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frontier-free EUROPE

The Cohesion Fund: a sign of solidarity in the future European Union

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Living standards vary greatly from one European Community country to another. Gross domestic product (GDP) per head was two-and-a-half times higher in Luxembourg, the EC's most prosperous Member State, than in Greece, the least well-off, in 1990. In the same year Greece's GDP per head, expressed in terms of purchasing power, was only 47% of the Community average; in the case of Portugal just 56%, of Ireland 68% and of Spain 75%. In addition, these countries have other problems. They are located on the edges of the Community and, therefore, need good means of communication in order to link themselves to the main centres of activity in the single market. But their transport and telecommunications networks are inadequate; this is also true of their energy infrastructure and their means for conducting scientific research and protecting the environment. What is more, they have been harder hit by unemployment: Ireland and Spain have the highest unemployment rates in the Community.

These countries have already invested heavily in the single market. The European Community has also contributed substantially to this end, through its structural Funds in particular. The measures which tend to reduce economic and social differences within the 12-nation Community often cost more than the Member States in question can afford; Community backing can therefore considerably strengthen the impact of national and regional aid.

Saving even while investing

In order to approach the Community average, the less well-off countries must continue to invest. Paradoxically, they must at the same time limit public spending in order to prepare themselves for economic and monetary union (EMU) which the Maastricht Treaty envisages. The Treaty, in fact, imposes a rather strict discipline on the Twelve, in order that they may be able to adopt, without hiccups, a strong and stable European currency towards 1997 or 1999. Thus, in the framework of the convergence programme, they must limit budgetary deficits.

Hence the Cohesion Fund, provided for in the Treaty on European Union. In the case of the less well-off EC countries the Fund will bear a large part of public spending in the two sectors which must be treated in a balanced manner: transport infrastructure and environmental protection.

The Cohesion Fund will benefit EC countries with a GDP per head less than 90% of the Community average: Ireland, Greece, Spain and Portugal. These four countries, taken together, have a population of nearly 63 million, or nearly one-fifth of the EC's total population.

For their part, the Member States in question must give two undertakings: (1) to adopt the measures which will enable them to meet the conditions set at Maastricht for economic and monetary union and (2) not to reduce their investments in environmental protection and transport. The Twelve have thus shown that European Union can only be built on strong foundations of solidarity. The Maastricht Treaty in fact states that the 'promotion of economic and social cohesion' — that is, the reduction in differences — 'is vital to the full development and enduring success of the Community'.

Some ECU 15 billion

The Twelve decided in Edinburgh last December that the Cohesion Fund will have at its disposal some ECU 15 billion for the period 1993-99. They also agreed that the Fund will cover between 80 and 85% of the cost of the projects which it supports. The Twelve also shared out the total amount among the beneficiary countries, allocating between 52 and 58% of it to Spain, between 16 and 20% each to Greece and Portugal and between 7 and 10% to Ireland. The situation of the beneficiary countries is to be re-examined in 1996, when those whose GDP exceeds 90% of the Community average will no longer benefit from the Fund. Countries failing to implement convergence programmes will run the risk of being refused financial support for new projects.

Set up under the Maastricht Treaty, the Cohesion Fund will become operational once the Treaty has come into force. Because of the uncertainty surrounding it, the European Council which met in Edinburgh — anxious not to lose time — decided to ask the European Commission and Council of Ministers to set up a provisional mechanism to extend the same kind of aid as the Cohesion Fund. Once more the Community has demonstrated that 'cohesion' is not an empty word.

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The text of this issue was completed on 17 March 1993.

DECISIONS

■ Border-free bananas at last!

As from 1 July 1993 bananas imported from non-European Community countries will be subject to the same rules throughout the 12 Member States. As a result, it will be possible to move them freely within the single market. The EC Council of Ministers adopted, on 13 February, a regulation ('European law') which will bring to an end an exceptional situation that has allowed Member States to set their own rules, with some reserving the market for their domestic production or imports from their former colonies, and others throwing the markets open to imports from anywhere in the world, subject to a 20% tariff, which is waived in Germany. After 1 July Latin American bananas will be subject to a tariff of ECU 100 per tonne (ECU 1 = UK£ 0.83 or IR£ 0.80) for imports of up to two million tonnes a year, a figure which corresponds to the average for the period 1989-91. Additional imports will be subject to a tariff of ECU 850 per tonne. Bananas from the African, Caribbean and Pacific (ACP) countries linked to the Community will continue to enter duty free in the case of traditional imports; they will otherwise be subject to a tariff of ECU 750 per tonne. At the same time the European Community will help Community growers financially to modernize their production. How will all this effect consumers? The EC's Agricultural Commissioner, René Steichen, believes that prices will return to their 1990-91 levels in the countries which currently operate a free market — Germany, the Benelux countries, Denmark and Ireland. Prices will probably rise in those countries which have witnessed a fall because of speculative activities; this is particularly true of Germany, where prices fell by 29% on average between 1991 and 1992. Prices will fall in those countries which currently operate a closed market — the United Kingdom, France, Greece, Italy, Portugal and Spain. In any case, under the new rules it will be possible to increase the quota of two million tonnes quickly in the event of increased demand.

■ First recovery loans

The European Council's decision to promote economic recovery, taken at Edinburgh last December, was given concrete shape on 23 February, when the European Investment Bank (see the Background page) decided to extend loans to 14 projects for a total of ECU 1 billion in seven countries — the United Kingdom, Denmark, France, Germany, Italy, Portugal and Spain. These loans are part of the ECU 5 billion provided for by the Twelve under the 'Edinburgh facility' and designed to speed up the financing of major infrastructure projects. The 14 projects involve the modernization of the transport sector in some cases, the creation of new electric, gas and telecommunications networks in others and improvements to the environment in a few cases. All these projects are under implementation. The EIB's loan can cover up to 50% of the cost of each project.

■ A ban on unfair clauses

Unfair clauses contained in standardized contracts presented to consumers by sellers will be banned shortly throughout the 12-nation European Community. EC ministers adopted a Directive ('European law') on 2 March which bans clauses that are to the disadvantage of consumers — and are often in small print. As from 31 December 1994 at the latest, governments will have to implement this Directive — i.e. stop sellers from using unfair clauses. As for consumers, they will not be required to abide by unfair clauses contained in any standard contracts they will have signed. The Directive also gives consumer organizations the possibility of asking the courts or competent administrative bodies to bring about the elimination of unfair clauses in widespread use. Each of the Twelve can continue to enforce national laws which grant consumers greater protection, or adopt such legislation, extending its scope to contracts which contain provisions other than the standard ones, for example.

■ Investment services: a step forward

The prospects for a single market in shares and other securities improved on 15 March, when European Community ministers adopted one of the two necessary Directives ('European laws') in the matter. The Directive in question seeks to guarantee the financial reliability of stockbrokers and other firms specializing in the sale, purchase and management of securities by ensuring they have an adequate capital base. The aim of the Directive is both to protect investors against such firms going bankrupt and to establish rules which do not favour some firms at the expense of others, nor their competitors, the banks. The text will come into force on 31 December 1995, at the same time as a second Directive, designed to give the market for investment services a European dimension. This Directive should be adopted in the coming months.

■ Common standards for statistics

In order to make economic statistics covering both the European Community and its Member States more reliable as well as comparable, EC ministers adopted, on 15 March, a regulation establishing common standards. This 'law' sets out the categories, criteria and definitions to be used in the collection, transmission and publication of national and Community statistics.

■ A single market for road/rail services

Companies wanting to make use of combined road/rail services for the transport of goods will be able to compare the rates quoted by the different railways more easily, thanks to an agreement among the European Community's 12 major railways. The European Commission decided on 25 February to authorize this agreement for a five-year period, in the context of the EC competition rules. The agreement, which sets out criteria and common coefficients for calculating rates, obviously restricts competition between railways; but the Commission has authorized it in view of its benefits to users.

■ Cultural goods under surveillance

Works of great painters, ancient sculptures and other cultural goods soon will no longer be subject to checks at the European Community's internal borders. They will remain under surveillance, however. This spring will see the entry into force of a European regulation under which the export of works of art to non-EC countries will require the authorization of the Member State in which they are to be found. The implementation of this regulation was conditional on the adoption by EC ministers of a Directive ensuring that 'national treasures' which have been illegally exported from a given Member State are returned to it. This Directive was adopted definitively on 15 March. It provides for cooperation between the competent national authorities and a special legal procedure. The Directive will come into force on 15 March 1994 at the latest in Belgium, Germany, and the Netherlands, and on 15 December 1993 in the other EC countries.

LOANS FROM THE EUROPEAN INVESTMENT BANK

As the financial institution of the European Community, the European Investment Bank (EIB) was set up under the Treaty of Rome to help finance capital investment promoting European integration. Its activity is shaped by Community policy objectives: reducing the development gap of less-favoured regions, achieving efficient communications by developing trans-European transport and telecommunications networks, strengthening the international competitiveness of industry and its integration at Community level, helping to finance projects promoted by small and medium-sized enterprises (SMEs), protecting the environment, improving the quality of life and safeguarding energy supplies. The Single European Act, the Maastricht Treaty and the Edinburgh Council of December 1992 successively confirmed and enhanced the EIB's role in fostering economic and social cohesion.

EIB activity has experienced substantial growth in recent years in line with the financing requirements of the European economy in the run-up to the single market and the transition towards economic and monetary union. Annual lending has risen from ECU 3.5 billion in 1980 (before the accession of Greece) to ECU 7.9 billion in 1985 (before enlargement of the Community to include Spain and Portugal) and ECU 17 billion in 1992 (ECU 1 = UK£ 0.83 or IR£ 0.80). This volume of funding makes the EIB the leading supranational financial institution world-wide and a major force in the structural development of the Community.

The bulk of the European Investment Bank's operations are targeted within the Community (95% in 1992), although outside the Community, the EIB also helps to implement the financial components of the Community's policy of development cooperation with non-member countries.

The EIB is the only Community institution whose role requires it to operate in direct contact with the market. It borrows the majority of its resources on the capital markets, where it enjoys a prime position. In 1992, it raised the equivalent of about ECU 13 billion in 16 currencies, principally those of the Community (70%), with the ecu taking first place (15%).

The EIB is regularly awarded the highest rating ('AAA') by the financial rating agencies, allowing it to raise funds on the finest terms available at any given time. Operating on a non-profit-making basis, it sets its interest rates for each currency in line with borrowing costs plus a margin, which for many years has been held at 0.15%, to cover its own costs.

The EIB endeavours to adapt its financial products with a view to offering project promoters financing tailored to their requirements. Its loans, available in a wide range of interest-rate formats and currencies usually carry maturities of between 7 and 12 years for industrial projects and up to 20 years or more for infrastructure schemes. The EIB's standard product continues to be the long-term fixed-rate loan, generally with a period of grace in respect of repayment of principal which varies according to the type of project.

Large-scale projects are financed by individual loans and smaller ventures, mainly those undertaken by small and medium-sized enterprises, via global loans (see below).

Individual loans

To qualify for EIB finance, all projects must support European integration, directly or indirectly, and more specifically one or more of the objectives stated above. However, they must also offer a satisfactory profile as regards economic return, technical viability and, in the case of productive-sector investment, financial return. In addition, the EIB ensures that the projects it is funding comply with current legislation, particularly as regards the award of contracts (competitive bidding) and environmental protection requirements.

Projects for which financing is sought are subject to appraisal by the Bank's multidisciplinary teams of specialists in cooperation with project promoters.

Individual loans are provided for projects of a certain size. There are no preset geographical or sectoral quotas and they can be advanced, irrespective of the status or nationality of the borrower, to private, public and semi-public enterprises, local or regional authorities, public institutions, cooperatives, etc., or the State itself.

Financing covers a maximum of 50% of projects' net fixed asset costs (excluding liquid funds and working capital).

The EIB cooperates closely with other financial institutions and commercial banks; depending on circumstances, it may help in arranging particularly complex financial packages. The EIB's loans thus complement other means of financing: own funds, recourse to the banking system or to national or Community aid (or a combination of these).

Principal and interest payments are usually scheduled in equal six-monthly or annual instalments in the currencies disbursed.

Global loans

SMEs, which occupy an important position in the productive sector, in particular because of their dynamism, their adaptability and their importance in creating and safeguarding jobs, can receive allocations from EIB global loans. This aspect of the European Investment Bank's activities forms an integral part of the Community's SME support policy.

Global loans [1] are advanced to banks or credit institutions which use these resources to provide finance for small and medium-scale projects selected in accordance with EIB criteria. They combine, on the one hand, the financial resources of the EIB, with its ready access to the capital markets by virtue of its first-class credit rating, and, on the other, the operational advantages of the intermediaries given their local know-how.

SMEs are defined as enterprises with up to 500 employees and net fixed assets of less than ECU 75 million before project implementation. Priority is given to independent SMEs, i.e. firms not more than one-third of whose capital is owned by one or more large firms.

Although 'being a smaller business' is one of the criteria for qualifying for global loan allocations, the scope of these loans has been extended to other small and medium-scale investments, undertaken mostly by SMEs, as well as to smaller projects promoted by larger firms. The projects concerned must meet one or more of the following objectives:

— the reduction of dependence on oil imports through more rational use of energy;
— the introduction or development of advanced production process technology;
— the protection of the environment.

The EIB has also developed its financing of leasing facilities, particularly suited to the needs of SMEs which, during their growth phase, seek to treat their premises separately from their capital equipment in order to be able to invest without burdening their balance sheet. It has also extended the reach of its global loans in line with the dimensions of the single market by providing 'European global loans' allowing an intermediary in one Member State to finance projects in another.

As with individual loans, there are no preset quotas for global loans. The number of loans depends not only on the EIB's ability to raise funds, but also on the applications submitted by banks and other financial institutions. The EIB endeavours to provide global loans using a certain number of intermediaries in each Member State, to stimulate competition and improve access to these funds. The rates charged to the final beneficiaries reflect the EIB's lending terms, with the intermediary adding a margin to cover the banking risk and the cost of his own involvement. The EIB ensures that its funds are used in compliance with the agreed objectives.

Over the past five years, close to 36 500 SMEs have received financing via global loans by the EIB totalling more than ECU 9.7 billion, with 7 223 allocations for ECU 2.1 billion in 1992. About 60% of the loans were advanced for investments in the less-favoured areas. Half the total, and almost three-quarters of the number of allocations went to enterprises with less than 50 employees.

[1] Enquiries about loans for small and medium-scale ventures should be addressed directly to the EIB's partner institutions; a list of these is available on request from the EIB's Information Division, 100 boulevard Konrad Adenauer, L-2950 Luxembourg.

New decisions taken by the Edinburgh European Council

The European Council held in Edinburgh in December 1992 recognized the importance of the EIB for European integration and requested it to accelerate the financing of infrastructure projects, in particular those linked to trans-European networks.

Only a short while after the Edinburgh Summit, the Board of Governors of the EIB fully endorsed the role assigned to the Bank by creating an ECU 5 billion temporary lending facility and adopting guidelines focusing on support for the following major areas:

— trans-European transport, telecommunications and energy network projects;
— infrastructure schemes in the same sectors designed to improve access to these networks;
— infrastructure investment for protecting and safeguarding the environment.

An initial series of loans, totalling ECU 1 billion, was approved by the Bank's Board of Directors in February 1993.

At their meeting in Edinburgh, the Heads of State or Government also urged prompt establishment of the European Investment Fund. The concept of this Fund has been examined by the EIB's Board of Directors since early 1992 and the Board has already finalized its statutes. The new Fund, which will have a subscribed capital of ECU 2 billion, will initially provide guarantees for loans intended to finance projects of common European interest (trans-European infrastructure networks), as well as projects promoted by SMEs, especially in assisted areas. At a later stage, the Fund might also be able to advance equity financing for the same categories of investment.

The EIB will provide 40% of the Fund's subscribed capital, with the European Community, represented by the Commission, contributing 30% and public and private banks, 30%.

The implementation of a supplementary financing programme of this order requires active and cohesive partnership between the EIB, the Commission of the European Communities and the Member States. EIB President Ernst-Günther Bröder commented in this context that 'concern to accelerate financing so that this has the fullest impact on economic growth calls for appropriate and complementary action on the part of the EIB, the Member States and the Commission: the Bank stands ready to deploy its expertise in selecting projects and to arrange the most appropriate types of financing on the finest possible terms. However, the crucial task of speeding up implementation of infrastructure projects in terms of technical, administrative and legal procedures lies with the Member States, while it is for the Commission to make available, where appropriate, budgetary support under either the Cohesion and structural Funds or transport, environmental and research policies'.

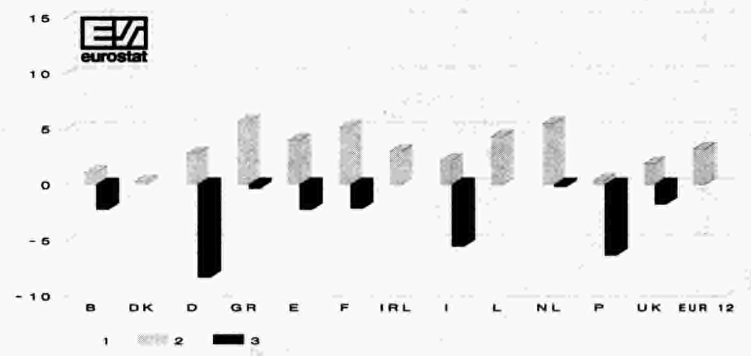
eurostat

Key figures

Statistical Office of the European Communities, L-2920 Luxembourg, Tel. 4301-34567

The regions of the Community

Regional population change, 1980-90, ‰/annum (Germany: pre 3 October 1990 borders)



1 = highest regional growth; 2 = national average; 3 = largest regional decline

Population changes

Between 1980 and 1990, the Community's population grew by 3.2 ‰/annum, an increase of 9 million inhabitants in 10 years. Growth was highest in Greece and the Netherlands (5.7 and 5.5 ‰/annum respectively).

Regional variations were very marked.

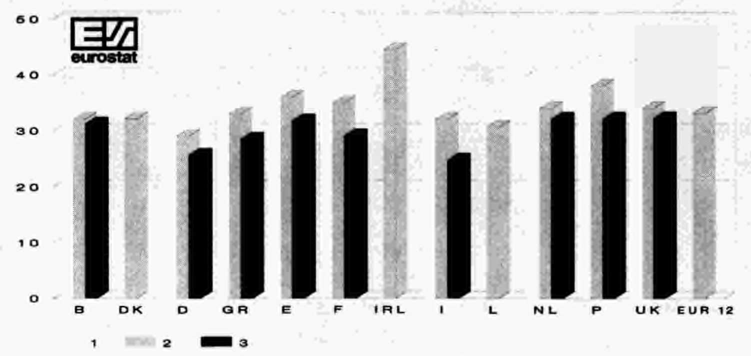
The region that experienced the highest population growth was Utrecht (NL) with 12.5 ‰/annum, followed by Languedoc-Roussillon (F) with 11.7 ‰/annum.

Hamburg (D), with a fall of 8.3 ‰/annum, was the region that suffered the largest decline.

Population of the European Community in millions

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12
1980	9.8	5.1	61.6	9.6	37.4	53.7	3.4	57.1	0.3	14.1	9.9	56.0	318.1
1990	9.9	5.1	62.7	10.0	38.9	56.3	3.5	57.5	0.4	14.9	10.3	57.4	327.1

Percentage of the population under 25 years of age, 1990, in % of total population



1 = region with the largest percentage of under-25s; 2 = national average; 3 = region with the smallest percentage of under-25s

Under-25s in the regions

In 1990, under-25s formed 33.1% of the Community's population, Ireland having the largest proportion with 44.6% of its population under the age of 25.

The Spanish enclaves of Ceuta and Melilla were the youngest regions in the Community with 43.5% of under-25s, followed by Madeira (P) with 42.3% and Northern Ireland (UK) with 42.0%.

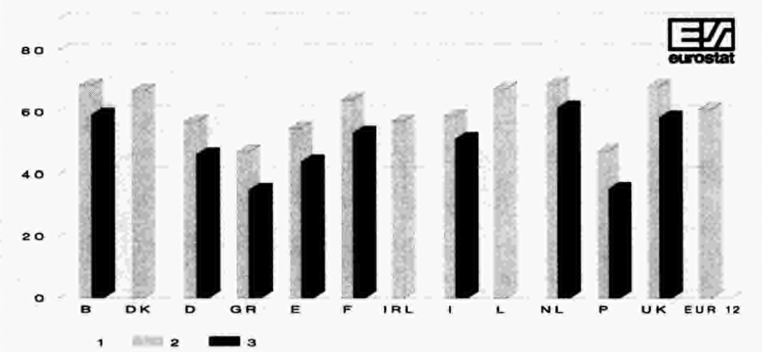
At the opposite end of the spectrum was the Italian region of Liguria, where under-25s formed only 24.7% of the population.

Percentage of the population under 25 years of age, 1990, in % of the total population

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12
1990	31.9	32.1	29.0	33.4	36.2	35.0	44.6	32.0	30.6	33.7	37.6	33.6	33.1

Services in regional employment

Contribution of services to total regional employment, 1991, in %



1 = region with the highest proportion of jobs in the service industry; 2 = national average; 3 = region with the lowest proportion of jobs in the service industry

Services were responsible for nearly 61% of employment in the Community as a whole. The Netherlands was the country in which the sector generated the largest percentage of employment, with 69.1%, while Portugal had the lowest percentage (47.4%).

The contribution of services to regional employment varied widely.

Services generated 86.8% of employment in Ceuta and Melilla (E) and 75.3% in Lazio (I).

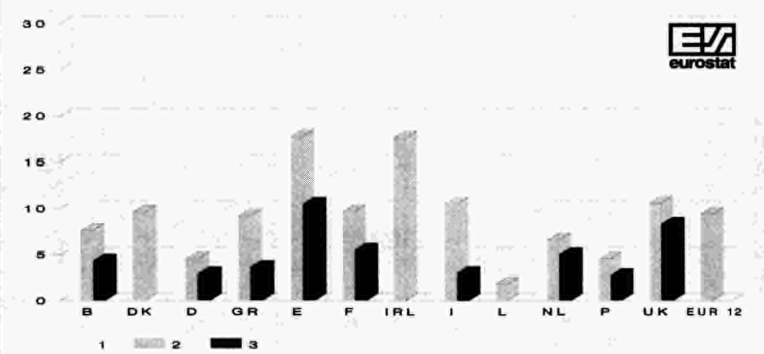
In contrast, in the Peloponnese (GR) and the Centre region of Portugal the sector was responsible for 35.0% and 35.3% respectively of regional employment, well below the EC average.

Contribution of services to total employment, 1991, in %

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12
1991	68.5	66.7	56.8	47.1	54.8	64.0	57.0	58.6	67.6	69.1	47.4	68.3	60.9

Regional unemployment

Regional unemployment rate, April 1992 (except GR: 4/91), in %



1 = region with the highest unemployment rate; 2 = national average; 3 = region with the lowest unemployment rate

Unemployment affects the Member States and their regions in differing degrees.

In the Community as a whole, unemployment totalled 9.4% of the active population (1.8% in Luxembourg and 17.8% in Spain).

In the regions, the range is even broader: the region hardest hit by unemployment in April 1992 was Andalusia (E) with 27%, followed by the Italian regions of Basilicata and Sicily (both 21.8%). At the other end of the scale was the Centre region of Portugal with a rate of 2.7% and Baden-Württemberg (D) with 2.9%.

Regional unemployment rate, April 1992 (GR: 4/91), in %

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12
1992	7.6	9.5	4.5	9.1	17.8	9.6	17.6	10.5	1.8	6.6	4.5	10.6	9.4

INITIATIVES

● Two years for a successful single market

'The Community's credibility rests on the success of the single market. With its potential for growth, this border-free area is an element in the Community's economic recovery.' It is in these terms that the European Commission has defined the first of its four major areas of action in 1993 and 1994; and they are contained in the work programme which the Commission President, Jacques Delors, set out before the European Parliament on 10 February. The Commission will do everything within its powers to ensure that Europeans can benefit from the four freedoms of movement — of people, goods, services and capital. It will follow closely the management of the single market by seeing to the elimination of the last barriers to such movement, and doing all it can to help bring about an end to identity checks on people. As for the three other areas of action by the Commission, they complement the first: concentrating activity on essentials, notably the stimulation of economic activity; preparing for the implementation of the Treaty on European Union, along with economic and monetary union and, finally, explaining the Community to its citizens and keeping them informed. The programme of the 'Delors III' Commission obtained 74% of the votes of the Euro-MPs.

● Convergence: eight programmes under scrutiny

If the European Community is to adopt the single currency provided for by the Treaty on European Union, Member States that are lagging behind as regards inflation, public deficits, monetary stability and long-term interest rates must catch up with the others. In order to manage this difficult process successfully, eight EC countries adopted 'convergence programmes' in 1991 and 1992. On 15 February the Community's Finance and Economics Ministers examined the operation of seven of these programmes — those of Belgium, Germany, Ireland, Italy, the Netherlands, Portugal and Spain. Despite the present economic crisis, no country announced changes to its programme. However, EC ministers accepted the European Commission's suggestion that they present their convergence programmes along similar lines, so as to facilitate their evaluation when the time comes. The fact is, the Commission must submit a report to the EC Heads of State or Government in 1996 to enable them to decide if a majority of countries are ready for a single currency. At present three countries — Denmark, France and Luxembourg — meet the conditions set out in the Treaty of Maastricht, and can dispense with convergence programmes. Greece submitted its programme on 15 March to the EC Finance and Economics Ministers, who gave it their approval. The United Kindom could adopt a convergence programme shortly.

● Six years of regional and social aid

The European Commission has proposed to the Twelve that they keep, for the period from 1994 to 1999, the main ground rules for granting Community regional and social aid, even while making slight changes to its geographic and social breakdown. These proposals, presented on 4 March, seek to replace the present system of anti-disparity aid for the period 1989-93, by designating the beneficiaries of approximately ECU 160 billion provided for by the Twelve at Edinburgh last December. The Commission wants the aid to be concentrated, as before, on the regions lagging behind in development in the south and west of the Community, excluding the Abruzzi this time but adding to the list the former East Germany, Spain's Cantabria, Belgium's Hainaut as well as Merseyside and the Highlands and Islands of the United Kingdom. Industrial regions in decline and fragile rural areas will continue to enjoy aid for specific purposes. The Community will continue to help agriculture and, this is a new development, the fisheries sector to adjust. At the social level the Commission has proposed a continuation of the fight against long-term and youth unemployment with, in addition, special aid for continuing training and the redeployment of workers already affected by industrial changes, or threatened by them.

○ BRIEFLY

EC ministers have asked the European Commission to examine the utility of a general, Community-wide regulation for consumer goods, aimed at meeting the risk of the operation of the single market being hampered by differences between the various national laws on **labelling.** In a resolution adopted on 2 March the ministers asked the Commission to submit proposals by June 1994, at the latest. European legislation in the matter already exists, but is limited to certain sectors.

Good **computerized networks linking together the 12 national civil services** would make for a more effective single market, by making it possible, for example, for national employment agencies to communicate with each other or to deal rapidly with certain social service files. Hence the European Commission's proposal of 15 March to the Twelve to adopt two measures: the first contains guidelines for future computerized networks linking national civil services, the other implies the EC's financial support, amounting to ECU 340 million in all, over five years.

Consumers in northern Portugal and their Spanish neighbours in Galicia will be able to take greater advantage of the single market, thanks to a **cross-border consumer information centre** inaugurated in **Guimarães** on 15 March. Set up by local bodies, with the support of the European Community, the new centre joins the five others already in operation in various border areas. Four new centres will be opened in the coming months.

SEEN FROM ABROAD

▶ The East still looks to the Community

Nearly four inhabitants out of five of Central and Eastern Europe (78%) would look favourably on their country's entry into the European Community, according to a Eurobarometer survey conducted last autumn. Slovenia leads, with 92% in favour of entry, ahead of Albania (91%) and Romania (88%). The most lukewarm are the inhabitants of European Russia (70%). Some 44% of the region's inhabitants have a positive image of the Community and 4% a negative one, while 27% have a neutral image. One-fourth (26%) of those polled (excluding Russia) see their country's future as linked to the Community, rather than to Russia (19%) or the United States of America (17%). The Community was most widely favoured in Albania (63%), the Czech Republic (46%) and Bulgaria (37%). Political leaders who have expressed a desire for EC membership include the Slovak Prime Minister, Vladimir Meciar (visiting Brussels on 24 February), and the Hungarian Parliament, in a resolution adopted on 3 March. But they are increasingly demanding better access to the EC market for their exports. Demands to this effect were made by the Foreign Ministers of Hungary, Poland, Slovakia and the Czech Republic during meetings with Community leaders in Brussels on 8 and 9 March. Meanwhile, 10 commercial banks from five countries — Bulgaria, the Czech Republic, Hungary, Poland and Russia — announced on 16 February that they were choosing the ecu as their unit of account and means of payment among themselves.

▷ **Latin American banana producers** reacted strongly after the Community adopted common rules for the import of bananas (see page 2). The presidents of Costa Rica and Ecuador claimed on 18 February that their countries had been harmed by the EC's decision. Colombia, Costa Rica, Ecuador and Panama decided on 10 March to launch a publicity campaign aimed at European consumers.

▷ 'If greater access to foreign markets must be our priority, it seems to me that rather than put Mexico at the top of our list, we should seek to join the European Community.' This was the response of **Lane Kirkland, President of the AFL-CIO, the largest trade union federation in the United States,** on 17 February to the Agreement between his country, Canada and Mexico setting up a North American Free Trade Area (NAFTA).

SMEs

◆ Seed capital: a growing need for investments

Who dares finance new small and medium-sized enterprises (SMEs)? In launching a five-year Community pilot scheme in 1988 to stimulate seed capital, the European Commission (DG XXIII: Enterprise Policy, etc., and DG XVI: Regional Policies) shared in the risks in order to help those who dare.
The aim? To stimulate the creation of businesses by increasing the financial possibilities available to innovative SMEs. How? By encouraging investors and those specializing in setting up new businesses to institute a maximum of 25 seed capital funds, spread out over the entire Community but including 16 in regions facing problems, in order to augment the amount of capital on offer locally. The European Community's contribution to these funds is twofold: (1) it has undertaken to meet, on a Community-wide basis, 50% of their operating costs, over five years, in the form of repayable loans and (2) the European Commission participates in the capital of the 16 funds set up in the Community's disadvantaged regions, for a maximum of 25% of the capital, through local business and innovation centres. According to a Commission report this experimental programme has made it possible to set up 23 new seed capital funds. Together with the existing funds they represent the core of a professional grouping: the European Seed Capital Fund Network (ESCFN), coordinated by the European Venture Capital Association (EVCA). At the beginning of this year these 23 funds had mobilized a total of ECU 37.7 million; set up 131 new enterprises, 126 of which are still in business and made it possible to create 1 219 jobs. Of the 126 new businesses, 69% are mainly technology-oriented (industrial technology, health care, biotechnology), while the others are in the food processing and services sectors in particular.
The European Commission's support is having a catalytic effect on the creation and activities of seed capital funds. Its pilot action has shown that these funds can become autonomous by enabling their managers to acquire the necessary experience: the investments of the new funds should settle down at around 100 or so each year by 1995. The Commission's action has also made it possible to attract private investments — 58% of the capital obtained by the seed capital funds comes from private investors. It has also improved the quality and viability of the projects provided with seed capital: the very small number of bankruptcies recorded so far shows the value of active support by seed capital funds and their managers. For further information, contact EVCA-ESCFN, Keibergpark, Minervastraat 6, Box 6, B-1930 Zaventem, Belgium. Tel.: (32 2) 720 60 10.

◆ SME information centres throughout Europe

Created specially for SMEs, 210 information centres or Euro Info Centres (EICs) are at your disposal in all parts of the European Community. In order to facilitate the expansion of SMEs throughout Europe, the network of EICs is opening up progressively to the members of the European Free Trade Association (EFTA) and the countries of Central and Eastern Europe, thanks to the establishment of correspondence centres. Such centres exist in Vienna, Zurich, Helsinki and Oslo. Stockholm's centre, located in the building housing the Swedish National Board for Industrial and Technical Development, was inaugurated on 17 February and is already operational. Negotiations are under way to open a centre in Reykjavik, Iceland. Similar centres have been opened in the Czech Republic (Prague), Hungary (Budapest) and Poland (Warsaw). The necessary contacts have been made in Romania, Bulgaria, Slovenia and Slovakia, as well as in the countries bordering the Mediterranean.

◆ New technologies for SMEs, thanks to MINT

To encourage SMEs to adopt new technologies after having recourse to consultants in management and innovation — such is the aim of MINT (managing the integration of new technology), a new activity which has been launched in the framework of Sprint, the EC's programme for innovation and technology transfer. MINT will be complementary to the activities already launched in the Member States. The latter have proposed 24 bodies, to be entrusted with the task of coordination at the regional or national level, and to be responsible for the selection, training and control of the core of experts who will carry out individual consultation assignments. The consultants will help SMEs develop plans to introduce new technologies and management techniques design, quality, expertise, etc. Training workshops will be set up for SMEs with the same technological and commercial needs. The analyses conducted in the MINT framework will make it possible to guide SMEs towards the most appropriate support mechanisms.

◆ Euromanagement: assessment of research and development technologies

In 1992 the European Commission (DG XXIII) demonstrated its readiness to back SMEs in their search for technological competitiveness by launching a pilot action, Euromanagement. The aim of the project, carried out in relation to a representative sample of 657 industrial SMEs that are active in the field of technological research and development, was to make SMEs aware of the possibilities offered by Community research and transnational technological cooperation. Assessments of individual companies, lasting five days and made by consultants, chosen by the Commission, have made it possible to define the expectations and difficulties of SMEs (size of projects, the Commission's administrative sluggishness, etc.) and to stimulate the interest of a significant number of these enterprises in European technological cooperation, participation in Community research programmes and utilization of the results. At the present time nearly 20% of the SMEs having taken part in Euromanagement have prepared or submitted proposals in the framework of Community programmes of research and technological development.

CORRIGENDUM: In the article entitled **'VAT: reducing the burden for SMEs'**, which appeared in the January issue (1-1993) on p. 4, please read 'As regards SMEs, Community legislation provides for a simplification of the listing, or recapitulative statement, in the case of firms with a turnover of less than ECU 70 000'.

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