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CLINTON MEETS WITH EU LEADERS IN BRUSSELS

On his first official trip to Europe, US President Bill Clinton met in Brussels on January 11 with European Commission President Jacques Delors and current EU Council President and Greek Prime Minister Andreas Papandreou for the first of the biannual Transatlantic summits since the entry into force of the Maastricht Treaty on European Union last November.

President Clinton described the meeting as "productive", asserting that the EU remains "America's most valued partner in trade and investment."

"We believe a strong and more unified Europe makes for a more effective economic and political partner — I think we proved that through our combined efforts to lead the world to a new GATT agreement in December," he said.

The US president is convinced that the Uruguay Round deal will create millions of jobs in the global economy between now and the end of the century, but the US and the EU cannot alone create the open markets the world needs. Speaking for his hosts, Clinton remarked: "We think it is clearly time for the other great economic power, Japan, to join us in this effort to open markets.

Although the US has recently begun to generate more job growth, Clinton, Delors and Papandreou stressed the importance of putting jobs at the center of the trade and economic agenda, discussing some of the innovative ideas contained in the Delors White Paper on growth and higher employment (see EURECOM, December 1993). This discussion will be taken up again at an international "jobs summit" in Washington this spring.

Echoing Sir Leon Brittan's remarks (see next piece), Clinton also suggested that the successor agenda to the Uruguay Round should include the impact of environmental policies on trade, anti-trust regulations and labor standards. "While we continue to tear down anti-competitive practices and other barriers to trade, we simply have to assure that our economic policies also protect the environment and the well-being of workers," he said. "And as we bring others into the orbit of global trade...we must ensure that their policies benefit the interests of their workers and our common interest in enhancing environmental protection throughout the globe. That is exactly what we tried to do with the North American Free Trade Agreement," commented Clinton.

Last, the three presidents discussed the necessity of integrating the new market democracies of Eastern and Central Europe into the Transatlantic community. While the EU and the US have already begun to open their markets to these countries, Clinton and Papandreou urged that they both explore additional ways to open further their markets to the East. President Delors maintained, however, that there are no miracle cures for the growing pains the new democracies will experience on the path to economic reform. Already, the EU gives the lion's share of support by providing some 60% of all aid and importing 60% of their exports.

EUROPEAN UNION BACKS GATT DEAL

Just after the last month's EURECOM went to press, the Council of Ministers approved the GATT world trade deal, wrapping up over seven years of negotiations and clinching the largest market liberalization in history.

Although not as ambitious as originally intended in 1986, the Uruguay Round nonetheless achieved significant global tariff reductions while bringing areas such as agriculture, trade in services and intellectual property under multilateral trade rules for the first time.

Further, External Trade Commissioner Sir Leon Brittan said that the world's commitment to prosperous economic cooperation within a stronger multilateral trade framework is symbolized by the creation of the World Trade Organization (WTO) — a more powerful successor to GATT. The WTO will come into existence in January 1995 when the Uruguay Round treaty goes into effect.

"The negotiations have been a source of strength for the Union," commented Sir Leon. "In forming our own negotiating objectives, the Commission and the member states have reached a closer understanding of each others' preoccupations. Solidarity has been a reality as well as a slogan. And our strength and unity...enabled the Commission as a negotiator to achieve

8:5/23

great strides in the closing phases of the debate," he said.

To ensure unanimous member state support for the global deal, EU foreign ministers agreed to two conditions: a strengthening of EU trade defense instruments and a specific aid program for modernizing Portugal's textile industry.

In terms of trade instruments, the Council adopted the Commission's proposals on faster processing of trade complaints from EU industry (see EURECOM, November 1993), and decided that for *definitive* anti-dumping and anti-subsidy decisions (the Commission retains the power over provisional measures), the Council will vote by simple majority instead of qualified majority. If the US changes its "Section 301" unilateral trade dispute settlement law (see EURECOM, May 1993), the EU will merely maintain its new procedures. If not, however, the Commission will submit legislation to the Council for an EU procedure similar to Section 301.

Recognizing that the Uruguay Round poses "unique" difficulties for Portugal, where the textile sector represents over 30% of total exports, the Council agreed to allocate 400 million ecu (1 ecu=$1.11) in existing EU funds to assist Portugal in modernizing its textile industry.

Sir Leon also stressed that negotiations must continue beyond the conclusion of the Uruguay Round in fields like financial services, maritime transport and civil aircraft. In addition, when it starts operation in 1995, the WTO will have to address the need for strengthened international competition rules and tackle complex problems arising where trade and environment policies intersect.

SINGLE LICENSE FOR SATELLITE SERVICES

The Commission has proposed a directive on the licensing of satellite telecommunications services in the Union on the (time-honored) basis of mutual recognition.

At present, provision of satellite services in the EU is hampered by the need to obtain large numbers of individual licenses for each satellite earth station operating in a network. For larger networks, such as one in the works for the European auto industry to link communications between plants and dealerships, this could amount to thousands of individual applications for licenses.

The proposed directive would establish a legal framework under which satellite service operators, once they have secured a license from one EU member state's regulatory authority, could seek mutual recognition of this license in any other member state where it would like to provide services. In principle, the directive accommodates any satellite network configuration as well as all foreseen services; thus, it is technology independent, a necessary condition for this fast-moving sector.

In particular, the following types of satellite services would benefit greatly from the proposed framework: VSAT (Very Small Aperture Terminals) stations, most often used by businesses for corporate voice traffic, video conferencing and the transmission of training material; satellite-based, mobile data communications and fleet management systems used by road haulage firms to pinpoint their vehicles' positions and to provide them information regardless of their location; and satellite news gathering units which provide video material from important events to studios.

This proposal follows the adoption of legislation last October that gives satellite equipment producers access to all member states' markets on the basis of one EU country's approval of the equipment.

COMPROMISE ON PACKAGING WASTE PLAN

EU environment ministers recently struck a political agreement on the controversial Packaging and Packaging Waste Directive, settling for far less ambitious EU-wide waste recovery and recycling targets than were set in the Commission's initial proposal (see EURECOM, September 1992).

Under the agreement, within five years of the directive's implementation, not less than 50% (but no more than 65%) of all packaging waste would have to be recovered in the Union rather than merely dumped. Within this range, a minimum of 25% and a maximum of 40% would be recycled, with a minimum of 15% of every individual material. In comparison, the Commission's original draft called for 90% recovery with 60% to be recycled in ten years' time.

No later than six months before the end of the five-year period, the Commission would propose new, higher targets to the Council.

Based on their peripheral geographic positions and relatively low consumption of packaging, Greece, Ireland and Portugal would receive a five-year exemption from the targets. On the other hand, member states could exceed targets, but only if the single market for packaging is not distorted by countries exporting too much waste. At present, Germany is already exceeding the directive's targets on recovery, but its recycling capacity has proven inadequate, leading to huge packaging waste flows from Germany to other member states, overwhelming their own fledgling recycling industries.

The directive's final form is far from set: it must pass again through the European Parliament (which, for the most part, is very pro-environment), this time under the new co-decision procedure introduced by the Maastricht treaty. Under co-decision, Parliament has more power to force the Council to accept its amendments to EU legislation.

COMMISSION ACTION PLAN ON CROSS-BORDER TRANSFERS

Returning to a long-running problem — the high cost of cross-border money transfers in the Union (see EURECOM, April 1992) — the Commission has approved an action plan to make transfrontier payments quicker and less expensive.

A recent Commission study found that the situation is still unsatisfactory both in terms of transparency (two-thirds of the banks queried did not provide customers any written information on transfers) and costs (double-charging occurred in almost half of the transactions analyzed). According to the report, transferring 100 ecu cost on average 24 ecu and took almost five days. Said Consumer Affairs Commissioner Christiane Scrivener: "European customers are right to complain about the current situation on cross-border payments. It is a field where the great market has got to benefit citizens."

The Commission's action plan takes a "carrot and stick" approach. Banks have a grace period to improve transparency and efficiency to pre-determined Commission criteria on a self-regulatory basis. A study will be carried out this year to ascertain whether progress is being made against the standards (e.g. double-charging in no more than 10% of the sample banks, and written information on transfers given by at least two-thirds of the banks polled). If the study shows no improvement, then the Commission will draft legislation to force the banks to act.

MAKING THE MOST OF THE SINGLE MARKET

While the single market is largely working, it can and must be improved to fulfill its potential. In conjunction with the Delors White Paper on Growth, Competitiveness and Employment, the Commission has issued a strategic program entitled "Making the Most of the Internal Market", an important part of the EU's strategy to pull out of the recession and to help create jobs.

Establishing a genuine single market is not just a matter of adopting EU legislation by a deadline: it is a continual process of ensuring that, as far as possible, a single legislative framework governing economic activity is enforced and, where necessary, developed in a coherent way in a continually changing environment.

The Commission's plan addresses the problem of incorrect implementation of EC laws and the need to approve the remaining (18) 1985 White Paper proposals for the single market. It also aims to strengthen the connections between the single market and competition policy, consumer policy and the promotion of small and medium-sized enterprises.

Further, it highlights the importance of managing the single market more efficiently through better enforcement of EU legislation and access to justice, improved administrative cooperation between the Commission and the member states and reciprocal information on national rules derogating from the principle of the free movement of goods.

Last, to maximize the single market's positive impact, it suggests enhancing the business environment through more favorable tax regimes and through the development of trans-European networks.

QUOTES

*"I shall not accept a greater influence from the Bundesbank when we are here (in Frankfurt) than if I had been sitting on top of a mountain somewhere else." European Monetary Institute President **Alexandre Lamfalussy** at the EMI's inaugural meeting.*

*"Europe's western half clearly, as history shows, cannot be long secure if the eastern half remains in turmoil." US President **Bill Clinton** in his Hotel De Ville speech in Brussels.*

*"Transatlantic solidarity and European integration are not alternatives, let alone contradictions. Europe must gain in unity and strength in order to assume its share of responsibility in our alliance." NATO Secretary-General **Manfred Wörner**.*

*"The deepening and simultaneous expansion of the European Union are decisive for securing peace and freedom. In this sense, the issue of European integration is a question of war and peace in the next century." German Chancellor **Helmut Kohl**.*

ENLARGEMENT: A PROGRESS REPORT

With less than six weeks to go until the March 1 deadline for finalizing ongoing enlargement talks, good progress has been made in the negotiations with Austria, Finland, Norway and Sweden, but tough areas such as agriculture, fisheries and the introduction of single European currency remain unresolved.

Just before Christmas, the EU and the applicant countries achieved a major breakthrough on the controversial issue of environmental standards. Because the applicant countries' rules are generally tougher than the EU's, they wanted to maintain their higher levels of environmental protection despite the potential distortions in trade with other EU members. Breaking an impasse, EU foreign ministers agreed that the applicants will be able to keep their stricter rules for four years after accession while the EU strives to raise its standards to the new members' levels. After the four-year period, the situation will then be reviewed.

Of the 29 negotiating areas, covering traditional EC policies and the new aspects introduced by the Maastricht treaty, 18 have been closed with Sweden, 15 with Finland, 13 with Austria and 11 with Norway. The Commission has urgently called on the Council to agree on draft common papers on agriculture and fisheries so that talks in these sensitive fields can proceed.

Because the European Parliament will soon be occupied with its June elections, respect for the March deadline is essential if the European Parliament is to give its opinion in time for the four countries to accede to the EU by the target date of January 1, 1995.

...IN BRIEF

...A report in last month's EURECOM on the European Economic Area (EEA) inaccurately stated that six EFTA countries would be included on the January 1, 1994 starting date. Although Liechtenstein ratified the EEA in a referendum, its customs union with Switzerland (which rejected the EEA) requires some negotiated amendments before it can fully accede to the trade grouping. Hence, the EEA starts with 17 countries instead of 18, including the 12 EU member states and five EFTA nations (Austria, Finland, Iceland, Norway and Sweden). Despite Liechtenstein's temporary absence, the EEA will still be the world's largest trading zone, surpassing NAFTA in scope, trading importance and population (372 million v. 360 million).

...EU annual inflation was 3.2% in November, down from 3.3% in October and the lowest annual rate since May 1988, when it also was 3.2%. As one of the convergence criteria for a single currency under the Maastricht treaty, a member state's annual inflation rate must not exceed by more than 1.5 percentage points the average of the three lowest rates. When the treaty came into effect on November 1, the UK, Ireland, Denmark, the Netherlands, France and Belgium met this requirement. Although it has seen improvement, Greece remains the EU's highest inflation country with a 12.3% annual rate. Annual rates for the US and Japan in November were 2.7% and 1.0% respectively.

...According to the World Tourism Organization, Europe remained the world's largest tourist destination in 1993 with 296.5 million arrivals, capturing almost 60% of the total international tourist "market". This represented growth of 2.1% over 1992, compared with a 3.8% increase in total world tourism.

...Covering GATT, NAFTA, the EU and the Pacific Rim, the newly released *Dictionary of International Trade,* written by Dr. Jerry Rosenberg of Rutgers Graduate School of Management — "the leading business lexicographer in the nation" (The New York Times) — is an invaluable reference tool for anyone interested in international business. For more information, contact John Wiley & Sons, Inc., 605 Third Avenue, New York, NY 10158-0012.

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