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MADRID EUROPEAN COUNCIL NAMES EU SINGLE CURRENCY "EURO"

Despite difficulties and doubts, EU leaders took some important and far-reaching decisions at the Madrid European Council on December 15-16. Most notably, they moved the European Union decidedly closer to achieving full economic and monetary union (EMU) in 1999 by confirming unequivocally that the third stage of EMU and the changeover to the single currency would begin January 1, 1999 (as per the Maastricht treaty), and by deciding to name the single currency the "Euro".

In addition, the EU leaders decided on a reference scenario for the changeover to the single currency, which corresponds to the European Monetary Institute's recently published blueprint (see EURECOM, December 1995). The decisions on which countries will participate initially will be taken as early as possible in 1998 in accordance with the Maastricht treaty criteria.

"We must now deal quickly with the remaining technical questions and start our important task of explaining the Euro to EU citizens. The Euro will be good for them, good for our economy, good for jobs and good for the Union's place in the world," commented Commission President Jacques Santer.

Among the summit's other highlights was the agreement to launch the 1996 Intergovernmental Conference (IGC) on EU institutional reform on March 29 in Turin during the current Italian EU Council presidency. It endorsed the conclusions of the high-level Reflection Group, headed by Spanish European Affairs Minister Carlos Westendorp, as a good basis for the Conference's work to prepare the EU for the accession of many new member states.

Regarding enlargement, the European Council indicated that the initial phase of membership negotiations could begin as early as six months after the IGC ends (probably the first half of 1997). The Commission will then publish opinions on each membership application, as well as separate reports on enlargement and the financial implications for the EU.

On unemployment, which affects almost 18 million Europeans (10.5% of the EU's workforce), EU leaders agreed to reinforce the employment strategy decided at the Essen European Council (see EURECOM, December 1994), in particular through measures to assist small and medium-sized enterprises, the chief EU job generators.

The text of the Madrid European Council Conclusions is available on the Europa server at: **http://www.cec.lu.**

EP APPRO[illegible] CUSTO[illegible]S U[illegible]

Albeit with many reservations, the European Parliament (EP) approved a customs union with Turkey by a clear majority on December 13 — 343 voted for, 149 against and 36 abstained — which went into effect on January 1.

Many MEPs had threatened to veto or postpone the accord due to doubts over Turkey's human rights record, but in the end, the risks of isolating and destabilizing Turkey, one of few democracies in the eastern Mediterranean region, were viewed as greater. The vote was just in time to meet a deadline established in a 1973 Protocol between Turkey and the (now) EU.

EP President Klaus Hänsch welcomed the outcome, saying that pressure from the EP had contributed to recent progress toward greater respect for human rights and fundamental freedoms in Turkey. He cautioned, however, that the EP will keep "a close and critical eye" on developments in the human rights situation in Turkey.

Commented External Relations Commissioner Hans van den Broek: "At the very least, we can say that Turkey will benefit because it demonstrates confidence in the future of the Turkish economy. There will be an increase in investor confidence."

Under the accord, both sides will remove tariffs on each others' industrial products. This should lead to a big increase in EU exports to Turkey (Turkish duties average 14% on EU products) as the EU has already largely lifted its customs duties and quantitative restrictions on Turkish goods. However, Turkey's textile exports, already a top foreign exchange earner, are expected to double to the EU.

In addition to tariff elimination, the agreement commits Turkey to bring its intellectual property laws into line with

EU legislation and to align its competition rules with EU practices. Reluctantly, Turkey agreed to postpone negotiations on the free movement, employment, social entitlements and right of establishment of Turkish workers in the EU.

To help Turkish industries make structural adjustments to match EU competitiveness, the EU has earmarked an aid package worth 375 million ecu (1 ecu=$1.28) over the next five years.

EU SIGNS ACCORD WITH MERCOSUR

The EU and the four South American Mercosur countries — Argentina, Brazil, Paraguay and Uruguay — signed the first-ever cooperation agreement between two customs unions at the Madrid EU summit on December 15. It aims to liberalize trade between the EU and Mercosur completely over time.

Respect for human rights and democracy is at the heart of the framework agreement which also establishes: **regular political dialogue** at the highest level; **advanced trade cooperation** to prepare future trade liberalization between the two groupings; **economic cooperation** to set up effective instruments for promoting reciprocal investment opportunities, especially between small and medium-sized businesses; **regional integration cooperation,** building on the EU's long experience in the field; and cooperation in **other areas** such as culture, information, science and technology, training, employment and the fight against drug abuse.

"This is a pioneer agreement, the first of its kind which includes political dialogue and trade relations. It would have been unthinkable 10 years ago," said EU Commissioner for Latin America Manuel Marin. With this accord, the EU is "drawing up a new strategy for...relations with the rest of the world into the next century," he remarked.

Mercosur was established in 1991, but only became operational on January 1, 1995 when a customs union between the four countries came into force. It possesses 45% of Latin America's population, nearly 60% of its land mass and has a GDP of $715 billion, putting it fourth in the world behind the US, the EU and Japan.

The EU is traditionally Mercosur's leading trade partner, accounting for 26% of its total trade between 1985 and 1992. Since 1990, EU exports to the region have risen sharply, and EU is also the largest investor (Mercosur attracts 70% of total EU investment in Latin America).

"COMMUNITY" TRADEMARK TAKES EFFECT

Marking a major step toward completing the single market for intellectual property protection, companies may now file for a single Community Trademark (CT) for products and services marketed in the EU at the EU Trademark Office in Alicante, Spain, removing the previous requirement to make separate applications for trademarks in each member state.

Once registered, a CT will be subject to uniform rules for the whole of EU territory, including scope and duration of protection (10 years, renewable for 10-year periods) and the renewal of the registration. Enforcement of a CT's exclusive rights will not be hindered by the existing differences in EU countries' trademark laws. However, the new EU system does not replace the trademark laws of member states (for which a need still exists); hence, CTs will exist alongside national trademarks.

Until now, the only way to obtain EU-wide trademark protection has been to file applications with 12 national trademark offices plus an application at the common trademark office of the three Benelux countries. Consequently, an applicant has had to deal with 13 different trademark registration systems in eleven different languages — a major business-squelching headache.

Not only does the Community Trademark provide a one-stop-shop: it allows an applicant to file an application in any of the eleven official EU languages. Still, the applicant must indicate a second language in which to proceed should a third party oppose the trademark's registration. Irrespective of the application's initial language, the second language must be one of the five working languages of the Trademark Office — English, French, German, Italian or Spanish. Would-be opponents would have to choose one of these two languages as the language of the proceedings.

Once an application has been filed in Alicante, the Office will examine its merits for registration as a Community trademark. In the meantime, the application will be published by the Office in all the official EU languages. During a three-month period following the application's publication, third parties may contest registration by filing a notice of opposition with the Office. If the Office considers the opposition justified, it will reject the application. If the Office rejects the opposition — and the application itself passes muster — it will be accepted.

For more information on fees, procedures, enforcement and the Trademark Office's address, please contact the Commission's New York office via e-mail (chris56@ix.netcom.com) or at (212) 688-1013 by fax.

"SOCIAL PARTNERS" REACH PARENTAL LEAVE ACCORD

In a first, three EU employer and trade union groups — referred to as the European "Social Partners" — have signed a landmark accord on parental leave under the Social Protocol of the Maastricht treaty.

The framework agreement, negotiated and signed by the European Trade Union Confederation (ETUC), the Union of Industrial and Employers' Confederations of Europe (UNICE) and the European Center of Public Enterprises (CEEP), establishes a minimum right, regardless of gender, of three months' unpaid parental leave or time-off for other important family reasons in all member states except the UK, which has an opt-out of the Social Protocol.

Further, the accord would protect workers against dismissal for taking such leave, giving them the right to return to the same or equivalent job. It would also ensure that companies continue social security coverage during a leave period. Employers — in particular small and medium-sized businesses — would, however, have the ability to postpone leave in certain circumstances urgent to the firm.

Although some member states offer longer (and compensated) parental leave, the agreement would provide significant progress on the social front in Luxembourg, Ireland and, to some extent, Belgium, where no such right exists. Member states that currently offer more generous parental leave plans than the proposed minimum would not be allowed to lower their standards.

Under the Protocol, the Commission must now submit the framework agreement to the Council of Ministers (less the UK) which, on a qualified majority basis, must decide whether to make it binding in 14 member states.

According to UNICE, these types of agreement, freely arrived at through bargaining between employers and trade unions, "can meet the needs of companies and of their employees better than directives which would otherwise be proposed."

QUOTES

"How to keep budget discipline in place (after EMU) is not an economic issue, it is a political issue." Bundesbank Deputy President ***Johann Wilhelm Gaddum.***

"Without economic and monetary union...the internal market will probably not work to full capacity. Without a major expanding market it's difficult to imagine reducing unemployment. And without a stronger internal Union, how can you imagine enlarging the Union and strengthening its presence in the world?" Commission President ***Jacques Santer.***

"Europe isn't some sort of adventure; it is mutual insurance against war, against devaluation, against wild competition, against insecurity and against attacks on the environment." French European Affairs Minister ***Michel Barnier.***

"We want to join the EU for precisely the same reason that the original six members set up the coal and steel community — to prevent another war." ***Mr. Jacek Saryusz-Wolski,*** *Poland's chief EU negotiator.*

COMMISSION REVIVES KEY BIOTECH DIRECTIVE

As promised, the Commission has resurrected, albeit in modified form, a directive on the legal protection of biotechnological inventions which the European Parliament shot down last year (see EURECOM, March 1995). To pass into law, it must gain both Council and EP approval under the co-decision procedure.

The Commission feels the absence of this directive discourages European biotech research, putting the EU at a disadvantage vis-a-vis its competitors elsewhere in one of the world's most important growth industries.

MEPs rejected the earlier version of the directive because of ethical concerns related to animal welfare and to inventions based on human body parts. In launching the new proposal, Internal Market Commissioner Mario Monti said that it attempts to strike a balance between the need to protect research investments and to promote ethical practices.

To assuage the EP's ethical fears, the proposal now stipulates that "the human body and its components in their natural state are not considered patentable inventions." It also bans patents for "germ-line therapy", which involves inserting healthy genes into a body's cells to replace defective ones. Further, genetically modified organisms (GMOs) may only be patented if the suffering of the animal is proportionate to the benefit to the human race. Finally, the new text includes "farmer's privilege", which allows farmers to breed patented animals for their own purposes free of payment to patent holders.

In a separate but related action, the Commission has also proposed streamlining procedures for the contained use of GMOs where this does not compromise safety.

GREEN PAPER ON TRANSPORT PRICING

To explore how transport costs can be borne more fairly by those who generate them, and how to reduce the growing state of gridlock on Europe's roads, the Commission has published a Green Paper on transport pricing.

According to Commission estimates, road congestion alone costs the EU 2% of its GDP annually, while accidents take 1.5% and air and noise pollution 0.6% of GDP, respectively. In total, these costs amount to around 250 billion ecu per year, over 90% of which is related to road transport. Available evidence suggests that current road taxation in the EU falls far short of covering these costs.

"Decisions made by individuals with respect to their choice of mode, their location and investments are to a large extent based on prices. So prices have to be right in order to get transport right," says the report. However, such a policy's goal would not be to increase tax revenues, but to use price signals to curb congestion, accidents and pollution.

Suggested measures in the Green Paper include: adjusting EU legislation on road charges for heavy goods vehicles, assessing users on the basis of distance travelled and estimated infrastructure damage; road tolls in congested and sensitive areas; differentiated vehicle taxes linked to a vehicle's environmental or noise characteristics; and differentiated landing and rail charges depending on the impact of road vehicles on those modes.

...IN BRIEF

...The Commission has proposed that the minimum and maximum levels of standard rate value-added tax (VAT) be fixed at 15% and 25%, respectively — the range in which member states' rates currently vary — to facilitate the move to definitive VAT arrangements in January 1997. "The definitive VAT arrangements will require a strict alignment of rates," stated Internal Market Commission Mario Monti. "To pave the way...for new arrangements, we must ensure that the degree of harmonization already achieved is at least maintained," he said. At present, transitional provisions oblige member states to apply a standard VAT rate of not less than 15%, with no upper limit. Since the current range of standard rates seems to ensure the smooth functioning of the single market, the Commission believes this range should be kept and prevented from growing any wider in the future.

...Reflecting an extremely cautious mood, 1,500 European business leaders polled by Harris Research for United Parcel Service (UPS) indicated that their business strategies for growth would center on core businesses (70%) rather than diversification, controlling costs (56%) rather than investing in expansion and outsourcing (72%) rather than supporting functions in-house. Despite the core business focus, however, an overwhelming majority (76%) considers development of new overseas markets more important than concentration on home markets, particularly in East and Southeast Asia. Only 11% of the executives believe it is important to improve trade relations with North America (possibly reflecting good relations), and only 7% said that North America would be important to revenues.

When asked if the EU should give priority to reducing unemployment or increasing the competitiveness of European industries, 68% said competitiveness was more important compared with the 27% in favor of attacking joblessness. Overall, 79% feel that the European Commission either makes no difference (53%) or actually hinders them (26%) in competing internationally. According to the survey, if the Commission is indeed helping European firms compete globally, then most European business leaders fail to realize it.

...Fordham University Law School will hold its **Fourth Annual Conference on International Intellectual Property Law and Policy** on April 11 and 12, 1996 in New York City. The two-day conference will analyze international developments in copyright, patent and trademark law in the EU, Asia, the US, the World Intellectual Property Organization (WIPO) and the WTO. It will feature speakers from the European Commission, the US and other governments, academia and the US and other bars. For more information, please contact Helen Herman at (212) 636-6885.

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