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SUMMARY

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EUROPEAN COMMUNITY: The difficult road to economic recovery

Each of the Twelve has a contribution to make, according to the European Commission.

Economic stagnation, rising unemployment and falling investments: this is the bleak prospect which emerges from the forecast for 1993 published by the European Commission on February 3 in its traditional annual economic report. The forecast seemed even more dismal four days after the decision of the European Monetary Committee regarding the devaluation of the Irish punt, the fifth EC currency to have succumbed, in one way or another since September, to speculation. Confidence must be restored, the European Commissioner for economic and monetary affairs, Henning Christophersen, pointed out, when presenting the report. He added that in the short term responsibility rested mainly with the governments of the Twelve. He noted that while Germany had a key role, all other EC member states had their work cut out.

The next day, February 4, the Bundesbank, Germany's central bank, announced its decision to reduce considerably its interest rates, reducing the cost of borrowing by the same token. Mr. Christophersen at once responded favourably; he held that it would contribute largely to the restoration of monetary stability in Europe and increase the possibility of economic growth and job creation.

The EC is badly in need of economic growth; after three fat years - 1988, 1989 and 1990 - the Community's gross domestic product (GDP) grew by a mere 1.1% in 1992, as against the 2.25% forecast a year ago. The Commission has forecast for 1993 an increase in GDP of only 0.75%. This amounts to virtual stagnation, although the situation should improve in 1994.

The picture is no better as regards unemployment. It stood at 10.1% last year for the EC as a whole, including the former East Germany. The Commission expects unemployment to reach 11% this year and 11.5% in 1994. For Mr. Christophersen a fall in the unemployment rate requires higher productivity and a better qualified workforce, plus increased investments. The Commission believes that investments, which stagnated in 1992, will fall this year but recover in 1994. The initiative taken by the Twelve at their Edinburgh summit last December to stimulate growth will lead to higher investments and, the Commission hopes, break the vicious circle of recession and pessimism.

However, the current economic difficulties are largely world-wide. For the moment the EC is not the most favourably placed to stimulate recovery. For Mr. Christophersen the United States and Japan in particular are better placed than the Twelve.

SINGLE MARKET: There is still work to be done!
The European Commission and the Twelve size up what remains to be done.

Of the four freedoms envisaged by the "1992 single market programme", three have been more or less attained: the freedom of movement of goods, services and capital. In these three fields problems nevertheless remain to be sorted out and improvements to be made: during the first meeting of the consultative coordinating committee for the single market, held on February 2 in Brussels, representatives of the Twelve and the European Commission looked closely at the question. As for the fourth freedom, that of people, it has lagged behind and the European Commissioner responsible for the single market, Raniero Vanni d'Archirafi, has stressed the importance of the work that remains to be done.

Three countries - Britain, Ireland and Denmark - did not think that they had to eliminate checks on people at the Community's internal borders on 1 January 1993, while the nine other Member States had not taken, as of that date, all the practical measures needed for the elimination of these checks. But this no doubt will be done during the course of the year.

The consultative committee has decided to meet regularly. In February and March it will tackle several sectors, notably those having to do with diplomas, the "European laws" harmonizing standards for industrial products, foodstuffs and medicines. The Twelve meanwhile have accepted a Commission proposal to set up a network of contact points, thanks to which it should be possible both to have a better idea of the problems arising from the operation of the single market and to have them settled by the authorities concerned on the spot.

ENVIRONMENT: When will the electric car be generally available?
The European Parliament wants an EC-wide action plan.

The first car to run at more than 100 km/h was electrically powered. The year was ... 1899; in fact there were some 8,000 electric cars on Britains's roads at the turn of the century. The electric car therefore is not something out of science fiction, as the Euro-MP, Marie-José Denys, has pointed out in his report which the European Parliament adopted last month. Euro-MPs are convinced in fact that the electric car is well suited for city traffic, provided it is supported on a Community-wide basis. The resolution they adopted along with the report calls for a 10-year programme aimed at introducing electric cars into numerous European cities under satisfactory conditions.

Why an electric car? The report notes that some two-thirds of the oxides of carbon and nitrogen and three-quarters of the carbon dioxide which currently pollute the air are the result of urban motor traffic. Electric cars, however, do not pollute the atmosphere; they require less energy per kilometre than the traditional motor vehicles and are silent - to the point where the electric cars which have a monopoly in the small Swiss town of Zermatt, have had to be equipped with a bell in order to alert pedestrians to their presence ... .

The majority of Europe's large car manufacturers have either already built an electric car or plan to do so. But recharging the batteries, on which most such cars run, takes anywhere from two to eight hours - which hardly compares favourably with the time needed to fill a petrol tank. What is more, if these cars are to be priced attractively they must be mass-produced - at a minimum rate of 70,000 units per year - which is equal to 0.5% of the present European market - according to the European Parliament. Finally, arrangements will have to be made for batteries to be recharged as easily as tanks can be filled with petrol.

A great many obstacles clearly remain to be overcome. But a number of steps have already been taken. Work on new types of batteries is going on within the framework of the JOULE research programme. The electric car is the subject of both studies and reflection, and an association which brings together some 40 European cities which have shown an interest in "green" cars has already been set up, under the acronym CITELEC. It includes not only large cities, such as Barcelona and Munich, but also smaller ones, like Avignon and Nantes in France and Trieste in Italy.

... / ...

Euro-MPs agree with the findings of a study launched by the European Commission; they believe that by the year 2002 electric cars should account for 7% of the total for the European Community. In their view this will require a major European programme, covering the harmonization of technical standards, the installation in cities of the equipment needed to recharge batteries, tax incentives - such as a lower rate of VAT for electric cars - and a publicity campaign.

The report of the European Parliament points out that this is a field in which the EC is ahead of the United States and Japan. However, in 15 of the American states, including California, new legislation requires car manufacturers to make sure their output includes a certain proportion of electric cars if they want to sell their vehicles in 1998 and subsequent years ... .

CONSUMERS: Soon there will be ten "cross-border" information centres

The fifth is opened in Aix-la-Chapelle.

Consumers living in the region where the Belgian, German and Dutch borders meet, now have their own European information centre, ready to provide them with information on the new possibilities offered by the single market as regards their purchases or investments, for example. The centre also informs consumers on their rights, should they face problems on the other side of the border. Inaugurated at the end of January, in Aix-la-Chapelle, the new centre has offices in Eupen and St. Vith (Belgium) and Maastricht (Netherlands). Set up with the financial support of the European Commission, it is run by local consumer organizations.

Similar centres are to be found in Barcelona (Spain), Gronau (on the Dutch-German border), Lille (France) and Luxembourg. Another five centres are envisaged, including one in northern Portugal.

NUCLEAR FUEL: An important ruling of the European Court of Justice ...
... regarding violations of the EURATOM Treaty, even when unintentional.

The European Community's Court of Justice has ruled in favour of the European Commission, which had punished a Germany company, ANF-Lingen, for having accidentally shipped a container of enriched uranium to its parent company, ANF-Richland, in the United States.

It happened in May 1990, when a container of enriched uranium was set down accidentally near two empty containers which had to be transported from ANF-Lingen to ANF-Richland. All three containers were carried to the United States by air, without any safety measures having been taken. The European Commission decided to put the German company under receivership for four weeks for a serious breach of Article 79 of the Treaty establishing the European Atomic Energy Community (EURATOM), which requires companies to make a statement regarding the transport of nuclear material.

ANF-Lingen challenged the Commission's decision. It held that it was unable to make such a statement because it simply did not know that the container held uranium.

The Court of Justice rejected the appeal by ANF-Lingen. The fact that the offence was unintentional did not relieve the company of its responsibilities, in the Court's view. On the contrary, ANF-Lingen was guilty of a serious breach, the result of negligence in the matter of safety checks, for example, and therefore fully deserved the sanction imposed by the Commission.

This ruling establishes the role played by the European Commission, under the EURATOM Treaty, in checking on nuclear material. Companies are required to observe the Treaty's safety requirements to the letter; if they fail to do so they will be sharply called to order by the Commission.

VAT: For companies, the new European rules represent an investment

The European Commission has set up a committee to attend to their problems.

The new VAT rules introduced on 1 January 1993 in order to enable the single market to operate across borders, are neither complicated nor costly; what is more, they do not increase the risk of fraud. This point was underlined by the European Commissioner responsible for taxation, Mrs. Christiane Scrivener, when she addressed the first meeting, on February 5, of the newly-created committee which will serve as a link between the business community and the Commission. The Committee will try to get a better idea of how European companies are responding to the new system of VAT, which is changing their habits, after all; listen to their criticisms of it and take note of their suggestions in order to improve the system if necessary.

The committee brings together representatives of European business organizations and members of the Commission's own staff and its offices in the 12 EC countries. Attendance at future meetings of the committee will depend on the problems to be dealt with, and could include representatives of organizations representing specific business interests and the Euro-Info-Centres, the information centres for small and medium-sized enterprises (SMEs) set up by the European Commission in various parts of the EC.

Answering some of the criticisms already made of the new rules, Mrs. Scrivener pointed out that they are simpler than the previous ones, particularly for SMEs, who no longer must submit statistical statements. The only information which must be notified - sales to customers established in other EC countries - is already to be found in company accounts.

As for the cost of shifting to the new system, it amounts in fact to an investment. A study carried out in the U.K. has put the total cost for British companies at £100 million this year. However, as from next year the new system should result in annual savings of £135 million.

As for the risk of fraud, it is smaller now than under the previous rules, thanks to the computerized network for the exchange of information on VAT.