

EUROMEMO

Recent Developments in the European Community

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Rebuilding Central and Eastern Europe....The European Community and its member states are major contributors to the Western aid effort to promote political and economic reform in the countries of Central and Eastern Europe. The E.C. Commission plays a key role as coordinator of aid to those countries, a responsibility it assumed initially only for Poland and Hungary at the July 1989 Paris economic summit. Since then, the number of contributing Western democracies has risen to 24, forming the so-called Group of 24 (G-24) on whose behalf the Commission has coordinated major initiatives in five priority sectors (access to Western markets, agriculture, environment, vocational training and promotion of investment and industrial modernization). A July 3 **Report on the Progress of Coordinated Aid from the 24 to Central and Eastern Europe** describes the status of measures being implemented in Poland and Hungary and announces the extension of G-24 aid to other reforming Central and Eastern European countries. Developments highlighted in the report include approval of standby credit by the International Monetary Fund for Poland and Hungary, a stabilization fund for Poland, a medium-term loan for Hungary for economic restructuring, and the completion of negotiations on the setting up of the European Bank for Reconstruction and Development.

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A telephone system that does not tie you down....by the end of the 1990s as many as 100 million Europeans could be using cordless telephones operated by a system known as **Digital European Cordless Telephone (DECT)**. The system under development would provide low cost service from the office, home, or street using a telephone which has its cord replaced by a radio link. Due to the increasing demand for mobile telephone equipment in the E.C. and a foreseeable drop in prices, the potential market for DECT is enormous. Its achievement, however, requires the establishment of a fully harmonized DECT standard in the Community. To meet that objective, the Commission on June 12 proposed two instruments to the E.C. Council of Ministers: a directive that would ensure the availability after 1992 of a band of common frequencies for DECT in the Community; and a recommendation aimed at promoting the coordinated introduction of the DECT system at the end of 1992. The proposed system would replace the present incompatibility of cordless telephone systems with a fully integrated one, benefiting substantially Europe's citizens as a whole from an economic, social and cultural standpoint.

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Third E.C. Research Program gets underway—the E.C. Commission recently approved several specific research and technology projects that put into effect objectives of the third **Framework Program**. Adopted in April by the E.C. Council of Ministers and published May 8 in the Official Journal, L 117/28, the latest Framework will spend 5.7 billion European Currency Units (ECU)* between 1990 and 1994 to promote cross-border collaboration on research aimed at helping European industry meet the challenge of the post-1992 market. Although this overlaps with the 1987-1991 second Framework Program, it contains important new elements: grouping of activities around only three strategic axes (enabling technologies, intellectual resource management and natural resource management), simplification of approval procedures, and increased funds for environmental, biotechnology and agro-industrial research. The Framework approach was first introduced in 1984 to make it financially possible for research institutes, companies and universities in different member states to collaborate on large research projects.

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Europeans' views on poverty—in 1989, the struggle against poverty ranked third after environment and unemployment in the list of social problems concerning most Europeans, according to a recent survey carried out by independent pollsters for the E.C. Commission. In the same survey, **The Perception of Poverty in Europe**, personal misfortune and the general economic situation were described as the chief causes of poverty, which for 8 out of 10 Europeans means not having access to housing, basic home utilities, or education. While poverty visibility varies from one E.C. member state to another, the study also reveals a consensus among Europeans that poverty is not necessarily a life-long condition. On the other hand, efforts by public authorities to combat poverty fell short of the expectations of most respondents, even though many were not aware of initiatives in force. The survey was conducted in summer 1989 in all 12 E.C. member states and used a standard questionnaire and a sample of 11,819 persons, all over the ages of 15.

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A single market for investment services—creation of a single market in financial services has been given further impetus by a May 23 Commission proposal for a directive to determine the minimum capital requirements of investment firms wishing to operate throughout the Community. The basic requirement of the directive is that investment firms should have initial capital of at least 500,000 ECU. Companies which do not hold trading positions of their own would be subject to lower capital requirements. The directive would also ensure that banks and non-bank investment firms are subject to broadly equivalent capital requirements, would provide adequate protection of the investor, and aims at preserving the competitiveness of the Community's financial sector. These rules would make it possible to operate such services on an E.C.- wide scale by closing the gap between those member states where investment services are largely the responsibility of banks and others with a range of independent investment institutions.

Documents described in the above text are available from the E.C. Commission Delegation, Office of Press and Public Affairs, 2100 M Street N.W., Suite 707, Washington D.C. 20037.