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frontier-free EUROPE

The EU's financial requirements

by Erkki Liikanen, Member of the European Commission

Rapid changes are taking place both inside and outside the European Union. Europe's political situation has altered dramatically. The pace of economic change has also accelerated, with new technologies and increasing globalisation making competition keener.

The EU has assets for successfully going through these transformations.

- The single market provides a solid foundation for business. The completion of monetary union will further enhance its potential.
- Social security systems ensure economic and political stability, but need to be adapted to the changed environment. This is still a task for the Member States.
- EU institutions give 15 European nations the chance to get a fair balance of interests, making a priceless contribution to the stability of Europe.

Three tasks for Agenda 2000

Over the next few years the task will be to build on the Union's strengths, to guarantee its future and to achieve enlargement towards central and eastern Europe. This is why the Commission has presented its Agenda 2000 report, the first part of which deals with the common agricultural policy and the Structural Funds. Together, these policies account for 80 % of the Community budget. In the second part the Commission gives its assessment of 11 membership applications.

The third part of Agenda 2000 covers EU financial requirements in view of the coming enlargement. The Commission's main conclusion is that the proposed reform package, and a first wave enlargement, can both be financed within the existing framework. This is in stark contrast to the last two 'financial packages' of 1988 and 1992, when Community resources rose from 1.15 % to 1.2 % and finally to 1.27 % of GDP. The Commission does not consider it necessary to raise the 1.27 % ceiling any further.

This is no self-evident achievement. While, for example, the new agricultural reforms provide relief to consumers, they add billions to Community expenditure. And the accession of countries which are all poorer than the current poorest Member State has its own price tag.

A rigorous financial policy

While there can be no doubt that economic growth will provide some room for manoeuvre when it comes to financing the tasks ahead, the equation can only be balanced if the Community pursues a rigorous financial policy. Such a policy sets clear priorities and is not afraid to reduce subsidies and stop less effective Community programmes.

The 'rigorous financial policy' I am talking about is not meant for some distant future, but for here and now. The reversal in the Community's financial policy is already behind us.

This policy reversal already enables us to make substantial savings. As against the ceiling of 1.26 % of GDP earmarked for the Community's own resources for 1998, actual expenditure has been limited to a maximum of 1.15 %.

The main reason behind this policy reversal is the absolute priority of economic and monetary union. The Community must play its part in stabilising public budgets. We also need to 'save' some room for manoeuvre to cover the costs of eastwards enlargement. This is the only way to finance enlargement as envisaged by the Commission — i.e. without altering the own resources ceiling.

The European Union is facing major challenges in internal reform and enlargement towards central and eastern Europe. In Agenda 2000 the Commission has shown how expenditure can be managed within the existing financial framework. These are the first steps down a long road. The destination can and must be the reunification of Europe.

■ Comparative advertising from 2000

By spring 2000 at the latest, all EU Member States must allow comparative advertising in line with the terms and conditions fixed in a directive formally adopted by the Council of the European Union on 15 September and the European Parliament the following day. Under the directive, comparative advertising must not be misleading. It must compare goods and services which meet the same needs or serve the same purpose. Advertisers must compare in an objective fashion the essential and verifiable characteristics — such as price — of products and services. The directive forbids adverts which aim to disparage competitors, which create confusion between or among products, and which promote the merits of imitations or reproductions of branded articles or services. In addition, advertisers must not seek to benefit unduly from the reputation of a competitor. Member States may not maintain or impose national legislation on comparative advertising which is stricter than the measures set out in the directive. However, any EU country will still be free to ban advertising — comparative or otherwise — for certain specific products or services.

■ Competition: block exemptions and black list

To relieve the administrative burden on companies and to concentrate its own efforts on major competition cases, the European Commission has modified its definition of inter-company agreements which benefit from a so-called block exemption from EU anti-trust rules. In a communication adopted on 8 October the Commission removes the requirement for horizontal agreements to be notified to its competition department if the combined market share of the firms involved does not exceed 5 %. In the case of vertical agreements, the threshold is set at 10 %. It also removes the obligation for such agreements to be notified if the combined turnover of the companies exceeds a certain limit. Large companies with a small market share also benefit therefore under the new formula. On the other hand, the Commission has drawn up a 'black list' of the types of agreements which, by their nature, are contrary to EU anti-trust rules, and therefore must be notified. This list includes horizontal agreements which set prices or quotas or fix market shares or sources of supply. Vertical agreements on the black list include those which set resale prices or which provide for territorial protection. However, for such agreements falling below the new thresholds, it is the national anti-trust authority — and not the Commission — which must take action in the first instance. Small and medium-sized enterprises (SMEs) with a turnover of less than ECU 40 million (ECU 1 = GBP 0.69 or IEP 0.76) and a balance sheet of ECU 27 million or less remain, in principle, outside the scope of action by the Commission, whatever their market share. The Commission can, however, take action in cases below the thresholds if it receives a complaint.

■ Road transport: more harmonisation

Access to the profession of carrier for the cross-frontier transport of goods or persons by road within the EU is being further harmonised by new measures adopted by the Council of the Union on 9 October(¹). Under the new rules, European access is now available for all categories of goods carriers using vehicles whose maximum authorised weight exceeds 3.5 tonnes. In addition, the rules increase the amount of financial surety a transport firm must provide to prove its solvability. The requirement is now ECU 9 000 for the first vehicle and a further ECU 5 000 per vehicle thereafter. The new directive is also more strict concerning the responsibility of road hauliers. Access will be denied to those hauliers found guilty of serious breaches of certain transport regulations, including those covering professional liability or environmental protection. Hauliers with less than five years' experience must sit an exam to ensure they have reached a minimum level of professional aptitude. The new directive also requires that licensed hauliers be checked once every five years to make sure they still meet all the conditions of professional capacity, solvability, and responsibility.

■ Excessive public deficit for 10 countries

The Council of the Union formally adopted recommendations on 15 September requesting that nine EU countries put an end to their situation of excessive public deficits. These are Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal and Sweden. On 13 October, the Council adopted a similar recommendation for the United Kingdom. The remaining five members — Denmark, Ireland, Luxembourg, the Netherlands and Finland — had previously been acknowledged as not having excessive public deficits. Technically, therefore, only these five fulfil at present the EU's criteria for public finances that would enable them to take part in the single currency, the euro.

☐ IN BRIEF

The EU's **fourth framework programme for research and development** (1994-98) has received an extra ECU 115 million as a result of an agreement reached between the European Parliament and the Council of the Union on 23 September. The additional funding will go on work concerning viral and contagious diseases, aerospace, educational multimedia, water protection, combined transport, renewable energy sources and the detection of anti-personnel landmines.

The liability of airline companies in the case of death, injury or other bodily harm befalling a passenger in the EU is increased to 100 000 special drawing rights (SDRs) as defined by the International Monetary Fund. This new maximum level, higher than the ceiling fixed by international conventions, was set by the Council of the Union on 9 October. Ministers also agreed that within 15 days of the identification of a beneficiary of a victim, he or she should receive a flat rate payment of 15 000 SDR.

The 15 Member States adopted a directive on 23 September under which they will apply a common set of **rules to evaluate medicinal products for animals and plants**, thus ensuring the mutual recognition of national tests carried out on these products and therefore their free circulation.

EU countries are to establish a **uniform parking card for the handicapped**, which will make sure they have access to the same facilities throughout the Union. Under a recommendation adopted by the Council of the Union on 7 October(¹), all Member States must recognise this card by 1 January 1999 and distribute it to their own handicapped citizens by 1 January 2000 at the latest.

(¹) These texts still need the agreement of the European Parliament before they can be formally adopted.

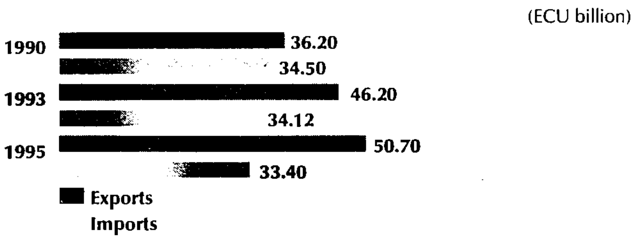
THE EUROPEAN UNION AND ITS PARTNERS IN THE MEDITERRANEAN

One of the principal cradles of human civilisation, the Mediterranean has always been a meeting place, a setting for economic, cultural and human exchanges — and sometimes conflict — between East and West.
Guided by the express provisions of the Treaty of Rome, the European Union has consistently sought ties with its southern neighbours.
Cooperation with these countries was stepped up by the new Mediterranean policy adopted in 1990. This new approach paved the way for the Euro-Mediterranean partnership inaugurated at November 1995's ministerial conference in Barcelona, which for the very first time brought together representatives of the Union and all its Mediterranean partners: Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Syria, Tunisia, Turkey and the Palestinian Authority.
The Barcelona conference saw the adoption of the Euro-Mediterranean partnership, a new form of economic, political and social cooperation, and an action programme. It was also an opportunity to discuss long-term possibilities.
The Union's objective through every stage in the evolution of its Mediterranean policy has been to help make the Mediterranean an area of peace, stability and prosperity by working to remove the threat of political and economic destabilisation hanging over the region.

Intensive trade

Neighbourly relations and historical links between the Union and the countries of the Mediterranean have brought interdependence in many sectors, among them energy supply, trade and the environment.
The EC is the Mediterranean countries' chief economic and trading partner, accounting for over half their foreign trade.
Mediterranean countries supply almost a third of the Union's fertiliser imports and nearly a quarter of its imported energy (particularly oil and natural gas).

TRADE BETWEEN THE EUROPEAN UNION AND ITS MEDITERRANEAN PARTNERS



Falling oil prices have left the Mediterranean non-member countries with a soaring deficit on trade with the Union. That deficit increased considerably in 1993 (ECU 12 billion) and 1995 (ECU 17.3 billion). This imbalance is at least partly attributable to the fact that the Mediterranean countries' exports are heavily concentrated in a limited number of sectors or products and to the failure of policies to diversify agricultural production.
Free access to the Community market for industrial products from the Mediterranean countries has undoubtedly benefited their economies. Between 1979 and 1995 the share of exports to the Union accounted for by manufactures rose from 28 % to 60 %.
The new association agreements currently being negotiated with the various Mediterranean non-member countries are paving the way for the establishment by 2010 of a free-trade area uniting all European and Mediterranean countries.
Membership of this vast area, with its 700 million inhabitants, will enable the Mediterranean countries to increase their presence on the world market and so develop industry and trade, creating jobs and improving living conditions.

Thirty years of cooperation

Relations with the Mediterranean partners have been going from strength to strength since the birth of the European Community. The emphasis was initially on agreements granting trade concessions. It was not until the 1970s that a fully-fledged Community policy towards the countries of the southern and eastern Mediterranean began to emerge, leading in the period 1975-79 to the conclusion of association or economic and financial cooperation agreements with most Mediterranean countries. Of unlimited duration, these agreements have two main components:

- trade concessions for exports from the Mediterranean to the Community market;
- economic and financial cooperation, the latter governed by five-year financial protocols for the funding of development projects and programmes.

FINANCIAL COOPERATION BETWEEN THE EUROPEAN UNION AND ITS MEDITERRANEAN PARTNERS

In the period 1978-91 (covering the first three financial protocols), ECU 4 236 500 000 was made available, ECU 2 009 500 000 in grants from the Community budget and ECU 2 227 000 000 in loans from the European Investment Bank (EIB).
For the period 1992-96 (the fourth protocol), this amount was increased to ECU 2 375 000 000, ECU 1 075 000 000 of it in grants and ECU 1 300 000 000 in EIB loans.
For the same period, the new Mediterranean policy provided a further ECU 2 030 000 000, including ECU 1 800 000 000 in EIB loans, for regional cooperation on such issues as the environment.
For the period 1995-99 the Union is planning financial aid of ECU 4 685 000 000 in budget funding and a similar amount in EIB loans.

The new Mediterranean policy

The adoption of the new Mediterranean policy at the start of the 1990s heralded a new era. Aid was stepped up by increasing the financial protocols and supporting the economic reforms initiated by some partners. Concessions for agricultural exports were also expanded.
In force since 1992, this new policy has seen a marked rise in funding (a threefold increase) and the expansion of cooperation into new fields, notably structural adjustment, for which ECU 300 million has been earmarked. This enables the Union to cushion the impact of economic reforms by helping maintain social spending (health, education, housing, etc.).
For the very first time, ECU 1.8 billion has been set aside for regional cooperation, including ECU 500 million for the environment. A series

of decentralised programmes have been launched, enabling the Union to work with communities direct, fostering exchanges between key groups in civil society.

THE MED PROGRAMMES

As decentralised cooperation networks, the MED programmes bring representatives of business and civil society in the Union into direct contact with their counterparts in the Mediterranean partner countries.

These programmes are designed to foster contacts, understanding and exchanges of know-how and experience between individuals, groups, organisations and institutions on both sides of the Mediterranean. There is a special emphasis on education, the environment, training, youth, small and medium-sized enterprises and the media.

MED-Campus seeks to bring together universities and other higher-education establishments on both sides of the Mediterranean by fostering exchanges. In 1995 103 networks were selected, comprising 293 universities and research centres.

MED-URBS is intended to develop cooperation and ties between local authorities of the northern and southern Mediterranean with a view to improving the quality of life. In 1995 48 networks were selected, comprising 275 local authorities.

MED-Media provides backing for the formation of networks between media professionals, enabling them to get to know each other, transfer know-how and exchange experience. In 1995 48 projects were selected, involving 206 media organisations.

The Euro-Mediterranean partnership

Drawing on this experience, the new approach developed by the Union in recent years is more pro-active and takes account of the individual circumstances of each partner. Proposals on the future of relations with the countries of the Maghreb and Mashreq were adopted in April 1992 and September 1993 respectively. The 'Euro-Mediterranean partnership' was first outlined in a Commission communication of October 1994, with further details being added by a second communication in March 1995. The conclusions of the June 1995 meeting of the European Council in Cannes gave it financial substance and the Barcelona Euro-Mediterranean ministerial conference of November that year saw all 27 delegations reach agreement on the content of the partnership.

The hallmarks of this policy are: regular political dialogue aimed at establishing an area of peace and stability, considerably increased financial aid, the gradual establishment of a free-trade area, and the extension of economic and social cooperation into many new fields.

'The Euro-Mediterranean partnership, which was developed with the support of the European Parliament and the Economic and Social Committee, is threefold in nature':

(i) A political and security partnership promoting machinery for regional stability, possibly including a stability pact, by means of reinforced political dialogue based on key principles acceptable to all partners (including respect for fundamental freedoms and the rule of law).

(ii) An economic and financial partnership seeking the gradual establishment of a Euro-Mediterranean free-trade area compatible with World Trade Organisation (WTO) rules. Financial cooperation, and in particular backing for economic modernisation, is being stepped up by fostering investment, especially by the private sector.

(iii) A social, human and cultural partnership aimed at developing the human dimension of relations, with an emphasis on decentralised cooperation targeting education, training, young people, culture and the media, migrant groups and health. Cooperation is also planned in the fields of justice and home affairs to combat drug trafficking, terrorism, illegal immigration and international crime.

This ambitious policy of partnership is founded on the consolidation of democracy and respect for human rights, which are an essential element of Euro-Mediterranean relations.

The key to the partnership's implementation is the negotiation of Euro-Mediterranean association agreements between the Union and nine of its partners in the southern and eastern Mediterranean: Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Syria, Tunisia and the Palestinian Authority. Some agreements have already been signed, others are still being negotiated.

Relations with Cyprus and Malta are guided by a pre-accession strategy, the Union having decided that these countries may, if they wish, join at the next enlargement. Turkey entered a customs union with the 15-member EU on 1 January 1996.

In addition, a process of Euro-Mediterranean dialogue has been under way since early 1996. It takes the form of meetings at ministerial and other levels and joint projects of mutual interest in any of the three fields of cooperation.

The European Union and the Middle East peace process

In 1980 the European Council, at its Venice summit, issued a forthright declaration on the Middle East conflict. The nine Member States of the time recognised Israel's right to secure and guaranteed borders and the Palestinians' right to self-determination, recognising the PLO (Palestine Liberation Organisation) as their legitimate representatives. They likewise endorsed UN Security Council Resolutions 242 and 338.

The Union has confirmed its policy on several occasions since then. In 1996, a year in which the peace process initiated by the 1991 Madrid Conference seemed to lose momentum, the European Council, seeing the process as the only way to security and peace for Israel, the Palestinians and the neighbouring countries, reiterated the key principles: self-determination for the Palestinians, with all that that implies, and the exchange of land for peace. A statement issued shortly afterwards took a firmer line with Israel, stressing the importance of the 1995 association agreement between Israel and the Union which was founded on a common commitment to the peace process.

The Union's support for the peace process is reflected in its political backing for the bilateral element of the agreement between Israel and the PLO and in its active involvement in the quest for suitable solutions.

At multilateral level, the Union chairs the working party on regional economic development, whose members are Israel, Egypt, Jordan and the Palestinian Authority. This active working party prepared the Copenhagen action plan (comprising over 50 projects in different economic sectors) and advocates the establishment of an Amman-based permanent secretariat, which could one day become the core of a regional organisation.

The Union first started channelling aid to the Palestinians in 1971 through UNRWA (the United Nations Relief and Works Agency for Palestine Refugees in the Near East); aid continues to this day, not just in the West Bank and Gaza Strip but in Lebanon, Syria and Jordan too.

Community assistance is focused on three priority sectors: education, basic infrastructure and the development of administrations, municipal authorities and the Palestinian Council. The European Commission is actively backing the development of the private sector, and Palestinian exports to the Union enjoy major concessions.

To mark the signing of the international agreement between Israel and the PLO a ministerial conference on economic assistance to the Palestinians was held in Paris in January 1996 at which donors confirmed their pledges, with the Commission increasing by 75 % the ECU 50 million a year initially planned. The European Investment Bank will also be providing ECU 250 million in loans spread over five years.

On aggregate the Union (the Commission and the Member States) heads the list of donors, providing about 45 % of international aid (compared with 20 % from Saudi Arabia, 15 % from the United States and 8 % from Japan).

The Union is determined to continue its support for prosperity and job-creation in the West Bank and Gaza Strip in pursuit of what has always been its goal: a lasting peace guaranteeing harmonious economic and social development for both Palestinians and Israelis.

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KEY FIGURES

Data Shop Eurostat Luxembourg
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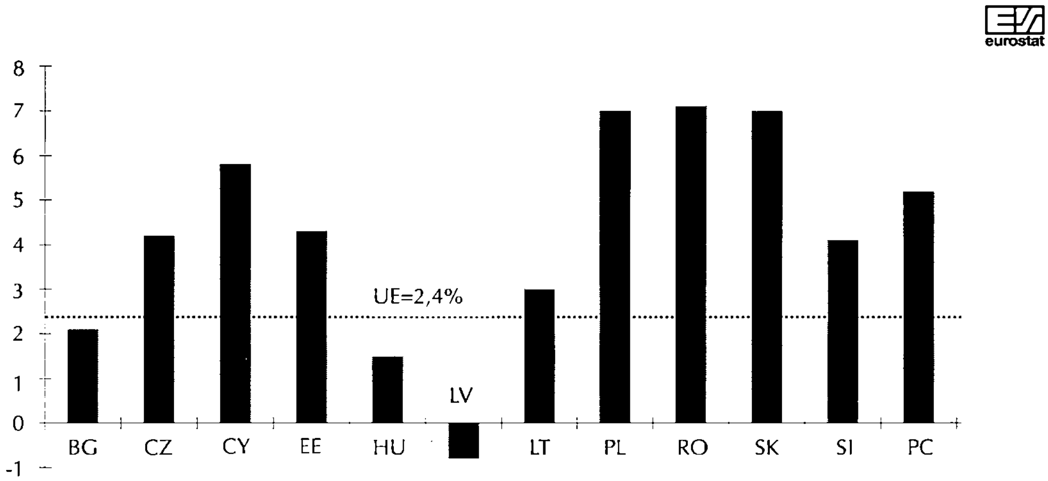
Enlargement of the Union

Considerable growth in the applicant countries

The average annual GDP growth rate of the applicant countries (1), having reached 5.2 % in 1995, reflected fairly considerable economic growth outstripping that of the European Union (+2.4 %)

Only three countries - Bulgaria, Hungary and Latvia - were below the Union average. Latvia, which had returned to positive growth in 1994, again showed a negative growth rate. In contrast, four countries - Romania, Slovakia, Poland and Cyprus - had higher growth rates in 1995 than the average for the applicant countries.

Annual growth rates of GDP (%), 1995



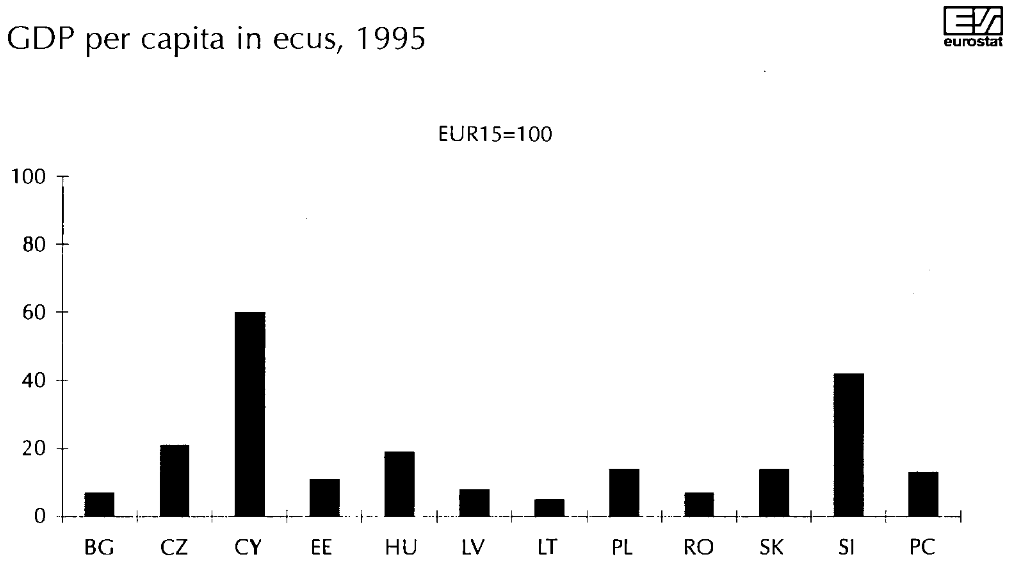
Annual growth rates of GDP (%)

	BG	CZ	CY	EE	HU	LV	LT	PL	RO	SK	SI	PC	UE
1994	1,8	2,7	6,3	-1,8	2,9	0,6	1,0	5,2	3,9	5,0	5,3	4,0	2,9
1995	2,1	4,2	5,8	4,3	1,5	-0,8	3,0	7,0	7,1	7,0	4,1	5,2	2,4

In 1995, the GDP of all the applicant countries at current prices and exchange rates was ECU 243.7 billion, compared with 6 441 billion for the Union, i.e. 3.8 % of the GDP of the Union

Poland accounted for almost 37 % of the GDP of the applicant countries. The GDP of the three Baltic countries, Cyprus and Bulgaria was less than ECU 10 billion. Together, they accounted for less than 11% of the total for the applicant countries.

GDP per capita in ecus, 1995



GDP of the applicant countries at current prices and exchange rates

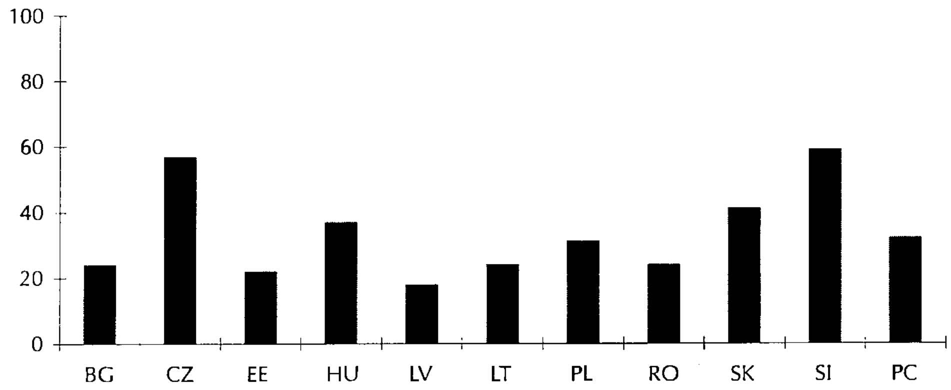
	BG	CZ	CY	EE	HU	LV	LT	PL	RO	SK	SI	PC	UE
Billion ecus	9,9	37,8	6,7	2,8	33,8	3,4	3,5	91	27,3	13,3	14,3	243,7	6 441,5
Per capita in ecus	1 175	3 658	10 416	1 855	3 308	1 360	933	2 359	1 203	2 469	7 210	2 301	18 07
Per capita EUR15=100	7	21	60	11	19	8	5	14	7	14	42	13	

(1)Bulgaria (BG), Czech Republic (CZ), Cyprus (CY), Estonia (EE), Hungary (HU), Latvia (LV), Lithuania (LT), Poland (PL), Romania (RO), Slovak Republic (SK), Republic of Slovenia (SI), Total of applicant countries (PC)

The GDP of the applicant countries in real terms expressed in PPS was 589.1 billion PPS in 1995, or about 9.1% of the total GDP of the Union. GDP per capita in real terms was 5 561 PPS compared with 18 074 PPS for the Union, i.e. 32 % of the Community average

Slovenia had the highest GDP per capita (10 199 PPS), reaching almost 90 % of Greece's GDP, which is the lowest in the Union. Latvia, with a GDP of 3 144 PPS per capita, recorded the lowest figure among the applicant countries.

GDP per capita in PPS, 1995



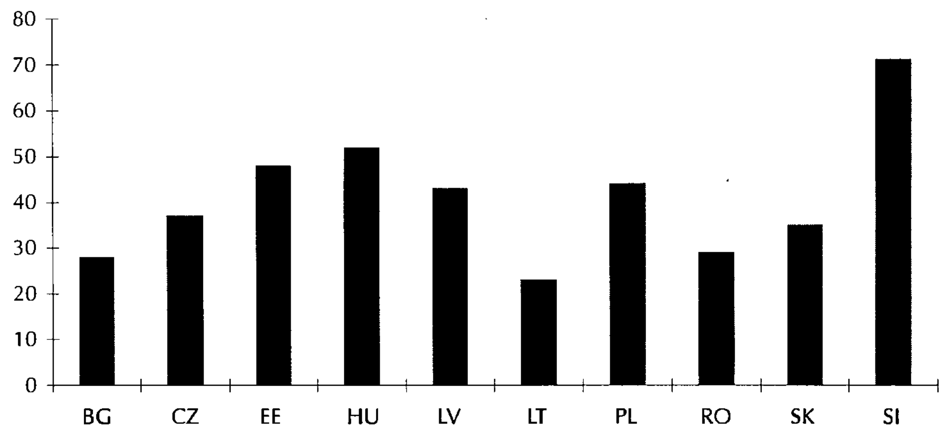
GDP of the applicant countries at current prices and PPS

	BG	CZ	CY	EE	HU	LV	LT	PL	RO	SK	SI	PC	UE
Billion PPS	35,4	101,8		5,8	65,4	7,9	15,3	205,2	94,3	37,8	20,3	589,1	17 264,0
Per capita in PPS	4 210	9 857		3 876	6 390	3 144	4129	5 318	4 159	7 036	10 199	5 561	18 074
Per capita EUR15=100	24	57		22	37	18	24	31	24	41	59	32	100

A comparison of ecu exchange rates with PPS rates shows that purchasing power in real terms is, for all the countries, much higher than the exchange rates would suggest

The PPS/ECU ratio can be used to calculate the price index, which shows that all the currencies are undervalued against the ecu. This undervaluation ranges, for 1995, from 72 % for Bulgaria to 29 % for Slovenia.

Price indices, 1995



Exchange rates and purchasing power standards

	BG	CZ	CY	EE	HU	LV	LT	PL	RO	SK	SI
1 ECU=...units of national currency	87,85	34,71	0,59	14,99	164,39	0,69	6,87	3,17	2659,55	38,86	155,02
1 PPS=...units of national currency	24,51	12,88		7,17	85,08	0,29	1,55	1,406	769,25	13,63	109,59
Price index (PPS/ECU)	28	37		48	52	43	23	44	29	35	71

A Member State of the European Union does not have the right to demand **payment of a guarantee to cover legal costs** from a citizen of another EU country even if the person concerned also has a third country nationality and is not resident within the EU. This would amount to discrimination on the basis of nationality in cases where nationals of the Member State who are non-resident there are exempted from payment of the guarantee. This legal principle was established by a ruling handed down by the European Court of Justice on 2 October in a case involving a shareholder of an Austrian company with double US and British nationality and resident in the United States.

● Making the euro a reality for firms ...

To stimulate the preparations of public authorities and companies, the European Commission published a document on 1 October listing decisions still to be taken in advance of the introduction of the single currency. To help companies make their preparations, the Commission calls on Member States to present their plans by the end of 1997 for switching company accounts and tax declarations to euro. As of the beginning of October, six countries had published their plans for the changeover to the euro: Belgium, Ireland, Italy, Luxembourg, the Netherlands and Finland. For its part, the European Commission has drawn up a memorandum on 'Preparing information systems for the euro'. This also touches on the millennium problem for computers. It is available at the following Internet address:

http://www.cordis.lu/esprit/src/y2keuro.htm

The same site contains other Commission initiatives concerning the year 2000 and the euro. It also provides updated information concerning national plans for the switchover to the euro.

● ... and for the public

In the interests of all users, the Commission has underlined the need for the 15 Member States to publish the national emblem to appear on one side of the coming euro coins. As of the beginning of October, only France and Germany had done so. The Commission has also asked national authorities to speed up their euro information campaigns destined for the public at large. It urges them to remove a number of question marks (beyond those surrounding the names of participating countries). These cover the exact date for the introduction of euro notes and coins — set at 1 January 2002 at the latest by the 1995 Madrid European Council — as well as the duration of the period of dual display of prices and the issue of conversion costs. Financial affairs Commissioner Yves-Thibault de Silguy has said that consumers should not be made to bear any conversion costs.

● Supplementary pensions go European

While State pensions are already covered by EU free movement regulations, supplementary pensions have no such mobility. This is why the European Commission proposed a draft directive on 8 October which seeks to eliminate the main obstacles to the mobility of supplementary pensions. The proposal says that if an employee changes countries at the same time as he changes employers, he should be able to conserve the supplementary pension rights already acquired in the first country. In addition, a person who chooses to retire in a country other than the one where he or she worked should be able to receive a supplementary pension without hassle. Workers posted temporarily to another Member State by their employer would be able to contribute to the supplementary pension scheme in the State where they were previously working.

MEMBER STATES AND THE EU BUDGET

To help clarify the debate among the 15 EU countries over how much each pays in and gets out of the EU budget, the European Commission produced a document on 9 October setting out the situation in considerable detail. The Commission notes that since the reforms of 1988 and 1992, Member States' contributions have become 'fairer' to the extent that they now reflect more than before the level of their relative wealth expressed in terms of gross domestic product (GDP). In addition, the contributions to the EU budget of those countries recording the fastest economic growth are the ones which are increasing fastest. The Commission also notes that contributions to the budget which are denominated in ecus are also susceptible to variations due to currency fluctuations. Following the budgetary proposals contained in the Commission's Agenda 2000(1) document, a number of Member States have begun to reassess their national position. The Commission refuses, as it has always done, to publish a list of net contributions based on how much each country pays to the budget and receives back from it. The Commission argues that EU membership provides a whole range of advantages and responsibilities which are too broad to be expressed in strictly monetary terms.

● Product liability

To fill a gap in existing EU legislation, the European Commission proposed on 2 October to extend the scope of the 1985 directive on the liability of producers and/or importers for defective products to primary agricultural products as well. The directive so far only applies to product liability for manufactured goods or processed agricultural products. The directive requires a producer/importer to pay damages where there is a link between the product and the damages suffered. It is not necessary to prove negligence or fault on the part of the producer/importer. The Commission believes the existing directive has worked well without leading to an increase in the number of complaints nor to an increase in insurance premiums. The extension of the system to covered primary agricultural products would improve product safety and consumer protection in this sector.

● Young people move freely

If you are aged between 15 and 24, the notion of Europe means primarily being able to go where you please, according to a special youth poll carried out by Eurobarometer. For those youngsters, the fact that it is easier now to travel, study, work and live anywhere in the EU, is the Union's biggest achievement. The poll also shows an increase in the language skills of young Europeans. In the poll, published on 8 October, only 28 % of youngsters say they can only hold a conversation in their own language, compared with 40 % in 1990. All the details of this poll are available on the following Internet site:

http://europa.eu.int/en/comm/dg22/youth/youth.html

(1) See also p. 1.

AMSTERDAM TREATY SIGNED

On 2 October, the 15 EU countries signed in the city whose name it bears the Treaty of Amsterdam. The new treaty which updates the 1992 Treaty on European Union, better known as the Treaty of Maastricht, now has to be ratified by each of the Member States before it can take effect. For most countries this means parliamentary approval, while for a minority the new treaty needs approval via a popular referendum. The Treaty of Amsterdam adds new measures at EU level in areas like employment and social affairs. It also grants more powers to the European Parliament and incorporates into the EU the Schengen rules for the free movement of persons. The new treaty also represents a step forward in the EU's common foreign and security policy (CFSP) and its external trade policy.

IN BRIEF

Overall, the 10 EU countries **committed to the total liberalisation of their telecoms sector** by 1 January 1998 have made good progress towards this goal, according to a report from the European Commission published on 8 October. However, there are some gaps in the adoption of national measures and in the application of measures already adopted. The Commission is taking legal action against recalcitrant States.

The British government presented its new **convergence programme** to the Council of the European Union on 13 October. The programme aims to cut the British public deficit from 4.25 % of GDP in 1996/97 to 1.5 % in 1997/98 and to 0.25 % in 1998/99. These figures put Britain well within the 3 % ceiling fixed for participation in the single currency.

As part of the preparation for full telecom liberalisation, the European Commission published on 15 October its **recommendations for interconnection charges** which new service providers have to pay to use the network of the dominant national telecoms operator. The charges should be based on best current practice, namely the prices in the three lowest-cost EU members. The aim of the Commission is to make sure that dominant operators do not use excessive interconnection charges to block access to the telecoms market for new service providers.

The Association for the Monetary Union of Europe has published a ***Guide to prepare companies for the euro*** in English, French and German. Versions in the other EU languages will be available by the end of the year. The guide can be obtained free-of-charge by writing to the AMUE, 26 rue de la Pépinière, F-75008 Paris (Fax (33-1) 45-22-33-77).

Thanks to operation **Netd@ys Europe 97**, held from 18 to 25 October, the European Commission gave a boost to the introduction of information technology in primary and secondary schools throughout the EU. As part of the event, about 10 000 schools carried out about 300 projects involving information technology. The list of projects and the contact details of those in charge of them are available at the following Internet site: http://netdays.eun.org

The European Commission adopted a draft directive on 15 October to guarantee compensation for **victims of traffic accidents which occur in another EU country** than their own and where the person liable is also insured in that country.

Digital signatures and message encryption require a European-level legal framework to prevent possible disruption of the single market. In a document published on 8 October, the Commission says that, in the face of pending or adopted national legislation, it is necessary to create a European framework for the mutual recognition of national certification authorities. The Commission intends to publish draft legislation during the first half of 1998 to guarantee the integrity of the single market while at the same time ensuring security on the Internet.

By 2002, Europe should have a **mobile telephone system which will allow mobile users wireless access to the Internet and other multimedia services.** To make sure that Europe can introduce this change as successfully as the GSM digital mobile standard — which became a de facto global standard — the European Commission set out its strategy on 15 October. National authorities should issue licences for the new system, called UMTS (universal mobile telecommunications system), while ETSI, the European standardisation organisation, should draw up a norm for its cross-frontier usage.

The European Commission launched a wide-ranging consultation exercise on 15 October involving the **freedom to provide insurance services and the general good**. The document can be consulted on the Internet site: http://europa.eu.int/comm/dg15. The Commission welcomes comments on the document by March 1998 by post to DGXV, Unit C2, 200 rue de la Loi, 1049 Brussels, Belgium; or by fax to (32 2) 295 6500; or e-mail to john.mogg@dg15.cec.be

UNICE, the Union of Industrial and Employers Federations of Europe has produced, in cooperation with the European Commission, a set of **Guidelines for partnership in industrial subcontracting**. The aim of the document is to offer rules and principles to facilitate relations between main contractors and their subcontractors.

SEEN FROM OUTSIDE

The Swiss favour membership

According to a poll published by the Swiss daily, *Blick*, on 30 September, 56.4 % of Swiss support their country's membership of the European Union, compared with 40.7 % who are against. The poll involved 2 600 persons. Already in 1994, a survey carried out by the bank, Credit Suisse, indicated that 57 % of Swiss were favourable to joining the EU and 28 % against. The poll in *Blick* also shows that voters in 14 of Switzerland's 26 cantons favour EU membership. Swiss membership of the EU would require a national referendum at which the majority of voters and the majority of cantons voted in favour. In 1992, the Swiss people voted narrowly in a previous referendum to reject membership of the European Economic Area (EEA) which includes the EU, Iceland, Norway and Liechtenstein.

A great deal of additional information on the European Union is available on the Internet.
It can be accessed through the Europa server (http://europa.eu.int)

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