



Consumers vital to a single currency

by Emma Bonino, Member of the European Commission

Without consumers, there will never be a single currency. This is because the single currency can exist only if it is accepted by consumers, who will look upon it as a concrete sign of belonging to the European Union.

Day 1 of monetary union will dawn in 33 months' time — that is, in less than three years. On that day exchange rates will be fixed for good. Euro coins and banknotes will make their appearance two or three years later.

I would like to draw attention to two very important stages for consumers.

First stage: convince consumers

Our fellow citizens will have to be convinced of the need for a change in currency, and why the change will be in their interest. Of course those who travel within the EU need no convincing. But what of others? My mother, for example, never travels abroad and conducts no international transactions. How will I convince her of the usefulness of this new currency? The currency in use in Italy today is the lira. Tomorrow it will be the euro, which at present is worth roughly LIT 2 000 (under the name of the ecu, one of which equals UK£ 0.84 or IR£ 0.81). Some arithmetic will therefore be needed.

For the sedentary consumer, the advantages of the single currency are of a macroeconomic nature. These advantages include:

- price transparency,
- no more exchange risks,
- lower bank charges for cross-border operations,
- a more stable currency as compared with other international currencies, and
- lower inflation.

The fact is that even your homebound consumer is affected by the higher costs resulting from the absence of economic and monetary union: after all, he buys goods and services which travel, and which, therefore, encounter the problems met by European travellers. Consumers, however, will be affected by practical difficulties to begin with. What, for example, will fractions of the euro be called? Several European countries, including my own, do not have a decimal currency, and therefore are unfamiliar with the equivalent of pennies or centimes. The introduction of a decimal currency will have to be explained to the population; hence the urgent need to find a name for the euro equivalent of pennies and centimes.

Second stage: prepare the ground for the euro

The second stage is at the same time both simpler and more difficult. The ground for the introduction of the euro will have to be prepared. Of course a good deal of work is still needed in the technical, legal and accountancy fields; but preparing consumers for the single currency is the real problem. For this we need to reflect on the idea of an 'educational currency', the currency one learns to count in and uses to judge local prices.

I know people who have been living in Belgium for more than 10 years and use Belgian francs in their daily lives. However, their national currency remains a benchmark for them, and they must convert all prices into their own currency. They need to return, therefore, to the currency in which they were brought up. The 'educational' currency represents a major challenge to the introduction of the euro.

France's move to the new franc in 1960 showed just how difficult it is to introduce new monetary units. There are French people who still refer to the pre-1960 franc. But the decimalization of the British currency in 1971 offers us a better model. Following an extensive educational campaign lasting five years, it was possible to limit the simultaneous circulation of the two currencies to just five days. To this end, the government made full use of the resources of information, education and training.

We must succeed in introducing consumers to the new currency. Steps to this end must be taken as from now. We must understand consumer reluctance and take steps to overcome it. We must find practical and concrete solutions to the problems that arise.

What is needed is a clear and sharply focused message on the technicalities of introducing the euro, and not political or emotional views on respecting the Maastricht criteria, for example.

■ Simplifying licensing agreements

Technology transfers within the European single market will become easier after 1 April, when a new regulation on licensing agreements will come into force. It was adopted by the European Commission on 31 January. The new regulation replaces the two texts dealing with the licensing of patents, in the first case, and of know-how in the second. At the same time, it introduces a measure of flexibility in the application of competition rules to these two types of agreements. To begin with, the new regulation automatically clears all licensing agreements which provide for territorial restrictions between parties or between licensees. Firms, therefore, must no longer notify the European Commission of the agreement in question. Next, the parties to this type of agreement can include in it, without danger, certain clauses mentioned in the regulation, such as the obligation to manufacture and sell the licensed product as best they can. However, the new regulation also contains a list of clauses which are incompatible with its provisions, so that an agreement containing them does not benefit from the advantages of the new agreement. The European Commission can also withdraw these advantages from firms whose market share exceeds 40% of the sector in question.

■ Authorizing State aid up to ECU 100 000

The Fifteen need no longer notify the European Commission of State aid when the amount in question does not exceed ECU 100 000 (ECU 1 = UK£ 0.84 or IRE£ 0.81), provided it is granted to the same firm over a three-year period. This figure, which the European Commission adopted on 24 January, covers all types of aid. Previously there were two such limits, each of ECU 50 000, one of which covered investments, the other expenditure on research, training, employment and the environment in particular. Under another innovation, a firm will be able to take advantage simultaneously and without restriction of one of these small aid packages as well as another of the support measures which the Commission has authorized for the same project. The Commission, in fact, takes the view that the impact of such aid is purely local and cannot affect competition at the European level. There is no need, therefore, to control the granting of such aid. However, two forms of aid are excluded from the new system: (1) aid in support of exports, whether to another EU country or to third countries, and (2) the aid extended to certain sectors subject to special rules — coal, steel, transport, shipbuilding, agriculture and fisheries.

■ Competition for mobile phones

Mobile telephones and other forms of mobile and personal communications were thrown open to competition in mid-February, in line with a directive adopted by the European Commission on 16 January, after several months of consultations. This should lead to greater choice and lower prices for users. The new text concludes the action undertaken by the Commission on a case-by-case basis last year, in order to get governments to open up the mobile, digital — that is, entirely electronic — GSM network to enterprises other than the traditional companies. The directive requires the Fifteen to operate non-discriminatory licensing procedures for not only the GSM but also 'telepoints' accessible to the public and DECT — wireless telephony with a limited range. As for mobile digital services of the DCS 1800 format, the Fifteen have until 1 January 1998 to comply with the rules. Since mid-February, the national authorities have had to eliminate all restrictions on infrastructure use and interconnections between mobile networks — and between these and fixed networks. Telecommunications companies offering one of the three frequencies — GSM, DECT or DCS 1800 — now have the right to extend their services to the other two if they so wish.

■ Controls on aid for synthetic fibres

From 1 April 1996, the European Commission will introduce stricter controls on State aid to the synthetic fibres sector. On

16 January it adopted a new 'aid code' for a three-year period, under which the Fifteen will have to notify it of all aid projects in this sector. The state of the market will represent the basic criterion for evaluating such aid and its conformity with European competition rules. The new code allows higher levels of aid to small and medium-sized enterprises (SMEs) than to major companies. The code will cease to apply six months after the introduction by the Commission — at a date yet to be fixed — of a general regulation covering aid to all sectors of industry, without distinction.

■ Unemployment benefits not tied to domicile

A non-cross-border worker is entitled to unemployment benefits in the country in which he is registered for purposes of social security, even if he lives in another Member State of the European Union. The unemployed worker in question must register with the employment office in the first of these two countries, and be subject to its control; but he cannot be required to change his domicile. This is the conclusion reached by the European Court of Justice on 1 February, on the basis of the EEC's 1971 social security regulation. The Court's ruling was in favour of a Belgian living in Germany, who had been asked by the Belgian employment office (ONEM) in Liège to reimburse the unemployment benefits she had received, on the grounds that she did not live in Belgium and was unavailable for employment on the Belgian labour market. The plaintiff was dependent on the Belgian unemployment system because, having worked for the Belgian armed forces in Germany, she was legally domiciled in Belgium.

□ BRIEFLY

Forty-four **agricultural research** projects will receive millions of ecus from the Community budget under the terms of the FAIR programme. The European Commission released on 16 January the list of projects selected for 1995. Most of them are concerned with the environment, animal and plant health and forest management.

Firms in the 15-nation European Union will shortly be able to **transport goods and passengers freely** over the EU's network of inland waterways between Member States or in transit across the territory of one of them. The EU Council of Ministers adopted on 30 January a regulation along these lines; it now goes to the European Parliament. The regulation will replace, in particular, the agreements between Germany and the Netherlands, on the one hand, and Austria, on the other, which were concluded before the Austrians joined the EU.

The ban on the import, sale and export of **protected wild birds**, contained in a 1979 European directive, extends to subspecies which do not live wild on the territory of the 15-nation European Union. The ban does not apply, however, to birds born and raised in captivity. Two rulings to this effect were handed down by the European Court of Justice on 8 February.

INITIATIVES

● A confidence pact for jobs

The President of the European Commission, Jacques Santer, has called on the political, economic and social forces in the 15-nation European Union to enter into a joint European confidence pact for employment. President Santer, who was addressing the European Parliament on 31 January, outlined two Commission initiatives in this field: an employment round table, which will bring together employers' organizations and trade unions in May, and a tour of the 15 EU capitals, which he will undertake himself in an attempt to coordinate national measures. The Commission will also propose that an additional ECU 1 billion be allocated to the trans-European transport, telecommunications and energy networks, and some ECU 700 million to research. The Commission President also stressed the need to 'stay on course'. The preparations for the introduction of the single currency are not against employment, as is clear from the Irish and Swedish experience: in both countries the fall in the public deficit has not prevented an increase in employment.

CREATING JOBS

Fighting unemployment is the major economic and social challenge facing the European Union (EU). There are some 18 million people (or around 11% of the workforce) unemployed in the 15 member countries. This compares to some 6% in the USA and 3% in Japan. For young people under 25 the situation is even grimmer. One in five does not have a job.

The Union is aiming to cut unemployment by half by the year 2000. This means creating 15 million new jobs, of which five million will merely prevent unemployment from rising as more people come on to the labour market. Economic growth, while undoubtedly welcome, cannot tackle the challenge on its own due to annual productivity increases and factors like the increasing participation of women in work. An annual growth rate of 2.5% is needed just to keep the numbers out of work static. Consistent yearly growth of 3% would only reduce unemployment levels to 8% by the year 2000.

The increasing pace of technological advance and constant international competition mean a complex range of policies is needed to give Europe's citizens the best opportunities to find work as the 21st century approaches. The Union can assist Member States in defining these new objectives and in stimulating debate, but it is the Member States who are primarily responsible for the policies involved and the various means of achieving them. The challenge includes nurturing the climate and conditions for job creation and preparing people for changes in their working lives.

A great deal of the analysis and foundation for combined action by the European Union and Member States has been developed in the European Commission's White Paper on growth, competitiveness and employment. On this basis, EU governments developed their strategy in 1993 to fight unemployment. This has subsequently been developed and refined.

Creating the right economic climate

The EU's commitment to a single currency by 1999 is considered one of the main guarantees of constructing a healthy economic environment. The discipline which the various convergence criteria place on Member States to achieve economic and monetary union emphasizes the need for stability-oriented monetary and budgetary policies which are seen as key factors in tackling unemployment. Reducing public deficits helps to bring down interest rates, boost investment and stimulate growth.

At the end of 1994, each government agreed for the first time to prepare multiannual programmes on its overall employment policies. Their implementation and general effectiveness will be the subject of an annual report by the European Commission.

The Union is now committed to achieving greater integration between issues like competitiveness and education and training in promoting employment. The European Commission is also encouraging all those concerned to consider ways of restructuring taxation and social security systems, while in principle maintaining Europe's unique social model.

To create the best possible economic climate, the EU is focusing its efforts in the following key areas.

- **Consolidating the single market.** A genuine single market is fundamental to a dynamic economy and thus to job creation. Over 90% of the legislation abolishing internal EU barriers is now in place, enabling business to operate more easily across national frontiers — an opportunity helping to maintain or even expand the workforce. With the basic ground rules agreed, emphasis now is on their effective and uniform application.

Efforts are being made to put the last building blocks in place, especially by completing tax harmonization and by adopting the European Company Statute, which it is estimated would provide operating savings of ECU 30 billion (ECU 1 = UK£ 0.84 or IR£ 0.81) annually to companies which now have to operate under many different national laws.

- **Encouraging small and medium-sized enterprises (SMEs).** The Union's 17 million SMEs (firms with less than 250 employees) provide over 70% of its employment, account for 50% of investment, and represent 60% of its wealth.

The Union has a number of specific measures to encourage SMEs. Between 1994 and 1999, ECU 1 billion will be used to help develop small businesses largely based in the Union's less-well-off areas. Policies are being pursued to make it easier to start up small businesses by reducing administrative burdens and improving their access to finance.

- **Boosting research and development.** If Europe is to remain in the front rank of an increasingly competitive world, it must invest heavily in the research and development that make technological advances possible. The Union is playing its part in encouraging cross-border cooperation between public authorities, businesses and research laboratories in different Member States. Its 1994-98 R&D budget of ECU 12.3 billion concentrates on information technology, telematics, biotechnology, and the environment. The finance invested creates new job opportunities as inventions are marketed and put into general use.

- **Creating trans-European transport and energy networks (TENs).** Completion of the internal market must be supported by stronger pan-European infrastructure in telecommunications, transport and energy to provide the framework in which business will be able to reduce costs and operate more efficiently.

To achieve this, the Union has selected 14 priority transport schemes. Their total cost will be ECU 91 billion by the year 2000. Most of this will come from the private sector, but European grants and loans are also available. The projects range from high-speed trains to motorways and airports. In the same vein, 10 priority energy programmes, expected to cost ECU 5 billion, have been selected, and various telecommunication and environmental networks are being studied.

- **Preparing for the information society.** Never before has technological change moved so fast and nowhere is this truer than in the so-called information society. Its super-highways are changing the way information is disseminated and work organized. Some fear the new technology may mean job losses. Others are concerned it could compound geographical and social inequalities. While accepting the private sector's priority role, the European Commission

believes the wide-ranging changes should be carefully managed and not left entirely to market forces. It has established a forum for channelling the views of groups like trades unions, academics and users into the ongoing debate. Both Member States and the Union are supporting pilot projects that demonstrate how these innovative techniques can be used. Ways are also being explored of applying the information society widely in schools and colleges so that tomorrow's workforce is familiar with the new techniques.

Promoting employment-creating measures

Most measures aiming to support employment creation lie in national hands, but the European Union makes an important contribution. It helps coordinate policies so that practices in one country are not contradicted by those elsewhere. It can ensure that information about successful programmes in one Member State is available to other EU partners so that a policy of best practice is followed. It is for this reason that in 1994 EU governments agreed for the first time to submit to the European Commission analysis details of their employment programmes. This more integrated approach builds on the various measures already in place: the Commission's employment observatory, its employment documentation centre and its local employment development initiatives. Studies are under way into the impact which specific policies like taxation, social security, the environment and the information society have on employment.

To support a climate where jobs are created and people are trained to fill them, the Union is active in a number of areas.

- **Promoting investment in vocational training and education.** The Union's ability to face up to its international competitors depends in large part on investing in, and developing, its main resource: people; their knowledge, skills and creativity. In today's world, it is not sufficient to leave school or college with qualifications. It is estimated that 80% of present technology will be obsolete by the end of the century. People need access to continuous education — a theme underlined by the 1996 Year of Lifelong Learning. At the same time, the Union and its Member States bear a heavy responsibility to those who enter the job market with no skills at all. Fifteen million people aged between 15 and 25 have no further educational or training qualifications.

EU educational and vocational programmes

Socrates: The Union is making ECU 850 million available between 1995 and 1999 to encourage student and pupil exchanges between colleges and schools in different Member States. It will also encourage the use of information technology and help the education of migrant workers and the children of itinerant families.

Leonardo: With a budget of ECU 620 million until 1999, the programme aims to give young people the chance to receive one, or if possible, two more years of initial vocational training after leaving school. It is also open to adults without suitable qualifications.

ADAPT: The programme, with a five-year budget of ECU 1.4 billion, is intended to improve the adaptability of the labour force by anticipating the new skills and qualifications needed for industrial change. Nearly 600 000 people are expected to benefit from the initiative targeted at employees who are temporarily unemployed, risk

unemployment or have been given notice because of imminent restructuring. The programme aims to create new jobs as well as safeguarding existing ones.

Employment: The EU is providing ECU 300 million over five years to improve the chances of three specific groups — women, young people with no qualifications and the socially excluded — to find jobs. The transnational projects are largely targeted at policy makers so that successful ideas and examples of good practice can spread throughout the Union.

- **Increasing employment intensity of economic growth.**

The Union is experiencing flexibility in labour arrangements with a growth in part-time work, a shorter standard working week, early retirement, and career breaks. These have helped to increase or maintain the total number of people in work and at the same time offered new opportunities to people who would like to spend more time with their families or pursue other activities. Thought is being given to extending this flexibility and to reducing obstacles that remain in the way of part-time workers, for example.

The EU, together with Member States, is involved in a process of continuous reconsideration of regulations and administrative requirements that weigh heavily on business. The European Commission has already withdrawn some proposals, changed others and proposed simplifying or even repealing existing legislation now considered overtaken by events. It should not be forgotten that the EU proposes less — and less-complicated — legislation than national authorities. In 1994, the Commission put forward 13 proposals on technical product standards. They covered 200 pages. In the same area, there were 442 national proposals totalling 20 000 pages.

- **Creating jobs in new areas.** There is an increasing potential for jobs in new areas, particularly in the services sector. Some areas, in leisure and recreational activities, for instance, reflect rising income levels. Others, such as care for the elderly and recycling of waste, stem from social and environmental concerns.

The Commission has identified 17 areas of local development and employment initiatives which offer new opportunities. They include home help, child care, cultural heritage, security, and local public transport services. Others have been inspired by existing national schemes that help small craft businesses or promote local environmental schemes.

- **Reducing non-wage labour costs.** These, particularly tax and social security costs, can be a barrier to hiring people, especially the poorly qualified. During the 1980s, the tax burden on labour weighed more heavily compared with other factors of production.

The Commission is encouraging Member States to consider ways of reducing these costs. One idea is that with the economic upturn, instead of increasing the working time of existing employees, social security payments could be reduced to encourage the hiring of new staff. The revenue lost to national exchequers could be replaced by the proceeds of other taxes, possibly linked to the use of scarce natural resources.

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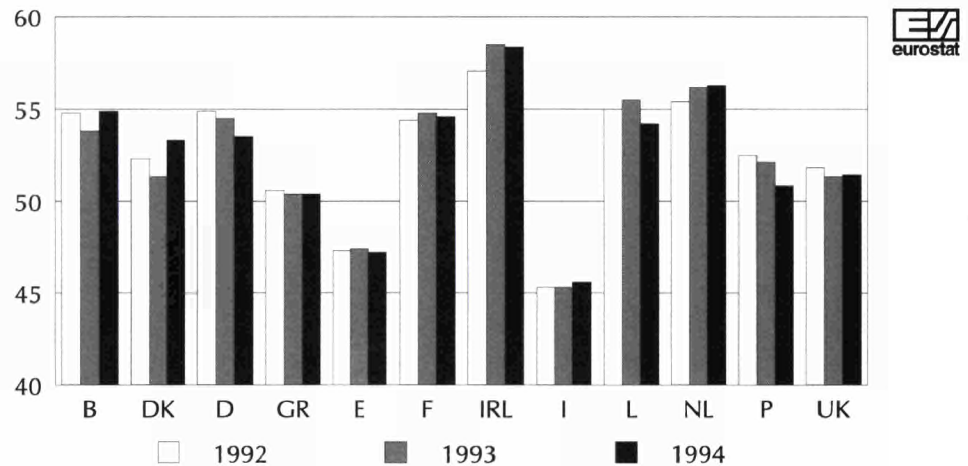
In today's world, a complex combination of factors determines the extent to which jobs are created. No country can find a magic formula on its own. The best way to meet the challenge is for the Union and its members to work together towards the same goal.

Weekly working times

The self-employed and employers in the twelve-member European Union usually work over 50 hours a week.

In Spain and Italy, employers and the self-employed only work an average of about 47 and 45 hours respectively. In this category of non-employees, the longest working hours are in Ireland, where the 60-hour barrier is often breached.

Hours usually worked weekly by employers and the self-employed (full-time)



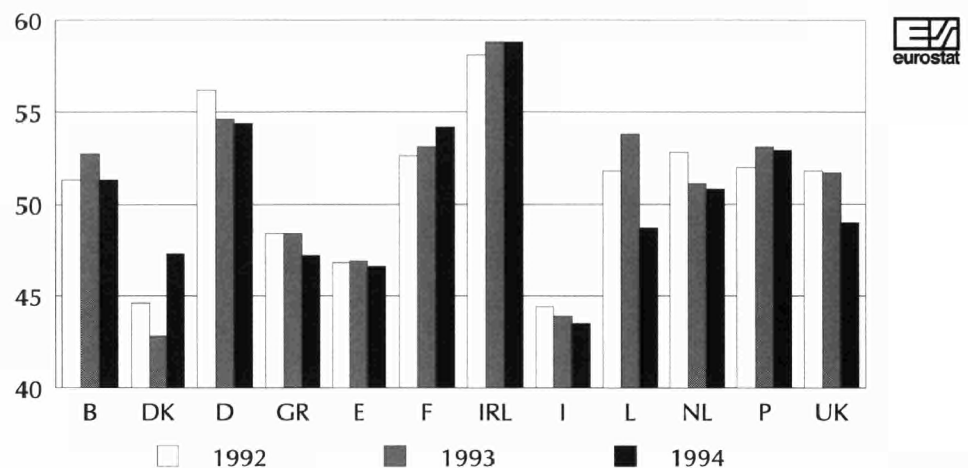
Hours usually worked weekly by employers and the self-employed (full-time)

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
1992	54.8	52.3	54.9	50.6	47.3	54.4	57.1	45.3	55.0	55.4	52.5	51.8
1993	53.8	51.3	54.5	50.4	47.4	54.8	58.5	45.3	55.5	56.2	52.1	51.3
1994	54.9	53.3	53.5	50.4	47.2	54.6	58.4	45.6	54.2	56.3	50.8	51.4

Family workers also usually work over 50 hours a week.

Only Denmark and Italy have figures approaching 40 hours. Since 1983, there has been a fairly general downward trend. However, non-employees working full time as family workers continue to work longer hours than employees.

Hours usually worked weekly by family workers (full-time)



Hours usually worked weekly by family workers (full-time)

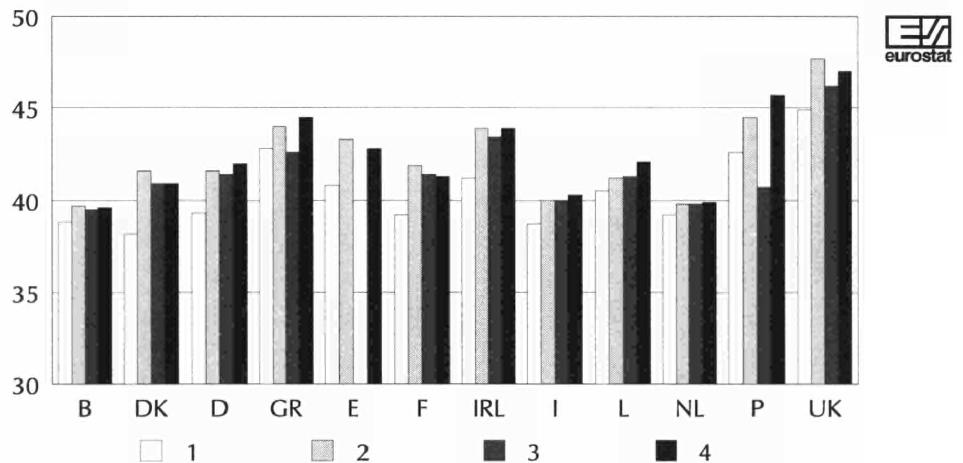
	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
1992	51.3	44.6	56.2	48.4	46.8	52.6	58.1	44.4	51.8*	52.8	52.0	51.8
1993	52.7	42.8	54.6	48.4	46.9	53.1	58.8	43.9	3.8	51.1	53.1	51.7
1994	51.3	47.3	54.4	47.2	46.6	54.2	58.8	43.5	4.7*	50.8	52.9	49.0

* rough estimates

The hours usually worked by employees in certain atypical or flexible forms of work (evening, night and Sunday work) are significantly higher than the working hours of employees as a whole (by 1.5 to 3.5 hours on average).

By contrast, in shift work (round-the-clock rotation), flexibility does not mean longer working hours.

Hours usually worked weekly by employees working shifts, nights, evenings and Sundays in 1994



1= shifts; 2= nights; 3= evenings; 4= Sundays.

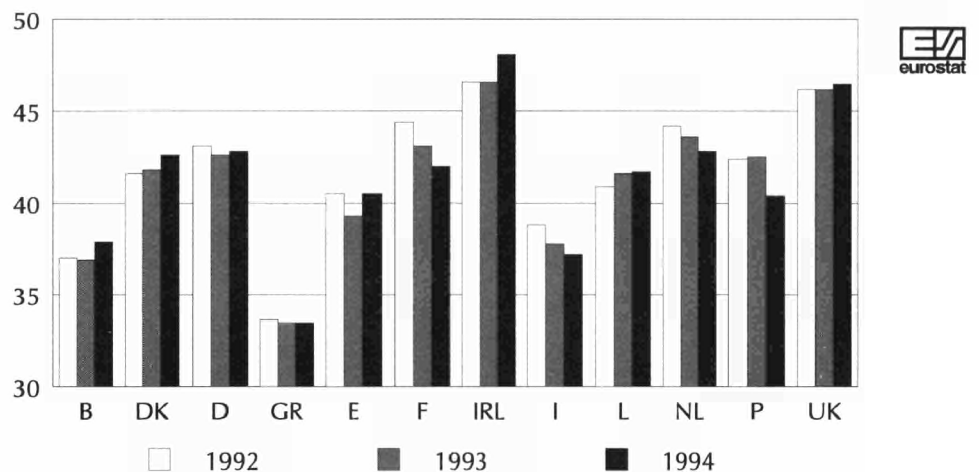
Hours usually worked weekly by all full-time employees

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
1992	38.2	38.8	39.7	40.6	40.6	39.7	40.4	38.5	39.7	39.4	41.3	43.4
1993	38.0	38.8	39.5	40.5	40.6	39.8	40.1	38.5	39.8	39.4	41.2	43.4
1994	38.2	39.1	39.7	40.5	40.5	39.9	40.0	38.5	39.8	39.5	41.2	43.7

There is great diversity in the hours usually worked by employees working from home.

Some figures are close to those of non-employees (agriculture); others are closer to the usual hours worked by employees; though there is a wide range in each sub-group. This diversity is largely due to the varying extent to which this form of work has taken root in the different countries and sectors.

Hours usually worked weekly by employees working from home



Hours usually worked weekly by employees working from home

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
1992	37.0	41.6	43.1	33.7	40.5	44.4	46.6	38.8	40.9	44.2	42.4	46.2
1993	36.9	41.8	42.6	33.5	39.3	43.1	46.6	37.8	41.6	43.6	42.5	46.2
1994	37.9	42.6	42.8	33.5	40.5	42.0	48.1	37.2	41.7	42.8	40.4	46.5

54% OF EUROPEANS IN FAVOUR OF THE EURO

Fifty-four percent of Europeans support the single currency, as against 37% who oppose it, according to a poll conducted in the 15 European Union countries between 16 and 20 December — that is, just after the European Council, meeting in Madrid, had decided on the name 'euro' for the future currency. There is a majority in favour of the single currency in nine of the 15 EU countries, and a majority against it in the other six, according to the recent Eurobarometer flash poll. Support for the single currency is strongest in Italy (74%) and Luxembourg (70%). They are followed by France, Belgium, Spain, Ireland, Greece, the Netherlands and, finally, Portugal (49%). Those opposed to the single currency are in a majority in Denmark (64%), Sweden (60%), The United Kingdom (57%), Germany (55%), Finland (51%) and Austria (46% against, 41% in favour). The name 'euro' appears acceptable to 69% of those polled in the EU, with a majority in favour of it in all Member States — from the 85% recorded in the Netherlands to the United Kingdom's 54%. The results of the poll were published on 22 January, on the occasion of the round table on the euro (see below).

● Round table reaches three conclusions

The aim of the euro round table, organized by the European Commission in Brussels from 22 to 24 January, was to enable it to consult all sectors of European society on the most effective means of informing the public and generating awareness of the single currency. Those taking part in the round table included leaders from the world of politics, the economy, trade unions and professional bodies, associations and the media. At the end of their deliberations, Commission President, Jacques Santer, drew three conclusions. The need for an information campaign for the euro's introduction had been confirmed, he said. Europeans had to be assured that the timetable would be met, the euro would have a positive effect on the economy and employment and they would be given all the necessary practical information. President Santer stressed the need for the coordinated mobilization of all those (public services, financial institutions, trade unions, employers' organizations, consumers and media) who would be called on to take part in the work of information and communication.

● Defending the defence industries

The European Commission wants to maintain a competitive defence industry in the European Union, by applying some essential Community rules to a sector which so far has remained largely outside the single market framework. The Commission's aims are set out in a paper which it adopted on 25 January. The EU defence industry accounted for between 2 and 3% of industrial production in 1992, but employment in the sector fell by 37% between 1984 and 1992. Trade among Member States remains negligible, while 75% of EU imports are from the United States. The Commission is proposing that European rules on government procurement be applied, research and civil and military standards be coordinated and controls be introduced on State aid to the industry.

ECU 2.9 BILLION FOR 12 000 SMEs

Of the ECU 18.6 billion loaned by the European Investment Bank (EIB) last year, companies as a whole received ECU 3.4 billion. ECU 2.9 billion of this went to some 12 000 small and medium-sized enterprises (SMEs), including ECU 1.9 billion loaned to SMEs located in the EU's disadvantaged regions. Loans to SMEs were channelled through some 130 banks in all 15 European Union countries. Of the total amount of ECU 2.9 billion, some ECU 1 billion was made available under the system of subsidized lending to SMEs, which allows the EU to meet 2% of the interest rate out of its own funds. More than 4 000 firms, from all EU countries, benefited from this system, which should lead to the creation of some 45 000 jobs.

○ BRIEFLY

European industry has made greater progress in the environmental field than agriculture, tourism, transport and energy, according to a European Commission report on the implementation of the fifth EU action programme for the environment, adopted on 15 January. The report notes that industry has a better perception than other sectors of the economy of the benefits of environment-friendly practices.

All the legal, administrative and practical problems which face **Europeans who want to work and settle in another European Union country** will be listed and analysed by a high-level working party. It will present its report at the end of the year. The working party, headed by Mrs Simone Veil, a former president of the European Parliament, was decided on by the European Commission on 24 January.

With a view to ensuring a level playing-field as regards competition within the European Union, the European Commission proposed on 24 January to **extend to all Member States that so desire the weighting of commercial mortgage risks at 50%**. At present only Denmark, Germany, Greece and Austria are allowed to do so under the European directive on the solvability ratio of credit institutions, which guarantees their reliability in a European context. The Commission's proposal would apply until the year 2001.

In order to make it easier for **the unemployed and those who have taken early retirement to move freely** within the European Union, the European Commission proposed on 30 January two modifications to the EU's social security regulation. The absence of any coordination between the laws of individual Member States means that many of those who are unemployed or have taken early retirement lose their rights if they move to another EU country.

A proposal to **stimulate research in five key areas** was made by the European Commission to the Fifteen and the European Parliament on 31 January. They are aeronautics, educational multimedia software, clean cars, intermodal transport and environment-friendly technologies centred on water and nuclear safety. The Commission would like to see ECU 700 million allocated to these sectors, in which numerous small and medium-sized enterprises are active in the EU.

After 10 months in operation — from November 1994 to September 1995 — **the European employment network, EURES**, has been able to find jobs for some 5 500 applicants, according to a report adopted by the European Commission on 29 January. EURES is based on cooperation between the Commission, national employment offices and, in border regions, employers' organizations and trade unions.

Six conferences on town and country planning will be held this year, with the aim of facilitating two-way communication between European regions and institutions. They will be organized by regional authorities, in collaboration with the European Commission. The first of the six conferences, covering the Alpine region, will be held on 28 March. The other regions are the Mediterranean, Benelux, the North Sea and the Baltic, and the region formed by the EU's borders with the countries of Central and Eastern Europe.

In a paper which it adopted on 31 January, the European Commission considers it necessary to move the production of Greece's **textiles and clothing industry** upmarket. To this end the Commission favours greater flexibility in the utilization of EU aid to Greece.

SEEN FROM ABROAD

▶ Prague seeks EU membership

The Czech Republic officially asked to join the 15-nation European Union on 23 January. The government had taken a decision in principle to this effect last December. The Czech Republic thus becomes the ninth former East European country to embark on the road to membership. Over the last two years, Hungary, Poland, Slovakia, Romania, Bulgaria and the three Baltic States — Estonia, Latvia and Lithuania — have applied to join the EU.

▷ BRIEFLY

'It is possible to reduce budget deficits and to combat unemployment at the same time. The two are not incompatible. Nor is there any mystery about it. What needs to be done was set out in the White Paper on growth, competitiveness and employment in 1993 and at the European summit in Essen,' according to the US Ambassador to the European Union, Stuart Eizenstat, speaking in Brussels on 8 February.

◆ A common definition of European SMEs

There is no longer any room for confusion over the definition of small and medium-sized enterprises (SMEs), whether at national or Community level. In a recommendation which it adopted on 7 February, the European Commission proposed, for the first time, a clear and cogent definition of SMEs, based on a combination of the following criteria: number of workers, turnover, the size of the balance sheet and degree of independence.

Under the new definition, an SME is a firm employing fewer than 250 employees. A medium-sized enterprise has a labour force of more than 50 but fewer than 250 people, and a total annual turnover of under ECU 40 million or an annual balance sheet which does not exceed ECU 27 million. A small enterprise employs fewer than 50 people, has an annual turnover of not more than ECU 7 million or an annual balance sheet of not more than ECU 5 million. Enterprises employing fewer than 10 people are defined as 'very small'. Another basic criterion of a small or medium-sized enterprise is the degree of independence it enjoys. The stake which a large-scale company, or several such companies acting jointly, can have in an SME must be under 25%.

The Commission's recommended definition makes clear just which enterprises are entitled to benefit from the measures taken in favour of SMEs, whether at the national or Community level. As a result, these measures can be more effectively targeted at those firms which are in greatest need of support because of their size, thus increasing their effectiveness.

◆ Coopme-Interprise Hungary meets in Budapest in May

The first Interprise event to be financed in the framework of the European Union's PHARE/Coopme programme will be held in Budapest on 30 and 31 May. Its aim is to foster the development of SMEs in Hungary, the Czech Republic and Slovakia, by encouraging the signature of cooperation agreements between SMEs located in the European Union and those located in Central and Eastern Europe. The two-day meeting will focus on the engineering sector, particularly castings, the shaping of primary metals, machine tools, and the manufacture of steel structures and sections. A catalogue containing information on some 60 specialized companies in Hungary, the Czech Republic and Slovakia is being prepared; it will also give details of the commercial, financial and technical cooperation these companies are seeking. Such cooperation includes the creation of joint ventures, and the transfer of know-how. For more information, please contact Euro-Info-Correspondence Centre Budapest, Dorothea U.4, 1051 Budapest, Hungary; fax (36-1) 118 61 98.

◆ Med-Interprise Egypt to meet in Cairo in May

The Egyptian capital, Cairo, will be host to a Med-Interprise conference, to be held this year from 14 to 16 May in the framework of the Euro-Mediterranean economic cooperation programme, Med-Invest. The aim of the three-day event is to encourage long-term partnerships between EU information technology companies, on the one hand, and similar firms located in the countries bordering the Mediterranean and in the Arabian peninsula on the other. Information on some 60 Egyptian companies, and the nature of the cooperation they seek, will be available on floppy disk from March.

This information will also be available on the Internet; what is more, requests to meet the Egyptian companies could be made through the Internet. All the companies taking part in the Med-Interprise Egypt meeting will have the possibility to display their products at an exhibition which will be held at the same time, as will a one-day seminar dealing with various aspects of information technology. The Community's Esprit programme, which supports research in this sector, will be presented during the seminar.

For more information, please contact the European-Egyptian Association for Economic Development, PO Box 385, 11511 Attaba-Cairo, Egypt; tel. (20-2) 341 36 62; fax (20-2) 341 36 63.

◆ ECIP: development aid through SMEs

In order to conduct its development cooperation policy effectively, the European Union has given priority to encouraging investment in the private sector through EC Investment Partners (ECIP). This was set up in 1988, with the aim of providing financial backing for such investments by EU companies in many countries of Latin America, Asia, the Mediterranean basin and in South Africa. ECIP operates through a network of 108 financial institutions and investment promotion agencies. It offers four types of facilities. ECIP makes it possible to finance every stage of cooperation in matters of investment between European companies and local firms in the 60 countries covered by it. It can help with project identification, feasibility studies, technical assistance and even training. ECIP can also provide financial support for the creation of joint ventures. It has a budget of ECU 250 million for the period from 1995-99. ECIP gives priority to SMEs; large companies and multinationals cannot take advantage of ECIP's facilities. Between 1988 and 1995, ECIP gave its backing to some 1 500 actions, with a budget of ECU 173 million.

◆ REGIE: a conference this March

Within the framework of REGIE (the European network of economic interest groups), the European Commission's Directorate-General for Enterprise Policy, Distributive Trades, Tourism and Cooperatives (DG XXIII) is organizing a conference in Brussels on 25 and 26 March. The conference will draw up a balance sheet of the six years of experience of economic interest groups. All those interested should write to the organizers: European Congress Consultants and Organizers, Rue de l'Abbaye 27A, B-1050 Brussels; fax (32-2) 640 66 97.

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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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