



## The Commission intensifies the fight against fraud

■ by Peter M. Schmidhuber, Member of the European Commission

Like other public funds the European Union budget — which amounts to more than ECU 70 billion this year — runs the risk of having fraudsters enrich themselves at its expense or embezzle the levies which normally should be transferred to the Union. The techniques used by these fraudsters are becoming increasingly sophisticated; and the most serious cases at least are the work of organizations active in several countries.

The fight against fraud within the European Union has attracted a good deal of public attention. European taxpayers want to be certain that everything is being done, both to ensure that public funds are being put to good use and to uncover fraud and unmask the fraudsters. This is why the European Commission has adopted a new global strategy in the fight against fraud. This strategy follows a multisectoral approach as regards all categories of income and expenditure, and it envisages recourse to the most modern technologies. What is more, little used but promising methods are to be tried out.

### Cooperating with the Member States

Closer cooperation with the Member States has a crucial role to play. One cannot fight fraud of which the European Union is the victim from Brussels alone; it is better to involve the national authorities, as they are on the spot. Roughly three-quarters of the Union budget is spent in a decentralized manner, through the intermediary of the Member States. Responsibility for ensuring that the funds are properly used rests, therefore, with the national authorities in the first place. It is necessary to strengthen the information network which already exists between Member States and the Commission, and to see to it that the information transmitted over the network is both more reliable and detailed. All relevant information is fed into a central databank (IRENE), which makes it possible to exploit this information systematically and to link it to other pieces of information — such as trade statistics and information on ship movements.

### Systematic information gathering

It is necessary to gather information and to use it in a more systematic manner. At present the success of the fight against fraud owes not a little to luck. Investigations must be on-the-spot and focused on sectors at risk. To this end the Commission will perfect risk analysis — particularly through well-prepared programmes for handling statistical data — and make full use of modern technology, especially observation satellites. To speed up the movement of information, the Commission will set up a telephone hot line, so that citizens who are in a position to provide information on concrete cases of fraud can do so more easily — and anonymously, if they so wish. Finally, the number of Commission agents entrusted with the task of conducting investigations and making on-the-spot checks will be practically doubled.

Another important task is to improve the legal framework of the fight against fraud. Fraud, particularly when it involves the cross-border movement of goods, is being made easier by the gaps in Community law and incoherence between the various national measures. The Maastricht Treaty opens up new possibilities, which the Commission must exploit in a more consistent manner. It is necessary to extend to all categories of income and expenditure the administrative sanctions which only apply at present to the agricultural sector (the imposition of fines, withdrawal of subsidies and other EU benefits, etc.). The aim in criminal matters is to see to it that all national legal systems include 'fraud to the Community's detriment' as a single offence.

This new strategy does not imply that the Commission has been inactive so far. On the contrary, in collaboration with the Member States it has been remarkably successful in a number of cases, particularly since it set up a central anti-fraud unit in 1987. Information on it is given in the current annual report on the fight against fraud — the fifth in fact. The report describes such important changes as the improvements in databases and information systems as well as the more important cases of fraud uncovered in 1993.

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JUNE 1994

The text of this issue  
was completed  
on 24 May 1994.

## ■ Bank deposits protected for ECU 20 000

As from 1 January 1995 customers who have deposited money with banks in the European Union can count on recovering up to ECU 20 000 (ECU 1 = UK £ 0.77 or IR £ 0.79) of their deposit should their bank become insolvent for one reason or another. On 16 May the EU Council adopted a Directive ('European law') setting up a European scheme for guaranteeing bank deposits. In four EU countries — Greece, Luxembourg, Spain and Portugal — the guarantee will be limited to ECU 15 000 until the end of 1999. The new 'law' requires all banks in the EU to join a guarantee scheme, usually a national one. In the case of branches established in another Member State, the deposits will be guaranteed under the scheme in force in the country in which the bank has its head office. This means that the freedom to deposit one's money anywhere in the 12-nation EU is allied to protection at the European level. What is more, national authorities will be able to retain schemes which are more favourable than the one set out in the European Directive. It should be pointed out that this is the first single market Directive to have been the object of the conciliation procedure between the European Parliament and the EU Council introduced by the Maastricht Treaty. It enabled MEPs to protect savers more effectively than the Council had initially envisaged (see issue No 9/1993).

## ■ European research until 1998

The fourth framework programme for research in the European Union, which brings together all the scientific and technological activities supported financially by the EU over the period 1994 to 1998, has been definitively adopted. A compromise reached between the European Parliament and the EU Council was adopted by MEPs on 20 April and by the Council on 25 April. MEPs raised the total amount to be paid out from the EU budget from ECU 12 to ECU 12.3 billion. The framework programme includes 20 specific programmes, which are expected to be adopted during the course of the year. The areas of research include telematics, industrial and materials technologies, non-nuclear energy and researcher mobility. The existing specific research programmes expire on 31 December 1994.

## ■ Cohesion Fund is operational at last

The Cohesion Fund, set up under the Maastricht Treaty to help the less well-off European Union countries, can begin operating normally: on 16 May the EU Council adopted the necessary regulation. The Fund will dispose of a total of ECU 15.15 billion, at 1992 prices, for the period from 1993 to 1999. Its goal is to help finance transport infrastructure and environmental projects in EU countries with a gross national product (GNP) below 90% of the Community average. The countries currently interested in the Fund are Ireland, Greece, Spain and Portugal. An interim cohesion instrument had made it possible to provide these four countries ECU 1.56 billion in 1993. Now that the Fund has been set up it will be possible to finance more long-term projects. However, the beneficiary countries can be helped by the Fund only if they have adopted an economic convergence programme designed to enable them to meet the convergence criteria set out in the Maastricht Treaty. After 1 November 1995 the European Commission will be able to suspend payments by the Fund to countries with very large budget deficits, which have not rectified the situation within the period of time fixed by the EU Council of Ministers.

## ■ EU educational exchanges in 1994/95

The European exchange and cooperation programmes involving students, teachers and researchers are proving as successful as ever. This is clear from the results of the selection process for the Erasmus, Lingua and Comett programmes for 1994/95, announced on 6 and 10 May by the European Commission. During the coming academic year 116 010 students — 8.9% more than in 1993/94 — will take advantage of the Erasmus programme to study in another European country than their own, while nearly 10 000 teachers will be able to teach in another European country. Thanks to Action II of the Lingua programme, more than 10 000 students and 720 teachers will be able to improve their linguistic performances in another European country during 1994/95. Finally, the Comett programme of cooperation between business and industry will enable some 7 800 technology students to train with a firm in another European country. Thanks to Comett, some 250 cross-border exchanges will take place between engineers and researchers working in universities, on the one hand, and industry on the other. Comett will also fund some 700 'European' training courses in technologies. The fact is that the demands for financial backing received by Comett were five times larger than the sums available.

## ■ Putting more of Europe into universities

As from the 1994/95 academic year, universities in the European Union will have another 53 teaching posts devoted to European integration. These chairs, created with the help of the European Commission in the framework of the 'Action Jean Monnet', are in addition to those already instituted since 1990, and bring the total number of Jean Monnet chairs to 190. Thanks to the decisions announced by the Commission on 28 April, European universities will also be able to offer 93 new permanent and required courses on Europe, as well as 85 European teaching modules. 'Action Jean Monnet' will also provide five research assistants linked to the European chairs in the coming academic year. The subjects in question range from law to history and include economics and political science. Nearly 400 institutions of higher education in all will have benefited from the 'Action Jean Monnet' since it was launched.

## ■ Airports and the single market

The French authorities can no longer reserve Orly airport, one of the two airports serving Paris, for the use of the national airline, Air Inter, for flights between Paris and Marseilles/Toulouse. A decision along these lines was made by the European Commission on 27 April, under the third air transport liberalization package, in force since 1 January 1993. The Commission also decided, on the same day, that European Union airlines must be able to use Orly airport for the Paris-London route. Under the terms of a French ministerial order of December 1993, Orly airport can only be used for national flights and for flights to Greece, Spain and Portugal. The two Commission decisions follow a complaint lodged in September 1993, by the French airline TAT European airlines, in which British Airways has a 49% interest.

## □ BRIEFLY

**Large companies whose shares are listed on the stock exchange** in one European Union country will be able to list them more easily in another EU country, without having to issue a special prospectus. The EU Council of Ministers adopted on 16 May a Directive which simplifies the necessary formalities. This 'law' will make it easier for the federation of European stock exchanges to carry out their EuroList project, which seeks the simultaneous listing of shares on the stock exchanges of six EU countries.

Lorry drivers in the European Union will be able to **hook up their trucks and tractors to any trailer** — and vice versa — thanks to a Directive adopted by the EU Council of Ministers on 16 May. This 'law' harmonizes the technical requirements for the coupling devices on both vehicles and trailers. It should make European road transport more competitive.

# Research and technology policy of the European Union

by Otto von Schwerin, Head of Unit, Information and Communication,  
DG XII — Science, Research and Development

## Technology as a factor in growth and competition

Research and technology have taken on a new importance in recent years. The development of fundamental technologies in fields such as information and communications, materials sciences and biotechnology has left its mark on all areas of modern life: the economy, society and the private sphere.

At the same time the pace of technological change has accelerated: technical know-how in key sectors has expanded many times within just a few years; research and development costs are constantly rising, and markets, particularly in high-tech fields, have now become completely internationalized. All this means that the European dimension of research and technology is now regarded as vital and the need for action at European Union level is no longer disputed in any country or any branch of economic activity.

Accordingly, technology policy plays a key role in the White Paper on growth, competitiveness and employment. It has become generally accepted that investment today in research and technological development will be decisive for economic growth, employment and the standing of European industry on world markets in the years to come.

The Commission has taken up these developments since the mid-1980s, when it became apparent that Europe was losing ground in certain high-tech industries. The main reason for the decline is not so much the quality of European research or the willingness of Community countries to invest in human and financial resources, but above all the lack of transparency, information, coordination and overall strategy linking individual countries, which have a great deal to offer each other in terms of their economic and technological infrastructures.

A tell-tale sign is that in the 1970s and early 1980s several million jobs were lost in Europe, while around the same number were actually created in the USA, with its natural continental market. The establishment of the single market between 1986 and 1990 helped generate nine million new jobs in a period of strong economic growth. There is no doubt that this figure would have been even higher had a technology policy been established earlier. The experience of the last few years shows that industries where technology plays a major part provide the most fertile ground for creating jobs. With the adoption of the Single European Act in 1987 and the Maastricht Treaty in 1992, the Union established for itself independent and wide-ranging powers and policies in research and technology. Behind this move was the conviction that the single European market would be incomplete without a scientific and technological component.

The European Union is not seeking to monopolize research and technology at Union level. This would be neither sensible nor, with present resources, feasible: although the Union's research budget has grown substantially, it is still, in absolute terms, very limited, representing around 4% of public expen-

diture on R & TD by the Member States and just 2% of private and public expenditure together. The Union itself is keen to stress that R & TD remains primarily a matter for industry and the Member States. This guideline was firmly established under the Maastricht Treaty by the principle of subsidiarity, which holds that the Union should intervene only when action by the next tier of authority down is less suitable or less rational. More and more scientific problems in the economy, society, the environment and medicine are now proving to be insoluble within national boundaries. Even with the principle of subsidiarity, the scope for intervention by the Union therefore still far exceeds its capacities.

## The main features of European cooperation on R & TD

In practical terms, anyone interested in the European Union's technical R & D programmes should bear in mind the following points:

(1) Assistance may be granted to research projects involving international cooperation between industry, universities and independent research laboratories where at least two partners are from different Member States. Although industry as a whole plays an intensive part in European Union programmes, medium-sized firms in particular are under-represented, bearing in mind their potential and requirements.

(2) There are no national quotas for research aid (unlike assistance from the Structural, Social and Regional Funds); the main criterion for selecting projects is always scientific and technical quality. Economic criteria, such as effects on growth and competitiveness, are also considered.

(3) This means that the assistance granted is more of a prize than a subsidy: only the most convincing proposals in terms of scientific goals, innovative qualities or strategic planning stand any chance of success. More than other financial instruments, the award of research grants is based on competition and it is worth bearing in mind, even at the preparatory stage, that the selection procedure is exacting and that often only a very small proportion of deserving applications are successful. It is vital that potential candidates do not concentrate solely on financial aspects: much more important than financial support — even in the eyes of successful partners — are the long-term effects of cooperation, such as scientific partnership, innovation and networking.

(4) In principle only projects involving fundamental research at the pre-competitive stage are eligible for European Union assistance; the closer a project is to the market, the less chance it has. The Commission believes that product development and marketing must remain the responsibility of private industry. However, in today's straitened economic and financial circumstances, there is also a trend in European Union research towards projects that are more market or application-oriented.

(5) Research cooperation contracts are drawn up and concluded directly between the Commission and the applicant. This has the advantage of by-passing complicated bureaucratic requirements imposed by the *Länder* or regions. However, it also requires a strong commitment by the interested party to foster contacts and obtain information at source. In a community of 370 million people this task cannot be left to the Commission alone. In the interests of all participants, those requiring information should seek it out rather than wait to receive it. The Commission has a large stock of material to offer in this respect.

## The fourth framework programme for research and technological development

The main political instrument of European Union research is the framework programme, a plan drawn up by the Commission in close cooperation with interested parties from the worlds of science, industry and politics. It lays the basis for a medium to long-term strategy by defining all the main elements for a period of five years: the scientific and technical content and objectives, the legal and administrative conditions and, most importantly, the level of funding. In view of the considerable political commitment involved, the framework programme can only be adopted by the Council by unanimous decision. Under the new co-decision procedure introduced by the Maastricht Treaty, the European Parliament will in future share the same rights as the Council in the decision-making process.

Practically the whole spectrum of modern scientific research was already covered in the second and third framework programmes (1987-91 and 1990-94): industry-related research into information, communications and materials, biotechnology, energy and environmental and medical research.

In the first half of 1994, European Union research stands at the threshold between the third and fourth programmes. The resources allocated to the third programme, which runs officially until the end of the year, have long since been used up. On 22 March the Council and Parliament agreed on the fourth framework programme (1994-98). Its main features are outlined below:

- (1) The new framework programme covers for the first time all research activities which previously came under other Union policies (agriculture, energy, environment, etc.);
- (2) The main focus is on 'generic technologies' which are of key importance for the growth and competitiveness of industry: computing and telecommunications, materials sciences and biotechnology;
- (3) More emphasis is being placed on aspects of science and technology which serve the people of Europe, i.e. in environmental protection, the quality of life and health care. This applies not only to the relevant specific programmes; in future environmental considerations will have to be taken into account in all programmes in response to a growing public demand apparent in opinion polls;
- (4) International cooperation will concentrate for the first time on a single field of activity; cooperation will mainly be with Central and Eastern Europe and developing countries, but also with industrialized countries outside Europe;
- (5) There will be better dissemination and utilization of research results, in particular for the benefit of small and medium-sized firms; a European network of liaison centres for information, advice and technology transfer will be established;
- (6) Mr Ruberti, the Member of the Commission responsible for research lays special emphasis on:

- the synergy between R & TD policy and structural policy, in particular regional policy in order to close the North-South gap in technological infrastructure in the Union;
- stronger links between R & TD and training policy in order to meet the need for a specialized workforce in future decades;
- finally, systematic coordination between the R & TD policies of national institutions and consistency with Union policy, one of the important tasks set by the Maastricht Treaty.

Meanwhile, the Commission has presented the specific programmes for the fourth framework programme, laying down special selection criteria for the scientific content of individual areas of activity.

## Scientific objectives and content

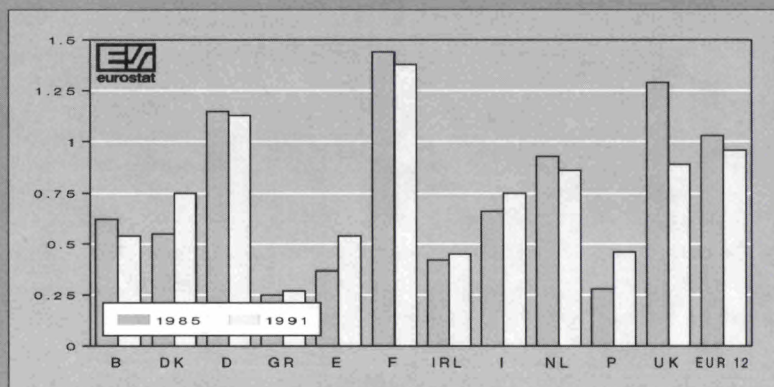
In all there are 20 specific programmes with a highly specialized scientific content. Here are just some of the most important features:

- As before, the focus is on *information and communication technologies*: the development of application-oriented software, multimedia technologies, electronic components, semi-conductors and peripherals, digital networks and picture databases. Telematics has many potential applications: video-phones, tele-working, distance learning and road traffic management;
  - *Industrial technologies*: the aim here is not only to boost industrial competitiveness, but also to combine it with quality of life, environmental protection and safety: 'smart and clean' construction and production technologies, the 'factory of the future', new materials (plastics, superconductors, composite materials) and propulsion technologies for transport by air, car, rail and ship;
  - *Environmental research and climatology*: the effect on ecosystems of industry, transport, tourism, urbanization, depletion of the ozone layer, recycling of industrial waste and management of natural disasters;
  - *Biotechnology*: one of the key sectors which has applications in chemistry, pharmaceuticals, the environment and agriculture. Research into 'cell factories' (biochemistry, genetics, bio-informatics, genome sequencing, plant molecular biology, etc.);
  - *Biomedical and health research*: research into AIDS, cancer, infectious diseases, neurological diseases, mental illness and disorders of the immune system;
  - *Energy research*: development of alternative energy sources, integration of energy and environmental aspects, nuclear safety (reactor safety, radiation hazards), reduction of harmful emissions, solar energy and thermonuclear fusion.
- Finally, the most important innovations of the fourth framework programme are:

- (i) *transport research*: in view of the chronic congestion of European roads, towns and airways, research is needed into trans-European networks which integrate the various modes of transport (air, water, rail and road) in a common plan;
- (ii) *socioeconomic research*: firstly, the development of our ability to anticipate technological changes, secondly, the need to educate and train future generations and, finally, the question of social integration or social exclusion, particularly in connection with structural and long-term unemployment;
- (iii) *assessment of the impact of technology*: this is a highly-developed discipline in the USA and Japan. The European Union should lay down guidelines for research into the long-term effects of technology and its social acceptance. If the post-Maastricht goal of bringing Europe closer to the people is to be achieved, this would be a good place to begin, so that the expectations and concerns of ordinary people can be met.

## Expenditure on research and development in the European Union

*Public spending on research and development as a % of GDP in 1985 and 1991*



### R&D in the economies

Public spending on R&D (taking civil and military expenditure together) in the European Union accounted for almost 0.96% of GDP in 1991 compared with 1.03% in 1985.

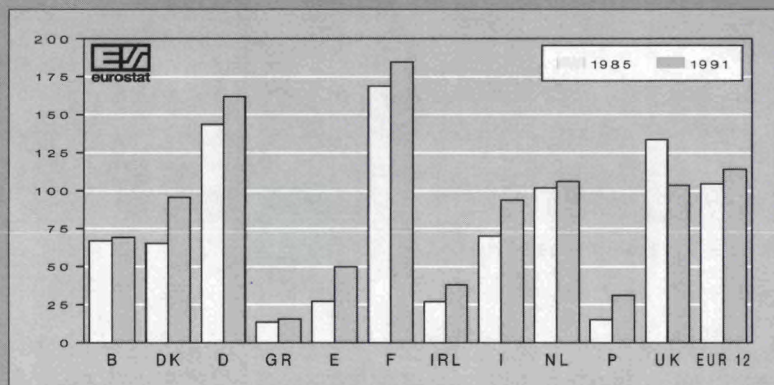
The situation varied considerably from State to State. In France and Germany the level was considerably higher than the Community average (1.3 and 1.13% respectively in 1991) with a slight drop between 1985 and 1991.

Greece, Ireland and Portugal were well below the average, with 0.27, 0.45 and 0.46% respectively. However, Portugal increased its expenditure considerably between 1985 and 1991, as did Denmark and Spain.

**Public spending on R&D as a % of GDP**

	B	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 12
1985	0.62	0.55	1.15	0.25	0.37	1.44	0.42	0.66	0.93	0.28	1.29	1.03
1991	0.54	0.75	1.13	0.27	0.54	1.38	0.45	0.75	0.86	0.46	0.89	0.96

*Per capita public spending on research and development, in terms of PPP at 1985 prices*



### Level of R&D

On average Europeans spent 114 PPP on R&D in 1991 compared with 105 PPP in 1985.

France and Germany considerably exceeded the average, with 185 and 162 PPP respectively in 1991, whereas the biggest increase was in Denmark (+47% between 1985 and 1991).

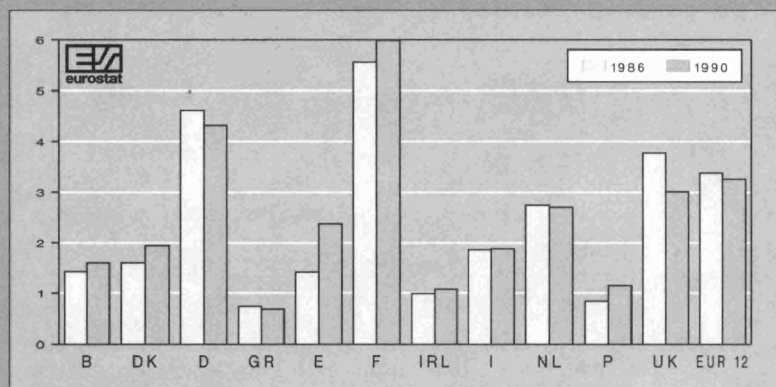
Only in the United Kingdom was there a significant drop (-22%).

Despite the more or less general increase, the gap between countries spending the most per capita (France) and those spending the least (Greece) widened.

**Per capita public spending on R&D in terms of PPP at 1985 prices**

	B	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 12
1985	67	65	144	13	27	169	27	70	102	15	134	105
1991	69	96	162	15	50	185	38	94	106	31	104	114

*Share of public budgetary appropriations allocated to R&D in the current and capital expenditure of central governments (%)*



## The proportion of the budget allocated to R&D expenditure

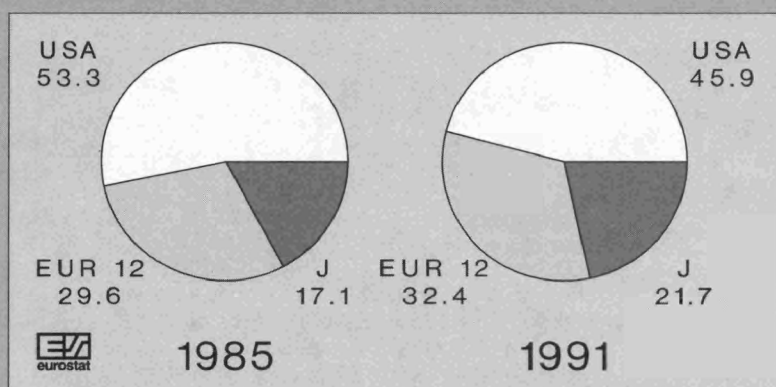
The proportion of the total budgets of the Member States allocated to R&D fell slightly between 1986 and 1990. This mainly concerned the United Kingdom and, to a lesser extent, Germany.

On the other hand, the share allocated to this heading rose considerably in Spain and France, with the latter allocating the largest proportion of its budget to R&D (taking civil and military expenditure together) (almost 6%). At the opposite end of the scale was Greece, with 0.69% in 1990.

Share of public budgetary appropriations for R&D in the current and capital expenditure of central governments (%)

	B	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 12
1986	1.43	1.61	4.61	0.75	1.42	5.57	0.99	1.86	2.74	0.85	3.77	3.37
1990	1.61	1.94	4.31	0.69	2.38	5.99	1.08	1.88	2.70	1.15	3.01	3.26

*Breakdown of public spending on R&D between the European Union, the United States and Japan (%)*



## Geographical breakdown of R&D expenditure

In 1991, public spending on R&D in the European Union amounted to ECU 48.3 billion. Taking the European Union, the United States and Japan as a whole, the EU's share rose from 29.6 to 32.4% between 1985 and 1991. Japan's share rose from 17.1 to 21.7%. These increases were to the detriment of the United States, whose share fell from 53.3 to 45.9%.

Within the EU, two countries accounted for the lion's share: Germany with 27.9% and France with 28.5% of the 1991 total.

Public spending on R&D in billion ecus in 1991

	B	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 12
	8.6	7.7	13.5	0.2	2.3	13.8	0.1	7.2	2.0	0.2	7.3	48.3

PPP (purchasing power parities): since exchange rates do not necessarily reflect the PPP of a currency on national territory, Eurostat uses the PPP to eliminate the differences in the general level of prices between countries in order to improve the comparability of figures.

## INITIATIVES

### ● Mobile European telephones for everyone?

There were some 8 million cellular mobile telephones in the European Union at the end of last year, of which 10% were fully digital, and could therefore be used throughout Western Europe. In addition, there were 8 million users of other mobile communications services. There could be nearly 40 million users by the year 2000, according to the experts. The European Commission would like this growth to take place within the context of the European single market. It therefore published a Green Paper on 27 April on a common approach in the field of mobile and personal communications. The Commission finds it necessary to liberalize the European market, given the very favourable outlook for this sector, on the one hand, and the success of the European industry on world markets on the other. The Commission particularly wants to put an end to the special rights enjoyed by some companies, liberalize sales of mobile telecommunications services and facilitate the supply of these services on a Europe-wide basis. The aim of the Green Paper is to sound out all those interested in this sector of the industry. The Commission itself is organizing a series of meetings this summer, with a view to submitting a report in the autumn.

### TRANSPORT: SIX CRITERIA AND 33 PROJECTS

The European Union could stimulate the realization of 33 major transport infrastructure projects, according to a list published by the European Commission on 28 April. These projects would represent the implementation of one of the suggestions contained in the White Paper, 'Growth, competitiveness, employment', presented by the Commission and adopted in general terms by the Twelve last December. Taking the indicative list contained in the White Paper as its starting point, a high-level group representing the 12 EU countries, and presided over by the European Commissioner for economic affairs, Henning Christophersen, has drawn up six selection criteria and certain priorities. The question of how the projects will be financed has yet to be settled. The projects must be of an exceptional nature, of Europe-wide interest, have a positive economic impact, involve private investors, meet EU objectives and, finally, be ready for implementation. Thus 10 projects have already been launched, or should be within two years. They include the construction of several rail links for high-speed trains: Paris-Brussels-London/Cologne/Amsterdam; Germany-Austria-Italy; Madrid-Perpignan; Lyon-Turin; Berlin-Munich and Paris-Strasbourg/Luxembourg/Mannheim. Another 10 projects can be 'speeded up', so that work can begin within two years; they include a European combined transport network, motorways, airports and high-speed rail links. Finally, another 13 projects require further reflection. They include a permanent link between Germany and Denmark, the construction of a canal, an electro-magnetic train in Germany and other high-speed rail links.

### ● Two anti-fraud initiatives

Some 50 senior civil servants who are leading the fight against VAT-related fraud in the 12 European Union countries, met in Ghent (Belgium) on 26 April, to look at cases of fraud linked to cross-border operations within the EU. The meeting, organized by the European Commission and the Belgian authorities, was in the framework of the Mattheus-Tax programme, launched in 1991 to accustom national civil servants to co-operating with their colleagues in other EU countries. By the end of this year 224 of them will have spent at least two weeks in the tax department of another European country. Another anti-fraud initiative was launched on 28 April when the European Commission sent the Twelve a draft regulation which would make it possible to draw up a black list of companies responsible for certain types of agricultural fraud at the ex-

pense of the EU budget. The aim is to identify fraudsters in order to control them more effectively, and eventually to prevent them from benefiting from Community agricultural aid for which such measures do not exist as yet.

At worst the creation of an information network aimed at keeping workers in multinational enterprises fully informed, as proposed by the European Commission on 13 April (see issue No 5/94) would cost the companies in question ECU 10 per worker per year. This information was given by the European Commissioner for social affairs, Pádraig Flynn, on 18 May. He based himself on calculations recently made by Commission departments.

### ● A single market favourable to mergers

The number of business mergers and take-overs in the 12-nation European Union rose sharply between 1986 and 1990; it declined thereafter, but until the end of 1993 it remained at a much higher level than in the mid-1980s. These are some of the findings of a study published by the European Commission at the end of April. The number of mergers reached its peak in 1990. At the end of the 1980s such operations mainly involved industrial companies and were generally defensive in nature. Since then companies in the services sector — banks, insurance companies, distribution and service companies — are more involved in mergers. At the same time companies have gone on the offensive. Purely national mergers reached their peak in 1989, and have since declined in number. 'European' mergers, involving at least two EU countries, and international mergers, involving at least one non-EU country, peaked in 1990. Between 1986 and 1993 most takeovers were by British companies, followed by French and, more recently, German companies. East German companies in particular are the most sought after for mergers and acquisitions.

### □ BRIEFLY

Since 19 May five **consumer information centres** have been linked together in a European computer network called Coline. The five centres are located in Barcelona, Dusseldorf, Lille, Lisbon and Luxembourg. They provide information on the rights of consumers under European law and the national laws of the five countries in question. The network is to be extended to other EU countries.

'**Internal market weeks**' organized by the European Commission, will have been held in all EU countries by the end of this year. The first of them was held in Belgium at the end of May and early June. During the week both companies and individuals can call Commission civil servants on a special 'green line' and put their questions to them and comment on EU matters. Questions are handled by specialists the following week.

The European Commission signed one-year arrangements with two organs of the European Posts and Telecommunications Conference on 21 April. The aim is to **harmonize the various types of frequency** in use in the European Union for personal telecommunications services and radio and satellite links. The EU Council of Ministers is to adopt a definitive European framework for radio frequencies by next year.

**Three European car manufacturers** — BMW, Fiat and Renault signed an agreement on 28 April which makes their national networks for the collection and recycling of old cars compatible with each other.

## SEEN FROM ABROAD

### ▶ Tsutomu Hata chooses Europe

For his first visit overseas since he assumed office at the end of April, the new Japanese Prime Minister, Tsutomu Hata, chose Europe. He was in Rome on 3 May, Paris on 4 May and Bonn on 5 May, arriving in Brussels on 6 May, where he met the European Commission President, Jacques Delors. In an interview published on 6 May Mr Hata declared that he wished to strengthen the links between his country and Europe.

### ◆ 'European' interest subsidies

With a view to implementing the conclusions of the European Council meetings held in Copenhagen and Brussels, the European Union Council decided on 19 April to provide interest subsidies on loans granted by the European Investment Bank (EIB) to SMEs, under its temporary lending facility (Edinburgh facility). The EU in fact will provide subsidies of 2% for five years, with a view to lowering the interest rate on EIB loans to SMEs. These subsidized loans, for a total amount of ECU 1 billion in principal, will be managed, through a system of global loans, by a network of banks which already work with the EIB. In addition to the evaluation and follow-up of the loans, these banks will provide the additional capital — that part of the cost of the project which is not covered by the EIB — and will cover the risk of non-repayment of the funds loaned by the EIB. These subsidies will be limited to investment projects which lead to the creation of jobs.

### ◆ Small firms create jobs

Between 1988 and 1993 micro and small enterprises (0-99 employees) created three million new jobs, one-third of them in newly launched firms, in the distributive trades and other services in particular. They now employ some 53 million people in all. However, as a result of the recession medium-sized (100-499 employees) and large enterprises (500 employees and over) have lost more jobs than they have generated since 1988. The number of self-employed people has risen in nearly all European Union countries. In the EU as a whole the number of self-employed — around 17 million — grew by 2.5% per year. One newly self-independent person out of eight was previously unemployed, while some 60% of them were wage-earners. These are the main findings of the second annual report of the European Observatory for SMEs, published in mid-May. The report, requested by the European Commission, was prepared by the 12 European research institutes belonging to the European network for research into small and medium-sized enterprises (SMEs). It is full of statistical material and provides a first structured overview of the impact of the internal market on SMEs.

In 1990 the Community non-primary private sector, excluding agriculture and fisheries, contained some 15.8 million enterprises, more than 99.9% of which were SMEs (0-499 employees). Of this total, roughly 14.7 million were micro firms (0-9 employees), some seven million of them with no salaried employees. In addition, there were 970 000 small firms, 70 000 medium-sized firms and only about 13 000 large enterprises. The SMEs provide roughly 68 million jobs, thus accounting for a growing share (around 72%) of total employment in the European non-primary private sector industry plus services. According to the report, the completion of the internal market is viewed as a positive factor for SMEs as regards demand, availability of resources and business development. However, the differences between the Twelve as regards laws and technical standards, as well as difficulties in gaining access to information, can still act as major residual barriers to international activities by SMEs. They see the single market more in terms of increased

competition than an increase in exports. However, the elimination of administrative constraints: better access to innovation and the spread of technology; the increased availability of risk capital and finance, and enhanced investment opportunities will benefit SMEs relatively more than other firms.

The report points out that smaller enterprises pay far less attention to training and retraining of their personnel than large firms. This delay in training may have serious consequences for SMEs. The European Observatory for SMEs has therefore invited the European Commission to set up a European platform for vocational training, geared to the needs of SMEs; it would enable them to discover the 'best practices' applied in the Member States to stimulate job creation by SMEs.

### ◆ Europartenariat in Bilbao in November

Europartenariat is a European Commission programme designed to encourage cooperation between SMEs located in problem areas with their counterparts elsewhere in Europe. The next session of Europartenariat will take place in Bilbao (the Basque country in Spain) on 21 and 22 November 1994. 'Europartenariat Cornisa Atlantica' will bring together seven Spanish regions: the Basque country, Navarre, Rioja, Aragon, Cantabria, Asturias and Galicia. Thanks to Europartenariat, the 514 SMEs chosen by the local authorities from these seven regions will be given a unique opportunity: to meet at first hand the managers of companies located in other EU countries, in the European Economic Area, in Central and Eastern Europe, the Mediterranean basin and Latin America. Some 1 500 visitors are expected at Bilbao. Cooperation offers, as well as demands, from these Spanish companies, which are active in such fields as trade, industry, technology and finance, will be published in a catalogue, to be widely distributed this summer throughout Europe and Latin America. For further information contact: Europartenariat Cornisa Atlantica, Diputacion Foral de Bizkaia, M. Garmendia, Gran Via 25, E-48009 Bilbao. Tel. (34-4) 415 32 00 / Fax (34-4) 415 48 75.

In 1995 Europartenariat North-Rhine Westphalia will take place on 20 and 21 March in Dortmund (Germany).

### ◆ Al-Invest for Latin America

The Community programme Al-Invest seeks to encourage investments and industrial cooperation between Europe and Latin America. This programme, which covers the period 1994-95, will foster the establishment of links between the European and Latin American cooperation networks, and develop a network of 20 'Eurocentres for Enterprises Cooperation' (EEC). These Eurocentres will help enterprises to improve the quality of industrial cooperation and investment projects. Al-Invest will extend the network of Business Cooperation Centres (BCC) and BC-Net (Business Cooperation Network) to all of Latin America. In order to improve information and communication on subcontracting, 10 specialized fairs will be held on the two continents. In addition, some 40 meetings between businessmen from specific sectors will be held. For further information contact: Al-Invest Secretariat, avenue Louise 486, bte 5, B-1050 Brussels. Tel. (32-2) 644 30 11 / Fax (32-2) 646 32 56.

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European Commission

Directorate-General 'Information, Communication, Culture and Audiovisual Media' and Directorate-General for Enterprise Policy, Distributive Trades, Tourism and Cooperatives, Rue de la Loi 200 — B-1049 Brussels



OFFICE FOR OFFICIAL PUBLICATIONS  
OF THE EUROPEAN COMMUNITIES

L-2985 Luxembourg

Catalogue number: CC-AI-94-006-EN-C