

# EURCOMMEMO

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*Recent Developments in the European Community*

February 1990

**To Editors:** more information is available on the following topics.

**European Community faces test of strength.** E.C. Commission President Jacques Delors, outlining the Commission's 1990 agenda in a January 17 speech to the European Parliament, described the European Community as a "lodestar" for Central and Eastern European countries switching to democratic government and market economies. But, he added, notwithstanding the E.C.'s impressive economic upturn over the past five years, the Community would have to become even stronger in order to live up to new and ongoing international obligations. Delors said essential decisions must be taken on controversial issues such as monetary union, political cooperation and institutional reform, in particular concerning the powers of the Commission and Parliament. Identifying the 1987 entry into force of the Single Act as vital to a constructive Community role in world affairs, Delors commented on current developments in E.C. relations with the United States, Japan and the six European Free Trade Association countries concerning trade liberalization and the Uruguay Round of multilateral trade talks. On ongoing tasks, Delors emphasized his commitment to the timely completion of the 1992 single market, industrial research, protection of the environment and workers' rights.

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**1992 accelerates change in Europe's auto-industry.** Completion of the internal market is crucial to the future of Europe's automobile sector, according to a December 1989 communication from the Commission to E.C. industry ministers. Entitled **A Single Community Motor-vehicle Market**, it says Europe's carmakers lag behind global competitors because fragmented markets have prevented them from reaching the economies of scale necessary to lower production costs and boost competitiveness. The Commission is proposing an action plan to liberalize the sector by harmonizing technical and environmental standards, approximating indirect taxation, managing state intervention, developing Europe's technical base and job-training opportunities, and dismantling internal quantitative restrictions by 1993.

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**"Fair-play" to rule in formation of new Community-wide companies.** A new mergers regulation will go into force throughout the European Community on September 21, 1990. Adopted by E.C. trade and industry ministers on December 21, 1989, the new rules will enable the E.C. Commission to maintain fair competition as Europe's industry adapts to the dimensions of the 1992 single market. Recently published in the Official Journal of the European Communities (L 395, December 30, 1989), the regulation establishes a mechanism which for the first time allows the Commission to examine mergers while still in the planning stages. Companies must give prior notification to the Commission if their combined global turnover exceeds 5 billion European Currency Units (ECU)<sup>1</sup> and at least two of the companies have Community sales worth 250 million ECUs. The Commission has one month to approve or block the proposals. These thresholds will be reviewed again in 1994. Until then, smaller and predominantly national mergers will remain under national control, except where Commission intervention is sought or national legislation is deficient.

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**Europe takes lead in campaign to protect the ozone layer.** The E.C. Commission has placed itself at the head of the race to phase out use of ozone-depleting substances with a recent proposal setting a new target for total elimination by 1997. Although 3 years ahead of the current world deadline, the Commission maintains that, if adopted, the new law would still give the Community's big industrial users of chloroflourocarbons (CFCs) and halons sufficient time to switch to new substitutes currently under development. The E.C. is a major producer of CFCs: of an estimated 1.1 million metric tonnes in total annual world production, the E.C accounts for almost half (450,000 metric tonnes). E.C. Environment Commissioner Carlo Ripa di Meana called the proposal "a new decisive step in this key global issue." The proposal radically revises a 1988 regulation and underlines Europe's commitment to the conclusion in June 1990 of the strongest possible revision of the Montreal Protocol on CFCs and halons. (Copies of the proposal will be available shortly.)

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<sup>1</sup> ECU = \$1.21 as of February 2, 1990.

**E.C. Commission defers Turkish membership application.** Turkey's request to join the European Community has failed to win immediate approval. In a December Opinion, the Commission reiterated its general position that completion of the 1992 single market must remain its priority and thus precludes any enlargement in the near future. Referring specifically to Turkey's case, the Commission said that Turkey's economy, although improving, was not macroeconomically balanced enough to carry the obligations of an E.C. member state. On the political front, the Commission was satisfied that Turkey is becoming more open, but found its human rights record decidedly below the standards of the Community. The Commission, however, has left the question open to discussion at a later date and in the meantime has suggested various ways in which Turkey could attune itself more to the emerging single market using the framework of its current status.

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**The financial aspects of 1992.** A European financial common market is an essential part of the 1992 frontier-free single market, and encompasses not only the free movement of money and capital for all E.C. citizens, but also freedom of establishment and the freedom to provide services for brokers and financial undertakings anywhere in the Community. Although foreseen in the founding E.C. treaties and pivotal to the success of economic integration, the fragmentation of the financial sector along national lines has made this a difficult chapter in the E.C.'s efforts to establish a common market by 1992. A recent brochure called **A European Financial Common Market** (European Documentation series, 4/89) gives a comprehensive picture of previous developments and links current progress toward liberalization in the sector to development of common monetary policies. It also includes an annex detailing the May 1989 status of all 1992-related initiatives and proposals to liberalize capital movements, banking services, insurance and securities. An overview of the implications of a single financial market for non-E.C. countries concludes the periodical.

All speeches and documents described in Euromemo are available from the E.C. Commission Delegation, Office of Press and Public Affairs, 2100 M Street, Suite 707, Washington D.C. 20037.