



WE/18/92
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THE WEEK IN EUROPE

Rio environmental agenda. Lengthy discussions among environment ministers meeting in Brussels on Monday brought no fixed promises of a new financial package to help the developing world combat environmental problems. While finalising most of the EC's agenda for the United Nations Earth Summit in Brazil next month, ministers were unable to agree a timetable for financial aid to developing countries. Ministers agreed in principle to pledge 0.7% of gross national product, nearly twice present average aid levels, for sustainable development in poorer nations. Several Member States wished to see aid pledged by the year 2000 but Greece, Britain, Spain and Germany were adamant that no specific date be set. The transfer of aid from rich to poor nations will be a central theme at the Rio Conference on Environment and Development as poorer nations push the industrialised world for a commitment to cut carbon dioxide emissions. The Council emphasised the urgent need for the transfer of technology to enable the developing world to clean up its industry. Ministers reiterated their full commitment to playing a constructive role at Rio laying particular stress on "Action Plan 21", the international community's forward-thinking programme for promoting sustainable development into the next century. Other areas such as biodiversity, climate and desertification were settled, but ministers will reconvene this month to overcome the impasse on the finance chapter in the text.

Car prices. The UK and Spain experience the highest differentials in car prices within the Community, according to a second study on the car industry to be published by the Commission in a week. It reports that the selective car distribution system may be one factor sustaining high price differentials between Member States. The report out yesterday (Wednesday) concludes, however, that there is not sufficient evidence to require the withdrawal or amendment of the EC regulation, due to expire anyway in 1995, which grants the dealership system an exclusion from the EC's strict competition law. The two-year study was complicated by the many national factors, such as tax treatment, traditions in discounting and transport costs, which made EC-wide comparisons difficult. But certain models, notably Ford, Honda, Mazda, Peugeot and Volkswagen, showed substantial price differentials of 40% at times during the period of the study, a divergence which far exceeds the regulation's provision for a 12%-18% variance. Competition Commissioner Sir Leon Brittan declared that the "jury is out" to evaluate the exclusive system which must demonstrate unequivocally that it is in the interest of all Europe's citizens if it is to survive beyond 1995. He has urged car manufacturers to make the system compatible with the Single Market and to promote public confidence in their trade by allowing dealers to sell to counterparts and customers in other Member States. Proceedings may be launched against dealers, manufacturers or national governments found obstructing parallel imports.

EEA signed off. The European Economic Area agreement was signed finally on Saturday in Portugal ushering in the world's largest and most important integrated economic area. Comprising 19 countries, it enables some 380 million citizens to trade and travel freely enjoying the same benefits and rights under the Community's four freedoms: movement of goods, persons, services and capital. The EEA Joint Committee will oversee the agreement's institutional framework, but after a recent ruling by the European Court of Justice the body's decisions must not contradict the Court's own rulings.

EC monitors withdraw. After the death of a Belgian EC monitor in Bosnia earlier this week, the EC decided to withdraw its peace mission from Sarajevo. The Commission protested vehemently to the Yugoslav National Army and said it expects an urgent enquiry and punishment of those responsible.

Aid for Africa. EC development ministers agreed on Monday to release £2.8m (4m ECUs) of emergency aid to Somalia where an estimated 2 million of the 7 million population have been displaced since 1988 by war and drought. EC aid will go to primarily to European medical agencies such as France's Medecins du Monde as well as the United Nations High Commission for Refugees. Since 1991 EC aid has totalled £8.1m (11.5m ECUs) in cereals and cereal equivalents with aid also going to Somalia's neighbours, Kenya, Djibouti and Ethiopia, who are unable to cope with the influx of refugees. Ministers also agreed on a policy for aid distribution to famine-stricken sub-Saharan Africa by providing supplementary aid of 800,000 tonnes of cereal equivalents amounting to £156.2m (220m ECUs). Commission Vice-President for Development, Manuel Marin, praised the Council for the speed of its

decision. The Commissioner, who stressed more should be done to align Member States' aid, will outline EC aid policy on Europe Day in Seville on 9 May.

Developing countries & GATT. EC Vice-President for Economic Affairs Henning Christophersen added his voice to the recent EC-US optimism that GATT talks were on route to success by highlighting that 80% of the Dunkel paper had been agreed already. The Commissioner, speaking to the IMF-World Bank Development Committee this week, outlined the importance of GATT success to the trade of developing nations by securing liberalisation in textiles markets and enforcing anti-dumping rules. He reminded the international financial organisations that they must play an increased role in mobilising funds for eastern and central Europe over and above the considerable EC aid already given to support democratic reform. This is the first time the Commission has been invited to address the Committee and is a sign of growing international recognition of the EC's role in trade negotiations and as a partner to developing countries.

New research programmes. Commission Vice-President Filippo Pandolfi presented the Council with a strategy paper on the Community's Research and Development policy after Maastricht. An extensive debate took place on the principles and objectives of Community policy to develop key technologies designed to strengthen industrial competitiveness as well as improve the quality of life and regenerate cities. Two specific programmes were formally adopted: Measurement and Testing, and VALUE II, for the evaluation and diffusion of information on the Community's R&D programme.

Small brewers gain. Smaller breweries in the Community may be exempt from strict EC competition law which restricts the exclusive supply agreements between local brewers and public houses. Beer contracts may be considered as "of minor importance" in competition terms if a brewery's share of the national market is 1% or less; if it does not produce more than 4.4 million gallons (200,000 hls) of beer and it limits supply contracts to 15 years. The Commission, by defining the terms of competition law in the beer market, intends to cut red tape for small breweries and safeguard their livelihoods.

Working time delayed. EC social affairs ministers meeting last week delayed a majority vote on the working time directive which would lay down a maximum 48-hour working week. At the instigation of Germany, ministers decided not to isolate the British stance on the issue at the first Council meeting attended by the new British Employment Secretary, Gillian Shephard. Britain's new dimension to the debate that employees should be allowed to work above the blanket 48-hour week once health and safety risks had been assessed and deemed minimal, was rejected by most Member States. Another proposal that derogations to the directive be negotiated individually by employers and workers locally also found little favour in the Council, with France, Belgium and the Netherlands preferring decisions to be made at sectorial level. The Council will resolve the debate at its next meeting in June by possibly allowing a relaxed transition period up to the year 2000 for the introduction of the directive.

CAP reform. Agriculture Commissioner Ray MacSharry speaking in Ireland on Tuesday said that the Common Agricultural Policy could not be allowed to continue swallowing up over half the Community's budget of £27 million when other important sectors, such as transport, environment and industry were in need of funding. EC agricultural producers could no longer be cushioned by generous export subsidies and prohibitive levies on imports when eastern European countries were demanding access to EC markets as a lifeline for stabilising their democracies. MacSharry expressed concern that Commission proposals for compensation to be linked to farmers' resources, which favours small-holders, had been attacked. Opposition, he warned, would continue the existing inequalities.

Rural development seminar. The EC agriculture directorate-general is organising its first seminar on the EC's Leader programme which, financed by the structural funds, supports local initiatives to develop rural areas affected by economic decline and agricultural restructuring. The seminar, to take place on 15-16 May in Brussels, will bring together representatives from the 213 Community-wide local initiatives to share experiences and promote greater understanding of the programme. Details from AEIDL, 34 rue Breydel, 1040 Brussels. Tel: 010 322 230 5343.

Conference & Diary Dates.

Constitutional Implications of German and European Unity - A full day seminar at the European Commission's London office on the 15 May assesses Germany's future in the EC and the challenges it faces internally. Details from Eva Evans, UACES, King's College, London. Tel: 071 240 0206.

1992 European Community Budget - A conference on 20 May organised by the London Chamber of Commerce examines the business of winning EC tenders. Details from Ms Maung on 071 248 4444.

Council Meetings

Informal Ecofin	8-9 May	Portugal
General Affairs	11-12 May	Brussels
Telecommunications	11 May	Brussels

Our next briefing will be on Thursday 14 May at 11.30 am