EUROPEAN COMMISSION
Directorate-General 'Information, Communication, Culture and Audiovisual Media'

Monthly newsletter
ISSN 1021-237X

frontier-free EUROPE

The regions, the SMEs and Europe

by Jacques Blanc,
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The Committee of the Regions was established by the Treaty on European Union to ensure the participation of regional and local authorities in the preparation of the policies and programmes that concern them directly. It is made up of 222 members and an equal number of substitute members, elected for four years. A consultative body, the Committee includes among its members regional presidents, mayors of large cities and other key figures from the European political scene.

The Treaty requires the Council or Commission to consult the Committee of the Regions on a wide range of subjects, including education, youth, culture, public health, the trans-European transport networks, telecommunications, energy and social and economic cohesion. The Committee can also take the initiative in giving its own views.

SMEs and the regional dimension Our activities in several of these fields may be of interest to small and medium-sized enterprises (SMEs). During our plenary session this February, for example, we adopted, on our own initiative, a paper setting out our views on a proposal for an integrated programme in favour of SMEs and the craft sector. We welcomed this programme, which reflects the need to associate more closely all those concerned with the development of SMEs.

Our paper nevertheless underlines the fact that SMEs do not have all they need in order to meet the challenges of the single market. It therefore asks that more emphasis be given to a sharing of experiences, information on ongoing programmes, support services and access to the European Union's encouragement measures. Regional and local authorities must play a key role in these exchanges, to ensure that good practices are widely publicized and to provide consultancy services and promotional elements in the field of exports, as well as training activities, advice on marketing and technology transfers. Special support should be provided for SMEs located in border regions and on the EU's periphery.

The Committee of the Regions is also calling for an improvement in the SMEs' fiscal environment. It is of the view that the tax burden on proprietary enterprises and partnerships, on the one hand, and joint-stock companies of identical size, on the other, should be modified, and the double taxation likely to arise in the chain of financing be eliminated. It would also be necessary to eliminate the fiscal and administrative burdens likely to hamper 'European' activities, and to revise the present system of VAT. The Committee also favours the harmonization of the fiscal treatment of SMEs, in order to guarantee that territorial competition as regards investments is equitable.

Bodies close to the citizen The Committee feels that it must bring the EU's institutions and policies closer to the citizen. This is why we have undertaken to guarantee the principle of subsidiarity — the idea that decisions must be taken at the lowest and most effective level; it serves to identify us. However, this principle is not only vague but also difficult to implement and, under the terms of the Treaty, applies only to EU Member States and to the EU itself, to the exclusion of regional and local authorities.

Consequently, during our plenary session last November, we asked that the Intergovernmental Conference, which has the task of revising the Treaty in 1996, add a reference to the role of regional and local authorities to Article 3b, which establishes a distinction between the responsibilities of the Member States and the Union. We also asked that the Committee's right of appeal to the Court of Justice, whenever the competence of regional and local authorities is undermined by infringements of the subsidiarity principle, be recognized.

In emphasizing their political role, the members of the Committee of the Regions are contributing to the creation of a people's Europe, by ensuring the participation of the bodies closest to them in the realization of the European Union. Proximity, coresponsibility and partnership are among the other principles which will enable our institution to advance the idea of a Europe that is genuinely close to the men and women who expect so much from it.

■ Taxation and place of residence

A Member State of the European Union does not have the right to tax more heavily a worker employed within its territory but living elsewhere. This was the ruling handed down by the EU Court of Justice on 14 February, in a case brought by Roland Schumacker, a Belgian working in Germany, against the tax authorities in Cologne. They had taxed Mr Schumacker, who worked in Germany in 1988 and 1989, as if he were a bachelor even though he was a married man with children. They justified this unfavourable treatment of Mr Schumacker on the grounds that both he and his family were resident in Belgium; in other words, they were simply applying the law in force at that time. Mr Schumacker asked to have his taxes recalculated and, when his request was refused, took his case to the court in Cologne. In the end, it was the German Federal Court for fiscal matters which asked the European Court in Luxembourg whether Mr Schumacker had been treated in accordance with the provisions of the EC Treaty. Its answer was an unequivocal 'no'. Since then, cross-border workers are less heavily taxed under a German law of 24 June 1994. The fact remains that the principle of equality of treatment in connection with residents, set out by the European Court, applies without distinction in all EU countries.

■ Over 200 000 student exchanges

A growing number of young people will be able to study in a European Union country other than their own between now and 1999 thanks to two programmes which the EU Council of Ministers adopted definitively on 10 March, after an agreement with the European Parliament. One of these programmes, Socrates, will enable some 150 000 students and 18 000 teachers to increase their knowledge in another European country. This is because the Socrates programme is taking over activities which have been carried out so far under the Erasmus and Lingua programmes. But the new programme is also responsible for student exchanges and cooperation between primary and secondary schools throughout the EU. Language teaching is an important part of the Socrates programme. The second of the two new programmes, Youth for Europe III, will give some 70 000 young people a chance to spend some time in another EU country. This programme also organizes training courses for team leaders in the socioeducational field and exchanges between national youth organizations.

□ BRIEFLY

The EU Council of Ministers approved on 9 March the principle of a regulation establishing an **EU-wide format for an entry visa** that would be valid in all member countries. Besides the definitive adoption of this regulation, agreement is still awaited on the list of countries whose citizens would need a visa to enter all 15 Member States.

With a view to **supporting the peace process in Northern Ireland,** the European Commission has decided to extend special aid to the province and neighbouring counties belonging to Ireland. On 14 February, it adopted the guidelines for a 'Community initiative' of ECU 300 million (ECU 1 = UK£ 0.81 or IR£ 0.81). The money, to be spread over a three-year period, will be used to create jobs. It will be in addition to regional aid, such as Interreg, which will spend ECU 157 million to stimulate cooperation between areas in Ireland and Northern Ireland.

The justice ministers of the 15 European Union countries signed on 10 March a **convention which simplifies and shortens extradition procedures** between EU countries. The convention will apply to those cases — roughly one-third of the total — in which the person in question and the Member State to which the demand for extradition is addressed agree to it. The current procedures, which often are very long, could be reduced to a few weeks — or even a few days.

From now until 31 December 1999, the Dutch authorities will be able to extend regional aid to areas containing 17.26% of the national population, instead of 16.88% as hitherto. The European Commission adopted on 1 March the **new Dutch aid map,** which includes Flevoland and Hoogeveen (Drenthe), but excludes 12 districts in southern Limburg.

The EU Council of Ministers decided on 9 March to have customs officers from all 15 member countries work together in the framework of **joint operations for controlling the EU's external frontiers.** These operations will take place at ports and airports as well as at land frontiers.

● Global communications for SMEs

From next year, European SMEs should be able to communicate easily, using computers, with companies, whether large or small, in North America and Japan. This is the goal of one of the pilot projects launched by G-7 — the group of seven leading industrialized nations — in Brussels on 26 February. It involves filling in the gaps in existing networks. The project, which is being coordinated by Japan, the European Commission and the United States, will focus this year on studying existing obstacles and choosing the industrial sectors to be targeted as well as the services to be provided to SMEs.

● Thirteen competitiveness experts

Thirteen prominent Europeans met in Brussels for the first time on 14 March in order to look at the level of competitiveness in the European Union and the means of raising it. The thirteen are part of an independent consultative group on competitiveness set up by the European Commission on 14 February. Presided over by the former Italian prime minister, Carlo Azeglio Ciampi, the group includes the former Spanish finance minister, Carlos Solchaga; the former president of the East German privatization office, Birgit Breuel, as well as industrialists, trade union leaders and academics. The group will have to submit a report to the EU's Heads of State or Government twice a year and for the first time, to the European Council in Cannes this June.

SINGLE MARKET: IMPLEMENTING 90% OF THE 'LAWS' ...

As of 15 February, 90.1% on average of the 'European laws' establishing the single market were being implemented in the former 12-nation European Union; information on the EU's three new Member States is still awaited. Thus the rate at which the member countries are transposing European measures into their national legislation has increased; but substantial differences remain from one country to another. Denmark and Luxembourg have recorded the best results, having transposed 96.3 and 95% respectively of EU legislation. Germany (85.4%) and Greece (80.4%) are to be found at the other end of the scale. France, the Netherlands and the UK have done better than average; Belgium has just reached it, while Spain, Portugal, Italy and Ireland find themselves just below it. There are also substantial differences between the various sectors. Thus all 'European laws' dealing with transport, motor vehicles, tractors and agricultural machinery, as well as excise duties — the taxes on tobacco, alcoholic beverages and petrol — are being implemented. However, this is true of barely 60% of the special legislation applicable to arms and cultural goods; and less than 70% of the legislative measures concerning intellectual property, the new technologies, public procurement and controls on waste are being implemented.

... AND ELIMINATING TRADE BARRIERS

The European Commission, in cooperation with the Member States, has been able to secure the removal of a large number of barriers to trade within the single market in recent months. The Internal Market Commissioner, Mario Monti, gave some examples of this on 3 March. Thus the German authorities have repealed the law which imposed import licences for pharmaceutical products supplied by other Member States. Germany has also authorized the parallel imports of pesticides already on sale in the country. France, for its part, has stopped testing ammunition for hunting and sporting guns manufactured in other EU countries, provided it is certified by the country of origin as meeting European standards. Italy has removed its restrictions on the import of French beers containing plant extracts. Rome has also authorized the sale of frozen precooked bread to restaurant chains and supermarkets. Finally, the Italian railways have had to scrap a convention which favoured national suppliers.

THE EUROPEAN UNION'S COHESION FUND

Economic and social convergence within the European Community is one of the prime aims of the Treaty of Rome. Community structural policies introduced for that purpose have helped achieve some reduction in the regional differences and structural handicaps of certain Member States. By aiming to introduce an economic and monetary union before the end of the century, the European Union has added a new dimension and given a new meaning to the notion of 'economic and social cohesion'. Participation in 'cohesion' is a pre-condition for participation in the future single European currency. For the governments of the less prosperous Member States, however, this represents a new and difficult challenge: they must spend less while investing more. It was precisely to help those countries overcome this paradox that the Cohesion Fund was set up in 1993 and provided with ECU 15 billion over seven years to finance key environmental and transport infrastructure projects.

Strengthening economic and social cohesion

Strengthening the economic unity of the European Community and ensuring its harmonious development are among the main aims of the Treaty of Rome. The very choice of the name 'Community' by the founding fathers in 1957 says much about both their desire to promote balanced prosperity in all the Member States and, perhaps still more importantly, their acceptance of the need for mutual solidarity in all the areas covered by this ambitious project.

It took only a few years for the Community to develop a whole range of tools for reducing national and regional economic disparities: agricultural structural policy, social policy, regional policy, each supported by its own financial instrument; the Guidance Section of the European Agricultural Guidance and Guarantee Fund (EAGGF), the European Social Fund, the European Regional Development Fund, the Financial Instrument for Fisheries Guidance and the European Investment Bank (EIB).

All these tools are expressions of Community solidarity and enable the wealthiest countries to aid their less prosperous partners. This solidarity was strengthened in 1987 with the adoption of the Single Act. In this new Treaty establishing the single European market, the Community committed itself to a substantial increase in its Structural Fund operations, a commitment which took concrete form in February 1988, when it decided to progressively double, over five years, the budget for structural operations.

Launched on 1 November 1993, the new European Union in its turn demands a considerable strengthening of solidarity between Member States and, as a consequence, of the Community structural policies. The recent signing of the Treaty of Maastricht, however, gives the harmonious and balanced development of the European economy a whole new dimension.

By setting the aim of economic and monetary union (EMU) by the end of the century, the Treaty significantly alters the purpose of increased economic and social convergence. The very success of this new and decisive stage in the construction of Europe could be seriously undermined by the persistence of excessive economic and social disparities between Member States. Furthermore, Article 2 of the Treaty explicitly makes the promotion of economic and social cohesion one of the essential conditions for the success of the new Union.

A new instrument to promote solidarity

The strengthening of economic and social cohesion is, without any doubt, a necessary precondition for the establishment of economic and monetary union but at the same time it represents a real challenge, a challenge to the members of the Union as a body, to the extent that effective convergence of their economic and monetary policies is now vital, but above all, a challenge to those countries whose development is still lagging behind or which are still suffering from handicaps.

Amongst the criteria that all Member States wishing to adopt the single currency must fulfil, when the time comes, the Treaty concluded at Maastricht gives prominence to control of public deficits. This will require a determined effort from all countries. But it is the less wealthy countries that are going to have the most difficult job in bringing public finances under control. These countries that are going to have to impose very strict budgetary discipline, whilst at the same time bringing their prosperity up to the Community average more swiftly, will demand continuing and perhaps even increasing public investment.

It is in order to help those countries experiencing difficulties overcome this problem and, at the same time, help the Union itself to strengthen as far as possible, and as quickly as possible, its economic and social cohesion that the authors of the Treaty on European Union amended Article 130d of the EEC Treaty (inserted by Article 23 of the Single European Act) to provide for the creation of a Cohesion Fund before 31 December 1993.

This is a new tool for providing assistance and ensuring solidarity, but a specific type of tool — unlike the other Community Structural Funds — in both its objectives and the way it functions. The other Structural Funds are mainly intended to deal with the problem of regional disparities, whether in regions with long-standing problems of under-development or in regions undergoing extensive industrial conversion. They aim to help reduce and, if possible, eliminate these pockets of under-development through structural programmes and individual structural projects.

The purpose of the Cohesion Fund is entirely different, even if, indirectly, the assistance it provides inevitably contributes to promoting regional development and that assistance is coordinated with the operations of the other Community 'solidarity' instruments. The purpose of the Cohesion Fund, as has already been stressed, is to enable all the Member States to join the final phase of economic and monetary union as rapidly as possible, by helping those with the greatest number of handicaps to overcome them. The Protocol on economic and social cohesion annexed to the Maastricht Treaty lays down that 'Community financial contributions' will be made to Member States of the Union 'with a per capita GNP of less than 90% of the Community average which have a programme leading to the fulfilment of the conditions of economic convergence as set out in Article 104c' of the Treaty.

Environment and transport infrastructure

In accordance with these two criteria, four Member States, Spain, Portugal, Greece and Ireland, with a total population of almost 63 million, are receiving assistance from the Cohesion Fund.

Article 130d lays down that the Cohesion Fund provides 'a financial contribution to projects in the fields of environment and trans-European networks in the area of transport infrastructure'; in other words, projects in areas where any reduction in public investment because of strict budgetary discipline would be extremely damaging. In fact, the countries receiving assistance have had to give an undertaking not to reduce their own investments in transport infrastructure and the environment.

In addition to the direct benefits they naturally bring to the inhabitants, the fauna and the flora, environmental projects are generally an important source of economic activity and long-term employment. Without undermining the principle that the polluter should pay, the Cohesion Fund provides funding for projects involving costs deemed disproportionate to the public finances of the country concerned.

As regards transport infrastructure, it is vital for these countries to be connected as effectively as possible to the main centres of activity in the Union and in neighbouring countries, so as to be able to enjoy all the benefits of the single European market. Projects supported by the Cohesion Fund must make a contribution to trans-European communications networks.

All the projects financed by the Cohesion Fund in the fields of environment and transport must contribute to the overall economic development of the Member State concerned, thereby strengthening the economic and social cohesion of the Union. It is therefore laid down that projects must 'be of a sufficient scale to have a significant impact in the field of environmental protection or in the improvement of trans-European transport infrastructure networks'. The total cost of a project or group of projects may not, therefore, normally be less than ECU 10 million.

The granting of assistance from the Fund is also conditional on the beneficiary Member State making a real effort not to run up an 'excessive' public deficit. If a country refuses to bring its public finances under control within the time-limit set by the Council of the Union, assistance from the Fund may be suspended. Finally, for the same reasons, the Regulation establishing the Cohesion Fund stipulates that 'particularly in order to ensure value for money' there should be a thorough prior appraisal of all projects, usually in cooperation with the European Investment Bank (EIB), to guarantee that the 'medium-term economic and social benefits [are] commensurate with the resources deployed'. The European Commission and the beneficiary countries must also ensure that the implementation of the projects for which assistance is provided is closely monitored to guarantee that the objectives pursued by the Cohesion Fund are scrupulously adhered to and that projects are carried out efficiently.

ECU 15 billion between now and 1999

Considerable resources are being mobilized. At the Edinburgh Summit in December 1992, the European Council decided that ECU 15 billion (at 1992 prices) would be made available to the Cohesion Fund over the period 1993-99, rising from ECU 1.5 billion in 1993 to more than ECU 2.6 billion in 1999. This makes the Cohesion Fund a powerful force for economic development, since, although projects receiving financing from the Cohesion Fund cannot at the same time receive assistance from the European Structural Funds, such projects are intended to be complementary with other projects supported from the European Union's budget, particularly those concerning the trans-European networks.

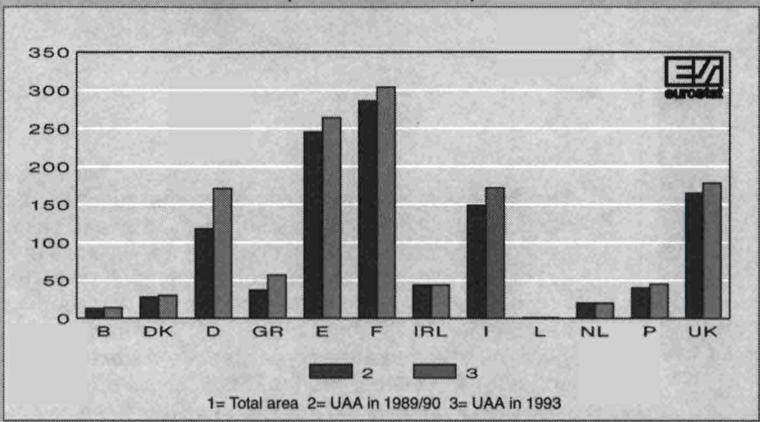
The impact of Cohesion Fund measures is all the greater in that the level of assistance varies between 80 and 85% of the public expenditure on a project. This is a much higher level of funding than provided, for example, by the Community Structural Funds. Preparatory studies and technical support for the preparation of a project can receive 100% financing, particularly if they are undertaken at the European Commission's initiative. On the other hand, where a project generates substantial net revenue for the promoters, be it an infrastructure the use of which involves fees borne directly by users or productive investments in the environment sector, the assistance provided from the Cohesion Fund is adjusted accordingly.

The Regulation establishing the Cohesion Fund lays down an indicative allocation of the resources available between the four beneficiary countries: Spain: 52 to 58%; Greece: 16 to 20%; Portugal: 16 to 20%; Ireland: 7 to 10%. The Regulation also lays down that a suitable balance must be struck between financing for transport infrastructure projects and financing for environmental projects. This more pragmatic approach is justified by the fact that the needs, possibilities, availability and feasibility of projects impose choices which vary from country to country.

Agriculture in the European Union

Utilized agricultural area

Utilized agricultural area in 1989/90 and 1993 (in 1 000 km²)



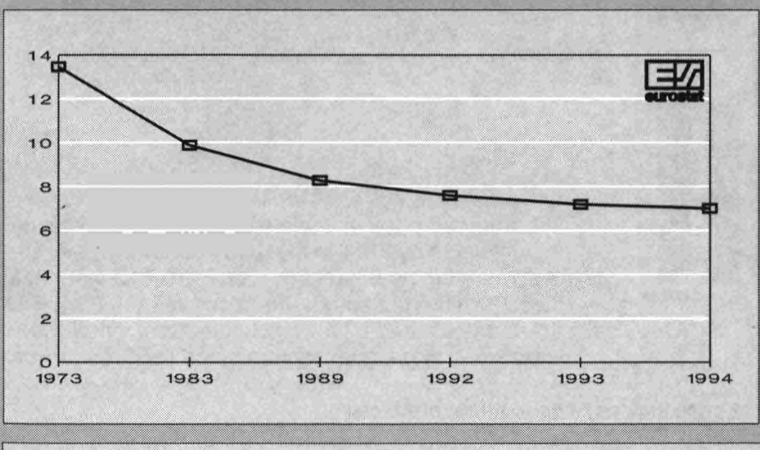
In 1989/90 and 1993 the United Kingdom had the largest utilized agricultural area (UAA) in relation to its total area, with Denmark in second place. In all the Member States the utilized agricultural area either increased or stayed the same between 1989/90 and 1993. For the Union of the Twelve as a whole, the UAA increased by a little over 13% between these two periods.

Total area and utilized agricultural area (in 1 000 km²)

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12
1	31	43	357	132	505	544	69	301	3	42	92	244	2 363
2	13	28	118	37	245	286	44	149	1	20	40	165	1 146
3	14	30	171	57	264	304	44	172	1	20	45	178	1 300

Agricultural labour force

The agricultural labour force for EUR 12 in annual work units (in millions)



During the period 1973-1994, there was a considerable decline in the total agricultural labour force in the Union of the Twelve. However, the rate of decline in 1994 was only half of what it had been in the previous two years. The total agricultural labour force expressed in AWU fell by 2.5% between 1993 and 1994. The changes range from 0% in Portugal and –0.5% in Italy to –7% in Germany.

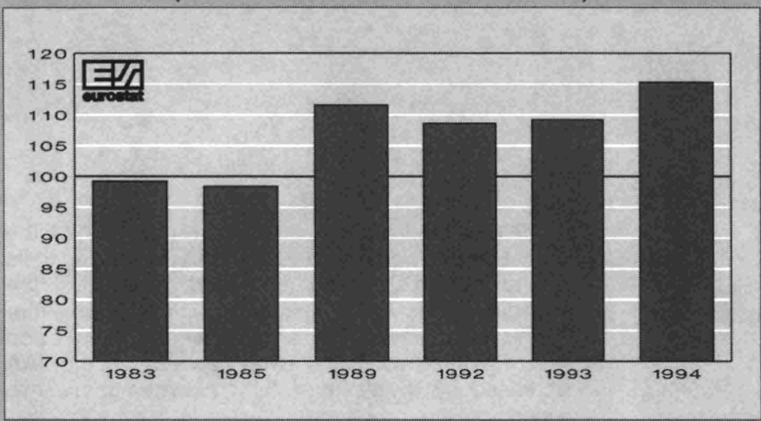
Annual rate of change in the agricultural labour force

	B	DK	D(1)	GR	E	F	IRL	I	L	NL	P	UK	EUR12(1)
1993/1992	–2.6	–2.6	–7.8	–2.3	–8.7	–5.6	–2.0	–6.9	–2.4	–1.1	–2.4	–0.7	–5.4
1994/1993	–2.6	–2.0	–7.0	–3.1	–2.8	–3.4	–5.0	–0.5	–4.5	–2.6	0.0	–2.1	–2.5

(1) Figures include the new German *Länder*

Agricultural income

Net value-added per AWU for EUR 12 (1985 + 1985 + 1986/3 = 100)



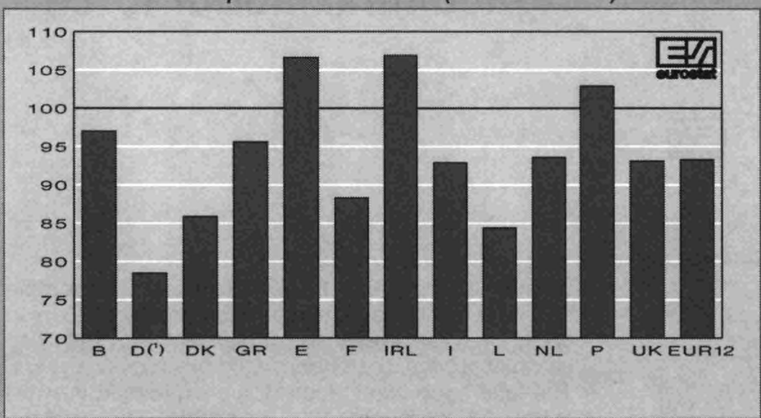
The forecasts for agricultural accounts suggest that agricultural income as measured by the net value added of agriculture at factor cost per annual work unit increased considerably in real terms (5.7%) in the Union of the Twelve in 1994. This trend would seem to be common to the vast majority of Member States, since the only decreases predicted are in Luxembourg and Italy. In Greece, France, Spain and Portugal the predicted increases exceed 10%.

Annual rate of change in net value-added in real terms per annual work unit

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12
1993/1992	–2.3	2.4	–11.5	–1.7	26.0	–0.7	1.3	–2.0	0.3	–13.1	–17.9	12.5	0.5
1994/1993	5.4	2.9	6.7	10.2	12.9	12.1	7.6	–7.6	–0.9	9.4	20.0	4.7	5.7

Agricultural price indices

Terms of trade for agriculture, third quarter of 1994 (1985 = 100)



The producer price index in real terms for agricultural products rose by 2.8% in the third quarter of 1994. The most marked rises were in Spain (9.7%) and Italy (5.8%), while in Luxembourg prices fell (–4.9%). The real terms of trade for agriculture (real price index outputs/real price index inputs) stood at 93.3.

Rate of change in the producer price indices of agricultural products(²)

	B	DK	D(¹)	GR	E	F	IRL	I	L	NL	P	UK	EUR 12
I 1994 / I 1993	–2.1	–6.3	–5.4	4.8	8.4	–3.1	6.6	–7.0	–2.1	–3.7	3.4	–5.9	–2.4
II 1994 / II 1993	7.2	–2.3	–2.8	4.6	7.1	0.8	2.3	–2.6	–5.3	0.2	4.4	–2.6	0.5
III 1994 / III 1993	5.1	–2.0	0.0	3.2	9.7	1.7	–3.1	5.8	–4.9	–1.3	2.9	–1.1	2.8

(¹) Before 3.10.1990.
(²) Deflated indices based on 1985 = 100.

SMEs HAVE BETTER RESISTED THE CRISIS

In 1993, the performance of European manufacturing companies as a group was what it had been in 1984; the gains made in the intervening years had been wiped out. However, SMEs resisted the crisis better than large companies. These are among the main conclusions of a study carried out by the European Commission and published at the end of February. Over the period 1989 to 1993, the cost to industrial companies as a whole of goods and services fell but labour costs, including social security contributions, rose somewhat. However, the biggest rise was in financial costs. In this respect, SMEs appear more heavily in debt than the large groups. What is more, much of their debt is of a short-term nature and they must put up with a continuous rise in interest rates. Even so, the SMEs have adapted better to the crisis: in 1992 their gross profit as a percentage of turnover exceeded that of large companies, while their return on capital remained higher than in the case of major enterprises over most of the period covered by the study.

○ BRIEFLY

Fifty European pilot projects in the field of **vocational training for women** are covered in a guide brought out by the Union of Industrial and Employers' Confederations of Europe (UNICE), the European Trade Union Confederation (ETUC) and the European Centre of Public Enterprises (CEEP), with the support of the European Commission. The guide is available in English, French and German. Copies can be obtained from Mrs F. Smith at the European Commission — DG XXII — in Brussels. Tel: 32-2-295 3795. Fax 32-2-295 5699.

If you have a computer and a modem you can now access a wealth of **information on the European Union through a server on the Internet.** By typing the access code http://www.cec.lu on the World Wide Web network you can obtain general information on the EU and gain access to the Commission's databases, dealing particularly with statistics and research programmes. The Commission has also made available on the Internet's World Wide Web its consumer's guide to the single market, but only in English for the moment. The access code is www.cec.lu.

Encouraging progress has been made in the **fight against money laundering** since the European Union's directive on money laundering came into force on 1 January 1993, according to a report published by the European Commission on 7 March. The report points out that the 12 older Member States of the EU now regard attempts to launder the proceeds of drug trafficking as a criminal offence. Ten of them — the exceptions are Luxembourg and Portugal — also regard the laundering of the proceeds of other illegal activities as a criminal offence.

The European Commission announced on 10 March that it was setting up internally **operational units for industrial research.** Their task would be to implement European projects of direct interest to companies. The first five units will deal with the cars of the future, high-speed trains, a new generation of aircraft, educational and multimedia software and vaccines against viral diseases.

In order to **help the industries of Central and Eastern Europe integrate with the European economy,** the European Commission submitted a paper on 14 March. It calls for continued technical and financial assistance, strengthened scientific and technical cooperation and the mobilization of EU industry for cooperation with firms in these countries.

SEEN FROM ABROAD

► The EU's image is quite good in the East

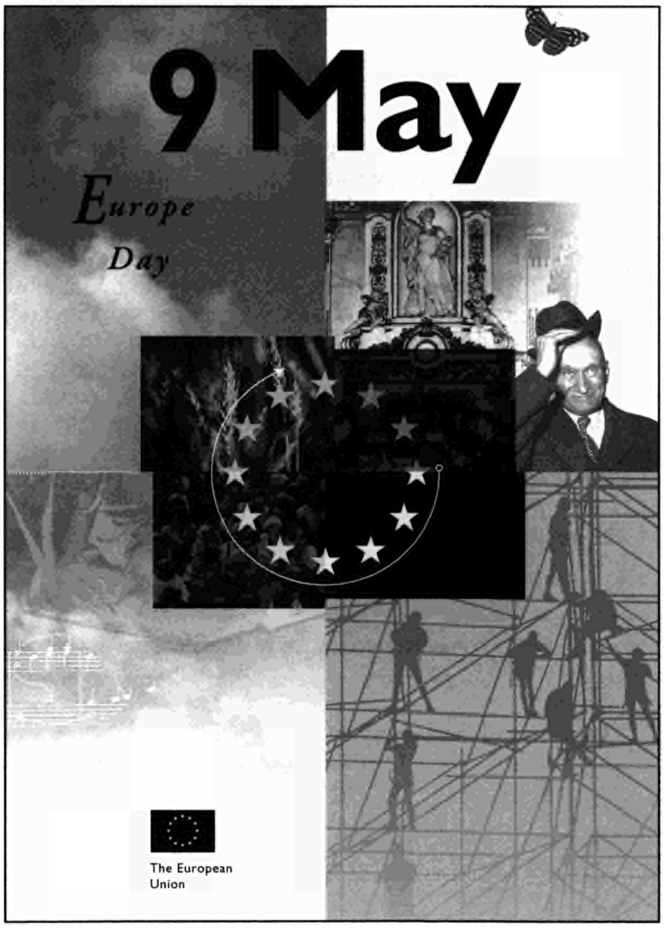
More than half the inhabitants of Bulgaria, Hungary, Poland, the Czech Republic, Romania and Slovakia think that private business will benefit the most as the ties between their countries and the EU become closer. A relative majority of them also think that closer ties with the EU will improve their educational systems and health and social services. These are among the findings of a Eurobarometer poll carried out last November in these six countries, all of which have concluded Association Agreements with the EU, and in the countries of the former Soviet Union. A majority of those polled in the six associated countries believe that the benefits of closer ties are equally shared between the two sides. In the former Soviet Union, however, the view most widely held is that the EU is benefiting more than the others.

► But not among farmers

In the six associated countries as a whole, 58% of farmers believe that they will be the losers in the event that ties with the EU become closer, while just 17% see themselves as winners. In Poland and the Czech Republic, the majority of those polled, irrespective of their occupations, take the view that their farmers would be at a disadvantage should their countries move closer to the EU.

► Turkey wants to join the EU in 2001

'Turkey remains firm in its determination to join the European Union as a full member. It is an objective which should be reached in the year 2001,' Turkey's foreign minister, Murat Karayalcin, declared before his country's Parliament on 8 March on returning from Brussels where he had negotiated the modalities of a customs union with the 15-nation EU on 6 March. The customs union should come into force on 1 January 1996 but it must first obtain the backing of the European Parliament. This cannot be taken for granted. While in Brussels, Mr Karayalcin pointed out that his country has adopted legislation which met the needs of the European single market even more than of a customs union, given that the latter was seen as a step towards EU membership. Turkey applied to join in 1987. But the European Commission's opinion, published in 1989, did not envisage early membership.



Photos: Eureka slide; Travel Pictures/Iso. Sipa press - Layout: RUMEURS

◆ Subcontracting: towards the interconnection of databases

Following a study on the creation of a network linking subcontracting exchanges and databases, and in concert with subcontracting organizations, the European Commission launched on 1 July 1994 a pilot project, the subcontracting assistance network, or SCAN. Its aim is to improve both information and communication between principals and subcontractors, by testing the possibility of a decentralized interconnection and the interoperability of European subcontracting exchanges and databases. Seven organizations, which had been chosen on the basis of their know-how and geographic or sectorial coverage, took part in the first phase of the pilot project. They were given the task of identifying between 200 and 300 enterprises in their respective regions and in the following four sectors: electronics, plastics, engineering and textiles and clothing. The information they gathered was then adapted to the SCAN format and forwarded to a computer-server, which receives each database separately. Using common terminologies and a simple common language, the databases provide information on activities, products, materials and manufacturing processes, with a confidentiality adapted to the needs of the companies. Fifty-four organizations involved in the subcontracting sector met in Brussels in early February to analyse the results of the first phase of the pilot project. Their managers also watched SCAN in operation. The second phase can now begin. It will be a question of fixing the criteria for participation, implementing the technical solutions which have been retained and examining possible interactions with existing networks.

◆ Seed capital: a successful pilot project

The objectives of the 'seed capital' pilot project are to (1) attract private capital through the creation of 23 new independent investment funds; (2) use these funds to stimulate the creation and development of new and innovative enterprises; (3) encourage those with first-hand experience to share their experiences among themselves via a European seed capital funds network. Created between 1989 and 1993, following the European Commission's invitations to tender, 23 seed capital funds are currently in operation. Over the course of five years they receive redeemable advances which cover 50% of their operating costs. In addition, in the case of 15 of them, established in assisted regions of the EU, the European Commission has contributed to their capital an amount below or equal to 25% of their initial capital. Since 1989, these 23 funds have raised ECU 41 million of capital, 58% of it from private sources. ECU 26.6 million has already been invested in the creation of 228 new, innovative businesses, with the funds holding 27% of the capital on average. Of these 228 enterprises, 188 are still in business. The 40 bankruptcies recorded over five years represent no more than 17% of the total number of investments, which is well below the Community average. Besides, the 228 themselves created 2 085 jobs, and indirectly created another 4 000 jobs. Their annual average turnover is ECU 479 558. The technological level of as many as 84% of them is either average or high. To date, the total amount of redeemable advances under the pilot project stands at ECU 8.76 million for the period 1989 to 1995. At the end of the day, the cost of the investment to the European Commission will not exceed ECU 1 260 for each job created, on the basis of certain assumptions. Clearly money well invested.

◆ Forum on business creation this June

On 19 and 20 June, some 200 leaders from the 15 European Union countries will meet in a forum on the subject of simplifying the administrative procedures for setting up a business and during its first years of existence. The aim is to exchange information and experiences. The participants will be representatives of the 15 EU countries — national or regional leaders of professional bodies, both national and European, as well as experts and managers with good, first-hand experience of the legal and administrative issues involved in setting up a business. The forum's conclusions will appear in a report to the EU Council of Ministers. However, each Member State will be free to draw its own conclusions and to take the measures it considers necessary.

This will be the first of a series of 'forums' to be organized by the European Commission in the framework of three concerted EU/Member States' actions envisaged in the integrated programme in favour of SMEs and the craft sector.

The first of these concerted actions deals with 'the SMEs' environment'. To ensure its success, the Commission has set up a committee for the improvement and simplification of the business environment. It includes a representative of each Member State and six from SME organizations. The committee, which met last December and in March of this year, must examine national and EU laws and regulations which hamper the creation, growth and transfer of businesses, whatever their legal status.

The second concerted action is of interest to support services for SMEs. Here, too, the Commission plans to organize several forums designed to confront European and national experiences as regards support measures during the crucial stages in the life of a company — creation, growth and change of ownership. The first of these forums will deal with the setting-up of businesses and their first years of existence.

The third concerted action is aimed at encouraging SMEs to make greater use of the support measures to be found in the EU at all levels.

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L-2985 Luxembourg

Catalogue number: CC-AI-95-004-EN-C