



Subsidiarity: a principle which is more timely than ever

The Community must not undertake everything

In a year marked by the final preparations for the single market, the ratification of the Treaty of Maastricht and the debate on the Community's financial resources for the post-1992 period, the European Commission is receiving two contradictory signals: it is being accused by some of wanting to have a finger in every pie, while others — they are sometimes the same — want it to intervene in areas in which its powers currently are either limited or non-existent.

One must be clear. The Community cannot and must not undertake everything. The Treaty on European Union, adopted at Maastricht, is clear on this point: 'In areas which do not fall within its exclusive competence, the Community shall take action only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States and can therefore, by reason of the scale or effects of the proposed action, be better achieved by the Community.' This is the principle of subsidiarity.

It guarantees democracy Strict adherence to this principle represents a guarantee for democracy. It fits into the logic of federalism. Besides, as Commission President Jacques Delors recently reminded the European Parliament, it implies a clear division of competence, leaving no grey areas between the subjects allocated to the Community and those reserved to the Member States. This is important, given that such grey areas tend to be infiltrated by the much criticized technocracy. What is more, once properly understood subsidiarity enables citizens to know whether a matter lies within the competence of the Community — or their own national or regional authorities.

Some areas will continue to be regulated, for practical purposes, at the national or regional level. This is particularly true of social security, education and health. A certain coordination at Community level cannot be excluded: the 'Europe against cancer' programme is an example of this. It is a good example of subsidiarity, in fact. What is more, it will doubtless be necessary to return some areas of competence to the Member States. Even while calling for the necessary confidence between our countries, it should be possible to allow a good deal of room for the mutual recognition of national measures. The Community has done just this since 1985 in order to establish the numerous technical standards needed for the completion of the single market. Conversely, it is the very absence of confidence between Member States which has forced the Commission to intervene.

But subsidiarity requires a particular discipline of everyone: neither the Commission, nor the Member States, must seek to extend their powers at the expense of the effectiveness of the action to be undertaken. One must respect the distribution of competences: neither over-regulate at the Community level nor invoke subsidiarity in order to avoid the implementation of decisions taken by the Community.

A limit on bureaucracy Subsidiarity also translates into a limit on the size of the Community bureaucracy, on the one hand, and the Community's resources on the other. It is worth pointing out in this connection that the Commission has proposed for 1997, in the Delors II package, a ceiling on Community expenditure which amounts to only 3 % of total public expenditure by the Twelve — including expenditure on social security. In other words, in the Union sought by the Council at Maastricht, each Member State will remain master of 97 % of its public income and expenditure.

Subsidiarity cannot be reduced to relations between the Community and its Member States. The regions, too, have an important role to play, particularly as regards the use of the structural aid proposed under the Delors II package. Trade unions and employers also must enjoy an adequate measure of freedom: there are limits to what can be achieved through legislation. The agreement among 11 of the EC Member States, reached at Maastricht, takes this into account: it gives trade unions and employers the possibility of taking measures on their own or implementing Community measures themselves.

Increased competitiveness Finally, we must not forget that subsidiarity also applies to the distinction to be made between the public and private domains. This means that companies have their responsibilities, which neither the Community nor Member States can exercise in their place. But here too, subsidiarity must not become an excuse for not acting at the Community level. If European companies are to become more competitive, action is needed at the Community level in areas such as research and technology, training and retraining and the development of transport and similar networks. These actions, which are proposed in the Delors II package, will have to be undertaken in cooperation with interested companies and in response to their needs. To use President Delors' words, subsidiarity implies at one and the same time 'the right of each to exercise his responsibilities where he can best carry them out' and the right of the public authorities to give to each the means fully to realize himself.

DECISIONS

■ Civil servants in EC exchange programme

Between 1993 and 1997 some 1 900 civil servants from the European Community countries will spend at least two months working in the national administration of another EC country. EC ministers approved on 14 May an action plan for the exchange of those national officials who have the task of enforcing the Community's single market legislation. The action plan, which now awaits examination by the European Parliament, is modelled on the Matthaueus programme, adopted last year and aimed at customs officials (see *Target 92*, No 8/91). The objective is to ensure a coherent application of 'European laws' even while creating mutual confidence among the EC's national administrations. The cost of this new exchange programme will be shared between the Community budget — for an amount of ECU 17.3 million (ECU 1 = UKL 0.70 or IRL 0.77) and the 12 national budgets.

■ A Community customs code

The 30-odd 'European laws' regulating the Community's trade with other countries will be brought together in a single document, *The Community customs code*, available from 1 January 1994. The new code, which was approved by EC ministers on 14 May, but must still come before the European Parliament, is an improvement on existing legislation. It thus provides that EC companies which export to non-EC countries will carry out customs formalities at the nearest customs post. This will enable companies to take greater advantage of the possibility, offered them by the single market, of choosing the point at which their goods exit from the Community. In addition, the new code gives companies the right to appeal against decisions of the customs authorities.

■ 'European' collective redundancies

Should a French or German firm, for example, decide to lay off 200 workers at its Belgian subsidiary after 1992, it will have to inform and consult their representatives in Belgium. EC ministers reached an agreement on 30 April on a directive ('European law') which extends existing Community rules to 'European' collective redundancies. At present, these rules apply only in cases where the redundancies are decided by the local employer. The new directive, which awaits definitive adoption, also provides for suitable procedures aimed at ensuring that workers can enforce their rights.

■ Border-free social security

Hereafter Europeans who have worked in two or more European Community countries will find it easier to calculate their pensions, thanks to a regulation ('European law') adopted by EC ministers on 30 April. In addition, the new law protects workers from over-stringent application of national provisions against overlapping. The Twelve adopted two other regulations at the same time. The first enables workers to receive non-contributory benefits acquired in another Member State in their country of residence. The second regulation modifies existing Community laws on social security in order to draw on the experience gained in their application and to adapt them to changes in national legislation.

■ Erasmus grants for 80 000 students

During the 1992/93 academic year some 80 000 European Community students will study in a country other than their own, thanks to grants financed by the EC under the Community programme, Erasmus. Such studies will count towards the award of the final diploma. Each of these students is registered in one of the 1 500 institutions of higher education taking part in the 2 135 inter-university cooperation programmes approved by the European Commission on 4 May. These programmes will also enable 6 700 language students to spend time in another EC country,

thanks to Lingua, another Community programme. Six per cent in all of Community students will benefit from these two programmes in 1992/93. During the same year 5 700 teachers will teach in another EC country than their own. Finally, for the first time EC students will be entitled to grants to study in the EFTA countries (Austria, Finland, Iceland, Liechtenstein, Norway, Sweden and Switzerland) — and vice versa.

□ BRIEFLY

Vegetable and fruit plants will enjoy free movement within the 12-nation European Community from 1 January 1993. EC ministers adopted on 29 April two directives harmonizing quality and plant health standards.

From 1 January 1993 the health and safety of workers in **mines and quarries** will be better protected. EC ministers adopted on 30 April a directive requiring employers to take certain safety and information measures. This law has still to go before the European Parliament.

From 1 July 1992 **tobacco in bags to be sucked** will be banned throughout the European Community, under a directive adopted by EC ministers on 15 May. This directive also extends to **tobacco products other than cigarettes** the obligation to carry warnings of the kind 'causes cancer' from 31 December 1993 at the latest (see *Target 92*, No 1/92).

Common principles for evaluating the risks from dangerous substances, the obligation to provide special tests in certain cases and certain other measures, adopted by EC ministers on 30 April, will strengthen the effectiveness of the directive on the **classification, packaging and labelling of dangerous substances** in the single market.

New oil and gas-fired boilers will have to meet the efficiency standards set out in the directive adopted by EC ministers on 21 May, if they are to be put on sale throughout the single market. Boilers which are particularly fuel efficient will be entitled to a quality label.

In the single market consumers will find it much easier to choose the most efficient **electrical household appliances**, thanks to a directive which requires that such appliances be labelled clearly to show energy consumption. The directive, approved by EC ministers on 21 May, now goes to the European Parliament for examination.

INITIATIVES

● VAT in 1993 — in 25 pages

On 1 January 1993 VAT will undergo a change in the European Community. It will no longer be levied at the EC's internal borders, in order that checks can be eliminated. A new temporary VAT system will apply until 31 December 1986. It will be simpler than the present system, for companies as well as individuals. In order to inform companies, national administrations and all interested. Europeans in time, the European Commission has published a *Guide to VAT in 1993*, subtitled 'The new VAT system in the frontier-free Community'. In some 25 pages the guide explains the new system, using concrete situations which may arise for this purpose. It is currently available in English, French and German; editions in the Community's six other official languages will follow shortly. The guide is available from the Commission's offices in the UK and Ireland: Jean Monnet House, 8 Storey's Gate, London SW1P 3AT, tel. (44 71) 973 1992; office in Northern Ireland: Windsor House, 9/15 Bedford Street, Belfast BT2 7EG, tel. (44 232) 24 07 08; office in Wales: 4 Cathedral Road, Cardiff CF1 9SG, tel. (44 222) 37 16 31; office in Scotland: 9 Alva Street, Edinburgh EH2 4PH, tel. (44 31) 225 20 58, office in Ireland: Jean Monnet Centre, 39 Molesworth Street, Dublin 2, tel. (353 1) 71 22 44.

● A plan for the single market's victims

More than 16 000 businesses and some 239 000 workers in the 12-nation European Community owe their livelihood to border checks and the formalities associated with them. These businesses have an annual turnover of ECU 5.6 billion, thanks to their activities at the Community's internal borders. They could shed more than 63 000 jobs on 1 January 1993, according to a study launched by the European Commission last year. The Commission

EUROPEAN UNION: WAYS AND MEANS

Questions and answers about the Treaty of Maastricht (II)

Parliament can require the Commission to come up with proposals. Does it also have an independent right of initiative?

The Commission retains the exclusive right of initiative, but Parliament will in future enjoy parallel rights to those which the Council has. By absolute majority vote, Parliament can request the Commission to submit appropriate proposals where it considers that Community measures are necessary. The Commission would have to put forward strong reasons if it wished to refuse.

What role does the Commission have in the co-decision procedure and what are the limits? Can co-decision be explained in simple terms?

Co-decision is perhaps best described as a series of blocks to legislation which can be imposed by the European Parliament, but with a new mechanism — conciliation — to open the possibility of a negotiated agreement at each stage. Blocking normally requires an absolute majority of Parliament's Members (260 votes). Parliament thus becomes a legislative partner with the Council, although it still feels that it is not an equal partner. The Commission's role in the early part of the co-decision process is similar to that of the co-operation procedure set up by the Single European Act which is currently used for single market decisions: Commission proposal, Parliament opinion, Council common position and Parliament second reading. If there is no agreement at the second-reading stage, the conciliation process begins.

The co-decision procedure will apply in the following sectors: measures relating to establishment of the single market; free circulation of workers; right of establishment; freedom to provide services; encouraging education exchange, etc.; encouraging cultural cooperation;¹ common health measures; consumer law; general guidelines for European networks; research;¹ general environmental questions.

Nomination of the Commission: does any procedure exist?

There will be prior consultation between governments and the Parliament before nomination of the Commission President. Parliament is then asked to give its formal approval of the Commission as a whole. If Parliament refuses to approve the college, the Council would be obliged to reconsider its nominations. The matter must be resolved by these two institutions. The five-year periods of office of Commission and Parliament will be co-terminous, but since the Commission term of office will begin six months after European elections, there should be ample time for Member States to sound out the new Parliament on possible candidates in advance of their nomination.

¹ Council must decide by unanimity.

The Ombudsmann: will this official be part of the European Parliament or operating independently?

The Ombudsman will be appointed by the European Parliament for its five-year term of office, but can be reappointed. He will be completely independent, taking instructions from no one, and can only be dismissed by the European Court of Justice. The task of the Ombudsman will be to investigate complaints from any citizen of the Union or a natural or legal person residing in a Member State concerning allegations of maladministration by any of the Community institutions except the European Court of Justice and the Court of First Instance. The mandate does not extend to legal matters. The official will be free to act on his own initiative, or on the basis of a complaint submitted direct or through a Member of the European Parliament. If the Ombudsman finds that maladministration has occurred, he tells the institution concerned, which has three months to respond. He then draws up a report for the institution and for the European Parliament.

Justice and home affairs: this again is an intergovernmental pillar in the Treaty on European Union. Which elements will be decided by qualified majority, which ones by unanimity?

Justice and home affairs remain an intergovernmental chapter of the Union Treaty, while immigration is dealt with under a twin-track approach, partly through the Treaty of Rome and partly under cooperation provisions in the new chapter. There is provision, though, for much of the intergovernmental work to pass through to the full Treaty arrangements under Article 100c if the Council agrees unanimously that it should. This provision is known as the *passerelle*. Asylum is a priority candidate for such a transfer. There are two significant developments: the switch of responsibility, even in the intergovernmental pillar, from an intergovernmental ministerial body to the Council of Ministers; and the new right given to the Commission in this field. For home affairs and justice issues, common positions and common action can be agreed by the Council which may decide that certain measures should be adopted by qualified majority. The Commission will have joint right of initiative with Member States except in criminal matters, and the Commission will be fully associated with the work under this chapter — a small but significant extension of competence. The European Parliament will be informed and consulted and its views 'duly taken into consideration'. The European Court of Justice will only have jurisdiction if conventions are agreed which stipulate a role of the Court.

How can the single market be a reality in 1993 if immigration — and thus the free movement of people — is subject to a third, intergovernmental pillar of the Treaty?

Failure to make progress on the free movement of people does threaten the single market programme. Governments of the

Member States will not accept completely free movement of Community citizens across internal frontiers until they are satisfied with the Union's policy for admitting people from non-Community countries.

The Commission wanted this whole area to be included within the Community system, but we ended up with a hybrid arrangement. The right to issue visas to third-country citizens becomes a Community competence; the Council will decide, on a proposal of the Commission, which third countries will require visas. Until 1 January 1996 this decision will be unanimous, thereafter it will be taken by qualified majority vote. The other aspects remain an intergovernmental responsibility.

One hopeful aspect is the provision that many of the areas such as immigration, drugs and international crime could be moved into the Community system through the *passerelle* by unanimous decision of the Council. The Council will consider this step in relation to asylum by the end of 1993.

What will be the task of 'Europol'?

The Maastricht Council agreed to create the European Police Office with the initial task of organizing exchange of information on narcotics at the level of the Member States. Member States have agreed to use Europol for the exchange of information and experience in various areas:

- support for national criminal and security investigations;
- creation of databases;
- analysis and assessment of information;
- analysis of national prevention programmes with a view to Europe-wide strategies;
- training, research, forensic and criminal records.

Europol will remain an intergovernmental set-up responsible to the Member States, but coordinated within the Council. The Commission is asked to collaborate in its establishment.

The Social Protocol agreed by 11 Member States: will the common Treaty rules and procedures apply? What will the UK do in practice during Council meetings?

All 12 Member States have agreed the protocol which allows 11 of them to use the Community institutions to make policy in the social field. The decision thus has full legal force. When proposals are presented under this protocol, the United Kingdom will not take part in the deliberations or decisions, so the qualified majority margin falls from 54 to 44 votes. Where measures are adopted, they will have the full force of law everywhere except the UK.

Which aspects of social policy or social dimension fall under which articles of the Treaty?

All proposals currently being discussed in the Council will continue to be negotiated at the level of 12 Member States, since the new protocol will not come into effect until the new Treaty is ratified. This covers measures such as working time, health and safety in industry, collective dismissals, social security, worker participation, profit-sharing, subcontracting, the European company and social security for migrant workers.

Once the new Treaty has been ratified, the Commission will have to decide between four different legal bases for new

legislation — with 12 Member States or with 11, and by unanimity or qualified majority.

The Agreement of the Eleven clarifies which legal base should be used. Working condition legislation (health and safety, information and consultation, equality at work) will be by qualified majority; social protection (social security, redundancy rights, representation, conditions of employment for third-country nationals) will require a unanimous decision by the 11 ministers. Pay, right of association, right to strike or impose lock-outs are specifically excluded from the social chapter.

Cohesion Fund: must all decisions on cohesion be by unanimous decision?

The decision to create a Cohesion Fund by the end of 1993 is enshrined in the new Treaty, with the purpose of contributing to projects in the fields of environment and transport infrastructure. A protocol allocates this money to Member States with a per capita GNP below 90 % of the Community average — Greece, Ireland, Portugal and Spain. A unanimous decision of the Council will be needed to set up the fund, with the assent of the European Parliament. The Treaty also requires that economic and social cohesion should be taken into account in drawing up Community policies and actions. The Commission is to submit a report every three years, proposing specific actions outside the Funds, which the Council can adopt by unanimity after consulting the European Parliament, which must vote in favour. Unanimity is also required for deciding objective, purpose and general rules for the structural Funds.

What will be the role of the regions? What is a region?

The new Treaty gives a role to the regions which is an innovation in Community affairs. It reflects the subsidiarity theme, with a three-tier structure of government and is a response to German demands. The new regional advisory body will provide a forum where the regional impact and needs of Community legislation can be assessed and advice provided for the Commission and the Council.

It will be for Member States to decide the appropriate regional or local authorities to be represented on the Committee of the Regions. No doubt the method of nomination will differ widely between those Member States which have a clear federal structure and those with a unitary structure of government.

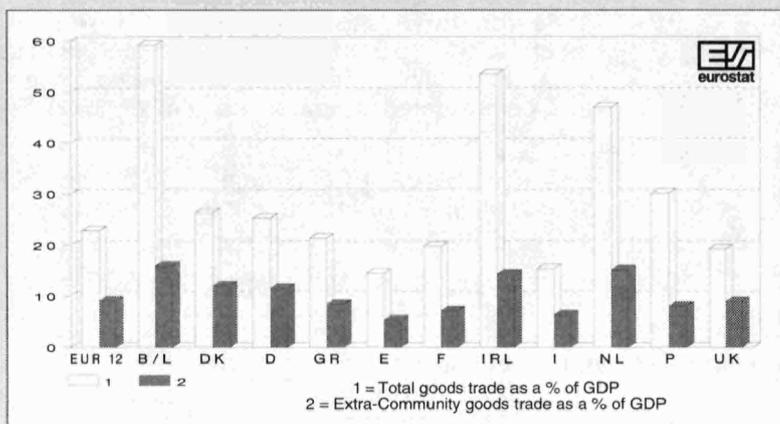
Committee of the Regions: will this be independent, or part of the Economic and Social Committee?

The Committee of the Regions will be an independent advisory body. Its members will be appointed by Member States for a four-year term to represent the interests of regional and local authorities. It will share its organizational structure with the Economic and Social Committee, but will have a separate existence, electing its own chairman for a two-year term, setting its own rules and working schedule. It will give opinions when asked to do so and also on its own initiative. The committee will consist of 190 members, ranging from 24 each for the larger Member States to six for Luxembourg. The new Treaty defines those issues where the Council is bound to consult the committee.

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Community trade

External goods trade as a percentage of GDP (gross domestic product), 1991



External trade

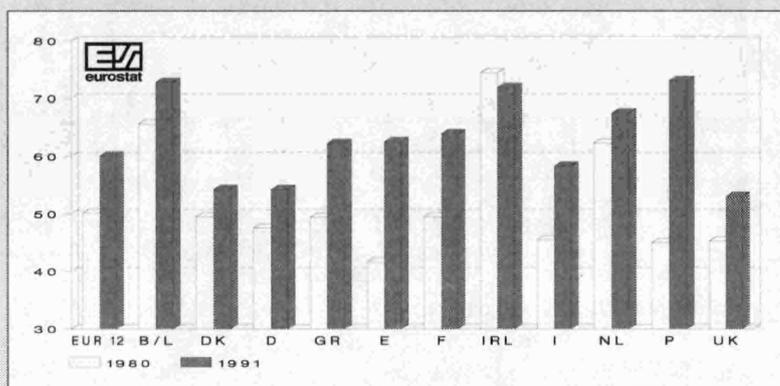
Measured against GDP, total external trade (intra-Community and extra-Community) accounts for 22.9% of the Community economy. The BLEU (Belgo-Luxembourg Economic Union) and Ireland have the highest percentage figures in this respect. Spain and Italy, on the other hand, are far below the Community average at 14.5 and 15.4% of their GDP.

If this indicator is restricted to extra-Community trade, this item represents 9.1% of the Community economy (15.8% in the BLEU and 5.4% in Spain).

External goods trade as a percentage of GDP (gross domestic product), 1991

	EUR 12	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK
Total goods trade	22.9	59.2	26.3	25.3	21.4	14.5	19.8	53.5	15.4	46.9	30.2	19.3
Extra-Community goods trade	9.1	15.8	12.1	11.5	8.4	5.4	7.1	14.3	6.3	15.1	8.0	8.9

Intra-Community goods trade, as a % of external trade, 1980 and 1991 (GR, E and P: 1984 and 1991)



Intra-Community trade

The gradual dismantling of frontiers with a view to the single market in 1992 has boosted intra-Community trade. From 50% of total Community trade in 1980, it has risen to 60% in the space of 11 years.

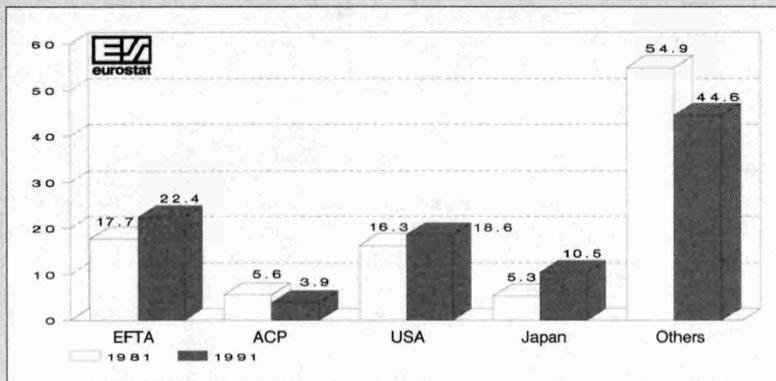
The BLEU has gone the furthest towards integrated trade. In Spain, trade with the rest of the EC has leapt from 43.5% to 62.5%.

Intra-Community trade now accounts for more than half of the total for the United Kingdom and Denmark.

Intra-Community goods trade, as a percentage of external trade, 1980 and 1991 (GR, E and P: 1984 and 1991)

	EUR 12	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK
1980	50.2	65.6	49.5	47.5	49.4	41.7	49.5	74.5	45.4	62.2	44.9	45.2
1991	60.1	72.8	54.2	54.2	62.2	62.5	63.9	71.9	58.3	67.5	73.1	53.0

The geographical structure of extra-Community goods imports, 1981 and 1991 (in %)



Community imports

The industrialized countries as a whole increased their share of the Community market. Thus, imports from EFTA, the USA and Japan rose from 39.3% to 51.5% of the total goods imported into the Community. In the space of 10 years, Japan has consolidated its presence and doubled its market share.

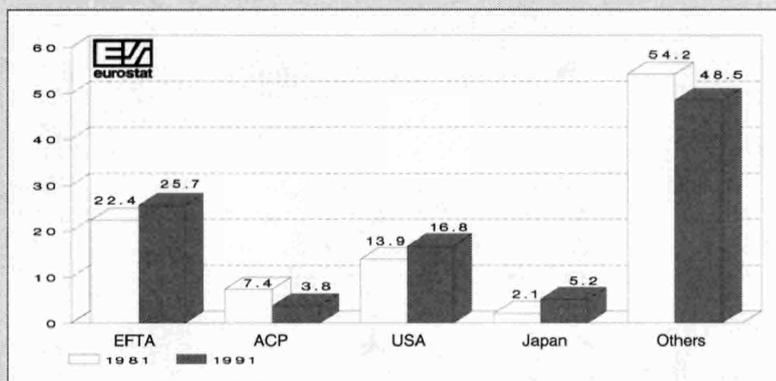
EFTA is still the EEC's main supplier, as the source of 22.4% of imports into the Community in 1991, up from 17.7% in 1981.

On the other hand, imports from the ACP countries fell from 5.6% to 3.9%.

Goods imported into the Community (ECU 1 000 million)

	EFTA	ACP	USA	Japan	Other
1981	53.9	17.2	49.6	16.2	167.0
1991	111.0	19.3	91.9	51.8	220.2

The geographical structure of extra-Community goods exports, 1981 and 1991 (in %)



Exports from the Community

The same trends were observed in exports of goods from the Community: the predominant trend towards the industrialized countries has become more marked: from 38.4% in 1981, exports to EFTA, the USA and Japan rose to 47.7% of the total for the Community in 1991.

In 1991, 25% of Community exports went to the EFTA countries, 16.8% to the USA and 5.2% to Japan (up from 2.1% in 1981).

Exports to the ACP countries, on the other hand, were down from 7.4% in 1981 to 3.8% in 1991.

Goods exported from the Community (ECU 1 000 million)

	EFTA	ACP	USA	Japan	Others
1981	59.7	19.6	37.2	5.6	144.5
1991	108.9	16.0	71.2	22.2	205.2

EFTA: The European Free Trade Association, consisting of seven countries: Austria, Finland, Iceland, Liechtenstein, Norway, Sweden and Switzerland. The Community has signed an agreement with EFTA to create a 'European Economic Area' with nearly 380 million inhabitants.

ACP: Cooperation and trade agreement between the Community and 69 African, Caribbean and Pacific States which signed the Lomé Convention.

A GENUINE BORDER-FREE AREA?

Will all checks at the European Community's internal borders come to an end on 1 January 1993? In a memorandum dated 8 May the European Commission described the situation as 'disturbing at all political levels in the area of the free movement of persons'. To begin with, the UK Government is contesting the principle of the complete elimination of border checks on people. London takes the view that the EEC Treaty, as amended by the Single European Act, does not prevent Member States from carrying out such checks. The European Commission has pointed out, however, that the SEA provides for 'an internal border-free area' as from 1 January 1993. Next, the two inter-governmental conventions which must allow the free movement of persons are in limbo, as it were: one, which deals with demands for asylum, has been signed by the Twelve but ratified by only two of them — Greece and Denmark — while the other, which covers checks at the Community's external borders, has not yet been signed, because of differences between the United Kingdom and Spain over the status of Gibraltar. As for the elimination of checks on goods, the Commission has noted an 'undeniable willingness' on the part of the Twelve, but it fears 'practical problems'. The EC Council of Ministers still has 'European laws' to adopt; the Twelve must catch up with the task of transposing such laws into national legislation and, finally, each Member State must take steps to modify its own system of checks. The Commission, for its part, is calling on the Community's Heads of State or Government, who are meeting in Lisbon at the end of June, to give the necessary push. It considers that 'failure in [this] area . . . would be seen . . . as a failure of the Community itself.'

therefore adopted on 6 May a plan aimed at facilitating the re-deployment of the workers, businesses and border areas in question. The plan will be implemented this year and the next, and will have a budget of roughly ECU 400 million, much of which is already available. Only ECU 30 million have yet to be allocated by EC ministers. The Community will meet 20% of the costs of redeployment, the Member States the balance.

● A single market for postal services?

It takes a letter 2.1 days on average to go from the Netherlands to Germany — and 6.5 days from Italy to France. As for postal charges, they vary between ECU 0.15 to ECU 0.50 for a letter. The European Commission considers such differences to be excessive in a single market. In a Green Paper published on 13 May it has proposed the establishment of Community standards as regards the quality of service and postal charges which reflect real costs. The Commission also envisages the liberalization of express services, publications and advertising material. Personal and business correspondence would remain in the hands of postal administrations.

● Guaranteeing bank deposits

In the single market individuals, companies and associations that do not have more than ECU 15 000 (UKL 10 500 or IRL 11 500) on deposit in a bank will be able to recover the entire sum should the bank fail, provided the Twelve adopt the directive proposed by the European Commission on 6 May. The draft directive envisages a minimum guarantee of ECU 15 000 throughout the Community for banks whose registered offices are within the 12-nation EC. At present such a guarantee is available in neither Greece nor Portugal. The amounts guaranteed are below ECU 15 000 in Belgium, Spain, Ireland and Luxembourg. They are above this sum in the other EC countries, but would not be affected by the Commission's proposal.

● Car price differentials are substantial

The prices of certain models of cars, from well-known manufacturers, can be 30 or even 40% higher in one EC country than in another. Generally speaking car prices are highest in the United Kingdom and Spain and lowest in Belgium and the Netherlands, according to a study of prices between January 1989 and January 1991, carried out on behalf of the European Commission. Its findings were published on 6 May. Car price differentials within the seven EC countries studied (Belgium, the United Kingdom, France, Germany, Italy, the Netherlands and Spain) exceed by far

the maxima beyond which the Commission can withdraw from manufacturers its authorization of their exclusive dealer networks: 18% at a given moment or 12% over a long period. This distribution system was authorized for a 10-year period by a 1985 European law. The study does not prove, however, that it is mainly responsible for the price differentials. For the time being the Commission has asked all manufacturers to publish their price lists, so as to enable prices to be compared between Member States, and to remind their dealers in writing of the ground rules within the Community, particularly as regards cross-border sales.

● A European game for 50 000 students

As from December 1992, European students will be making important decisions in the new framework of the single market. They will be the 60 finalists of a competition, The 'Third Millennium Games', who will engage in computer simulations. The aim of the games is to help young Europeans become better acquainted with Europe on the eve of '1993'. The games are being organized by a French company, CHK, with the sponsorship of the European Commission and the EC's foreign ministers, and with the support of leading European companies. The games will begin with the selection of 24 teams between 15 November and 1 December 1992, to be carried out in 400 universities and polytechnics in the European Community. The organizers are planning on some 50 000 participants. British and Irish students who feel they could answer correctly 200 questions on Europe can register until November with Caroline-Elisabeth Croft, The Third Millennium Games, Club Med, 106 Brompton Road, London SW3 1JJ; tel. (44 17) 225 1066; fax (44 71) 589 6086. Students can also register, in teams of five persons, with the secretariat of their own university or with the local office of Aiesec (International Association of Students in Economic and Commercial Sciences).

○ BRIEFLY

The European Commission proposed on 20 May a directive designed to protect **consumers who buy time-share flats or houses** — for one month each year, for example. The directive would grant buyers a cooling-off period and would spell out the mandatory elements of the contract.

SEEN FROM ABROAD

▶ The Swiss Government seeks membership

On 18 May Switzerland's Federal Cabinet (Government) announced that it was going to submit the country's application to join the European Community. Two days later, on 18 May, the Federal Cabinet published a report on joining the Community and a message on the European Economic Area (EEA), which must bring together, from 1 January 1993, the Community and the European Free Trade Association (Switzerland, Austria, Finland, Iceland, Norway, Liechtenstein and Sweden). On that occasion the President of the Swiss Confederation, René Felber, declared that the Community was 'the best way of solving the problems of our era through the union of forces'. The report notes that membership will cost Switzerland dearly, but that it will allow the country to have a say in its own future and that of Europe. The message on the EEA asks the country's federal parliament and its cantons to adapt some 60 laws to European Community legislation this year.

▷ BRIEFLY

The United States has threatened to apply sanctions against the European Community if it allows a directive opening up public procurement in the energy, telecommunications, water and transport industries to come into force on 1 January 1993 as envisaged. The European Commission made the announcement on 12 May. The directive in question includes a reciprocity clause *vis-à-vis* third countries.

The Government of Cyprus decided on 7 May **to link the country's currency**, the Cypriot pound, to the European monetary unit, the ecu. The measure should come into force this summer. Cyprus applied for membership in July 1990.

◆ Improving competitiveness through research

The competitiveness of European industry is weakening — because of insufficient expenditure on research and technological development. In 1991 the United States devoted 2.8 % of its gross domestic product (GDP) to research, Japan 3.5 % and the European Community only 2.1 %. The results of Community research programmes are positive, but they are not enough, given the industrial mutations which are taking place. The Commission is proposing, therefore, to back up its programmes of basic research with mechanisms designed to enable industrialists to carry out successfully targeted projects, focused on key technologies and submitted directly by the companies themselves. Thanks to such mechanisms the European Commission could select projects which, while not meeting every one of the criteria laid down for Community research programmes, nevertheless were based on technologies essential for the future of European industry. Such projects would enjoy the Community's financial backing. The Commission also envisages the creation of a special service which would both publicize and enhance the value of Community research. The aim would be to help SMEs take part in Community programmes.

◆ Retex: reconvert and modernize textile areas

On 13 May the European Community launched Retex, a regional development action programme. Its aim is to speed up the diversification and modernization of economic activities in areas which are heavily dependent on the textile and clothing industries. The measures envisaged under Retex are designed to help the small and medium-sized firms located in these areas — including SMEs engaged in the textile and clothing sectors — improve their management and organization as well as the skills of their workers.

Only those areas of the EC which are lagging behind or facing industrial decline, and rural areas in difficulty, will be entitled to help from Retex. Such areas must also have at least 2 000 jobs in the textile and clothing industries; what is more, these jobs must account for more than 10 % of total industrial employment. The Member State concerned will set the precise boundaries of the areas to be helped by Retex.

Retex will be able to contribute to the improvement of know-how, the strengthening of aid to enterprises, the preparation of modernization plans as well as to redeployment and improvement measures. Its budget has been set at around ECU 500 million over five years.

The Commission believes Retex to be all the more necessary given that the EC market will be opened gradually to imports of textile products from third countries, particularly Poland, Czechoslovakia and Hungary.

◆ Training managers of East German SMEs

A programme aimed specifically at helping managers of SMEs and entrepreneurs has been introduced in the former East Germany, in the framework of the EC action programme for preparing SMEs for the challenges of '1993'. It will include seminars and talks on the European Community and the completion of the internal market, and will be rounded off with courses in business management. The programme will prepare company managers from East Germany for cooperation with companies based in other EC countries. These seminars are aimed in particular at industrial SMEs. However, certain activities are of interest to craft industries and firms engaged in research.

The programme is being carried out in close cooperation with regional economic bodies and the Euro-Info-Centres. Its co-ordination has been entrusted to the European Community's press and information office in Berlin.

◆ The ground rules for aid

The European Commission has long viewed national and regional aid to SMEs with favour. However, in order to guarantee that such aid does not prevent a reduction in regional disparities, the Commission adopted new rules on 20 May. Hereafter, a firm must meet three conditions before it can be treated as an SME: (1) it must be independent (fewer than 25 % of its shares can be held by one or more large companies); (2) it cannot have a workforce of more than 250 person; (3) it must have a turnover of under ECU 20 million (or a net capital of under ECU 10 million). 'Small businesses' must be independent, employ fewer than 50 people and have a turnover of less than ECU 5 million (or a net capital below ECU 2 million). Member States can set stricter criteria if they wish.

The following ceilings have been set on authorized aid:

(i) in areas not entitled to Community regional aid, aid to SMEs cannot exceed 15 % of the investment costs for small businesses and 7.5 % for the other SMEs;

(ii) in aided areas, the rates for regional aid can be increased, in favour of SMEs, by 10 % or 15 % (according to the area's level of development). Aid for SME investments will continue to be authorized in the areas covered by Objectives 2 (industrial decline) and 5b (rural development) from the Community's structural Funds.

In addition, aid to SMEs will continue to be authorized throughout the Community for the purposes of obtaining consultancy help and training to improve management or take-up of technology and to encourage cooperation. Such aid will cover up to 50 % of costs.

An important innovation: aid which does not exceed ECU 50 000 over three years will no longer have to be notified to the European Commission. The Commission takes the view that such small-scale aid cannot distort intra-EC trade, outside agriculture and other sectors subject to a special regime.

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