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Ladies and Gentlemen,

It is a great honour for me to address this distinguished audience and to have a first-hand exchange of views on the important field which telecommunications is today for all business sectors.

I believe that this open exchange of views is particularly important at a time when tensions have emerged in various fields of international trading relations and when the fundamental common interests between this country and Europe are sometimes pushed to the background.

Let me therefore start by highlighting these fundamental common interests in the field of telecommunications. Both Europe and the United States must use the technological and economic opportunity deriving from the current revolution in telecommunications - the digitization of the networks, the transition to the ISDN and later to the Integrated Broadband Communications. Both Europe and the United States must use the new potential for the diversification of economic activity inherent in this merging of the telecommunications and the data processing sectors.

The search for the best conditions for the full use of this new potential is a complex process - as the lengthy process of reshaping of the telecommunications sector in this country has shown : from the Carter phone decision of 1968, to AT&T divestiture and the current new review of the regulatory scheme under the Computer III inquiry.

Internationally, both Europe and the United States must strive to find solutions for the problems which result from this fundamental change.

Let me mention three problems which seem most acute to me :

- * First, the technical standards in this field have become more and more complex. Moreover, their implementation may be different. For example, we understand that the US network is based upon the traditional ATT/W.E. standards of 45 MBIT/s incompatible with the 140 MBIT/s international standard applied throughout Europe.
- * Second, the concepts regarding the expanding terminal market and the rising enhanced services or value-added market have often been developed with only the domestic situation in mind. We must avoid this leading to useless friction at the international level. In positive terms, this means a greater concern in this country about global interoperability. This is where international standards are required. As you know, we are in favour of International Open System Interconnect Standards for these new systems.
- * Third, the telecommunications and data processing fields are merging from an industrial point of view. Europe has traditionally been strong in telecommunications, whereas in the data processing it has not been able so far to exploit its potentially vast market and its scientific skills. International trading relations and discussions of market access must now consider the two fields together.

The resolution of these issues at the international level must be based on mutual understanding. Europe and the United States have started from very different points of departure. The United States had a vast homogeneous vertically integrated system, the BELL system : one major supplier of equipment for one network, based on a market corresponding to more than 35% of the world market. The system has now been partly broken up, though the process of divestiture is still not completed - as we see with the current Computer III inquiry.

In Europe, none of the twelve EC Member States corresponds to more than 6% of the world market of telecommunications, with no network operator in any individual country being larger than any of the new seven regional BELL Operating Companies in this country.

As a consequence of this traditional environment, the EEC is faced in telecommunications with twelve different national networks and twelve different traditions. Our primary objective must therefore be to develop the EC-wide market, as a prerequisite for a sound transformation in this sector.

In concrete terms this means :

- * First, active participation in the international standards setting process in order to be able to define European-wide technical specifications based upon international standards. This work is undertaken with the European standards setting bodies (CEN and CENELEC) and the European Conference of Postal and Telecommunications Administrations (the CEPT), incorporating in this framework the active participation of industry and users. Let me emphasize that Europe has a long and outstanding record in the international standards setting work. And this for good reasons : we are more than 20 nations which must cooperate in Western Europe in order to have our continental telecommunications system work properly ;
- * Second, developing a common vision in the EEC of the future development of the common network infrastructure ;
- * Third, making sure that current and future telecommunications re-regulation in Europe will contribute to a European-wide market.

We strongly support open internationally agreed standards, such as the Open Systems Interconnect Standards - the OSI -, the standards for ISDN and world-wide standards for High Definition Television - a topic of major current interest. We are working on Community legislation in the terminal field and shortly expect a Council Directive on the phased introduction of the mutual recognition of type approval in the EEC. This will make life more easy for our overseas trading partners and for our own domestic industry. We are initiating programmes for promoting network development - most notably on ISDN and, with a longer term and broader objective, Integrated Broadband Communications - the RACE Programme. EC Member States have undertaken regulatory reform or are reviewing the regulatory situation, as evidenced by the enactment of the new telecommunications legislation in the United Kingdom ; and the reviews in the Federal Republic of Germany, France, the Netherlands, Italy and other EC Member States.

The trend points towards adjustment of the conditions for terminal markets and the provision of enhanced services to the new market situation.

Thus, the EC and its Member States are firmly committed to developing a dynamic market of a continental dimension in this field. This continental dimension will make Europe a viable and attractive partner in the international trading system in this sector.

Substantial discussion will be needed to guide international relations in telecommunications smoothly through the current stormy transition.

I believe that the international discussion and negotiation in this area should be based on three fundamental principles :

- They should be based on facts ;
- they should be undertaken without undue pressure ;
- they should be based on mutual understanding of the respective situations and lead to more contacts.

They should be based on facts :

It is certainly a myth that divestiture in US has led to an invasion of the US market by European telecommunications products. Similarly, it is simply not true that in Europe the Telecommunications operators procure only from domestic suppliers, thus cutting off the US telecommunications and terminals industry from our market. Our trade statistics show a persistent trade deficit of the EEC with the United States in telecommunications equipment which has grown in 1984 to the equivalent of 418 million US \$ (1984). Our telecommunications imports in 1984 were of the order of 1.7 billion US\$ of which 670 M \$ or 38 % were from the USA - excluding components and optical fibers. If these were included, then our imports from the USA would be close to 1 billion \$. According to statistics recently published by the US Department of Commerce, in 1979 the share of the EEC in US telecommunications equipment imports accounted only for 6.4 %, while the EC market accounted for 14.8 % of US exports. In 1984, the EC share in US imports had dropped to 3.6 %, compared to a share in US imports of Japan of 51 %, Taiwan 11.3 %, Hongkong 7.3 %. At the same time the EEC had become, together with Latin America, the largest US export market, with a share of 15.4 % of US exports.

Europe's industry still finds it difficult to enter the US telecommunications market. We continue to suffer from the heritage of the once fully vertically integrated - and therefore effectively closed-off BELL System. In an area of major European strength - digital public switching systems - the additional investment required to adapt our product to US network standards and specifications costs European manufacturers 20 % to 30 % of additional development expenditure, i.e. 200 to 300 million US\$. European systems must go through a lengthy process of homologation by BELL-CORE, the joint institution of the BELL operating companies. This contrasts with a European situation where in eight out of twelve Member States US multinationals are among the largest network equipment providers ; and where European telecommunications companies have developed a network of close relationships with US partners. I am afraid that too often US/Pacific trade relationships and problems in this area are mixed up with the relationship between Europe and the United States.

I said that discussion should be undertaken without undue pressure.

We should discuss fair trading relationships in this area and conditions of fair access to markets. But countries should not give the impression of trying to export their own regulatory systems which they have chosen for their own domestic reasons - and which therefore do not necessarily fit the traditions and interests of others.

International relations in telecommunications are built on a long tradition of partnership between network operators - and on carefully worked-out trade-offs between countries, such as in international satellite communications. The international system of telecommunications must be preserved. Europe must find its own way to respond to the new situation, as regards its networks. In this context, certain aspects of the discussions on the currently proposed new US trade legislation on telecommunications are not fully relevant particularly at a time when both national and Community authorities are taking steps towards developing new European telecommunications regulatory frameworks.

In conclusion, let me come back to my starting point : I said that the discussions should be based on mutual and global understanding of the situation. No party should pick out special segments where it expects advantages and leave out others. International trade involves a give and take of comparative advantage in order to bring global benefits to all parties. The beneficial effect of the GATT system agreements resides on this principle. Future trade rounds must consider the global world trade context, in order to arrive at fair mutual benefits.

Better mutual understanding of the respective situations requires that each party is fully informed about each other's industrial and economic situation. We welcome the recent US fact-finding missions on telecommunications to Europe in this respect, as long as they lead to a better global EC-US understanding and do not hamper the European Community efforts towards a European Telecommunications policy. The EC Member States will intensify their consultation on this matter, within the framework of the EC's common commercial policy.

From our side, we are planning an in-depth fact-finding mission to the United States in June of this year. The Commission, the EEC telecommunications carriers, the CEPT, and EEC industry will share in this experience. We have found a very positive response from the US side to this initiative. We believe that this positive response shows the way towards the future : working together for the full use of the new potential of telecommunications for economic, social, and cultural progress and the strengthening of our political alliance.

Thank you for your attention.