



Monthly newsletter on the single internal market

The economy and ecology are two sides of the same coin

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All too often the 1992 programme is viewed only in terms of its economic benefits. But it is clear that if 1992 is to meet the expectations of Europeans, the Community must strengthen its environmental policy. As everyone knows, the economy and ecology are two sides of the same coin, so that:

(a) there is no viable economic growth unless the environment is taken fully and systematically into account;

(b) it is vain to ask less-developed countries and regions to improve their environment, if they do not have the possibility of improving economic and social conditions at the same time.

Environmental policy today is a structural element of development.

The **challenges**. It has been said often enough that the state of health of the European environment and of the planet as a whole is a matter of great concern. The increased production resulting from 1992 will mean greater pressure on the environment, unless remedial action is taken.

Air pollution: if no additional measures are taken the emissions of sulphur and nitrous dioxides will rise from 8 to 9 % and from 12 to 14 % respectively.

The second critical area: the management of hazardous wastes, of which the Community is already producing some 25 million tonnes a year.

Thirdly, we will be confronted with growing difficulties in environmental management and land use in the regions where change is the most rapid: cities and regions in mutation.

The problems which give rise to most concern are those facing the least-developed regions. The needs of economic development and of catching up on social matters are the greatest, the quality of the environment is still often high; but the actors in the development process, the Civil Service and the people themselves are often less well prepared to invest, in the broader sense, in environmental protection.

The **possibilities**. Just as our environmental problems did not appear because of 1992, neither are we called on to invent suddenly an environmental policy. The Single European Act — the constitutional basis for 1992 — contains not only references to it but also principles and means. It is up to us to use them in the new context, in order to introduce a viable development policy.

1. We must make greater use of economic instruments at the Community level, so as to take full advantage of market mechanisms. In the European Commission we have recently discussed, for example, the rates of excise duty on oil and the principle of linking the rate to the environmental characteristics of the petroleum product in question (leadfree petrol, four star, diesel fuel, etc.) has been accepted.

2. The environmental dimension must be integrated systematically in the orientation of all Community policies and, for the time being, in all measures directly concerning the completion of the single market.

The role of the Community's structural Funds is essential in the implementation of a development policy which is respectful of the environment.

3. We must use all the means at our disposal to stimulate the development of the sector of the industry dealing with the environment. It is a sector which is growing rapidly in Europe, and which must remain competitive *vis-à-vis* its American and Japanese counterparts.

4. It is necessary to have a better knowledge of the state and evolution of the environment. We must have at our disposal quantitative information on the relationship between economic activities and the environment, and develop the tools needed to devise the models which will enable us to understand this relationship better and to evaluate the possible developments. The European Environmental Agency represents an indispensable tool in this connection.

5. The Community must accept its responsibilities at the global level, as much by reducing its own pollutants as by helping developing countries embark on a viable development. We need therefore a veritable foreign policy in environmental matters. A first concrete step in this direction is our action to protect the environment in the countries of Eastern Europe in the framework of the Phare programme, aimed at facilitating the economic recovery of Central and Eastern Europe.

Decisions

■ Two conferences for mid-December

The Twelve will hold two intergovernmental conferences this year, starting on 13 and 14 December. The aim is to modify the Treaty of Rome — the European 'Constitution' — in order to give the single European market a monetary dimension (economic and monetary union or EMU) and make it more democratic (political union). The European Community's Heads of State or Government decided during their Dublin Summit on 25 and 26 June to hold these two conferences. They asked their Ministers for Foreign Affairs and Finance to prepare them thoroughly, so that they could be brought to a rapid conclusion. The Community's political leaders want their respective parliaments to approve the results of the two conferences before the end of 1992.

■ Companies: less double taxation

The European Community's Finance Ministers finally tackled the problem of double taxation of companies, by reaching agreement on 11 June on three texts submitted to them 15 years and more ago. They are:

- (1) a Directive (European 'law') applying national tax laws to capital gains arising from a cross-border merger, a division or contribution of assets or an exchange of shares;
- (2) a Directive eliminating any withholding tax on dividends distributed by a subsidiary to its parent company established in another Member State; and
- (3) a Convention providing for the introduction of procedures designed to eliminate double taxation in the case of profit adjustments by national tax administrations. As a result, most fiscal obstacles to cooperation between companies in different Member States will disappear. (See editorial in Target 92, No 6-90.)

■ Liberalizing air transport — Act II

Air fares for intra-Community travel will be able to come down from 1 November 1990, the date when two regulations (European 'laws') approved by the EC Council of Ministers on 18 June come into force. The two texts are part of a package of three regulations aimed at introducing a little more competition into a sector closely controlled by governments. After the first liberalization measures adopted by the Twelve in December 1987 and implemented since

Customs union with East Germany

East Germany forms a *de facto* customs union for industrial products with the European Community from 1 July. Under the terms of the Treaty, concluded the same day, establishing an economic, monetary and social union between the 'two Germanies', the German Democratic Republic has undertaken to adapt itself to the European Community's laws and policies, thus preparing itself for Germany unification, envisaged for the end of this year. This implies that the East German Government puts no obstacles in the way of imports from the Eleven (something it already does in the case of its imports from the Federal Republic of Germany) and applies the Community's commercial policy in the case of imports from non-EC countries. In return, the EC Council of Ministers decided on 28 June to lift all restrictions on trade in industrial products with the German Democratic Republic. A similar decision, covering processed agricultural products and fishery products, was adopted by the Council of 17 July. In addition, the East German Government promised the European Commissioner for competition policy, Sir Leon Brittan, on 18 July in Berlin, to conform to the Community's competition policy without delay.

Schengen: the Five are a year ahead of the timetable set by the Twelve

1 January 1992 should see an end to border checks on persons travelling between a unified Germany, France and the three Benelux countries. The fact is that on this date the parliaments of the five countries in question should have approved the complementary convention signed by their governments on 19 June 1990 at Schengen. The name of this town in Luxembourg has become, since the signing of the first five-nation convention in 1985, the name of the group of countries determined to reach the 1992 target before the deadline. To this end the Five have decided to move towards the mutual recognition of visas and to strengthen cooperation between their police forces, thanks to an information system based in Strasbourg.

1 January 1988, the second stage of liberalization includes:

- (1) a regulation on air fares which allows reductions of up to 70 % of the reference fare, as compared to the current 55 % subject to certain conditions regarding departure times and reservations;
- (2) a regulation allowing airlines to offer new routes and to relax further the earlier 50/50 formula for the sharing of passenger capacity between air carriers on the same route; and
- (3) a regulation extending certain agreements between airlines, regarded as beneficial for passengers.

■ Right of residence for all Europeans

From 30 June 1992 at the latest virtually all nationals of Member States will have the right to reside where they like in the European Community. Workers, whether salaried or not, and their families, have enjoyed this right for a long time now in the country of their professional activity, past or present. On 28 June the EC Council of Ministers decided to extend this right to three categories of Europeans:

- (1) students in vocational or professional training, broadly defined, during the period of their studies;
- (2) pensioners who have worked in the European Community; and
- (3) non-active persons — that is to say, all other Community citizens. In practice, this right of residence will be granted only to those meeting two conditions: they must be covered by sickness insurance which is valid in the host country and have sufficient resources to avoid becoming a burden on its social security system.

■ Border-free livestock and meat

The Twelve will eliminate veterinary controls on live animals and certain products of animal origin at the European Community's internal borders from 1 January 1992. The three measures which allow this were adopted by the Community's Ministers for Agriculture on 25 June. They are:

- (1) a common policy for the control of foot-and-mouth disease;
- (2) Community funding for the eradication and monitoring of animal diseases; and
- (3) veterinary checks on intra-Community trade, involving the setting up of a computerized information exchange system between the Community's veterinary services. The Ministers for Agriculture also adopted at the same time four European 'laws' which will facilitate the free circulation of race horses, bovine animals and swine, pig semen and veterinary medicinal products. To deal with an immediate threat, the Ministers had taken measures on 7 June aimed at preventing 'mad-cow disease' from spreading to other Community countries from Britain and eventually affecting humans also. Following the adoption of these measures France, Germany and Italy reopened their frontiers to British beef.

THE COMMUNITY'S AUDIOVISUAL POLICY

320 million viewers spend, on average, more than two hours a day in front of their television sets being entertained or informed by several dozen channels broadcast in the normal way or by cable or satellite. That figure alone is enough to show how high the audiovisual media are on the list of things which have to be taken into account in the run-up to the Europe of 1992.

Why should there be a Community audiovisual policy? Looking back at what has happened in the European audiovisual sector over the last few years, we can identify three series of fundamental developments which have made such a policy essential.

Ongoing technological developments: The spread of cable and satellite broadcasting, together with major steps forward in direct reception (individual dish aerials), has hastened the growth in the number of television channels and given birth to cross-border television. The nation-based framework within which the audiovisual media developed has been shattered. The very format of television channels has changed, for new types of audience-targeted or pay-TV channels (sports, musical or film programmes) are now competing with the traditional something-for-everyone channels.

Developments in national legislation: As a result of these technological developments and the gradual change in the conception of the role and structure of the audiovisual industry, there have been considerable advances in terms of national legislation in this field over the last 10 years. Public monopolies have been modified to permit the emergence of new, private entrepreneurs with new methods of funding through advertising or viewing fees.

Development of the market: The increasing demand for programmes caused by the proliferation of stations has presented the European audiovisual industry with a major problem. As production costs rise, it has become vital to produce programmes which will generate profits outside a national market which can only absorb a limited number of showings.

A THREE-PRONGED POLICY

There are three basic features of the Community's audiovisual policy:

- (i) it aims to establish freedom to transmit programmes throughout the Community by adapting the legal framework as appropriate;
- (ii) it aims to encourage the development of the European programme industry so that it can cope with rising demand and the fierce competition coming from outside producers;
- (iii) it aspires to meet the challenge of the new technologies by defining a common approach to television standards for production and broadcasting.

I — Regulations

As regards the freedom of movement for programmes aspect of Community audiovisual policy, the 'television without frontiers' Directive adopted by the Council last October is the first step in the establishment of a common regulatory framework. The point was to eliminate a number of specific obstacles to the free movement of programmes by introducing into national legislation provisions of equivalent scope ensuring the same degree of protection in all the Member States. Thanks to this arrangement, audiovisual programmes, which constitute services within the meaning of the Treaty of Rome, can now circulate freely provided they comply with a minimum of common rules and serve certain cultural objectives (see box).

The 'television without frontiers' Directive

Television programmes which comply with the rules laid down in the Directive may circulate freely throughout the Community. The minimum rules concern:

- (i) *advertising:* laying down a ceiling on advertising (limited to 15% of daily broadcasting time), the insertion of advertising between and during programmes, sponsorship, tobacco advertising (forbidden) and commercials for pharmaceutical products and alcoholic beverages (restricted);
- (ii) *the protection of minors* from programmes likely to stunt their physical, mental or moral development (pornography, violence, racism);
- (iii) *the right of reply*, which all broadcasting organizations must undertake to respect on appropriate terms, together with opportunities for legal redress.

The aims set by the provisions designed to promote the production and distribution of television programmes are:

- (i) as far as possible, to reserve the bulk of the networks' broadcasting time for the screening of European productions;
- (ii) as far as possible, to reserve a minimum of 10% of broadcasting time or 10% of the programming budget for European productions made by independent producers.

In this way television without frontiers, which technology has made a reality, will become a basic freedom through the operation of the law.

It remains to complete the framework supplied by the Directive by removing the last obstacles to freedom of movement for programmes and by providing the various interests operating in the audiovisual sector (public and private-sector entrepreneurs and the Member States) with the best possible degree of legal security. To achieve this, the Commission is working in the following fields:

Copyright: The aim is to facilitate the cross-border broadcasting of television programmes by cable or satellite while make sure that writers, composers, performers and other professionals in the arts sector receive the rewards to which the widening of their audiences entitles them. The application of differing national laws regarding the collection of royalties is a major obstacle to the free circulation of programmes, to the detriment of all and of creativity in particular. After consulting the professional interests concerned, the Commission is drafting a proposal for a Directive which will provide for a minimum level of harmonization of certain basic rules of national law in this field.

Competition policy: In the interests of legal security, the Commission will spell out the way in which it intends to apply the Community's rules on competition to the audiovisual sector. It is mainly a matter of explaining the terms on which the Member States may set up schemes to aid the film and television industry and clarifying the situation as regards agreements between undertakings (co-production, co-distribution, sole-rights contracts, etc.) from the point of view of Community law.

Pluralism and mergers: Applying the Community's competition rules will not by itself guarantee compliance with the principle of pluralism against a background of multimedia mergers. Ownership of several media outlets (press, video and television) by a single group is a potential threat to the freedom of expression and pluralism which are among the mainstays of democracy.

Given the importance of the matter, the Commission is studying other ways in which it could act.

Encouraging independent production work: In line with the relevant provisions of the 'television without frontiers' Directive, the Commission is looking into ways of strengthening the position of producers independent of the broadcasting organizations.

MEDIA 95

The underlying principles

Media is helping to create a *single market* for audiovisual products.

With this aim in view, Media is setting up *networks* for transfrontier cooperation between *professionals*.

Media gives priority to small and medium-sized firms (SMEs) and to the audiovisual industries in countries with *less familiar* cultures and languages.

Media does not hand out subsidies: it operates with repayable *start-up capital*.

Four fields of action

Distribution, a sector poorly developed at Community level, is the priority focus for Media action. The initial experiments in this sector are concerned with cinema film distribution (EFDO), video distribution (EVE), the promotion of multilingualism for television screening (Babel) and a promotional structure for independent European producers on the major international markets (Euro-AIM).

In the *production* sector Media does not provide direct aid, but aims at improving the context, structures and functioning of undertakings. The experiments set up relate to training (EAVE), preproduction (Script), the laying-down of new production infrastructures (Cartoon), the use of advanced technologies (Media Investment Club), the exploitation of film libraries (MAP-TV), and financial 'engineering' (Media-Venture and Media-Guarantee).

Vocational training activities are a component of all the pilot projects in the Media programme, though special emphasis is placed on business-oriented and commercial training with an eye to the single market (EAVE).

As regards *funding*, consultations and studies have paved the way for the setting-up of a venture capital fund, Media-Venture, and a loss reserve fund, Media-Guarantee, as well as new machinery promoting European co-productions.

Five development priorities

The projects will *expand in terms of quantity* as more and more initiatives receive support (more films distributed, scripts and pilots developed, etc.).

The projects will *expand in terms of quality* thanks to direct knock-on effects (cinema release, script monitoring, business-oriented training, etc.).

The projects will extend geographically to *take in Central and Eastern Europe*.

New projects will be developed in *regions with less audiovisual capacity*.

New audiovisual services will be explored: audience-targeted channels, interactive communication, etc.

II — Encouraging the programme industry

Faced with a growing demand for programmes and with outside competition, the European programme industry must be in a position to overcome the structural problems caused by its having all too often developed within a national framework: language barriers, the inadequate size of companies or the absence of Europe-wide distribution networks will all have to be addressed as we draw closer to the single market.

To derive full benefit from the effects of a European audiovisual area, the programme industries must be able to rely on a properly tailored economic context based on new types of cooperation and new forms of investment.

The Commission's action in this field has been to apply the Media programme (Measures to encourage the development of the audiovisual industry), the pilot phase of which ends this year. It is up to the Council now to decide whether to proceed further with the projects assessed during the first phase. In April, the Commission adopted a communication to the Council and to Parliament containing two proposals for Council Decisions on an action programme to encourage the development of the European audiovisual industry. Media 1991-95. The new action programme will be a direct follow-on from the pilot phase of Media, a dual assessment of which by the Commission and a group of independent experts showed that its principles were sound.

Without intervening directly in the production process, Media will operate upstream and downstream of that process, whether in the form of training, research and development, preproduction, multilingualism, distribution or funding.

The 'Vision 1250' — European Economic Interest Grouping

— brings together equipment manufacturers, programme producers and other interested partners to work towards the shared aim of promoting the use of the European HDTV system;

— will collect together and manage HDTV facilities so that they can be made available to programme producers (technical assistance, training, etc.);

— will give demonstrations of the full European HDTV system all over the world;

— will keep pace with developments on the emerging HDTV market and should extend its activities into 1994.

III — Technology

In the audiovisual sector, meeting the challenge of the new technologies means scoring a winner with high-definition television (HDTV).

To bring home the victory, the Community has set its sights on five objectives defined by the Council:

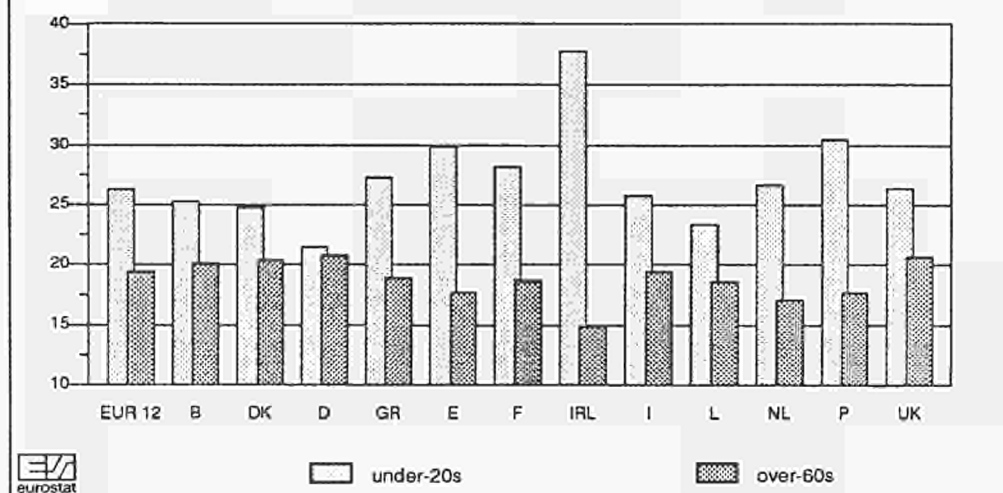
- (i) to do everything possible to ensure that European industry develops, in good time, all the technology and all the components and equipment needed for launching HDTV services;
- (ii) to promote the adoption of the European HDTV standard as the single world standard for the production and exchange of HDTV programmes;
- (iii) to encourage the widest possible use of the European HDTV system throughout the world;
- (iv) to promote the earliest possible introduction of HDTV services in Europe, in line with an appropriate timetable beginning in 1992;
- (v) to do everything possible to ensure that the European film and television industry acquires the requisite skills, experience and size to compete on the world HDTV market, so that the Member States can each make their own particular cultural contribution.

More and more, the challenge is switching from the technical field — where Eureka 95 and other Community research programmes have already made a major contribution to the finalizing of a whole range of prototypes — towards using the equipment developed and producing the programmes for the launching of the first HDTV services in Europe. The setting-up of a European Economic Interest Grouping (EEIG) known as 'Vision 1250' is an initial response to this latest stage in the challenge posed by HDTV.

Every aspect of this three-pronged endeavour is vital if Europe's audiovisual capacity is to be widened. For Europe it has to be a case of asserting its own existence by safeguarding one of the basic means of expressing its cultural richness.

Xavier Troussard

Age structure of the population of Europe, 1989, in %



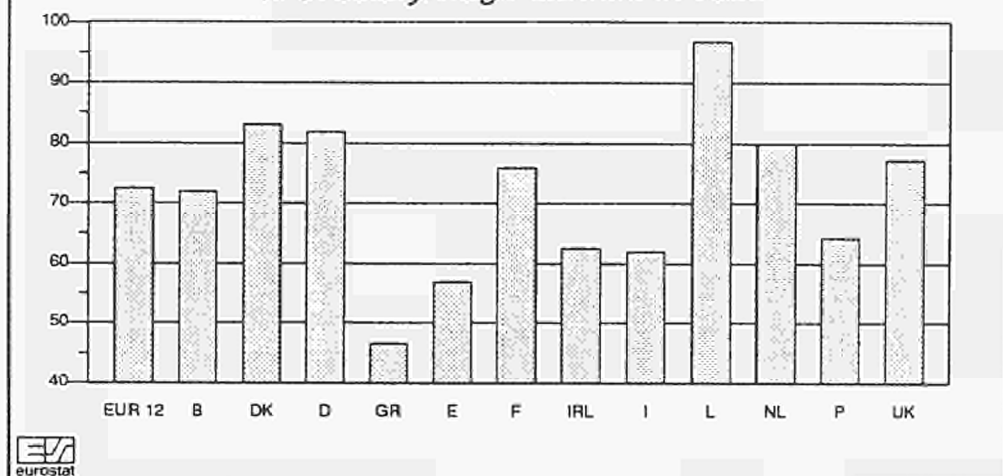
327 million inhabitants

The population of the EEC on 1 January 1990 was estimated at 327 million, compared with 322 million in 1985. Natural growth accounts for 52 % of this increase, and immigration for 48 %.

The population of Europe is growing older, but not at a uniform rate. Under-20s account for 21.5 % of the population in Germany, compared with 37.8 % in Ireland (which has the highest birth rate in the EEC).

	EUR 12	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
Total population (thousands, 1989)	327 020	9 947	5 135	62 700	10 046	38 924	56 304	3 499	57 576	378	14 892	10 335	57 282
Under-20s (%)	20.3	25.3	24.8	21.5	27.3	29.9	28.2	37.8	25.8	23.4	26.7	30.5	26.4
Over-60s (%)	19.4	20.1	20.4	20.8	18.9	17.7	18.7	14.9	19.4	18.6	17.1	17.7	20.7

Structure of the active population, % of salary/wage-earners in 1988



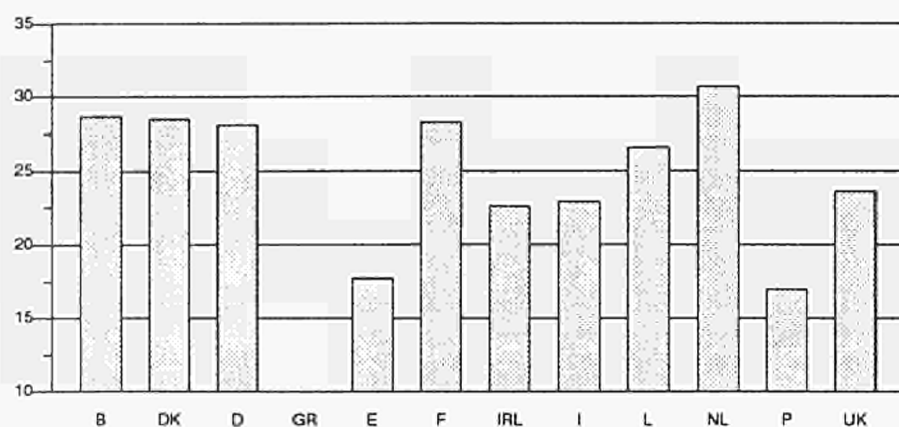
Number of salary/wage-earners

Salary/wage-earners account for nearly 72.5 % of the Community's active population.

However, the spread of salary/wage-earners is not uniform. In Greece, where there is still a good deal of family farming, only 46.6 % of the population are salary/wage-earners, compared with 64.3 % in Portugal and 96.9 % in Luxembourg. Social and economic policy must therefore be adjusted to these differences.

	EUR 12	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
Active population (thousands, 1988)	142 617	4 034	2 888	29 067	3 961	14 633	23 588	1 297	23 823	161	6 543	4 604	28 818
% of salary/wage-earners	72.5	72.0	83.1	81.9	46.6	56.9	76.0	62.5	62.0	96.9	80.0	64.3	77.3

Current expenditure on social protection as % of GDP, 1988



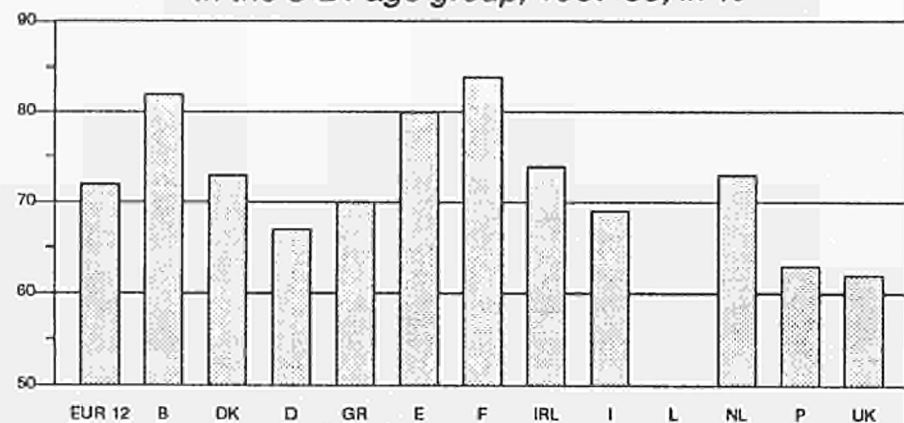
Social protection

The level of expenditure on social protection is closely linked to economic strength. In 1988 the Netherlands allocated the equivalent of 31 % of its GDP to social expenditure, compared with Portugal's 17 %.

The highest per capita social protection benefits are granted in Luxembourg, and the lowest in Portugal, giving a range of 1 to 4. These amounts exclude family and local benefits.

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
Per capita social protection benefits, in PPS, 1987 (EUR = 100)	111	117	128	:	53	119	58	92	130	129	30	96

Proportion of people receiving an education in the 5-24 age group, 1987-88, in %



Education in the Community

72 % of all Europeans between the ages of 5 and 24 are receiving education, i.e. 68 million young people.

However, the proportions of people receiving an education in this age group vary widely from one Member State to another, e.g. 62 % in the United Kingdom, compared with 80 % in Spain, 82 % in Belgium and 84 % in France.

	EUR 12	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
Pupils and students (thousands), 1987/88	68 079	2 194	1 040	12 314	2 060	10 186	13 678	970	11 882	:	3 154	2 123	9 858
Percentage of 5-24-year-olds receiving an education	72	82	73	67	70	80	84	74	69	:	73	63	62

PPS (purchasing power standard): since exchange rates do not necessarily reflect the purchasing power of a currency on the national territory, Eurostat uses the PPS to eliminate general price differences among countries in order to improve the comparability of figures for the EC countries.

BRIEFLY

■ The EC Council of Ministers agreed on 20 June to **abolish the remaining customs formalities on intra-Community trade** in goods from 1 January 1993. The measure must be examined by the European Parliament before it can be finally adopted. Its implementation will do away with millions of forms each year.

■ From 1 January 1993 **tour operators and travel agents throughout the European Community will be subject to the same rules** as regards their liability to the consumer over sales of package holidays and package tours. The EC Council of Ministers adopted a Directive on 13 June which requires that prices be clearly and accurately indicated. What is more, they can be modified only in exceptional circumstances.

■ The European Community's Telecommunications Ministers adopted on 28 June a European 'law' harmonizing **the technical and legal conditions for access to public telecommunications networks**. As a result, the way is now open to the development of Community-wide services in this sector. The new Directive will come into force on 1 January 1991, at the same time as a 'law' adopted by the European Commission in order to open up telecommunications services to competition.

■ All the European Community countries, with the exception of Denmark, signed on 15 June a **Convention establishing common criteria for designating the member country which must reply to a demand for asylum**. The country in question will be required to give a definite answer. The Eleven decided at the same time to reduce the differences between their national policies on asylum by keeping each other informed. The Convention will come into force once it has been ratified by the Twelve — perhaps in 1991.

■ The **paid-in capital of the European Investment Bank (EIB)**, the European Community bank for long-term finance, will be raised to ECU 57 600 million (ECU 1 = UKL 0.71 or IRL 0.77) from 1 January 1991. This is twice the current amount. The Bank's Board of Governors, which is made up of the Community's Finance Ministers, agreed on the increase on 11 June in order to meet the rising demand for loans in the run-up to the single market.

■ **Germany does not have the right to introduce a road tax, payable by most heavy goods vehicles registered in other European Community countries, as long as the Community's judges have not ruled on the question of whether or not the tax is in conformity with Community rules**. This was the conclusion reached by the European Community Court of Justice on 12 July, when it confirmed the suspension of the tax, ordered by its President on 28 June at the request of the European Commission. Bonn has complied with the decision. The Court will not hand down a definitive ruling for several months. Meanwhile the Twelve will try to settle the underlying issue, which is the disparity in the tax on road transport from one Member State to another.

■ **Data subject to statistical confidentiality** in the 12 European Community countries will hereafter be transmitted by them to the Statistical Office of the European Communities (Eurostat). The EC Council of Ministers adopted a European 'law' along these lines on 11 June, in order to allow the Commission to have at its disposal complete and reliable statistics in the run-up to 1992.

■ The Twelve adopted the harmonization measures needed to ensure the **free movement of heart pacemakers and non-automatic weighing machines** (Decision of 20 June) as well as **gas appliances** (Decision of 29 June).

Progress in implementing 1992 legislation

Between the end of February and the end of June 1990, Belgium, Greece, Spain and Portugal made substantial progress in transposing the European 'laws' needed for the completion of the single market into their national legislation. This is clear from the balance sheet drawn up by the European Commission on the occasion of the publication on 24 July of its seventh report on the implementation of Community law (COM(90) 288). The United Kingdom and Denmark continue to lead the way when it comes to transposing 1992 legislation into national law but they have now been joined by Germany. Each of these three countries had transposed more than 80 % of the 'laws' which had reached their deadlines. Italy was still in last place, with less than 40 % of the total; however, a law adopted recently by the Italian Parliament should make a big difference. To encourage the Twelve, the European Commission plans to launch the infringement procedure as soon as a Member State fails to transpose a European 'law' into national law in time.

Initiatives

● 'Laws' to protect workers

The European Commission proposed in mid-June three 'laws' aimed at protecting the European Community's 14 million part-time and 10 million temporary workers. The first deals with professional training and the social services provided by companies, the second with holidays and seniority, and the third with health and safety at work. In order to reduce fatigue among workers and the risk of accidents the Commission proposed on 25 July a European 'law' which provides for compulsory rest periods, especially for night work and shift work.

● For a common energy policy

The European Community's Energy Ministers reached agreement on the goal of a common policy at an informal meeting in Rome on 17 July. In a working paper which it had sent them in early July the European Commission had argued that it was time to treat the problem of security of energy supplies in the context of the single market rather than in a national framework. The European Energy Commissioner, António Cardoso e Cunha, is of the view that the energy sector must not be overlooked during the conferences this December on the reform of the European 'Constitution'.

BRIEFLY

● The Spanish and Portuguese authorities inaugurated on 15 July the first border crossing between their two countries to do away with identity checks. It is now possible to move freely between Rosal de la Frontera, in south-west Spain, and Ficalho in Portugal. The experiment has been launched in the run-up to the abolition of the Community's internal frontiers in 1993.

● Fourteen companies and organizations from five European Community countries (United Kingdom, France, Germany, Italy and The Netherlands) launched in Strasbourg on 11 July a **European Economic Interest Grouping (EEIG), which has been given the task of making sure that high-definition television (HDTV) successfully negotiates the transition from the laboratory to the marketplace**. The grouping includes television companies, firms making programmes, manufacturers of electronic equipment and telecommunications companies. Its name — Vision 1250 — is meant to highlight the fact that high-definition screens have twice as many lines as today's television screens.

● **Tariffs and other restrictions on trade between the European Community and Andorra will disappear from 1991**. Representatives of the EC and the tiny principality of Andorra, located between France and Spain, signed an agreement on 28 June, which provides for the creation of a customs union between them.

Seen from abroad

▶ A lengthening queue for membership

The two independent Mediterranean island States, Cyprus and Malta, officially applied for membership of the European Community in July — Cyprus on 4 July, Malta on 16 July. Both countries already have association agreements with the Community. The Austrian Government, for its part, asked the Community in mid-July to speed up the examination of its membership application, submitted in July 1989. As for the Hungarian Prime Minister, Jozsef Antall, he has set himself the target of Community membership for his country in 1995; he declared as much during an interview on the occasion of his visit to the European Commission on 17 July.

'Europartnership' comes to Wales

'Europartnership 1990' was held at Cardiff Castle on 14 and 15 June. It enabled 165 Welsh small and medium-sized enterprises (SMEs) to make more than 2 000 business contacts with 600 SMEs and business consultants from other parts of the European Community and also from Cyprus, Finland and Poland. The Europartnership programme, launched by the European Commission, is aimed at encouraging SMEs based in economically disadvantaged regions to enter into cooperation agreements with companies from the rest of the Community. The regions which have already hosted Europartnership meetings include Ireland in 1988 and Andalusia in 1989. This highly successful operation moves to Portugal next year.

Subcontracting: Japanese industry in Europe

A conference for European subcontractors and Japanese principals established in Europe was held in Brussels on 21 and 22 June, on the initiative of the Commission of the European Communities. It brought together 250 European and Japanese specialists in subcontracting as well as production managers and those in charge of supplies. For two days they looked at opportunities, discussed problems and jointly prepared potentially successful strategies.

The completion in 1993 of the single market, with its 320 million potential customers, is providing the drive for the acceleration in Japanese investments in Europe; the trend in Japan effectively is to locate its industry closer to its markets. Europe has thus become a priority for Japan, with Japanese investments in Europe growing twice as fast as investments in the United States of America or elsewhere in Asia. All the signs are that this trend will continue during the next five years at least.

The large-scale arrival in Europe of Japanese principals over the last four years offers substantial opportunities to European subcontractors and suppliers. The manufacture of the majority of the components used in Japanese products is in effect contracted out. The volume of business that can be done with the 400 industrial companies already located in Europe is therefore immense.

However, a significant part of this business is entrusted to Japanese companies, who have followed their principals to Europe. Why? Part of the explanation is to be found in the sharp cultural differences between the Japanese and the Europeans.

Regular exports by European companies and their proven leadership in certain fields, such as the nuclear industry, are proof of the quality of their products and services. The Japanese nevertheless remain somewhat distrustful of them, despite the creativity, innovative spirit and other assets displayed by European companies. It is in the interest both of Japan and of Europe that they take full advantage of their complementary skills. The participants at the conference tried to see just how to manage this, during their detailed discussions on the measures needed to adapt European offers to Japanese demands.

Mr Heinrich von Moltke spoke of the various initiatives taken by the European Commission to encourage subcontracting. The

Director-General of DG XXIII (Enterprise policy, Distributive Trades, Tourism and Cooperatives) concluded as follows:

'It is also our intention to promote the creation of a European information programme on subcontracting. One of its tasks could well be to provide information at the Community level on market opportunities offered by foreign investments in Europe. This programme, independent of the Commission, should, in our view, be the kernel of a European network of bodies providing help to subcontractors and ensuring their synergy . . .

Finally, if in the light of the discussions of these two days or the difficulties you might eventually meet, you feel that the European Commission could, or even should, take certain measures, do not hesitate to get in touch with me or my department, with concrete proposals for action.

One could envisage, for example, the drawing up, perhaps in liaison with the EC-Japan Centre for Industrial Cooperation, of a programme of activities aimed at familiarizing people with the organization of the Japanese system of subcontracting and Japanese methods of organizing production.'

European Parliament: Intergroup for SMEs

The main objective of the European Parliament's Intergroup for small and medium-sized enterprises, set up in 1984, is to make sure that the specific interests and problems of the SMEs are taken into account adequately by Community institutions. Chaired by Ingo Friedrich, Member of the European Parliament, Intergroup is in addition an extremely open forum, in which Members of the European Parliament and European Community officials, as well as leaders of SMEs and their associations, can express themselves freely. The Intergroup secretariat is located in Brussels.

The next Intergroup meeting will take place in Brussels on 19 September 1990. On the agenda: the European social charter and the social action programme.

Annual and consolidated accounts:

The EC Council of Ministers agreed on 20 June on a Directive (European 'law') aimed at reducing the accounting obligations of SMEs. The text, which now goes to the European Parliament before it is finally adopted, allows Member States to extend the existing exemptions for SMEs as regards annual accounts and consolidated accounts. As a result, numerous SMEs will be able to draw up less-detailed balance sheets than is the case at present. The new Directive also makes it possible to counterbalance the effects on SMEs of another Directive agreed on by the Council on 20 June. This particular 'law' extends accounting obligations to partnerships or limited liability partnerships, whose fully liable members are either public or private companies with share capital. The Twelve have therefore provided for the extension of the favourable treatment enjoyed by SMEs to this type of partnership, provided they meet all the new rules which define them. These measures are part of Community policy aimed at reducing unnecessary burdens on such companies.

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