



## Further progress on the road to a single market — as well as delays in certain key sectors

■ by Martin Bangemann, Vice-President of the European Commission

The task of putting the legal framework of the single European market into place is going ahead. With roughly another two years to go to the 31 December 1992 deadline, more than two-thirds of the proposals of the single market programme have been approved by the Council of Ministers and the European Parliament. Of the 107 texts that should already have come into force, some 70 % have been embodied in national legislation, although this has happened in all 12 European Community countries in the case of only 25 % of the texts. Italy and Greece in particular have smudged a picture that is quite satisfactory on the whole. The balance sheet is positive overall, especially as regards the elimination of technical obstacles to the liberalization of capital movements and the provision of services in banking and insurance. Problems remain, however, and this must not be lost sight of. Here are several areas of action to be highlighted:

**1. An end to border checks:** An end to checks at the Community's internal borders will be the most tangible sign of the completion of the single market for the average citizen. For the European Commission it is essential that there be an end not only to the checks themselves but also the entire apparatus for carrying them out. In other words, as long as there is a possibility of checks at the Community's internal borders, the single market will not have a solid foundation. It is only after the possibility of carrying out border checks has been eliminated that the necessary adjustments to the single market will take place. The Schengen Agreements, which now link Italy to Germany, France and the three Benelux countries, must clearly be seen as a precursor in this connection. ('Schengen' provides, above all, for an end to checks on people at the common borders of the signatory countries from 1 January 1992.)

**2. An end to fiscal borders:** Ministers of the Twelve agreed, in November 1990, to a system for the collection of VAT on purchases by traders, which will make it possible to end border checks for tax purposes from 1 January 1993. For individuals, the Community's internal borders will disappear completely for tax purposes. To this end, the Member States should progressively raise the value of the purchases that persons coming from another Community country can bring in with them without hindrance. However, the necessary decisions have yet to be made. Between 1993 and 1996 the Member States must reduce the differences between their 'national' VAT rates in order to arrive at a 'European' system in which taxes on all purchases will be paid in the country of origin of the products in question. In the meantime — and up to 1996 at the latest — a transitional regulation applies, which requires companies at least to pay VAT at the place of ultimate sale of the product.

**3. The preparation of European technical standards:** While the introduction of the legal framework for the single market is taking place as envisaged, work on standardization has fallen behind. Some 850 European standards must be adopted between now and 1 January 1993 — which is roughly one a day. This is a requirement to be met not only by the standardization bodies but also by manufacturers. The latter, in fact, should take a much keener interest in European standards, for the advantage they provide when it comes to mass production and, consequently, greater competitiveness on world markets.

Work on the single market has already set in motion changes, both within the 12-nation Community and beyond. Community enterprises have prepared themselves for it by investing heavily in other member countries. These cross-border investments amounted to some ECU 30 billion (approximately UKL 21 billion or IRL 22 billion) in 1989 alone. As many as 8.5 million jobs have been created since the adoption of the internal market programme in 1985. However, we cannot be satisfied with what has been accomplished. For the single market to succeed, everyone must benefit from it. This does not merely imply aid for disadvantaged regions. It is equally important to create the necessary infrastructure on a Community scale — for example, in transport, telecommunications and energy supplies. In this way the final outcome of the Community's single market programme could be a market covering the entire European continent.

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92  
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## DECISIONS

### ■ Fruit, vegetables, meat and offal

Three directives ('European laws') adopted by the EC Council of Ministers on 27 November will mean both an end to border controls and better guarantees as regards the health of people and animals. The three directives should come into force on 1 January 1993.

The first of them fixes maximum compulsory levels for pesticide residues in all fruits and vegetables, whether on the surface or contained in them. It covers pesticides used both before and after harvesting, and fills the gap in existing Community regulations, which do not cover potatoes, small peas and olives, for example. The Council must still adopt the list of pesticide residues and maximum levels applicable to them — about 1 500 in all.

The second directive seeks to harmonize public health rules applying to the production and sale of farmed game and rabbit meat. It completes Community legislation on fresh meat, which already covers the pigmeat, beef and sheep and poultrymeat sectors.

The third directive harmonizes the general rules for the disposal and processing of animal waste. The aim is to ensure that such waste does not transmit disease, given that some of it is processed and resold, particularly in the form of animal feedstuffs. There is a derogation for slaughterhouses for horses until 1995.

### ■ Cross-border roads and railways

To make travel between European Community countries easier, the Council of Ministers adopted a three-year programme of financial aid for infrastructure projects on 20 November. It covers the period 1990 to 1992. The Community will help finance the purchase of equipment the Twelve consider as having priority in the light of the single market. While the sum earmarked for 1990 is modest (ECU 60 million — ECU 1 = UKL 0.70 or IRL 0.77), the 1991 budget provides for ECU 105 million which the European Parliament wants to see increased to ECU 118 million. The level of Community aid should be further increased in 1992. In addition, the projects chosen will be declared of 'European utility'. — This will make it easier in principle to secure public funds. The first list of projects for 1990 is dominated by high-speed rail links between such cities as London, Paris, Brussels, Amsterdam and Cologne, on the one hand, and Madrid, Barcelona, Lisbon, Lyon, Milan and Venice on the other. But other means of transport have not been overlooked. Other projects include improvements to the major link between Germany and Italy at the Brenner Pass; road transport in Greece; the road link over the Pyrenees; the Dublin-Belfast rail link; and road access to the port of Holyhead, linking Britain to Ireland. The programme also envisages the development of combined road-rail transport and the routes to the Scandinavian countries.

### ■ 'European' life and motor insurance

In the single market, individuals as well as companies will be able to take out life assurance and motor vehicle liability insurance in any of the 12 European Community countries. The EC Council of Ministers adopted two directives ('European laws') on 8 November which throw open these two types of insurance to Community-wide competition. The directives thus complete the measures already adopted for the other forms of insurance. The life assurance directive protects consumers by giving them the right to renounce a contract during a certain period after its signature. All taxes will be payable in the policyholder's country of residence. As for the directive on motor vehicle liability insurance, it ensures a high degree of protection for policyholders and accident victims as it provides for controls by the authorities.

### ■ An even shorter balance sheet for SMEs

A directive ('European law') adopted by the EC Council of Ministers on 8 November authorizes Member States to allow numerous small and medium-sized enterprises (SMEs) to draw up their balance sheets in even shorter form than is the case at present. However, another

directive, adopted the same day, will require partnerships or limited liability partnerships, which are in fact companies with share capital (public or private limited liability company), to establish their annual and consolidated accounts according to the accounting directives of the fourth and seventh directives on company law. However, even companies in this last category will be able to take advantage of these simpler formalities if they meet the definition of SMEs.

### ■ The chapter on hormones is closed

The ban on the use of growth hormones on animals reared for their meat, contained in a 'European law' of 1988, will remain in force. The law had been challenged by the chemical companies that make such hormones, but was upheld by the Court of Justice of the European Communities on 13 November. The ruling put an end to a dispute going back more than five years, given that the first EC directive banning the hormones in question was adopted in 1985, only to be declared void at the beginning of 1988, because of an irregularity. This means that the harmonization upwards of existing national legislation on hormones will not be called into question.

□ In order both to make sure that people throughout the 12-nation Community are better informed about Community legislation, and to make it easier to control its implementation at national level, the EC Council of Ministers adopted a simple procedure on 8 November. Hereafter, **every national law that embodies a 'European law' will have to include a reference to the European law in question**, either in the text itself or on the occasion of its official publication.

□ The EC Council of Ministers adopted, on 27 November, **Community criteria for the eradication and monitoring of certain animal diseases**. The aim is to guarantee the efficacy of the measures designed to put an end to border checks, measures that are subsidized by the Community. (See Target 92, No 8-1990.)

□ The Twelve adopted definitively, on 26 November, a directive that provides **special protection for workers who must handle dangerous biological substances**, such as bacteria and viruses, in the course of their work. The key concepts are hygiene, individual protection, information and training. A Community classification of the substances in question remains to be established.

□ **Student training grants awarded by a European Community country must be paid to the beneficiary even if he or she chooses to study in another Community country**, according to the Community Court of Justice. The Court ruled on 17 November that the daughter of an Italian working and resident in Germany had the right to an allowance from Germany for studies undertaken in Italy.

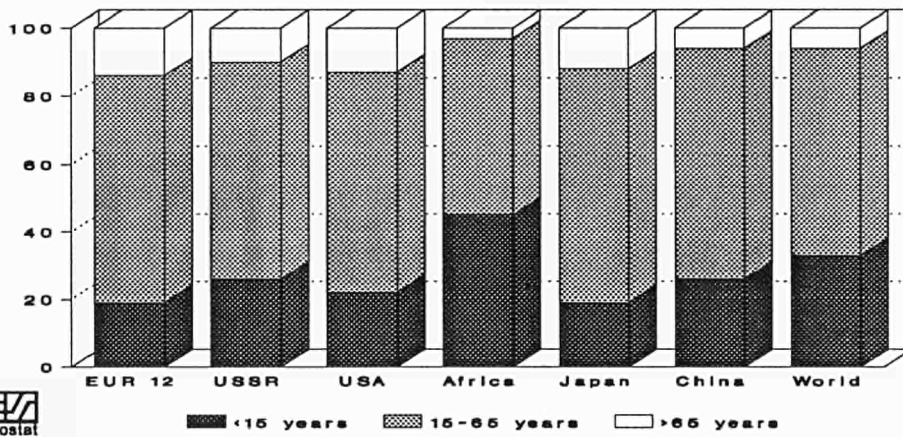
□ **Quick, reliable and comparable statistics on tourism**. This is the aim of a two-year programme (1991-92) adopted in principle by the EC Council of Ministers on 29 November.

## MORE PROBLEMS OF TRANSPOSITION

Despite substantial progress, the task of transposing the Community's 1992 directives into the national legislation of each of the 12 Member States is lagging behind. Just over 70 % of the texts in force had been transposed as of 15 November, as compared to only 30 % 15 months before, according to a report published by the European Commission on 23 November (COM(90) 552).

The situation varies a good deal from country to country, ranging as it does from the 88 % of texts transposed into Danish law to the 40 % achieved by Italy and the 60 % scored by Greece. The fact is that failure by a Member State to transpose a 'European law' can have serious consequences, as is clear from the examples published by the Commission at the same time as its report. Thus, a young Dutch woman spent several months in a Greek jail because the country's authorities wanted her to pay import duty on her own car when moving house, in violation of a Community directive. A Danish student who came to Rome to study for three months was unable to do so, thanks to Italian customs officials, who confiscated her suitcases until such time as she paid VAT on their contents. This, too, was contrary to Community legislation.

Population structure, in %, 1985-1990



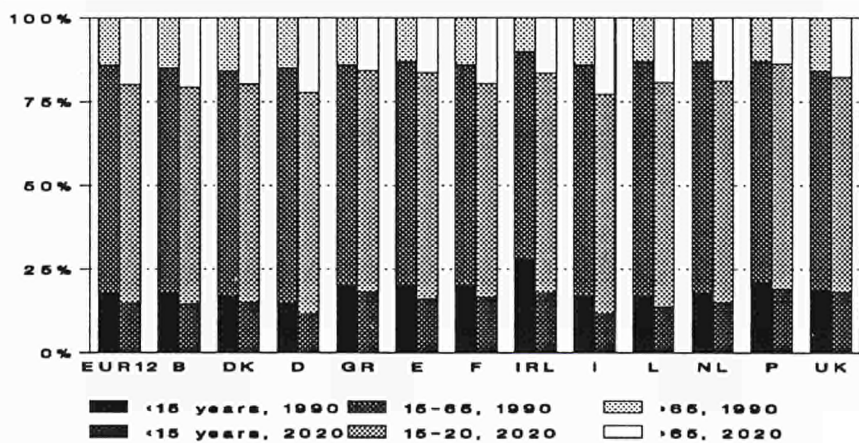
## Old age

14% of the total Community population is aged over 65. This is the highest percentage of all the areas considered and will rise further as a result of increased life expectancy and low birth rates in the Community.

Exactly the opposite situation is found in Africa, where already 45% of the population is under 15 years old.

Population (million)	EUR 12	USSR	USA	Africa	Japan	China	World
1988	324	283	246	610	122	1089	5112
2020	323	343	295	1441	130	1460	8062

Age structure of the Community population, 1990 and forecast for 2020<sup>1</sup>



## The ageing of Europe

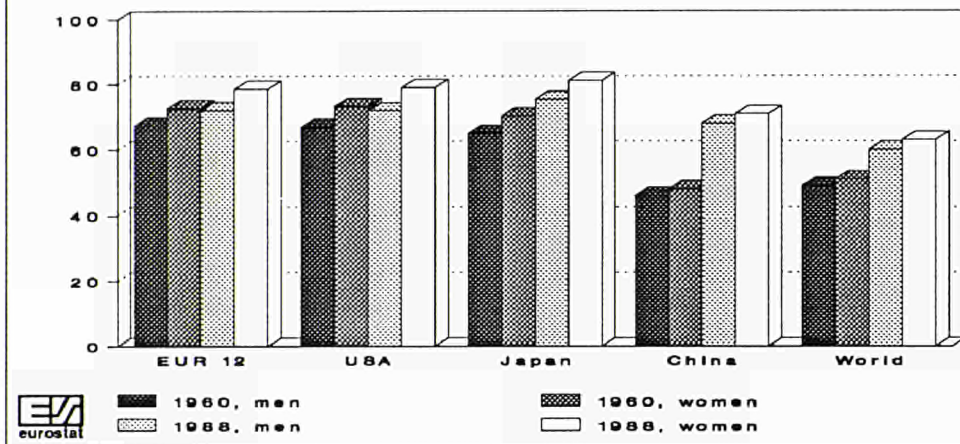
Between 1990 and 2020, the proportion of the population of the Community accounted for by people under 15 years of age will fall by 3%, while the proportion of persons aged over 65 will increase from 14% to 20%.

This shift in age structure will be across the board, but not the same in all the countries. The proportion of persons aged under 15 will be the highest in Portugal and the lowest in Germany and Italy.

It is more disturbing to note that the proportion of the population of working age will fall in 10 Member States.

<sup>1</sup> GR and P: forecast for the year 2000

Life expectancy at birth, in years, 1960 and 1988



## Increased life expectancy

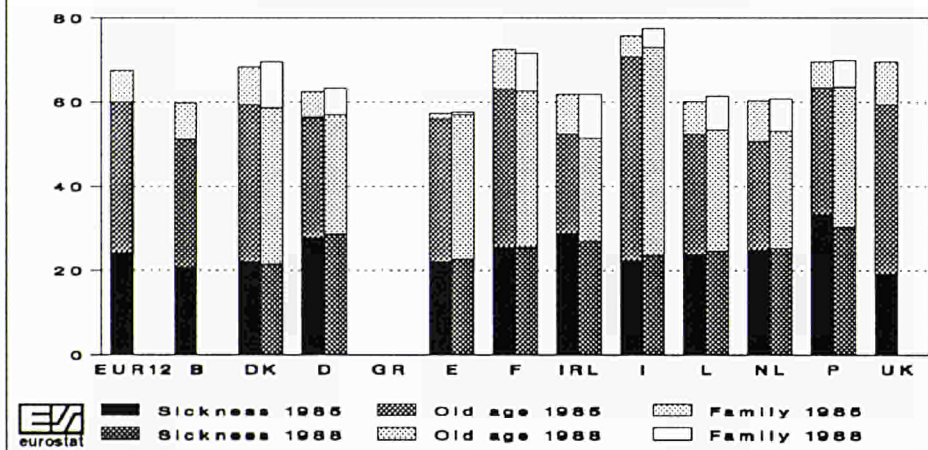
Life expectancy at birth in the Community is 78 years for women and 72 years for men, representing an increase of almost five years compared with 1960. The highest life expectancy is nowadays in Japan.

Life expectancy is fairly homogeneous throughout the Member States. There has tended to be a substantial increase in life expectancy, which will increase the proportion of the population aged over 65 years and hence the number of retired persons.

Life expectancy at birth in 1988 (years)

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR12
Men	:	71.8	71.8	72.6	73.1	71.8	71.0	72.6	70.6	72.2	70.6	71.7	72.0
Women	:	77.6	78.4	77.6	79.6	80.0	76.7	79.1	77.9	78.9	77.7	77.5	78.6

Breakdown of current expenditure on social protection as % of the total, 1985 and 1988



## Retirement pensions

In 1985, almost 40% of total Community expenditure on social protection went on old-age pensions. Between 1985 and 1988, there was an increase in the proportion of expenditure accounted for by pensions in six Member States. In Italy, expenditure on pensions rose to 50% of total social protection expenditure.

The statutory retirement age varies throughout the Community. It is between 60 and 67 years for men and 55 and 67 years for women.

Statutory retirement age

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
Men	65	67	65 <sup>1</sup>	65	65	60	66	60	65	65	65	65
Women	60	62	65 <sup>1</sup>	60	65	60	66	55	65	65	62	60

<sup>1</sup> Between 63 and 67 at the person's discretion.

## INITIATIVES

### ● The Schengen Six — soon to be Eight

The completely free movement of people, set for the beginning of 1992 by the five founder members of the Schengen Group — France, Germany and the three Benelux countries — will be inaugurated by six EC countries. Italy's adoption of an immigration regulation opened the way for its entry into the group on 27 November in Paris. At the same meeting the member countries granted observer status to Spain and Portugal, as they had to Italy in 1988. The Schengen Group, named after the town in Luxembourg where it was established in 1985, is playing an important role as a laboratory for the European Community as a whole.

### ● Giving substance to the EC's central bank

The governors of the European Community's 12 central banks (Bank of England, Bank of Ireland, Bundesbank, etc.) adopted the draft statutes of a European central bank on 19 November, with the British reserving their position. Their reservations were linked to the British Government's opposition to a single European currency. Under the draft statutes, full responsibility for currency in the Community will be vested in the European system of central banks. Price stability will be its first priority and it will not turn to the printing presses to finance public deficits. Finally, it will give the central banks of the Member States an important role. The draft was welcomed by the Community's finance ministers, with the exception of their UK colleague, at their informal meeting in Rome on 2 December. However, the Twelve do not all take the same view of the role of a European central bank in the matter of exchange rates.

### ● The Twelve want to keep their treasures

The Twelve want to enforce, even after 1992, an article of the EEC Treaty which allows them to exclude, from the free movement of goods, national treasures of artistic, historic or archaeological value. Their arts ministers reaffirmed this in the conclusions adopted on 19 November. The ministers would like to cooperate more closely with each other, and with the European Commission, to protect these treasures. In addition, they envisage setting up a system for returning cultural objects that have been fraudulently taken from one EC country to another. As for the measures to be taken at the Community's external borders, the ministers accepted a Spanish proposal for joint meetings of art experts and customs officials, with a view to completing a system of attestations for treasures.

### ● Rail fares in ecus

During 1991 international rail fares within Europe — the European Community and beyond — will be expressed in ecus in dealings between national rail networks and between these networks and tour operators. European railway companies are currently setting up a new system of fixing a price scale, called Europrix, which will also make it possible to express in ecus the prices of other related services on offer from computerized reservation systems, such as car rentals and hotel reservations.

### ● Recognition of qualifications

The process of mutual recognition of professional qualifications by the Twelve, which began with a 1985 decision of the EC Council of Ministers, is not moving fast enough. On the basis of a report drawn up by the European Commission in June 1990, the Council expressed the view, in a resolution adopted on 26 November, that it was necessary to speed up the work even while making the procedures more flexible. The ministers were in favour of extending this work to all occupations, and in particular to those that are most in demand on the labour market and those that result from technological innovation.

### ● No work without proof

Every worker employed in the European Community must have written proof of it, even in the absence of an employment contract. This is the guiding principle of a proposal for a 'European law', presented to the Twelve by the European Commission on 28 November. This law, which must be adopted unanimously by the Twelve, would require employers to set out the following particulars in writing, one month after the person had been hired at the latest: their corporate identity, the place and duration of the job; the salary and conditions of payment; and the social security system that is applicable. This should protect workers at a time when a growing number of jobs no longer fit the traditional pattern and cross national borders more easily.

○ The European Community's **health ministers want to take part systematically in the decisions of the 1992 programme that affect public health.** They have in mind the salubrity of food and drink as well as the protection of drinking water. In the conclusions they adopted on 3 December, the ministers have called for the definition of uniform principles, as this would make possible the effective implementation of the laws adopted by the various authorities: the ministers of agriculture, environment and others.

○ In order to **put a complete end to the double taxation of companies** within the European Community, the European Commission sent the Twelve two directives on 28 November. The first of them seeks to eliminate withholding taxes on dividends paid by subsidiaries to their parent company and on the interests and fees paid by companies, within the same group, to each other. The second directive proposed by the Commission is aimed at allowing companies to take into account, when making their tax returns, the losses incurred by a fixed place of business or a subsidiary based in another Community country.

○ **Satellite transmissions know no frontiers:** If private individuals are to be free to receive television programmes transmitted by satellite, and companies to exchange information in the same way, it will be necessary to do away with restrictive national regulations, open up markets and harmonize technical standards in the European Community. These, in fact, are the basic guidelines contained in a Green Paper the European Commission presented to the Twelve on 14 November.

○ From 1 July 1991, hauliers will be able to cross the **borders between the European Community and Switzerland** in the same way as the Community's internal borders. The EC and Switzerland concluded an agreement to this end on 21 November. It should make life easier for hauliers, given that a substantial part of Community transport passes through Switzerland.

## SEEN FROM ABROAD

### ► Nearly half the Swiss favour entry, if . . .

If the negotiations between the European Community and the European Free Trade Association (Austria, Switzerland and the Nordic countries) for the creation of a common economic area fail, Switzerland will have to join the Community. This is the view of 46.7% of the country's citizens, according to a poll conducted at the end of October and published on 30 November. Of those polled, 25.9% were opposed to Community membership, while 27.4% were undecided. But the Swiss do not appear ready to accept the consequences of membership. Only 43.1% were prepared to grant other Europeans the right of establishment and work in Switzerland, and only 30.1% the right to own property in Switzerland. What is more, 63.3% refused the application of Community rules to Swiss agriculture.

► Sweden's Minister for Foreign Affairs, Sten Andersson, declared in Stockholm on 27 November that his country will **submit a membership application to the European Community in the course of 1991.** A few days earlier the four main political parties in Sweden had come out in favour of a demand for membership.

► Trade union representatives from the Maghreb countries and the European Community met in Tunis on 11 November to prepare a **'social charter' for the more than four million workers from Algeria, Morocco and Tunisia already in the Community.** The charter would set out their rights in the single market. It will be proposed, in April 1991, during an international conference on this subject, to be held in Tunis.

### ◆ A qualitative leap in the EC's enterprise policy

The European Commission adopted a new orientation for the European Community's enterprise policy on 22 November on a proposal from the Commissioner with responsibility for small and medium-sized enterprises (SMEs), António Cardoso e Cunha. This 'new dimension' is aimed at strengthening the existing instruments of this policy (notably the Euro-Info-Centres, BC-Net and Europarteneriat) and to increase their interaction in the service of SMEs.

The fact is that there is a need to give a fresh impetus to the Community's enterprise policy in order to enable the SMEs to meet the challenges of 1993. Confirmation of this is provided by the changes that have taken place since the decision of the EC Council of Ministers of 28 July 1989 on enterprise policy, and the pressing demands of economic operators.

The qualitative leap envisaged by the Commission will cover the three major aspects of enterprise policy: the creation of a climate favourable to the creation and development of businesses, increased information flows and the development of cooperation between companies. Community initiatives will continue to respect the competence of the national and regional authorities and to be developed in close collaboration with them.

### ◆ New directions . . .

The vast network of **Euro-Info-Centres** (EICs) has a three-fold mission:

1. to act as a transmission belt, relaying Community information to the 13 million SMEs in the Community. So far the EICs have dealt with more than 100 000 questions from SMEs;
2. to pass on to the Commission the aspirations of the SMEs; and
3. to guide SMEs interested in the various Community aid and research programmes.

In order to enable SMEs to anticipate better the changes that affect markets, the EICs will diffuse a selection of sectoral or regional information, in the framework of a dialogue with businesses. They will strengthen their information role and as consultants, facing the preoccupations of businesses in their area.

The **Business Cooperation Network** (BC-Net) is a vast, computerized European network of some 460 business consultants, spread over the entire Community. BC-Net makes it possible to compare, in real time, the offers and requests for cooperation from the thousands of businesses seeking the help of these consultants. BC-Net has thus dealt with more than 25 000 requests for cooperation since it was set up in July 1988, and has now reached its cruising speed.

The BC-Net is already linked to countries outside the EC, including Brazil, Mexico and Tunisia. It will be progressively extended to the EFTA (European Free Trade Association) countries and to the countries of Eastern Europe. Other requests are pending. They come from Australia, Canada, the United States and certain Latin American and Mediterranean countries.

The system will also be given a greater role in the search for technological cooperation in the framework of Community programmes of research and development. BC-Net will constitute a secondary network of consultants, offering services linked to advanced technologies. As a complement to the Community's Value programme (which deals with the diffusion and utilization of the results of scientific and technological research), this secondary network will help

ensure that better use is made of Community research, thanks to the cooperation between SMEs.

The aim of the **Europarteneriat programme** is to stimulate cooperation (commercial, technical and financial) between SMEs located in regions that are in decline or economically handicapped and their counterparts elsewhere in the Community. The three actions launched by Europarteneriat so far have met with growing success: in Ireland in 1988, in Andalusia in 1989 and in Wales this year.

From 1991, and in response to numerous demands, there will be two Europarteneriat actions each year, for the benefit of regions receiving financial aid from the Community. Next year, following the enlargement of the territory of the Federal Republic of Germany, a second Europarteneriat will take place in former East Germany. It will bring together, on a preferential basis, the SMEs of the eastern and western parts of the European continent.

Given the steady rise in the initiatives inspired by the 'parteneriat' a new pilot scheme, baptized Interprise (initiative to encourage partnership between industries and services in Europe), is being developed. Aimed at border regions and regions that complement each other, Interprise will support, technically, financially and through the grant of a label, all forms of cooperation between SMEs.

### ◆ . . . and fresh initiatives

The development of the Community's enterprise policy also includes the launch of new ideas that could lead to new Community instruments.

Euro-Marketing is one of the ideas currently under study. Meetings on the spread of marketing techniques could be organized. They would enable businessmen to identify new market segments and to overcome the obstacles with which they may find themselves confronted. It would also be possible to launch a pilot action in order to provide support for the efforts made by SMEs to date.

As regards **the task of preparing company managers to meet the challenge of the 1993 single market**, an experimental system has been set up. The objective is to alert directors of SMEs to the need for systematic thinking on the management and organization of their businesses and to give them the means to take more effective decisions in a rapidly changing environment.

### ◆ Euro-Info-Centres for the new German *Länder*

The European Commission decided on 27 November to set up eight Euro-Info-Centres in the new *Länder* of the Federal Republic of Germany. They will be called on to contribute to the integration of these regions into the Community and to provide for their businessmen an introduction to business economics and to the operation of the Community market.

The new Euro-Info-Centres will be progressively opened in Rostock, Dresden, Leipzig, Magdeburg, Frankfurt-on-the-Oder, Erfurt, Berlin (the extension of the existing EIC to the eastern part of the city), and in the *Länder* of Brandenburg.

The Commission also decided to set up two additional Euro-Info-Centres: one in the United Kingdom, within the London Chamber of Commerce and Industry, the other in Greece, within the Chamber of Commerce of Ioannina.

These decisions bring the total number of Euro-Info-Centres within the EC to 195, with 15 secondary centres. The Commission has also decided to set up 'post offices', in liaison with the Euro-Info-Centres, in certain third countries that request them.

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