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Mailed from Brussels X

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eurofocus

EUROPE: The European Union is born

A week after the Treaty of Maastricht came into force, the Council of Ministers adopts its new denomination.

"Council of Ministers of the European Community" is out; hereafter it will be known as the "Council of the European Union". This is the name by which meetings of the Community's ministers, as well as the acts they adopt, particularly as regards foreign and security policies, will be designated hereafter.

This is the logical follow-up to the coming into force on November 1 of the Maastricht Treaty. It did not have an easy passage, given that it was necessary to overcome a certain amount of resistance, especially from Britain, which ended by withdrawing its objections, but only after stressing that the European Union is not an international legal entity. This opposition is the final proof that the change of denomination is not simply a formality but represents another move in the building of Europe.

Within a few days of the European Council, which met in Brussels on October 29, there was a growing feeling that a difficult pass had been negotiated and the good ship Europe was once again running before the wind. Of course the polemic which followed the Danish referendum, the hesitations and procrastinations of governments and political forces, the confusion and the negative, often highly emotional, reactions expressed by sections of public opinion, have left their mark, for there were times when it seemed that the opponents of European integration would have their way. Certainly the future of European Union is not yet assured; but neither determined enemies nor severe crises have been able to prevent the idea which lies at the heart of it from manifesting itself.

It is clear from the gravity of the Council's final communiqué, and of the statements issued by the Presidents of the European Commission and the European Parliament, MM. Jacques Delors and Egon Klepsch, that Europe's leaders are inclined to be prudent. Even so, it is a prudence tinted with optimism.

It was this second wind which made it possible for the Brussels summit to agree on an issue which had poisoned the atmosphere for years - the location of a number of EC institutions and services, and in particular the future European Central Bank (in Frankfurt) and the European Environment Agency (in Copenhagen). Eurofocus will return to this subject later in some detail. Meanwhile the agreement on the location of several EC institutions can be seen as proof of the fresh climate now reigning among the Twelve. It is to be hoped that it will result in a readiness to forget past polemics and set to work with a will.

CULTURE: European cities of culture

Stockholm will be the cultural capital of Europe in 1998, Weimar in 1999.

Which of these three cities - Avignon, Bologna and Prague - will be the cultural capital of Europe in the year 2000? The fact is that all three are backed by several delegations. But given the symbolic importance of the year 2000, it is just possible that the Council of ^{the} European Union will ask all three cities jointly to assume the mantle of cultural capital of Europe, in order to underline the significance of the year in question.

The cities designated for the "cultural months" for 1995 are Ljubljana (Slovenia) and Nicosia (Cyprus). EU ministers have also asked the European Commission to envisage the grant of financial support for Sarajevo's 10th winter festival. At the same time they have welcomed the intention of a number of Member States to support the efforts of artistic and cultural circles to show solidarity with Sarajevo, both in that city and in their own countries.

CONSUMERS: European travellers will soon be allowed ...

... to bring home more duty-free purchases.

Soon globe-trotting citizens of the European Union will be able to bring home, without any formalities, nearly four times more goods than they can at present. EU ministers agreed at the end of October to increase the amount of goods that travellers can bring back, without formalities, from Geneva, Casablanca or New York, for example. For adults the new amounts will be ECU 175* instead of ECU 45 at present. For young people between 15 and 18 years of age the amount is being raised to ECU 90 from ECU 23.

Europeans will be able to take advantage of this opportunity once the Twelve have translated their agreement into "law". There is one exception, however: travellers entering Germany from Poland or the Czech republic will have to be satisfied with the current amounts until 1997, in view of the German government's fears of fraud.

As for the amount of goods that Europeans can buy in duty-free shops when travelling within the frontiers of the Community, the maximum will be raised from ECU 45 to ECU 90. Here, too, there is an exception: the maximum amount will be ECU 600 until 31 December 2000 for persons entering the Spanish mainland from the Canary Islands and Ceuta and Melilla.

Thanks to the single market, since January 1 of this year travellers can move within the 12-nation European Community, shopping as they go, without any problem and without any formalities. But there is a cloud to every silver lining: duty-free shops have become an anomaly for travellers who stay within the Community's frontiers and are therefore under stay of execution: some two years ago the Twelve decided to deny access, as from 1 July 1999, to those travelling within the single market. Only travellers going to non-EC countries, or coming from them, will have access to duty-free shops after that date.

* 1 ECU = UK£0.77 or IR£0.81

BORDER-FREE VAT: The system is working rather well, after nine months ...
... but it must be further improved and simplified.

After nine months of the new "border-free" VAT system the European Commissioner responsible for taxation, Mrs. Christiane Scrivener, was able to present the European Community's finance ministers her first detailed progress report. It was a "largely positive" report. Problems remained, but they were clearly defined. Any fundamental problem would have shown up by now, according to Mrs. Scrivener. In order to overcome remaining difficulties, it will doubtless be necessary to simplify the procedures, particularly for small and medium-sized enterprises (SMEs). In some cases it will be possible to achieve this at the European level, while in others it is up to the member governments to make the next move.

The new system for VAT and excise duties - the taxes on tobacco, alcohol and petrol - has made it possible to eliminate payments at the Community's internal frontiers, thus allowing consumers to shop where they will and reducing, in the case of businesses, the cost of intra-Community trade. The fact is that businesses have already had to bear the cost of adapting to the new system. The time has now come for them to take advantage of it ... except in the countries whose governments have changed the rules in order to ensure that their tax authorities do not have to wait longer than before in order to collect VAT payments. In principle businesses should no longer have to make VAT payments in advance to their government when they purchase goods in another EC country. Faced with this type of obstacle, the Commission is trying to ensure that the European system is applied uniformly throughout the 12-nation Community.

Businesses are also facing a problem arising from the fact that reduced VAT rates remain optional for products deemed "essential". Not all Member States have opted for reduced rates, with the result that there are price differences in consequence.

There are other difficulties, if the statistical problem is left to one side (see p. 9). They include the absence of harmonization at the European level in certain areas, such as hand tailoring; the requirement for a business to be represented for tax purposes in the Member States in which it trades but has no local establishment and the specific systems, such as distance selling, which are more complex than the standard system.

CULTURE: Defending oneself in the GATT

The Twelve discuss the best way of meeting American intransigence and protecting European culture and its audiovisual industry.

Cultural "specificity" or "exception"? Or rather: What is the best way of defending European culture without infringing GATT rules?

The EC's ministers for the arts discussed the issue during their last meeting in Brussels, after having listened to their Belgian colleague, Elio Di Rupo, whose country at present holds the EC's rotating presidency, and the European Commissioner, Mr. Pinheiro. The former told them of the results of a conference held in Mons, the latter of the state of play in the GATT negotiations.

The point at issue is how to ensure that European culture, and its audiovisual products in particular, have the means to defend themselves against the aggressive marketing of American products. The fact is that if cinema and television productions can be regarded as artistic creations, they nevertheless are industrial products and should, therefore, conform to the provisions of the General Agreement on Tariffs and Trade, otherwise known as GATT, which regulates world trade. This is the American position; and Washington would like to see the EC dismantle both the system of state aid and the other forms of support and protection - particularly the obligation to devote a certain amount of airtime to European productions - which are seen by Americans as protectionist and contrary to competition laws. Europeans have come out strongly against the American viewpoint, demanding that an exception be made in the case of cultural goods, which cannot be treated like ordinary merchandise.

The stakes are so high that the battle is likely to be hard-fought. The figures speak for themselves. Europe's deficit in its trade in audiovisual products with the United States amounts to a massive ECU 2,500 million* a year. American serials and films monopolize European television screens, while the majority of films shown in European cinemas are imported from the United States. The Americans, not surprisingly, are unwilling to give way.

EC arts ministers had already met in Mons in early October, in order to arrive at a common position and to find solutions to a situation that is becoming critical for the audiovisual industry. A delegation of European producers went to Mons, to remind ministers of the industry's stand in favour of a derogation from GATT rules on cultural grounds. Only in this way, they agreed, can the European audiovisual industry be safeguarded - a view shared by several EC governments. The European Commission feared, and still fears, however, that such a stand would run up against legal and political difficulties. Hence the Commission's preference for the notion of "cultural specificity", easier to defend in negotiations.

Even so, the ministers attending the conference in Mons were able to reach a consensus, and to set European negotiators six objectives, representing a minimum. To begin with, a derogation from the most-favoured-nation clause, thus limiting state aid to European works. Next, the continuation and development of such aid. Thirdly, the continuation of the power to regulate new or existing technologies and transmission methods. Fourthly, the continued freedom to develop all the policies needed to support all aspects of the audiovisual industry, from creation to production, distribution, exploitation and broadcasting. The fifth objective provides for the maintenance of the right to impose broadcasting quotas for European productions. Lastly, audiovisual products cannot be subject to the progressive rise in the level of liberalization.

The European Commission shares these objectives. Mr. Pinheiro, the Commissioner with responsibility for culture and audiovisual products, declared that the six points in question form a whole, which can neither be broken up nor negotiated bit by bit. Even so, the Commission remains convinced that bringing audiovisual products within the scope of GATT would shelter the European industry from American aggressiveness.

* 1 ECU = UK£0.77 or IR£0.81

MOTORCYCLES: The European Parliament is against limiting engine size
Euro-MPs turn down a "European law" adopted by the Twelve.

The fate of high-powered motorcycles still hangs in the balance in the 12-nation European Community. The European Parliament rejected at the end of October a "European law" limiting engine size to 100 h.p., which the Twelve had adopted in mid-June (see Eurofocus N° 24/93). This "law" would eliminate within five years the more powerful models produced by a major British manufacturer.

For Euro-MPs, whose ranks include motorcyclists, the link between engine size and accident rate has yet to be established. They also thought it necessary to defend one of the very few competitive European motorcycle manufacturers.

A unanimous vote is now required in the Council of European Union for the "law" in question to be adopted definitively. Eleven ministers had voted for it in June, but their British colleague had abstained.

INFLATION: A slight fall in September
3.3% over 12 months for the EC as a whole.

There has been a slight downturn in the annual rate of inflation for the 12-nation European Community as a whole: from 3.5% in July it fell to 3.4% in August and to 3.3% in September, according to figures released by the EC's statistical office, Eurostat, at the end of October. This represents a considerable fall in relation to the 4% recorded in September 1992.

While Denmark had the lowest rate of inflation in the EC (1.2%), Britain, Ireland and the Netherlands all recorded inflation rates of under 2%, and Belgium and France rates between 2% and 3%. Luxembourg (3.7%) and Germany (West - 4%) were above the Community average, as were Spain (4.3%), Italy (4.4%) and Portugal (5.9%). Greece beat all records with 12.8%.

SINGLE MARKET: A fall in trade among the Twelve?

As a result of the crisis ... or of the statistical revolution.

Are the 12 EC countries trading less with each other since the opening of the single market on 1 January of this year? During the first quarter of 1993 intra-EC trade stood at ECU 161 billion*, considerably less than the ECU 182 billion recorded during the first quarter of last year, according to the figures published by Eurostat, the EC's statistical office, at the end of October.

Is this apparent decline in intra-EC trade evidence of the crisis which has caused the EC economy to slow down? Or must it be seen as a consequence of the veritable statistical revolution brought about by the elimination of checks on goods at the EC's internal frontiers since January? Eurostat's experts are recommending the greatest prudence on this point.

Until 31 December 1992 intra-EC trade statistics were based on the customs declarations deposited at the Community's internal frontiers. Since January 1, in keeping with the logic of the new European statistical system, INTRASTAT, companies must forward the necessary information directly to the various national administrations. It would seem that not all of them are following the rules. This is more true of smaller companies than of the bigger ones, and of some countries more than others.

This remains the main hurdle to be overcome, now that the early delays in implementing the new system seem to be fading and that the European Commission hopes to have, by the end of 1993, trade statistics for the first six months of the year for all 12 EC countries. Some EC countries would like to link INTRASTAT to their respective tax departments, in order to improve the situation. The European Commission, for its part, is currently studying ways of simplifying the statistical formalities which companies, and small and medium-sized ones in particular, must meet, even while estimating the statistics with the maximum of precision. The Commission has already called on the Twelve to use computers on a greater scale when gathering information from companies.

* 1 ECU = UK£0.77 or IR£0.81