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DELORS URGES FAST-TRACK UNITY

EC Commission President Jacques Delors has called on EC leaders to take a major step toward integration to make the Community strong enough to cope with the pace of change in Eastern Europe.

He told an audience at the College of Europe in Bruges, Belgium: "I have always been a follower of the policy of small steps... but now I am departing from that, because time is short. A quantum leap is needed for both our conception of the Community and our actions toward the outside world."

Mr. Delors believes the EC's December summit in Strasbourg, France, should set 1992 as the deadline for institutional changes to give the Community a common currency. This would greatly hasten his three-stage blueprint for economic and monetary union.

EC TO ABOLISH TV FRONTIERS

The Council of Ministers has adopted a directive which will create conditions for the free circulation of TV broadcasts within the Community. The directive has aroused considerable controversy in the United States.

"We have taken an important step ahead," said EC Commissioner for audiovisual and cultural affairs Jean Dondelinger. "The EC will have a whole audiovisual space within which it is committed to develop its own audiovisual industry."

The directive establishes a series of minimal standards which will enable the audiovisual sector to benefit from all the advantages of a large market. The legislation sets common rules for overall advertising time, sets tight control on alcohol advertising and bans tobacco commercials.

Without fixing strict quotas, it stipulates that the majority of programs, "where practicable and by appropriate means," should be reserved to European works. The text also requires member states to ensure that television broadcasts do not include programs which might impair the physical, mental or moral development of minors.

In response to US charge of EC protectionism, Internal Market Commissioner Martin Bangemann pointed out that no element of the directive infringes international trading rules. US criticisms are unjustified, he said, because "in their bilateral free trade agreement the US and Canada have explicitly recognized that cultural products are not to be placed on the same footing as other merchandise. They have formally agreed to respect

very strict quotas concerning US audiovisual products on Canadian soil."

A recent French study by the BIP group revealed that only 32 % of TV programs in EC countries are currently non-European (excluding news, sports, advertising and game shows). According to media analysts, the new rules will have a minimal impact on US producers for years, giving them ample time to set up European subsidiaries and to benefit from the projected boom in new TV channels.

In early 1989 estimates, broadcast time in the EC will expand from 250,000 hours in 1987 to 400,000 hours per year in the 1990s. This will favor all producers.

SOCIAL CHARTER ONE STEP CLOSER

The EC Commission has adopted its draft Community Charter of fundamental social rights, which aims to ensure that the social rights of 320 million EC citizens are not eroded as the barriers to trade and the movement of people come down.

The Charter's thrust is twofold : it sets minimum rights for workers and protects existing rights. "Minimum rights" include guarantees of a fair wage (which will be left to the member states to determine), social security benefits, job training, equality of the sexes, safe working conditions and worker participation in company operations.

All but one of the Twelve support the non-binding Charter and would like to see follow-up legislation on specific charter issues. The lone dissenter, the UK, contends that job creation should be



the focus, without placing undue restrictions on business. Said Social Affairs Commissioner Vasso Papandreou, however, "We do not want an increase in jobs at the expense of quality of life." She further added, "I would prefer to see an 11 to one clash to watering it (the Social Charter) down."

Commission President Jacques Delors and the current French EC presidency are pushing for the EC heads of state to approve the Charter at their summit in Strasbourg in December.

Regarding follow-up legislation, President Delors commented in a recent address to the European Parliament that the Commission has "heard the message of Parliament" and it will try to enact worker safety and health legislation by majority vote of member states (as opposed to unanimity) to the extent the Treaty of Rome allows. The large Socialist bloc in Parliament is one of the major forces in the Community pushing for the Charter.

Said John Goodman, an assistant professor at the Harvard Business School in Boston, "I doubt the Social Charter will discourage American investment in Europe. It's not binding, and it's not clear how onerous any subsequent legislation would be."

MERGERS REGULATION: CLOSER BUT NO CIGAR

A recent meeting of the Internal Market Council yielded substantial progress on the Commission's effort to create a one-stop-shop for companies seeking authorization for their merger plans, but final agreement on common rules was not achieved.

Still outstanding are the issues of the future, downward revision of the 5 billion ecu threshold (above which mergers would be subject to control by the Commission rather than national authorities), and the Commission's powers below the 5 billion ecu threshold.

Some member states insist that a scheduled revision of the rules after four years would have to reduce the threshold to as low as 2 billion ecu,

a condition several member states found unacceptable.

Substantial differences of opinion also exist as to how far the Commission could intervene in mergers below the threshold, whether at the request of a member state or on its own initiative. Some member states (e.g. the UK and Germany) do not want the Commission to act on its own initiative below the threshold, while others (e.g. Italy, Belgium and The Netherlands) want such a provision.

On the positive side, agreement was reached on the Commission's criteria for assessing mergers above the threshold. The formula reflects the main elements of Article 85 (3) of the Treaty of Rome, which is based clearly on competition considerations. Technical and economic progress will be taken into account, provided that consumers clearly benefit and competition in the specific product category is not impeded.

In addition, the Council agreed to a text which would allow the Commission to permit member states to examine large mergers in certain specific circumstances which affect competition in local or national markets. This satisfied Germany, which had demanded the right for member states to intervene in specific circumstances after a positive decision by the Commission.

A proposal for a reciprocity article in the regulation was dropped. This would have affected takeovers and mergers of EC firms by companies from third countries which restrict such takeovers and mergers by foreigners.

A major effort to compromise will take place at the next ministerial meeting since one of the main goals of the French presidency is to pass the merger rules.

SINGLE LEASING LICENSE STUDIED

The EC is considering plans for a single license for leasing companies, which would permit them to operate throughout the EC once they have home country authorization.

Similar to the guidelines already established for banks, the proposals

would involve establishing minimum capital and supervisory rules for all leasing institutions.

The growth of leasing as a financing vehicle in the EC has created anomalies because, in some member states, leasing is regarded as a banking activity, while in others it is not. Banks already engaged in leasing stand to benefit from the market opening created by the Second Banking Directive, but other companies in the leasing industry may be at a disadvantage in terms of market access.

FINANCE MINISTERS AGREE ON VAT

EC finance ministers decided that they are not quite prepared to allow goods to travel as freely inside the single EC market after 1992 as they do now within each individual country.

The 12 member states will still scrap border controls by the end of 1992, but their finance ministers decided last month to continue levying value added tax (VAT) on goods at the point of consumption. The task of checking the flows of goods across Community borders will be left to the trading firms and national authorities. "This means we are abolishing border controls by effectively moving them into companies," commented German Finance Minister Theo Waigel.

The Commission still favors its own proposals to wipe out border bureaucracy, under which goods would be taxed at their origin and then revenue would be redistributed on the basis of trade flows. However, member states fear the origin principle would be fraught with inaccuracies which would cause revenue loss.

Under the ministers' proposals, exporters and importers will be required to keep extensive documentation, which tax authorities will have to scrutinize to prevent wide-scale cheating. EC Tax Commissioner Christiane Scrivener cast doubt on the proposed system's capacity for preventing fraud without imposing undue administrative burdens on companies. Further, she does not

believe the system would generate pressures for member states to narrow the gaps in VAT rates.

MORE EC-US TALKS ON STANDARDS

As set out in the May 29 agreement between US Secretary of Commerce Mosbacher and the Commission, a delegation of US officials and representatives of US standardization, testing and certification bodies recently held discussions with Commission officials and representatives of the European standardization bodies CEN and CENELEC in Brussels.

Both sides registered their satisfaction with the success of earlier meetings between US and European standardization bodies and reaffirmed their commitment to the work of international standardization organizations and to the principle of transparency in standardization.

Regarding testing and certification issues, experts from both sides compared US and EC systems for conformity assessment with a view to preparing future negotiations on mutual recognition of tests and certification.

"DAWN RAIDS" BY COMMISSION UPHELD

The European Court of Justice recently upheld the Commission's right to raid companies for evidence of alleged price-fixing, confirming the Commission's extensive powers to enforce EC competition rules. Further, it boosts the drive to promote competition in the Community in advance of the single market in 1992.

The case was brought to the Court by Hoechst, the German chemicals giant, after the Commission carried out a series of "dawn raids" on chemical firms suspected of price-fixing. According to the Commission, the company was distorting competition by coordinating policies with other European firms to fix prices of polyethylene and polyvinylchloride (PVC). Hoechst refused Commission investigators

access to its records until a warrant was obtained under national (German) law, and complained that the search was indiscriminate and illegal. Hoechst was fined 55,000 ecu by the Commission for obstructing the investigation (1,000 ecu per each day's delay).

In its decision, the Court backed the right for the Commission to investigate a company's books immediately if it suspects a violation of competition law. There was no breach of fundamental rights (as Hoechst protested) because such rights relate to individuals and not to companies. In addition, the Commission also has the right to seek information which it cannot necessarily identify in advance. With the help of national authorities it can search for information even if the targeted company is unwilling to cooperate.

If a firm objects, the investigators must secure a search warrant according to national law, but the company exposes itself to fines until the Commission actually begins the investigation. National authorities are not allowed to determine whether an investigation is justified, but they may ensure that any enforcing measures are neither arbitrary nor out of proportion with the inquiry's aim.

EC RESIDENCE RIGHTS EXPANDED

Agreement has been reached in the Council of Ministers on an approach to allow students, pensioners and independently wealthy people from the EC to live in any of the 12 member states as long as they can support themselves.

For students, formal proof of income will not be required as long as the student can show that he or she has the means to live in the host country (e.g. a letter from a rich aunt).

Retirees and people of independent means will be required to prove they have enough money to pay their way in a country other than their country of origin. For pensioners settling in a more expensive country, this

might require both a basic state pension from the home country and additional income.

"QUOTES"

"Only open markets force people to adapt and make them economically strong. By contrast, and apart from anything else, quotas are always a sign of weakness and lack of self-confidence. We Europeans must be self-confident enough to prevail against strong international competition. Only then will we be able to persuade others to 'buy European'." EC Commissioner Martin Bangemann.

"Competition will be tougher in Europe because European business will be more competitive. But that's not a bad thing. If the 1992 process results in greater economic growth in Europe than otherwise would have taken place, that means more business for everybody." Thomas Niles, US Ambassador to the European Community.

"It is true that problems can arise over strategy or tactics within the Atlantic Alliance, and that trade issues can generate conflict. But if we take a broader view, it is clear that passing difficulties of this kind are nothing compared with the bond between us: the shared destiny of the free world." EC Commission President Jacques Delors.

"It will be a very long way off before any East European country becomes a member of the EC. You can only be a member of the Community when you accept the basic philosophy of democracy and a market economy." EC Commissioner Frans Andriessen.

"The EC's plan to establish a single market by 1992 should create new opportunities for businesses all over the world and particularly for those in the US." Robert A. Mosbacher, US Secretary of Commerce.

"The European Community is no closed institution. It is open for all free people of Europe." German Chancellor Helmut Kohl.

... IN BRIEF

... The EC's long-term financing arm, the European Investment Bank (EIB), will back a Disneyland theme park with a loan of USD 197 million. The development at Marne-La-Vallee will "make a significant contribution to the growth of the EC's tourism industry," said an EIB official. The loan to Eurodisney is part of a total finance package from several banks worth USD 1.1 billion. Eurodisney also plans a USD 1 billion share flotation in Paris and London, which will leave the US Walt Disney Co, with 49 % of the company.

... A survey by MITI has found an increasing number of Japanese manufacturers plan to build new plants in Western Europe and Southeast Asia to prepare for the EC's single market in 1992 and to cut labor costs. The survey covered 13,756 manufacturers and service firms, of which 54.4 % responded. 13.1 % of the respondents said they plan to construct new plants in Europe within the next three years.

... According to a recent opinion poll, most French voters would be in favor of Austria, Poland and Hungary joining the EC, but a majority would oppose the membership of Turkey. The EC has stated that there will be no question of enlargement until sometime after 1992,

when it has established its single market. Turkey, a member of NATO and the 23-nation Council of Europe, has been formally seeking membership for more than two years.

... Sterling should become part of EMS (European Monetary System) exchange rate mechanism as soon as UK inflation is on a clear downward trend, said the Confederation of British Industry. The CBI contends that full EMS membership would stabilize Britain's exchange rate, removing uncertainty in financial markets and fostering a climate in which companies are encouraged to invest. Sterling's dive to two-year lows has intensified pres-

sure on Prime Minister Margaret Thatcher to bring the pound into the EMS as a full member much earlier than she intends.

... Movement toward a single market is creating jobs. The number of employed people in the EC rose in 1988 for the first time since the early 1970s, largely due to a boost from the service sector. Employment increased 1.8 % over 1987, with the fastest job growth registered in Spain and the UK at 3.3 %. Employment in the services sector, which now accounts for 60 % of all EC jobs, grew by 2.7 %, compared with a 1.3 % rise in manufacturing employment and a 2.6 % drop in agriculture.

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