



Towards a truly democratic Community?

by Sir Fred Catherwood, MEP

All over the world, the ideals of parliamentary democracy are making great strides. Everywhere people are turning from autocratic rulers and demanding that government must be made responsible to the people.

But the European Community has not yet put into practice in its own institutions the lessons which each of the Member States has learned through long and hard experience. The executive is not elected and, though it has the functions of government to propose legislation and to administer it, its powers are severely limited. And there is an elected parliament, directly accountable to the citizens of Europe, whose powers are weaker still. So we need, at least, an elected Commission President.

The Council has no equivalent in democratic constitutions. All its meetings are held in secret and only the most limited explanations are given in public for its decisions. Were Council really a government, it would make its own proposals and defend them before the European Parliament. But, under the Treaty it does not make proposals; it only accepts or rejects the proposals of others. Instead, the Council is the 'invisible man' of the European Community, whose tortuous negotiations produce unworkable compromise proposals for which the public blames the Eurocrats of Brussels.

I doubt whether we can erect economic and monetary union on this shaky structure. However much we may need the powerful decision-making framework of EMU for totally free movement of goods, services and capital, we cannot make it work without proper democratic support. The argument for having a body which is superfluous to other democratic constitutions is that the implementation of Community legislation needs the support of national governments, and ministers must therefore account to national parliaments for what is being done in their name. But now that the Community is really moving forward, this system is breaking down. Most governments have put through their national parliaments only a fraction of the 1992 legislation agreed in Council. In those parliaments which have voted the legislation there is deep unease. Ministers appear with legislation of which their parliaments have had little previous notice, but which cannot be changed because it is the result of Council compromises which cannot be unscrambled.

The present arrangements may have worked during the years of Euro-sclerosis; but they are not capable of carrying the great changes now under way. For that we need broad democratic debate, not only in the European Parliament, but in our national parliaments too. Of course we explain to our colleagues in our national parliaments what 1992 is all about and why we need economic and monetary union. But it is peripheral to the daily political pressures which they have to face. If they are to be convinced, they need to be in the mainstream of the debate, to feel that they too have a responsibility for the success of Europe; to look, as we do, at the bleak prospects of failure if we cannot agree.

For those reasons I believe that the European Parliament needs an upper house consisting, to begin with, of members of national parliaments. In the more limited time they had, they would probably wish only to select matters they thought politically sensitive or important; but it is on these matters that we need their help. National parliaments would no longer have to wait until ministers came with legislation; they would be able to make their views known before ministers went to negotiate. And, when the Council had decided, ministers would not be so nervous about putting legislation to their national parliaments. Finally, as parliaments became more involved, the 'invisible man' might wither away, and the functions be taken over by those elected by national parliaments. Then we would be on our way to a truly democratic Community.

Decisions

■ More European consumer credit

From 1 January 1993 the cost of consumer credit, for sums between ECU 200 and ECU 2 000 (1 ECU = UK£ 0.72 or IR£ 0.77) will be calculated in the same way throughout the European Community, with the exception of Germany and, perhaps, France, where the starting date will be 1 January 1996. The mathematical formula to be applied is annexed to a Community Directive (law), adopted definitively by the EC Council of Ministers on 22 February. This will make it possible for consumers to compare borrowing costs in the single market, given that they will be free to buy and borrow in the EC country of their choice. European rules for other aspects of consumer credit already exist, of course. They include the obligation to show the annual rate of interest in all publicity material and prospectuses; the need to conclude all credit arrangements in writing; the consumer's right to reimburse before maturity and to know in advance the conditions on which the goods bought on credit must be given up in the event of non-payment. These rules are part of a Directive in force in principle since 1 January 1990. In practice, they are already being applied only in the United Kingdom, Ireland and the Netherlands; Germany and Belgium are in the midst of incorporating them into their national legislation.

■ Harmless plastic materials for foodstuffs

From 1 January 1993 only those substances which appear on a specific European list can be used in the manufacture of plastic materials that come into contact with foodstuffs. Use of the other substances would be banned straightaway, in keeping with the logic of a Community Directive (law) adopted by the European Commission on 26 February, in the implementation of a framework Directive covering all materials and objects that come into contact with foodstuffs. The 'plastic materials' Directive covers bottles, boxes, bags and other forms of food packaging. Kitchen utensils and the machines and other equipment used in the food industry, such as the conveyor belts installed in factories, are also covered. The permitted list of substances has been drawn up by the European Scientific Committee for Food, which based itself on the strict criteria for health protection laid down in the Directive. The Committee is already looking at some 550 substances for which manufacturers are seeking authorization, but without having provided adequate proof. Similar directives will follow, covering other materials.

■ Public contracts: more open to competition

Public contracts in the water, transport, energy and telecommunications sectors are to be opened up shortly to genuine competition at the Community level. On 22 February the EC Council of Ministers reached agreement in principle on a common position, pending a final examination by the European Parliament, on a proposal for a Community Directive (law) on public contracts. It seeks to integrate these four sectors into the single market: at present they are exempt from Community rules on opening up public contracts to Community-wide competition because they are closely linked to the State in most EC countries. The Directive will apply only to public contracts which exceed the following thresholds: ECU 5 million for works contracts, ECU 400 000 for general supplies and ECU 600 000 for telecommunications supplies (1 ECU = UK£ 0.72 or IR£ 0.77). Smaller contracts may still be reserved for national enterprises. In practice, the Directive will apply to tenders called for by not only public but also private entities having special rights granted

by a Member State. As for supply contracts which involve products originating in non-EC countries also, the authorities can reject a tender where such products exceed 50% of the total value; preference should in any case be given to a Community tender where the price difference does not exceed 3%. Air and sea transport are excluded from the scope of the Directive, given the level of competition which already exists in these areas.

BRIEFLY

■ The EC Council of Ministers definitively adopted on 22 February the Community Regulation abolishing, from 1 July 1990, lodgement of the transit advice note for the **transport of goods** between European Community countries (for details, see **Target 92** No 1/90).

Initiatives

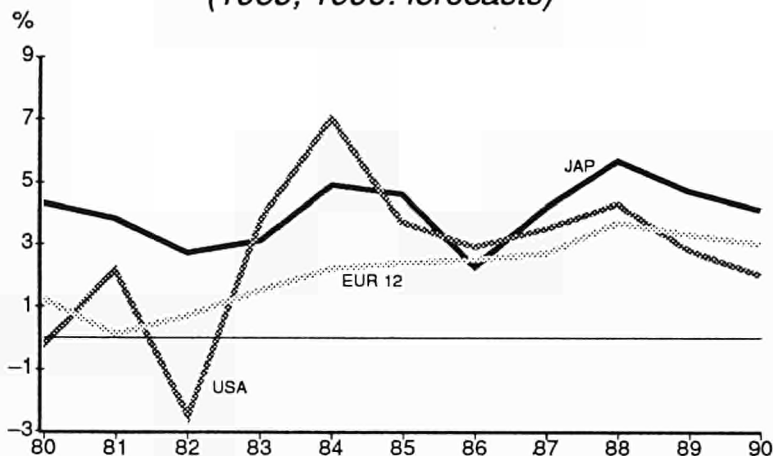
● Germany: preparing a 12-nation summit

The European Community's Heads of State or Government will assemble in Dublin on 28 April for an 'informal' meeting devoted to German unification. An announcement to this effect was made by the Irish Presidency of the European Council on 22 February. In preparation for the summit, the European Commission has undertaken to draw up two documents. The first of them will deal with the effects of German unification on the Community. It will consist of two studies, of which the first will deal with the effects on Community policies — the 1992 programme, the agricultural, regional and social policies, the environment and technology — while the second will focus on the implications of intra-German economic and monetary union for the Community's own economic and monetary union, the first stage of which begins on 1 July 1990. The first study is being conducted by a group of EC Commissioners, led by Martin Bangemann, who has responsibility for the internal market, the second by a group led by Henning C. Christophersen, Commissioner for Economic Affairs. The European Commission's second document focuses on Community policies as regards the countries of Central and Eastern Europe; it is being drafted by the External Relations Commissioner Frans Andriessen. The work on both documents is being coordinated by President Delors, for whom 'the Commission's task is . . . to reason . . . by analogy from what it would have done had it been faced with a new membership'.

The '1992 effect' — stronger than forecast

European industry is planning for a 10% increase in investments this year, according to a survey carried out by the European Commission at the end of 1989 and published in mid-February. Last year investments grew by a record 9%. The trend is towards heavy investments in all the major sectors, with companies in all 12 EC countries planning to increase production this year. Preparations for the single market, and the confidence generated by the progress in implementing the 1992 programme, are partly responsible. This has led the Commissioner for External Relations, Frans Andriessen, to declare in Washington on 23 February that the Cecchini Report on the effects of the single market had underestimated the growth in confidence and investments. The fact is the economy grew by 3.8% in 1988, the highest growth rate since 1976, and 3.4% last year. The Cecchini Report pointed to growth rates between 2.5 and 5.7% after 1997. Employment rose by 1.5% in 1988 and 1989. Some five million new jobs will have been created in the period between 1988 and 1990, as compared to the 2.3 million which the report envisaged.

Percentage growth in GDP at constant prices
(1989, 1990: forecasts)



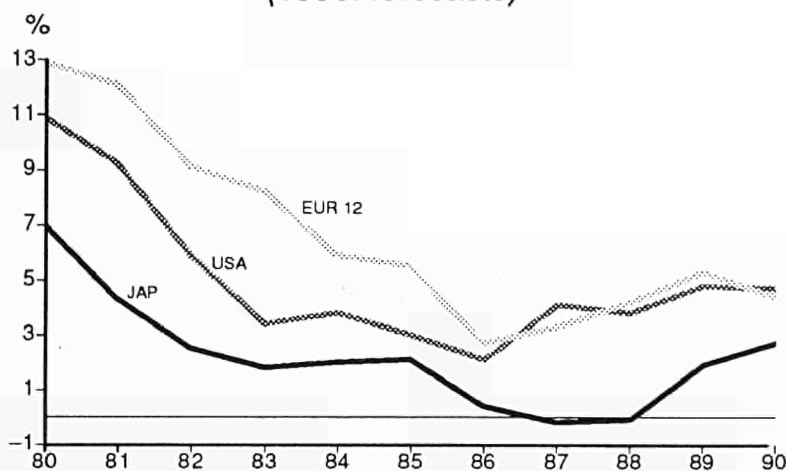
EUR 12: growth resumed

Between 1981 and 1988 the rate of growth for the Community was relatively consistent, whereas those for Japan and the USA were more irregular.

This overall consistency for the Community is not necessarily reflected in the individual countries, since forecast growth in 1990 is 2% for Denmark, compared with 4% for Spain and 4.6% for Ireland and Portugal.

(%)	EUR 12	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
1980	1.3	4.3	-0.4	1.4	1.8	1.2	1.6	3.1	3.9	1.2	0.9	4.8	-2.0
1985	2.5	0.9	4.2	2.0	3.1	2.3	1.7	1.6	2.9	3.7	2.6	2.8	3.6
1989	3.4	4.2	1.6	3.8	2.5	4.7	3.3	5.1	3.5	3.7	3.8	4.7	2.2
1990	3.1	3.3	2.0	3.5	2.3	4.0	3.2	4.6	3.0	3.3	3.0	4.6	2.1

Percentage variations in the consumer price index
(1990: forecasts)



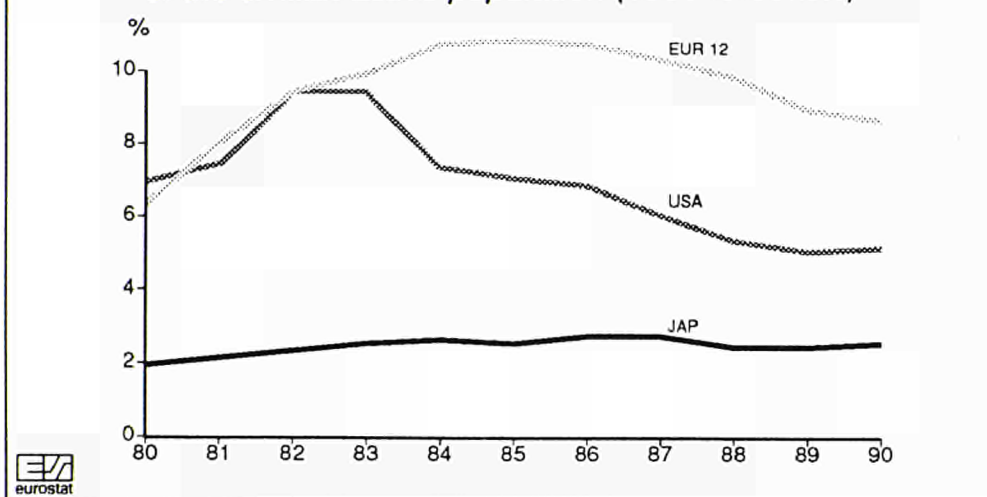
Inflation under control?

The rate of price increases in the Community fell from 13% in 1980 to 4.3% in 1988, which was, however, higher than in 1986, and certainly higher than the rates for the USA and Japan.

In 1989 this rate remained very high in Greece (14.8%), whereas it steadied at 1.3% in the Netherlands. In 1989 inflation seemed to be picking up pace.

(%)	EUR 12	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
1980	13.0	7.5	10.9	5.5	26.4	15.2	13.6	18.1	21.3	7.0	6.9	13.1	15.1
1985	5.6	4.0	3.6	1.7	25.0	8.1	4.7	4.9	8.8	4.1	1.7	16.9	5.7
1989	5.4	3.9	4.8	3.0	14.8	6.9	3.6	4.6	6.4	3.9	1.3	11.6	7.7
1990	4.5	3.5	3.0	2.7	15.0	6.3	2.7	4.0	6.0	3.1	2.3	11.3	5.5

Unemployment rates (annual average) as a percentage of the civilian active population (1990 forecasts)



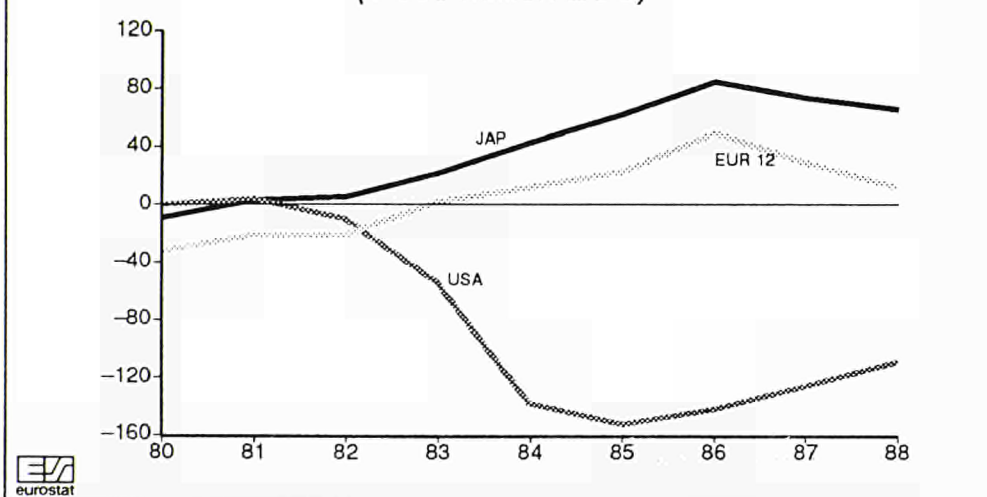
Unemployment: falling?

After the massive increase at the beginning of the eighties, unemployment has been decreasing in Europe since 1985. However, the Community continues to suffer more than the USA and Japan.

The Member States are affected to differing extents by unemployment: 1.2 % in Luxembourg compared with 17 % in Spain and 17.2 % in Ireland.

(%)	EUR 12	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
1980	6.4	7.9	6.6	3.3	2.8	11.6	6.4	7.4	7.7	0.7	6.2	7.8	5.7
1985	10.9	11.8	7.5	7.2	8.8	21.9	10.3	18.4	9.5	2.9	10.6	8.6	11.5
1989	9.0	9.6	7.0	5.7	8.5	17.0	9.6	17.2	11.0	1.9	9.3	5.0	6.5
1990	8.7	8.8	7.6	5.4	8.5	16.5	9.1	16.2	10.6	1.7	9.6	5.2	6.5

Current account balance (1 000 million ECU)





EUR 12: reduction in balance of payments

Following the deficits at the beginning of the 1980s, the Community's balance of payments is in surplus. However, this surplus is falling whereas the USA still has a very substantial deficit.

The EUR 12 is in surplus mainly due to the German balance (ECU + 41 000 million), whereas the UK still has a very substantial deficit.

(1 000 million ECU)	EUR 12	B+L	DK	D	GR	E	F	IRL	I	NL	P	UK
1980	-30.9	-3.5	-1.8	-11.3	-1.6	-3.7	-3.0	-1.5	-7.1	-2.0	-0.8	5.5
1985	24.7	0.9	-3.5	21.7	-4.3	3.6	-0.4	-0.9	-5.1	6.7	0.5	5.5
1988	13.3	2.8	-1.5	41.0	-0.7	-3.1	-3.0	0.5	-6.4	6.3	-0.5	-22.0

ERRATUM: In No 3-1990 of 'Key figures' the captions for the diagram 'Potential effects of the completion of the internal market' should be reversed, to read as follows:

 Variation without accompanying economic measures
  Variation with accompanying economic measures

BRIEFLY

● Belgium's Finance Minister announced on 2 March the **immediate elimination of the double foreign exchange market**, in force in the Belgo-Luxembourg Economic Union since 1955. The decision, taken jointly by **Brussels and Luxembourg**, will make it easier to carry out the European Community's own economic and monetary union. The fact is the existence of a regulated foreign exchange market implied controls on currency movements with other European countries.

● The European Commission is taken steps to **prevent drug traffickers** and other criminal elements taking advantage of the free movement of capital, in force from 1 July 1990, to **launder money** more easily. A 'law' it proposed to the Twelve on 12 February would limit banking secrecy, by requiring banks to notify all suspicious transactions to the national authorities, who would remain competent as regards penalties.

● EC Agricultural Ministers have received 51 proposals from the European Commission, aimed at **eliminating internal frontiers as regards farm animals** and animal products. The Commission notes it must submit only one more proposal in this sector.

● The European Fiscal Commissioner, Christiane Scrivener, urged the European Community's Finance Ministers on 12 February to adopt rapidly three projected 'European laws' which would make it possible to **eliminate the risk of double taxation for companies**. The Twelve have yet to set a firm date.

● Denmark's new Industry Minister, Mrs Lundholt, has decided to **bring an early end to the information campaign on '1992'** launched by the government a year ago. She claims that business and professional bodies had already found their own sources of information by the time the campaign was launched. The ECU 3.5 million which have remained unspent will be used to help Danish companies adapt to European standardization.

● The Free University of Brussels, the Brussels Chamber of Commerce and the municipal authorities have joined forces to set up on 1 February a **foundation for the learning of the European Community's nine languages**, Foundation 9 in short. The aim is to meet the demand for language training which cannot be met by the traditional institutes. The tailor-made courses will range from refresher to intensive.

● Nearly three Europeans out of four expect the completion of the single market in energy to lead to the adoption of common standards of **environmental protection**, according to a survey carried out last November for the European Commission and published this February. Other results awaited by those polled: identical technical standards for household appliances (59%); better electricity distribution throughout the Community (51%) and uniform petrol prices in all 12 Community countries (44%).

To the air of 1992

Music and the single European market seem to go hand in hand. The Irish office of vocational training FÁS has brought out a video containing, among other things, a rap song in the theme of 1992. English and French versions are available, and can be obtained from FÁS, the Training and Employment Authority — 27-33 Upper Baggot Street, Dublin 4. The price is ECU 65 (1 ECU = UK£ 0.72 or IR£ 0.77).

As for Ray Davies, leader of the English group The Kinks, he has given one of his songs a border-free Europe flavour, under the title, 'Down all the days to 1992'. Here is an extract:

'Bonsoir, my little senõrita, c'est magnifique
Au revoir, my little Fraülein baby, it's so tragique
Achtung, parlez-vous Inglese, bon appetit
Jawohl. Mambo italiano, ca va, OK... I'm on my way.'

6 April 1990

1 000 days to

92

31 December

Seen from abroad

► Prague sees membership as goal

Czechoslovakia's long-term goal is to become a member of the European Community, the country's Foreign Affairs Minister, Jiri Dienstbier, admitted at a press conference in Brussels on 2 March, during a visit to the European Commission. While in Brussels the Minister devoted his time to preparing as wide an agreement with the EC as possible. The Czech Government would like to 'rejoin Europe' and expand its trade with the Community. To this end it has asked to take part in the work of the Community bodies engaged in the task of drafting technical standards for the single market. Czechoslovakia would also like to cooperate with the Twelve in the field of high-definition television and, in the longer term, take part in Community programmes of technical research and educational exchanges.

► A Norwegian application shortly?

The idea of joining the European Community is proving popular in Norway. Some 43% favour entry while 33% are opposed, according to a poll published in mid-February. Norwegian public opinion has been much more reserved until now. Similarly, the Labour Party's Secretary-General has not ruled out the possibility of a Norwegian membership application before 1993, while the Progressive Party has asked that the country apply for membership. Norwegian farmers' associations, however, have accused the government of adapting Community rules much too quickly.

► Growing Asean interest in '1992'

The six-nation Association of South-East Asian Nations (Asean: Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand) is concerned at the unfavourable effects that '1992' could have on the trade of its member States with the European Community. The six Foreign Ministers set out their fears to their colleagues from the EC during a meeting in Malaysia on 16 and 17 February. The ministers from the two regional groupings agreed to commission studies analysing the impact of the single market on their trade, sector by sector, and on investment possibilities for the Asean countries in the 12-nation Community. The Asean governments also asked the experts to follow closely the harmonization of technical standards in the EC.

BRIEFLY

► Bulgaria hopes to be able to **gain access in time to the 12-nation Community market** on the same terms as the EFTA countries (Austria, Finland, Iceland, Norway, Sweden and Switzerland). The government indicated this in mid-February, in a report to the group of 24 Western countries, including the Twelve, that have undertaken to provide aid to Central and Eastern Europe. Sofia is also hoping for help from the European Coal and Steel Community for the reorganization of its own industries.

EIB: ECU 4 200 million lent for investment in industry and services

The volume of lending by the European Investment Bank has risen sharply in the last two years. Total lending by the EIB rose by over ECU 2 000 million in 1989 to ECU 12 250 million, an increase of 20.4% over the previous year. This vigorous growth reflects not only a favourable investment climate and the EIB's effort to facilitate investment financing but also the prospects offered by the 1992 single market.

The EIB, whose mission is to contribute to the Community's balanced development, finances major projects through individual loans and small or medium-scale ventures, mounted mainly by SMEs, through global loans. These are granted to banks or financing institutions operating at national or regional level. They in turn use the funds to extend credits for projects selected on the basis of EIB lending criteria.

Of the ECU 4 200 million lent for investment in industry and the services in 1989, some ECU 2 400 million were in the form of global loans and ECU 1 800 million in the form of individual loans. Credits extended under global loans to small and medium-sized enterprises rose significantly in 1989: 7 605 SMEs, over 60% of them located in the Community's less-developed regions, received a total of ECU 2 014 million. Nearly 6 400 operations, often on a very small scale, involved enterprises employing fewer than 50 persons. As a general rule, the EIB does not finance more than 50% of the total investment cost of a project, and this applies to SMEs also.

Its favourable experience as regards global loans has led the EIB to use them for a variety of other objectives: the more rational use of energy, the introduction or development of advanced technologies, environmental protection, etc. At the same time the EIB has refined its possibilities of intervention. In recent years there has been a growth in financing through leasing arrangements, as it is more suited to the needs of small businesses. If necessary, and in accordance with the contractual provisions governing a global loan, the funds from global loans can also be used by the intermediaries to acquire equity participations. The interest must always be a minority one, however, and intended to finance projects. More recently, and in the perspective of the single market, the Bank has extended global loans to enable the financing of transborder initiatives located in another Community country than the one in which the intermediary is based.

Europarteneriat 90: A European springboard for Welsh SMEs

The aim of Europarteneriat is to stimulate cooperation (commercial, technical or financial) between firms located in regions of the Community that are either less developed or in industrial decline, and firms in other Member States. On the eve of the single market, it is important to encourage this type of cooperation in order to prevent SMEs from being left behind in 1993.

The first Europarteneriat operation was launched in Ireland in 1988. Last year it was the turn of Andalusia. This year European SMEs will gather in Wales, on 14 and 15 June, to meet 171 Welsh firms engaged in a broad spectrum of business sectors, including electronics, food and beverages, biotechnology, construction, chemicals and pharmaceuticals, textiles and clothing, plastics, etc.

The cooperation proposals drawn up by these 171 Welsh companies are to be found in a catalogue, available in English, French, German and Spanish. This catalogue is being widely distributed throughout the European Community, through Chambers of Commerce, business consultants, employers' associations, the Business Cooperation Network (BC-NET), Business and Innovation Centres and Euro-Info-Centres.

Firms from outside the Community (based in the EFTA countries, for example) can take part in Europarteneriat. Next year Europarteneriat will move to Porto (Portugal).

CRAFT INDUSTRY: A European conference in France

On the eve of the single market, Directorate-General XXIII of the Commission of the European Communities is organizing a European conference on craft industry, this October (12 and 13), in the French city of Avignon.

The following topics will be discussed: initial and continuing vocational training (including exchange programmes for craftsmen and apprentices); the right of establishment; access to and use of new technologies; access to new markets, and, more generally, the prospects for craft industries in the context of the single market.

Alongside the conference, but from 11 to 14 October, an exhibition of the products and creations of craftsmen (textile, glassware and ceramics, panelling, ironwork and precious metals) will be held.

The conclusions of this European conference will help the European Commission identify the measures to be implemented in order that cottage industries may be better able to meet the challenge of the single market.

The contents of this publication do not necessarily reflect the official views of the institutions of the Community.

Reproduction authorized with reference to the source.

Commission of the European Communities

Directorate-General Information, Communication and Culture, and Directorate-General XXIII

Rue de la Loi 200 — B-1049 Brussels

