eurofocus

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SUMMARY

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CURRENCIES: Happy birthday, ECU!

March 13 marked the 10th anniversary of the European Monetary System.

Nothing noteworthy occurred in the monetary field on 13 March 1989; but it happened to be the 10th anniversary of the European Monetary System (EMS). "It's not news", the European President, Jacques Delors, remarked at his press conference, "but it's more interesting because it's the future". He went on to draw four lessons from the first 10 years of the EMS.

1. Political will has primacy over technical considerations: The decision to create the EMS and ECU, taken at the European Community summit in December 1978, under the impetus of the French and German leaders of the time - Valéry Giscard d'Estaing and Helmut Schmidt - did not take account of all the calculations and fears of the experts.

2. The EMS has demonstrated the European Community's ability to operate at several "speeds": the fact is that only eight currencies* participate in the exchange mechanism which guarantees that national currencies fluctuate within fixed limits in relation to each other. The ECU is a mixture of only 10 of the EC currencies, as both the Spanish peseta and Portuguese escudo are outside it.

3. A minimum of rules and a certain flexibility: it's a receipe which has worked before. The ECU has not remained the monopoly of the Community's central banks and institutions; on the contrary, it is being used increasingly by companies and even individuals. ECU investments, bank accounts and traveller's cheques are gaining ground.

4. The rapprochement of the Community's currencies has brought with it a convergence of the economic policies of the EMS countries. The most remarkable achievement has been the fall in inflation in the countries participating fully in the EMS.

The system has become more stable over the years and the central rates of the 10 currencies that belong to it have remained unchanged over the last 26 months, a record in itself. This stability is all the more remarkable in view of the swings the dollar has known. The American currency was worth ECU 0.75 at the beginning of 1979. It reached ECU 1.50 in 1985, then fell to ECU 0.85 at the end of last year. But the dollar, the currency of the world's most powerful economy, remains dominant. However, "one cannot continually be listening to the news from the United States", according to Jacques Delors. The ECU must therefore develop further.

* Belgo-Luxembourg franc; Danish crown; Dutch guilder; French franc; German mark; Irish pound and Italian lira.

AUDIOVISUAL: "Television without frontiers" gets the go-ahead

A qualified majority for an agreement laboriously put together.

"We now have similar legislation on television broadcasting from one end of the European Community to the other", the European Commissioner for cultural affairs, Jean Dondelinger, declared at the end of the extremely long and laborious negotiations among the Twelve, which involved apparently irreconcilable positions. The final compromise was approved by a qualified majority, with Belgium, Denmark and Germany voting against it for widely differing reasons.

Advertising and production of European programmes were the two main themes of the discussions. Progress on the first of these was made easier after the Italians gave up their demand for an advertising break every 20 minutes, thus accepting the European Commission's proposal, which the Council of Ministers finally endorsed.

The Council agreed that advertising breaks in the case of full-length films must be limited to one every 45 minutes. At the same time advertising cannot account for more than 15% of daily transmission time, with a maximum of 12 minutes per hour. Newscasts, documentaries, children's programmes and features can have breaks every half hour.

France failed to get the Council to agree to a system under which quotas would be reserved for European programmes (defined to include all countries of Western Europe but not those of Eastern Europe, as Germany would have liked). Even so, the French succeeded in introducing a clause which requires television channels which broadcast less than 50% of European programmes to maintain their 1988 levels at the very least. As for the rest, the compromise limits itself to calling for a majority of European programmes "whenever possible".

But the call is likely to remain unheeded, given that 70% of fiction programmes shown on Community screens are imports. And matters are not helped by the studied vagueness as to how the agreement is to be enforced. Even so, it represents a first concrete step towards a "television without frontiers". Once a television station established in any one of the EC countries respects the agreement, it can transmit freely throughout the 12-nation Community. In only a few, highly regulated situations could a Member State oppose it.

The Twelve can now speak with one voice in the debate in the Council of Europe on a draft convention to which all the countries of Western Europe can accede.

INDUSTRY: A strong Europe rather than Fortress Europe

Politicians and spokesmen for industry confront each other at a symposium organized by the European Parliament.

"Europe is no longer an absentee from world affairs. Not only is it very much there but the general feeling, both within and without the Community, now is that it will make a success of its 1992 programme." With these words Martin Bangemann, Vice-President of the European Commission, brought to a close the symposium organized by the European Parliament on the theme of "A strong Europe, a competitive industry". The symposium brought together some of the leaders of European industry including Mr Van der Klugt, the president of Philips, and Mr Romiti, the managing director of FIAT.

They underlined the challenges which will confront European industry in the years ahead. While rejecting the idea of a Fortress Europe, they made it clear they could not accept unfair competition, represented by such practices as dumping and the closing of overseas markets to competition. European industry, they noted, is also determined to improve its production and reduce costs; but it needs Community regulations that are uniform, clear and precise as well as the Community's support and cooperation in its research activities.

Japan and its aggressive marketing practices were obviously the preferred targets of the captains of industry. In their response Euro-MPs such as Mr Poniatowski also rejected the idea of a Fortress Europe which, as he pointed out, "will quickly fall a victim to sclerosis". But he was equally opposed to the idea of "a European free trade area, open to all, without restrictions or controls".

Vice-President Bangemann insisted, however, that European industry no longer needs to be "defended". What the Commission plans to do is to fight for fair trade and the effective application of GATT rules, even while rejecting every protectionist measure, such as the imposition of a minimum percentage on all foreign investors or quotas for certain products, such as Japanese cars.

As for Community support for R&D, Commission Vice-President Pandolfi reminded his audience that the Commission has already adopted a framework programme for research and development, which will strengthen the scientific and technological bases of European industry and improve its competitivity.

The social implications of the single market were the subject of differing interpretations. Even so, everyone emphasized the need to make a genuine success of the single market and to ensure that it created jobs, raised workers' living standards and encouraged industrial technologies.

The economic and social Europe can, indeed must, go hand in hand.

ENERGY: The single market in coal and electricity on the agenda

The European Commission decides to remove the obstacles to trade.

It is impossible to conceive a common energy market without coal and electricity. And yet these are two sectors in which state aid and monopolies remain very powerful. The European Commission announced in early March that it would try to secure the progressive elimination of all obstacles to trade in these sectors. After all, the Twelve accepted last November the goal of a single energy market in the context of the 1992 programme.

But it cannot be reached overnight. The Commission must negotiate the progressive removal of obstacles with the national authorities. It must also envisage social measures, in the event that the single energy market adds to the difficulties which certain regions, such as those with mines, already face.

The three main problems, for the moment, are due to (1) state aid to the coal industry, such as the German subsidies, financed by a tax on electricity consumption; (2) long-term contracts for the supply of coal to electricity companies, which in fact penalize other forms of energy, as is the case with "the contract of the century" concluded in Germany for the period 1980 to 1985 and (3) the right to operate electricity distribution networks granted to national or regional monopolies.

ENVIRONMENT: A fresh look at the clean car?

Only one of the proceedings against the Netherlands is being continued.

The European standards for car exhaust emission established under the "Luxembourg agreement" have yet to come into force; but they already risk being overtaken by events. The Dutch government's decision to introduce tax breaks for buyers of clean cars was the casus belli. To promote the use of clean cars the government offered a tax break of ECU 360* for cars meeting European standards and one of ECU 720 for cars equipped with three-way catalytic converters which can meet the stricter standards in force in the United States, for example.

The European Commission acted quickly to stop Dutch moves. It launched two court proceedings against the government, one for violating Community rules on the free movement of goods, the other for violating its rules on state subsidies. It meant the automatic suspension of the tax measures until the EC Court of Justice had ruled in the matter.

After taking a close look at the problem, the Commission has accepted the Dutch claim that its tax measures do not amount to unfair state aid and dropped the proceedings under this head. The Commission nevertheless continues to challenge their legality, and the Dutch government has received a "motivated opinion", according to which the tax breaks will distort trade and have an unfavourable effect on sales of other cars, even though they meet Community standards. The government has six weeks in which to reply.

In practice, The Hague has won the right to implement its tax breaks. Meanwhile, the political landscape has undergone a profound change in a very short period of time. In all EC Member States there is a growing preoccupation with environmental issues. This inevitably is reflected in the European Parliament, which must pronounce on the subject in April. If it calls on the EC Council of Ministers to revise its common position, the European Commission will have to take a stand on the opinion given by Euro-MPs before the final debate in the Council.

* 1 ECU = UK£0.65 or IR£0.78

ENVIRONMENT: Burning refuse cleanly

The Twelve approve a stricter regulation for burning urban waste.

Incineration is one of the best ways of getting rid of something. This is true of all kinds of waste as well; the fact is that within the 12-nation European Community roughly one-third of all household refuse passes straight from the dustbin to the furnace. But fire is not as cleansing as all that, especially when it comes to getting rid of some of the rubbish invented by man. The fact is the smoke that pours out of the large urban incinerators smells, when it is not positively harmful to health. The word "dioxine" by itself is sufficiently evocative of the dangers incineration can present, in the absence of strict standards and controls.

To this end, the European Community's environment ministers have approved a directive which, after a vote of the European Parliament, will set limits, among other things, to toxic emissions and fix the minimum temperatures at which incineration can take place. The Member States can set even stricter standards in certain cases.

ENVIRONMENT: Defending the defenceless

The Twelve reach an agreement on saving the African elephant.

In 1970 they still numbered some 2.7 million; today their numbers have fallen to 700,000. Unless vigorous measures are taken at once, the African elephant may well become extinct. The cause: the trade in ivory, worth over ECU 100mn.* a year, and nearly all of it illegal.

Imports into the European Community (which account for some 25% of the total) are subject to quotas since a number of years. But this has not prevented either smuggling of ivory or its transit to more welcoming destinations.

The EC Council of Ministers has asked the European Commission to look at stricter import controls, in agreement with third countries also, in order to halt the traffic in ivory, thus halting the continued massacre of elephants.

* 1 ECU = UK£0.65 or IR£0.78

REGIONAL AID: ECU 1,000mn. for regions hit by industrial decline

The European Commission has drawn up a list of such regions.

The regions facing industrial decline in nine European Community countries, with a total population of more than 53mn., are to receive approximately ECU 1,000mn. from this year from the EC's regional and social funds, to enable them to prepare for the single market in 1992. The European Commission listed on March 8 the regions which are entitled to Community aid. The only countries absent from its list are Ireland, Greece and Portugal; they will be receiving aid earmarked for regions lagging behind in development.

The regions in question generally have high rates of unemployment and suffer from the disappearance or decline of such industries as steel, shipbuilding, textiles and coal mining. The Commission's list will remain in force until the end of 1991, after which it will be reviewed.

The U.K. is the main beneficiary; some 20mn. people live in the regions listed by the Commission. It is followed by France, with 10mn. people, and Spain (8.5mn.). The regions listed in Belgium have a population of 2.2mn. and those in Luxembourg around 140,000.

TECHNOLOGY: Towards a single market for innovations

The Twelve give the SPRINT programme the green light.

In order to encourage the spread of new ideas and technologies to the four corners of the European Community, the EC Council of Ministers gave the green light on March 6 to the main phase of the SPRINT programme (Strategic Programme for Innovation and Technology transfer). The new phase will run from 1989 to 1993, and will take work carried out during the pilot phase (1984-88) a stage further. The budget is substantially increased - ECU 90mn. as compared to ECU 18.5mn.

SPRINT will make it possible to extend the European network of specialists in technology transfer - business consultants, design experts, heads of science parks, etc.; spread information more widely and multiply the exchanges between the Twelve and the European Commission of their experiences. SPRINT, which is of particular interest to small and medium-sized enterprises, will be able hereafter to finance projects which put new technologies to work in the field.

UNEMPLOYMENT: The fall continues

Below 10% in the 12-nation Community in January.

Unemployment in the 12-nation European Community fell to under 10% in January, for the first time since mid-1983. The jobless represented exactly 9.9% of the workforce at the end of January, after allowing for seasonal variations and national differences in the definition of unemployment, according to Eurostat, the Community's statistical office.

The unemployment rate has been falling continuously since last summer in the Community as a whole and in nearly all its Member States. The only exceptions have been Denmark and Portugal.

The unemployment rate for the under-25s has been falling faster than for the jobless as a group: it went from 20.5% in August 1988 to 19% this January. Even so, it remains above the general unemployment rate in all Member States except Germany, where declining birth rates have contributed to a sharp fall.

INFLATION: Prices rise sharply in January

Two-thirds of the Member States have been hit.

Inflation is back. Prices rose 0.7% in January in the Community as a whole, while as many as eight Member States recorded sharp rises, according to Eurostat, the EC statistical office.

January's price rises included a 1.3% rise in Portugal, 1.1% in Germany, 0.8% in Italy, 0.7% in Luxembourg, 0.6% in the U.K., 0.5% in Denmark and 0.4% in France and Belgium.

Prices rose by 4.8% in the 12 months to January 1989, against only 3.1% in the previous 12-month period. Inflation is running once again at a higher level than in the United States (4.7% in January), after having been lower for months.

The 12-monthly inflation rate always varies from one EC country to another. The Netherlands recorded the lowest rate with 0.9%, while the Greeks continued to have the highest rate - 13.8%.