



WTO ACCORD ON FINANCIAL SERVICES CLINCHED

Having played the lead role in salvaging negotiations after a US walkout, persuading key countries (namely Japan and South Korea) to maintain their market-opening offers, the Commission warmly welcomed the multilateral deal on financial services achieved in Geneva on July 26.

A leftover of the GATT Uruguay Round, the interim accord, which runs through 1997, will assure, in varying degrees, foreign access to banking, insurance and securities markets in more than 90 countries (and to 90% of all international financial business). The US, however, has chosen not to bind its market-opening offer on a multilateral MFN (most-favored-nation) basis for the time being (see EURECOM, July/August 1995).

The agreement will open many previously protected markets. For example, the Brazilian reinsurance market, currently a domestic monopoly, will be opened to foreign competition. For its part, the EU is committed to open and unrestricted access to its own financial services markets, with national treatment on a MFN basis.

Commenting on the breakthrough, EU Trade Commissioner Sir Leon Brittan said: "When the US withdrew its offer, the EU was determined not to allow the negotiations...to collapse. Too much was at stake for this to happen. That is why we sought to persuade our other partners to keep their offers on the table in the interests of an interim deal."

"This sends a very positive signal for future liberalization, and shows that the World Trade Organization (WTO) has earned its colors after just seven months. It is also a major victory for cooperative diplomacy," he remarked.

Signatories will be free to withdraw their offers after the agreement expires. Still, the Commission is confident that liberalization will take root during this period, convincing market operators and governments of the multilateral approach.

Besides the huge practical benefits for the global economy — cheaper, higher quality capital for companies and consumers — this interim agreement reaffirms backing for the MFN principle at a time when bilateral approaches have proliferated.

COUNCIL ADOPTS DATA PROTECTION DIRECTIVE

The Council of Ministers has formally adopted EU data protection legislation, ending five years of contentious debate. It aims to ensure the free movement of personal data in the EU, while maintaining a high level of privacy protection for individuals.

The directive narrows differences between national data protection laws, which have stymied the cross-border provision of financial services and mail order businesses. As a result, any person whose data are processed in the Union will have an equivalent level of protection, in particular the right to privacy, irrespective of the member state where processing occurs.

To prevent abuse of personal data, the legislation establishes common rules for those who collect, hold or transmit personal data as part of their business or administrative activities. In particular, it obliges them to collect personal information "only for specified, explicit and legitimate purposes" and to hold it "only if it is relevant, accurate and up-to-date."

The directive also allows individuals to refuse to provide information and entitles them to be informed about the

organization processing the data and the main purposes of its use. Other important rights for "subjects" include: the right of access to data, the right to know the data's origin (if available), the right to have inaccurate data rectified and the right to recourse in the case of unlawful processing.

Although the member states have three years to implement the directive — with some latitude as to how — Internal Market Commissioner Mario Monti hopes the EU countries will not wait for the deadline "so as to encourage the investment required for the information society to become a reality."

COMMISSION STRATEGY FOR DEEPER EU-US TIES

As foreshadowed in a speech last May by Commissioner Sir Leon Brittan (see EURECOM, May 1995), the Commission has issued a strategy paper laying the groundwork for a substantial deepening of EU-US relations.

Concrete proposals in the document include the eventual creation of a Transatlantic Economic Area; a joint EU-





US feasibility study on the pros and cons of a transatlantic free trade area (TAFTA); the systematic discussion of NATO and European security developments during every transatlantic ministerial meeting; identification of areas for common EU-US action on humanitarian aid, drug trafficking, international crime and asylum and immigration problems; and rationalization of contacts and meetings to improve their effectiveness.

"The close relationship between Western Europe and America has guaranteed peace, stability, and prosperity ever since World War II...It has been the most important such relationship in the world...But circumstances have changed and we need to look again at all aspects of the relationship if we are to strengthen and modernize it," commented Sir Leon.

In particular, the loss of a common adversary, deeper European integration itself, the increasingly global economy and the fact that economic, defense and political relations are no longer separable all militate for recasting the relationship.

At present, EU-US relations are characterized by myriad contacts and meetings, and coordination between them is far from perfect. This fuels one of Washington's main criticisms, namely that Europe does not always speak with one voice. During the next six months, the Commission, Council and US Administration should explore ways to rationalize existing contacts, improving coordination between various layers through a "pyramid" structure; deadlocked issues would be passed up to a higher, if necessary political, level.

On the economic front, trade figures show that EU-US integration is running deeper than ever; despite some high-profile disagreements, most transatlantic trade is trouble-free and tariffs are relatively low. Nevertheless, there is still scope for removing remaining impediments to trade, notably in non-tariff areas.

For now, the Commission advocates a "building block" approach, broadening areas of existing cooperation — e.g. customs, science and technology, intellectual property, competition policy and aviation — and extending to more regulatory cooperation, including mutual recognition of testing and

certification procedures in various sectors. Eventually, this could lead to a Transatlantic Economic Area, but it would have to be wholly compatible with multilateral obligations.

The idea of a TAFTA has also been a hot topic. However, without a detailed analysis of likely gains and losses of further tariff cuts, the impact on particular sectors and an assessment of the likely trade creating (or diverting) effects, no informed political decision is possible. Hence, the Commission proposes the idea of a joint EU-US feasibility study for a TAFTA in the strategy paper.

TELECOM LIBERALIZATION REINFORCED

Giving further impetus to the EU telecommunications liberalization process, the Commission has released two key directives containing measures to ensure that member states meet already agreed timetables, namely January 1, 1998, for ending state monopolies on all telecom services and infrastructure.

The first directive (based on Article 90 of the treaty) specifies that restrictions on the use of "alternative infrastructures" — networks operated by rail and utility companies, for example — for telecom services (except for public voice telephone until 1998) be lifted by January 1, 1996. Further, the member states would have to notify the Commission on authorization procedures for new entrants into voice telephone services and infrastructure markets by January 1997, and on licensing conditions and interconnection rules by July 1997. After public consultation, the Commission foresees the legislation's full adoption by the end of this year.

Greece, Ireland, Portugal and Spain would have an extra five years to meet the respective 1996 and 1998 target dates, and Luxembourg an extra two years.

The second proposal sets out a harmonized framework for telecom interconnection in the context of the Open Network Provision (ONP), aiming to ensure universal service and interoperability of telecom services throughout the EU. This will enable new entrants in the liberalized telecom mar-

kets to interconnect their facilities with existing network operators. Unlike the first directive, this proposal must be approved by the Parliament and the Council before 1998.

Both directives continue the balanced, consultative EU approach to the telecommunications sector, whereby liberalization and harmonization are moving hand-in-hand (see EURECOM, May 1995).

COMMISSION DELIVERS CAUTIOUS POSTAL PROPOSAL

In stark contrast to EU telecom liberalization, the Commission has proposed gradual deregulation of EU postal services — except those falling within a "reserved area" — starting January 1, 2001.

Under the directive, which must win approval both from the Council and the European Parliament, the Commission will decide by June 30, 1998 whether a "reserved area" will be maintained. Currently, this applies to mail weighing up to 350 grams or priced up to five times more than a standard domestic letter in each member state.

National postal authorities will also retain monopoly rights to distribute direct mail and inward cross-border mail — highly lucrative and sought after markets for independent companies — at least until 2001. Here, too, the Commission will decide by June 30, 1998 whether liberalization will take place as scheduled.

Already, outgoing international mail, express mail and parcel post services have been opened to competition in the EU.

The directive also guarantees, for the first time, a "mandatory level of universal service...throughout the Community to all citizens, wherever they are located, at affordable prices" and with a high quality of service. Member states would be responsible for quality standards for domestic postal services, but national regulatory bodies would have to be made independent of postal operators in all EU countries. And to avoid undue cross-subsidies, operators providing universal service would have to establish separate accounts for services open to competition and for those that are "reserved".



COPYRIGHT AND RELATED RIGHTS IN THE INFORMATION SOCIETY

The Commission has released a Green Paper on copyright and related rights in the information society, which examines a range of issues arising from the impact of new technologies on the rights of performers, producers and broadcasters.

On the basis of interested parties' responses to questions raised in the Green Paper — which are due this autumn — the Commission will assess the need for EU-level measures, and the form such measures should take.

The EU has consistently favored a high level of protection of intellectual property rightholders to promote creative work and innovation. Hence, the Commission wants to ensure that rightholders benefit fully from new technologies and opportunities afforded by the information society. In addition, rightholders need effective instruments to combat piracy in the digital environment.

Among the questions the paper raises is whether the act of digitization of a work should require prior authorization of the original rightholder under EU law. In addition, where should the borderline between "communication to the public", which requires prior authorization by the rightholder, and "individual communication" be set? Digital, multichannel broadcasting enables the consumer to record an unlimited number of perfect copies of works. Should particular rightholders for digital multi-channel broadcasting be entitled to exclusive broadcasting rights? And should the traditional principle of applying the law where copyright protection is being sought be replaced by a country of origin principle, whereby the copyright rules of the country of origin apply throughout the EU?

PAEMEN TAPPED AS NEXT EU AMBASSADOR TO US

The Commission has nominated Hugo Paemen, a career diplomat with vast experience in the EU-US relationship, as the next Head of Delegation to the United States, a position carrying ambassadorial rank. He replaces Andreas van Agt who retired in May.

QUOTES

"I think it's a positive step for the European Union to take the lead here and it will undoubtedly enhance (its) stature as a major economic and trade force in the world." **US Ambassador to the EU Stuart Eizenstat**, commenting on the EU's role in the WTO financial services agreement.

"It is my firm view that neither the European Union nor Japan has anything to gain from playing the American game, in which closure of the home market is viewed as a crowbar with which to open other markets." **Swedish Trade Minister Mats Hellstrom** in an editorial to the Financial Times.

"Anyone doubting that Europe is not at the heart of our foreign and commercial pol-

icy is mistaken." **US Under Secretary of State for Commerce Jeffrey Garten**.

"There is already clear evidence that a number of (EU) sectors and border zones are suffering significant difficulties as a result of recent exchange rate movements." **Commissioners Yves-Thibault de Silguy and Mario Monti** in a joint statement shortly before the August recess.

"The European Union is a confederation of states which is not legitimized by a single European people but rather by the peoples of the states which together form the Community." **Judge Paul Kirchhof** of the German Federal Constitutional Court.

Most recently, Paemen was responsible for the Commission's negotiations in international organizations such as the WTO and the OECD, a job which encompassed almost the entire duration of the GATT Uruguay Round. From 1985 to 1987 he was the official spokesman of the first Delors Commission, and from 1978 to 1985 he served as Chef de Cabinet of Viscount Davignon when the latter was Vice President of the European Commission. Before beginning his Commission career, he served in the Belgian Embassies in Geneva, Paris and Washington (where he was Economic Minister for the years 1974-78).

On learning of his nomination, Paemen said: "I am looking forward to representing the European Union in Washington, the most important capital in the world. It will be delightful to return to a city where I have lived and worked before and made many friends. In addition, it will also be a privilege to work closely with Americans with whom I have shared many difficult, but successful negotiations in numerous sectors of trade and industry."

...IN BRIEF

...After months of political infighting, the European Parliament finally voted in the EU's

first ombudsman, Finland's Jacob Soderman, who is a lawyer and former Finnish ombudsman. Established by the Maastricht treaty, the position of European ombudsman was created to protect rights of European citizens against EU maladministration and to enhance relations between the EU institutions and European citizens. The ombudsman (with a staff of 10) will have the right to search offices for evidence in complaints and to propose changes to address wrongs, but unlike national ombudsmen, the EU version cannot take officials to court. Nevertheless, the installation of an ombudsman in Strasbourg this September can only improve the public face of EU institutions.

...While the vast majority of EU workers toil Monday to Friday between 8 a.m. and 7 p.m., an increasing number of employees are working outside these hours, either usually or sometimes. According to Eurostat, around 31% of all EU employees (excluding the new member states) now work at least some "atypical" hours, which are defined as shift, evening or night work. Atypical work is particularly prevalent in the UK (52% of the work force), Greece (44%) and Denmark (39.5%). It is far less common in Portugal (10%) and Spain (12.5%). By far, evening work is the most common non-standard pattern, covering 25% of the EU's work



force, compared with 14% involved in night work and 13% in shift work.

...EU industrial investment is expected to grow by 13% in 1995 according to the latest Commission survey covering 23,000 European companies in 12 member states. Except for Ireland and Portugal, all member states anticipate double-digit investment growth which, if it materializes, would take investment spending back to 1992 levels. On a sectoral basis, the greatest growth is forecast in the equipment goods industries, which are struggling to meet increased demand for capital goods and industrial machines.

...The Spanish Consulate in New York is sponsoring an afternoon seminar at Columbia University — "The European Union and its Spanish Presidency: Preparing for the 21st Century" — on October 12, 1995. Among the high-level participants will be former President of the European Parliament Enrique Barón Crespo and former EU Commissioner Henning Christophersen. For more information, please call the Spanish Consulate General at (212) 355-4080.

...The EU Committee of the American Chamber of Commerce in Belgium recently released its new edition of the **EU Information Handbook 1995/96**, a valuable busi-

ness guide to understanding the workings of the European Union. Both extensive and user-friendly, the new edition contains: complete profiles of the new European Commission and directories of the Commission's 24 Directorates-General; information on major EU advisory groups, special task forces

and forums; up-to-date information on the other EU institutions and agencies; and extensive listings of European information sources, including NGOs. For more information or to order a copy, please contact Ms. Nanda Huizing at tel: (32 2) 513 68 92, fax: (32 2) 513 79 28.

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