



European industrial policy in 1998

by Martin Bangemann, Member of the European Commission

For 1998 the European Commission has set itself four priorities as regards industrial policy — by which I mean a policy which favours the entire trading sector, including small and medium-sized enterprises (SMEs). They are to:

- (i) help our companies become more competitive;
- (ii) ensure that the single market works more smoothly in those areas in which problems remain;
- (iii) make full use of the opportunities offered by the information society;
- (iv) prepare the candidates from central and eastern Europe for EU membership.

Improving competitiveness

It is primarily up to companies themselves, of course, to ensure that they are competitive; but we can help them. We will therefore continue to identify and eliminate obstacles arising from the legal and policy environment. We will continue, at the same time, to pursue our benchmarking activities, begun in 1997. We are conducting a worldwide search for places where the policy, sectoral and business environments have given the best results. We want to set them against our own solutions and performances, in order to follow the best examples. Last year we began to analyse the reasons for the success of Ireland and New Zealand. With the United Kingdom and Austria, the two countries that hold the Council's rotating Presidency this year, we have drawn up a medium-term work programme designed to promote competitiveness.

At the international level, the Commission is continuing to support the 'round tables' which bring together our own industrialists and those from third countries. These round tables include the transatlantic dialogue with US companies, as well as similar events involving Japan, China, Russia and central and east European countries.

The European single market remains a pillar of our policy. While it is operating satisfactorily in most areas, a number of problem areas remain.

- The market for medicines should follow the rules of the single market; however, it is still largely determined by national social security systems, which are not harmonised. We want to continue to work to narrow the gap between these two elements, and to this end envisage a communication on prices, the single market and competitiveness in the pharmaceutical sector.
- In the area of food law, which is highly regulated at both the national and European level, we envisage a basic directive, which we hope will simplify many things.
- In the chemicals, car and other sectors, we want both to complete our regulations and to simplify them.

Putting to use the information society's potential

Telecommunications liberalisation is making exchanges of information within Europe easier and cheaper. Our research programmes have made us world leaders when it comes to telematics applications, whether it be telemedicine, the systems designed for transport or distance learning or the opportunities offered to small and medium-sized enterprises, for example. We wish to continue our efforts to help European citizens and companies make full use of existing possibilities, in order to remain leaders in the global market place. Europe's role is to promote pilot projects and to organise research institutions into networks. The adoption in 1998 of the fifth framework programme for research will make a substantial contribution in this connection.

Preparing our companies, and their software, for **two significant events** — the **year 2000**, which calls for substantial adjustments to computerised systems, and the introduction of the **euro** — is also of great importance. We want to draw the attention of our companies — and SMEs in particular — to these two problems, and to help them as far as possible to adapt.

Enlargement eastward: a challenge for industrial policy

Membership negotiations with the countries of central and eastern Europe enter a decisive phase this year. It is not enough to integrate into the legislation of each of these countries the *acquis communautaire*, i.e. existing legal rules, in all areas, including trade in goods. But in order to be ready for membership, they must also be sufficiently competitive, as otherwise membership could result in economic and social action aimed at rejection. This is why we want to help countries seeking to join the EU to restructure their economies and to involve them increasingly in such activities as research policy and the work on standardisation. Numerous bilateral and multilateral contacts, at both the expert and political level, will ensure this. And I have high expectations as regards the round table with the economic representatives of central and eastern Europe.

DECISIONS

■ Fine makes an example of Volkswagen

In imposing a fine of ECU 102 million (ECU 1 = GBP 0.66 or IEP 0.79) on the firm Volkswagen on 28 January, the European Commission forcefully reaffirmed the right of Europeans to buy a car in the country of their choice. Having received complaints from consumers, particularly Germans and Austrians, who faced obstacles when buying Volkswagen (VW) and Audi cars in Italy, the Commission carried out an investigation. It was able to establish that the Volkswagen-Audi group was implementing a strategy deliberately designed to prevent, or at least substantially limit, residents of other European Union countries from buying its cars in Italy. The car manufacturer had reached an understanding with its Italian subsidiary, Autogerma, and its Italian dealers to enforce this strategy, which it knew contravened EU rules. The fact is that the European regulation on the distribution of motor vehicles authorises dealer networks, which in principle are contrary to European competition rules, provided, in particular, that they do not hamper cross-border sales. The Commission's decision obliges Volkswagen to put an end to its anti-competitive practices by the end of March at the latest. Moreover, thanks to this decision, consumers who feel they have been victims of similar practices on the part of Volkswagen will be able to take the matter to their own courts or to their national competition authorities, where they exist.

■ No voice telephony on the Internet

Telephone messages which currently go over the Internet do not as yet constitute voice telephony, as it is understood by the European Union regulation on telecommunications. The European Commission's views are set out in an opinion which it adopted on 10 January. This means that for the moment the Fifteen do not have the right to subject telephone messages over the Internet to individual licensing; a notification procedure is the most that can be allowed. The Commission takes the view that telephoning over the Internet comes under the category of voice telephony only if it meets four conditions: (i) it is within the framework of a commercial offer; (ii) it is available to the public; (iii) it is provided at the point of departure and destination with public network terminals, which is the case with traditional handsets; and (iv) it implies that speech is carried in real time. Voice messages over the Internet are cheaper than ordinary telephone messages, but they are often of poorer quality. The Commission will review its position by 1 January 2000 at the latest, in the light of technical progress. The text of the Commission's opinion can be found in the *Official Journal of the European Communities* (O) C 6, 10.1.1998) and on the Internet:

<http://www.europa.eu.int/en/comm/dg04/lawliber/libera.htm>

■ Customs agents

European Union institutions do not owe damages to customs agents who have been deprived of all, or part, of their activities as a result of the elimination of border checks on goods as from 1 January 1993. A ruling to this effect was handed down by the European Court of First Instance on 29 January, in a case opposing a French firm of customs agents, Edouard Dubois, and the European

Union Council and the European Commission. In refusing the damages sought by this firm, the Court held that the harm it had suffered arose from the Single European Act (SEA), under which the Member States had decided to establish a single market. Consequently, responsibility did not lie with EU institutions but with the signatories to the SEA; hence, a firm which felt it had suffered from prejudice should turn to its national authorities. The Court noted that, although not obliged to intervene, the EU nevertheless had taken steps to complement action at the national level, designed to facilitate the conversion of the sector in question. It judged the EU's intervention to be adequate. In addition, the Court held that the achievement of the single market represented a basic objective for the EU, and thus justified the reappraisal of acquired rights. The French firm can still take its case to the European Court of Justice, but only on points of law. Several hundred firms in the same line of business, located in five EU countries, have gone to the European Court with similar demands for damages.

■ Immigration: a European action plan

Faced with an influx of illegal immigrants from Iraq and Turkey, the EU Council of Ministers adopted on 26 January a 46-point action plan which provides for identical and coherent checks at the Union's external borders. As the draft convention on checks at these borders has not yet been adopted, the action plan contains a series of initiatives for the effective implementation of the procedures to be followed by asylum seekers, even while preventing abuses. Under the terms of the action plan, the Fifteen must improve the exchange of information on immigration and demands for asylum, the procedures for the issue of visas and consular cooperation as regards visas. Other measures decided on include the designation of liaison officers, exchanges of officials among the Fifteen and the expulsion of persons who are illegally present on the territory of an EU Member State and have no right to remain there.

□ IN BRIEF

Seventeen denominations of agricultural and food products have been added to the list of 440 typical products which enjoy protection throughout the European Union. The European Commission decided on 21 January to register these denominations, which originate in Germany, Greece, Italy and the United Kingdom. The products in question are meat, meat-based products, fruit, vegetables, olive oil and cheese. The use of these denominations is reserved for producers in a given area, who produce under precise conditions.

The European Commission adopted on 16 January revised criteria for the **award of an ecological label to tissue paper products** — toilet paper, handkerchiefs, kitchen rolls and paper. The aim is to reduce the quantity of solid waste and conserve forests. However, the criteria adopted in 1994 for toilet paper and kitchen rolls have been simplified at the same time. The European eco-label guarantees that the product in question does not damage the environment, and gives the right to display a logo in the form of a flower on the packaging.

The payment to the Italian State, following the sale of gold by the Italian exchange office (UIC) to the Bank of Italy, constitutes a financial operation which cannot reduce the country's **public deficit**. A decision to this effect was made on 27 January by Eurostat, **the European statistical office**, which thus clarified the notion of public deficit in the run-up to economic and monetary union. The scale of this deficit effectively constitutes one of the Maastricht criteria for the transition to the euro.

A firm which has acquired goods or services for **investment purposes**, but which, for reasons outside its control, does not employ them for economic ends, does not have to reimburse the amount of **VAT which has been deducted**. A ruling to this effect was given by the European Court of Justice on 15 January, in a case involving the firm Ghent Coal and the

COMPETITION IN TELECOMMUNICATIONS: WHY AND HOW? (I)

The telecommunications industry is growing fast: there is a steady stream of new developments and the technology is changing rapidly. As the numbers and kinds of services available increase, the industry is becoming a pivotal player in European society and the European economy.

In 1995 the world telecommunications market was worth more than ECU 700 billion. By 2005 it should reach something like ECU 970 billion. In Europe the industry provides jobs for nearly a million and a half people.

In launching Europe along the path to deregulated telecommunications as long ago as 1987, the European Union chose to square up to the challenge posed by the new forms of communication and information technology.

The complete opening up of telecommunications to competition in 1998 will mark the culmination of the process and will turn the single market in telecommunications services into a reality.

The priorities the European Union has set in terms of deregulation demonstrate its determination to work primarily for its citizens (in terms of standards and accessibility of services, wider availability of the new channels for information, and job creation) and for businesses (with the emphasis on capacity to innovate and greater competitiveness).

By marrying a competitive environment to a guarantee of universal service, the European Union achieves a match between a dynamic market, cohesion and solidarity.

such as promoting job creation, encouraging the use of new technology, bringing to Europe's citizens and businesses the benefits of the new communication facilities and the prospects opened up by the information society and helping European firms establish a presence on the world telecommunications market.

Alongside the new regulatory framework, a decisive role in achieving these objectives will be played by the establishment of trans-European telecommunications networks, the operations of the Structural Funds and the European Investment Bank, and the research and development programmes financed by the European Union.

The twin forces driving the deregulation of telecommunications services are the internal market and the coming of the information society, while the foundation it rests on is a clear regulatory framework which defines the new terms for this economic activity and guarantees every citizen in Europe universal service.

As the deregulation process goes ahead within the European Union, negotiations on worldwide deregulation of the telecommunications industry have been proceeding within the World Trade Organisation. By opening to competition a world market worth ECU 700 billion, the agreement reached in Geneva in February 1997 will mean that the economic benefits of deregulation can be increased and can have a greater impact on the information society. European companies can widen their field of development to take in the world and the European telecommunications market can attract foreign investment.

Why deregulate telecommunications services and equipment?

Because it replaces dominance by a monopoly with a market on which a range of operators contend with each other, deregulation gives a vitally needed boost to the development of the telecommunications industry and innovation within the European Union. It opens up the way to new products and services and to fairer pricing.

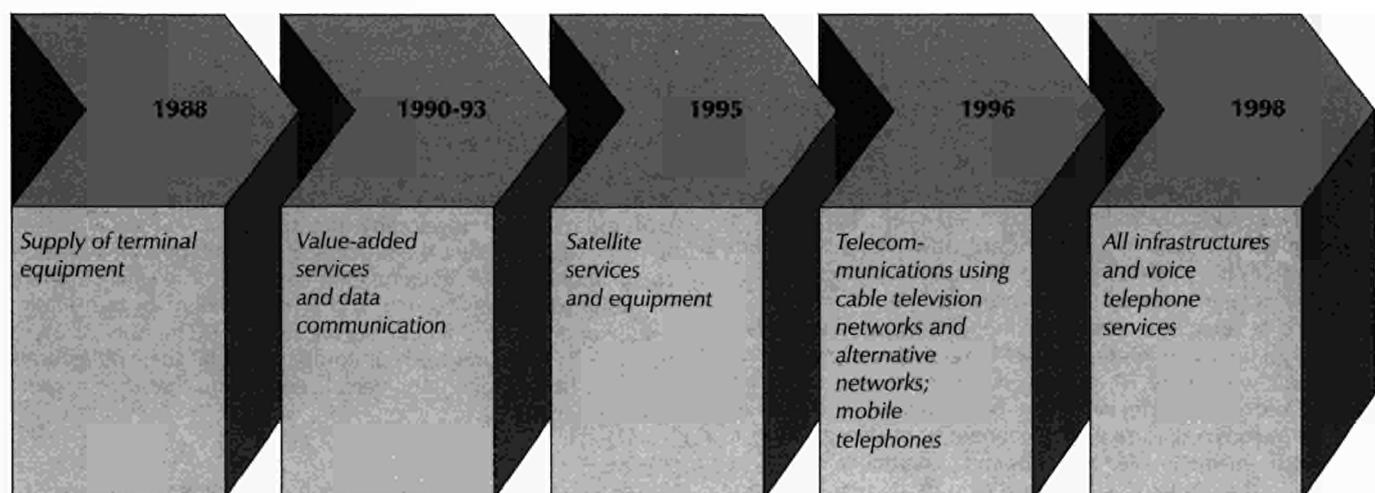
European Union policy recognises the need for a balance between harmonisation, deregulation and observance of the rules of competition and serves a number of different priorities,

What benefits, if any, do Europe's citizens derive from the opening up of telecommunications markets?

The first to benefit from deregulation of the telecommunications sector are its users, in terms of choice, standards and price.

The arrival of new companies on the market means more products and services, of a better standard and at lower prices, and those are the factors which turn the scales in a competitive

DEREGULATION BY STAGES



THE ROLE OF THE EIB

Supporting the development of infrastructures and trans-European networks has long been one of the European Investment Bank's priorities. The Bank was set up by the Treaty of Rome in 1958 primarily to promote the balanced development of Europe's regions and their economic and social cohesion. Between 1992 and 1996 the Bank lent ECU 33 billion in funding for improvements to the trans-European transport, energy and telecommunications networks and to extend them to the countries bordering on the European Union, this representing about a third of total investment in the trans-European networks. In most EU countries the Bank has become the main source of bank financing for major infrastructure projects.

In the telecommunications sector, the EIB has lent nearly ECU 9 billion for fixed, mobile or satellite digital telephone system projects over the last five years. In line with the Bank's priorities, most of the loans for telecommunications schemes have gone towards meeting regional development objectives, particularly in Spain, Greece, Ireland, Italy, Portugal and the new German *Länder*.

environment. Between 1990 and 1995 prices fell by up to 40 % in some Member States. This is a trend which is bound to continue, at least in real terms, with prices developing as they are. Although most of Europe's citizens come into contact with telecommunications services, the uses they put them to differ widely. An elderly person who hardly ever uses the telephone does not have the same requirements as a student using the Internet or a family whose members are scattered far and wide, just as a regional businessman does not have the same requirements as a multinational company. The wide range of service providers and services on offer ensures that all kinds of user have access to a service appropriate to their needs.

Users can now play commercial rivals off against one another and choose the provider who best suits their requirements in terms of charges and range of services.

At least in the medium term, telephone networks are likely to stay in the hands of the companies operating them at the moment, plus, perhaps, cable television firms and/or companies offering cable-free connections. But the existing networks will provide users with a much wider choice of suppliers for long-distance calls, Internet connections and other specialist services.

Lower charges following from deregulation will have an enormous effect. If telecommunications are to be more accessible, the new services must be available to a greater number of users. Falling charges should make it easier for schools, universities and small and medium-sized businesses to get access to the new communication facilities, and in particular to on-line and Internet services.

Mobile telephones are a telling example. Since the industry started opening up to competition in 1992, charges have been reduced considerably and there has been a remarkable rise in the number of subscribers: there are now some 18 million mobile telephone users in the European Union, and in Scandinavia nearly one person in three has one.

The price of subscribing to conventional telephone services is likely to go up, although the cost of long-distance and international calls will fall by 10 or 20 %, if not more. Local calls will remain affordable. Special subscriber schemes and charges may be introduced to extend the benefits of deregulation to people who mainly make local calls and to particular social categories. Each company is free to set up its own subscription

schemes and fix its own time bands for preferential-rate calls. That may prove to be another factor in a user's decision on which service to opt for.

What legislation does the European Union have as a framework for deregulation and a guarantee that users are protected?

Opening the industry up to competition takes more than just setting a timetable. If consumers are to get the fullest advantage from deregulation, rules need to be drawn up to make sure that businesses enjoy access to the market and can operate on equitable terms; there must also be guarantees that any user can communicate with all other users and that a decent level of services will be provided at affordable prices in each Member State of the European Union. A basic tenet of the policy now set up is that the networks are to be open to all users and all service providers, as well as to any bodies wishing to add to the infrastructure. Achieving this means laying down rules on making networks interconnectable and interoperable and on granting licences, thus supplementing the directives which, over the last few years, have laid down deadlines for the deregulation of satellite communications, the opening up of cable networks to telecommunications, mobile communications and the complete deregulation of telecommunications.

European competition law has a decisive part to play here, whether it involves reaching agreements on opening up the markets, evaluating partnership alliances and agreements or keeping watch on the interests at play in the market. The rules on these matters act as a guarantee that there is effective competition in the deregulated telecommunications market and a competitive European supply.

The extent to which home markets are open to competition is a basic factor in deciding whether the European Commission gives its approval for an alliance between telecommunications companies. Global One is a good illustration: as a partnership between France Télécom, Deutsche Telekom and the American company Sprint, it brings together two European companies which dominate their national markets. Before giving the alliance the go-ahead, the Commission satisfied itself that there was genuine competition on the French and German markets. It made the same stipulation in relation to Unisource, a grouping of companies with dominant positions in Sweden, the Netherlands and Switzerland, and Uniworld, an alliance between European companies and the American company AT&T.

A feature of the satellite communications industry is that there are only a few consortiums which use state-of-the-art technology and are capable of investing heavily. Compliance with the rules of competition is particularly crucial in this area, just as it is for on-line services and the Internet, which, as carriers of interactive material and pillars of the information society, offer very high potential for new communication and business services and facilities, giving them a pivotal part to play in the development of European society. It is therefore vital that everyone should have fair access to them.

Making sure that real competition is established guarantees that all Europeans enjoy freedom of choice and provides businesses with the means of developing their markets.

In each Member State the process of deregulating the telecommunications market goes hand in hand with the establishment of monitoring agencies which are independent of the public-sector operator and its overseeing ministry. The duty of these agencies is to guarantee that companies fulfil their obligations in terms of providing a universal service and that they respect users' interests (¹).

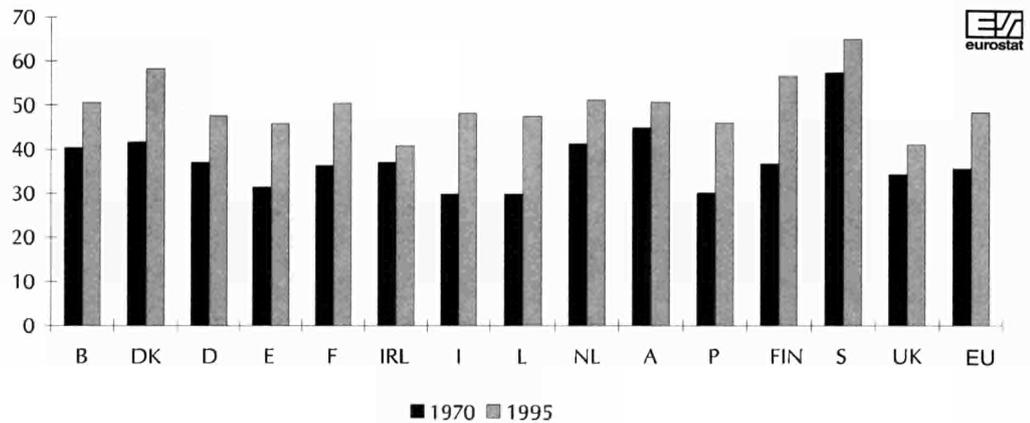
(¹) The second part of this article will appear in a subsequent issue.

Steady rise in general government expenditure in the EU Strongest rise in social benefits

In 1995, almost half the GDP of the European Union went to general government (48.5%). Expenditure has risen almost constantly since 1970 (+ 13%)

In individual Member States the highest shares are recorded in Sweden (65.1% of GDP) and Denmark (58.2%); the lowest in Ireland (40.9% in 1994) and the United Kingdom (41.2%).

General government expenditure in the European Union (% of GDP)



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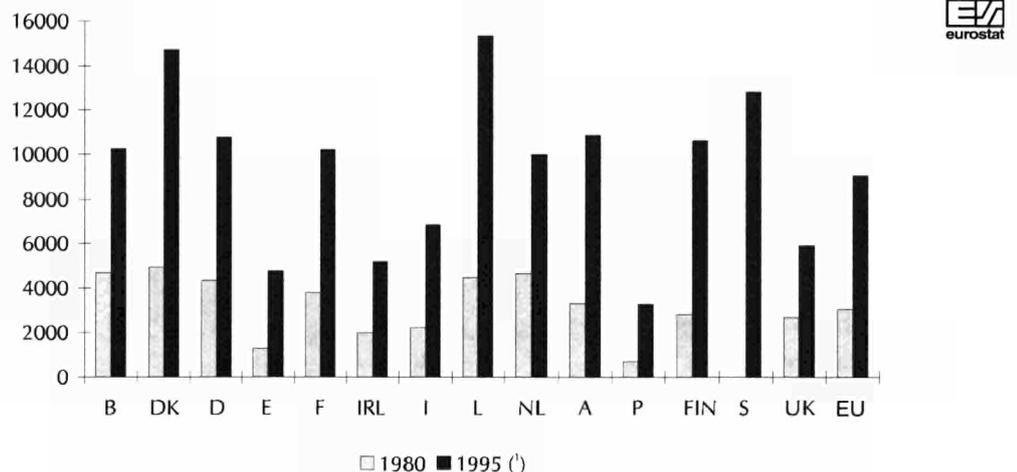
	B	DK	D	E	F	IRL	I	L	NL	A	P	FIN	S	UK	EU*
1970	40.4	41.7	37.1	31.5	36.4	37.1	29.9	29.9	41.3	44.9	30.2	36.8	57.5	34.4	35.6
1995	50.6	58.2	47.7	46	50.5	40.9	48.2	47.6	51.1	50.7	46.1	56.8	65.1	41.2	48.5

* Excluding Greece.

Per capita expenditure of general government in the EU averaged 9 089 ecus in 1995 against 3 083 ecus in 1980 and 6 852 ecus in 1990

It ranged from 3 268 ecus per person in Portugal (705 ecus in 1980) to 15 377 ecus in Luxembourg (4 488 ecus in 1980).

Per capita expenditure of general government in ecus



Per capita expenditure of general government in ecus

	B	DK	D	E	F	IRL	I	L	NL	A	P	FIN	S	UK	EU*
1980	4 685	4 930	4 330	1 280	3 793	1 998	2 245	4 488	4 662	3 291	705	2 850	-	2 700	3 083
1995(1)	10 269	14 742	10 773	4 781	10 221	5 195	6 859	15 377	10 000	10 853	3 268	10 633	12 849	5 908	9 089

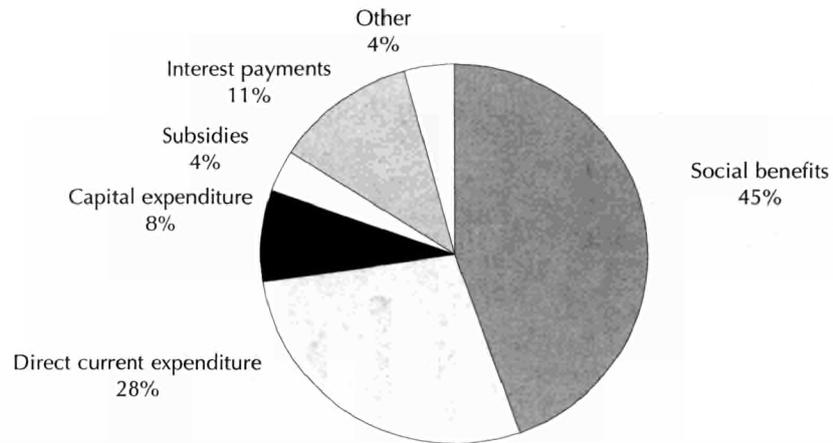
* Excluding Greece.

(1) P: 1993, E: 1994, IRL: 1994

Social benefits account for the largest and fastest-growing share of general government expenditure. In 1970, they accounted for 38% of the total, and in 1995, 45%. The second largest item was direct current expenditure

In 1995, the share of social benefits was highest in Germany (55.2% of all public spending) and the Netherlands (49%), and lowest in Sweden (27.9%), Portugal (29.9%) and Denmark (34.7%).

Composition of European Union expenditure, 1995



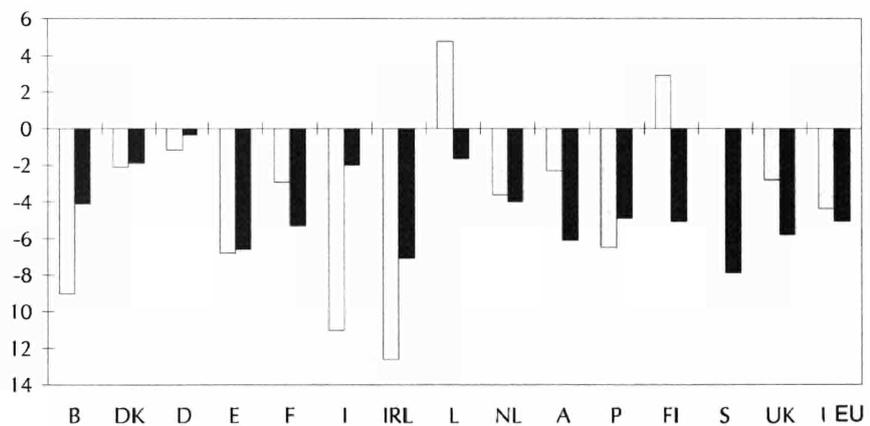
Composition of the expenditure of general government (% , 1995)

	B	DK	D	E*	F	IRL*	I	NL	A	P**	FI	S	UK	UE*
Social benefits	48	34.7	55.2	35.9	46	35.1	39.2	49	41.7	29.9	41.7	27.9	35.6	44.7
Direct current expenditure	22.9	39.2	21.4	32.3	29.7	33	24.4	23	29.9	33.8	35.5	35.6	44.5	28.3
Other	29.1	26.1	23.4	31.8	24.3	31.9	36.4	28	28.4	36.3	22.8	36.5	19.9	27

General governments' need for finance is mainly the result of an excess of public spending over revenue. The European Union average ranged from 3% to 5% between 1975 and 1995

Except for Luxembourg, which has capacity to finance, all Member States face a need for finance which in the past was as much as 10% of GDP for certain countries including Belgium, Ireland, Italy and Sweden.

General governments' capacity to finance in the EU (% of GDP)



General governments' capacity to finance in the EU (% of GDP)

	B	DK	D	E	F	IRL	I	L	NL	A	P	FI	S	UK	UE
1985	-9	-2.1	-1.2	-6.8	-2.9	-12.6	-11	4.8	-3.6	-2.3	-6.5	2.9	-2.8	-4.4	
1995	-4.1	-1.9	-0.36	-6.6	-5.3	-7.1	-2	-1.7	-4	-6.1	-4.9	-5.1	-7.9	-5.8	-5.1

Belgian State. The latter wanted the firm to reimburse the VAT which had been deducted from work concerning land which Ghent Coal had never exploited, as a result of a decision of the City of Ghent.

A ruling of 15 January of the European Court of Justice repealed a 1994 European regulation which classified separately, within the EU **Customs Tariff**, the two parts of a set of clothes consisting of a **bra and knickers**. These goods must be classified as a whole under the Tariff subheading 6212 10 00, the Court held.

INITIATIVES

● The euro: practical aspects...

The euro is coming. On the basis of statistics published by EU Member States at the end of February, the European Commission will recommend on 25 March to the Heads of State or Government a list of countries which can take part in the single currency. National parliaments and the European Parliament will give their opinion. Finally, EU leaders will declare themselves on 3 May. On 1 January 1999 the euro will become the currency of a substantial part of the EU. Meanwhile, a number of practical matters remain to be settled. The European Commission examined three of them in a report published on 11 February. They relate to the period during which euro notes and coins will circulate alongside national notes and coins, the display of prices in both euros and national currencies, and conversion charges. The period of parallel circulation will begin on 1 January 2002, with the introduction of euro notes and coins. Although the exact date has yet to be fixed, it should end on 1 July 2002 at the latest, with the withdrawal from circulation of national notes and coins. The European Commission favours the shortest possible period of parallel circulation. As for dual price display, the Commission envisages a code of good practice, and will not propose a binding regulation unless shops and customers fail to reach agreement. As for conversion charges between national currencies and the euro, the Commission's starting point is the principle that binding operations should be free of charge, and the others should be invoiced on the basis of the operations to be carried out. After a round table to be organised on 26 February, the Commission should make recommendations to the Council of Ministers, in order to enable the latter to make a statement on these points on 2 or 3 May at the latest.

● ... preparing information systems...

To help firms prepare their financial information systems for the euro, the European Commission has completed its guidelines, after having consulted the specialists. Entitled 'Preparing financial information systems for the euro', the guidelines, which cover all aspects of preparations for the euro, are available in German, English and French. They can be downloaded from the Internet site: <http://europa.eu.int/comm/dg15>

One can also write to the European Commission: DG XV/D.3, Office C 107 02/57, rue de la Loi/Wetstraat 200, B-1049 Brussels; fax (32-2) 299 47 45; e-mail: d3@dg15.cec.be

Meanwhile, information regarding all computer-related problems linked to the euro and the year 2000 — including preparations by the Member States — is now available at the following site:

<http://www.ispo.cec.be/y2keuro>

INVESTING IN SMEs AND JOBS

ECU 26.2 billion was the total amount which the European Investment Bank (EIB), the European Union bank, lent last year, according to its annual report published on 5 February. Loans extended within the EU came to ECU 23 billion. This was 10 % more than in 1996. The EIB provided ECU 2.2 billion of financing to some 11 000 small and medium-sized enterprises (SMEs), through its global loans to commercial banks. SMEs were also well placed in the three-year Amsterdam special action programme, launched last year to stimulate job creation. The EIB already provided more than ECU 150 million in 1997 to facilitate the access of innovative SMEs to venture capital, particularly through risk-sharing and equity capital. At the same time the EIB has begun to lend to projects in health and education, sectors of activity which are new for the Bank and at the same time labour intensive. Last year it extended ECU 730 million in loans to these two sectors. Under the Amsterdam programme, a total of ECU 2.2 billion will be made available in loans to SMEs, health and education. The programme will also finance urban renewal and environmental protection. The EIB has continued to emphasise regional development. More than two thirds of EIB lending to EU countries in 1997 went to regions in difficulties. Trans-European transport and energy networks and other large infrastructure projects received a total of ECU 9.5 billion.

● ... and information for the public

To enable an orderly transition to the euro, the European Commission has an information strategy which complements those of governments, organisations of all kinds and the media. The aim is largely to guarantee the consistency of the information to be provided in the various EU countries. According to a document adopted on 28 January, the strategy would be marked by two major information campaigns. The first would begin on 3 May 1998 — the date chosen by the participating countries — and end on 1 January 1999, while the second would run in 2001 and pave the way for the arrival of euro notes and coins. For its information strategy, the Commission has a budget of ECU 30 million for this year, and envisages one of ECU 38 million for 1999.

● Mobile phones are fairly cheap today...

To ensure the widest possible access to mobile telephones is the main aim of a European Commission investigation into the price of calls between mobile and fixed networks, announced on 10 February. According to findings made in the UK and Belgium in particular, users can pay up to six times more for a call made from a fixed network to a mobile telephone than for a connection between two fixed or two mobile networks. The Commission has also asked for information from all telecommunications operators, whether fixed or mobile,

in all 15 EU countries. The companies must forward this information by the end of February. The Commission could begin to reach its conclusions from mid-March.

● ... tomorrow it will be multimedia

Multimedia mobile communications, developed according to a European standard of international scope, in order to take over from the GSM in 2002 — this is the prospect which a proposal submitted by the European Commission on 11 February seeks to realise, by recommending the coordinated, EU-wide introduction of the next generation of mobile telecommunications. Under the abbreviation UMTS (universal mobile telecommunications system), the mobile telecommunications of tomorrow would offer, in addition to telephones, the possibility of using laptops with access to the Internet, Intranet and all multimedia services; and all this within the EU and beyond, if possible. The UMTS would use the standards drawn up by ETSI, the European Telecommunications Standards Institute. On 29 January, some 200 industrial firms, telecommunications companies and regulatory authorities, meeting within the ETSI framework, reached agreement on the basic technological concept of the UMTS, with the agreement of major American and Japanese firms. The Commission's proposal provides for a coordinated statutory framework, making it possible to grant licences to companies as soon as possible.

● Financing SMEs

To make it easier to finance SMEs which create jobs, the European Commission proposed on 21 January a three-part initiative which would reinforce existing mechanisms. To begin with, EU help in starting up, given within the framework of the European mechanism for technologies, would make it possible to finance new SMEs, for which the risks are greatest. Next, the joint European venture (JEV), a pilot scheme which encourages the creation of joint ventures by SMEs from several countries, would become a programme with a budget of ECU 80 million to ECU 100 million by the year 2000. Finally, an SME guarantee system could increase the volume of loans available to small or newly created firms: it would have at its disposal ECU 150 million to ECU 190 million for the period from 1998 to 2000.

○ IN BRIEF

In order to ensure the smooth development of **economic activities on the Internet** at global level, the European Commission proposed on 4 February a planetary communications charter, which it would like to see adopted in 1999. The charter, which would not be legally binding, would offer a way of removing obstacles to services and electronic trade between the EU and the rest of the world. These obstacles are the result of differing regulations.

Putting an end to distortions between EU Member States, even while guaranteeing those insured a higher level of protection, is the main aim of a proposal for the **supervision of insurance companies belonging to an insurance group** submitted by the European Commission on 4 February. It is a question of modifying an earlier proposal, taking into account amendments by the European Parliament.

Airline passengers who are victims of **overbooking** will receive damages which are both higher and of wider application if the EU Council of Ministers adopts the proposals submitted by the European Commission on 30 January. At present, the right to compensation does not apply in numerous cases, and passengers often lack information on their rights.

How can the main **European accounting directives** be correctly interpreted? A communication adopted by the European Commission on 22 January provides answers to three points in particular: consolidated accounts, the connection between accounting directives and international accounting standards, and, finally, taking the ecological dimension into consideration in accountancy. The text can be downloaded in the 11 official languages of the EU from the following site: <http://europa.eu.int/comm/dg15>

The latest information on **employer-employee relations** in all European Union countries is available from a new database, EIROOnline. It was launched by the European Foundation for the Improvement of Living and Working Conditions on 22 January. The address is: <http://www.eiro.eurofound.ie/>

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The EU Council of Economy and Finance Ministers examined on 19 January **Italy's 1998 budget**, in the context of the monitoring of economic convergence provided for in the run-up to economic and monetary union.

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The United States has nothing to fear from the euro as long as the country enjoys low inflation and low deficits, according to Lawrence Summers, the American deputy Treasury Secretary, speaking on 1 February at the International Economic Forum in Davos, Switzerland.

▷ IN BRIEF

Poland could join the European economic and monetary union in 2006, according to its Finance Minister, Leszek Balcerowicz. Poland is one of the six countries which will start entry negotiations with the EU in March.

The contents of this publication do not necessarily reflect the official views of the institutions of the European Union.
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**A great deal of additional information on the European Union is available on the Internet.
It can be accessed through the Europa server (<http://europa.eu.int>).**

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