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frontier-free EUROPE

Time for a less defensive approach to trade

by Sir Leon Brittan, Vice-President of the European Commission

There is a strong tendency in Europe to view open markets too defensively. Free trade is seen all too often as an invitation to outside companies to penetrate our markets, rather than a chance for our firms to boost their exports outside Europe. It is time to adopt a more offensive strategy towards opening the markets that European economies need outside Europe. The European Commission, for its part, is determined to ensure that Europe benefits economically from the liberalization in the world economy that it has so successfully spearheaded through the Uruguay Round and other trade opening agreements. At present, there are three areas in which this can be promoted:

Using European trade policy more effectively

The Commission recently launched a new strategy designed to sharpen and refocus its trade policy instruments in order to prise open markets where our industries have identified specific barriers to their exports. We will use our considerable powers to the maximum in order to ensure that our trading partners respect their WTO and other market-opening commitments. For this to work, we need the views of European industry to tell us where those barriers are. We will explain exactly what powers the EU has to help them, and will set down the EU's long-term market-opening objectives, both in the bilateral and the multilateral arena.

Boosting our exports to the United States

The US is still Europe's biggest external market. And yet European firms face an array of trade barriers when trying to sell or invest there. While most tariffs are coming down as a result of the Uruguay Round, other pernicious barriers persist: 'Buy American' provisions effectively bar European firms from contracts to build airport terminals or metros in US cities, or to sell vehicle fleets or carry out other forms of public contract; US law discriminates against our shipping companies, while our textiles and clothing producers still face serious barriers to trade.

We need, therefore, to take maximum advantage of the new openings in our relationship with the United States since the Transatlantic Summit in Madrid last December. As well as concrete cooperation in a wide range of areas, the EU and the US are committed to studying the pros and cons of reducing or eliminating the remaining trade barriers between us. It is vital for European industry, both through the Transatlantic Business Dialogue and through its contacts with the European Commission, to ensure that it communicates its views about the export opportunities and obstacles that it encounters in the United States.

Increasing our cooperation with Asia

On 1 and 2 March, the first-ever Heads of Government Summit took place in Bangkok between the European Union and several major nations of Asia. Trade and investment featured prominently in the discussions between the 25 Heads of State or Government. Whilst Asia is developing fast as a magnet for foreign investment, the figures suggest that European business is not taking up that opportunity as effectively as other major players. But European businesses will not invest in Asia without the assurance of a firm basis for their investment. It is in Asia's interest to attract further European investment by providing a legally assured and welcoming framework.

I welcome the agreement at the summit to hold a senior officials' meeting in Brussels on 25 July in order to ensure a successful follow-up to Bangkok. The message from this summit is that Europe and Asia should be open to each other economically, without fortresses or fear.

DECISIONS

■ 'Anti-European' laws and compensation

An individual or a company is entitled to compensation from a Member State of the European Union because of damages suffered as a result of the infringement of European legislation by national law. But this right to compensation, recognized by the European Court of Justice in a ruling given on 5 March, is subject to three conditions set out by the Court at the same time: (1) the legislation which has been infringed must be aimed at granting rights to individuals or companies; (2) the infringement must be obvious and serious; and (3) there must be a causal relationship between the infringement of European legislation and the damage suffered. This ruling sets out the principle, already established by the Court in 1991, that Member States are liable for damages which result from the infringement of European legislation by States. The ruling was given in the context of two joint cases, one British, the other German. The former was brought by the owners of Anglo-Spanish fishing vessels against the UK. Their dispute arose from the fact that UK legislation imposes conditions of nationality for the registration of fishing vessels. The German case was brought by a French brewery, which had been prevented from selling its beer in Germany under the country's beer purity law, before that particular law was held to be in violation of the EC Treaty. In both cases the European Court left it to the national courts to decide if and how the individuals and companies in question should be compensated.

■ More freedom for telecoms as from July

As from 1 July the European Union countries which have not yet done so will have to throw open the telecommunication networks of such public services as the railways, water and power to the new telematic services. This deadline is contained in a directive which the European Commission adopted on 28 February. The directive also requires member states to have opened up to competition — by 1 January 1998 — all telecom networks and services, including voice telephony. The four least prosperous EU member states — Greece, Ireland, Portugal and Spain — can ask the European Commission to postpone these deadlines by a maximum of five years. Luxembourg can ask for a two-year postponement, given the small size of its network. This liberalization should lead to a fall in charges, for both individuals and companies. According to a study by the Organization for Economic Cooperation and Development (OECD), based on industrialized countries as a whole, telephone charges to individuals have fallen by 2% between 1990 and 1994 in countries where there is competition, and risen by more than 8% elsewhere.

■ Less risky derivative instruments

Trading by banks in such derivative instruments as interest rate- and foreign exchange-related swaps, options and forward contracts will become less risky for banks — and their clients — thanks to a directive adopted by the European Union Council of Ministers on 26 February. The new 'law' will require EU Member States, as from 30 June, to allow competent authorities, when assessing the compulsory capital cover for credit risks from over-the-counter derivatives, to take into account the risk reducing effect of types of bilateral netting agreements, entered into by the banks with the other companies involved in these operations. The collapse of Barings Bank had underlined the risks which derivatives entail. The directive, which is in line with a decision of the Bank for International Settlements in Basle, will also allow EU banks to compete with banks around the world on an equal basis.

■ Better protection for databases

The 15 Member States should have implemented by 1 January 1998 at the latest a directive which provides for the uniform protection of databases against piracy. The directive, adopted by the EU Council of Ministers on 26 February, grants special rights to the authors of databases for a 15-year period. The new European 'law' also harmonizes Member States' legislation on copyright, as it applies to databases. All databases created in the 15-nation EU will enjoy the same degree of protection in the single market. The directive covers all databases, whether computerized or not. However, it will be of particular importance in stimulating investments at a time when the information society is gathering speed.

■ Food — for babies and slimmers

As from 1 April 1999 food products for slimming will have to conform to the requirements of a directive adopted by the European Commission on 27 January, if they are to be marketed in the European Union. The aim is to ensure that the dietary products in question are both effective and harmless. The directive sets out the quantities — minimal and/or maximal, as the case may be — of proteins, fibre, lipids and vitamins which can be contained in these products. It also regulates labelling and advertising, in order to prevent misleading claims from being made. The Commission adopted on 19 February another two directives covering the composition, labelling and advertising of baby foods. These two 'laws' set out the rules to be followed in order to avoid any risk to the health of babies when given such special preparations as baby's cereal and mashed foods, for example. Within a year's time the scientific committee for human foodstuffs must submit an initial list of substances which can be present in the food products in question, if in strictly limited quantities.

INITIATIVES

● Origin designations and generic products

It will no longer be possible to pass off imitations as the real thing in the case of 318 food products from 12 European Union countries, provided the EU Council of Ministers adopts a regulation proposed by the European Commission on 6 March. These products, which include meat, cheese, butter, honey, confectionery, olive oil, fruit, vegetables, beer and mineral water, will be 'registered', and only producers in clearly defined regions, utilizing specific production methods, will be able to use these registered names. The name 'Camembert de Normandie' is one such example. The products in question were chosen by the European Commission from among the 1 400 designations notified by the Member States, and appear on the first list to be drawn up by it. The Commission proposed to the Council at the same time a second regulation, containing a list of six 'generic' names of cheeses — Brie, Camembert, Cheddar, Edam, Emmental and Gouda. Under the terms of the draft proposal, anyone in the EU will be able to make 'Cheddar' or 'Camembert' — but not 'West Country Farmhouse Cheddar' or 'Camembert de Normandie'. If the two regulations have not been adopted by the Council within three months, the Commission will be able to do so by virtue of its own powers.

THE EUROPEAN UNION AND ASIA

Asia matters to Europe today as it did in the days of the spice trade and the silk road. It matters for the obvious economic reasons. Asia accounts for half the world population and a quarter of its production. Its European Union, with its worldwide economic interests, cannot afford to neglect Asia and still maintain a leading role in the world economy.

The EU is working to strengthen its economic relations with Asia on the basis of mutual interest; to contribute to peace and stability in Asia through a broader and deeper political dialogue and to continue its development assistance to the poorer countries and regions of Asia.

EU-Asian trade

The two-way trade between the EU and Asia is the most dynamic feature of their relationship. Many developing Asian countries have taken advantage of the EU's liberal trade policies and its measures to promote imports from the Third World, particularly its generalized system of preferences, to increase their export earnings. As these earnings have risen, so have the EU's exports.

A good illustration of the dynamics of EU-Asian trade is provided by the EU's trade with ASEAN. Imports from ASEAN rose by some 80% over the five years from 1990 to 1994. The change in the composition of these imports was equally striking. Manufactures, including not only textiles and clothing but also electronic products, accounted for 80% of the total in 1994 (as compared to 70% in 1990).

But EU exports have shown a similar dynamism, rising by 73% between 1990 and 1994. The EU's exports to ASEAN are roughly equal in value to its exports to the 19 Latin American countries. Over half the EU's exports consist of machinery, telecommunications and transport equipment. But the EU is also helping meet the growing demand for quality consumer products from ASEAN's expanding middle class.

These trends are sustainable. Most Asian countries are firmly committed to opening up their markets to imports and their economies to foreign investment. This is important, given that the World Bank has estimated that half the growth in the global economy will come from East and South-East Asia alone by the year 2000.

But more open markets also mean more competition. In Asia, European exporters will face increased competition from not only the US and Japan but also the Asian countries themselves. Trade between East and South-East Asia has grown so rapidly it has led to a decline in their dependence on markets in Europe and North America.

EU trade with Asia, 1984 and 1992-94
(billion ECU) [1]
(in

	1984	1992	1993	1994
Imports from:				
Japan	26	52	48	49
East Asia [2]	15	41	44	49
ASEAN [3]	10	22	26	30
SAARC [4]	5	8	9	11
Total (of above)	**56**	**123**	**127**	**139**
As % of total EU imports	14	25	26	26
Exports to:				
Japan	10	21	23	27
East Asia [2]	12	28	38	44
ASEAN [3]	10	19	23	28
SAARC [4]	7	8	9	11
Total (of above)	**39**	**76**	**93**	**110**
As % of total EU exports	11	17	19	20

[1] ECU 1 = about UKL 0.843, IRL 0.82 or USD 1.328 at exchange rates current on 30.11.1995.
[2] East Asia: China, Hong Kong, Taiwan, South Korea.
[3] Association of South-East Asian Nations: Brunei, Darussalam, Indonesia, Malaysia, Philippines, Singapore, Thailand (EU-Vietnam trade is excluded). Vietnam joined ASEAN in 1995. EU imports from Vietnam came ECU 876 million and exports to Vietnam to ECU 616 million in 1994).
[4] South Asian Association for Regional Cooperation: Bangladesh, Bhuta, India, Maldives, Nepal, Pakistan, Sri Lanka.

Source: Eurostat, Luxembourg.

Japan

Relations with Japan are handled in the context of the EU's relations with industrialized countries generally, and are focused on economic and trade issues. The chronic trade deficit is seen by the EU as due to the relatively closed nature of the Japanese market, particularly as compared to the European market. In the absence of a level playing field, Japanese motor vehicle exports, for example, are governed by an agreement concluded in 1991. But there are also industrial cooperation programmes covering computer and car components and office automation equipment.

Partners in development

The European Union is helping some 32 000 rice farmers in Bangladesh to give up pesticide-intensive farming in favour of environmentally-sound production methods; rural Cambodian families to grow enough food to meet their own needs; the fishing fleet in China's Fujian province to increase its productivity and safety; to establish self-sustainable village organizations in India's Gujarat State; to resettle 8 000 farm families in Sri Lanka; to reintegrate Vietnamese boat people who have chosen to return to their homes and to improve basic agricultural education in the Philippines.

These are just some of the 268 development projects which the EU is currently financing under its programme of development assistance to Asia. Another 36 projects were at the launch stage as of mid-1995. The total expenditure on these ongoing projects will amount to ECU 5 200 million, of which the EU's contribution will be ECU 2 100 million. Since 1976 the EU has devoted some ECU 2 900 million on completed and ongoing development projects.

India is the main beneficiary of the funds provided by the EU for development assistance and economic cooperation. As of 30 June 1995 the total amount of the projects to be funded in India by the EU came to ECU 740 million. The other major beneficiaries were: Bangladesh (ECU 342 million), Philippines (ECU 190 million), Pakistan (ECU 181 million), Indonesia (ECU 170 million), Thailand (ECU 127 million), Vietnam (ECU 88 million), Cambodia (ECU 76 million), China (ECU 65 million) and Sri Lanka (ECU 45 million).

Promoting economic growth

The EU decided in 1992 to encourage economic cooperation in Asian countries or regions with high growth potential, in order to firstly assist them in creating an environment more favourable to trade and investment and, secondly, establish a climate which stimulates trade, favours, cooperation between firms and promotes investment by undertakings, particularly small and medium-sized enterprises, in Europe and Asia.
The fact is that with Asian markets for both capital and consumer goods growing rapidly, European companies — particularly small and medium-sized ones — must be more active in Asia, if they are to seize business opportunities as they arise, become more competitive globally and safeguard jobs in Europe.
Economic cooperation is designed, therefore, to encourage European and Asian companies, both public and private, to work together, to their mutual benefit and that of their respective regions.
A continued rise in EU investments and exports requires legislative and regulatory structures which ensure a level playing field for all economic operators and define the ground rules for relations between companies and States. The EU in fact has been contributing to the establishment of such structures through a wide range of activities.
The EU is providing, for example, technical assistance in standards, quality control and intellectual property rights. In the Association of South-East Asian Nations (ASEAN) this has resulted in the establishment of an ASEAN Consultative Committee for Standards and Quality, with regional authority. In India the EU is helping to train engineers and instructors in quality control and to upgrade test laboratories. In China, the EU launched a programme of cooperation in the field of intellectual property rights in 1993.
Vietnam is the beneficiary of the largest technical assistance programme the EU set up in Asia in 1995. Aimed at helping the country make the transition to a market economy, the Vietnamese programme includes the global reform of the country's accounting system and advice on how to encourage foreign direct investment.
To alert Asians to the possibilities offered by European technology the EU has set up the Asian EC Energy Management, Training and Research Centre in Indonesia and the China-EC Biotechnology Centre in Beijing. The Regional Institute of Environmental Technology, set up jointly with the **Singapore Institute of Standards and Industrial Research,** maintains a data-base containing 160 000 industrial contacts in Asia and 27 000 suppliers of components or services in the EU and Asia.
To facilitate partnership between European and Asian companies, the EU is setting up a network of **European Business Information Centres (EBIC's)** in Asia. They will provide companies with information on markets, investment opportunities and partnership opportunities. The first of these was opened in the Philippines in 1993. Others are planned for Malaysia, Thailand, India and Indonesia.
As the EU's economic cooperation programme plays a catalytic role, the sums devoted to it are considerably smaller than in the case of development assistance. The EU had ear-marked a total of ECU 153 million for 81 projects as of 30 June 1995.

Finance for business

The **European Community Investment Partners** (ECIP) scheme has been designed to help EU companies, and their counterparts in Asia, Latin America and the Mediterranean region, set up joint ventures. It operates through four 'facilities': 1. identification of projects and partners; 2. investment feasibility studies; 3. financing of capital requirements and 4. development of human resources.
Between 1988 and 1994 ECIP had approved 442 projects, for a total amount of ECU 50 million. Investment and feasibility studies received 60% of the total amount approved over the seven-year period. Capital participation by ECIP accounted for just under 25%.
In 1993 the **European Investment Bank** (EIB), the EU's long-term financing institution, started operations in Asia, where it can commit ECU 100 million a year during its first period of operation (1993 to 1995). Priority is given to projects of 'mutual interest' to both the EU and the Asian country in question. Such projects may involve a joint venture, a high level of technology transfer from Europe, environmental improvement and regional integration or closer EU-Asia links.
The EIB had undertaken to finance six projects by the end of July 1995. The projects include electricity development in India (ECU 55 million) and Pakistan (ECU 36 million); natural gas transmission in Thailand (ECU 58 million) and Indonesia (ECU 54 million) and airport modernization and extension in the Philippines (ECU 48 million).

Political dialogue

The confidence which Asian countries are acquiring in the economic sphere is beginning to spill over into the political sphere also. The ASEAN countries set up the ASEAN regional forum (ARF) in 1994, for the discussion of regional security issues. Although a regional forum, participants included not only most Asian countries but also the EU, the United States and Russia.
The EU is already engaged in a political dialogue with several Asian countries, and is in the process of doing so with a number of others. EU and ASEAN foreign ministers have been meeting at regular intervals since 1978. The political dialogue with countries such as India and China is of more recent origin. Here it is conducted between the foreign minister of the country in question and the EU 'troika', which is made up of the foreign ministers of the country holding the EU's rotating presidency, his predecessor and successor. These dialogues typically consist of a presentation by each side of its domestic situation and discussions on regional and global problems.

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KEY FIGURES

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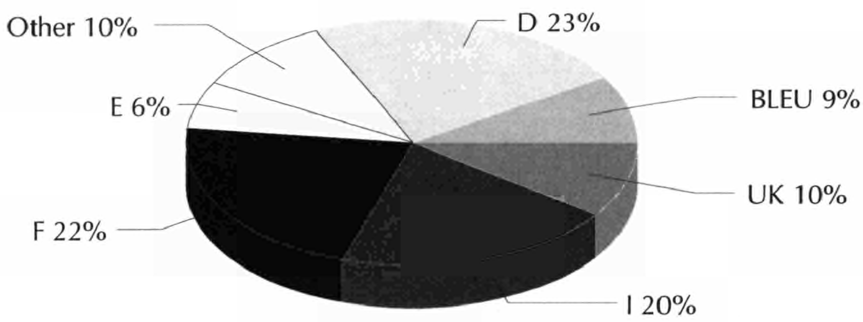
European Union trade with the Mediterranean countries

In 1994 the value of exports from the European Union of Twelve to Mediterranean countries was slightly down (-0.6%) on 1993.

The breakdown by Member State shows that the pattern of exports from the European Union of Twelve to the Mediterranean region is highly concentrated: Germany (ECU 10.3 billion) accounted for 22.5% of these exports by value, followed by France, with 21.8%.

Breakdown of European Union exports to Mediterranean countries by Member State, 1994



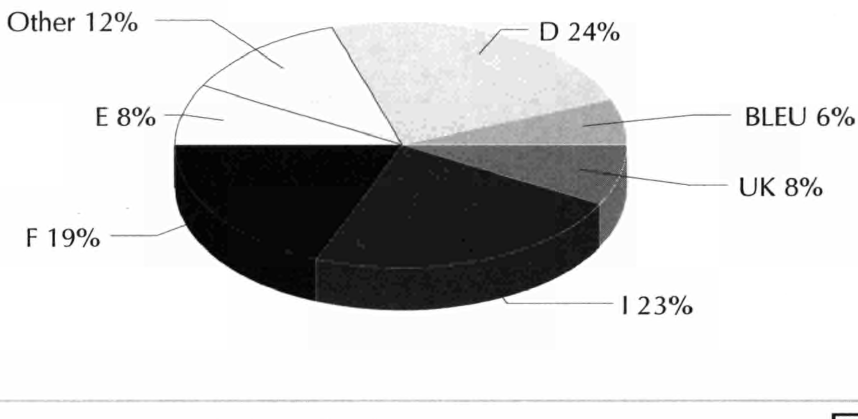
European Union exports to the Mediterranean countries (in ECU billion)

	EUR	*BLEU*	*DK*	*D*	*GR*	*E*	*F*	*IRL*	*I*	*NL*	*P*	*UK*
1993	46.20	3.95	0.51	10.78	0.81	2.64	10.15	0.35	9.72	2.51	0.24	4.55
1994	45.90	4.36	0.55	10.33	0.99	2.73	10.01	0.43	9.41	2.37	0.27	4.44
94/93 (%)	54.9	53.3	53.5	50.4	47.2	54.6	58.4	45.6	54.2	56.3	50.8	51.4

In 1994 imports from the Mediterranean countries were 7.1% up on 1993.

Germany and Italy were the main recipients of exports from Mediterranean countries to the European Union of Twelve, taking 24% and 23% of the total in 1994. They were followed by France, with 19%.

Breakdown of European Union imports from the Mediterranean countries by Member State, 1994



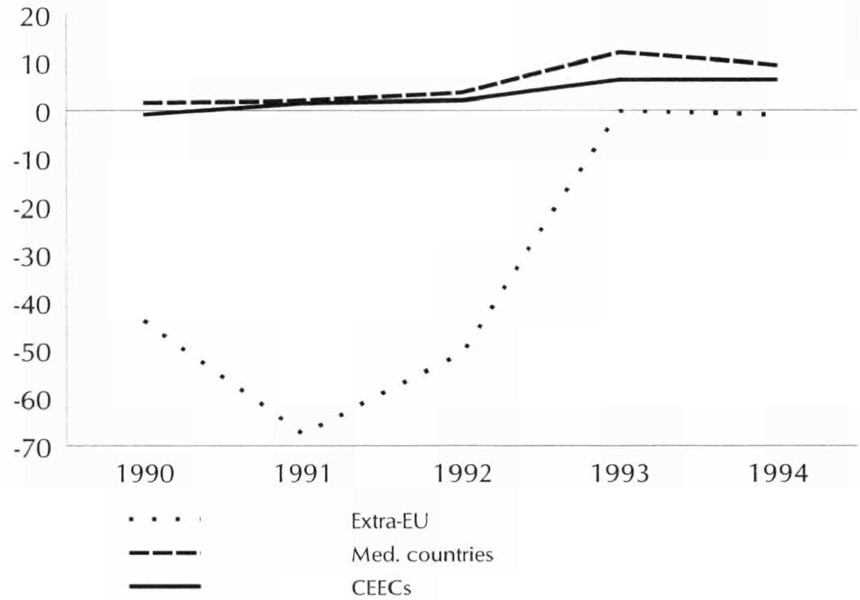
European Union imports from the Mediterranean countries (in ECU billion)

	EUR	*BLEU*	*DK*	*D*	*GR*	*E*	*F*	*IRL*	*I*	*NL*	*P*	*UK*
1993	34.12	1.65	0.19	8.68	1.14	2.62	6.50	0.08	7.85	1.95	0.62	2.85
1994	36.55	2.28	0.26	8.64	1.00	2.97	6.91	0.11	8.55	2.28	0.56	2.99
1994/93 (%)	7.1	38.4	33.8	-0.4	-11.9	13.2	6.3	36.6	8.9	17.0	-9.2	4.9

In 1994 the trade surplus of the European Union of Twelve with the Mediterranean countries fell from the relatively high level recorded in 1993 (ECU 12.1 billion) to a still considerable ECU 9.4 billion.

By way of comparison, the surplus with the Central and East European countries, after a marked increase in 1993, remained stable at ECU 6.4 billion, while the overall extra-EU trade balance showed a deficit of ECU 1 billion.

European Union trade balance with .... (in ECU billion)



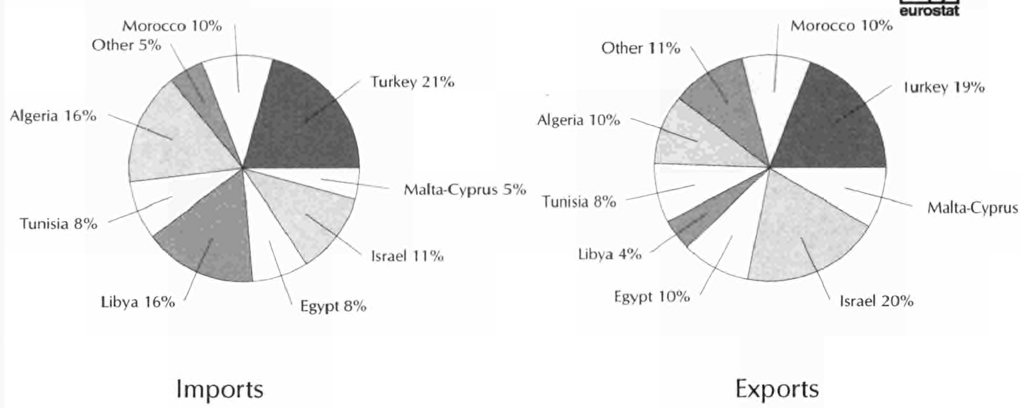
European Union trade balance with the Mediterranean countries (in ECU billion)

	EUR	*BLEU*	*DK*	*D*	*GR*	*E*	*F*	*IRL*	*I*	*NL*	*P*	*UK*
1993	12.07	2.30	0.32	2.10	-0.33	0.01	3.65	0.27	1.87	0.56	-0.39	1.70
.1994	9.35	2.08	0.29	1.69	-0.01	-0.24	3.10	0.32	0.86	0.09	-0.29	1.45

In 1994 the largest trade surplus of the European Union of Twelve with the Mediterranean region was with Israel (ECU 4.8 billion), corresponding to 37% of total trade with that country.

The European Union of Twelve had deficits only with Libya (ECU 4 billion) and Algeria (ECU 1.2 billion). Turkey exported the most to the European Union, while the greatest proportion of exports went to Israel.

EU trade balance with individual Mediterranean countries (in ECU billion)



EU trade balance with each Mediterranean country (in ECU billion)

	Malta	*Turkey*	*Morocco*	*Algeria*	*Tunisia*	*Libya*	*Egypt*	*Cyprus*	*Lebanon*	*Syria*	*Israel*	*Jordan*
1993	0.90	5.24	0.84	-2.21	1.14	-3.40	2.19	1.16	1.68	-0.30	4.15	0.68
1994	0.85	1.26	0.67	-1.24	0.73	-3.92	1.77	1.38	2.11	0.04	4.82	0.89

AN EXCESS OF NATIONAL REGULATIONS

In 1994 the European Commission proposed 28 regulations dealing with goods, as compared with the 442 plans for legislation on the same subject which European Union Member States notified the Commission. That same year the Commission proposed some 250 pages of regulations — and the Member States roughly 10 000. These figures are taken from a report published by the European Commission on 29 February entitled 'National regulations applicable to products in the internal market — a worrying situation'. The report analyses the information received from Member States between 1992 and 1994, in accordance with a procedure which requires them to notify the Commission of all their plans for technical regulations. The national measures in question originated mainly in Germany and the UK (21% of the total for each of the two) and France (17%) followed by the Netherlands (9%) and Denmark (7%). 'Every (national) measure beyond what is strictly necessary is in itself a threat to the internal market', the report insists. The sectors principally involved are telecommunications equipment; agricultural and food products; the building trade and public works; engineering and transport. The European Commission is thinking of notifying European industry as a whole of the proposals for national measures, in order to prevent the single market from becoming compartmentalized.

● For more effective air traffic control

More than 18% of flights within Europe were delayed by more than 15 minutes in 1995, as against 13.3% the previous year. The cost of providing air traffic control accounted for 5.6% of the total cost of intra-European air services in 1995, as compared with 3.8% in 1986. And delays due to air traffic control cost airlines in Europe between ECU 1.5 and ECU 2 billion a year (1 ECU = UK£ 0.84 or IR£ 0.82). This information is contained in a White Paper published by the European Commission on 6 March. In it the Commission proposes the creation of a single regulatory authority, by extending the powers of Eurocontrol, the body managing Europe's airspace, and as such an international organization which extends beyond the frontiers of the EU.
At the same time the EU as such would join Eurocontrol. As matters stand at present, responsibility for air traffic control is divided among many national centres, thus reducing the system's efficiency.

● 11 000 'cross-border' diploma holders

Between 1991 and 1994 some 11 000 European diploma holders had the satisfaction of seeing their diplomas recognized by another European Union country, thanks to a system of mutual recognition of the diplomas awarded by institutions of higher education. This rather positive assessment of the implementation of a 1989 European directive is contained in a report which the European Commission adopted on 19 February. Of the 11 000 diploma holders, 6 000 left to work in the UK, some 3 800 teachers among them. However, only 620 barristers have taken advantage of the directive, and some 400 of them have settled in the UK. But the directive is not being implemented everywhere. Belgium and Greece have already been found guilty by the European Court of Justice in this connection. They have yet to conform to the directive.

○ BRIEFLY

The gap between the European Union's richest and poorest regions narrowed in 1993, the latest year for which detailed statistics are available. The per capita gross domestic product (GDP) of the richest region was five times that of the poorest in 1992, but had narrowed to 4.5 times in 1993. The state of Hamburg (Germany) had the highest per capita GDP; it was 190% of the average for the EU as a whole in terms of purchasing power. The lowest — 42% of the EU average — was recorded in Portugal's Azores islands and the Alentejo region.

For the first time on 29 February Eurostat, the European Statistical Office, published interim indices. Based largely on existing national consumer price indices (CPI), they are the first step towards harmonized consumer price indices. The publication of harmonized indices of consumer prices (HICPs) will start next January. They will make it possible to compare the situation in the different EU Member States, and therefore to assess their record as regards inflation, in the light of moves to economic and monetary union.

Will encrypted services be protected through European legislation? In a Green Paper on the legal protection of these services in the single market, published on 6 March, the European Commission noted the absence of specific laws in seven European Union Member States. Some 6-10% of the revenue from such encrypted services as video on demand, games supplies on request, interactive teleshopping and pay television is lost to organized piracy. The Commission is asking all interested parties to let it have their views before 31 May of this year.

As of 1 November 1995, differences in car prices from one European Union country to another exceeded 20% only in the case of 27% of the 77 models of the most popular cars in the European Union. In May, 1995, this was true of more than half the models. This is one of the findings of the sixth study by the European Commission on differences in car prices, published on 15 February. Italy remains the cheapest country for cars on the whole, with Germany, France and Austria still the most expensive.

The entire European industry within the scope of 1 500 pages: it's on offer in the sixth edition of the *Panorama of EU Industry*, published on 29 February by the European Commission and Eurostat, the European Statistical Office in Luxembourg. Copies may be had from the Office for Official Publications of the European Communities, L-2985 Luxembourg. The volume is priced at ECU 130, exclusive of VAT.

The United States of America has more telecommunication services than the European Union. Within the EU itself, the Nordic countries lead the others. Sweden has more telephone lines, mobile telephones and fax machines per 100 inhabitants than its 14 EU partners. This information is contained in the first detailed statistical bulletin on telecommunication services. Covering the years 1985 to 1994, it was published by Eurostat at the end of February.

An amended proposal for a directive on industrial designs and models, which the European Commission submitted on 21 February, would allow independent manufacturers to reproduce visible car parts. But they would have to pay a 'fair and reasonable' remuneration to the car manufacturer. Independent manufacturers would be allowed, however, to reproduce freely parts which are not visible.

The European Commission reminded the 15 Member States on 21 February that they should provide the resources needed for the computerization of transit procedures, which is expected to be operational in 1998.

SEEN FROM ABROAD

► Europe inspires an Andean Community

When they announced on 10 March in Trujillo (Peru) the creation of an Andean Community, the Presidents of Bolivia, Colombia, Ecuador, Peru and Venezuela declared that they had sought inspiration from the example of the European Union. The new Community, which replaces the Andean Pact, now 26 years old, will include a presidential council, a permanent secretariat and a parliament, whose members are elected through universal suffrage. This set-up clearly recalls the structure of the 15-nation European Union.

◆ Trade/craft industry: towards the cross-border recognition of diplomas

The European Commission presented on 8 February a draft directive designed to improve and simplify Community rules which apply to those in trade and craft industry who wish to carry on their activities in another Member State of the European Union. This new 'law' would replace some 35 directives which regulate such occupations as hotelier, restaurant owner, travel agent and hairdresser. At present a hairdresser who has trained in Belgium cannot set up on his own account in France, without first having worked in a French salon for three years. The new directive would retain the existing provisions as regards the obligation to recognize the previous occupational experience of traders and craftsmen. But the authorities in the host country would also be required to recognize the diplomas awarded for a range of activities in relation to trade and craft industry. The proposed directive in addition would offer guarantees at the procedural level — the obligation to handle applications within four months at most, for example. In practice, the new directive would allow those who have the necessary qualifications to carry on their activities in another Member State, without necessarily having to furnish proof of their experience. The European Commission has forwarded the draft directive to the EU Council of Ministers and European Parliament.

◆ Seed capital: a job-creating pilot project

Although the European market for venture capital has grown steadily during the last five years, European investors so far have avoided what is perhaps the most risky segment of this market: seed capital for companies set up to exploit the new technologies.

Since 1989 the European Commission has been running a pilot project to provide seed capital. Its aim is to encourage investment in new, innovative companies, by backing the creation of 23 seed capital funds in two ways:

- *for the 23 funds as a whole* the European Commission has advanced funds covering 50% of annual running costs, during five years. The funds must be repaid at the end of 10 years;
- *for the 15 funds established in disadvantaged regions,* the Commission has contributed up to 25% of their initial capital, up to a maximum of ECU 250 000 (1 ECU = UK£ 0.84 or IR£ 0.82).

The results of these 23 seed capital funds have been excellent, according to the 1996 report, published recently by the European Commission. They have raised a total capital of ECU 52 million. Starting this year, 12 of the 23 funds plan to increase their capital base by an additional ECU 52 million, thus bringing the total capital invested in the 23 funds to ECU 104 million. The 23 funds have invested ECU 35.4 million (65.7% of the available capital) in 285 new enterprises, 233 of which are still running. The 52 firms which went bankrupt accounted for 15.5% of the total amount invested since the pilot project was launched. The survival rate therefore is 63.3% after five years, as compared to an EU average of 45%. Last year the 233 firms still in business had a turnover of ECU 96 million and had directly created 2 238 jobs. Eighty-seven per cent of the firms are in areas of medium to high technology. Since this year the European Seed Capital Fund Network (ESCFN), which brings together the 23 funds that are part of the pilot project and 25 other seed capital funds, is joining the activities of the European Venture Capital Association (EVCA). This is evidence of renewed interest on the part of the venture capital community for young, innovative enterprises with high growth potential.

◆ Tourism: Euro-MPs favour a Community policy

Despite pressing demands from the European Parliament, the European Union Member States failed to include provisions for a European tourism policy in the Maastricht Treaty. They simply recalled that action by the EU also involves 'measures in the tourism sector'. The question of an eventual title regarding an EU tourism policy was referred to the Intergovernmental Conference for the revision of the Treaty, which opened in Turin on 29 March. On 13 February the European Parliament adopted a report by Mr Pavlos Sarlis on the European Commission's Green Paper on the EU's role in the field of tourism. Euro-MPs have thus come out in favour of a strengthening of Community intervention, through the inclusion of a fully-fledged European tourism policy in the Maastricht Treaty.

◆ Trade: a study on freedom of establishment

The European Commission has just published a study entitled 'Trade and freedom of establishment', as part of its research into measures dealing with trade in the European Union. The study sets out the rules on the freedom of establishment which apply to commercial firms and are currently in force in the EU — minus its three new Member States. The aim is to make the possibilities opened up by the single market more accessible to company managers. This study of some 80 pages is available, free of cost, in English, French and German. For further information, please write to the European Commission — DG XXIII/A/2, Trade and Distribution, M. Olivier Zaborowski, rue de la Loi 200 (AN80), B-1049 Brussels. Fax: +32 2/2958984.

**A great deal of additional information on the European Union is available on the Internet.
It can be accessed through the Europa server (http://www.cec.lu).**

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