



We mustn't rest on our laurels

THE SINGLE MARKET AT THE HALF-WAY POINT

The '1992 programme' is regarded as irreversible, both within the 12-nation European Community and the rest of the world, and this just three and a half years after it was launched, and four years from the completion date. The European Commission will have sent the EC Council of Ministers, before the end of 1988, some 90% of the '300 proposals' needed to establish the single market.

This means that the two objectives which Lord Cockfield, the project's architect, had set himself in 1985 when he took charge of the internal market, have been reached. He rightly stressed the point with satisfaction when presenting his mid-term report on 9 November, a report which, incidentally, must also be seen as the first Delors Commission's balance sheet in the field of the internal market.

While the EC Council of Ministers has not followed the pace set by the Commission, it has nevertheless covered a good deal of ground. As of 9 November it had formally adopted one third of the measures in the framework of the 1992 programme and had reached agreement on some 40% of them. By the end of December the Council will almost certainly have adopted 45% of the total, instead of the 50% initially foreseen.

Lord Cockfield, not surprisingly, sees no reason why the Community should relax its efforts; on the contrary, it must press ahead with increased determination, given the pressure of time. The fact is the Council has only two years, and not four, in which to adopt the rest of the programme if the single market is to become operational on 1 January 1993. This is because all the measures adopted by the Council of Ministers must be incorporated by each Member State into its national legislation. The initial target must therefore be 1990.

It will be necessary, therefore, to work harder, but without overlooking any sector — and not least of all those of particular concern to the people of Europe. The fact is that most of the progress to date is with regard to technical obstacles to intra-Community trade: technical standards, capital movements, insurance, transport, and public procurement. Two key areas in which progress has been much slower are precisely those which directly effect the man in the street: VAT and other sales taxes on the one hand, and the free movement of people on the other. There has been no progress as regards formalities at the Community's internal frontiers and the right of residence.

There is a danger that, without progress in such areas, many will see the single market as being of benefit to only the multinationals and banks on the one hand, and politicians and technocrats on the other. Will the ordinary citizen accept a single market which demands sacrifices of him, without offering him immediate and tangible benefits? Isn't there a danger of large-scale abstention during the elections to the European Parliament next June?

1992 has caught the tide, but the average European would like immediate assurance that he will not be left stranded.

This issue of Target '92 was completed on 10 November 1988.

Decisions

■ Ending static within the Community

1 January 1993 should usher in more than the single market; it should also see an end to the distortion of radio and television programmes because of the static generated by badly designed home and electronic appliances. The fact is that from that date a wide range of products, including radio and television sets, electrical and electronic equipment, domestic appliances, medical and scientific equipment, fluorescent lamps and industrial equipment will have to meet a Community regulation on electromagnetic compatibility.

This regulation, on which the EC Council of Ministers reached agreement on 14 October, both limits the electromagnetic disturbance generated by a product and requires it to be adequately shielded. It will be the fourth Community directive to follow the 'new approach' in matters of harmonization of technical standards. This approach allows the Community, since 1985, to facilitate the free movement of manufactured products without requiring the Council to draw up detailed technical standards.

■ Opening up public works contracts to competition

Tenders for public works are being thrown open to Community-wide competition, as happened in the case of public procurement in March. This follows a decision of the European Community Council of Ministers of 14 October, extending Community rules to public works contracts worth ECU 5 million or more.¹

Prior notice of the main features of forthcoming contracts will have to be published in the EC's *Official Journal*, to allow companies time to prepare their tenders properly.

The Council decision covers tenders invited not only by public bodies but also by private companies, where more than half the costs are directly subsidized. The regulation will come into force a year after its formal adoption by the Twelve, except in Greece, Spain and Portugal. Here it will come into force on 1 March 1992.

■ A single market for jams and fruit juices

Food habits are changing fast in the European Community. With new products continually finding their way onto supermarket shelves, Community regulations must be adapted to allow their free movement between Member States. Hence the adoption by the EC Council of Ministers of 14 October of amendments to a Community directive on jellies and another on fruit juices.

Certain products made from plants such as carrots and sweet potatoes can now be described as jams. The packaging used for jams, jellies, marmalades and chestnut purée will have to indicate the sulphur dioxide content when it exceeds 30 mg/kg.

Other amendments permit fruit juices to be made without the addition of sugar and for the sugar to be replaced by honey. Moreover, certain tropical fruit juices can be made from fruit purée.

■ Quieter motor bikes

The EC Council of Ministers has just extended the scope of the 1987 Community directive on the permissible sound levels of motor cycles to exhaust systems sold in kit form. The initial directive, which sets the limit at 80 decibels, covers exhaust systems fitted as original equipment. The Council decision of 14 October includes a procedure to ensure the limit is respected.

¹ECU 1 = £0.66 or IR £0.77.

■ Better customer information on fertilizers

Fertilizer manufacturers will have to indicate hereafter the calcium, magnesium, sodium and sulphur contents of their products if they are to be marketed on a Community-wide basis. The decision by the EC Council of Ministers, taken on 14 October, modifies a 1976 Community directive.

■ European Court rulings

The European Community Court of Justice handed down a number of rulings on 27 September and 5 October, several of which spell out the rules of the game in the 12-nation common market:

● Student registration

The Court at Luxembourg held the Belgian system of quotas and special registration fees (the 'minerval') to be contrary to European Community regulations, to the extent that it treats students from Belgium and Luxembourg more favourably than those from other Community countries as regards access to non-university higher education.

● Transfer of registered offices for tax purposes

EC treaties and 'laws' do not give a company established in one Member State the right to transfer its registered offices to another with scant regard for the laws of the first, if there is no corresponding transfer of its business activities.

The Court therefore ruled against the publishers of Britain's *Daily Mail*, who had sought to move its registered offices to the Netherlands, without the UK Treasury's authorization, in order to reduce its tax bill.

Initiatives

● '1992' favours investments

Preparations by European companies for the single market have led to a sharp rise in investments already this year, according to the European Commission. In its annual economic report, submitted at the end of October, the Commission notes that investments should rise by 7% in 1988. The last time there was a comparable rise was in 1964.

The report points to a variety of other factors stimulating investments, which are playing a decisive role in the European Community's economic growth. They include higher returns on capital and better utilization of production capacity, both of which have recovered to levels not reached since the early 1970s.

The European Commission expects the EC economy to grow by 3.5% this year and nearly 3% in 1989. There is a black spot, however: unemployment is running at over 10%.

● Ecu: Progress and hopes

Use of the ecu, the European currency unit, increased substantially during the first nine months of this year, thanks in part to measures taken by the European Commission, as a communiqué published on 18 October points out.

The Commission decided late in 1987 to convert a large part of the liquid assets of the European Coal and Steel Community into ecus. As a result, the ECSC's holdings of ecus grew from ECU 156 million at the end of December 1988, to ECU 1 030 million as at 30 September 1988, while the total of its lendings and borrowings amounted to some ECU 2 000 million. The Commission also launched an ECU 500 million issue this July for the ECSC and EEC jointly. The total market for long-term capital is estimated at ECU 40 000 million.

Interest in the ecu varies from one Member State to another, however. An opinion poll conducted on behalf of the Association for European Monetary Union among more than 1 000 company managers revealed that 47% of the Italians had already used the ecu, as compared to only 5% of their British and Dutch counterparts.

On the whole, those polled, who were from the seven countries that account for much of the Community's economic activity (Belgium, the United Kingdom, France, the Federal Republic of Germany, Italy, the Netherlands and Spain) felt they still had much to learn. A mere 5% thought themselves very well-informed about the ecu; another 30% rather well-informed, while 84% needed advice on how the 'European currency' can be employed.

Some 86% of those polled would like the Community to adopt a common currency. The Germans, 60% of whom were in favour, had the most reservations; the Italians (98%) were the most enthusiastic, with the British, 79% of whom favour a European currency, occupying the middle ground.

Company managers, generally speaking, expect from the ecu greater stability in their trade with other countries, more simplified management and greatly reduced exchange costs.

● Higher education without frontiers

From next year, students enrolled at some 80 universities throughout the 12-nation European Community will be able to study in more than one Community country and still obtain their degree within the stipulated period of time, thanks to an experimental programme launched in October by the European Commission in the framework of the EC's inter-university exchange programme, Erasmus.

Students who opt for the new scheme will find that each full academic year earns them 60 credits, each semester 30 and each quarter 20. They will have to accumulate a total of 240 credits in order to obtain a degree requiring four years of study. Credits earned at universities other than their own will, of course, count towards the total.

The experiment is to run for five years, i.e. until the 1994/95 academic year and will cover medicine, business management, history, chemistry and mechanical engineering. Scholarships will be available.

● Harmonizing the labelling of foodstuffs

To ensure better information for consumers and the free movement of foodstuffs throughout the 12-nation European Community, the European Commission sent the Community's Council of Ministers two proposals in early October. Under the first, the dietary information which appears on food packages, as well as the information to be supplied by the manufacturer (number of calories per 100 g; levels of protein, fats, sugar, etc.) would have to be presented in a certain way. Manufacturers would not be obliged to provide information on the dietetic contents of their products, unless reference was made to them on the package itself or in advertisements.

The Commission's second proposal would give it the possibility to introduce compulsory labelling, after consultations with representatives of the Member States. Given the multiplicity of national laws and regulations in this field, the Commission has drafted its two proposals a year in advance of the timetable set out in the White Paper.

● Civil aviation and the single market

For the European Commission the single market can take to the air as well. Not surprisingly, therefore, it envisages the creation of a single, automated air traffic management system covering the European Community's entire airspace. To deal with the most pressing problem, congestion in the skies, the Commission

asked the Twelve in mid-October to improve coordination of their air traffic control systems and their acquisition of equipment, and to draw up common procedures in these areas.

The Commission has also asked the Member States to replace their national techniques, which are incompatible with each other, with a common management system using the data bank set up by the specialized agency Eurocontrol, to which eight Community countries already belong (the United Kingdom, the Benelux countries, France, the Federal Republic of Germany, Greece and Portugal). The Commission will also put forward measures aimed at harmonizing technical standards in the field of aerial navigation and the mutual acceptance by the Twelve of the diplomas and professional qualifications of pilots and other civil aviation personnel.

● Helmut Kohl: For a Community police force

'It is necessary to set up a European police force, on the lines of the American Federal Bureau of Investigation', according to the German Chancellor, Helmut Kohl. He told a conference on Franco-German relations, held in West Berlin on 13 October, that the cooperation which currently exists among national police forces is insufficient to fight effectively against terrorism, drug traffic and major international crime.

● '1992?' What's that?

The average European is in something of a fog when it comes to 1992. Here are three recent examples:

- One Belgian in three is unsure whether the single market will benefit Belgium, or be to its disadvantage, according to a poll commissioned by Anne-Marie Lizin, Belgium's junior Minister for 'Europe 1992'. Only 53% of those polled thought the single market would be a positive influence.
- In Denmark, a quarter of the heads of the country's leading businesses feel the single market will make little difference to their companies; only half of them think it will have a positive effect, according to the annual report on Danish company managers compiled by J.B. International, a firm of 'head-hunters'.
- Only 11% of Germans believe they are well-informed about what is at stake in 'Operation 1992', according to a survey cited by *Handelsblatt* in its issue of 13 October.

BRIEFLY

- The French and Spanish Governments have decided to entrust the task of organizing the two successive presidencies of the EC Council of Ministers in 1989 to a permanent coordinating group. The two governments also plan to draw up a timetable of measures to be taken in the context of the Community's 'social area'. The decisions were taken during a meeting of 18 ministers from the two countries, held in Leon, in northern Spain, on 8 and 9 October.
- The European Trades Union Confederation (ETUC) set up a coordinating committee on 4 October in Madrid to meet with the Community's institutions when defending the interests of the retired. No sooner had the Committee met than it asked the European Commission and Parliament to include measures specifically in favour of retired people in the context of the internal market's 'social dimension'. The Committee is pressing notably for rises in pensions to be brought into line with wage increases.
- A special committee, which will help prepare Belgium for '1992', was set up in Brussels on 18 October. Its members represent the government, employers and trade unions. The Committee's task is to enlighten the government on the views of various socio-economic categories.

WHAT THEY SAID:

- 'Operation "Europe 1992" is the most successful public relations campaign that has been conducted for Europe. For the first time in history a European idea has fired the passions of the man in the street.' **Willy De Clercq, European External Relations Commissioner**, at the inauguration of the Ghent International Fair on 10 October.
- 'France, the Federal Republic of Germany, Belgium, the Netherlands, Luxembourg, Ireland and Denmark are in a position to start work on European monetary union: a European central bank, harmonized taxes and a central currency, the ecu . . . I personally believe we should take this step.' **Claus Köhler, member of the Board of Governors of the Bundesbank**, during a meeting organized in Paris on 4 October by the *Revue d'économie financière*.
- 'Within the Benelux . . . internal frontiers have been removed but tax differences remain, without the operation of the internal market being called into question . . . We propose a study of the Benelux formula, to see how far it could be applied to the Community as a whole.' **Jacques Santer, Prime Minister of Luxembourg**, in an interview published in the Belgian newspaper, *Le Soir*, on 18 October.
- 'The European model must be an intelligent alliance between progressive Christian Democrats, modern Socialists and cultured Liberals.' **Manuel Marín, European Social Affairs Commissioner**, at a meeting of the Spanish Joint Commission for the European Communities, in Madrid, on 7 October.

Seen from abroad

► Anxiety in Washington

The Reagan administration has not yet shed its fear that the completion of the single market will be accompanied by protectionist measures. On 24 October the Commerce Secretary, William Verity, held that '1992' would deny major American companies in banking, motor cars and textiles access to the European market.

The week before Mr Verity had proposed that EC/US expert groups be set up in the context of '1992', to draw together the business environment on both sides of the Atlantic, as well as health, safety and environmental standards. Mr Verity otherwise voiced his objections to the principle, put forward by the European Commission, of reciprocity between trading partners.

The American Chamber of Commerce set up in early October a study committee to evaluate the consequences of '1992' for American businesses.

► Japanese firms show interest

More than half of the major companies in Japan are following the progress of the single market very closely, according to a survey conducted by the country's economic daily, *Nihon Keizai*. Company managers are divided between a desire to profit from a revitalized European economy and the fear of seeing companies which are not well-established in the Community being excluded from it.

But Japanese companies are not thinking only in terms of exports to the EC; a major advertising group, Dentsu, announced at the beginning of October the launch of a four-year

campaign (1989-92) aimed at making the 12-nation Community and its specialities better known in Japan. Dubbed 'Euro-Japan 92', it will include an advertising campaign on press and television; a European exhibition in Tokyo; a 'European village' not far from the capital and a 'European train', which will criss-cross the country. A 'Euro-Japan 92' committee has already been set up.

SMEs

The European Economic Interest Grouping

The European Commission hopes to encourage transborder cooperation between companies that want to develop certain joint activities, but without having to merge or set up jointly-owned subsidiaries. To help such companies, it is working on a new legal instrument of cooperation, called the 'European Economic Interest Grouping' (EEIG).¹

From 1 July 1989 companies will have at their disposal a new instrument of transborder cooperation which will allow them to undertake certain activities jointly with others (research and development; purchase, production and marketing; management of specialized services; computerized data services; joint tendering for both private- and public-sector building contracts, etc.).

The aim of the EEIG, under the regulation, is 'to facilitate and develop the economic activities of its members; to improve or augment the results of such activities; it is not to earn profits for itself. Its activity must be linked to the activity of its members and must be subsidiary to it.'

Individuals, companies and other legal entities in the Member States can set up EEIGs. Individuals who are members of EEIGs must be engaged in industry, trade, the crafts, agriculture or other services in the Community. The EEIG's head office must be within the Community.

EEIGs offer small and medium-sized enterprises (SMEs) numerous advantages. They are easy to set up; the formalities involve the conclusion of a contract, which is registered with the competent body in the Member State where the head office is located. Registration confers on the EEIG legal recognition throughout the Community and beyond.

One of the special features of the EEIG is that it can be set up without any provision for capital. Capital can be in cash, of course, but also in kind, including know-how, trade or professional skills, etc. This flexibility as regards financial matters is important for SMEs, which can therefore reinforce their cooperation according to their possibilities or in the light of the result of their joint action.

The EEIG obviously represents a perfectly adaptable cooperative instrument. Any profit it earns is shared out according to a clause contained in the agreement setting it up; in the absence of such a clause, it is shared out equally. Only one of the members of an EEIG is liable to tax on its profits.

The European Commission will organize an information day in Brussels on 18 April 1989, in order to draw the attention of economic operators to this new instrument and to its possible uses as well as to discuss its operation in practice.

¹ Council Regulation (EEC) No 2137/85 of 25 July 1985, *Official Journal of the European Communities*, L 199, 31 July 1985.

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