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S U M M A R Y

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TAXATION : Taxes here and taxes there ...

If there is one field which up to now has resisted all efforts at European-scale integration, it is certainly the taxation sector. Taxation has managed to remain a fundamental element of the national sovereignty of the member states of the European Community.

As a result, it is certainly not surprising that the systems levels of taxation vary enormously from one country to the other. There exist major differences, depending on the member state one lives in, between the respective contributions to social security, income or inheritance taxes, or those on company profits or sales.

Only one thing is certain : the total volume of taxes has increased considerably throughout Europe since the Second World War. In the European Community, the total level of obligatory taxes went from 30 percent of the Gross Domestic Product (GDP) in 1965 to nearly 40 percent in 1979. Naturally, this is only an average which hides very large disparities between the member states. For instance, in 1979 mandatory taxes represented 28 percent of the GDP in Greece, 30 percent of Italy's, 34 percent in Great Britain and Ireland, but 44 to 47 percent in Belgium, Denmark, Luxembourg and Holland. France and the Federal Republic of Germany are somewhere near the middle with 37 and 41 percent respectively. The Dutch probably feel the Greeks are indeed a lucky people.

As already underlined, the over-all figures mask significant differences concerning the distribution of sources of financing, which is explained by the fact that they reflect political, economic and social policy priorities. Taking the level of social security contributions, they represent only 1.53 percent of the total tax levied in Denmark, but 42.7 percent in France. On the other hand, income or revenue taxes account for only 12.4 percent in France but 50 percent in Denmark, a figure which is far higher than in the other countries.

The methods of taxation also vary tremendously. France and Greece are the only countries where there is no automatic witholding of taxes with the salary. Taxes are therefore paid, following a declaration of income, with a certain delay. Inheritance taxes are declining everywhere. They amount to more than 6 percent of fiscal revenues in only two countries, Greece, where it is 7.7 percent, and Great Britain, where it is 12 percent.

Finally, indirect taxes, which the value-added tax is the most prominent example of, represents a variable part of tax revenue depending on the member state, ranging between 18 and 45 percent. But it is the only field of European taxation in which there has been a marked narrowing of differences in recent years.

INSTITUTIONS : Restructuring the European Community

"Preparing a second generation Europe" : the phrase is currently echoing through the corridors of the different European instituions. It refers, of course, to the task handed out to the European Commission by EEC Heads of State and Government on May 30, 1980. In October this year the Commission published details of proposals designed to relaunch European integration, develop new common policies and find an acceptable solution for the budgetary problems facing all EEC states. (see Eurofocus n°38/81 of 9/11/81).

The Commission's proposals have provoked series of reactions.EEC Heads of State and Government focussed on the problems at their meeting in London on November 26 and 27. Although no decisions were taken, a consensus did emerge on a number of questions. It was decided, for instance - much to the satisfaction of the European Commission - that current discussions would lead to a global restructuring of the operations of the European Community, and not be a mere accounting exercise.

There is already agreement, for instance, on extending the role of the ECU (which is both a currency unit and an exchange key) for Community operations on financial markets, the effective liberalisation of public procurement sales and an increase in the resources of the Social and Regional Funds. Four key problems, however,continue to pose difficulties. These include the question of the Community's regime for dairy products, the cost of the Common Agricultural Policy, Mediterranean agriculture and, finally, budgetary issues.

The ball is now definitively in the court of the EEC Foreign Ministers who will attempt to reach agreement before the end of January. But their task will not be an easy one, especially if they are to get all ten EEC States to see eye to eye on the thorny question of agriculture. The Federal Republic of Germany, for instance, is insisting that agriculture expenditure should not exceed 60% of the total Community budget. Other Member States feel that such a ceiling would only be useful if certain mechanisms of the Common Agricultural Policy are also reviewed and market management improved.

The European Parliament has also studied the European Commission plan on the basis of a report drawn up by its economic and monetary committee. The report approves the broad outlines fixed by the Commission but calls for the formulation of more detailed proposals, particularly in such areas as employment, energy and research.

ENLARGEMENT: And then there were Twelve ?

Negotiations for the accession of Spain and Portugal to the EEC have run into a number of obstacles. Their membership is "politically necessary", according to a recent resolution adopted by the European Parliament. But entry into the Community will certainly create a number of problems - both for the EEC and the two countries up for membership.

Spain and Portugal are undoubtedly important "European" states, and European unification is impossible without their participation. Being part of the EEC is also expected to contribute to the consolidation of democracy in Spain which, after four decades of dictatorship is still having problems coming to terms with its new-found freedom.

But enlargment must be carefully prepared, or it could be a total disaster and could even provoke cracks in the existing Community. Negotiations for the EECs "second enlargment" (the first was when Ireland, the United Kingdom and Denmark joined in 1973) began officially on February 5, 1979. But, three years later, the key issues at stake have not even been discussed. The date on which both countries will join the EEC has not been fixed yet, although several dates have been mentioned unofficially. January 1, 1984 was mentioned recently at a meeting between European Parliamentarians and representatives of the Spanish Cortes. This would mean that negotiations would, in fact, end by 1982 and 1983 would be devoted to ratification procedures. Although the target is not an impossible one to meet,it will require a certain degree of acceleration of current negotiations.

EEC Heads of State and Government meeting in London recently stressed the Community's determination to continue enlargement negotiations but they also emphasised "the need for both the Community and the acceding countries to make good use of the period until accession for careful preparations... by introducing the necessary reforms" so that enlargement can benefit both sides.

These reforms are just too complicated and wide-ranging to be completed in a few months. The Spanish Government must, for instance, get ready to introduce value-added tax. The European Community, for its part, is attempting to reform its common agricultural policy which will undoubtedly have an impact on all predominantly agricultural Mediterranean countries.

ENERGY : No electric miracles

The day that Thomas Edison invented the incandescent lamp, he was probably far from dreaming of the progress that electricity would experience. It is hard to imagine now that for most of his existence man has used the flame of a fire or starlight to light up the darkness,but that only a flick of the switch is now required to brighten a room.

The benefits of electricity are, however, no miracle, but a gigantic industrial equipment effort that is translated into a multiplication of power stations, sometimes to the detriment of the landscape.

Power plants exist in a number of different models. Some exploit hydro- or water-force; others operate thanks to the combustion of a solid fuel, such as coal, a liquid, such as oil, or a gas. And then there are those using nuclear energy, with all the outcry this form of power generates in public opinion.

Together, all the power stations in the European Community on January 1, 1981, produced a total of 326.6 Gigawatts of energy (1 gigawatt equals 1 billion watts). Conventional thermal power stations account for 243 GW of this total, hydroelectric plants for a bit more than 48 GW and nuclear plants about 35 GW.

The Federal Republic of Germany heads the list of electricity power in the European Community member states with 87.7 GW. The United Kingdom and France follow with 79.4 GW and 65 GW respectively.

At the moment, most European countries have a programme of nuclear construction underway. As a result, it is predicted that nuclear energy capacity in service will more than double between now and 1985, when it should reach 85.6 GW. In 1990, it will probably attain between 100 and 120 GW, but it is difficult to make forecasts because dates for the start of work have not been decided for all the plants on the drawing boards.

Nevertheless, the development of this nuclear capacity may not be sufficient for the Community to attain the objective of covering 70 to 75 percent of its energy requirements for the elctricity production from solid and nuclear fuels. The Netherlands, Italy and Ireland remain heavily dependent on oil. Greece has a nuclear plant planned for 1989 but its development is still uncertain.

ENVIRONMENT : More protection for European citizens

The recent electoral successes of ecologist parties in several European countries are an indication of just how much importance the average European citizen now attaches to environmental questions. Groups calling for public authorities to adopt more coherent and substantial environment policies will be happy to learn that ministers who met in Brussels December 3 succeeded in making significant progress in a number of key areas.

They adopted two directives aimed at limiting pollution risks in the Community. The first directive - known as the "Seveso directive" - is designed to prevent major industrial accidents.

It is difficult to forget the horrific accidents that took place at Flixborough in 1974, Beek in 1975,and at Seveso and Manfredonia in 1976. They underlined the need for more checks on certain potentially dangerous industrial activities. A proposal to this effect was made by the European Commission in 1979, but it was only this month that the Council finally adopted its suggestions.

The "Seveso directive" covers information for workers dealing with certain dangerous substances and advice for people living near industrial plants. Manufacturers will be obliged to provide the authorities with reports on the substances, and information about the installations and the possibility of accidents. The European Commission, for its part, will set up a data bank covering all past accidents with a view to facilitating information exchange and preventing future accidents.

The second text adopted by the Council concerns the discharge of mercury waste into water during the manufacture of chlorium. This is part of a broader initiative taken in 1976 and dealing with all toxic waste discharges. The limit tolerated by the directive sets the limit of mercury which can be discharged into the water at 0.5 grammes per ton of the chlorium produced. Manufacturers will be obliged to use modern purification techniques in order to conform to the strict criteria established by the Commission. Although industrialists may not be happy about the amount of money they will have to invest in such new anti-pollution equipment, most Europeans are expected to welcome the measures.

IN BRIEF ... IN BRIEF ... IN BRIEF ... IN BRIEF ... IN BRIEF ...

EDUCATION : A European students card soon ?

Most young people in Europe carry some kind of an international student identity card which is useful when it comes to getting reductions on things like rail fares, cinema tickets and theatres. But these cards can be given by practically any private or public institution and they are often only valid within national frontiers.

Sixteen members of the European Parliament have submitted a proposal calling for the introduction of a standardised student card. The Parliamentarians have called on the Commission to begin negotiations on the subject with the competent authorities in all member states.

TRADE : Slight opening of Japanese market

Following the recent reshuffling of his cabinet, Zenko Suzuki, the Japanese Prime Minister announced that his country was ready to reduce tariffs imposed on some 1,600 items, including computers. This dismantling of tariff barriers will take place two years earlier than previously scheduled.

This may mean that the Japanese are willing to improve their economic relations with the EEC and the United States. But European experts point out that in addition to customs duties, a number of technical and administrative barriers still exist and pose serious problems for European exporters.

Recent trade figures show that Japanese car exports to Europe fell by about 25% last year. But there was an increase in exports of colour televisions and videorecorders.

TOURISM : No frontiers for coaches

After 5 years of negotiations with Austria, Spain, Finland, Norway, Portugal, Sweden, Switzerland, Turkey and Yugoslavia, the European Commission has just concluded an agreement which should make it easier for tourists to get around.

The agreement - called ASOR - establishes a set of rules for coach travel between the Community and the countries concerned. A number of existing administrative procedures have been simplified, including the introduction of a single control document. The agreement which is currently being studied by the Ten's ministers will come into operation as soon as it is approved by five of the contracting parties.