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SUMMARY



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ECONOMY: More than ECU 17 billion to finance the recovery
EIB lending in 1994.

Last year the European Investment Bank (EIB), the European Union's "in-house bank", lent even more money than in 1993: ECU 19.9 billion* as compared to ECU 19.6 billion. EIB lending within the Union's frontiers came to ECU 17.68 billion in all, somewhat less than the ECU 17.72 it lent in 1993, in a climate which hardly favoured large-scale investments. These loans nevertheless made it possible to carry out projects worth some ECU 45 billion, representing 4.2% of the total investments made in the EU last year.

To stimulate economic recovery, the EIB allocated the rest of the ECU 7 billion provided by the European Council when it met in Edinburgh in December 1992. The funds were used to finance the trans-European networks in transport - including European high-speed trains - telecommunications and energy. The EIB had already lent a total of ECU 4 billion for the 14 major transport projects adopted by the European Council at its meeting in Essen last December. They include the Verona-Innsbruck section of the high-speed rail link between Verona and Berlin and the Belgian stretch of the new high-speed Paris-London-Brussels/Amsterdam/Cologne rail link.

The EIB has also set up a special lending facility for overcoming the obstacles which threaten the execution of the major European infrastructure projects in transport, telecommunications and energy. The projected solutions include deferred interest payment during construction, extended grace periods for repayment of principal and advance funding facilities.

To help small and medium-sized enterprises (SMEs) which create new jobs, the EIB last year launched another ECU one billion loan facility at a reduced rate of interest. The EIB devoted ECU 1.69 billion in all to SME investments in 1994. At the same time EIB lending for environmental protection came to ECU 4.8 billion.

Of the Fifteen, Italy and Spain received the lion's share of EIB lending, with 18% and 17% respectively. France, the UK and Germany followed, with each receiving 14%.

* 1 ECU = UK£0.79 and IR£0.80.

COMPETITION: The liberal professions must apply the rules

The European Commission has forbidden Spanish experts from setting minimum scales of fees for their services.

The European Commission recently ordered the Official Association of Industrial Property Agents (COAPI), the professional association of advisors on patent rights in Spain, to put an end to certain restrictive practices which are contrary to the European Union's competition rules.

COAPI's internal regulations granted its general meeting the power to fix each year compulsory minimum scales of fees for the services rendered by its members. These were the fees charged Spanish residents who wanted to obtain title to patent rights in Spain. But these minimum fees also applied to residents of other EU countries who wanted to obtain a Spanish patent as well as to customers resident in Spain who sought advice on how to exploit a particular patent abroad. The Commission held that this agreement on fees amounted, given that it also applied to non-residents and to services provided abroad, to a restrictive practice affecting trade between Member States in virtue of Article 85 (1) of the EEC Treaty.

For the European Commission, the fact that the COAPI is a professional association, to which the public authorities have entrusted certain functions for the regulation of the profession, and that in Spanish law it forms a legal person governed by public law, does not exempt it from the provisions of the EU's competition rules. In other words, the Commission has taken the view that the legal obligations to guarantee the quality of the services provided by the profession does not require the COAPI to set minimum scales of fees. According to the Commission, the conditions of entry to the profession, especially the high moral standards required of members of the COAPI, constitute sufficient guarantees of the quality of their services. Collective fixing of minimum scales of charges is thus unnecessary.

The Commission's decision is a very important one, given that it makes it clear that the competition rules of the EEC Treaty apply to the liberal profession also. Given that the application of these rules to the liberal professions marks a relatively new departure, the Commission did not impose a fine. The fact is that this is only the second decision against the concerted practices of members of a liberal profession; the first, which had to do with an agreement between Italian customs agents, was taken in June 1993.

"I intend to continue to apply the competition rules to the liberal professions as and when cases arise, and specifically to put an end to price agreements and certain restrictions of competition which are not proved necessary to guarantee ethical standards, professional dignity, the standing of the profession or the quality of service", the European Competition Commissioner, Karel Van Miert, noted. "Of course", in applying these principles I intend to take account of the individual characteristics of each of the liberal professions", he added.

<u>INSURANCE: Fewer road accidents because of the no-claims bonus system?</u>
The European Commission does not think so; it favours giving motorists a much wider choice.

Does the no-claims bonus system make for fewer road accidents? The system, in use in all European Union countries, penalizes bad drivers and encourages the better ones by raising the insurance premium paid by the former and lowering them for the latter. However, European insurance companies have introduced variations in the operation of the system. Thus the uniform system in force in France, Italy, Greece and Belgium, results from a standard clause inserted into the text which regulates mandatory car insurance. In other countries, notably Germany, the system, while also uniform, is the result of a market agreement. In yet other countries, including Britain, Ireland, the Netherlands and Spain, the insurance companies are free to choose their own system.

There are differences as regards the operating rules also. Thus in Belgium the standard scale of increases and reductions provides for a maximum no-claims bonus of 46% after 14 accident-free years, as compared to 50% in France, after 12 years, and 50% in Greece after only five accident-free years. As regards surcharges, they range from a maximum surcharge of 20% in the Netherlands to one of 100% in Portugal after two accidents, of 200% in Greece (although after 10 accidents) and one of 250% in France, after six accidents.

But these differences are not the real point at issue, which is: Is the present system really effective? In other words, given the liberalization in insurance matters brought about by the various European directives since 1 July 1994, can an EU country require an insurance company wanting to do business on its territory to comply with measures which include a uniform and mandatory no-claims bonus system?

The advocates of this theory, and therefore of a uniform system, base their stand on the argument that the no-claim bonus system would be justified on grounds of public interest, because it furthers the goal of accident prevention. Which is to say, the fear of having to pay higher premiums encourages motorists to be more prudent - and therefore results in fewer road accidents.

The European Commission is not convinced; on the contrary, it wants to know whether the possibility of having to pay a surcharge the next time his or her insurance premium falls due might not lead motorists to "forget" to notify accidents? They would have to bear the costs themselves, of course; but one result would be an apparent fall in the number of road accidents. And it is this which has led the Commission to question whether the main objective of the no-claims bonus system really is fewer accidents.

What is needed, therefore, is a provision allowing insurance companies to take into account the personal situation of each motorist when setting premiums, and leaving it to them to decide how to personalize individual policies. In any case,

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the public interest should not be used to justify restrictions on the way in which insurance companies set premiums. A uniform and mandatory no-claims bonus system could not, therefore, be imposed by the Member States since last July 1, although this does not mean that it cannot be kept on, if they so desire, but on terms which are neither uniform nor binding.

## INDUSTRY: Output rose in 1994 ...

... after falling sharply in 1993.

Here is clear evidence of economic recovery: industrial output in the 12-nation European Union rose by 5.2% last year, after having fallen by 3.2% in 1993, according to the figures published recently by Eurostat, the European statistical office. They point to an improvement in all the former EU countries as well as in the three newcomers.

Industrial output rose in all 15 countries without exception in 1994, although it had fallen in 11 of them. Within the 12-nation Union, Ireland beat all previous records with an increase of 11.2%, followed by Denmark (10.8%). Britain, Luxembourg, Spain and Italy all recorded increases above the average for the EU. Below it were Germany (3.5%), France, the Netherlands, Greece and, finally, Portugal (0.3%).

Of the new Member States, Finland beat all previous records with an 11.5% rise in industrial output, followed by Sweden (9.7%) and Austria (2.9%).

HEALTH: Tobacco kills three million people each year at present ...
... but their numbers will rise to 10 million in 20 years.

If tobacco consumption remains at its present level, tobacco addiction and the illnesses linked to it will result in some 10 million deaths a year in 20 years' time, as compared to the three million who are dying now. This grim scenario will no longer seem improbable when today's young smokers are in their fifties - indeed, are still in their forties.

These are among the conclusions of a major study carried out by the Imperial Cancer Research Fund in Oxford, in collaboration with the World Health Organization (WHO) and the American Cancer Society. The study, a key feature of which is projections based on changes in mortality rates after 1985, looked at mortality rates for smokers living in more than 40 countries and covered the period from 1950 to 1990. The countries included the 15 members of the EU, other members of the Paris-based OECD, the countries of Central and Eastern Europe and, for the first time, the republics of the former Soviet Union.

As regards the 12 older members of the European Union, their situation has improved somewhat, given that the 511,700 deaths recorded in 1990 (423,000 men and 88,700 women) should decline to 489,000 in 1995. But if the number of men dying as a result of their addiction to tobacco is expected to fall below 400,000, the number of women could well exceed 100,000. The fact is the death rate for women is destined to rise in the years ahead. As compared to the situation in 1950, the number of female deaths has risen from a few thousand (as against 200,000 for men) to its present level.

In any case, tobacco addiction seems to have peaked in this part of the world. However, if the number of deaths is to continue to fall, men will have to continue to cut back on smoking while women will have to begin to control their cigarette consumption - all the more so because in most developed countries the death rate from cancer is falling in the case of non-smokers but is stable in the case of smokers.

TELEPHONES: A quality service for everyone

The European Commission proposes some ground rules.

A good quality telephone service, accessible to everyone: this is the European Commission's main objective in proposing to the Fifteen, in early February, a directive ("European law") setting out the ground rules applicable throughout the European Union. The Commission would like this "law" to come into force by the end of this December.

On 1 January 1998 the traditional telephone service - known as voice telephony, to differentiate it from telecom services which transmit text, data or pictures - will be thrown open to competition in most EU countries. The EU Council took a decision to this effect in 1993 and last year. The deadline was pushed back to the year 2000 for Luxembourg and to 2003 for Ireland, Greece, Spain and Portugal.

Liberalization will allow private companies to offer telephone services; this should lead to a fall in prices. But the Commission is keen that consumers throughout the EU should benefit from these changes in full. The fact is that it had already proposed a directive in this connection in 1992; nothing came of it, however, because of differences between the Council of Ministers and the European Parliament. But last December Council and Parliament were able to reach an agreement and the Commission submitted a fresh proposal.

According to the draft "law" everyone should have access to a basic, affordable telephone service on a non-discriminatory basis. All users would have the right to a new telephone line within a published delivery period, as well as to itemized bills, based on transparent and properly published tariffs. Users would also have the right to be told in advance of all changes to these tariffs. Under the terms of the proposed directive, consumers would have access to independent settlement procedures for disputes over bills.

The draft proposal provides for reduced rates during off-peak hours for calls to any part of the Union; it also authorizes the national authorities to set reduced rates for certain social groups or usages. The draft directive contains the right to receive a telephone directory ... and not to be listed, if one so desires.

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Finally, according to the proposal, the Commission must ask specialist bodies to draw up the technical standards needed for the introduction of telephone payment cards, usable throughout the EU. The national authorities, for their part, would encourage the installation of public pay-phones, in which these cards could be used.

TRADE: There is a fall in the EU's external trade deficit ...

... and a recovery in trade between the EU countries themselves during the first half of 1994.

Trade between the European Union and the rest of the world took a turn for the better during the first half of 1994: the EU's trade deficit fell to ECU 3 billion*, a much lower figure than the ECU 9.3 billion recorded during the first half of 1993, according to the statistics published recently by Eurostat, the EU's statistical office.

During the first half of last year the exports of the 12-nation Union increased by 13.8%, while its imports rose by 10.7%. The biggest increase was in the exports of Belgium-Luxembourg and Ireland, the smallest in the exports of Greece and Portugal.

As for imports, Ireland, the Belgo-Luxembourg Union and the Netherlands recorded the biggest increase in imports from non-EU countries - over 23%. However, the extra-EU imports of Spain and Italy rose by just 5%, while those of Greece even fell - by 8.7%.

There was a sharp rise in trade between the 12 EU countries: shipments to other EU countries rose by 9.4% during the first half of 1994, according to Eurostat. These figures confirm the scale of the economic recovery; in fact trade rose more sharply during the second quarter of 1994 (11.3%) than during the first (7.6%). All EU countries showed an improvement with the exception of Greece.

* 1 ECU = UK£0.79 or IR£0.80.