



EUROPEAN ECONOMIC SENATE

Newsletter 02/2012

Dear Senators!

the eyes of Europe and of the world are focused on Germany and the German Constitutional Court, which will decide in September. Our second EES-Newsletter 2012 focuses also on the Euro debate. Please see the commentary of President Dr. Friedrich.

But there are many other important issues dealt with by the EU Commission and the European Parliament, such as the Russia's WTO accession after 18 years of negotiations, online consultations on the future of Europe and on tax obstacles to cross-border venture capital investment, new rules on e-waste to boost resource efficiency, new employment package towards a job-rich recovery and to strengthen independence and reliability of EU statistics.

We hope that the provided information will enable you to reach your daily decisions in an even more appropriate way based on useful information.

Yours sincerely,

*Dr. Ingo Friedrich
President*

*Michael Jäger
CEO*

*Wolfgang Franken
Secretary General*

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EES-Events 2012

In the 4th quarter 2012 we would like to offer to you interesting events. For the preview of our events please click [here](#).

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Commentary EES President Dr Ingo Friedrich on the Euro Debate

The age-old wisdom that everything has two sides applies also to the Euro debate: the only thing in this context is that this time the positive side is rather hidden but nevertheless existent.

As a result of the hot discussions about the Euro, for the first time the structures of a general European public become clearly visible, i.e. structures that are so urgently needed in the case of a political union of Europe. Sharper than ever before, the question about the common European good - in addition to the common national good - arises, including the question about an intelligent and appropriate distribution of controlling competences at the national and the European level.

Another positive aspect is that first results and findings for a solution of the Euro crisis become visible and are more and more forming the basis for a consensus. These include:

Member States unable to comply with their obligations in the Monetary Union (3% new indebtedness, 60% total debt) must accept a loss of their national sovereignty and an increase of European control measures.

Please click [here](#) for the complete commentary.

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EU welcomes Russia's WTO accession after 18 years of negotiations

After 18 years of negotiations, on 22nd of August 2012 Russia joined the World Trade Organisation (WTO) as its 156th member. This accession is particularly important for the EU, as the EU is Russia's first trading partner and Russia is the EU's third trading partner. For the first time both entities will be bound by multilateral rules and obligations for their mutual trade.

The WTO accession will have a positive impact on the conditions of trade and investment between Russia and the European Union. The geographical position of Russia and the importance of its market in terms of volume and growth make it a very important trading partner of the EU. As a consequence of the WTO accession, Russia will amongst others lower its import duties, limit its export duties, grant greater market access for EU services providers and facilitate rules and procedures in many areas affecting bilateral economic relations. Of particular importance will be regulations on customs procedures, the use of health and sanitary measures, technical standards and the protection of intellectual property.

Russia will be subject to WTO rules in all these areas, including its monitoring and enforcement mechanisms. The EU, together with its international partners, is in contact with Russia to ensure that it respects these WTO commitments. Certain recently implemented or proposed legislation seems to be at odds with Russia's commitments and would stand in the way of other WTO members fully realising the benefits expected from Russia's WTO accession. The EU is particularly concerned about the proposed new legislation providing for a car recycling fee which could discriminate against imported vehicles and hopes that this legislation will not be adopted.

Russia is the third trading partner of the EU and the EU the first trading partner of Russia.

EU exports to Russia in 2011: €108.4 billion

EU imports from Russia in 2011: €199.5 billion

Total trade in goods in 2011: €308 billion

The main exports of the EU to Russia are cars (€7 billion), medicines (€6 billion), car parts (€3.5 billion), telephones and parts (€2.5 billion) and tractors (€1 billion). The EU imports from Russia cover mainly raw materials. The main imports are oil (crude and refined: €130 billion) and gas (€24 billion). For these products, as well as for other important raw materials, Russia committed to limit its export duties.

The main changes related to the WTO accession of Russia concern market access improvements for goods and services. The import duties for goods will decrease from a current average of 10% to an average 7.8%. In some important sectors, such as automotive, the import duty reductions are more significant (decreasing from currently 30% to 25% upon accession and to 15% after 7 years). It is estimated that the overall tariff reduction will result in savings of €2.5 billion annually in import duties for EU exporters. Furthermore the reduced tariffs are estimated to stimulate €3.9 billion of additional EU exports to Russia per year.

The EU is the largest foreign investor in Russia, with investments worth around €120 billion in 2010. Russian investments in the EU amounted to €42 billion in 2010.

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Future of Europe debate: Commission gives citizens a say in online consultation

So far, over 5,500 EU-citizens have participated in one of the broadest web based consultations in the EU's history on citizens' rights and the future of Europe – the latest Commission figures released today show. On 9 May, Europe Day, the European Commission called on citizens all over the European Union to help set the policy agenda for the years to come and shape the future of Europe. Until 9 September, all Europeans can share their views on questions such as "How would you like the European Union to develop in the near future? In what kind of European Union would you like to live in 2020?"

As Europe is facing major challenges, not least as a result of the financial and sovereign debt crisis, political debate is increasingly becoming a debate about the near and long term future of Europe. At the last European Council in June, leaders discussed about the need to take Economic and Monetary Union (EMU) to a "new stage". However, any further integration in the economic and fiscal field needs to be legitimate in the eyes of the people of Europe. This is why the report of the 'four Presidents', the President of the European Council, the President of the European Commission, the President of the

Eurogroup and the President of the European Central Bank, published on 26 June, specifically states: "Overall, closer EMU integration will require a stronger democratic basis and broad support from citizens. For this reason, it is essential that already the process towards realising this vision is based on wide consultation and participation. Integration and legitimacy have to advance in parallel." Following a proposal from the Commission, 2013 is set to become the European Year of Citizens. The European Commission wants to seize this occasion to take citizens on board when shaping the Union of tomorrow and listen to their visions for the future of Europe.

The Commission's consultation *'Your rights, your future'* also asks the public about the very practical obstacles citizens face in daily life, when exercising their rights as EU citizens or when wanting to rely on fundamental rights enshrined in EU law. The Commission wants to learn about any difficulties Europeans encounter, be it when travelling in Europe, when moving across borders, when voting or standing as a candidate in elections, or when shopping online. The input received will feed directly into the Commission's policy agenda for the coming years and will form the basis for the 2013 EU Citizenship Report, to be presented on 9 May 2013, next year's Europe Day.

Just three months after the kick off on 9 May, over 5,000 people have taken part in the on-line consultation and answered the online questionnaire. This includes citizens from all Member States.

The short questionnaire can easily be completed online and only takes ten minutes of your time. The consultation will be open until 9 September:

Please click [here](#) for more information.

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Taxation: Commission consults on tax obstacles to cross-border venture capital investment

The European Commission has launched a public consultation to collect factual examples of direct tax problems that arise when venture capital is invested across borders. Due to mismatches between the tax systems of the EU's 27 Member States, venture capital funds can face problems of double taxation as well as legal and administrative uncertainty when they invest across borders. These problems could hinder the full development of the venture capital market in Europe and therefore compromise the provision of financing to the EU's most innovative small and medium-sized enterprises (SMEs).

The aim of the public consultation is to find concrete examples of direct tax problems and to assess the impact of these problems in terms of additional costs to investors and SMEs in the EU. The Commission also seeks suggestions from respondents on feasible solutions to address any such problems. On this basis, the Commission will be able to decide if there is a need for EU-level solutions to remedy the problems and develop the most appropriate policy response by 2013. The Commission has invited all interested parties, including individual citizens, businesses and business organisations, tax administrations and tax professionals in academia, to provide their views on this matter by 5 November 2012.

Contributions may be sent to

TAXUD-D2-Consultation@ec.europa.eu

no later than 5 November 2012.

The public consultation is available here:

[New rules on e-waste to boost resource efficiency](#)

Improved rules on the collection and treatment of e-waste entered into force on 13th of August 2012. E-waste (i.e. waste electrical and electronic equipment, or WEEE) is one of the fastest growing waste streams, and it offers substantial opportunities in terms of making secondary raw materials available on the market. Systematic collection and proper treatment is a precondition for recycling materials like gold, silver, copper and rare metals in used TVs, laptops and mobile phones. The new Directive is a clear step forward in terms of environmental protection and a major boost to resource efficiency in Europe.

The Directive entering into force today introduces a collection target of 45 % of electronic equipment sold that will apply from 2016 and, as a second step from 2019, a target of 65 % of equipment sold, or 85 % of electronic waste generated. Member States will be able to choose which one of these two equivalent ways to measure the target they wish to report. From 2018, the Directive will be extended from its current restricted scope to all categories of electronic waste, subject to an impact assessment beforehand.

The Directive gives Member States the tools to fight the illegal export of waste more effectively. Illegal shipments of WEEE are a serious problem, especially when they are disguised as legal shipments of used equipment to circumvent EU waste treatment rules. The new Directive will oblige exporters to test whether equipment works or not, and provide documents on the nature of shipments that could be thought illegal.

Another expected improvement is the reduction of administrative burdens through harmonisation of national registration and reporting requirements. Requirements by Member States' registers for producers of e-waste will now be aligned more closely.

Currently only one third of electrical and electronic waste in the EU is separately collected within the documented system. The existing EU collection target is 4 kg of WEEE per capita, representing about 2 million tons per year, out of around 10 million tonnes of WEEE generated annually in the EU. By 2020, it is estimated that the volume of WEEE will increase to 12 million tons. The final target of the new Directive, an ambitious 85% of all WEEE generated, will ensure that in 2020 around 10 million tons, or roughly 20kg per capita, will be separately collected in the EU.

By 14 February 2014 at the latest, Member States will have to amend their existing legislation on WEEE and align it with the new Directive and the new targets. Consumers can then return small e-waste at large retail shops unless existing alternative schemes are shown to be at least as effective. From the date of national transposition onwards, a reversed burden of proof will apply to shipments of used equipment which are suspected to be illegal waste shipments.

From 2016 onwards, Member States will be required to ensure that 45 % of electrical and electronic equipment sold in each country is collected.

From 2018 onwards, the scope of the Directive is widened from today's categories to all electrical and electronic equipment.

From 2019 onwards, the collection target is raised to 65 % of electrical and electronic equipment sold, or the alternative measure of 85 % of WEEE generated.

Some Member States will be able to derogate from the new targets for a limited time, where this is justified by a lack of necessary infrastructure or low levels of consumption

of electronic equipment. The Commission will use the powers given in the new Directive to harmonise the frequency of reporting by producers to the national registers, and the format for registration and reporting. The Commission will review certain changes agreed with the new Directive, for example as regards the scope, in order to identify any undesirable effects.

The existing WEEE Directive (Directive 2002/96/EC) has been in force since February 2003. It provides for the creation of collection schemes where consumers return their used e-waste free of charge. The purpose is to prevent harm to human health and the environment from hazardous substances contained in WEEE, and to increase the recycling and/or re-use of products and materials. In December 2008, the Commission proposed a recast WEEE Directive, and this has now been modified and adopted by the Parliament and the Council.

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[New Employment package: Towards a job-rich recovery Law](#)

The Employment Package is a response to the high level of unemployment in Europe and aims at identifying the EU's biggest job potential areas and the most effective ways for Member States to create more jobs.

It provides a medium-term agenda for EU and Member States action to support a job-rich recovery and reach Europe's 2020 goals for smart, sustainable and inclusive jobs and growth. It is accompanied by nine staff working documents.

The EU-27 unemployment rate hit an all-time high at 10.2% in February 2012. Although 1.5 million jobs were created between 2008 and mid 2011, 6 million jobs were lost over the same period. In the Euro area, unemployment is the highest since the launch of the common currency. To reach its 75% employment target the EU needs to create 17.6 million new jobs.

The employment package proposes a fresh look at what can be the priorities for a medium-term policy to make labour markets more open and dynamic. There shall be a stronger accent on job creation policies by reducing taxes on labour and making a more effective use of hiring subsidies and exploiting the potential of some key sectors, such as green economy, ICT, or the health and care sector. There shall be greater use of the experience gained in Member States during the crisis in view of steering the reforms required. For instance on the role of internal flexibility, or the role of public employment services to help workers succeed when changing jobs or getting back into work. Measures shall be implemented to improve job quality through decent wage floors or fighting undeclared work. Investment shall be undertaken in skills based on better forecasting of skills needs and on new monitoring tools at EU level.

The governance of employment policies shall also be strengthened by reinforcing their monitoring with the Member States so that employment and social concerns do not lag behind economic ones. The Commission proposes a scoreboard to keep track of the implementation of National Job Plans. The involvement of the social partners in shaping EU priorities, implementing reforms and monitoring developments shall also be reinforced.

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Commission strengthens independence and reliability of EU statistics

Stronger measures to ensure the quality and credibility of EU statistics have been set out in a proposal adopted by the Commission. High-quality, reliable statistics are fundamental for evidence-based decision making. according to the Commission Demands for such data have further increased in light of the enhanced economic-policy coordination that has been agreed in the EU over the past year. Moreover, recent events have shown the importance of credible statistics to ensure the trust of the public and the financial markets in such decisions. In line with what was foreseen in the "Six Pack", the Commission has therefore proposed a revision of the EU Regulation on Statistics to further strengthen in law the independence, reliability and quality management of statistics coming from Member States and compiled at EU level.

The proposal focuses on two main areas, that is the independence of National Statistical Institutes and in particular the heads of these authorities on the one hand, and the fact that Member States will be required to sign "Commitments of Confidence", confirming at the highest political level the obligation to fully respect the European Statistics Code of Practice on the other hand.

Algirdas Šemeta, EU Commissioner responsible for statistics, stated: "Now, more than ever, we must be able to reassure citizens that policies put forward – particularly economic ones – are founded on quality, reliable data. Today's proposal safeguards in law the independence of European statistics, and will ensure that they adhere to the highest standards."

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