

Eurofocus

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ECONOMICS: No break in the clouds

The latest rise in oil prices announced at the start of the year has already speeded up inflation and further upset the EEC balance of trade with the rest of the world. In January, the Common Market retail price-index went up by 2% on the December 1979 figures. This was the highest jump recorded since the EEC average retail price-index was first published.

On the other hand, the deficit in the Common Market balance of trade reached a staggering 11,780 million for 1979. This was against 1,550 million for 1978. On top of this, the first figures for 1980 show that the trend is worsening. A ray of light, possibly, is that the average level of EEC unemployment (as seasonally adjusted) is staying more or less stable at 5.5%. On the other hand in Denmark, Belgium and Germany interest rates rose in the second half of February, meaning that it's better to lend money at the moment than borrow it!

S U M M A R Y

FINANCE	:	p. 2	Tracking down the tax evaders
HEALTH	:	p. 3	The International Year of the Handicapped
	:	p. 3	Towards a European "Organ Bank"
INSTITUTIONS	:	p. 4	The cost of Democracy
CONSUMERS	:	p. 5	Money back for unsatisfactory goods?
ENERGY	:	p. 5	Summer Time saves energy
THIS WEEK	:	p. 6	What's been happening in the EEC this week
CLOSE UP	:	p. 7	<u>The Dairy Surpluses Part II</u>

Last week we took a look at the size and shape of the problem. Now we see what the Commission proposes doing about it.....

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FINANCE: Tracking down the tax evaders

A new type of Interpol to help national authorities track down tax cheats that cost the public vast amounts of money in uncollected taxes may be in the offing.

Pressed by rising governmental costs for everything from defence to postal services, administrations throughout Europe are now increasingly looking at ways to tighten up on sources of lost revenue. One such drain has always been the result of tax evasion by individuals and, increasingly, large multinational companies.

The tremendous growth in international trade and business activity since the end of the Second World War has also been accompanied by a need for extra vigilance by tax collectors. Giant corporations with expert tax advisers, sophisticated administrative techniques, numerous locations and complicated legal structures are constantly finding ways to minimise their tax bills. This may be done perfectly legally (tax avoidance) and even with the assistance of governmental tax concessions, but it may also happen through manipulations (tax evasion) that are sometimes questionable.

In order to keep track of these activities, which frequently take advantage of national frontiers and the so-called "tax haven" countries, international tax cooperation is being stepped up as never before. There are a number of bilateral tax agreements between individual countries and international organisations such as the United Nations, the European Community, the OECD and the Council of Europe that are all working to help to reduce the number of abuses in international taxation.

For instance, the European Community countries last year began a systematic exchange of information on direct taxes and a similar system is also in hand for the collection of Value-Added Taxes. The aim is not to unfairly squeeze as much as possible from the tax-payer or company in every country conceivable, but is to assure that a fair amount is paid to public treasuries that support necessary services. The European Community has also just entered into contact with the Nordic countries which already have a similar system. And there is cooperation with American and other authorities through OECD in the hopes of setting up an effective world network to capture the new breed of tax evader that has up to now roamed with near-impunity across national borders.

HEALTH: The International Year of the Handicapped

1980 is the United Nations "International Year of the Handicapped". The UN has outlined three main areas of activity to help the disabled during the year:

- to develop better public understanding of the needs of handicapped people within the Community;
- to improve the medical prevention of disabling diseases;
- to try to stimulate the participation of handicapped people in daily life.

As far as the EEC help to the handicapped is concerned, this has taken several forms so far (see EUROFOCUS 7/80). During the International Year the Common Market will be stepping up its help programme. First of all, it was decided to devote two days in February to the study of the problem, with the International Year in mind. These days allowed people working with the handicapped from the Nine to get together and discuss what the other countries were planning on doing. To give two examples: Belgium will be offering in 1980 a prize of £15,000 for research into the prevention of disabling diseases or accidents. Secondly, the Netherlands will be holding the 1980 paraplegic games.

The two days of discussion will greatly help the European Commission in its work of coordinating the various national schemes. The Commission itself will probably be organising a programme for the education of handicapped children.

Among other suggestions that came out during the February discussions were the ideas, first of all, to publish an annual list of all the organisations in the nine member countries of the Common Market concerned with the welfare of the handicapped and, secondly, to push for a high priority in the 1981 European Social Fund of the programme for finding jobs for handicapped people in the Common Market.

Towards a European "Organ Bank"?

The recent series of successful heart transplants at Papworth Hospital, near Cambridge, UK, has sparked off a renewed interest in this area of medicine. Now, the possibility of extending life even further is being realised, but certain developments are necessary if this success is to be something more than sporadic. The most important development would seem to be the assured availability of the human organs necessary for such transplants. Here we are talking about all types of transplants - heart, kidney, blood and bone marrow. What is the E.E.C. doing about it?

On 16th November 1978 the European Council of Ministers (in this case the Ministers of Health) met to discuss this matter. Their aim was to set up a system of 'organ banks' throughout the Nine member countries of the E.E.C. whereby a reserve of organs would always be available for use throughout the Community. As a result, a questionnaire was sent to the Governments of the

Member States dealing with the installations and equipment which could be made available to provide organs when they become available, for example, in cases of major accidents. Since the scarcity of organs is a huge problem, this aspect is of great importance.

Since 1978, the Commission has had a study carried out on ways and means of interconnecting by computer four organ and blood banks located in the Community. The technical results show that it is possible to link up the different banks by a computer. In the early stages it seems that the system will deal only with the matching of kidneys, but it must be flexible enough eventually to preserve blood and bone marrow, both of which are relatively suited to this system. There will be a computer terminal in each centre and they will be linked to each other by telephone links. The cost of this project will amount to some £508,400 over two years and the money would initially have to come from the medical services of the Member States themselves with possible later help from EEC funds.

The Commission will try to get details about the highly specialised equipment available which would be capable of assisting in performing transplants. The result should be better co-ordination between computer facilities and the hospitals concerned.

INSTITUTIONS: The cost of Democracy

Members of the European Parliament are well known for their desire to find out everything that they can about the way the EEC is working. This is one of their fundamental responsibilities to their voters. To get this information they ask hundreds of questions, both orally and in written form to the European Commission and Council of Ministers. Some of the questions are extremely detailed and require a great deal of research by the services of the Commission or the Council, in order to provide the comprehensive answers required by the MP's. The Commission recently carried out a survey on the approximate amounts involved and came to the conclusion that the cost in staff time alone for each written question was between £300 and £600. On average each question added up to about £400. These figures do not take into account the work put in by the Secretariat of the European Parliament itself, nor the cost of materials such as paper, photocopying, etc. Furthermore, overheads such as heat and lighting charges should be apportioned if a truly accurate reckoning is to be arrived at. Also not taken into consideration was the fact that under EEC regulations all the questions and the answers have to be published in the "Official Journal of the European Communities". This has to be done in all the six official languages of the Common Market and runs to about £250 per question. This is largely due to the cost of the careful translations that are required from the original language of the question. It all adds up to a tidy sum, but that's the cost of democracy.

CONSUMERS: Money back for unsatisfactory goods?

In the best of all possible worlds, a customer who buys a defective product or received unsatisfactory service would have his money refunded.

Unfortunately, reality being what it is, that's not always the case and the unhappy consumer gets more and more frustrated as he gets sent from one department to another in a vain quest to be reimbursed. In the case of most everyday purchases, the effort may not be worth it and may be abandoned after a few minutes or hours.

To file action in court can involve legal expenses beyond the reach of most individuals and in many countries that option is not really available since commercial courts handle only major litigation.

But authorities and consumer groups are having a closer look at the legal systems in effect in European countries to see if some possible remedy is available or if it might be feasible to change the laws.

This subject of consumer access to legal redress has been widely discussed at the European level and was also a topic at a special public hearing by the European Parliament's Committee on the Environment, Public Health and Consumer Affairs in Dublin recently. The European Commissioner in charge of consumer affairs, Richard Burke, told the group that this problem is an important part of the proposed European Community action programme on consumer protection. He added that the Commission in Brussels is preparing a major document to be issued early this year that is expected to stimulate a widespread debate on the subject.

In addition, the Commission is financially supporting a pilot project in Scotland involving a simplified alternative to the normal court procedure for consumers. It will evaluate the first experiences from this programme in 1980 and is also considering supporting similar ventures in Germany and other Community countries.

This concept of promoting consumer interest represents the main thrust of the EEC's pending second consumer action programme in addition to continued consumer protection legislation that was the main theme of the first four-year Community plan. In the future this would mean more representation of consumer interests in policy-making and closer attention to the public in price policy and in public services, such as transport, energy or other governmental functions.

ENERGY: Summer time saves energy!

At 0200 on Sunday morning the 16th March the UK and Ireland left Greenwich Mean Time and went forward one hour to their Summer Time. Now, to the delight of all travellers in the EEC, all the nine member countries will be on the same time until the 7th April. Then the seven other countries will go forward one hour and so the confusion will start again until the Autumn change-back. However, 1980 is the first year that Germany and Denmark have used Summer time and from now on it will be used every year throughout the Community. The Commission is trying hard to get all the countries to have common change-over dates in the Spring and Autumn and the details are still being negotiated.

However it's important to bear in mind that not only does Summer time provide those light evenings for leisure and pleasure, but also it enables a small and not insignificant saving in energy to be made. First estimates are that Summer time saves about 0.25% over the year. This certainly does not sound a lot, but in the energy crisis every saving helps. On the other hand, people tend to use their cars more and therefore the electricity saved is somewhat offset by the increased consumption of petrol.

To remind you of the Summer time dates for 1980:

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|----------------------------|---|
| 16 March to 6 April | - all nine EEC countries on GMT + 1 hour |
| 7 April to 28 September | - UK, Ireland: GMT + 1 hour
other countries: GMT + 2 hours |
| 29 September to 26 October | - all nine EEC countries on GMT + 1 hour |
| 27 October to 31 December | - UK, Ireland: GMT
other countries: GMT + 1 hour |

THIS WEEK: What's been happening in the EEC this week

EUROPEAN COUNCIL. Foreign Ministers of the Nine meeting in Brussels on March 18 agreed on an agenda for the forthcoming Community summit session to discuss the British contribution to the joint budget, energy savings, the economic and monetary situation and institutional reform.

COURT OF JUSTICE. The European Court of Justice on March 18 ruled that a Belgian court had the authority to forbid cable television retransmissions of foreign programmes from presenting the advertising content of these broadcasts since Belgian law prohibits advertising in radio and television.

PARLIAMENT. The European Parliament's Agricultural Committee, going against the assembly membership and the EEC Commission's proposals on farm price restraint, March 19, urged an average increase of nearly 8 percent in agricultural prices for the coming year.

COUNCIL OF MINISTERS. The recently-negotiated economic and trade cooperation accord between the European Community and Yugoslavia received the approval of EEC Foreign Ministers in Brussels on March 18.

So that we can improve "EUROFOCUS" and the general service we try to offer to our subscribers, we should be happy to receive any comments, criticisms or suggestions. If you should use any of the copy a reference to "EUROFOCUS" (and possibly a copy of the final article) would be much appreciated.

Last week we took a look at the ever-pressing problem of Europe's dairy surpluses and saw the basic reasons why the dairy industry is suffering from "structural surpluses" (ie. surpluses which cannot be sold off quickly and easily). The question remains as to what can be done to get rid of this problem, which apart from anything else rightly gives the Common Market a bad name. This week we shall have a look at the various ideas for improving matters, although in the context of the dairy surpluses it cannot be forgotten that some 2 million Common Market farmers still earn their livelihood from dairy farming.

In reforming the sector, the EEC planners have met with three main problems. First of all, there are the divergent interests of the nine countries which differ according to the size of their dairy production and the degree of modernisation available to each. Secondly, there are the social problems involved with the hundreds of thousands of farmers who cannot survive without guaranteed prices. The present economic crisis in Europe makes this aspect of the problem even more crucial. As there is so much unemployment at the moment, farmers who leave the land have difficulty finding work in other economic sectors. The opportunities for changing to other types of farming (eg. arable) are limited and pose difficult financial problems for small farms. The price guarantee system (see last week) in effect guarantees the small dairy farmer a minimum wage. Finally, the complexity of the whole Common Agricultural Policy and its present inefficiencies add further complications.

It is clear that demand for milk products is currently stagnant and could be stimulated. At the moment, the European Commission is proposing that the Community extend the measures it has already taken to reduce surpluses and encourage consumption of dairy products. School milk provides a good example. Nutritional experts agree that milk is a perfect drink between meals and meets many physiological requirements, particularly for young people. Price reductions on this milk would not only help reduce the surpluses but also aid the health of Europe's youth. Cut-price butter is another scheme that has been in operation for some time. Subsidised butter (up to 70% cheaper) is delivered to charitable institutions, hospitals, the forces etc. Over the Christmas period EEC citizens can buy "Christmas butter" at prices 25-30% less than the normal price. In some Community countries a permanent subsidy is offered to consumers which reduces the price of all butter packaged in small quantities.

Thirdly, there are supplies to industry. Certain sectors of the food industry (bakers, biscuit manufacturers, etc.) receive butter at prices which are reduced to make them more attractive vis-à-vis alternative ingredients. The European Communities has plans to enlarge on this scheme. Food aid to developing countries is an area of increasing importance for dairy products. Since 1970, the EEC has been operating an extensive programme supplying milk products to the Third World. This food aid is composed of skimmed-milk powder and butteroil, which is easily preserved and well suited to the needs of these countries. The extent of this aid amounts to some 150,000 tonnes of milk powder and, for butteroil, equivalent to 55,000 tonnes of butter, or close to 30% of normal exports. Food aid, however, is limited by the lack of transport and distribution infrastructure in the countries receiving the aid.

Taking the other side of the coin, the rapid growth of milk production is the root cause of the surpluses. The European Commission doesn't like the idea of imposing quotas on farms or farming areas in an attempt to limit their milk production, as this would have the likely effect of upsetting the free trade between the Nine. A prudent pricing policy is felt to be the best way of starting to cut into the surpluses. Of all agricultural products, the most direct repercussions of the prices policy is on dairy products. Supply is permanently higher than demand and it is the guaranteed intervention price which determines the level of payments to producers. A prudent price policy is, therefore, a fundamental factor in bringing about some balance in this sector. In 1979 the Ministers voted against a price increase in the milk sector.

Secondly, there could be an increase in the "co-responsibility levy". Since September 1977, the milk producer has been paying a kind of tax calculated as a percentage of the price of the milk. A part of the income from sales of dairy products is taken from the producers and put into a fund specially aimed at extending the market for milk products. Finally, the "reconversion premium" could be increased. This permits a certain number of cows to be taken out of milk production.

But whatever is done it must be done quickly as the growing cost of supporting the milk market may end up by compromising even the principle of the common policy. For if the dairy budget continues at its present high level then other more pressing European problems, such as research, social and regional policy and, above all the control of unemployment, may be affected.