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Mailed from Brussels X

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EUROFOCUS

ERA: An 18-nation "European Economic Area"

New possibilities since January 1.

"Not another acronym!" the beleaguered ready is likely to shout. There was the EEC, which changed to EC - and has changed again to EU. With EEA we seem to be starting all over again. The new acronym stands for "European Economic Area", which brings together the 12 EU countries as well as Austria, Finland, Iceland, Norway, Sweden and Liechtenstein, all members of the European Free Trade Association, along with Switzerland. Since January 1 there exists an economic area, spanning the Twelve plus the Six (except for Liechtenstein), within which there is free movement of people, goods, services and capital.

This is not to say that the single market, covering the 12 EU countries, is being extended unchanged to include the six other EEA countries. There is no question, for example, of eliminating border checks between the EU and its six EEA partners, nor of giving nationals of the latter the right to vote in EU elections.

The EEA nevertheless offers fresh opportunities to the citizens and companies of its 18 countries. This is particularly the case as regards opportunities for (1) working and taking up residence in any of the 18 countries, without benefit of an authorization, (2) marketing products and services without being required to obtain special certificates and (3) making unlimited capital transfers. The EEA in fact represents an integrated economic area of some 372 million inhabitants, 346 million of whom live in the European Union.

The basis of the EEA is an agreement concluded in Porto in May 1992 and which should have come into effect on 1 January 1993, simultaneously with the completion of the single market, and have included Switzerland. But the Swiss rejected the agreement setting up the EEA by referendum in December 1992 and consequently never ratified it. It was necessary, therefore, to adapt the agreement and have the revised version ratified by the 18 countries and the European Union, a process which was completed last December.

In order to take part in the EEA the six EFTA countries have had to adopt hundreds of "European laws", as well as the EU's competition rules. Liechtenstein, which forms a customs union with Switzerland, must first adjust its relations with the latter; only after that can it implement the EEA agreement.

REGIONAL AID: ECU 21 million for the redeployment of ...

... customs and forwarding agents in 11 European Union countries.

The redeployment of customs and forwarding agents, who earned a living until the end of 1992 from the formalities at the EU's internal borders, will be completed thanks to a final contribution from the European budget. The fact is the European Commission approved at the end of December a second series of projects and programmes submitted by the governments of 11 countries - the Twelve without Luxembourg - for which aid totalling ECU 21 million* is being made available. When added to the ECU 9 million already allocated last July, this aid will bring to a close the implementation of the special programme aimed at helping out with the most critical situations, adopted in December 1992. Some ECU 370 million had already been made available from the EU budget to help with the redeployment of professions adversely affected by the elimination of formalities at the EU's internal borders.

Nearly all the projects approved in December are of interest to small and medium-sized enterprises, given that they involve vocational training, equipment, market surveys, etc. Thus some of the firms in question will now specialize in trade with countries outside the European Union, given that border formalities continue in their case. Others will embark on other activities, such as transport, storage, distribution and insurance.

Of the ECU 30 million allocated for the special programme, France is receiving the lion's share - ECU 7.15 million. Next comes Italy, with ECU 4.37 million, followed by Spain (ECU 3.52 million), Greece (ECU 3.03 million), Germany (ECU 2.96 million) and Portugal (ECU 2.76 million). Belgium has been allocated ECU 1.99 million, Britain ECU 1.56 million, the Netherlands ECU 1.32 million, Ireland ECU 521,000 and Denmark ECU 461,000.

* 1 ECU = UK£0.75 or IR£0.79

ENVIRONMENT: The European Agency is now operational

At its first meeting the Board of Directors elected a president and vice-presidents.

The European Environment Agency (EEA), a key instrument in the European Union's environmental policy, has been launched at last, following an agreement over the siting of a number of EU institutions, reached at the special summit held last October, which decided to locate the EEA in Copenhagen.

The Agency's Board of Directors, which consists of a representative of each Member State, as well as two Commission representatives and two others appointed by the European Parliament, met on December 17 in Brussels. It elected M.C. Stroetmann, the German State Secretary for the environment, the protection of nature and nuclear safety as President and MM. F.A. Osborne, Deputy Secretary of Britain's Department of the Environment, and A.M. Pires, Director-General of Portugal's Ministry of the Environment and Natural Resources, as Vice-Presidents.

The Board also took interim measures designed to ensure that the Agency was immediately operational, pending the appointment of its executive director, on a proposal from the European Commission.

In addition, preparatory work has already started, to begin with on an initial multiannual work programme, based notably on the objectives of the fifth environmental action programme, followed by the inter-operability of the various elements of the "European environmental information and observation network" and the development of a strategy for the management and exchange of information on the environment as well as the preparation of a catalogue of sources that can be utilized. Work is also under way on the up-dating of the databanks of the CORINE programme (1985-1990), which the Agency is taking over and continuing.

TAXATION: Cross-border workers must not be discriminated against!

The European Commission appeals to the goodwill of the Twelve.

Some 200,000 to 300,000 European Union citizens find themselves penalized by the taxman because they work in one EU country and live in another. And many others, whose numbers cannot be known, lose all desire to look for work, or to go into business for themselves on the other side of the border, for fear of foundering under the tax burden. In order to encourage the Twelve to put an end to this abnormal situation, the European Commission called on them in December to end discrimination based on one's country of residence. Each Member State would remain free to apply a system favourable to non-resident taxpayers.

The fact is that Europeans are taxed on their income in the country in which they work, even when they live outside its borders. But in the latter case they often are not entitled to the allowances and deductions for dependents - children or a spouse without gainful employment. The result is that workers in this situation pay more in taxes than their colleagues who live and work in the same country.

Thus a person who is self-employed in Belgium but lives in France, with a spouse who is not gainfully employed and two children, would at present pay 402,000 Belgian francs in taxes on an annual income of one million Belgian francs. Were the Belgian tax authorities to adopt the Commission's recommendations, the amount due would fall to 240,000 Belgian francs.

Similarly, a married employee with one dependent who has no income, resident in France or Belgium but employed in Germany at a salary of 40,000 deutsche mark a year, currently pays 6,403 deutsche mark to the German tax authorities. Under the Commission's recommendation he would pay just 3,828 deutsche mark.

Of course a European Commission recommendation does not require the Twelve to modify their laws. However, at the beginning of next year the Commission will monitor the measures taken to end discrimination. It will propose binding measures, should it find it necessary to do so.

ECONOMY: The first rays of hope

Production rises at the end of summer; greater optimism among manufacturers.

There is a ray of hope, after months of gloom for the 12-nation European Union. Industrial production rose by 0.3% during the third quarter of last year, as compared to the previous quarter, according to Eurostat, the European statistical office. The rise, although timid, is in contrast with the earlier declines.

What is more, the rise in production was confirmed in nine of the 12 EU countries, with Denmark even recording a record increase of 5.4%. Only in Italy was there a decline in production - of 0.5% - while production stagnated in both Germany (West) and France.

A further positive element was recorded last November when, for the first time in 18 months, the number of managers who planned to raise production was roughly in line with the number who envisaged a decline. This was one of the findings of the latest European Commission business survey, published in early January.

AGRICULTURE: Two cases of fraud have cost the EU over ECU 8 billion

The European Commission is trying to recover the money.

European agricultural products can turn out to be footloose, if a detour will give unscrupulous intermediaries a chance to earn a few million. The European Commission gave two further examples of this in mid-January, when it disclosed that two cases of fraud had cost the Community budget ECU 8.2 million*.

Inspectors from the Commission discovered in Poland that out of some 10,000 tonnes of beef held in warehouses in Germany and sold by a Belgian company to a Polish importer, 1,254 tonnes had been re-sold in the former Soviet Union. The Belgian firm received European funds for fictitious operations, resulting in a loss of ECU 4.2 million for the EU treasury.

In another case 2,000 tonnes of meat left Germany for Lebanon but ended up in Turkey. The cost to the European budget: ECU 4 million.

* 1 ECU = UK£0.75 or IR£0.79

ENVIRONMENT: The energy tax has not been abandoned

The European Commission hopes that the new approach, proposed by the Belgian presidency at the end of last year, will overcome Britain's reservations.

"The proposal to introduce a tax on carbon dioxide (CO₂) emissions is part of the agenda of the Greek presidency", and the recent declarations on this subject of Greece's industry minister have been wrongly interpreted, according to Yannis Paleokrassas, the European Commissioner with responsibility for the environment. It is not a question of abandoning the proposal, but rather making it clear that the energy tax is not the only way of reducing CO₂ emissions. The tax will therefore be discussed by the European Union's environment and finance ministers at their forthcoming meetings.

The European Commission, for its part, has no intention of withdrawing its proposal; however, it will examine very closely the new approach suggested by the Belgian presidency at the close of its mandate. What it would involve would be the introduction, during a first stage, of a series of "environmental taxes" on a broader range of energy products, including natural gas, coal and electricity, which were not subject to taxation under the initial proposal. Besides, the tax could be limited to lower levels, and the principle of "conditionality" - that is to say, the requirement that third countries adopt similar measures - could be less strict, perhaps even dropped altogether.

These suggestions seek to overcome Britain's reservations on this difficult issue, by taking account of them.

In any case, the balance sheet of the evolution of environmental policy in 1993 remains satisfactory, and the major orientations begun last year should begin to take shape this year. In the coming weeks the Commission should begin reviewing several directives, particularly the Seveso directive and the texts on environmental impact studies and, above all, on the quality of drinking water. Also on the agenda is the review of the directive on bathing waters, pollution by aircraft and the quality of the atmosphere, which should be better protected, thanks to the reduction in the sulphur content of oil-based fuels and the setting of standards for several industrial sectors. The review procedure does not imply a

reduction in environmental standards; the aim, rather, is to facilitate their implementation by the Member States. Besides, the Twelve have undertaken to raise their standards of environmental protection between now and 1999, with a view to bringing them into line with the standards of the most advanced applicants for EU membership (Austria, Sweden, Norway and Finland), as sought by the latter. "These are shortcomings which must be made good in the light of the EU's enlargement", Commissioner Paleokrassas has insisted, pointing out that "the standards of the new members are on occasion higher and on occasion simply different."

The Commissioner has also announced the creation of a general consultative forum on the environment. Its 32 members represent business, industry, consumer organizations, environmental organizations and local and regional authorities. They have been appointed by the Commission for a 3-year period initially, but which can be renewed. The Forum represents a framework for the exchange of information with the EU's executive, which has the task of drawing up the Community's environmental legislation. The Forum will deal with the themes covered by the Commission's White Paper on growth, competitiveness and employment; in fact it did so at its first meeting on January 13.

"The Forum marks a very important stage in the implementation of the Fifth Action Programme, and it will help in guiding Community policy in the coming years", according to the environment Commissioner. He recalled how necessary and urgent it was to adopt a genuinely "green" book-keeping, based on the principle that the polluter pays, as this will require users to meet the real costs of environmental degradation.

BUSINESS AND SOCIETY: The role of cooperatives, mutual benefit societies and associations

How to provide them with the necessary means to enable them to play their role in the economic and social framework of the single market.

In the early 1990s the total number of cooperatives, mutual benefit societies and non-profit associations affiliated to national central organizations (NCOs) came to just under 269,000. Nearly 39% of them were cooperatives, 5% mutual benefit societies and 56% associations. The total number employed came to nearly 2.9 million, with 61% employed by the cooperatives, 5% by the mutual benefit societies and 24% by non-profit organizations. Their total turnover came to ECU 1.6 billion*, with cooperatives accounting for nearly 80% of the total, the mutual benefit societies for nearly 5% and the associations for 16%. These impressive figures were published in early January by Eurostat, the European statistical office, and they highlight both the scale and economic impact of this sector.

Cooperatives, mutual benefit societies and associations combine traditional business functions with social achievements in keeping with their aims. Their status varies greatly, according to the area of activity and the EU country in question. However, despite these differences these "social economy" agencies have a common identity. The European Commission would like to provide them the means needed to enable them to play their part in the social and economic context of the single market. What is needed, to this end, is more detailed and accurate information - i.e. better statistics - regarding the phenomenon itself. All one has to go on at the moment are estimates of the activities of these bodies which necessarily are incomplete, given that not all of them are affiliated to national central organizations. The statistics published are drawn from a study launched in 1991 by the European Commission and undertaken by Eurostat. This study must serve as the basis for a future Commission action programme in this field.

Beginning 1989 the Commission asked the Council to support its efforts to improve the participation of these enterprises in existing Community programmes and initiatives, particularly as regards information, access to sources of credit and training.

* 1 ECU = UK£0.75 or IR£0.79