



## The European Investment Bank: investing in Europe's future

by Sir Brian Unwin, President of the EIB and Chairman of its Board of Directors

As the European Union's financing institution, the European Investment Bank is supporting the single market and EMU through its lending for infrastructure projects, as well as for industrial schemes enhancing Europe's competitiveness and creating jobs.

### Financing infrastructure for the 21st century

The Single market programme has highlighted the importance of an efficient infrastructure for ever closer economic integration and as an essential basis for European growth, competitiveness and employment. The Bank has actively participated in the design and selection of priority trans-European networks (TENs) projects for transport, energy and telecommunications and has become the largest source of bank finance for such investment. Over the past five years (1993-97), the Bank has approved loans worth ECU 46 billion for TENs and their extension to countries bordering on the EU, in particular in central Europe. A growing number of TENs schemes include private sector involvement, particularly through public-private partnerships.

In financing major infrastructure projects, the Bank cooperates very closely with the European Commission, which makes it possible to combine EIB lending with EU funds. Guarantees for such projects can be furnished by the European Investment Fund, of which the EIB is the principal shareholder along with the European Commission and some 80 European banks.

### Loans for competitive industry

For many years, the EIB has provided direct loans for large-scale investment projects in the private sector, so contributing towards strengthening its international competitiveness. The EIB also finances small-scale investment by SMEs by extending global loans to intermediary banks which in turn lend these funds to SMEs at their own risk and on their own terms. These intermediaries, currently numbering over 100 throughout the EU, are in close touch with economic realities and the needs of businesses. Competition among the banks ensures that the EIB's fine terms for global loans are passed on to SMEs.

The Bank's lending to the private sector has increased strongly in recent years to a total of ECU 16 billion over the period 1993-97. Of this total, ECU 11 billion was devoted to investment by well over 47 000 SMEs, of which 85 % employed fewer than 50 persons. Last year (1997) witnessed very strong growth in direct loans for European industry: a total of ECU 2.1 billion was lent, 75 % more than in 1996. A wide array of large-scale projects was financed, for instance in the motor vehicle industry in France, Italy, Germany and the United Kingdom and in the chemicals industry in France, Sweden, Denmark, the United Kingdom and the Netherlands. A considerable proportion of these loans served to finance investment in environment-friendly technologies. In the same year, loans for projects undertaken by some 13 000 SMEs increased to ECU 2.5 billion.

### Stimulating growth and employment

At the request of the Amsterdam European Council in June 1997, the Bank launched the 'Amsterdam special action programme' (ASAP) which aims to support growth and employment in Europe. The programme will run for three years and provide additional loans of some ECU 10 billion for investment requiring a particularly high input of labour. Such investment is typically in the areas of health and education infrastructure, urban development and environmental protection. A second part of ASAP is the provision of venture capital for innovative SMEs with strong growth potential. This is because most of the new jobs that Europe needs will have to be created in new and smaller businesses. The EIB makes funds available to reputed financial intermediaries, which offer equity or quasi-equity to SMEs or guarantees for bank credit to smaller businesses.

Furthermore, the EIB is providing resources through a new 'European technology facility' for the European Investment Fund. The Fund is investing these resources as well as part of its own capital in venture-capital funds with a good record, which in turn invest the money in smaller and fast-growing businesses on the basis of their own professional judgement and provide professional advice in order to minimise the risk of failure. With these venture-capital financing activities, the EIB is entering new territory. However, close cooperation with professionals from Europe's financial industry makes us confident that the Bank will contribute successfully to the expansion of smaller businesses and the creation of new jobs.



## ■ 'Yes' to financial aid for training

The European Commission views favourably, on the whole, the financial aid given by the authorities to firms for employee training. This is clear from a decision which it announced on 22 July. The Commission at the same time set out the conditions on which it can accept aid for training, inasmuch as all aid to companies is banned in principle under the EC Treaty. In practice, the Commission does not object to aid which benefits employees directly or, as in the case of tax incentives, business in general. It also accepts State aid in favour of SMEs, which can cover up to 90 % of expenditure on training, as is the case when disadvantaged workers in areas which have fallen behind economically are provided with general training. In the most prosperous areas, the maximum rate is 80 %. As regards specific training, the Commission does not accept a rate of more than 55 % in the case of SMEs located in the most disadvantaged areas. As for aid to large companies, the Commission is less generous, taking off 10 percentage points from the maximum levels of aid allowed to SMEs. Consequently, the maximum cover acceptable to the Commission is between 25 % and 70 %.

## ■ Support for transport networks

The European Commission allocated ECU 472 million\* (ECU 1 = GBP 0.67 or IEP 0.78) on 30 July to the trans-European transport networks for 1998. As in previous years, most of the money (61.8 % of it to be exact) concerns rail transport, including combined road/rail transport. Traffic management, for all forms of transport, is allocated 15.7 % of the total, with roads receiving 12.5 % and airports 6.1 %. The 14 projects given priority status by the European Council at its meeting in Essen in 1994 are to receive 59.8 % of the aid granted for 1998. Most of these projects are in rail transport. They include the new high-speed lines; the completion of the high-speed links between London and Paris, on the one hand, and Brussels on the other; the construction of the line between Verona and Nuremburg, by way of the Brenner pass; a line between Lyon and Turin and the rail link between France and Spain.

## ■ Telephones: portable numbers

By 1 January 2000 at the latest, telephone subscribers living in those European Union (EU) countries which liberalised their telephone services at the start of 1998 will be able to keep their number, even if they change to another company, provided the number is linked to a geographical area. This will be possible as regards both standard and integrated services digital (ISDN) networks. In the case of the five EU countries which are opening up their telephone services to competition only later – Greece, Ireland, Luxembourg, Portugal and Spain – the deadline has been set at two years from the date of liberalisation. A directive to this effect was adopted by the EU Council of Ministers on 20 July, in agreement with the European Parliament. The above deadlines will also apply as regards the possibility offered to subscribers to preselect their telephone companies, according to this directive.

## ■ An EU logo for foodstuffs

Producers of Teviotdale cheese and Rutland bitter, for example, will soon be able to affix an EU logo to them, which will both attract the attention of consumers and assure them that the products in question are what they claim to be. The logo, which the European Commission adopted on 23 July, will be reserved for the products which EU governments have been registering with the Commission since 1996, under a 1992 EU regulation. The logo combines the EU's 12-star yellow and blue symbol with one of ploughed fields, set in a gold sun, with the words 'protected designation of origin' or 'protected geographical designation' around it. So far 476 products, from all EU countries with one exception, Ireland, are entitled to these designations; their producers may therefore display the EU logo on their products if they so wish. A dozen products were added to the list on 20 July.

## ■ Safeguarding consumer health

The European Commission has the right to restrict the use of a given product on health grounds, even if the risk it presents has not actually materialised, once the competent EU scientific committee feels such a step to be necessary. A ruling to this effect was handed down by the European Court of First Instance on 16 July, in a case brought by the French laboratory, Bergaderm, against the European Commission. The Commission decided in 1995 to restrict the use of the substance psoralene in suntan lotions, a decision which affected the production of the oil 'Bergasol', made by Bergaderm. The managing director of the company, which went into liquidation shortly after the decision was announced, challenged it before the European Court. He stressed that the potential risk from the use of psoralene had not materialised; indeed, some international experts considered the risk negligible. The Court rejected his arguments; it pointed out that the Commission had acted on the advice of a European scientific committee, advice given after meetings, visits and studies extending over several years.

## □ IN BRIEF

An EU Member State – Italy, in this case – has the right to set a time limit for demands for reimbursement submitted by companies which had to pay a tax which was later found to be **contrary to European law**. A ruling to this effect was handed down by the European Court of Justice on 15 September in five cases brought by Italian firms against the country's Finance Ministry, over the 'concessional' company registration tax. The Court pointed out that there is no European regulation on the recovery of taxes paid unduly.

The European Commission decided on 30 July to partly finance the launch of **33 energy agencies**. The 16 regional agencies and 17 urban agencies will each receive ECU 150 000 for their first three years of operation. The decision brings to 173 the total number of European energy agencies which have been established throughout the EU. Their role is to promote energy efficiency and ensure better use of local and renewable resources.

The first two projects to benefit from the **Joint European Venture (JEV)** programme were approved by the European Commission on 24 July. The first is a British-Italian project, Ecotecna, to improve road safety by means of a driving simulator for scooters, the second involves a Franco-German firm, Spilker GmbH, which will produce self-adhesive labels. JEV helps small businesses established in different countries cope with the costs of setting up a joint venture.

The EU Council adopted on 20 July a common technical regulation for connecting **modems and answering machines** to telephone networks. The decision introduces a harmonised European standard.

# HOW IS THE EU RUNNING THE SINGLE MARKET? (I)

## What is the single Market? What does it hope to achieve?

The single market is the Community's internal market common to all fifteen Member States, and at 370 million consumers is the largest domestic market in the industrialised world. At the core of it lie four fundamental goals: the freedom of movement of people, goods, capital and services.

It was created for a number of reasons, not least as a motor for Europe's continued economic and political integration. In addition the creation of an internal market would act as a catalyst for the creation of new jobs, for renewed investment in Europe's markets and businesses, would stimulate economic growth and benefit Europe's consumers as costs and prices lowered.

How would this work in practice? First, by creating such a large market, European firms would have to become more competitive in order to survive and expand. To encourage businesses to look for new markets national quality and safety standards have been more closely aligned and access to public works and supplies contracts in other Community countries improved. The removal of border controls means considerable savings on costs. Costly customs clearance documents and the paying of VAT on exports have been abolished, company law is in the process of being brought more closely in line, banks and individuals are now able to invest their money in the currency and markets of their choice through the lifting on restrictions of capital.

Equally, the single market is not just about business and the economy, it is also about people. It is the Community's declared intention that a true people's Europe can only exist when the freedom of movement and the rights to work and of residence are universal and unconditional. This remains only partially realised, although much progress has been made in a number of areas, such as the right of residence, the mutual recognition of qualifications and access to social security benefits. Nevertheless, the total removal of internal border controls remains contentious, mainly as Member States remain concerned about the implications for international terrorism, illegal immigration and the drugs trade.

## Is the single market for business working

Early signs are very encouraging. For instance, many firms say that the removal of border controls has helped them speed up the delivery of goods and cut transportation costs considerably, sometimes by up to 50%. Most companies trading across borders have found that big savings are possible through the abolition of the pre-payment of VAT on cross-border imports and the elimination of charges for customs formalities, although it is clear that some are finding the paperwork difficult. Many companies are also breaking into new markets since the

opening-up of public procurement contracts in works and supplies, although other public sectors remain closed off.

At the same time, companies report that fair competition in bidding for public contracts can still be time-consuming and ultimately disappointing. Time delays in Member States transposing and enforcing the necessary legislation is also causing major difficulties. Meanwhile, a rash of new partnership, licensing and distribution agreements between companies signals widespread intent to break into new markets. Many businesses have said that the single market is fundamental to their future success.

Therefore, despite its successes, it is apparent that more needs to be done to make the single market a reality. Two main themes emerge in criticism. First, although the single market was at once supposedly 'completed' and 'established' on 1 January 1993, it is still in the process of being constructed. There are clear gaps that need filling. Secondly, there are a number of problems stemming from national governments' failure either to implement existing Community law or to enforce it properly, resulting in barriers to trade continuing to stand. Many see this as the most pressing problem. For whilst the improvements in standardisation have made exporting much easier, and hefty costs have been saved for type-approvals and certification, a large number of businesses complain that the mutual recognition procedures have not worked for them, and that invisible barriers to trade of this sort still exist in many areas. Sometimes this is made worse by excessive national legislation implementing Community law.

## How can the Community break down the remaining barriers to trade?

It has long been recognised that despite its complexity, setting up the single market would be a relatively easy task compared with actually running it. As most of the single market legislation package took the form of directives, giving Member States considerable liberty in the way they implement them nationally, the need to ensure that these have been transposed correctly and really are being enforced is now the single biggest challenge facing those managing the single market.

It is of course tempting for national authorities to leave some of these barriers in place, and it is clear that some directives have been transposed incorrectly, others incompletely and a few not at all, creating barriers to trade contrary to the spirit of the internal market.

The European Commission plays a policing role in this respect, for it has the responsibility of making sure that Member States fulfil their obligations. The Commission is stepping up its policing efforts; one method is to put extra pressure on national governments to implement and enforce Community legislation

properly, the Commission has taken to publicising comparative information about how they are implementing the legislation.

The ultimate sanction is for the Commission to open proceedings against a Member State in the European Court of Justice. However, the Commission tries to rely on good communication with national governments and civil services so that the single market can function effectively. If problems arise, and Members are found to be infringing Community law, perhaps inadvertently, then these are best sorted out without having to go to the European Court of Justice. The Court's own powers were strengthened under the Maastricht Treaty, giving it the right to impose financial penalties on governments which fail to comply with its rulings.

The Commission also relies heavily on individuals, businesses, professional associations and others to inform it of problems as they see them.

### **Has not the single market resulted in more bureaucracy and the standardisation and harmonisation of many products?**

In fact the exact opposite has happened. Common European standards are an essential part of the single market. They are also a particularly sensitive part. A true single market cannot exist with wildly differing standards in place. They act as technical barriers to trade, and can be used by governments for protectionist purposes, sheltering domestic companies from outside competition. At the same time, gearing products for national markets is expensive and time-consuming for manufacturers, and although sometimes this was only a question of fine-tuning, it makes economies of scale very difficult to achieve. National standards thus contributed to the steady undercutting of Europe's industries by foreign competitors, as well as forming invisible barriers to trade.

For some years it was believed that the best approach to eliminating these trade barriers was through 'harmonising' national standards into an agreed single format. This often proved to be a highly complex procedure for those trying to agree on a common standard in any one field. Manufacturers found it very difficult to predict the outcome and to plan. This harmonisation of product specifications themselves stopped some time ago, and has been replaced by the 'mutual recognition' of products. This ensures that any product can be sold on Europe's markets

provided it meets these minimal common 'essential requirements'.

In themselves these requirements do not necessarily point to harmonisation and Euro-standardisation, for they usually focus on what needs to be achieved, rather than how manufacturers go about achieving it, giving them plenty of room for expression and innovation. The reward is the possibility of selling one's product, once certified, in all 15 domestic markets, simultaneously and with the minimum of bother.

The concept of the mutual recognition of products stems from a European Court of Justice decision regarding French-produced 'Cassis de Dijon' liqueur. This overruled German legislation banning the sale of traditional products from other countries with a lower alcohol content calling themselves liqueurs. As a result any product lawfully produced in one Member State can also be sold, in principle, in every other, and cannot be banned simply because it differs slightly from national products.

In reality, the opening-up of the single market has involved the removal of miles of national red tape. The doing-away with customs forms is a prime example. The creation of common minimum standards for all products in terms of safety, quality or hygiene, is another.

In fact it is apparent that it is the Member States which continue to legislate substantially, usually in more technical areas. In 1994, for example, the European Commission proposed 13 measures concerning industrial products on such issues as safety of users and consumers. Meanwhile national authorities, quite independently of the Community, brought forward 442 proposals affecting products. In 325 of these instances the Commission intervened in order to suggest simplification or less onerous measures.

Many Euro scare stories have dwelt on the issue of harmonisation and standardisation. Stories about Community regulations on the curvature of bananas and cucumbers have proved more resilient, surfacing in a number of Member States. The truth is, most of these are nonsense, or result from misunderstandings. British and Irish double-decker buses will survive unharmed from a series of negotiations on bus and coach safety across the Community, despite repeated reports that they are to be banned! And quality standards for fruit and vegetables ensure not just that the consumer gets a high quality product, but that buyers can deal over the phone, without even having seen the produce. As it happens, most Member States or their industry associations had equivalent or nearly equivalent standards in place before the Community acted; some were even stricter.

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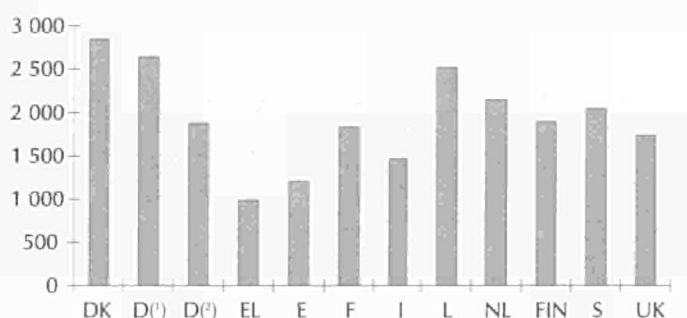
(The second part of this article will appear in a subsequent issue.)

## Earnings in the European Union Higher and more evenly distributed in the north of Europe

*In 1995, there were substantial differences in gross monthly earnings from one Member State to another. Earnings were higher in the north of Europe than in the south*

The highest averages were in Denmark (ECU 2 844), Germany (territorial boundaries prior to 3 October 1990) (ECU 2 646), and Luxembourg (ECU 2 515), and the lowest in Greece (ECU 996), Spain (ECU 1 208) and Italy (ECU 1 469).

Gross monthly earnings in ECU (full-time) - 1995



Gross monthly earnings in ECU (full-time)

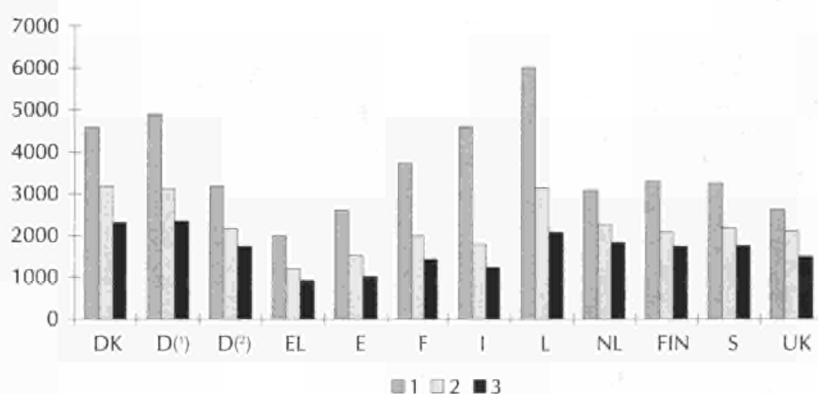
	DK	D(1)	D(2)	EL	E	F	I	L	NL	FIN	S	UK
1995	2844	2646	1886	996	1208	1836	1469	2515	2142	1901	2044	1740

D(1) Territory of the Federal Republic of Germany prior to 3 October 1990.  
D(2) New Länder and east Berlin.

*On average, senior officials and managers, followed by professional staff, are the highest paid. Next come technicians and associate professionals*

In Italy and France, the first group has average earnings 80% higher than the second. In most other countries, the difference is around 30%. Earnings are most evenly distributed in the Netherlands, Sweden and Finland.

Gross monthly earnings in ECU, by occupation - 1995



Gross monthly earnings in ecus, by occupation - 1995

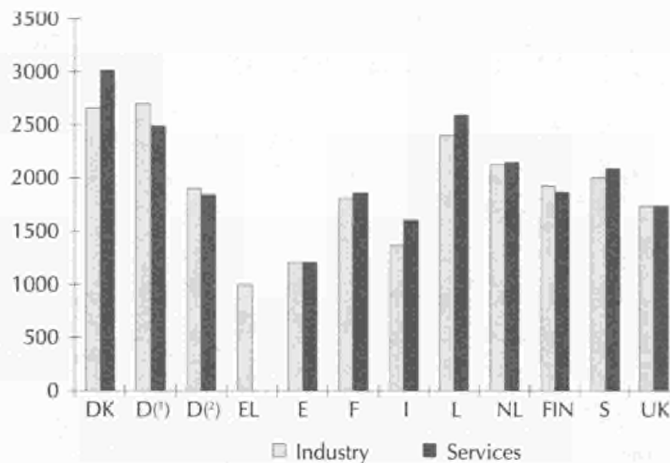
	DK	D(1)	D(2)	EL	E	F	I	L	NL	FIN	S	UK
1	4574	4897	3186	2003	2603	3737	4596	6018	3083	3312	3264	2617
2	3189	3129	2169	1202	1525	1997	1799	3137	2274	2081	2182	2107
3	2322	2353	1730	930	1025	1436	1232	2078	1824	1743	1747	1485

1 = Senior officials and managers.  
2 = Technicians and associate professionals.  
3 = Manual workers.

**A comparison of the two major sectors of economic activity, industry and services, shows that the differences in average earnings are not very great**

In the old German Länder, average earnings are 8% higher in industry than in services. In Spain and the United Kingdom, the difference is minimal, and in the other countries average earnings are higher in services than in industry (+ 18% in Italy).

Gross monthly earnings in ECU, by economic activity - 1995



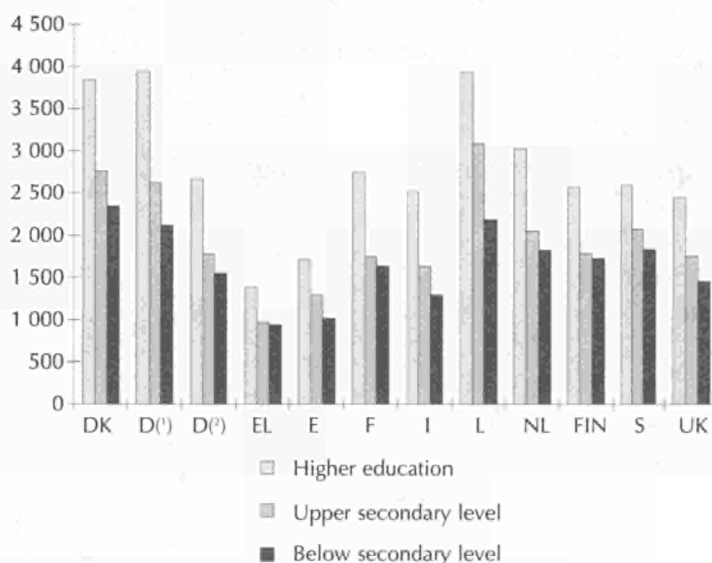
Gross monthly earnings in ECUs, by economic activity - 1995

	DK	D(1)	D(2)	EL	E	F	I	L	NL	FIN	S	UK
Industry	2657	2701	1900	996	1207	1810	1364	2401	2129	1929	2005	1741
Services	3012	2488	1840	1208	1861	1607	2589	2152	1867	2089	2089	1740

**Those who have had higher education also have much higher gross monthly earnings on average**

In France and Italy, the average earnings of those with a higher education qualification are 55% higher than the earnings of those who have completed the upper secondary level. Generally speaking, the average earnings of the first group are 30% to 40% higher than those of the second.

Gross monthly earnings in ECU, by level of education - 1995



Gross monthly earnings in ECU, by level of education - 1995

	DK	D(1)	D(2)	EL	E	F	I	L	NL	FIN	S	UK
Higher education	3847	3946	2667	1386	1705	2744	2526	3930	3030	2567	2593	2447
Upper secondary level	2761	2620	1774	968	1295	1744	1627	3085	2050	1786	2072	1752
Below secondary level	2349	2117	1549	933	1012	1630	1291	2190	1821	1723	1828	1456

As from December 1999, the EU's **harmonised consumer price index** will cover practically all consumer expenditure, as against roughly 90 % at present. This is the outcome of two regulations adopted by the EU Council on 20 July. The EU index is used to prepare the accurate and comparable inflation statistics needed for the monetary policy of the future euro area.

The European Commission decided on July 15 to reinforce the role of its **unit for coordinating the fight against fraud (UCLAF)**. The unit must thus cooperate directly with national authorities, especially the police and courts, in combating fraudulent activities involving the EU budget, corruption and money laundering. It must also intervene when the suspect is a Commission official.

## INITIATIVES

### ● Falling telecom interconnection costs

Telecommunications costs of fixed networks are tending to fall in the EU, according to the European Commission. It therefore updated on 29 July its recommendation on interconnection charges – the prices that telephone companies charge each other for delivering each other's calls. In January 1998 the Commission had recommended that companies bring their charges into line with those of the three Member States in which such charges are lowest for each category of call. The Commission has now modified the range of interconnection charges, to take into account the fact that these charges are converging towards the levels it recommended for 1998. The Commission is of the view that interconnection charges next year will be about 8 % lower than for 1998.

### THE EURO – A CURRENCY TO BE PROTECTED

In order to put the euro – the new EU currency – effectively beyond the reach of counterfeiters, a European system of protection must be introduced before 1 January 2001 at the latest. This is the conclusion reached by the European Commission in a communication on combating counterfeiting, published on 22 July. The Commission points out that the very design of the euro banknotes and coins, which will be put into circulation on 1 January 2002, ensures a high level of protection against forgery. But this is not enough. A four-fold European strategy is needed, if forgers are not to be given a free hand, in the Commission's view. (1) Bank employees and the police in particular must be alerted to the problem and given the necessary training. (2) A computerised communication system is needed, linking at least the police in the Member States taking part in the euro, the European Commission, the European Central Bank and Europol, the European police system. (3) The activities of the competent authorities, both national and European, must be coordinated, so that the euro enjoys the same level of protection throughout the EU. (4) It is necessary to create a European legal framework in order to ensure that all EU countries have in place at least the minimum penalties needed to dissuade counterfeiters.

### ● A maritime information society

The new information and communication technologies can transform the way in which companies, and especially SMEs, organise their work. This is clear from the results of the MARIS pilot project, which were presented on 8 September at the Lisbon world fair. MARIS consists of seven projects, launched in 1995 by the G-7, with the European Commission and Canada as co-presidents. MARIS' achievements include the electronic networks designed to speed up shipbuilding; information systems which make it possible to rationalise maritime transport, and the sale of fish over the Internet, minutes after they have been caught. The use of information technology should also improve safety at sea. Details of the project can be obtained from the Internet: <http://www.maris.int/>

### ○ IN BRIEF

In order to make it easier for the visually handicapped to use the new **10 and 50 cent euro coins**, the European Commission proposed on 29 July changes to their technical characteristics. The edges of these two coins would therefore be shaped with fine scallops rather than coarse milled. In addition, in order to prevent fraudulent use of the coins in automatic vending machines, the Commission has proposed a slight increase in the weight of the 20 and 50 cent coins.

**Detailed information on the fuel consumption of cars** will soon be available, if a proposal submitted by the European Commission on 4 September is adopted. It would require information on fuel consumption and carbon dioxide (CO<sub>2</sub>) emissions to be displayed in dealers' showrooms and included in all advertisements for cars. In addition, a free guide would give the public the same information for all models, by groups, sold on the market.

In order to **complete the single market for unit trusts**, and strengthen investor confidence, the European Commission submitted two directives on 17 July. The first seeks to extend the categories of securities unit trusts can invest in, while the second provides for a 'European passport', as it were, for the financial intermediaries that manage these investments. The latter would allow them to operate throughout the EU, and to manage pension fund portfolios.

In order to fill the remaining gaps in EU regulations on the free movement of people, the European Commission submitted several proposals on 22 July. They particularly seek to establish clearly the **right to stay in another EU country** for a period of at least six months, while looking for work. The proposals also seek to make it easier for members of a family, who have been living together in their country of origin, to be together again, in some cases even when the persons concerned are not EU nationals.

In order to ensure the **more effective use of railway infrastructure**, the European Commission proposed three directives on 22 July. The aim is to ensure fairer treatment for railway companies and to make the railways more competitive in relation to other modes of transport, particularly road transport. At present the railways carry just 16% of total freight.

The European Commission has proposed making the **European recycling industry** more competitive, in a communication it adopted on 24 July. The proposals deal with standards, the organisation of the market in recyclable waste, scientific research, training and the sector's legal framework.

**Differences in car prices within the European Union** were as important on 1 May 1998 as in November 1997. This is one of the findings of the latest half-yearly report on car prices, published by the European Commission on 10 July. Broadly speaking, the United Kingdom remains the dearest country, the Netherlands the cheapest, followed by Spain and Portugal. Buying a car outside one's country of residence still poses the occasional problem; but most manufacturers have put telephone lines at motorists' disposal. Buyers will also find information on the Internet at <http://europa.eu.int/en/comm/dg04/aid/en/car.htm>

The **European Employment Services (EURES)** network enabled more than one million people to find work in another EU country, or to be recruited from there, in 1996 and 1997 – twice as many as in 1994–95. This information is contained in a report published by the European Commission on 9 July. EURES brings together the European Commission and the public employment services of the 17 countries belonging to the European Economic Area – the 15 EU countries, Iceland and Norway. For further information on EURES, contact the Internet site <http://europa.eu.int/jobs/eures>



With the code of environmental good practice proposed by the international association for soaps, detergents and household products as its starting point, the European Commission has drawn up a **recommendation which applies to detergents for household textiles**. The text sets out the 'ecological' objectives for 2002 as regards energy and detergent consumption, the packaging of detergents and the level of slightly biodegradable ingredients.

The present European directive on **money laundering** has already proved effective, according to a report published by the European Commission on 13 July. In order to reinforce its effectiveness, the Commission has announced that it plans to propose enlarging the scope of the directive, limited for the moment to drug money and financial institutions. Thus all forms of dirty money could be covered, as well as a variety of professions, including the legal and building.

## SEEN FROM ABROAD

### ► Malta turns again to the EU

Malta's new prime minister, Eddie Fenech Adami, announced on 7 September that he would revive his country's application for membership of the European Union. It was presented in 1990, only to be put on hold by the outgoing Labour government in 1996. Mr. Adami's Nationalist Party won the general elections held on 5 November.

### ► The euro as seen by the Americans

In order to stimulate the competitiveness of American companies, the US Commerce Department has decided to set up a school to train American executives in the use of the euro. In announcing this initiative on 8 July, the Deputy Commerce Secretary, David Aaron, noted that while the euro is a healthy sign for American exports, US company executives needed information in order to take full advantage of this opportunity. Numerous companies have asked Washington to set up a euro information service. In addition, in South America the Latin American Economic System, which groups 28 countries, published a study devoted to the euro on 9 July. According to this the euro's impact on Latin America will be gradual, although the euro will become the second transaction currency in the world, after the dollar. As a result Europe, like the United States, will be in a position to 'change the rules of the game.'

### ► Switzerland and Schengen

'Our aim is to bring about the free movement of people between Switzerland and the European Union', the Swiss Federal Justice and Police Councillor (minister), Arnold Koller, stated during a meeting with his German, French, Italian and Austrian counterparts. Mr. Koller added that Switzerland wishes to strengthen its cooperation with its EU neighbours in the framework of the Schengen area. This is an area without internal borders in principle, made up of 10 EU countries – the Fifteen without Britain, Ireland, Finland, Sweden and Denmark.

## ECONOMIC AND MONETARY UNION: WHAT WILL CHANGE ON 1 JANUARY 1999

- Conversion rates are irrevocably fixed and legislation comes into force, notably on the legal status of the euro;  
*Responsibility:* Council (Member States participating in EMU) based on a Commission proposal, and after opinion of the European Central Bank (ECB)
- Definition and execution of the single monetary policy in euro;  
*Responsibility:* European System of Central Banks (ESCB)
- Foreign exchange operations in euro  
*Responsibility:* European System of Central Banks (ESCB)
- New public debt issues in euro, some outstanding debt redenominated in euro  
*Responsibility:* Member States, European Investment Bank, Commission and other issuers.
- Many large companies begin issuing invoices and making payments in euro
- Banks begin converting payments in national currency units into euro for euro accounts

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