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SUMMARY

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A PEOPLE'S EUROPE: Freedom of movement for all Europeans

The right of residence is extended to students, pensioners and those not gainfully employed in general.

All European Community citizens, and not simply workers, will have the right to settle in whichever Community country they fancy from 30 June 1992. This applies in the first instance to students, pensioners and those not gainfully employed in general. However, they will all have to have adequate financial resources. Students will simply need to declare they will not be dependent on social security in the host country, having adequate financial means of their own. Pensioners and others not in gainful employment will have to prove that their resources are at least equal to the minimum regarded as necessary by the host country. The proof could take the form of a disability, early retirement or old-age pension; or payments because of an accident at work or an occupational disease. Both those who are retired and those not in gainful employment will need health insurance cover for all the risks covered in the host country. In the case of students the right of residence will be limited to the duration of their studies.

After having wrestled with this particular problem for more than 10 years, the Twelve have finally reached a political agreement which differs somewhat from the European Commission's proposal, on which the European Parliament has just delivered its opinion. A second reading will consequently be necessary before the three Community directives in question become Community law. The Twelve will have to agree, above all, on what should be the legal basis of these three directives. This is especially important, given that in the event of a dispute before the EC Court of Justice, the obligations of the Member States and the constraints on them will depend, to a greater or lesser extent, on the particular legal basis that has been chosen. To give one example: In the Netherlands, while every student automatically enjoys financial support, exceptions are made in the case of foreign students, even when they are nationals of EC countries. However, Article 7 of the Rome Treaty bans any discrimination on the basis of nationality. Were it to be the legal basis, the Dutch could find themselves obliged to extend this support in full to all students who are nationals of another EC country.

Although details remain to be worked out, the decision has been taken. It clearly is an important one, for it concerns a growing number of persons (Greece alone "exports" 23,000 students each year to its EC neighbours). It is this which made an agreement

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among the Twelve both more difficult and complicated. The countries of southern Europe worried about a massive influx of pensioners from the North, while the Community's northern Member States feared the arrival of largely penniless students from the South, in search of not only education but also a higher level of financial aid.

Britain, Belgium, Denmark and Greece having lifted their reservations, pensioners will be able to bask in the Mediterranean sun if that is what they want, while students will be able to take the road in search of higher education.

ENVIRONMENT: Stricter standards for "clean" cars

European standards for exhaust emissions will be at least as strict as American ones. With its new proposal for a Community directive, the European Commission has kept to the undertaking, given last June, to align the standards for medium and large cars, and the dates for their introduction, on the standards and dates set at that time for cars of less than 1,4 litres. From 1 January 1993 all European cars will have to meet the following limits as regards exhaust emissions: a maximum of 2.72 grams per kilo of carbon monoxide and 0.9 grams of unburnt hydrocarbons and nitrous oxides. But the Commission's proposal goes even further and covers diesel engines also. In their case the upper limit has been set at 0.19 grams of particles.

"This decision is particularly important in the fight against air pollution", according to Carlo Ripa di Meana, the EC Environment Commissioner. "On the one hand, it complements our efforts to introduce stricter standards, thus guaranteeing an effective defense of the environment as demanded by the public", he went on. "On the other, it makes it possible for the entire European industry to undertake the technical adaptations needed to meet an international competition which takes account, in both the design and manufacture of cars, of a demand that is increasingly influenced by environmental considerations. We shall now begin work on drafting proposals for "clean" trucks, in order to present them in the spring of this year."

TOURISM: Better protection for European tourists

The Twelve agree on a minimum set of guarantees for those on package holidays.

Package holidays are big business. Millions take them, travelling to the ends of the earth in many cases, thanks to the efforts of travel agents and tour operators. They usually return brimming with enthusiasm and primed to the gills with adventure stories, like so many latter day Marco Polos.

But not all package holidays are idyllic. Some quickly turn into nightmares: the journey becomes a veritable odyssey, the five star hotel turns out to be a rundown family pension, the swimming pool proves to be no bigger than a bathtub, the beach a long ways away, and so on. There is little the unhappy tourist can do; his chances of getting his money back are slight, to say the least.

All this should change from 1993, thanks to a Community directive recently adopted by the EC Council of Ministers. The directive, which will become law after its second reading in the European Parliament, clearly defines the civil liability of tour operators. It will apply to all package holidays sold in the 12-nation Community, regardless of the destination or the nationality of the tour operator. The tourist will be able, therefore, to take action against the seller.

The directive stipulates that the description of the package holiday contained in the brochure supplied by the tour operator or travel agent must provide, in clear and precise terms, not only the price but also information regarding the accommodation, services and transport and state clearly if it is a charter flight, for example.

Those providing this information will be bound by it, and will be unable to modify it on their own. As for the contract, it will have to contain all the basic clauses. It will not be possible to revise prices, except under very specific circumstances set out in the new law (changes in the exchange rate, for example) and, in any case, 20 days before the date of departure at the very latest. The tour operator and/or travel agent will be reponsible vis-à-vis the tourist for the execution of the obligations arising under the contract. It will be up to them to prove that the tourist himself was to blame - or such unforeseen events as a revolution or natural disaster.

The tour operator and/or travel agent will have to provide financial guarantees in order to ensure that tourists are repatriated and their expenses reimbursed in the event of the tour operator going bankrupt.

This particular subject was before the EC Council of Ministers for the last two years. Its importance and sensitivity are evident, given that Europeans took some 30 million package holidays in 1987, providing the industry with a turnover of ECU 20,000 million*.

* 1 ECU = UK£0.74 or IR£0.77

CONSUMERS: Improved life insurance coverage

Europeans will be able to take out policies in the country and with the company of their choice.

If all European Community citizens who have taken out life insurance were to die at the same time, the sums to be paid out by the insurance companies would have amounted to roughly ECU 2,400 billion* in 1987, which is just over half the Community Gross National Product (GNP). As for the turnover of these companies, it was an impressive ECU 170 billion that year.

With the launch of the single market on 1 January 1993, life insurance companies will be able to offer their services throughout the European Community. But this is good news for consumers also. For the first time they will be able to benefit from the free play of market forces, thanks to the agreement reached by the Twelve to liberalize this sector of the insurance market.

"This is a major step towards the liberalization of financial services", declared the European Competition Commissioner, Sir Leon Brittan. He claimed the new directive was "even more important in view of the preparations for the more advanced proposals which the Commission will submit to the Twelve next year, and which will establish a genuine single insurance market."

The directive basically provides for two different systems, depending on whether the initiative is taken by the insurance company or the client. If the latter contacts a company which is not established in his own country off his own bat, the life insurance policy will be subject to the laws of the Member State in which the company has its registered offices. But if it is the company which takes the initiative, the policy will be governed by the laws of the Member State in which the policy holder is resident. In any case, the latter will always have the right to cancel the insurance policy, should he change his mind, within a period of 15 days to one month.

This liberalization of the life insurance market will also cover such high growth areas as group insurance, including life insurance policies taken out by companies and groups for their staff.

* 1 ECU = UK£0.74 or IR£0.77

VAT: Mincing towards harmonization

The Twelve decide not to widen differences in VAT rates.

Three years from the completion of the single European market, VAT obstinately remains a national matter, thus justifying the presence of customs officers at the European Community's internal frontiers. Even so, the EC Council of Ministers took a few steps towards harmonization, before breaking up for the Christmas holidays. As a result, it should be possible to eliminate checks on purchases made by travellers within the Community.

The 12 finance ministers took as their reference point for the standard VAT rate the European Commission's proposal that the rate should be within a range of 14 to 20%. They agreed on December 18 to keep their standard rates within this range, thus preventing the already substantial differences - up to 100% - between the various national rates from widening even further.

The ministers also undertook to adopt two types of measures before 31 December 1991. On the one hand they will seek to harmonize standard VAT rates either within a given range or by setting a minimum rate within the range proposed by the Commission and, on the other, to agree on the goods and services to which a reduced rate would apply, even while fixing such a rate or a range of lower rates and drawing up a list of goods which will continue to be zero-rated after the completion of the single market. These two categories of measures should come into force on 1 January 1993.

This is an ambitious programme, given the reluctance of governments to raise taxes or reduce their revenues. But its completion will not be enough to eliminate border checks for travellers, for the Twelve have not yet decided to do away with the present system of duty-free allowances within the Community. This requires unanimity, which can be ruled out as long as Denmark has reservations. This is why the European Commission has let it be known that it will not accept a firm decision on VAT rates without the elimination of duty-free allowances for purchases made within the EC.

INTERNAL MARKET: A single market for banking for 1992
The Twelve have adopted all the necessary European legislation.

In the single European market, banks established in one Member State will be able to propose their services throughout the 12-nation European Community and to open branches and set up subsidiaries. Shortly before the Christmas holidays, the Twelve definitely adopted the two European directives needed to set up the single market for banking; a third had already been adopted in April 1989.

The EC Council of Ministers adopted on December 15 a single European system of authorization for credit institutions and on December 18 they completed the arrangements with a "law" on banking solvency. This means that European consumers will have an unrivalled choice as regards loans and other financial services. The banks themselves will have fresh opportunities while the European economy as a whole will benefit, given that "financial services have a catalytic effect", as Sir Leon Brittan, the EC Commissioner for financial institutions, pointed out.

INTERNAL MARKET: A European policy for controlling mergers
The Twelve adopt a system of merger control for the single market.

The single European market will have a merger control policy in keeping with its size. As from 21 September 1990 the European Commission will have the power to block company mergers or acquisitions likely to eliminate competition or harm consumer interests at the level of the Community. After 16 long years of discussions, the EC Council of Ministers adopted on 21 December 1989 a European system of merger control. The need for such a system has been felt increasingly, for the moves towards completing the single market have given rise to a chain reaction of company reorganizations, mergers and acquisitions throughout the 12-nation Community.

The Commission's powers will be limited in principle to mergers on a Community scale - i.e. those involving major companies with large-scale activities outside the borders of their home country. But it will also be able to intervene, if so requested, in the case of mergers on a more modest scale, given that some Member States do not have their own systems for controlling mergers.

NUCLEAR INSPECTION: European inspectors return after a 20-year absence ...

... to check on installations for monitoring radioactivity levels.

When it comes to nuclear safety an excess of prudence is no bad thing, as the incidents and accidents of recent years have amply demonstrated. Hence the European Commission's decision of December 20 to resume its inspection of national installations for monitoring radioactivity levels.

The Community's inspectors are therefore returning to the task of monitoring emissions of radioactive substances in the neighbourhood of nuclear power stations and other nuclear installations and verifying the records kept.

The EURATOM Treaty, the European Community's "constitution" in nuclear matters, gives the European Community the right to carry out such inspections. A start was made in the early 1960s, but the Commission turned the task over to the national authorities. It now takes the view that all existing possibilities of inspection must be utilized, the more so that European monitoring will allow each Community country to benefit from the experience of its partners. Neighbouring countries could also benefit. Czechoslovakia in fact let it be known at the end of December that it was ready to open its nuclear power plants to inspectors from EURATOM.

AGRICULTURE: Farm incomes rose by nearly 8% in 1989

A clear improvement over 1988.

In 1989 farm incomes in the European Community as a whole (less Portugal) rose by 7.7%, according to estimates by Eurostat, the Community's statistical office. It attributed this rise to an increase in agricultural prices which was above their cost price.

Farm incomes rose substantially in all EC countries except Spain, where they remained unchanged. There were record increases in Denmark (26%), Luxembourg (17%) and Belgium (16%). The increases were more modest in Ireland (2.5%) and Greece (5%) and close to the Community average in France, the Netherlands, Italy and the United Kingdom.

TURKEY: No early EC membership
The European Commission gives its opinion on Ankara's demand.

Turkey is not in a position to join the European Community in the coming years. This is the conclusion reached by the European Commission, after a long and exhaustive examination of the country's economic, political and social situation, carried out in response to Ankara's 1987 membership application. The results of this examination, contained in a voluminous report, were disclosed on December 18 by Abel Matutes, the European Commissioner in charge of relations with the Mediterranean basin countries.

Half Turkey's working population is in agriculture, as compared to no more than 8% in the 12-nation European Community. Turkey in fact has as many farmers as the entire Community. It has an annual inflation rate of 70%, as against 5.5% in the Community, where the maximum rate for any Member State is 14%, in the case of Greece.

The Commission's report points out that equality of the sexes is not guaranteed in Turkey, but is embodied in the Treaty of Rome, the Community's "constitution". Nor are minorities adequately protected in Turkey.

INFLATION: Higher than 1989 than in 1988
Up by 5.5% in 1989, according to EC statisticians.

Prices rose much more sharply in the 12-nation European Community in 1989 than in 1988, according to Eurostat, the EC's statistical office. They rose by 5.5% last year, as compared to 4.4% in 1988 - and only 3.4% in 1987.

International comparisons offer cold comfort. The United States had an inflation rate of 4.5% and Japan one of 2.5% in 1989, according to Eurostat.

Inflation rates varied considerably within the Community. They ranged from an estimated 1.2% in the Netherlands to 14% in Greece. The estimated rate was between 3 and 4% in Germany, Belgium, France and Luxembourg; 4.7% in Ireland, 4.8% in Denmark, 6% in Italy, 7% in Spain, 7.5% in the United Kingdom and 11.5% in Portugal.