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EUROPEAN PARLIAMENT APPROVES NEW "SANTER" COMMISSION

Using powers granted to it under the Maastricht treaty for the first time, the European Parliament (EP) recently approved the new 20-member Commission led by President Jacques Santer (see EURECOM, November 1994) by a four-to-one margin. After confirmation by the Council, the new Commission formally took office on January 25.

Although the EP can only approve or reject the Commission as a whole, President Santer agreed to let the EP conduct US Senate-style hearings with each Commissioner in the run-up to the vote. And while several Commissioners received bad marks from the EP, the unprecedented process, combined with a well received speech by Santer, clinched the overwhelming vote of confidence. "The new Commission is immensely strengthened," said Socialist Group leader Pauline Green.

In his address to Parliament, Santer said his first priority was a strong economy to create more jobs, but not at the expense of social and regional solidarity and a high quality of life. To this end, the new Commission will work "enthusiastically" to mobilize both public and private funds to finance modern and efficient transport, energy and environment infrastructures.

He also was optimistic on economic and monetary union (EMU), saying that a single currency would enable full development of the single market and stimulate investment. There can, however, be no departing from the EMU convergence criteria mapped out in the treaty, and the Commission will insist on their strict application.

On the international front, Santer called for a more coherent and effective EU common foreign and security policy to defend its common interests and to promote a fairer (and safer) world. In Santer's view, the EU must do better in this area. On the EU-US relationship, Santer discounted the predictions that Americans are becoming less interested in Europe, citing the enormous (and balanced) volume of trade crossing the Atlantic and the common security and defense interests. "Personally, I am in favor of a genuine Transatlantic treaty (between the EU and the US), which would make life easier for us all," he said.

Finally, he acknowledged that the EU faces major challenges in institutional reform in the 1996 intergovernmental conference, particularly in light of imminent future enlargement. The Commission's aim: increased efficiency without destroying the necessary checks and balances. And unlike during the Maastricht negotiations, any institutional changes must be accompanied by a real public debate. Further, it will be necessary to reinforce the EU's democratic legitimacy, which, according to Santer, means expanding the EP's role. For example, why shouldn't the EP elect the next Commission President from a list of candidates put forth by the EU heads of government, he asked.

BRITTAN SEEKS GLOBAL RULES FOR INVESTMENT

Speaking in front of the European-American Chamber of Commerce in Washington DC on January 31, EU External Relations Commissioner Sir Leon Brittan called for new, binding multilateral rules to promote direct investment and economic growth worldwide.

"Investment should be the next great boost to the world economy, following the powerful impulse given by the removal of trade barriers in the Uruguay Round," said Sir Leon, whose new Commission portfolio includes relations with industrialized countries, the Organization for Economic Cooperation and Development (OECD) and the newly established World Trade Organization (WTO).

"We need to tear down existing obstacles to investment and stop new hurdles being thrown up in the way. Nothing short of a comprehensive set of binding international rules will open up areas for investment which are currently closed and create a level playing field for international investors," he remarked.

According to Sir Leon, current rules governing investment, although plentiful, are insufficient both in strength and in geographical coverage to broaden the scope of investment opportunities. In fact, most investment decisions are controlled by an expanding network of bilateral investment treaties—OECD countries have signed nearly 600 such agreements with mostly non-OECD partners, for example—with no uniformity between them. Further, investment-related issues form a growing part of regional cooperation as evidenced by NAFTA, APEC and the EU itself. Yet as governments resort to increasingly sophisticated ways of attracting investment to their countries, there is the risk that this could lead to a proliferation of rules that would confuse investors while failing to tackle serious distortions in the investment market.

Commissioner Brittan agreed that investment rules should be looked at both within the OECD (which has already established a non-binding investment code) and the WTO. He also indicated that the OECD should be given a clear mandate for further work in the area, but only if its rules would be more binding in the future. However, it would be "perverse" not to consider multilateral rules for investment, especially in light of the WTO's existence and the multilateral rules achieved in many other areas in the Uruguay Round. Compared with the OECD, the WTO has the advantage of a much broader membership (125 nations vs 25), including developing and newly industrialized countries. In addition, WTO rules are binding and subject to strict dispute settlement procedures.

Sir Leon outlined the following obstacles to investment that should be covered in international negotiations: prohibitions on foreign investment, whether economy-wide (increasingly rare) or sector specific; lack of transparency in investment rules in developing countries; discrimination against foreign firms compared with domestic companies (i.e. no "national treatment"); lack of safeguards against uncompensated expropriation; inability of firms to repatriate profits; and onerous performance requirements.

COMMISSION REDIALS ONP FOR PHONE SERVICES

The Commission has revived a directive establishing open network provision (ONP) principles to basic voice telephone services, ensuring that both consumers and new service providers will have non-discriminatory access to networks controlled by national telecom organizations.

Last summer, the European Parliament, using its powers under "co-decision", rejected the original ONP text because of a dispute with the Council over how the member states would apply the directive (see EURECOM, September), not due to the directive's content. Now that this "comitology" problem has been settled, the Commission has proposed basically the same legislation, with the addition of some EP amendments in the area of consumer protection.

As the European telecommunications sector moves toward full competition in telephone services and infrastructure, it is important to ensure that all users—especially individual consumers—continue to have access to basic, affordable telephone service. The directive sets out basic features of a universal EU public phone service, including: installation of telephone lines within published delivery periods; itemized billing; and clear procedures for resolving billing disputes. In addition, it covers the continued provision of public pay phones, directory services and special rates for certain social groups.

The legislation also calls on the Commission to draw up standards for a single EU-wide phone payment card, and asks the member states' authorities to promote the introduction of public pay phones using those standards.

According to Telecommunications Commissioner Martin Bangemann, the directive has already effected improved service in some member states even before its adoption. Once adopted, the member states will have until December 31, 1995 to comply with the legislation.

"EUROPE" ACCORDS TAKE EFFECT IN FOUR COUNTRIES

On February 1, association ("Europe") agreements took effect between the EU and the Czech Republic, Slovakia, Bulgaria and Romania, exactly one year after Europe agreements with Poland and Hungary became operational (see EURECOM, February 1994).

The agreements, which form the backbone of the EU's pre-accession strategy for these countries (see EURECOM, December 1994), set the stage for progressive convergence in a wide range of activities. They cover political dialogue, far-reaching economic integration as well as financial and cultural cooperation.

All Europe agreements aim for free trade in goods, freedom of establishment (under national treatment) and the liberalization of capital transfers and provision of services. As with Poland and Hungary, trade concessions between the EU and the newly associated countries are reciprocal, but timetables are asymmetrical in favor of the central Europeans. In fact, as of January 1, 1995, all EU import duties and quantitative restrictions on industrial imports from these countries, except for steel, some coal and textiles (which have longer phase-outs), have been abolished. Agricultural and fisheries products are subject to specific rules, but receive favorable treatment.

In addition, the partner countries will introduce competition rules, including those on state aids, similar to those in the Treaty of Rome; apply intellectual, industrial and commercial property protection near current EU levels; and approximate other EU legislation affecting the activities covered by the accords.

Commented External Affairs Commissioner Hans van den Broek: "At a time when our continent is still afflicted by tension and insecurity, the Europe agreements will contribute to confidence and stability. Cooperation in a wide range of fields will bring our peoples together and help make previous divisions between us a distant memory."

Europe agreements are being negotiated at present with Estonia, Latvia and Lithuania, and talks with Slovenia are expected to start soon.

REPORT ON TRANSITION TO SINGLE CURRENCY

An Expert Group, led by Mr. Cees Maas, member of the Executive Board of the ING Group, and composed of bankers, academics and consumer group representatives, recently submitted to the Commission a preliminary report on the changeover to a single European currency (see EURECOM, July/August 1994). It emphasizes that broad public acceptance is the key to a smooth transition.

Because of the major changes involved, surpassing anything done so far historically in terms of monetary integration, citizens and businesses must be convinced that the changeover will be successful because it has been well planned—balancing the ease of change with minimal costs. Hence, the report calls for effective information campaigns to raise awareness among consumers.

To maximize public support, the report concludes that the new currency should be as strong, while entering EMU, as the strongest national currency.

The Group also believes that the possibility of a "big bang" or one-off introduction of all elements of a single European currency is unlikely on the first day of stage III of economic and monetary union (EMU), even if this date is January 1, 1999 (January 1, 1997 being the first possible date to start EMU). However, the Group believes that the time between the start of monetary policy in ecu and the physical introduction of ecu coins and notes should be as short as possible (i.e. no longer than six months).

Accordingly, public authorities and the private sector should begin an on-going dialogue on the main aspects of notes and coins of the new single currency, the timing of their physical introduction and the point at which the European Central Bank will start using this new unit for monetary policy purposes.

The Group would welcome a public statement on these issues as soon as possible.

In the coming months, after consulting with all relevant sectors, the Group will publish a second report before mid-year.

QUOTES

*"The European Union will continue to remain an open and fair partner. There is no other way open to us. We are the largest international trading entity in the world, whose companies profit and indeed do very well when markets are genuinely open. We have no interest in protectionism." Commission President **Jacques Santer,** speaking at the World Economic Forum in Davos, Switzerland.*

*"A monetary union comprised of France, Germany, the Benelux countries (Belgium, Netherlands and Luxembourg) and Austria appears the likeliest constellation for a core EMU in 1999." Excerpt from a study conducted by the **Union Bank of Switzerland.***

*"There is no other choice for Latvia and the other Baltic States but to move towards the European Union. We have chosen to quit the Russian orbit." Latvian Foreign Minister **Valdis Birkavs.***

*"I don't think it's in anybody's interests, least of all the United States and the European Union, to have (an anti-dumping) system which isn't objectively reasonable and objectively verifiable because they're the ones who are the biggest victims as well as the biggest users of anti-dumping procedures." WTO head **Peter Sutherland.***

GREEN PAPER ON TELECOM REGULATORY FRAMEWORK

The Commission has released the second part of a Green paper on the liberalization of telecommunications infrastructure (see EURECOM, November 1994). While the first part set out the general principles and a proposed timetable for liberalization (on which the Council has agreed —see EURECOM, December 1994), the second part examines the issues involved in establishing a regulatory framework for full competition in the telecommunications sector.

Universal service consists of access to a minimum defined service of specified quality to all users at an affordable price. With respect to universal service, the paper raises three major issues: definition and scope; a common approach to costing; and financing such service in a competitive environment. Concerning definition and scope, EU-wide standards have already been proposed in the ONP directive for voice telephone services (see page 2 of this issue). On financing, the paper indicates a preference for using universal service funds rather than customary access charges. This is based on the view that in the future, more than one operator may be competing to provide universal service.

Interconnection and inter-operability of infrastructures and services will be major commercial issues. Although primarily a matter for national regulatory authorities—subject to EU competition rules—interconnection will be the subject of a forthcoming directive. It will cover the rights and obligations of public telecommunications providers regarding interconnection requests, common rules for fair competition and dispute resolution mechanisms.

Licensing of telecommunications infrastructures, networks and services will also remain the domain of national authorities; still, an overall framework setting the general principles and procedures for granting licenses will be required.

With respect to the **international dimension,** the EU's primary objective is to ensure comparable and effective access to global markets in the current WTO/GATS negotiations on basic telecommunications services (including infrastructure).

The Commission will consult with interested parties on these issues until

March 15, the results of which to be published in a Communication in May. With Council backing, the Commission plans to propose specific regulatory measures before the end of this year.

...IN BRIEF

...According to a recent Eurostat study, the UK, at 43.4 hours, has the longest average work week in the EU, followed by Portugal (41.3) and Spain (40.6). At 38.2, Belgium has the shortest work week. The EU average is 40.3.

Average work time during a week is defined as all hours normally worked by an employee including overtime (whether paid or not), but excluding commuting time to and from work, rest periods and meal breaks.

Since the early 1980s, the average work week has become shorter in most EU countries. In the UK, however, it has grown by over an hour since 1983. Broken down by gender, the report reveals that British men by far work the longest hours in the EU (45.1 hours per week), and that British women alone in the EU work over 40 hours (40.2) a week. Italian women have the shortest work week at 35.6 hours. EU-wide, women work an average of 38.7 hours per week compared with 41.1 for men.

...Confirming Europe's economic recovery, EU industrial output rose by 5.2% last year, in sharp contrast to the 3.2% fall in 1993. Output was up in every member state, including the three new EU members Austria, Finland and Sweden. Ireland experienced the biggest rebound, going from -5.7% growth in 1993 to 11.2% growth in 1994. Portugal's industrial output expanded least in 1994 with a 0.3% increase.

...Compared with their US counterparts, senior executives of European companies are falling behind in acceptance of multimedia technology. This is the conclusion of a recent British Telecom-sponsored survey of 1,000 senior managers. It found that the Europeans are less inclined to use technology to reduce "dead" travel time and that they work at home less often than US managers.

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