



a newsheet for journalists

Weekly N° 3/93

18-25 January 1993

SUMMARY

- 2 **EUROPEAN COMMUNITY: Preparing the ground for the single currency**
European Commission wants to relaunch the ECU.
- 3 **FISHERIES: The conservation of fish stocks receives priority**
A European Community policy is reformed for 10 years.
- 4 **VAT: Simplifying the common VAT system**
Fewer administrative formalities, especially for SMEs.
- 5 **COURT OF JUSTICE: A ban on Sunday trading ...**
... is not contrary to the European Community treaties.
- 6 **FREE MOVEMENT: Soft wheat gets the green light**
Italy agrees to imports of pasta made from soft wheat, after two rulings of the Court of Justice.
- 7 **SINGLE MARKET: A committee to settle the problems ...**
which may arise when borders are not as open as they should be.

CARS: A 35% drop in pollution by 1996?
European Commission proposes new standards for exhaust emissions.
- 8 **AIR TRAVEL: Lower fares ...**
... are in the offing.
- 9 **SINGLE MARKET: Gambling**
Not fit for harmonization, according to the European Commission.

EUROPEAN COMMUNITY: Preparing the ground for the single currency
European Commission wants to relaunch the ECU.

The ECU, the European Community's monetary unit, is a judicious blend of the currencies of the 12 Member States. And it should become the EC's single currency in 1999 - if all goes well. But as a new currency cannot be improvised, the European Commission is of the view that the use of the ECU must be promoted in the months and years ahead in order to prepare for its entry into the daily lives of Europeans. At the end of last December the Commission announced three initiatives aimed at stimulating the use of the ECU: (1) denominating new loans in ECUs; (2) using it to pay the salaries and travel expenses of European officials and (3) publishing a White Paper listing the obstacles of the use of the ECU which exist in the various EC countries.

Starting with the launch, in 1985, of the 1992 single market programme, the ECU has enjoyed a remarkable development. Used at first only by the central banks of the Member States, it has come to play a much wider role. There have been loans denominated in ECU, issued by the European Commission and national governments; banks have accepted ECU deposits and companies have made payments to each other in ECUs and drawn up their balance sheets in it. There are even ECU bank accounts and ECU traveller checks.

But the ECU is now linked to the Treaty of Maastricht on European Union, for it is this Treaty which provides for a single currency. It is hardly surprising, therefore, that Denmark's rejection of the Treaty, by referendum on 2 June 1992, should have sent tremors through the market for ECUs. It nevertheless has withstood the upheavals better than some national currencies: the markets for ECUs never closed, not even when the monetary upheavals were at their greatest in September 1992.

At present 10 of the 12 EC countries have ratified the Treaty of Maastricht. At the EC summit in Edinburgh Denmark was given the right to opt out of the single currency, a move which should allow it to ratify the Treaty after all (see Eurofocus N° 1/93). Britain, which already has the right to put off a decision on the single currency until the last minute, should follow suit.

This should restore confidence in the ECU. The European Commission nevertheless takes the view that the public authorities should give it a helping hand, so that it can resume its onward march. Several EC countries have taken steps in this direction in the last few months. The Commission has decided to make its own contribution and to show clearly its confidence in the future of the ECU.

FISHERIES: The conservation of fish stocks receives priority

A European Community policy is reformed for 10 years.

Before the new year rejoicings began, EC ministers celebrated the 10th anniversary of the common fisheries policy ... by deciding to relaunch it. Priority is being given to the conservation of fish stocks, which are declining, like all natural resources, partly because of overfishing by European fishermen in recent years, occasionally by making a mockery of Community rules.

Faced with the sharp fall in fish stocks in numerous waters frequented by European fishermen, the EC's fisheries ministers have made the "responsible and sustainable" exploitation of marine resources the goal of their new common fisheries policy. They have set out the principles of the new policy, which officially came into force on January 1. But they must still work out the details of its implementation.

Thus the Twelve will introduce, before 1 January 1995, a system of fishing licenses, which will determine who is authorized to fish what. They will also have to adopt a Community control system, aimed at making sure - at last - that the rules are respected. The Twelve will also have to set precise objectives, both for the conservation of marine resources - before 1 January 1994 - and the reorganization of the fisheries sector, involving a reduction in the number of fishing boats in relation to the limited number of fish that can be taken. EC ministers will continue to set the total authorized catches, or TAC, through country quotas.

The Twelve have demonstrated their determination to defend certain principles; it remains to be seen how they will go about ensuring that these principles are respected.

VAT: Simplifying the common VAT system

Fewer administrative formalities, especially for SMEs.

You don't do away with checks at the European Community's internal frontiers, only to hoodwink businesses, especially the smallest ones, with a lot of paperwork. In order to simplify as much as possible the VAT system applicable to cross-border activities of European companies since 1 January 1993, EC ministers made a number of changes to it last December.

As a result, the owner of a small restaurant in Brussels, for example, who buys wine from a wholesaler in the French town of Lille, or his colleague in Dover, who picks up a few bottles in Calais, need not register for VAT if the scale of their activity otherwise remains below the point at which VAT is required. To put it in more general terms, all small and medium-sized enterprises (SMEs) benefit from this simplification, as do all bodies - notably hospitals - which are not registered for VAT and which buy products subject to excise duty - alcoholic beverages, tobacco and petrol - in another EC country.

The new rules adopted by the Twelve also simplify transactions involving more than two companies located in different Member States. Thus the tax authorities now regard the case of, say, a Belgian company which occasionally buys machinery in Germany for delivery to a French company, as involving just one sale, rather than two; VAT is paid only by the French company, in France, and the Belgian company finds it does not have to carry out certain formalities. This simplification should have a considerable impact, given that the number of cross-border operations involving three or four companies is growing.

Finally, eight Community countries - Britain, Denmark, Germany, Ireland, Italy, Luxembourg, the Netherlands and Spain - have been authorized by the EC Council of Ministers to simplify the VAT statements which are submitted by SMEs with a turnover of less than ECU 200,000 a year from sales to customers in other EC countries. These businesses will be allowed to submit their recapitulative statements, of goods or services supplied to other EC countries, every six months or once a year, depending on the country, instead of each quarter.

COURT OF JUSTICE: A ban on Sunday trading ...

... is not contrary to the European Community treaties.

Never on a Sunday. The title of the film which brought stardom to Melina Mercouri still applies to many countries - and precisely to the ban on Sunday trading, even if the trade in question is very different from the one evoked in the work of Jules Dassin. Thus in some EC countries you can do your shopping on the day traditionally set aside for rest, while in others it is against the law. This is the case as regards the United Kingdom, where Articles 47 and 59 of the 1959 Shops Act require shops to remain closed on Sunday, with certain derogations as regards tobacco, newspapers, alcoholic beverages, some foodstuffs and other articles of everyday use.

But things do not always go smoothly. Thus the dispute between the municipalities of Stoke-on-Trent and Norwich, on the one hand and, on the other, the firm B&Q Plc, charged with having contravened the Shops Act, ended up in the EC Court of Justice in Luxembourg, having been referred to it by the House of Lords, for a ruling on how to interpret the two judgments the Court had handed down in 1989 and 1991 on the same subject.

The fact is that this was not the first time the Court was being asked to rule on an issue involving important economic interests. The previous case had to do with the French chain of shops, Conforama Marchandise.

B&Q Plc stressed the restrictive effects on intra-EC trade resulting from certain national laws. But the Court once again rejected this argument. It held that the aim of the various laws requiring shops to remain closed on Sunday was not to regulate trade. While it was a fact that such regulations can have a negative effect on the volume of sales of some shops, the effect was not limited to imported goods but included those produced locally. What is more, the goal sought by such laws was entirely compatible with Community law because these restrictions "constitute the expression of certain choices stemming from distinctive national or regional socio-cultural characteristics."

"Closed on Sundays" and the Treaty of Rome can therefore live in harmony.

FREE MOVEMENT: Soft wheat gets the green light

Italy agrees to imports of pasta made from soft wheat, after two rulings of the Court of Justice.

Hereafter Italians also will be able to savour pasta made from soft wheat, or a blend of soft and hard wheat, legally manufactured and marketed in other countries. Law N° 580 of 4 July 1967, which banned its import, was declared incompatible with the rules of the European Community treaty regarding the free movement of goods by the EC Court of Justice, in two rulings handed down in July 1988 and June 1989.

Whether Italians will rush to buy this imported pasta remains to be seen. The Germans, after all, did not rush to buy beers which did not meet their country's purity laws, following a similar Court ruling, which held the ban on the import of such beers to be illegal.

In any case, for the European Commission and for the Court which has followed it in these matters, the important thing is to remove obstacles to the free movement of goods. The Commission therefore congratulated itself on a decision which takes account of this principle and which, above all, is a testimony to the spirit of cooperation between the Member States and Community institutions.

SINGLE MARKET: A committee to settle the problems ...

... which arise when borders are not as open as they should be.

Since January 1 checks on goods are no longer carried out in principle at the EC's internal borders, regardless of whether they belong to private individuals or firms. As for checks on people themselves, they should disappear during the course of the year, in any case as regards the countries of the Schengen group - the Twelve without Britain, Ireland and Denmark. But when such major changes are involved, a gap is always possible between theory and practice. The European Commission therefore set up in December a coordination committee, whose task is to settle quickly all the practical problems which can arise at the borders.

The committee, described as a crisis cell, includes representatives of each of the 12 EC countries and of the Commission, which is in the chair. It is likely to prove especially useful in those areas in which the Twelve have not yet harmonized their legislation, either because of delays in adopting "European laws" or because of a Commission decision to avoid an excess of regulations.

CARS: A 35% drop in pollution by 1996?

European Commission proposes new standards for exhaust emissions.

It was a near thing for the European Community as regards air pollution by motor vehicles. The EC standards in force since the end of December seek to reduce air pollution from exhaust emissions by 85 to 90% in relation to the situation in 1970. But given the continued rise in the number of vehicles on the road, each vehicle must pollute even less if the level of air pollution is to remain stable, and even fall. The European Commission therefore proposed to the Twelve last month a measure aimed at reducing by 35% on average the maximum authorized level of exhaust emission pollutants. It would apply from 1 January 1996 to all new models of cars and from 1 January 1997 to all new cars sold in the EC. As for the additional cost to consumers, the Commission is of the view that it will be within limits, given that manufacturers will be able to write off their investments in the context of the single market.

AIR TRAVEL: Lower fares ...

... are in the offing.

1 January 1993. The liberalization of air travel starts to become a reality. The German airline, Lufthansa, offers conditionally fare reductions of up to 50% on certain flights and tickets. In the resulting turmoil, some airlines, such as the Dutch KLM, follow suit; others, such as Alitalia, express concern at the situation, while yet others, such as Air France, talk of a suicidal price war. There is a cry of alarm from those in the business who, although an interested party, nevertheless have a case to make.

To begin with, the necessary infrastructure is simply not there: airports are overcrowded and the system of air traffic control must be improved. There are 51 centres, equipped with 22 different systems and 33 different computer languages. Because of inadequate coordination some 54,000 hours are lost each year in delayed flights within the European Community. In addition, the European network does not have the capacity needed to widen competition and allow fares to be cut drastically, as has happened in the United States, where normal fares have been reduced by one-third following liberalization in 1978. Finally, the liberalization process will not have been completed in Europe until 1998.

Never mind; the fact is that prices were already tumbling. Here, too, those responsible for civil aviation in Europe are renewing their warnings: the outcome of the battle now being fought could be the emergence of a small number of very big airlines. The fact is the smaller airlines will find it difficult to stand up to the first wave of liberalization. The end result could be not just a limited number of airlines but a monopoly situation, with higher air fares, according to these insiders.

European consumers meanwhile are in seventh heaven.

SINGLE MARKET: Gambling

Not fit for harmonization, according to the European Commission.

Viewed as an economic sector, gambling is of considerable importance in the European Community. And while Community law applies to it, the completion of the single market does not require legislative intervention, according to the European Commission, which has just completed its enquiry into the gambling sector. It has therefore decided it will not be taking the initiative in harmonizing national legislation in the matter.

Cross-border activity and interest in establishment in different Member States remain relatively limited. Even when gambling crosses national borders, it would be enough to apply the principle of mutual recognition between existing national legal regimes.

The existing laws on gambling reflect such underlying considerations as the need to prevent criminal activity and money laundering; the avoidance of fraud, controlling the urge to gamble and the social value of allocating a proportion of gambling proceeds to specific causes, such as sports, charities and cultural activities.

Such matters should remain in the hands of the Member States. However, in the eventuality of markets opening up on a global scale, and faced with new and unforeseen trends, the European Commission could be led to review its stand.