eurofocus

COMMISSION OF THE EUROPEAN COMMUNITIES
Directorate-General Information, Communication, Culture

a newssheet for journalists

Weekly n° 6/89 20 - 27 February 1989

SUMMARY

Mailed from: Brussels X

200 rue de la Loi • 1049 Brussels • Belgium • Tel 235 11 11 • Telex 21877 COMEU B

ENVIRONMENT: Pollution without frontiers

The European Commission unveils the broad outlines of a Community environment policy.

In Milan and Lyon the air is thick with fumes; the Rhine, Meuse and Po are open sewers; the North Sea and the Adriatic are being choked by algae, while the drinking water in large cities is increasingly unfit to drink. The entire European Community, in short, runs the risk of becoming polluted beyond recovery. So great is the quantity of poison it now secretes that a flourishing new industry has appeared: the discreet export of all sorts of toxic waste. But the Third World is no longer prepared to accept this new form of development aid, and has forced ships carrying the toxic waste to sail the seven seas in search of a welcoming port.

But the Europeans are beginning to wake up to the pollution which threatens them: some 75% of them are convinced that the problem is an urgent one and some two-thirds of them firmly believe that governments are not doing enough to protect the environment. While 18% even believe that the authorities could not care less, 51% accept that they are trying - but to no avail.

Faced with this situation, the European Commission has decided to act. The Environment Commissioner, Carlo Ripa di Meana, has described the broad outlines of the policy that the Commission plans to follow to protect the environment. Its three main goals are: (1) to complete Community legislation on the environment and make sure it is enforced; (2) integrate environmental policy with the Community's other policies and (3) reinforce the Community's action at the international level.

The Commission also envisages the creation of a European fund for the environment, to be used to launch and finance Community environmental projects and the Community's participation in international projects. It also envisages a European system of measurement and verification, that could be the forerunner of a European environmental agency.

Mr Ripa di Meana believes a start should be made by bringing together what already exists, to be followed by completing Community legislation and seeing to it that it is enforced. The fact is that numerous decisions of the EC Council of Ministers have remained a dead letter for years because governments failed to embody them in their national legislation. Hence the need to act quickly and with the latest technology. Steps are already being taken to use satellites to observe the continent's ecological evolution.

HEALTH: Germans can now eat imported sausages

The EC Court of Justice overturns a German ban on the import of "unfit" sausages.

European Community countries are never short of ideas when it comes to closing their national markets to the products of other Member States. They are only too ready to invoke the health or safety of consumers- even ancestral habits.

Thus Germany for years blocked the sale of beer from other Member States by invoking a law on "the purity of beer" dating from the Middle Ages. It was forced to give way in 1987, after a long-running legal battle.

German housewives will now be able to serve sausages imported from other EC countries, even if they are not entirely made of meat, thanks to a ruling of the Community's Court of Justice in Luxembourg. The Court rejected all three arguments put forward by Germany in defense of a policy which reserved the home market for sausages made domestically from "pure meat" and called on the Government to change the law.

The Germans had argued that (1) the domestic variety ensured an adequate level of proteins for the less well-off; (2) the consumer needed protecting and (3) the very stability of the market for beef and pork was at stake.

The Court held that (1) the intake of proteins was generally adequate in Germany; (2) it was enough to label the sausages clearly to protect consumers and (3) attempts at market stabilization were contrary to the Community policy of the free movement of goods.

EMPLOYMENT: Italy will have to revise its bankruptcy legislation

The EC Court of Justice finds that workers whose employer is declared insolvent are not adequately protected by the law.

The European Commission took Italy to court for having failed to apply certain measures set out in the European Community directive of 20 October 1980, on the protection of salaried employees in the event of the bankruptcy of their employer. Italians who find themselves in this situation are indemnified by a fund which supplements salaries. But the European Community Court of Justice found that those who had been irregular with their payments before their employer was declared insolvent were excluded, along with the directors, apprentices and those working at home for the employer in question.

Moreover, employees are not automatically entitled to benefits; each case is examined individually by an interministerial policy committee. Should the employer have failed to make the necessary social security payments, Italian legislation does not provide for automatic compensation, especially if the period for the recovery of his debts has expired. His employees would then have no possibility of receiving the benefits they would be entitled to.

Finally, Italian legislation does not guarantee payment of old-age pension either.

Now that the Court of Justice, which followed the European Commission's argumentation, has given its ruling, Italy will have to revise the law in order to guarantee payment of salaries, social security benefits and old-age pension to employees whose employer either cannot or did not make the necessary contributions.

A PEOPLE'S EUROPE: All EC tourists are equal before the law

The Court of Justice rules against France for refusing to compensate a British tourist mugged in Paris.

Ian William Cowan is unlikely to forget his visit to Paris as a tourist, neither the mugging nor the legal battle for compensation, which ended successfully in the European Community's Court of Justice in Luxembourg. Mr. Cowan was leaving an underground station when he was savagely attacked.

He turned to a committee of the Paris high court which compensates victims of violations of the law, invoking Article 706-3 of the penal code. Under this article a person who has suffered considerable injury but has failed, for whatever reason, to obtain adequate compensation, can seek such compensation from the State.

But his request was turned down by the French authorities, on the grounds that the article applied to French nationals, nationals of states having concluded a reciprocity agreement and foreigners holding a resident permit. As a British tourist Mr. Cowan did not fall into any of these categories, and was not entitled, therefore, to monetary compensation.

But Mr. Cowan refused to accept defeat. He invoked Article 7 of the Treaty of Rome, which set up the EC, arguing that the French attitude was both discriminatory and an indirect barrier to the free movement of tourists.

The compensation committee turned the matter over to the European Community's Court of Justice, which held that it was a violation of the Treaty of Rome to make the payment of compensation subject to conditions the committee had laid down. In other words, tourists from the Community's Member States have the right to enjoy the services provided for nationals, regardless of the length of their stay.

TAXATION: The European Commission proposes a withholding tax

Proposals for the single capital market of 1 July 1990.

"The negotiations will be long"; "it won't be easy, but it's not impossible". Thus Mrs. Christiane Scrivener, the European Commissioner with special responsibility for taxation, when she presented the Commission's proposals for a withholding tax on savings in Brussels at the beginning of January. The subject clearly is a sensitive one. The Commission has proposed two directives to the EC Council of Ministers, on a subject which requires a unanimous decision by the Council. The first provides for a withholding tax of not less than 15% on interest paid to all Community residents, the second, closer cooperation between the national tax administrations to deal with fraud.

The withholding tax would be levied on the interest paid on deposits with banks and other financial establishments and on bonds. Dividends on shares are excluded from the scope of the Commission's proposals, as are small savings not subject to income tax in the Member States, thus retaining the tax advantages enjoyed by small savers.

These proposals are aimed at preventing both capital flight and tax evasion from countries with high levels of withholding tax after 1 July 1990, the date set by the Twelve for the complete liberalization of capital movements.

The European Commission has pointed out that a form of withholding tax already exists in nine of the 12 European Community countries, and is levied at rates which reach 35% in Ireland - and even 49% in certain cases in Greece. There is no withholding tax in Luxembourg, however, which no doubt explains its government's opposition to the Commission's proposals. The British government is also highly critical, although the Commission has been careful to exclude from the scope of the proposed directive Eurobonds, which are extensively trade in the City.

The Commission has no intention of calling banking secrecy into question. Mrs. Scrivener was very clear on this point, although she pointed out that its proposals will enable the exchange of information between national tax administrations, where there are definite indications of fraud, by removing administrative barriers. At present one national administration can refuse to provide information to another, without giving any explanation, even when it is not prevented from doing so by law.

The Commission's proposals do not affect the system of automatic declaration by the banks to the tax authorities, in force in Denmark, France, the Netherlands and Spain; nor do they require other Member States to adopt similar systems. Even in these four countries, the 15% withholding tax would apply to income paid to residents of other Community countries.

(Contd.)

(Contd.)

It would not apply to income paid to persons resident outside the 12-nation Community: the Commission has no intention of discouraging foreigners from investing in the EC. The fact is they are already exempt in most Member States.

To discourage fraud, the Commission hopes to be able to persuade other Western nations, especially the United States and Japan, to adopt the system of a withholding tax. But it must first convince the Twelve, an uphill task in itself!

INTERNAL MARKET: The motor car industry faces a rough ride

The European car and the single market as seen by Commissioner Andriessen.

For the European motor car industry the challenge of 1992 is likely to be Japanese ... and perhaps South Korean. The fact is that a single market for cars requires all 12 European Community countries to deal with imports from Japan in the same way. The European Trade Commissioner, Frans Andriessen, believes the Japanese have taken the necessary steps to open up their market to European cars; it is now up to the Twelve to harmonize their own regulations and progressively move towards an open door policy.

The European motor car industry currently accounts for one-third of world output and nearly 10% of EC industrial production. It employs some 10 million people, either directly or indirectly. Demand is healthy; it rose by 6% in 1987 and by 4% last year.

But the European market remains fragmented. Three of the 44 Community directives which relate to this sector remain to be adopted. However, national standards remain in force alongside Community regulations; five Member States restrict imports from Japan; sales and road taxes on motor cars vary in the ratio of 1:30, while legislation to reduce pollution is proving an important source of friction among the Twelve.

UNEMPLOYMENT: At its lowest since five and a half years

It fell to 10% in the 12-nation EC in December 1988.

Unemployment in the 12-nation European Community fell to 10% last December, the lowest it has been since the summer of 1983, according to Eurostat, the Community's statistical office. The news led Henning Christophersen, the European Commissioner for economic affairs, to declare that the Community was "moving in the right direction". However, the fact that some 15.5mn. Europeans were still jobless was "unacceptable from both the human and economic point of view".

Eurostat records the number of people registered with unemployment exchanges: it takes into account both seasonal factors and differences in national recording methods. It notes that unemployment was last at 10% in the summer of 1983, rising to 11% by the autumn of 1984.

It stabilized at just under 11% during 1985 and the first six months of 1986, then began to fall gradually from the summer of 1986, to stand at 10.4% at the end of 1987. Unemployment remained at this level until August 1988, when it began to fall again until the end of 1988.

The situation has varied from one EC country to another. Spain, Ireland and Portugal were the first to record a fall in unemployment, while Denmark and Italy have had to contend with rising unemployment during the last two years.

Unemployment rates varied in the ratio of 1:9 at the end of last year, ranging from 2.2% in Luxembourg to 19.6% in Spain. Countries which recorded unemployment levels below the Community average were Portugal (5.9%), Germany (6.2%), Denmark (7%) and Britain (7.6%). The rate stood at just 10% in the Netherlands and was somewhat higher in Belgium (10.3%) and France (10.4%) and even higher in Italy (12.4%) and Ireland (17.3%).

The fall in the unemployment level among the under-25s was an encouraging sign for Mr Christophersen. From 24.1% in 1984, youth unemployment had declined to 20.2% last year for the Community as a whole. Even so the unemployment rate for the under-25s, although falling, was still higher than for the workforce as a whole at the end of last year.

Female unemployment has been rising steadily since 1984. However, it is falling as regards women under 25: it stood at 23.1% last December as against 26.1% in 1984.

TELECOMMUNICATIONS: Further milestones on the road to the 1992 single market

40 new research projects and an experts report.

Work on the European telecommunications network for the 1990s is going ahead. The European Commission gave its backing in February to some 40 new research projects under the RACE programme, aimed at providing the technological basis for the future network. At the same time an independent experts group presented the first of a series of annual reports which will both describe the progress to date and make recommendations to both the governments and the PTTs of the 12 European Community countries.

The European wide-band network will bring together telecommunications and data processing to provide a wide range of services, including not only telephone and telefax but also video conferences and a large number of new services. Both individuals and companies could enjoy these services from 1995, although all the necessary Community regulations and technical standards would have to be in place by 1992.

The RACE programme brings together practically all the telecommunications administrations and manufacturing companies in the 12-nation Community and other West European countries, to work on projects financed equally by the European Community and the participants themselves. Following the approval of the 40 projects in February, some 90% of the RACE budget has already been committed.

While earlier projects deal with the basic technologies and standards of the future network, the new ones seek to develop the use of telematics in banking as well as medicine and television as well as transport, without overlooking the specific needs of the handicapped, the elderly - and even museums.

Technology is not enough, however. Its effective use at the Community level requires a series of decisions to be taken, in a coordinated manner, by various national bodies. In this connection, a veritable action programme has been drawn up by seven independent experts on behalf of the European Commission. It includes a timetable covering the period from the middle of this year to 1992.

The experts maintain that the PTTs, heads of television companies and interested manufacturers must come to an agreement by the middle of this year on the place of television, including cable and high-definition television, in the future European network. It will also be necessary to complete both the research now going on in this field and the testing of telecommunications equipment. The 12 EC governments, meanwhile, should together draw up the necessary regulations, in the view of the experts.