



## **Regionalism and federalism in the Community's process of integration**

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Political structures in Eastern Europe have changed at a breathtaking pace. The European Community, whose latest enlargement took in a number of young democracies, has become something of a model for political change. The upheavals in Eastern Europe are not the least of the reasons why the Member States themselves are now seeking to speed up the Community's political evolution.

All this brings to the foreground the question of the part played by subsidiarity and federalism in the Community's new structure. It is not simply a matter of the democratic legitimization of the decision-makers, but also a question of redistributing the balance of power between the institutions. Decentralization of Community decision-making processes certainly ought to be one of the institutional innovations that should accompany the strengthening of Community powers on the road to political union.

In a detailed Community charter for regionalization the European Parliament is calling among other things, for the regions to be given adequate powers to organize their own institutions and to promote and plan regional economic development. They should be given adequate financial resources and independence to tackle these tasks.

There is no reason why regional administrative traditions which have stood the test of time should be replaced in a politically united Europe by the machinery of some distant and anonymous central body. By the same token, the regions must be left considerable room to manoeuvre when it comes to reducing local disadvantages or making the best possible use of local advantages.

At the same time, we must see to it that the endeavours of the regions themselves and the measures taken by the Member States in the interest of individual regions do not cancel each other out, but strengthen and complement each other.

Improving the transport facilities of a frontier region for example, will not produce the maximum benefit unless the corresponding facilities on the other side of the border are also expanded. Setting up new development centres in less-developed regions is especially promising if this has a positive influence on neighbouring regions at the same time. However, negative effects (such as the environmental impact of major investment projects) do not stop at the borders of regions or of Member States. Planning decisions on such projects should thus be coordinated with those concerned on the other side of the frontier.

The regions must, then, be intensively involved in the definition and implementation of European area planning, i.e. in the pooling of expert information, procedures and decisions and the coordination of individual decisions taking into account the overall context. As yet, a Community area-planning policy is still in its infancy, but as a first step, at least, studies could be financed by the Community's structural Funds to work out the first principles of a common area-planning policy and subsequent development.

However, simply having an effective European area-planning policy will not, by itself, translate the federalist principle into reality in Europe. Its implementation raises enormous practical problems, for within the Community of Twelve the cooperation of some 160 regions would have to be organized.

The intergovernmental conference on political union proposed by the Federal Republic of Germany and France will show to what extent federalist organizational machinery can be established in a large political body such as the Community. At all events, I hope that the Community will not lose its ability to act as a model for the countries of Central and Eastern Europe. For almost 40 years it has shown that areas of Europe with differing mentalities and degrees of economic power can be politically united voluntarily, peacefully and without fear of losing their identities.

## Decisions

### ■ First 1992 energy directive

Gas and electricity prices charged to industrial end users will be published twice-yearly, from November 1991, by the European Community's Statistical Office (Eurostat). This is the outcome of the agreement by the EC Council of Ministers on the first Community directive (law) implementing the 1992 programme in the energy sector. The directive provides that gas and electricity undertakings in the EC must communicate to Eurostat the prices and terms of sale to industrial end users. The latter will publish information on prices in May and November, even while respecting the confidential nature of the price charged to any individual consumer. The Council's aim is to improve the transparency of prices in a sector in which hidden subsidies and discriminatory practices are not infrequent, given the links between most undertakings and the national authorities.

### ■ Health and safety at work: final episode

Action by employers to protect the health and safety of workers will have to meet certain minimum common standards throughout the 12-nation European Community from 31 December 1992. The EC Council of Ministers adopted on 29 May the last two of the six pieces of Community legislation which together represent an important aspect of the social dimension of the single market. The first of these two directives is aimed at avoiding the risk of back injury to workers when they have no choice but to move heavy loads manually. The second seeks to protect the eyesight of those using visual display units (VDUs), and lays down requirements as regards the equipment to be used, rest periods and the testing of eyesight. The Twelve had already adopted in 1989 a framework directive setting out the broad principles of safety at work, together with three texts dealing specifically with the workplace (factories, offices, shops); machinery and appliances used by workers and protective equipment for workers.

### ■ Motor insurance in a Community mould

Insurance against civil liability for motor vehicles will be more European and more favourable to accident victims in the single

### 80 % favour European social laws

Some 80% of Europeans would like a series of social problems to be settled by means of Community laws: health and safety protection at work; the protection of young workers and women at work as well as the elderly; the integration of the handicapped in active life; continuing job-related training; worker participation in company life; hours of work, holidays and, finally, minimum wages. Those polled in March and April 1990, during a Eurobarometer survey (No 33) carried out on behalf of the European Commission, are more radical than their governments and think along the lines of the action programme proposed by the Commission. At the same time, some 70% consider it necessary to speed up the Community's economic, political and monetary integration, in response to events in Central and Eastern Europe. Only 30% wish to reduce aid to the Community's less-developed regions in order to provide more help to the countries of Central and Eastern Europe — while some 50% are opposed to any such move. As for the 1992 programme, 53% of those expressing an opinion, regard it as a good thing (as against 56% last autumn), 38% claim to be indifferent (against 36%) and a mere 9% view the single market with a jaundiced eye (against 8%).

### No danger of 'Eurofood'

The single market will not mean you will have to quench your thirst with 'Eurobeer' nor stave off hunger with 'Eurosausages' and 'Eurocheeses'. The European Commission made this abundantly clear on 10 May in response to an advertising campaign launched by a French supermarket chain in favour of local and regional products. These products have a place in the single market, according to the Commission; but there can be no question of Community food and consumer protection standards which are based on the lowest common denominator.

market than is the case today. The EC Council of Ministers adopted a directive on 14 May providing insurance against civil liability which is valid throughout the Community — a green card without extra charge. It offers three other advantages:

- (i) all the passengers in the vehicle are covered, including the owner of the vehicle, when it is being driven by someone else;
- (ii) in the event of an accident in a Member State other than the one in which the vehicle is insured, the terms which are the more generous of the two will apply; and
- (iii) the certainty of being compensated, even when the vehicle responsible for the accident cannot be identified or is not insured.

The directive will come into force on 1 January 1993, except in Ireland, Greece, Spain and Portugal. Here the date of entry is 1 January 1996. Irish motorcyclists will have to wait until 1 January 1999.

### ■ Continuing vocational training

To encourage workers as well as companies to ready themselves for 1992, the EC Council of Ministers decided on 29 May to launch an action programme for continuing vocational training (Force). The programme includes both principles to be enforced by the Twelve, such as equal access to continuing training for all Europeans, and concrete actions backed by Community money. Force will make it easier to carry out cross-border training projects and encourage the spread of training methods and information throughout the 12-nation Community. It will run from 1991 to 1994 and will have a budget of ECU 24 million. (ECU 1 = UKL 0.72 or IRL 0.77) for the first two years. Small and medium-sized companies should be among its main beneficiaries.

### BRIEFLY

■ **The maximum tar content of cigarettes will be reduced** to 15 mg as from 31 December 1992 and 12 mg five years later, throughout all 12 EC countries, except Greece. The EC Council of Ministers adopted the necessary Community directive (law) on 17 May (see Target '92, No 1/90). The text provides a grace period of two years for cigarettes made before the dates laid down in the directive.

■ **Electricity will flow more freely in principle** through the European Community's high-voltage transmission grids as from 1 July 1991. The EC Council of Ministers reached a common position on a Community law requiring those responsible for the transmission grids to notify the European Commission of any requests for transit and contracts for the transit of electricity from one country to another. The text, which must now be examined by the European Parliament, provides for a conciliation procedure in the event of a Member State refusing an electricity transit request.

■ The EC Council of Ministers reached agreement, pending examination by the European Parliament, on a **directive updating the simplified procedures for the free circulation within the Community of goods from third countries.**

■ All European workers will enjoy the same level of **protection against dangerous biological substances** and elements. The EC Council of Ministers reached agreement, pending examination by the European Parliament, on a directive which provides for common rules as well as a classification of biological substances, to be established by the Community within six months from the date on which the directive comes into force.

Sir Leon Brittan

Vice-President of the European Commission

### THE PROSPECTS FOR EUROPE

Alongside the historic events in Eastern Europe the Community's day-to-day work of reaching agreement on the several hundred separate measures that go to make up the internal market has continued steadily. Almost two-thirds of these measures have now been agreed and work is proceeding well on the remainder. Increasingly attention is turning to the need to ensure that these are all implemented effectively across the Community so that the single market indeed becomes a reality for Europe's businesses and consumers.

As the legal and administrative work is completed it is increasingly important for the private sector both to become aware of and react to the new opportunities in a market-place of over 320 million people. Those coming from outside the Community find it natural to plan on a single market here. It is firms based in Europe who must do away with increasingly artificial distinctions between their home market and those in other European countries. Of course differences of taste and culture will remain and will continue to be important. In the Europe of 1992 the prizes will go not only to the swift but to the best organized.

An important objective of the 1992 programme, is to increase the ability of Community business to compete effectively in international markets, and that is already being achieved.

The financial services sector is a good example of the benefits to be gained. We reached agreement last year on the second Banking Directive and accompanying legislation which from January 1993 will give the Community the largest, most open and richest banking market anywhere in the world. There will be no division between securities and other commercial banking services, unlike in Japan or the United States. The benefits of the Community's internal banking market will be seen not merely in their provision of a cheaper and more effective service for customers — and 80% of financial services by value are bought by other businesses and therefore in turn help to determine their competitiveness in world markets — but will also make European financial markets a centre of innovation for new products and services during the 1990s.

The banking market structure is now in place; we are negotiating with the Member States the directives

which will extend that market fully into the securities sector for the non-banking sector; and the spotlight is now turning to the insurance sector. Insurance has posed particular problems, not least due to the traditions of favourable tax treatment for coal firms in some countries. But the political will to achieve a single passport for insurance services across the Community is there. I believe that we can unify the insurance market by the 1992 deadline.

#### A wider Europe

Of course, large markets offer a temptation for large monopolies. That is why the move towards the internal market — not just in financial services but in all sectors — must be accompanied by a strengthening of Community competition policy. We have made clear our determination to maintain in Europe the most rigorous competitive environment. The unanimous agreement of the Member States before last Christmas on the mergers regulation means that it will normally be the Community and not individual countries which will decide on whether the most important mergers or takeovers can be allowed without damage to the Community's competitive environment.

This regulation will enter into effect from September of this year and represents a further significant advance towards the internal market. A common mergers policy only makes sense in a single market and in turn forces those companies thinking of merger and acquisition activity to review what they are doing in a European context.

No one needs to be reminded that Europe is a much wider entity than the European Community. The dramatic events of the last year in Eastern Europe have shown that the part of our continent which has been ignored for so long is now again finding its genuine voice. As democracy reasserts itself in Eastern Europe the established democratic countries of the West — inside and outside the Community — have much to offer to our friends in the East; and perhaps many things to learn too, not least the importance of values and freedoms which we can easily take for granted. Far from wishing to see a wider and looser

grouping of European States, Eastern Europe sees the development of a strong European Community as a magnet for its own political and economic development.

The unification of a divided Germany is perhaps a special case. Soon the Community will have 16 million more citizens, but the same number of Member States. They will be welcome. The European Commission is closely involved to ensure that the mechanics of the unification of Germany within the Community benefit all the Member States. The German Government has made it clear that opportunities opening up in East Germany will be open on an equal footing to German and non-German firms alike. Overall it is clear that the German unification process is complementary to the wider Community dynamic in the internal market and other areas. It is indeed a sign of the vitality of our Community that the move to a single Germany is speeding up the pressure for rapid progress in other areas.

### **Economic and monetary union**

A further key implication of the development of the stronger Europe is our responsibility for the world trading system. Our greater internal cohesion brings with it increased responsibilities. Europe lives by trade, more so than the United States or even Japan. It is clear that in the years ahead the Community must take more responsibility for the strengthening of the world trading system to which we all owe our prosperity.

It is not enough to seek reciprocal concessions. We need to give an example of openness. And the Community has done this, most notably in the banking sector, where the second Banking Directive offers full and equal access to foreign banks into the Community's market under the single licence system. All we ask in return is a minimum of genuine national treatment for our banks in third markets.

I have outlined the internal market process in Europe. But the United States and Japan have one important advantage which Europe does not yet have: a common currency. The macro-economic benefits of belonging to a single low-inflation zone are well known. But at least as important are the clear advantages which a common currency provides to smaller firms. The fundamental reason why exporting from Arizona to New York is easier and more natural than from Reading to Munich is the fact that payments are made in one currency in the United States and in several currencies in Europe. Only when we have the benefits of a single currency area and an efficient Europe-wide payments system will small businesses be able to take full advantage of the single market, and will the European consumer and taxpayer reap its full benefits.

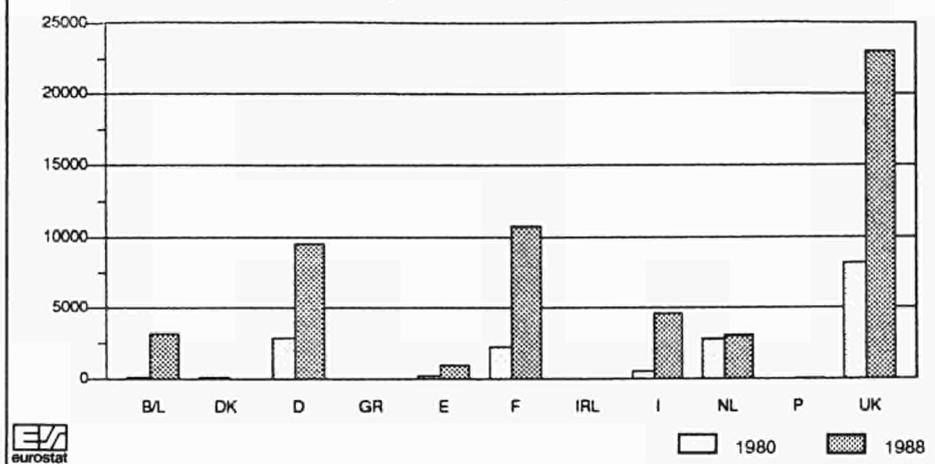
The 1992 process leads naturally into the work now going on with regard to economic and monetary union. Our objective is a common currency area, not empire-building by Brussels. That is why the Commission's proposal on EMU now being discussed by Finance Ministers and Central Bank Governors to move towards a common currency takes subsidiarity and efficiency as its key themes. The Community must only get involved in those issues which cannot be effectively handled by Member States or regions; and it must only do so as far as will be efficient. So we have proposed a federal structure of central banks, independent of day-to-day political control, designed to give the Community the type of monetary stability enjoyed by countries such as Germany over the last 40 years. Member States will retain responsibility for national taxation levels and for their own budgetary policy.

But monetary union cannot be used as a pretext for making someone else's taxpayers pay for your own deficit — either through inflation or by irresponsible budget deficits which are not sustainable. So we have proposed a system of mutual surveillance in which Member States collectively will work together to prevent such problems arising.

There is much hard work ahead. Every year that passes sees the Community more firmly established and with a greater potential for improving the prosperity and security of its more than 320 million citizens. While it continues to do that, the prospects for Europe must be very good.

Extracts from a speech delivered in London on 4 May 1990.

Member States' direct investments abroad, 1980 and 1988  
(million ECU)



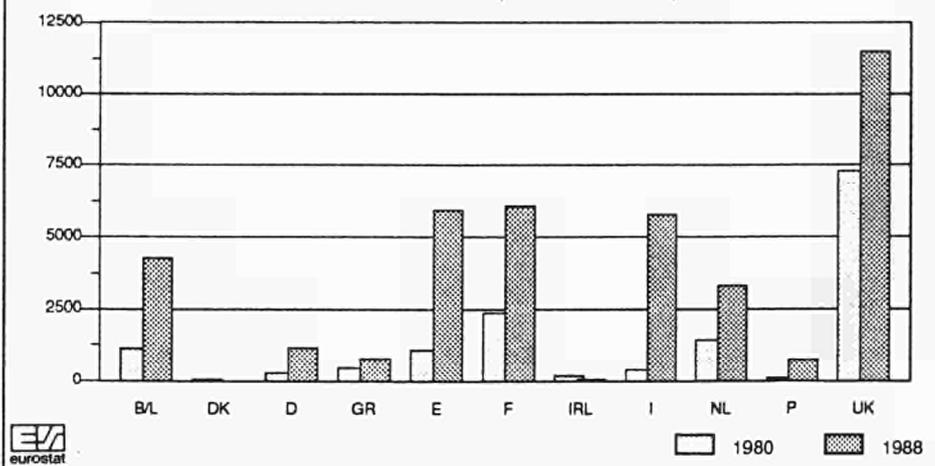
## The EEC's direct investments abroad

The United Kingdom is the leading direct investor abroad, including the EEC (company take-overs etc.), followed by the Federal Republic of Germany and France.

The Belgo-Luxembourg Economic Union increased its direct investments considerably between 1980 and 1988, as did Spain and Italy. Japan's direct investments outstripped the United Kingdom's in 1988.

(million ECU)	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 12	USA	JAP
1980	160.1	141.9	2 885.0	:	224.0	2 256.7	:	540.2	2 818.2	9.3	8 183.6	17 119.0	13 827.5	1 713.0
1988	3 189.2	:	9 551.4	:	1 040.2	10 778.9	:	4 614.1	3 082.9	46.6	23 097.4	55 400.6	14 858.1	28 954.6

Foreign direct investments in the Member States, 1980 and 1988 (million ECU)



## Trends in foreign investments

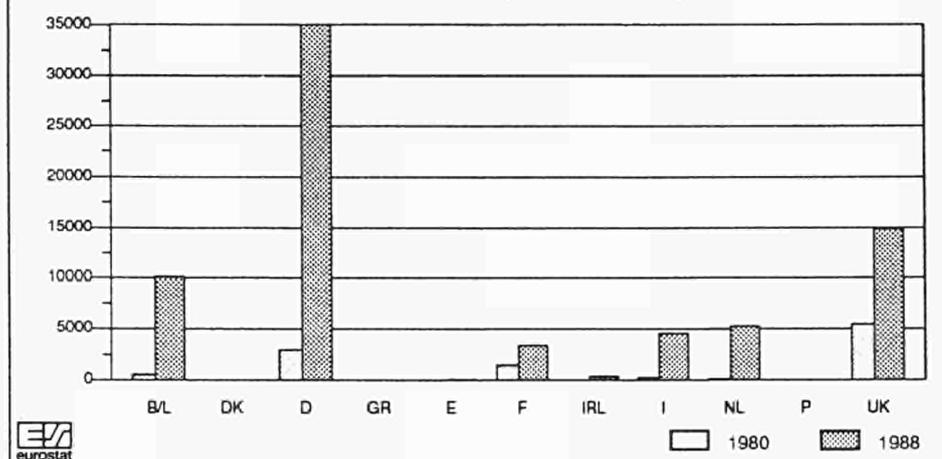
The United Kingdom is the main pole of attraction for foreign direct investments, followed by France and Spain.

Between 1980 and 1988, Spain and Portugal became increasingly attractive to foreign investors.

Overall, foreign investments in the Member States increased less than those in the reverse direction.

(million ECU)	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 12	USA	JAP
1980	1 118.3	76.9	306.3	481.4	1 074.6	2 392.9	206.2	422.8	1 431.4	113.7	7 295.3	14 919.7	12 143.1	205.9
1988	4 292.1	:	1 160.4	768.5	5 938.7	6 091.9	77.4	5 783.9	3 327.1	740.1	11 493.7	39 673.8	49 451.4	420.6

Member States' portfolio investments abroad,  
1980 and 1988 (million ECU)



## Acquisitions of holdings abroad

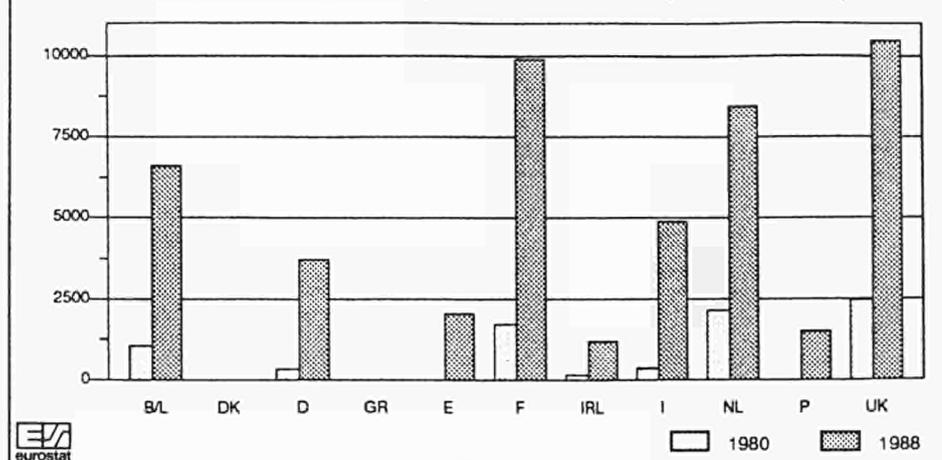
Between 1980 and 1988, the Federal Republic of Germany increased its portfolio investments abroad more than tenfold whilst BLEU investments of this type increased more than seventeenfold.

In volume terms, the Federal Republic of Germany remains the leading investor in other countries, followed by the United Kingdom and the BLEU.

Overall, intra-Community flows included, Member States' portfolio investments rose from ECU 10 800 million to 74 000 million.

(million ECU)	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 12	USA	JAP
1980	559.1	8.3	3 058.4	:	10.0	1 497.0	31.7	293.2	121.0	1.0	5 489.8	10 825.6	2 631.5	2 698.6
1988	10 189.2	:	35 138.1	:	112.5	3 492.2	400.8	4 613.5	5 291.7	2.3	14 962.1	74 202.3	6 661.7	73 995.1

Foreign countries' portfolio investments  
in the Member States, 1980 and 1988 (million ECU)



## Foreign countries' acquisitions of holdings

The United Kingdom remains the main pole of attraction for foreign portfolio investments, but the BLEU saw a marked increase in the volume it received.

With all investments taken together, the Member States received ECU 88 400 million in 1988 compared with 97 000 million in the USA.

In terms of balance, the EEC is a net capital exporter, but Japan has the greatest export balance.

(million ECU)	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR12	USA	JAP
1980	1 054,2	:	343,3	:	11,0	1 725,4	161,4	375,4	2 151,6	7,5	2 473,4	7 488,8	10 175,4	9 469,2
1988	6 606,3	:	3 725,4	:	2 056,5	9 902,6	1 195,1	4 901,3	8 458,1	1 510,8	10 477,3	48 833,5	62 513,3	29 272,9
overall balance (outflows - inflows)	2 479,9	:	39 803,6	:	6 843,6	1 723,5	:	1 457,6	3 409,7	2 203,1	16 088,4	41 094,2	90 444,9	74 097,5

## Initiatives

### ● Ideas on economic and monetary union

The European Community's Heads of State or Government have set the broad lines of the Community's economic policy for the coming years, on the basis of the European Commission's proposals. The latter can make recommendations to Eurofed, the Community's central federal bank, aimed at ensuring coherence between economic and monetary policies. The Commission is responsible to the European Parliament, which has the power to dismiss it. Such is the scenario prepared by the European Commission in order to reconcile, within a future economic and monetary union, the independence of the monetary authority, Eurofed, and its responsibility to the public. This plan is contained in a working document adopted by the Commission on 16 May, as part of the preparations for the intergovernmental conference on economic and monetary union, which must begin before the end of the year.

### ● Defence and the single market

Why not apply to the defence sector the measures envisaged in the 1992 programme for throwing open public procurement in other sectors of the economy? The question was asked by Sir Leon Brittan, Vice-President of the European Commission, in a speech he gave in London on 17 May. And he went on to provide the answer: the elimination of Article 223 of the Treaty of Rome, which allows a Member State to 'take such measures it considers necessary for the protection of the essential interests of its security' as regards the production and trade in 'arms, munitions and war material.' In practice, Article 223 allows Member States to place orders for military equipment with their own arms industry. The few foreign companies receiving such orders must bring benefits to the economy of the country placing the order.

### ● Completing the single energy market

A great deal remains to be done to bring about the single market in energy, even if the first concrete measures to this end have been taken (see page 2). The Twelve must ensure regular supplies from a Community rather than a national standpoint; introduce a foreign energy policy; increase the efficiency of their gas and electricity networks and harmonize technical standards. Work is going ahead in this last field, according to the first progress report devoted by the European Commission to the implementation of the 1992 programme in the energy sector. This report, published on 18 May, considers the absence of an agreement among the Twelve on fuel taxes and the role of governments in the energy sector as serious obstacles. But the Commission concludes that nothing must prevent the completion of the single energy market in the framework of the 1992 programme.

## BRIEFLY

- **1992 is stimulating banking activity in Western Europe**, the Bank of England claims in its annual report, published on 9 May. Interbank lending reached USD 81 billion during the first nine months of 1989. This was two and a half times the volume recorded for all of 1988.
- **Intercontainer**, the company set up by European railways for combined road-rail transport, **will both set its rates in ecus and ask for payment in them from 1 July 1990**. However, customers who want to settle their bills in German marks or Swiss francs will be able to do so.
- **The European Trades Union Confederation (ETUC)**, which includes virtually all trade union organizations in the 12-nation European Community, came

out in favour of the 35-hour week and the principle of guaranteed minimum wages on 8 May. The ETUC also demanded, at a meeting in Rome on 31 May, that the EC Council of Ministers, hereafter decide all issues of interest to workers by a majority vote rather than unanimity.

- **The Association for the Monetary Union of Europe (AMUE)**, which groups more than 200 companies and professional bodies, asked the Twelve, at a meeting in Brussels on 17 May, **to set a firm date for the introduction of the ecu as the Community's single currency**. A poll of the Association's members showed that a majority of them are of the view that a single currency would result in substantial savings for their companies.
- **Intervention by the European Commission** has resulted in the reintroduction of **interline facilities** by the German airline, Lufthansa, for passengers of the small British airline, Air Europe, on the London-Munich and London-Dusseldorf routes. These facilities allow passengers to make the return trip, or continue their journey, with an airline other than the one which issued the ticket. The Commission announced on 15 May that it was going to look at all cases of refusal of airline facilities within the Community, in order to guarantee consumers an open and competitive market.

## Seen from abroad

### ► Americans favour EC-1992

Twenty-eight percent of Americans aged 18 and over are aware of the 1992 single market — which is not bad for a country in which only half the voters take part in presidential elections. Nearly two-thirds (61%) of these well-informed Americans consider that the single market will improve relations between their country and the 12-nation Community. These are some of the findings of a Gallup poll carried out in February and March of this year for the European Commission. When those aware of the single market were asked about its effect on themselves, as consumers 50% described it as good (18% as bad). As workers Americans were less positive: the corresponding figures were 41% and 21%. As taxpayers, only 33% of Americans saw the effects of the single market as good, while 29% thought them bad. Again, of those aware of the 1992 programme, 42% felt it would be easier to export to Europe and 38% that it would make companies more competitive.

## BRIEFLY

- **The Soviet Foreign Minister**, Eduard Shevardnadze came out in favour of a single European economic space at the first meeting of the EC-URSS Joint Committee in Moscow on 11 May.
- **Some 60% of Finns favour membership** of the European Community for their country, according to a poll whose results were published on 25 May. The Finnish Parliament reaffirmed its opposition to entry, however.
- **Iran would like to strengthen its cooperation with the European Community** before the completion of the 1992 single market, according to the delegation from Teheran that attended the meeting with senior Irish, French and Italian officials in Dublin on 17 May. The officials represented the current, previous and next Presidency of the EC Council of Ministers. Iran is one of the few countries in the world to have no agreement with the Twelve.
- **The President-elect of Romania, Ion Iliescu**, stated in an interview on 21 May, prior to the presidential election, that he would ask for membership of the European Community for his country if elected.
- Referring to the 1992 single market **the new President of Colombia, Cesar Gaviria**, declared at the end of May. 'We would like to feel that it is a free trade market, open to our products, which will not be discriminated against.'

## Encouraging SMEs to bid for government contracts in the EC

On the basis of European Commission working documents the Industry Ministers attending the meeting of 28 May of the EC Council of Ministers exchanged views on how to encourage small and medium-sized enterprises (SMEs) to take part in public procurement in the Community. The Council stressed that it was necessary actively to encourage and facilitate SME participation in public procurement. To this end use should be made of existing networks and bodies (Euro Info Centres, BC-NET and the TED system) to disseminate information and promote transnational tendering. The Council requested the Commission to study and analyse the various qualification and procedural requirements imposed by tendering authorities, which restrict SME participation. This could lead to the preparation, at the Community level, of standardized qualification requirements and simplified tendering procedures. The Council also asked the Commission to envisage suitable experiments and pilot projects and to study and evaluate their results in order to propose measures aimed at making it easier for SMEs to take part in public procurement.

## SME participation in Community activities in research and technological development

The meeting of 28 May of the EC Council of Ministers devoted to industrial matters took note of the European Commission's working document on efforts to encourage further participation of SMEs in Community research and technological development programmes. The Council was of the view that continuing attention should be given to providing worthwhile information on Community R&TD programmes. In addition, it welcomed the European Commission's pilot actions, adapted to the needs of SMEs, such as Craft and the Brite-Euram feasibility awards. If their evaluation is positive, the Council favoured their extension to all relevant programmes of help to SMEs on a permanent basis. The Council also favoured the implementation of improved measures for the dissemination and exploitation of results of research projects, taking into account the specific requirements of SMEs.

## Administrative simplification in favour of SMEs in the Member States

Having received the opinion of the European Parliament, the Community's Industry Ministers also adopted a recommendation regarding the implementation of a policy of administrative simplification in favour of SMEs in the Member States. It recommended Member States 'to pay particular attention to the modernization of the organization of administrative departments, in particular of services in contact with enterprises, with a view to improving the coordination of the various departments, their efficiency and speed of response.' The Council also called on the Member States to

establish 'one-stop shops providing guidance on the overall formalities to be observed in the creation of an enterprise,' and to replace as many formal decisions as possible by procedures involving tacit approval, by virtue of which, at the end of a certain time-limit, the absence of a reaction on the part of the competent authorities is taken as a decision.

The Council of 28 May also heard the European Commissioner for small and medium-sized enterprises, Antonio Cardoso e Cunha, present the Commission's report on the impact of Community legislation on businesses, especially SMEs. It took note of the various activities undertaken by the Commission to improve the administrative, legal and tax environment for businesses.

## The retail trade in Eastern Europe

A study on the retail trade in Eastern Europe\* was commissioned by the Directorate-General responsible for SMEs in the European Commission (DG XXIII) from the consultancy firm of Price Waterhouse. It reveals that the markets of Eastern Europe offer massive opportunities for retailers in West European countries (400 million potential clients) . . . provided this sector can develop on the basis of Western techniques.

The study looks at the actual defects and shortcomings of East European retail trade in a centrally-planned economy. However, a growing and significant number of retailers from West European countries are already present in the East. Their activities range from the sale of imported Western products, for hard currency through countertrade, to vertically-integrated joint-venture agreements. These businesses are operating mainly in the food and clothing sectors and are concentrated especially in the Soviet Union and Hungary. The study describes the activities and motives of Western retailers in East European countries and includes two case studies (McDonalds and IKEA).

An analysis of retail trade statistics is included, covering Hungary, the German Democratic Republic, Czechoslovakia, Poland and the Soviet Union. The problems faced by Western retailers in Central and Eastern Europe are described and a list of their activities in these countries is annexed to the study.

\* The study, entitled 'The retail trade in Eastern Europe,' is in English. A summary in French is available.

## A seminar in Dublin from 11 to 14 September (20th Anniversary European Small Business Seminar: Growing small firms — the role of technology.)

The seminar will look at the impact of technological changes on small and medium-sized enterprises in Europe and at events in the United States, Japan and other parts of the world. Those taking part will include industrialists, businessmen, local development agencies, banks, financial institutions . . . from Europe, the United States and Japan.

**Address all enquires to:** The Secretariat — 20th European Small Business Seminar — Irish Management Institute, Sandyford Road, Dublin 16, Ireland Telephone: 353-1-956911; Fax: 353-1-955150.

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