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1,000 DAYS TILL 1992 DEADLINE

The recent release of the EC Commission's fifth annual progress report on the White Paper coincided with the 1,000-day mark until the December 31, 1992 deadline for completing the single market program. In general, the progress to date and the outlook for the remainder of the 1992 program are encouraging, though the Commission believes that 1990 will be a "make-or-break" year for the single market.

Almost 60% of the White Paper proposals have been adopted by the Council of Ministers, and the Commission maintained its high productivity, having submitted all of the 279 pieces of White Paper legislation for Council approval two years in advance of the original timetable. Major decisions taken by the Council include the opening-up of public procurement in the excluded sectors (telecommunications, energy, water and transport), merger control, the liberalization of capital movements and of banking services and mutual recognition of diplomas and vocational training.

According to the report, the 1992 program has injected a new dynamism into the private sector. Firms have been gearing up for the post-1992 business environment, and these preparatory measures have strengthened the Community economically; since 1984 industrial production has risen by 20% and some 8.5 million jobs have been created. Already the single market has significantly boosted intra-EC trade: in constant decline between 1973 and 1985, it has climbed back to its early 1970s level at 62% of total EC exports. And the strong growth in Community GDP has been investment-led, as gross fixed capital formation grew by 8.3% in 1988 and 6.9% in 1989. Yet the best evidence that firms are positioning themselves for the single market is the large numbers of cross-frontier acquisitions, which totaled over 1,300 last year with a value of \$54 billion.

Despite the overall progress, the report cited three specific "black spots": deadlocked discussions on indirect and direct taxation; sluggish decision-making in the veterinary and plant health sectors; and inaction on the abolition of frontier checks on individuals. Not surprisingly, most of these problem areas require unanimous approval from the Council.

Another area of concern for the Commission -- member states' transposition of EC legislation into national law -- has shown marked improvement since September 1989 (when the Commission first publicized the problem). The Commission's drive to make member states more aware of their responsibilities has yielded fruit: the rate of transposition increased from 67% in December 1989 to 70% at the end of February.

This year's progress report is the first one to give information on how well the individual member states are incorporating White Paper legislation into national law.

EMU GAINS DEFINITION

After the Commission's release of a paper on a European Central Bank and single currency, coupled with a consensus reached at Ashford Castle in Dublin among 11 of 12 member states on the main features of a new central bank, the future shape of European economic and monetary union (EMU) is fast emerging.

Entitled "Economic and Monetary Union: The Rationale and Design of the System", the Commission's report will serve as a working document on EMU for the intergovernmental conference of the Twelve to be held by end-1990. It backs, for the most part, the three-stage process to monetary union as outlined by the Delors Committee (see EURECOM, May 1989), and spells out the essential features of a new European

Central Bank, the "Eurofed".

According to the report, the Eurofed would direct a common EC-wide monetary policy and would be legally committed to price stability. It would be an independent institution, much like the Bundesbank or the US Federal Reserve, subject to democratic scrutiny (i.e. from the European Parliament). A ruling Council consisting of the 12 governors of the national central banks would set overall policy, and a small board of directors, appointed for relatively long terms, would run day-to-day monetary operations.

The Commission's report softened a controversial Delors report recommendation that member states stick to binding limits on budget deficits, calling instead for a system of budgetary coordination and milder strictures on fiscal policy. As yet, there is no clear consensus among the Twelve on this issue.





In order to exploit the full potential of the single market and monetary union, including savings of 15 to 20 billion ecu (ecu1=\$1.21) in foreign exchange transaction costs, the Commission also called for a common currency, believing it should be the ecu (European Currency Unit). Said EC Commissioner for Economic and Financial Affairs Henning Christopherson: "We see the ecu as a genuine currency, no longer defined by baskets of existing currencies." The ecu is widely traded in financial markets, but is not legal tender for regular monetary transactions.

Commissioner Christopherson did not rule out EC countries keeping some of their currencies' identity, e.g. one side of the money could read ecu and the other side franc or pound. The key, he stressed, was that the rates between the currencies be fixed at one-to-one by the end of the process.

EC COURT RULES IN FAVOR OF CROSS-BORDER ADVERTISING

In a recent case, the European Court of Justice decided that the principles of the common market are compromised if consumers are denied the right to receive advertisements published just across the border from their country, even if it contravenes national legislation.

The Court ruled in favor of the GB Supermarket of Arlon, Belgium (located very near the Luxembourg border), which had distributed in Luxembourg advertising leaflets announcing a special promotional offer. The flyer upset the Grand Duchy's shopkeepers because it indicated the duration of the offer and gave both the new, lower price as well as the old one. Such price comparisons are permitted in Belgium but are banned in Luxembourg.

A Luxembourg traders' association took the Belgian supermarket to court and won the case before the local and national authorities, but by arguing that Luxembourg's law represented a restriction on imports in violation of the Treaty of Rome, GB Supermarket succeeded in having its case heard by the Court of Justice.

The Court rejected Luxembourg's argument that it was protecting con-

sumers; it held that consumers are not protected by denying them access to information. It also noted that the right to information is a key element in the EC's consumer policy, and that price comparisons are allowed in every EC country except Luxembourg and the Federal Republic of Germany.

CALL FOR EC-US COOPERATION IN COMPETITION POLICY

In a recent speech to the EC Chambers of Commerce in New York, EC Competition and Financial Services Commissioner Sir Leon Brittan recommended that the EC and the US should give "serious consideration to the desirability of a Treaty or a less formal agreement" in the area of competition policy. Given the EC's growing role as a major player in the world's political, economic and legal systems, there is a distinct possibility of conflicts of jurisdiction in competition matters, i.e. both the US and the Community claiming jurisdiction in the same instance. In important cases, the consequence could be an unseemly and damaging dispute. At present, there is no mechanism to resolve such a conflict.

According to Sir Leon, such an agreement would provide for information gathering and exchange and establish a procedure for consultations on cases of common interest. Further, it might even contain an arbitration clause, "although the political difficulties of getting that agreed should not be underestimated," he said. Even without an arbitration clause, he believes there is much to gain from cooperation in this field.

Sir Leon said he was encouraged in his talks with US Assistant Attorney General James Rill on this topic, and that both sides will work up their ideas in detail for future discussions.

EC ADOPTS BIOTECH LAWS

EC environment ministers have adopted two pieces of legislation designed to protect the environment and to assure a single unified market for biotechnology.

The two directives -- one on the "Contained Use of Genetically Modified Microorganisms" and the other on "Deliberate Release to the Environment of Genetically Modified Organisms" -- introduce regulatory oversight of both experimental and commercial operations that use organisms created by genetic modification. The new laws cover, respectively, activities where modified bacteria are intended to be kept under physical containment, and activities where modified bacteria are intended to be used in the open environment..

In addition, the new laws oblige firms to assess the risk their organisms pose to the environment and to follow appropriate approval procedures for experimental work, industrial production and marketing of these products.

EC Environment Commissioner Carlo Ripa di Meana, who has been urging the European Parliament and the Council to take action in this area for some time, welcomed the Council's decision. He highlighted the pressing need for member states to implement these directives and to appoint the authorities responsible for the environmental risk assessments.

BRITAN ADDRESSES "COBWEBS" IN US BANKING LAWS

In light of the successful liberalization of the EC's banking sector, EC Commissioner Sir Leon Brittan pointed out in a recent speech at the American Enterprise Institute certain features of the US banking sector that "do not foster openness", thereby causing third country concerns. Said Sir Leon: "I raise these issues not to score points...I raise them in a spirit of constructive debate, and because they are a matter of legitimate concern for US trading partners."

First, Sir Leon remarked on the Glass-Steagall restrictions that reduce the range of banking activities allowed in the "segmented US financial system" by preventing US banks from underwriting non-US government securities. While he understands the historical reasons that led to this legislation, he believes that almost sixty years later, a more flexible structure would be appropriate.



Second, he asked if the McFadden Act, which restricts interstate branching by banks, could still be justified for reasons of efficiency or prudential stability. "That may have made sense when states had largely separate financial markets, but its main effect now is to irritate the citizen," said Sir Leon. Though both the McFadden Act and the Douglas Amendment to the Bank Holding Act are not discriminatory per se, there are worries that the growing trend toward regional banking compacts (in order to circumvent McFadden and Douglas restrictions) could become a serious problem. For example, in some states interstate banking laws either expressly or implicitly exclude non-US banks from regional acquisition opportunities.

Next, he raised the issue of protectionist internal statutes in certain states which have discriminatory effects. Asked Sir Leon: "Why should Florida or Virginia preclude acquisitions of state-chartered banks by foreign banks? Why do other states restrict public sector accounts to local banks? On a federal level, the uncollateralized portion of daylight overdrafts on the Fed wire overdraft system -- vital to cost-efficient wholesale banking -- is at present provided to US-chartered banks on more favorable terms than to branches of foreign banks.

Last, he addressed the extraterritorial effect of certain US banking laws. The amended Bank Holding Act prohibits banking organizations from insurance agency and underwriting activity in the US. Accordingly, non-US banks and insurance companies that establish controlling relationships with each other outside the US would be required to divest either existing US banking or insurance operations. Though Sir Leon acknowledged that the Federal Reserve Board has the authority to exempt non-US banks from some of these restrictions, he is concerned about how this flexibility will actually be exercised.

HDTV: OUT OF THE LAB, INTO THE STUDIO

The Commission recently hosted a conference in Brussels to launch VISION 1250, a European Economic

QUOTES

"For me the objective is the construction of the United States of Europe. I am favorable to everything which increases the cohesion of the Europeans whether in monetary or economic or cultural affairs, or in the field of defense and security."
German Chancellor Helmut Kohl.

"The EC orchestra has some great players. It's the best orchestra in the world. There are discordant notes, but never as in 1990 have we been so much in tune."
Italian Foreign Minister Gianni De Michelis.

"Everyone is hell-bent to make sure it [German reunification] doesn't slow down European integration. We should never slow down European integration -- it's already 30 years late."
Cornelis van der Klugt, Chairman, Philips N.V.

"The European challenge is to restore the Europe of 1914, when Europe was the biggest economic power in the world and had the best educated population."
Hans-Jörg Rudloff, Chairman, Credit Suisse-First Boston.

"German unity will not hinder the process of European integration. If anything, the opposite will be the case: when German unity is achieved, the rigid bloc mentality, which has split Europe into two for so long, will have been overcome for the first time."
EC Commissioner Martin Bangemann.

"We should speed up the process of uniting Europe. If you really want to unite markets, you have to speed up having a unified currency and monetary system."
Carlo de Benedetti, Chairman of Olivetti.

Interest Grouping which will set up and manage HDTV facilities for use by EC producers and television professionals. It will provide them the means to create high quality film or TV productions in high definition.

VISION 1250 will also organize worldwide demonstrations of HDTV components built to European standards, from studio equipment to consumer reception and recording.

The EC heads of state underscored HDTV's importance to the Community's broadcasting, audiovisual and electronics sectors at summit meetings in Rhodes (1988) and Strasbourg (1989), and a comprehensive Community strategy for HDTV services in Europe was spelled out in a Council decision in April 1989.

The establishment of VISION 1250 clearly demonstrates that the focus of Community HDTV initiatives is now firmly with the users.

COMPENSATION FOR VICTIMS OF OVERBOOKING

The Commission has proposed a plan to compensate air travellers who lose their seats because of overbooking

of flights by airlines. The draft legislation sets compensation amounts at between 25 and 100% of a ticket's price, and also adopts the US system of paying volunteers to give up their seats on overbooked flights.

Commented Transport Commissioner Karel Van Miert: "My concern is to protect air travellers against the abuses which sometimes arise in the case of overbooking, and to create a uniform legal framework defining the rights of consumer and the obligations of the carrier."

The plan would apply to all scheduled flights from airports within the Community, including those operated by non-EC carriers. Many large European airlines already compensate stranded customers voluntarily, but no common rules apply.

US SHOWS INTEREST IN EC'S TRANSPORT PLANS

US Transportation Secretary Samuel Skinner recently met with EC Transport Commissioner Karel Van Miert in Brussels to discuss EC-US relations vis-a-vis transportation.

The main reason for the US visit

was to discuss the inclusion of transport services in the Uruguay Round of GATT and what effect the EC's 1992 program might have on the negotiations, but Secretary Skinner also showed a great interest in the Commission's plans to integrate transport infrastructures more effectively through high speed, high technology intermodal and communications networks.

In addition, Mr. Skinner lauded the Commission's initiative to become the only representative for EC countries in negotiations with third countries and international organizations regarding international commercial air traffic.

...IN BRIEF

...The EC has released its 1990 report on US trade practices that impede EC companies from doing business in the US. It identifies around 50 specific tariff and non-tariff barriers. A copy is available from the EC Office of Press and Public Affairs, 2100 M Street NW, 7th Floor, Washington, DC 20037. Tel. (202) 862-9500.

...RAPID, the database containing the daily releases of the Commission's Spokesman's Service, is now available to the public. It can be obtained through Eurobases, the Commission's database marketing organization, at the following address: Commission of

the European Communities, 200 Rue de la Loi, B-1049 Brussels, Belgium (Fax: 32-2-236-0624).

... Belgium, Luxembourg and the Netherlands have agreed to create a barrier-free road transport market next year, far in advance of similar efforts on a Community-wide scale. Despite good progress, road transport is still one of the EC's most protected sectors.

...Underscoring the importance the

Community places on information, Colette Flesch, a former Foreign Minister of Luxembourg, has been chosen to head the Commission's Directorate-General for Information, Communication and Culture.

...A new directory for public relations firms and practices in 19 European countries -- Chester Burger's EuroDirectory -- is now available. For information call (212) 725-0000.

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