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BRITAN URGES FREER BANKING IN THE US

Legislation currently on the table of the Council of Ministers in Brussels will create a more liberal and less restricted banking market in the European Community than exists in either the United States or Japan, Sir Leon Brittan, the Commissioner responsible for the regulation of financial institutions, told the US Banker's Association in Phoenix last month.

Sir Leon, who also had meetings in Washington with Administration officials, and in New York with leaders of the financial services sector, said he would like to see the US following the EC's example by making its banking market just as open as the one the EC is shaping for 1992.

"We want to persuade you that the remaining restrictions on what banks can do and where they can do it no longer serve a useful purpose", said Sir Leon. "We understand how they came to be put in place originally, and we respect your entitlement to decide whether to retain them. But we believe that if current restrictions are dismantled European banks will benefit, and American banks will benefit even more."

Sir Leon made it clear, however, that the EC's intention was to use persuasion, not threats, to get a more open market in the US. He said that there would be no question of any EC sanctions against American banks in Europe as long as EC banks received the same treatment and access in the US as domestic banks.

In April, in response to concerns expressed particularly in the US, the EC Commission clarified the so-called "reciprocity" article in its proposed second banking directive (see May issue of Eurecom). US banking reaction has in general been welcoming.

"It's a step in the right direction", said Morgan Guaranty Vice-President Michel Vandenberg, speaking as chairman of the Financial Services sub-committee of the American Chamber of Commerce in Brussels. He added: "It makes the reciprocity clause less rigid."

Senator Joseph R. Biden, who is chairman of the Senate Foreign Relations sub-committee on European Affairs, said: "This is good news for American banks, especially smaller banks which have not yet secured a place in the European market."

EC OBJECTS TO US TELECOM MOVE

An announcement by the US Administration that it was citing the EC as a so-called priority country for possible trade retaliation would hinder rather than encourage moves to liberalize telecommunications markets in the EC, External Relations Commissioner Frans Andriessen told a journalists' conference on 1992 in Annapolis, Maryland, last month.

Mr. Andriessen pointed out that the US action came at a time when the EC had embarked on a major liberalization program and when negotiations on a multilateral services agreement were underway in the Uruguay Round of GATT negotiations in Geneva.

The Commissioner said that if countries thought that in special circumstances immediate but lasting solutions could be imposed through means which were incompatible with the GATT they would endanger the chances for improvement in international trading relations in general.

He added: "We are ready at all times to talk with the US on this as well as other matters, to clarify mutual problems and to exploit opportunities for overcoming them. But existing multilateral channels will have to remain the overriding avenue for progress."

"One-sided actions from Washington would very much jeopardize our internal efforts to bring about a free market for our telecommunications."



EC-US COOPERATION ON HDTV PROPOSED

EC Commissioner Jean Dondelinger has suggested that the time has come for the EC and the US to join forces in producing a mutually-acceptable common standard for high definition television.

Mr. Dondelinger, who was speaking in New York last month at a conference on 1992 organized by the Foreign Policy Association and Business Week, said he believed that a sound basis now exists for such cooperation to produce a world standard for HDTV.

Both the EC and Japan are already far-advanced in developing HDTV systems in anticipation of a world market that could grow rapidly to be worth more than \$ 100 billion annually.

American R & D in the field has been slow to get off the ground because of an initial favoring of the Japanese system. This stance has now been abandoned in favor of domestic development in this new electronics sector, which has both commercial and strategic potential.

US Commerce Secretary Robert Mosbacher is reportedly in favor of a relaxation of anti-trust regulations to enable American firms to pool resources and ideas to develop a domestic production capacity.

As part of its 1992 harmonization exercise, the EC has now agreed on its own standard, which, unlike the Japanese system, would be compatible with existing TV sets, including American ones. This is why the EC Commission favors EC-US discussions at both industrial and political level.

EMU TO TOP AGENDA AT MADRID SUMMIT

Major political issues raised by last month's report of the Delors Committee on progress toward economic and monetary union in the Community will be the major talking point when the 12 heads of government gather for their half-yearly European Council summit in Madrid at the end of this month.

Although the report, which envisages a three-stage development towards the creation of an EC Federal Reserve-type system and a common currency, was broadly welcomed by governments, bankers and business in general, the United Kingdom maintained its negative stance.

However, at a preparatory meeting of Finance Ministers, the British Chancellor of the Exchequer, Mr. Nigel Lawson, did not oppose work beginning on the first stage, which envisages closer cooperation between governments and central banks on monetary and budgetary policy.

Nevertheless, the UK has still not agreed to bring sterling within the existing European Monetary System (EMS), under which 8 of the 12 member states control exchange rate fluctuations between their currencies. Nor is the UK prepared at this stage to commit itself to the entire three-stage process.

But Mr. Lawson was quoted as saying after the ministerial meeting: "It is not a question of whether (the UK joins the EMS): it is a question of when."

The UK's main objection to the proposals made by the committee, which was chaired by Commission President Jacques Delors and was composed of central bankers and independent economists, is that the second and third phases would mean a revision of the EC's founding Treaty of Rome.

At the Madrid summit the government leaders will have their first discussion of the proposals and are expected to consider the question of whether they should set up an inter-governmental conference, which would be necessary to prepare for any treaty amendments.

In Paris, the Committee for the Monetary Union of Europe, which is headed by former French President Valéry Giscard d'Estaing and former German Chancellor Helmut Schmidt, broadly welcomed the Delors Report and urged the government leaders to give their political blessing to the negotiations necessary for changes in the treaty.

SOME PROGRESS ON MERGER DIRECTIVE

EC-level regulation of mergers between large companies moved a step closer last month when Finance Ministers met in Brussels. The Ministers showed more flexibility on proposals from the Commission, which is seeking power to approve or block mergers that could threaten EC-wide competition.

For the first time, the German government has accepted the 5 billion ecu (1 ecu = \$ 1.09) threshold above which mergers taking place before 1992 would be subject to control by the Commission rather than national authorities. The Commission has proposed that this figure should drop to 2 billion ecu after 1992, but so far there is no agreement on this threshold.

The other outstanding issues are the criteria which the Commission would use in assessing mergers (e.g. industrial policy as well as strict competition considerations), and the way in which existing competition rules, contained in Articles 85 & 86 of the Treaty of Rome, would be applied in the context of the new regulation.

DEADLOCK OVER UK NISSANS BROKEN

Two disputes involving the export of Japanese Nissan cars assembled in the UK to France and Italy have reportedly been settled. The disputes concerned the local content of the Bluebird cars and whether they should be considered part of the overall quotas which both countries maintain on Japanese car imports.

Both the French and Italian authorities have given assurances that no restrictions will be placed on the sale of the UK assembled cars to their markets. France currently imposes a quota which restricts imports from Japan to 3 per cent of total new car sales. Italy limits to 2,550 the number of cars it imports directly from Japan, although it allows a further 14,000 Japanese



cars to be imported without restriction.

A number of EC countries apply restrictions to car imports from Japan, where European exporters have had difficulty over market access. These national measures are due to disappear with the completion of the EC internal market in 1992, and EC-level discussions on post-1992 arrangements are now taking place.

NEW LAWS DESIGNED TO PROTECT WORKERS

Social Affairs Ministers have reached preliminary agreement on three directives designed to protect workers. They will formalize their agreements once the European Parliament has given a second reading to the draft legislation.

Final agreement is expected by the end of the year on the directives, which relate to health and safety at work, the use of industrial equipment and the use of personal protective equipment. They aim to harmonize minimum requirements throughout the 12 member states by the end of 1992.

The three directives complete an EC package of legislation that will enable manufacturers to sell their machinery and other equipment throughout the EC. They can be adjusted to take account of technical developments in the future.

NO PROTECTIONISM ON STANDARDS

Fears expressed by some US exporters that harmonized standards in the EC would be used to keep them out of the European market after 1992 have been quelled by Commissioner Martin Bangemann, who is in charge of the 1992 program.

He declared at a meeting in Germany: "There is no intention of producing specific European standards for their own sake, out of step with world standards. This would only damage our own industries, which would suffer both as producers and as consumers

from such a protectionist attitude.

"The Community is actively involved in the international standards organizations and our firm policy is to work towards the development of full international standards wherever possible."

"QUOTES"

"We are determined that there should be no Fortress Europe. But we look to the US to keep its own markets open too. There must be no Fortress America either." **Lord Young of Graftam, UK Secretary of State for Trade & Industry, in New York.**

"American enterprise will indeed have lost a great deal of its initiative and skills if it is not ready in 1992 to take advantage of the enormous new opportunities which the largest single market in the world will offer to us." **Former Defence Secretary Caspar W. Weinberger.**

"If we organize ourselves, Europe will grow faster than the US and Japan combined." **Cornelius van der Klugt, Chairman of Philips.**

"The economic objectives of the 1992 project will be met by the end of 1992. The political objectives are less certain." **EC Commission President Jacques Delors.**

"The winds of 1992 have - at least in Europe - blown away all talk of Eurosclerosis; Europhoria now reigns." **Carla Hills, US Trade Representative.**

"There isn't a trade war (between the EC and US). There are trade disputes." **Alfred H. Kingon, outgoing US Ambassador to the EC.**

"Europe is fundamental to our plans. We've got to get our act together." **Citicorp Chairman John Reed.**

"The UK should stop making itself stupid in Brussels with its King Canute attitude." **Former EC Commissioner Lord Cockfield.**

EC MANUFACTURERS MAKE CFC PACT

Manufacturers of aerosol cans in the EC have entered into a voluntary agreement with the European Commission to reduce by 90 % the use of chlorofluorocarbons (CFCs) in cans by the end of next year. CFCs damage the ozone layer, which protects the earth from the sun's ultraviolet rays.

Since the use of CFCs in aerosols account for about 45 % of the total use of CFCs in the EC, the agreement surpasses the commitment to a 20 % reduction by 1993 contained in the Montreal Protocol, which the EC signed last year.

The agreement does not cover aerosols used in pharmaceuticals and electronics as well as some specialized industrial uses. However, these will carry a label which states "Contains CFC which damages ozone."

The Commission intends to negotiate similar voluntary agreements with industries in other areas which use CFCs, such as refrigeration and foam plastics.

FREER SKIES FOR EC PLANNED

The EC Commission is planning to present before its summer recess a legislative package which would liberalize air travel beyond the modest re-regulation which has been in operation since 1987.

Transport Commissioner Karel Van Miert intends to press for further flexibility on fares and an end to bilateral agreements between governments which control capacity sharing deals operated by the airlines, which are mainly state-owned or state-supported. He also wants to end restrictions on market access, which currently prevent certain carriers from operating on many routes.

The Commissioner has also targeted for abolition various restrictions on so-called "fifth freedom rights", which enable an airline from one



country to pick up passengers in a second country for travel to a third destination.

Another Commissioner who has competence in this area is Sir Leon Brittan, who is in charge of competition policy and who is responsible for seeing that it applies to air transport in the same way as to other industries.

In supporting Mr. Van Miert's liberalization drive, Sir Leon has pointed to the American experience. He told a conference in Brussels that 10 years of deregulation in the US will show savings of \$ 100 billion to consumers. However, he warned against European deregulation that would result in the American experience of excessive concentration, which is now beginning to push up air fares.

... IN BRIEF

... the EC has issued its 1989 report on US trade practices that impede EC exports. It pinpoints almost 40 measures. A summary is available from the EC Office of Press & Public Affairs, 2100 M Street, NW, 7th Floor, Washington, DC 20037. Tel. (202) 862.9500.

... following the May 3 Council of Ministers meeting in Brussels, 48 % of the 1992 program was completed. The

scorecard on legislative measures reads : 119 adopted, 6 partially adopted, 10 common positions reached by the Council.

... EC unemployment is at a six-year low. Latest figures show it at 9.4 %, representing 15.2 million out of work out of a total population of 320 million.

... the EC Commission has launched a pilot exchange scheme for customs officials, whose role is expected to change significantly after

1992. With the creation of a single market, customs officers will have to shift the focus of attention to the EC's external frontiers. The new training schemes will help them adapt to cooperating more closely.

... Ministers have given the go-ahead for a \$ 100 million-plus program to encourage the spread and use of new technologies throughout the EC. It is called Sprint (Strategic Program for Innovation and Technology Transfer).

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