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** In its reply to a written question by a Member of the European Parliament on the effects of Great Britain's accession to the Community on the cost of living, the European Commission states that the United Kingdom, in common with many other countries both inside and outside the Community, has experienced a sharp acceleration in the rate of INCREASE IN THE COST OF LIVING since early 1973. However, this acceleration cannot be attributed to the accession of United Kingdom to the Community, and its very size would suggest that other factors were involved. Indeed, the unprecedentedly rapid rise in the world commodity prices, the large upsurge in unit labour costs and the impact of the depreciation of sterling, largely

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explain these inflationary trends in the United Kingdom.

ANNEX 1 reproduces two tables on changes in the cost of living in Member States, and the annual percentage increase in consumer prices.

** Customs duties no longer exist between the members of the Community. But frontiers are still there, price differences still exist, and products are not yet moving entirely freely. In addition to the "technical barriers" to intra-Community trade (health standards and standards for the packaging, and composition of products), and transport problems, which make prices climb, as between one country and another, yet another obstacle to trade between Member States exists, namely "tax frontiers". The systems of levying taxes, dues and excise duties on products still vary considerably from one country to another. One of these, value added tax, plays a special role, since it is now levied in all nine Member States of the Community. However, the tax is not identical in all countries. The European Commission has therefore put forward a proposal to the Council of Ministers for the adoption of a "EUROPEAN VAT CODE".

ANNEX 2 gives details of the proposal.

** The ECONOMIC AND SOCIAL COMMITTEE comprising representatives of both sides of industry from all sectors of the economy affected by the decisions of the European Community, seeks by its activities to influence Community decisions in a direction which will yield the most favourable results for all. It is a true link between the Community institutions and the economic and social life of member countries.

ANNEX 3 gives a short account of the Committee's activities.

** A French and a German manufacturer of POTASH have just annulled their agreement, which was prohibited by the European Commission in 1973 as not conforming with the Community Regulations on COMPETITION. The Commission had found that the common channels of distribution used by the two companies resulted in a standardization of prices and sales conditions in the potash fertilizer market, which was to the disadvantage of European customers, and therefore of the consumer.

** The 1973 Community WINE harvest reached a record level of 168.4 million hectolitres (127.3 in 1972 and 132.5 in 1971), while total consumption was 152.5 million hectolitres (143.7 in 1972 and 142.5 in 1971). The growth in consumption was most marked in the non-producing countries (Netherlands, Denmark, United Kingdom and Ireland). However, in its annual report on wine for the 1973/74 marketing year, the Commission stresses that this group is far from compensating for the stagnation in consumption in France and its decline

in Italy. There is growing imbalance between production and consumption which is aggravated by a considerable rise in imports from non-member countries. Because of the plentiful harvest in 1973, there is a very large surplus in all the producing countries of the Community which threatens to increase the pressure on prices for table wines. In this situation, the Commission has forwarded a proposal to the Council of Ministers of the Community which includes such measures as promotion of grape juice consumption and the use of concentrated musts for wine enrichment, penalization for excessive yields of very poor quality table wine, and limiting aids to the wine sector to those intended to improve the quality and not the quantity of production.

** Although it has now been established that AIR POLLUTION encourages the development of RESPIRATORY DISEASES, the specific effect of certain pollutants present in the air, or of certain combinations of pollutants, has not yet been established. The Commission has therefore begun an enquiry into these problems. The enquiry relates to children in primary school, since children present several advantages in such observations: they are more sedentary than adults, do not smoke and are not subject to harmful exposure through work. On the other hand, it has been shown that the environmental factors which contribute to mortality in adults, from chronic bronchitis, also affect the respiratory functions in children. 19 study areas have been selected because of their levels of pollution, which is due mainly to sulphur compounds and aerosols. In each area at least 1 500 school children, aged between 7 and 11, are being surveyed: measurements of weight, height, and breathing capacity, and information as to respiratory complaints among the children will be collected during the survey. Data on pollution levels, results of physical measurements, and classified replies to the questionnaire, which collected and analysed at a single centre, will supply information as to the incidence of respiratory symptoms and diseases in children exposed to different levels of air pollution.

** In THE NETHERLANDS, several events have occurred in recent months on the CONSUMER PROTECTION front:

- (i) The "consumer" committee of the Economic and Social Council has decided to arrange contacts between consumer organizations and certain companies, for the purpose of laying down sales, payment and delivery conditions which will take into account the interests of both firms and consumers. The decision is the result of a request from the Ministry of Economic Affairs. At present conditions of delivery and payment laid down by suppliers are far too often one-sided, and favour the suppliers. However, there are at present over 400 suppliers in almost 200 places, who already operate delivery and payment conditions similar to those recommended by the Consumentenbond (Dutch consumers' association).

(ii) In the 1975 budget, Fl 5.4 million will be set aside for financing research and other activities benefiting consumers (as against Fl 1.8 million in 1974).

(iii) Netherlands insurance companies have raised the rates of reimbursement for life assurance policies cancelled by holders. For several years now, consumer organizations have been protesting about the fact that anyone who cancels his life assurance contract recovers only a very small part of his outlay.

** The departments of the European Commission have just held two meetings of experts and technicians from Member States on the subject of THE MEASUREMENT OF DOSES OF RADIO-ACTIVE RADIATION to which individuals have been exposed (individual dosimetry). Two pilot projects on the principles of individual dosimetry, devised by working parties set up by the European Commission, were examined at these meetings. A research programme has been drawn up for inclusion in the Community's "Biology-health protection" programme for 1975.

** Reafforestation, recycling of used paper, husbanding of raw materials, and the processing of new materials are some of the principal solutions advanced for the increasingly serious situation in which the European PAPER INDUSTRY finds itself as Mr Spinelli, the Member of the European Commission with special responsibility for industrial affairs, stated in his address to the European Parliament at its last session. Mr Spinelli reminded his audience that the aim of the communication forwarded in April 1974 by the Commission to the Council of Ministers (see I&S - No 13/74) was to bring about a preliminary debate, and that specific proposals would follow. The Commission's departments have now nearly completed work on a set of general criteria which these departments believe is a more desirable method of going about things, than the method of treating each case on its merits. In its opinion on the Commission's proposal concerning the problems of the PAPER PULP, paper and paper board INDUSTRIES, the European Parliament welcomes the Commission's initiative, but regrets that the communication was put forward in the form of a plan, which is not binding. Parliament has invited the Commission to do its utmost to ensure the availability of supplies of raw materials, and, in particular, to sign contracts, for the supply of paper pulp, with EFTA countries. Parliament also asked the Commission to forward as soon as possible specific proposals for recycling used paper, and employing other materials in paper making. A special paper sector research fund should be established, so that new methods of paper production may be perfected, which make better use of raw materials and reduce water consumption and pollution. Pollution control measures should also be taken, with the least possible delay, to counteract the high rate of water-pollution for which the paper industry is responsible.

** The findings of the international symposium on the EFFECTS OF ENVIRONMENTAL POLLUTION ON HEALTH (see I&S - No 27/74) have added to the information already at the Commission's disposal, and should help to speed up work on the proposals to be presented to the Council of Ministers of the Community. Standards for some water pollutants are being drafted by the Commission's departments. These include standards for lead, mercury, cadmium and organo-chlorinated compounds. The Commission also hopes to be able to forward its findings on the hazards to human health produced by the presence of lead and its compounds, compounds of sulphur and aerosols, carbon monoxide, noise pollution, and inorganic micro-pollutants in the environment. In the case of other pollutants (chromium, copper, arsenic, cyanide, phenol, etc.) the Commission believes that it would be more realistic to await the results of further research.

** The energy crisis will force industrial countries to become more dependent on NUCLEAR ENERGY. As regards the European Community, the Commission's expectations in this connection are very explicit (see especially I&S - No 6/74).

One of the major problems connected with greater use of nuclear energy is how to dispose of the RADIO-ACTIVE WASTE produced by nuclear power stations. The European Commission is currently holding a number of preparatory meetings with experts from member countries, to help present a proposal for a joint programme on the handling and storage of radioactive waste: the research involved storage dump characteristics, and, at a later stage, the harmonization of administrative and legislative measures. This proposal should be ready by the end of 1974.

** The Commission's departments are at present preparing a proposal which aims to harmonize national laws concerning the LABELLING OF FOOD PRODUCTS. The object of this is to decide how to put an end to packaging and labelling which may mislead the consumer as to the nature, origin, and composition etc. of the product.

** How acute ENVIRONMENTAL PROTECTION problems are in JAPAN is well known. The Japanese have often found original solutions, which is why Mr Scarascia Mugnozza, Vice-President of the European Commission with special responsibility for environmental protection, is visiting Japan from 14 to 18 October. He will be discussing with several Members of the Japanese Government, the action taken in this field in the Community and Japan.

** The "Bureau européen des Unions de consommateurs" (European Office of the Consumers' Union) (BEUC) is backing a proposal by the European Commission to conduct a comparative price survey as part of the programme to COUNTERACT PRICE INFLATION, and maintain a high level

of employment in the Community (see I&S - No 21/74). The BEUC hopes that the proposal will be adopted as soon as possible by the Council of Ministers and the Community.

COST OF LIVING DEVELOPMENTS

In its reply to a written question by a Member of the European Parliament, on the effects of Great Britain's accession to the Community on the cost of living, the European Commission states that the United Kingdom, in common with many other countries both inside and outside the Community, has experienced a sharp acceleration in the rate of increase in the cost of living since early 1973. However, this acceleration cannot be attributed to the accession of United Kingdom to the Community, and its very size would suggest that other factors were involved. Indeed, the unprecedentedly rapid rise in world commodity prices, the large upsurge in unit labour costs and the impact of the depreciation of sterling largely explain these inflationary trends in the United Kingdom.

The two tables reproduced below summarize the situation in the different Member States:

CHANGES IN THE COST OF LIVING¹ IN MEMBER STATES

Country	Average Annual Increase on Previous Year ²					
	1969	1970	1971	1972	1973	1974 ²
	%	%	%	%	%	%
GERMANY	1.9	3.4	5.3	5.5	6.9	7.3
FRANCE	6.4	5.2	5.5	6.2	7.3	12.5
ITALY	2.7	4.9	4.8	5.7	10.8	15.4
HOLLAND	7.5	4.4	7.5	7.8	8.0	8.8
BELGIUM	3.8	3.9	4.3	5.5	7.0	10.0
LUXEMBOURG	2.3	4.6	4.7	5.2	6.1	8.3
UNITED KINGDOM	5.4	6.4	9.4	7.1	9.2	14.4
IRELAND	7.4	8.2	9.0	8.6	11.4	14.8
DENMARK	3.5	6.5	5.8	6.6	9.3	14.2

Notes: ¹Based on general consumer price indices for each country except for
 (a) Holland (Consumer Price Index for workers)
 (b) United Kingdom (General Index of Retail Prices - all items)

²The increases are expressed as changes in the average value for the year concerned over the previous year, except for 1974 where the change is between the average value for the six months to June 1974 over the average value for the corresponding half-year in 1973.

Percentage increase in consumer prices

Year	Germany	France	Italy	Nether-lands	Belgium	Luxem-bourg	United Kingdom	Ireland	Denmark
1969/68	1.9	6.4	2.7	7.5	3.8	2.3	5.4	7.4	3.5
1970/69	3.4	5.2	4.9	4.4	3.9	4.6	6.4	8.2	6.5
1971/70	5.3	5.5	4.8	7.5	4.3	4.7	9.4	9.0	5.8
1972/71	5.5	6.2	5.7	7.8	5.5	5.2	7.1	8.6	6.6
1973/72	6.9	7.3	10.8	8.0	7.0	6.1	9.2	11.4	9.3
1974/73*	7.3	12.5	15.4	8.8	10.0	8.3	14.4	14.8	14.2

* First six months of 1974/first six months of 1973.

Source: General Statistics (Monthly Bulletin of the Statistical Office of the European Communities)

A EUROPEAN VAT CODE

Customs duties no longer exist between the members of the Community. But frontiers are still there, price differences still exist, and products are not yet moving freely. In addition to the "technical barriers" to intra-Community trade (health standards, and standards for packaging, and composition of products), and transport problems which make prices climb, as between one country and another, yet another obstacle to trade between Member States exists, namely "tax frontiers". The systems of levying taxes, dues and excise duties on products still vary considerably from one country to another.

One of these, value added tax (VAT), plays a special role, since it is now levied in all nine Member States of the Community. However, the tax is not identical in all countries. The European Commission has therefore forwarded to the Council of Ministers of the Community a proposal to set up a common VAT system. The proposal is a real "European VAT code". It provides for precise definition of the tax base, those liable, exemption arrangements, and close harmonization of the tax collection machinery.

This first stage of harmonization is essential to achieve the final stage, aimed at by the Commission, i.e., identical VAT rates in all Community countries.

At present European firms exporting to other Community countries benefit from VAT exemption in the country of origin, and have to pay the tax in the "customer" country. In theory the same system applies to private purchases. For instance, a Frenchman buying a camera in Germany should not have to pay VAT in Germany but at the French border, when he returns home with the camera. In practice this system is rarely applied or, it must be admitted, is difficult to apply.

At present a free allowance for travellers means that Europeans enjoy tax exemption on products which they import from one member country to another, up to a limit currently fixed at 125 units of account (1 u.a. = about US \$1). It is an accepted fact that other special taxes, such as excise duties (taxes on tobacco, alcohol, perfume etc.) sometimes complicate frontier traffic, and travellers enjoy a special limited exemption on products subject to excise duties.

A common VAT system is important for the Community in another respect: in 1970 the Council of Ministers of the Community decided to replace the financial contributions by Member States to the Community budget by "own resources", derived partly from customs duties and agricultural levies (as is now the case) and partly from a small proportion (1% maximum) of the VAT collected in Member States.

THE COMMUNITY'S ECONOMIC AND SOCIAL COMMITTEE

The Economic and Social Committee comprising representatives of both sides of industry from all sectors of the economy affected by the decisions of the European Community seeks by its activities to influence Community decisions in a direction which will yield the most favourable results for all. It is a true link between the Community institutions and the economic and social life of member countries.

An assessment drawn up for 1973 reveals that the Committee delivered 75 opinions on actions to be undertaken by the European Community, and carried out three studies. These documents cover all Community activities, such as the Common Agricultural Policy, regional, social, economic and monetary policy, environmental protection, protection of consumer interests and so forth. As for response to the Committee's work by the European Commission and the Council of Ministers, a survey shows that, in 1972, 60% of the opinions delivered by the Committee approved Commission proposals in their entirety, 14.3% expressed a divergent opinion, which was largely taken into account, 20% gave divergent opinions which were partially taken into account, and 5% expressed a divergent opinion which was not taken into account.

The Economic Committee has taken a stand on the various Community policies to be put into effect, and notably on:

- (i) Regional policy: The Committee set up a special section solely responsible for this field. Its work has consisted of a general study of the problems involved, followed by more detailed Opinions on the Commission's proposals concerning a regional development fund, and the choice of criteria for deciding which regions should benefit from Community aid. The Committee considered that the funds available should go to the least favoured regions, and be channelled to countries facing the most serious problems.
- (ii) Social policy: The Committee stated that a social policy for the Community should make it possible for Europeans to enjoy job security, adequate income during their working life and retirement, protection against change, a healthy environment, and a share in shaping their personal and social life. The Committee examined the list of priorities adopted by the Council of Ministers and approved the action taken by the Commission. It hopes to be consulted as and when these measures take shape. The Committee asked for a further subject to be added to the list of priorities, namely the establishment of complete equality for all workers in the Member States, as regards wages and other working conditions, regardless of the country in which the contract of employment is being negotiated.
- (iii) Environmental protection: The Committee believes it absolutely necessary for all Member States to keep the Commission permanently informed on their national legislation,

concerning environmental protection, and of any plans to introduce amendments. In addition, a procedure should be set up for keeping the Commission permanently informed of research projects and technological developments at national level. Information should include the financial and economic consequences of such projects. The Community's main task should be to coordinate, guide and regulate action by Member States.