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SINGLE MARKET STILL MOVING FORWARD

Although the headlines are now fewer, with less than two years to go to the deadline the EC is still moving toward a successful completion of the 1992 single market program. As of March 1, the Council had taken decisions on 70% of the 282 White Paper directives (including 5 partial adoptions and 4 common positions). Still, the Council has over 90 proposals under discussion, and the Commission has requested that this backlog be erased before the end of this year.

Decisions have been reached in all areas of economic activity, and in some sectors, almost everything set out in the White Paper has been achieved (e.g. in public procurement, capital movements, banking and technical harmonization). Areas of progress and delays remain essentially the same as reported in previous issues: the abolition of technical barriers is the most advanced area, while the removal of physical controls (on goods and people) and of tax barriers still lags. However, recent successes on company taxation issues (see EURECOM, July 1990) and on the collection of value added taxes (which will eliminate border checks for VAT as of January 1, 1993) are encouraging signs that progress on tax issues is not impossible. Further, the member states have agreed (as EURECOM went to print) to increase duty-free travellers' allowances, the first step toward duty-free travel for EC citizens within the Community.

A continuing source of concern is the relatively poor member state performance in implementing White Paper directives. The increasing number of measures entering into force of late has reduced the member states' transposition rate from over 70% several months ago to the current 65%. Only 24 single market measures have been implemented by all 12 member states. Clearly, in order for the single market truly to succeed, the EC countries must improve their productivity on EC legislation.

A SINGLE MARKET FOR LIFE INSURANCE

Life insurers will be able to sell their products and establish branches throughout the EC under a new Commission proposal known as the Third Life Assurance Directive. Although the proposal is recent, the Commission's approach to financial services liberalization remains the same: the legislation will enable insurance companies to operate freely in all member states on the basis of a single license according to their home countries' rules. In addition, the directive would scrap price controls and rules (in some member states) that require an insurance firm to invest a certain percentage of its assets in local securities or public bonds.

According to EC Financial Services Commissioner Sir Leon Brittan, the EC life insurance sector is expanding and is now worth more than the whole of non-life insurance. Sir Leon said that the directive would increase consumer choice and "provide a marvelous launching pad for Europe's insurance companies to sell in world markets."

He emphasized, however, that greater consumer choice would not be at the expense of consumer protection. For example, the directive includes a set

of common prudential rules for life insurance firms (e.g. reserves which firms must hold against their potential liabilities); policy holders would still be protected under the laws of their country of residence or nationality; member states would be able to prohibit the marketing of policies which the EC Court of Justice defines as "against the general interest"; and policy holders would have a 14-30 day period after a contract is signed in which to change their minds.

With this proposal, the Commission has completed its legislative package for a single European market and financial services: now the Council and the Parliament must do their part.

EC RULES AGAINST EUROSPORT CHANNEL

The EC Commission recently ruled that the operation of Eurosport, the transnational satellite television sports channel linked to media-magnate Rupert Murdoch, violates EC competition rules. This decision follows a complaint filed by Screensport, a similar European sports channel, which is a joint



venture between the W.H. Smith retailing group (UK) and the US-based sports network ESPN.

Screensport complained to the Commission that agreements between the Eurosport Consortium, Sky Television, News International and a group of European Broadcasting Union (EBU) members have led to cooperation between potential competitors, giving Eurosport preferential access to EBU-produced sports coverage while denying access to programming for other satellites and cable services. After reviewing the case, the Commission found that these agreements limit and distort free competition in violation of Article 85(1) of the Treaty of Rome.

This infringing agreement gave Eurosport a privileged position in sports coverage and provided a free signal through the Eurovision network, strengthening the market position of the EBU group and of Sky Television. The Commission's decision will ensure a level playing field for all satellite channels to compete for the broadcast rights to sporting events.

INTENSIFIED EFFORTS ON INVESTMENT SERVICES

EC finance ministers recently pledged redoubled efforts to settle differences over the stalled Investment Services Directive. This was after EC Financial Services Commissioner Sir Leon Brittan told the ministers that it would be "totally incoherent" for the EC to permit banks to operate freely throughout the Community as of January 1, 1993 but not investment firms.

The Investment Services Directive would set common rules for share trading in the EC and would allow investment firms authorized in one member state to establish branches or to provide services without establishment in other member states (exactly what the Second Banking Directive does for banks).

Sir Leon noted that the directive had proved "curiously elusive" despite the fact that the member states want an agreement, and he called for a strong push to secure an accord.

In response to Sir Leon's challenge, the EC finance ministers have named a group of senior finance officials to iron out the following problem areas: the types of trading to be reserved for member states' stock markets; transparency in "off-market" deals; and the access of banks to trade on stock exchanges. Discussions on the directive will resume in early April.

On the off-market issue, some member states want access to off-market trades to be as open as possible, with a minimum of reporting requirements (e.g. London's screen-based SEAQ off-exchange market), while some member states hold that there should be tight regulation and strict reporting of off-market deals.

IMPROVED ACCESS TO LEASED PHONE LINES

A new Commission proposal will make it easier for private companies to lease telephone lines from public networks across the EC. The legislation, a first step toward implementing the already adopted Open Network Provision framework directive (which governs access to public telecoms infrastructure), aims to scrap national restrictions on leased lines, to harmonize technical standards and to ensure that procedures for leasing lines are transparent and non-discriminatory. The only remaining national restrictions on leased lines would be in the area of voice telephony.

Under the directive, conditions and rates for leased lines would have to be published, and the PTTs would be obliged to inform users in a timely fashion of any changes in general supply conditions.

The EC market for "value-added" telecommunications services such as databases, electronic mail and electronic fund transfers relies heavily on leased lines from public networks, but has often been subject to predatory pricing and conditions by the national public authorities (PTTs). According to Commission sources, this "flourishing" market was worth 2 billion ecu (ecu1=\$1.30) in 1989 and is expected to expand to 5 billion ecu by next year.

The Commission believes the directive would significantly benefit international companies, particularly those that need to integrate the most advanced communications technologies into their company networks in order to stay internationally competitive.

CHEAPER INTERNATIONAL CALLS ON TAP

Speaking of telephone lines, the International Telegraph and Telephone Consultative Committee (CCITT) has agreed, under pressure from the EC Commission and the US and UK governments, to remove most of its restrictions on the use of international private circuits. These practices restrict market access to international circuits, enhancing the profitability of international calls for the world's public telephone companies. Last year a Financial Times of London study revealed that consumers were being overcharged more than \$10 billion a year for international calls through CCITT members; shortly thereafter the Commission launched its own investigation into the CCITT's arrangements.

Not only will consumers benefit from cheaper calls as a result of the CCITT's "voluntary" reforms: they should also spur the growth of cross-frontier information services and increase opportunities for private companies in the telecommunications market.

US/EC MEET ON SCIENCE AND TECHNOLOGY ISSUES

The new US-EC Joint Consultative Group on Science and Technology recently held its first meeting in Washington, DC. Co-chaired by EC Research and Development (R&D) Commissioner Filippo Maria Pandolfi and Dr. Allan Bromley, Assistant to President Bush for Science and Technology, the group was established this past November to provide a forum for high-level discussions on science and technology issues and to enhance information exchange between the US and the EC.

The inaugural meeting provided a



general overview of US and EC science policy issues and priorities, including a review of ongoing US-EC cooperative R&D activities. Topics discussed included the following: R&D priorities in energy and environment, the status of science and technology projects in Central and Eastern Europe, large-scale R&D projects, and enhanced information exchange vis-a-vis human resources in science and engineering. In addition, reports on the US-EC Biotechnology Task Force and the US-EC workshops on information technology were presented.

Both sides expressed satisfaction that the talks had clarified each other's priorities and perspectives on international science and technology issues and had identified new potential areas for increased bilateral cooperation. The next meeting of the Joint Consultative Group will be in Brussels in the fall of 1992.

EC-GCC FREE TRADE TALKS RELAUNCHED

After being rudely interrupted by the Gulf War, the EC Commission and the six-nation Gulf Cooperation Council (GCC) have resumed negotiations for a free trade pact now that the shooting has stopped. (The GCC includes Saudi Arabia, Bahrain, Kuwait, Qatar, Oman and the United Arab Emirates.)

Around 95% of the GCC's exports to the EC comprise crude oil and refined petroleum products that are duty-free, but the remaining 5% consist of petrochemicals, which face duties ranging from 6 to 13%. Petrochemicals have been a major obstacle in the negotiations: GCC producers are keen to get duty-free access to EC markets while EC petrochemical producers complain that they would be unable to compete with their low-cost rivals.

Before the crisis, the EC had proposed an 8 to 16-year phase-out of duties on GCC petrochemicals, but the Commission may be ready to shorten the transition period to help GCC economies recover from the war. The two sides will attempt to narrow differences before a EC-GCC joint council meeting in May.

QUOTES

"My aims for Britain in the Community can be simply stated. I want us to be where we belong. At the very heart of Europe. Working with our partners in building the future...There are many things we can and must do in common with our European partners. At the same time, Europe is made up of nation states: their vitality and diversity are sources of strength. The important thing is to strike the right balance between closer cooperation and a proper respect for national institutions and traditions." UK Prime Minister **John Major** in a speech to the Adenauer Foundation in Bonn, Germany.

"What the Community has at present is twelve foreign policies which it tries to coordinate by means of the EPC (European Political Cooperation) mechanism. It is based on the consensus principle, and this means...that coordination is a question of finding the lowest common denominator. That this is no longer sufficient has been only too apparent to us Europeans of late." German Foreign Minister **Hans-Dietrich Genscher** at the World

Economic Forum in Davos, Switzerland.

*"Now, must we have fair trade as well as free trade? You bet. And shouldn't we have the same opportunities? Absolutely. But we really ought to look at them across the broad spectrum and not sector by sector, on a pure reciprocity basis, or we'll find reciprocity applied against us, and it will...move us in the wrong direction. US Secretary of State **James Baker** in a testimony before the Senate Foreign Relations Committee, answering a suggestion for a reciprocal trade policy with the EC.*

"Neutrality is impossible to reconcile with the aim of (EC) political union. This matter must be clarified...before (applicants) join the Community, not afterwards." EC Commissioner **Martin Bangemann**.

"The united Germany, being firmly anchored in the West, ...contributes to shaping a European Union that is not a 'Fortress Europe', but rather a political and economic entity even more open to the world than its individual member states." German Ambassador to the US **Dr. Jurgen Ruhfus**.

BRITAN WARNS SHIPPERS TO COMPETE FAIRLY

EC Competition Commissioner Sir Leon Brittan recently told a group of EC shipping executives that they must respect free competition on shipping routes or lose the special exemptions from EC law they currently enjoy.

Sir Leon promised that the Commission would review the automatic exemption granted to shipping conferences in the EC if it discovered there were monopolies at work. (A shipping conference is an organization of shipowners on a certain route which can set prices and other operating conditions.) "The Commission must take steps to ensure that conferences remain subject to effective competition that is tangible rather than hypothetical," said Sir Leon. Further, shipping consortia — smaller and more specialized than con-

ventions — were also warned against price fixing.

Brittan emphasized that the block exemption for conferences could not be extended to cover ship owners' land services which offer intermodal capabilities.

...IN BRIEF

...Enhanced by the negotiations on economic and monetary union (EMU), the European Currency Unit (ecu) is catching on with investors. In fact, the ecu commanded a 12.7% share of the primary bond issues market in 1990, making it the third most popular borrowing currency behind the dollar and the yen. Further, ecu-bond issues grew by 25% in 1990 over 1989, to 14.1 billion ecu. EC member states are also advancing the ecu's cause: Italy, Belgium and the UK recently floated

ecu-denominated loans with a combined value of 6.25 billion ecu.

...A row over the definition of "whisky" is distilling between the EC and the US. The EC has defined various specialty spirits; for example, a whisky must be aged and have a definite character to earn a Scotch or Irish whisky label. These rules will apply equally to imports. While Kentucky bourbon and Tennessee whisky have no identity problems as far as the EC is concerned, the EC feels that American blended whisky — a blend of grain whisky and other grain alcohol — should not be called "whisky". With rising sales of US blended whisky in the EC, this crisis of identity could lead to an old-fashioned trade feud.

...After remaining relatively stable during the closing months of 1990, prices rose by 0.5% in the EC in January according to Eurostat, the Community's statistical arm. The EC's inflation rate over the last 12 months stands at 5.6%, which is slightly below the US rate (5.7%) and somewhat above the Japanese rate (4.5%).

...EC External Affairs Commissioner Frans Andriessen is convinced that Hungary will be able to conclude an association agreement with the EC before the end of the year. Still, the EC is hesitating on whether to include the eventuality of full EC membership in the pending agreement. "We are of the view that the

(association) agreement in itself is very important to confirm the relation between Hungary and the EC," said Andriessen. Hungary passed a milestone last year when its trade with the EC grew to 35% of its total, exceeding its trade share with Comecon countries for the first time. "By 1993 it will approach 50%, considered a threshold of integration," said Hungarian Minister of International Economic Relations Bela Kadar.

...Members of the European Broadcasting Union (EBU) have asked the Commission to assist them financially

with their launch of a multilingual alternative to the US Cable News Network. Dubbed Euronews, the satellite channel would transmit in English, French, German, Italian and Spanish to the "European Broadcasting Area", which extends from Scandinavia to Northern Africa. With a subsidy of 60 million ecu from the Commission, the EBU said it could start sending the program by 1992. Initially it would offer nine hours a day of news, weather and talk shows, moving to a 24-hour format in 1993. The Commission is considering the proposal.

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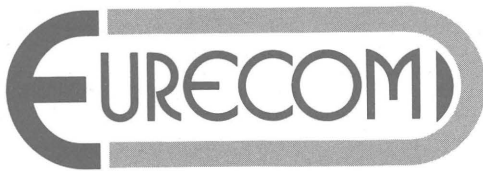
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