target 92

COMMISSION OF THE EUROPEAN COMMUNITIES
Directorate-General Information, Communication and Culture

Monthly newsletter on the single internal market

Up-to-date information, thanks to the 'Info 92' databank

1989: A successful year for the 1992 project

by Martin Bangemann, Vice-President of the European Commission, responsible for the internal market

1989 was a revolutionary year for Europe, with the restoration of the European traditions of liberty and democracy to the continent as a whole. True, public opinion is more interested, for the moment, in the upheavals in central and eastern Europe than the completion of the single European market. But there has been no slowdown in the integration process; in other words, 1989 was a successful year for the single market also. There was considerable progress towards the 1992 target — the single European market.

Of the 279 measures contained in the single market programme, the EC Council of Ministers had definitively adopted 142 — more than half the total — by the end of 1989. It had partially adopted another 10 and was able to reach a common position as regards another six. This means that nearly 60 % of the single market measures have survived the Council.

The European Commission has almost completed its share of the work; before the end of last year it had tabled 261 proposals in the Council. Only 18 have been held up, for technical reasons in most cases. The Commission in fact will have completed its task by the first half of this year at the latest.

The single market is therefore beginning to take shape, even though the translation of the various Community directives into national legislation is not entirely satisfactory. Of the 88 measures which should have come into force before the end of 1989, only 18 had been embodied into national legislation in all the Member States by mid-November 1989. The Commission drew attention to this alarming situation at a very early date — and to some effect. The Member States have recognized since then the need to quickly translate Community directives into national law and have adapted themselves to a new rhythm of Community decision-making. This was urgently needed, given that under the single market programme another 28 pieces of legislation must come into force this year.

The Commission provides up-to-date information on this point through its databank 'Info 92' (telephone: Brussels 235 00 01 or 235 00 03. Cost ECU 10 or UK £ 7.43 or IR £ 7.70 at current rates). This means that every interested person can easily keep abreast of progress towards the single market in the various Member States. The targets set by the Community directives are valid even when they have not been written into national law on time. And when this process leaves national authorities very little room for manoeuvre, as in the technical harmonization, for example, companies which have doubts can directly invoke these targets.

The single market is thus becoming a fact of life. The more quickly national parliaments adopt the new European legal framework, the more time will their nationals and businesses have to adapt to the single market — as they must. The fact is that 1992 will materialize in any case. And it will be more than a new date on the calendar.

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FEBRUARY 1990

Decisions

■ European vetting of mergers

From 21 September 1990 the European Commission will have the power to authorize or block business concentrations, involving mergers or acquisitions, which are on a European scale — in other words, those which relate to companies with a combined, world-wide turnover of at least ECU 5 000 million (ECU 1 = UK £ 0.74 or IR £ 0.77). In addition, at least two of these companies must each have a minimum turnover within the EC itself of ECU 250 million. Finally, no more than two-thirds of the turnover within the Community can be from activities in a single Member State. Mergers which do not meet these criteria will be handled by national authorities, which could, however, ask the Community to intervene. This possibility is likely to be of particular interest to Member States which do not have their own merger control systems. This, in broad outline, is the 'European legislation' adopted by the EC Council of Ministers on 21 December 1989 — after 16 years of discussions. Its aim is to guarantee free competition at the Community level, at a time when the moves towards a single market have prompted numerous companies to regroup themselves into larger units. The European Commission expects to examine some 50 mergers a year. It will have wide enquiry powers and will be able to impose fines.

Creeping towards VAT harmonization

The Twelve will eliminate the main economic justification for border checks, in time for the completion of the single market, if they hold to the commitments they made on 18 December 1989. On that date the Community's Finance Ministers undertook to avoid increasing the divergences between their normal VAT rates and the 14 to 20 % range proposed by the European Commission. In addition, they plan to seek agreement before 31 December 1991 on: (1) a range of rates or, possibly, a minimum rate applicable within the limits proposed by the Commission for the normal rate; and (2) a common definition of essential goods and services meeting a social or cultural policy objective, which will enjoy reduced rates. Ministers will also set these rates and decide on the products which will continue to be zero-rated. These measures would apply from 1 January 1993. Even so, on a key point — the elimination of duty-free allowances for individuals — there is no agreement among the Twelve. Unanimity is needed, and it is being blocked by a Danish reservation. The European Commission has already let it be known that it will not agree to any global compromise among the Twelve which does not cover this point.

■ Erasmus expands

With its budget more than doubled, the programme of inter-university exchanges known as Erasmus will begin its second phase at the start of the 1990/91 academic year. The Community's Education Ministers gave Erasmus II the green light on 14 December 1989, when they also approved a series of improvements, to take effect from the 1991/92 academic year. As a result, up to 3 % of European Community students will be able to study in another Member State and have such study periods count towards their diploma or degree. They will also be able to improve their knowledge of the language of the host country before starting their studies. At the same time students from countries that are on the Community's fringes and are poorer will be entitled to greater benefits from the Erasmus programme. Finally, students engaged in doctoral studies will no longer be excluded from the programme. During the 1989/90 academic year Erasmus should enable some 25 000 students and 8 000 teachers to spend time in another Community country.

■ The single market for banks is ready

Banks located in any European Community country will be able to propose their services throughout the 1992 single market, all the necessary pieces of 'European legislation' having been adopted in definitive form. This should mean fresh opportunities for banks — and for other sectors as well, given that financial services have a catalytic effect on the entire economy, as was pointed out by Sir Leon Brittan, the European Commissioner responsible for financial institutions. The basic text — the second banking directive, adopted by the EC Council of Ministers on 15 December 1989 — allows banks to operate throughout the Community on the basis of a single European authorization. The Ministers also adopted a directive regarding bank solvency on 18 December 1989, a third directive having been adopted on 17 April 1989.

■ An end to veterinary checks at the borders

Veterinary checks on meat and other animal products at the European Community's internal borders will have been abolished by 1 January 1992 at the latest and replaced by checks at the place of dispatch. A decision to this effect was taken by the Community's Agricultural Ministers on 11 December 1989. Customs officials will be able to continue checking on the origin of these products by examining the accompanying documents until 31 December 1992. This decision advances the 1992 programme in a sector which has been slow to implement it so far. As for checks on live animals, the Twelve must first reach agreement on the rules for combating certain diseases.

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■ In the 1992 single market **telecommunications services will acquire a European dimension** (with the exception of the ordinary telephone): the EC Council of Ministers adopted on 21 December 1989 a 'law' harmonizing the conditions of access to public telecom networks and services and their use.

■ Inventors throughout the European Community will be able to seek a **Community patent** as soon as the 12 national parliaments have ratified an agreement reached on 15 December 1989 between the Community's Member States. The agreement resolves the outstanding problems in a file opened more than 15 years ago.

■ On 21 and 22 December 1989 the EC Internal Market Council adopted definitively a series of 'European laws', following a first agreement (see our previous issues) and examination by the European Parliament. The texts in question:

I. offer companies whose bids were rejected **an effective right of appeal in the event that Community rules governing public procurement were not followed;**

II. allow national hauliers to engage in **cabotage** (provide a domestic service in another EC country);

III. reduce **internal border checks** on transport by road and inland waterways;

IV. provide the same training for all drivers of **vehicles carrying hazardous goods;**

V. provide for the approximation of national **technical legislation** regarding farm tractors, gas burning appliances, non-automatic weighing instruments, personal protective equipment and certain hazardous substances.

■ The EC Council of Ministers reached agreement on 21 and 22 December 1989, pending an examination by the European Parliament, on:

I. three pieces of Community legislation granting the **right of residence,** throughout the EC, to European students, pensioners and those of independent means, as from 30 June 1992, with the proviso that they had sufficient income not to become a charge on the social services of the host country;

II. a 'law' allowing residents of the 12-nation Community to **take out life insurance in any of the Member States;**

III. a decision establishing Community procedures for the issue of certificates of **technical conformity of products;**

IV. a 'law' providing common rules for the **protection of those taking package holidays;**

IV. a law creating a **single market for pacemakers** and other electromedical appliances.

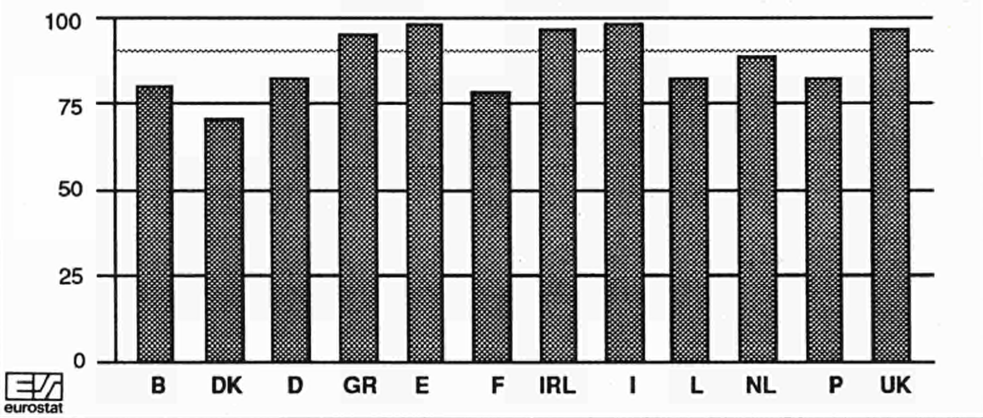
eurostat

Key figures

Statistical Office of the European Communities, L-2920 Luxembourg, Tel. 4301-4567

Agricultural structures

Number of holdings, 1980-87
(1980 = 100)



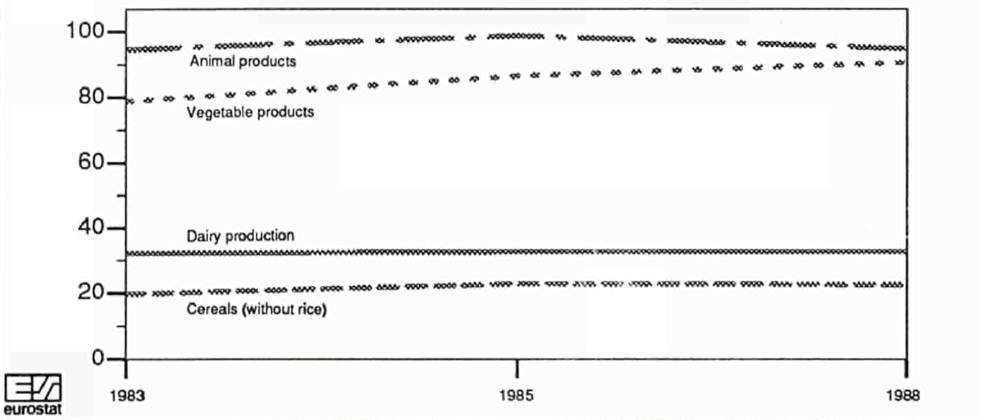
European agriculture has undergone profound changes, with a reduction of approximately 15% in the number of holdings between 1970 and 1987.

The utilized agricultural area (UAA) of the holdings varies from one Member State to another. The general tendency is towards an increase in the average size, due in particular to the drop in the number of operators.

	EUR 12	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
Number of holdings (1 000)	8 644.4	92.6	86.9	705.0	953.3	1 791.6	981.8	216.9	2 784.1	4.2	132.0	635.5	260.1
Average UAA (ha), 1987	13.4	14.8	32.2	16.8	4.0	13.8	28.6	22.7	5.6	30.2	15.3	5.2	64.4
Percentage of farmers in the gainfully-employed population, 1987	8.0	2.8	6.5	5.2	7.0	15.1	7.1	15.4	10.5	3.7	4.7	22.2	2.4
Agriculture as a percentage of gross value added, 1986	3.4	2.3	5.3	1.8	16.9	5.3	3.9	9.5	4.4	2.3	4.6	8.1	1.4

The common agricultural policy

Structure of agricultural production in the Community
(1 000 million ECU at current prices)



(1 000 million ECU)	1983	1985	1988
Total production	173.6	185.3	185.7
Vegetable products	78.7	86.3	90.5
of which cereals (without rice)	19.6	22.8	22.5
Animal products	94.4	98.6	94.6
of which milk	32.2	32.6	32.6

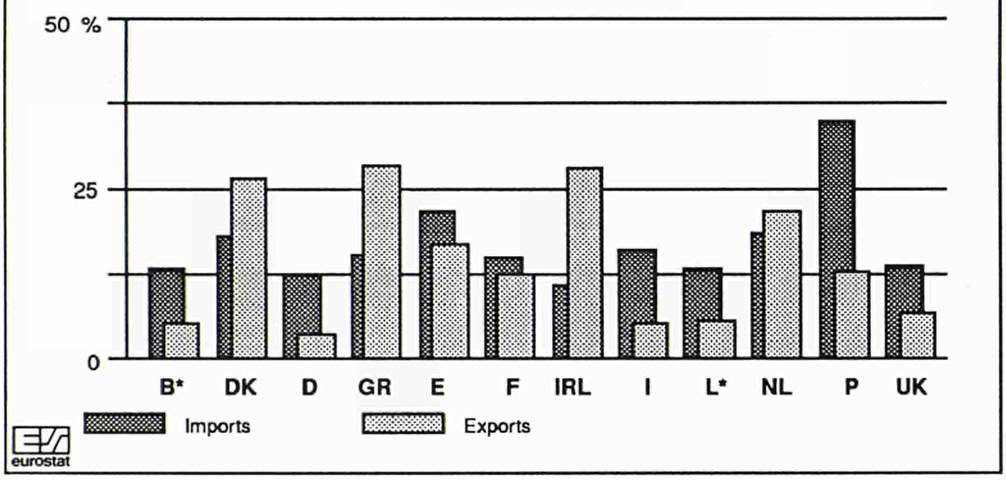
In 1984 vigorous measures were taken under the common agricultural policy (milk quotas, freeze on guaranteed prices, reduction in number of bovine animals, etc.).

This reform, which was aimed at adjusting supply and demand, has borne fruit since 1985 with the stabilizing of overall production and sectoral restructuring.

Thus the slump in animal production is a consequence of the reduction in the number of bovine animals and the movements of pig prices.

Agricultural trade

Agricultural products as a percentage of total imports and exports – 1987
(*=BLEU)



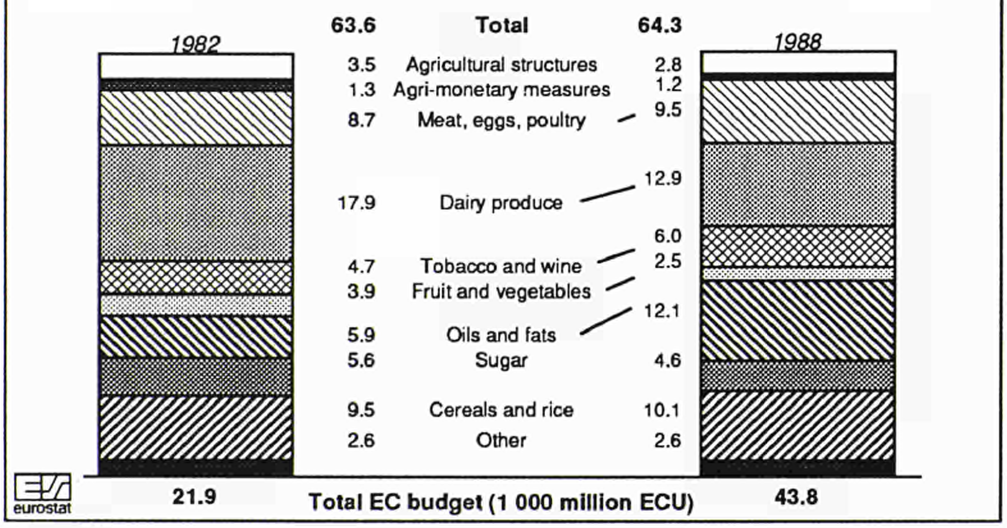
Ireland imports least agricultural produce, but on the other hand is heavily dependent on its exports of agricultural products. In Portugal the situation is the reverse, and there is a trade deficit in these products.

Overall, the Community has a trade deficit. Only Denmark and Ireland have a trade surplus.

	EUR 12	B*	DK	D	GR	E	F	IRL	I	L*	NL	P	UK
Imports (%)	15.0	13.3	18.0	12.3	15.2	21.2	15.0	10.6	16.1	13.3	18.5	30.5	13.4
Exports (%)	8.4	5.3	26.5	3.4	28.6	16.9	12.4	27.8	5.4	5.3	21.5	12.9	6.4
External trade balance for agricultural products (1 000 million ECU)	– 22.4	– 1.7	1.2	– 6.9	– 0.1	– 1.7	– 0.9	0.6	– 5.2	– 1.7	– 1.6	– 1.0	– 5.0

The CAP and Community finances

Structure of agricultural expenditure (EAGGF) as a percentage of the general budget



Agricultural expenditure is a major item in the budget. However, agriculture in Europe costs less than in the United States or Canada.

Since 1982 amendments have followed reforms of the CAP, bringing a reduction in costs for dairy produce, and an increase in costs for oils.

The EAGGF (European Agricultural Guidance and Guarantee Fund) is responsible for managing the common agricultural policy (CAP).

Initiatives

● A monetary year off to a good start

1990 has begun under favourable auspices for a monetary Europe. The first stage of the European Community's economic and monetary union will start on 1 July, while representatives of the 12 Member States should meet before the end of the year, as their leaders agreed at their Strasbourg Summit last December. Their aim: to modify the Treaty of Rome in order to pave the way for the realization of the two last stages of economic and monetary union and the creation of a European central bank and a common currency. The Twelve, however, must first carry out the complete liberalization of capital movements, also set for 1 July 1990, between eight Community countries (the Twelve less Greece, Ireland, Portugal and Spain). Action to this end was needed in only France and Italy. France eliminated exchange controls on 1 January — six months ahead of time — while Italy announced on 5 January that its currency, the lira, would participate in the European Monetary System (EMS) on the same terms as the other major currencies: within the narrower 2.25 % fluctuation margins instead of the 6 % margins which both the lira and peseta have been allowed as an exceptional measure. The governors of the Community's central banks (Bank of England, Bank of Ireland, etc.) elected their new president on 12 December 1989 for a three-year term rather than the usual one-year term. The new President, Karl-Otto Poehl, who is head of the German Bundesbank, claimed this change 'expresses the intention to make the committee (of governors) a sort of precursor of a future system of European central banks'. The only discordant note was sounded by the European Parliament, which refused last December to set out its views on the European regulations needed for the first stage of economic and monetary union, and already approved by the EC Council of Ministers.

BRIEFLY

• Thirty of the coaches of the international-style TGV, or **high-speed trains,** will be using the Channel Tunnel in 1993. The contract for their manufacture was signed in Brussels on 18 December by the presidents of the British, French and Belgian railways and the heads of industrial groups from these same three countries, who will carry out the work in the framework of the TransManche Super Train Group consortium.

• All those interested in the **spread of high-definition television** (HDTV) in the 12-nation European Community decided in Brussels on 6 December to set up a 'European economic interest grouping' to this end. The European Commission provided the inspiration for the grouping, which will bring together equipment manufacturers, programme producers, television companies and the national PTTs.

• A **second stock exchange** should open its doors in **Greece** at the end of January. It will be reserved for companies that are too small to be listed on the Athens stock exchange. The Greek Government adopted the necessary measure on 15 December 1989. It will encourage SMEs, even while allowing the Athens stock exchange to return to the practices of stock exchanges in the other European Community countries.

• A '1992 bus', which left Lisbon on 14 December 1989, will travel the length and breadth of Portugal, spreading information on the single market. The venture was launched by the European Commission's Lisbon office.

Seen from abroad

▶ Eastern Europe looks to the Twelve

There is growing interest in Eastern Europe for the European Community. When the 24 Western nations providing aid to Poland and Hungary met in Brussels on 13 December to coordinate their efforts, Poland's Minister for Foreign Affairs, Krzysztof Skubiszewski, declared that the investments in Poland and other East European countries 'contribute to the building of a united and economically integrated Europe'. He added that his country desired a telecommunications system which met European technical standards. His Hungarian colleague, Gyula Horn, announced during the same meeting that his country was undertaking the task of adapting its taxes and customs tariffs to the European system, and that it intended aligning its technical standards and accounting methods on those of the Community. It was revealed on 3 January that the governments of Czechoslovakia, Romania and Bulgaria had invited Commission Vice-President Frans Andriessen to visit their respective countries — which he did in mid-January. The Czech Government, for its part, had written to President Delors before Christmas, asking that the scope of the 1988 trade agreement with the Community be widened. As for Romania, the only East European country which, along with Albania, did not maintain diplomatic relations with the EC, it let it be known on 8 January that it wished to remedy this state of affairs. At the same time the Deputy Secretary of Comecon ('the East European common market'), Bulgaria's Parin Petrov, took the view, in an interview published on 8 January in a Bulgarian newspaper, that Comecon could benefit 'from the EEC's experience' in carrying out the process of reform begun during the meeting in Sofia on 9 and 10 January. The Soviet Union was not to be outdone. During the signature in Brussels on 18 December 1989 of the agreement on trade and economic and commercial cooperation between the USSR and the EC, the Soviet Foreign Minister, Edouard Chevardnadze, came out in favour of the creation of a single economic space, covering the European Community, Comecon and the European Free Trade Association (EFTA). He felt that the scale and depth of the integration within the Community, as well as the far-reaching reorganization of the Soviet economy, favour a rapprochement and greater complementarity between the economies of the Twelve, on the one hand, and the Soviet Union on the other.

En route for the European economic space

The 12-nation European Community and the six members of the European Free Trade Association (EFTA — Austria, Finland, Iceland, Norway, Sweden and Switzerland) are working together since the beginning of this year to create a European economic space. During a meeting in Brussels on 19 December 1989 their Foreign Affairs Ministers set themselves the goal of extending as far as possible to EFTA the European Community's 'four freedoms' (the free movement of goods, persons, services and capital). They also undertook to stimulate environmental and educational cooperation between their two regional groupings. The two bodies also signed an agreement which provides for the systematic exchange of information in the field of technical regulations, so as to avoid creating technical barriers to their trade with each other. A similar system already exists among the Twelve. The agreement will come into force on 1 July 1990.

SMEs

The social economy and the single market

During the meeting of the Internal Market Council on 21 December 1989, Antonio Cardoso e Cunha, the European Commissioner responsible for the social economy, presented the ministers with a European Commission report on 'social enterprises and the achievement of the single European market'. The European Community needs a framework within which it can take action aimed at ensuring that such enterprises — cooperatives, mutual benefit societies and associations — have access to the single market on the same terms as other enterprises.

The existence of these enterprises has long been recognized by the Community, a fact underscored by the Commission. As small and medium-sized enterprises (SMEs), they can take advantage of the totality of measures introduced by the Commission in the context of its policy in support of companies or the development of certain sectors: finance, services to business, research and development, agricultural development, businesss information, vocational training, etc.

The Commission has also pointed out that the integration of these enterprises in economic life, at the Community level, is the direct result of the terms of the Treaty establishing principles of non-discrimination as regards freedom of establishment and the provision of services. This integration is made easier by the various instruments designed to improve cooperation between European enterprises, especially the European economic interest grouping (EEIG). Better use must be made in fact of the opportunities they offer cooperatives, mutual assistance and similar associations.

The European Commission will look into instruments which allow mergers and the establishment of holding companies and joint subsidiaries in the case of enterprises which are not limited liability companies and are not covered, therefore, by the proposed European company statutes.

The Commission will send the Twelve a work programme along these lines this year.

The directive on the single-person company is adopted

The limited liability of the sole associate in a single-person company will shortly be recognized. The internal market Council of 21 and 22 December 1989 unanimously adopted the 12th company law directive regarding single-person limited liability companies. The directive's aim is to encourage the creation of small and medium-sized enterprises by introducing, at the Community level, the single-person limited liability company or the single-person enterprise with limited liability.

Sprint: SMEs and industrial creativity

It is important for Europe's industrial success to stimulate the capacity for creation and innovation of small and medium-sized enterprises (SMEs). The European Commission has decided to give its backing, within the context of the Community's Sprint[1] programme, to a competition which will reward the most creative SMEs in the EC. Organized in close collaboration with several European design centres, the competition is aimed at demonstrating that creativity is financially profitable. Fifty SMEs have been chosen, from all 12 Community countries, for the 1990 European Community Design Award. Most of them have called on leading European designers to innovate in the fields of production, communication or the environment. The creations of the award-winning SMEs will be displayed in a travelling exhibition in the Community this year.

[1] Strategic programme for innovation and technology transfer.

State aid: rules for SMEs simplified

The European Commission has introduced more flexible criteria for the grant of State aid which has only a minor impact on intra-Community trade and competition and which is properly approved by the Commission. The Commission (Decision of 21 December 1989) will not oppose in principle aid projects of a minor nature, under Article 93 (3) of the EEC Treaty, if the enterprises in question do not employ more than 150 workers (as against 100 previously) and have a turnover which does not exceed ECU 15 million (ECU 10 million previously). This first criterion must be met, together with at least one of the following:

I. the level of aid does not exceed 7.5 %;

II. the aid is aimed at creating jobs and does not exceed ECU 3 000 per job created;

III. in the absence of a specific investment or the objective of job creation, the total volume of aid that a beneficiary can receive is not in excess of ECU 200 000.

This aid can be granted on a national, regional or local basis. Aid designed to promote exports to other Member States or operational assistance is excluded from this procedure. Finally, these rules do not apply either to industrial sectors covered by specific Community regulations (steel, shipbuilding, man-made fibres and motor industry) or to agriculture and transport.

Esprit: SMEs are taking part

The European Commission gave the green light at the end of December 1989, to 23 new research and development projects in the field of microelectronics and peripheral technologies. The total amount comes to ECU 212 million. SMEs are taking part in 14 of the 23 projects. Of the ECU 212 million, 50 % will be financed by the European Commission, 20 % of which will go directly to the SMEs taking part.

Rechar: redevelopment of coal-mining areas into technology centres

Following the decisions taken last November regarding initiatives of Community interest in the regional policy framework, the European Commission launched on 18 December 1989 the Rechar programme, aimed at strengthening the measures in favour of the economic and social redevelopment of the Community's coal-mining areas.

Rechar covers the regions of Objective 1 (regions that have fallen behind economically), Objectives 2 (industrial decline) and 5b (rural areas) which have experienced significant job losses in the coal industry. Small coal-mining areas which are not covered by the European Regional Development Fund might be included. The types of projects that could be financed will include those which aim at creating new economic activities (creation of SMEs, the redevelopment of industrial buildings, etc.) and at improving the physical and social environment (creation of green belts, improved housing, etc.).

The Member States now have six months in which to submit projects for which they are seeking financial support.

Commission of the European Communities

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