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SUMMIT BACKS 1992 PROGRESS

EC government leaders who met on the Greek Island of Rhodes before Christmas put their political weight behind the 1992 program, noting that at the half-way stage towards its deadline more than half of the legislative measures have already been, or are about to be, agreed upon.

The summit communique declared that the movement towards a Europe without internal frontiers was "irreversible" because the political will existed to meet the deadline. The leaders also pointed to the fact that the exercise had given the EC a new dynamism.

The Prime Ministers handed down political instructions to their Ministers to wrap up legislation in priority areas such as public contracts, banking and financial services, as well as the approximation of technical standards and the protection of intellectual property.

They wrapped them over the knuckles for their slow progress towards agreeing measures dealing with the transport and energy sectors, and animal and health controls. They also favor free movement of Community citizens from one country to another, although they concede the need for more inter-governmental cooperation to combat terrorism, international crime and drug trafficking.

The Greek government, which held the rotating presidency of the Community for the last six months of 1988, hosted the meeting. Spain now takes over the chair until June.

NEW MR. 1992

The main responsibility for conducting the 1992 program over the next four years passes to a leading German politician, Martin Bangemann, with the appointment of a new European Commission in Brussels.

Mr. Bangemann, 54, who has been the Minister of Economics in the Bonn government since 1984, takes over from Lord Cockfield, who was not renominated to the Commission by the British government. Lord Cockfield, 71, was the architect of the White Paper on the completion of the internal market, which details all the measures to be adopted by the end of 1992.

Some areas for which Lord Cockfield had been responsible have been included in the portfolios of other Commissioners. His British Conservative successor, Leon Brittan, adds responsibility for Financial Institutions to the Competition portfolio, which he inherits from Peter Sutherland.

Christiane Scrivener, a junior minister under former French President Giscard d'Estaing, who shares the honor of becoming the first female

Commissioner, will be in charge of tax matters. The other woman to win one of the 17 seats at the Commission's round table is Vasso Papandreou from Greece. Commission President Jacques Delors has given her responsibility for overseeing employment, industrial relations and social affairs, which he sees as a priority area in the drive towards the 1992 target.

The President has retained responsibility for monetary affairs, which will involve him closely in any moves towards full economic and monetary union, such as the creation of a common currency and a European Central Bank.

The Commissioners are appointed on the nomination of the 12 EC governments but they are pledged to act as an independent college in the interests of the Community as a whole rather than of individual countries. The new team's term of office will run concurrent with that of the new US Administration.

LEGAL BOOST FOR "KNOW-HOW" DEALS

April Fool's Day will see the introduction of EC-wide legislation governing the conclusion of

know-how licensing agreements. These cover the transfer for a fixed period of time of technical information which is not protected by a patent.

The aim of the new legislation is to promote the dissemination of this type of information in the interest of economic growth, while at the same time determining the obligations of its owner and of the third party to whom he grants a license for its use.

From April 1, agreements on the transfer of know-how (e.g. descriptions of manufacturing processes, recipes, designs, software) will be exempted from the EC's competition rules provided they are likely to promote economic and technological progress rather than restrict it.

The regulation covers territorial protection, the use of the licensor's trade mark, the observance of quality standards, the grant back of licenses, the duration of royalty payments and the obligation to cease using the know-how after the termination of the contract.

The Community already operates provisions governing patent licensing agreements, which go back to 1984.

NEW EC RULES ON FRANCHISING

An EC-wide legal framework has been created for the conclusion of franchise agreements, an American invention which is one of the fastest-growing areas of economic activity in Europe.

The European Commission, the EC's executive, has issued a regulation which exempts distribution and service franchise agreements from normal competition rules, provided they do not result in restricting competition and that they improve the service to consumers and help to promote economic growth.

The introduction of an EC regulation governing the rules under which franchise

agreements can be set up gives greater legal certainty to both parties to the agreement, as well as more protection to the consumer.

In general, the Commission will approve any agreement which enables the franchisees in a network to supply one another, rather than be obliged to obtain supplies exclusively from the franchiser. To protect the franchiser, franchisees who terminate an agreement will be prohibited from operating a similar business on their own account less than one year following the termination of a franchise agreement. However, while franchisees cannot compete with the franchiser during the duration of an agreement, they cannot be prevented from investing in competing firms in which they are not personally involved. To protect consumers, guarantees must apply to products sold by a franchisee whether they were obtained from the franchiser or from another franchisee.

Shortly after adopting this regulation, the Commission gave the green light to the French luxury leather goods group Charles Jourdan for its standard franchise agreements with retailers in a number of EC countries.

MORE INFORMATION FOR INVESTORS

EC Finance Ministers have reached agreement on the information that must be published when transferable securities are being issued to the public. The measure, which is due to come into force by 1992 at the latest, must now be approved by the European Parliament.

By providing potential investors with the same level of information in all 12 member states, and with the greater protection that will result, it is expected that this legislation will help promote

more cross-border investment to boost the EC economy as a whole.

However, so-called Euro-securities which have a rapid turnover will not be subject to the new disclosure rules.

At the same meeting, the Ministers reached agreement on rules for disclosure when a major holding in a listed company is acquired or disposed of.

ONE STEP NEARER EC BANKING

Minimum capital requirements for banks are on their way to being established at EC level following an agreement among Finance Ministers meeting in Brussels in December.

The legislation, which establishes a common definition of banks' "own funds", will pave the way for EC rules on solvency ratios once it is approved by the European Parliament.

These two measures are linked to the key banking directive proposal, now before the Council of Ministers, which would enable a bank established in any member state to operate throughout the EC on a single license.

LIQUOR LABELS TO BE 100 % PROOF

Just in time for Christmas, the EC's Council of Ministers took a landmark decision in the heady world of spirituous beverages by decreeing exactly how manufacturers may describe their potent products.

Bar room brawls over such arcane issues as the difference between cognac and brandy, or the entitlement of Irish whisky to the same appellation as Scotch, should become a thing of the past.

The Ministers, with the finality of a barman pulling down the shutters, agreed on exact definitions of generic terms such as rum and gin. They also drew up lists of

170 different liquors which are entitled to use these terms, based in part on minimum alcoholic content levels.

The decision will not only protect legitimate manufacturers - and imbibers - from masquerading competitors, but should also be a boost to trade between EC countries and EC exports to the rest of the world.

STILL INTERFACING

IBM is to continue to abide by its agreement with the EC Commission to provide certain interface information to European competitors who use some of the giant US company's systems.

The agreement was signed by IBM in 1984 in exchange for the Commission suspending its four-year proceedings against it under EC competition laws.

IBM had the right from January 1 to give one year's notice of termination of the undertaking to the Commission. But, in a joint statement, both parties agreed that neither foresaw any change in circumstances that would cause IBM to avail of this right.

FREER TELECOM ACCESS PLANNED

The EC Commission has taken two new steps towards opening up the telecommunications market - long the preserve of governments - to free and fair competition.

Following a controversial move last year to liberalize terminal equipment, the Commission has made two new proposals - one to liberalize the services industry and the other to improve access for private operators to public telecom networks.

While the member states have generally accepted the need to liberalize the telecom sector, they objected to the Commission's use of the little-used article 90 of the Treaty of Rome to open up the mar-

ket for terminal equipment. The use of this article enables the Commission to decide without reference to the Council of Ministers if publicly-owned monopolies are in breach of EC competition rules.

A number of member states have challenged this step before the EC's Court of Justice. In the meantime, the Commission has used the same article in proposing to open up the services side of the industry. However, in this case, it has confined itself for the moment to a broad outline of its intentions and plans to consult the 12 governments during the next three months before finalizing its position.

Its proposal to give private operators improved access to the telecommunications networks will be subject to a different legislative procedure and must be approved by the Council of Ministers and the European Parliament.

FOOD IRRADIATION TO BE STANDARDIZED

The EC Commission has drawn up a proposal for common standards for food irradiation, an increasingly popular method of processing and preserving food by exposing it to X-rays or electronic beams.

The reason for the move is that irradiation, which the Commission is satisfied is safe under controlled conditions, is accepted in some member states but not in others. There is no universally reliable way of establishing whether a food has been irradiated, nor proper labelling.

The aim of the proposal, which is part of the 1992 package, is to promote the free circulation of such foods and to provide consumers with more information and protection.

The proposal provides a list of foods that can be irradiated, fixes maximum doses, lays down labelling requirements

and provides for an EC register of irradiation facilities.

In a separate initiative, the Commission has proposed to the Council maximum permissible limits for radioactivity in animal feedingstuffs, which would be applied automatically in the event of a nuclear accident. The level is 2000 becquerels per kilogram (approximately 2.2 pounds). Limits for food for humans were set in December 1987, following the Chernobyl accident.

BACKING FOR AN EC CURRENCY

The Committee for the Monetary Union of Europe, which was founded by former French President Valéry Giscard d'Estaing and former German Chancellor Helmut Schmidt, issued a call from Athens in December for an EC currency which would exist alongside national ones. They also urged the creation of the right conditions for the establishment of an EC Central Bank, including a reduction of fluctuations between the different national currencies and greater use of the ecu, the EC's unit of account.

On the same day in Milan, a number of leading Italian industrialists and bankers, including Fiat boss Gianni Agnelli and Carlo de Benedetti of Olivetti published a manifesto in favor of a European currency and further steps towards the creation of a monetary union.

From London, however, the governor of the Bank of England, Robin Leigh-Pemberton, warned against what he called "a premature obsession" with monetary union. He favors short-term measures like greater economic integration of the member states rather than tackling long-term targets like a common currency and an EC Central Bank.

IN BRIEF

...the Council of Ministers has reached agreement on measures to improve the health and safety of workers in the work place. They must now be approved by the European Parliament. The legislation will form part of the so-called "social dimension" of the 1992 program, the details of which are currently being worked on by the Commission.

...Transport Ministers have reached political agreement on the weights and dimension of trucks and articulated buses. This paves the way for greater liberalization in the road transport industry, a key element in the 1992 package.

...EC rules have been proposed by the Commission to reduce the noise of passenger aircraft. It wants the Council of Ministers to agree that, from November 1990, airlines should not register aircraft for flying between EC airports unless they meet top noise standards. This legislation could be followed by restrictions on older aircraft in existing fleets.

...EC employer organizations

...EC employer organizations have issued a charter giving their full support to the 1992 program. It is in the form of a 16-point declaration committing the employers to a freer market, and it calls on EC leaders to promote greater economic and monetary convergence between the member states, more regional development, and more cooperation with non-EC countries in Europe. It also urges "equality and reciprocity" in market access to third countries.

...the EC Commission has published the first panorama of EC industry, which provides an up-to-date picture of all sectors of manufacturing and services industries, including their structural outlook, employment patterns, market and trade shares, and future prospects. The panorama, which is to be an annual publication, singles out the aerospace, telecommunications, pharmaceuticals and software industries as those with the greatest growth potential.

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