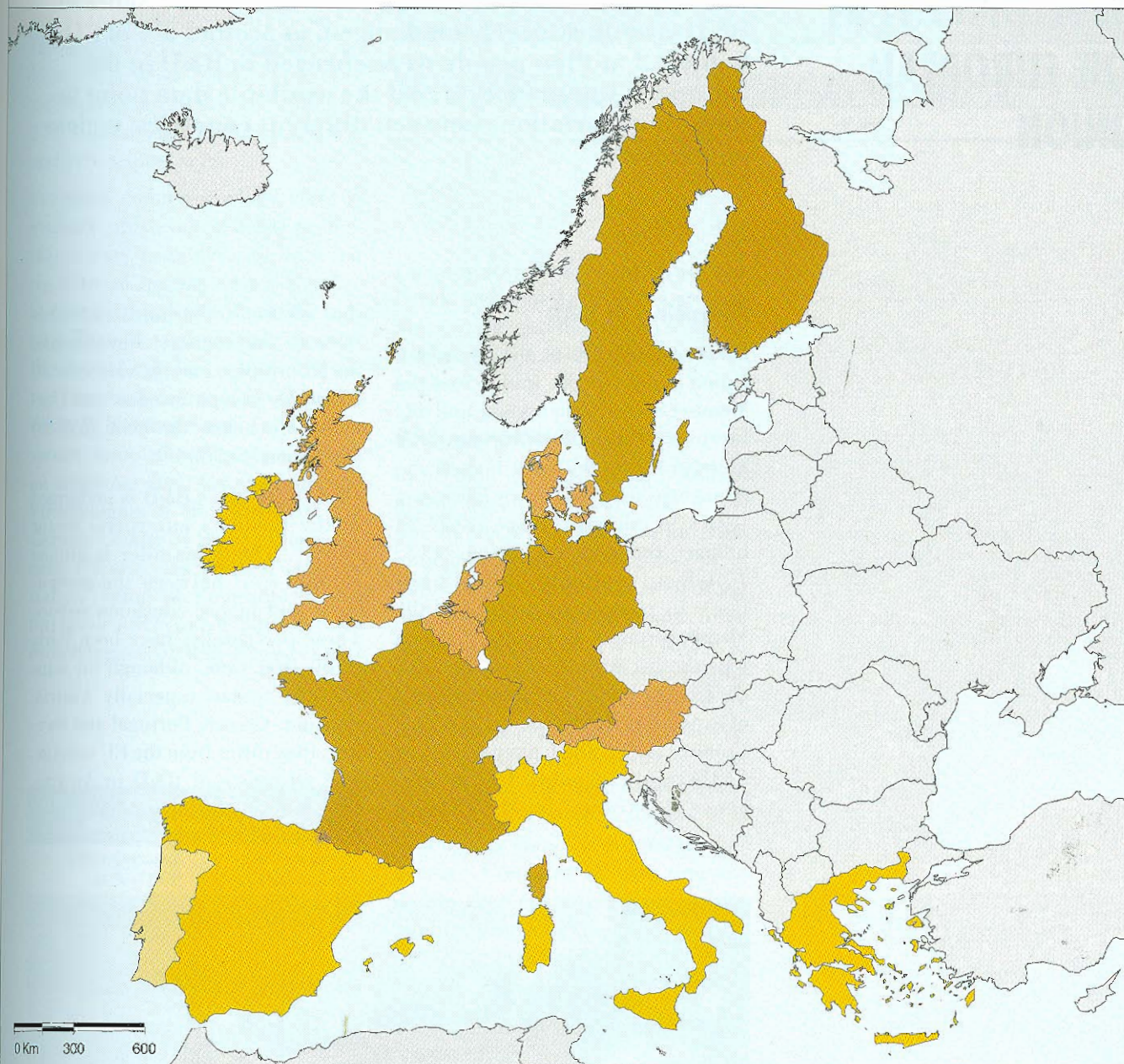
- pre-school (ISCED 0): education prior to the start of compulsory schooling. This usually begins at the age of three or four and generally finishes at the age of six;
- first level (ISCED 1): compulsory, basic schooling, lasting five years as a rule;
- second level, first stage (ISCED 2): lasts three years in most cases, and is likewise compulsory;
- second level, second stage (ISCED 3): begins around the age of 14 or 15, lasts three years in most cases and leads to the level required for admission to university or any other form of higher education. Depending on the country, it may begin at the end of compulsory schooling or still form part thereof;
- third level (ISCED 5, 6, 7): includes universities and all other types of higher education.



RESEARCH AND TECHNOLOGICAL DEVELOPMENT

The European Union devotes less of its GDP (2%) to research and technological development than the United States or Japan. Industry finances 52% and performs 64%. For every 1 000 people in the labour force, the European Union has 4.2 scientists and engineers compared with 7.5 in Japan and 7.6 in the USA. Measured in terms of Nobel prizes and scientific publications, research in Europe seems to be well represented. The situation is different if one looks at patents and trade balance in high-tech products. The Member States devote differing amounts to research, ranging from ECU 642 per inhabitant each year in Sweden down to only ECU 26 in Greece. There is a tremendous variation in the breakdown between public and private financing and between civilian and military research in the Member States. In addition there are significant regional differences. The European Union has its own research policy resources which are constantly growing. The framework programme for 1995-98 has been allocated ECU 13 billion, with 28% devoted to information and communications technologies, 16% to industrial technologies, 9% to the environment, 13% to life sciences and technologies, 18% to energy and the rest to transport, socioeconomic research, cooperation with Third World countries, dissemination and exploitation of results and the training and mobility of research workers. Apart from the European Union special bodies such as the European Organization for Nuclear Research (CERN), the European Molecular Biology Organization (EMBO) and the European Space Agency (ESA) are responsible for research in specific fields. Organizations such as the European Science Foundation (ESF) and COST actively support cooperation in many different scientific fields. And the multilateral Eureka programme is more specifically geared to the development of goods in response to market demand.

Total employment in research and development, 1991*



Percentage of the total labour force

■ > 1.5
■ 1.0 to 1.5

■ 0.5 to 1.0
■ ≤ 0.5

□ Data not available

* A: 1989.

RESEARCH AND DEVELOPMENT IN THE EUROPEAN UNION

In 1991, the European Union spent more than ECU 110 billion on R&D, a 22% increase relative to 1989. Despite this apparent sharp increase, the relative importance of R&D remained nearly unchanged, at around 2% of GDP. Some 2.2 million people were engaged in R&D in the European Union in 1991. All the available data point to important variations between different countries, regions and sectors.

Financing of R&D

R&D expenditure in the European Union is not equally split across the Member States, their regions and different sectors. In 1991, the four Member States with the highest expenditure on R&D were Germany (ECU 36 billion), France (ECU 23 billion), the United Kingdom (ECU 17 billion) and Italy (ECU 12 billion). In relation to the size of the Member States' economies, Sweden tops the list with 2.86% of its GDP devoted to R&D. The relative levels of expenditure of Germany (2.65%), France (2.4%), the United Kingdom (2.1%) and Finland (2.1%) are also above the average for the EU and

that of the Netherlands (1.9%) is close to the average. Nevertheless, the EU average and the values for all countries except Sweden and Germany are below the USA (2.65%) and Japan (2.87%).

Most of the EU's R&D is performed in the business enterprise sector (63%). The remainder is almost equally split between the government and higher education sectors. These percentages have been fairly stable over time, although for some Member States, especially Austria, Belgium, Greece, Portugal and Sweden, they differ from the EU average. The structure of R&D in Austria, Belgium and Sweden is character-



ized by the small percentage accounted for by the government sector (about 5%) and the high percentage of the higher education sector (about 25%). The government and higher education sectors are very well represented in Greece (40% and 27% respectively and Portugal (29% and 34% respectively).

For those countries where data is available, the levels of R&D performance vary considerably between the different regions within Member States, and this is true for all the sectors. These data show that, besides the capital regions, which always register a high degree of R&D activities in all Member States and in most sectors, some other regions also play an important role, for example, the French region of Midi-Pyrénées, the German *Länder* of Baden-Württemberg, Bavaria and Bremen and the Italian region of Piemonte in the business enterprise sector, the French regions of Midi-Pyrénées and

R&D input by sector in 1991

	R&D expenditure as % of GDP	R&D personnel as % of labour force
Business enterprise sector	1.26	0.74
Higher education sector	0.37	0.35
Government sector	0.34	0.24
All sectors	2.01	1.33

Languedoc-Roussillon and the Greek region of Crete in the government sector, and the Danish region of Aarhus *amt* in the higher education sector.

R&D personnel

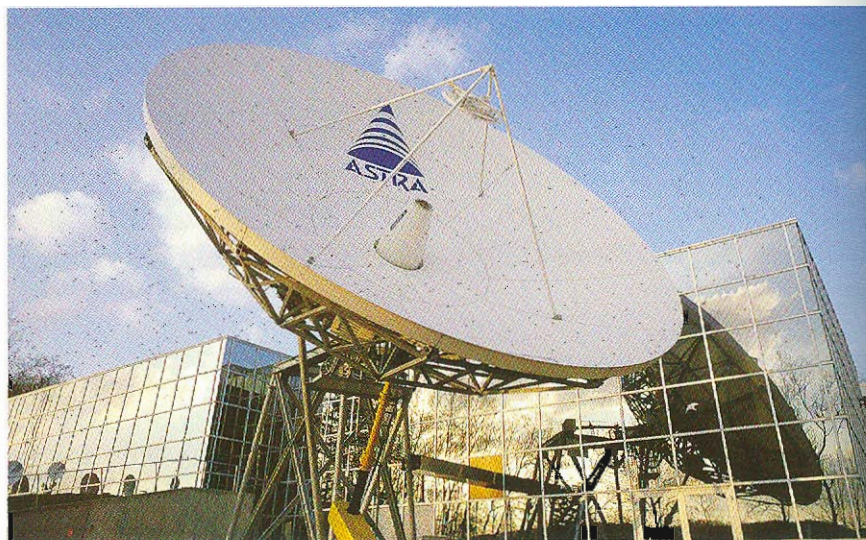
In 1991, a total of about 2 million people were engaged in R&D activities in the European Union. This number was almost the same as in 1989. However, the share of R&D personnel in the total labour force declined by about 0.1% to 1.33% in 1991. Germany is the Member State with the highest percentage of its labour force engaged in R&D activities, but Belgium, Denmark, Finland, France, the Netherlands, Sweden and the United Kingdom also have values above or around the EU average. Comparisons over time indicate that the percentage of the labour force working in R&D decreased in many Member States during the last few years, with the exception of Greece, Spain and Ireland, where increases of more than 10% were seen in the period 1988/89 to 1991.

Fifty-five per cent of the EU's R&D personnel work in the business enterprise sector, more than a quarter work in the higher education sector and the rest (about 20%) in the government sector. The regional distribution of R&D personnel appears to differ from that of R&D expenditure.

R&D input by Member State in 1991

	R&D expenditure as % of GDP	R&D personnel as % of labour force
B	1.67	1.46
DK	1.69	1.43
D	2.65	1.87
GR	0.46	0.57
E	0.87	0.77
F	2.42	1.77
IRL	1.04	0.88
I	1.24	0.75
NL	1.92	1.39
A	1.74	1.05
P	0.56	0.34
FIN	2.07	1.69
S	2.86	1.72
UK	2.13	1.30

RESEARCH AND DEVELOPMENT IN THE EUROPEAN UNION



Thus, regions like Hessen in Germany or the French regions of Centre-East, Rhône-Alpes and the Auvergne have far higher percentages of R&D personnel than the EU average, at least in the business enterprise sector.

R&D output

The results and the efficiency of R&D are fairly difficult to assess and to measure. The well-known and easily available indicators like the number of Nobel prizes, scientific publications and patents unfortu-

nately do not give a full picture of the results of R&D. However, for some key sectors of both science and technology, they do give some indication of R&D output. Currently available data for these indicators show that the output of R&D in the EU is less than that of the USA or Japan.

Government R&D appropriations

The financial support of R&D activities by the governments of the Member States and the European Commission is an important tool for the

Government R&D appropriations in the EU, USA and Japan in 1992

	EU	USA	JAP
In million ECU at current exchange rates	49.842	52.691	12.999
% of GDP	0.920	1.160	0.464

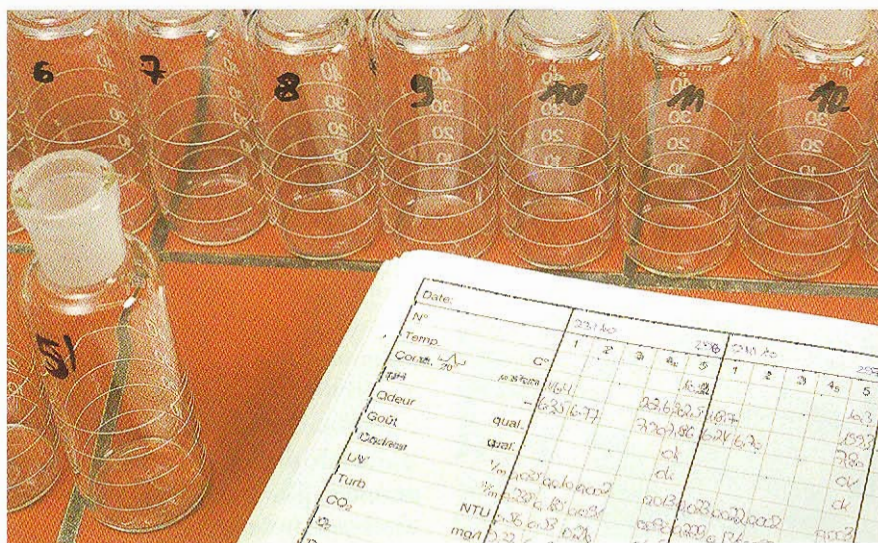
Sources: Eurostat, OCDE.

Patent applications and scientific publications in 1993

	EU	USA	JAP
Total number of patent applications at the European Patent Office	25 400	15 700	10 600
Total number of scientific publications	137 500	151 400	34 704

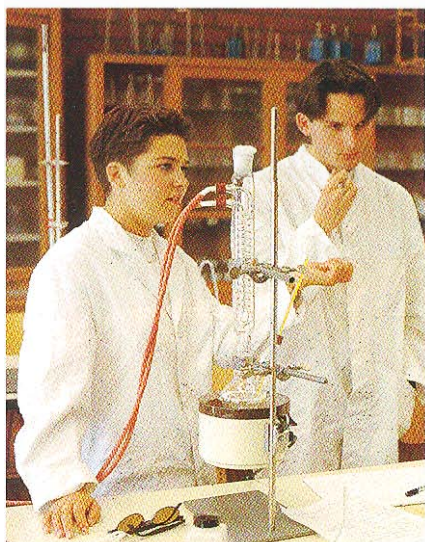
performance of R&D in the EU. In 1992, the governments of the Member States spent some ECU 54 billion on R&D. A further ECU 1.8 billion came from the budget of the European Commission. Altogether public sources provided on average 50% of the funds devoted to R&D, representing nearly 1% of the EU's GDP. The corresponding percentage is higher than the EU average in the USA and lower in Japan.

Most of the public funding of R&D in the EU goes to three main types of research. For some years, the most important objective has been research carried out in universities. The second largest amount is spent on specific technological objectives like the exploration and exploitation of the earth and space, the production, distribution and rational utilization of energy, and industrial production and technology. The third most important area of public funding of R&D is defence. Funding in this sector is declining and varies considerably between the Member States, from fairly high percentages in the United Kingdom and France down to zero or almost zero funding in Ireland, Belgium, Denmark and Portugal.



R&D COOPERATION

Although there was some earlier financing of research and development, mainly in the energy field, the European Union first laid down its own policy supporting research and technological development in the mid 1980s. At that time, it started putting into place research and technological development funding programmes — the framework programmes and their specific programmes. The annual figure of ECU 284 million in 1980 grew to ECU 2 billion for 1993, and an average of ECU 3.1 billion per year is earmarked for the period covered by the fourth framework programme (1995-98). Virtually all direct support for research and technological development and also demonstration, dissemination and training projects and other accompanying measures come under the fourth framework programme. However, the European Union's Structural Funds will continue to be a significant parallel source of support for R&D and its infrastructure, particularly in the less-favoured regions of the EU. In addition to the Community framework programmes for research and technological development and the Structural Funds, there are many other European cooperation schemes in the field of research and development.



European Union action

European Union action in the fields of science and technology has been coordinated since the mid 1980s within the broad general arrangements known as the framework programmes for research and technological development. Community policy in this area is based on the Single Act. This introduced a two-stage procedure: firstly the adoption of multiannual framework programmes, followed by the adoption of specific programmes in those sectors which have been accorded priority within the framework programme. The same general principle has been preserved in the Treaty on

European Union, but now programmes are proposed by the Commission and decided upon jointly by the European Parliament and the Council.

So far there have been four framework programmes. The first three overlapped and covered the periods 1984-87, 1987-91 and 1990-94. They were allocated, respectively, ECU 3.7, 5.3 and 6.6 billion. The fourth framework programme, which will cover the period 1995-98, has a starting budget of ECU 12.3 billion, to which may be added an additional ECU 0.7 billion. Research funded by the Union aims above all at strengthening the scientific and

Changes in R&D priorities between framework programmes

Field of research	Framework programmes			
	1984-87	1987-91	1990-94	1994-98
Information and communications technology	25	42	38	28
Industrial and materials technology	11	16	15	16
Environment	7	6	9	9
Life sciences and technologies	5	7	10	13
Energy	50	22	16	18
Transport	0	0	0	2
Socioeconomic research	0	0	0	1
International cooperation	0	2	2	4
Dissemination and exploitation of results	0	1	1	3
Human capital and mobility	2	4	9	6
Total%	100	100	100	100
Total amount (million ECU)	3 750	5 396	6 600	12 300

technological bases of Community industry so that it can become more internationally competitive. Community research must also endeavour to assist other Community policies such as those covering energy, transport, the environment, fisheries and agriculture. And in order to ensure that national policies and Community policy are mutually consistent, the Member States and the Community are expected to coordinate their research policies and to take all appropriate steps to promote coordination in this field.

Framework programmes and their specific programmes have always been targeted at certain key sectors rather than involving across-the-board thinly spread funding for R&D. Projects financed are mainly at the pre-competition level.

The share of energy-related R&D fell from 66% in 1982 to 16% in the third framework programme but will increase to 18% in the fourth. After showing rapid growth in the 1980s,

research in information and telecommunications technologies showed a significant downward trend in the 1990s. It will absorb 28% of the funding available under the fourth framework programme. There has been a steady increase in Community funding in two major fields: industrial and materials research and life science and technologies, with respectively 16% and 13% of the fourth framework programme budget. The share of R&D funding going directly to environmental research remains stable at just under 9%. The fourth framework programme introduces research in two new areas through specific programmes on transport policy and the targeted socioeconomic research programme, which covers three specific areas: technology assessment, education and social exclusion.

The specific programmes are implemented in three main ways. The first and still by far the most important is on a shared-cost basis. Shared-cost

actions are cooperative projects bringing together within single projects universities, public research centres and partners from both large industry and SMEs from different countries. The Commission generally assumes 50% of the total costs for industrial partners and 100% of the marginal costs for other partners, the rest of the finance coming from the members of the private consortia.

The second main method is through the Community's own research carried out by the Joint Research Centre (JRC), which consists of eight institutes in six countries, employs around 2 000 staff and had a total budget of ECU 272 million in 1993. The JRC also acts as host to more than 200 visiting scientists.

The third main way that R&D is funded by the Union is through concerted actions and networks. In the case of concerted actions, the Commission only bears the cost of coordination, which also includes some very specific areas (organization of meetings, travel, accommodation, publications, etc.). Networks start off with the same aim of coordination but may include an additional



R&D COOPERATION

element of financial support for part of the research carried out by some or all of the participants in the network.

Other forms of support for R&D are used by the Commission for fusion research, in particular in connection with the Joint European Torus (JET), and for dissemination and training activities, for example the CORDIS database and fellowships.

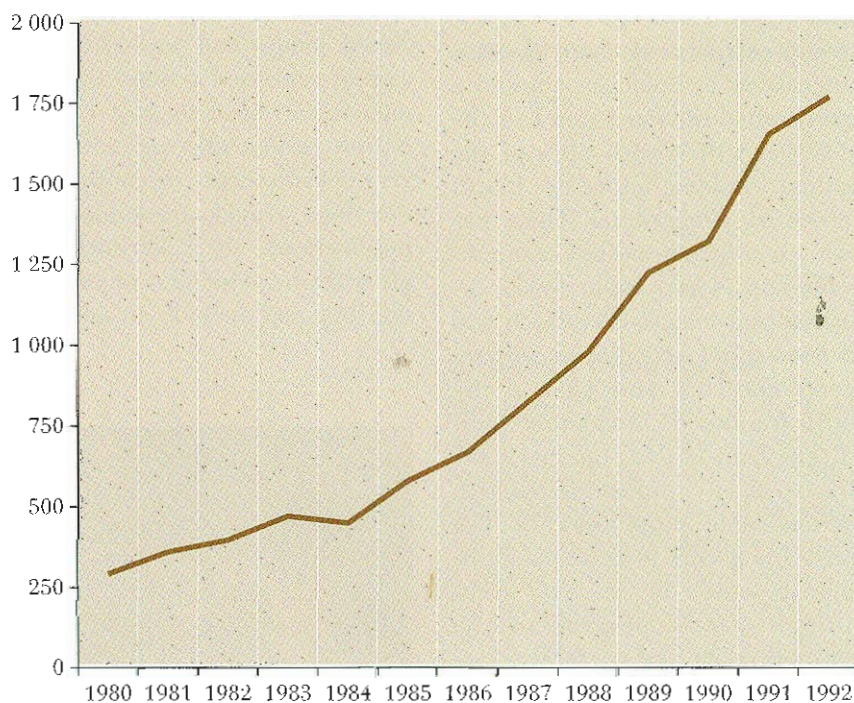
The total budget of the third framework programme was equivalent to 3.8% of all government civilian research funding in the Member States. However, the cumulative effect of

this is that Community action has a significant impact on the research set-up in Europe. This effect is probably proportionally larger than its financial importance, particularly in those areas targeted by the framework programmes.

The emphasis on funding through shared-cost actions has certainly led to a change in attitudes, resulting in industry regularly working with universities and public research centres and frequent cross-border cooperation. But although both the framework programmes and the R&D support element from the Structural Funds are helping to raise the level of S&T and R&D in the less-favoured regions, they have not radically changed the tendency for research to centre around a limited number of geographical areas within the European Union.

Since the early 1990s, the European Union has been cooperating with the countries of Eastern and Central Europe in supporting their science and technology systems. This takes place both as part of general non-S&T-specific programmes such as PHARE and TACIS and through specific S&T-oriented programmes such as Copernicus (scientific and technological cooperation with Central and Eastern Europe), which finances joint research projects involving EU Member States and countries in Central and Eastern Europe. The projects financed through INTAS (International Association for the Promotion of Cooperation with Scientists from the Independent States of the Former Soviet Union) are a further example of this cooperation.

European Commission research budget (million ECU)



Budgets and personnel of some European scientific facilities in 1993

	CERN	ESRF	ILL	ESO	EMBL
Annual budget (million ECU)	546	71	49	65	45
Personnel	2 991	380	382	300	749

Other cooperation initiatives

Scientific and technological cooperation in Europe also takes many other forms: countries are engaged in bi-

lateral and multilateral arrangements, some of which involve specialist organizations. The number of countries involved in these organizations varies and often reaches beyond the boundaries of the European Union to include EFTA countries and countries of Eastern and Central Europe. In some cases the European Commission is an active member and in others there is an element of financing from the European Union.

Some of the best known of these bodies specialize in specific scientific fields and/or run major scientific facilities, for example, CERN (European Organization for Nuclear Research) which is active in the field of particle physics, EMBL (European Molecular Biology Laboratory), ESO (European Southern Observatory), ESA (European Space Agency), ESRF (European synchrotron radiation facility) and ILL (Institut Max von Laue-Paul Langevin).

Other organizations are more general in nature and do not restrict their activities to single scientific disciplines. COST (European cooperation in the field of science and technical research) concentrates on pre-competition and basic research and activities of public utility. Twenty-five countries are involved, and in 1994, the programme was responsible for coordinating about ECU 400 million of national research funding. The European Union plays a major rôle in COST, with secretarial services being provided by the European Commission. The Eureka initiative is more specifically geared to the development of market goods and services and aims at raising the productivity and competitiveness of European industry and national economies in the field of advanced technologies. At present, 22 nations take part in Eureka, and expenditure on current

projects amounts to ECU 12.463 million. The European Science Foundation (ESF) is an association of 54 research councils from 20 countries. It aims to bring European scientists together to work on topics of common concern and to coordinate the use of expensive facilities through its scientific programmes and scientific networks.

In Europe there is also industrial co-operation within private consortia such as the Airbus group for aircraft manufacture and the Arianespace company, which offers commercial satellite launches. In the field of defence-related research and the various bilateral and multilateral arrangements, programmes such as Euclid (European cooperative long-term initiative in defence) have recently come into being under the auspices of the Western European Union (WEU).

FURTHER READING

Eurostat publications

Research and development - Annual statistics 1994
A social portrait of Europe

Electronic products

Eurostat CD
New CRONOS database

European Documentation

Science and technology of the future

Other publications

European report on science and technology indicators 1994
Community research programmes - third and fourth framework programmes
Community policy on research and technology
Community support for research and technological development



THE LABOUR MARKET

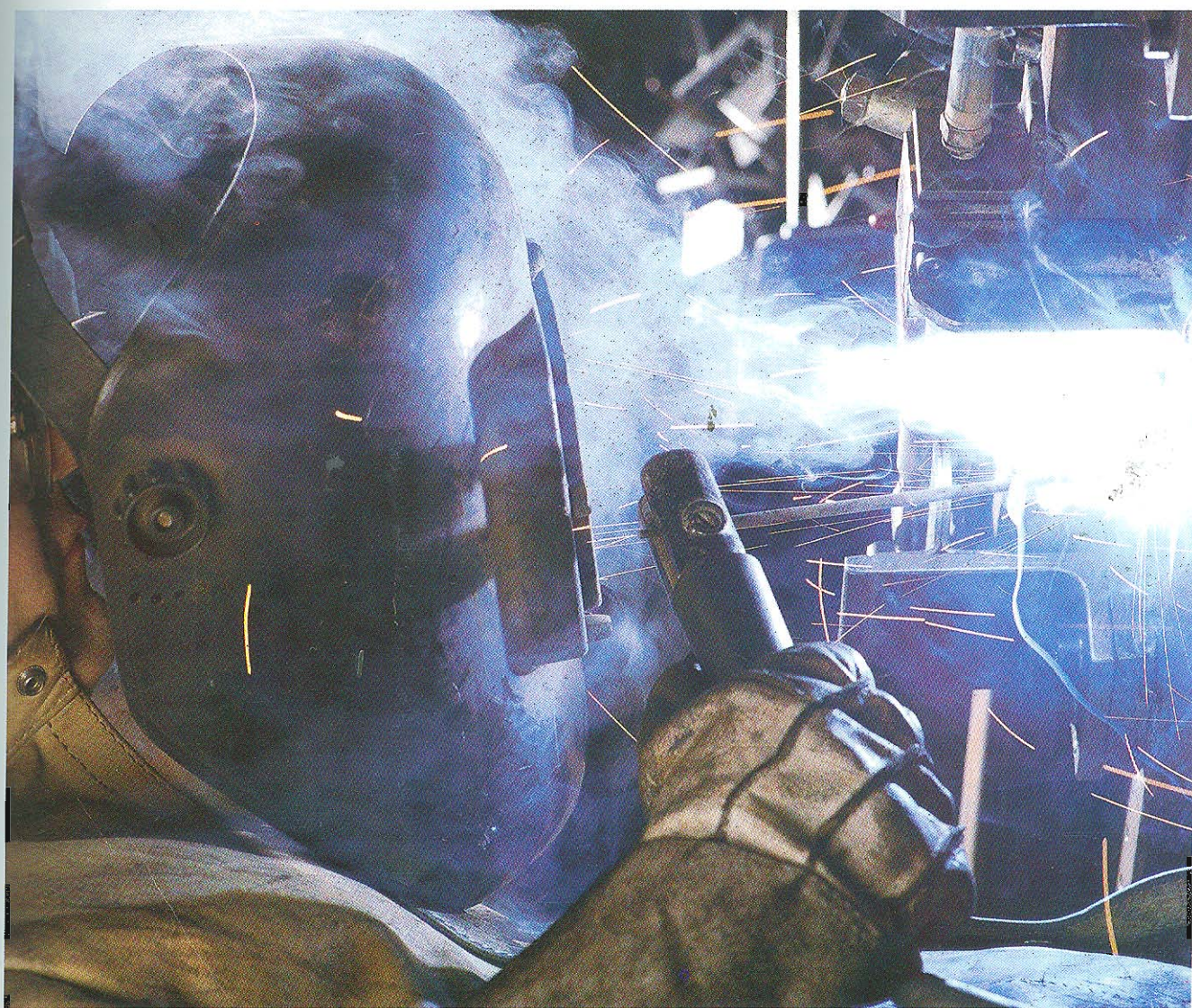
In the spring of 1992, the labour force survey assessed the size of the active population (those in work plus the unemployed) of the European Union (EUR 15) at 165.1 million persons – an activity rate of 55.9% of the total population of 367 million, 295 million of whom were of working age.

Almost 150 million persons were in work at that time. While total employment rose steadily between 1983 and 1991 in the European Union, its growth rate was only half that of the USA over the same period.

The length of the working week has tended to diminish over the past decade, dipping to around 40 hours in 1992. Part-time and temporary work, on the other hand, have both increased.

Unemployment remains very high in the European Union. In 1993, the jobless total was just short of 17 million, or 10.7% of the active population. The figure includes a high percentage of women and young people aged under 25.

In the industrialized countries, labour costs vary considerably and are structured very differently. In industry, costs vary between ECU 5.6 per hour in Portugal and ECU 22.6 in Germany, or a ratio of 1 to 4. However, while an employee may be more expensive in one country than another, this does not mean that the employee's gross or net salary is better. For example, Denmark is the country with the highest gross earnings for manual workers in industry, but three countries record higher net earnings than Denmark.



THE ACTIVE POPULATION



Community Labour Force Survey

The Community Labour Force Survey is carried out each year in the spring. It is the principal source of comparable statistical data on the labour force, employment and unemployment.

The definitions used are common to all the Member States and are based on International Labour Office (ILO) recommendations.

The survey only covers the population living in private households. It excludes those people living in collective households, homes, institutions, hospitals, etc.

The European Union's active population, or labour force, comprises all individuals who are either working or seeking work — i.e. people with jobs plus the unemployed. The activity rate is the active percentage of the total population of working age, and currently stands at 55.9 %.

Activity rates

In 1992, the labour force of the European Community numbered 165.1 million persons out of a total of 295.3 million persons of working age (15 and over). This is equivalent to an activity rate of 55.9%, lower than in the United States and Japan where it is 64%.

There are significant differences between the Member States: it is under 50% in four countries (Spain, Italy, Greece and Belgium) but 62.2% in the United Kingdom and over 68% in Denmark, Finland and Sweden. The main factor explaining these differences is the percentage of women in the labour market. In Spain, Italy and Greece, only one out of three women aged over 14 belongs to the labour force. By contrast, the activity rate of women in the three Nordic countries is even higher than the rate for men in Belgium.

One feature common to all Member States is the growing number of active women. Between 1983 and 1992, the female activity rate in the EU (EUR 12) rose by 4 percentage points, while the rate for men increased by only 1 percentage point. Part of the growth in female activity is attributable to part-time rather than full-time working.

The activity rate varies with age and marital status, reflecting the different effects on men and women of changes in the family structure. The rate for men reaches 90% be-

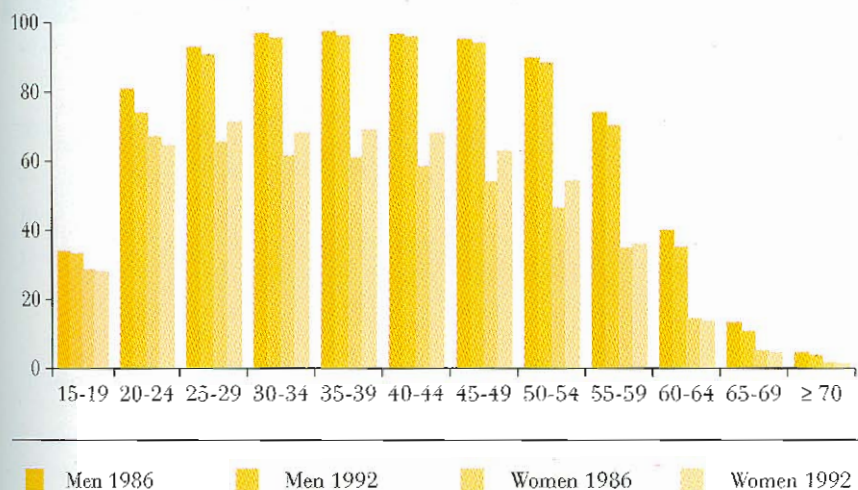
tween the ages of 25 and 29, has its peak between 35 and 39 and remains high until the age of 54. The overall rate for married men was 71% in 1992 compared with 66% for single men.

Active population in 1992 (1 000)

	Total	Male	Female
EUR 15	165 098	96 442	68 654
B	4 041	2 401	1 640
DK	2 898	1 542	1 356
D	38 994	22 382	16 612
GR	3 993	2 524	1 469
E	15 141	9 673	5 469
F	24 536	13 594	10 941
IRL	1 352	873	479
I	23 206	14 656	8 549
L	168	105	63
NL	7 003	4 175	2 828
A	3 679	2 147	1 532
P	4 696	2 610	2 087
FIN	2 502	1 316	1 185
S ¹	4 504	2 358	2 146
UK	28 384	16 086	12 298
USA	126 982	69 184	57 798
JAP	65 780	38 990	26 790

¹ Persons aged between 16 and 74.

Activity rate by age group in the EU, EUR 12 (%)



The activity rate for women peaks earlier at 25 to 29; beyond that age marriage and family commitments cause it to drop. The activity rate for

married women is lower than that of single women in all age groups except the youngest (the under-25s). In this age group many single women are students and many married women are still without children. The depression of the female activity rate caused by the formation of families has diminished over the past few years: rates for the over-35s are now approaching those of younger women and they visibly drop only beyond the age of 50.

The extremes of the age curve show that the activity rates for the youngest and oldest age groups are gradually dropping: young people now tend to stay longer in education, while retirement conditions for many older people have improved (including early retirement in traditional industries which are in decline).

Activity rate in 1992 (% of population aged 15 and over)

	Total	Male	Female
EUR 15	55.9	68.1	44.7
B	49.6	61.2	38.9
DK	68.1	74.1	62.4
D	58.7	70.6	47.9
GR	48.6	64.4	34.2
E	48.1	64.1	33.4
F	55.5	64.6	47.3
IRL	52.6	68.7	36.8
I	48.8	64.4	34.5
L	53.6	68.7	39.1
NL	58.0	70.3	46.1
A	56.6	69.6	45.3
P	59.4	70.8	49.5
FIN	66.1	70.4	61.8
S ¹	71.8	74.9	68.6
UK	62.2	72.9	52.1
USA	63.6	71.9	55.9
IAP	64.0	78.0	50.7

¹ Persons aged between 16 and 74.

Trend in the structure of the EU population aged 14 and over, EUR 12 (in millions)



¹ In 1992, the minimum age of the active population was changed from 14 to 15, but it has been kept as 14 in this diagram for the sake of comparability.

THE ACTIVE POPULATION

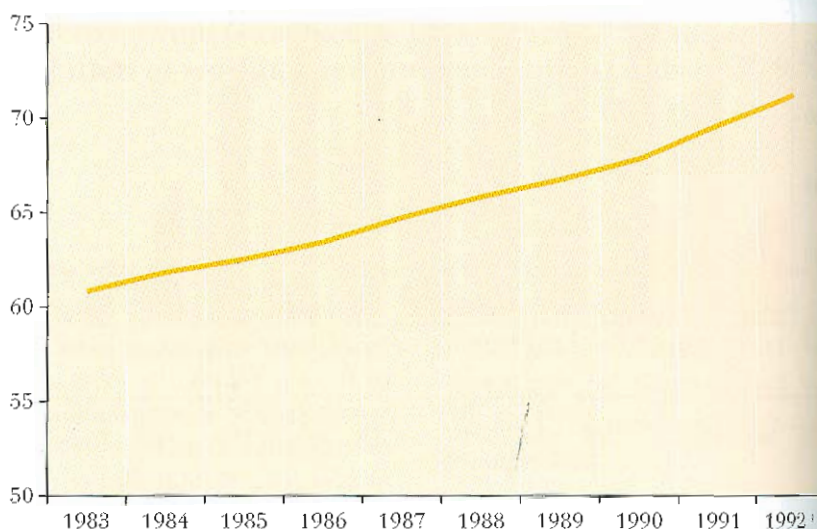
Growth and structure of the labour force

Growth in the labour force is determined by trends in the population and the participation rates of the different groups making up the labour force. Between 1983 and 1992, the population of working age in the EU (EUR 12) rose by 11.8% (about two-fifths of this increase being due to German unification). Over the same period, the labour force rose at a faster pace because of an increase in the overall activity rate: in 1992, there were 14.4% (19.4 million) more people on the EU labour market than in 1983, either as employed or unemployed.

Although the number of persons in employment was 15% higher than nine years before, job growth was not sufficient to prevent the number of unemployed from rising.

The labour force in the Union is becoming older. The average age rose from 37.4 to nearly 38 years, and although it went up for both men and women, the female labour force is,

Male/female ratio in the active population of the EU
(number of women per 100 men)



¹ EUR 15.

on average, almost two years younger than the active male population.

Women in the labour market

The role of women on the labour market of the European Union has become more and more important during the last decade. Their proportion of the labour force and total employment is steadily rising, but there are still considerable differences between Member States such as Sweden where they have a 47.9% share

of the labour force and Spain and Ireland where the figure is just 36%.

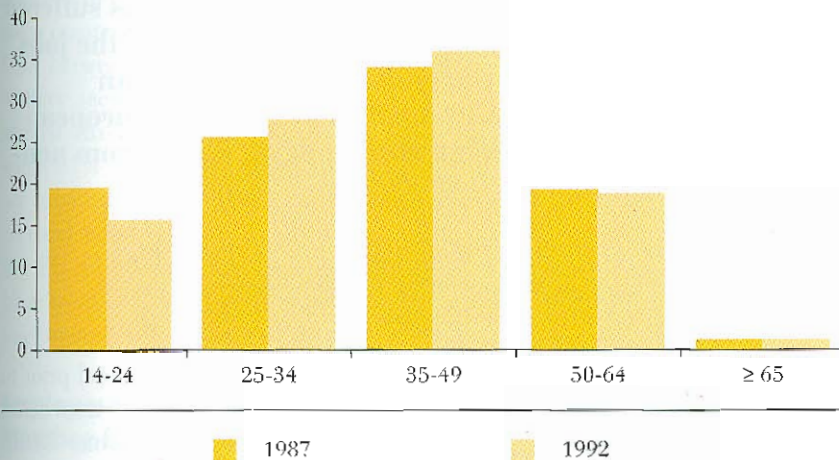
In all countries, with the exception of the United Kingdom, Finland and Sweden, the proportion of women in the number of persons in employment is lower than their proportion of the labour force. As a result, they are overrepresented in the unemployment figures.

This shows that it is important not only to bring more women into the workforce, but also to enable them to compete for stable and highly quali-

Women in the labour market

		EUR 15	EUR 12	B	DK	D	GR	E	F	IRL
Active population	1983		37.8	36.9	45.5	39.1	34.1	30.5	41.9	31.1
	1992	41.6	41.3	40.6	46.8	42.6	36.8	36.1	44.6	35.4
Employment %	1983		37.0	34.3	45.2	38.6	32.7	29.5	40.7	30.7
	1992	41.0	40.5	39.4	46.3	41.7	34.8	32.9	43.3	35.3
Employment %	1983		45.1	56.3	48.9	45.6	50.8	35.3	55.3	33.5
	1992	49.3	49.8	57.6	57.5	55.4	60.4	51.1	56.1	36.0

Active population by age group, EUR 12 (%)



Activity rate in the EU by marital status, sex and age in 1992, EUR 12 (%)

Age group	Men		Women		Total		Total	
	Single	Married	Single	Married	Single	Married	Men	Women
15-24	52.5	92.0	45.5	59.8	49.1	68.8	54.3	47.2
25-49	88.2	97.0	81.9	63.7	85.7	79.6	94.3	68.0
50-64	61.3	66.9	44.9	33.8	53.6	50.9	65.8	34.9
65 and over	10.5	6.5	3.0	2.8	5.3	4.9	6.3	2.2
All age groups	66.0	71.0	53.4	46.7	60.2	58.8	67.8	44.0

fied jobs. Amongst the measures with precisely that aim are the coordination of working hours with the school timetable, child-care facilities, systems of special leave for both parents rather than mothers only, and vocational retraining courses. The EU

supports such training and retraining schemes, and support is also given to research into child care and protection, various forms of leave, and social facilities for working women.

Women in the labour market

I	L	NL	A	P	FIN	S	UK		
34.1	33.3	33.8	38.7	41.6	47.6	:	40.3	1983	Active population
36.8	37.5	40.4	41.7	44.4	47.4	47.9	43.3	1992	
32.0	33.1	33.1	33.2	39.6	47.7	:	40.9	1983	Employment %
35.1	37.0	39.4	41.6	44.1	48.8	48.5	44.5	1992	
56.7	:	39.2	50.4	64.2	44.9	:	35.4	1983	Unemployment %
53.7	51.0	56.6	43.8	52.9	38.0	37.8	32.6	1992	

EMPLOYMENT

Employment in the European Union grew steadily until 1991, when it started to fall. While most of the new jobs were created in the service sector, agriculture has suffered the heaviest losses. Women filled around 40% of the jobs, but many of these were part-time posts. More than 3 million of the almost 150 million jobs in the European Union were filled by foreign workers, i.e. those from non-Community countries.

Employment trends

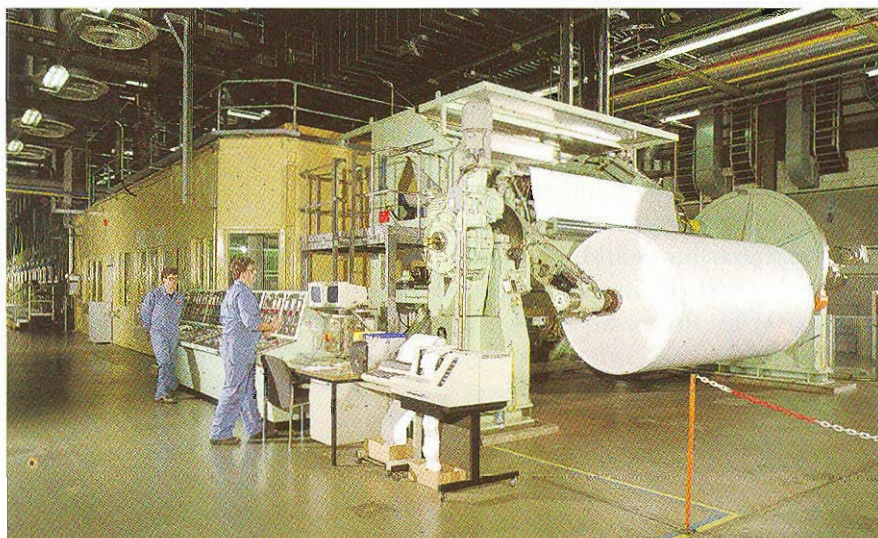
In 1992, the total number of persons working in the European Union (EUR 15) was 149.6 million (EUR 12: 140.2 million). There was a steady increase in employment between 1983 and 1991, and it was not until 1992 that it fell sharply. While 10 million jobs were created between 1983 and 1992 in the economic ter-

ritory of the EU as it stood prior to German unification (no time series are available for the former GDR), this growth rate is less than half as high as in the USA.

Trends in the occupied population are the result of contrasting trends in the different sectors of economic activity: agriculture, industry and services.

Job losses are still high in agriculture: about 3.5 million in the EU (EUR 12) between 1983 and 1992 (excluding the territory of the former GDR). The decline in farm jobs follows the general trend observed in many industrialized regions of the world, with Japan, for example, losing 1.2 million farm workers. The fact that the USA lost only 200 000 jobs is attributable to the fact that this sector was already small in size.

While employment in industry rose markedly in Japan, it increased only slightly in the USA and remained more or less constant in the European Union.



Employment in the EU, EUR 12 (millions)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Population (aged 14 and over)	253.3	255.9	258.0	259.7	261.8	264.0	264.8	267.0	281.9	283.2
Total number in employment	122.0	122.2	123.1	124.4	125.9	128.4	130.4	133.6	142.0	140.2
Ratio (%)	48.2	47.8	47.7	47.9	48.1	48.6	49.2	50.0	50.4	49.5

¹ 1991, 1992: Germany after unification.

The rise in total employment was mainly attributable to the service sector where over 15 million jobs were created in the EU and in the USA between 1983 and 1992. The tertiary sector in the USA provides almost three quarters of all jobs, while 61% of all workers in the EU are employed in services. Whereas sectoral employment structures in the EU and Japan are similar, the USA seems to be further down the road towards the service economy.

Employment structures in the Member States

The distribution of employment across the three economic sectors varies considerably within the EU. In 1992, more than one in five Greek workers was still employed in agriculture, and Ireland (one in nine) and Portugal (one in seven) also had high proportions.

While the industrial sector accounts for nearly 40% of the total number of workers in Germany, industry's share in all the other Member States is much lower: in the Netherlands, for example, only 25% of all workers have their jobs in the secondary sector of the economy. On the other hand, the Dutch service sector provides 71% of all jobs in this country — almost 20 percentage points more than in Greece.

Women accounted for 41% of all persons in employment in 1992, but a closer look at the full-time/part-time split is very revealing: while only one in three persons in full-time employment was a woman, the female share of part-time jobs was 82.5%. Two-thirds of all women working part-time in the EU did not want a full-time job. The number of women choosing part-time employment is relatively low in Belgium, Spain, Ireland and Portugal.

Employment by sector of activity in 1983¹ and 1992

		EUR 12		USA		Japan	
		1 000	%	1 000	%	1 000	%
Total	1983	122 000	100	100 834	100	57 330	100
	1992	140 241	100	117 598	100	64 360	100
Agriculture	1983	11 230	9.2	3 541	3.5	5 310	9.3
	1992	8 128	5.8	3 383	2.9	4 110	6.4
Industry	1983	43 352	35.5	28 253	28.0	19 930	34.8
	1992	45 743	32.7	28 950	24.6	22 270	34.6
Services	1983	67 418	55.3	69 037	68.5	32 080	56.0
	1992	85 852	61.4	85 249	72.5	37 980	59.0

¹ 1983: Germany: *Länder* of the former Federal Republic.

Share of economic sectors in employment in 1992

	Agriculture		Industry		Services		Total	
	1 000	%	1 000	%	1 000	%	1 000	%
EUR 15	8 705	5.8	48 718	32.6	92 205	61.6	149 628	100
B	109	2.9	1 164	30.9	2 498	66.2	3 770	100
DK	136	5.2	715	27.2	1 780	67.7	2 637	100
D	1 368	3.7	14 273	39.1	20 887	57.2	36 528	100
GR	804	21.9	933	25.4	1 942	52.8	3 680	100
E	1 257	10.1	4 075	32.7	7 126	57.2	12 458	100
F	1 301	5.9	6 497	29.6	14 187	64.5	22 021	100
IRL	157	13.7	322	28.1	667	58.2	1 149	100
I	1 657	7.9	6 962	33.1	12 396	59.0	21 015	100
L	5	3.3	47	29.5	107	67.1	165	100
NL	247	3.9	1 571	24.9	4 503	71.2	6 614	100
A ¹	250	7.1	1 261	35.5	2 036	57.4	3 547	100
P	517	11.5	1 468	32.6	2 523	56.0	4 509	100
FIN	187	8.6	602	27.7	1 382	63.7	2 171	100
S	140	3.3	1 112	26.5	2 935	69.9	4 195	100
UK	569	2.2	7 715	30.2	17 237	67.5	25 630	100

¹ The data cover only persons who normally work at least 12 hours per week.

EMPLOYMENT



Foreign workers

Employees of non-Community nationality held almost 3.2 million jobs within the EU in 1992. Almost half of these originated from European countries such as Turkey, ex-Yugoslavia, etc. and a high proportion (11.3%) from the Maghreb. Most non-Community employees are

employed in Germany (1.5 million), France (0.6 million), the United Kingdom (0.4 million), Italy (0.2 million) and the Netherlands (0.1 million).

In 1992, there were 1.8 million EU citizens working in a Member State other than their country of origin, most of them in Germany (0.4 mil-

Persons working part-time by sector of economic activity in 1992

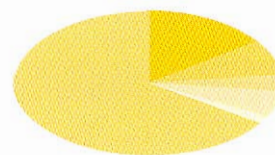
	Agriculture		Industry		Services		Total	
	1 000	of which females (%)	1 000	of which females (%)	1 000	of which females (%)	1 000	of which females (%)
EUR 15	1 196	65.2	2 874	75.8	17 063	85.1	21 133	83.5
B	7	71.4	42	78.6	416	91.4	466	89.7
DK	27	40.7	79	64.6	484	79.6	592	75.8
D	217	76.5	962	87.9	4 067	90.2	5 245	89.3
GR	67	65.7	30	33.3	78	68.0	175	61.7
E	81	58.0	80	70.0	567	80.6	727	77.0
F	208	71.2	275	79.6	2 305	85.5	2 791	83.8
IRL	9	44.4	12	50.0	84	78.6	104	72.1
I	254	63.0	242	57.9	743	73.9	1 239	68.5
L	:	:	:	:	10	90.0	11	90.9
NL	70	64.3	234	50.9	1 755	76.9	2 284	72.9
A	2	94.7	48	83.9	220	90.6	270	89.1
P	93	54.8	55	65.5	181	75.7	329	68.4
FIN	23	42.4	20	50.3	127	70.7	170	64.5
S	28	62.0	131	61.8	859	86.3	1 022	82.1
UK	110	61.8	665	79.7	5 168	86.4	5 954	85.2

lion), France (0.5 million) and the United Kingdom (0.4 million). Such individuals account for over a third of the workforce in Luxembourg, 5% in Belgium (1989) and 3% in France (1989). Many Irish people traditionally find jobs in the United Kingdom.

Most male foreign workers are employed in industry (58.6%) and most foreign women in the service sector (71.5%).



Employees from non-Community countries in the EU in 1992 (%)



Turkey	15.1
ex-Yugoslavia	8.1
Algeria	3.7
Morocco	6.0
Tunisia	1.7
Others	65.4

Employment by sector of activity, sex and nationality in the EU in 1992 (%)

	Nationals	Non-nationals	Total
Men			
Agriculture	2.6	2.0	2.6
Industry	45.1	58.6	45.8
Services	52.2	39.4	51.6
Women			
Agriculture	1.7	1.1	1.0
Industry	20.3	27.5	25.2
Services	78.0	71.5	73.8

Employees by nationality in the EU Member States in 1992 (%)

	Nationals	Non-Community	Community
EUR 12	95.4	2.8	1.8
B	92.7	2.0	5.3
DK	98.1	1.3	0.5
D	92.1	5.5	2.4
GR	98.2	1.6	0.2
E	99.5	0.3	0.2
F	94.1	3.0	2.9
IRL	97.3	0.6	2.1
I	99.1	0.6	0.2
L	62.2	2.5	35.3
NL	96.3	2.2	1.5
P	99.2	0.6	0.1
UK	96.5	1.9	1.5

Foreign workers in the EU in 1992 (%)

	Employees	Self-employed
Non-Community	91.5	8.5
Community	87.4	12.6
Nationals	84.6	15.4
Total	84.8	15.2

WORKING CONDITIONS

The average working week for full-time employees in the European Union was 40.3 hours in 1992. It was shorter for women (38.8 hours) than for men (41.1 hours), and also fluctuated, at times substantially, depending on the sector, type of activity and country. Employers and the self-employed always had longer working hours than employees. The increase in both part-time and temporary work has continued throughout the EU, reaching significant proportions in some Member States. The rate of absenteeism stood at an average of 11.9% of persons in employment (during the reference week in 1991). Almost 30% of those in work in 1991 were dissatisfied with their working environment.



Normal working hours

While the average working week for employees in the EU in 1992 was 40.3 hours, it stood at 43.4 hours in the United Kingdom and 38.2 hours in Belgium and Italy. The working week was around two and a half hours shorter for women than for men, although the difference was

greater in the United Kingdom (5 hours) and Portugal (3.3).

Agricultural employees had the longest working week at 43.0 hours, as against 40.5 and 40.1 hours respectively for those working in industry and services. In these last two sectors, women always worked a shorter week than men.

Usual length of the working week for full-time employees in 1992

	Average			Agriculture			Industry			Services		
	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women
EUR 12	40.3	41.1	38.8	43.0	43.7	40.9	40.5	40.8	39.5	40.1	41.2	38.6
B	38.2	38.7	37.0	40.2	40.5	:	38.8	38.9	38.4	37.8	38.5	36.6
DK	38.8	39.5	37.7	42.2	42.9	38.9	38.3	38.6	37.4	38.9	40.1	37.7
D	39.9	40.1	39.4	42.1	42.1	42.0	39.4	39.5	38.9	40.2	40.8	39.6
GR	40.5	41.3	39.0	46.4	47.5	43.8	41.3	41.5	40.7	40.0	41.1	38.4
E	40.6	41.0	39.6	44.3	44.9	41.1	40.5	40.5	40.2	40.3	41.0	39.4
F	39.7	40.4	38.5	40.9	41.4	39.3	40.0	40.2	39.4	39.5	40.6	38.3
IRL	40.4	41.9	37.9	51.1	51.9	:	40.8	41.5	38.8	39.7	41.5	37.6
I	38.2	39.5	35.6	40.6	41.5	39.0	40.1	40.4	39.4	37.1	38.9	34.1
L	39.7	40.5	38.2	47.9	48.1	:	40.2	40.5	38.3	39.4	40.4	38.1
NL	39.4	39.5	39.1	41.0	41.2	38.7	39.1	39.2	38.8	39.5	39.7	39.1
P	41.3	42.8	39.5	48.2	49.7	44.6	43.0	43.3	42.3	40.0	41.8	38.1
UK	43.4	45.1	40.2	49.5	50.4	45.4	43.8	44.8	39.9	43.1	45.2	40.2

Persons in full-time employment
Groups of hours usually worked per week (%)

	EUR 12	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
Under 36 hours	7.8	8.9	5.3	1.4	10.3	5.8	14.0	19.7	10.5	:	0.7	19.5	10.1
36-39 hours	40.5	65.1	74.3	55.1	15.3	9.0	61.0	28.9	26.4	:	37.8	5.3	27.9
40 hours	32.1	21.3	6.0	33.2	52.8	72.8	9.8	33.3	48.1	:	58.4	26.2	13.7
41-44 hours	6.2	0.4	2.4	3.1	4.1	2.7	4.8	1.8	3.9	:	1.0	26.8	15.4
45-48 hours	6.0	1.5	5.3	2.3	10.8	4.6	4.5	5.4	7.4	:	0.9	15.1	13.1
Over 48 hours	7.4	2.8	6.4	4.9	6.7	5.1	6.0	9.8	3.7	:	1.3	7.2	19.8

Men working agriculture in Ireland and the United Kingdom had a working week of over 50 hours. Portuguese and British women had the longest working hours in the agricultural sector, but worked shorter weeks in industry and services. Women working in services had slightly shorter hours than those in industry, while the figures for men showed a wider range, both by sector of activity and by Member State. It was, however, always the case that women working in industry and in

the service sector had shorter working weeks than men, and in some countries, such as the United Kingdom and Portugal, the differences could be substantial.

Employers and the full-time self-employed had much longer working weeks, which very often exceeded 50 hours. Broken down by sex, the highest figures were for men in Ireland (58.1 hours) and women in Luxembourg (54.5 hours). In this category of employers and full-time self-employed, men always had longer

working weeks than women, the differences being substantial in seven countries: Belgium, Denmark, Germany, Greece, France, Ireland and the Netherlands.

Some 7.4% of full-time employees in the EU had working weeks of over 48 hours, the maximum stipulated by Community directives. In the United Kingdom, 19.8% of employees exceeded the 48-hour mark, while the percentages were much lower in the other Member States, with only Ireland (9.8%) lying above

Persons in part-time employment

	Total (1 000)		Part-time employees as % of all employees		Women working part-time as % of all female employees		Women working part-time in services as % of all female employees in services	
	1983	1992	1983	1992	1983	1992	1983	1992
EUR 12	10 656.9	16 905.0	12.2	14.7	27.7	29.6	31.1	32.6
B	230.6	432.0	8.3	14.0	20.7	31.5	23.9	35.2
DK	525.5	550.0	25.6	23.4	45.9	37.3	48.9	39.3
D	2 727.6	4 672.0	12.0	14.2	29.6	30.5	32.2	38.1
GR	83.7	69.4	4.9	3.6	8.5	5.7	10.5	6.5
E	:	456.0	:	5.0	:	12.3	:	14.1
F	1 579.6	2 414.0	8.9	12.9	18.7	24.6	21.2	27.3
IRL	48.0	87.0	5.8	10.0	11.9	18.2	13.4	20.8
I	513.3	812.0	3.5	5.5	7.5	10.9	7.3	10.4
L	7.8	10.0	6.2	6.8	16.9	16.5	17.7	17.8
NL	907.7	2 005.0	20.9	34.2	49.2	63.0	51.2	63.7
P	:	144.0	:	4.3	:	7.5	:	8.6
UK	4 033.0	5 250.0	19.4	23.8	41.1	43.9	45.2	47.4

WORKING CONDITIONS

the EU average. Almost one half of all employees (48.3%) worked less than 40 hours, 32.1% worked 40 hours and 19.6% more than 40 hours per week. Generally speaking, the working week in most countries was around the legal and/or collectively agreed limit, but there were still large groups of workers in each Member State who worked longer hours for various reasons (usually overtime).

Part-time work

The total figures for part-time work in 1992 were very high in many countries, and there has been a marked increase over the last few years. Over 10% of those in employment worked under this type of contract in seven of the EU countries, with particularly high percentages being recorded in the Netherlands (34.5% of all employees), the United Kingdom (23.5%) and Denmark (22.5%). Women made up the bulk of the part-time labour force: 64% of female employees in the Netherlands, 45% in the United Kingdom, 31% in Germany and 28% in Belgium. The proportion of men working part-time, on the other hand, was low and even very low in countries such as Belgium, Germany, Greece, Spain and Ireland where it was under 3%.

There was very little difference between the weekly hours worked by male and female part-time employees (average of 19.2 and 19.6 hours respectively). Denmark was the only country where it was considerably shorter for men (12.2 hours) than for women (18.7 hours). There was a smaller range in the number of hours worked weekly by women working part-time (from 17.6 in the United Kingdom to 25.8 in Italy) than in the hours worked by their male counter-

Hours lost during the reference week in 1991

	Hours worked (millions)	Hours lost (millions)	(%)
EUR 12	5 025.4	431.6	8.6
B	132.6	3.5	2.7
DK	91.1	12.5	13.7
D	1 103.6	47.9	4.3
GR	157.8	8.3	5.3
E	513.6	52.8	10.3
F	743.3	81.4	11.0
IRL	47.2	1.6	3.3
I	833.3	41.1	4.9
L	6.9	0.3	3.8
NL	209.4	33.4	15.9
P	196.1	11.4	5.8
UK	990.5	137.3	13.9

parts (from 12.2 hours in Denmark to 32.9 in Italy).

The percentage of women working part-time in the service sector was substantial, topping 30% in six countries and as high as 63.7% in the Netherlands.

Fixed-term employment

Most employees in the EU had indefinite employment contracts (89.6%) and only one in 10 worked under fixed-term contracts (10.4% of all employees). Although this percentage has remained fairly stable over the last five years, the proportion of employees on fixed-term contracts in Spain soared from 15.6% in 1987 to 33.5% in 1992. The percentages in the other Member States were all around the EU average, ranging from 10.8% in Portugal to 2.9% in Luxembourg.

The proportion of fixed-term contracts was slightly higher amongst

Usual length of the working week for part-time employees in 1992

	Total	Men	Women
EUR 12	19.6	19.2	19.6
B	20.7	21.3	20.6
DK	18.7	12.2	20.7
D	20.0	17.3	20.2
GR	25.5	28.8	23.1
E	18.5	20.0	18.1
F	22.1	22.3	22.0
IRL	18.5	20.2	18.0
I	28.0	33.0	25.8
L	20.0	26.8	19.2
NL	18.7	19.0	18.6
P	24.5	30.7	22.8
UK	17.4	15.5	17.7

women (11.6%) than amongst men (9.5%). The sector of economic activity with the highest proportion of such contracts is agriculture with 28.4%, and it went over the 35% mark in some Member States such as Spain (57.6%), Greece (38.7%) and Italy (37.6%). There were relatively fewer fixed-term contracts in industry (9.1%), though these still made up 36.7% of the total in Spain, 13.2% in Greece and 12.1% in Portugal. The proportion of temporary workers was noteworthy in the construction sector (15.6% for the EU as a whole). The proportion was even lower in the service sector at 6.0%, with the only substantial figure being in Spain (16.4%). Nevertheless, the figure for the EU as a whole reached 11.4% in both the hotel and catering trade and in public services.

Absenteeism

There are many reasons for absence from work. Individuals may be absent or work a shorter (reference) week than usual because of personal or statutory holidays, maternity leave, special or family leave, flexible working hours, training courses, sickness, accidents, lay-offs for technical or economic reasons, bad weather, labour disputes and so forth.

During the reference week of the 1991 labour force survey, the number of hours usually available for the production of goods and services amounted to 5 025 million working hours, of which 432 million or 8.6% of the total were lost through absence from work. The highest percentages of hours lost were recorded in the Netherlands (15.9%), the United Kingdom (13.9%) and Denmark (13.7%). The lowest figures were in Belgium (2.7%), Ireland (3.3%) and Luxembourg (3.8%).

Main reasons for absence from work during the reference week in 1991, EUR 12 (%)

Reason for absence	Total	Men	Women
Leave and holidays	50.68	41.32	49.61
Flexible hours	24.51	25.00	23.70
Sickness and accident	5.90	4.90	7.58
Bad weather	4.53	5.00	3.74
Special leave	2.82	2.32	3.65
Lay-offs	2.70	2.98	2.23
Education and training	1.19	1.10	1.33
Labour disputes	0.39	0.43	0.31
Maternity leave	0.13	0.02	0.30
Other	7.15	6.92	7.54

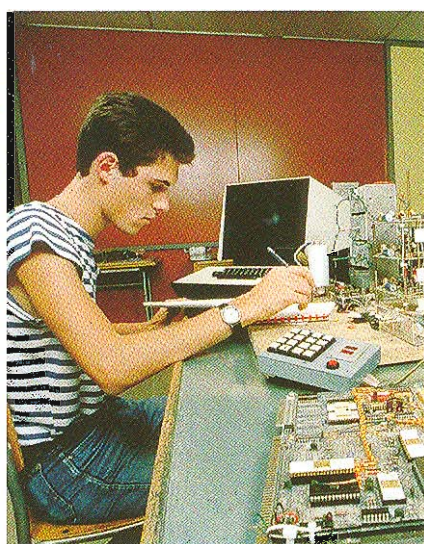
During the reference week of the 1991 labour force survey, on average 11.9% of persons in employment were absent from work throughout the European Union. The highest rate was in the United Kingdom where 28.9% of employees were absent from work. The figures for Denmark (25.0%) and Spain (23.9%) were also relatively high, while those in Germany (1.7%) and Belgium (1.5%) were much lower. Absenteeism was slightly higher for men (12.4%) than for women (11.3%), the difference being much the same in all the Member States except Greece and, to a lesser extent, Belgium and Italy.

The most common reason for absence from work remained leave, ahead of flexible working hours which have gained a lot of ground over the last few years. Sickness and accidents were the cause of 5.9% of all absences, followed by bad weather (4.5%), special leave (2.8%), lay-offs for technical or economic reasons (2.7%) and staff training (1.2%). There has been an appreciable drop in absences due to maternity leave (from 0.8% in 1988 to 0.1%). Women were more often ab-

Persons in employment who worked less than their usual working week during the reference week in 1991 (%)

	Total	Men	Women
EUR 12	11.9	12.4	11.3
B	1.5	1.5	1.6
DK	25.0	25.3	24.6
D	1.7	1.7	1.7
GR	8.7	8.4	9.4
E	23.9	24.3	23.0
F	4.9	5.1	4.6
IRL	3.5	3.6	3.3
I	5.1	5.0	5.3
L	2.7	2.8	2.6
NL	17.5	18.2	16.4
P	12.1	12.3	11.8
UK	28.9	31.5	25.6

WORKING CONDITIONS



sent from work than men for health reasons (sickness and accidents, maternity leave) and in order to attend training courses.

Working environment

The European survey on the working environment (ESWE) was carried out for the first time in spring 1991 on the initiative of the European Foundation for the Improvement of Living and Working Conditions. It allowed a comparable analysis to be carried out into some of the main data on working conditions and the working environment, and in particular all the negative factors and physical and environmental constraints which interfere with the smooth running of productive activities and can lead to health and safety problems at the workplace.

The highest proportion of employees were affected by physical constraints: 16% complained about muscular problems and problems related to the spinal column, 15% felt that they were working with unsuit-

able equipment and 18% felt that they worked under dangerous conditions. One employee in 10 was permanently exposed to unacceptably high levels of noise (10%) or air pollution (10%), experienced excessive heat or cold (13%) or had to move heavy loads (9%). These employees were mostly manual workers (20 to 25%), who were generally poorly qualified.

In terms of work organization, the main constraints felt by employees arose from their lack of influence over decisions which concerned them (between 35% and 40% of those surveyed) and having to carry out repetitive short-term tasks, which affected 25% of full-time employees and 60% of part-time employees.

The overall results of the ESWE survey revealed that 30% of those interviewed had a negative opinion of their working environment, a percentage which represents around 42 million persons throughout the EU.

There were differences in the working environments of men and women. Men were generally more exposed to physical constraints than women, with much greater numbers being exposed to noise, pollution, extreme temperatures and contact with dangerous substances or having to move heavy loads. Women, on the other hand, were subject to more muscular and spinal problems, and they also experienced more problems caused by unsuitable equipment. While men were also more affected by tight work deadlines, more women (27%) felt the lack of independence in their work and they had a greater number of repetitive tasks. Lastly, 37% of men and 20% of women felt that their working conditions endangered their health and safety.

Responses to questions
on work organization (%)

	Salaries dependent upon their productivity	Feel properly informed about their work	Feel that their health is at risk
EUR 12	25.6	85.2	30.1
B	19.9	86.5	18.2
DK	31.0	89.1	21.4
D	18.8	94.5	26.4
GR	52.3	85.8	44.3
E	30.0	86.0	62.6
F	24.4	84.2	31.9
IRL	31.4	91.3	19.4
I	29.7	76.6	24.9
L	26.3	91.6	33.6
NL	13.0	89.8	15.1
P	36.4	84.4	31.6
UK	23.4	81.6	25.8

Employees exposed to various constraints during at least half of their working hours in 1991 (%)

	Noise	Heat or cold	Poor air quality	Dangerous substances	Awkward postures	Heavy loads	High work rates	Repetitive short-term tasks
EUR 12	27.0	37.4	26.9	14.0	44.7	26.8	53.4	62.3
B	23.6	29.5	31.8	13.8	33.9	23.4	46.5	41.9
DK	21.1	19.7	21.6	8.9	23.4	18.5	59.1	45.9
D	21.4	34.7	19.0	11.1	42.7	18.6	61.4	66.3
GR	35.7	63.5	54.5	34.7	85.5	43.2	76.3	76.0
E	37.7	58.6	32.4	22.4	53.0	40.1	47.8	54.8
F	36.1	45.0	26.9	15.3	53.3	36.4	42.0	55.5
IRL	32.0	38.3	24.5	14.0	33.7	29.1	34.4	58.4
I	27.4	37.6	28.5	14.0	50.4	20.8	52.4	49.6
L	34.1	39.9	32.0	17.1	29.5	20.8	41.6	56.0
NL	18.8	32.8	18.9	10.4	16.7	18.5	73.0	75.4
P	29.7	55.4	32.2	13.8	67.8	32.5	55.7	56.6
UK	25.3	35.7	28.2	12.0	30.7	25.5	44.5	60.5

When the results of the ESWE survey are broken down by Member State, a clear North-South divide emerges in terms of working conditions. Generally speaking, it would appear that the working environment in the northern Member States of the EU is more satisfactory than in the South.

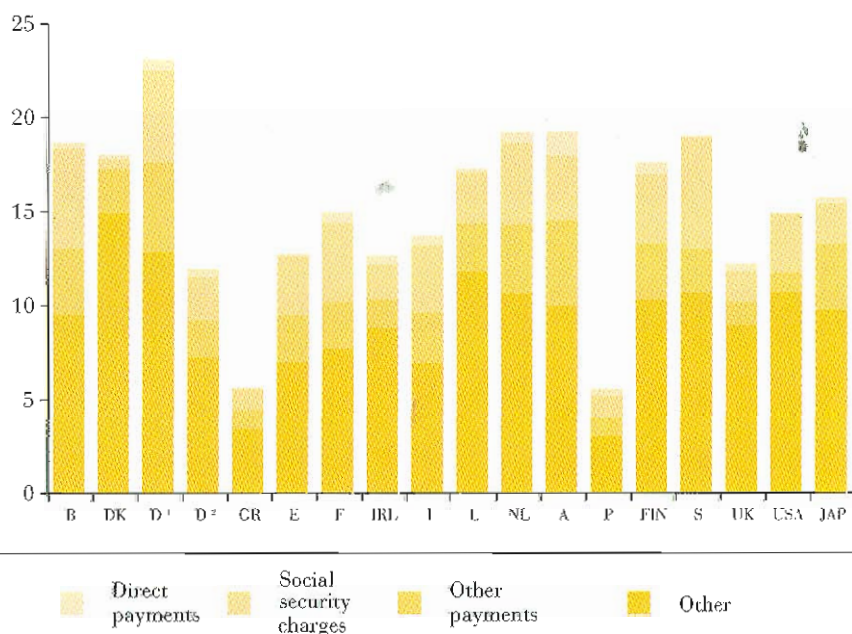
The proportion of employees working under unsatisfactory conditions is clearly highest in agriculture (51%), the construction industry (46%) and transport (38%). All three sectors suffer from physical constraints, with long working days being the particular lot of agricultural employees, while those working in the transport sector are burdened with night work and little independence of action. In the iron and steel and chemical industries, the constraints are similar to those in the aforementioned sectors, with the main problem being exposure to dangerous products. In the manufacturing industries, most of the constraints appear to be related to work

organization in accordance with Taylorist principles of time and motion. Long working days are the most frequently mentioned constraint in the distributive trades. In the banking, insurance and other service sector, most of the physical constraints are caused by the inadequate design of the workplaces and the combination of very urgent deadlines and short working days.

LABOUR COSTS AND WAGES

Labour costs can be analysed from different angles. On the one hand there are the employer's contributions and on the other, the employee's payment. The payment received by the employee represents only part of the employer's cost. An employer must pay his staff the agreed wage, in addition to other related expenditure such as social security contributions and payment for days not worked. A worker also has obligatory expenditure as a wage-earner, the most important being taxes and social security contributions. On deducting such expenditure from the gross wage, we have an estimate of the net wage and consequently of the disposable income. These are affected by differences between the fiscal and social protection systems. For example, depending on the country, the same labour costs can involve different gross wages and the same gross wage can give rise to different net wages.

Hourly labour costs in industry



Labour costs

These are the costs incurred by the employer in employing manpower. They may be broken down into two major categories: direct and indirect costs. Direct costs are all payments made to the employee whether in the form of direct wages or salaries, bonuses, payment for days not worked or benefits in kind. The indirect costs paid by the employer chiefly consist of social security contributions, but include other expenses such as costs for vocational training. In the industrialized countries (European Union, United States and Japan), labour costs can vary widely and have very diverse structures in economic sectors such as industry, financial institutions and the distributive trades. In industry, where labour costs are generally quoted at an hourly rate, they varied in 1992 between ECU 5.6 in Portugal and ECU 23.14 in Germany (excluding the

1988: F, I.

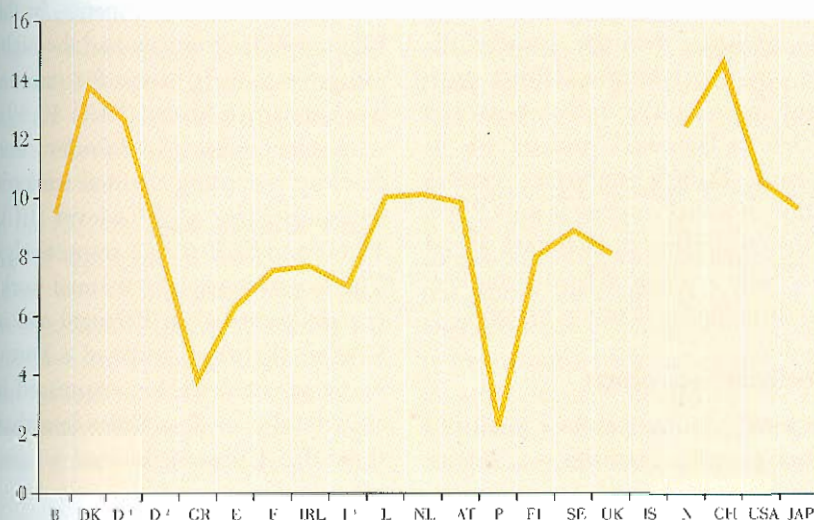
1991: B, DK, USA, JAP.

1992: D, CR, E, IRL, L, NL, A, P, FIN, S, UK.

¹ Old Länder.

² New Länder.

Gross hourly earnings of manual workers in industry in 1993 (ECU)



¹ Old Länder.

² New Länder.

³ Estimation Eurostat.

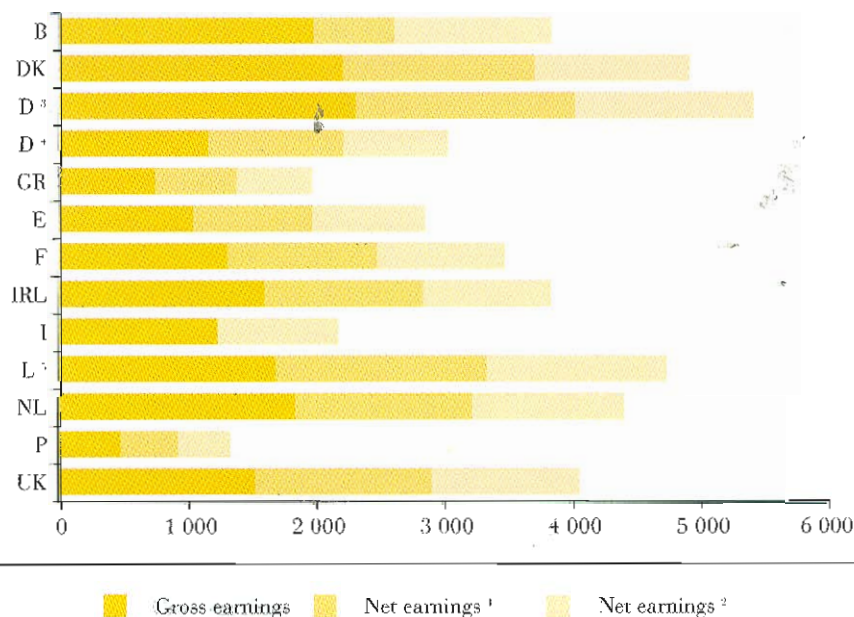
institutions in the Netherlands. This figure is comparable to that recorded in Germany (old *Länder*) for the distributive trades and in the new *Länder* for financial institutions.

Differences also emerge in the cost structure of the various countries, partly as a result of different levels of taxation and social contributions. Belgium has the highest level of employer social security contributions per employee: an average of 30.6% of the total cost in the three sectors: industry, financial institutions, distributive trades. They are also very high in Italy (28%), France (27.4%), Spain (24.8%) and in Sweden (31.30% in industry, which is the only sector available). Social security charges vary slightly according to the branch of activity. While

new *Länder*), or a differential of 1 to 4. In 1992, of the high labour cost countries, Austria and the Netherlands lead with ECU 19.2, followed closely by Belgium (ECU 18.7), Denmark (ECU 18) and Luxembourg (ECU 17.31). For the same year, the other countries recorded labour costs of between ECU 13 and ECU 16.

In the service sector, costs are generally expressed as a monthly figure. In the European Union, labour costs in financial institutions are very high, two or more times the cost of employing one person in the distributive trades. The financial institutions in Luxembourg have the highest monthly costs at ECU 4 161, while labour costs recorded in Greece were very low (ECU 1 381) in 1992. The data available for Finland refer to the entire service sector; the cost levels recorded (ECU 2 118) are comparable to labour costs in financial

Gross and net monthly earnings in manufacturing in 1992 (ECU)



¹ Net earnings of a married manual worker, two children, one wage earner.

² Net earnings of an unmarried manual worker.

³ Old Länder.

⁴ New Länder.

⁵ 1991.

LABOUR COSTS AND WAGES

social security contributions represent a substantial portion of the costs incurred in employing manpower, they are lower than the so-called direct payment charges. Direct payment in industry varies between 83.2% in Denmark and 51.4% in Belgium. Danish employers' contribution to social security is only 2.9% of the total; thus, in Denmark social protection is financed by the employees, through the taxation system.

Workers' earnings

Workers' earnings can be considered either as gross earnings, i.e. before

taxes and social security contributions or, as net earnings, i.e. after deduction of such components. In the EU in 1993, Denmark had the highest gross hourly wage for manual workers in industry (ECU 13.49), with Germany (old *Länder*) and Norway recording manual workers' earnings close to this level (ECU 12.60 and ECU 12.41 respectively). The lowest wages for manual workers are recorded in Portugal and in Greece; the gross wage of a Portuguese manual worker expressed in ecus is almost five times less than that of a German manual worker.

Monthly labour costs (ECU) and cost structure (%) in financial institutions and in distributive trades in 1992

	B ²	DK ²	D ⁵	D ⁶	GR	E	F ¹	IRL
Financial institutions (ECU)	3 915.0	3 305.0	3 697.0	2 212.0	1 381.0	3 411.0	3 052.0	3 286.0
Distributive trades (ECU)	2 373.0	2 048.0	2 205.0	1 562.0	799.0	1 549.0	1 684.0	1 135.0 ¹
of which direct payments:								
Financial institutions (%)	53.3	84.3	50.6	54.1	56.3	72.9	41.1	69.4
Distributive trades (%)	55.5	93.4	60.2	60.5	66.3	66.3 ²	54.0	81.1 ¹
of which other payments:								
Financial institutions (%)	11.8	1.9	21.4	20.6	19.7	19.7 ²	21.3	6.6
Distributive trades (%)	11.1	1.5	18.4	18.1	9.7	9.7 ²	16.2	2.3 ¹
of which social security:								
Financial institutions (%)	31.1	7.7	23.0	19.5	25.6	25.6 ²	27.0	20.2
Distributive trades (%)	32.1	2.2	18.6	18.5	23.7	23.7 ²	27.1	13.2 ¹
of which other charges:								
Financial institutions (%)	3.8	6.1	4.5	5.6	1.5	1.5 ²	10.6	3.8
Distributive trades (%)	1.3	2.9	2.5	2.7	0.3	0.3 ²	2.7	3.4 ¹

¹ 1988 data.

² 1991 data.

³ Hourly cost, including wholesale and retail distributive trades, insurance and real estate.

⁴ Including wholesale and retail distribution and insurance.

⁵ Old *Länder*.

⁶ New *Länder*.

Gross monthly earnings of non-manual workers in 1993 (ECU)

	B	DK	D	GR	E	F	IRL	I	L	NL	A	P
Industry	2 391	2 524	3 062	1 004	1 608	2 203	2 029	1 563 ¹	3 127	2 373	2 087	713
Distributive trades	1 433	:	1 943	500	931	1 472	:	:	1 575	1 499	1 615	460
Financial institutions	2 428	:	2 513	901	1 643	1 999	:	:	3 025	2 175	2 129 ²	1 140

¹ Eurostat estimate.

² Including private insurance companies.

³ Including non-manual workers in transport and communication.

⁴ Including the wholesale trade.

Comparisons with other industrialized countries outside the EU reveal that Switzerland has the highest hourly earnings in industry. The country differences in workers' earnings are also borne out in some service sectors and for other categories of workers.

In the EU, the gross monthly earnings of non-manual workers in industry and in financial institutions are significantly higher (between 1.5 and three times higher) than those of non-manual workers in the distributive trades. Portuguese and Greek distributive trade employees have

the lowest salaries (ECU 460 and ECU 500 respectively). It is interesting to note that distributive trade employees in the USA earn less than their equivalents in the European Union, with the exception of Portugal and Greece.

In terms of net earnings, the situation is very different. To take the two extremes, in 1992 an unmarried manual worker in Denmark earning an average wage in manufacturing had to pay about 44.6% in tax and 1.9% in social security contributions. For a manual worker in Spain the same compulsory expenditure represented

only 17.7% of his gross wage (11.6% in tax and 6.1% in social security contributions).

Monthly labour costs (ECU) and cost structure (%) in financial institutions and in distributive trades in 1992

I ¹	L	NL	P	FIN	UK	USA ²	JAP ²	
3 374.0	4 161.0	2 933.0	2 167.0	:	2 756.0	:	:	Financial institutions (ECU)
1 843.0	1 578.0	1 564.0	770.0	:	1 079.0	10.6 ³	2 644.0 ⁴	Distributive trades (ECU)
55.5	56.2	53.8	48.3	57.2	62.5	:	:	of which direct payments:
56.7	71.0	60.2	59.4	65.0	73.8	76.6	60.5	Financial institutions (%)
								Distributive trades (%)
12.2	22.8	22.3	17.2	18.0	12.6	:	:	of which other payments:
12.8	14.5	16.9	17.5	12.3	9.4	6.3	25.3	Financial institutions (%)
								Distributive trades (%)
30.4	16.3	21.2	26.9	26.1	13.9	:	:	of which social security:
27.3	13.8	21.1	18.9	20.4	10.4	17.1	12.6	Financial institutions (%)
								Distributive trades (%)
1.9	2.5	2.6	5.8	4.7	2.5	:	:	of which other charges:
3.2	0.6	1.7	3.9	2.3	2.6	0.0	1.6	Financial institutions (%)
								Distributive trades (%)

¹ 1988 data.

² 1991 data.

³ Hourly cost, including wholesale and retail distributive trades, insurance and real estate.

⁴ Including wholesale and retail distribution and insurance.

⁵ Old Länder.

⁶ New Länder.

Gross monthly earnings of non-manual workers in 1993 (ECU)

A	P	FIN	S	UK	N	CH	USA	JAP	
2 087	713	1 728 ¹	:	2 156	2 596	3 334	:	:	Industry
1 615	460	1 315 ²	1 819	1 400	1 741	2 547	931	1 429	Distributive trades
2 129 ³	1 140	1 651	2 062	2 189	:	3 253	:	:	Financial institutions

¹ Eurostat estimate.

² Including private insurance companies.

³ Including non-manual workers in transport and communication.

⁴ Including the wholesale trade.

UNEMPLOYMENT

In 1993, almost 17 million persons in the European Union (EUR 12) were unemployed. Unemployment is one of the most worrying aspects of the labour market, affecting 10.7% of the active population and hitting women harder than men. Youth and long-term unemployment remain high, despite the downward trend in the latter since 1985.

Unemployment trends

In 1993, nearly 17 million persons in the European Union (EUR 12) were out of work and unemployment now affects 10.7% of the labour force. In the last 10 years, 1985 was the only year when the unemployment rate was higher than in 1993, and after dropping steadily up until 1990 the rate has started to rise again.

Unemployment in the USA came close to 10% in the early 1980s, but had come down to 6.8% by 1993. In Japan, where unemployment has always been very low, the rate currently stands at 2.5%.

Distribution of unemployment

There are big differences in unemployment between the Member States. The lowest rate is in Luxembourg (2.6%) and the highest in Spain (21.8%), Ireland (18.4%) and Finland (17.9%). Since 1991, unemployment has been rising in all EU countries.

There are also considerable regional variations. In several Spanish regions and in the south of Italy, a quarter of the labour force is jobless. In contrast to this, the rate is still under 5% in the south of Germany and in some of the northern regions of Italy. Within most Member States, unemployment rates in the hardest-hit regions are two or three times higher than in those regions with the lowest percentages of jobless persons.

As has been the case for a number of years, the unemployment rate for women is higher than that for men - 12.6% in 1993 as opposed to 9.3%. This remains the case for all Member States, the only exception being the United Kingdom where unemployment among men is significantly higher than among women.

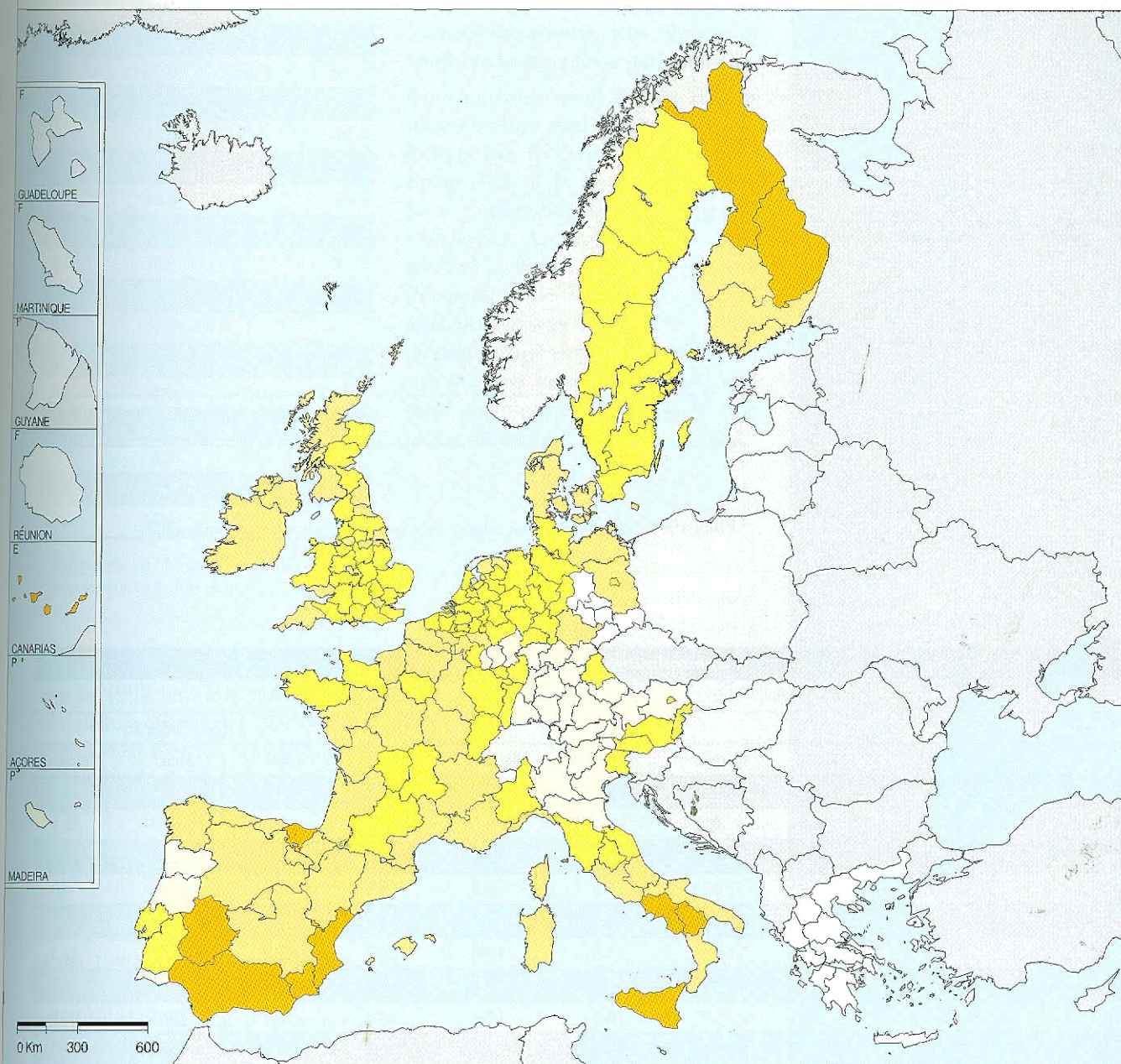
The rate of youth unemployment is higher than the overall rate. In 1993, 19% of the male labour force aged under 25 were out of work, and the rate for young women was even higher.

In 1992, 9.3% of households in the European Union were affected by unemployment. In Spain, almost 20% of all private households had at least one member out of work, compared with only 2% in Luxembourg.

Unemployment rates (%)

	EUR 12	USA	JAPAN
1983	9.9	9.6	2.7
1984	10.5	7.5	2.7
1985	10.8	7.2	2.6
1986	10.7	7.0	2.8
1987	10.5	6.2	2.9
1988	9.8	5.5	2.5
1989	8.9	5.3	2.2
1990	8.3	5.5	2.1
1991	8.8	6.7	2.1
1992	9.6	7.4	2.2
1993	10.7	6.8	2.5

Unemployment rates, April 1993*



Percentage of the total labour force

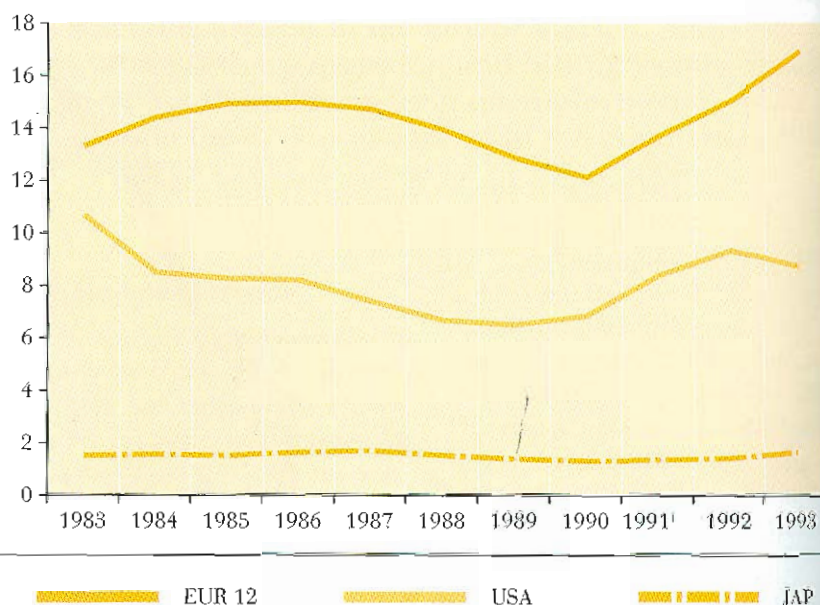
- > 20
- 10 to 20
- 5 to 10

- ≤ 5
- Data not available

* GR 1991: 7.7%.

Sources: Statistical data, Eurostat; Cartography and geographic information management, GISCO.

Number of unemployed (millions)


¹ From 1991, the EUR 12 data relate to the territory after German unification.

Unemployment in the EU in 1993

	Number out of work (1 000)			Unemployment rate (%)					
	Total	Men	Women	Total	Men	Women	Aged under 25	Men	Women
EUR 15	17 911	9 288	8 622	10.7	9.3	12.3	:	:	:
B	386	159	227	9.4	6.5	13.7	19.6	17.3	22.1
DK	304	148	156	10.3	9.5	11.4	11.4	10.7	12.2
D ¹	2 878	1 354	1 524	7.2	5.9	8.9	6.3	6.1	6.5
GR	:	:	:	:	:	:	:	:	:
E	3 519	1 878	1 641	21.8	18.0	28.7	37.8	34.4	42.3
F	2 679	1 260	1 419	10.8	9.1	13.0	23.1	21.1	25.2
IRL	255	153	97	18.4	17.4	20.1	27.9	29.5	25.9
I	2 687	1 174	1 513	11.1	7.7	16.8	30.5	26.5	35.5
L	4.3	2.1	2.2	2.6	2.0	3.6	5.7	6.4	4.7
NL	622	295	327	8.8	6.9	11.7	15.0	15.4	14.5
A ²	158	88	71	4.3	4.2	4.5	4.7	4.7	4.6
P	262	124	138	5.1	4.3	6.2	10.3	8.5	12.6
FIN ²	444	259	184	17.9	19.8	15.7	33.3	36.9	29.2
S ²	356	219	137	8.2	9.7	6.6	18.4	21.6	15.0
UK	3 042	2 041	1 001	10.4	12.2	8.0	16.2	19.0	12.8

¹ The data for Germany relate to the territory before unification.

² The methodology used for the data concerning Austria, Finland and Sweden is different from that used for the other countries.

Long-term unemployment in 1992 (% of total unemployed)

	Total	Men	Women
EUR 12	41.2	40.2	42.1
B	59.0	56.3	61.0
DK	27.0	25.3	28.5
D	33.5	37.0	30.6
GR	49.7	38.2	57.2
E	44.0	34.9	52.7
F	34.6	32.0	36.7
IRL	58.9	63.1	51.3
I	58.2	58.3	58.1
L	(17.5)	:	:
A ¹	17.0	15.4	18.9
NL	44.0	47.0	41.6
P	31.1	25.0	36.5
FIN ¹	8.2	9.6	6.2
S	8.1	8.4	7.6
UK	35.4	39.7	26.6

¹ For Austria and Finland, unemployed persons registered at job centres.

Sixty per cent of all unemployed persons in 1992 had lost their jobs or left them voluntarily, 20% were seeking their first job and 19% were seeking work after a long period of inactivity.

Long-term unemployment

Long-term unemployment, which rose significantly during the first half of the 1980s, has been on a downward spiral since 1985, but still remains substantial. The proportion of unemployed persons who had been out of work for one year or more fell from 52% to 41.2% between 1985 and 1992, this fall being especially marked in Spain and Portugal.

Job search

While only 10% of all unemployed men in the EU are seeking part-time employment, one quarter of all female unemployed would like to work

part-time. The situation in the Netherlands is different from elsewhere in that 28% of the men and 72% of the women who are out of work are looking for a part-time job.

The methods used by the unemployed to find work are not the same across the EU. In Germany and Spain, 90% of the unemployed relied on a public employment office to find a job. Around 30% used this method in the United Kingdom and Portugal, while the figure in Ireland and Greece was under 20%. Contacting private employment offices is still not very common, as more and more people tend to apply to employers directly.

FURTHER READING

Eurostat publications

Social portrait of Europe
Earnings, industry and services, half-yearly
Consumer price indices, monthly
Unemployment, monthly
Employment and unemployment, annual
Labour force sample survey
Long-term unemployment, studies and analyses
Working time in the European Union - the average working week from 1983 to 1992, Statistics in focus (Population and social conditions) 1/95
Multiple job-holders in the European Union in 1992, Statistics in Focus (Population and social conditions) 2/95
The trend in industrial disputes in the European Economic Area (1983-92), Rapid Reports (Population and social conditions) 2/94

Electronic products

Eurostat CD
 New CRONOS database (REGIO)

European Documentation

The fight for jobs - the European growth initiative
Equal opportunities for women in the Community

Other publications

White Paper on growth, competitiveness and employment, 1993
Employment in Europe, annual
Social Europe: periodical and supplements
Manual for creating jobs: employment action
Part-time work in the European Community: the economic and social dimension
Social action programme
Combating social exclusion
 Publications from the Eurocounsel programme

GLOSSARY

Absenteeism

In the labour force survey, absenteeism is measured as the difference between the hours normally worked and those actually worked during the reference week.

Active population (or labour force)

Persons in employment plus unemployed persons

Activity rate

The labour force as expressed as a percentage of the population of working age

Long-term unemployment

Persons out of work for more than 12 months

Unemployed persons

Persons who have no employment, are actively seeking employment and are available to start work within the next two weeks.

LIVING STANDARDS

The Maastricht Treaty confirmed the determination to include a social dimension in Europe. In this context, the analysis and comparison of household living standards in the countries of the European Union is of particular significance. These, which can be measured by studying housing, household consumption, poverty rates, social protection, health, etc., reveal varying disparities between Member States. The private house is currently the most common form of accommodation in the majority of countries and households are increasingly becoming owner-occupiers. At the same time, the 1980s witnessed an improvement in the general level of amenities as measured mainly by the possession of certain durable goods.

In terms of consumption, judging by the estimated level of consumer expenditure based on the family-budget surveys,

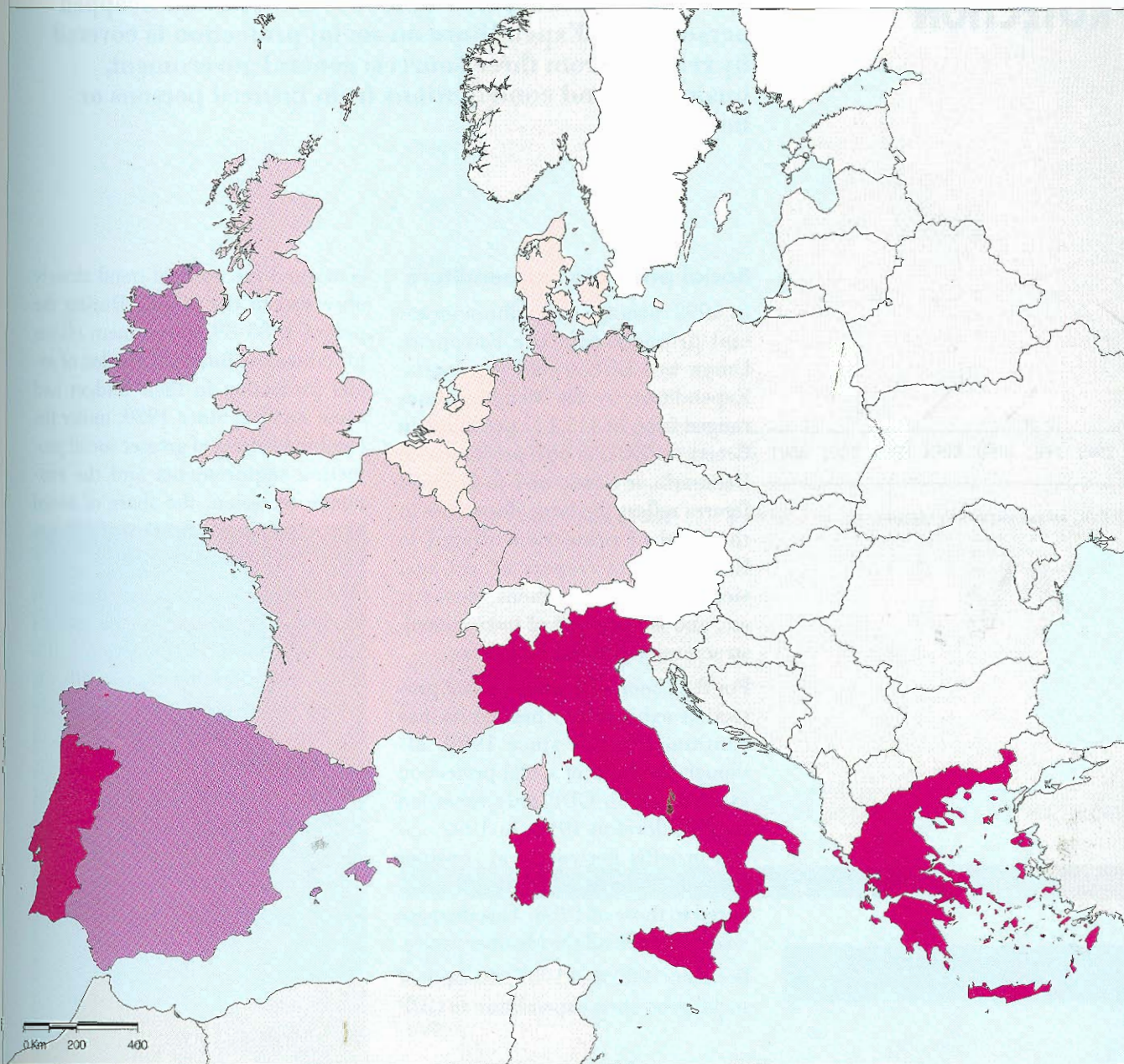
households in the northern countries (with the exception of Ireland) have a higher living standard than those in the southern countries of the European Union. The poverty rates (proportion of households with a level of consumer expenditure per adult equivalent which is 50% below the national average) also point to a more comfortable situation in the northern countries, where the proportion of households below the poverty threshold is lower than in the southern countries and Ireland.

Social protection can be regarded as a way of correcting such differences in living standards by partially redistributing wealth. European countries have a relatively high level of social protection (more than a quarter of GDP in 1992). For the entire Union, per capita social protection expenditure has been increasing since 1980. This upward trend is more pronounced in the southern countries of the EU which have lower per capita social protection expenditure. In all the Member States, the major portion of social protection expenditure is spent on old age/survival and on health.

Owing mainly to social, economic and cultural differences, health

problems vary from between Member States. Nonetheless, some are common to the entire European Union and have led to the introduction of specific campaigns. Currently within the Union, the main causes of mortality are cancers and cardiovascular diseases (anti-cancer campaigns were introduced in 1986). The causes of mortality vary also by age and sex. Thus, for young people aged between 15 and 24 years the largest number of deaths are caused by accidents. The number of new AIDS cases recorded in the European Union is still increasing and specific screening and AIDS programmes have been introduced since 1991 at Community level. In the European Union, the health sector, which is becoming increasingly vast and complex, employs more than 7 million people.

Poverty rates* by the end of the 1980s



Thresholds (in %)

- | | |
|---|--|
| > 20 | ≤ 10 |
| 16 to 20 | Data not available |
| 10 to 16 | |

* A household is said to be poor if it can spend less or equal to 50% of what the average household can spend.

SOCIAL PROTECTION

The social protection of European citizens covers the risks relating to old age, sickness, unemployment, poverty, and it also includes assistance to families, handicapped persons, etc. Expenditure on social protection is covered by receipts from three sources: general government, businesses and contributions from insured persons or households.

Social protection expenditure

In 1992, average expenditure on social protection in the European Union was ECU 4 348 per capita. Expenditure by the Member States ranged from ECU 1 127 per capita in Greece to ECU 6 687 per capita in Denmark, or a ratio of 1 to 6. These figures reflect the large disparities in the level of protection offered to Europeans in respect of old age, sickness, unemployment, poverty, etc. and is the result of institutional, structural and financial factors.

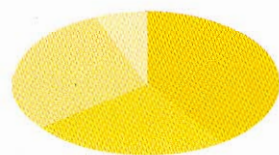
For the Union as a whole, social protection expenditure per capita has continued to rise since 1980, although the ratio of social protection expenditure to GDP only exceeded its 1983 level in 1992. In 1992, social benefits per capita at constant prices had increased by 40.6% compared to those of 1980. This increase was evident in all the Member States.

Between 1980 and 1983, the ratio of social protection expenditure to GDP

continued the upward trend already observed in the 1970s. During the period 1983-89, government efforts to reduce the financial burden of social protection in their budget had some success. Since 1989, under the combined effect of greater social protection requirements and the economic recession, the share of social protection expenditure in GDP has again begun to rise rapidly.

Total social protection expenditure is tending to converge in the various Member States. In the period 1980-92, the six Member States with the lowest social protection expenditure per capita recorded a real growth in such expenditure of 68.2%. The corresponding figure for the six other countries was only 31.7%.

Current social protection receipts, 1992 (%)

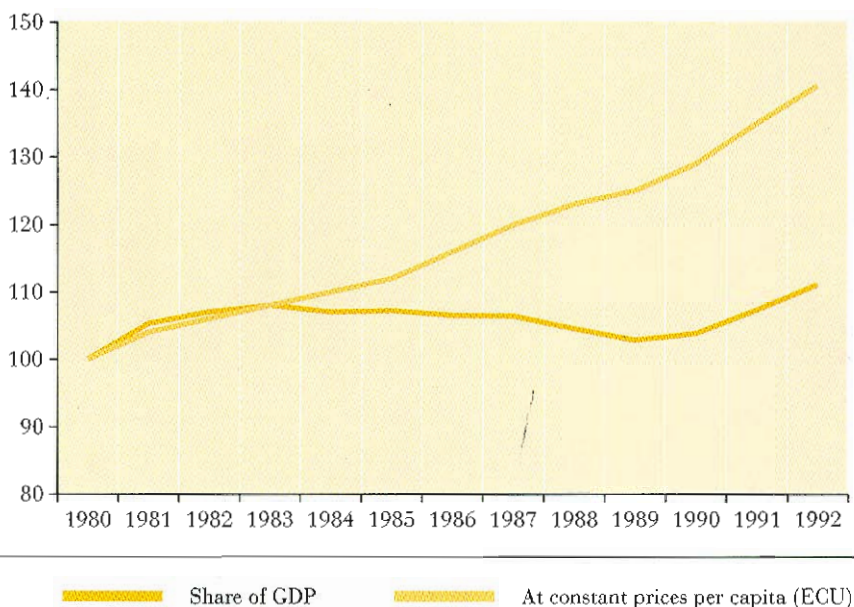


Employers' social contributions	40.5
Protected persons' social contributions	24.2
General government transfers	29.2
Other	6.1

Current expenditure on social protection

	% of GDP		Annual average per capita ECU		Annual average per capita PPS	
	1989	1992	1989	1992	1989	1992
EUR 12	25.1	27.1	3 415	4 348	3 372	4 327
A	26.8	28.2	4 019	5 112	3 814	4 834
FIN	24.4	35.4	5 056	5 735	3 512	4 890
S	35.2	40.0	7 095	8 767	5 224	6 290

Trends in current social protection expenditure in the EU (1980 = 100)

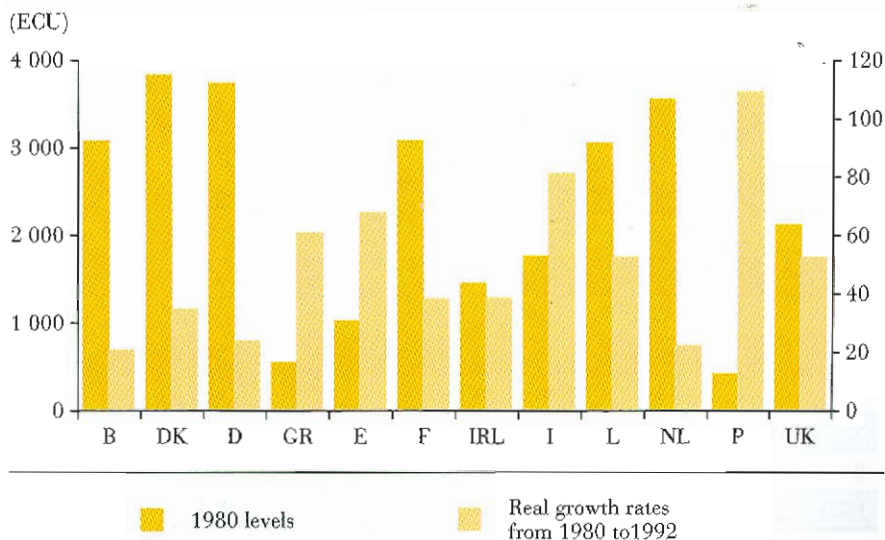


Council Recommendation of 27 July 1992 on the convergence of social protection objectives and policies :

Member States should:

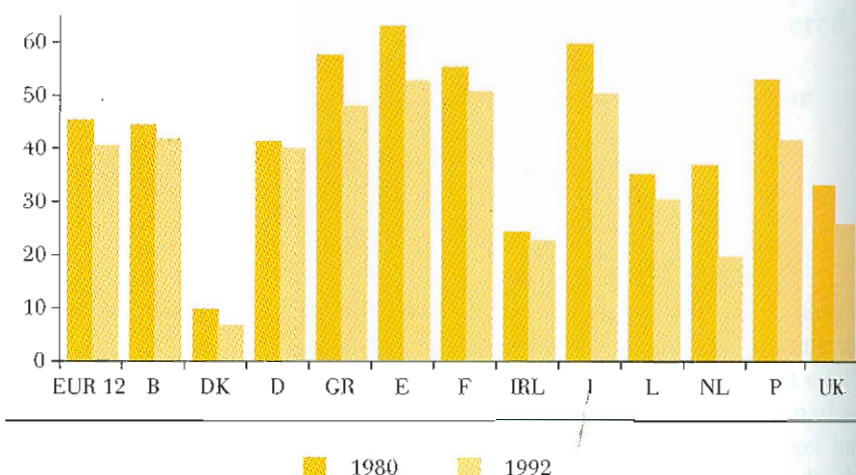
- guarantee a level of resources in keeping with human dignity;
- give any person residing legally within its territory the chance to benefit from the system for the protection of human health existing in the Member State;
- help further social integration and integration into the labour market;
- provide employed workers who cease work at the end of their working lives or are forced to interrupt their careers owing to sickness, accident, maternity, invalidity or unemployment, with a replacement income;
- examine the possibility of introducing and/or developing appropriate social protection for self-employed persons.

Social protection benefits (per capita)



SOCIAL PROTECTION

Employers' social contributions as a proportion of total social protection receipts (%)



Social contributions

Employers' social contributions are the main source of social protection financing in the EU. Nonetheless, their proportion of the total is decreasing. In 1992, the proportion of

social protection financed by employers' contributions was 40.5% of the total, whereas the contributions of general government, the social contributions of protected persons and other current receipts represented 29.2%, 24.2% and 6.1% respectively of social protection financing.

Social protection benefits by function, 1980-92 (as % of total benefits)

	Health ¹		Old-age/ survivors		Family maternity		Unemployment/ promotion of employment		Others	
	1980	1992	1980	1992	1980	1992	1980	1992	1980	1992
EUR 12	37.5	36.6	43.4	44.8	10.5	7.8	6.4	7.2	2.2	3.6
B	34.6	34.4	41.5	44.7	11.3	8.1	11.6	11.4	0.9	1.4
DK	35.8	28.5	35.7	35.1	10.8	12.0	12.9	17.2	4.8	7.2
D	40.5	41.0	42.7	40.6	9.9	8.9	4.5	6.2	2.5	3.3
GR	26.0	18.7	61.9	69.0	4.5	1.7	2.5	5.3	5.1	5.3
E	36.9	36.6	40.8	41.3	4.4	1.8	16.2	18.5	1.8	1.9
F	35.6	34.6	43.9	44.1	12.7	9.5	5.1	7.7	2.7	4.1
IRL	42.5	36.0	29.7	27.2	15.1	17.4	7.8	14.6	4.9	4.8
I	34.9	31.6	55.1	62.8	7.5	3.9	2.3	1.7	0.1	0.0
L	40.4	39.3	47.5	48.4	10.0	11.1	0.9	0.8	1.2	0.4
NL	47.8	45.2	32.9	36.9	9.2	5.4	6.1	8.4	3.9	4.2
P	44.8	45.4	39.4	38.8	8.0	5.6	2.8	5.0	5.0	5.2
UK	32.9	36.4	42.8	39.4	13.1	10.9	9.6	6.0	1.6	7.4

¹ The group of health functions includes sickness, invalidity, disability and occupational accidents and diseases.

Throughout the period 1980-92, employers' share of social contributions declined in all the Member States. For the Union as a whole it fell from 45.4% in 1980 to 40.5% in 1992. Other financing sources' share in the total increased; thus over the same period, the social contributions of insured persons increased by 2.2 percentage points, other receipts by 1.4% and government contributions by 1.3%.

The distribution of social benefits

In the European Union, the largest share of social protection expenditure is assigned to old age/survivors and health, which in 1992 alone accounted for more than 81% of all social benefits.

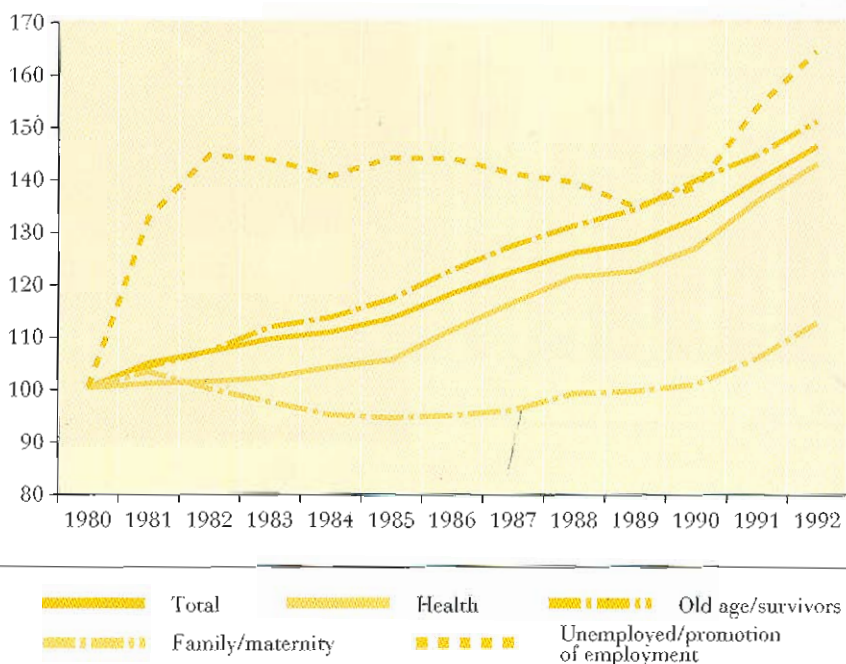
In most Member States, old age/survivors' benefits predominate; only Ireland, Portugal and the Netherlands have higher expenditure on health. In Germany, expenditure on old-age/survivors and health is more or less equal. On average for the Union, old age/survivors' and health benefits represent 44.8% and 36.6% respectively of total social protection benefits.

The proportion of benefits relating to the other social protection functions in the Union total is 7.8% for the family/maternity function, 7.2% for the unemployment/employment function and 3.6% for the remaining functions, including in particular housing and poverty.

The relative importance of the various functions varies considerably between Member States, reflecting both institutional and structural differences.

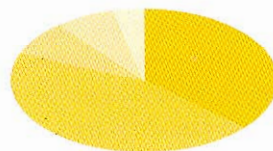
At the level of the Union, during the period 1980-92, the proportion of benefits relating to the old age/sur-

Trends in social protection benefits in real terms



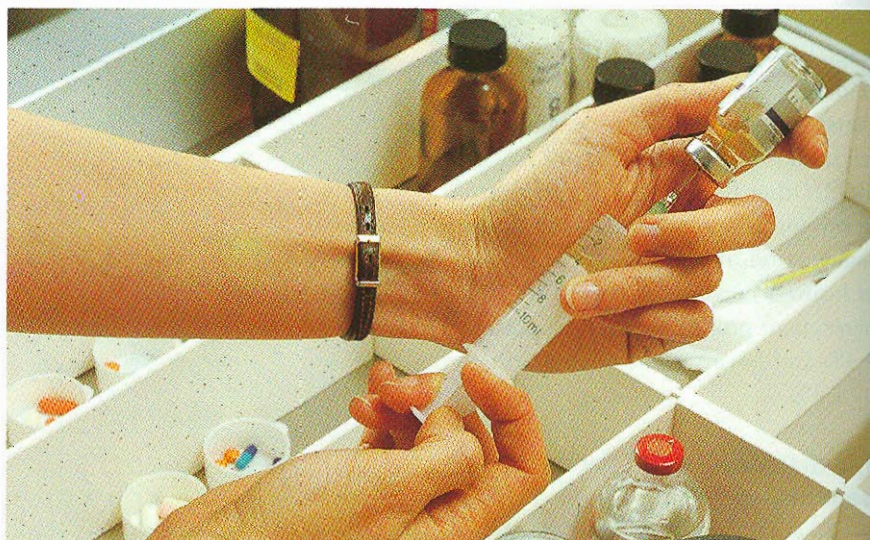
vivors' function increased from 43.4% to 44.8% of the total. This is linked to the ageing population and more generous pension benefits. The share assigned to health functions decreased slightly: after being 37.5%

Social protection benefits in the EU in 1992 (%)



Health	36.6
Old age	44.8
Family/maternity	7.8
Unemployment/promotion of employment	7.2
Other	3.6

SOCIAL PROTECTION



Average level of old age/survivors' benefits per person aged 65 years or over (PPS, EUR 12 = 100)

	1980	1992
B	110.5	103.9
DK	94.9	87.9
D	122.9	109.5
GR	40.7	52.5
E	61.6	61.1
F	115.3	117.2
IRL	45.9	44.9
I	123.4	135.6
L	152.6	172.0
NL	123.8	116.8
P	28.9	36.8
UK	75.7	79.6

in 1980, it was 36.6% in 1992. Over the same period, the family/maternity function declined more sharply, from 10.5% to 7.8%, while the share of the unemployment/employment function increased, from 6.4% in 1980 to 7.2% in 1992.

The old age/survivors' function

Expenditure on old age/survivors' benefits increased in real terms by 50.8% between 1980 and 1992. For EUR 12, the real increase in old age/survivors' benefits during this period was greater than in social protection benefits overall (50.8% and 46.1% respectively). In the individual countries, this trend was repeated in Italy, Belgium, Greece, the Netherlands and Luxembourg, while in Germany, Ireland and the United Kingdom, real expenditure on old age/survivors' benefits rose consid-

erably more slowly than total social protection expenditure.

The average benefit per person aged 65 years or over can be interpreted as an indicator of the generosity of the systems introduced by the various countries, even if the retirement age in some Member States is under 65 years (thus in Italy, before the 1992 reform, the retirement age was 60 years for men and 55 years for women).

This indicator makes it possible to identify three groups of countries: those with more generous protection Luxembourg and Italy, those with less protection — Portugal, Ireland, Greece and Spain — and, finally, the countries falling between these two extremes. During the last decade, disparities between Member States have declined: in 1992, the divergence between the maximum and

minimum indicator levels, expressed in PPS, was 4.7, as against 5.3 in 1980.

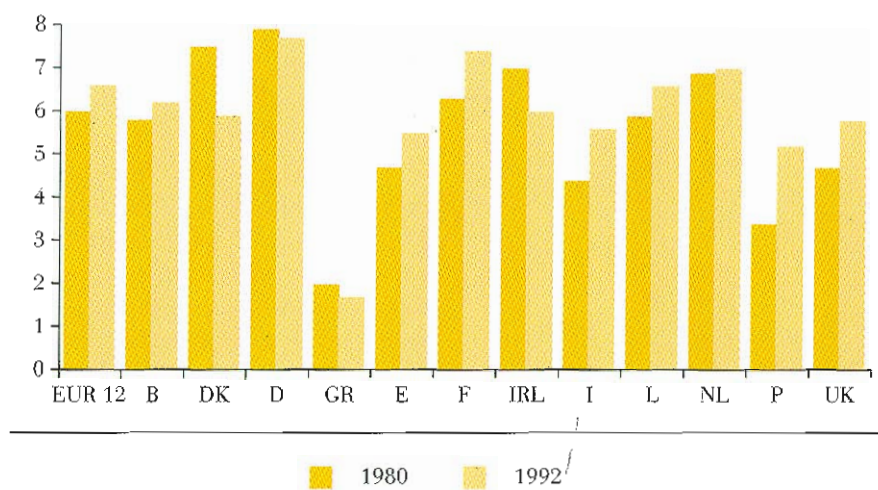
The health function

In the Member States of the European Union, an average of 25% of total expenditure on social protection benefits is assigned to health. In 1992, each inhabitant received average annual sickness benefits amounting to the equivalent of ECU 1 056. Five Member States exceeded this average, including Germany with a rate 50% and France and Luxembourg with rates approximately 27% above the average. The southern countries, in particular Greece, Portugal and Spain, record lower sickness benefit levels.

In the period 1980-92, the share of GDP devoted to health decreased in four Member States, namely Denmark, Germany, Ireland and Greece (the figures for Greece should be interpreted with caution, owing to some methodological problems). Consequently, expenditure on health grew less rapidly than the gross domestic product. While this proportion remained rather stable in the Netherlands, it increased in the other countries.

This trend is hardly surprising in Spain, Italy, Portugal and the United Kingdom, in view of the lower initial level of social protection expenditure on health and the gradual introduction of collective benefits in the southern countries (introduction of a national health system). In contrast, despite their efforts, France and Luxembourg have not succeeded in controlling the growth of this expenditure, which has continued to increase not only in absolute terms, but also as a proportion of the national wealth.

Social protection expenditure on health as a proportion of GDP (%)



The unemployment function

Total expenditure on unemployment benefits increased by 24.7% in real terms between 1989 and 1992. This is a reversal of the trend observed during the period 1984-89, when expenditure dropped by 14.2%.

These figures include all forms of benefits in kind paid to unemployed persons. Apart from insurance and unemployment benefits, they include severance pay and special payments made to workers in the event of temporary stoppages or short-time working.

In Denmark, the Netherlands and Belgium, expenditure on unemployment benefits was very high (3.7, 2.7 and 2.6% of GDP respectively), while the unemployment rate was close to the European Union average, or 9.4% of the active population. In contrast, Italy spent less than 0.5% of its GDP on unemployment benefits, while recording an unemployment rate higher than the European average.

SOCIAL PROTECTION

Expenditure per unemployed person (in PPS) was highest in Denmark, the Netherlands and Belgium. It was lowest in Italy and well below the European average in Greece, Portugal and the United Kingdom.

Between 1989 and 1992, expenditure on unemployment benefits increased more rapidly than the unemployment rate. For example, total expenditure per unemployed person more than doubled in Portugal and increased by almost 48% in Luxembourg.

Minimum guaranteed income

In most Member States, social assistance benefits may be granted on an individual basis to those whose financial resources are not adequate for their basic needs. This type of benefit is known as 'revenu minimum d'insertion (RMI)' in France, 'Income Support' in the United Kingdom or 'Minimex' in Belgium.

In the countries of northern Europe, any person devoid of resources may receive assistance under a national scheme. In southern Europe, the citizen must rely on allowances paid by various non-profit making bodies or local authorities, which determine the amounts at their discretion.

Luxembourg awards the highest allowances, but the United Kingdom and Denmark have the highest total expenditure as a percentage of GDP

Guaranteed minimum monthly income in 1992 (ECU)

	Single person	Couple
B	450	600
DK	372	745
D	241-275 ¹	433-494 ¹
GR	-	-
E	-	226
F	316	474
IRL	302	497
I	188-313 ¹	251-439 ¹
L	649	872
NL	533	761
P	-	-
UK	249	391

¹ Varies by region. The figures for Spain and Italy are only indicative.

and per capita (1.3% of GDP and 197 PPS per capita in the United Kingdom and 0.9% of GDP and 144 PPS per capita in Denmark).

Expenditure on unemployment benefits in 1992

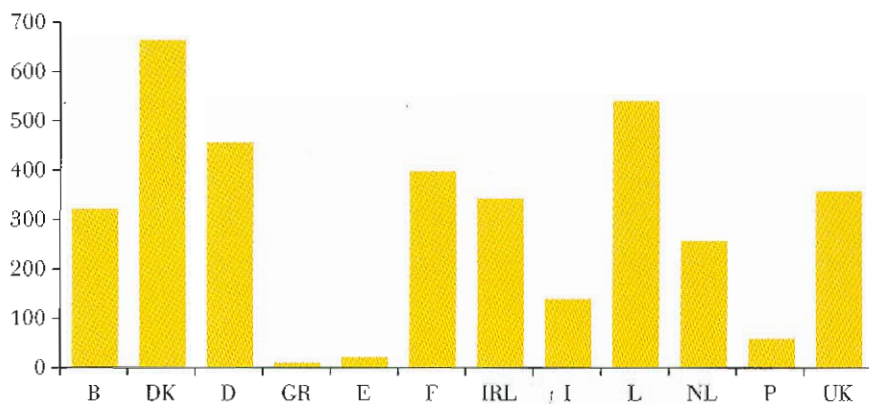
	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
Expenditure as a % of GDP	2.62	3.69	1.06	0.96	3.71	1.75	2.56	0.41	0.23	2.65	0.55	1.23
Expenditure per unemployed person (PPS)	6 717	13 308	11 050	1 743 ¹	6 159	7 034	4 251	1 592	6 151	13 110	2 717	3 690

¹ 1991 data.

The family function

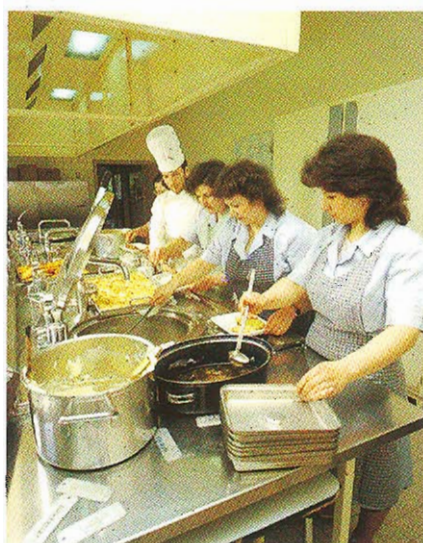
In Greece, Spain, Portugal and Italy, total benefits received by households to educate children and to support other family members is well below the average for the European Union, which was ECU 292 per capita in 1992. In Belgium, Ireland and the United Kingdom levels are relatively close to the Union average. Benefits well above the average are paid in the Netherlands, France, Germany and particularly in Luxembourg (ECU 541) and Denmark (ECU 665).

Family benefits per capita
in 1992 (ECU)



PRICES AND PRICE TRENDS

The consumer price index is used as an indicator of inflation even though the level of inflation is not determined solely by consumption but by trends in all components of GDP, including investment and foreign trade. Consumer prices are, however, the only relevant index which is readily available in its entirety, thus enabling inflation to be assessed on a monthly basis.



Trends in the price index

The consumer price index for the European Union rose on average by about 4% per annum over the last four years (August 1994 compared with August 1990).

Since the beginning of the 1990s there has been a clear deceleration of annual inflation for the EU as a whole (1990 = 5.7%, 1991 = 5.0%, 1992 = 4.3%, 1993 = 3.4%, 1994 = 3.0%). However, these average figures for the European Union conceal large disparities between different Member States and between major consumer groups: for example, infla-

tion rates for the four years varied from 8% in Denmark (the lowest level), between 10 and 16% in Ireland, Belgium, the Netherlands, France, Luxembourg, the United Kingdom and Germany, between 20 and 25% in Italy and Spain, 36% in Portugal and 75% in Greece, the highest rate. Inflation rates in the applicant Member States ranged from 10 to 20% during the same period.

Food prices in the EU rose by 14%, resulting from increases in the Member States which ranged between 3% in France and 73% in Greece.

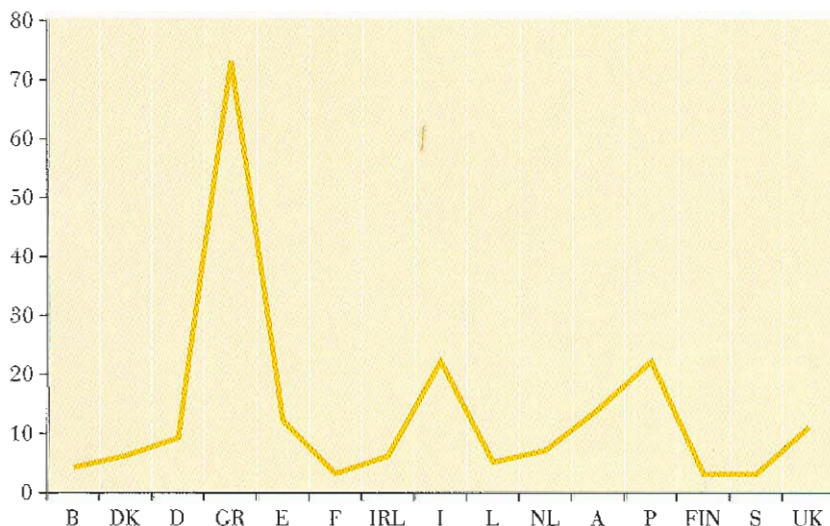
Prices for beverages and tobacco went up by 28% across the EU as a whole, as prices rose by a mere 3% in Denmark but surged by 110% in Greece.

Rent, fuel and power indices remained unchanged in the United Kingdom between 1990 and 1994, while they almost doubled (an increase of 95%) in Greece.

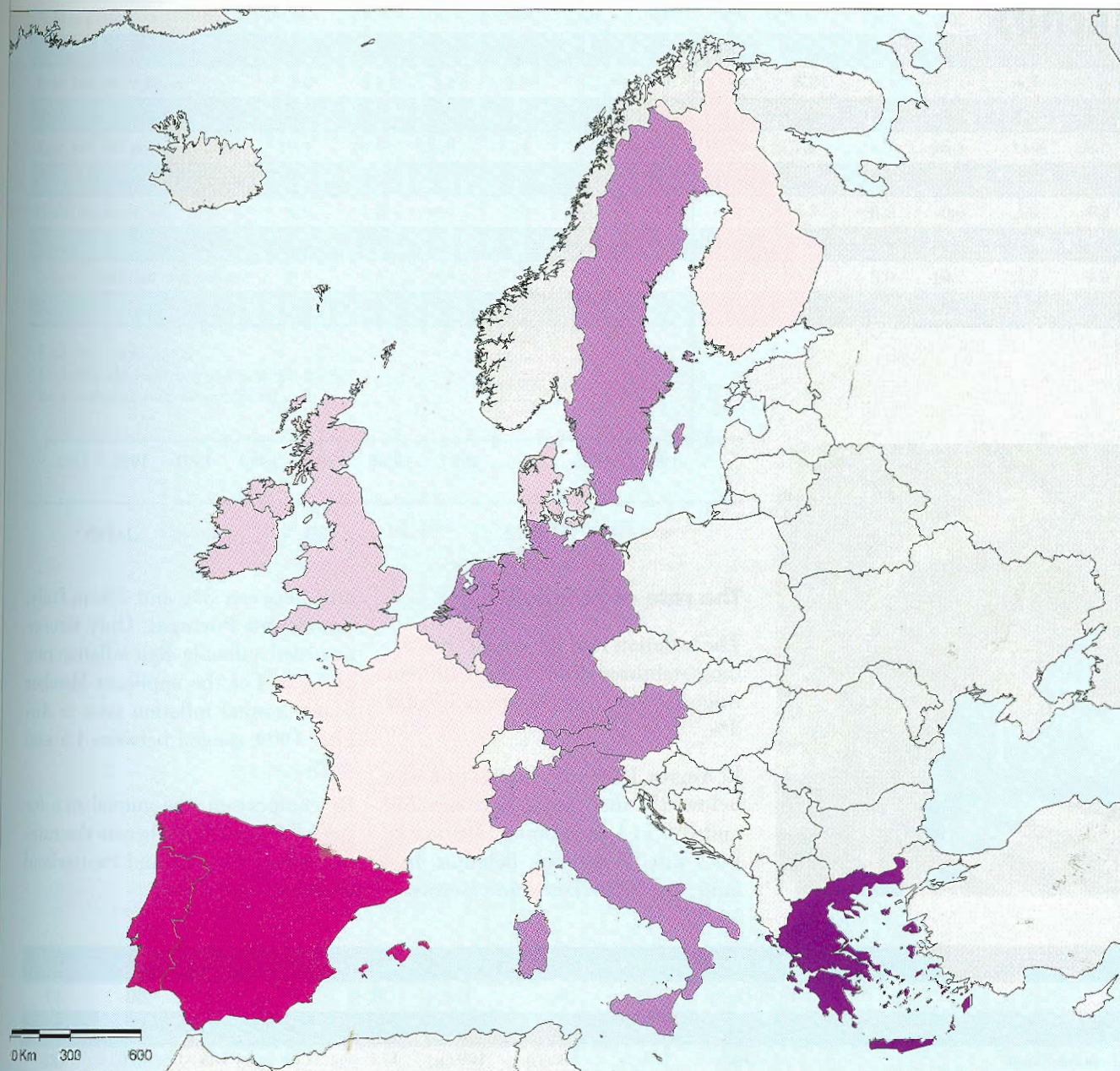
The weighting used in national consumer price indices reflect large differences in consumption patterns. Food products account for 39% in Portugal but only 13% in the United Kingdom.

Housing amounts to 29% in the Danish index and 8% in Italy; health expenditure accounts for 9% in the French index, against 0.6% in the Netherlands index.

Rate of increase in food prices, 1990-94 (August) (%)



Annual inflation rates*, 1994



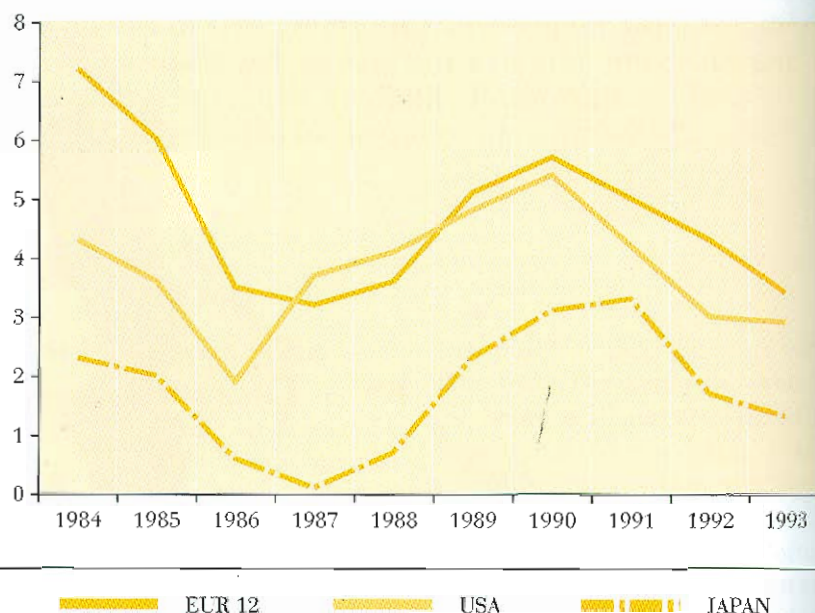
Thresholds (in %)

■ > 10.0	■ 2.0 to 2.5
■ 4.0 to 10.0	■ ≤ 2.0
■ 2.5 to 4.0	

* Refers to the period August 1993/August 1994.

PRICES AND PRICE TRENDS

Annual inflation rate (%)
(year-on-year annual average)



The rate of inflation

The inflation rate for the EU has almost stabilized; from August 1993 to August 1994 it was between 3.5 and 3%.

In August 1994, the annual rate was below 2% in France, between 2% and 3% in Luxembourg, Denmark, the United Kingdom, Belgium, Ireland, the Netherlands and Germany

and between 3% and 5% in Italy, Spain and Portugal. Only Greece recorded a double digit inflation rate of 11%. For the applicant Member States annual inflation rates in August 1994 ranged between 1.5 and 3.5%.

By comparison, the annual rate for the USA was 3%, whereas the rates for Japan, Canada and Switzerland were less than 1%.

Consumer price indices in August 1994 (1990 = 100)

	EUR 12	B	DK	D	GR	E	F	IRL	I
General index	117	112	108	116	175	124	110	111	122
Food products	114	104	106	109	173	112	103	106	122
Beverages and tobacco	128	116	103	112	210	134	124	118	123 ¹
Clothing and footwear	115	113	101	110	154	131	105	105	119
Rent, fuel, power	123	114	111	118	195	135	121	109	125
Household goods and services	113	109	106	112	148	119	108	109	119
Transport and communications	120	111	110	118	183	127	112	106	123
Leisure, education and culture	116	107	109	111	175	120	114	115	118
Other goods and services	122	119	108	120	170	112	114	118	125

¹ Excluding tobacco.

² Excluding strong alcoholic beverages and tobacco.

Share of consumer product categories in the general price index (%)

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
Reference year	1987/88	1991	1985	1988	1991	1993	1989	1989/90	1987	1985	1989/90	1993
Food	16.5	14.5	17.8	29.0	26.2	17.5	21.2	19.6	18.4	14.9	39.2	13.2
Beverages and tobacco	3.6	6.6	5.2	3.9	3.2	4.6	16	3.2 ¹	2.1 ²	3.1	4.1	7.2
Clothing and footwear	8.6	5.7	7.0	14.3	11.5	7.4	6.8	10.8	13.1	7.2	9.4	5.8
Rent, fuel and power	19.4	28.5	25.0	11.4	10.3	10.9	13.1	7.6	13.7	26.1	11.8 ³	20.3
Household goods and services	7.9	6.5	7.2	8.0	6.7	8.4	6.2	10.6	10.1	8.0	7.7	7.7
Health expenses	4.9	1.8	4.1	7.8	3.1	9.1	2.6	6.7	8.2	0.6	3.0	1.8
Transport and communication	16.5	17.1	14.4	13.7	16.5	19.3	15.2	13.5	14.9	14.4	16.1	17.9
Leisure, education and culture	8.3	9.5	8.4	9.4	7.3	8.2	6.0	10.0	8.0	10.7	3.9	9.0
Miscellaneous goods and services	14.3	9.8	10.9	2.5	15.3	14.6	12.8	18.0	11.5	15.0	4.9	17.1

¹ Excluding tobacco.² Excluding alcoholic beverages and tobacco.³ Rents included but not published.

Consumer price indices in August 1994 (1990 = 100)

L	NL	A	P	FIN	S	UK	USA	
113	113	116	136	112	121	115	114	General index
105	107	114	122	103	103	111	108	Food products
121 ²	118		140	119	122	136	117	Beverages and tobacco
103	87	115	140	113	99	101	108	Clothing and footwear
116	120	119	144	100	138	100	113	Rent, fuel, power
114	106	115	148	112	109	111	107	Household goods and services
116	114	112	145	122	127	123	111	Transport and communications
107	105	124	132	116	112	117	113	Leisure, education and culture
117	113		139	112	126	128	124	Other goods and services

¹ Excluding tobacco.² Excluding strong alcoholic beverages and tobacco.

HOUSEHOLDS' CONSUMPTION EXPENDITURE

In 1988, an estimate based on the results obtained from the family budget surveys put the consumption of an average household residing in the European Union (EUR 12) at ECU 17 160 per annum. Almost half its budget (43%) is spent on basic necessities (food and housing). However, this situation conceals major disparities between the various Member States in both the level and structure of consumption.

Consumption expenditure

The use of the purchasing power standard (PPS) eliminates distortions due to price levels in different countries and is therefore very suitable for international comparisons. Furthermore, measuring consumption by adult equivalent has the advantage of taking account of the size and composition of households by attributing a specific coefficient to each member.

We then get quite a clear distinction between the countries which reach or exceed the Community average (the

Netherlands, Belgium, the United Kingdom, Denmark, Germany, France and Luxembourg) and the countries of southern Europe (Italy, Greece, Spain, Portugal) and Ireland which have a lower estimated level of consumption. With consumption expenditure per adult equivalent of slightly more than 4 600 PPS, Portugal has the lowest average living standard. At the other extreme, Luxembourg (almost 12 000 PPS) and to a lesser extent France and Germany (between 9 400 and 10 000 PPS) are the three countries with the highest living standard.



Consumption expenditure in 1988 (base 100 = average per country)

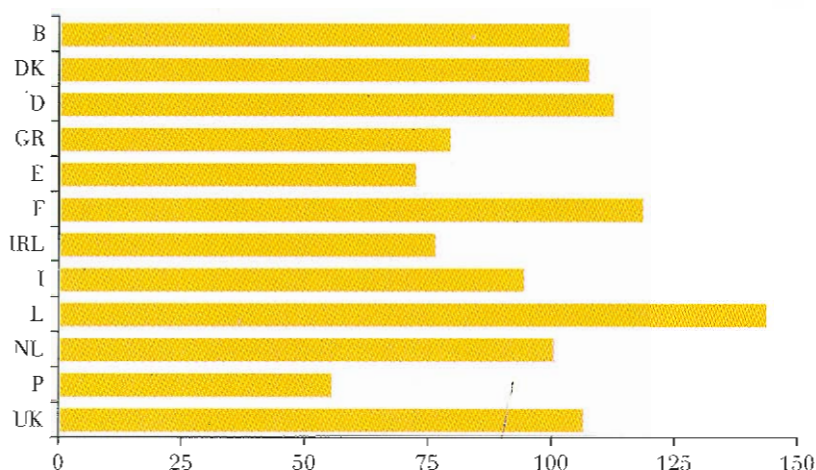
	Manual workers	Non-manual workers and administrative staff	Self-employed persons	Farmers	Unemployed persons	Retired persons	Others
B	90	116	99	70	66	101	94
D	84	115	129	80	69	98	73
GR	93	125	115	75	99	83	103
E	85	113	105	76	75	95	106
F	101	120	124	83	72	95	80
IRL	95	131	129	93	64	100	79
I	89	119	115	81	:	92	88
L	73	114	107	70	:	98	103
NL	85	109	112	83	80	107	88
P	92	146	130	70	65	80	62
UK	88	128	98	84	66	81	77

DK not included.

Consumption patterns

In most countries, consumption expenditure on food and housing accounts for between 40% and 50% of the household budget. However, the breakdown between these two functions reveals fundamental differences. Generally speaking, as the standard of living increases, so the share of expenditure devoted to food tends to fall. Thus, expenditure on food still represents more than one quarter of consumption in the southern countries of the European Union and in Ireland, whereas it accounts for less than 20% in all the other countries (Belgium, Denmark, Germany, France, Luxembourg, Netherlands, United Kingdom). For the second category of countries, the most important budget item is housing.

**Consumption expenditure by adult equivalent in 1988
(EUR 12 = 100)**



**Pattern of consumption expenditure in the new
Member States (%)**

	Austria ¹	Finland ²	Sweden ²
Food	20.1	21.6	19.6
Clothing	10.6	6.9	6.1
Housing	21.6	23.5	22.8
Furniture	8.6	4.7	6.1
Health	3.2	1.7	3.3
Transport	15.7	16.7	16.1
Leisure	8.4	9.2	8.7
Other	11.8	15.7	17.3

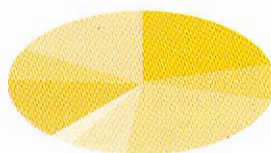
¹ 1984. ² 1988. ³ 1990.

Pattern of consumption expenditure in 1988 (%)

	EUR 12	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
Food	20.7	18.7	18.2	19.1	25.6	28.6	16.7	27.3	25.4	17.4	15.5	34.5	17.2
Clothing	7.7	6.4	4.8	7.4	12.6	10.7	5.7	6.7	9.5	7.8	6.8	9.3	6.9
Housing	22.7	24.3	30.5	20.6	20.2	19.5	29.2	15.7	19.4	25.6	23.2	14.2	24.1
Furniture	7.1	7.1	5.3	7.8	8.0	6.5	7.5	5.1	7.7	8.7	7.2	7.4	5.8
Health	3.2	4.2	1.9	4.7	4.5	2.4	5.1	1.4	2.1	4.3	1.8	2.9	1.1
Transport	14.2	12.1	16.2	14.7	10.5	12.8	16.1	12.3	16.4	12.2	12.3	16.3	11.2
Leisure	7.2	6.1	7.2	8.9	5.7	5.7	5.7	7.8	6.3	7.6	9.4	3.7	8.3
Miscellaneous goods and services	17.3	21.0	15.9	16.8	12.9	13.8	14.0	23.7	13.2	16.4	23.9	11.7	25.5

HOUSEHOLDS' CONSUMPTION EXPENDITURE

Pattern of consumption expenditure in the EU in 1988 (%)



Food	21
Clothing	8
Housing	23
Furniture	7
Health	3
Transport	14
Leisure	7
Miscellaneous goods and services	17

Income and consumption

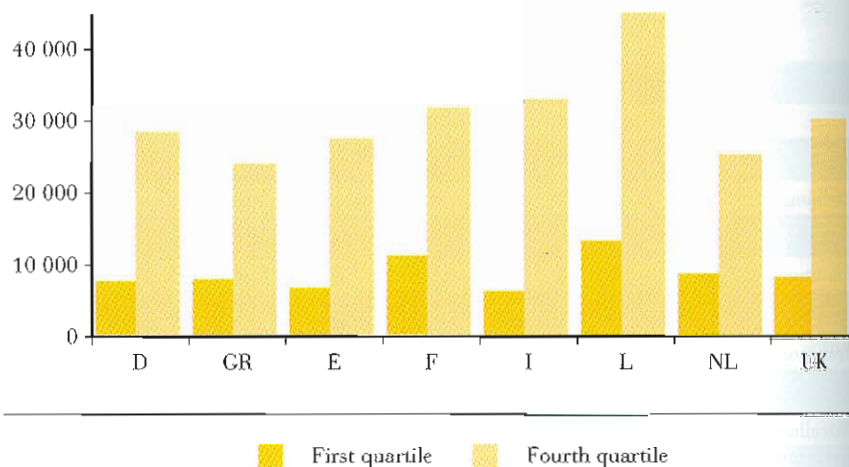
A higher income makes it possible to spend more but also offers greater freedom of consumer choice. Thus, in most countries, the poorest households spend between 40% and 70% of their income on food and housing. The households with larger budgets can choose to vary their purchases; for example, they spend twice as

much on transport as do low-income households.

In value terms, the significance of these differences becomes clear when households are classified by income quartile (25% share): the 25% of households with the highest income consume between three and five times more than the 25% of low-income households.

It is also apparent, when households are classified by descending order of consumption, that the 50% of households with the lowest budget account for only between 26% and 34% of total consumption. Consequently, the 50% of households with the highest living standard undertake about 70% of consumption. Living standards are most unequal in Italy and least unequal in the Netherlands, France and Greece.

Difference in consumption between the first and fourth income quartile¹ in 1988 (PPS by household)



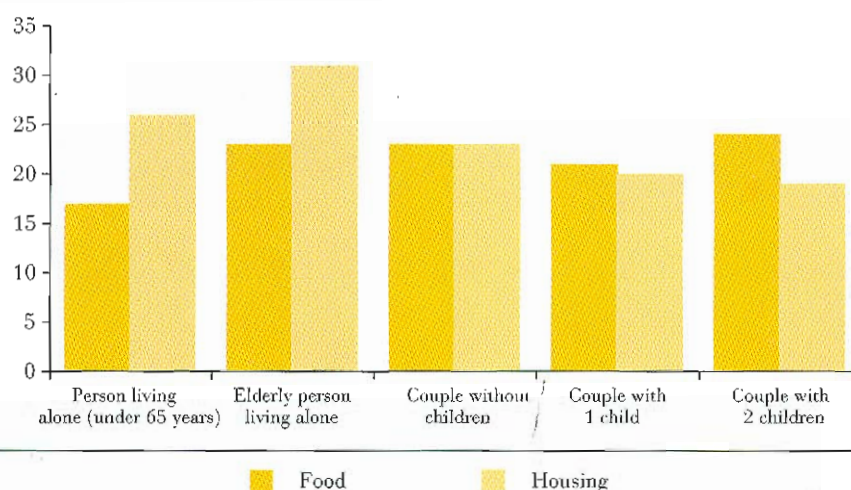
Consumption and socioeconomic categories

Family budget surveys make it possible to classify households according to the socioeconomic category of the reference person. This classification reveals that, generally speaking, non-manual workers (white-collar workers and administrative staff) and self-employed persons have a higher than average living standard in almost all countries; in contrast, households where the head is a manual worker, farmer or unemployed person are in a far less privileged position and record a consumption level which rarely exceeds the national average.

Consumption and type of household

The structure of consumption reflects the different living standards of the various types of household. If households of one person under 65 years of age spend only 17% of their budget on food, this is partly because of their significant use of catering services. In contrast, consumption on housing represents a not insignificant burden (more than one quarter of consumption expenditure) for persons living alone, irrespective of their age. The pattern of consumption expenditure for couples with children is characterized by a food expenditure share which increases between the first and second child, housing expenditure below that of other categories of households and finally, substantial budget input on transport (about 15%).

Share of expenditure on food and housing by type of household in 1988 — EUR 12¹ (%)



¹ Excluding DK, D, IRL, L, P.



HOUSEHOLDS' CONSUMPTION EXPENDITURE

Family budget surveys

These are conducted in all the countries of the European Union at different intervals. To obtain comparable data, Eurostat has worked for many years at harmonizing the family budget surveys. Thus it has been possible to introduce a five-year reference period and to adopt a certain number of common concepts, including that of consumption expenditure. This concept covers:

- payments (with the exception of savings, investments and interest);
- the own-production of households and a certain number of benefits in kind;
- the notional rent for certain categories of households.

In view of the recent accession of Austria, Sweden and Finland to the European Union, it is probable that the results of these countries' surveys are not totally consistent with Eurostat's standards. For this reason we preferred to display them separately. In Sweden, for example, households where the head is 75 years or over are not included in the results. Similarly the process for calculating expenditure per equivalent adult differs from the Eurostat method in two of the countries. In Sweden, the following coefficients are used:

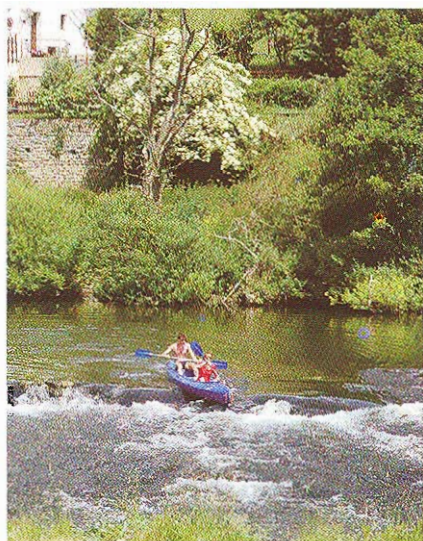
- person living alone: 1.16;
- couples: 1.92;
- other adults: 0.96;
- children up to 3 years: 0.56;
- children between 4 and 10 years: 0.66;
- children between 11 and 17 years: 0.76.

In Finland, a person is considered an adult at 18 years (and not at 14 years) and consequently, the values attributed are:

- first adult: 1.0;
- other adults aged 18 years or over: 0.7;
- children: 0.5.

Furthermore, the PPS rates used for these three countries are based on calculations made in US dollars in the OECD publication of national accounts. They relate to final private consumption and not to final household consumption.

Finally, the Austrian data were collected in 1984 and the data for the Finnish survey were collected in 1990. Consequently, the consumer price index was used to compare these figures for 1988.



Consumer expenditure in the new Member States

Per adult equivalent, consumer expenditure in 1988 expressed in ecus was about ECU 9 100 in Austria, ECU 9 800 in Sweden and ECU 11 100 in Finland, placing these three

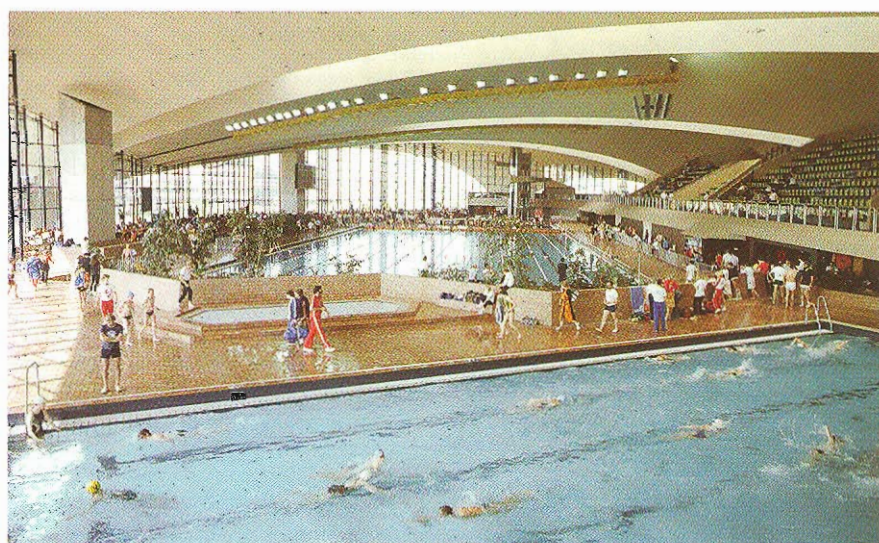
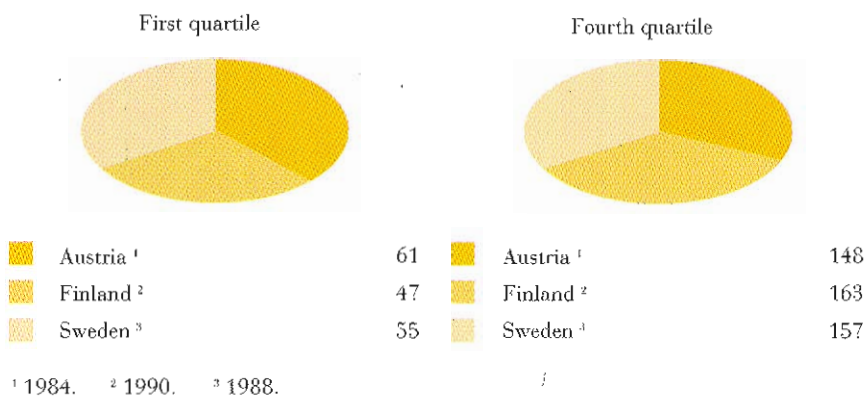
Member States among the group of European Union countries with the highest consumption expenditure. When price differences are eliminated using the purchasing power standard (PPS), the classification changes considerably. Then the level of consumption expenditure per

adult equivalent is 12% higher in Austria than in Sweden, while Finland lies between the two.

The structure of consumption expenditure of the three new countries of the European Union is relatively similar to that recorded in most of the other Member States. The only notable exception is Austria, where expenditure on clothing is substantially higher than for its main European partners, this being offset by a lower budget share devoted to 'other expenditure' (this mainly includes restaurant services, tourist trips, etc.).

As in the other countries of the Union, income level has a major impact on the level of consumption expenditure. Austria is somewhat unique since 25% of the richest households consume only 2.4 times more than the 25% of poorest households, representing the smallest differential among the 11 countries for which this type of data is available.

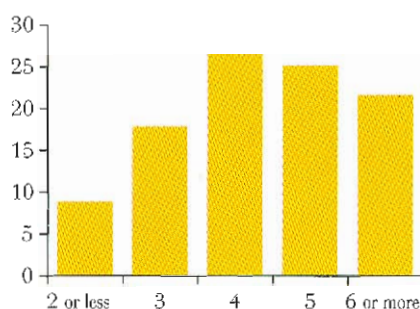
**Consumption differential between the first and fourth income quartile in the new Member States
(base 100 = household average)**



HOUSING

In 1988, half of all households in the European Union lived in one-family houses. Simultaneously, the trend in the 1980s in almost all countries was towards a greater level of owner-occupation. Dwellings vary considerably between countries in terms of amenities, measured principally by ownership of certain durable goods, while the general trend is towards a higher level of amenities.

Dwellings by number of rooms in 1988-EUR 12¹ (%)



¹ Spain is not included.

Types of housing

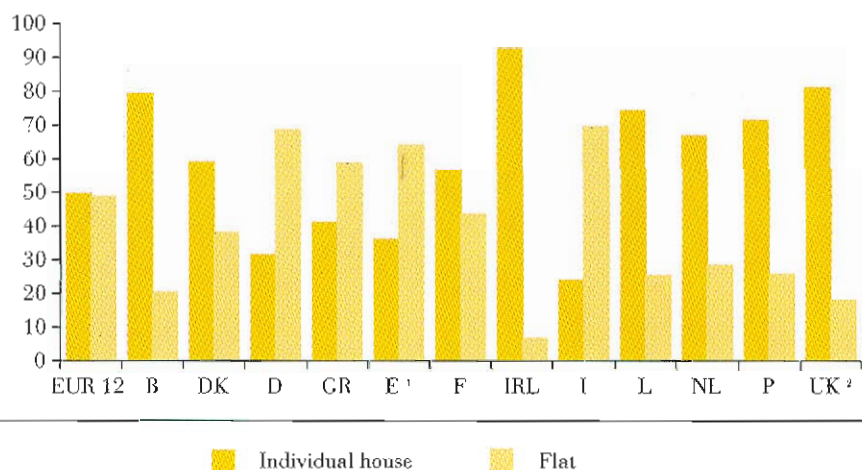
In 1988, a large number of European households lived in one-family dwellings. This phenomenon is particularly noticeable in Ireland, the United Kingdom and in Belgium, involving 92%, 81% and 79% of households respectively. In contrast, the majority of Italian and German households have opted to live in flats. The choice between one-family house and flat is closely linked to the degree of urbanization.

Ownership status

About 60% of dwellings were owner-occupied in 1988, compared with just over 50% in 1980. This increase is particularly noticeable in the United Kingdom (66% owner-occupation in 1988 compared with 54% in 1980) and in Italy (from 56% to 66%). Ireland, Luxembourg, Spain and Greece have the highest proportion of owner-occupied dwellings (about three households out of four).

The possibility of owner-occupation varies considerably by type of household and life cycle. Households comprising one adult living alone aged under 30 years do not have sufficient resources to become owners; consequently, three quarters of them rent their dwellings. In contrast, the majority of households comprising a couple with or without children own their dwellings in all countries, with the exception of the Netherlands.

Households by type of dwelling in 1988 (%)



¹ Family budget survey 1990.

² Family budget survey 1992.

Amenities

In 1988, more than half of European households lived in dwellings with four or five rooms. Despite a significant drop between 1980 and 1988, the proportion of households in dwellings with one or two rooms is still 9%. This type of dwelling is par-

ticularly widespread in Denmark, Greece and Italy, whereas it is rare in the United Kingdom, Luxembourg, Belgium and Ireland.

At present all households in the European Union have basic amenities such as toilets and bathrooms. On the other hand, possession of a personal telephone is not universal, being available in only 82% of dwellings on average. While Luxembourg, Dutch and Danish households are well equipped (more than 94%), this is far from the case for the Portuguese (41%) and the Irish (54%).

Households by number of rooms in dwelling in 1988 (%)

	2 or less	3 to 5	6 or more
EUR 12 ¹	9	69	22
B	3	53	44
DK	21	65	14
D	8	76	16
GR	15	80	5
F	16	66	18
IRL	4	50	46
I	11	77	12
L	3	47	50
NL	5	61	34
P	6	74	20
UK	2	62	36

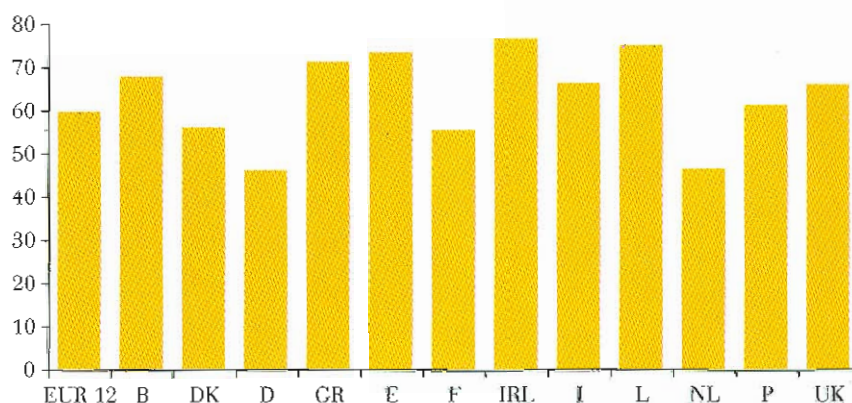
¹ Spain is not included.

Households by number of rooms — new Member States

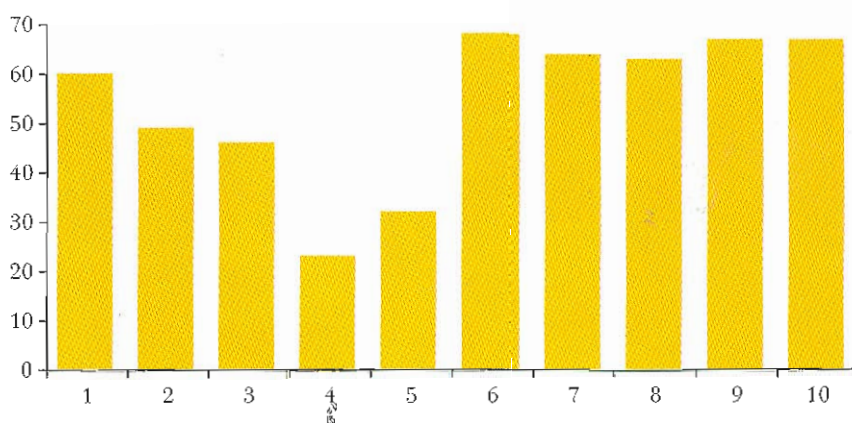
	A ¹	FIN ²	S ³
2 or less	15	24	31
3	23	23	23
4	28	22	19
5	18	18	16
6 or more	16	13	11

¹ 1991. ² 1990. ³ 1988.

Owner-occupier households in 1988 (%)



Owner-occupation by type of household in the EU in 1988 (%)



- 1 = Total households
 2 = Person living alone (aged over 65 years)
 3 = Person living alone (aged between 30 and 64 years)
 4 = Person living alone (aged less than 30 years)
 5 = Person living alone (with children)
 6 = Couple (aged 65 years and over) without children
 7 = Couple (less than 65 years) without children
 8 = Couple with one child
 9 = Couple with two children
 10 = Couple with three or more children

EUR 12

- 60
49
46
23
32
68
64
63
67
67

Undoubtedly, climate accounts for the fact that central heating is much more prevalent in the countries of northern Europe than those in the south.

Between 1980 and 1988, possession of a television, washing machine and

dishwasher increased. For example, ownership of a coloured television set is becoming universal. In 1980, only one household in two had purchased one, whereas 84% of European households owned one in 1988. Despite a considerable increase, the

HOUSING

Housing statistics

The housing statistics presented in this chapter are taken mainly from the family budget surveys conducted in each EU Member State on the basis of representative samples of the total population.

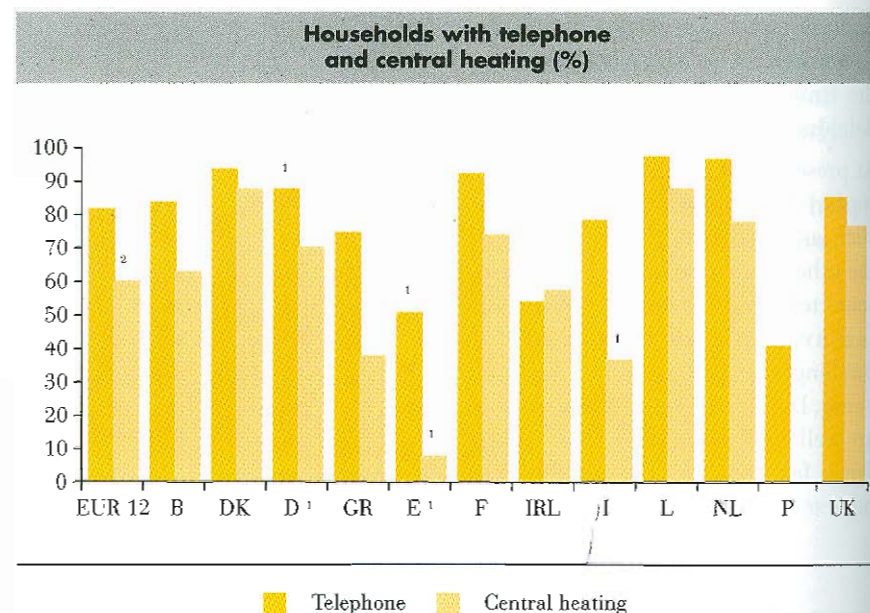
The latest results available to Eurostat have 1988 as the reference year and relate to the surveys conducted between 1987 and 1989.

The figures for the three new Member States were issued directly by the national statistical institutes and the figures for Austria and Finland are more recent than those for the Member States of EUR 12. In addition, they may originate from different sources; thus, the rate of possession of durable goods in Sweden is taken from the survey on living standards.

dishwasher is still not common. With the exception of Italy, its presence is rather marginal in the countries of southern Europe and in Ireland.

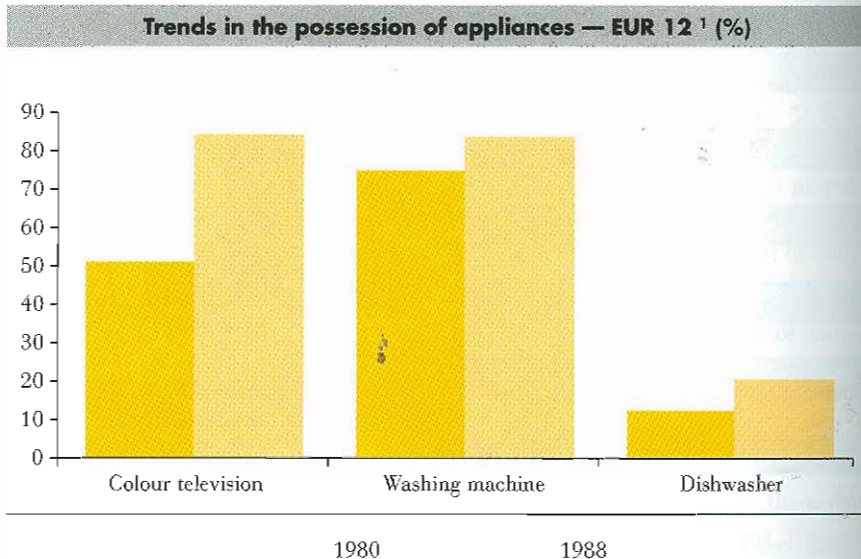
Housing in the new Member States

Like most of their partners in the European Union, the proportion of



¹ 1983.

² Excluding Portugal.



¹ Excluding Spain.

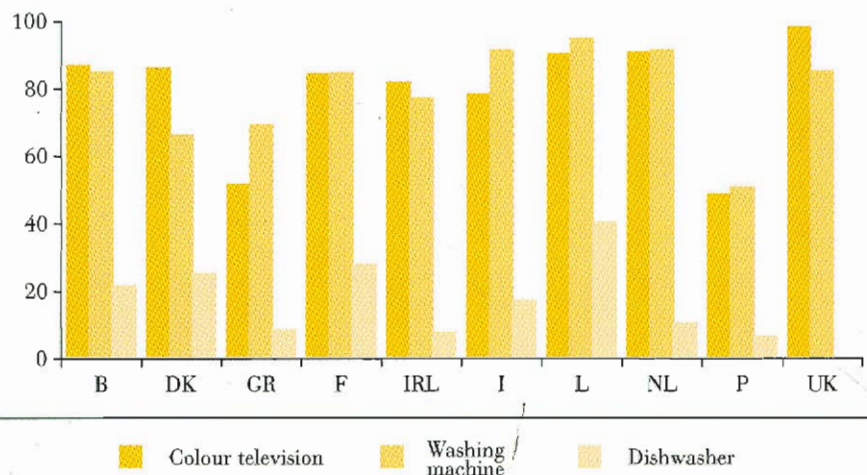
households living in a one-family house in Austria, Sweden and Finland is close to or above 50%. Likewise, most dwellings in these three Member States are owner-occupied, even if the rate in Austria and Sweden is lower than the EUR 12 average. As in the other countries of the Union, the level of owner-occupation is highest among couples.

The share of households with two or fewer rooms tends to be higher than in most other EU countries. This is particularly true in Sweden (one third of households live in small dwellings) owing to the high incidence of one-person households. On the other hand, the percentage of four or five room dwellings is also below 50%, in contrast to the aver-

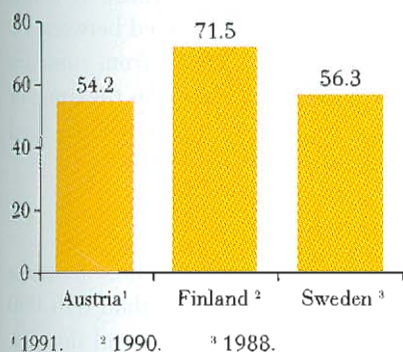
age recorded for the 12 other Member States.

The study of appliance possession in Austria, Sweden and Finland reveals no significant differences between these three countries. Moreover, the rate of appliance possession is similar to or higher than the rates recorded for EUR 12.

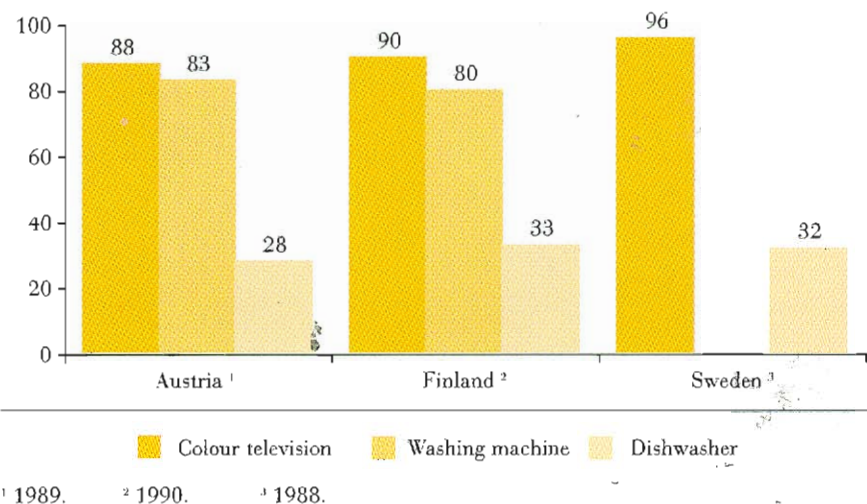
Possession of appliances by country (%)



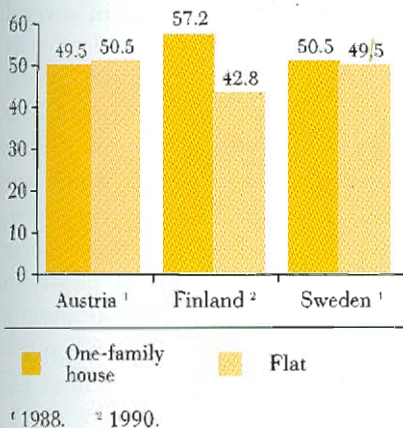
Owner-occupied dwellings in the new Member States (%)



Possession of appliances in the new Member States (%)



Households by type of dwelling in the new Member States (%)



HEALTH

Mortality due to infectious diseases (with the exception of AIDS) has decreased significantly in the European Union and, currently, the most frequent causes of death are cancers and cardiovascular diseases. In 1992, more than 17 000 new cases of AIDS were recorded in the EU. About 7 million people currently work in the health sector in EUR 12.

Mortality and causes of death

Overall mortality has dropped over the past 30 years. In 1990, circulatory disorders were the most frequent cause of death, even if their relative share has dropped substantially since the 1980s. In contrast, deaths linked to cancer have continued to rise. Accidents and disasters account for 6% of deaths among men and 3.6% among women. In 1990, the standardized mortality rate for

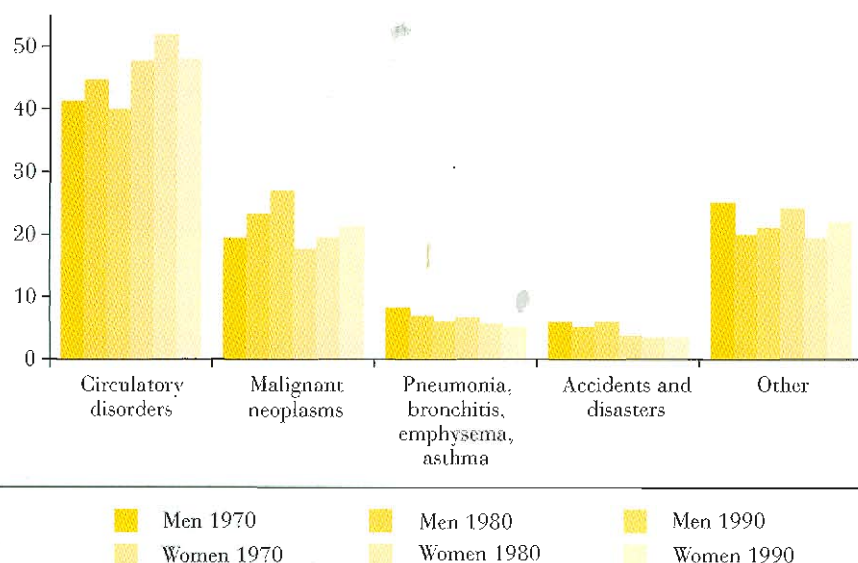
women was lower than that of men in all cases, irrespective of the cause, apart from diabetes where the difference was minimal.

The causes of death vary considerably by age and sex. Violent deaths (suicides and accidents) are the single most important cause of death among young men aged between 15 and 24 years. Death from tumours increases with age and is the cause of 50% of deaths among women aged between 45 and 54 years.

Cancer

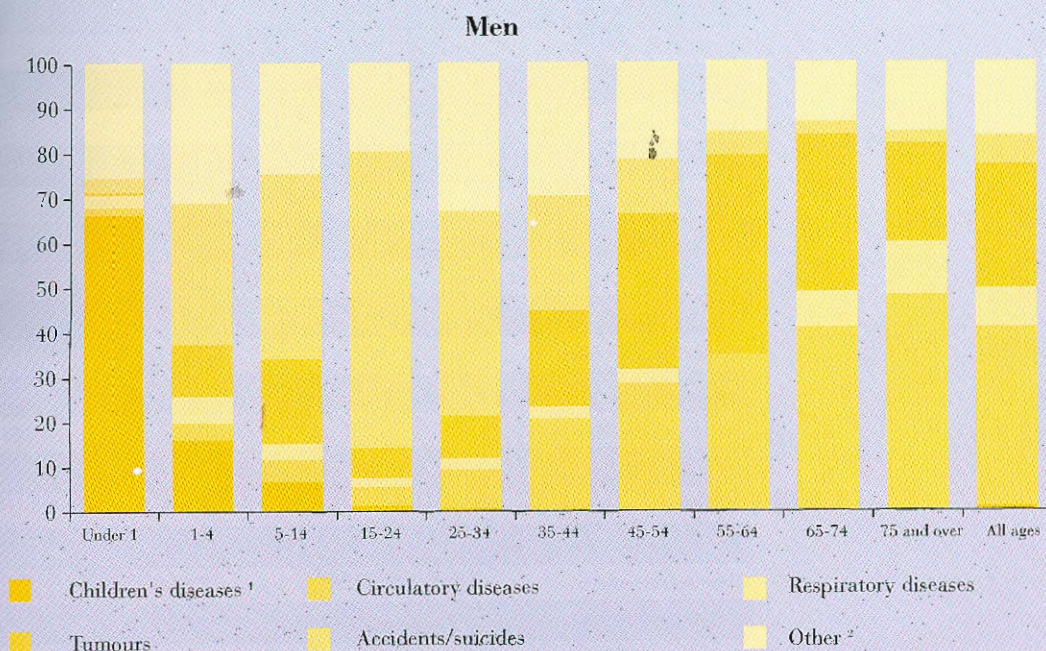
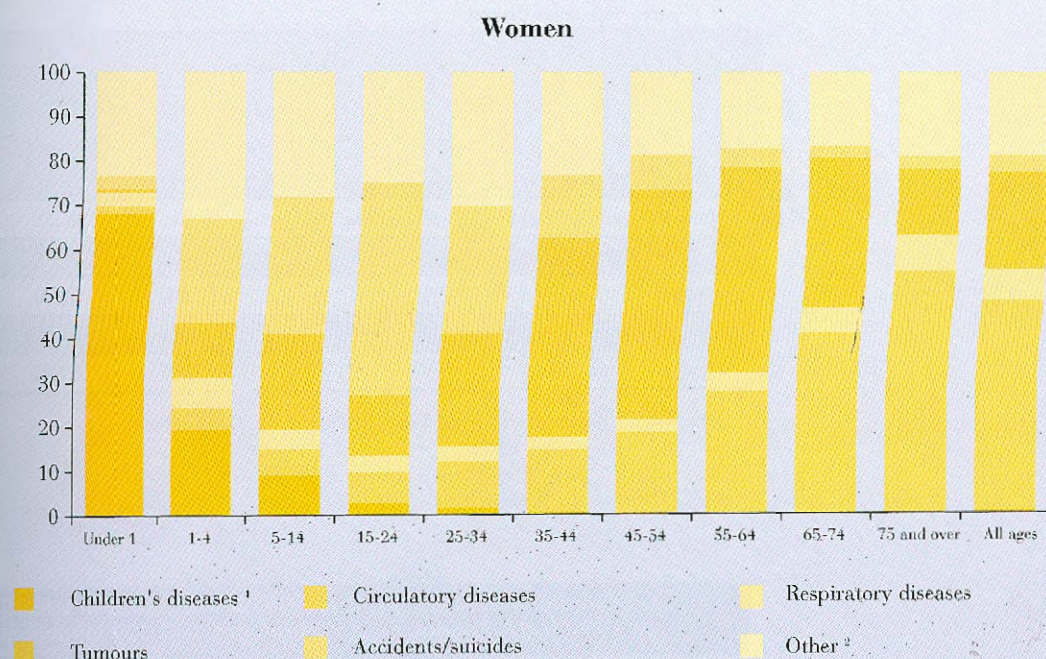
Cancer is the second most frequent cause of death: more than 840 000 persons (one in four) die of this disease every year. In most Member States mortality due to malignant tumours continues to increase: for men in almost all countries and for women in half of them. This trend has spurred the European Union to continue participating in several anti-cancer programmes, the first of which was launched in 1986. Even if fewer men have been dying of lung cancer since the 1980s, in 1990 it was this type of cancer which was most frequently detected in men. Among women, it was breast cancer which occurred most frequently in 1990, but the death rate among women from cancers of the respiratory tract is increasing in most EU countries.

Trends in distribution of mortality by cause of death in EUR 12 (%)



NB: The 1990 data refer to 1988 for Belgium, and to 1989 for Spain and Italy.

Distribution of mortality by cause and age group in 1992 — EUR 12 (%)



¹ Children's diseases includes perinatal illnesses and congenital abnormalities.

² Other includes other ill-defined morbid conditions, infectious diseases and other causes.

Source: *World health statistics yearbook*, 1993.

HEALTH

Standardized mortality rate by cause in EUR 12 in 1990 (per 100 000 inhabitants)

	Total	Men	Women
Total causes	771.22	1 011.64	595.32
Circulatory disorders, of which:	315.99	398.65	254.75
ischemic heart disease	123.32	178.47	82.65
cerebrovascular diseases	87.53	97.70	79.98
Malignant neoplasms, of which:	202.61	277.41	151.19
malignant neoplasms of the gastro-intestinal tract and peritoneum	64.10	86.16	47.86
malignant neoplasms of the lungs and respiratory tract	41.07	77.80	13.88
malignant neoplasms of the breast	-	-	31.69
Chronic bronchitis, emphysema and asthma	16.21	28.20	9.33
Chronic liver diseases and cirrhosis of the liver	16.20	23.93	9.80
Diabetes	15.34	14.96	15.28
Motor vehicle accidents on public highways	14.10	21.82	6.84
Suicides	11.30	17.25	6.10

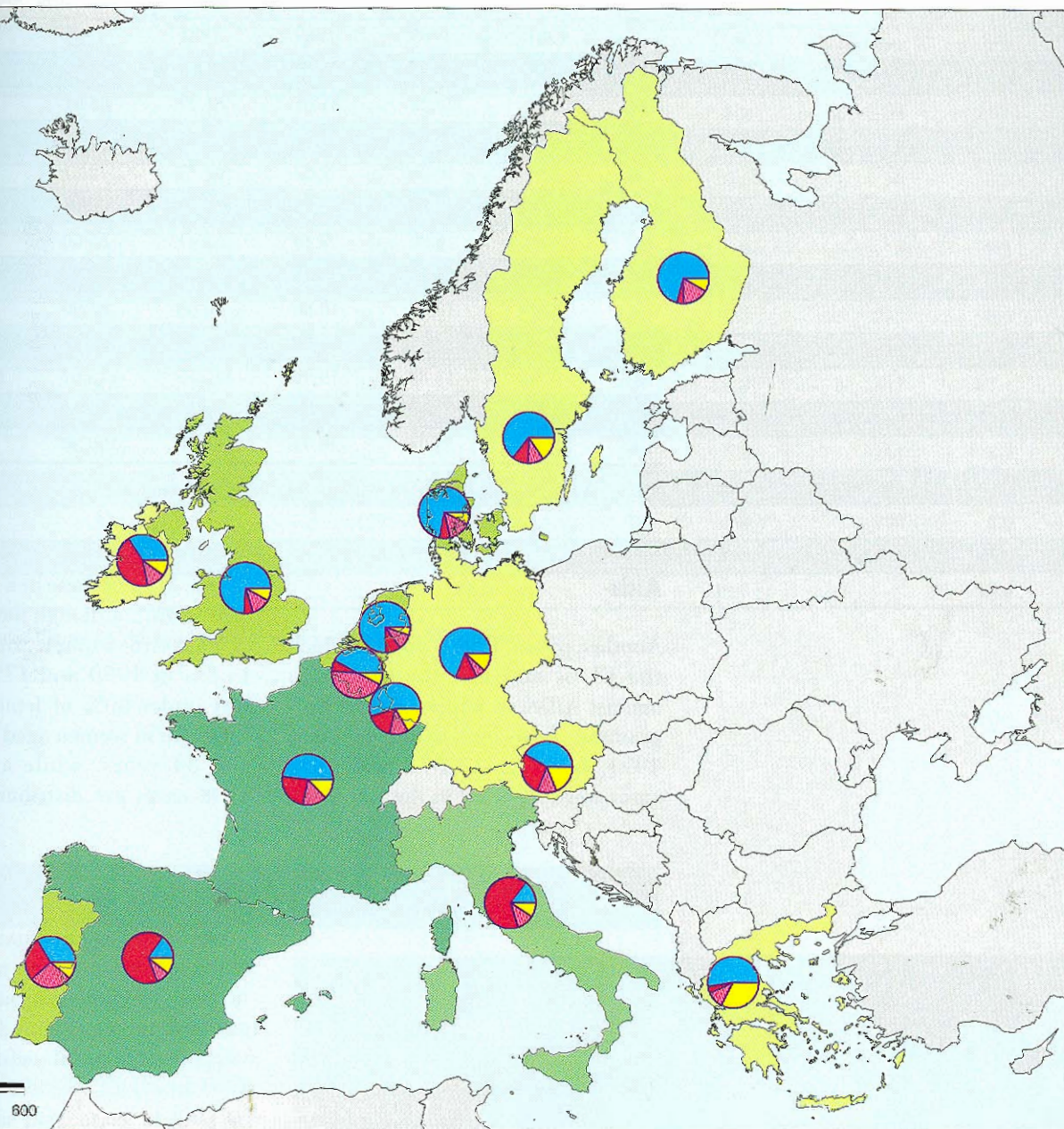
Source: WHO, Regional Office for Europe, 'Health for all' database.

Estimated incidence of different types of cancer in EUR 12 in 1990 (rate standardized by age, per 100 000 inhabitants)

	Men	Women
All cancers	274.4	209.3
Lung cancer	59.3	10.8
Cancer of the colon and rectum	32.2	25.5
Breast cancer	-	58.5
Prostate cancer	28.2	-
Cancer of the stomach	19.1	9.5
Cancer of the bladder	18.7	4.1
Cancer of the mouth and throat	12.8	3.0
Cervical cancer	-	10.1
Cancer of the ovary	-	10.0
Cancer of the womb	-	9.7
Cancer of the larynx	8.8	0.7
Leukaemia	7.7	5.2
Cancer of the kidneys	7.3	3.7
Non-Hodgkin's lymphoma	7.1	4.8
Pancreatic cancer	7.1	4.6
Carcinoma of the oesophagus	6.1	1.6
Liver cancer	5.9	2.4
Melanoma	4.0	4.8
Cancer of the testicle	3.1	-
Hodgkin's lymphoma	2.4	1.6

Source: WHO, IARC, Lyons.

AIDS cases by transmission group



Cumulative adult/adolescent AIDS cases by transmission group (aged 13 years or over) reported by 30 September 1994

Cases per million of population,
per country (EUR 15 = 1.0)

- ≤ 0.5
- 0.5 to 1.0
- 1.0 to 1.5
- > 1.5

Transmission groups

- Homosexual/bisexual male
- Injecting drug-user
- Heterosexual contact
- Other

Sources: Statistical data, WHO in collaboration with the European Centre for the Epidemiological Monitoring of AIDS;
Cartography and geographic information management, GISCO.

HEALTH

Trends in the standardized mortality rate from cancers of the respiratory tract (per 100 000 inhabitants)

	Women			Men		
	1981	1985	1989	1981	1985	1989
B	9.82			117.68		
DK	23.01	28.28	31.01	81.21	83.61	80.70
D	8.79	9.78	11.80	73.11	74.60	72.87
GR	8.99	10.38	9.87	67.77	72.27	75.32
E	5.57	5.46	5.12	52.45	58.86	67.05
F	5.81	6.36	7.48	62.41	65.50	68.96
IRL	23.78	25.23	29.77	74.47	77.37	71.65
I	8.96	10.09	10.86	76.68	85.96	85.52
L	7.74	14.64	14.22	106.49	101.48	94.84
NL	9.50	11.83	14.90	117.15	116.67	109.81
P	5.42	5.56	6.04	27.85	35.26	35.10
UK	25.76	28.94	30.91	103.50	100.39	89.36

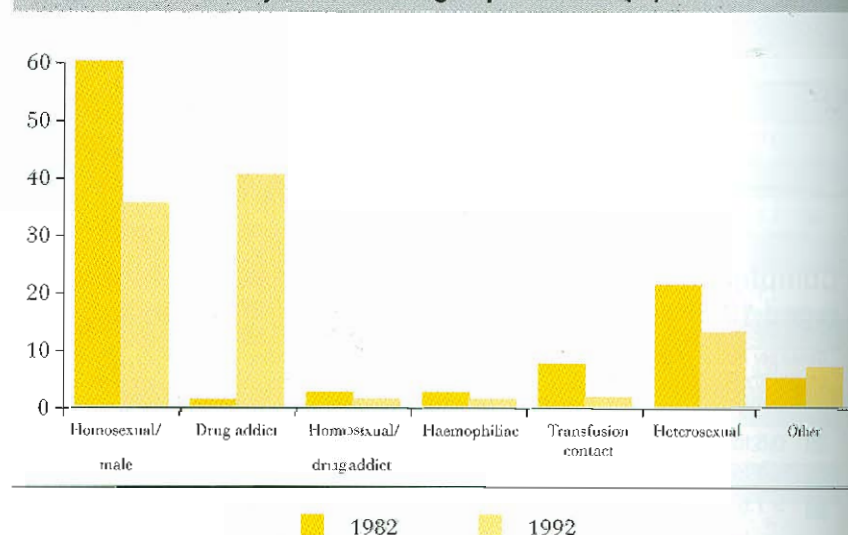
Source: WHO, Regional Office for Europe, 'Health for all' database.

Aids

Another public health area in which the EU is active is the campaign against AIDS, in which specific programmes have been launched since 1991. In 1992, 17 374 new AIDS cases were reported in the European

Union. Most of these new cases are in men (83%), although the proportion of cases in women increased by 14.8% in 1990 and 17% in 1992. Just under 60% of female cases of AIDS are in women aged between 25 and 34 years, while among men AIDS cases are distributed more or

Trends in AIDS cases, by transmission group in EUR 12 (%)



Source: European Centre for the Epidemiological Monitoring of Aids.

Diagnosed cases of AIDS by age category in EUR 12

	Men				Women			
	1990		1992		1990		1992	
	Number	%	Number	%	Number	%	Number	%
Age unknown	31	0.3	57	0.4	2	0.1	17	0.6
Under 1	15	0.1	42	0.3	40	1.9	54	1.8
1-4	99	0.8	40	0.3	86	4.2	35	1.2
5-9	28	0.2	25	0.2	16	0.8	18	0.6
10-12	15	0.1	10	0.1	2	0.1	3	0.1
13-14	11	0.1	13	0.1	0	0.0	3	0.1
15-19	48	0.4	52	0.4	23	1.1	16	0.5
20-24	832	7.0	544	3.8	322	15.6	252	8.5
25-29	2 947	24.9	3 068	21.3	719	34.9	943	31.9
30-34	2 818	23.8	3 989	27.7	439	21.3	811	27.4
35-39	1 773	15.0	2 477	17.2	149	7.2	360	12.2
40-49	2 079	17.6	2 625	18.2	117	5.7	241	8.2
50-59	818	6.9	1 049	7.3	67	3.3	97	3.3
Over 59	328	2.8	427	3.0	78	3.8	106	3.6
Total	11 842	100.0	14 418	100.0	2 060	100.0	2 956	100.0
% by sex	85.2		83.0		14.8		17.0	

Source: European Centre for the Epidemiological Monitoring of AIDS (Paris).

less evenly in the 25 to 49 age group, with the maximum (on in four cases) occurring in the 30 to 34 age group, however. The percentage of cases observed in homosexual or bisexual males has fallen from 60% of reported cases in 1982 to 35.4% in 1992; however, the percentage of drug addicts contracting AIDS has continued to increase, accounting for 40.4% of total AIDS cases in 1992 (year of diagnosis). However, there are substantial differences between the Member States: in the northern countries AIDS primarily affects homosexual men; in Spain, Ireland and Italy, drug addicts are the main group affected.



HEALTH

Health infrastructure

In 1991, about 6.9 million people were employed in the European Union (EUR 12) in the health sector broadly defined (hospitals, surgeries, laboratories, etc.) and the number is rising. The number of doctors per thousand inhabitants varies from 4.3 in Greece and 3.8 in Spain to 1.4 in Ireland and 2.2 in the United Kingdom. Compared to 1985, these figures have increased in all the Member States with the exception of Denmark and Ireland. The number of dentists remained more or less stable between 1985 and 1991, while Belgium, France and Portugal have the largest number of pharmacists. Since 1985 the number of pharmacists per 1 000 inhabitants has declined in only two countries: Italy and Ireland.

Until 1985, the hospital infrastructure was characterized by a large number of small hospitals and by a steady increase in the number of beds. From the 1980s, it was restructured based on regional requirements. This was reflected in a decline in the number of hospital beds, a

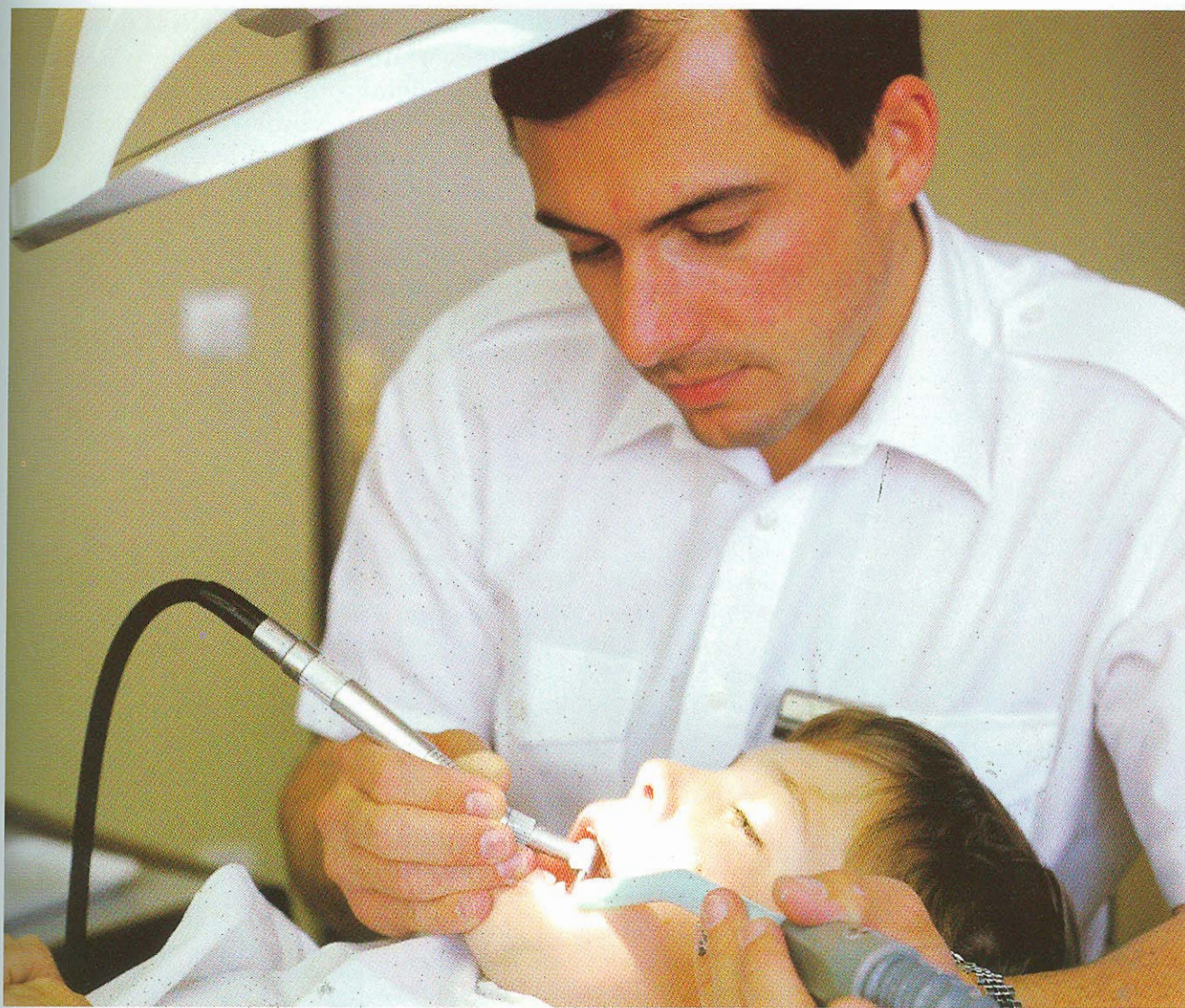
trend which is common to almost all the Member States. Comparisons between Member States, both of hospital beds and health-care personnel, should be interpreted with caution, since the same term can reflect different situations in different countries.

Trends in health care personnel (per 1 000 inhabitants)

		B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
Doctors	1985	2.8	2.6	2.5	3.0	3.3	2.3	1.3	4.2 ²	1.8	2.2	2.4	1.4
	1988	3.1	2.7	2.9	3.2	3.6	2.5	1.6	4.6 ²	1.9	2.4	2.7	1.5
	1992	3.5	2.8	3.1	3.8	4.0	2.8	1.4 ¹	5.1 ²	2.0	2.5	2.9	1.6
Dentists	1985	0.6	1.0	0.6	0.9	0.1	0.6	0.3	:	0.5	0.5	0.1	0.4
	1988	0.7	0.9	0.6	0.9	0.2	0.6	0.3	:	0.5	0.5	0.2	0.4
	1992	0.7	1.0 ¹	0.7	1.0	0.3	0.7	0.3 ¹	:	0.5 ¹	0.6 ¹	0.1	0.4
Pharmacists	1985	1.0	0.3	0.5	0.6	0.8	0.4	0.6	0.8	0.7	0.1	0.5	:
	1988	1.1 ⁴	0.3	0.6	0.7	0.8 ⁴	0.4	0.6	:	0.8	0.1	0.5	0.2 ³
	1991	1.2	0.3	0.5	0.8	1.0	0.4	0.3	0.3	0.8	0.2	0.6	0.2

¹ 1991 data. ² Including dentists. ³ 1986 data. ⁴ 1987 data.

Sources: OECD and Eurostat, 1991.



Trends in the number of hospital beds (per 1 000 inhabitants)

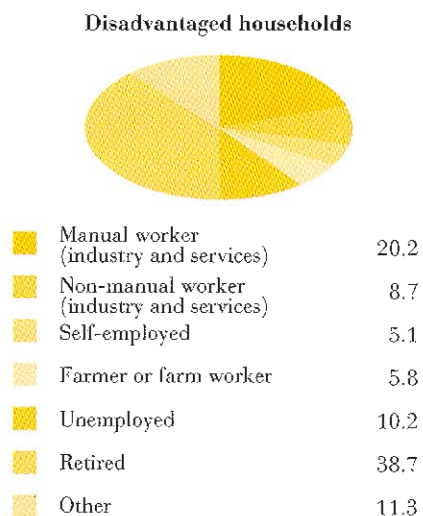
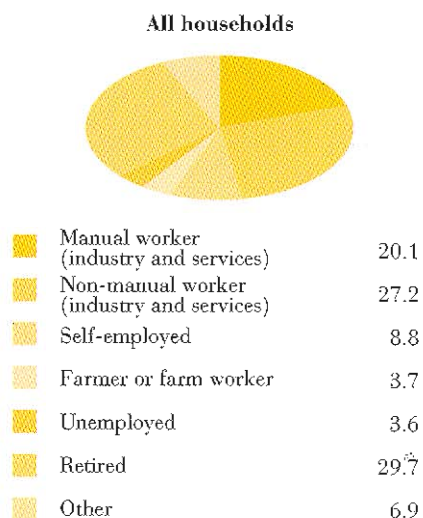
		B	DK.	D	GR	E	F	IRL	I	L	NL	P	UK
Total	1985	9.1	7.1	11.1	5.5	4.6	10.5	8.2	8.4	12.5	11.7	5.3 ¹	7.4
	1988	9.2	6.1	11.0	5.1	4.4 ²	10.1	7.0	7.4	12.6	11.6	4.4	6.4
	1991	11.9 ³	5.4	8.3	5.0	:	8.5	6.2	6.8	11.5	11.4	4.3	5.6
Psychiatric care	1985	2.2	1.8	1.6	1.3	0.9	2.1	3.4	1.0	3.1	1.8	1.1 ¹	2.7
	1988	2.1	0.9	1.3	1.1	0.8 ²	1.9	2.7	0.5	2.4	1.8	0.9	1.5
	1991	1.9 ³	0.7 ¹	1.2	1.1	:	1.7	2.3	0.4	2.1	1.6	0.9	1.7

Source: OECD. ¹ 1984. ² 1987. ³ 1989.

POVERTY

Since the end of the 1970s, European countries have witnessed the emergence of new forms of poverty, owing principally to economic, social and demographic changes. Today the 'average citizen' can become vulnerable owing to particular circumstances and can slide into a process of social exclusion. This phenomenon affects all the Member States even though its extent and nature can vary between countries. Within the limits of its competence and its resources, the European Union is assisting the efforts made by the national, regional or local authorities to combat poverty. Community action in this sphere includes the implementation of specific programmes since 1975.

Distribution of households by socioeconomic category of head of household in 1988 — EUR 12 (%)



All households (or persons living in these households) which have less than 50% of the equivalent mean national expenditure are considered to be below the poverty line, i.e. poor, and are accorded equal weight when calculating the rate of poverty. The 'degree' of poverty is therefore not taken into account.

By this standard, there were almost 18 million poor households in the European Union in 1988, involving just under 52 million individuals. Three quarters of these live in Germany, Italy, France and the United Kingdom. However, the proportion of poor households presents another picture and varies greatly between countries. Thus, among the small countries in the north of the European Union, fewer than one household in 10 is disadvantaged whereas the figure is one in five in Greece, Italy and Portugal.

It is important to know not only the extent but also the characteristics of the disadvantaged population. Broken down by socio-professional categories, almost half of all such households are those where the head of household is retired or unemployed. Among the households in the retired

category, the proportion of poor households is higher than the national average. In Greece, Italy, Portugal, and also in Spain, at least one such household in four is considered poor, while in the United Kingdom, France and Ireland the figure is one in six. Among the households where the head of household is unemployed, the percentage is much higher. Using the definition adopted here, at least one in four such households is considered poor in all countries, with the exception of Denmark and the Netherlands. Finally, there is a third category: those whose head of household is a manual worker and who represent one fifth of the disadvantaged population. In this latter case, however, the proportion of poor households is generally below the national average. Fewer than one household in 15 in Denmark, the Netherlands and Belgium is poor; compared with one in five in Spain, Italy and Portugal.

Measurement of poverty

While it is difficult to define poverty exactly, it is even more difficult to measure it. Thus, as part of the research in preparation for the Community programmes to combat poverty, various poverty or inequality indicators were examined. From these monetary indicators or more accurately, poverty rates, were estimated for each country of the European Union at the end of the 1980s. They were calculated using individual data from the existing family budget surveys. These surveys cover the 12 Member States but exclude the homeless or those with no fixed abode and those living in communities, for example, in old people's homes. Consumption expenditure is used to measure welfare in each country. The units covered are the households and, since their size and composition vary, an equivalence scale is applied to convert expenditure by households to expenditure by equivalent adult. Such results are more realistic than those based on a simple head count which disregards economies of scale. The results displayed here are compiled on the basis of the OECD scale which attributes the coefficient 1 to the first adult, 0.7 to other adults in the household and 0.5 to children (aged less than 14 years). They are taken from research entitled 'Poverty statistics in the late 1980s', carried out on behalf of Eurostat.

FURTHER READING

Eurostat publications

Family budget surveys in the European Community: methodology and recommendations for harmonization, 1993

Family budgets: comparative surveys 1992 and 1995

Household consumption in the European Union during the 1980s, Statistics in focus (Population and social conditions)

'Statistics in focus' series (Population and social conditions)

A social portrait of Europe

Consumer price indices, monthly

Social protection expenditure and receipts, accounts and surveys

Statistical yearbook - Regions, yearly

Demographic statistics, yearly

Electronic products

Eurostat CD

New CRONOS database (REGIO)

European Documentation

The social challenge

Other publications

Statistiques sur le logement dans la Communauté Européenne (DG.V)

'Europe for safety and health at work', in *Social Europe* 3/93

'Europe against cancer', in *Social Europe* 1/91

Surveillance du sida en Europe, quarterly reports, European Centre for the Epidemiological Monitoring of AIDS, Paris

World health statistics annual, World Health Organization, Geneva

'Poverty statistics in the late 1980s', study conducted on behalf of Eurostat by the Department of Sociology of Erasmus University, Rotterdam 1994

GLOSSARY

Cumulative cases of AIDS

The cumulative cases of AIDS are the total AIDS cases reported since recording began in Europe (in the early 1980s) until 31 December 1993 (persons still ill or deceased).

Final consumption

The value of goods and services used for the direct satisfaction of human needs, whether individual (final consumption of households) or collective (collective consumption of general government and private non-profit institutions).

Estimated incidence

The estimated incidence of a disease is the number of new cases of this disease in a healthy population during a given period. There are several calculation methods. The most reliable information is obtained by national registers recording all new cases. In countries which do not have such registers, the International Centre for Cancer Research (ICCR in Lyon) determines the incidence of cancer on the basis of mortality statistics.

Dwelling

A room or suite of rooms and its annexes in a permanent building or structurally separate part thereof, intended for private occupation by the way in which it was built, rebuilt, converted, etc. It must have separate access to a street (either directly or via a garden or grounds), or to a communal area within the building (stair well, corridor, landing, etc.).

Census

Population censuses are intended to collect information on the status of the population at a given time, in accordance with a variable range of demographic, social and economic characteristics.

Purchasing power standard (PPS)

Exchange rates do not necessarily reflect the real purchasing power of a currency on national territory; their use does not therefore give a precise indication of the volume of goods and services destined for final consumption in the countries concerned. The purchasing power standard, corrected to eliminate distortions due to price levels, is therefore used instead of the ecu to compare Member States.

Standardized mortality rate

The ratio between the expected number of deaths and the number recorded. The expected number is the total number of deaths which might be expected in a population if age-specific mortality rates (e.g. the rates in the Europe region, as defined by the World Health Organization) were applied to the age pyramid of a Member State.

Standardized mortality rate by age

The mortality rate is influenced by the age structure of the population. This age effect can be corrected, at least partly, by adopting a standard population. The standardized rate is therefore a corrected gross rate, permitting comparison between countries and sexes. Here, the standard reference population is the structure by age of the Europe region defined by the World Health Organization (WHO).



AGRICULTURE

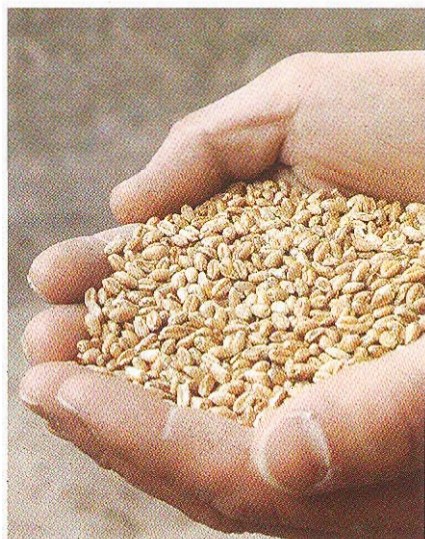
The objectives which the Treaty of Rome laid down in 1957 for agriculture in Europe were to increase productivity, secure a fair standard of living for the agricultural community, stabilize markets and ensure that supplies reached consumers at reasonable prices.

After three decades of the common agricultural policy, it would be fair to say that these objectives have been achieved, on the whole. Thanks to a spectacular increase in production, productivity and trade in agricultural produce, the consumer can be sure of supplies — and more varied supplies than have ever been available before. They are also less expensive, since consumer prices of agri-food products have risen less sharply than the prices paid by households for other consumer goods.

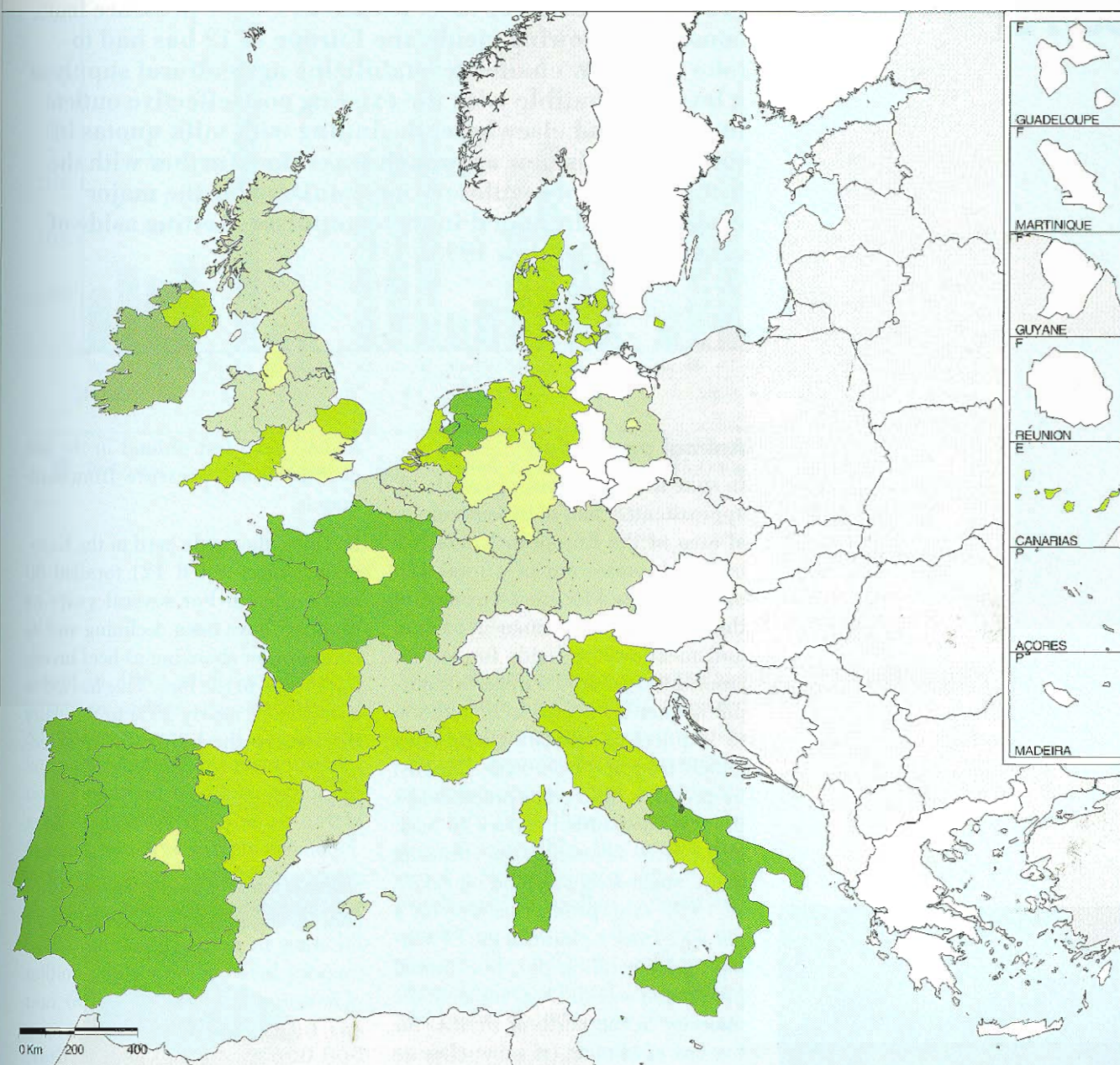
Despite unfavourable trends in agricultural prices, producer incomes have, on the whole, improved in real terms in most Member States as a result of increased productivity and the steady decline of the agricultural labour force. The resulting increase in farmers' purchasing power, although on average smaller than in other sectors of the economy, masks an extremely unstable situation and considerable disparities within the farming world, depending on region, type of production and size of holding.

The last 10 years have seen very considerable changes in the development of the common agricultural policy. Having achieved food self-sufficiency in most products, the European Union then faced production surpluses which demanded substantial budgetary resources. This situation led to the adoption of a series of measures aimed at agricultural markets and structures.

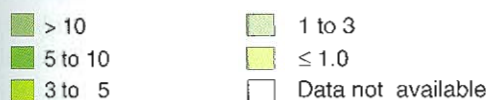
When the effects of these provisions proved too limited, it was decided in 1992 to reform the CAP with the main objective of bringing agricultural production into line with internal and external demand. This reform essentially involves switching from a price support policy to one more focused on direct aid to producers. It also responds to growing concern for environmental protection and the development of rural areas. This realignment of the CAP is to be pursued in those sectors as yet untouched by the reform with the aim of redressing the balance on the markets and enhancing the competitiveness of European agricultural products.



Agriculture as part of the economy, 1991*



Share of total value-added at factor cost (in %)



NB: At the time of this publication, information on regional level for the new Member States was not available.

A: At market prices: 3.4; FIN: At market prices: 6.7;
S: At market prices: 3.1.

* Agriculture includes fisheries and forestry. B: 1988 at market prices; F: At market prices; IRL: 1989; L: 1990; P: 1990 at market prices.

Sources: Statistical data, Eurostat; Cartography and geographical management, GISCO.

AGRICULTURAL OUTPUT

Food self-sufficiency, one of the objectives of the common agricultural policy defined in the early 1960s, has been broadly achieved for most products. Under pressure from constantly growing yields, the Europe of 12 has had to take up a new challenge: stabilizing agricultural supply at a level compatible with the existing cost-effective outlets in the EU and elsewhere. Beginning with milk quotas in the 1980s, this new approach was taken further with the introduction of regulatory mechanisms for the major crops and culminated in the compulsory setting aside of agricultural land in 1993.

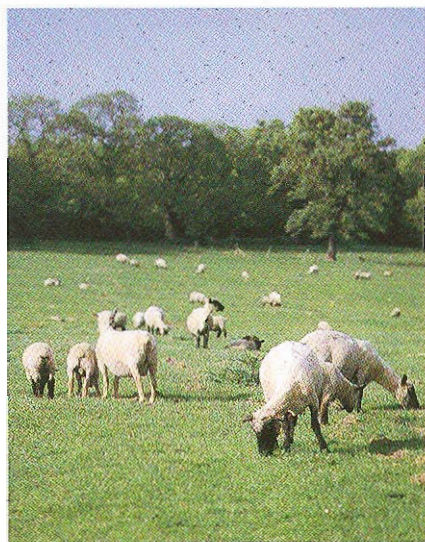
Animal production

In spite of a downturn in grassland, approximately half of the agricultural area of the European Union (62 million hectares out of a total 128 million) is used for stock farming, in the form of either permanent pasture and meadows or fields for fodder crops. Moreover, 50% of cereals output is eaten by livestock, in addition to imports of manioc flour, corn gluten feed and soya cake. Finally, by-products from crops processed by the agri-foodstuffs industry go back to the farm as animal feed (brewing dregs, sugar-beet tops and oil cake). In 1990, crop production was on a par with stock farming in the EU's final agricultural output, but animal production was still very much in the majority in the north of the EU for reasons of climate (it came close to 90% in Ireland, while it was only 30% in Greece). The accession to the Union of Austria, Sweden and Finland and the planned reduction of cereals prices mean that the relative share of stock rearing cannot but increase.

The products of cattle-rearing (milk and meat) are still the two highest-ranking Community products, even

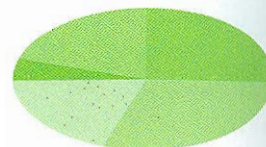
if they have lost ground in the last decade under pressure from milk quotas.

In 1994, the cattle herd in the European Union (EUR 12) totalled 80 million head. For several years its numbers have been declining and its composition changing as beef breeds have come to the fore. This has led to a decline of nearly 25% in the dairy herd since the quotas were intro-



Breakdown of the territory of the European Union (million ha)

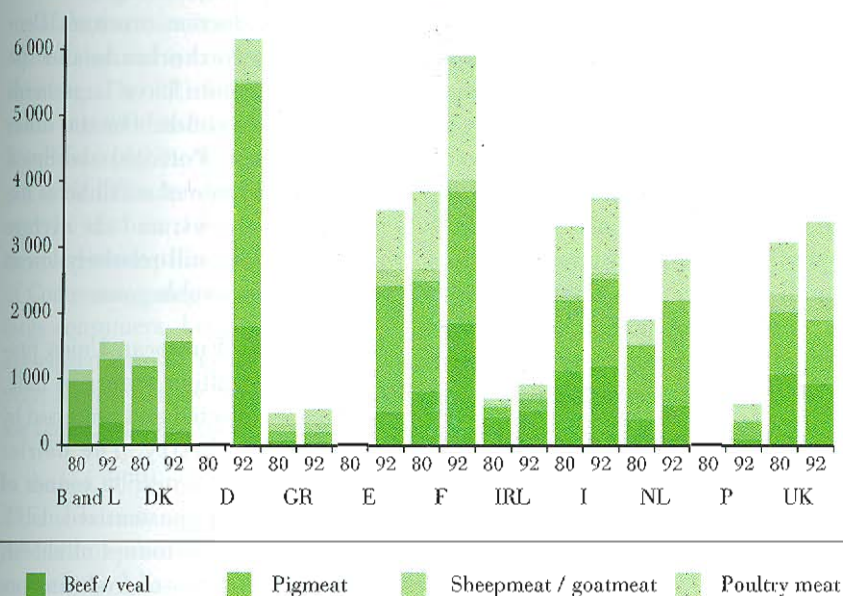
EUR 12 237



Utilized agricultural area 128

Forest	61
Arable land	70
Permanent pasture	46
Permanent crops	12
Other purposes	48

Meat production (1 000 t carcass weight)



duced in 1984 and considerable growth in suckler cow numbers. Of 32 million cows in EUR 12, 11 million are exclusively for meat production. This trend is in line with a degree of extensification in cattle farming, which is actively promoted.

In 1993, the European Union (EUR 12) produced 7.7 million tonnes of beef from the slaughter of some 23 million adult animals. Veal production, 60% of which is concentrated in two countries (France and the Netherlands), came to 600 000 tonnes. For several years beef production was heavily influenced by the slaughter of dairy cows following introduction of the milk quotas. These disturbances then persisted with the far-reaching restructuring of herds in the new *Länder* of Germany after reunification. Beef imports from the countries of Eastern Europe were also considerable.

These temporary surpluses pushed prices down and regularly triggered the Community intervention measures to support rates and ensure minimum remuneration for producers. Since 1993, the situation has improved noticeably, the market has struck a better balance, intervention purchases have fallen sharply and stocks in cold storage have decreased. This balance is still heavily dependent on internal consumption and export opportunities.

In spite of a considerable decline since 1983, dairy produce is still a kingpin of Community agriculture: in 1992, one holding in 10 in EUR 12 was producing milk, and milk accounts for 17% of the final agricultural output of the EU. Successive output adjustments under the quotas policy cut the milk surpluses back dramatically. Physically manifest in the much-discussed stocks of butter

AGRICULTURAL OUTPUT

and milk powder, these chronic surpluses arose from the constant increase in milk deliveries even when demand for all kinds of dairy products began to stagnate. The quotas policy called a halt to this increase and began the cutback over several years which wrought far-reaching changes in herd sizes. Allowances provided the incentive for many small producers to abandon dairy farming. Some of their quotas were transferred to the remaining herds and thus eased restructuring.

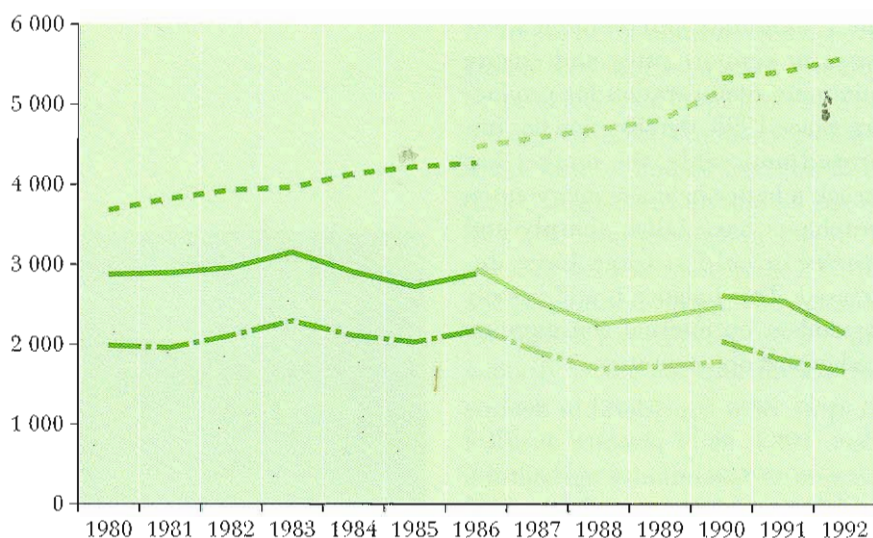
Being often highly specialized, large livestock breeders can more easily seize on technical progress, and especially advances in genetic selection. This has brought about a very marked increase in the average milk yield per head in the last 10 years. In 1992, average dairy cow productivity pulled clear of 5 000 kg of milk per annum. There are still considerable

differences from one country to another, largely reflecting the differences in production structures. Denmark, the Netherlands and the United Kingdom have large herds giving high yields. On the other hand, Greece, Portugal and Spain have a multitude of small herds averaging five cows, and the average productivity is still relatively low in spite of considerable gains.

In 1993, the European Union produced 114 million tonnes of milk, most of it collected and processed by the dairy industry. The dairies turned out 26.4 million tonnes of processed milk (pasteurized, UHT, etc.), 5.5 million tonnes of cheese, 7.5 million tonnes of fresh produce (yoghurt etc.), 2.1 million tonnes of milk powder and 1.7 million tonnes of butter. Led by consumer demand, dairies are turning increasingly to the production of cheese and fresh products like yoghurts and dairy desserts. Sales of processed milk are stagnant. Butter and milk powder production have been declining for 10 years. While no real geographical traits are discernible, some concentration of product lines is largely linked to eating habits. Thus, more than 80% of cheese production comes from French, German, Italian, Dutch and Danish dairies. France and Germany, with the Netherlands, also produce 70% of the butter. The other countries mainly tend to consume drinking milk.

Eating habits are also reflected in meat production. In EUR 12, pork is eaten more than any other meat. Assessed as carcass weight, year in year out, as much pork is consumed as beef and poultry together: around 41 kg of pork, 19 kg of beef, 2 kg of veal, 4 kg of sheepmeat or goatmeat and 19 kg of poultry. Even though the French, Italians, British and

Production of butter, milk powder and cheese (1 000 t)



Milk powder

EUR 10

EUR 12¹

EUR 12

Butter

EUR 10

EUR 12¹

EUR 12

Cheese

EUR 10

EUR 12¹

EUR 12

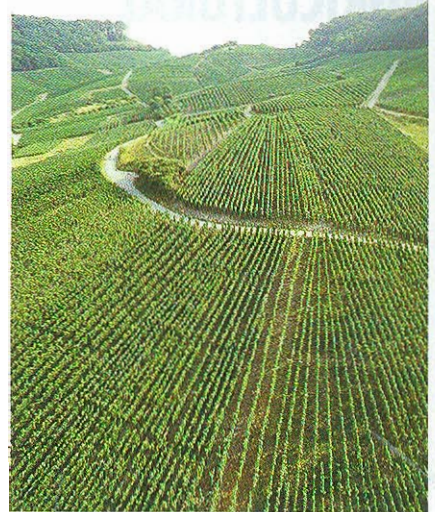
¹ D: Old Länder.

Greeks consume a greater variety of meat than their neighbours, pork is top of the menu in every single country and demand is constantly on the increase. The EU has a huge pig count to meet this demand: 110 million head in 1993. With annual output of 15 million tonnes, it ranks second in the world after China. Germany alone produces one quarter of Community output. Germans are large consumers, because the average citizen eats 57 kg of pork every year; however, they are far behind the Danes, who eat 65 kg a year.

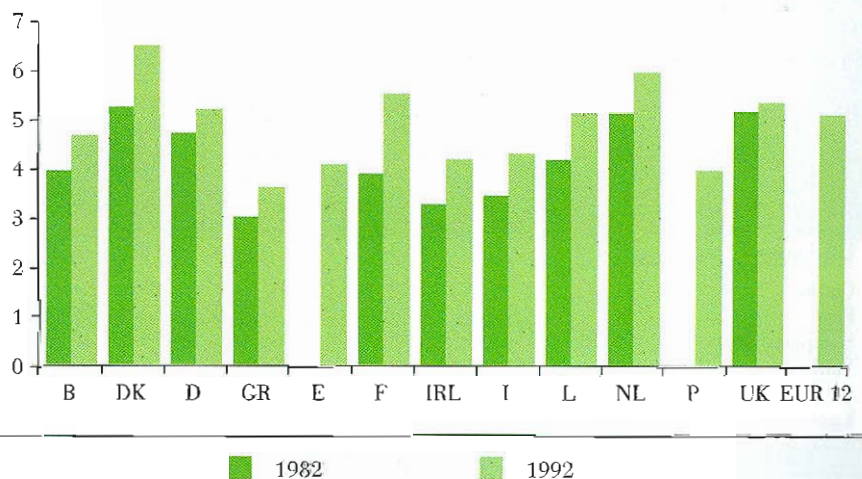
cally none. Yet Community output cannot cover demand, and the shortfall is generally made up by imports from New Zealand.

In the last 20 years, pig farming has become heavily concentrated, with the bulk of production now carried out in large units, although this situation varies greatly from one country to another. The average farm in the Netherlands is in excess of 400 head, but is only 35 head in Spain.

Poultry farming is also booming. Poultry consumption has risen by more than 25% in the last 10 years. As with pigmeat, production is increasingly concentrated in intensive farming, whereby production costs can be slashed and sizeable market shares won. Spaniards eat the most poultry in the EU (21 kg per head every year), but the French, the British and the Portuguese are gradually gaining on them. Community production was 6.9 million tonnes in 1993. France is by far the main producer, followed by Italy, the United Kingdom and Italy. France also heads the field in egg production. Egg output has been stagnant in the EU for some 10 years, albeit at a high level since EUR 12 produces 40% of world output. Consumption of sheepmeat or goatmeat is showing only modest growth. While a Greek consumes approximately 15 kg every year, the Germans, Danish and Dutch eat practi-



Annual productivity of dairy cattle (1 000 kg of milk/cow)



AGRICULTURAL OUTPUT



Crop production

If final agricultural production in the EUR 12 was fairly evenly distributed between animal production and crop production in 1990, it was because southern Europe, with the notable exception of Portugal, tipped the balance very distinctly towards crop production thanks to fruit, fresh vegetables, flowers and, of course, wine. These crops yield very high value per hectare compared with cereals or cattle farming, for example. Often typical of southern climes, they need a lot of sun, and a lot of manpower, particularly at harvest time.

In Greece, Spain and Italy, crops account for 60% and more of agricultural output by value. France, by virtue of its geographical location, occupies a special position half-way between the countries of the south and those of the north. Crops are still predominant, of course (54%), but the large crops characteristic of the plains of the north (especially cereals) already outweigh typically southern crops. Yet this rather

sketchy break between the north and the south of the EU should not mask local peculiarities, often the result of technical progress. Thus, in Belgium, fresh vegetables and flowers are as significant a part of final agricultural production as in Italy, and in Holland vegetable crops go better with ornamental plants than with cereals.

In the European Union (EUR 12), of 128 million hectares of utilized agricultural area, 70 million are occupied by arable land, 12 million are given over to permanent crops and the rest is pasture. Cereals rule supreme, covering nearly half of the arable land in most countries, and rather more than that in France, Germany, the United Kingdom and Denmark. A total of 32 million hectares sown and output of 162 million tonnes in 1994 made the European Union the fourth-largest cereals producer in the world, far behind the USA but very close to China and the former Soviet Union.

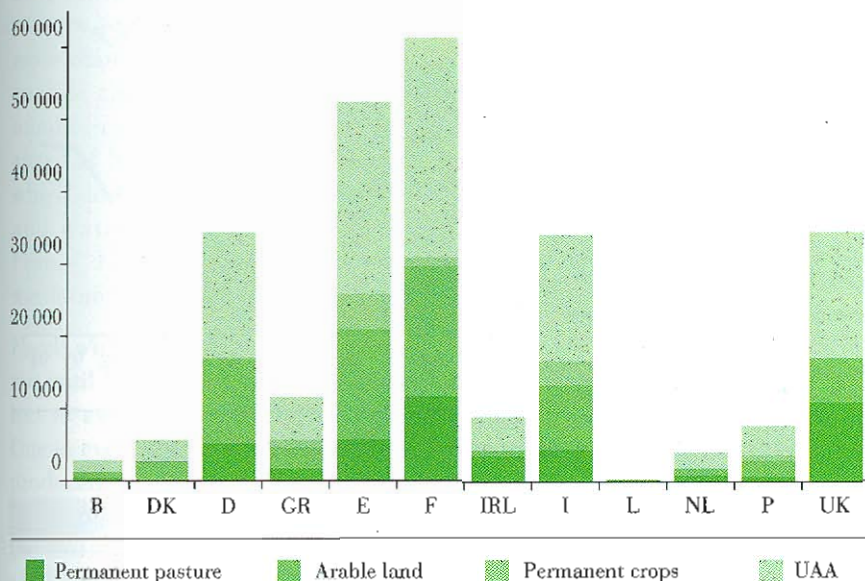
After a prolonged period of physical expansion, the 1980s brought a

Final agricultural production in 1990 (as % of each Member State's final production at current prices)

	EUR 12	B	DK	D ¹	GR	E	F
Final crop production	50.0	38.9	35.2	37.0	67.8	62.2	54.4
Cereals	10.9	4.6	15.5	10.5	8.9	8.1	17.3
Root crops	4.6	8.4	3.4	6.0	3.7	4.6	3.7
Industrial crops	3.6	0.5	4.8	3.2	13.7	3.9	3.9
Fresh vegetables	9.5	13.3	1.7	2.8	13.6	17.4	5.8
Fresh fruit	4.7	3.9	0.5	5.0	7.8	7.2	3.6
Wine and must	6.1	0	0	3.0	1.6	4.6	14.2
Olive oil	1.1	0	0	0	7.7	4.3	0
Flowers and ornamental plants	3.9	4.4	5.0	3.8	1.1	2.6	1.7
Final animal production	50.0	61.1	64.8	63.0	32.2	37.8	45.6
Cattle	11.9	20.0	8.5	14.4	3.7	6.1	14.2
Pigs	10.4	18.7	27.4	16.5	3.5	10.0	6.1
Sheep and goats	1.9	0.1	0.1	0.3	7.5	4.5	1.2
Poultry	4.4	3.2	1.8	2.1	2.9	4.0	5.3
Milk	17.1	14.8	23.1	25.7	11.1	7.8	15.7
Eggs	2.6	2.8	0.9	3.3	2.6	3.3	1.6
Final production	100.0	3.0	3.3	15.9	3.7	12.8	23.2

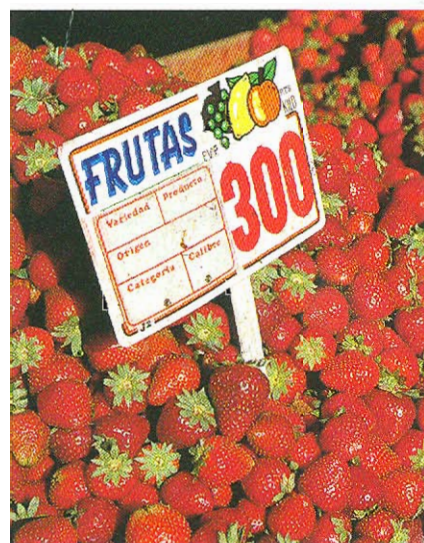
¹ Old Länder

Utilized agricultural area (1 000 ha)



downturn when the Community reached self-sufficiency and then went beyond that marker. The area under barley, in particular, has declined. In spite of this contraction of sown areas, however, production has continued to rise on the strength of increased yields. Seed improvements and better adapted crop cultivation

methods (seed preparation, fertilization and crop care) pushed the average Community barley yield from 35 to 41 quintals per hectare and wheat yield from 37 to 50 q./ha in the 1980s (1979-81 and 1989-91 averages). Wheat has thus consolidated its position as the leading cereal grown in the EU.

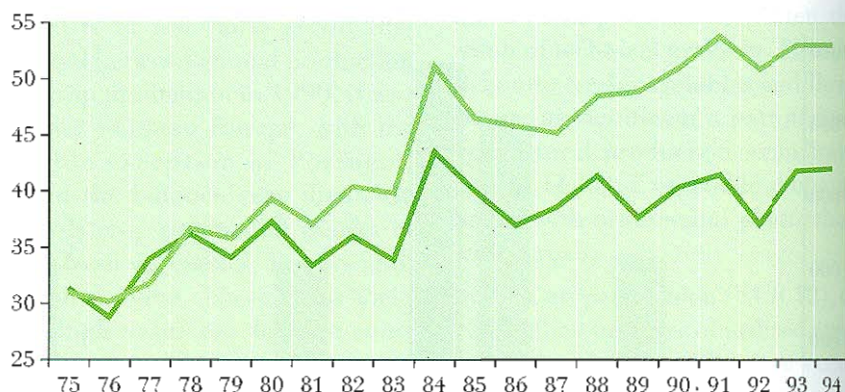


Final agricultural production in 1990 (as % of each Member State's final production at current prices)

IRL	I	L	NL	P	UK	
13.1	59.9	18	42.7	50.5	41.0	Final crop production
5.3	8.1	5.0	1.3	5.7	16.2	Cereals
3.0	3.2	1.4	6.4	4.8	5.9	Root crops
0.2	3.9	0.9	0.1	1.1	2.8	Industrial crops
2.7	14.8	1.2	11.5	11.8	8.6	Fresh vegetables
0.3	7.5	0.7	1.9	4.3	2.2	Fresh fruit
0.0	8.4	8.3	0.0	12.1	0.0	Wine and must
0.0	1.3	0.0	0.0	2.7	0.0	Olive oil
0.0	4.6	0.0	16.8	0.0	2.0	Flowers and ornamental plants
86.9	39.1	82	57.3	49.5	59.0	Final animal production
38.4	8.9	24.1	9.7	10.3	13.4	Cattle
5.6	6.4	8.3	17.4	11.8	7.7	Pigs
4.4	0.7	0.0	0.6	2.8	4.6	Sheep and goats
3.0	5.5	0.0	3.7	5.0	6.8	Poultry
32.3	12.7	48.4	21.9	12.5	21.5	Milk
0.8	2.5	0.8	3.1	3.6	3.5	Eggs
2.0	17.7	0.1	7.6	1.8	8.9	Final production

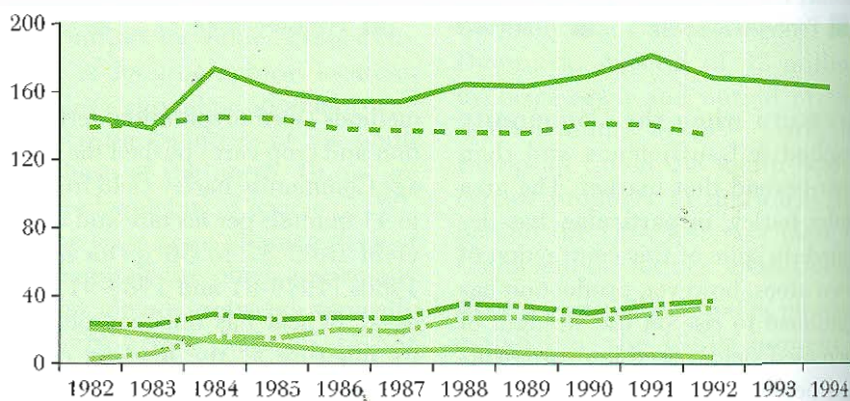
AGRICULTURAL OUTPUT

Evolution of cereal output (quintals)



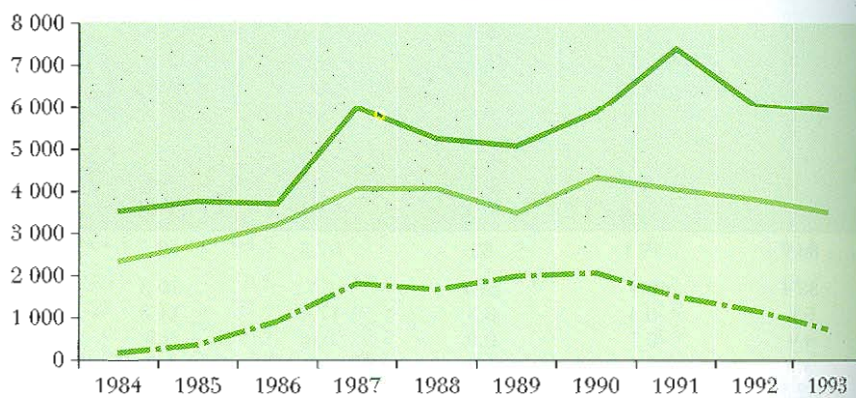
Barley Wheat

Cereals supply balance (million t)



Usable production Domestic use
Import Export Balance

Production of oil seeds (1 000 t)



Rape Sunflower Soya



France is Europe's biggest granary, followed by Germany and the United Kingdom: it grows 35% of Community production and exports more than half its output, mainly outside the EU. Germany is the number-one barley producer, far ahead of France and Spain. Maize, which demands considerable heat and water, is mainly grown in France, Italy and Spain, often by wet farming methods.

Faced with constantly growing output until 1992, the European Union has to export on a massive scale. One in every five quintals of cereals produced is exported. Competition on world markets is fierce because the cost-effective outlets cannot be expanded. To reduce the stocks which were accumulating, regulation systems were set up from the early 1980s. First, producers were made to finance part of the cost entailed in the search for new outlets by a so-called 'co-responsibility levy'. The second step shifted the emphasis to the price paid to producers under the maximum guaranteed quantities system, whereupon a drop in intervention prices was trig-

gered when output in the EU exceeded the fateful ceiling of 160 million tonnes (amended after German unification). The third step, as part of the reform of the common agricultural policy, introduced the compulsory setting-aside of land, a mechanism already used for several years in the USA to match cereal production to existing outlets.

Introduced in 1993, compulsory set-aside applied to 15% of the area previously sown with cereals, oilseeds and pulses. A total of 4.7 million hectares was set aside in the European Union that year. Variable compensation is paid on set-aside land according to the region. Small producers are exempt from compulsory set-aside. A second stage of the reform, in tandem with set-aside, aims to align the prices paid to cereal producers on the world market prices. The loss of income incurred by producers is compensated by flat-rate direct aid laid down before the harvest without regard to the yields for the year, which should discourage the push for high yields. In 1993, the European Union's cereal production was cut back to 165

million tonnes. In 1994, it fell below this mark, leading to a sharp reduction in stocks which enabled the set-aside rate for the 1994-95 crop year to be lowered to 12%.

The reduction in the acreage under cereals before the set-aside scheme was implemented favoured oilseeds and protein-rich crops. Production of these crops, which previously showed marked deficits, was encouraged by high prices including substantial subsidies. Although Community production still only covered 60% of demand, expansion flagged with the introduction of a maximum guaranteed quantities system similar to that for cereals. In the space of 10 years, however, the area under rape, sunflower, soya and protein crops grew from 4 to 7 million hectares. Germany is rape country, with nearly 50% of the Union's production, while France and Spain gave preference to sunflowers.

Sugar beet, production of which is regulated by a system of quotas, occupies a relatively limited acreage which is shrinking: fewer than 2 million hectares in 1991. The Union is nevertheless still the biggest sugar-beet producer in the world, with one third of total world output. Sugar beet is predominantly grown in northern Europe.

The north is also the home of the potato. Germany, the Netherlands and the UK are the leading producers, but only the Netherlands and the BLEU export any substantial part of their output. The bulk of those exports are intra-Community, and total production in the EU (46 million tonnes) cover its needs for food or other purposes. Production of fresh vegetables, in roughly equivalent tonnages to potatoes, is largely concentrated in the southern coun-

Livestock in 1993 (1 000 head) and milk production (1 000 t)

	Cattle	Pigs	Sheep	Goats	Laying hens	Milk production
EUR 12	78 759	109 966	98 772	2 368	337 968	114 038
B	3 332	7 131	132	9	12 506	3 597
DK	2 115	10 870	94	0	4 286	4 661
D	15 891	26 044	2 359	89	54 400	28 120
GR	608	1 144	10 069	5 821	16 072	1 828
E	5 002	17 929	24 591	2 632	45 727	6 708
F	20 112	12 868	10 401	1 029	67 700	25 674
IRL	6 308	1 487	5 990	0	3 460	5 324
I	7 621	8 050	10 669	1 369	49 314	10 759
NL	4 629	13 991	1 830	66	33 125	10 951
P	1 322	2 665	3 305	836	8 288	1 762
UK	11 819	7 787	29 332	97	43 090	14 654

AGRICULTURAL OUTPUT

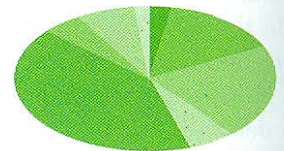


tries. Half come from Spain and Italy. France and Greece together contribute 20%. These countries are also the largest consumers. A Briton consumes half the fresh vegetables eaten by an Italian or a Spaniard. Italy, Greece and Spain export vegetables to the north of the EU, but fresh vegetables grown in greenhouses make the Netherlands the second-largest exporter by volume. The European Union is 105% self-sufficient.

The EU is a structural fruit importer. Demand exceeds supply by 25%. The deficit is mainly in citrus fruits and, of course, tropical produce which is consumed in increasing amounts. Vulnerable to climatic conditions, the total fruit harvest in the EU fluctuates around 29 million tonnes. Thirty per cent is citrus fruits. One third of all fruit comes from Italy; Spain contributes one fifth, but more than half of all citrus fruit. Greece, which with Italy has the highest per capita fruit consumption, provides 10% of the total. After citrus, apples are the second-commonest fruit produced in the EU (8.5 million tonnes), and are often withdrawn from the market to avoid a

The tomato: the number-one vegetable produced in the EU

1 000 t



B	347
CR	1 888
E	2 699
F	756
I	5 223
NL	696
P	890
Other countries	210

%



B	3
GR	15
E	21
F	6
I	41
NL	5
P	7
Other countries	2

16 benchmarks for three new Member States

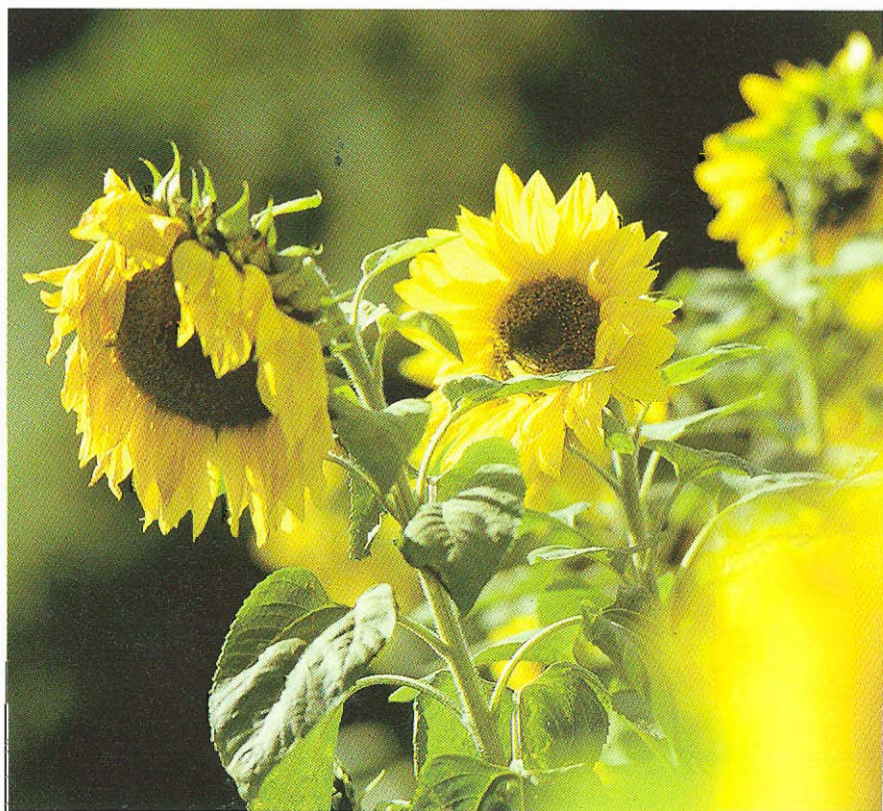
1993 data	Austria	Finland	Sweden	Total	% EUR 12
Total area (1 000 ha)	8 386	33 815	44 996	87 197	36.6
Utilized agricultural area	3 482	2 689	3 359	9 530	7.4
Arable land	1 401	2 580	2 780	6 761	9.6
•cereals	926	926	1 153	3 005	9.3
•fodder crops	451	680	1 086	2 217	18.1
Permanent pasture	1 981	106	331	2 418	5.3
Permanent crops	97	3	3	103	0.9
•vines	58	0	0	58	1.5
Cereal output (1 000 t)	4 323	3 340	3 760	11 423	6.8
Total cattle herd (1 000 head)	2 334	1 230	1 807	5 371	6.8
•dairy cows	828	419	525	1 772	3.3
•other cows	69	34	154	257	2.5
Total pig population	3 820	1 300	2 277	7 397	6.7
Total sheep and goat population	381	79	471	931	0.9
Milk output (1 000 t)	3 270	2 462	3 352	9 084	8.0

price collapse in years when the harvest is good.

Approximately 4 million hectares are under vines in EUR 12. Year in year out, output is in the vicinity of 180 million hectolitres, around 60% of world wine output. The bulk is produced in France, Italy and Spain. These countries are also major wine consumers and exporters. They export primarily to the other countries of the EU, where consumption is tending upwards, and particularly to the United States. Surpluses are absorbed by compulsory low-price distillation and by grants for grubbing up vines producing ordinary wines. Exports are encouraged by a constant policy aimed at supporting quality.

Wine production (1 000 hl)

	1990	1991	1992	Average 1990-92
EUR 12	181 416	156 315	190 976	176 236
B	2	1	2	2
D	9 505	10 699	13 482	11 229
GR	3 525	4 021	4 050	3 865
E	38 658	30 796	34 032	34 495
F	63 940	41 438	63 256	56 211
I	54 266	59 238	68 086	60 530
L	151	86	271	169
P	11 351	10 021	7 771	9 714
UK	18	15	26	20



THE IMPORTANCE OF AGRICULTURE FOR THE ECONOMY

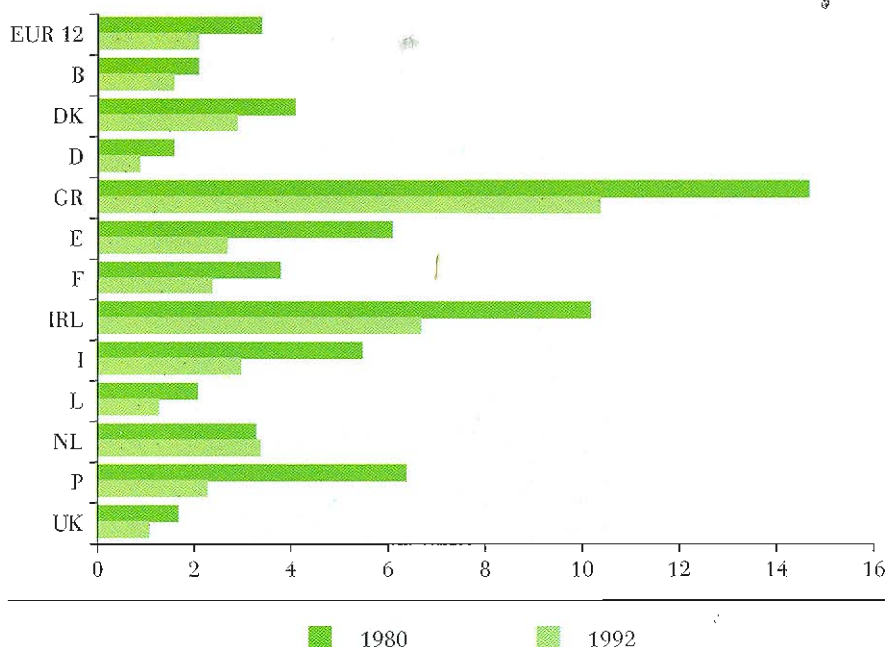
There are numerous indicators measuring the relative importance of agricultural activity in the economy. Among the most important are the share of GDP, employment and external trade accounted for by agriculture.



Agriculture as a percentage of GDP

In 1992, agriculture accounted for only 2.1% of the European Union's GDP as against 3.4% in 1980 and 5.0% in 1973. The figure has fallen sharply in all Member States except the Netherlands, where it has held stable, but substantial differences persist: it is still high in Greece (10.4%) and Ireland (6.7%) but only 0.9% in Germany and 1.1% in the United Kingdom; for the other Member States, it ranges from 1.3 to 3.4%.

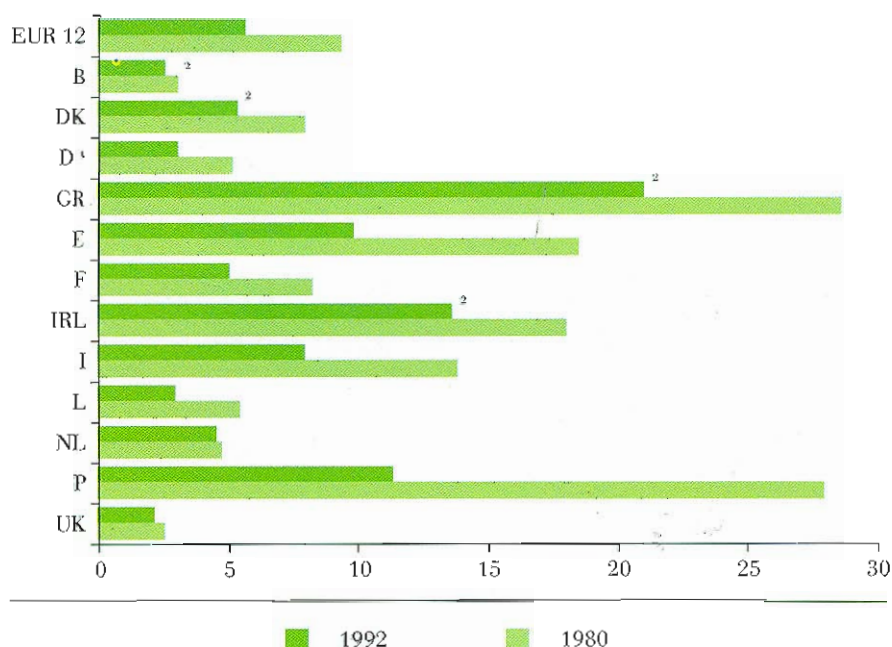
Share of GDP accounted for by the gross value-added of agriculture (%)



Agriculture as a percentage of employment

In the EU as a whole, 5.7% of persons employed were working in agriculture in 1992, as against 9.4% in 1980 and 11.3% in 1973. In all Member States, agriculture accounts for a larger share of employment than it does of production. The difference is particularly noticeable in the southern countries of the EU, where labour productivity in agriculture is lower. Employment in agriculture ranges from 2.2% in the United Kingdom to 21.1% in Greece, with over 10% in Ireland and Portugal.

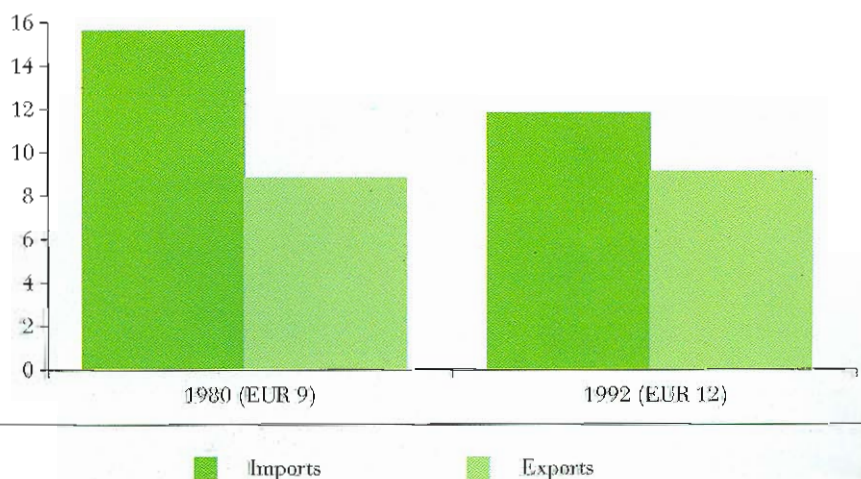
Share of the total labour force accounted for by the agricultural labour force (%)



¹ Old Länder.

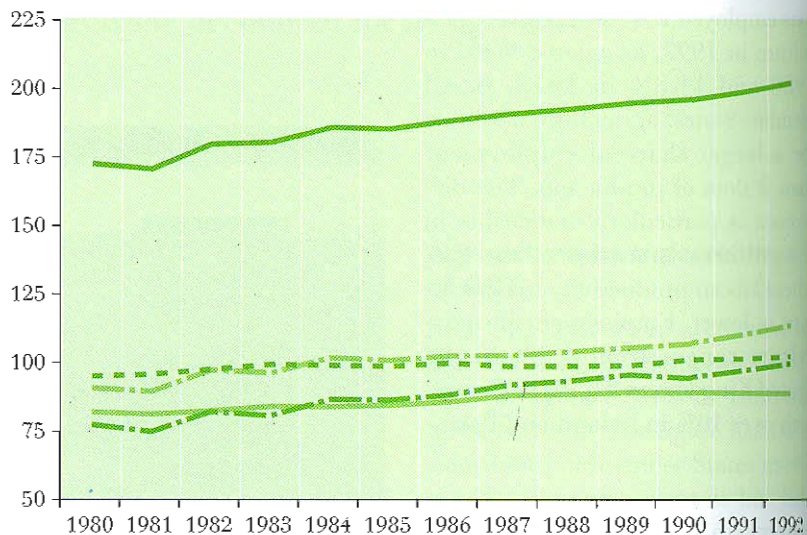
² 1991.

Share of total external trade accounted for by agricultural products (%)



THE IMPORTANCE OF AGRICULTURE FOR THE ECONOMY

Agricultural production in the EC at 1985 prices
and exchange rates (billion ECU)



Final production Crop production Animal production
Intermediate consumption GVA at market prices



Agriculture as a percentage of external trade

While the share of the EU's extra-Community trade accounted for by agricultural produce has fallen sharply where imports are concerned, falling from 28.9% in 1973 to 15.6% in 1980 and 11.8% in 1992, exports remained relatively stable over the same period: from 10% in 1973 to 8.8% in 1980 and 9.1% in 1992. One consequence of European integration is the fall in exports outside the EU observed for all the Member States. The export/import cover ratio rose from 30.8% in 1973 to 69.2% in 1992.

Agricultural products also have a declining share of world trade, only 11.5% in 1992 as against 22% in 1973.



AGRICULTURAL INCOMES AND PRICES

Over the past 20 years, total income from agriculture in the Community (in this chapter, this is taken to mean the net income of the total labour force – see box) has fallen in real terms by over 30%, although the figure varies from one Member State to another, owing mainly to falls in the real prices of agricultural products. Over the same period, however, real income per annual work unit has risen by a little over 15%, thanks to the decline of the agricultural labour force.

Changes in agricultural income

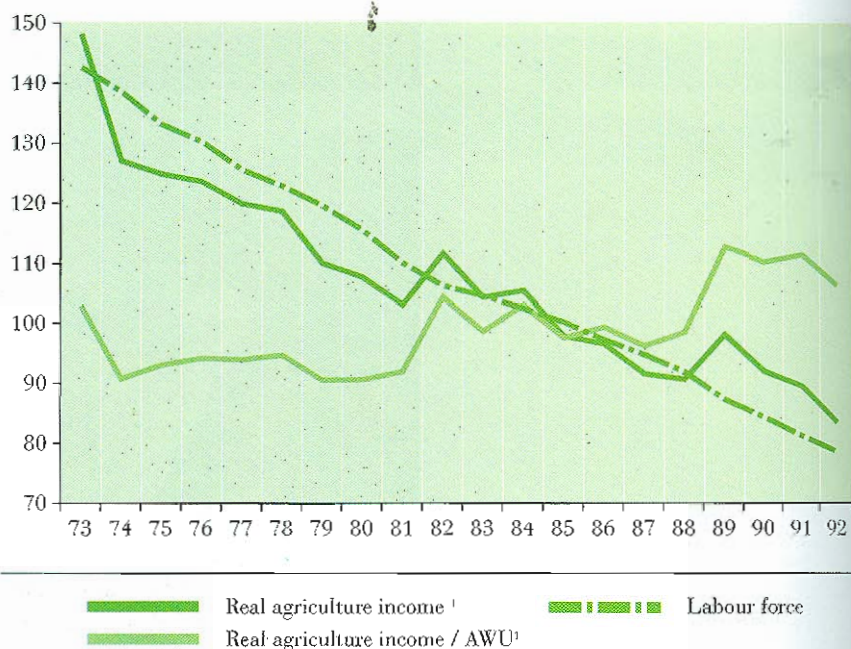
The purchasing power of agricultural income per annual work unit saw a moderate rise for the EC overall during the period 1973-92: average figures over three years (selected to offset the effects of sharp annual fluctuations) show a 14.6% rise between 1973-75 and 1990-92, which

works out at an average of a little over 0.8% per annum, with most of the increase arising during the 1980s – 14.5% between 1980-82 and 1990-92, an average of 1.4% per annum.

Trends in agricultural income vary considerably in the different Member States, however. It rose in four countries, Greece, Spain, Luxembourg



Real agricultural income per AWU, EUR 12
(1984-86 = 100)

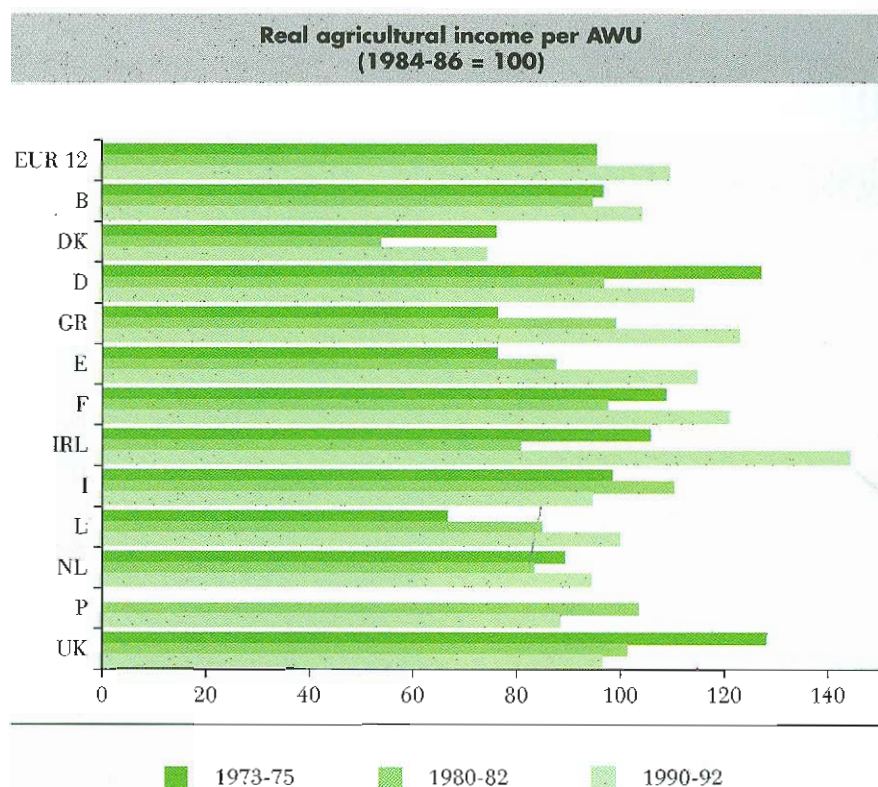


¹ Excluding Portugal prior to 1980.

and Ireland; it rose slightly in France, Belgium and the Netherlands, and fell in Denmark, Germany, Italy and, most of all, the United Kingdom. In Portugal, the available data suggest a clear fall between 1980 and 1992. The main trend within this period was decline followed by an upturn, but this pattern is partly the result of two exceptional years, 1973 and 1989.

The indicator of the real net value-added of the total labour force can be used to compare agricultural incomes by Member State in 1990-92: measured in ecus, incomes above the Community average are found in eight Member States: Denmark, the Netherlands, Belgium, France, the United Kingdom, Luxembourg, Spain and Germany. They were over twice the average in the first three of these countries, but were below average in Ireland, Italy, Greece, and Portugal – in the latter only 18% of the average.

Income per annual work unit has risen slightly merely as a result of the steady fall in the agricultural labour force in all the Member States. Available estimates suggest that, in the EU as a whole, there were 13.5 million units in 1973 but only 7.4 million in 1992, an average drop of some 3.2% per annum. Although the same phenomenon has been observed in all Member States, it has been particularly noticeable in Spain (5.4% per annum), Luxembourg and Denmark, with a less steep fall in the United Kingdom and an even smaller reduction in the Netherlands (0.9% per annum). However, the drop in the agricultural labour force has been no bar to increased output in volume terms, with labour productivity in agriculture rising in the EU by an average



¹ Excluding Portugal.

of some 5% per annum over the period under consideration.

Total income from agriculture fell by 34% in real terms between 1973-75 and 1990-92, i.e. an annual average drop of almost 2.4%. The figures have been on the decline in most Member States, rather more sharply in the 1970s than subsequently, with the only increases being in Greece. The figures fell most steeply in Denmark, the United Kingdom and Germany (between 3.3 and 3.9% per annum).

The drop in agricultural incomes is linked with both the fall in agricultural value-added and the real-term increase in the negative components of income (depreciation, interest, rents), which was partly offset by the

AGRICULTURAL INCOMES AND PRICES

increase in subsidies. In 1989, depreciation was equal to almost 24% of gross value-added at market prices and has risen fairly steadily at almost 0.8% a year in real terms. The rise in interest payments, currently accounting for 12% of gross value-added at market prices, has been even sharper, at around 2.9% per annum on average. Rents have risen in nominal terms but less sharply than inflation and have therefore

fallen in real terms (1.5%), to less than 4% of gross value-added at market prices.

Subsidies paid to agriculture, which do not include price support mechanisms, the effects of which are included in actual producer prices, rose only at the rate of inflation during the 1970s but doubled in real terms between 1980 and 1992 to give an 8.0% per annum increase

Measuring agricultural income

It is not easy to measure agricultural income in the EU since:

- firstly, statistical sources and techniques vary considerably according to type of data and country, and this leads to doubt about the comparability of results between countries, especially where income levels are concerned;
- secondly, agriculture itself is not clearly defined: agricultural income is calculated on the basis of total production of agricultural goods, whoever the producer may be, even if he or she is only work-

ing part-time, and excludes any activity on the holding which is not strictly agricultural, as well as any other income farming households may have, such as wages and salaries, social benefits and financial or property income;

- lastly, the choice of the accounting aggregate for income was not straightforward: the real net income of the total labour force is the best indicator of agricultural incomes and is also reasonably reliable, at least where trends are concerned.

Calculation of the income indicator

Sales (to other branches and other countries)

+ own consumption (for final consumption and processing by the producer)

+/- changes in stocks held by the producer

= final output

- intermediate consumption

= gross value-added at market prices

- depreciation

+ subsidies

- taxes linked to production

= net value-added at factor cost

- interest

- rents

= net income of the total labour force, deflated by the GDP price index and divided by the number of annual work units (total labour force).

over 12 years. Between 1973 and 1990, they rose at 3.3% a year and now account for 12% of gross value-added at market prices. The recent rise is due largely to changes in the CAP, which is tending to cut back price support and increase aid paid directly to farmers. Taxes linked to production rose by an average of only 2.8% a year and have even been stagnating for the past few years, which means that subsidies have had an even more favourable effect on agricultural incomes. The difference between subsidies and taxes increases the value added of the EU as a whole, but this is very unevenly divided between the Member States: negative in the Netherlands and neutral in France and Belgium, but positive elsewhere.

Agricultural incomes depend mainly on the value-added of agriculture. The increase in the volume of production and value-added, of the order of 1.8% per annum on average between 1973 and 1990, was more than offset overall by the downward trend in real prices. The result was an average reduction in the real gross value-added of the EU of around 1.6% per annum between 1973-75 and 1990-92 (i.e. a 24% cumulative fall), with rises only in Greece and the Netherlands.

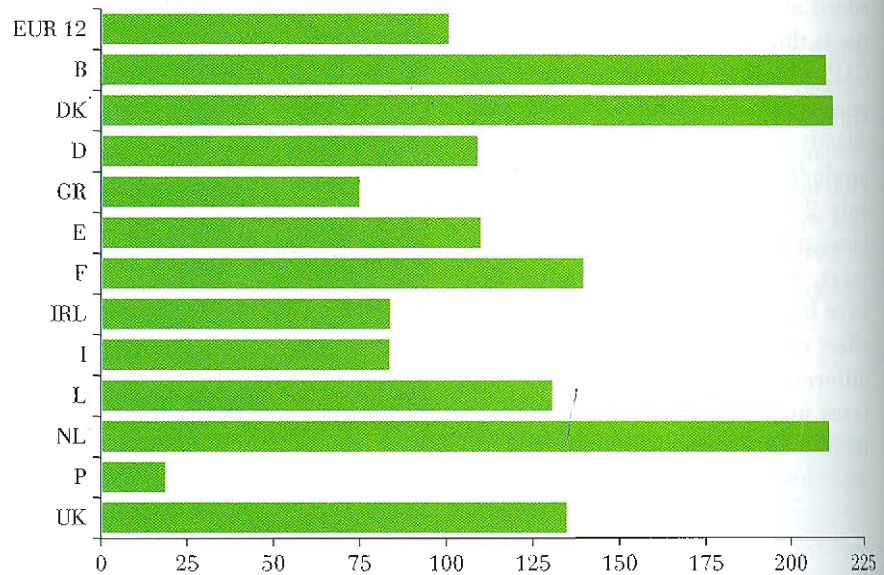
Prices of agricultural products

The prices of agricultural products, including crop products and animal products, fell in real terms by almost 25% between 1985 and 1993. This general trend conceals widely differing figures from one product to another: real prices of cereals and rice, animals for slaughter and eggs fell by over 30%, whereas the fall in milk prices was only about 15% and for fresh vegetables 13%. These fig-



AGRICULTURAL INCOMES AND PRICES

Levels of real net value-added in ECU per AWU,
1990-92 (EUR 12 = 100)



ures apply to the 12 Member States. The variations in average prices in the different Member States and in the prices paid to producers in particular are determined by the relative share of total sales accounted for by the various products.

Under the CAP, the producer prices of the EU's main agricultural products are supported by intervention purchases at prices fixed by policy-makers and by levies on imports of products from non-EU countries, the idea being to align the prices of imported products with those paid in the EU. Although most agricultural output is marketed and the prices received by producers vary according to market conditions, the intervention mechanism works to maintain producer prices at levels substantially above world market prices. This situation is changing rapidly, however, in the wake of the reform of the CAP.

The long-term fall in agricultural prices in the EU explains the downward trend in agricultural incomes, but account must also be taken of trends in the prices of inputs purchased by producers. Between 1985 and 1993, the cumulative fall in the prices of intermediate consumption goods and services, largely as a result of lower prices for animal feedstuffs and fertilizers, was approximately 18%. In the mid 1980s, intermediate consumption expenditure accounted for approximately 46% of the gross value of agricultural sales, but with considerable variations from one Member State to another: in 1985, the figures ranged from 26% in Greece to 64% in Germany. When the real prices of agricultural products fall more rapidly than the real prices of intermediate consumption products, as they did in 1990, gross value-added declines

as well, to leave fewer resources available for the renewal of capital and for providing income for farmers and agricultural workers. The real purchase prices of goods and services contributing to investment in agriculture remained remarkably stable over the period 1985-93, with a cumulative rise of only about 1%.



THE STRUCTURE OF AGRICULTURE

Between 1979 and 1989, nearly 1.3 million agricultural holdings ceased work in the European Union (EUR 12). This, together with the loss of jobs on farms which did keep working, meant a fall of approximately 1.1% per annum in the number of persons working in the agricultural sector, or almost 1.9 million in 10 years.

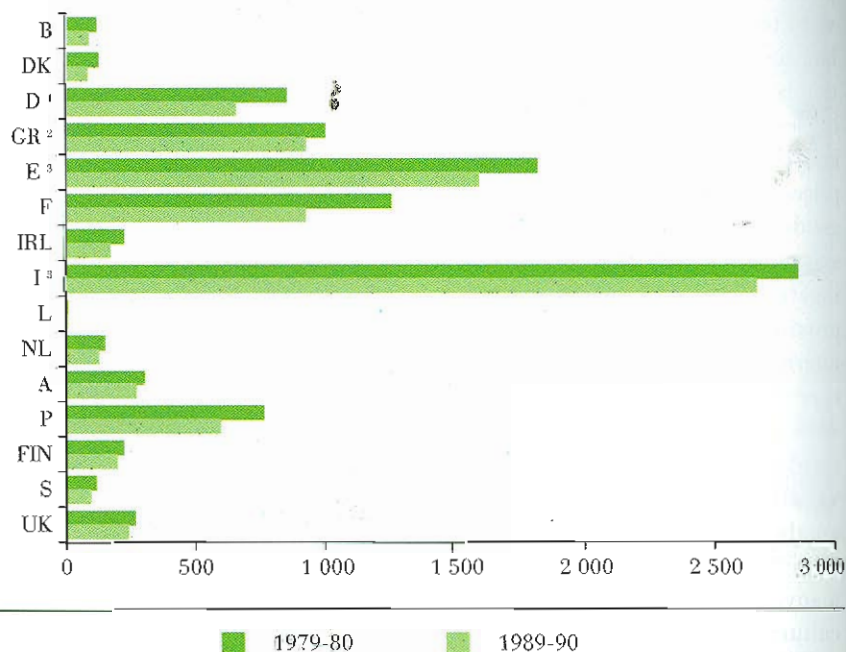
Farms and the farming population

Profound changes in agriculture have led many farmers to give up. The tendency towards larger holdings or specialization, which is noticeable in other sectors of the economy, can also be seen in agriculture. This trend has led the European Union to take steps to counter the exodus from the countryside in the least favoured regions, in order to

maintain their social fabric. If these initiatives are to succeed, farms must be economically viable, and this means that certain services to the community, which until now have not been paid for, will have to be in future. Attempts are being made to cope with these problems in the EU's radical CAP reforms.

The structure of agriculture within the EU shows marked variations. The majority of holdings in the

Trend in the number of holdings (1 000)



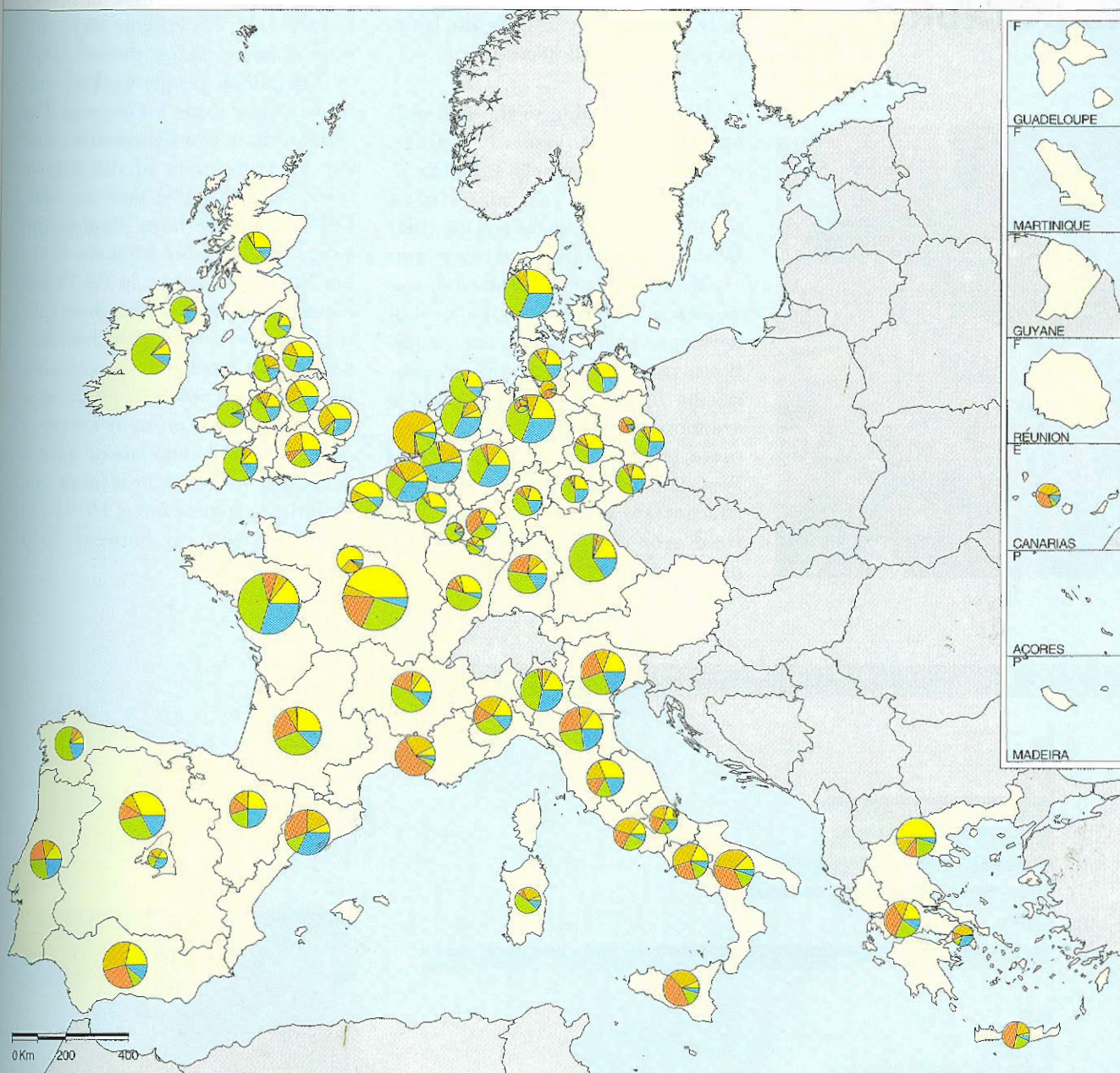
¹ For 1989/90: including the new Länder.

² For 1979/80: 1981 survey.

³ For 1979/80: 1982 survey.



Final production in agriculture by main groups, 1990*



Main groups

- | | |
|-----------------|--------------------|
| Field crops | Herbivores |
| Horticulture | Granivores |
| Permanent crops | Data not available |

NB: At the time of this publication, information on regional level for the new Member States was not available.

* E, GR: 1989.

Total in Mio ECU

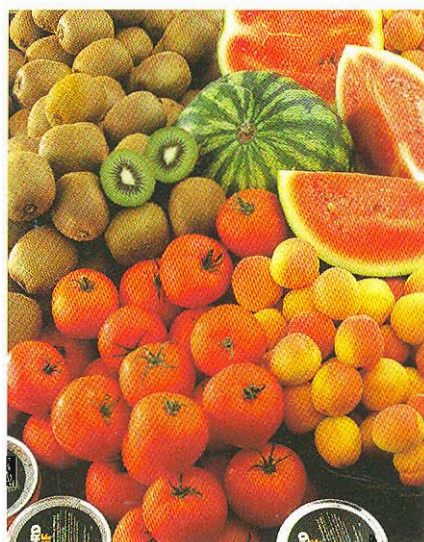
50

2 000

14 500

Eurostat
eurostat

THE STRUCTURE OF AGRICULTURE

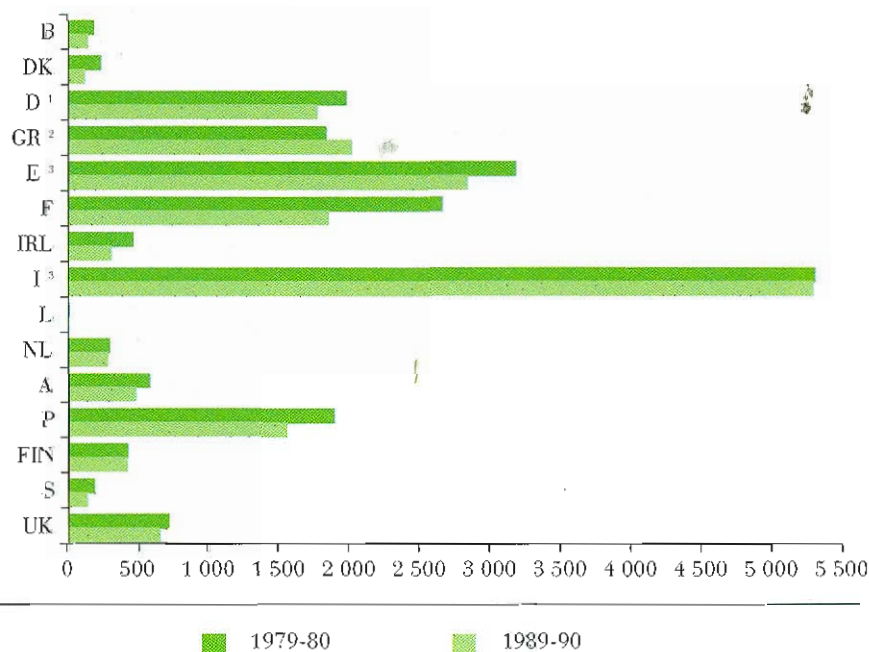


south are still small. The average utilized agricultural area is 4 to 7 hectares in Greece, Portugal and Italy, while the average in the United Kingdom is 68 hectares.

In 1989, according to the EC agricultural survey, some 17 million people were regularly working in agriculture, the vast majority of them holders or members of their families. This population is very unevenly divided among the countries in view of differences in the level of development and production conditions: farms geared mainly to producing fruit and vegetables, which are more labour-intensive, predominate in Italy, Spain, Greece and Portugal, while in the north farms concentrate mainly on large-scale field crops and livestock, which need a smaller labour force.

The 16.9 million people employed in agriculture in the EU (5.3 million in Italy and 2.8 million in Spain) supply only 7.6 million AWU (annual work units), i.e. the equivalent of 7.6 million people working full-time in agriculture for one year. The ratio of these two figures shows that the vast majority of this labour force (some 78.1%) does not work full-time on the farm. Productivity varies considerably from one Member State to another: in the United Kingdom, a little under three full-time workers work 100 hectares, whereas in Greece 22 people work the same area, with an EU average of seven persons or, more exactly, 7 AWU. The full-time labour force is declining, however, at a faster rate than the part-time force: 16.2% and 8.1% respectively between 1979 and 1989.

Trend in the agricultural population (1 000)



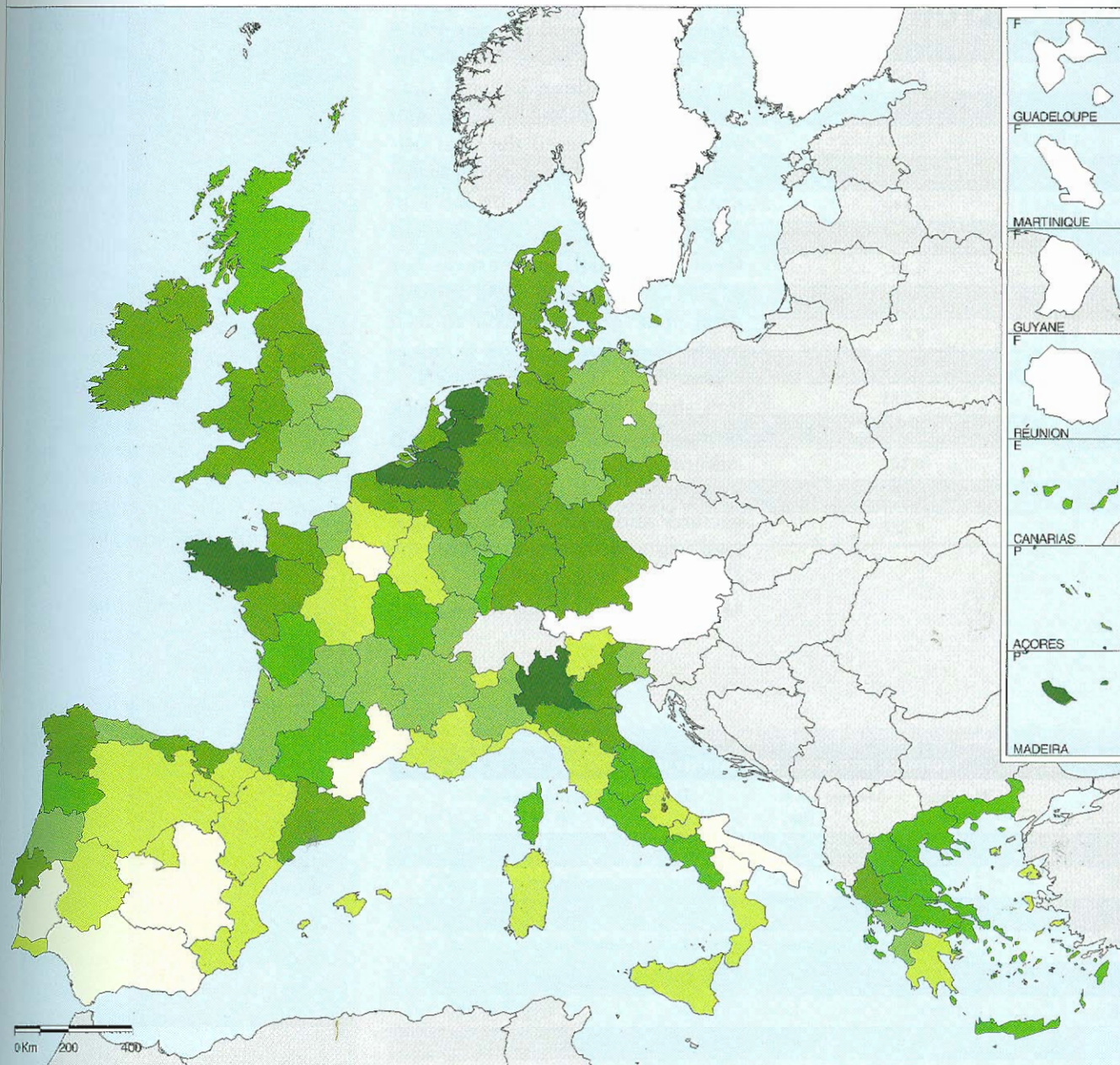
¹ For 1989/90: including the new Länder.

² For 1979/80: 1981 survey.

³ For 1979/80: 1982 survey.



Livestock density, 1993



Livestock units per 100 hectares of agricultural area

- > 200
- 100 to 200
- 75 to 100
- 50 to 75
- 25 to 50
- ≤ 25
- Data not available

NB: At the time of this publication, information on regional level for the new Member States was not available.

THE STRUCTURE OF AGRICULTURE

Working the land

In the European Union (EUR 12), there were 119.6 million hectares of utilized agricultural area in 1989: 28.2 million in France, followed by Spain (24.5 million ha) and Germany (17.0 million ha). German unification increased the total utilized agricultural area of the European Union (EUR 12) by 2.8% in 10 years.

Over 56.7 million hectares, or 47.4% of the total utilized agricultural area, are given over to feed production alone (pastures, meadows and forage crops). These figures show how important livestock farming is as a feature of EU agricultural production. If some of the cereals grown on over 35 million hectares and used largely for cattle feed are added to this figure, the conclusion may be that most of the agricultural land in the EU is given

Standard gross margin (SGM)

The SGM was introduced to enable different agricultural products to be measured using a common basis. It represents, for each type of crop or animal production, the difference between the farm gate values of final production and the amount of certain costs linked to production. The balance is determined in the different survey regions with respect to various crop and animal characteristics (per hectare or per animal) and is expressed in European currency units (ecus).

The values shown on the map are obtained by multiplying areas and numbers of animals by the corresponding SGM, and are then aggregated into five main groups:

■ Field crops:

cereals, oil plants, sugar beet, various industrial crops, etc.;

■ Horticulture:

fresh open-field vegetables, market gardening and horticultural produce grown in the open air and under glass, etc.;

■ Permanent crops:

vineyards, olive groves, fruit trees and bushes;

■ Livestock rearing:

cattle, sheep, goats and other herbivorous livestock;

■ Pig and poultry rearing:

pigs, poultry and other granivores.

Number and area of holdings in 1989/90

	Holdings (1 000)	Average UAA (ha)	Distribution of holdings (%)		
			< 2 ha	2 to < 20 ha	≥ 20 ha
EUR 12	8 066	15	38.9	44.2	16.9
B	85	16	23.3	50.1	27.7
DK	81	34	1.5	40.9	57.6
D	654	26	17.2	50.8	32.0
GR	924	4	46.7	51.1	2.3
E	1 594	15	34.6	52.1	13.3
F	924	31	15.0	37.5	47.6
IRL	171	26	2.6	51.1	46.3
I	2 665	6	56.0	39.3	4.7
L	4	32	14.2	31.4	54.4
NL	125	16	17.8	52.1	30.1
A	273	12	13.9	56.0	30.0
P	599	7	58.6	37.6	3.8
FIN	199	13	13.6	66.4	20.0
S	97	36	-	56.7	43.3
UK	243	68	5.9	35.8	58.3

over to livestock production. The remaining agricultural land is divided among permanent crops (10 million hectares) and other crops which, despite their considerable economic importance, cover only a small area: horticulture, potatoes, sugar beet and industrial crops (tobacco and hops).

Agricultural population, by time worked on the holding (1 000)

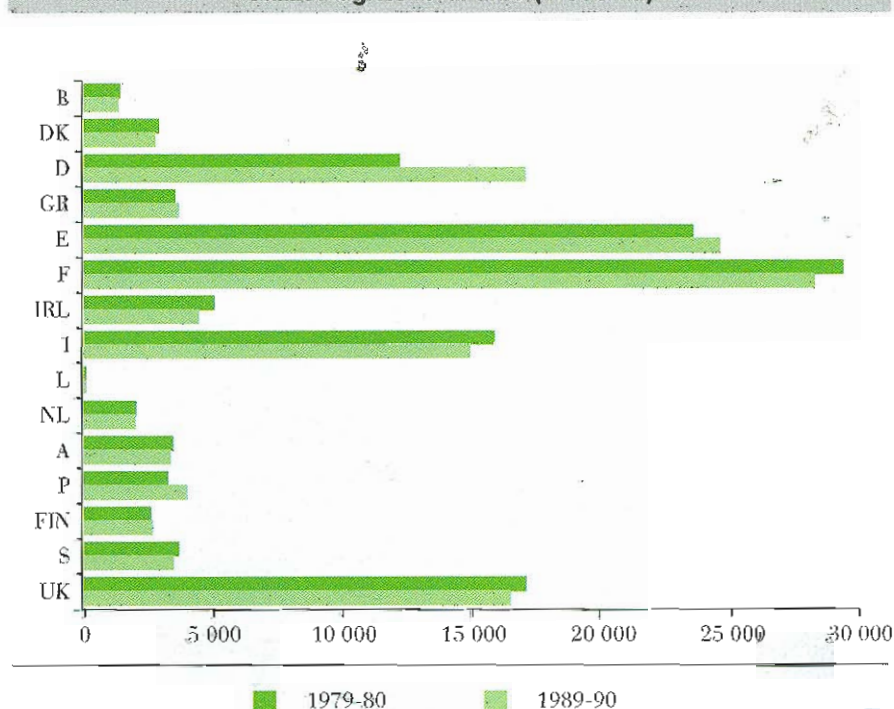
	1979/80		1989/90	
Time worked (%)	100 % ¹	< 100 % ²	100 % ¹	< 100 % ²
EUR 12	4 437.4	14 346.6	3 696.7	13 179.7
B	89.9	96.2	64.5	76.5
DK	124.0	110.0	40.3	81.1
D ³	589.2	1 394.1	663.1	1 112.7
GR	253.4	1 587.8	184.3	1 837.7
E	433.0	2 746.8	441.0	2 394.7
F	1 070.7	1 588.4	717.4	1 141.6
IRL	181.0	287.8	181.6	131.1
I	609.9	4 690.9	650.7	4 636.6
L	6.9	5.3	3.9	5.4
NL	162.7	139.7	140.7	148.5
A	388.0	195.2	282.5	203.7
P	502.1	1 390.4	272.4	1 288.6
FIN	:	:	151.4	274.7
S	127.2	32.3	87.2	23.4
UK	414.6	309.1	333.9	325.2

¹ 100% = full-time.

² < 100% = part-time.

³ For 1989/90: including the new *Länder*.

Utilized agricultural area (1 000 ha)



THE STRUCTURE OF AGRICULTURE

Main crops in 1989/90 (1 000 ha)

	Cereals	Fodder crops	Other herbaceous crops	Vines	Other crops permanent
EUR 12	35 482.7	56 719.5	12 091.3	3 409.3	6 698.7
B	331.5	779.2	213.7	0.0	15.5
DK	1 563.0	653.2	549.1	0.0	10.1
D	6 553.5	7 339.4	2 138.5	99.8	112.0
GR	1 259.2	727.0	523.7	130.8	916.2
E	7 342.3	9 033.8	1 636.4	1 057.9	2 991.3
F	8 880.8	14 161.4	3 727.3	926.5	242.2
IRL	301.5	4 067.7	67.3	0.0	1.9
I	4 468.6	5 931.7	1 297.1	925.6	1 808.2
L	34.3	87.6	2.6	1.3	0.0
NL	182.2	1 318.4	456.8	0.0	31.6
A	949.5	2 130.3	194.6	58.4	21.1
P	862.4	1 198.2	291.3	266.3	523.2
FIN	1 250.2	670.7	160.4	0.0	6.3
S	1 335.7	968.5	540.4	0.0	1.0
UK	3 703.5	11 421.9	1 187.4	1.1	46.3



Regional distribution

The distribution of crops within agricultural holdings varies considerably, since different crops may be grown on any given piece of land from one year to the next depending on short-term factors, in particular changes in prices for the different products and means of production. However, the characteristics of the natural environment, consumer habits and history have led to a certain amount of regional specialization.

The specialization of holdings

To keep up with economic and technical developments, farmers have constantly expanded their herds and crop ranges and simplified their organization.

The fact that specialist farming has risen from 68.7 to 77.1% in 10 years, at the expense of mixed farming, is a clear indicator of the increasing specialization of holdings in certain types of crops and livestock rearing. When crop production is divorced from livestock rearing, and particularly when the specialization is heavily concentrated in a given area, for example, battery farming (pigs and poultry), waste disposal problems arise. The result is in some cases a very genuine concern about safeguarding the environment, and appropriate solutions will in future have to be found at both EU level and in the individual countries.

Livestock units (LU)

In order to have a single scale of reference for evaluating livestock as a whole, the different kinds of animal are converted to a common weighted value, the livestock unit. These units are used to attempt to take account, proportionally, of the quantity of fodder consumed, the animal's weight and the volume of waste. Livestock units can thus be used to measure the concentration of stock rearing, and also enable certain conclusions to be drawn on any harm to the environment.



FORESTS AND FORESTRY

In total, wooded areas cover some 30% of the European Union. A quarter of this area, however, is scrubland, brushland and other sparsely wooded areas. The total Community production of raw wood in 1991 was 142 million m³. An economically significant saw-milling, pulp and paper industry is based on this raw wood production. The forests are also of major value as habitat, for leisure, hunting and for the environment, but they are under threat in every Member State. The enlargement of the EU to 15 Member States brought a considerable increase in woodlands and raw wood production.

Forest area structure

The most recent available statistics indicate that woodland covers just under 72 million hectares in the European Union (1990). In relation to their total area, the most wooded countries are Spain (50.7%), Greece (45.7%), Portugal (34.8%) and Luxembourg (33.9%). However,

much of the wooded areas in Greece and to a lesser degree in Spain, France and Luxembourg consist of brushland, scrubland and garrigue.

Most of the wooded areas – nearly 48 million hectares – are covered by forests in the true sense. These are of great economic significance and produce by far the bulk of the raw wood



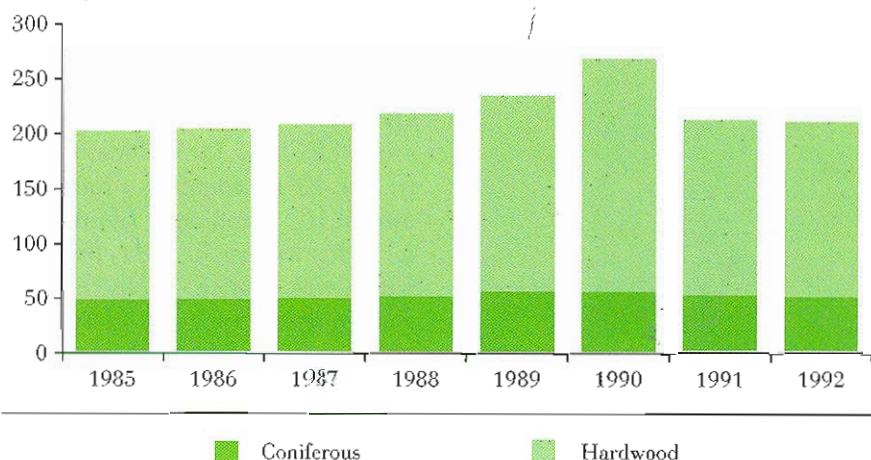
consumed by industry and private households. France, Spain and Germany have the largest areas of forest. The total area under forest in the EFTA countries (1990) was almost 58 million hectares, 83% thereof in Sweden and Finland.

In the European Union (1987), 60.4% of the wooded area is privately owned. In relation to the total wooded areas, private ownership is particularly important in Portugal (84.7%) and France (74.1%). In Greece (85.3%) and Ireland (80.4%), most of the forests are under state ownership.

Production of and trade in raw wood and some wood products in 1991

	Production	Imports	Exports
Raw wood for industrial use (million m ³)	117.1	7.3	7.50
Wood for fuel (million m ³)	24.7	0.5	0.01
Sawn timber (million m ³)	36.8	25.9	0.80
Chipboard (million m ³)	25.4	6.6	1.00
Woodpulp (million t)	9.8	9.9	0.50

Production of raw wood for industrial use in 1985/92 EUR 15 (million m³)



Source: FAO.

Wooded area in 1990 (million ha)



Source: FAO.

FORESTS AND FORESTRY

Production of and trade in raw wood and forestry products

Annual production of raw wood for industrial use has increased slightly since 1985. In 1990, after particularly violent storms in Germany, an unusually large volume of timber had to be cut and processed. In 1991, 117.1 million m³ of timber were produced for industrial use, 65.1% thereof conifer. Production of wood for fuel and charcoal came to 24.6 million m³. The European Union was almost self-sufficient as regards the total quantity of raw wood, but there was a considerable deficit in sawn wood products, panels, pulp, paper and boards, of around ECU 15 000 billion annually. The EFTA countries produced a total of 107.3 million m³ of raw wood for industrial use in 1991, 89.0% of which was conifer. These countries were major exporters of forestry products to the EU.

Forest damage

In 1992, the results from the international programme on 'assessment and monitoring of air pollution effects on forests' indicate that forest damage (measured as abnormal defoliation of the surveyed trees) is extensive in many Member States. The main causes appear to be attacks by insects and fungi, forest fires and air pollution, accentuated by unfavourable weather conditions.



Distribution of total production of raw wood in 1991, EUR15 (%)



	%	1 000 m ³
B/L	2.0	4 205
DK	0.9	1 859
D	17.5	36 685
GR	0.6	1 196
E	7.7	16 204
F	16.1	33 754
IRL	0.8	1 627
I	1.9	4 088
NL	0.5	996
A	6.3	13 135
P	4.9	10 309
FIN	15.2	31 941
S	22.9	48 038
UK	2.9	6 122

Source: FAO.



FURTHER READING

Eurostat publications

Agriculture: annual statistics
Crop production, quarterly
Animal production, quarterly
Agricultural prices, quarterly
Prices, income, labour force, livestock numbers, production forecasts, etc., Rapid Reports/Statistics in focus (Agriculture, forestry and fisheries)
Total income of agricultural households, annual
Agricultural prices: price indices and absolute prices, annual
Economic aspects of cereal production in the EC

Electronic products

Eurostat CD
 Eurofarm CD
 New CRONOS database (Eurofarm)

European Documentation

A secure future for Europe's farmers
New vitality for the countryside
Our farming future

Other publications

Green Europe (periodical)
Agricultural markets: prices, four editions a year
L'Europe et la forêt, two volumes
The agricultural situation in the Community, annual

GLOSSARY

European Agricultural Guidance and Guarantee Fund (EAGGF):

set up in 1962, this is the main agent of the CAP. There are two sections: the 'Guidance' section, which is concerned with improvements in agricultural structures and marketing projects and which, in the eyes of its creators, ought to be the more important, and the 'Guarantee' section, which was intended to guarantee a minimum price to producers and which accounts for almost 90% of the Fund's expenditure.

Import levies:

duties charged on agricultural products imported from third countries, which depend on the difference between EU prices and world market prices.

Co-responsibility levies:

set up in 1977 for milk and 1987 for cereals, these are used to finance market research and promotion campaigns.

Quotas:

set up in 1967 for sugar, and for milk in 1984, these restrict output to cut back on EAGGF guarantee expenditure.

Export refunds:

subsidies granted to exporters of agricultural products to offset the difference between EU prices and the world prices of products exported.

Utilized agricultural area (UAA):

the total area of arable land, plus permanent pastures and meadows, plus land given over to permanent crops plus kitchen gardens.

Livestock unit (LU):

one 'livestock unit' is the keeping of:
 (a) one head of domestic cattle aged at least 12 months;
 (b) two head of domestic cattle aged at least 6 months but under 12 months;
 (c) five sheep aged at least 12 months, the theoretical equivalent of an animal consuming 3 000 feed-units per annum.

Annual work unit (AWU):

measure of the work done by the labour force: one AWU corresponds to the work of one person working full-time for one year.

FISHING AND FISH-FARMING

Fishing is a major activity in the European Union, even though it employs only very few people directly: around 260 000 fishermen, or 0.2% of the total working population. But other people such as those employed in boat-building or the processing of fishery products — four or five times as many in total — depend indirectly on fishing.

It is a particularly important industry in numerous less well-developed regions where there are few alternative jobs.

To fishing in the narrowest sense should be added fish-farming: the rearing of fish, shellfish and molluscs, which is becoming ever more important to the economy.

Fishing

The annual EU fish catch is 7.0 million tonnes, or 7.1% of the world total; the EU is in fourth place behind China (13.1 million tonnes), Japan (9.3 million tonnes) and the former Soviet Union (9.2 million tonnes). The main EU fishing country is Denmark, with catches of 1.8 million tonnes — mainly species for industrial use (fish meal and oil) — followed by Spain with 1.4 million tonnes (mainly species for human consump-

tion) and the United Kingdom (0.8 million tonnes). The EU fishing fleet operates in the North-East Atlantic (69% of catches), the Mediterranean (10%) and, to a lesser extent, the Eastern Central (7%) and North-West (2%) Atlantic. Since the economic zones were extended to 200 nautical miles from the coasts (1 nautical mile = 1.852 km), EU fishermen, largely excluded from their traditional fisheries along the coastlines of Canada, Norway and Iceland, have increasingly made for the warmer waters of the Atlantic and the Indian Oceans off the coast of Africa, the North-East Pacific and the Antarctic. The EU has negotiated fishing agreements with the countries in these regions, to try to offset restrictions on traditional fishing grounds.

Commercial fishing in inland waters is of minimal importance: fresh-water fishing is more a leisure-time and tourist activity.

The EU fishing fleet is estimated at some 100 000 motor vessels with a total tonnage of 200 000 gross tonnes (gt). It includes many small



Total catches (live weight) in 1991



	(1 000 t)
EUR 15	6 902
USA	5 473
Ex-USSR	9 216
Japan	9 307
Norway	2 095
Other	64 059
Total	97 052

operate in the more distant zones, where opportunities have declined in recent years. On the other hand, the number of smaller vessels, which are able to adapt more readily to the changed fishing conditions resulting from EU measures for the management and protection of natural resources, is on the increase.

The fish most commonly caught by EU fishermen are sand eels (863 000 tonnes, for industrial use), herring (663 000 tonnes), mackerel (421 000 tonnes) sardines (397 000 tonnes) and cod (297 000 tonnes).

Europeans eat 14.5 kg of fish per capita per annum, while the Japanese eat 35.5 kg.

Fishery products are one of the EU's major trading items, but the balance is in deficit. Extra-EU imports of such products have increased enor-

Fishing fleets 1991

	Number	Tonnage (1 000 gt)
EUR 15	102 229	2 084
B	217	27
DK	3 725	116
D	1 845	76
GR	21 763	111
E	20 588	646
F	7 702	194
IRL	1 422	52
I	16 887	260
NL	1 466	172
P	14 818	175
FIN	238	18
S	654	31
UK	10 904	206

boats for non-industrial fishing; industrial fishing uses boats of higher tonnage (over 500 gt), but these are becoming less frequent. They tend to

Fish-farming output, 1991 (tonnes live weight)

	Fish	Molluscs and shellfish	Total
EUR 15	305 586	628 590	934 176
B	200	—	200
DK	41 900	—	41 900
D	40 951	30 067	71 018
GR	5 518	5 898	11 416
E	21 505	200 922	222 427
F	49 265	221 237	270 502
IRL	10 585	18 600	29 185
I	50 375	91 034	141 409
NL	1 900	50 282	52 182
A	3 950	—	3 950
P	2 844	3 588	6 432
FIN	15 200	—	15 200
S	6 352	1 651	8 003
UK	55 041	5 311	60 352



FISHING AND FISH-FARMING



mously since the extension of economic zones, rising in value terms from ECU 1 million in 1975 (EUR 9) to 6.5 million in 1991 (EUR 12). The EU imports the more expensive species, catches of which have declined, and also a great deal of fish meal and oil. It exports mainly low-value species, for which catches exceed demand.

Fish-farming

Fish-farming in the EU produces 934 000 tonnes, or some 14% of total fish catches and approximately 6% of the world fish-farming output, as against 85% in Asia. Some 306 000 tonnes of fish are produced, mainly salmon and trout. Denmark (41 000 tonnes), France (39 350

tonnes) and Italy (31 000 tonnes) together produce the bulk of the 199 000 tonnes trout. Fish farms produce more salmon than are caught by fishermen: 50 700 tonnes, 40 600 tonnes of which come from the United Kingdom. Norway, however, with 121 000 tonnes, is way ahead of the EU in this type of production. Carp production totals 29 000 tonnes. Eels (7 000 tonnes) come mainly from the lagoons of Italy (4 600) tonnes.

Some 629 000 tonnes of molluscs and crustaceans, mainly mussels and oysters, are produced. Spain, with 192 000 tonnes, supplies half the 363 000 tonnes of mussels produced in the EU. France is the main oyster-

farming country, producing 158 000 out of the total of 163 000 tonnes.

Fish-farming is very much an up-and-coming industry. There were high hopes that it would offset the reduced fish catches but these hopes have so far proved to be over-optimistic. Nevertheless, fish-farming techniques for the luxury species such as turbot, bass, bream and salmon are extremely important for the economy of the European Union and there is a good chance that, with the development of improved rearing techniques, the price differential between farmed and wild-caught fish will be eroded and the rearing of more mundane species such as cod will become a viable proposition.

Total catches by fishing region, 1991



(1 000 t)

North-East Atlantic	4 778
North-West Atlantic	133
Mediterranean	747
East and Central Atlantic	495
South-East Atlantic	95
Western Indian Ocean	199
Other	455

Total 6 902

FURTHER READING

Eurostat publications

Fisheries: annual statistics

Agriculture, forestry and fisheries, Rapid Reports and Statistics in focus

Electronic products

Eurostat CD

Eurofarm CD

Agriculture and fisheries in the European Union: CD

New CRONOS database (Eurofarm)

Other publications

Manuel sur la politique commune de la pêche

Guide to Community legislation applicable to the industry processing fishery and aquaculture products

GLOSSARY

Gross tonne (gt)

1 gt = 100 cubic

feet or 2.83 m³

ENERGY

Energy conditions the whole of economic and social life: it is used for heating, transport and industry, and there is hardly a single aspect of daily life which is not in some way dependent on energy in one form or another. Energy shortages and fluctuations in the price of oil have repercussions on the whole economy and can lead to economic crises and recessions. The largest share of the European Union's (EUR 12) energy requirements is met by oil, which accounts for 43.5% of gross inland consumption. While solid fuels (coal and lignite) still account for 21%, nuclear energy's share is 13.5% and natural gas, which is the least-polluting source of energy after hydroelectricity, meets over 18% of energy requirements. One of the reasons for the marked increase in the figure for natural gas is concern for environmental protection. Renewable sources of energy, of which hydroelectric energy and biomass constitute 95%, account for 3.5% of energy requirements. These proportions remain much

the same when the three new Member States are added, with the exception of the share for renewable energy sources which goes up to 4.5%. The difference in consumption between EUR 12 and EUR 15 should be around 100 million toe, which is an increase of 8%. The three new Member States do not produce much energy and are all net importers.

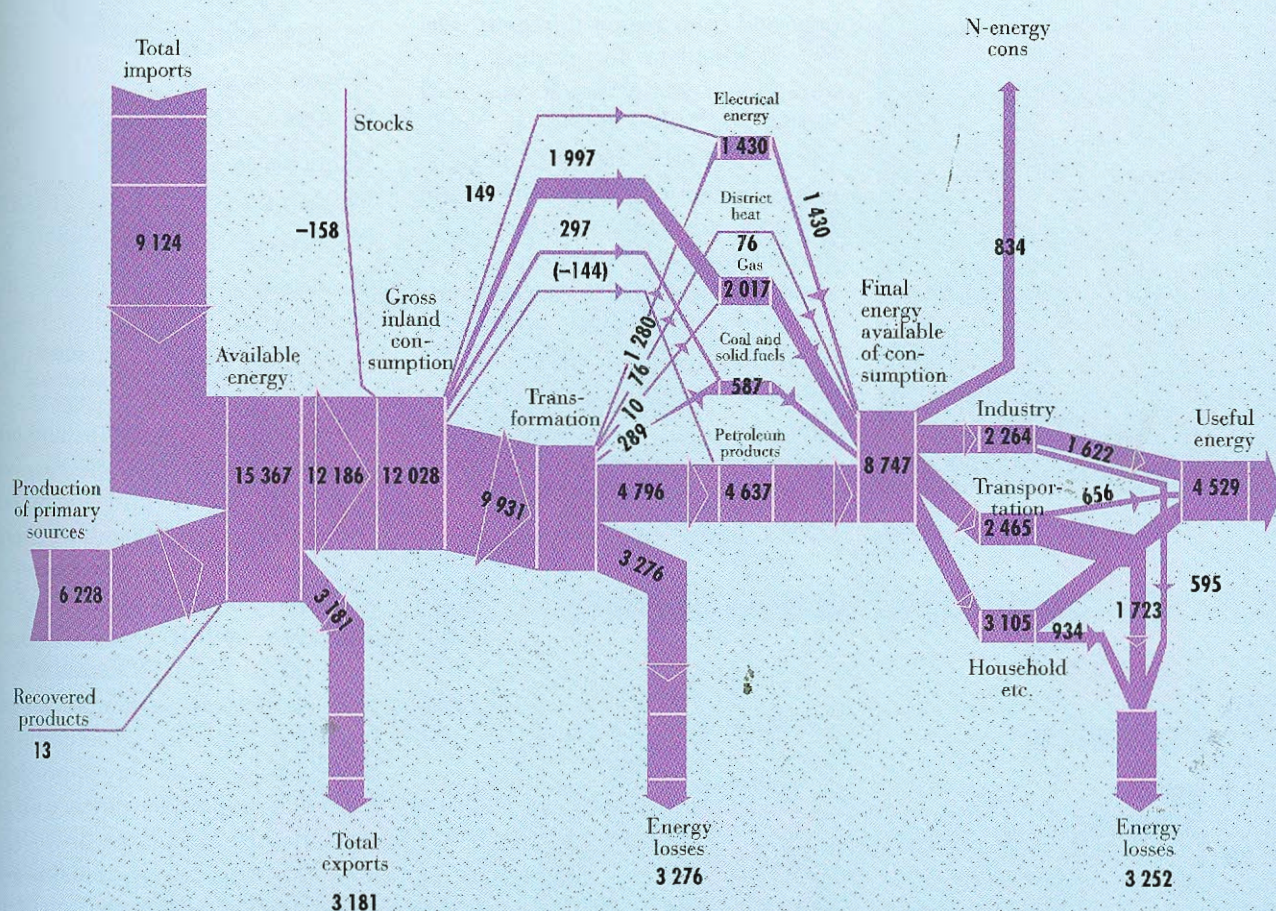
The EU is highly dependent on non-Union countries for its energy supplies; almost half of its energy is imported and oil imports alone make up three quarters of this total. There has, nevertheless, been a considerable reduction in the EU's (EUR 12) dependence on energy imports: prior to the first oil crisis in 1973, the EU (EUR 12) imported 64% of its energy, 96% of which was oil, whereas 20 years later 51% of its energy came from outside the Union, with oil's share down to 71%. The reduction in oil imports is largely due to the increase in oil production in the United Kingdom and the considerable expansion of nuclear power, production of which rose from 44 million toe in 1980 to 166.7 million toe in 1989.

The final consumption of energy, i.e. energy actually consumed by final users,

decreased at the start of the 1980s because of the economic recession and energy conservation in response to high prices, but once this period was over consumption started to rise again and by 1992 it was 13% higher than in 1980.

During the same period, economic growth measured in terms of GDP, was greater than the increase in energy consumption, which means there was an 11% reduction in the intensity of energy used by the EU economy (EUR 12).

Energy flow analysis in the EU, 1992 (100 000 toe)

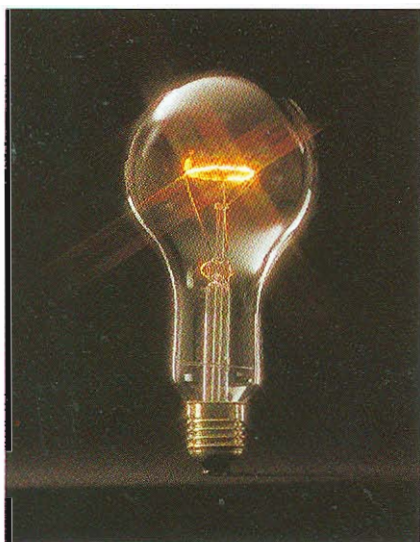


ENERGY SUPPLY

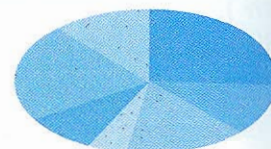
The European Union cannot meet its energy requirements and imports for around half of the energy it consumes, although its level of dependence on imports has fallen over the last 20 years.

Production

The European Union produces slightly less than half of the energy it consumes, although this proportion varies depending on the source of energy and from region to region. The United Kingdom, for example, produced more energy than it consumed during the 1980s thanks to North Sea oil, but after the 20% fall in its oil production in 1989, it now has to rely on imports to meet 4% of its requirements. The Netherlands was also a net exporter of energy at the end of the 1970s and beginning of the 1980s thanks to the country's abundant resources of natural gas. Other Member States have reduced their dependence on imports: some, such as Ireland, Denmark and Greece, by tapping their deposits of



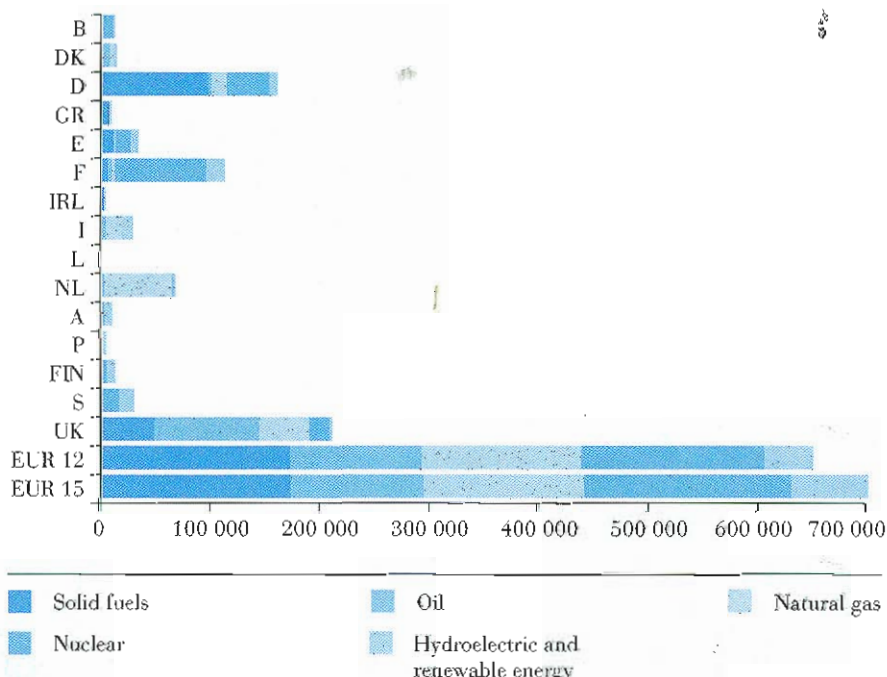
EU coal imports in 1993
EUR 12 (million t)



Country of origin

USA	31.3
Colombia	13.9
Australia	17.9
former Soviet Union	5.6
Poland	10.5
South Africa	26.4
Other	14.0

Primary energy production in 1993 (1 000 toe)

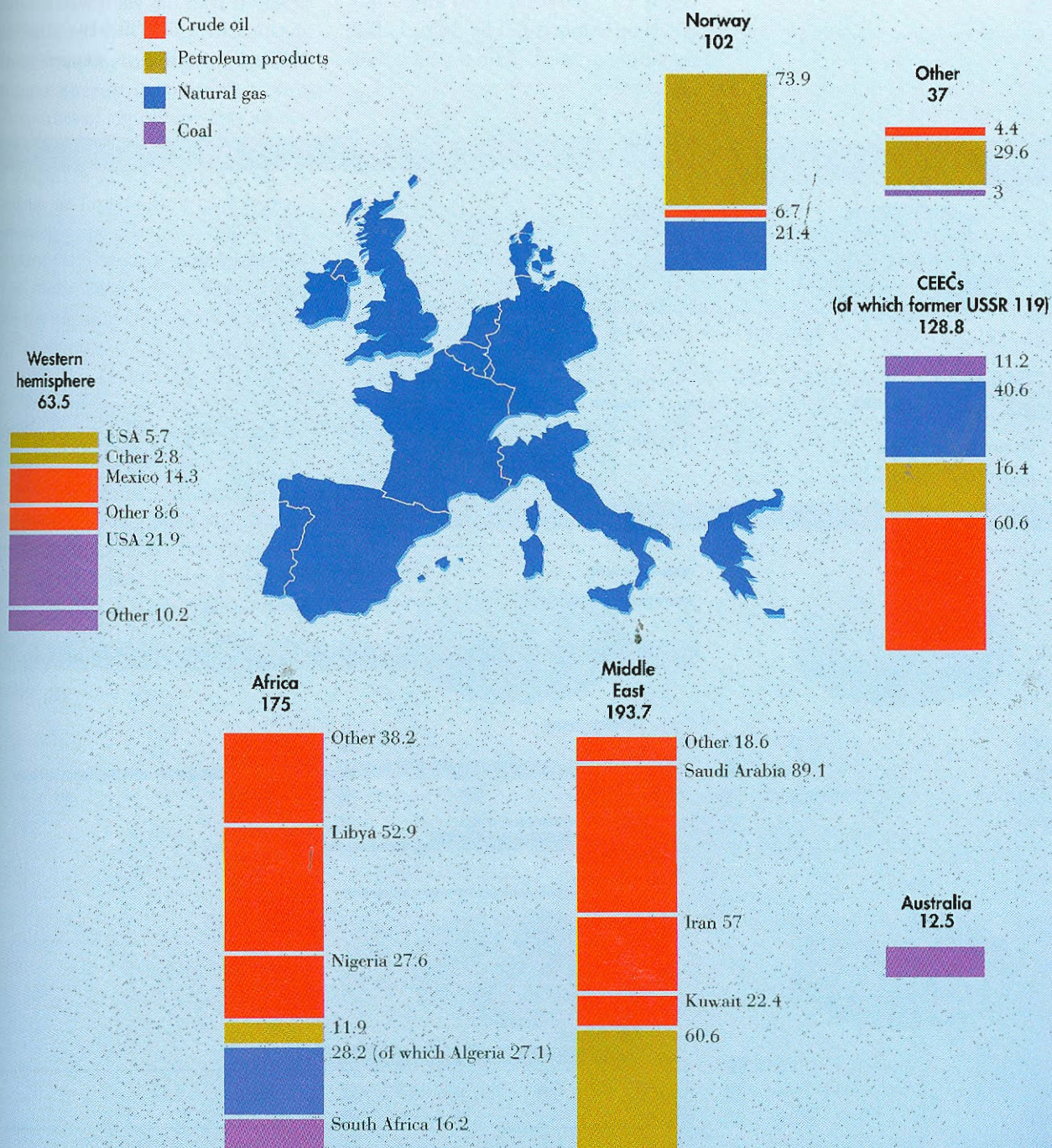


natural gas, peat or lignite, and others, particularly France, Belgium and Spain, by turning to nuclear power. Denmark's reliance on energy imports in 1992 dropped from 99% of its requirements in 1980 to less than 41%, while French imports have fallen from 79% in 1980 to 55% of its total consumption. Only Italy, Portugal and Luxembourg have failed to make any appreciable reduction in their dependence on energy imports which, at 85%, 97% and 99% respectively, remains very high. Thanks to its production of nuclear energy, hydroelectricity and renewable energy, Sweden depended on imports for 36.5% of its requirements, while Finland's dependence on imports stood at 57% and Austria's at 66%.

Imports

It is obvious that the EU cannot dispense with energy imports. Since the two oil crises of 1973 and 1979, efforts have been made to reduce the

EU energy imports from third countries in 1993 (million toe)

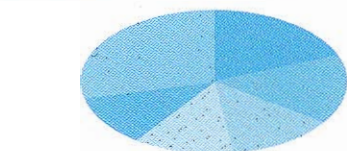


ENERGY SUPPLY

proportion of oil imported and to diversify the sources of supply. OPEC countries (the Organization of Petroleum Exporting Countries) still supply 59% of the Community's oil imports, and though this figure is down from 86% in 1980, it still amounts to 30% of the EU's total energy imports (EUR 12). Between 1980 and 1985, crude oil imports fell by 36%, before regaining ground again to reach 94%

of the 1980 figure in 1992. The reduction in imports has mainly been felt by suppliers in the Middle East. In 1980, Saudi Arabia supplied the EU (EUR 12) with 36% of its crude oil, but this figure fell over the course of the decade before rallying to 50% of its 1980 level in 1993. On the other hand, Iran has increased its share of the European market since the 1980s by tripling its exports to the

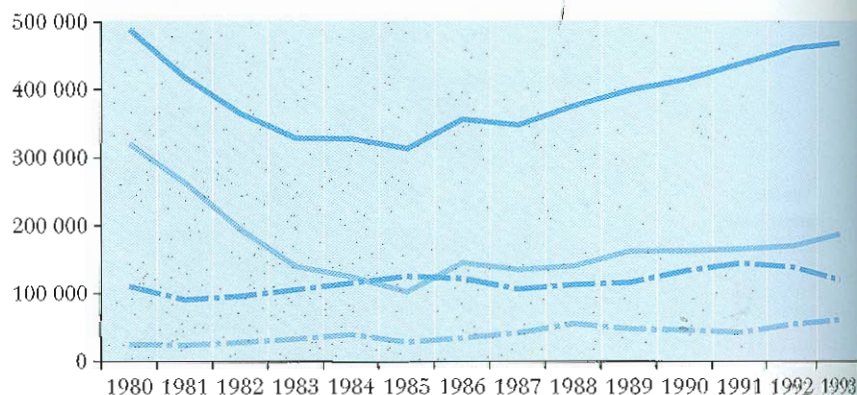
EU crude oil imports in 1993
EUR 12 (million t)



Country of origin

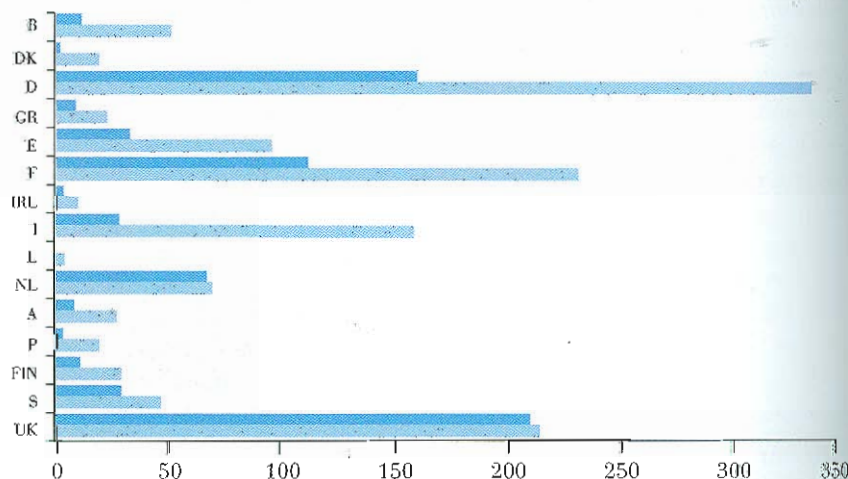
Saudi Arabia	88.6
Norway	73.3
former Soviet Union	60.2
Iran	56.8
Libya	52.8
Other	133.5

Trends in oil imports EUR 12 (1 000 toe)



Total Middle East
 Africa Eastern Europe

Production and consumption of energy in 1993 (million toe)



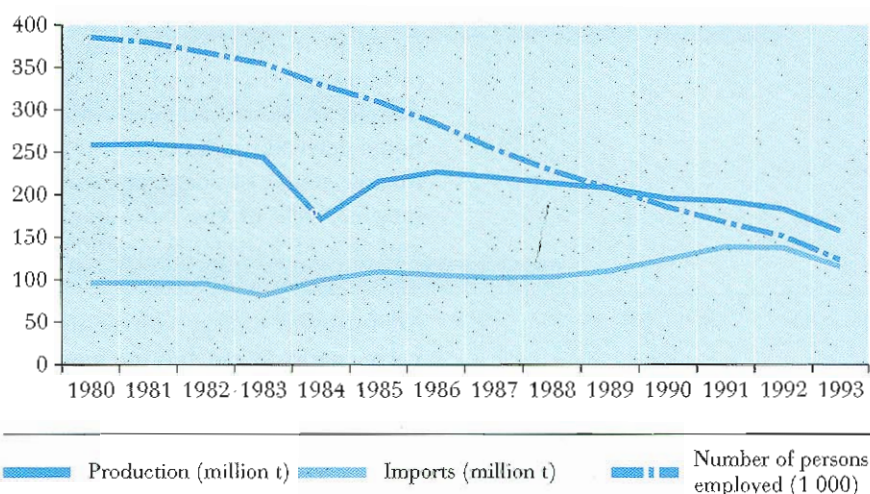
Production Consumption

EU (EUR 12), while Norwegian exports have multiplied by a factor of 7. The Gulf War and the sanctions imposed by the UN have also changed the composition of exporters to the EU: Iraq, which accounted for 8% of the European market in 1989, no longer features, while imports from Kuwait are now higher than in 1989.

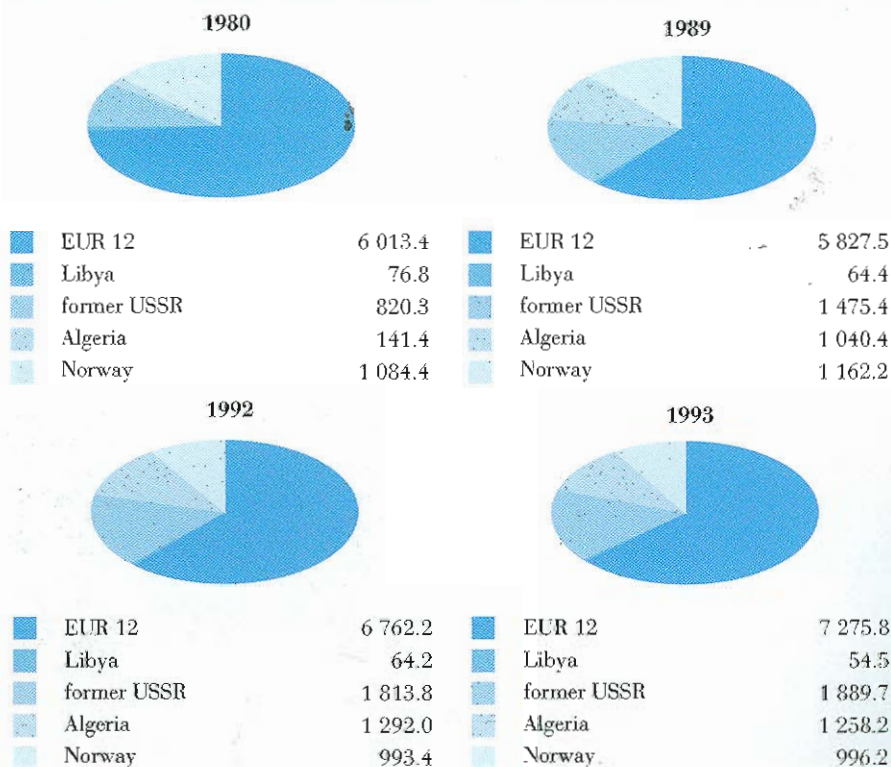
Natural gas features prominently amongst energy imports, but the EU's sources of supply are less diversified than for crude oil since natural gas requires the construction of pipelines or liquefaction and regasification plants. The EU (EUR 12) produces 60% of its own gas requirements, with 26% originating in the Netherlands alone. No single foreign supplier dominates the import market, with the former Soviet Union covering 17% of the European Union's (EUR 12) requirements, Norway 9% and Algeria 11%.

The substantial drop in Community coal production (EUR 12) has led to a greater dependence on imports, mainly from the United States (27%), South Africa (23%) and Australia (16%). Imports nevertheless fell by 16% in 1993 compared with the previous year.

Coal in the EU (EUR 12)



EU supplies of natural gas in 1993, EUR 12 (1 000 TJ)



ENERGY CONSUMPTION

A high proportion of primary energy (85%) is converted before reaching the consumer: nuclear energy, for example, is converted into electricity and crude oil into refined products.

Conversion of energy

Almost two thirds of the coal used is burnt in thermal power stations to produce electricity, and 22% is converted into coke and coke-oven gas. Some derived products pass through further stages of conversion: for example, 18% of the coke-oven gas and 8% of petroleum products are used to generate electricity.

All forms of energy conversion involve energy losses, but the most significant occur in the production of electricity. In a conventional thermal power station, around 60% of the initial energy is lost during the conversion process.

There was a 42% increase in the production of electricity in the EU (EUR 12) between 1980 and 1992, due mainly to the expansion of nuclear energy, which accounted for 34% of total electricity supply in 1992, almost the same proportion as solid fu-

els. Hydroelectricity supplies about 9% of the EU's electricity. While petroleum products were used for 23% of electricity production in 1980, this figure fell to only 10.7% in 1992. Within the European Union, the structure of electricity production varies widely from one Member State to another. In France, for example, nuclear energy accounts for 72.9% of electricity production, whereas thermal power stations in the United Kingdom produce 74.6% of all electricity and hydroelectricity has a 51% share of the total in Sweden.

The production of coke has followed the same trends as the iron and steel industry, falling by 38% between 1980 and 1992.

Oil-refining fell steadily from 1980 to 1985, before gradually climbing back up to just below its 1980 level in 1992. The excess refining capacity which had existed since 1973 disappeared in 1986 with the closure of a large number of refineries.

Energy consumption

The final consumption of energy is divided almost equally between three main sectors: industry (29%), transport (32%), and the household and tertiary sectors (39%). The household sector alone accounts for 28% of the total. In industry and the household and tertiary sectors, the 1980s began with a drop in energy consumption, but by 1992 the figures were back up to 91% and 112% of their respective 1980 levels. As the economy stands at present, consumption in industry is stable, but



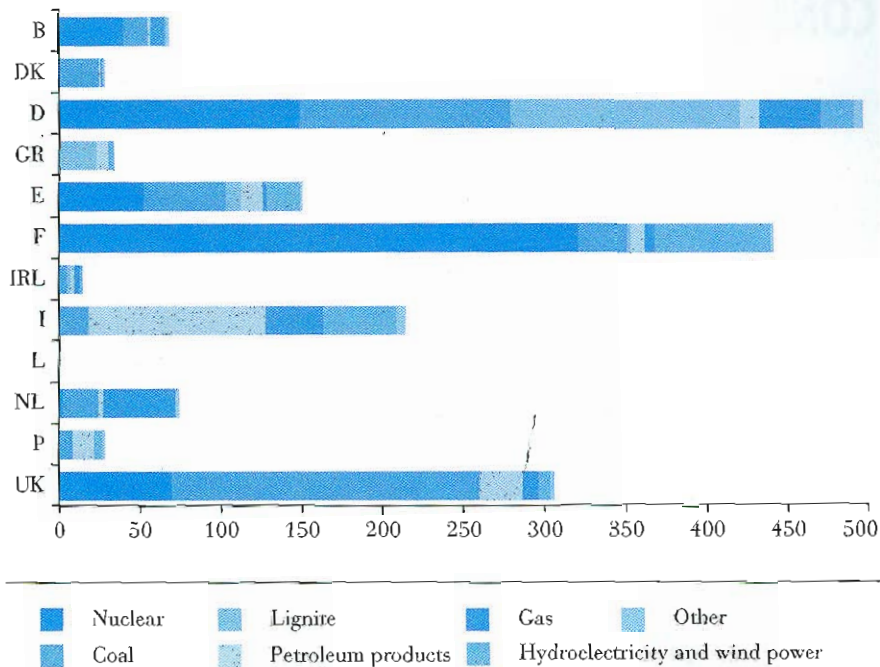
has continued to rise in the transport sector and the 1992 figure was 45% up on 1980.

There was a 22% increase in petrol consumption for road transport while gas oil (diesel) consumption doubled and now accounts for 43% of all energy consumption in the road transport sector. The proportion of lead-free petrol has rocketed from 1% in 1986 to over 53% in 1993.

The consumption of heavy fuel oil in industry fell from 64 million tonnes in 1980 to only 23 million tonnes in 1992. The main beneficiaries were natural gas, consumption of which rose by 18 million toe (up 36%), and electricity (12 million toe or 25% increase).

Whereas the consumption of petroleum products for household and tertiary uses fell by 23% over the last decade to 97 million tonnes in 1992, solid fuels registered a 29% drop, this fall being artificially cushioned by the inclusion since 1991 of the territory of former East Germany, which is still a major consumer of lignite. Natural gas consumption, on the other hand, increased by 50% due in part to the extension of the European network, and electricity

Production of electricity by source of energy in 1992 (TWh)



ENERGY CONSUMPTION

consumption rose by 55% on account of the general increase in the number of electrical appliances.

Trends in gas and electricity prices in the EU between 1980 and 1994 (EUR 12)

Electricity prices for industrial users rose appreciably between 1980 and 1985, stabilized for a while and then dropped sharply between 1986 and 1988. They then rose again between 1990 and 1992 and have since been relatively stable.

The price variations for domestic users have been less marked, rising slowly but steadily, and there is little

difference in the price levels in the different countries.

There was a steep and steady rise in gas prices for industrial users between 1980 and 1986, followed by a sharp fall which lasted until 1989 and was most pronounced in 1986 and 1987. Prices started to rise again slightly in 1991 before levelling off. It is noticeable that the higher the level of gas consumption, the lower the price differences between the Member States.

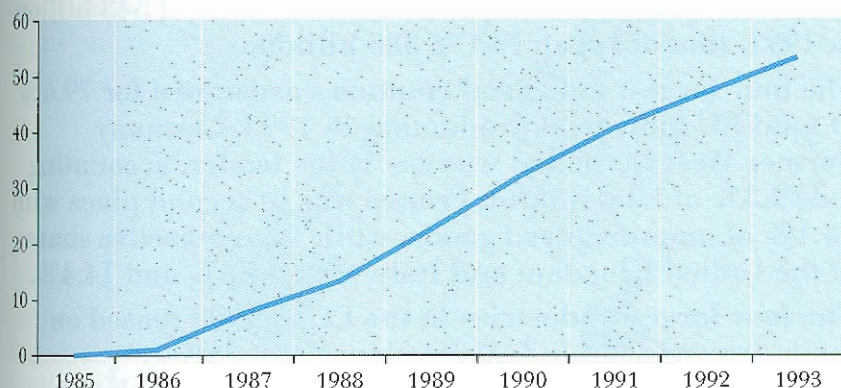
Domestic users saw prices rise up until 1985-86, before dropping between 1986 and 1987. They then stabilized at a level which was slightly higher than in 1980.



Final consumption of energy in the EU (EUR 12) in 1992 (1 000 toe)

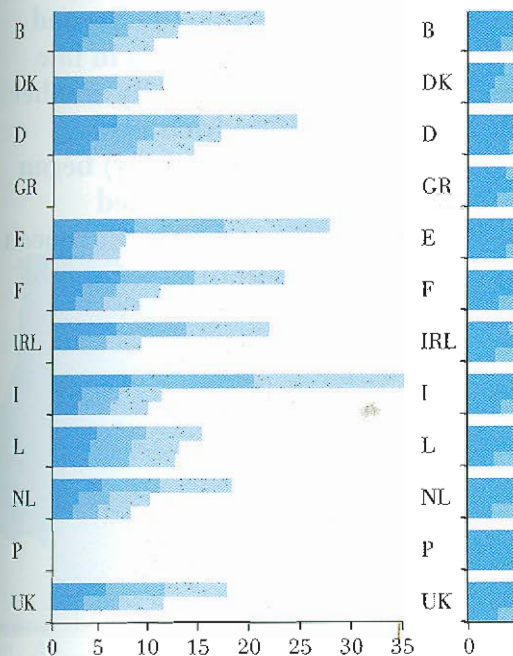
Sector	Total products of which:	Electricity	Natural gas	Petroleum products	Solid fuels
Industry	232 232	61 662	69 753	42 969	41 434
of which: Iron and steel	49 152	7 330	10 338	2 959	20 476
Chemicals	44 866	14 344	18 647	7 017	4 588
Glass, building materials	32 137	4 738	10 539	8 282	8 500
Food, tobacco	21 187	5 788	8 280	5 591	1 515
Transport	246 398	3 770	214	242 413	-
of which: road	205 725	-	214	205 511	-
Household, tertiary	327 759	77 500	112 204	97 280	15 517
of which: households	222 465	42 116	80 312	61 111	15 246

Trend in the % proportion of lead-free petrol in the EU (EUR 12)

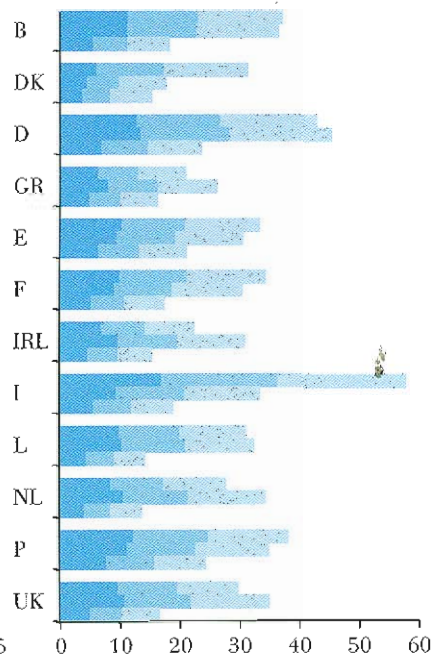


Gas and electricity prices in 1993 (ECU/100 kWh)

Gas



Electricity



HT HTVA TTC

NB: HT = not including taxes; HTVA = not including VAT; TTC = including all taxes.

FURTHER READING

Eurostat publications

Energy, annual
Energy, monthly
Industrial short-term trends, monthly
Operation of nuclear power stations, annual
Energy and industry, Rapid Reports and Statistics in focus
Statistics on renewable energy sources
Gas prices
Electricity prices

Electronic products

Eurostat CD
Comext CD
New CRONOS database

European documentation

Energy in the European Community

Other publications

Energy in Europe
Energy for a new century: the European perspective
The internal energy market
Annual energy review
Energy in Europe (two issues per year)
A European energy strategy
The European renewable energy study

GLOSSARY

Liquefaction of natural gas

Process carried out at the port of shipment, whereby natural gas is converted from the gaseous to the liquid state by compression, expansion and cooling so that it can be transported by methane tankers: the reverse process (regasification) takes place at the port of unloading.

Terajoule (TJ) 10^{12} joules

The joule is the thermal unit used in the International System. One kilocalorie = 4 186.8 joules.

toe: ton of oil equivalent

A standardized conventional unit defined on the basis of a tonne of oil with a net calorific value of 41 868 kJ/kg.

Intensity of energy used by the economy

Ratio of gross inland consumption of energy (GIC) to gross domestic product (GDP) at the prices and exchange rates for the central year.

GIC
GDP

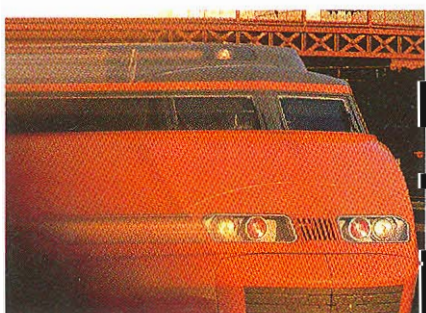
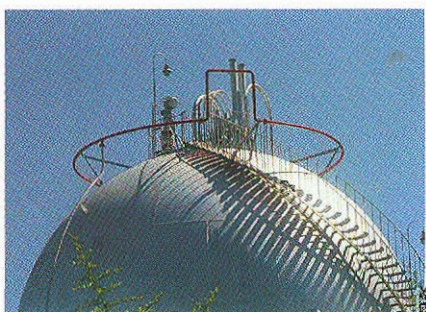
INDUSTRY

With an industrial production of ECU 2 610 billion in 1993, the European Union was the world's leading industrial producer. US production was ECU 2 543 billion in 1993, that of Japan ECU 2 380 billion.

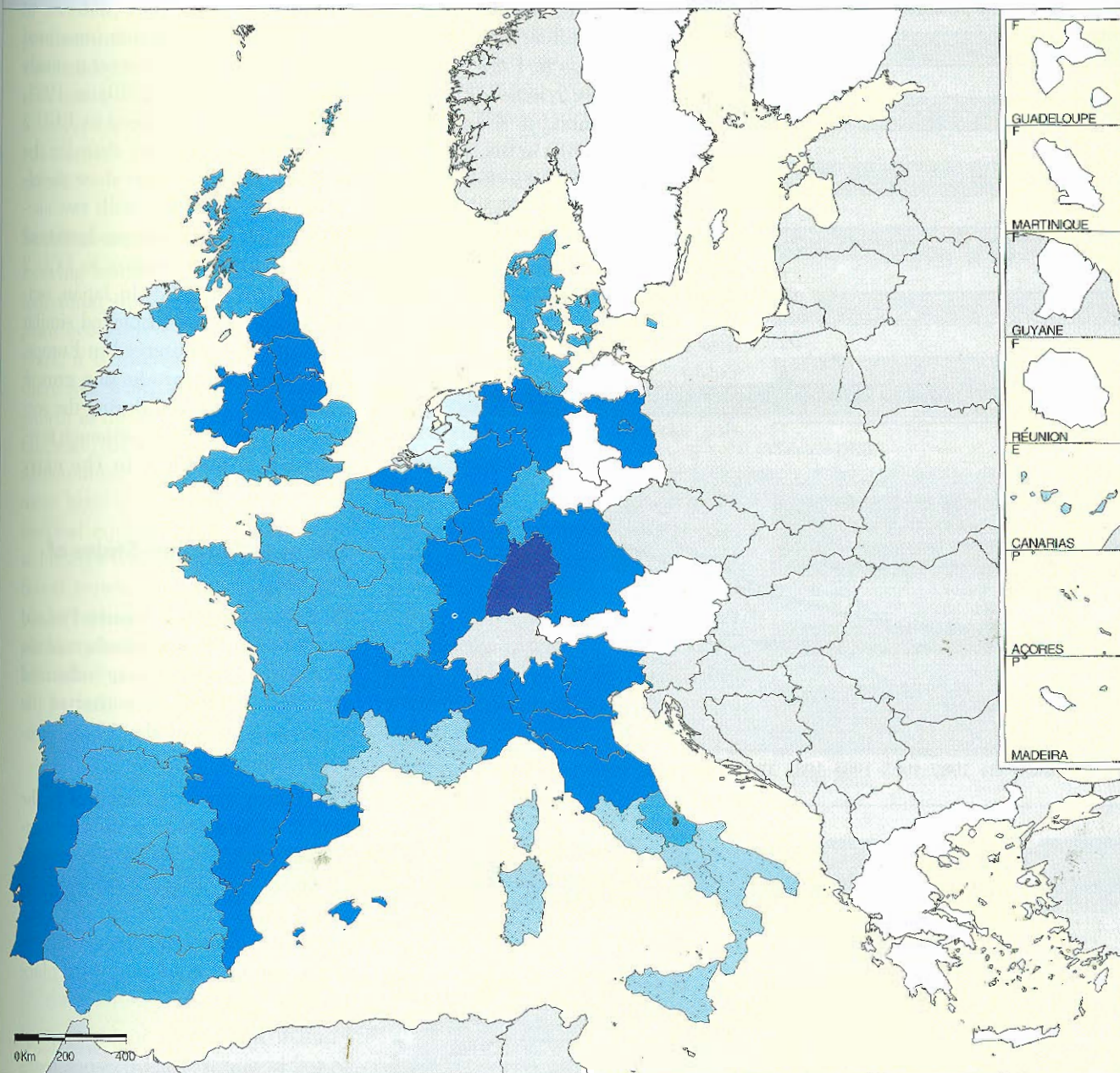
The four largest industrial countries accounted for 79.6% of total EU industrial production in 1993. Germany (former West Germany) was easily the leader, accounting for 32.3% of total output. France was in second place with 18.1% of manufactured goods, while the respective shares of the United Kingdom and Italy were 14.8% and 14.4%.

The four largest industries in the EU in 1993 (based on their share of total industrial value-added) were electronics and electrical engineering, food, drink and tobacco, transport equipment and the chemicals industry. Between them, these four industries accounted for more than half of the EU industrial value-added.

The European economy has gone through several cycles of expansion and recession in the last 50 years. The rapid growth seen in the European economy since the Second World War came to a halt with the first oil crisis in late 1973. A further oil crisis in 1980 was followed by another widespread recession. A further slump (which also affected the normally resilient Japanese economy) began to affect most countries in 1992, though the United Kingdom was hit a year earlier. Recovery in the European industrial economy was still somewhat tentative into the second half of 1994.



Manufacturing industry as part of the economy, 1991*



Share of total value-added at factor cost (in %)

 > 40	 10 to 20
 30 to 40	 ≤ 10
 20 to 30	 Data not available

NB: At the time of this publication, information on regional level for the new Member States was not available.

A: At market prices: 43.9; FIN: At market prices: 38.0;
S: At market prices: 40.4.

* B: 1988 at market prices; F: At market prices; IRL: 1989;
L: 1990; P: 1990 at market prices.

INDUSTRY

Production and employment trends

Employment levels in manufacturing fell from 27 million employees in 1980 to 21 million in 1993. The unemployment rate reached 11.2% in 1993 and continued to rise in 1994. This gradual decline in the European industrial workforce was mirrored in the USA, where there were 15.6 million employees in 1993. However, in Japan there was a moderate increase in the number of people employed in

manufacturing, the figure of 11.4 million employees being reached in 1992.

EU industrial production (measured at constant prices) grew at a steady rate from the mid 1980s to 1991, when production peaked at ECU 2 684 million. However, data for the last two available years show the effects of the recession with two successive falls in output, production at constant prices declining to ECU 2 577 million in 1993. In Japan, output in real terms displayed similar trends to those observed in Europe, while American production growth was far less marked during the second half of the 1980s, although it recovered somewhat in the early 1990s.

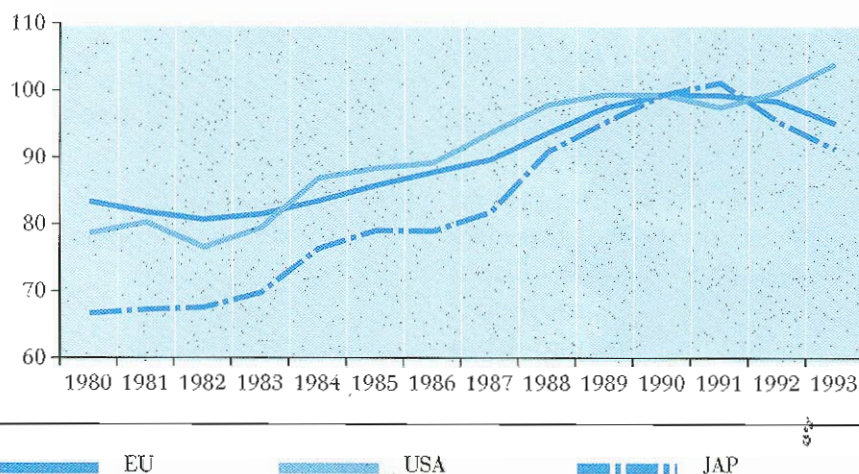
The new Member States of the EU

On 1 January 1995, Austria, Finland and Sweden became members of the European Union. Their industrial structure differs from that of the Member States of the 1994 European Union.

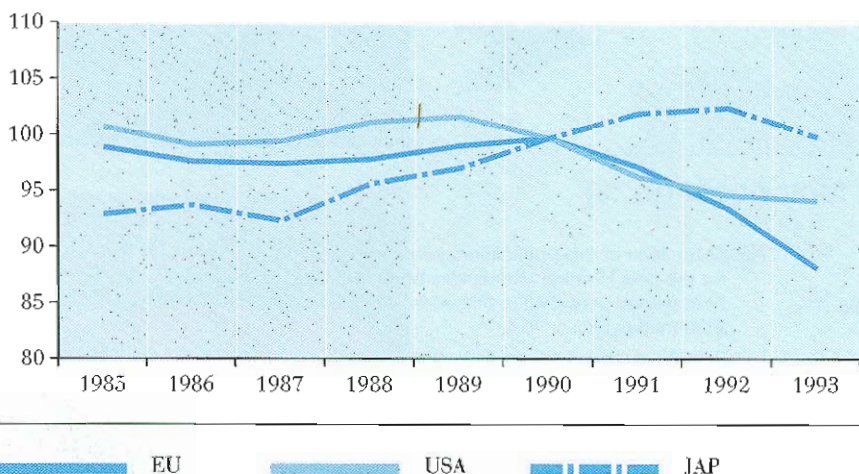
The major sector in Austria is the agri-food and tobacco industry, accounting for 13.5% of total industrial gross value-added in 1991; the mechanical engineering and electronic and electrical engineering sectors come in second and third place with 8.6% and 8.3% respectively.

Finnish industry is highly concentrated in one sector, i.e. paper, manufacture of paper goods, printing and publishing; this sector generated 20.6% of total industrial gross value-added in 1992, contrasted with a European average of 7.2%; with a total of more than 70 000 employees, employment in this sector even tops the construction and civil engineering sector. As in Austria, the agri-food and tobacco and mechani-

Index of industrial production (1990 = 100)



Index of industrial employment (1990 = 100)



cal engineering sectors are also important.

In Sweden, the paper and paper products industry (10.9% of gross value-added) comes in second place after mechanical engineering (13.6), a sector in which Sweden has a substantial number of multinationals.

Sectoral analysis

Looking at the performance of the individual industries in the European economy over the last few years, it is interesting to note that there has been a distinct lack of growth in the investment goods sector, with the notable exception of telecommunications, computers and other high-tech industries, such as medical equipment. Indeed, high technology industries have been the fastest growing in Europe, for example, sectors such as pharmaceuticals, plastics processing and computers. The influence of trading patterns on the performance of these sectors is

also of great importance. These sectors were at the forefront of export performance over the period 1986-93, but at the same time they were amongst the most vulnerable to import penetration from foreign competition. Hence, such industries are very susceptible to changes in world market conditions and are also vulnerable to modifications made by regulatory bodies. Growth was also realized by some intermediate goods sectors (which were far more reliant on domestic demand for expanding output). High growth rates were seen in the following industries: rubber and plastics processing, secondary processing of metals and the soft drinks sector.

Sectors reporting low growth (or negative growth) included industries affected by changes in consumer preference (the tobacco, alcohol and fur products industries) or industries affected by increased foreign competition (these included clocks and watches and sports goods).

Value-added at factor cost of total manufacturing industry in 1993 (%)

B	3.5
DK	1.9
D	35.8
GR	0.5
E	7.4
F	16.2
IRL	1.4
I	12.2
L	0.2
NL	4.1
P	1.3
UK	15.6

Source: DEBA.

Share of value-added and employment in 1992 (%)

	Value-added ¹	Employment
Industry	32.5	31.7
Services	64.4	62.2
Agriculture, forestry and fishing	3.1	6.1

¹ 1991 data.

Austria: industrial indicators, 1991 (million ECU)

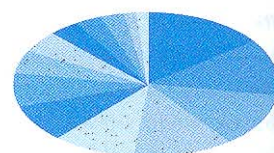
	No of persons employed	Turnover	Gross value-added at market prices (units)
All industries (excluding construction and civil engineering)	626 880	80 870	27 890
Food, drinks and tobacco	65 755	11 893	3 757
Construction and civil engineering	158 189	10 788	4 861
Chemical industry	31 544	7 622	1 921
Electrical and electronic engineering	63 803	7 209	2 393
Mechanical engineering	63 202	6 703	2 308
Production and primary processing of metals	34 010	4 924	1 548
Textiles, clothing, leather and footwear	63 953	4 575	1 627
Motor vehicles and spare parts	23 580	3 773	1 200
Other industries	151 996	16 137	5 968

INDUSTRY

Globalization and competitiveness

With an expansion in the manufacturing base due to increased output from the newly industrialized countries (NICs), the European economy faces growing pressure on its traditional markets in the 1990s. There is a trend towards globalization of the world economy (a process whereby large firms resource all areas of the world in the search for the lowest costs and most efficient means of production). This leads in turn to the intensification of competition. European manufacturers are no longer able to rely on traditional comparative advantages, rather they have to create specific competitive advantages. Indeed, through merger activity many firms have lost their European identity, with the need to become international players within world markets. With the advent of new technologies and production processes (JIT — just-in-time technologies) manufacturers are able to reduce their reliance on holding stocks and hence exert more control over their own production processes.

Value-added, as % of total value-added of manufacturing industry, 1993



Electrical and electronic engineering (including computers and office equipment)	14.8
Food, drinks and tobacco	12.8
Transport equipment	12.2
Chemical and synthetic fibres	12.0
Mechanical engineering	10.0
Metal products	8.4
Paper, paper products, printing and publishing	7.6
Rubber and plastics	5.1
Non-metallic minerals	4.8
Metals (including iron and steel)	3.6
Timber and wooden furniture	3.2
Footwear and clothing	2.8
Precision instruments	1.5
Other manufacturing industries	1.3

Source: DEBA.

Such savings in time and cost have often been accompanied by job losses, but have led to productivity gains. It would seem apparent that EU manufacturers will have to continue to be at the forefront of new innovations regarding design, market-

Finland:
industrial indicators, 1992 (million ECU)

	No of persons employed	Turnover	Gross value-added at market prices (units)
All industries (excluding construction and civil engineering)	362 946	48 674	16 893
Chemical industry	16 830	10 015	1 028
Food, drinks and tobacco	45 519	9 590	2 193
Paper, manufacture of paper goods, printing and publishing	70 314	8 923	3 480
Construction and civil engineering	50 005	5 929	1 793
Mechanical engineering	38 742	3 864	1 503
Production and primary processing of metals	14 658	2 501	987
Electrical and electronic engineering	24 666	2 477	1 168
Textiles, clothing, leather and footwear	17 558	1 009	420
Motor vehicles and spare parts	5 674	624	225
Other industries	89 217	7 638	2 927

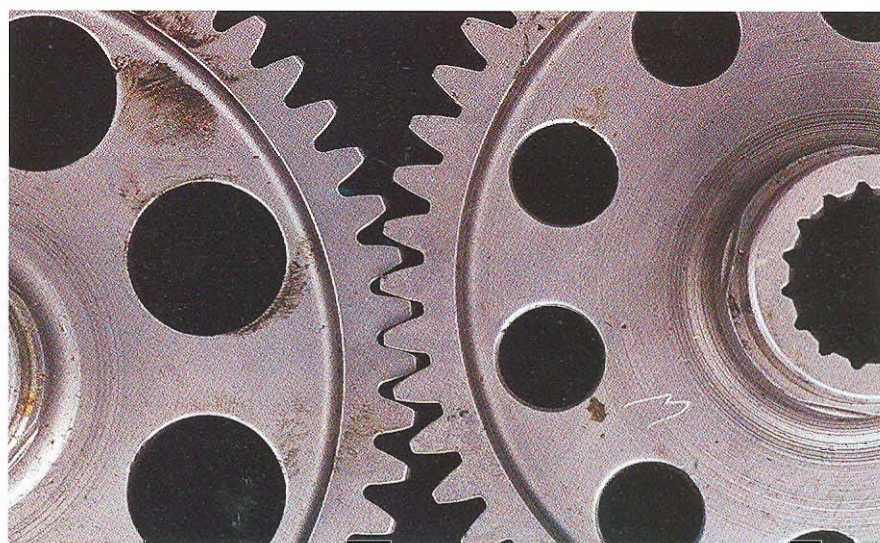
**Sweden:
industrial indicators, 1992 (million ECU)**

	Turnover	Gross value-added at factor cost
All industries (excluding construction and civil engineering)	139 192	41 061
Construction and civil engineering	18 434	5 541
Mechanical engineering	16 392	5 591
Paper, manufacture of paper goods, printing and publishing	14 499	4 466
Food, drinks and tobacco	13 514	2 933
Paper, manufacture of paper goods, printing and publishing	11 127	2 185
Chemical industry	7 711	2 757
Textiles and leather	1 218	422
Other industries	11 527	3 588

ing and cost saving measures in order to maintain their current position in most markets.

The White Paper on growth, competitiveness and employment prepared by the European Commission and presented to the European Council offered an opportunity to create a new economic climate in Europe. The White Paper identifies the need for growth, while respecting the diversity of human and natural resources. It confronts the dual problem of balancing two key policy requirements: creating employment and equal opportunities within the context of a 'social Europe', and at the same time increasing competitiveness and facing the economic realities of the market-place.

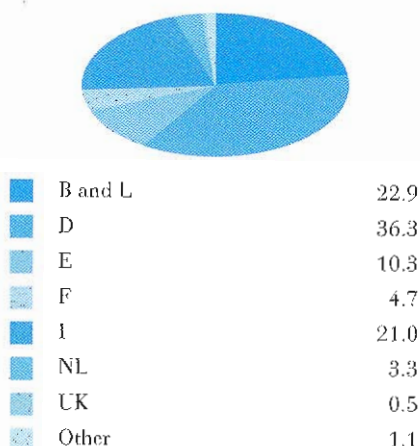
Moreover, Commission initiatives have switched increasingly to 'generic technologies' that can be used across several industries and not simply by one high-profile project. The Commission hopes that trans-European information and communications networks across Europe can be substantially improved, for example in the areas of telecommunications and high-speed rail links.



IRON AND STEEL

Under the terms of the ECSC Treaty, the iron and steel industry covers activities ranging from the production of raw materials to that of hot- or cold-rolled finished products. Its main consumers include the primary metals processing, construction, transport and metalworking sectors, making iron and steel a fundamental link in the chain of vital production processes.

Investment, national share of European total, 1993 (%)¹



¹ Estimates.

At the end of 1993, the Community iron and steel industry employed 318 800 people and produced 132 400 tonnes of steel. Germany is the largest producer in the EU, followed by Italy, and together they account for almost 50% of total European output. However, when production is expressed as a percentage of GNP at market prices, it is in Belgium and Luxembourg that the iron and steel industry ranks highest.

Economic activity

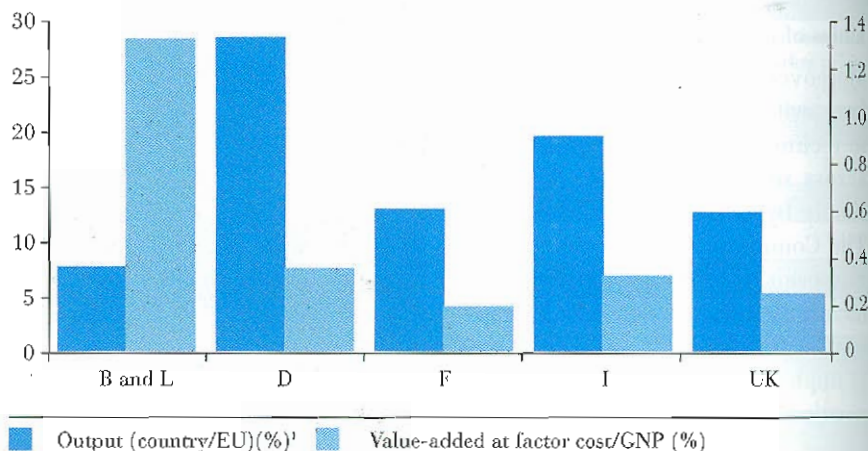
Situated very far upstream in the chain of industrial processes, iron and steel is one of the first sectors affected by economic fluctuations.

Thus, while production in industrial manufacturing began its downturn in 1992, iron and steel production was declining as early as 1990. Between 1990 and 1993, production fell by 4.8% in volume and 13% in value and employment by 11%. Investments by the United Kingdom and France were particularly low relative to their level of production.

External trade

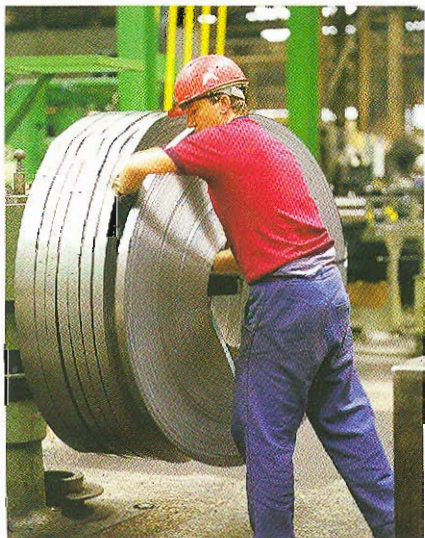
Nonetheless, extra-European exports increased by 50% in 1993. This was mainly due to the rapid rise in consumption in the People's Republic of China, with demand in other countries remaining very depressed. In-

The iron and steel sector's activity at European level (national output as a proportion of European output) and at national level (the industry's value-added as a proportion of GNP), 1993 (%)¹



¹ Estimates.

Source: DEBA



Main indicators for the iron and steel industry ¹

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Apparent consumption (million t)	98.5	102.5	101.9	111.7	110.0	123.5	126.8	125.7	126.6	124.7	110.4
Net exports (million t)	10.3	14.3	16.6	13.7	148.7	11.3	8.6	7.7	92.0	7.8	20.4
Production of rolled finished products (million t)	85.4	92.0	93.1	100.9	103.0	112.7	117.6	116.4	118.5	115.1	111.8
Employment (1 000)	479.2	450.0	425.8	456.0	421.0	408.0	394.0	376.0	388.0	355.0	335.0

¹ 1983-85: EUR 10.

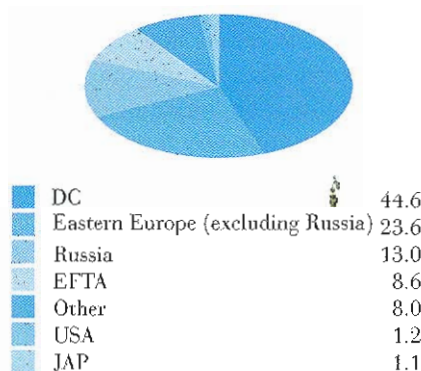
deed, the volume of Chinese imports from the EU more than quadrupled between 1992 and 1993.

The terms of trade showed a marked improvement owing to the decline in imports linked to the recession.

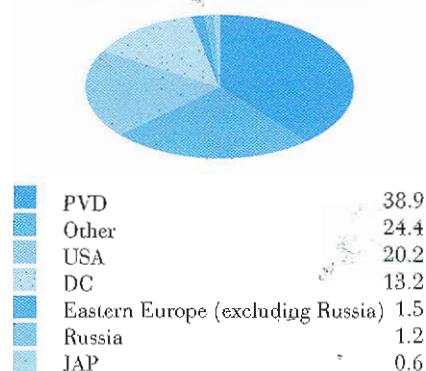
Structure

The iron and steel industry continues to suffer from excess production capacity. In 1993, production capacity utilization was estimated to be 69%. The European Commission's strategy in this industrial sector has changed considerably in recent years. In the 1980s, it granted aid directly or through the intermediary of national governments to support the iron and steel industry, while it is now attempting to make this sector increasingly competitive in order to eliminate as much surplus capacity as possible.

Origin of imports by volume, 1993 (%)



Destination of exports by volume, 1993 (%)



Trade figures for the iron and steel industry in 1993 (million t)

	Exports	Imports	Balance of trade
Extra-EU	30 095	12 006	18 089
Developed countries	13 258	6 580	6 678
of which: USA	6 089	141	5 949
Japan	174	129	45
EFTA	3 968	5 356	- 1 388
Developing countries	11 716	1 031	10 685
Countries of Central and Eastern Europe	806	4 390	- 3 583

CHEMICAL INDUSTRY

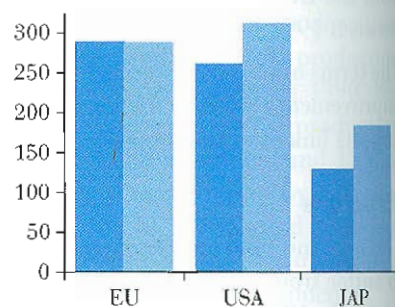
The chemical industry can be broken down into three main groups: basic organic and non-organic chemical products upstream, finished products, for example, pharmaceuticals, fertilizers, detergents, etc. downstream, and lastly, the artificial and synthetic fibres industry.

The European chemical industry is a major industrial sector both in the EU and internationally: in European manufacturing it accounts for 12% of value-added, 15% of fixed capital investment, 30% of research and development expenditure and 8% of employment. The EU is the world's largest exporter of chemical products, and six of the world's 10 largest chemical companies have their headquarters in Europe.

Short-term indicators and structural trends

Since the beginning of the 1990s, the financial health of the European chemical industry has been deteriorating. Cyclical and structural problems are combining and may topple Europe from its position of world leader in the industry if measures are not rapidly taken. At the end of the 1980s, substantial investments generated surplus production capacity — a situation which, combined with the fall in the dollar, has greatly depressed producer prices (– 3% between 1990 and 1993) and profit margins. The result has been a deterioration in the European Union's competitiveness, particularly *vis-à-vis*

International comparison of production at current prices in the chemical industry (billion ECU)¹

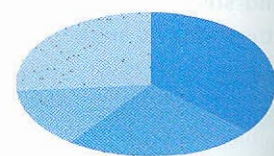


■ 1990 ■ 1993

¹ Estimates.

Sources: Eurostat, DEBA.

Breakdown of production at current prices by chemical industry branch, 1993 (%)¹



Basic chemicals	36.40
Pharmaceutical products	23.77
Soaps and detergents	13.54
Other	26.28

¹ Estimates.

Source: DEBA.

Main indicators for the chemical industry¹

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Apparent consumption (million ECU)	182 131	210 206	225 384	210 569	222 121	246 620	273 589	278 940	281 349	282 097	265 908
Net exports (million ECU)	14 488	17 503	18 678	15 466	15 049	15 283	13 643	11 158	12 227	13 223	23 049
Production (million ECU)	196 619	227 709	244 062	226 035	237 170	261 903	287 232	290 098	293 576	295 320	288 957
Employment (1 000)	1 744	1 752	1 755	1 748	1 760	1 760	1 781	1 785	1 763	1 701	1 626

¹ Apparent consumption, production and employment are estimated.

vis the USA. In 1993, production at current prices fell by more than 2% in the European Union against an increase of 16% in the USA, with the result that US production at current ecu prices now tops that of the European Union.

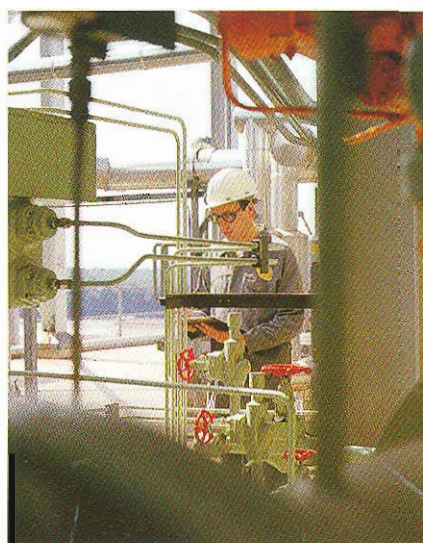
It is mainly the basic chemicals sector which is experiencing these difficulties, while pharmaceutical products, soaps, detergents and perfumes recorded tangible production growth of about 2% in 1993.

External trade

The European chemical industry imports mainly raw materials and exports finished products. In 1993, it saw a net improvement in its trade balance owing to falling imports and higher exports in all branches of the industry.

Industrial structure

The pharmaceutical industry is highly concentrated, with the six top companies accounting for one third of the industry's total turnover. The three highest-ranking companies — in terms of turnover — are Hoechst, BASF and Bayer, all German. Indeed Germany is the largest EU producer, with more than one — third of European production in value terms. It is followed by France, the United Kingdom and Italy. Together, these four countries are responsible for more than three quarters of this industry's value-added in the EU.



**Chemical industry:
15 highest-ranking European companies in 1992 (million ECU)**

	Country	Turnover	Net profit	Number of employees
Hoechst	D	22 727	458	177 668
BASF	D	22 060	306	123 254
Bayer	D	20 411	747	156 400
Imperial Chemical Industries	UK	16 388	- 774	114 000
Ciba-Geigy	CH	12 221	837	90 554
Rhône-Poulenc	F	11 938	256	83 300
Sandoz	CH	7 935	823	53 360
Akzo	NL	7 414	314	62 500
Norsk Hydro	N	7 236	21	34 036
Roche Holding	CH	7 129	1 055	56 335
Smithkline Beecham	UK	7 091	989	53 700
Henkel	D	6 987	170	42 244
Solvay & Cie	B	6 125	235	45 350
Glaxo Holdings	UK	5 801	1 463	37 083
L'Oréal	F	5 489	337	31 908

Source: DABLE.

Trade figures for the chemical industry in 1993 (million ECU)

	Exports	Imports	Trade balance
Extra-EU	59 228	36 179	23 049
Developed countries	34 879	28 534	6 345
of which: USA	9 170	9 956	- 786
Japan	4 076	3 698	378
EFTA	12 937	13 010	- 73
Developing countries	19 329	4 459	14 870
Countries of Central and Eastern Europe	4 302	2 301	2 001

MECHANICAL ENGINEERING

The mechanical engineering sector plays a central role among the manufacturing industries since it supplies capital goods to other sectors. It is therefore very sensitive to changes in investment levels in other sectors.

Production and employment

Turnover in the European mechanical engineering sector declined during the latest recession of 1991-93 (from ECU 237 billion in 1990 to ECU 216 billion in 1993, or almost 9%). The greatest downturns were recorded in Greece (- 13.8%), Spain (- 23.7%), Italy (- 23.7%) and the United Kingdom (- 13.8%). In contrast, turnover rose during the same period in Denmark (+ 8.3%) and in the Netherlands (+ 15.1%). The decline in sales was accompanied by a fall in employment in the EU, from 2.43 million in 1990 to 2.11 million in 1993. With the onset of the recession in 1991, as turnover began to decrease, most companies did not immediately make employees redundant. This phenomenon — keeping

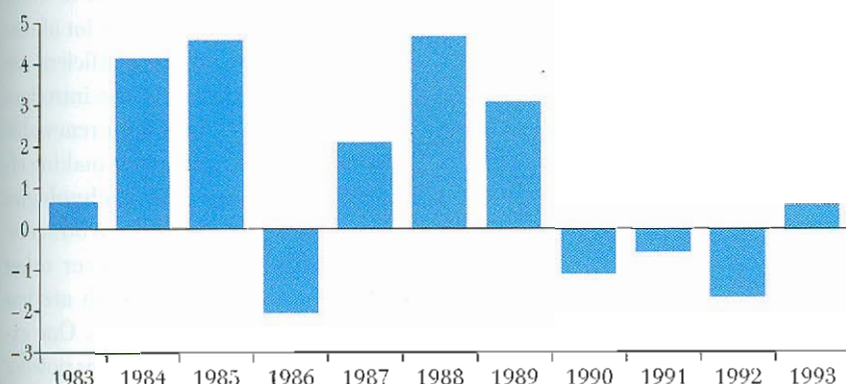
on workers when production and sales fall — resulted in lower productivity levels. The redundancies of 1993 finally led to a rise in productivity in the EU mechanical engineering industry, the first in three years.

International trade

The decline in turnover would have been even more dramatic had not an upturn in trade, both intra- and extra-EU, occurred at the same time. In 1993, the EU was the leading producer of mechanical engineering products in the world, followed closely by the USA and Japan. In that year it exported more than a third of its output, and the extra-EU trade balance at current prices reached a historical high of ECU 44.3 billion. This record figure is



Year-on-year variation in productivity in the mechanical engineering industry (%) ¹



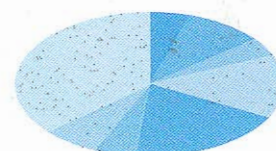
¹ Estimates.
Source: DEBA.

mainly due to the rise in extra-EU exports, from ECU 68.9 billion in 1992 to ECU 75.1 billion in 1993. Export intensity (extra-EU exports as a percentage of production) consequently rose from 31.4 to 36.0% during these same years.

The feared influx of cheap mechanical engineering products from newly industrialized countries (NICs) like South Korea, Taiwan, Hong Kong and Singapore has not materialized. In fact, exports to these countries increased by 89.9% between 1988 and 1993, while imports grew 'only' by 37.2%. This example illustrates the general trend in trade with develop-

ing countries. The market in exports to developing countries is just as important as that to developed countries. However, imports from the developing countries are of far less significance.

Production by sub-sector in the mechanical engineering industry, 1993 (%) ¹



Agriculture	4.9
Machine tools	9.4
Textiles	4.2
Food and chemical industries	14.3
Mining, iron and steel, construction	18.9
Transmission equipment	5.0
Special equipment	6.9
Other machinery	36.3

¹ Estimates.
Source: DEBA.

Main indicators for the mechanical engineering industry ¹

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Apparent consumption (million ECU)	100 517	110 782	123 621	130 606	134 389	151 501	175 177	190 491	191 454	183 148
Balance of trade (million ECU)	31 054	33 619	36 396	35 779	32 360	32 079	35 634	36 825	35 422	36 543
Production (million ECU)	131 571	144 400	160 517	166 385	166 749	183 580	210 811	227 316	226 876	219 691
Employment (1 000)	2 361	2 314	2 328	2 340	2 280	2 284	2 359	2 428	2 381	2 208

¹ Apparent consumption, production and employment are estimated.

MECHANICAL ENGINEERING



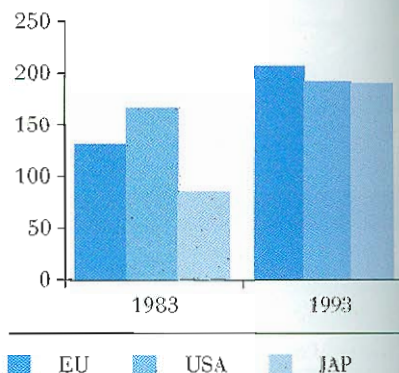
Major trading partners of the mechanical engineering industry, 1993 (million ECU)

	Exports	Imports	Balance of trade
Extra-EU	75 143	30 818	44 325
Developed countries	33 899	27 196	6 703
of which: EFTA	12 152	11 532	620
USA	12 688	9 377	3 311
Japan	1 964	5 188	-3 224
Developing countries	33 440	3 209	30 231

Environmental concerns

Since the mechanical engineering industry places a heavy burden on the environment in the form of solid waste and air pollutants, a lot of emphasis was put on more efficient use of finite materials and the introduction of products based on renewable resources. The industry is making efforts to develop new technologies that maintain the EU producers' competitive advantage over other major producers but which are less environmentally hazardous. One example of such a technology is powder metallurgy (PM). It is used to manufacture components made of alloys and composite materials but with considerably lower levels of waste than other methods. The world market for parts made with powder metallurgy was valued at USD 5 to 6 billion in 1990 but is expected to reach a value of USD 15 to 18 billion by the year 2000.

International comparison of production in the mechanical engineering industry (billion ECU)¹



¹ Estimates.
Source: DEBA.



TRANSPORT EQUIPMENT INDUSTRY

Ranking third in manufacturing, in 1993, the transport sector accounted for 12% of the manufacturing industry's output and employed 11.5% of its labour force. Motor vehicle construction dominates the sector, accounting for more than 78% of production.

Production

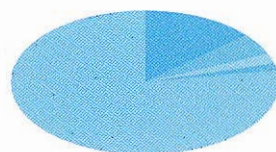
The production of transport equipment is concentrated in Germany, France, the United Kingdom and Italy. However, leaders vary between sectors, with Germany dominating the motor vehicle construction sector, with a market share of 43% in 1993. Railway rolling-stock manufacture is primarily in French hands, while France and the United King-

dom share more than 70% of aircraft construction.

The past 10 years have seen a profound change in the distribution of production between the EU, the USA and Japan. From being the world's number one producer in the 1980s, the EU forfeited this position to the United States and Japan between 1990 and 1993.

Following the sharp growth of the 1980s, the transport sector has not escaped the recession of the early 1990s. Production growth initially slowed down in 1990 and 1991, to become negative in 1992 and 1993. 1993 was particularly unfavourable with production declining by 13% — contrasting with a decline of -3.5% in manufacturing — while redundancies spiralled, reaching 6.7% against an average of 2% in 1991 and 1992.

Production of
transport equipment
in 1993 (%)¹



Aircraft	13.67
Shipbuilding	4.94
Railway rolling-stock	2.22
Bicycles and motor cycles	1.58
Motor vehicles	77.59

¹ Estimates.

Source: DEBA

Structure

The changes in production techniques introduced in the 1980s are continuing, achieving ever higher productivity levels and lower production costs, without damaging the quality of the product.

Main indicators for the transport equipment industry¹

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Apparent consumption (million ECU)	170 455	174 291	192 322	212 992	234 988	265 166	303 593	323 319	340 816	341 929	294 189
Net exports (million ECU)	21 473	26 034	27 385	22 471	21 995	15 848	14 253	14 159	8 050	12 594	18 697
Production (ECU million)	928	200 325	219 707	235 463	256 983	281 014	317 846	337 478	348 866	354 523	312 886
Employment (1 000)	2 872	2 790	2 710	2 653	2 627	2 597	2 626	2 687	2 652	2 585	2 412

¹ Apparent consumption, production and employment are estimated.
Source: Eurostat, DEBA.

To achieve this, the industry is increasingly having recourse to cooperation agreements to produce vehicle parts and/or specific models.

Many companies are trying to broaden their market and diversify production which will also reduce their vulnerability to short-term economic savings.

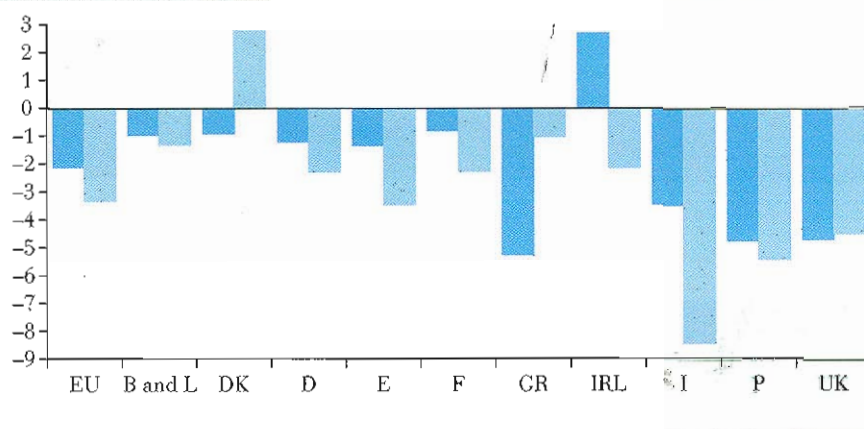
Spurred on by ecological constraints and the practical requirements of daily life, a new car concept is emerging: more ecological small city models as well as family cars with an increasingly futuristic design.

The major events of 1993 and 1994 include the failure of the merger between Renault and Volvo, the BMW purchase of the British Rover group from British Aerospace and the efforts to revive the economic fortunes of the industry undertaken via the transport sector: 'the car stock modernization subsidy' granted by the French Government to all new car purchasers, the main proposals contained in the White Paper aimed at improving the trans-European transport network, such as the Channel Tunnel with its high-speed Eurostar, and the development of a network of high-speed trains linking major European cities.

Trade figures for the transport equipment industry in 1993 (million ECU)

	Exports	Imports	Trade balance
Extra-EU	61 157	42 460	18 697
Developed countries	36 303	34 972	1 331
of which: USA	14 169	10 063	4 106
Japan	3 744	12 994	-9 250
EFTA	12 012	7 515	4 497
Developing countries	20 072	5 617	14 455
Countries of Central and Eastern Europe	3 449	1 696	1 752

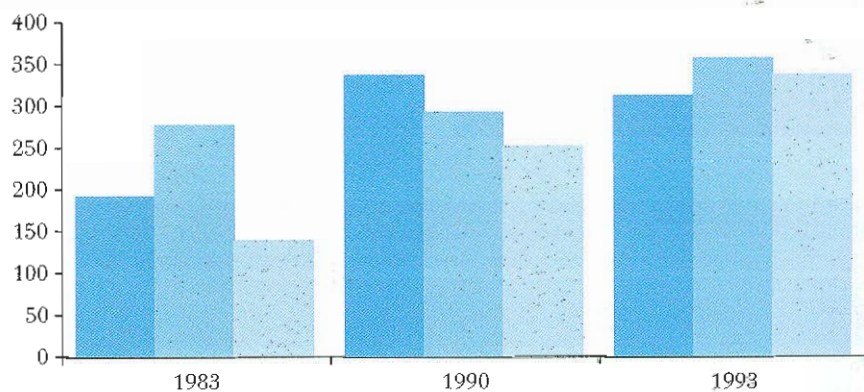
Average annual growth in employment and production at constant prices between 1989 and 1993 (%)¹



■ Employment ■ Production at constant prices

¹ Estimates.
Sources: Eurostat, DEBA.

International comparison of production at current prices (billion ECU)¹



■ EU ■ USA ■ JAP

¹ Estimates.
Sources: Eurostat, DEBA.

ELECTRICAL AND ELECTRONIC ENGINEERING

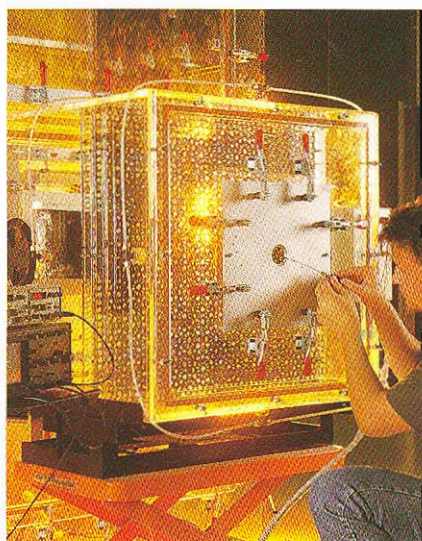
The electrical and electronic engineering industry manufactures a wide range of products including household appliances, computers and telecommunications equipment. The sector is vital for the development of Europe's infrastructure. In terms of employment and production value, it is one of Europe's major sectors.

In 1993, the industry's production value exceeded ECU 294 billion. Over 2.6 million people were employed in the sector, making it the most important industrial sector in terms of employment. Electrical and electronic engineering is strategic for the development of the overall EU economy. The sector's companies, with their innovative technologies and products, boost the European market for electrical and electronic applications and promote technological development in all sectors.

Production and employment

Over the period 1984-93, the value of production rose by 72%, while employment decreased by 9.4%. Electronics (telecommunications equipment, consumer electronics, etc.) registered the strongest growth and won a share of well over 50% in the sector as a whole. In the medium and long term, electrical and electronic engineering will continue to benefit from high growth rates, the

liberalization and harmonization of the market within the Union and rapid technological progress. The overall value of production decreased by 4.6% in the 1991-93 recession due to a decline in consumption, increased international competition and, in some subsectors, very depressed prices. The figures conceal strong regional differences. During the recession, production fell sharply in Italy (-16.5%), Denmark (-14.4%), the United Kingdom (-12.6%) and France (-9.7%). In contrast, during the same period, turnover rose in Ireland (12.6%), Greece (5.1%), Belgium and Luxembourg (3.9%) and Germany (3.2%). In 1993, Germany accounted for 40.7% of total production, followed by France (18.4%) and Italy (13.1%). The overall drop in consumption and production during the recession was accompanied by an even larger downturn in employment (-10.3%). This trend was observed in all countries and led to significant productivity gains (15.7%).



Main indicators for the electrical and electronic engineering industry¹

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Apparent consumption (million ECU)	171 258	192 716	211 219	220 510	237 123	270 010	298 306	314 712	33 1692	323 442	311 775
Balance of trade (million ECU)	- 291	- 2 345	- 1 208	- 2 417	- 7 266	- 14 935	- 17 989	- 18 451	- 22 674	- 19 773	- 17 098
Production (million ECU)	170 967	190 371	210 011	218 093	229 857	255 076	280 317	296 261	309 019	303 670	294 677
Employment (1 000)	2 942	2 911	2 938	2 946	2 959	2 970	3 020	3 006	2 973	2 824	2 666

¹ Apparent consumption, production and employment are estimated.
Source: Eurostat, DEBA.

International trade

Higher productivity, combined with major investment in research and development, was vital in order to compete in the global market-place. The European electrical and electronics industry is the third largest producer and exporter of electrical engineering products after Japan and the United States. Despite improved efficiency and productivity, the European Union has lost ground, especially to Japanese competition. In the last decade imports from Japan and the 'Asian tigers' (i.e. Korea, Malaysia, Singapore and Taiwan) have increased more rapidly than exports.

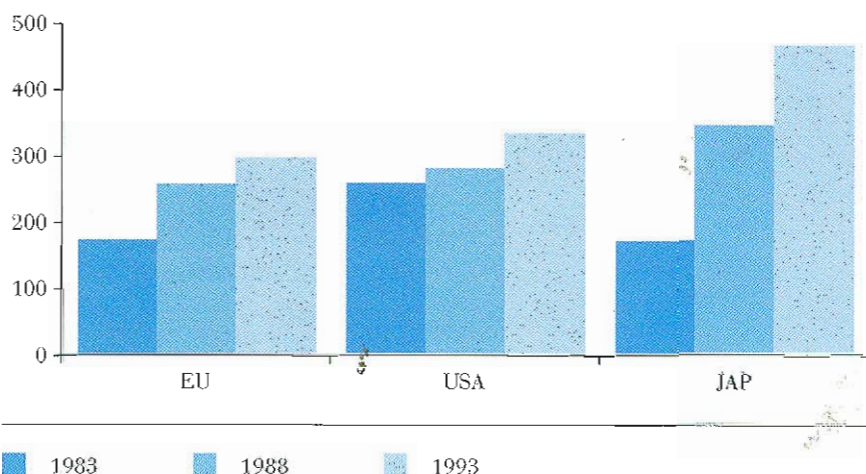
Furthermore, the import penetration rate has increased over the past decade, with an increasing share of EU consumption being produced outside the EU.

Production and employment in the EU electrical and electronics industry, 1993 (%)¹

	Production	Employment
Computers and office equipment	15.1	9.4
Wires, cables, electrical equipment and appliances	29.8	33.1
Telecommunications	29.4	31.8
Consumer electronics	14.1	13.2
Household electrical appliances	8.4	8.7
Lamps and lighting equipment	3.1	3.8

¹ Estimates.

International comparison of production in the electrical and electronics industry (billion ECU)¹



¹ Estimates.

Sources: Eurostat, DEFA.

Main trading partners in the electrical and electronics industry, 1993 (million ECU)

	Exports	Imports	Trade balance
Extra-EU	61 931	79 029	- 17 098
Developed countries	32 887	52 576	- 19 689
of which: USA	10 924	22 529	- 11 605
Japan	2 389	16 632	- 14 243
EFTA	14 170	10 978	3 192
Developing countries	20 764	20 706	58
Countries of Central and Eastern Europe	4 838	1 572	3 316

FOOD INDUSTRY

The food, drinks and tobacco industry is one of the European Union's main industries. The sector employs almost 2.35 million people and the total production value was more than ECU 462 billion in 1993.

Production

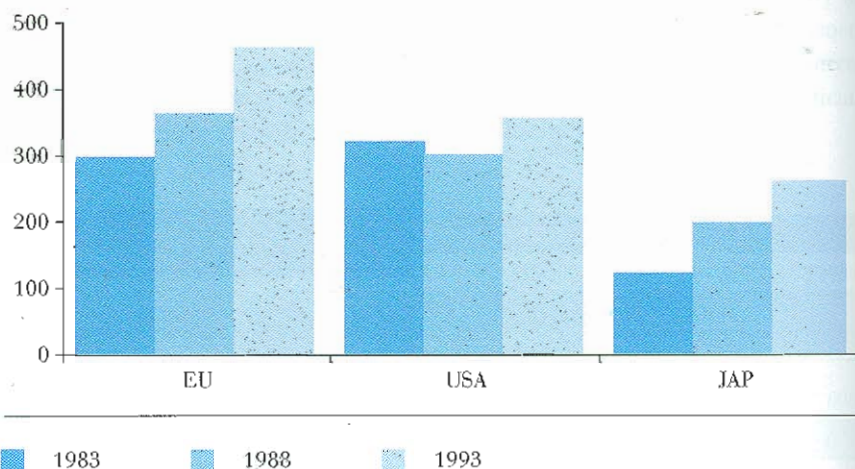
In terms of production value, soft drinks, mineral water, fruit and vegetable processing and cocoa and sugar confectionery are the most important sectors in the industry. The international recession also affected the food industry, causing a significant slowdown in the rather high annual growth rates recorded at the end of the 1980s. The value of production increased by only 3.4% in the 1991-93 period which was, however, higher than the overall industrial average. An interesting development during the 1980s was consumers' increasing concern with nutritional and environmental prob-

lems and a shift in consumer preferences towards processed products, convenience foods and snack foods.

Employment

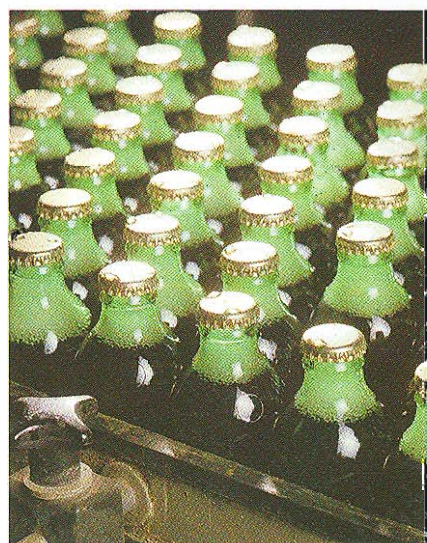
In terms of employment, bread and flour products, meat products and dairy products lead the field, employing over 1.1 million people in total. In certain countries about 20% to 25% of employees in industry are engaged in food processing, the sector being of particular importance for Ireland, Greece, Denmark and Spain. The recent recession had a strong impact on employment in the industry: employment in the Union decreased by 5% over the 1991-93

International comparison of production
in the food processing industry (billion ECU) ¹



¹ Estimates.

Sources: Eurostat, DEBA.





**Main trading partners in the food industry,
1993 (million ECU)**

	Exports	Imports	Trade balance
Extra-EU	30 758	21 873	8 885
Developed countries	12 309	8 014	4 295
of which: USA	3 775	2 546	1 229
Japan	1 950	104	1 846
EFTA	4 307	2 586	1 721
Developing countries	12 982	11 248	1 734
Countries of Central and Eastern Europe	4 387	1 648	2 739

period, with Portugal (– 15.8%) and the UK (– 9.4%) particularly badly hit.

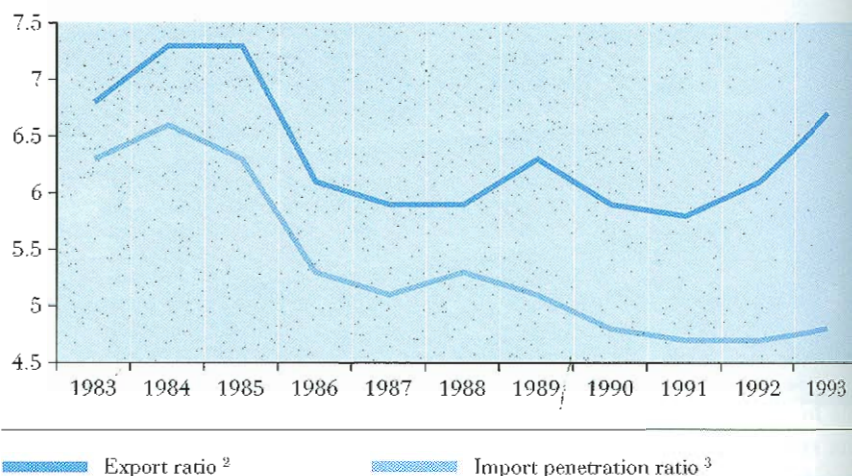
Trade

Only a limited share of EU production is exported to third countries (6.7% in 1993). The main trading partners are the developing world (in particular Brazil and Argentina) and the EFTA countries. Extra-EU exports showed moderate growth during the 1980s and continued this trend during the recession. Moreover, intra-EU trade doubled between 1983 and 1993. The value of internal trade was 2.8 times that of extra-EU imports and 2.2 times that of extra-EU exports. The trade balance with all major trading partners was

positive. The EU is the largest global consumer and producer of processed food products, followed by the United States. Japanese production and consumption is increasing, relative to both the United States and the EU.

FOOD INDUSTRY

Intensity of trade in the food industry (%)¹



Export ratio²

Import penetration ratio³

¹ Apparent consumption and production have been estimated.

² Extra-EU exports as a proportion of EU production.

³ Extra-EU exports as a proportion of EU apparent consumption.

Sources: Eurostat, DEBA.

Structure

Mergers and take-overs changed the structure of the sector radically during the 1980s. Food items are increasingly produced and marketed by a small number of multinational companies. This trend continues, with American firms particularly strong in the market. Among the European companies/groups, the British are strongly represented. The two major European companies in this field are Unilever (UK/NL) and

Nestlé (CH). Nevertheless, in many market segments and regions, the degree of concentration is still limited owing to the persistence of regional consumption patterns.

Main indicators for the EU food processing industry¹

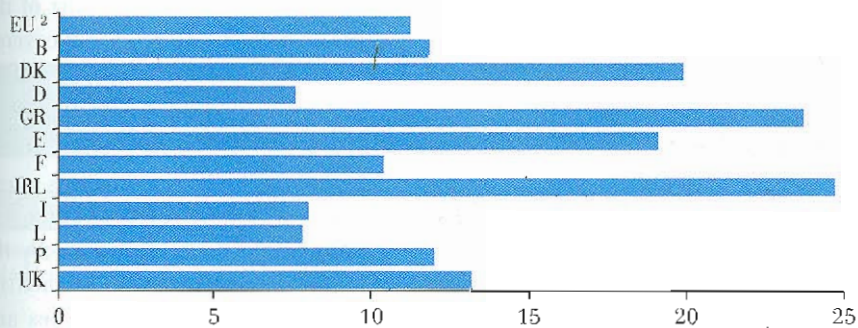
	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Apparent consumption	296 525	324 781	334 091	334 964	340 186	361 178	391 852	415 663	441 730	453 142	453 501
Balance of trade (million ECU)	1 554	2 324	3 492	2 822	3 040	2 423	4 962	4 943	5 408	6 601	8 886
Production (million ECU)	298 079	327 105	337 583	337 786	343 226	363 601	396 814	420 606	447 138	459 743	462 387
Employment (1 000)	2 496	2 472	2 419	2 376	2 393	2 382	2 409	2 454	2 472	2 403	2 349

¹ Apparent consumption, production and employment are estimated.

Source: Eurostat, DEBA.



Employment in the food industry as a percentage of total employment in manufacturing, 1993¹



¹ Estimates.

² Including estimates for the Netherlands.

Source: DEBA.

TEXTILES, CLOTHING, LEATHER AND FOOTWEAR

In 1993, the textiles, clothing, leather and footwear industry's share in the total manufacturing production value was 5.8% for the EU, ranging from 2.5% in the Netherlands to 20.7% in Portugal. The share in production value has been falling in most Member States since the 1970s owing to falling domestic demand and the relocation of production to regions with lower production costs, such as south and south-east Asia. In response to these structural changes, the European industries have improved productivity (through automation) and concentrated more on high-quality products.

Production and employment

The increase in productivity since the 1970s permitted a 5.2% average growth rate in production value between 1983 and 1990, at the expense of employment. All four subsectors experienced a marked decline in EU employment: in 1983 there were 3.7

million workers in the industry, but in 1992 the figure dropped below the 3.0 million mark. Furthermore, EU production and employment appear to be concentrated increasingly in the southern Member States. In 1993, Portugal, Greece and Italy were the only countries in the EU where the value of production made up more than 10% of total manufacturing production value. Of these three countries, Portugal was the only one where employment grew during the 10-year period to 1993. The decline in long-distance transport costs prompted many European companies in other Member States to shift their activity from production to distribution, which is part of the service sector (and hence not covered in this section). EU companies often contract out part of their production to firms in Eastern Europe.

The long-term trends towards a contraction and restructuring of the textile industry were reinforced by the general decline in economic activity in 1993. Turnover in textiles and clothing declined in most Member States as the recession affected EU consumer demand.

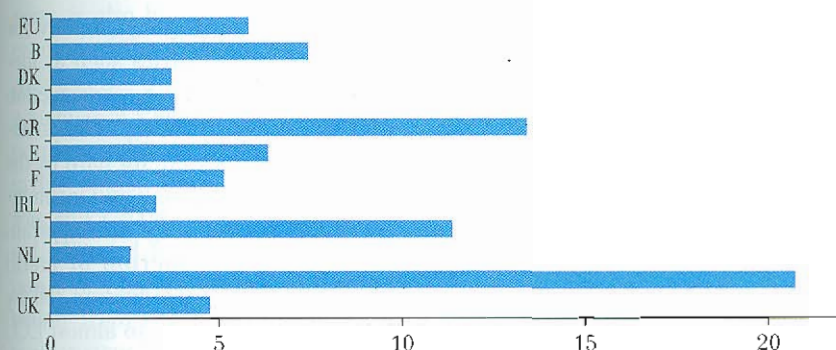
Main indicators for the textile, clothing, leather and footwear industries in the EU

	1989	1990	1991	1992	1993
Turnover at current prices (million ECU)					
Textiles ¹	114 012	116 372	117 707	115 396	105 995
Clothing ¹	64 648	68 949	71 619	75 058	69 071
Leather	7 525	6 918	6 399	6 019	5 608
Footwear	16 270	17 716	18 427	19 264	19 022
Total	202 454	209 955	214 151	215 737	199 696
Index	100	104	106	107	99
Employment (1 000)					
Textiles ¹	1 720	1 651	1 592	1 507	1 416
Clothing ¹	1 287	1 263	1 198	1 130	1 056
Leather	52	49	46	45	42
Footwear	272	279	274	258	239
Total	3 331	3 242	3 110	2 940	2 753
Index	100	97	93	88	83
Net exports at current prices (million ECU)					
Textiles	-323	-1 281	-3 715	-3 806	-3 597
Clothing ¹	-5 718	-7 054	-10 002	-9 739	-10 746
Leather	-31	-271	32	145	437
Footwear	899	780	-481	-288	-448
Total	-5 173	-7 827	-14 167	-13 688	-14 354

¹ All companies irrespective of size.

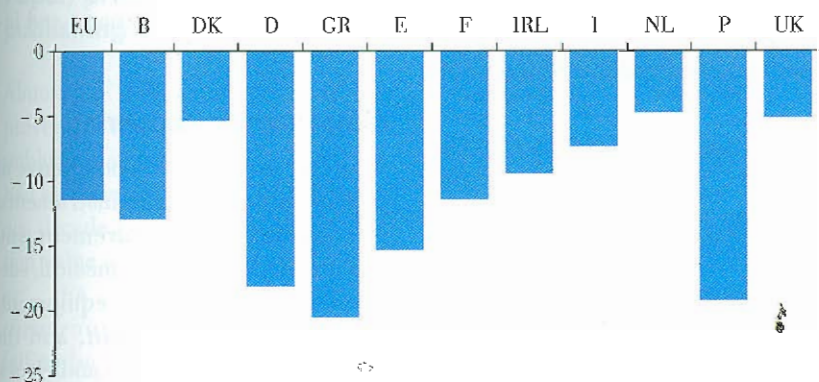
Source: Eurostat, OETU.

Share of the textile, clothing, leather and footwear industries in the total manufacturing industry production value, 1993 (%)



Sources: DEBA, OTEH.

Employment trends between 1991 and 1993 in the EU textile, clothing, leather and footwear industries (%)



Sources: DEBA, OTEH.

Main trading partners of the textile, clothing, leather and footwear industry in 1993 (million ECU)

	Exports	Imports	Trade balance
Extra-EU 12			
Developed countries	17 828	12 092	5 736
of which: USA	4 123	1 466	2 657
Japan	1 985	654	1 331
EFTA	8 798	4 011	4 787
Developing countries	9 177	28 980	-19 803
of which: China	135	5 939	-5 804
Countries of Central and Eastern Europe	4 593	4 912	-319

International trade

The EU is self-sufficient in only one of the sectors covered in this section, namely the leather industry. It is a net importer of textiles, clothing and footwear. The lion's share of its trade in textile and clothing is with its partners in the Multifibre Arrangement (MFA). Under this arrangement, bilaterally agreed quotas were fixed at the beginning of the 1960s between nine developed countries, including the European Economic Community (the forerunner of the EU) and 28 developing countries. Its purpose was to liberalize world trade in a way that would leave the textile and clothing industries in the developed countries enough time to restructure. In December 1993, the MFA countries agreed to integrate trade rules on textile and clothing into the GATT (General Agreement on Tariffs and Trade) by the year 2005.

OTHER MANUFACTURING INDUSTRIES

Non-metallic minerals

Non-metallic mineral products are used mainly by the construction industry. In 1993, the value of production was almost ECU 95 billion, down 4.3% from the 1992 level. Employment decreased in line with production (5.3%) owing to the recession which hit Europe. The EU was the world's leading producer in 1993, with output far ahead of both Japan and the USA. The sector had a positive trade balance with all major trading partners.

The non-metallic minerals sector is one of the major users of fossil fuels. The sector has made considerable investments to reduce pollution and comply with legislation. However,

emission problems are proving difficult to overcome.

Metalworking

This industry produces mainly for downstream industries such as mechanical engineering, construction and the motor industry. The downstream markets were hit hard by the recent recession. Small and medium-sized enterprises play an important role in the production of metal goods. In 1993, production fell by 7.7% in value terms, to almost ECU 170 billion. Employment was down 6.0%, although over 2 million people were still employed in the sector. In 1993, the EU was the world's largest producer of metal products and continued to have a net trade surplus. However, the trade balance deteriorated due to falling exports and increased imports.

**Production and employment:
breakdown of other manufacturing industries by sector, 1993¹**

	Production (million ECU)	Employment (1 000)
Non-metallic mineral products	94 989	958
Metalworking	169 994	2 032
Precision, optical and similar instruments	24 755	314
Timber and wooden furniture	74 297	862
Paper, printing and publishing	164 648	1 393
Rubber and processing of plastics	104 891	1 066
Other manufacturing industries	20 446	220

¹ Estimates.

Source: DEBA.

**Average annual growth in production,
employment and productivity
by sector, 1983-93 (%)¹**

	Production (%)	Employment	Productivity
Non-metallic mineral products	1.1	-1.6	2.7
Metalworking	1.6	-0.6	2.0
Precision, optical and similar instruments	3.0	0.0	2.7
Timber and wooden furniture	2.0	-1.0	2.1
Paper, printing and publishing	3.7	-0.1	3.4
Rubber and processing of plastics	4.4	1.0	3.4
Other manufacturing industries	3.7	-0.9	4.2

¹ Estimates

² Production at constant prices, 1990 = 100

Source: DEBA.

Instrument engineering

The EU produces a whole range of precision and optical instruments, encompassing measurement and monitoring equipment, medical, surgical and orthopaedic equipment, photographic equipment, and the manufacture of watches and clocks. The sector's products are vital to other sectors, in particular microelectronics.

During the decade 1982-92, the sector had recorded steady production growth, and the number of people working in the sector had remained stable. However, the sector suffered in the recent recession: employment declined by 4.3% between 1992 and 1993, and the EU had a negative trade balance with its major trading partners.

Woodworking

Woodworking is one of the few sectors where a number of barriers to

trade still exist between Member States. These should be removed in order to increase intra-EU trade. Extra-EU trade, both imports and exports, is also likely to increase. The creation of the European Economic Area and the treaties concluded with a number of Central and East European countries are important factors in this context. The EU trade balance was, and will probably remain, in the red. Demand for this sector's products is very heterogeneous and comes mainly from two sectors: the building/construction industry and the furniture industry. Increasingly stringent rules relating to health and the environment are likely to add to production costs in the future.

Paper, printing and publishing

Almost 1.4 million people were employed in the paper, printing and publishing sector in 1993. The sector had seen steady growth in the previous decade both in terms of production value and employment. However, the recession caused a turnaround, with employment falling by 5.3% between 1991 and 1993. The value of production remained stable. Higher concentration in the last decade underpinned the ongoing technological revolution in printing and publishing. It would appear that the new technologies complement rather than replace the

'written word'. The sector recorded a negative trade balance in 1993.

Rubber and plastics

In 1993, over 1 million people were employed in the rubber and plastics sector, which had a production value of over ECU 20 billion. In value terms, plastics processing was 2.9 times the size of the rubber sector, where tyre manufacture accounted for the largest share of production. The main activity of the plastics industry is to convert plastic resins and compounds into products. The sector has registered high growth rates in the past decade and has maintained a positive trade balance. For both subsectors, environmental problems are a growing cause of concern. The call for improved waste management, and more specifically increased product-recycling, will lead to major investments in the future.

Other manufacturing industries

This category groups together jewellery, musical instruments, photographic and cinematographic laboratories, toys and sports goods, and various other manufacturing sectors. The sector had a high growth rate in the past decade with a drop in employment and improved productivity. Taken as a whole, these other manufacturing industries recorded a trade surplus of ECU 8.1 billion. The surplus was produced by the jew-

ellery sector and by other miscellaneous industries. The musical instruments, toys and sports goods sectors showed a negative trade balance.

Balance of trade for other manufacturing industries, 1993 (million ECU)

	Non-metallic minerals	Metal articles	Instrument engineering	Wood processing	Paper, printing and publishing	Rubber and plastics	Other manufacturing industries
Extra-EU	4 893.7	5 376.7	-2 144.0	-7 485.2	-6 794.6	3 032.5	8 138.2
USA	1 299.9	538.8	-1 228.1	82.3	-1 111.9	33.9	2 253.3
Japan	48.1	-259.7	-2 480.2	259.8	-36.2	-762.5	-400.3
EFTA	1 025.9	987.0	-876.2	-1 925.6	-7 720.8	1 451.5	2 076.3

BUILDING AND CIVIL ENGINEERING

The construction industry generates approximately one sixth of gross value-added in the EU economies. Its production, in the form of buildings and other structures, is classified as investment in fixed capital and can be divided into new house building, the renovation and maintenance of existing houses, private and public non-residential building and civil engineering (public works).

Industry structure

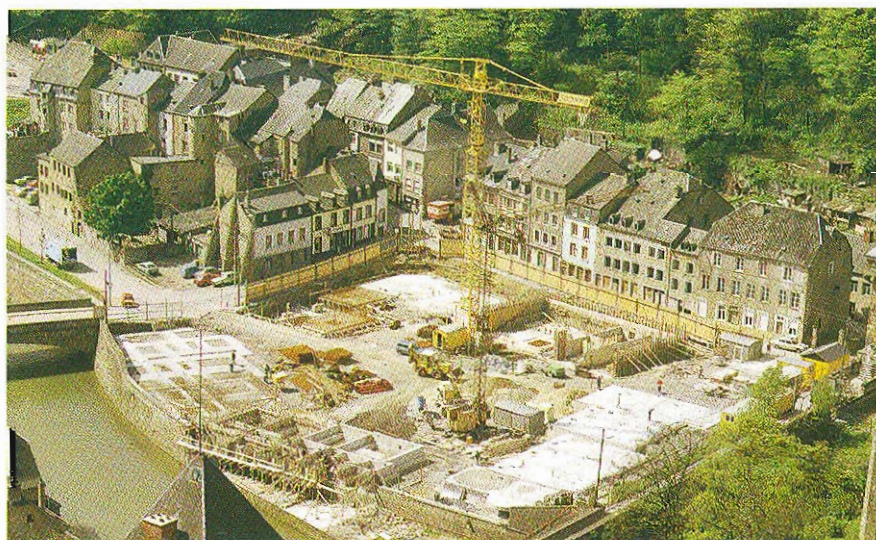
The industry consists of enterprises varying in size, degree of specialization and type of customer. At one end of the spectrum, craftsmen and artisan firms are usually highly specialized in one product or technique, employ only a few persons and are active in the private housing sector. At the other extreme are civil engineering (e.g. roads, dams and bridges) and industrial building (e.g. factories) contractors. They deal with large projects, often in cooperation with many other contractors, and work for the public sector and/or large private firms.

In 1988, companies employing fewer than 10 workers accounted for 92.8% of all firms, but only 43.3%

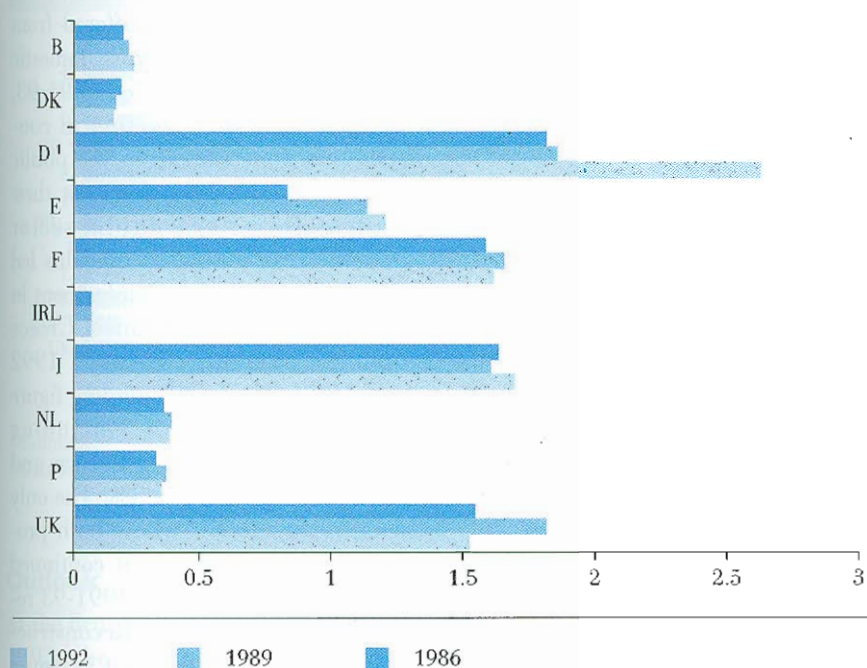
of employment and 36.1% of turnover. Furthermore, the structure of the industry differs considerably from country to country. For instance, the average number of employees per enterprise in 1988 was 2.0 in Spain and 2.7 in the United Kingdom compared with 14.5 in Luxembourg and 15.3 in the Netherlands.

Markets

Although building is still mainly a local activity, many large companies have extended their activities across borders within the EU. They also compete with large construction companies from the United States and Japan for contracts offered on the international market. Many European firms have long been active in Africa and the Middle East and in recent years have expanded to South and South-East Asia (especially firms from the United Kingdom).

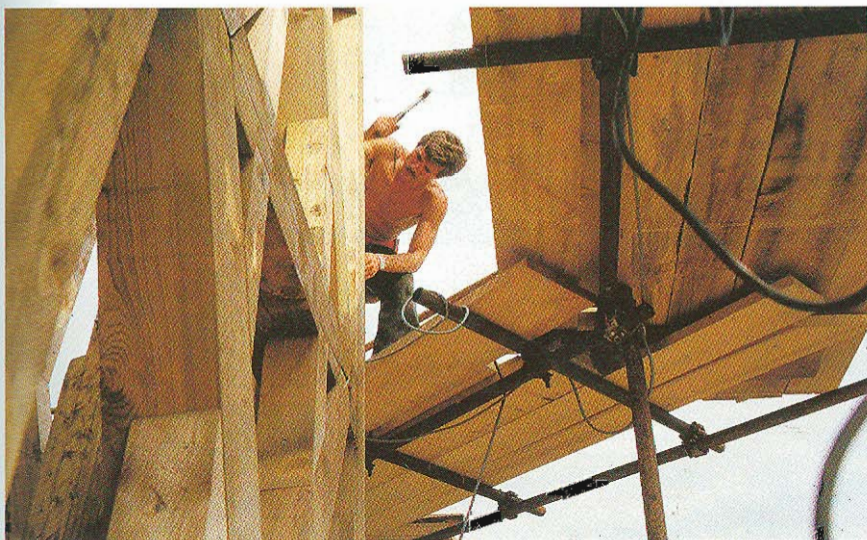


Employment trends in the construction industry (millions)



¹ 1992 includes the former East Germany.

Source: FIEC.



BUILDING AND CIVIL ENGINEERING

Production

Within the EU, production in the construction industry suffered from the stagnation in the gross domestic product during the period 1991-93, and also from a reduction in construction contracts from the public sector. Many governments cut their budget to reduce public sector deficits. It is estimated that this led to a 3.6% decline in employment in the EU (excluding France, Greece and Luxembourg) between 1992 and 1993. The corresponding figure for EU production (including France, but excluding Greece and Luxembourg) was -2.3%. The only country in the EU where both production and employment continued to grow throughout the 1991-93 recession was Germany. Reconstruction of the former East German economy, supported by large grants from the federal government, explain this trend. In West Germany employment rose by just 1% and production fell by 0.5% in 1993, compared to increases of 10% and 21% respectively in the former East Germany (both provisional estimates).



Annual percentage variation in production
by the construction industry ¹

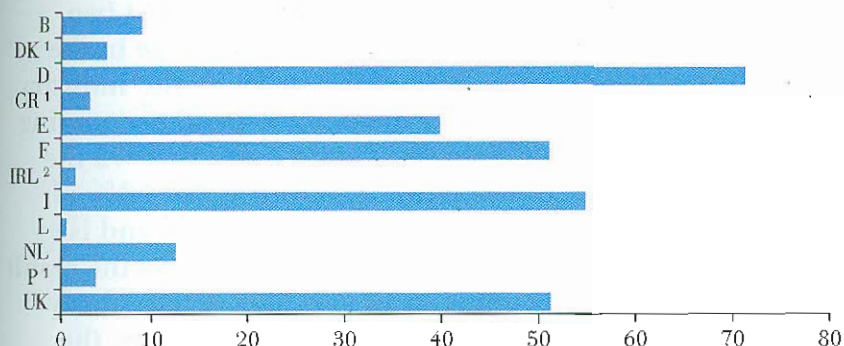
	1985	1986	1987	1988	1989	1990	1991	1992	1993 ²	1994 ³
Building	-2.7	2.7	2.9	5.4	5.0	3.8	4.2	1.9	-1.7	0.1
of which: Housing	-5.0	1.1	1.4	4.7	2.7	2.3	2.1	3.0	1.5	1.7
Non-residential	1.4	5.2	5.3	6.5	8.4	6.1	7.1	0.5	-6.0	-2.3
Civil engineering	0.6	7.1	2.0	6.8	7.1	6.6	8.0	0.0	-5.2	-0.1
Total construction industry	-2.1	3.4	2.7	5.6	5.3	4.3	4.9	1.5	-2.3	0.1

¹ Excluding Greece and Luxembourg.

² Estimates.

³ Forecasts.

**Gross value-added at market prices in the construction industry,
1991 (billion ECU)**



¹ Estimates.

² Data for 1990.

Outlook

At the Brussels summit at the end of 1993, the European Council approved the principles of the White Paper on growth, competitiveness and employment which recommended greatly increased expenditure on infrastructure. This should help civil engineering contractors to recover somewhat from the recession, although much depends on interest rate levels. The long-term prospects

for the residential building sector are also determined by demographic trends and differences in regional growth rates.



FURTHER READING

Eurostat publications

Industrial short-term trends, monthly
Iron and steel, annual
Iron and steel, monthly
Structure and activity of industry, annual survey
Energy and industry, Rapid Reports/Statistics in focus
Panorama of EC industry, annual
Panorama of EC industry - Short-term statistics, quarterly

Electronic products

Eurostat CD
 Panorama CD
 COMEXT CD
 New CRONOS database (COMEXT)

European Documentation

Increasing industrial competitiveness

Other publications

White Paper on growth, competitiveness and employment

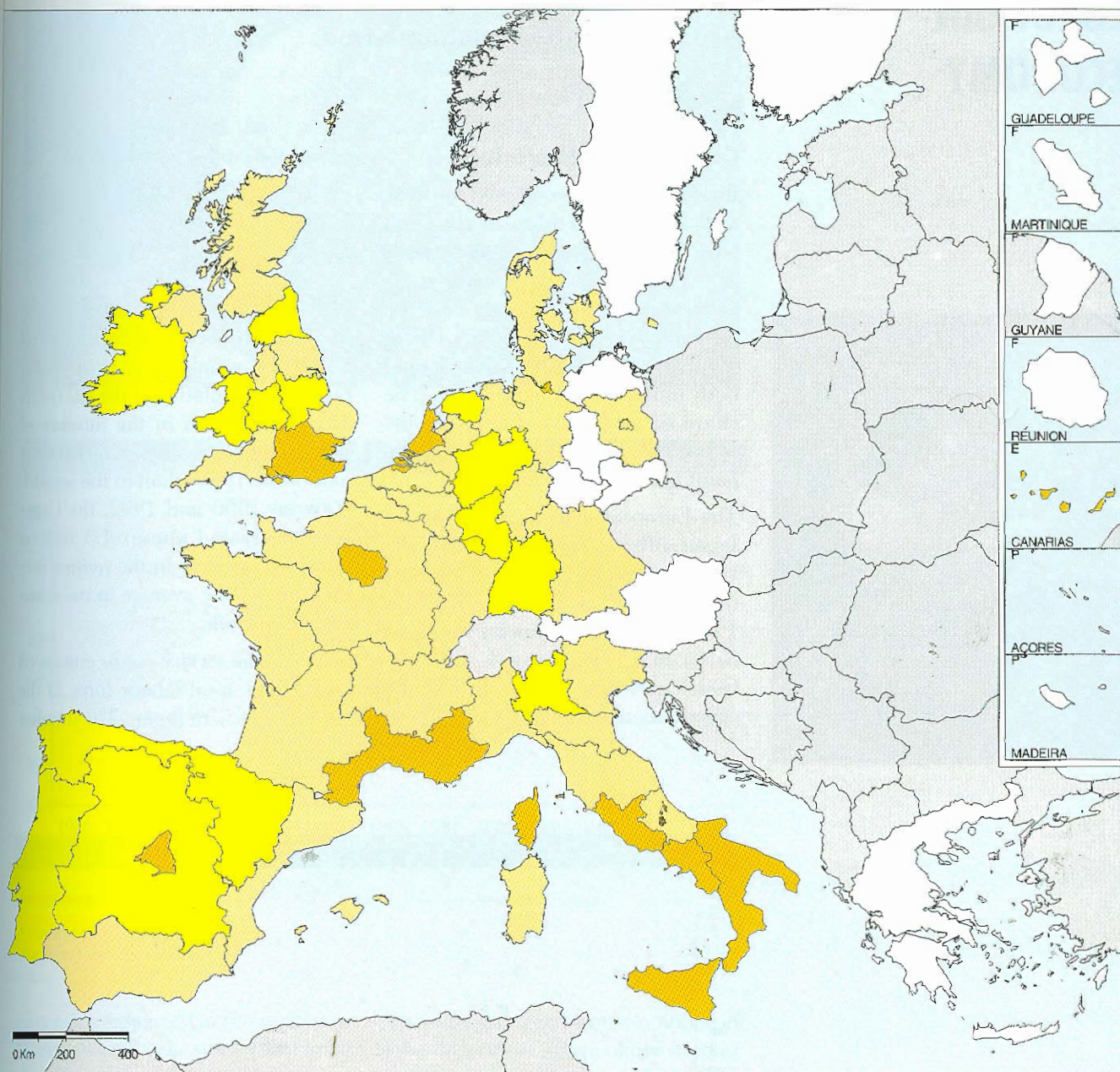
SERVICES

The great changes taking place in today's world, and particularly in Europe, are closely linked to changes in the economy as a whole and to the tremendous expansion of the service sector in particular. Over the past two decades, there has been a fundamental change in the structure of the economy: whereas in 1970, the industry sector was foremost in the European Union, accounting for 42% of gross domestic product (GDP), in 1992 the service sector was in the lead, accounting for 63% of value-added and 62% of employment. This trend is typical of the most advanced economies and is the result of the spectacular expansion in services, particularly transport, communications, banking, insurance, the distributive trades and all kinds of business services, which are setting up genuine networks of links between businesses and between the various economic activities.

The ability of a product to compete depends on a variety of services. Even before the production process begins, services come into play in the form of feasibility studies, market research, product design, etc. Services such as quality control, equipment leasing, maintenance and repair are an integral part of the production process itself. In the final stage, services play an essential role not only in the advertising, transport and distribution of a product but also in after-sales support (maintenance, repairs and client training, for example). Lastly, software, accountancy, management consultancy, training, telecommunications, insurance and financial intermediation services are all crucial to the smooth running of a business.



Services as part of the economy, 1991*



Share of total value-added at factor cost (in %)

> 70	40 to 50
60 to 70	≤ 40
50 to 60	Data not available

NB: At the time of this publication, information on regional level for the new Member States was not available.

A: At market prices: 52.7; FIN: At market prices: 55.3;
S: At market prices: 56.5.

* B: 1988 at market prices; F: At market prices; IRL: 1989;
L: 1990; P: 1990 at market prices.

SERVICES IN THE EUROPEAN ECONOMY

Services account for almost three fifths of GDP and employment in the European Union, and this figure keeps on rising, especially for market services. Most service firms are small or medium-sized.

Gross domestic product

In 1992, services accounted for ECU 3 255 billion, or 63% of the total GDP of the European Union (EUR 12). The contribution of market services has grown constantly over the past decade, from 42% of GDP in 1980 to 50% in 1992 — outstripping both industry and agriculture. The share of non-market services increased by only 0.1 of a percentage point between 1980 and 1992.

The European Union, the USA and Japan differ in several respects: services account for the highest proportion of GDP in the USA (70% in 1987) and for the lowest in Japan (59% in 1992). Growth here has been less regular than in the EU, the contribution of services having both

expanded and contracted over the past decade. Japan is the only one of the three zones in which industry has grown more than services.

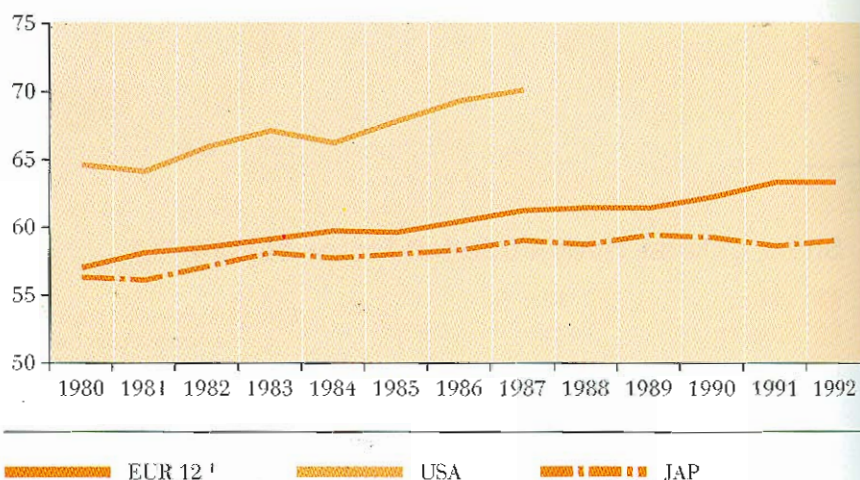
Employment

In 1992, the service sector employed 84 million people, or 61% of the total active population of the EU (EUR 12). The growth in the number of service jobs was slower in the first half of the 1980s than in the second. Between 1980 and 1992, the Community created almost 1.3 million new jobs per year in the service sector — twice the average in the economy as a whole.

In 1992, the service sector employed 74% of the total labour force in the USA and 56% in Japan. The number



Services as a percentage of GDP

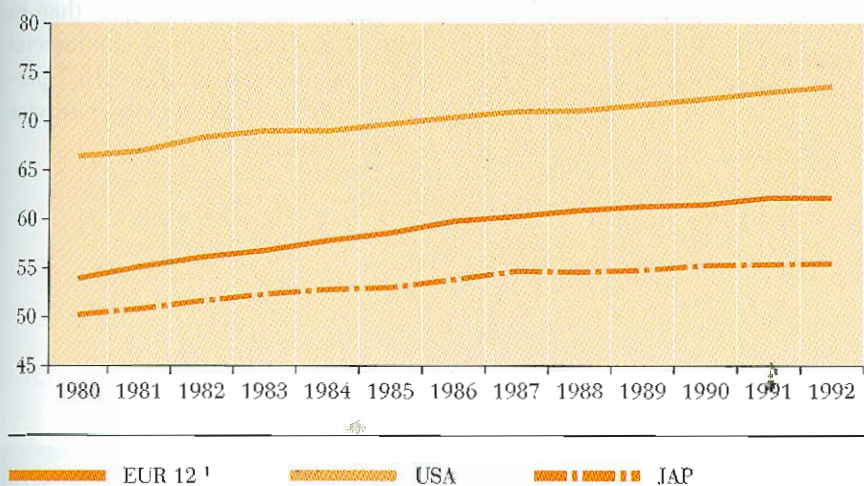


¹ Estimates.

Sources: Eurostat, OCDE.



Services as a percentage of total employment



¹ Estimates.

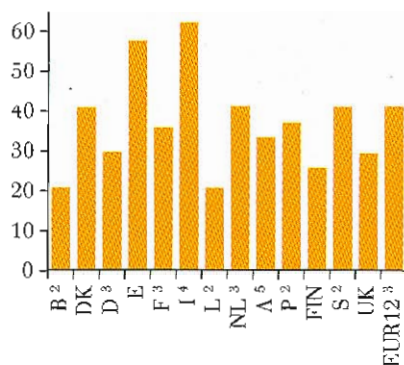
Sources: Eurostat, OCDE.

of persons employed in the sector has increased each year since 1980 in all three zones, but at varying rates: between 1980 and 1992, employment grew more rapidly in the United States (by 2.3% on average); the annual growth rates in the European Union and Japan in the same period were 2.1% and 1.7% respectively.

This upward trend in the number of jobs in services, particularly market services, can be seen in all Member States of the EU. Of the Member States for which data are available, Spain shows the fastest growth rate of 33% between 1980 and 1992, followed by Greece at 30%. Denmark and Belgium, with 10% and 12% respectively, recorded the slowest growth.

SERVICES IN THE EUROPEAN ECONOMY

Employment in micro-enterprises¹ as a percentage of total service-sector employment in 1991



¹ Micro-enterprises are firms employing fewer than 10 persons. The figures often exclude some of the very smallest firms.

² Based on the number of employees.

³ 1990 data.

⁴ 1989 data.

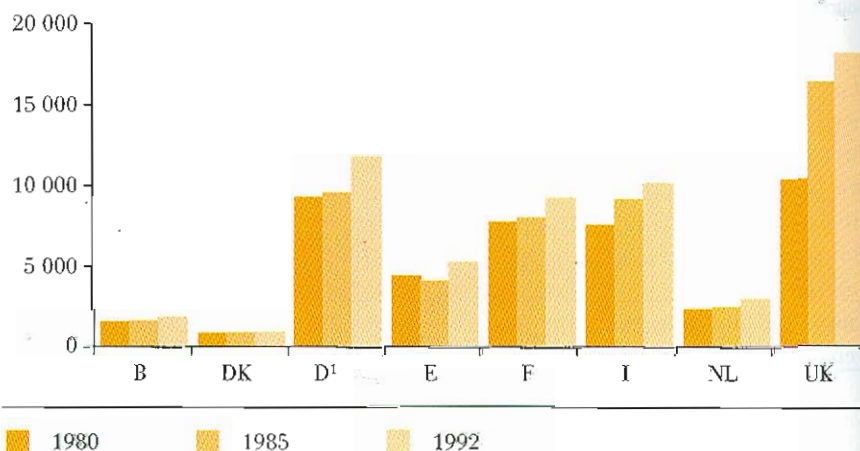
⁵ 1988 data.

Service firms

In 1990, some 10.5 million firms in the European Union (EUR 12) were engaged in service activities. On the enlargement of the Union, this figure rose to over 11 million in the single market. Most service firms engage in commercial activities: the distributive trades are often twice the size of any other economic sector, accounting for 43% of businesses, 27% of jobs and 41% of the total turnover of the economy.

The average commercial firm in the EU employs 7.6 persons, a number far smaller than the average for other service enterprises, which is 13.9 persons. Measured by the average number of persons employed, service firms are smaller in the EU than in the USA. The average commercial firm in the USA employs 16.7 persons; the average for other service enterprises is 16.9 persons.

Number of persons employed in market services (1 000)



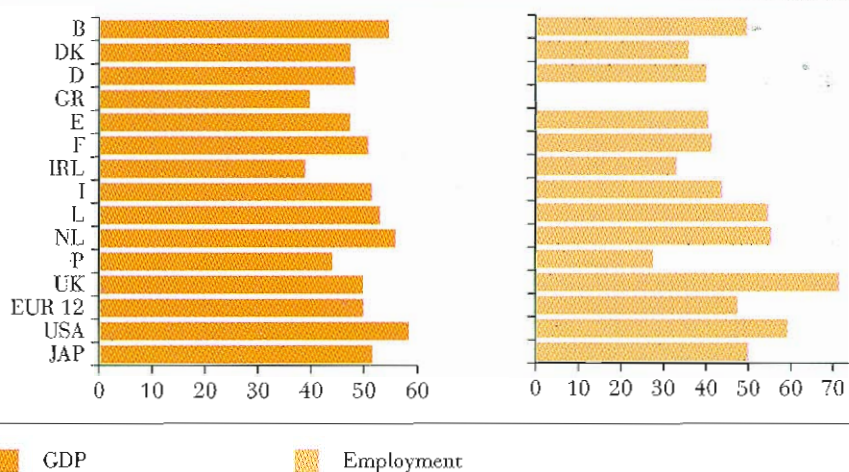
¹ Länder of the former Federal Republic of Germany.

Small and medium-sized enterprises (SMEs)

SMEs play an important part in the economy of the Union, particularly from the point of view of employment: in 1990, firms employing fewer than 10 persons, including the self-employed, accounted for 94% of the 11 million service firms in the Union (EUR 12) and for 41% of all workers in the service sector.



Market services as a percentage of GDP and of total employment in 1992



NB: Old Länder; CR and IRL: estimates; EUR 12 — Employment: CR is excluded;
USA — GDP: 1987 data.

Sources: Eurostat, OCDE.

TRANSPORT

Transport for hire or reward accounts for approximately 5% of GDP and 5% of total employment in the European Union. Transport as a whole, both own-account and for hire or reward, accounts for 30% of energy consumption and has a serious impact on the environment.



Transport infrastructure

The EU has one of the densest transport networks in the world. It is not evenly spread, however, since both the structure and the density of networks differ from one Member State to the next.

At approximately 110 km per 1 000 km², the rail network is very dense in Germany, Belgium and Luxembourg. It is half that density in Italy, France, the Netherlands, the United Kingdom and Denmark and less dense still in the remaining Member States.

Germany, the Netherlands, Luxembourg and Belgium have the densest motorway networks (30 to 55 km per 1 000 km²). The network is less dense in Italy, France, the United Kingdom and Denmark (10 to 20 km per 1 000 km²) and very sparse in the other Member States.

The Rhine, which is navigable for 1 000 km, is the backbone of the inland waterway network; major canals link it to the Meuse, the Scheldt and the Elbe and since 1992, to the Danube.

The bulk of sea transport is concentrated in some 60 ports, each of which handles upwards of 10 million tonnes a year, although only six of them handle more than 50 million tonnes a year: Rotterdam, the largest port in the world, with 290 million tonnes in 1991, Antwerp, Marseille, Hamburg, Le Havre and London. Except for Marseille, all these major ports lie on either the North Sea or the Atlantic Ocean.

Air traffic is particularly dense in the London-Paris-Frankfurt triangle. Spain, France, Italy and the United Kingdom each have over 20 airports with a traffic volume of over 200 000 passengers per year; Germany and Greece have 10 to 20 and the remaining Member States fewer than 10 each.

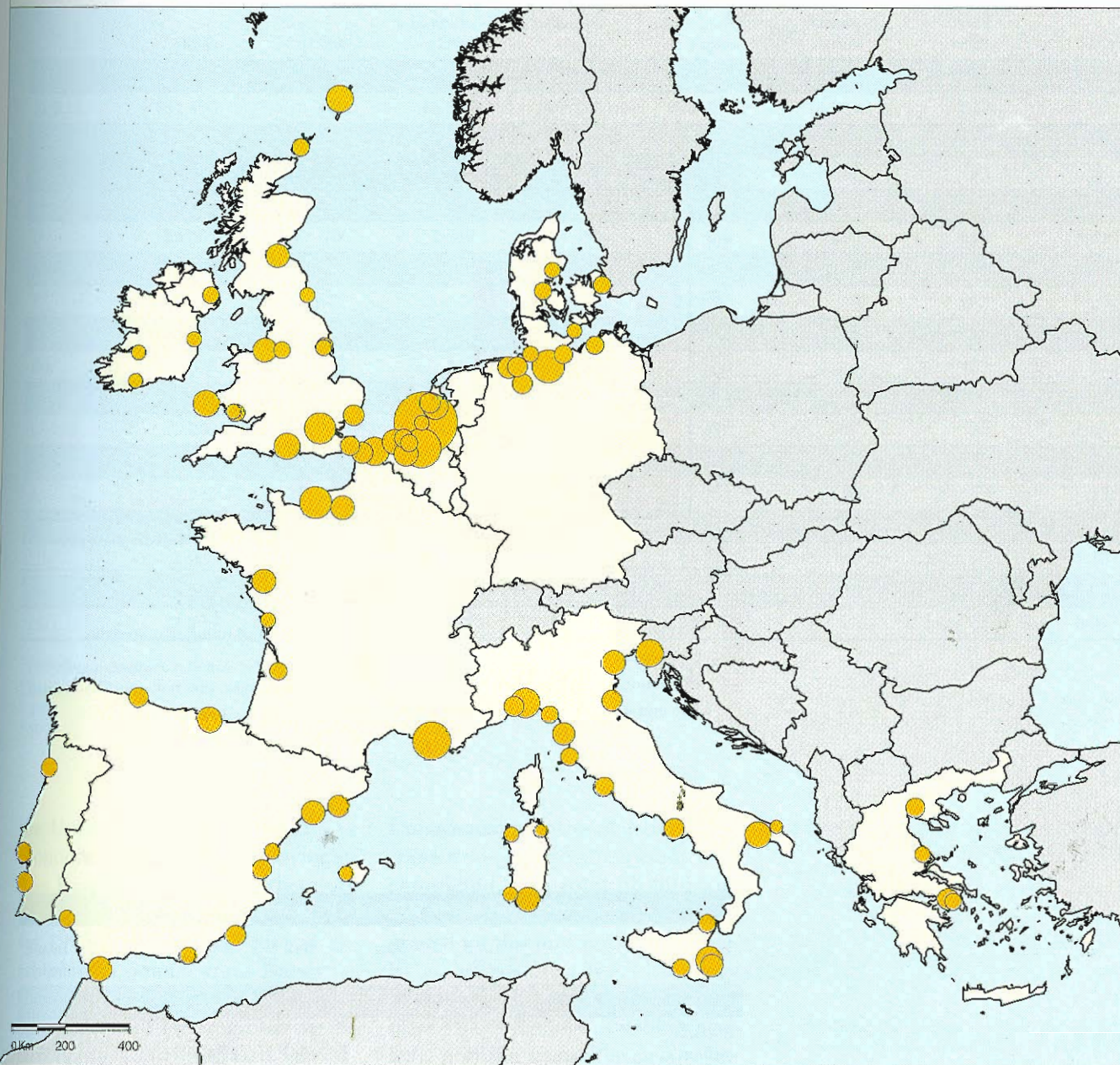
Transport infrastructure is a key element in the completion and smooth running of the single market and in the economic and social cohesion of

Length of transport networks in 1992 (km)

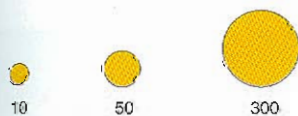
	Motorways	Other roads	Railways	Inland waterways
EUR 12	35 888	2 883 228	136 114	16 813
EUR 15	38 785	3 118 891	157 439	:
B	1 631 ¹	131 810 ²	3 432	1 513
DK	653	70 389	2 344	0
D	11 013	628 792	40 816	4 350 ^(*)
GR	280	40 550 ³	2 484	0
E	2 558 ³	156 243 ³	12 560 ³	0
F	7 408	908 243	33 555	5 867
IRL	32	92 330	1 944	0
I	6 306	297 217 ⁴	16 016 ⁵	:
L	95	5 108	275	37
NL	2 134	103 683	2 753	5 046 ¹
A	1 574	30 270	5 605 ¹	351
P	519	65 576	3 054	0
FIN	318	76 313	5 874	:
S	1 005	129 080	9 846	:
UK	3 259	383 287	16 881	:

¹ 1989. ² 1985. ³ 1990. ⁴ 1991. ⁵ 1988.

Major seaports, 1991

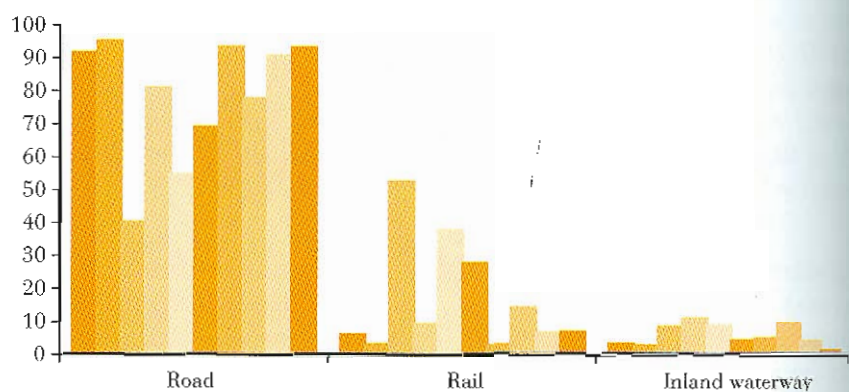


Annual tonnage (Mio)



TRANSPORT

Goods transport in 1991 (%)



	Agricultural products		Metal products
	Foodstuffs		Mineral and building materials
	Solid mineral fuels		Fertilizers
	Petroleum products		Chemical
	Ore and scrap for the metal industry		Manufactured articles

Intra- and extra-EU trade in goods in 1991¹

	Total	Sea	Rail	Road	Air	Inland waterways
Intra-Community trade:						
Imports:						
million t	657.6	193.0	49.9	279.1	0.3	135.3
(%)	100.0	29.3	7.6	42.4	0.1	20.6
Exports:						
million t	633.4	200.0	49.0	276.8	0.5	107.1
(%)	100.0	31.6	7.7	43.7	0.1	16.9
Extra-Community trade:						
Imports:						
million t	1 007.0	871.9	34.1	56.1	1.6	43.3
(%)	100.0	86.5	3.4	5.6	0.2	4.3
Exports:						
million t	303.5	200.0	23.9	57.2	4.2	17.3
(%)	100.0	66.2	7.9	18.8	1.4	5.7

¹ Except Ireland.

Transport equipment in 1992

	Private cars (1 000)	Buses (1 000)	HGVs and other commercial vehicles (1 000)	Number of railway passenger coaches ¹	Number of railway goods wagons	Number of inland waterway vessels ²	Number of aircraft over 9 tonnes	Merchant shipping (1 000 gt)
EUR 15	145 963	464	16 373	75 652	699 712	:	:	71 474
EUR 12	137 195	432	15 536	69 205	623 334	16 984	3 012	67 082
B	4 021	15	364 ³	3 209	30 985	1 604	91	256
DK	1 605	11	297	1 533 ⁴	4 691	0	105 ⁴	5 781
D	32 007	70 ⁵	1 549	14 393	246 158	3 282	488	5 552
GR	1 829	23	702 ⁴	830 ⁶	11 038	0	51	24 542
E	12 537 ²	47 ³	2 495 ⁴	3 907 ⁴	37 235 ⁴	0	285	3 225
F	24 020	76	3 677	15 573	152 111	2 526	526 ⁴	4 205
IRL	858	5	145	328	1 888	0	131	3 225
I	29 497	78	3 064	14 036 ⁶	96 384 ⁷	:	276 ⁴	7 730
L	209	1	14	150	2 590	17	16	1 581
NL	5 658	12	565	2 563	6 238	9 555	230	4 250
A	3245	9	269	3 861	37 931	203	:	124
P	3 050	13	669	1 208	5 816	0	60	718
FIN	1 936	9	263	991	15 711	148	:	1 187
S	3 587	14	305	1 595	22 736	:	:	3 081
UK	21 904	81	1 995	11 475	28 200	:	753	6 017

¹ Including passenger railcars.

² Barges, self-propelled and otherwise.

³ 1991.

⁴ 1990.

⁵ Territory before 3 October 1990.

⁶ 1989.

⁷ 1988.

the Union. They also contribute to economic growth and employment. The European Union has therefore launched a series of strategic projects for 1995-2010 with the aim of establishing a genuine trans-European transport network in which the various modes will be progressively interconnected and integrated, extending and improving the national networks to be incorporated into the trans-European scheme.

Eventually, a trans-European rail network with 70 000 km of track, 23 000 km of it high-speed, will link most regions and accommodate trains travelling at speeds of over 200 km per hour between the

Union's main centres of activity. The trans-European road network, once completed, will total 58 000 km. Some 15 000 km of road will be upgraded for this purpose to high quality standards. The trans-European inland waterways network will comprise 12 000 km of navigable waterway, and the trans-European combined transport network will consist of 23 000 km of rail track plus a set of bypass routes to minimize transit times across built-up areas.

Goods transport

In 1991, 38% of the total tonnage of goods transported in trade between Member States was carried by road.

TRANSPORT

Intra-EU trade¹ by mode of transport in 1991 (%)

	Road		Sea		Inland waterway		Rail		Other		Total	
	million t	%	million t	%	million t	%	million t	%	million t	%	million t	%
Agricultural products	35.2	54.4	17.5	27.0	7.0	10.8	5.1	7.8	0.0	0.0	64.7	100
Foodstuffs	43.1	59.7	14.2	19.7	4.7	6.5	2.7	3.7	7.6	10.5	72.2	100
Solid mineral fuels	4.5	27.3	5.5	33.0	3.1	18.8	3.5	20.9	0.0	0.0	16.6	100
Petroleum products	5.4	3.1	72.8	42.3	29.2	17.0	1.5	0.9	63.2	36.7	172.1	100
Ore and scrap for the metal industry	8.2	15.0	8.4	15.5	29.8	54.8	5.4	10.0	2.6	4.7	54.4	100
Metal products	24.5	43.7	13.9	24.8	3.3	6.0	14.3	25.4	0.0	0.0	56.1	100
Minerals and building materials	56.5	43.0	21.5	16.4	46.6	35.4	5.9	4.5	1.1	0.8	131.5	100
Fertilizers	5.0	29.2	6.6	38.7	4.0	23.3	1.5	8.7	0.0	0.0	17.0	100
Chemicals	41.9	54.7	19.0	24.8	7.3	9.6	5.6	7.3	2.9	3.7	76.6	100
Manufactured articles	54.8	73.9	13.6	18.3	0.3	0.4	4.6	6.2	0.9	1.2	74.2	100
Total	279.1	38.0	193.0	26.2	135.3	18.4	49.9	6.8	78.2	10.6	735.5	100

¹ Flow measured: imports.

Source: Comext-Trex.

Extra-EU trade by mode of transport in 1991 (%)

	Road				Sea				Inland waterway			
	Import		Export		Import		Export		Import		Export	
	million t	%	million t	%	million t	%	million t	%	million t	%	million t	%
Agricultural products	35.2	72.4	23.7	69.3	8.7	17.8	5.3	15.4	0.6	1.2	1.1	3.2
Foodstuffs	53.4	76.9	20.9	59.2	5.1	7.3	6.8	19.3	5.2	7.4	1.1	3.1
Solid mineral fuels	116.2	85.4	1.3	47.9	0.8	0.6	10.4	13.4	1.0	8.1	0.2	6.8
Petroleum products	426.5	73.6	63.1	72.4	4.0	0.7	4.8	5.5	4.4	0.8	7.4	8.4
Ore and scrap for the metal industry	132.2	89.5	6.7	82.1	0.8	0.5	10.3	3.6	0.3	7.0	0.2	2.5
Metal products	12.6	53.9	18.0	62.0	4.2	17.7	4.2	14.3	2.6	10.9	3.3	11.3
Minerals and building materials	22.0	58.4	22.4	58.8	8.9	23.6	11.9	31.1	3.6	9.5	1.6	4.2
Fertilizers	20.4	85.6	6.9	84.6	0.7	2.9	0.3	3.4	1.7	7.1	0.2	2.9
Chemicals	25.3	64.1	20.0	56.0	7.0	17.8	10.0	28.0	3.7	9.4	1.5	4.2
Manufactured articles	28.0	55.0	18.0	48.3	16.0	31.5	13.3	35.7	0.3	0.5	0.8	2.1
Total	871.9	75.4	200.9	63.6	56.1	4.9	57.2	18.1	43.3	3.7	17.3	5.5

Source: Comext-Trex.

Sea transport accounted for 26% and inland waterways for 18%. Fixed installations (oil pipelines) at 9% and rail at 7% were a long way behind, followed by air transport, which represented only 0.4%.

Road transport dominates the carriage of manufactured products (74% of the net tonnage of manufactured products traded between Member States is carried by road), food (60%), chemicals (55%) and agricultural produce (54%). Sea transport is used primarily for petroleum products (42%), fertilizers (39%) and fossil fuels (33%). Ore and scrap for the metal industry are first transported by inland waterway.

If all modes of domestic and international inland freight transport (rail, road, inland waterways) are taken together, road haulage is heavily predominant, accounting for 88% of the tonnage transported: 9.1 billion tonnes out of a total of 10.3 billion. Within domestic traffic alone, as much as 92% of freight is carried by road. However, two thirds of the tonnage of freight carried by domestic

road haulage travels less than 50 km. This proportion would be even larger if transport by vans and lorries with load capacities of less than three tonnes were taken into account; since these are used primarily for local transport, however, they are not counted in the above statistics. If the tonnage transported is weighted by the distance travelled to yield tonne-kilometres, domestic road haulage over less than 50 km accounts for only 15% of the total. Heavy goods such as minerals and building materials carried over short distances dominate domestic road haulage, while international haulage primarily involves more bulky goods such as manufactured products.

In total, road freight transport accounts for some 73% of the 1 100 billion tonne-kilometres performed in a year on European Union territory, rail transport for 18% and inland waterway transport for 9%. Twenty years ago, with 700 billion tkm, the figures were 56, 30 and 14% respectively. In absolute terms this means that road haulage has doubled while

rail and inland waterway transport have remained more or less stable. One of the Union's top priorities is to develop combined rail/road transport.

Another prospect for the future is to transfer some road transport to coastal shipping along the 56 000 km of European Union (EUR 12) coastline.

For obvious geographical reasons, maritime transport is the main mode of trade with non-member countries, accounting for 75% of imports and 64% of exports. Road haulage accounts for only 5% of imports from outside the EU (but for 18% of exports), while fixed installations (oil and gas pipelines etc.) carry nearly 13% of imports.

In 1979, almost 30% of the tonnage of the world merchant fleet belonged to the EU (EUR 12); by 1992 this figure had fallen to 15%, with an equivalent loss of jobs in the sector. The tonnage of ships sailing under the open shipping register, commonly known as the flag of convenience, rose in the same period: the percent-

Extra-EU trade by mode of transport in 1991 (%)

Rail				Other				Total				
Import		Export		Import		Export		Import		Export		
million t	%	million t	%	million t	%	million t	%	million t	%	million t	%	
3.8	7.9	4.1	11.9	0.4	0.7	0.1	0.2	48.7	100	34.2	100	Agricultural products
1.2	1.7	2.1	6.0	4.7	6.8	4.3	12.3	69.5	100	35.3	100	Foodstuffs
												Solid mineral fuels
2.5	0.4	3.3	3.8	142.0	24.5	8.6	9.9	579.2	100	87.1	100	Petroleum products
4.3	2.9	0.9	11.7	0.0	0.0	0.0	0.0	147.6	100	8.1	100	Ore and scrap for the metal industry
14.0	17.2	3.6	12.2	0.0	0.3	0.0	0.2	23.5	100	29.0	100	Metal products
3.2	8.5	2.1	5.4	0.0	0.0	0.2	0.4	37.6	100	38.1	100	Minerals and building materials
1.0	4.3	0.7	9.1	0.0	0.2	0.0	0.0	23.8	100	8.1	100	Fertilizers
3.1	7.8	3.8	10.7	0.4	0.9	0.4	1.1	39.5	100	35.8	100	Chemicals
3.5	6.8	2.4	6.5	3.2	6.2	2.8	7.4	50.9	100	37.3	100	Manufactured articles
34.2	3.0	23.9	7.6	150.9	13.1	16.4	5.2	1 156.4	100	315.7	100	Total

TRANSPORT

Goods transport in 1991 and passenger transport in 1992

	Total	Road		Rail		Inland waterway		Rail
	(million t)	(million t)	(%)	(million t) ¹	(%)	(million t) ¹	(%)	(million passengers)
EUR 12	10 315.5	9 127.1	88.5	776.5	7.5	411.9	4.0	4 158.0
B	507.0	355.2	70.1	60.4	11.9	91.4	18.0	145.0
DK	195.3	190.1	97.3	5.2	2.7	0.0	0.0	142.9
D	3 540.3	2 934.2	82.9	390.9	11.0	215.2	6.1	1 098.3
GR	192.0	188.6	98.2	3.4	1.8	0.0	0.0	12.2
E	724.6	700.2	96.6	24.4	3.4	0.0	0.0	182.0 ²
F	1 635.7	1 444.6	88.3	130.0	7.9	61.1	3.7	829.4
IRL	83.2	79.9	96.0	3.3	4.0	:	0.0	25.8
I	984.1	923.2	93.8	60.9	6.2	:	:	410.0 ³
L	39.0	24.3	62.3	12.8	32.8	1.9	4.9	10.0 ⁴
NL	717.9	457.8	63.8	17.6	2.5	242.5	33.8	333.0
A	:	:	:	:	:	:	:	:
P	278.7	271.7	97.5	7.0	2.5	:	0.0	224.6
FIN	:	:	:	47.6	:	6.8	:	174.9
S	:	:	:	:	:	:	:	89.1
UK	1 693.4	1 557.3	92.0	136.1	8.0	:	:	744.8

¹ To avoid duplicating the tonnage transported from one Member State to another within the EU, the EUR 12 total tonnage transported by rail or inland waterway is not equal to the sum of the tonnage of the 12 Member States. The tonnages indicated for road haulage refer to transport by vehicles registered in each Member State, and are therefore additive.

² 1989.

³ 1988.

⁴ 1990.



age of the world merchant fleet registered in Liberia, Panama, Cyprus, the Bahamas and Malta, for example, has increased from 16% to 35%, although some of these vessels belong to EU shipowners.

Container transport has expanded strongly. Some 8% of the total tonnage of goods carried by sea in 1991 and 13% of the tonnage leaving European ports were in containers; however, only 6% of the tonnage entering European ports was container traffic, owing to the different types of goods imported and exported. In Rotterdam, container goods accounted for 17% of total tonnage, 42% of goods leaving and 10% of goods entering. The figures for Ham-

burg were 29%, 45% and 21% respectively.

Passenger transport

It is more difficult to assess passenger transport than goods transport, since Community-level statistics are still very restricted, covering only air and rail travel. Most passengers travel by road, rail and/or air.

In 1992, slightly more than 4 billion passengers travelled by rail. More than a quarter of these were in Germany, followed by France with 829 million and the United Kingdom with 745 million; the other Member States accounted for only 36% of total passenger traffic. The number of rail passengers has remained virtual-

ly the same for the past 20 years. The opening of the Channel Tunnel should increase traffic, especially passenger traffic, between the United Kingdom and the Continent.

Air traffic, expressed as the number of passengers, has more than tripled in 20 years and increased by 55% over the past seven years. On the basis of the amount of traffic handled by the major international airlines, the United Kingdom, the Nether-

lands, France and Germany are well ahead of the other Member States with 111, 44, 37 and 33 billion passenger-kilometres respectively in 1992 out of a total of 293 billion. Most passengers — 65, 50 and 30 million respectively in 1992 — embark or disembark in London (Heathrow and Gatwick), Paris (Charles de Gaulle and Orly) or Frankfurt.

Commercial traffic at the main international airports in 1992

Airport	Number of passengers embarking and disembarking (1 000 t)	Goods loaded and unloaded (1 000)
Brussels (B)	9 259	314
Copenhagen (DK)	12 148 ¹	146 ¹
Frankfurt/Main (D)	30 085	1 054
Athens (GR)	8 952	85
Madrid (E)	18 097	188
Palma de Mallorca (E)	11 860	15
Paris-Charles de Gaulle (F)	24 770	612
Paris-Orly (F)	25 009	275
Dublin (IRL)	5 761 ¹	51 ²
Milan-Linate (I)	9 272 ¹	66 ^{2 2}
Rome-Fiumicino (I)	18 734 ¹	231 ^{1 2}
Luxembourg (L)	932 ²	152 ²
Amsterdam (NL)	18 714	695
Lisbon (P)	5 377	79
London-Gatwick (UK)	19 841	190
London-Heathrow (UK)	44 968	755

¹ Provisional or estimated.



TOURISM

Tourism is part of the mass phenomenon of personal mobility, which emerged mainly in the second half of the 20th century and has seen a tremendous expansion, especially in Europe.

The tourism sector comprises a wide variety of services and industries: not just accommodation, catering and travel services, but also craft industries, the entertainments industry, banking, business services and local-authority activities connected with national parks, historic monuments, etc. It is therefore difficult to say exactly where the tourism sector begins and ends.

Tourism in the economy as a whole

The macroeconomic weight of the tourism industry has grown constantly over the past few decades.

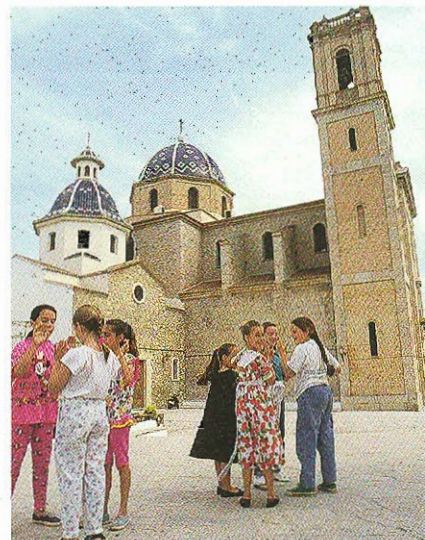
The contribution of tourism to the gross national product (GNP) of the European Union (EUR 12) rose from 5.4% in 1988 to 5.64% in 1990, followed by a drop to 5.55% in 1991. This slowdown, caused mainly by

the Gulf War crisis, seemed to be tapering off in 1992, when a GNP contribution of 5.53% was recorded. Tourism linked with air travel suffered a pronounced slump. The two market segments most seriously affected were incoming tourism from overseas, mainly from North America, and intra-European tourism to the Mediterranean – to Greece, for example.

The tourism industry is of enormous importance to the labour market. In 1985, about 7.3 million jobs in the EU were directly attributable to tourism. By the early 1990s, this figure had risen to approximately 9 million. The percentage of the workforce employed in tourism rose within the same period from 6.05% to about 6.8% by 1992. The annual growth rate in tourism employment at the end of the 1980s was roughly 0.2% — about 0.1% higher than the average growth rate of the labour market.

Two further aspects of the tourism employment market are worth noting. First, the incidence of illicit working — chiefly unregistered,





temporary employment during seasonal peaks and assistance by family members — is higher than in other sectors of the economy, and this has economic consequences. Secondly, the tourism industry frequently offers work in economically underdeveloped regions and so systematically boosts the economies of outlying areas.

Tourism makes a major contribution to the balance of payments of many countries. The highest gross receipts from tourism in 1993 were recorded by France (ECU 19.2 billion), Italy (ECU 18.8 billion) and Spain (ECU 16.5 billion). Germany recorded the highest expenditure at ECU 32.1 billion, followed by the United Kingdom (ECU 14.6 billion), Italy (ECU 12 billion) and France (ECU 10.9 billion). Spain (ECU 12.3 billion), France (9.3 billion) and Italy (6.8 billion) had the highest balance-of-payments surpluses for tourism.

The EFTA countries accounted for the largest share of tourism-related monetary flows (balance of payments) in and out of the Union as a whole.

Number of hotels and similar establishments

	1990	1991	1992
EUR 15	179 485	:	:
B	2 123	1 957	1 914
DK	539	545	555
D	37 423	38 393	37 162
GR	6 713	6 991	7 185
E	9 436	9 603	9 792
F ¹	20 287	20 383	20 582
IRL	842	877	866
I	36 423	35 792	35 371
L	401	398	401
NL	1 546	1 531	1 525
A	19 406	19 257	18 955
P	1 758	1 785	1 777
FIN	1 096	1 124	1 097
S	1 723	1 784	1 744
UK	39 769	:	:

¹ Approved hotels only. The total number is approximately 30 000.

TOURISM

Difference in the number of overnight stays, 1991/92 (%)

	Residents	Non-residents	Total
B	-49.8	5.5	-24.0
DK	4.4	10.3	7.1
D	11.5	2.0	10.4
GR	4.2	18.1	14.7
E	-8.3	2.9	-2.1
F	2.1	7.2	4.0
IRL			
I	0.3	-3.7	-1.0
L	-6.8	-9.3	-9.0
NL	3.5	4.5	3.8
A	0.5	0.3	0.3
P	1.9	-9.4	-4.9
FIN	-0.5	0.0	-0.4
S	2.1	0.4	2.4
UK ¹	-0.8	-8.6	-3.1

¹ 1990/91 data.

In 1993, tourism receipts and expenditure for the European Union as a whole (EUR 12) were almost identical (receipts: ECU 92.9 billion; expenditure: ECU 92.8 billion).

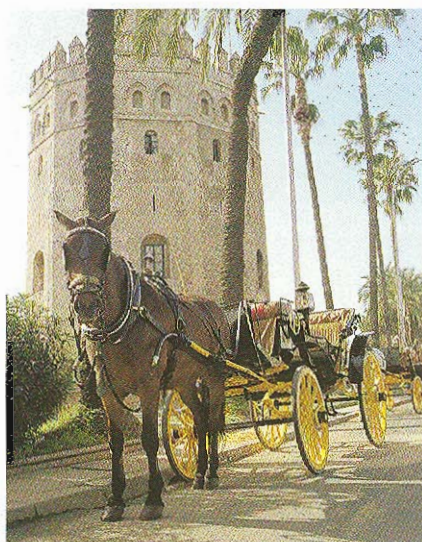
Outlook

Since tourism is affected by general economic trends and political situations, forecasting is difficult. Annual growth in tourism in the European Union and the EFTA countries over the next three years can be cautiously predicted at 3 to 4%.

The EU and EFTA may, however, lose part of their share of main holidays to extra-EU destinations in the Far East and Eastern Europe. This may be offset to some extent by the continued growth in short-break holidays and in international tourism expenditure in general.

Tourism in the balance of payments (difference 1991/92) (%)

	Receipts	Expenditure
EUR 15	7.7	11.7
EUR 12	8.7	13.0
BLEU	6.2	11.5
DK	2.1	4.7
D	1.3	11.3
GR	13.3	10.2
E	9.4	13.6
F	10.9	6.1
IRL	1.8	12.2
I	15.7	32.2
NL	13.7	9.9
A	0.4	7.8
P	-6.6	6.6
FIN	4.6	-16.9
S	7.4	5.1
UK	2.3	7.2



Main generating countries in 1992
(figures based on overnight stays in all accommodation establishments)

	First market ¹	%	Second market	%	Third market	%	Fourth market	%	Share of first and fourth market (%)
Belgium	Netherlands	33	Germany	18	United Kingdom	12	France	10	73
Denmark	Germany	39	Sweden	22	Norway	10	Netherlands	9	80
Germany ²	Netherlands	21	Central and Eastern Europe	10	USA	10	United Kingdom	9	50
Greece	Germany	31	United Kingdom	18	Italy	7	France	6	62
Spain	Germany	34	United Kingdom	25	France	10	Belgium	5	74
France ³	United Kingdom	19	Italy	14	Germany	14	USA	8	55
Ireland ³	United Kingdom	36	USA	20	France	10	Germany	9	75
Italy	Germany	40	France	7	United Kingdom	6	USA	6	59
Luxembourg	Netherlands	41	Belgium	24	Germany	9	France	5	79
Netherlands	Germany	50	United Kingdom	11	Belgium	6	USA	5	72
Austria	Germany	60	Netherlands	9	United Kingdom	5	Italy	4	78
Portugal	United Kingdom	29	Germany	19	Spain	10	Netherlands	9	67
Finland	Sweden	24	Germany	18	USA	6	United Kingdom	5	53
Sweden	Germany	26	Norway	20	Denmark	9	Finland	8	63
United Kingdom ⁴	USA	15	Germany	10	France	9	Australia + New Zealand	8	42

¹ The tourist markets are classified in order of magnitude.

² Figures based on arrivals at the borders (1989).

³ Overnight stays in hotels and similar establishments only.

⁴ Länder of the former Federal Republic of Germany.



FURTHER READING

Eurostat publications

Transport: Annual statistics 1970-90
Carriage of goods (rail, road, inland waterway), annual
External trade by mode of transport, annual
Transport statistics glossary

Electronic products

Eurostat CD
Panorama CD
New CRONOS database (REGIO)

European Documentation

White Paper on the future development of the common transport policy, December 1992

Other publications

'Road freight transport in the single European market', Report of the Committee of Enquiry, July 1994

MONEY AND FINANCE

Progress towards economic and monetary union and rapidly changing financial markets make it difficult to provide a concise statistical overview of monetary and financial matters. Although progress has been made, the statistics collected by existing systems are not sufficiently complete, comparable and meaningful, precisely at a time when there is an ever-growing need for information.

The European financial area is gaining strength day by day and the funds available within this area are reinvested ever more freely by financial intermediaries regardless of national borders. The appearance of new financial instruments as a result of greater competition in the financial sector is a further reason for needing to revise the statistical systems.

Data on interest rates and public finances are essential for assessing the economic convergence of the Member States of the Union. Since the start of the second stage of economic and monetary union on 1 January 1994, statistics have been available on the general government deficit and debt in each Member State of the Union which have been compiled using a common methodology.

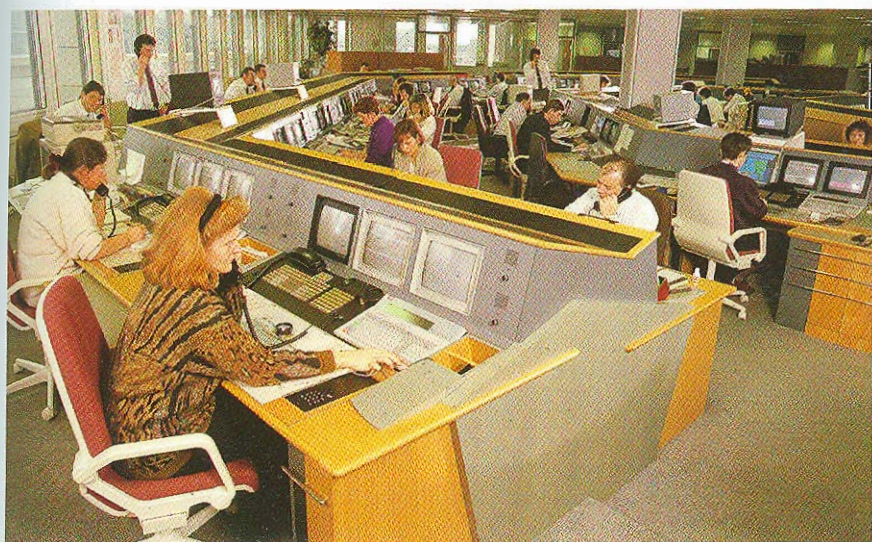
The ecu, which is destined to become the EU's single currency, can be considered in the context of statistics on the European Monetary System (EMS), of which it forms a central element, and from the point of view of the important role it already plays on the financial markets.

Statistics on the EMS and on the use of the ecu on the markets are directly available and meaningful at Community level. However, statistics on foreign-exchange reserves are only really meaningful at the level of each Member State. Prudence is called for when using such data at aggregated levels (e.g. EUR 15), or when making comparisons with the USA.

In the purely monetary field, national money-supply data based on banking statistics are not at present directly comparable, and the concepts used at national level are not transposable to Community level. However, work has been completed on an inventory of the sources and methods used in the compilation of banking statistics, and further harmonization of the concepts relating to banking statistics is being undertaken by the European Monetary Institute.

Information on the financial accounts component of national accounts is currently available only for certain Member States, and the analysis frameworks have been

revised in order to describe current financial realities. The financial accounts form part of the European system of integrated economic accounts (ESA), which has recently been revised by Eurostat along the lines of the 1993 system of national accounts (SNA) drawn up under the auspices of the United Nations. The new system provides for balance sheets in addition to accounts showing financial flows, both types of accounts being compiled using breakdown criteria that have undergone substantial changes to take account of market developments and the introduction of new financial instruments.



PUBLIC FINANCES AND OFFICIAL RESERVES

General government deficit and general government debt

The convergence criteria for public finances and the reference values are clearly defined by the Treaty on European Union and the Protocol on the excessive deficit procedure annexed to it. With the implementation of the second stage of economic and

monetary union on 1 January 1994, data on the levels of general government deficit and debt reported by the Member States to the European Commission, evaluated on a relatively homogeneous basis, are now available from 1990 onwards.

The new statistics are not comparable with those previously published in *Europe in Figures*. Public deficit and debt now relate to general government as a whole as defined in the European system of integrated economic accounts (ESA) (see the glossary at the end of the chapter).

The only country with a surplus is the Grand Duchy of Luxembourg, where general government has a net surplus over the entire period 1990-94. All the other countries, with the exception of Ireland, have deficits, which increased as a result of the 1992-93 recession to levels somewhat higher than the reference value (3% of gross domestic product).

The increased deficit fuels the public-sector debt in nearly all the countries, although the debt in Germany, France and the United Kingdom is still below the reference value (60% of GDP). Three countries have debt which is greater than their GDP: Belgium, Greece and Italy.

EU reserves by country (% of EUR 15)



General government deficit

	1990		1991		1992		1993	
	Million ECU	% GDP	Million ECU	% GDP	Million ECU	% GDP	Million ECU	% GDP
B	-8 226	5.4	-10 302	6.5	-11 372	6.7	-11 811	6.7
DK	-1 540	1.5	-2 238	2.1	-2 872	2.6	-5 057	4.4
D	-24 238	2.1	-44 325	3.2	-38 839	2.6	-52 572	3.3
GR	-8 892	13.8	-8 197	11.6	-8 956	12.1	-9 629	12.5
E	-15 887	4.1	-20 903	4.9	-18 662	4.2	-30 605	7.5
F	-14 622	1.6	20 966	2.2	-40 168	3.9	-62 122	5.8
IRL	-765	2.2	-772	2.1	-894	2.3	-916	2.3
I	-94 316	10.9	-95 405	10.2	-89 912	9.5	-80 514	9.5
L	409	5.8	171.4	2.3	21	0.3	101.1	1.2
NL	-11 418	5.1	-6 781	2.9	-9 737	3.9	-8 721	3.3
P	-2 868	5.3	-4 121	6.5	-2 439	3.3	-5 155	7.1
UK	-11 438	1.5	-21 579	2.6	-49 625	6.1	-62 391	7.8

Official reserves

Germany holds by far the largest official foreign-exchange reserves (excluding gold) of any EU Member State, with around 24% of the EU total at the end of 1993, followed by Spain (13%) and the United Kingdom (11%). Two of the latest entrants into the EU, Austria and Finland, hold relatively small foreign-exchange reserves: excluding gold, at the end of 1993, Finland held 1.7% of the EUR 15 total, about the same percentage as Ireland, and Austria 4.4%, a similar proportion to

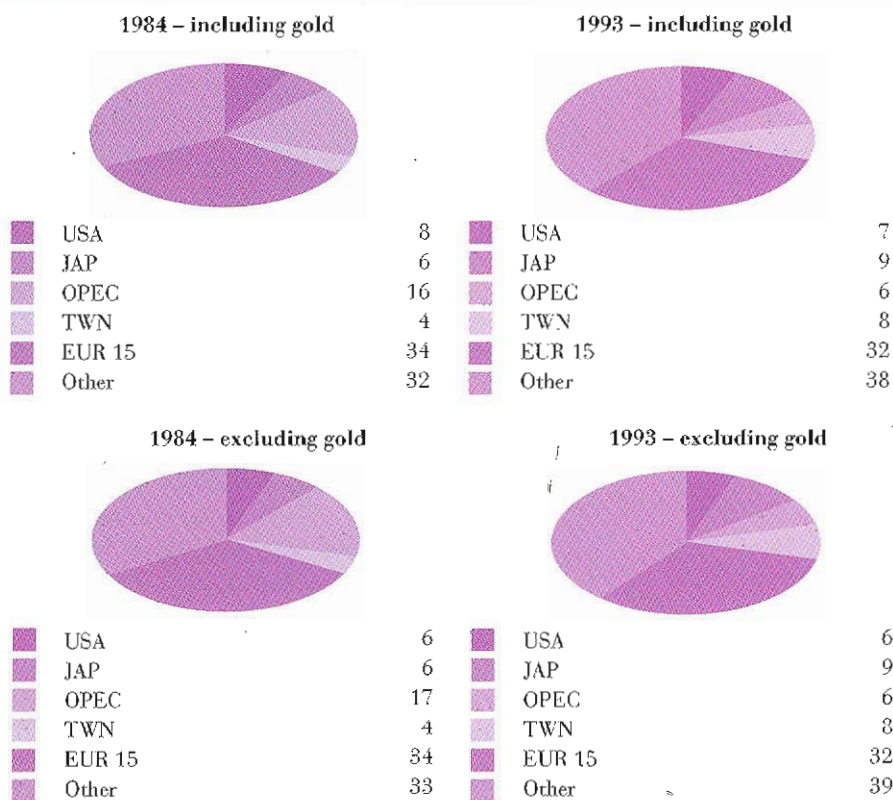
that of Portugal. Sweden, the third new entrant, held approximately 6% of the EUR 15 total excluding gold at the end of 1993.

Spain and Portugal have seen their reserves increase steadily over the 10 years since they joined the EU, from around ECU 17 and 0.7 billion respectively in 1984, to ECU 37 and 14 billion in 1993 (all figures excluding gold).

At the end of 1993, the EU Member States held approximately 32% of total world reserves, compared with 9% held by Japan, 8% by Taiwan, 6% by the USA and 6% by the OPEC countries. The proportion of reserves held by Taiwan doubled over the period 1984-93, and at the end of June 1994, its reserves stood at an all-time high of around ECU 75 billion (USD 90 billion).

Given that it plays such a significant part in the world's economy, it might seem that the share of the USA in the total of world reserves is rather small. However, it should be noted that the US dollar is one of the largest components in various countries' foreign-exchange reserves but is obviously not included in the reserves of the USA itself.

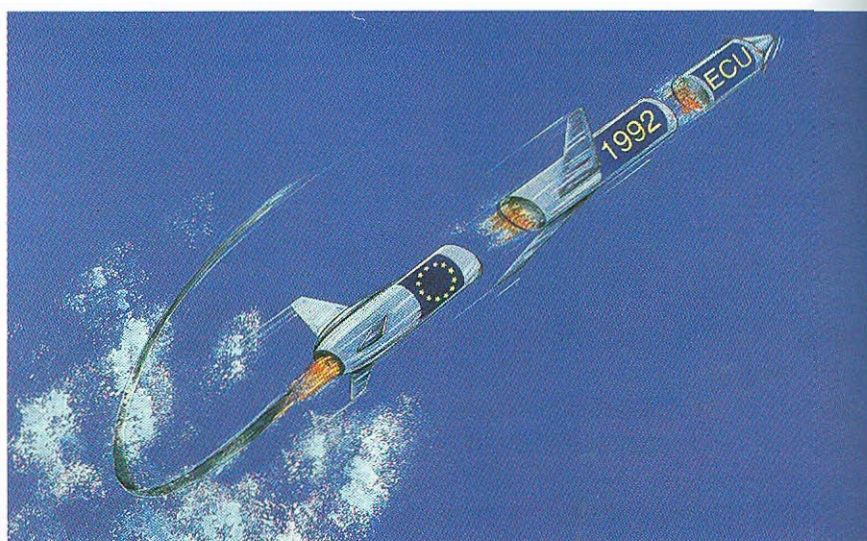
Official external reserves (%)



General government debt

	1990		1991		1992		~1993	
	Million ECU	% GDP	Million ECU	% GDP	Million ECU	% GDP	Million ECU	% GDP
B	199 128	131.0	213 709	133.6	236 450	135.1	251 248	141.8
DK	:	:	67 432	64.6	77 586.3	68.8	92 823	79.5
D	520 209	43.8	581 898	42.0	694 094	44.8	785 307	48.9
GR	50 036	82.6	58 018	86.1	64 670	92.3	85 416	115.2
E	173 084	45.1	194 097	45.9	205 232	48.4	229 106	59.8
F	331 981	35.4	347 816	35.8	416 103	39.6	493 520	45.8
IRL	34 166	96.8	35 382	96.2	37 670	93.4	39 221	96.1
I	833 874	97.9	938 767	101.3	912 040	108.4	969 000	118.6
L	383	5.4	370	4.9	511	6.0	676	7.8
NL	176 589	78.8	186 475	78.9	204 776	79.9	215 834	81.4
P	35 964	67.7	43 618	69.3	45 015	61.7	46 736	67.0
UK	273 618	35.4	285 664	35.7	312 406	41.9	403 489	48.5

INTEREST RATES



Short-term interest rates — overnight money rate

Following the period of relatively high short-term interest rates in most countries in the beginning of the 1990s, rates fell significantly in 1993 and the first nine months of 1994, despite short-lived increases in some countries in the summer and autumn of 1993, during the period when the currencies of certain countries in the exchange-rate mechanism were under pressure. In the summer of 1994, rates in many countries stood at their lowest levels

for some years, particularly in those countries which had experienced the highest rates in recent years. However, at the end of the third quarter of 1994 there were indications that European interest rates may have bottomed out, with increases in rates in Sweden and the United Kingdom following several earlier increases in the USA.

As might be expected, in general short-term interest rates are lowest in those countries with the best record on currency stability, for example Germany, Austria and the

Overnight money rate (%)								
	B	DK	D	GR	E	F	IRL	I
1983	8.3	12.0	5.4		19.5	12.5	15.0	18.3
1985	8.3	10.0	5.2	17.0	11.6	9.9	12.0	15.3
1987	5.6	9.9	3.7	15.7	16.1	8.0	10.6	11.3
1989	7.0	9.5	6.6	20.2	14.4	9.1	9.3	12.6
1991	8.5	9.7	8.8	22.7	13.2	9.5	10.5	11.9
1993	8.7	10.4	7.5	23.5	12.3	8.8	14.9	10.2
1994 ¹	5.7	6.2	5.5	25.6	7.9	5.8	5.5	8.4

¹ Average over first nine months of the year.

Netherlands (the currencies of the latter two countries being more or less pegged to the mark). However, in an attempt to stimulate economic growth, some countries have reduced their central interest rates substantially, such that short-term rates in the first nine months of 1994 were on average below 6% in Belgium, Finland, France, Ireland and the United Kingdom, in addition to the three countries previously mentioned, and were only just above 6% in Denmark. Nevertheless, short-term interest rates remain somewhat higher in Spain, Italy and Sweden, and far higher in Portugal and Greece.

Short-term rates in the USA and Japan have been far lower than in European countries in the 1990s, although in the USA rates started to rise in early 1994 after some years of stability. At the end of October 1994 the US discount rate stood at 4%, only 0.5% lower than in Germany, as compared to a differential of 3.75% 12 months before. In Japan, however, the average level of short-term rates in the first nine months of 1994 was only just over 2%, which is lower than in recent years, the Japanese central bank having reduced its discount rate from 2.5 to 1.75% in September 1993, a level at which it remained for more than 12 months.

Long-term interest rates — yield on government bonds

The yield on government bonds is a good indicator of long-term interest rates throughout the economy, since the government bond market is generally the largest and most liquid sector of the capital markets.

The data given here in most cases refer to secondary market yields on government bonds with around 10 years until maturity.

Yields fell significantly in all EU countries in the early 1990s, with the greatest falls in those countries in which yields were previously highest. However, in the first nine months of 1994, yields increased in all Member States, amid fears of resurgent inflation in the USA and increases in short-term interest rates in the US and elsewhere.

The yield on government bonds is one of the convergence criteria referred to in the Protocol on the convergence criteria which is attached to the Treaty on European Union. This means that the level of long-term interest rates is one of the variables which will be examined in deciding whether countries are eligible for entry into an economic and monetary union.

The criterion on the convergence of interest rates lays down that, over a period of one year before the exami-

Overnight money rate (%)

NL	A	P	FIN	S	UK	USA	JAP	
5.3	:	:	:	:	8.9	9.1	6.4	1983
6.3	6.2	:	:	14.0	11.3	8.1	6.5	1985
5.2	4.4	12.5	9.2	9.2	8.9	6.7	3.5	1987
7.0	7.5	12.8	10.3	11.6	13.8	9.2	4.9	1989
9.0	9.1	15.8	14.9	11.8	11.8	5.7	7.5	1991
7.1	7.2	13.3	7.7	9.1	6.0	3.0	3.1	1993
5.2	5.1	12.1	4.4	7.3	4.8	3.9	2.2	1994 ¹

¹ Average over first nine months of the year.

INTEREST RATES

nation, a Member State shall have had an average nominal long-term interest rate that does not exceed by more than 2 percentage points that of, at most, the three best performing Member States in terms of price stability. It further lays down that interest rates shall be measured on the basis of long-term government bonds or comparable securities.

Based on provisional data on government bond yields and inflation rates,

which will not necessarily be those used in the official examination of the convergence criteria, in June 1994 the level of long-term interest rates in all Member States with the exception of Greece, Spain and Portugal were at levels which satisfied this criterion. In addition, government bond yields in Finland, Austria and Sweden, who joined the EU in January 1995, also satisfied this criterion.

Yield on government bonds

Nominal yields

	B	DK	D	GR	E	F	IRL	I
1990	10.06	10.73	8.83	:	:	9.93	:	:
1991	9.28	9.25	8.51	:	11.40	9.04	9.30	11.46
1992	8.66	8.92	7.91	:	11.68	8.59	9.32	11.57
1993	7.22	7.19	6.48	:	10.21	6.78	7.59	9.79
1994 ¹	7.49	7.63	6.73	:	9.58	6.91	7.86	8.86

Real yields

	B	DK	D	GR	E	F	IRL	I
1990	6.61	8.24	6.13	:	:	6.56	:	:
1991	6.08	6.86	5.04	:	5.42	5.91	6.10	5.08
1992	6.22	6.83	3.90	:	5.77	5.84	6.19	6.35
1993	4.47	5.94	2.38	:	5.62	4.65	6.19	5.34
1994 ¹	4.98	5.67	3.61	:	4.75	5.20	5.56	4.83

NB: The Greek authorities have not issued any long-term government bonds since 1988.



Yield on government bonds

Nominal yields									
L	NL	A	P	FIN	S	UK	USA	JAP	
8.61	8.92	8.74	:	:	13.21	11.80	8.73	7.36	1990
8.15	8.74	8.62	:	11.26	10.79	10.11	8.16	6.53	1991
7.90	8.10	8.27	:	11.97	9.98	9.07	7.52	5.28	1992
6.92	6.36	6.64	9.54	8.82	8.62	7.47	6.45	4.26	1993
6.41	6.64	6.49	10.07	8.66	9.04	7.97	7.20	4.44	1994 ¹
Real yields									
4.94	6.47	5.48	:	:	2.76	1.98	3.30	4.30	1990
5.05	4.71	5.27	:	7.12	1.42	4.20	3.90	3.25	1991
4.74	4.35	4.25	:	9.37	7.67	5.34	4.50	3.55	1992
3.33	3.76	3.00	3.06	6.65	3.94	5.90	3.49	3.01	1993
4.17	3.80	3.47	4.48	7.77	6.90	5.54	4.92	3.81	1994 ¹

NB: The Greek authorities have not issued any long-term government bonds since 1988.

THE EUROPEAN MONETARY SYSTEM

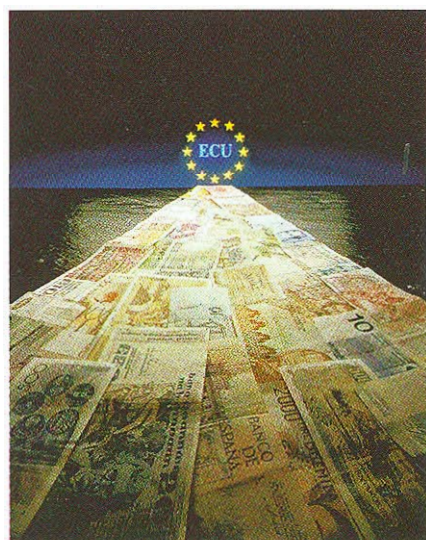
The European Monetary System (EMS) was set up by the European Council on 12 March 1979. The aim in the short and medium term of the EMS is to provide monetary and exchange-rate stability in Europe, while in the longer term the goal is price stability and a closer convergence of economic policies at European level resulting in more sustained expansion of demand and increased business confidence. The EMS opens the way to economic and monetary union (EMU). It has three main components: the ecu, the exchange-rate mechanism (ERM) and the credit mechanism, the administration of which is in the hands of the European Monetary Institute (EMI), which took over the activities of the European Monetary Cooperation Fund (EMCF) on 1 January 1994.

The ecu

The European currency unit (ecu) is the principal component of the European Monetary System. Under the terms of the conclusions of the European Council in Maastricht in December 1991, the ecu will become Europe's single currency on 1 January 1997 at the earliest and on 1 January 1999 at the latest.

The ecu is a currency valued in terms of a basket of the currencies of the Member States of the European

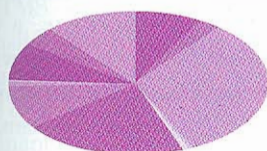
Union (EU) as at 31 December 1994. At its inception on 13 March 1979, the ecu was made up of a basket of fixed amounts of the then nine EU currencies and was identical at the outset to the European Unit of Account (EUA). Since its creation, the ecu has been redefined twice: in September 1984, when the Greek drachma became part of the basket, and in September 1989, when the Spanish peseta and the Portuguese escudo were introduced. These adjustments did not affect its external



Composition of the ecu basket

	3.3.1979	17.9.1984	21.9.1989
BFR	3.66	3.71	3.301
DKR	0.217	0.219	0.1976
DM	0.828	0.719	0.6242
DR	—	1.15	1.44
ESC	—	—	1.393
FF	1.15	1.31	1.332
HFL	0.286	0.256	0.2198
IRL	0.00759	0.008781	0.008552
LFR	0.14	0.14	0.13
LIT	109	140	151.8
PTA	—	—	6.885
UKL	0.0885	0.0878	0.08784

Weights of component currencies in the ecu (%) ¹



BFR	8.21
DKR	2.66
DM	32.09
DR ²	0.54
ESC	0.72
FF	20.37
HFL	10.01
IRL	1.06
LFR	0.32
LIT ²	8.47
PTA	4.46
UKL ²	11.16

¹ Calculated on the basis of central rates since 14.5.1993.

² Notional central rates based on market rates at 14.5.1993, since these countries are outside the ERM.

value. Under Article 109g of the Treaty on European Union, the currency composition of the ecu basket has been frozen until the single currency is introduced.

The ecu has two separate circuits: official and private. The official circuit concerns the creation and use of the ecu by the monetary authorities of the EU Member States. The private ecu circuit concerns its creation and use by the private sector (see next section). The only link between the two is that the ecu's value in both is tied to the same basket of EU currencies.

The official exchange rate of the ecu *vis-à-vis* its constituent currencies and some 10 other currencies is calculated daily by the Commission on the basis of the composition of the ecu basket and the exchange rates of the constituent currencies at the time of fixing. The ecu's structure, i.e. the percentage share of each currency in

the ecu, can be calculated using either the current central rates or market rates.

Official ecus are created by the transfer by each of the central banks of the EMS of 20% of their gold and 20% of their dollar reserves to the EMI (formally the EMCF). The EMI in return credits these central banks with an amount of ecus equivalent to their gold and dollar contributions. In practice, the creation of ecus takes the form of three-month revolving swap arrangements under which the EMS central banks receive spot ecus and at the same time sell to the EMI the equivalent amount of ecus three months forward. This swap arrangement is renewed at the beginning of each quarter. The central banks, having regard to their reserve positions in gold and US dollars and the current exchange rates, make the necessary adjustments so that the swap arrangements always cover 20% of their gold and 20% of their US dollar reserves. The volume of ecus created in this way increased from ECU 31 billion in March 1979 to ECU 59 billion in April 1994.

On 1 January 1994, the EMCF was dissolved and all its assets and liabilities passed automatically to the European Monetary Institute (EMI). In accordance with its Statute, the EMI receives monetary reserves from the national central banks and issues ecus against such assets for the purpose of implementing the EMS Agreement.

Within the EMS the ecu is used in a variety of ways:

- as a denominator for the exchange-rate mechanism. All EMS currencies have an ecu central rate, which in the case of the pound sterling, the Greek drachma and the Italian lira are notional rates;

- as a reference unit for the operation of the divergence indicator; this indicator measures the divergence between each EMS currency and the Community average as represented by the ecu;
- as a denominator for operations involving the intervention and credit mechanism;
- as a reserve asset of central banks.

The exchange-rate mechanism

The exchange-rate mechanism is based on a grid of central parities between individual currencies and between each currency and the ecu. Until 2 August 1993, the exchange rates of the currencies participating in the exchange-rate mechanism (all EU currencies except the Greek drachma, which has never been a member of the ERM, and the Italian lira and pound sterling, which left the ERM in September 1992) were not permitted to diverge by more than 2.25% (or 6% for the Spanish peseta and Portuguese escudo) from their bilateral central rates in the grid.

Intervention (carried out in principle in participating currencies) is compulsory when the intervention thresholds defined by the fluctuation margins are reached. In addition, when a currency crosses its 'threshold of divergence', i.e. 75% of the maximum spread of divergence for each currency, there must be consultations and the authorities concerned are expected to take adequate measures to correct the situation, namely through:

- (a) diversified intervention,
- (b) changes in domestic monetary policy,
- (c) other economic policy measures,
- (d) changes in central rates.

THE EUROPEAN MONETARY SYSTEM

EMS central rates at 6 March 1995

BFR/LFR	39.396
DKR	7.2858
DM	1.91007
DR	292.867
ESC	195.792
FF	6.40608
HFL	2.15214
IRL	0.792214
LIT	2 106.15
PTA	162.493
UKL	0.786652

In its 15 years of existence, the EMS has undergone 19 realignments of central rates but, if the Italian lira's parity adjustments and move to the narrow band in January 1990 is excluded, there was no realignment between January 1987 and August 1992. However, the slowdown in economic growth and the very high levels of unemployment in all EU countries, combined with fiscal imbalances in certain countries and political uncertainty linked to difficulties in ratifying the Treaty on European Union, triggered serious upheavals in the European currency markets. As a result, there were five realignments during the period from September 1992 to May 1993, while the Italian lira and the pound sterling suspended their participation in the ERM in September 1992. The EMS crisis culminated in the decision of the Finance Ministers on 3 August 1993 to enlarge, temporarily, the fluctuation margins between the component currencies in the ERM from 2.25% to 15%.

On 1 January 1995, Austria, Finland and Sweden joined the EMS, and on 9 January 1995, the Austrian schilling joined the ERM, its central rate against the ecu being fixed at 13.7167.

The credit mechanism

In line with the EMS central banks' obligation to intervene, a credit mechanism has been set up with the aim of increasing the credibility of the exchange-rate mechanism.

This credit mechanism consists of a very short-term financing facility (VSTF), a short-term monetary support mechanism (STMS) and medium-term financial assistance (MTFA).

The VSTF is a mutual credit arrangement for unlimited amounts between the central banks of the countries participating in the ERM. Its purpose is to enable Community currencies to be used for compulsory interventions to prevent margins being breached. After 45 days from the day of intervention — except if an extension is agreed — the debtor central bank has to settle the cost of intervention.

STMS is a system of unconditional loans granted by the central banks to one another and is based on a system of quotas which determine each central bank's borrowing entitlement and financing obligation. The duration of these credits is three months.

MTFA is designed for Member States facing balance of payments difficulties. In order to receive assistance, the borrower country has to agree to a number of economic and monetary conditions.

On 6 December 1994, Austria, Finland and Sweden signed various instruments of monetary cooperation: the agreements of 13 March 1979 on operational procedures for the EMS, and their accession to the agreement of 9 February 1970 which set up the STMS system. These instruments came into force on 1 January 1995.

Since 1 January 1994, in accordance with Article 109f(2) of the Maas-

tricht Treaty, the EMI is responsible for the administration of the VSTF and STMS. In addition, the EMI is responsible for managing the borrowing and lending operations concluded by the EU under the medium-term financial assistance facility

The European Monetary Institute

The European Monetary Institute (EMI), was established in accordance with Article 109f of the Treaty on European Union and has been in operation since the start of Stage 2 of economic and monetary union. The EMI, which is the forerunner to the future European Central Bank (ECB), is managed by a Council consisting of a President and the Governors of the national central banks, one of whom is Vice-President. The main objective of the EMI is to contribute to the realization of the conditions necessary for the transition to the third stage of economic and monetary union. Its main tasks are as follows:

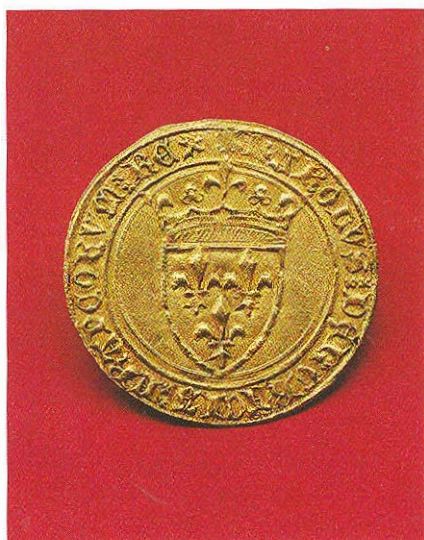
- to strengthen cooperation between the national central banks;
- to strengthen the coordination of Member States' monetary policies with the aim of ensuring price stability;
- to monitor the functioning of the European Monetary System;
- to hold consultations concerning issues falling within the competence of national central banks and affecting the stability of financial institutions and markets;
- to take over the tasks of the European Monetary Cooperation Fund;
- to facilitate the use of the ecu and oversee its development, including the smooth functioning of the ecu clearing system.

When Stage 3 of economic and monetary union begins, the EMI will be dissolved and its operations will be taken over by the European Central Bank (ECB).



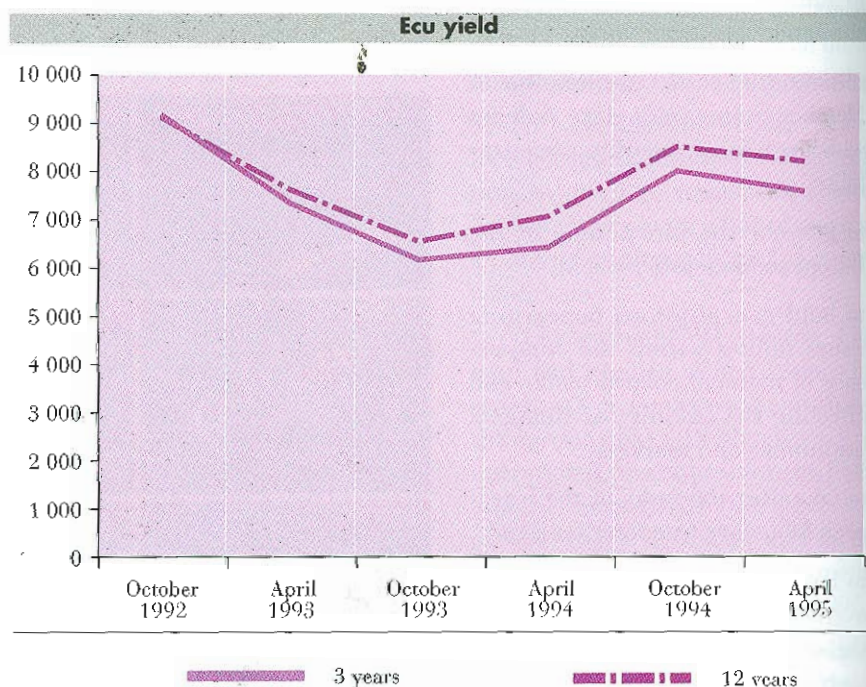
THE ECU ON THE MARKETS

In parallel with its official use, the ecu has grown strongly on the markets, where it is traded relatively independently of its component currencies, its yields and its exchange value only rarely being the same as the yields and exchange rates calculated for the basket. This trend is to be seen both in the volumes traded and in the wide range of financial instruments in ecus now available.



At the end of 1993, the total amount outstanding on national and international ecu bonds was ECU 130 billion, representing between 4 and 5% of the total for all currencies. If other types of securities are added to this, the total is ECU 190 billion (source: BIS). Such securities include short-term treasury bills (in the United Kingdom and Italy), commercial paper, certificates of deposit, medium-term notes, etc. Ecu bonds are actively traded. A look at the total volumes of business dealt with by Cedel and Euroclear reveals that from month to month the share of the ecu is never below 10% of the

overall market in all currencies. Furthermore, ecu Eurobonds are the most dynamic segment of the Eurobond market in European currencies. 1991 was a vintage year for the primary market in ecu bonds, with gross issues totalling over ECU 34 billion. Since then there has been a decline in the volumes issued, as a result of political events, especially the Danish 'no' in the May 1992 referendum and the close-run 'yes' in the French referendum, and of monetary developments such as the withdrawal of the pound sterling and the lira from the exchange-rate mechanism, the devaluation of the peseta



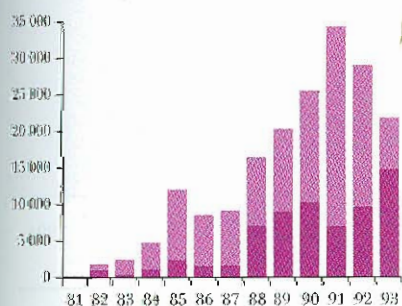
Top 10 ecu issuers

		Amount (ECU million)	Number of issues	Share %
1992	Italian Republic	3 000	4	12.85
	French Republic	2 151	3	9.21
	European Investment Bank	1 550	5	6.64
	Kingdom of Denmark	1 300	1	5.57
	Republic of Finland	1 250	2	5.35
	European Economic Community	1 115	4	4.78
	Council of Europe	1 000	5	4.28
	Crédit foncier de France	1 000	1	4.28
	Crédit local de France	900	4	3.86
	Eurofina	615	3	2.63
	Others	9 456	62	40.54
	Total	23 347	94	100

1993	Italian Republic	6 900	8	32.10
	French Republic	4 508	4	20.97
	European Economic Community	2 105	5	9.79
	United Kingdom ¹	2 000	4	9.30
	Greece ¹	1 223	22	5.69
	Sweden	1 100	3	5.12
	European Investment Bank	650	2	3.02
	Finland	500	1	2.33
	Compagnie bancaire	300	2	1.40
	MGI Finance	300	1	1.40
	Others	1 910	16	8.89
	Total	21 496	68	100

Up to 31.10.1994	Italian Republic	5 550	6	30.57
	French Republic	4 274	9	23.54
	United Kingdom ¹	2 000	3	11.01
	Portugal	750	1	4.13
	Crédit local de France	675	5	3.72
	Greece ¹	529	12	2.91
	EBRD	500	1	2.75
	GECC ²	400	4	2.20
	Sweden	400	1	2.20
	KfW ³	350	2	1.93
	Others	2 730	16	15.03
	Total	18 158	60	100

Ecu bonds: Euro or international issues and main domestic issues (million ECU)



¹ Greek ecu-linked bonds and UK treasury notes have been included since 1993.

² General Electric.

³ Kreditanstalt für Wiederaufbau.

THE ECU ON THE MARKETS

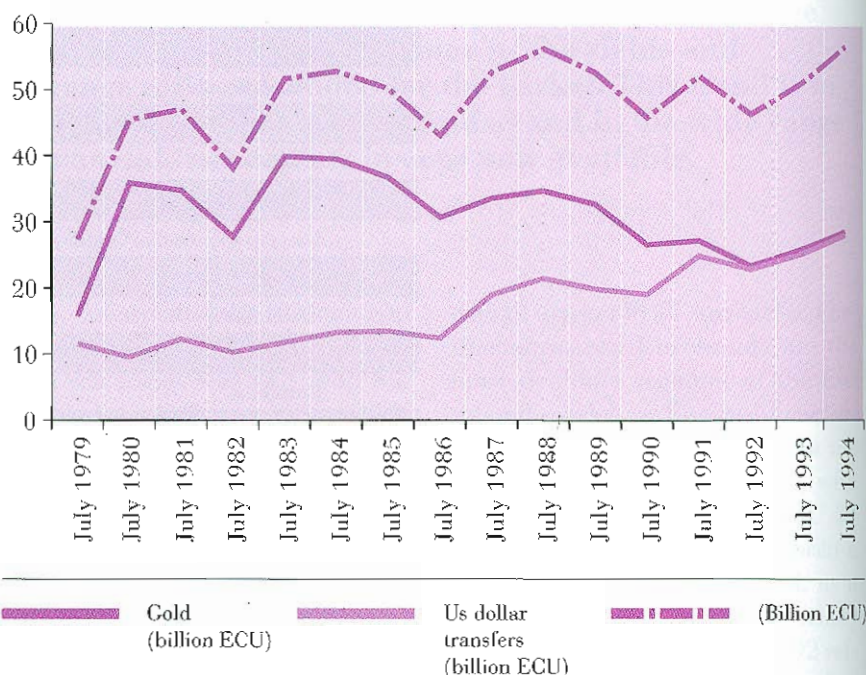
and the escudo, and the widening of the fluctuation margins of the currencies in August 1993. In the next few years the market should be kept buoyant by a major wave of redemptions, since about ECU 20 billion per year is coming to maturity in 1994, 1995 and 1996. The spot market in ecu interest rates is based on ecu derivatives such as swaps, options and futures contracts traded on the LIFFE and MATIF markets.

At the end of 1993, private ecu deposits in banks totalled ECU 198 billion, i.e. 5.05% of all outstanding international claims on banks.

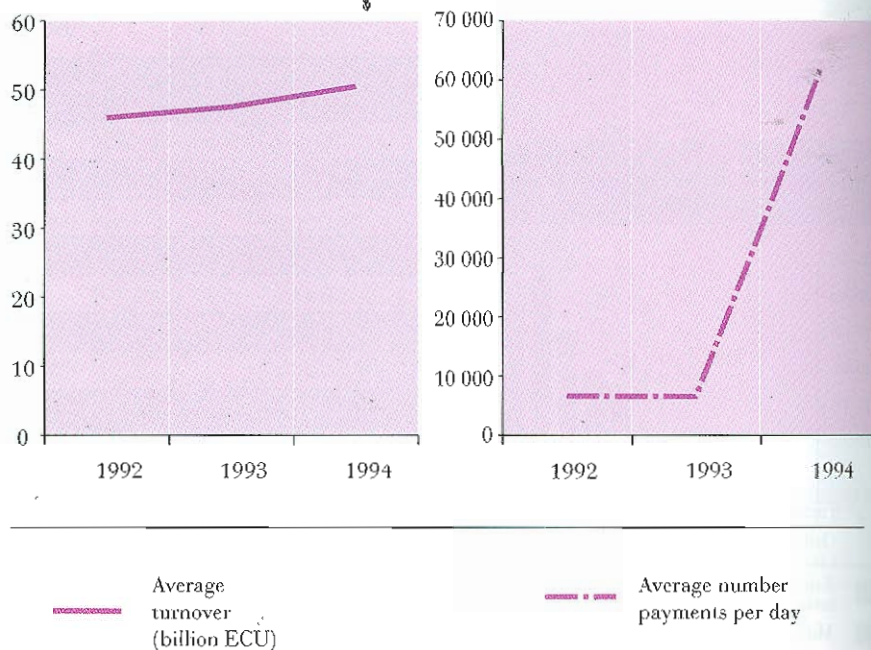
The Ecu Banking Association (EBA) and the Bank for International Settlements (BIS) are jointly responsible for clearing ecu transactions. An average of ECU 50 billion is now cleared daily, and the figure has been rising steadily. A private clearing system for the ecu, the Clearing Bank Association, was set up in 1994 to cover Central and Eastern Europe.

So that it can better monitor the trends in ecu interest rates, Eurostat

Swap operations of the EU central banks with the European Monetary Institute (billion ECU)



Clearing of private banking transactions in ecus through the SWIFT network, the BIS and the EBA



manages its own ecu yield curve. In conjunction with conclusive, recognized evaluation methods, it has been providing reliable and accurate daily yield figures since September 1992 for any term between one and 10 years. The curve allows a yield to be read off for any given term, so that useful comparisons can be made with other major currencies or with the theoretical ecu curve, i.e. average yield weighted by the weights of the currencies making up the ecu.

The ecu is also an instrument for settling commercial transactions which is used not only by the European institutions but also by private companies. Eurostat already has qualitative data on who uses the ecu as a payment currency and is working to provide quantitative data in the near future.

FURTHER READING

Eurostat publications

Money and Finance, quarterly
Banking and monetary statistics, 1993
ECU/EMS information and central bank rates, monthly
Eurostat, monthly
Ecu yield curve, weekly report

Electronic products

Eurostat CD
New CRONOS database

European documentation

The Ecu
What is the EMS?
Economic and monetary union

Other publications

European Economy
Stable money - sound finances: Community public finance in the perspective of EMU
The single financial market

GLOSSARY

Bank for International Settlements (BIS)

Set up in 1930 and based in Basle, Switzerland, this institution can be regarded as the 'central bankers' central bank'.

Cedel, Euroclear

Cedel, based in Luxembourg, and Euroclear, based in Brussels, are the two international organizations responsible for clearing transactions in international securities such as Eurobonds.

Certificates of deposit

Certificates of deposit are negotiable securities issued by banks or financial institutions in exchange for a term deposit. Most CDs pay a coupon on maturity, although some also pay intermediate coupons. They are bearer securities and are quoted on the basis of their yield and not on a discount basis.

Clearing

The daily operation in which debts between the banks belonging to the system are offset against each other, the balances giving rise to payments.

Commercial paper

The term 'commercial paper' covers debt instruments issued by non-banks in order to cover short-term cash requirements. On the money market, commercial paper is the equivalent for industrial and commercial companies of short-term treasury bills. The maturity period is normally between seven days and one year. The borrower's notes described as commercial paper are unrelated to any specific commercial transaction and are unguaranteed securities.

Overnight money rate

Sometimes referred to as the interbank rate, this usually denotes the rate at which banks lend and borrow between themselves on the interbank market. It is a good indicator of the general level of short-term market rates since it reacts very quickly to changes in market conditions and determines other short-term interest rates. The overnight money rate is itself determined to a large extent by the level of central bank interest rates, the most important of which is often the discount rate, although central banks are increasingly using a whole range of techniques for managing the money market. The various central bank interest rates normally refer to the rates at which, under certain conditions, a central bank will lend to certain financial institutions.

Eurobonds

Eurobonds are bonds issued in a currency other than that of the country or market in which they are issued, by a syndicate of international banks of different nationalities. They can be contrasted with domestic bonds, which are issued in local currency in national (domestic) markets.

Futures contracts

A financial futures contract (FFC) is an undertaking to buy or sell a given financial asset at a specified future date and at a price agreed in advance by the two parties. Unlike an option, an FFC implies an obligation to buy or sell, not merely a right. FFCs are negotiable instruments in a standardized form in respect of the due date, the nature and quality of the underlying asset, and the volume of the contract.

General government

This term refers to the whole sector 'general government' (S60) as defined in the European system of integrated economic accounts (ESA). The sector is divided into three subsectors: central government, local government and social security funds.

General government deficit

This means the net borrowing of general government, as defined in the ESA.

General government debt

This means total gross debt at nominal value outstanding at the end of the year, consolidated between and within the subsectors of general government.

Government bills and bonds

These are official debt instruments issued by governments in order to fund budget deficits and to cover debt which is being redeemed. Bills are normally short-term instruments, bonds normally have a longer maturity.

Government financial position

Government receipts minus government expenditure. In general, governments run budget deficits, i.e. their expenditure is greater than their receipts, but it is also possible for there to be a budget surplus, where receipts are greater than expenditure. The government financial position is often expressed as a percentage of GDP, which gives an idea of the size of the deficit or surplus in relation to the size of the whole economy.

LIFFE

The London International Financial Futures and Options Exchange, the home of the London international futures market.

MATIF

The *Marché à terme international de France*, the French financial futures exchange, based in Paris.

Options

An option is a financial instrument which confers on its holder the right to buy or sell a financial asset or commodities - the 'underlying assets' - at a price called the 'exercise price' at a date or over a period specified in advance. On the due date, the option may be exercised, relinquished or sold. Since it is a right, it does not imply any obligation on the holder to buy or sell.

Official external reserves

These are the reserves held by a country's monetary authorities for the purpose of financing balance-of-payments imbalances or for use against speculative attacks on their currency. They are made up of monetary gold, foreign currencies (e.g. ecus, marks, US dollars, Swiss francs, etc.) and special drawing rights (SDRs) of the International Monetary Fund (IMF). Of these various components, only assets in foreign currencies vary significantly over time.

Primary and secondary markets

The primary market is the market where new issues are launched in exchange for funds, as opposed to the secondary market, where securities which are already in circulation are traded.

Spot exchange rate

The current exchange rate for immediate settlement, as opposed to a forward rate for settlement at some date in the future.

Swaps

A swap is a transaction in which two parties agree to exchange a certain series of payments over a given period. An interest rate swap is a contract between two parties who exchange payments at a fixed interest rate for payments at a floating interest rate such as the London interbank offered rate (LIBOR). The operation does not involve the obligations regarding reimbursement of the principal. Swaps are tending to become standardized negotiable products and fall into the category of financial derivatives.

NATIONAL ACCOUNTS

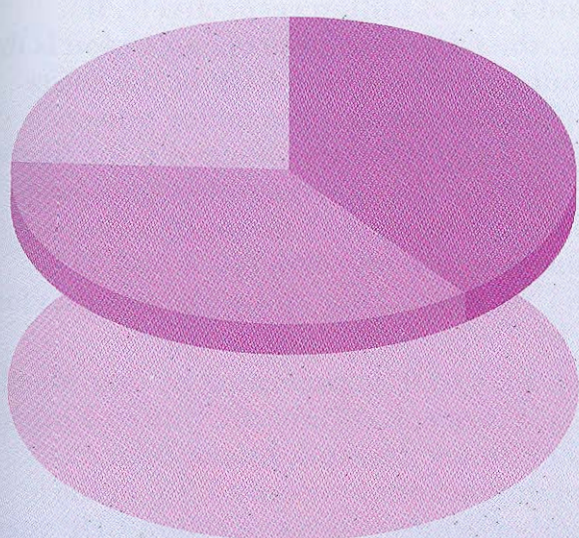
Gross domestic product (GDP), which is one of the main national-accounts aggregates, represents in a concise form the activities of economic operators within a given economic territory. It corresponds to the cash value of all goods and services produced by economic units within a given period less the value of intermediate goods used in the production process.

Three different approaches may be used to calculate and present GDP, based on output, income and expenditure. In the last approach, GDP covers the goods and services which comprise the final consumption of households and the collective consumption of general government, together with gross fixed capital formation and the balance of imports and exports.

GDP is calculated in accordance with a system of national accounts which in the case of the Member States of the EU is the European system of integrated economic accounts (ESA). This system comprises a coherent set of detailed tables and accounts which reveal various aggregates, the most important of which is GDP. These aggregates are essential indicators for macroeconomic analysis and economic policy.

National accounts serve as the basis for the fundamental options in the European Union's common policies. The indicators, especially GDP and GNP (gross national product) are reference points for fixing the budget contributions of the Member States and for the structural measures taken for the purpose of economic and social cohesion. The arrangements for economic and monetary union provided for under the Treaty of Maastricht draw on criteria which are defined on the basis of national-accounts data.

GDP in 1993



EUR 15

Billion ECU %

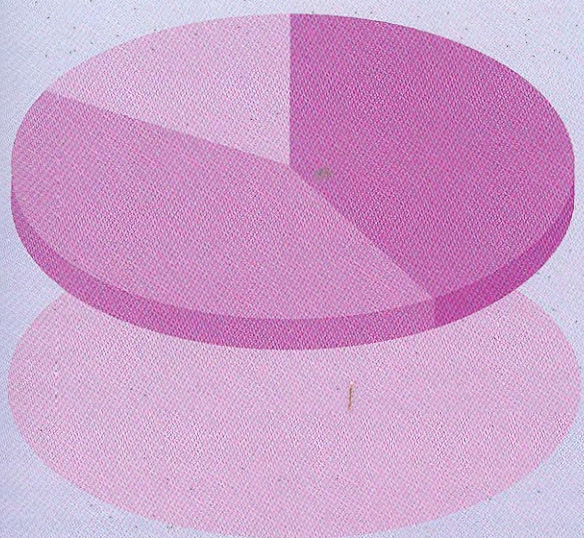
5 906.4 40

USA

5 417.3 36

JAP

3 617.3 24



EUR 15

Billion PPS %

5 817.5 41

USA

5 876.7 42

JAP

2 381.2 17

GROSS DOMESTIC PRODUCT

The figures for the years covered in this publication are based on the GDP of the enlarged European Union including Austria, Finland and Sweden even though they did not become members of the Union until 1 January 1995.

In 1993, the GDP of the EUR 15 amounted to ECU 5 906.4 billion, while the figures for the USA and Japan were ECU 5 417.3 billion and 3 617.3 billion respectively. If expressed in ecus, the GDP of the European Union is thus equivalent to about a quarter of the GDP of the entire world economy. However, these three major powers' shares of total GDP is significantly changed if the figures are expressed in terms of purchasing power standards (PPS) instead of ecus. While the Community's share remains fairly constant in both cases (40% and 41% respectively), the USA figure goes up by 6% and that for Japan decreases by 7%.

Almost 74% of the EU's GDP is generated by four Member States — Germany, France, Italy and the United Kingdom. Four other Member States (Ireland, Luxembourg, Portugal and Finland) account for only 3.3% of the Union's GDP. Member States' shares of Union GDP vary considerably depending on whether the figures are expressed in ecus or PPS.

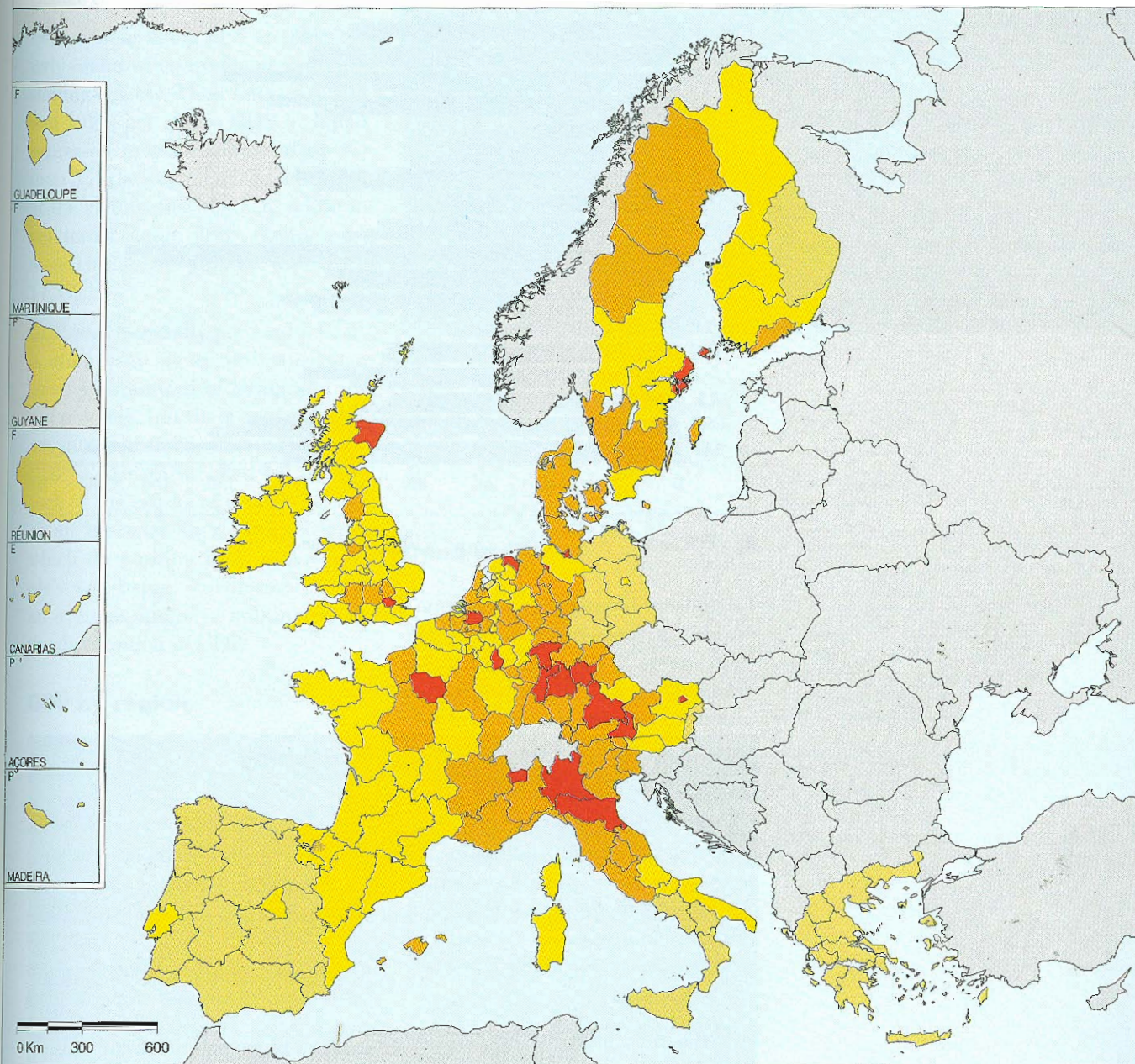
Per capita GDP

Per capita GDP is often taken as a measure of a country's standard of living, but here differences between PPS and ecu data are quite striking.

Because of the high price levels in Denmark, for example, the country's per capita GDP in terms of PPS is 4 439 lower than the figure in ecus. Another example which illustrates the differences between GDP figures in ecus and in PPS is the fact that Luxembourg's GDP is 3.7 times higher than Portugal's in ecus but only 2.3 times higher when ex-

pressed in PPS. It is also interesting to see that while Japan's per capita GDP expressed in ecus is almost 80% higher than the EU average for 1993, it is only 20% higher in real terms. In the USA, GDP is around one third higher than the EU average for 1993 in ecu terms but is almost 44% higher when expressed in PPS. Indices based on PPS data thus significantly reduce the differences in standard of living between countries. The richer countries are in fact not as rich as the data based on current exchange rates would suggest, while the less favoured countries are not as

Gross domestic product (GDP) per capita, 1992

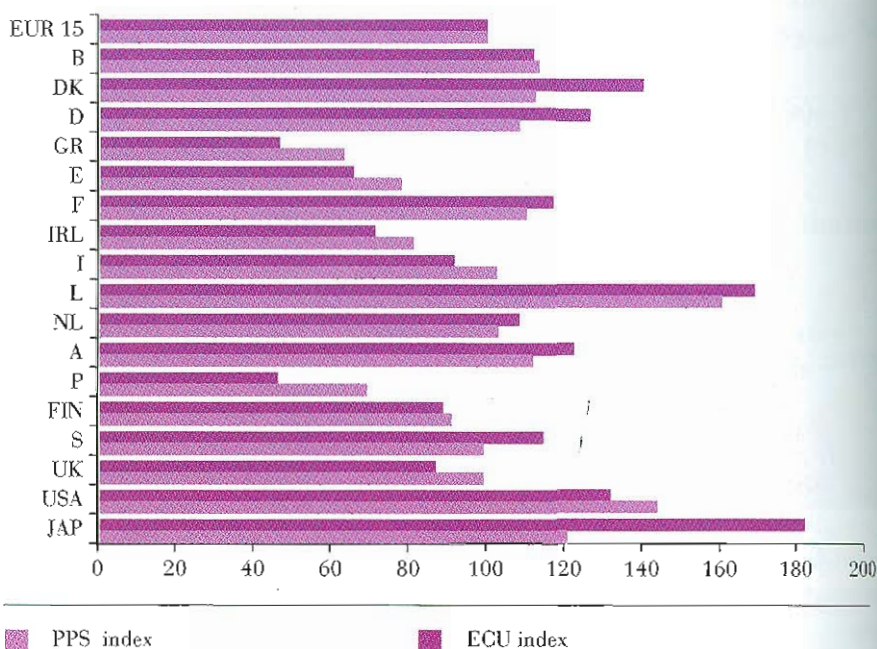


EUR 15 (PPS) = 100

- | | |
|--|---|
| ■ > 125 | ■ 75 to 100 |
| ■ 100 to 125 | ■ ≤ 75 |

GROSS DOMESTIC PRODUCT

Per capita GDP in 1993 (EUR 15 = 100)



Comparison of GDP in terms of purchasing power standards (PPS)

GDP, and especially GDP per head, is one of the main indicators for economic analysis and for comparisons both in time (assessment of growth) and space (international comparison of a country's production capacity).

For the international comparison of GDP and its components, the values expressed in national currencies must first be converted into a common currency (usually the ecu for the Member States of the EU and the US dollar for worldwide comparisons). This conversion is based on official exchange rates, but for various reasons these rates do not necessarily reflect the real purchas-

ing power of a currency in the economic territory of a country and using them does not always provide a true indication of the volume of goods and services produced and consumed in the various countries.

In order to get round this difficulty, calculations are based on a conversion rate which is the purchasing power parity. This rate uses the prices of a selection of comparable products and thus takes account of the real purchasing power of a currency. The amounts obtained using this rate are called purchasing power standards (PPS).

badly off as it seems from the calculations in ecus based on these exchange rates.

Comparisons using PPS are particularly useful when exchange rates are shifting quickly. Thus, between 1990 and 1993, per capita GDP in Japan expressed in ecus increased by almost 55% as a result of the sharp rise of the yen against the ecu, while in real terms (i.e. in PPS), the increase over the same period was only 17.3%.

GDP, and especially per capita GDP, is often used as an indicator of a country's standard of living and social progress, but there are some disadvantages in this. The fact is that GDP is also influenced by factors such as the effects of a harsh winter or an increase in road accidents which do nothing to improve people's well-being. Furthermore, it is an average and says nothing about the distribution of GDP.

GDP by region

Comparing the regions of the European Union reveals even greater differences in per capita GDP than those found between the Member States (per capita GDP is in fact used as a criterion for the allocation of funds from the European Regional Development Fund). The less favoured regions — i.e. those where GDP is below the Community average — are situated on the edges of the Community in mountain areas, in areas with a low level of industrialization and in areas where the old industries are in crisis. The richest regions are along the London-Milan axis and around separate centres such as Hamburg and Copenhagen. These are highly populated regions with a concentration of growth industries and intense business activity.

Gross national product (GNP)

Alongside GDP, which relates to the activity of economic operators, regardless of their nationality, in the economic territory of a country, there is also the concept of gross national product (GNP), which is based on the nationality of the operators. GNP is calculated by adding together GDP and the balance of compensation of employees and property income with the rest of the world. GNP thus comprises em-

ployment and property income within a given period, irrespective of where such income has been generated. GNP is also the basis for calculating one of the EU's four own resources and, as such, is covered by a Council directive which aims to encourage comparability and comprehensiveness. For most Member States of the EU, the difference between GNP and GDP is very small.

Trend in GDP

Comparison over time is meaningful only if it is expressed in volume terms, i.e. the results of several successive years must be related to base year prices which are kept constant.

A volume comparison (i.e. at constant prices) of per capita GDP for 1980 and 1993 shows that the EU average rose over this period from ECU 9 830 to 11 670, an increase of about 18.7%. Over the same period, the figures rose from ECU 20 280 to 24 880 (+ 22.7%) in the USA and 12 650 to 18 710 (+ 47.9%) in Japan. It was thus in Japan, where GDP increased by almost half, that growth was most spectacular.

Growth was rather varied within the EU. From 1980 to 1993, per capita GDP in Germany expressed in ecus increased by much less (+ 8.3%) than the EU average (18.7%), but it should be remembered that this was due to the effects of German unification.

GROSS DOMESTIC PRODUCT

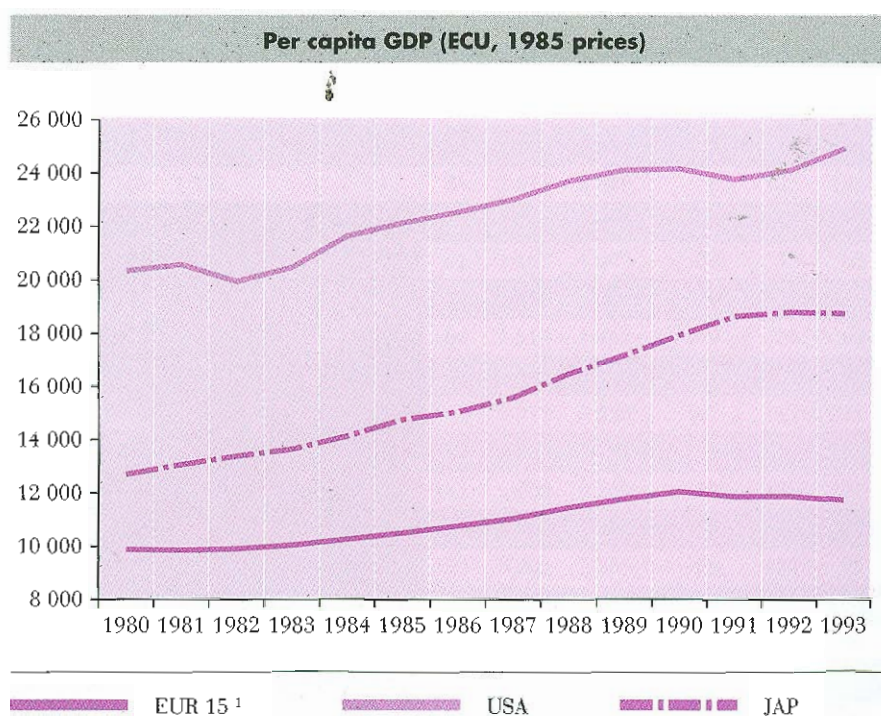
GDP in 1993				
	Billion ECU	%	Billion PPS	%
EUR 15	5 906.4	100.0	5 871.5	100.0
B	180.0	3.0	181.0	3.1
DK	115.5	2.0	92.4	1.6
D	1 631.4	27.6	1 392.0	23.7
GR	76.7	1.3	103.6	1.8
E	408.4	6.9	482.6	8.2
F	1 068.6	18.1	999.5	17.0
IRL	40.4	0.7	45.7	0.8
I	847.3	14.3	942.7	16.1
L	10.7	0.2	10.1	0.2
NL	264.0	4.5	249.3	4.2
A	155.5	2.6	141.6	2.4
P	72.3	1.2	108.0	1.8
FIN	71.5	1.2	72.9	1.2
S	159.2	2.7	136.8	2.3
UK	804.8	13.6	912.7	15.5
USA	5 417.3	91.7	5 876.7	100.1
JAP	3 617.3	61.2	2 381.2	40.6

Per capita GDP at current prices				
	1990		1993	
	ECU	PPS	ECU	PPS
EUR 15 ¹	10 824	10 824	15 944	15 848
B	15 197	15 188	17 849	17 956
DK	19 789	15 302	22 254	17 815
D	18 690	17 046	20 097	17 147
GR	6 363	8 460	7 406	9 999
E	9 953	10 936	10 434	12 330
F	16 687	16 204	18 640	17 434
IRL	10 065	10 401	11 335	12 833
I	14 951	14 902	14 586	16 228
L	21 770	21 624	26 856	25 422
NL	14 948	14 833	17 268	16 308
A	16 140	16 647	19 453	17 718
P	5 350	8 683	7 324	10 934
FIN	21 311	16 217	14 110	14 387
S	21 128	17 011	18 256	15 695
UK	13 405	14 565	13 835	15 690
USA	17 246	20 332	20 972	22 750
JAP	18 709	16 286	29 014	19 099

¹ Break in the series between 1990 and 1993 because of German unification.

The increases in per capita GDP in France (18%), the Netherlands (17%) and Greece (12%) are also below the EU average. However, it should be borne in mind that in 1980, the per capita GDP of these countries expressed in ecus was, with the exception of Greece, already above the average.

Over the period 1980-93, the increase in per capita GDP was above the Community average in Luxembourg (73%), Belgium (21%), Ireland (61%), Portugal (29%), Spain (31%), the United Kingdom and Denmark (both 25%) and Italy (22%). Of these countries, Portugal, Ireland and Spain had a particularly low per capita GDP in ecus in 1980. It is interesting to note that Denmark, where per capita GDP was already the highest in the EU in 1980, nonetheless had above-average growth in this national-accounts aggregate between 1980 and 1993. The figures for the new Member States are all slightly above the Community average.

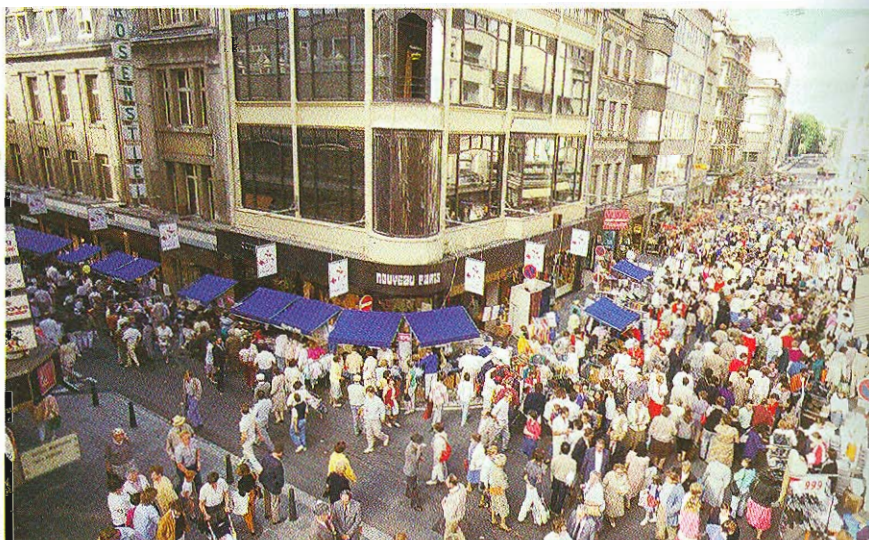


¹ Break in the series between 1990 and 1991 because of German reunification.

USES OF GDP

The most common approach in analysing GDP involves final uses. This analysis, which involves breaking down the final uses of GDP into various subaggregates, reveals to what extent the goods and services produced by the economy of a country or imported are used for private consumption, public consumption, gross fixed-capital formation or exports.

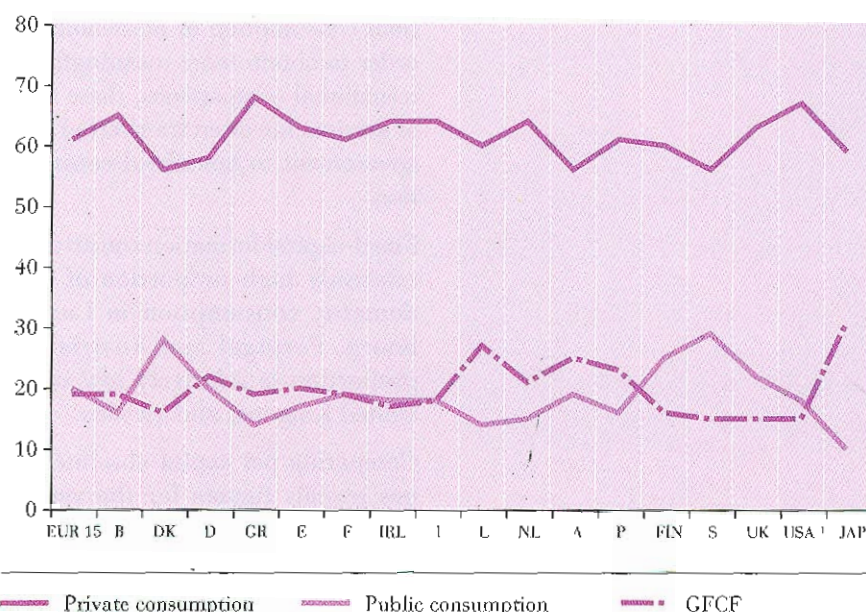
For the EU as a whole, the final consumption of households accounted for approximately 61% of GDP in 1993, with the government sector accounting for 20% and fixed-capital formation 19%. In the USA, 67% of final uses were accounted for by household consumption, while the corresponding figure for Japan was only 59%. The government sector accounts for 18% of GDP in the USA and 10% in Japan. The USA uses approximately 15% of final domestic consumption for fixed-capital formation; Japan, however, invests one third.



Uses of GDP

For the consumption of households, the per capita figures are around the EU average for the majority of EU Member States, with the exception of Denmark (56%), Austria (56%), Sweden (56%) and Greece (68%). These differences depend to a large extent on how certain spending, such as expenditure on health, is classified. There are in fact institutional differences in the production of health, education and leisure services. These services, especially health services, may be provided exclusively by the government sector and thus serve to inflate public con-

Breakdown of final domestic consumption in 1993 (%)



¹ 1992 data.

Uses of per capita GDP:
main uses of final domestic consumption
(ECU, 1985 prices)

	Private consumption			Compared with EUR 15		Public consumption			Compared with EUR 15		GFCF			Compared with EUR 15	
	1980	1993	Change (%)	1980	1993	1980	1993	Change (%)	1980	1993	1980	1993	Change (%)	1980	1993
EUR 15 ¹	6 176	7 658	24	100	100	1 757	2 085	19	100	100	2 130	2 375	12	100	100
B	6 903	8 297	20	112	108	1 801	1 922	7	103	92	2 075	2 393	15	97	101
DK	7 441	8 719	17	120	114	3 500	3 989	14	199	191	2 505	2 467	-2	118	104
D ¹	8 177	9 400	15	132	123	1 748	1 752	0	99	84	2 811	3 049	8	132	128
GR	3 322	4 131	24	54	54	778	987	27	44	47	1 004	939	-6	47	40
E	3 664	4 621	26	59	60	703	1 267	80	40	61	1 167	1 607	38	55	68
F	7 161	8 796	23	116	115	2 205	2 760	25	126	132	2 617	2 867	10	123	121
IRL	4 363	5 785	33	71	76	1 301	1 340	3	74	64	1 613	1 462	-9	76	62
I	5 630	7 287	29	91	95	1 422	1 821	28	81	87	2 143	2 170	1	101	91
L ¹	6 897	9 744	41	112	127	1 809	2 441	35	103	117	3 011	5 020	67	141	211
NL ¹	7 094	8 441	19	115	110	1 802	2 109	17	103	101	2 390	2 734	14	112	115
A	6 023	7 603	26	98	99	1 978	2 316	17	113	111	2 670	3 269	22	125	138
P ¹	1 860	3 082	66	30	40	445	615	38	25	29	953	1 205	26	45	51
FIN	6 877	8 031	17	111	105	2 491	3 120	25	142	150	3 203	2 263	-29	150	95
S	8 046	8 429	5	130	110	4 090	4 680	14	233	224	2 843	2 566	-10	133	108
UK	5 817	7 944	37	94	104	2 181	2 437	12	124	117	1 610	2 099	30	76	88
USA ¹	18 784	17 937	-4	207	234	3 623	4 166	15	206	200	3 770	4 940	31	177	208
JAP	7 678	10 824	41	124	141	1 263	1 625	29	72	78	3 742	6 068	62	176	256

¹ 1993 figures estimated.

USES OF GDP

sumption, as happens in Denmark. Alternatively, they are regarded as market services and come under the final consumption of households. In order to obtain more meaningful international comparisons, these types of services are often transferred from government to household consumption.

Fixed-capital formation constitutes a relatively high proportion of final domestic consumption in Luxembourg, Portugal and Austria; the proportion is relatively low in the United Kingdom and Sweden.

Comparing per capita absolute values reveals figures for the various Member States which differ sharply from the Community average. In

1993, for example, the per capita final consumption of households amounted to ECU 7 658 (at 1985 prices) for the EU as a whole; the figure for Luxembourg is 27% higher and that for Portugal 60% lower than this average.

In 1993, government consumption in Sweden was 2.2 times higher than the EU average (ECU 2 058), while in Denmark it was almost twice and in Finland 1.5 times the EU average. In Portugal, on the other hand, government consumption is only 29% of the EU average and is equivalent in real terms to only 13% of the Swedish figure.

In 1993, gross fixed capital formation (GFCF) per head in the Com-

Components of final uses of GDP

The main components of the final uses shown in the national accounts are:

- final consumption of households, which represents the value of goods and market services used for the direct satisfaction of individual needs; the main categories are food, clothing and footwear, housing services, furniture, health services, transport, recreation and cultural services;
- collective consumption of general government and private non-profit institutions, which comprises non-market services, i.e. community services which are provided without any direct payment; these services benefit all economic operators, whether they are businesses or households; the main services are those provided by general government, national defence, health, educa-

tion, research, recreation and cultural services, welfare services, etc;

- gross fixed capital formation, which represents the value of durable goods with a value of more than ECU 100 acquired by producer units and used for a period of more than a year in the production process; it covers mainly machinery and other equipment, transport equipment, housing (even if produced and occupied by households), non-residential buildings and other civil construction and works; military equipment and construction come under collective consumption;
- changes in stocks held by producer units (stocks held by households are automatically included in the final consumption of households);
- the balance of exports and imports.

munity averaged ECU 2 375; the figure for Luxembourg was twice as high and that for Greece 60% lower.

Very detailed study of final uses reveals differences in how the Member States use GDP, as well as changes over time (see Section 9.3).

Trend in final uses of GDP

Comparison over the period 1980-93 shows that household consumption in the EU increased in volume by 24%, public consumption by 19% and fixed-capital formation by 12%. Private consumption in Japan went up by 41%, but rose less than investment, which jumped by 62%.

The greatest increase in household consumption within the EU was recorded in Portugal (+ 66%), whereas in Sweden the increase was only 15%. As for consumption in the government sector, the increases were greatest in Spain (+ 80%) and Portugal (+ 38%). In Germany, per capita consumption in the government sector did not increase between 1980 and 1993.

Fixed-capital formation fell in Finland (- 29%) but there was a dramatic rise in Luxembourg (+ 67%).



CONTRIBUTION OF THE VARIOUS BRANCHES OF PRODUCTION TO GDP FORMATION

Gross domestic product broadly constitutes the sum of the figures for value-added (total production less intermediate consumption) of the various branches of production. Taking value-added as a basis, it is possible to find out which branches contribute to GDP formation.

Updated figures on value-added are available for six major branches of production in the EU and Japan for 1992 and in the United States for 1989. If value-added in these three major economic powers is compared, considerable differences also emerge for the most recent year for which figures are available.

The differences are smallest in agriculture. The 'fuel and power products' branch represents the largest share of value-added in the EU, whereas in Japan it has the smallest share. The share of value-added accounted for by manufacturing is eight points higher in Japan than in the United States. The largest sectors in Japan are manufacturing and construction, while the largest in the United States is market services. In Japan, the share of value-added ac-

counted for by non-market services is approximately half that in the United States and the EU.

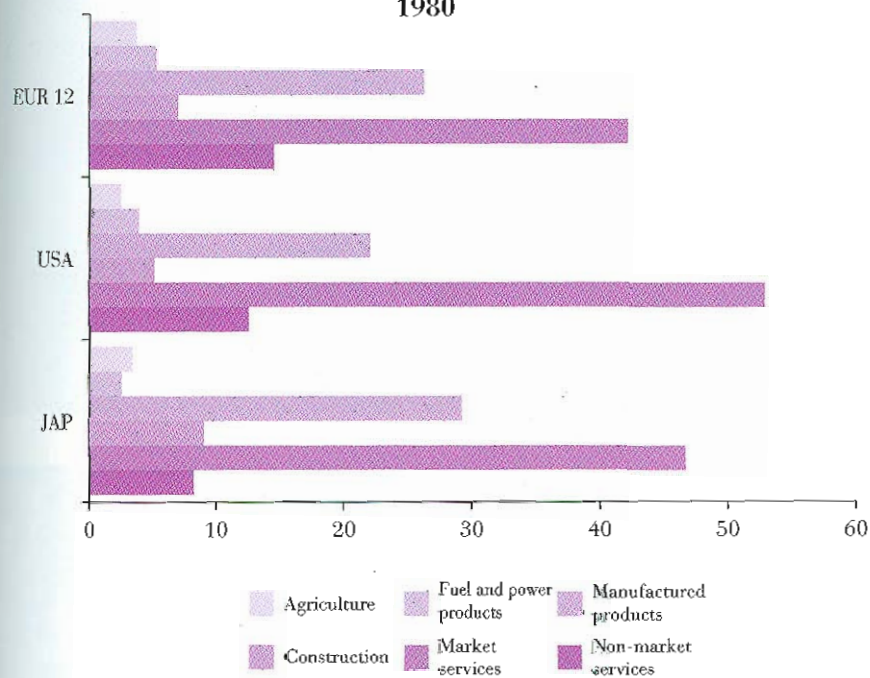
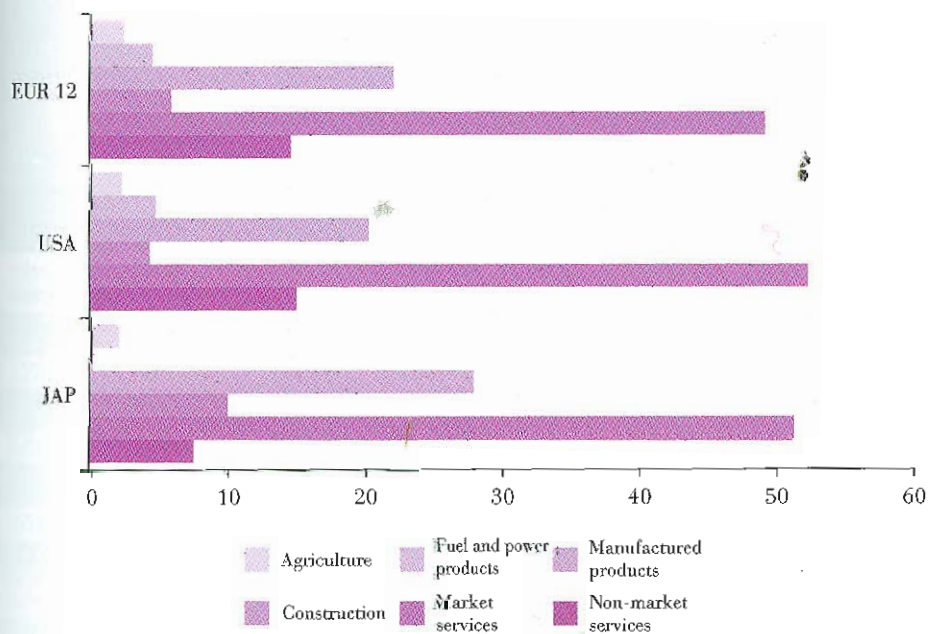
Looking at the period from 1980 until the last year for which data are available, it can be clearly seen that the trends are very similar in the three major economies. The structural changes are clearly discernable. The shares of GDP accounted for by agriculture, manufacturing and construction (except in Japan) are declining. The share represented by market services, on the other hand, is either increasing or is stable (as in the United States). Only in the 'fuel and power products' and 'non-market services' sectors can differing trends be seen.

In 1992, the differences between EU Member States as regards the shares of value-added accounted for by fuel and power products and construction are very small. Agriculture's share, on the other hand, is 10 times larger in Greece (17%) than in Germany (1.7%), Luxembourg and the United Kingdom (both 1.5%). It is in Ireland that industry makes the most significant contribution (29.4%); this figure is more than 10 percentage points higher than in the Netherlands, where market services make the largest contribution to GDP, with 55.6% — some 16% higher than in Greece (39.5%). As regards non-market services, Denmark has the highest share with 22.7%, twice the figure in the Netherlands.



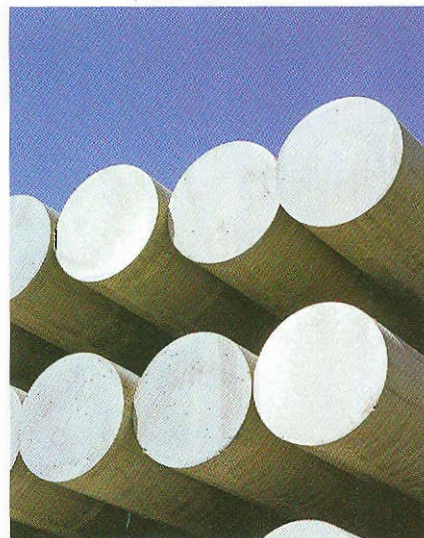
Contribution of the various branches to gross value-added (%)

1980

1992¹

NB: OECD figures for USA (1980) and Japan (1980 and 1992).

¹ USA = 1989.



CONTRIBUTION OF THE VARIOUS BRANCHES OF PRODUCTION TO GDP FORMATION



**Contribution of the various branches to gross value-added
in 1992 (% at current prices)**

	Agriculture	Fuel and power products	Manufactured products	Construction	Market services	Non-market services
EUR 12 ¹	2.6	4.7	22.3	6.1	49.5	14.8
B	1.7	4.4	20.3	5.8	54.4	13.4
DK	3.5	2.6	18.8	5.2	47.2	22.7
D ¹	1.2	3.7	27.8	6.1	48.0	13.2
GR	17.0	4.0	17.0	6.3	39.5	16.2
E	3.8	6.2	18.7	9.2	47.1	15.0
F	2.9	4.2	20	5.5	50.5	16.9
IRL	7.6	3.1	29.4	5.5	38.5	15.9
I	3.1	5.5	20.5	5.6	51.3	14.0
L	1.5	1.4	22.1	7.6	52.6	14.8
NL	3.8	6.4	17.7	5.7	55.6	10.8
P	5.9	3.0	26.5	7.0	43.8	13.8
UK	1.5	5.3	21.8	6.0	49.5	15.9

¹ Excluding the new German *Länder*.

FURTHER READING**Eurostat publications**

Quarterly national accounts ESA
 National accounts ESA, aggregates 1970-92
 National accounts ESA, detailed tables by branch, 1986-92
 Economy and Finance, Rapid Reports

Electronic products

Eurostat CD
 New CRONOS database (REGIO)

Other publications

The economies of 1992
 The economic and social situation in the Community, Economic and Social Committee
 Annual Economic Report

GLOSSARY**Purchasing power standard (PPS)**

Purchasing power parities are expressed in terms of a reference quantity, or denominator, known as the purchasing power standard. This is defined such that for each individual aggregate the total figure for the Community obtained by converting the figures in national currencies using the purchasing power parities is equivalent to the total figure for the Community expressed in ecus.



THE EUROPEAN UNION'S INTERNATIONAL TRADE

The European Union is an area that is very much open to the outside world. The degree of openness (expressed as the ratio of the average value of exports and imports to GDP) is 9% (excluding trade between the Member States of the EU), compared with 7% in the case of the USA and 6% in that of Japan. The pattern of the EU's trading relations is the product of geographical circumstances, the historical events which have occurred since its creation and the various agreements which have been concluded at an international level. The EU is the world's biggest exporter and importer of goods and services and a leading contributor to international flows of direct investment.

The entry into force of the Treaty on European Union on 1 November 1993 was an essential step in the development of the EU which gave it an even stronger profile on the international scene.

The year 1993 was also marked by events with a major impact on international trade and its institutional framework in which the EU played a crucial role: witness the successful conclusion on 15 December 1993, after seven years' work, of the trade negotiations conducted by the Negotiating Committee of the GATT (General Agreement on Tariffs and Trade). The same year saw the ratification by all the Member States of the Agreement on the creation of the European Economic Area, which entered into force on 1 January 1994, the commencement of negotiations with Austria, Finland, Sweden and Norway culminating in the signature of the Accession Treaties on 24 June 1994 and (after the negative result of the referendum in Norway) the enlargement of the European Union to 15 countries as from 1 January 1995.

The EU is an active promoter of the transformation into market economies of the countries which used to have centrally planned economies. To accelerate this process, in the wake of the agreements concluded with Poland and Hungary in 1992 and the cooperation agreements with the Baltic Republics

and Slovenia, new association agreements were signed in 1993 with Bulgaria, Romania and the Czech and Slovak Republics. Discussions with certain Republics of the former Soviet Union also began in 1993 and resulted in the conclusion of partnership agreements with the Ukraine and Russia in June 1994. The EU also maintained its efforts to strengthen its trading relations with its other partners throughout the world, including the developing countries of Asia and Latin America, the countries of the Mediterranean basin, the ACP (African, Caribbean and Pacific countries) and the various industrialized countries. The EU negotiates its agreements with its trading partners with a single voice.

Finally, the dynamism and power of attraction of the European Union and its increasingly vital role in the international scene were reaffirmed in 1993 in the context of its pursuit of one of the main aims for which it was established, namely the development of international relations.

The EU's trade in goods in 1993 (%)

Imports

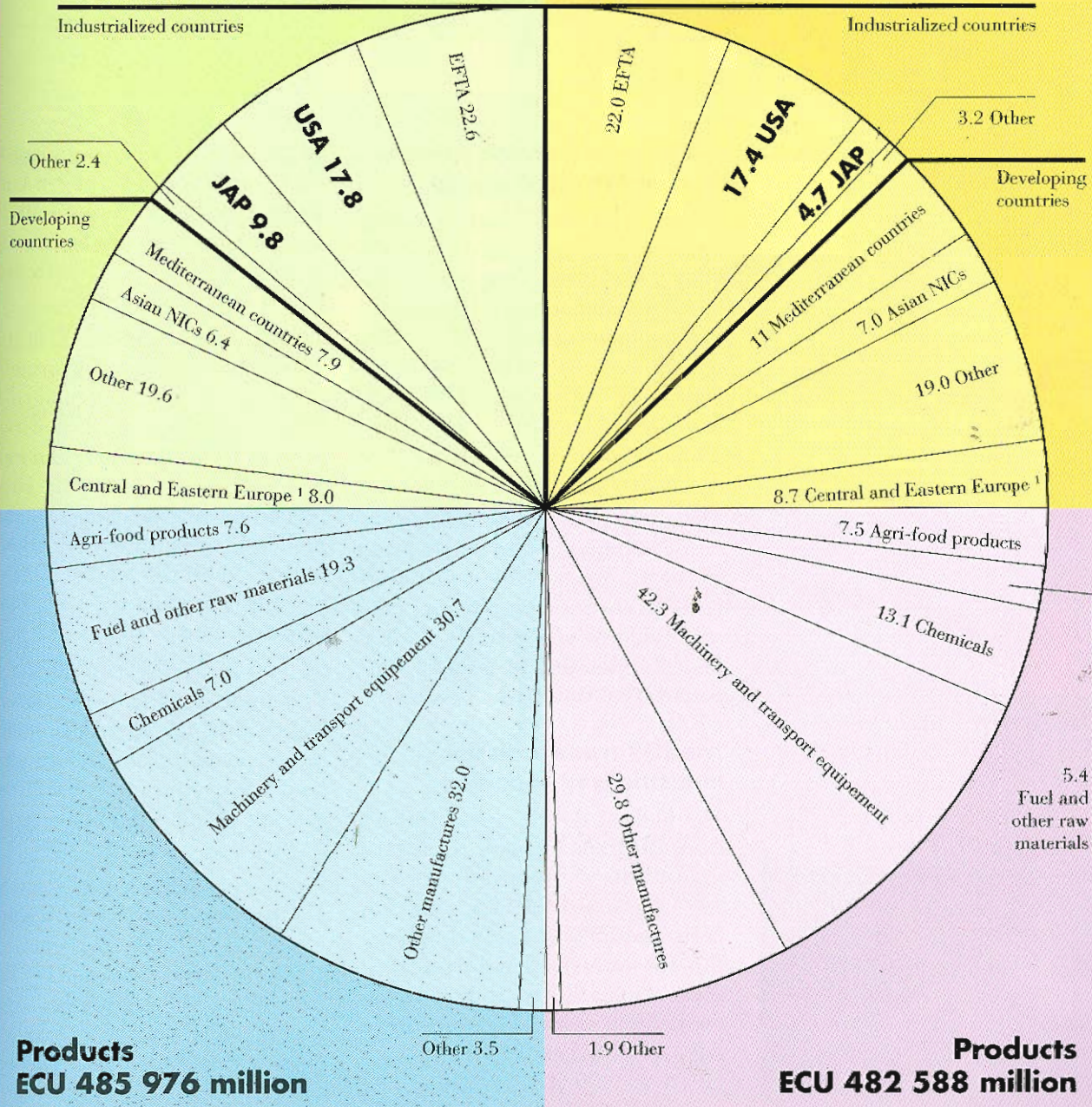
Exports

Suppliers

ECU 485 976 million

Clients

ECU 482 588 million



INTERNATIONAL TRADE IN GOODS

The European Union is the world's largest exporter and importer of goods. Over half its trade is with the industrialized countries and about one third with the developing countries. The EU has an overall deficit on trade in goods.

The European Union's share of world trade in goods

The EU is the world's biggest trading power. In 1993, it marked up 21.5% of total world trade (imports and exports), excluding intra-Community trade, compared with 18%, 10.3% and 8% in the case of the USA, Japan and the EFTA (European Free Trade Association) countries respectively. The EU's share of world trade rose by 2% between 1990 and 1993.

There has been a considerable increase in trade between the countries of the European Union in recent years, in particular as a result of the establishment of the single market. In 1992, the ratio of intra-EU imports to GDP was 13%.

The EU's trade with the industrialized countries

The bulk of the European Union's extra-EU trade in goods is with the industrialized countries, which in 1993 accounted for 57% of its imports and 53% of its total exports. But the industrialized countries' share of extra-EU trade declined between 1990 and 1993, especially in the case of EU exports (down from 60.4% in 1990 to 53% in 1993).

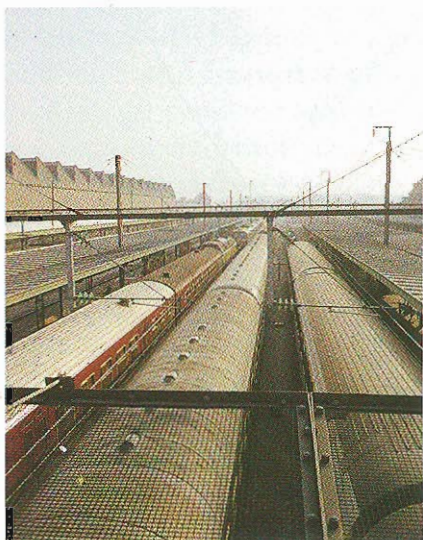
The EU's main trading partner for both exports and imports is the

EFTA with 22% of total extra-EU trade, followed by the USA and Japan (18% and 7% respectively). The EU's five main trading partners in 1993 were the USA, Switzerland, Japan, Austria and Sweden.

The EU's trade with the industrialized countries is mainly in manufactured goods, which accounted for 77% of its imports and 85% of its exports in 1993. Machinery and transport equipment made up the largest proportion of trade in manufactured products (some 40% in 1993) with motor vehicles and electrical machinery leading the way; 'other' manufactured products accounted for 15% of the overall total.

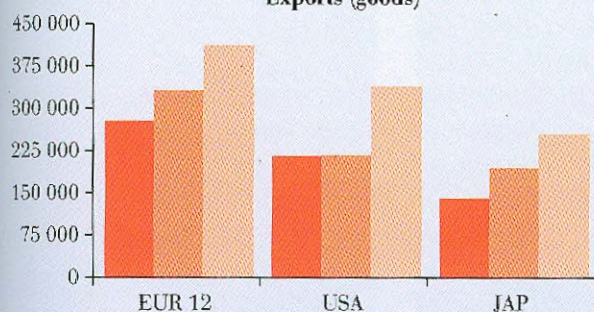
This trade in goods is very much a reflection of the interpenetration of the economies of the industrialized countries, characterized by exchanges of industrial manufactured products.

For many years now, the EU has had a substantial deficit on trade in goods with this group of countries. In 1993, this deficit amounted to ECU 22.6 billion and was mainly on trade with Japan. There was a striking reduction in the overall deficit between 1990 and 1993, however, largely due to a significant shrinkage of the deficit with the USA.

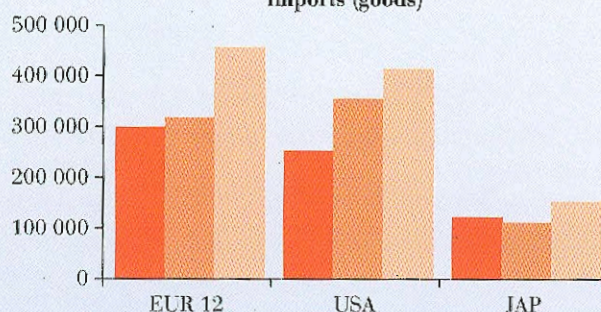


The international trade of the EU¹, the USA and Japan (million ECU)

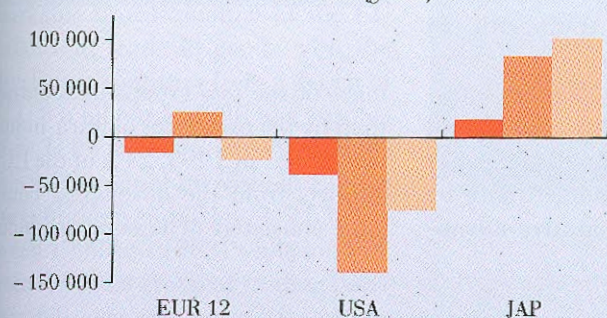
Exports (goods)



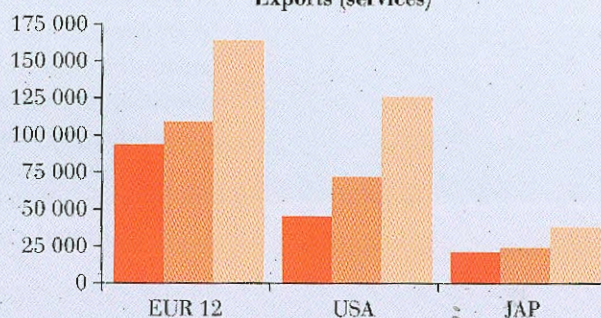
Imports (goods)



Balance (goods)



Exports (services)



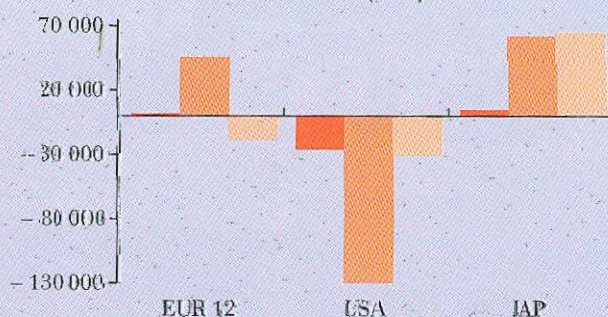
Imports (services)



Balance (services)



Balance (total)



1982
1987
1992

¹ The data relate exclusively to the extra-EU trade of the Member States of the European Union. But the balances have been calculated *vis-à-vis* the whole world. Because intra-EU trade is asymmetrical, they are not equal to the difference between exports and imports.

INTERNATIONAL TRADE IN GOODS

The EU's trade with the developing countries

The EU's trade with this group of countries represented 29.5% of its total imports and 34.8% of extra-EU exports in 1993. Next came the Mediterranean countries, with a 9.4% share of total EU trade, followed by the OPEC and ACP countries with 8.3% and 3.2% respectively. Between 1990 and 1993, the EU doubled its trade with China and achieved a considerable expansion of its trade with the Asian NICs.

The EU's trade with developing countries, unlike its trade with the industrialized countries, is very much bound up with the world distribution of national resources and production capacity, and the range of products is determined more by the traditional comparative advan-

External trade statistics (methodological note)

External trade statistics are based on customs data. Imports are valued on a cif basis (cost + insurance + freight). In balance-of-trade statistics, however, the balance is drawn up on a fob (free on board) basis, excluding insurance and freight (= transport costs). There are other differences in scope, timing and the valuation of the transactions.

tages of the two groups of countries than by the principles of intra-industrial trade. In 1993, 24% of the EU's imports from the developing countries consisted of energy products,



with machinery and transport equipment accounting for 19% and other manufactures for 18% of the total. Trade in manufactured goods nevertheless gained some ground on trade in raw materials between 1990 and 1993 as a result of the conclusion of trading agreements between the EU and the developing countries.

On the export side, manufactured products, mainly in the form of machinery and transport equipment, accounted for 84% of total EU trade with these countries.

The period was notable for a remarkable transformation of the EU balance of trade in goods with the developing countries from a deficit of ECU 9.6 billion in 1990 to a surplus of ECU 24.5 billion in 1993. There was a substantial increase in EU exports to these countries (+ 9.5% between 1992 and 1993) while imports from the same group of trading partners fell over this period by (1.6% between 1992 and 1993), with the sharpest decline in petroleum products.

The European Union's trade with the countries of Central and Eastern Europe and the CIS

EU trade with the countries of Central and Eastern Europe and those of the former Soviet Union (CIS) amounts to 8.3% of total extra-EU trade. These countries' share of the EU's external trade rose substantially between 1990 and 1993 (from 6% to 8.3%), partly as a result of the breakdown of their former political and trading structures (their trade became more EU-orientated) and partly through the conclusion of trade agreements facilitating the access of their products to the EU market.

The Uruguay Round

This eighth 'round' of international negotiations in the framework of the GATT (signed in 1947) opened in 1986 at Punta del Este in Uruguay and focused not only on such traditional themes as GATT tariff reductions and the removal of technical obstacles to trade but also on agriculture, services and intellectual property rights. The negotiations led to the notorious clash between the USA and the European Union over agricultural products. They culminated in the signature of an agreement between 117 countries in December 1993.

The conduct of the successive rounds of GATT negotiations is based on the following principles:

- non-discrimination between trading partners, in particular via the application of the most-favoured-nation clause;
- protection of national industries by customs tariffs only;
- consolidation of customs tariffs in 'tariff programmes' and negotiations with trading partners with the aim of compensating for tariff adjustments;
- procedures for consultation and the settlement of disputes;
- prohibition of quantitative restrictions.

The bulk of the EU's trade with the countries of Central and Eastern Europe and the CIS is in manufactured goods.

Here, too, 1990-93 saw a turnaround in the balance of trade in goods, from a deficit of ECU 5.9 billion to a surplus of ECU 3.2 billion.

The external trade of the EU in 1993

The EU has a deficit on trade in goods. In 1993, this deficit stood at ECU 3.4 billion, or 0.35% of the Union's total imports and exports. Its surpluses on chemicals, manufactures, machinery and transport equipment consistently failed to offset its deficits on trade in raw materials (including energy products) and other manufactures.

The deficit on trade in goods was nevertheless much lower in 1993

INTERNATIONAL TRADE IN GOODS



than in the preceding years, largely because of the striking contraction of the deficit on trade with the USA and the expansion of the EU's trade surpluses with the developing countries, Central and Eastern Europe and the CIS. The largest surpluses were marked up by Germany (ECU 20.1 billion) and Italy (ECU 11 billion) and the largest deficits by the United Kingdom (ECU 18.4 billion) and the Netherlands (ECU 13 billion).

The trade of the new Member States

Since 1 January 1995, the European Union has had three new Member States: Austria, Finland and Sweden. The interpenetration of the trading activities of these three countries with those of the European Union was already highly advanced: in 1993, approximately 65%, 47% and 55% of the foreign trade of Austria, Finland and Sweden respectively was already with the European Union.

The different balance-of-trade results for these three countries show that whereas Austria had a foreign-trade deficit of ECU 7.2 billion in 1993 (ECU 6 billion with the EU countries), Finland and Sweden both recorded surpluses (ECU 4.7 and 6.2 billion respectively on foreign trade and ECU 2.1 and 2.6 billion respectively with the EU in the same year).

All three countries have very open economies in which foreign trade accounts for a substantial proportion of GDP (Austria 37.5%, Sweden 30.8% and Finland 30.5% in 1993), and trading structures based primarily on manufactured products.

Their accession to the European Union is not expected to bring about any major changes in the overall structure of EU trade, but it can be expected to increase the EU's share of world trade and the overall value of intra-Community trade.



The World Trade Organization

This new organization owes its existence to the Uruguay Round. Membership is open to any country accepting the GATT in its entirety. It is responsible for managing the new conciliation procedure and improving the transparency of the international system and its mandate also includes coordination with the activities of such international organi-

zations as the International Monetary Fund or the World Bank with the aim of improving the cohesion of world economic policy. Several panels have been established within the WTO to keep watch on various sectors including trade and development, services, agriculture, intellectual property, safeguard clauses, etc.

INTERNATIONAL TRADE IN SERVICES

Although the contribution of services to the external trade of the European Union is only about one third that of goods, it is well worth examining in some detail. To begin with, trade in services is expanding more rapidly than trade in goods, i.e. its relative contribution is increasing. Furthermore, since the balance of trade on services has long been positive, it can offset an occasional negative balance on the trading account. But this positive balance has shrunk considerably in recent years.

The growing importance of services

Like their contribution to GDP, the share of services in the EU's external trade is following an upward trend: from 23 to 27% of imports plus exports in a decade. But this increase does not take into account differences in trends in the prices of goods and services. The increase would probably be greater if the comparison was based on volumes alone. This is because exportable services are frequently services with a high

technological content which have been far more exposed to international competition (air transport, communications, software, banking services, etc.).

Evolution of the balance across time

The EU's balance of trade on services (see glossary) is gradually being eroded. The excellent ratio of exports to imports recorded at the start of the 1980s dropped considerably after 1985 to a surplus of just over ECU 4

EU external trade in services (million ECU)

	1980		1985		1990		1991		1992	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Transport	27 571	24 942	38 852	37 203	45 962	44 012	48 407	45 146	44 827	42 393
Of which: Sea transport	11 821	11 298	12 374	14 305	13 543	14 872	14 294	15 322	11 077	12 314
Air transport	6 242	4 217	10 450	7 525	13 227	10 346	13 127	10 153	12 459	10 964
Tourism	13 877	13 064	30 571	19 315	36 516	32 707	35 239	32 168	47 137	40 183
Other services	29 624	22 794	47 741	39 179	60 176	57 763	62 061	61 555	67 911	68 145
Of which:										
Insurance	1 581	1 066	4 893	2 176	2 105	2 142	2 910	2 966	2 428	3 154
Commercial services	4 438	4 588	5 768	7 327	6 211	7 407	6 514	7 599	5 616	7 837
Banking	1 707	1 224	3 309	1 163	7 667	4 394	7 522	4 610	11 028	6 977
Publicity	673	751	1 215	1 650	1 297	1 611	1 594	2 020	1 568	1 897
Business services	7 233	3 378	7 802	5 826	10 034	7 089	10 723	7 892	11 915	9 069
Construction	6 314	2 800	8 593	3 781	6 603	3 456	6 796	3 448	5 818	2 800
Communications	1 060	963	2 301	2 262	2 563	2 464	2 670	2 961	2 970	3 094
Audiovisual	337	388	1 000	1 040	997	1 850	1 235	2 372	1 161	2 602
Patents	1 440	2 722	2 775	4 933	4 109	8 096	4 307	8 618	4 667	8 442
Miscellaneous services	3 097	1 832	3 154	779	3 842	1 140	3 695	1 092	4 048	1 214
Total	74 169	62 632	120 318	96 476	146 496	135 622	149 402	139 961	163 923	151 935

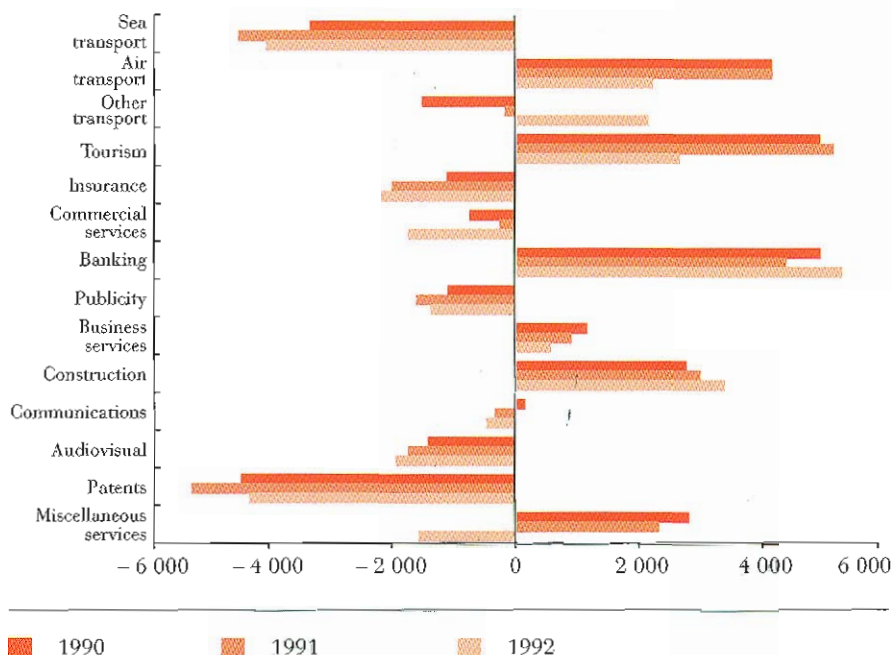
billion by 1992. At first sight, the economic situation in recent years does not provide an obvious explanation for the falling surplus on services: in contrast with trade in goods, which has levelled off since 1990, imports and exports of services as a whole have continued to expand, albeit less rapidly.

Over the same period, however, the USA recorded a striking rise in the balance of trade in services, from ECU 8 billion in 1985 to ECU 44 billion in 1992. The position of Japan changed less radically: the country is still a major net purchaser of external services. In addition to the apparent loss of competitiveness *vis-à-vis* the USA, it is possible that certain services, particularly in the financial domain, have migrated to off-shore centres. This makes it difficult to analyse the international economic health of European services on the basis of trade in services alone, as many of the companies registered in these centres are subsidiaries of European companies whose international operations consequently consist in investments and investment income.

The different types of services

Without going into too much detail, we can focus on a few significant sectors. In the sea transport sector, which is closely connected with trade in goods, the European Union has consistently been in deficit for many years now. It still has a surplus on air transport, but the balance is shrinking. The balance of trade on tourism has also slipped back from its record level of ECU 13 billion in 1985, but more because the expenditure of European tourists in the rest of the world has been growing more rapidly than the expenditure of visitors to

EU balances of trade by type of service
(million ECU)



INTERNATIONAL TRADE IN SERVICES



the European Union than as a result of any real loss of Europe's touristic appeal: the EU's tourism exports are in fact still expanding steadily.⁶ The deficit in the audiovisual sector, in the GATT negotiations, remains within reasonable limits but is still increasing.

An extra effort is needed in the R&D sector: the European Union pays far more in royalties on patents than it receives.

The EU has been in deficit on insurance since 1989. It still records surpluses on services in the banking and construction sectors. But these services are of the type indicated above: they frequently require a trading presence in the country in which they wish to establish themselves. The full significance of these statistics therefore depends on the extent to which

they are backed by statistics on foreign subsidiaries.

The European Union's main trading partners

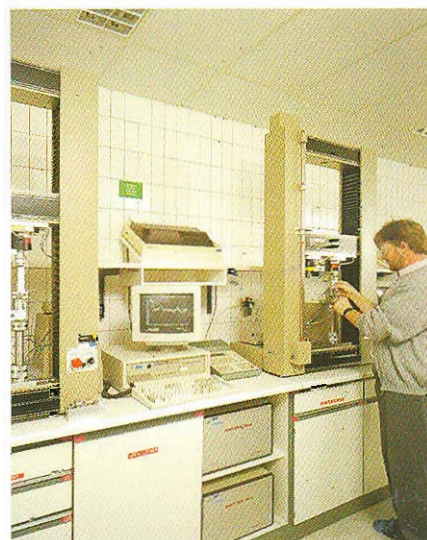
The breakdown of the EU's external trade in services by partner country appears, in the end, to be much the same on the export and import sides. This geographical breakdown ought to be further refined, of course, by carrying out a more detailed study on a sector-by-sector basis.

It is nevertheless interesting to note that roughly one third of all the EU's external trade is with the USA and a quarter with our EFTA neighbours. So the bulk of the EU's external trade in services is with the industrialized western countries. In contrast with its share of EU trade in goods, Japan's share of our trade in services

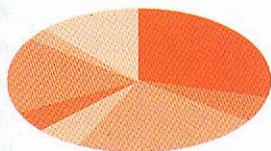
(both imports and exports) is rather modest. The countries which account for a relatively large share of EU trade in services, in both directions, are the non-ACP developing countries: primarily those in Asia, Latin America and North Africa.

The GATS: General Agreement on Trade in Services

This Agreement, negotiated in the framework of the Uruguay Round, establishes in the domain of trade in services the principle of most-favoured-nation treatment (MFN), which stipulates that all third countries must be treated equally, subject to exemptions under special circumstances. The GATS consists of a set of rules and commitments to opening up markets and facilitating access to the services market. The audiovisual sector is included in the Agreement, but the EU has obtained an exemption from the MFN treatment and has given no undertaking with regard to access to this market, thus remaining free to continue granting preferential treatment to non-member European countries.

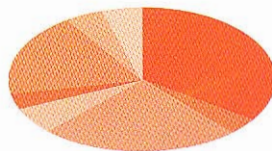


The EU's main international trading partners in the service sector in 1992 (million ECU)



Total extra-EUR 12 exports of services to:

USA	47 431
JAP	9 369
EFTA countries	37 330
Other Western industrialized countries	9 303
ACP countries	7 838
Other developing countries	28 193
Former State-trading countries	4 604
Other countries	19 854



Total extra-EUR 12 imports of services from:

USA	52 420
JAP	5 724
EFTA countries	36 817
Other Western industrialized countries	9 184
ACP countries	5 247
Other developing countries	28 411
Former State-trading countries	6 939
Other countries	7 193

Total 163 922

Total 151 935



OTHER CURRENT TRANSACTIONS

In 1991, after a long series of surpluses, the Union recorded a deficit on its balance of trade (in goods plus services) *vis-à-vis* the rest of the world. Its current account had already been in the red (since 1989) because the two other main components of the current balance, investment income and unrequited transfers, are traditionally negative.

The balance of trade

The balance of trade measures the balance of international exchanges of goods and services.

Trade in goods (in the balance-of-payments sense) went into deficit in 1990, but the deficit was offset in that year by the surplus on services. In reality, in spite of the fact that goods account for a very large proportion (over three quarters) of the total value of the EU's external trade (imports + exports), the balances of trade on goods and services are roughly of the same order of magnitude. While the surplus on services was shrinking, the deficit on trade in

goods was expanding and the overall balance of trade has consequently been negative since 1991.

Investment income

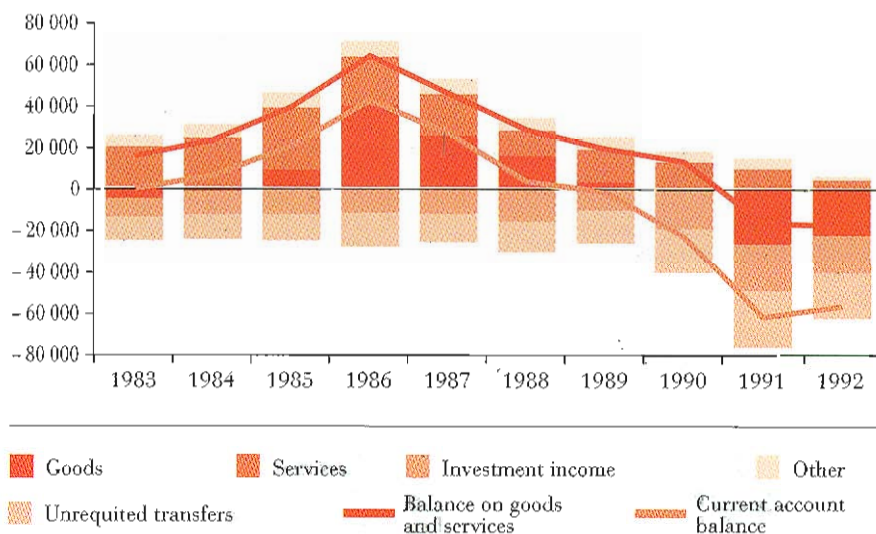
This component has been in deficit for more than a decade, and the deficit has more than doubled in the last 10 years. The European Union pays more dividends and interest to non-EU countries than it receives. To explain this situation would require the analysis of the various subheadings and it would be necessary, in particular, to compare the respective rates of interest and profitability of direct investments in the Union and in its main competitors.

However, the reliability of these income statistics is somewhat tarnished by problems of international comparability. In particular, it is not always easy, in the case of some of the new financial instruments which have recently appeared on the market, to draw a clear distinction between income and capital gains.

Unrequited transfers

The value of this component is negative by definition. As a member of the group of most highly developed countries, the EU is a donor of funds for less developed countries. The record of these (official and private) donations is preserved in this item of the balance of payments.

Breakdown of current account balance of the EU (million ECU)



Other current transactions

These residual items do not require a detailed description. There was a negative balance of between ECU -0.3 and -4 billion on labour income throughout the period 1983-92; on the other hand, the positive balance on government transactions remained relatively stable (in the range of ECU 5 to 7 billion).

The current account balance

Since attaining the record level of ECU 42 billion in 1986, the current account balance has deteriorated in every year except 1992. Not a single component has escaped unscathed: the balance on goods is now in the red, the surplus on services is decidedly less substantial and the deficit on investment income is worsening, albeit at an uneven rate.

The sum of all the balances in the domain of international trade is zero, and the country which did best while the current account balance of the European Union was deteriorating was the USA, which managed to reduce a huge current account deficit (ECU 177 billion in 1985) to virtual inexistence in 1991. The EFTA countries also greatly improved their current account surplus *vis-à-vis* the EU. The balance changed less radically in relation to Japan which, not surprisingly, maintained its surplus.

The first data available for 1993 nevertheless raised hopes of a considerable improvement in the European Union's position on the external trade front, confirming the slight revival recorded in 1992.

Balance of payments

The Union's international trade is recorded in a set of general statistics, namely the balance of payments, which is divided into two parts: the current account and the capital account.

The **current account** balance encompasses all the transactions between an economy and the rest of the world apart from those relating to financial assets. The account includes unrequited transfers.

Current transactions are divided into a number of categories:

- *merchandise*

- *services*

detailed comments on these two headings have been made on the preceding pages;

- *investment income*

this consists of dividends and interest received on capital invested abroad or paid on foreign capital invested on the national territory;

- *labour income*

income of workers employed in one economy and resident in another (mainly frontier-zone and seasonal workers);

- *government transactions*

expenditure of embassies, consulates and armed forces stationed abroad and non-market transactions by public bodies;

- *unrequited transfers*

technical assistance, international aid, taxes, migrant workers' remittances, etc.

The **capital account** records the international transfer of financial assets. It therefore encompasses the exchange of one such asset for another (e.g. currency for a portfolio of shares) and the financial counterparts of operations involving real resources recorded under the heading of current transactions (e.g. the granting of a trade credit to a foreign importer).

As the balance of payments uses a double-entry accounting system, each operation has its counterpart recorded with an opposite sign. By definition, the capital balance should therefore be the inverse of the balance on current transactions. In reality, however, the two balances do not cancel each other out, owing to the discrepancies between the sources of information used, and the balance is restored by the introduction of a residual item under the heading of 'errors and omissions'.

DIRECT INTERNATIONAL INVESTMENT

Although the crisis in world economic growth caused an obvious general slow-down in direct international investment from 1990 onwards, the severity of the cutback in Europe was mitigated by the advent of the single market. The decompartmentalization of the European market was a powerful incentive for European firms to reorganize themselves. It also attracted investors from outside the EU and put it in the new position of a net importer of direct investment capital in 1990 and 1992.

Trends in international flows of capital

The rate of expansion of international capital flows in the 1980s was much greater than was needed simply to keep pace with current transactions. This expansion was fostered by major changes in the structure of financial markets, especially in the EU (liberalization of capital movements in 1990). A number of new financial instruments were introduced with the aim of providing protection from exchange risks and price fluctuations; exchange controls were eliminated and enormous technical progress was made in the realm of communication.

Because of all these changes, the system of measurement of these highly volatile capital flows is now in need of revision. We will therefore restrict ourselves here to a few comments on direct capital investment flows, which are by nature far more stable.

Direct investment in non-member countries

After growing rapidly up to 1989, outward direct investment to non-member countries was affected, like that of the Union's main trading partners, by the crisis in world economic growth. Inward direct investment into the Union was much less severely affected, however. The gen-



Outward and inward direct international investment. Comparison of the EU, the USA and Japan¹ (million ECU)

	1984	1985	1986	1987	1988	1989	1990	1991	1992
EUR 12 with the rest of the world									
Outward	17 399	15 119	21 941	30 694	31 612	33 152	20 527	26 732	15 487
Inward	6 169	5 711	7 119	12 217	16 102	27 939	32 753	20 933	21 129
USA									
Outward	- 7 129	- 1 232	8 797	9 820	3 048	8 447	6 873	12 850	15 023
Inward	28 460	26 733	36 969	39 357	43 870	65 655	49 419	35 424	11 525
JAP									
Outward	7 558	8 455	14 713	16 916	28 931	40 056	37 718	24 796	13 627
Inward	- 13	841	230	1 010	- 410	- 957	1 377	1 104	1 078
Intra-EUR 12 investments ²	4 213	5 949	10 449	12 344	22 317	34 485	39 295	34 905	37 977

¹The figures do not include reinvested profits. A negative figure indicates net disinvestment.

²Because of differences between sources, the figures are the average of declared inward and outward investments.

erally pessimistic climate did not undermine the confidence of foreign investors in the future of the European Union.

The geographical breakdown of direct EU investment in non-member countries has changed considerably since 1990. The proportion going to the USA has fallen from three quarters to one third, essentially to the advantage of the developing countries other than the ACP. More recently, there has been an increase in direct EU investment in the former State-trading countries. Japan is still very unreceptive to direct investment from abroad.

The geographical breakdown of flows of direct investment into the EU has not changed so radically, but our EFTA neighbours which formerly played a more prominent role on this front have now been overtaken by the USA.



DIRECT INTERNATIONAL INVESTMENT

Direct investment flows between Member States

Direct investment flows between EU countries have expanded even more rapidly than those between the EU and non-member countries. At the start of the 1980s, the Member States' direct investments in non-member countries were some four times greater (ECU 4 billion in 1984)

than their direct investments in other Member States. By the end of the decade (1989) they were nearly the same (ECU 34 billion compared with ECU 33 billion outside the Community). In 1992, the intra-Community flow of direct investments was more than double the outflow to non-Member countries (ECU 38 billion compared with ECU 15 billion).

Definition of direct international investments

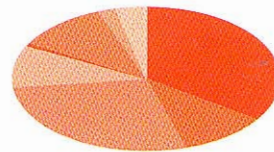
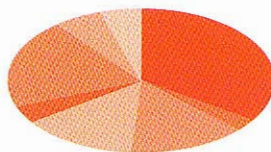
Investments are direct when the investor's intention is other than that of simple placement of funds. They are largely made by firms purchasing or setting up subsidiaries abroad or acquiring holdings in foreign companies, thereby establishing privileged relations.

These investments are dictated by the firms' industrial strategy (e.g.

economies of scale, production cost savings and technological partnerships) and/or by their trading policy in relation to foreign markets.

The data presented here do not include investments financed by profits previously accrued in the foreign country and not repatriated by the parent company.

External origins and destinations of EU direct international investment (million ECU)



Outward from EUR 12

	Cumulative 1990/92	%
USA	21 112	34
JAP	1 689	3
EFTA countries	8 707	14
Other Western industrialized countries	8 628	14
ACP (excluding OPEC)	2 411	4
Other developing countries	12 349	20
Former State-trading countries	3 637	6
Other countries	2 989	5
Total	61 522	100

Inward into EUR 12

	Cumulative 1990/92	%
USA	26 559	35
JAP	8 151	11
EFTA countries	21 445	28
Other Western industrialized countries	7 238	9
ACP (excluding OPEC)	1 547	2
Other developing countries	8 405	11
Former State-trading countries	1 608	2
Other countries	2 822	4
Total	76 775	100

The sustained growth of direct investment flows between the Member States shows that the restructuring of European enterprises expected in the wake of the single market in 1993 began even before that year. What has really happened, therefore, is a change in the direction of direct investment by non-Member countries towards the Member States of the European Union, rather than an overall reduction.



FURTHER READING

Eurostat publications

External trade and balance of payments: Monthly statistics
External trade and balance of payments, Rapid Reports/Statistics in Focus
Balance of payments: Quarterly statistics
Geographical breakdown of the current account, (annual)
International trade in services, annual
European Union direct investment, annual
The balance of payments of the Community Institutions, annual
External trade statistical yearbook
External trade by mode of transport
External trade of the European Union with the ACP countries and the OCTs
External trade of the European Union with the EFTA countries
Country reports on individual countries of Central and Eastern Europe and the former Soviet Union
Country profiles (Cooperation with non-member countries)
Statistical analysis of extra-EU trade in high-tech products
Statistical analysis of extra-EU trade in intermediate products
Statistical analysis of extra-EU trade in agricultural products

Electronic products

CD-ROM: External trade
 Eurostat CD
 COMEXT CD
 New CRONOS database (Comext)

GLOSSARY

Intra-EU asymmetry and the calculation of balances

Unless otherwise stated, the statistics in this chapter relate exclusively to the international relations of the EU with non-member countries only. Statisticians analysing intra-EU trade are confronted with the problem of divergent sources: for example, one Member State's declaration of its imports from another Member State may not be strictly equal to the exports declared by the latter. In practice, the balance on intra-EU operations (known as intra-EU asymmetry) never works out at zero. Because this asymmetry can result, in particular, from the inadequate allocation of the trade flows of one or both of the trading partners, the phenomenon can also result in errors in the recording of outflows and inflows at EU level. And that is why the EU's balances of trade with non-member countries, as presented here, have been corrected for this asymmetry: they represent the sum of the balances of the EU vis-à-vis the rest of the world. On the other hand, its debits and credits are not corrected. They are the sum of the declarations made by the Member States in respect of their trade with non-member countries only.

THE EXTERNAL RELATIONS OF THE EUROPEAN UNION

A global network of cooperation

The European Union, a 15-nation community with a population of approximately 370 million people is, today, the world's major economic and trading power. It represents, alongside the USA and Japan, one of the three pillars on which the global system of pluralist democracy and market economy is built. The international role of the EU has changed and expanded in the wake of the end of US-USSR bipolarity and the ensuing important geopolitical changes. In the area of development cooperation, it is the most generous contributor to international financial institutions and the most important source of development aid.

This cooperation is rooted in history. Beginning with Africa in the 1950s, the Community has gradually extended its relations to embrace the Caribbean and Pacific regions (within the ACP network), the Mediterranean countries, Asia and Latin America. Practically all the developing countries, containing 80% of the world's population, have concluded bilateral agreements with the Community. These agreements provide in some cases for trade preferences and financial assistance and in others for economic cooperation of a more general nature.

Although there was no constitutional provision in the Treaty of Rome for development cooperation, clearly defined objectives were outlined in this area and are manifest in the various cooperation agreements between the EU and developing countries. It was not until the Maastricht Treaty on European Union in 1991 that the seal was set on over 30 years of development policy with the granting of the necessary legal status. Cooperation policy was now a Community policy. The underlying tenet of Community development cooperation is one of political dialogue. The basic principles sustaining it are:

- that it should be a participatory process;
- that there should be sustainable development;
- that human development should be paramount and pivotal to policy.

Not only are economic concerns taken into account but problems in the domains of environment, population, health, education and culture are also addressed.

The changes that have taken place in Central and Eastern Europe since 1989 have given a considerable boost to

cooperation and technical assistance in all areas of mutual interest to the EU and the countries in the region. In addition, the scale of the upheavals in the countries of the former Soviet Union has meant that the EU has had to find an appropriate response here too.

This commitment on the part of the EU should be seen against the background of the European Council meeting in Essen in December 1994, which approved the strategy aimed at bringing the six associated countries of Central and Eastern Europe (Hungary, the Czech Republic, Slovakia, Poland, Bulgaria and Romania) closer to the EU. The EU will negotiate with each country individually when they have met the conditions for accession. This strategy of gradually coming together, which is both realistic and avoids false hopes being raised, means that the EU has started discussions on the shape of a future EU of 27 Member States (consisting of the 15 current members, the six associated countries of Central and Eastern Europe, Malta and Cyprus, the three Baltic States and Slovenia). The aim of eventual accession to the EU thus underlies relations with countries making the transition to a market economy.

In 1993, the Western industrialized countries' total aid to developing countries amounted to ECU 54 790 million, of which the European Union provided ECU 26 889 million. This EU contribution represented ECU 66 for each of the 4 100 million inhabitants of the world's developing countries. The 49% of total official development assistance (ODA) being provided by the EU (compared to USA 16% and Japan 21%) underlines the size of the EU's commitment in the area of development cooperation.

In order to support the ACP countries in their development efforts the EU grants them trade preferences through the Lomé Convention. Apart from this Convention, which concerns the 70 ACP countries, the EU also has cooperation agreements with the Mediterranean countries, the Gulf States and Asian and Latin American countries. In all, over 100 developing countries have concluded cooperation agreements with the EU.

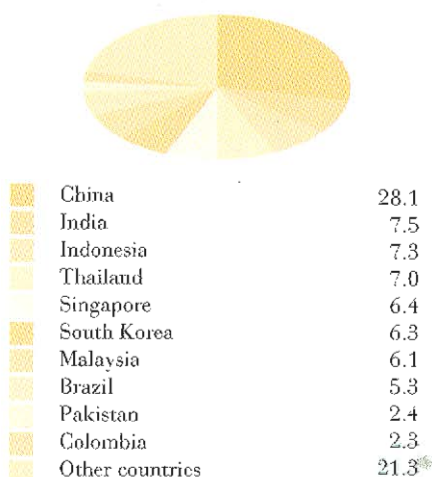
The European Union, development and



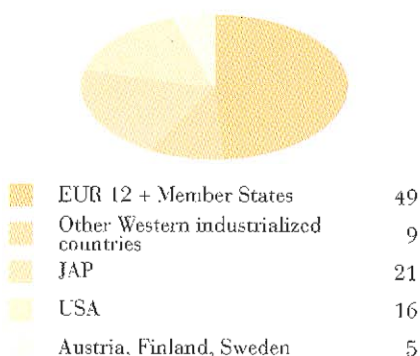


THE EXTERNAL RELATIONS OF THE EUROPEAN UNION

Share of GSP of main beneficiary countries in 1993 (%)



Main donors of aid from the DAC¹ in 1993 (%)



Total aid: ECU 46 749 million

¹ DAC: Development Assistance Committee.

The generalized system of preferences (GSP)

The generalized preferences for Third World countries were established in 1970 under the Unctad (United Nations Conference on Trade and Development) and adopted by the European Community in 1971.

The GSP represents a derogation from the general rules on trade relations established by GATT (General Agreement on Tariffs and Trade) and its aims are to increase the developing countries' export earnings, to stimulate industrialization and to boost their economic growth rate. It takes the form of the abolition of customs duties on imports of finished or semi-finished industrial products, subject to quotas (quantity) or ceilings (value) which are revised each year so as not to aggravate the crisis in certain branches of industry in the EU; however, the least developed countries are exempted from the quotas. Processed agricultural products enjoy reductions of customs duties which may go so far as to make them duty-free; the list comprises some 400 products and is extended to around 700 products for the least developed countries.

The generalized preferences are granted to all developing countries

without prior negotiation; they are not reciprocal: the beneficiary countries do not grant any customs exemption to EU products in return.¹ The EU's generalized scheme of preferences, with the list of beneficiary countries, is adopted each year by the Council of Ministers on a proposal from the Commission.

The GSP has become a standard part of international trade: it is applied by all the Western industrialized countries.

In 1994, 176 countries benefited from the GSP in their trade with the EU. The EU's total imports from these countries totalled ECU 81 billion in 1993, 32.9 billion, or 37.5%, of which came under the GSP; total EU imports in the same year amounted to ECU 484.8 billion.

As of 1 January 1995, the approach taken in the SPG will be modified in two ways:

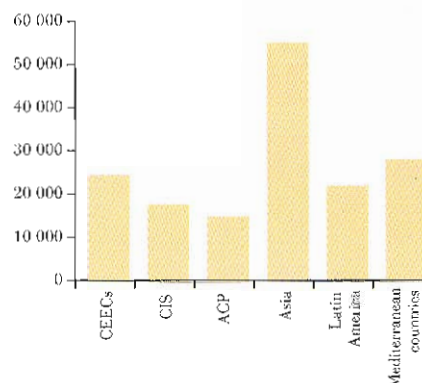
- greater concentration on the least developed countries;
- new emphasis on respect for social rights (based on the ILO conventions) and on environmental considerations.

Article 130u of Maastricht Treaty on European Union.

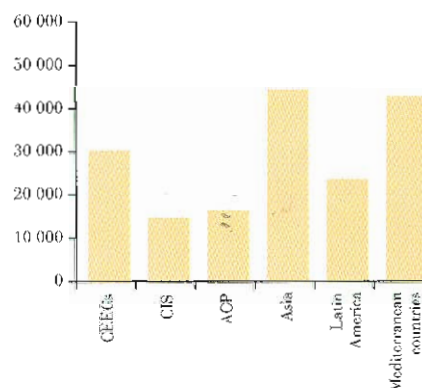
Community policy in the sphere of development cooperation, which shall be complementary to the policies pursued by the Member States, shall foster:

- the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- the smooth and gradual integration of the developing countries into the world economy;
- the campaign against poverty in the developing countries.

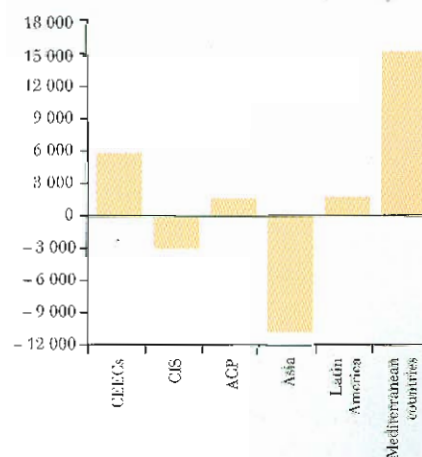
EU imports (1993) from:
(million ECU)



EU exports (1993) to:
(million ECU)



EU trade balance (1993) with:
(million ECU)



COOPERATION WITH CENTRAL AND EAST EUROPEAN COUNTRIES

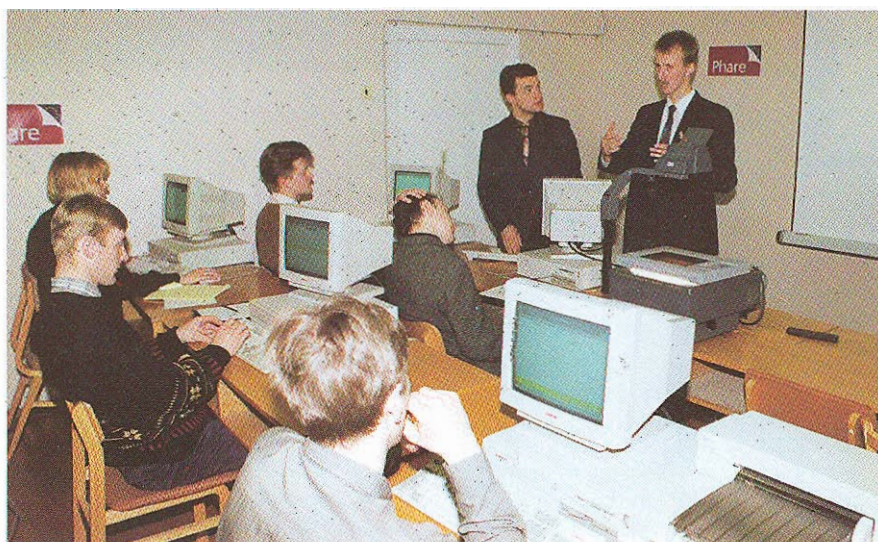
The decline and collapse of the Communist regimes in Central and Eastern Europe led to the European Union's drawing up an aid programme to help along the process of economic restructuring in those countries and to encourage the switch to a market economy. In addition to aid being provided, the 'Europe agreements' are intended to promote more closely coordinated cooperation with a view to some of the Central and East European countries eventually joining the EU.

Aid and association arrangements

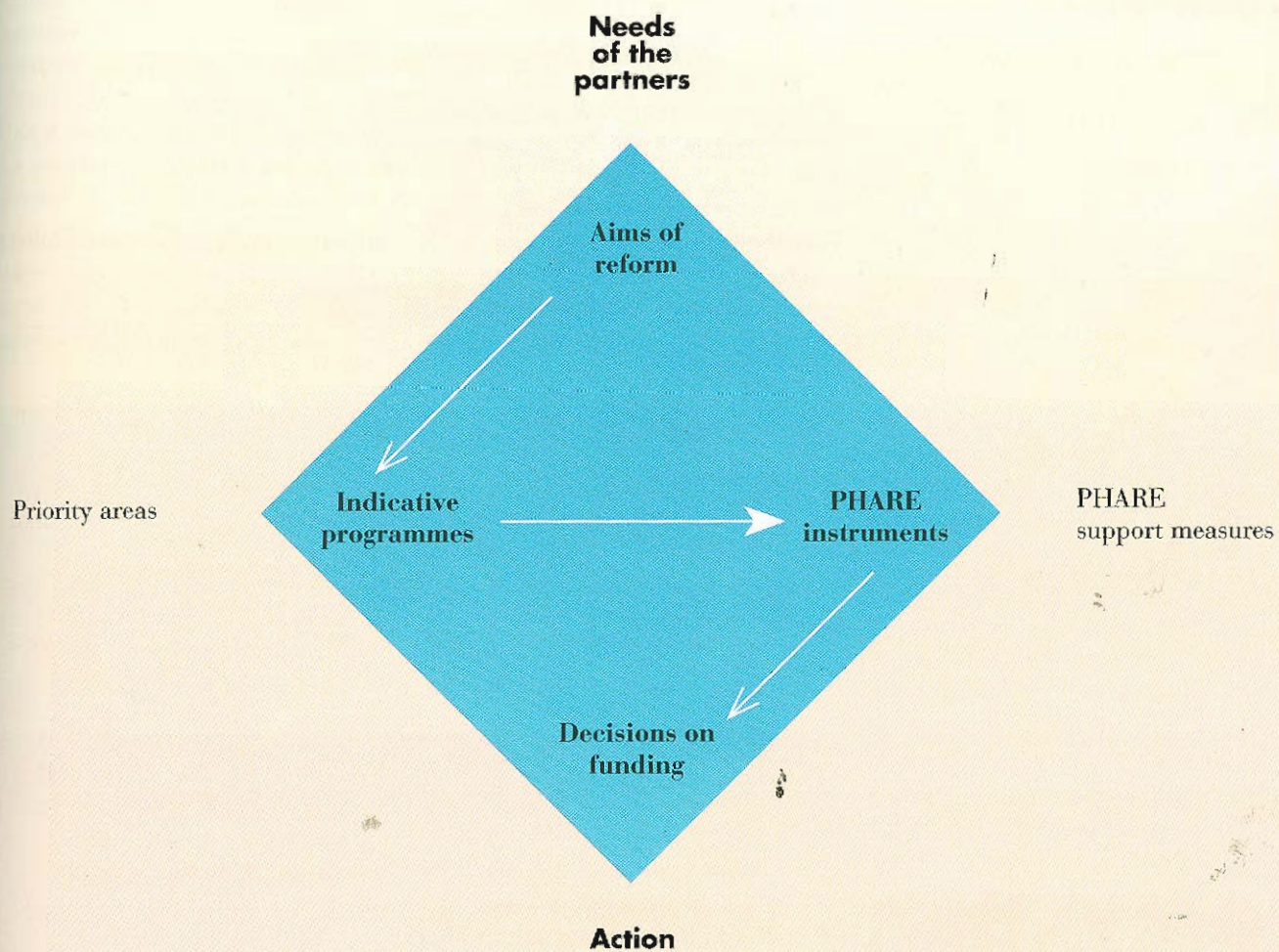
The PHARE programme (action plan for coordinated aid), which is run by the European Commission, was originally intended for Poland and Hungary only, but now covers 11 countries. Aid granted under the programme is in the form of subsidies and loans in the fields of technical assistance, training, feasibility studies, activities in connection with the reorganization of institutions and regulatory activities, as well as pilot projects, especially those relating to infrastructure. The investments are financed by banks such as the EIB (European Investment Bank), the EBRD (European Bank for Reconstruction and Development, established in December 1989, with 57

member countries plus the EU), the World Bank and private banks. The European Union is the main source of aid to the Central and East European countries (CEECs); by 1994, it had committed a total of ECU 4.3 billion to the PHARE programme.

The European Union does not wish merely to provide aid to the countries of Central and Eastern Europe; it wants to establish a genuine partnership with them. This was the aim underlying the 'association agreements' or 'Europe agreements' entered into with Poland, Hungary, the Czech Republic, Slovakia, Romania and Bulgaria which provide not only for free trade between the signatories but also for economic and technical cooperation, financial aid and arrangements for political dialogue. Even before the Europe agreements are ratified, interim provisions have ensured that a free-trade zone is gradually being put in place; in June 1993, the European Council speeded up the timetable set out in the Europe agreements for the removal of customs duties, and also offered the CEECs the genuine prospect of joining the EU when it stated that the associated countries of Central and Eastern Europe which wished to do so could become members of the European Union as soon as they were able to fulfil certain political and economic obligations: acceptance of the *acquis communautaire* in the face of the competition which acces-



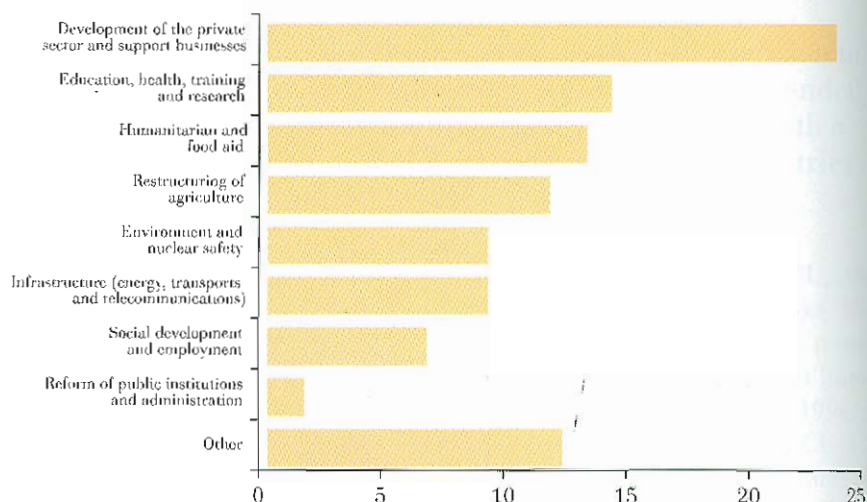
The PHARE programme



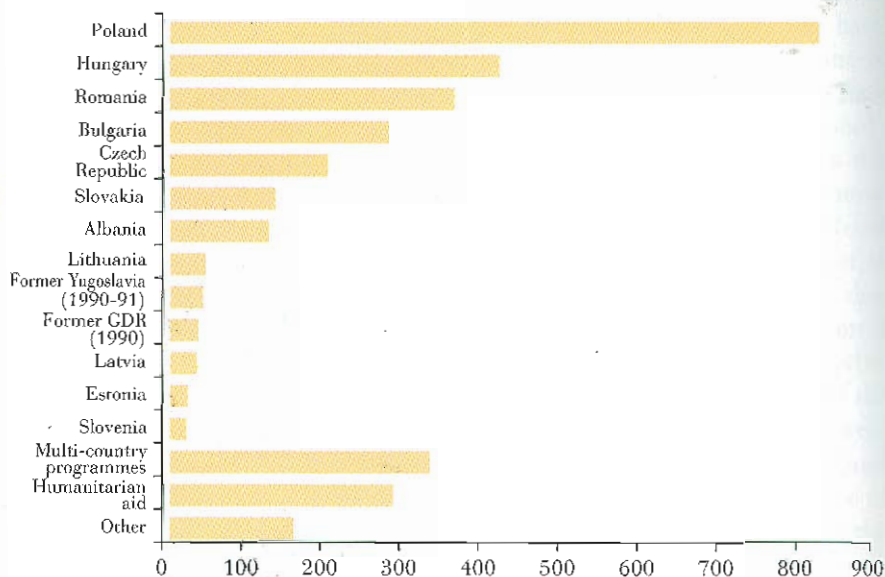
- National and regional programmes
- Multi-country programmes
- Cross-border programmes
- Democratization programmes

COOPERATION WITH CENTRAL AND EAST EUROPEAN COUNTRIES

PHARE budget by sector 1990-93 (%)



**Allocation by country of PHARE budget for 1990-93
ECU 3 294 million**



sion to the EU implies, respect for democratic principles and the rule of law as well as human rights and the rights of minorities, and the creation of a properly functioning market economy. In December 1994, the Essen European Council adopted a strategy to enable the six associated countries to join the EU, which provided for the creation of 'structured relations' between them and the EU. This strategy is intended to prepare the associated countries for integration into the EU's internal market.

A political forum has also been put in place as part of the political dialogue: the six signatories of Europe agreements are allowed to take part

in some meetings of the European Council or the Council of Ministers dealing with matters of common interest.

As regards the other CEECs, such as Slovenia, Albania and the Baltic States (Estonia, Latvia and Lithuania), the EU has initially restricted itself to what are known as 'first-generation' agreements essentially concerned with trade and technical cooperation. However, it is intended that Europe agreements be concluded as soon as the relevant conditions are met; negotiations with Slovenia and the three Baltic States should be completed in 1995.

European Bank for Reconstruction and Development (EBRD)

Established on 15 April 1991, the EBRD currently has 59 members, each of which holds a share in its capital of ECU 10 billion. These members are: the 15 EU Member States, Iceland, Liechtenstein, Norway, Switzerland, seven Central and East European countries (Albania, Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia), the three Baltic States (Estonia, Latvia and Lithuania), the 12 States of the CIS (Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tadjikistan, Turkmenistan, Ukraine and Uzbekistan), three countries in what was formerly Yugoslavia (Croatia, the Former Yugoslav Republic of Macedonia and Slovenia), three other European countries (Cyprus, Malta and Turkey), three Mediterranean countries (Egypt, Israel and Morocco), three countries in the Americas (Canada, Mexico and the USA), two Asian countries (Japan and South Korea), Australia, New Zealand and

two institutions (the European Commission and the European Investment Bank). The EBRD is run by a Board of Governors, on which each Member State is represented, and a 23-member Board of Directors. It is located in London.

Article 1 of the agreement establishing the EBRD states: 'In contributing to economic progress and reconstruction, the purpose of the Bank shall be to foster the transition towards open market-oriented economies and to promote private and entrepreneurial initiative in the Central and East European countries committed to and applying the principles of multiparty democracy, pluralism and market economics.'

The EBRD thus has both a financial and a political function since it must promote the market economy and democracy simultaneously in the countries of Central and Eastern Europe and the CIS. It is also a development bank which makes investments at very low rates of inter-

est and grants loans to governments and public and private enterprises, but at the same time is a commercial bank which, in connection with the privatization of businesses, is involved in acquisitions, mergers and the purchase of holdings with a view to generating a profit. The EBRD's statutes stipulate that 60% of its operations must be in the private sector and 40% in the public sector.

Some 51% of the EBRD's capital is held by the EU (Member States, Commission, EIB), 10% by the USA, 8.3% by Japan, 4% by Russia and 3.4% by Canada, with the remainder being spread among the other members. Up to now, most of the EBRD's investments have been in the financial and telecommunications sectors, but large loans (totalling ECU 2.2 billion in 1993) have also been made available to industry as well as the mining and energy, tourism, construction and agri-foodstuffs sectors.

COOPERATION WITH CENTRAL AND EAST EUROPEAN COUNTRIES

Social and economic indicators

In 1993, the countries of Central and Eastern Europe had a combined population of 108.6 million, almost 30% of the population of the European Union in an area half its size.

The GDP of these countries is fairly low compared with that of the main industrialized countries. When considered in relation to the number of inhabitants, it is only 11.2% of per capita GDP in the EU. Nevertheless, this gap does not reflect the difference in standard of living in real

terms between the two groups of countries, which is not so great.

Despite the provision of free health care under Communist rule, life expectancy in the CEECs has remained slightly below that in the high-income countries; in 1993, 68.8 years for men and 75.1 years for women.

The economic structure of the Central and East European countries still differs from that of the leading Western nations. Agriculture continues to be of some importance, accounting for 8% of GDP and more than 22% of total employment. On

Main indicators in CEECs in 1993

	Albania	Bulgaria	Estonia	Hungary	Latvia	Lithuania
Total population (1 000)	3 167	8 460	1 506	10 278	2 566	3 724
Total area (1 000 km ²)	29	111	45	93	65	62
Population density (inhabitants per km ²)	110	76	36	111	40	57
Life expectancy: men (years)	:	67.7	64.1	64.5	61.6	63.3
Life expectancy: women (years)	:	75	75	73.8	73.8	75
Persons in general education (% of total pop.)	20.4	15.9	36.8	16.4	18.1	16.4
Persons with higher education qualifications (% of total pop.)	0.6	7.3	9.4	6.7	9.4	9.1
Proportion of total jobs in agriculture (%)	56	22	:	9	18	22
Proportion of total jobs in industry (%)	12	37	:	34	23	31
Proportion of total jobs in transport (%)	2	7 ⁸	:	9	9	5
Proportion of total jobs in market services (%)	1	:	:	21	32	10
Proportion of total jobs in non-market services (%)	29	34 ⁷	:	28	18	31
Unemployment rate (%)	22	16.4	1.9	11.3	5.8	1.6
Gross domestic product (million ECU)	:	8 666	1 511	32 613	1 900	2 180
Per capita GDP (ECU)	:	1 024	1 003	3 173	740	585
Proportion of GDP from agriculture (%)	:	9.2	4.1	6.4	10.6	11.2
Proportion of GDP from industry (%)	:	36.9	20.4	26.2	27.9	32.7
Proportion of GDP from construction (%)	:	4.8	4.5	6	4.9	7.9
Proportion of GDP from services (%)	:	49.1	:	61.4	48.3	48.2
Total exports (million ECU)	104	3 116	688	7 634	886	1 729
Total imports (million ECU)	485	4 235	766	10 824	818	1 942
Trade balance (million ECU)	- 381	- 1 119	- 78	- 3 190	68	- 213

¹ Estimate.

² EUR 12, 1990.

³ 1991/92

⁴ EUR 12.

⁵ 1992.

⁶ 1991.

⁷ Includes market services.

Sources: National statistics (for CEECs and the CIS), Eurostat, United Nations.

average, industry accounts for one third of the GDP of the Central and East European countries and makes up a larger proportion of economic activity than is the case in the European Union. Services play a lesser role in the economies of the CEECs, despite the fact that they already account for almost 50% of GDP and more than 35% of total employment. Nevertheless, a legacy of Communist rule is the proportion of economic activity accounted for by non-market services, which remains relatively large in most of the CEECs.

The transition to a market economy in Central and Eastern Europe and the economic restructuring required have led to the closure of numerous unprofitable enterprises and the loss of unproductive jobs which had been artificially preserved within State-owned enterprises. Thus from being officially non-existent, unemployment had risen to almost 12% by 1993, according to estimates based on national sources.

In 1993, the CEECs accounted for 1.7% of world trade (source: IMF), compared with 21.5% for the EU,

Main indicators in CEECs in 1993

Poland	Czech Republic	Slovakia	Romania	Slovenia	CEECs ¹	EU	
38 505	10 334	5 337	22 755	1989	108 621	370 000	Total population (1 000)
312.7	79	49	238	20	1 103.7	2 239	Total area (1 000 km ²)
123	131	109	95	98	98.4	114	Population density (inhabitants per km ²)
67.4	68.9	68.4	66.1	69.4 ⁵	66.8	72.7 ²	Life expectancy: men (years)
76	76.6	76.7	73.2	77.2 ⁵	75.1	79.1 ²	Life expectancy: women (years)
21.6	20.2	21.2	16.2	17.4 ⁶	19.2	19.2 ³	Persons in general education (% of total pop.)
5.3	6.3	1.4	4.3	3.3	5.4	0.4 ³	Persons with higher education qualifications (% of total pop.)
22	7	9	36	10	22.3	5.8 ⁴	Proportion of total jobs in agriculture (%)
26.2	13	35	36	40	29	32.7 ⁴	Proportion of total jobs in industry (%)
3.7	8	7	6	6	5.7		Proportion of total jobs in transport (%)
	28	22	12			47.1 ⁴	Proportion of total jobs in market services (%)
33 ²	21	22	10	41 ⁷	35.1 ⁷	16 ^{1 3}	Proportion of total jobs in non-market services (%)
14.9	3.7	14.4	10.2	9.1	11.9	10.7 ⁴	Unemployment rate (%)
73 352	27 127	9 335	22 178	10 850	189 700	5 906 000	Gross domestic product (million ECU)
1 905	2 625	1 749	975	5 455	1 799	15 944	Per capita GDP (ECU)
6.3	6	6.7	20.6	4.5	8.1	2.6 ⁴	Proportion of GDP from agriculture (%)
32.7	39.6	37.3	36.1	31.2	33.2	22.3 ⁴	Proportion of GDP from industry (%)
5.9	4.1	6.7	4.6	4.2	5.4	6.1 ⁴	Proportion of GDP from construction (%)
47.4	50.3	49.4	36.1	52.4	49.4	64.3 ⁴	Proportion of GDP from services (%)
12 128	11 076	4 650	4 243	5 195	51 449	486 849.7	Total exports (million ECU)
16 018	11 004	5 408	5 716	5 552	62 768	484 788.8	Total imports (Mio ECU)
-3 890	72	-758	-1 473	-357	-11 319	2 060.9	Trade balance (million ECU)

¹ Estimate.

² EUR 12, 1990.

³ 1991/92

⁴ EUR 12.

⁵ 1992.

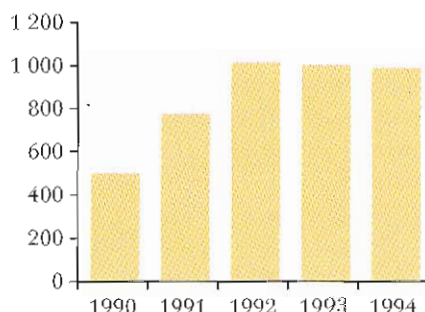
⁶ 1991.

⁷ Includes market services.

Sources: National statistics (for CEECs and the CIS), Eurostat, United Nations.

COOPERATION WITH CENTRAL AND EAST EUROPEAN COUNTRIES

**Funding for the PHARE programme
1990-94 ECU 4 283 million**



18% for the USA and 10.3% for Japan. In the same year, they ran a combined trade deficit of ECU 11.3 billion.

Trade between the European Union and the Central and East European countries

The trade-related parts of the association agreements or Europe agreements signed with most Central and East European countries from 1991 onwards are aimed at creating (bilateral) free-trade zones within 10 years. Until the association agreements are ratified by all the national parliaments concerned, trade arrangements have been implement-

ed on the basis of interim agreements, which provide for the abolition of all quantitative restrictions on EU imports of industrial products (except textiles and coal) from co-signatory countries, and for the abolition of taxes on more than half of all imports into the EU. The Europe agreements provide for the complete abolition of customs duties on industrial products. Trade in textiles, iron and steel and coal will eventually be fully liberalized, but agricultural products will continue to be subject to special arrangements.

The signatory countries will be given seven to nine years as of the interim agreements entering into effect within which to implement the reciprocal arrangements provided for. These agreements also include rules on competition, especially in connection with State aid for businesses, and contain provisions on anti-dumping, protective measures and rules of origin.

Prior to their eventually concluding association agreements, Slovenia and the Baltic States (Estonia, Latvia and Lithuania) have entered into cooperation agreements with the EU under which the signatories may grant each other most-favoured-

**Population of CEECs in 1993
(million)**



CEECs	108.6
CIS	285.5
EU	370.0
USA	257.9
JAP	124.7

Sources: National statistics (for CEECs and the CIS), Eurostat, United Nations.



nation status. These agreements have led to the abolition of certain quantitative restrictions and a number of agreements in the textiles and fisheries sectors.

The European Union is the main trading partner of the Central and East European countries and accounted for about half of their total trade in 1993. Trade between the EU and the CEECs increased on an unprecedented scale during the years following the break-up of Comecon and the movement towards trade liberalization initiated by the EU. Between 1988 and 1993, the value of EU imports from the CEECs increased by 14% and exports by 22.9% a year. As a comparison, the EU's total exports and imports (excluding the CEECs) for the same period increased by only 4.3 and 5.4% respectively.

The increase in trade allows former State-trading countries access to a large market which provides them with a source of hard-currency income. It also encourages direct foreign investment in the CEECs and creates competition on markets which still bear the scars of decades of central planning.

In 1993, the CEECs accounted for 5.6% of the EU's total trade, of which 32% was with Poland, 19.9% with the Czech Republic, 16.2% with Hungary and 10.8% with Slovenia. In the same year, the EU ran a trade surplus of ECU 5.8 billion with the CEECs, compared with a surplus of ECU 2.1 billion with all its trading partners taken together.

Total EU trade with the CEECs in 1993 — EUR 12 (million ECU)

	EU imports	EU exports	EU trade balance
Albania	80.5	399.6	319.1
Bulgaria	950.1	1 345.9	395.8
Czech Republic	4 831.3	6 076.6	1 245.3
Estonia	180.9	209.9	29.0
Hungary	3 941.5	4 962.9	1 021.4
Latvia	617.3	309.7	- 307.6
Lithuania	640.1	476.6	- 163.5
Poland	7 566.9	9 963.2	2 401.3
Romania	1 686.5	2 319.7	633.3
Slovakia	1 159.7	1 221.1	61.4
Slovenia	2 861.4	3 063.4	202.0
Total	24 516.1	30 353.7	5 837.6

COOPERATION WITH THE COMMONWEALTH OF INDEPENDENT STATES AND MONGOLIA

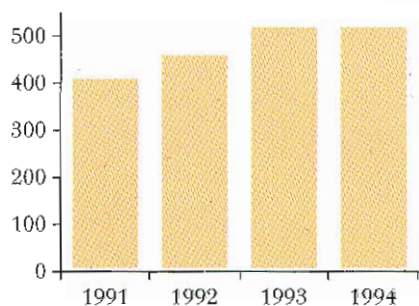
Together with Mongolia, the countries of the CIS (Commonwealth of Independent States) cover a territory which is 10 times the size of the European Union, stretches 9 600 km from east to west and includes 11 time zones. The European Union has set up aid and assistance programmes with these countries which leave the way open for more formalized and specific agreements.

Aid and partnership

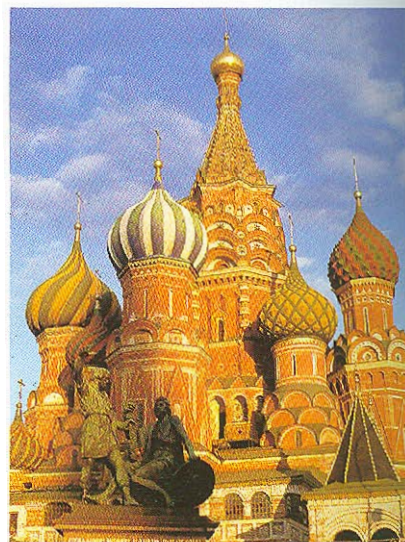
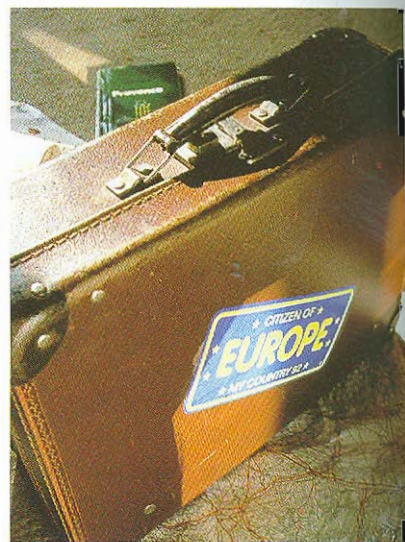
As regards Russia and the other member countries of the CIS which made up the Soviet Union, a technical assistance programme — TACIS (technical assistance to the Commonwealth of Independent States) — run by the European Commission has been put in place along with a food aid programme. In addition, credit lines have been opened to allow the purchase of agricultural products and medicines. The TACIS programme, which has been providing assistance to 12 independent States of the former Soviet Union since 1991 and to Mongolia since 1994, is aimed at strengthening democracy within these States and offering them support during their transition to the market economy. Partnership agreements were signed with Russia and Ukraine in 1994 and with Kazakhstan, Kyrgyzstan and Moldova in 1995. Agreements with other States are being negotiated.

aid under the TACIS programme in introducing statistical systems compatible with the information requirements in democracies and market economies.

TACIS budget 1991-94
ECU 1 870 million



NB: These figures include humanitarian aid in 1993 and 1994.



The TACIS covers several priority areas: reorganization of State-owned enterprises and development of the private sector, agriculture, infrastructure, energy, telecommunications and transport, nuclear safety and the environment, public-service reform (including the reorganization of statistical systems), social services and education. In the field of statistics in particular, the European Union's main aim is to offer guidance and support to countries receiving

Social and economic indicators

The CIS is a collection of States of greatly differing size in which Russia alone accounts for 52% of the population and 83% of GDP. It has a very low population density of approximately 13 inhabitants per km² compared with 114 in the EU.

The economic backwardness of the CIS is reflected in life expectancy, which is on average over eight years lower than in the EU.

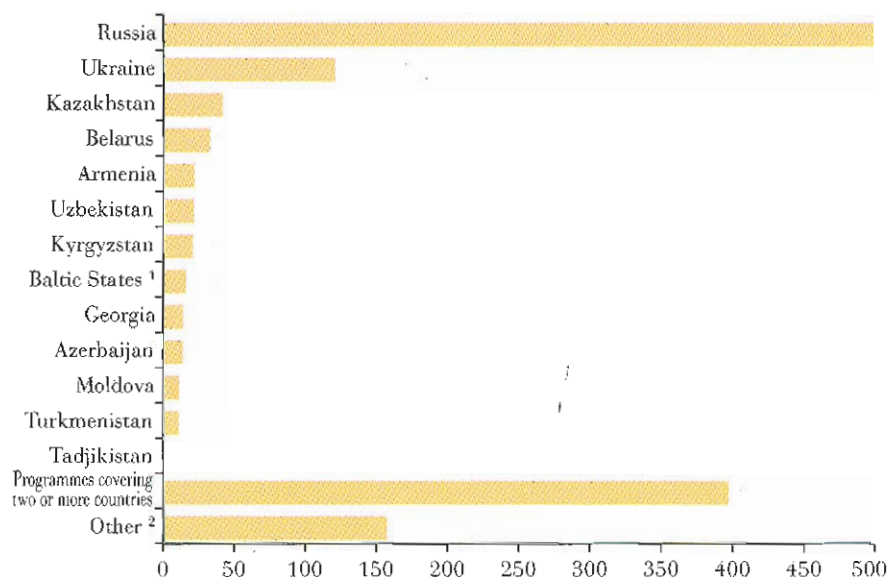
In 1993, total GDP and per capita GDP in the CIS were only 3 and 4% respectively of EU figures, but these percentages give a false impression of purchasing power in the CIS.

Apart from in Armenia, where the rate is put at 6%, unemployment is very low in all countries of the CIS. However, there are doubts about the reliability of these figures.

One feature of the economies of the CIS is the importance of agriculture and the small proportion of economic activity accounted for by services. At 43%, industry still makes up the largest share of GDP.

Foreign trade, which represented 1.7% of world trade in 1993, enabled the CIS to generate a surplus of ECU 19 billion. (Given the continued uncertainty about the reliability of Russian foreign-trade statistics, this figure should be treated with caution).

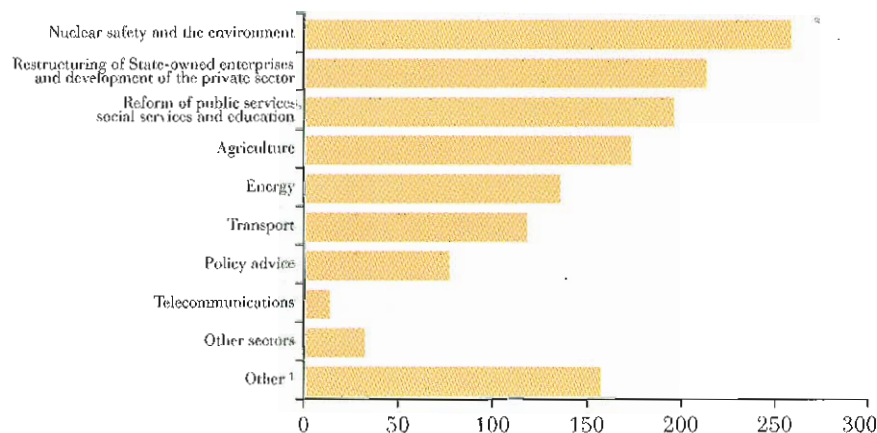
Total TACIS funding by country 1991-93
EU 1 360 million



¹ 1991 only; since 1992, the Baltic States have been covered by the PHARE programme.

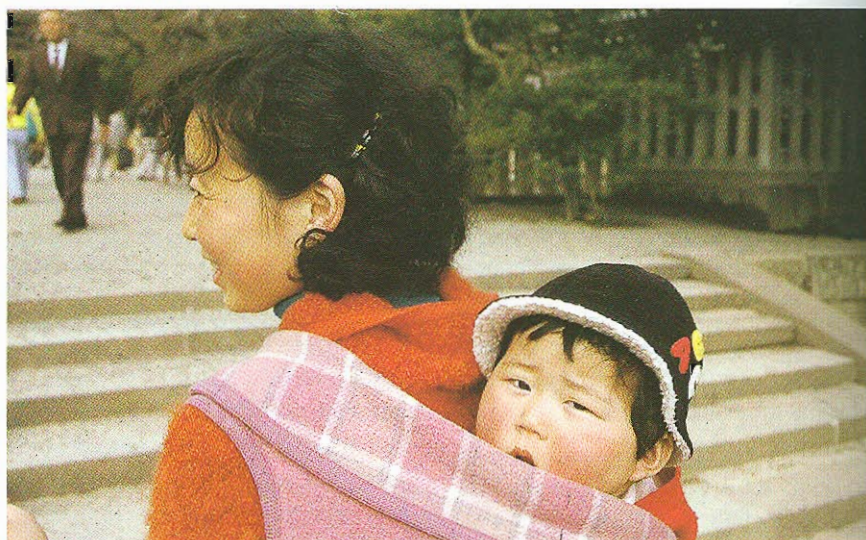
² Includes ECU 25 million transferred to the PHARE programme.

TACIS budget by sector 1991-93
ECU 1 360 million



¹ Includes ECU 25 million transferred to the PHARE programme for the Baltic States.

COOPERATION WITH THE COMMONWEALTH OF INDEPENDENT STATES AND MONGOLIA



Main indicators in the CIS in 1993

	Armenia	Azerbaijan	Belarus	Georgia	Kazakhstan	Kyrgyzstan	Moldova
Total population (1 000)	3 741.6	7 430.7	10 367.3	5 425.7	16 942.4	4 462.6	4 353.7
Total area (1 000 km ²)	29.8	86.6	207.6	69.7	2 717.3	199.9	33.7
Population density (inhabitants per km ²)	125.6	85.8	49.9	77.8	6.2	22.3	129.2
Life expectancy: men (years)	67.0 ³	66.0 ²	66.0 ²	69.0 ¹	64.0 ³	65.0 ²	64.0
Life expectancy: women (years)	73.0 ¹	74.0 ²	75.0 ²	76.0 ¹	73.0 ³	73.0 ²	72.0
Proportion of total jobs in agriculture (%)	29.3	36.8	19.9	:	26.2	38.1	36.3
Proportion of total jobs in industry (%)	24.3	15.6	29.3	:	20.3	16.3	20.1
Proportion of total jobs in transport (%)	4.0	7.0	6.7	:	8.8	5.1	5.1
Unemployment rate (%)	6.0	0.7	1.4	:	0.6	0.2	0.7
Gross domestic product (million ECU) ⁷	714.5	1 465.7	11 560.0	1 249.5	8 103.7	948.1	1 397.0
Per capita GDP (ECU) ⁷	191.0	197.3	1 115.0	230.3	478.3	212.5	320.9
Proportion of GDP from agriculture (%)	23.5	26.1 ¹	14.8	26.5 ²	14.8	36.8	:
Proportion of GDP from industry (%)	35.3	34.6 ¹	39.6	26.7 ²	28.3	34.3	:
Proportion of GDP from construction (%)	11.3	6.9 ¹	9.0	7.8 ²	11.1	3.2	:
Proportion of GDP from services (%)	14.5	18.0 ¹	18.0	18.0 ²	17.3	15.4	:
Total exports (million ECU)	25.1	299.7	610.8	87.1	1 085.1	95.7	148.8
Total imports (million ECU)	72.2	205.8	638.1	193.8	306.0	95.6	154.7
Trade balance (million ECU)	- 47.1	93.9	- 27.3	- 106.7	779.1	0.0	- 5.9

¹ Estimate.

² 1991.

³ 1990.

⁴ 1992.

⁵ EUR 12, 1990. ⁶ EUR 12.

⁷ Exchange rate used: ECU 1 = 1091.6 roubles.

Sources: National statistics (for the CIS), IMF (for Georgia's foreign trade figures), Eurostat.



Main indicators in the CIS in 1993

Uzbekistan	Russia	Tadjikistan	Turkmenistan	Ukraine	CIS ¹	EU	
22 192.5	148 365.8	5 703.7	4 361.3	52 111.4	285 458.7	370 000.0	Total population (1 000)
447.4	17 075.4	143.1	488.1	603.7	22 102.3	2 239.0	Total area (1 000 km ²)
49.6	8.7	39.9	8.9	86.3	12.9	114	Population density (inhabitants per km ²)
66.0 ³	59.0	68.0 ³	62.0 ³	64.0 ³	61.9	72.7 ⁵	Life expectancy: men (years)
72.0 ³	72.0	73.0 ³	69.0 ³	74.0 ³	72.7	79.1 ⁵	Life expectancy: women (years)
44.1	14.3	46.4	43.8	21.8	21.6	4.2 ⁶	Proportion of total jobs in agriculture (%)
14.5	29.3	13.0	10.4	30.9	26.5	20.3 ⁶	Proportion of total jobs in industry (%)
4.3	7.7	4.3	5.0	7.1	7.1	:	Proportion of total jobs in transport (%)
0.2	1.1	1.1	:	0.4	:	10.7	Unemployment rate (%)
4 056.4	148 690.1	578.0	4.9	24.6	178 792.6	5 906 000	Gross domestic product (million ECU). ⁽⁷⁾
182.8	1 002.2	101.3	1.1	0.5	626.3	15 944.0	Per capita GDP (ECU) ⁽⁷⁾
22.9	9.0 ⁴	:	54.8	:	10.4	2.6 ⁶	Proportion of GDP from agriculture (%)
26.6	44.5 ⁴	:	17.7	:	42.7	22.3 ⁶	Proportion of GDP from industry (%)
9.4	6.9 ⁴	:	7.0	:	7.3	6.1 ⁶	Proportion of GDP from construction (%)
:	15.4 ⁴	:	10.6	:	15.5	64.3 ⁶	Proportion of GDP from services (%)
603.3	37 828.7	224.7	893.8	2 660.8	52 186.3	486 849.7	Total exports (million ECU)
809.0	22 892.1	319.2	428.2	2 076.0	33 011.3	484 788.8	Total imports (million ECU)
- 205.6	14 936.6	- 94.5	467.6	584.8	19 175.0	2 060.9	Trade balance (million ECU)

¹ Estimate. ⁴ 1991.

³ 1990. ⁵ 1992.

⁶ EUR 12, 1990. ⁶ EUR 12.

⁷ Exchange rate used: ECU 1 = 1091.6 roubles.

Sources: National statistics (for the CIS), IMF (for Georgia's foreign trade figures), Eurostat.

COOPERATION WITH THE COMMONWEALTH OF INDEPENDENT STATES AND MONGOLIA

EU trade with the countries of the CIS

The European Union has entered into talks with the 12 States of the CIS with a view to concluding trade and cooperation agreements.

Until these agreements enter into force, the trade and cooperation agreement signed with the Soviet Union in 1989 will continue in effect. This agreement contains a clause providing for most-favoured-nation treatment as regards customs duties and taxes, and for the gradual removal of quantitative restrictions.

The new trade and cooperation agreements take the 1989 agreement a step further by providing for the abolition of all quantitative restrictions on industrial products (except for textiles, iron and steel, coal and nuclear materials, which are covered by specific agreements). The most-favoured-nation clause is subject to a temporary derogation with regard to trade within the CIS.

A clause allows these countries to protect their embryonic industries against products from the EU. The agreements incorporate the GATT anti-dumping principles and related retaliatory measures.

Russia, Kazakhstan, Kyrgyzstan, Ukraine and Moldova have already signed bilateral trade and cooperation agreements with the EU.

In 1993, almost 38.3% of CIS trade was with the EU, whereas the CIS only accounted for 3.5% of the EU's total trade. Over five years, the relative importance of the CIS countries for EU trade did not substantially change, since the Soviet Union already accounted for 3.1% in 1988. During this period, however, trade flows between the EU and the CIS increased by almost 52%, compared with almost 30% for EU trade with

all of its trading partners taken together.

In 1993, Russia alone accounted for 83% of the value of the EU's transactions with the CIS, with Ukraine making up 7.4%. In the same year, the CIS ran a trade deficit of ECU 2.9 billion with the EU.

**Total EU trade (EUR 12)
with the CIS (billion ECU)**



EU imports from:

Russia	15 538.0
Ukraine	934.6
Kazakhstan	293.3
Belarus	264.7
Uzbekistan	415.5
Other CIS countries	311.5
Total CIS	17 757.7



EU exports to:

Russia	11 541.9
Ukraine	1 474.6
Kazakhstan	633.6
Belarus	552.1
Uzbekistan	201.5
Other CIS countries	453.5
Total CIS	14 857.2



COOPERATION WITH MEDITERRANEAN COUNTRIES



The countries of the Mediterranean constitute, as a group, a priority area of strategic (political and economic) importance for the European Union. Apart from being its main trading partners, they have close historic and cultural ties with certain EU Member States. Today, the EU is connected with almost all the Mediterranean countries by a network of cooperation or association agreements.


In October 1994, the European Commission called on the European Union to create a Euro-Mediterranean economic zone with its North African and Middle East neighbours. This would establish the biggest free trade zone in the world and help stabilize the Union's southern and east flanks.

The importance of the region as an entity was further underlined by the communiqué from the Essen European Council in December 1994. 'It reiterates the European Union's willingness to support the Mediterranean countries in their efforts progressively to transform their region

into a zone of peace, stability, prosperity and cooperation, and to this end its willingness to establish a Euro-Mediterranean partnership, develop appropriate agreements, progressively strengthen trade relations between the parties on the basis, *inter alia*, of the results of the Uruguay Round, and in the light of the Community's changing priorities maintain an appropriate balance in the geographical allocation of Community expenditure and commitments'.

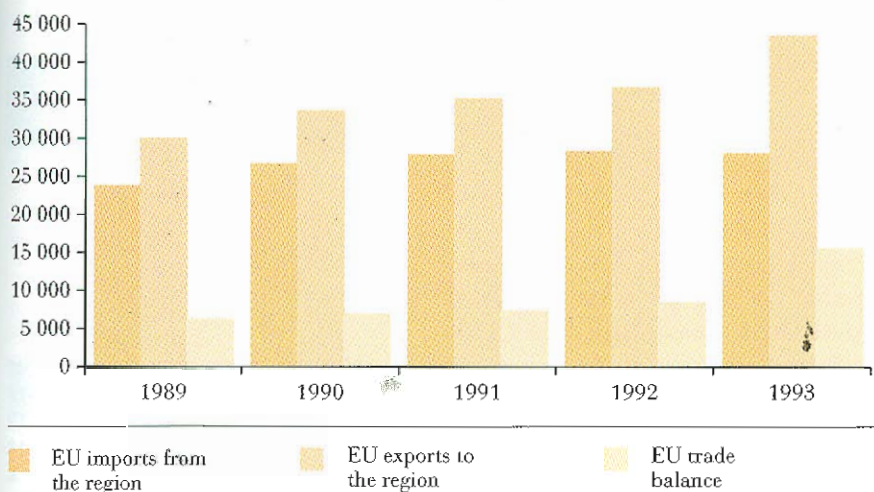
Since the mid 1970s, the Community has been linked with most countries of the Mediterranean region by

Mediterranean countries in 1993 (12)

	Area km ²		Population	Education	Health	Economy	
		1993 estimate (1 000)	Fertility rate (births per woman, 1992)	Projection, 2025 (1 000)	Primary school Enrolment ratio (% 1993)	Infant mortality rate per 1 000 live births in 1992	Per capita GNP in 1993 (ECU)
Algeria	2 381 740	27 070	4.3	51 830	96	55	1 409
Cyprus	9 250	723	2.4	904	:	11	8 633
Egypt	1 001 450	58 089	3.8	93 536	103	57	563
Israel	21 060	5 256	2.7	8 146	:	9	11 742
Jordan	89 210	4 440	5.2	10 807	:	28	1 016
Lebanon	10 400	2 901	3.1	4 476	128	34	845
Malta	320	362	2.1	432	:	9	6 427
Morocco	446 550	26 069	3.8	47 477	68	57	880
Occupied Territories	:	:	:	:	:	:	:
Syria	185 180	13 967	6.2	35 250	110	36	999
Tunisia	163 610	8 722	3.8	13 425	117	48	1 520
Turkey	779 450	59 461	3.4	92 881	:	54	1 819

Trade of 12 Mediterranean countries with the EU in 1993 (million ECU)

	EU imports from	EU exports to	EU trade balance
Algeria	6 323	4 132	- 2 191
Cyprus	719	1 880	1 161
Egypt	2 231	4 420	2 189
Israel	3 422	7 572	4 150
Jordan	277	951	674
Lebanon	64	1 743	1 679
Malta	858	1 758	900
Morocco	3 393	4 234	841
Occupied Territories	:	:	:
Syria	1 668	1 362	- 306
Tunisia	2 487	3 630	1 143
Turkey	6 540	11 787	5 247

Annual volume of EU trade with 12 Mediterranean countries (million ECU)


cooperation or association agreements, which provide for preferential trade and incorporate financial protocols concluded for a five-year period, negotiated for each country, to finance development projects and economic cooperation activities. In 1992, a new structural adjustment support instrument was introduced. These agreements, concluded on a country-by-country basis, are supplemented by horizontal financial

cooperation with all the non-member Mediterranean countries, where the focus is on regional projects.

Cooperation currently comes under the new Mediterranean policy (1992-96), to be financed from the EU budget and EIB loans from its own resources, with an allocation of ECU 4 405 million to cover financial cooperation by country/region and for horizontal cooperation.

Total foreign debt of 12 Mediterranean countries in 1993 (million ECU)

Algeria	21 995
Cyprus ¹	2 475
Egypt	34 693
Israel ¹	18 489
Jordan	5 954
Lebanon	1 158
Malta	637
Morocco	18 300
Occupied Territories	:
Syria	17 058
Tunisia	7 430
Turkey	57 952

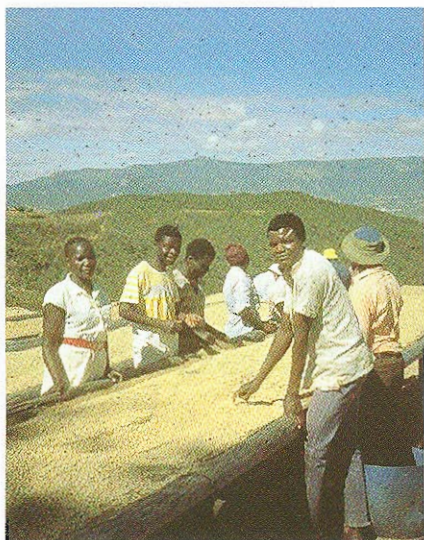
¹ 1992.

EU aid to 12 Mediterranean countries 1991-93 (million ECU)¹

Algeria	55
Cyprus	12
Egypt	340
Israel	79
Jordan	222
Lebanon	19
Malta	11
Morocco	247
Occupied Territories	:
Syria	10
Tunisia	130
Turkey	132

¹ Excluding bilateral aid from Member States.

COOPERATION WITH AFRICAN, CARIBBEAN AND PACIFIC (ACP) COUNTRIES



When the foundations of the future European Economic Community were negotiated at the Messina Conference of 1955, the problems of overseas colonies and protectorates were not discussed. At the time of the signing of the Treaty of Rome, Europe's relations with the Third World were of a distinctly unilateral nature. Europe was then a Community of Six with common economic aims and objectives that did not include development cooperation among its priorities.

Today the Community numbers 15 members and development cooperation was officially enshrined as Community policy in the Maastricht Treaty on European Union in 1991. The link between the Community and the grouping of 70 African, Caribbean and Pacific (ACP) countries — underwritten by the Lomé Convention — remains the largest collective cooperation agreement in the history of relations between the countries of the North and those of the South.

The Lomé Convention

While the European Union is the world's major donor of development aid, historical reasons dictate that there is no single financing system which applies to the different forms of aid. The European Development Fund (EDF), established in 1958 and the Community's oldest instrument, has financed each of the suc-

First financial protocol
of Lomé IV
(Seventh EDF) (%)



Rural development	48
Social sectors	12
Industry	12
Aid programme	18
Services	6
Other	4

EU imports of 10 leading products from the ACP countries in 1993

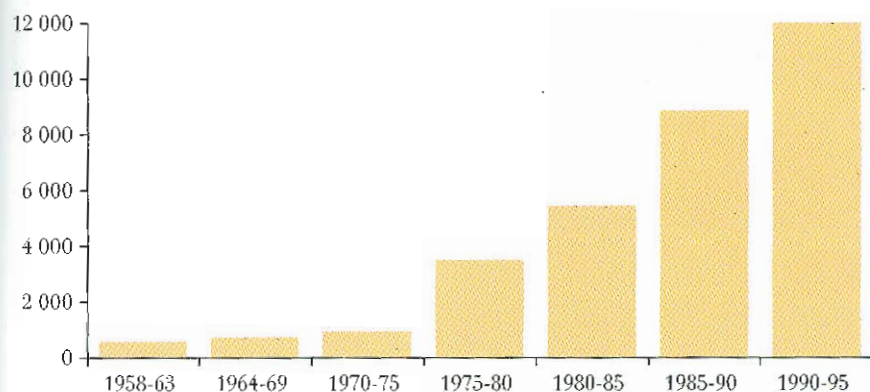
	Value (million ECU)	Quantity (million tonnes)
Crude oil	3 945	35 162
Cocoa	791	830
Coffee	730	679
Raw cane sugar	700	1 328
Fresh bananas	437	746
Unsorted diamonds	316	:
Tropical timber	310	1 061
Raw gold	277	:
Sawn tropical timber	211	448
Uncarded cotton	208	185

cessive Yaoundé and Lomé conventions. It is made up of Member States' contributions and is separate from the Community budget.

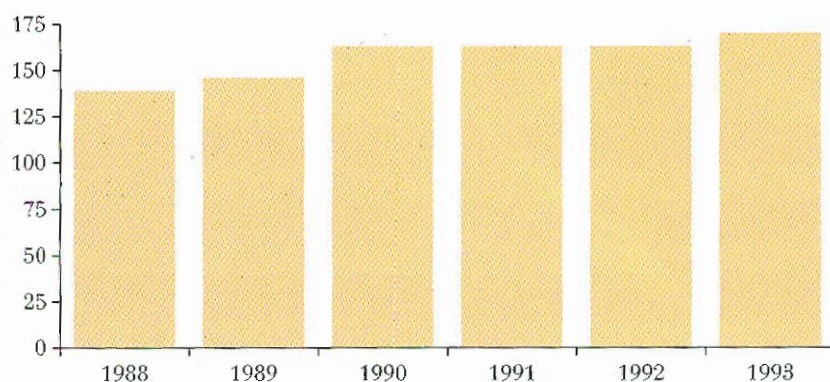
The underlying principles of the Lomé Convention are:

- cooperation between two regional groups based on respect for the political and economic options of each partner;

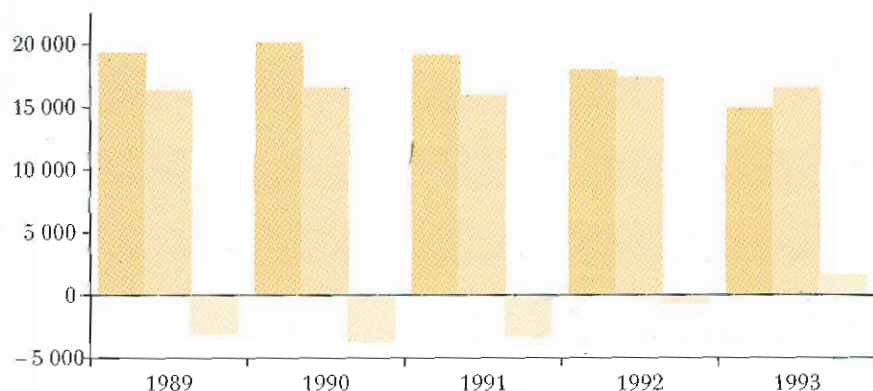
**EU development cooperation with ACP countries
(including EIB loans) (million ECU)**



Total external debt of ACP countries (billion ECU)



Annual volume of EU trade with the ACP countries



- EU imports from the region
- EU exports to the region
- EU trade balance

The European Development Fund (EDF)

The European Development Fund (EDF) is a flexible financial instrument which has expanded over the years. It is through the EDF that the financial resources which the EU commits to supporting development projects are channelled. There have been seven such five-year financial protocols since the Fund's creation in 1958. In that 35-year period, and up to the end of the first financial protocol of Lomé IV, the EDF spent a total of ECU 28.6 billion.

The EDF resources are administered by the European Commission and the European Investment Bank (EIB) and take the form of grants and special loans as well as Stabex and Sysmin payments (see EU trade chapter). Today more than 90% of EDF appropriations are in grant form.

The structural adjustment support operations, one of the innovations of Lomé IV, contributed 22% of EDF expenditure in 1993, testifying to the quite remarkable momentum of this new mechanism.

The EDF is multilateral aid financed by all the EU Member States, but each Member State also grants substantial bilateral aid.

COOPERATION WITH AFRICAN, CARIBBEAN AND PACIFIC (ACP) COUNTRIES

The ACP countries in 1993: Africa (47)

	Area km ²	1993 estimate (1 000)	Fertility rate (births per woman, 1992)	Population Projection, 2025 (1 000)	Education Primary school enrolment ratio (% 1993)	Health Infant mortality rate per 1 000 live births in 1992	Economy Per capita GNP in 1993 (ECU)
Angola	1 246 700	10 276	6.6	26 619	99	124	:
Benin	112 622	5 215	6.2	12 354	61	110	359
Botswana	581 730	1 443	4.7	2 853	116	35	2 212
Burkina Faso	274 200	9 744	6.9	22 633	37	132	256
Burundi	27 824	5 958	6.8	13 392	69	106	154
Cameroon	475 422	12 547	5.8	29 262	101	61	658
Cape Verde	4 033	395	4.3	774	113	40	743
Central Republic of Africa	622 984	3 258	5.8	7 046	68	105	333
Chad	1 284 000	6 098	5.9	12 907	57	122	171
Comoros	2 230	607	6.7	1 646	75	89	444
Congo	342 000	2 441	6.6	5 757	:	114	786
Côte d'Ivoire	322 462	13 397	6.6	37 942	69	91	538
Djibouti	23 200	481	5.8	1 159	45	115	666
Eritrea	125 000	3 500	:	:	:	:	:
Ethiopia	1 221 900	56 900	7.5	130 674	26	122	85
Gabon	267 670	1 012	5.9	2 869	:	94	3 459
Gambia	11 295	1 026	6.5	1 875	68	132	307
Ghana	238 540	16 446	6.1	37 988	77	81	367
Guinea	245 860	6 306	6.5	15 088	37	133	444
Equatorial Guinea	28 050	379	5.5	798	:	117	307
Guinea-Bissau	36 120	1 028	6.0	1 978	59	140	188
Kenya	580 370	28 113	5.4	63 826	95	66	231
Lesotho	30 350	1 882	4.8	3 783	108	46	564
Liberia	97 750	2 640	6.2	7 234	:	142	:

Lomé IV Convention: Financial protocol 1990-95 (million ECU)

Total volume : 12 000

Stabex:
1 500Sysmin:
480

Subsidies: 7 995

Venture
capital:
825

EIB: 1 200

Emergency
aid/
refugees:
350Interest rate
subsidies:
280Structural
adjustment:
1 150Other
subsidies:
6 215

Regional cooperation: 1 250

The ACP countries in 1993: Africa (47)

	Area km ²	1993 estimate (1 000)	Fertility rate (births per woman, 1992)	Projection, 2025 (1 000)	Education Primary school Enrolment ratio (% 1993)	Health Infant mortality rate per 1 000 live births in 1992	Economy Per capita GNP in 1993 (ECU)
Malawi	118 480	9 135	6.7	24 923	66	134	188
Madagascar	587 040	13 259	6.1	33 746	92	93	205
Mali	1 240 190	10 137	7.1	24 580	24	130	256
Mauritania	1 025 520	2 148	6.8	4 993	55	117	436
Mauritius	2 040	1 098	2.0	1 397	106	18	2 545
Mozambique	801 590	15 322	6.5	36 290	66	162	68
Namibia	824 290	1 584	5.4	3 751	119	57	1 418
Niger	1 267 000	8 361	7.4	21 287	29	123	231
Nigeria	923 770	119 328	5.9	285 823	71	84	265
Rwanda	26 340	7 789	6.2	20 595	71	117	171
São Tomé et Príncipe	960	122	5.0	215	.	65	299
Senegal	196 720	7 962	5.9	17 078	59	68	623
Seychelles	450	71	2.7	84	.	16	5 440
Sierra Leone	71 740	4 491	6.5	9 800	48	143	120
Somalia	637 660	8 050	6.8	23 401	.	132	.
Sudan	2 505 810	27 488	6.1	60 602	50	99	232 ¹
Swaziland	17 360	878	6.6	1 739	110	108	897
Tanzania	945 090	30 583	6.3	75 000	69	92	94 ¹
Togo	56 790	3 882	6.5	9 377	111	85	282
Uganda	235 880	21 051	7.1	45 933	81	122	162
Zaire	2 344 860	41 166	6.2	104 530	76	91	.
Zambia	752 610	9 478	6.5	20 981	92	107	316
Zimbabwe	390 760	10 665	4.6	22 889	123	47	461

¹ 1992.

COOPERATION WITH AFRICAN, CARIBBEAN AND PACIFIC (ACP) COUNTRIES

- secure and lasting cooperation based on binding legal arrangements, fixed in a freely negotiated contract;
- global cooperation, combining a whole range of instruments for aid and for the development of trade, covering all socioeconomic sectors;
- permanent dialogue through three joint institutions: the ACP-EU Council of Ministers; the ACP-EU Committee of Ambassadors and the ACP-EU Joint Assembly.

Under the trade provisions of the Lomé Convention, the Community grants, without requirements of reciprocity, virtual freedom of access for ACP exports to EU markets, whereby most ACP products come in free of customs duty or equivalent taxes. Community exports to ACP markets enjoy most-favoured-nation treatment.

An original element of the Lomé Convention is Stabex (system for the

stabilization of export earnings) which is the first North-South system to break with traditional commercial rules such as preferential trade agreements. This support mechanism is concerned exclusively with agriculture and has often been called an insurance system for bad years. Its purpose is simple: to grant direct financial aid to offset loss of earnings by ACP countries.

A parallel system (Sysmin) exists for the support of the ACP countries' key ore exports and aims at safeguarding mining production.

The ACP countries in 1993: Caribbean (15)

	Area km ²	1993 estimate (1 000)	Fertility rate (births per woman, 1992)	Projection, 2025 (1 000)	Education Primary school enrolment ratio (% 1993)	Health Infant mortality rate per 1 000 live births in 1992	Economy Per capita GNP in 1993 (ECU)
Antigua and Barbuda	440	67	1.7	87	:	20	5 457
Bahamas	13 880	269	2.1	361	100	25	9 820
Barbados	430	260	1.8	305	113	10	5 329
Belize	22 960	205	4.5	290	:	41	2 084
Dominica	750	72	2.5	82	:	18	2 289
Dominican Republic	48 730	7 608	3.0	11 447	95	41	922
Grenada	340	92	2.9	113	:	29	2 058
Guyana	214 970	816	2.6	1 141	112	48	239
Haiti	27 750	6 903	4.7	13 128	57	93	:
Jamaica	10 990	2 495	2.7	3 509	106	14	1 187
St Kitts-and-Nevis	360	41	2.6	47	98 ¹	34	3 817
St Lucia	620	139	3.2	199	:	19	2 596
St Vincent	390	110	2.5	147	:	20	1 819
Suriname	163 270	445	2.8	668	127	37	1 033
Trinidad and Tobago	5 130	1 338	2.8	1 779	96	15	3 185

¹ 1992.

The ACP countries in 1993: Pacific (8)

	Area km ²	1993 estimate (1 000)	Fertility rate (births per woman, 1992)	Population Projection, 2025 (1 000)	Education Primary school enrolment ratio (% 1993)	Health Infant mortality rate per 1 000 live births in 1992	Economy Per capita GNP in 1993 (ECU)
Fiji	18 270	747	3.0	974	125	23	1 827
Kiribati	730	75	3.8	132	:	60	606
Papua New Guinea	462 840	3 922	4.9	7 770	73	54	956
Salomon Islands	28 900	354	5.8	844	:	44	640
Tonga	750	94	3.6	117	:	21	1 375
Tuvalu	26	9	:	20	:	:	:
Vanuatu	12 190	161	5.3	338	:	45	1 050
Western Samoa	2 840	170	4.5	177	:	25	837



COOPERATION WITH LATIN AMERICAN COUNTRIES

From the first European cooperation agreement between the regions (the Brazil-Euratom agreement on the peaceful uses of nuclear energy in 1961), the Community's relations with Latin America have expanded considerably.

The basis for bilateral relationships was laid by the framework cooperation agreements with Mexico, Argentina, Brazil and Uruguay. These have evolved from simple trade cooperation agreements to promote cooperation in fields such as energy, science and the environment. As with the Asian countries, the Latin America agreements are overseen by a joint committee of representatives from both parties.

Latin American countries in 1993 (18)

	Area (km ²)	Population	Education	Health	Economy		
		1993 estimate (1 000)	Fertility rate (births per woman in 1992)	Projection 2025 (1 000)	Primary school: enrolment ratio (% 1993)	Infant mortality rate per 1 000 live births	Per capita GNP in 1993 (ECU)
Argentina	2 766 890	33 778	2.8	45 505	111	29	6 225
Bolivia	1 098 580	7 065	4.7	14 096	86	82	606
Brazil	8 511 970	151 534	2.8	219 673	107	57	2 570
Chile	756 950	13 813	2.7	19 774	100	17	2 622
Colombia	1 138 910	33 951	2.7	49 359	113	21	1 196
Costa Rica	51 100	3 199	3.1	5 608	104	14	1 845
Cuba	110 860	10 905	1.7	12 993	101	10	
Ecuador	283 560	10 981	3.5	18 643	120	45	999
El Salvador	21 040	5 517	3.8	9 735	78	40	1 127
Guatemala	108 399	10 030	5.1	21 668	79	62	948
Honduras	112 090	5 595	4.9	11 510	107	49	495
Mexico	1 958 200	91 261	3.2	137 483	114	35	3 202
Nicaragua	130 000	4 265	4.4	9 079	97	56	307
Panama	75 520	2 563	2.9	3 862	108	21	2 203
Paraguay	406 750	4 643	4.6	9 182	108	36	1 281
Peru	1 285 220	22 454	3.3	37 350	126	52	1 272
Uruguay	177 410	3 149	2.3	3 691	108	20	3 339
Venezuela	912 050	21 217	3.6	32 665	95	33	2 425

In 1985, a statement annexed to the act governing Spanish and Portuguese accession to the EU adopted a resolution 'to extend its economic and commercial cooperation' to these countries.

The EU's commitment to the support of regional integration was underlined by the agreement with the Andean Pact (see below). There are also ongoing negotiations towards an agreement with Mercosur (Brazil, Argentina, Paraguay and Uruguay).

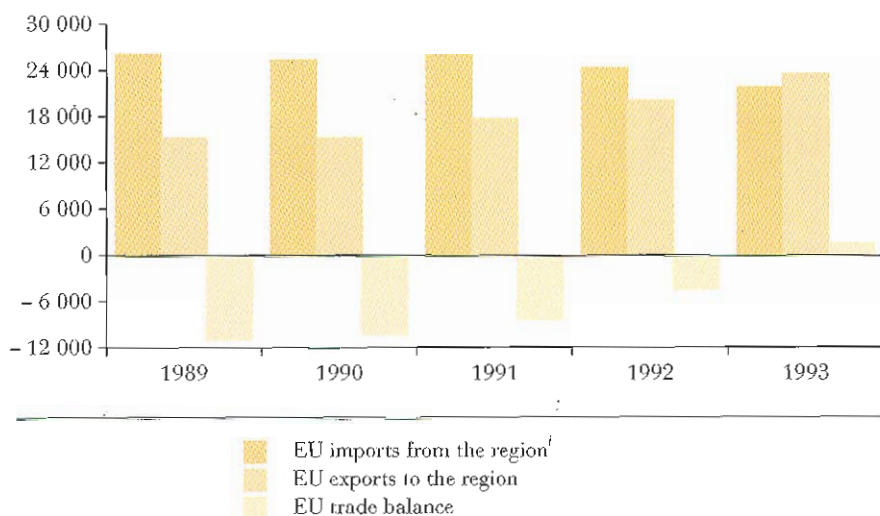
Third-generation agreements (based on observance of democratic principles and human rights) have recently been concluded with Central American Common Market (CACM) countries (Guatemala, El Salvador, Nicaragua, Honduras, Costa Rica and Panama), the Andean countries and Brazil.

As is the case with Asian countries, financial and technical cooperation with the Latin American countries dates back to 1976. The Community's relations with the region have expanded considerably in recent years, with the accession of Spain and Portugal to the Community in 1986 adding an important new dimension to relations with Latin America.

In line with its policy of supporting organizations committed to regional economic integration, the Community has signed a non-preferential framework agreement for commercial and economic cooperation with the countries of the Andean Pact (Bolivia, Colombia, Ecuador, Peru and Venezuela).

The aid and cooperation activities are financed by the EU budget and the 1991-95 programme for Asian and Latin American countries has a joint appropriation of ECU 2 750 million under the ALA (Asia and Latin America) Agreement.

Annual volume of EU trade with Latin America (million ECU)



COOPERATION WITH LATIN AMERICAN COUNTRIES

EU aid to 18 Latin American countries (million ECU) ¹

Argentina	11
Bolivia	64
Brazil	32
Chile	35
Colombia	21
Costa Rica	14
Cuba	11
Ecuador	21
El Salvador	63
Guatemala	28
Honduras	20
Mexico	19
Nicaragua	64
Panama	3
Paraguay	5
Peru	85
Uruguay	6
Venezuela	3

(¹) Excluding bilateral aid from Member States.

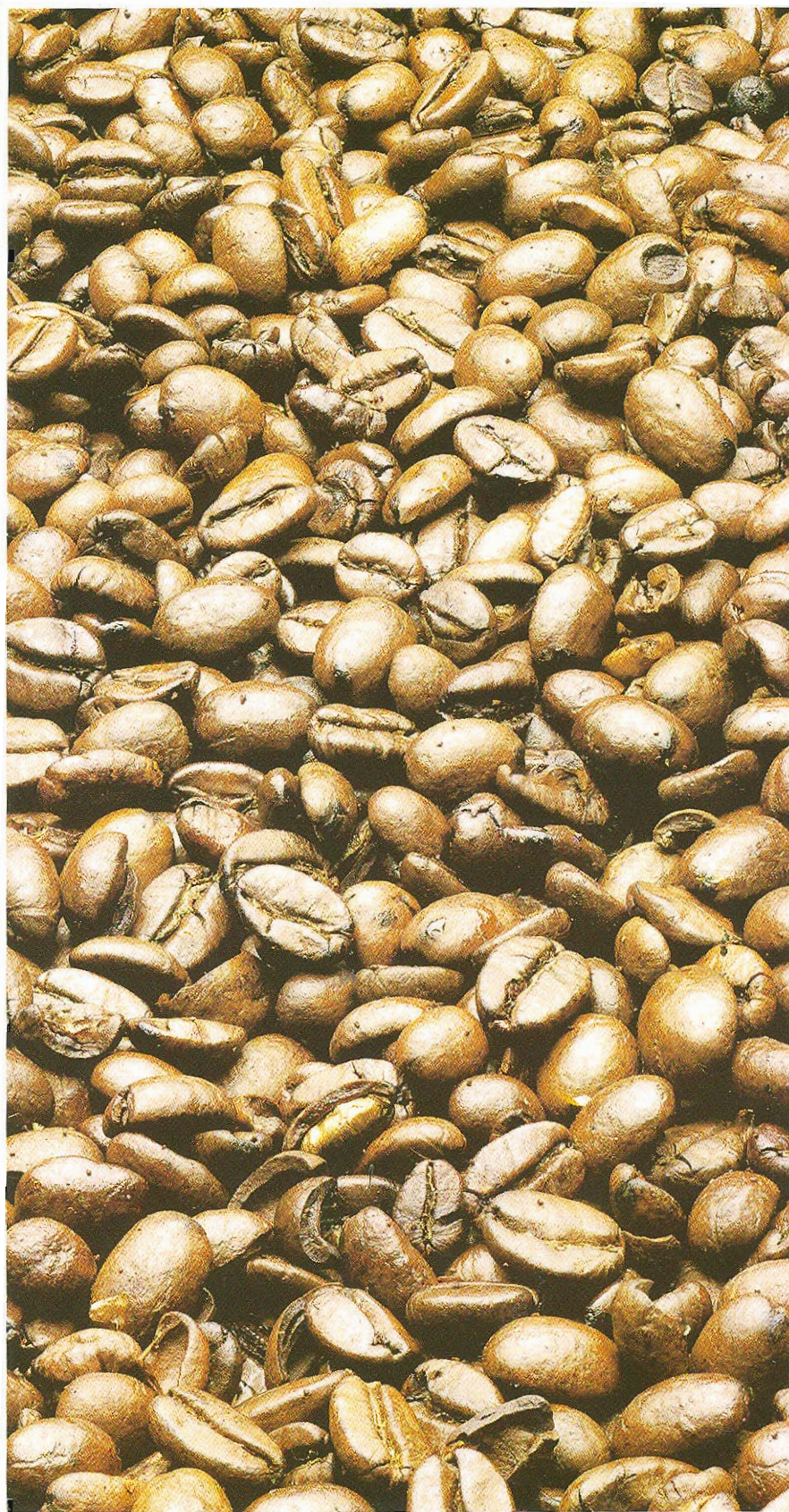
Total foreign debt of 18 Latin American countries (million ECU)

Argentina	63 598
Bolivia	3 598
Brazil	113 364
Chile	17 623
Colombia	14 665
Costa Rica	3 307
Cuba	24 808
Ecuador	12 050
El Salvador	1 718
Guatemala	2 523
Honduras	3 301
Mexico	100 792
Nicaragua	8 920
Panama	5 809
Paraguay	1 365
Peru	17 360
Uruguay	6 199
Venezuela	31 994

(¹) 1990

EU trade with 18 Latin American countries in 1993 (million ECU)

	EU imports from	EU exports to	EU trade balance
Argentina	3 057	3 396	339
Bolivia	140	131	- 9
Brazil	8 485	5 355	- 2 830
Chile	2 057	1 698	- 359
Colombia	1 521	1 325	- 196
Costa Rica	473	300	- 173
Cuba	242	477	235
Ecuador	576	503	- 73
El Salvador	108	147	39
Guatemala	190	283	93
Honduras	192	156	- 36
Mexico	2 832	5 882	3 550
Nicaragua	50	53	3
Panama	264	753	489
Paraguay	226	179	- 47
Peru	863	438	- 425
Uruguay	317	580	263
Venezuela	1 148	2 027	879



COOPERATION WITH ASIAN COUNTRIES

The European Union's relations with the developing countries of Asia are less structured than those with the ACP and Mediterranean countries. Bilateral relations take the form of cooperation agreements between the Community and the individual country in question.

While these agreements were limited in scope to begin with, a set of instruments has gradually been put in place for the developing countries with which the European Community had no special links when the Treaty of Rome was drafted.

As a result, Asian countries at different levels of development have been able to take advantage either of facilities offered to all third world countries (the Community's generalized system of preferences (GSP), food aid, etc.) or, more recently, EU aid for 'non-associated' developing countries, or specific bilateral, regional or sectoral agreements.

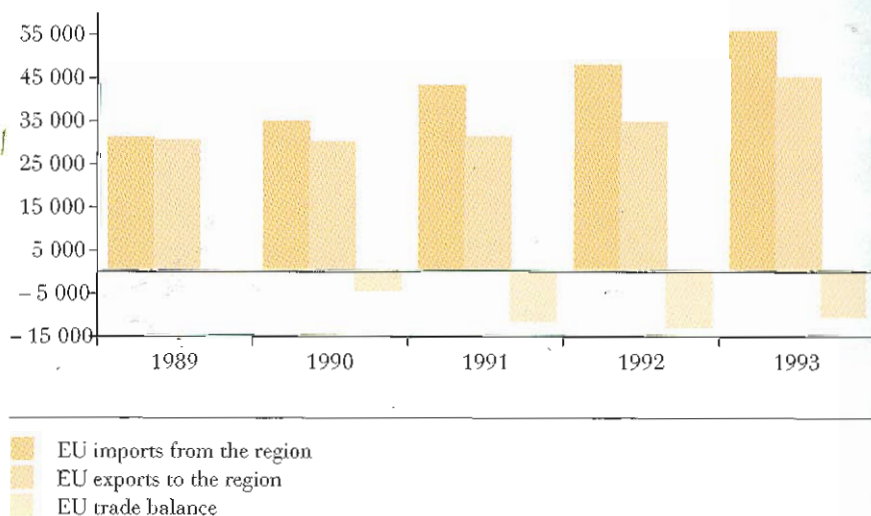
In 1994, third-generation agreements (i.e. based on observance of

democratic principles and human rights) were concluded with India and Syria.

Financial and technical cooperation between the European Union and the Asian countries dates back to 1976. Until 1990, this cooperation was based on annual guidelines and budgets, whereas now the guidelines are multiannual for the period 1991-95 and cooperation is financed by the EU budget.

While non-preferential cooperation agreements have been concluded with several individual countries, once again the EU has opted for a regional approach. Thus, a regional agreement with the member countries of the Association of South-East

Annual volume of EU trade with 17 Asian countries (million ECU)



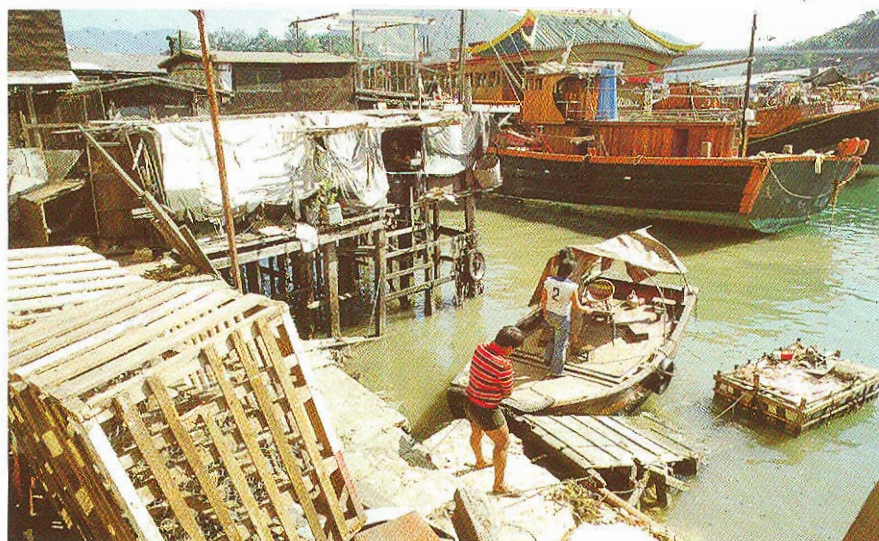
Asian countries in 1993 (17)

	Area km ²	Population	Education	Health	Economy		
		1993 estimate (1 000)	Fertility rate (births per woman, 1992)	Projection, 2025 (1 000)	Primary school enrolment ratio (% 1993)	Infant mortality rate per 1 000 live births	Per capita GNP in 1993 (ECU)
Bangladesh	144 000	122 210	4.0	223 252	80	91	188
Bhutan	47 000	1 650	5.9	3 395	32	129	139 ¹
Brunei	5 770	276	3.1	425	110	7	:
China	9 596 960	1 175 358	2.0	1 539 758	125	31	418
India	3 287 590	896 567	3.7	1 393 871	102	79	248
Indonesia	1 904 570	189 136	2.9	283 318	116	66	623
Laos	236 800	4 605	6.7	9 411	110	97	248
Malaysia	329 750	19 239	3.5	31 274	95	14	2 699
Maldives	300	238	6.0	500	148	55	700
Myanmar	676 580	44 613	4.2	75 604	125	72	:
Nepal	140 800	21 086	5.5	40 055	88	99	137
Pakistan	796 100	122 802	5.6	259 562	43	95	376
Philippines	300 000	65 649	4.1	105 147	110	40	709
Singapore	620	2 816	1.8	3 309	108	5	12 342 ¹
Sri Lanka	65 610	17 619	2.5	24 738	111	18	512
Thailand	513 120	58 035	2.2	72 264	90	26	1 742
Viet Nam	331 690	71 291	3.7	116 958	107	36	145

¹ 1992.

Asian Nations (ASEAN) (Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand) was concluded in 1980. This agreement established a framework for commercial, economic and development cooperation.

For Asian and Latin American countries there is an overall commitment of ECU 2 750 million under the ALA (Asia and Latin America) agreement for the 1991-95 programme. In Asia, priority is given to rural development schemes and, in particular, the improvement of food supplies.



COOPERATION WITH ASIAN COUNTRIES

**EU aid to 17 Asian countries,
1991 to 1993 (million ECU) ¹**

Bangladesh	146.2
Bhutan	8.65
Brunei	0.2
China	62.8
India	120.3
Indonesia	31.1
Laos	7.3
Malaysia	7.3
Maldives	1.2
Myanmar	2.3
Nepal	8.7
Pakistan	63.3
Philippines	43.5
Singapore	0.8
Sri Lanka	15.3
Thailand	42.7
Viet Nam	43.8

**Total external debt of 17 Asian
countries in 1993 (million ECU)**

Bangladesh	11 852
Bhutan	73
Brunei	:
China	71 563
India	78 378
Indonesia	76 464
Laos	1 696
Malaysia	19 927
Maldives	98
Myanmar	4 678
Nepal	1 716
Pakistan	22 246
Philippines	30 119
Singapore	:
Sri Lanka	5 798
Thailand	39 128
Viet Nam	20 687

¹ Excluding bilateral aid from Member States.

EU trade with 17 Asian countries in 1993 (million ECU)

	EU imports from	EU exports to	EU trade balance
Bangladesh	904	433	- 471
Bhutan	2	5	3
Brunei	397	589	192
China	19 638	11 339	- 8 299
India	5 881	6 295	414
Indonesia	5 034	4 137	- 897
Laos	39	11	- 28
Malaysia	6 225	3 984	- 2 241
Maldives	16	18	2
Myanmar	59	80	21
Nepal	193	49	- 144
Pakistan	1 678	2 034	356
Philippines	1 904	1 732	- 172
Singapore	6 396	7 677	1 281
Sri Lanka	730	567	- 163
Thailand	5 530	5 047	- 483
Viet Nam	544	488	- 56

FURTHER READING**Eurostat publications**

Country Reports on ACP and other developing countries

ACP Basic Statistics

External trade of the EU with ACP countries

European Union (EU) trade with African, Caribbean and Pacific countries (ACP), Rapid Reports [External trade and balance of payments] 13/94

European Documentation

The Community and the Third World

The Community and Latin America

The Community and Mediterranean countries

The Community and its East neighbours

Humanitarian aid from the European Community

Europe in a changing world

Other publications

EU-ACP cooperation

ACP courier

Europe, world partner. The external relations of the European Community

GLOSSARY**Total external debt**

Consists of public or publicly guaranteed long-term debt, private non-guaranteed long-term debt, the use of IMF credit, and estimated short-term debt.

School enrolment ratio, primary

Gross enrolment of all ages at primary level as a percentage of children in the country's primary school age-group. While many countries consider primary school age to be 6 to 11 years, others do not. For some countries with universal primary education, the gross enrolment ratios may exceed 100% because some pupils are younger or older than the country's standard primary-school age.

GNP per capita

Estimates at current purchaser values (market prices), in US dollars, calculated according to World Bank Atlas methodology.

Total fertility indicator

The average number of children that would be born to a woman during her lifetime if she were to bear children at each age in accordance with prevailing age-specific fertility rates.

Infant mortality rate

In a given year, the number of infants per 1,000 live births who die before reaching the age of one.



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■ regional	3 2		4 2
■ social	3 3	Western Europe	1 3
■ transport	3 3	WEU	1 1
Political union	1 2		1 3
Political cooperation	1 2	White Paper on growth	3 3
Pollution	4 2		1 4
Population		Wine	10 1
■ active	8 1	Women	
■ agricultural	10 4	■ employment	8 1
■ density	4 1		8 2
■ divorce	5 4	■ population	5 1
■ fertility	5 3	■ unemployment	8 4
■ foreign/non-national	5 5	Wood production	10 5
■ marriage	5 4	Work	
■ mortality	5 2	■ absenteeism	8 3
■ structure	5 1	■ environment	8 3
■ student	6	■ part-time working	8 3
PPS	16 1	■ workers' rights	8 3
	16 2	■ working hours	8 3
PRC/Coreper	2 2	Young people	
Preferences, generalized system of	1 8	■ employment	8 1
Presidents of the Commission	2 1		8 2
Presidents of the Parliament	2 3	■ population	5 1
Price index	9 2	■ unemployment	8 4

ABBREVIATIONS

Member States of the European Union

B	Belgium
DK	Denmark
D	Germany
GR	Greece
E	Spain
F	France
IRL	Ireland
I	Italy
L	Luxembourg
NL	Netherlands
A	Austria
P	Portugal
FIN	Finland
S	Sweden
UK	United Kingdom
EUR 6	Belgium, Federal Republic of Germany, France, Italy, Luxembourg, Netherlands
EUR 9	EUR 6 plus Denmark, Ireland and United Kingdom
EUR 10	EUR 9 plus Greece
EUR 12	EUR 10 plus Spain and Portugal
EUR 15	EUR 12 plus Austria, Finland and Sweden

Other European countries

IS	Iceland
FL	Liechtenstein
N	Norway
CH	Switzerland
AND	Andorra
CYP	Cyprus
MLT	Malta
TUR	Turkey
CEECs	
ALB	Albania
BGR	Bulgaria
BIH	Bosnia-Herzegovina
CZE	Czech Republic
EST	Estonia
HRV	Croatia
HUN	Hungary
LTC	Lithuania
LVA	Latvia
POL	Poland
ROM	Romania
SVK	Slovakia
SVN	Slovenia

CIS Member States

ARM	Armenia
AZE	Azerbaijan
BLR	Belarus
GEO	Georgia
KAZ	Kazakhstan
KGZ	Kyrgyzstan
MDA	Moldova
RUS	Russia
TJK	Tadjikistan
TKM	Turkmenistan
UKR	Ukraine
UZB	Uzbekistan

African States

AGO	Angola
BDI	Burundi
BEN	Benin
BFA	Burkina Faso
BWA	Botswana
CAF	Central African Republic
CIV	Côte d'Ivoire
CMR	Cameroon
COG	Congo
COM	Comoros
CPV	Cape Verde
DJI	Djibouti
DZA	Algeria
EGY	Egypt
ERI	Eritrea
ETH	Ethiopia
GAB	Gabon
CHA	Chana
GIN	Guinea
GMB	Cambia
GNB	Guinea-Bissau
GNQ	Equitorial Guinea
KEN	Kenya
LBR	Liberia
LBY	Lebanon
LSO	Lesotho
MAR	Morocco
MDC	Madagascar
MLI	Mali
MOZ	Mozambique
MRT	Mauritania
MUS	Mauritius
MWI	Malawi
NAM	Namibia
NER	Niger
NGA	Nigeria

REU	Réunion
RWA	Rwanda
SDN	Sudan
SEN	Senegal
SLE	Sierra Leone
SOM	Somalia
SWZ	Swaziland
TCD	Chad
TGO	Togo
TUN	Tunisia
TZA	Tanzania
UGA	Uganda
ZAF	South Africa
ZAR	Zaire
ZMB	Zambia
ZWE	Zimbabwe

American States

ARG	Argentina
BHS	Bahamas
BLZ	Belize
BMU	Bermuda
BOL	Bolivia
BRA	Brazil
CAN	Canada
CHL	Chile
COL	Colombia
CRI	Costa Rica
CUB	Cuba
DOM	Dominican Republic
ECU	Ecuador
GRL	Greenland
GTM	Guatemala
CUF	French Guiana
GUY	Guyana
HND	Honduras
HTI	Haiti
JAM	Jamaica
MEX	Mexico
NIC	Nicaragua
PAN	Panama
PER	Peru
PRI	Puerto Rico
PRY	Paraguay
SLV	El Salvador
SUR	Suriname
URY	Uruguay
USA	United States
VEN	Venezuela

Asian States

ARE	United Arab Emirates
BGD	Bangladesh
BTN	Bhutan
CHN	China
HKC	Hong Kong
IDN	Indonesia
IND	India
IRN	Iran
IRQ	Iraq
ISR	Israel
JOR	Jordan
JAP	Japan
KHM	Cambodia
KOR	South Korea
KWT	Kuwait
LAO	Laos
LBN	Lebanon
LKA	Sri Lanka
MDV	Maldives
MMR	Myanmar (formerly Burma)
MNG	Mongolia
MYS	Malaysia
NPL	Nepal
OMN	Oman
PAK	Pakistan
PHL	Philippines
PNG	Papua New Guinea
QAT	Qatar
SAU	Saudi Arabia
SGP	Singapore
SYC	Seychelles
SYR	Syria
THA	Thailand
VNM	Viet Nam
YEM	Yemen

Oceanian States

AUS	Australia
NCL	New Caledonia
NZL	New Zealand
TON	Tonga
TUV	Tuvalu
VUT	Vanuatu
WSM	Western Samoa

Currencies

ECU	European currency unit
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BFR	Belgian franc
DKR	Danish krone
DM	German mark
DR	Greek drachma
ESC	Portuguese escudo
FF	French franc
FMK	Finnish markka
HFL	Dutch guilder
IRL	Irish pound
LFR	Luxembourg franc
LIT	Italian lira
OS	Austrian schilling
PTA	Spanish peseta
SKR	Swedish krona
UKL	pound sterling
CAD	Canadian dollar
USD	United States dollar
YEN	Japanese yen

Other abbreviations

bn	billion (= thousand million)
GRT	gross registered tonnage
ha	hectare
hl	hectolitre
kWh	kilowatt hour
t	tonne
TJ	terajoule = 10 ¹² J
toe	tonne of oil equivalent
TWh	terawatt hour = 10 ⁹ kWh
ABU	adult bovine unit
ACE	Action by the Community relating to the environment
ACP	African, Caribbean and Pacific countries (signatories of the Lomé Convention)
ALA	Countries of Asia and Latin America
ASEAN	Association of South-East Asian Nations
AWU	annual work unit
Benelux	Economic Union of Belgium, the Netherlands and Luxembourg
BIS	Bank for International Settlements
BLEU	Belgo-Luxembourg Economic Union (B/L)

CAE	Community actions for the environment	EMCF	European Monetary Cooperation Fund	IBRD	International Bank for Reconstruction and Development (World Bank) (UNO)
CAP	common agricultural policy	EMF	European Monetary Fund	ILO	International Labour Office
CEEC/		EMI	European Monetary Institute	ILO	International Labour Organization (UNO)
CCEE	Central and East European country/country of Central and East Europe	EMS	European Monetary System	IMF	International Monetary Fund
CFC	chlorofluorocarbons	EMU	Economic and monetary union	JHA	cooperation in the fields of justice and home affairs
CFP	common fisheries policy	EOEC	European Organization for Economic Cooperation	LDC	less developed country/countries
CIET	Centre for Information on Education Techniques	EONR	European Organization for Nuclear Research	LU	livestock unit
cif	cost, insurance and freight	EPO	European Patent Organization	MFN	most favoured nation
CIS	Commonwealth of Independent States	ERDF	European Regional Development Fund	MMI	Maghreb, Mashreq and Israel
CMEA -		ERM	Exchange-rate mechanism	NACE	General industrial classification of economic activities within the European Communities
Comecon	Council for Mutual Economic Assistance	ESA	European Space Agency	NAFTA	North American Free Trade Agreement
Coreper	Committee of Permanent Representatives	ESA	European system of integrated economic accounts (Eurostat)	NATO	North Atlantic Treaty Organization
CSCE	Conference on Security and Cooperation in Europe	ESCB	European System of Central Banks	NCI	New Community Instrument
DC	developing country	ESF	European Science Foundation	NIC	newly industrialized countries
EACGF	European Agricultural Guidance and Guarantee Fund	ESF	European Social Fund	NUTS	Nomenclature of territorial units for statistics
ECB	European Central Bank	Esprit	European strategic programme for research and development in information technology	OCTs	overseas countries and territories
EBA	Ecu Banking Association	EU	European Union	OECD	Organization for Economic Cooperation and Development
EBRD	European Bank for Reconstruction and Development	Eureka	Community programme for research in technology	OEEC	Organization for European Economic Cooperation
EC	European Community	FIFG	Financial Instrument for Fisheries Guidance	OPEC	Organization of Petroleum Exporting Countries
ECNR	European Council for Nuclear Research	FOD	French overseas department(s)	OSCE	Organization for Security and Cooperation in Europe
ECSC	European Coal and Steel Community	foh	free on board	PHARE	Poland-Hungary assistance in the restructuring of economies
EDC	European Defence Community	GATS	General Agreement on Trade in Services	PPS	purchasing power standard
EDF	European Development Fund	GATT	General Agreement on Tariffs and Trade	R&D	research and development
EEA	European Economic Area	GDP	gross domestic product	SDR	Special drawing right
EEC	European Economic Community	GFCF	gross fixed capital formation		
EFTA	European Free Trade Association	GNP	gross national product		
EIB	European Investment Bank	GSP	generalized system of preferences		
EIONET	European environmental information and observation network	GVA	gross value-added		

SGM	standard gross margin(s)
SITC	Standard International Trade Classification
SME	small and medium-sized enterprise(s)
S&T	science and technology
Stabex	system for the stabilization of export earnings (of the ACP and OCT/PTOM)
Sysmin	system of aid for mining products — special financing facility for mining products of the ACP and OCT
TAC	total allowable catches
TACIS	technical assistance to the Commonwealth of Independent States
UAA	utilized agricultural area
Unctad	United Nations Conference on Trade and Development
UNO	United Nations Organization
VAT	value-added tax
WEU	Western European Union
WTO	World Trade Organization

NB:

EUR 12 refers to the 12 Member States before the accession of Austria, Finland and Sweden on 1 January 1995.

EUR 15 includes the 15 Member States, even for data relating to periods before the accession of Austria, Finland and Sweden.

Germany: Germany is usually taken to be as constituted after unification on 3 October 1990. However, certain data concern only the territory of the Federal Republic before unification (referred to as the 'old *Länder*').

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