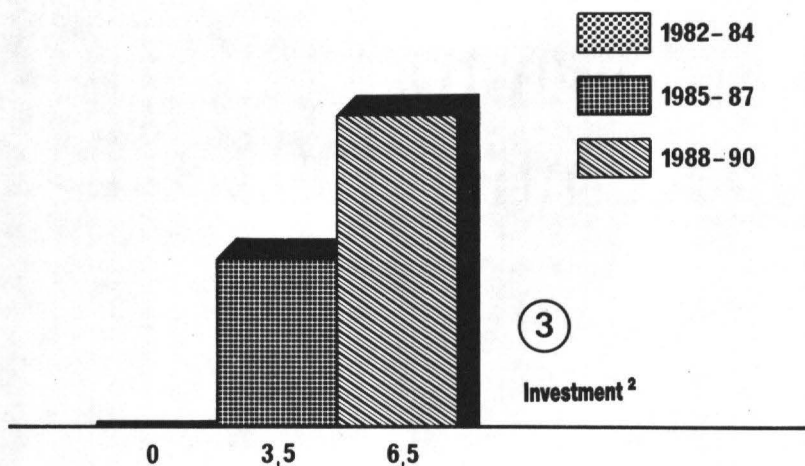
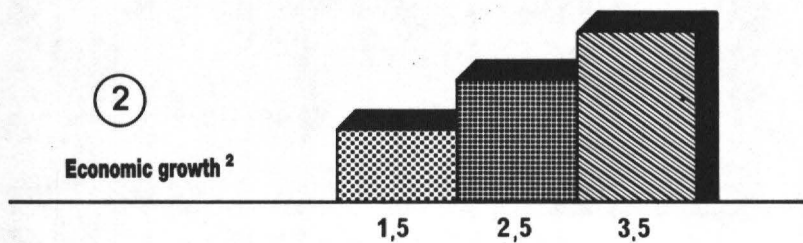
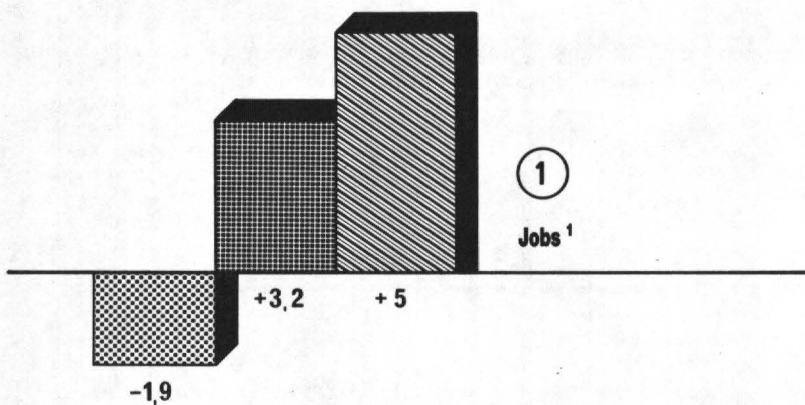


EUROPEAN FILE

The European Single Act:
countdown to
31 December 1992

The European Community economy: dynamism regained



1982-84

1985-87

1988-90

¹ Trend in millions of persons.

² Average annual percentage change.

The Single European Act, signed in 1986, supplemented the European treaties and set the Community a twofold objective: to complete the European internal market before 1 January 1993 and to revitalize the common policies.

- It provided the European Community with the powers needed to build a coherent and efficient economic unit (provisions on the internal market, economic and social cohesion, research and monetary policy), while at the same time acknowledging the importance of the quality of life in a Community which seeks to be more than just an economic entity (provisions on the environment and social policy).
- It reformed the way in which the institutions worked, to make for better decision-making, a bigger say for the European Parliament and better execution of policies.

The Single Act is being implemented on two levels:

- *On an economic level*, it has had a revitalizing effect, illustrated by trends in employment, economic growth and investment (see diagram).
- *On an institutional level*, under the new reforms two of the three objectives have been achieved:
 - *Better decision-making*. More use of majority voting in the Community's Council of Ministers; few derogations — and only ones which are subject to time limits.
 - *Bigger say for the European Parliament*. Both the cooperation procedure (giving the Parliament the power of amendment) and the assent procedure (for association agreements) are working well.
 - *Better execution of policy*. There is still a reluctance to give clear and full executive powers to the European Commission.

In April 1990, with 1 000 days to go before the deadline of 1 January 1993, the progress made in implementing the Single European Act was as follows.

Achieving the big market

The European Commission has completed its programme of proposals, with 282 measures covering all aspects of the internal market, two years in advance of the original timetable. The decision-making procedure introduced by the Single Act has proved its effectiveness, with 60% of the programme already adopted.

The dynamic of the internal market is already having an effect on intra-Community trade. As a percentage of total trade this had decreased constantly between 1973 and 1985, but in 1988 it regained its level of the early 1970s,

accounting for 62% by volume of Member States' exports. This upturn is the clearest evidence of renewed vigour in the economic integration of the Community. The same new dynamic has maintained the Community's place in the world economy: between 1985 and 1988 there has been a substantial increase in imports.

Industry is planning to step up its level of investment in order to cope with the increase in demand sparked off by the prospect of 1992. Firms have already been taking decisions, both on their internal allocation of resources and on external strategies for acquisition and cooperation, to take account of the way the market will be organized after 1992. Their attitude is founded on the confidence inspired by the pace of work towards the 1992 objective; it is essential that confidence should not be undermined by the slow progress being made in some areas, particularly taxation.

The business environment is changing in such a way as to give firms greater freedom within the framework of common rules:

- 1992 will see the introduction of rules on the safety of machinery, supplemented by specific measures on the protection of workers at their place of work.
- In 1990 the first stage of liberalization of public supply and works contracts will become effective. The opening up of public procurement will create opportunities for enterprise and cooperation and will lead to more rational budgetary expenditure by public authorities. Savings of ECU 20 000 million will be possible as a result.¹
- In 1993 firms will be able to organize their logistics at Community level:
 - Since October 1989 undertakings for collective investment in transferable securities have had access to all markets, placing company shares and bonds in any member country.
 - By 1992 the freedom of firms to purchase financial services from any bank and to be insured with any company they wish — a freedom which has already been largely effected — will be complete.
 - In 1993 firms will be able to use the transport operator of their choice, untrammelled by present restrictions such as quotas and the ban on cabotage.

¹ 1 ECU (European currency unit) = about UKL 0.69, IRL 0.77 and USD 1.28 (at exchange rates current on 31 August 1990).

- In 1992 the establishment of a Europe-wide telecommunications area should enable firms and private citizens to use whatever telecommunications equipment and services they choose, provided the equipment or service has been authorized in a Member State.

The rights of individuals have also been enhanced:

- Their safety as consumers is better protected as a result of the Community's directives on harmonization and standardization. Since 1989 in the case of an accident the consumer has been able to invoke no-fault liability of the manufacturer. The quality of meat has been improved by the banning of hormones and that of the environment by the directives on fertilizers and motor cars.
- As workers they enjoy greater safety at their place of work and greater mobility through the comparability of qualifications, which means that, say, qualified hotel staff or car mechanics can have their qualifications recognized by an employer in another Member State. A major advance will come in January 1991 with the entry into force of a general system for the recognition of higher education diplomas; this will open the way to a similar system for other diplomas in 1992, so that mobility will be allowed in all the professions.
- For students the right of residence will give all who are able to prove their student status the right to a residence permit in the member country in which they are pursuing studies.
- The right of residence will be extended to all individuals, permitting them to live where they choose and, in particular, to retire to wherever they wish at the end of their career.

A thousand days is sufficient time for an all-out effort by everyone to complete the project. Although the shell of the edifice is in place, we still have to install the fittings which will make it work.

That will mean maintaining the rate of progress established since the Single Act came into force — taking one decision a week:

- The tax framework has to be set up. Not until December 1989 did the Council of Ministers react to proposals put to it in July 1987, and no legal instruments have yet been adopted. The Commission has therefore drawn up new proposals, which must lead rapidly to decisions enabling border controls to be abolished.
- The removal of border controls is imperative: the abolition of most checks on vehicles has already been agreed, as has the ending of a number of formalities for goods being traded or in transit; veterinary checks are being done away with. But tax controls must also be eliminated and, above all, police checks on private individuals. The latter is a vital objective, if we are to have a people's Europe — but it must not be allowed to create gaps in security. Measures to this end are in preparation.

- A framework for cooperation between businesses must be created. The success and the limitations of the EEIG (European Economic Interest Grouping) are an argument for setting up a more efficient instrument in the form of the European Company Statute.
- To ensure that business circles and Member States comply with their obligations, some technical regulations must be tightened up and, most importantly, it must be seen to that Community directives are properly transposed into the national law of each member country (the rate of transposal went up from 67 % in November 1989 to more than 70 % in February 1990). Two new instruments should be brought into effect:
 - Special procedures for taking cases before national courts to enforce compliance with rules for public procurement.
 - Merger controls.

Reforms to make the Single Act work

The agreement reached in 1988 on 'making the Single Act work' (through an overhaul of the common agricultural policy, the establishment of a stable and adequate system of funding for the Community and the doubling of its structural Funds) is becoming a reality.

- There have been substantial reforms in the common agricultural policy. Thanks to the stabilization mechanisms which have been implemented, together with a favourable world economic situation, agricultural spending in 1989 was held well below the ceiling set when the Community agreed on budgetary discipline. The latest forecasts are that these factors will have the same effect in 1990 and 1991 as well. As most of the stabilizing arrangements are due to expire by 1993, it is important that they be reviewed in good time — taking particular account of the results of international negotiations in the GATT — and adjusted, where appropriate, to ensure continuity in the work of stabilization. These endeavours are already being strengthened, particularly by measures such as the extensification of production and land set-aside, which work together with income support to diversify aid for agriculture. At the same time the European Commission has adopted a new approach to helping rural areas, an approach which extends to all of its policies.
- On the question of the Community budget, strict discipline is being applied under the interinstitutional agreement concluded in 1988 between the European Parliament, the Council and the Commission, to ensure that the Single Act is put into effect. The agreement can be revised to take account of

any developments which were not foreseen at the outset. In February 1990 the Commission proposed a revision to take account of the financial impact of political changes since 1988:

- The growth in cooperation with Central and Eastern Europe.
- The need for a new type of cooperation with Mediterranean, Latin-American and Asian countries.
- The new priorities emerging in the policies associated with the Single Act.

All the budgetary decisions taken in 1988 will be reviewed in 1991, to respond to any institutional changes and to the effects of economic and monetary union.

- The reform of the European structural Funds, one of the prime means of strengthening the economic and social cohesion underlined by the Single Act, is under way. The 'Community support frameworks' laying down guidelines for joint action by the Member States and the Community towards five priority objectives have been adopted.

Thanks to this reform, decisions have been taken to give Community aid totalling more than ECU 60 000 million up to 1993, for the joint financing of investment and spending targeted on helping regions lagging behind in development to catch up (Objective 1: ECU 38 300 million), on regions undergoing conversion (Objective 2: ECU 7 205 million), on combating long-term and youth unemployment (Objectives 3 and 4: ECU 7 450 million), on improving agricultural, forestry and agri-foodstuffs structures and protecting the environment (Objective 5a: ECU 3 415 million) and on the development of rural areas (Objective 5b: ECU 2 795 million).

This unprecedented amount of finance was mobilized on the basis of the new method brought in with the reform, the chief features of which are planning, decentralization, partnership, complementarity and additionality. This method serves as a guarantee that financing by the Community and the Member States will be more effective.

As the new method is applied — a process which all in all has been going forward satisfactorily — greater results will be expected from the increase in resources for the structural Funds. This can only benefit economic and social cohesion.

In the same spirit specific schemes are going ahead, under the various regional policies, to strengthen the ties of cooperation between regions and across frontiers or to address the special problems of urban centres. What is more, this year the Commission is drawing up a forward-planning paper on the use of the Community's territory in the run-up to the year 2000: one of its effects should be to make for more effective targeting, in terms of European integration, of both Community and national decisions on town and country planning and regional development.

In 1992 the Commission will be evaluating, in terms of both quantity and quality, the results of these schemes and the arrangements for carrying them through.

Revitalizing Community policies

- The social dimension, a basic component of the plan for a frontier-free Community, has in large measure become a reality. Unemployment has fallen from 11% in 1986 to 9% in 1989 (Community averages) but is still high, especially among young people. This is ample warrant for the priority policies being pursued at Community level:
 - Using the European structural Funds to increase solidarity.
 - Improving working conditions.
 - Forging ahead with social dialogue at European level.

The Community Charter of Fundamental Social Rights for Workers states the principles which guide the Community in its work. The European Commission has adopted a programme of action to implement the Charter, comprising some 40 measures for which proposals are to be made by the end of 1992.

Other initiatives were taken in 1989, particularly in the area of health and safety of workers, where the Council adopted four directives, among them the framework directive on applying measures to encourage improvements in health and safety in the workplace. The Council has also adopted the medium-term Community action programme to foster the economic and social integration of the least-privileged groups.

- Education and vocational training are the human investment essential to growth, innovative capacity and competitiveness in Europe; at the same time they will help to give genuine content to freedom of movement for workers and to the frontier-free Europe. This is the dual context in which are situated the Community programmes for student mobility, cooperation between universities, better knowledge of foreign languages and improved training in new technology (Erasmus, Lingua, Comett, Eurotecnet).

- Completion of the internal market should be accompanied by environmental protection commensurate with economic developments. To satisfy this requirement, the European Commission will see to it that an environmental dimension is introduced into all Community policies.

It has made significant proposals in important areas such as:

- The pollution of water by nitrates.
- Biotechnology.
- The protection of natural and semi-natural habitats for fauna and flora.

The Community will also have to implement an effective policy to reduce waste and pursue its efforts on low-pollution cars.

The European Environment Agency, which the Council has agreed to set up, will provide full and reliable scientific information for preparing and executing an effective environment policy.

- Cooperation in the field of research and technology is expanding. ECU 1 700 million is now spent each year on cooperative projects for firms, universities and research centres in various countries. In all, several thousand organizations and tens of thousands of researchers are involved.

The results obtained from the major science and technology programmes such as Esprit, Brite/Euram and Science are increasing in significance. A network of solid and irrevocable links has been woven between the participants, allowing the Community to use its material and manpower resources more effectively and exploit its scientific and technological potential.

The emphasis has been placed on the main strategic sectors and on the major problems such as information technology, industrial technologies, life sciences, environment, energy and researcher mobility. The impact of measures affecting the competitiveness of the European economy will increase even further over time. New types of operation will soon be applied to cover more effectively the whole innovation process, from basic research to pre-commercial development.

Creation of the single market will lead to new computerized telecommunications requirements for firms, governments and individuals. Various Community programmes and operations are intended to provide the technological backup and pre-normative work which is essential for the development of trans-European computerized networks and the interoperability of existing networks.

- The stability and potential of the European Monetary System has been confirmed by a number of factors:
 - Inclusion of the peseta in the exchange-rate mechanism.
 - Narrower margins of fluctuation for the lira.
 - The early introduction of measures to free capital movements.
 - Elimination of the two-tier exchange market in Belgium and Luxembourg.

As a result of these achievements and of the means with which the Community has recently equipped itself to increase economic and monetary convergence, the first stage of European economic and monetary union was launched with confidence on 1 July 1990.

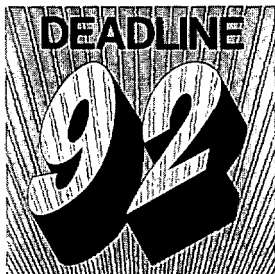
The Commission recently set out its ideas on the final stage of economic and monetary union, assigning to the ecu the role of common currency of the union. This will contribute to a continued increase in its use on the markets.



As the deadline of 1 January 1993 approaches:

- The European Community has managed to create a credible decision-making centre.
- Both the business world and the man and woman in the street have taken up the challenge and in some cases have even anticipated Community measures to complete the internal market and further common policies.

The Community is now preparing to take another step towards economic and monetary union and the construction of a political union. The profound changes in Central and Eastern Europe have opened up new prospects and underline more than ever the need for a strong and dynamic Community, capable of playing its role in the Europe of tomorrow ■



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