

ESBA Bulletin of May 2000 – Volume 2 – Number 4



HEADLINES

In this issue:

	General EU news
	04/05/2000 European commission, replacement in Prodi's entourage.
	Economic & Financial affairs
	04/05/2000 Greece economy - European commission proposes euro-zone entry
	TAXATION
	04/05/2000 MEMBER STATES SET TO BACK VAT REFORMS.
	Enterprise Affairs
	02/05/2000 Hungary: five-year EU support scheme for SMEs will include candidate countries
	19/04/2000 Commission launches new business feedback mechanism to help SMEs.
	04/05/2000 European Union relaxes encryption export restrictions
	04/05/2000 European Employers (UNICE) agree to negotiate European framework agreement on temporary work with trade unions.
	29/04/2000 Policy - Commission tailors policy to new economic context
	EMPLOYMENT & SOCIAL AFFAIRS
	26/04/2000 Joint statement by European social partners for commerce.
	Single market
	06/05/2000 Commission announces review of internal market strategy
	06/05/2000 Parliament calls for strengthened sanctions and attribution to EuroPol of powers to fight counterfeiting and piracy
	05/05/2000 European commission clarified its guidelines concerning application of single market rules to "concessions" through which public authorities confer to a third party management of a public service.
	International trade
	05/05/2000 Taiwan, mainland china to join WTO in September
	03/05/2000 WTO chief sees new movement in trade blockage
	Electronic Commerce
	05/05/2000 Parliament has approved the council's common position without amendments; the directive on "electronic commerce" is adopted

ESBA Bulletin of May 2000 – Volume 2 – Number 4

	26/04/2000	Commission took the initiative to "unbundle" access to local loop, result of public consultation on electronic commerce
	19/04/2000	Working group on smart cards
	15/04/2000	Commission sets out its policy for internet management
	Competition policy	
	05/05/2000	EP/competition
	02/05/2000	Group urges EU to spur mobile phone competition
	01/05/2000	Commission renews shipping pact exemption
	29/04/2000	Commission opens horizontal business co-operation agreements debate

General EU news

04/05/2000 European commission, replacement in Prodi's entourage.

On a proposal from President Prodi, the European Commission proceeded with a number of changes in its "central structures", in particular those making up the Presidency's entourage:

- Secretary General Mr Carlo Trojan will leave his post on 1st June. With effect from 1st September he will head the Commission's Delegation in Geneva, which deals inter alia with the WTO;
- Mr David O'Sullivan, currently the President's Head of Cabinet, will be the new Secretary General;
- Mr Michel Petite, currently Deputy Head of Cabinet to the President, will become Head of Cabinet, with responsibility for following the work of the Intergovernmental Conference (IGC) negotiating institutional reform. Meetings of Heads of Cabinet will be chaired by either Mr Petite or Mr Manservigi;
- The current spokesman, Mr Riccardo Levi, will head the Economic and Political Council, the new body replacing the Forward Planning Unit but with more specific and broader responsibilities;
- The Head of the Press and Communication Service, Mr Jonathan Faull, will serve as interim spokesman.

Speaking to the press, Mr Prodi said these changes were being made in the context of improvement of the Commission's operation, especially with a view to making possible close co-ordination between the structures closest to the President, in harmony with the administrative reform in progress. Answering questions from the press, Mr Prodi added the following explanations.

New tasks of the Economic and Political Council chaired by Ricardo Levi

The President's responses concerned:

- **Transformation of the Forward Planning Unit.** The College of Commissioners decided to change the role and responsibilities of this unit, which, to start, will take the name "Economic and Political Council". Instead of focusing on general forward studies, it will have the job of preparing decisions on common policies in greater detail and assisting the Commission

ESBA Bulletin of May 2000 – Volume 2 – Number 4

President in all his decisions. This move is meant to "strengthen the Commission's capability for political analysis" and to make decision-making support available to the President.

- **Secretary General** Mr Trojan requested a change of assignment, seeking a move to the area of external relations. A Director General has not yet been named in this sector, but the appointment of a Dane is imminent. The role of the Commission's Head of Delegation in Geneva is particularly important, given the development of relations with the WTO;
- **The spokesman.** The appointment of Jonathan Faull is tentative because the relationship between the President and his Spokesman must first be tested day to day, on the job. The final decision will be taken before the summer holidays.

Economic & Financial affairs

04/05/2000 Greece economy - European commission proposes euro-zone entry

The European Commission proposed that Greece should join the euro, making it almost certain that the European Union's single currency will expand from 11 to 12 members at the beginning of next year.

EU finance ministers will take the final decision after consultations with the European Parliament and a discussion amongst EU leaders at their next summit in June. The Commission's conclusion that Greece fulfils the necessary conditions to join the euro-zone means the remaining steps are likely to be little more than formalities.

Greece had met none of the four economic convergence criteria for the euro two years ago, but has since made "striking progress" in bringing its inflation rate, long-term interest rates, budgetary situation and exchange rate stability into line with the requirements of the single currency said the Commission.

Although the Commission warned that a necessary fall in short-term interest rates towards euro levels and a downward movement of the drachma exchange rate towards its conversion rate for the euro would pose some risks for inflation. It urged the Greek government to continue a "stability-oriented strategy" based on a tight budget policy and moderate wage increases.

This message was hammered home by the European Central Bank. Christian Noyer, ECB vice-president, underlined the need for a tight fiscal policy to cut Greece's high ratio of public debt to gross domestic product. Although the debt ratio is expected to fall below 100 per cent of GDP in 2001, it will still be well above the 60 per cent ratio envisaged in the Maastricht Treaty on economic and monetary union.

Mr Noyer also urged structural reforms, including swifter implementation of EU single market legislation.

The Commission also reported yesterday on Sweden's readiness to join the single currency. Although Sweden is outside the euro-zone, unlike the UK and Denmark, has no opt-out from the euro.

It found that Sweden had failed to show sufficient exchange rate stability against the euro and that the legislation governing its central bank was neither compatible with the EU treaty or the statutes of the European system of central banks.

ESBA Bulletin of May 2000 – Volume 2 – Number 4

TAXATION

04/05/2000 Member states set to back VAT reforms

EU FINANCE ministers are set to signal their broad support for a scaled-back reform of the Union's value added tax regime.

Diplomats say ministers will welcome Internal Market Commissioner Frits Bolkestein's decision to delay plans for root-and-branch reform of the VAT regime in favour of more modest modernisation.

The linchpin of Bolkestein's proposals is a plan to fill in some of the gaps in the Union's existing seven-year-old 'transitional' VAT regime by, for example, extending the tax to postal services and closing loopholes in the rules on banking insurance and Internet shopping.

Under the current rules, member states are allowed to exempt postal services from VAT altogether, even though many post offices have entered commercial markets such as parcels and logistics. Bolkestein is also keen to revamp VAT regulations governing other public services, which have been privatised since the current regime entered into force.

However, his proposals fall far short of the plans unveiled in 1996 by his predecessor Mario Monti for reforming the VAT system, which accounts for one fifth of the 3 trillion euro raised annually in taxes in the Union.

Monti called for a new regime to be set up under which VAT would be levied in the 'country of origin' - i.e. the member state where the goods were made or the manufacturer was based - with a 'redistribution mechanism' put in place to ensure revenues went to the country where the goods were consumed, as at present. Monti also proposed establishing a single place of registration for companies paying VAT.

Most member states resisted these radical changes, regarding them as an attack on their fiscal sovereignty, and only reluctantly agreed to renew their pledge to keep standard VAT rates between 15 and 25%.

Enterprise Affairs

02/05/2000 Hungary: five-year EU support scheme for SMEs will include candidate countries

The European Union has launched a program to support enterprise and entrepreneurship for the period 2001-2005, targeted at the needs of small and medium sized enterprises.

Over five years, the program will provide up to EUR 230 million in support for the development of SMEs in more than 30 countries of the European Economic Area and European Union candidate countries. The program is aimed to help achieve the objectives of the EU's new enterprise policy. Europe needs to be more entrepreneurial and innovative if it is to face the challenges of the new economy, such as e-commerce and the knowledge-driven economy, according to the EU. The goal of the new strategy is making Europe the most competitive and dynamic knowledge-driven economy in the world in the next decade, according to a statement by the European Commission.

Entrepreneurship is the key to the new economy, said Erkki Liikanen, commissioner in charge of enterprises and information technology. Those who take risks must be rewarded, and those who fail must be given a second chance, he said. Thus the priorities of the new development scheme are an

ESBA Bulletin of May 2000 – Volume 2 – Number 4

enterprise culture that rewards entrepreneurs, better access to SME finance, and an innovative approach. The program is to provide financial support for policy development, and include instruments to ensure a better financial environment for SMEs in the form of loan guarantees and support for the provision of venture capital.

19/04/2000 Commission launches new business feedback mechanism to help SMEs.

On 17th April the European Commission launched the 'Business Feedback Mechanism', a new initiative to ensure future policy-making can take better account of the practical experience of European businesses operating in the Internal Market. Under this initiative, queries from companies to 41 Euro Info Centres will be analysed in order to pinpoint which issues give rise to most problems for business. The Commission will be able to take account of this analysis, which will be available on-line, in future policy-making.

The Business Dialogue is intended to supplement the Dialogue with Citizens (<http://europa.eu.int/citizens>) and is connected to the European Commission's Europe Direct initiative (<http://europa.eu.int/europedirect>).

The Business Feedback Mechanism aims to process at least 20,000 requests a year covering a broad range of sectors such as public procurement, technical harmonisation, e-commerce, intellectual property rights and environmental regulation. Through in-depth analysis of companies' queries, the Commission will be able to build up a picture of what business' problems are and respond with new or amended legislation or, as appropriate, non-legislative measures. The results of the feedback will be systematically included in the review of the Internal Market Strategy, which sets legislative and non-legislative priorities for the development of the Internal Market.

The Business Feedback Mechanism is part of the e-Commission initiative, which aims to develop electronic feedback systems to cover the full range of EU activities. It also complements other mechanisms aimed at simplifying and improving Internal Market rules such as the Business Test Panel and initiatives such as Simpler Legislation for the Internal Market (SLIM) that are designed to reduce the regulatory burden on business.

04/05/2000 European Union relaxes encryption export restrictions

Relaxed export restrictions for data encryption software products, allow circulation of such systems within the EU and 10 other nations, including the US. The deal means European firms may enjoy less regulatory pressure than their US competitors, who had their rules against export lifted in January.

04/05/2000 European Employers (UNICE) agree to negotiate European framework agreement on temporary work with trade unions.

Employers hope to improve the labour market in Europe and consider that "temporary agency work is an integral part of well-functioning labour markets". "Employers are prepared to discuss how to avoid unfair discrimination of temporary agency workers", but call on trade unions to recognise that temporary work is "an essential contribution" to the labour market in Europe as this kind of work generates jobs. Such is the essence of the decision announced by UNICE (European employers) for initiating negotiations on temporary labour with its partner in European social dialogue, the European Trade Union Confederation (ETUC), after much consideration by all its member organisations and appeals by the trade unions. This decision by UNICE comes within the extension of two agreements negotiated at an earlier date: the first on part time work signed in June 1996, and

ESBA Bulletin of May 2000 – Volume 2 – Number 4

the second on contracts limited in time signed in March 1999. It must be placed within the context of a general policy aimed at improving the way labour markets function in Europe.

This would provide further weight to the contribution of the social partners to the European strategy for full employment decided by the European Council of Lisbon".

29/04/2000 Policy - Commission tailors policy to new economic context

As a sequel to the Conclusions of the EU Summit in Lisbon, the European Commission has adopted a Communication and a Multi-annual Programme setting out how its enterprise policy will meet the challenges of globalisation and the knowledge-driven economy. The aim is to make Europe the most competitive and dynamic knowledge-driven economy in the world, capable of sustainable economic growth with increased and better jobs and greater social cohesion.

One of the challenges is business-to-business (B2B) electronic commerce, which currently makes up 85% of all e-commerce in Europe. This will affect each and every company profoundly. The Communication encourages small and medium-sized enterprises to take up successful business models integrating business-to-business e-commerce.

In its Communication, entitled "Challenges for enterprise policy in the knowledge-driven economy", the Commission sets out its approach to fostering entrepreneurship in the new economy. The main points are the following:

- The Commission intends to encourage risk-taking and the entrepreneurial spirit
- Building a dynamic business environment in which companies can be created, grow and innovate, supported by risk-capital and an effective innovation and research policy;
- Ensuring that enterprise has effective access to markets, both internal and global, in which to sell their products and services.

"Entrepreneurship is the key to the new economy. Those who take risks must be rewarded and those who fail must be given a second chance this is an important part of the learning curve", says Mr Liikanen, calling for a review of bankruptcy legislation in the Member States. An enterprise culture that rewards entrepreneurs, better access to SME finance and an innovative approach to the new economy are among the measures the Commission outlines in its Communication, which wants no Community legislation to be adopted without a proper business impact assessment at the highest political level.

Also in line with the Lisbon Summit Conclusions, the Commission intends to launch a benchmarking exercise in June this year in order to allow Member States to learn from each other in the field of enterprise policy. The first results will be presented at the Industry Council in December 2000.

Multi-annual Programme

The enterprise policy objectives set out in the Commission's Communication are supported by a new Multi-annual Programme on Enterprise and Entrepreneurship for the period 2001-2005. Mainly targeted at the needs of small and medium-sized businesses, this provides for financial support for policy development through the new "BEST Procedure". It also includes important instruments to ensure a better financial environment for SMEs, in the form of loan guarantees and support for the provision of risk capital. Business support networks and services to enterprises, such as those provided through the Euro Info Centres, will continue to be provided to SMEs through this Programme. Over its five years, the new Multi-annual Programme could provide up to Euro 230

ESBA Bulletin of May 2000 – Volume 2 – Number 4

million in support of SME development. It will operate in over 30 countries, including the European Economic Area and the candidate countries.

EMPLOYMENT & SOCIAL AFFAIRS

26/04/2000 Joint statement by European social partners for commerce.

At their conference on 14th April last in Lisbon, the European social partners for commerce (Eurocommerce for employers and Uni-Europa Commerce for unions) signed a "Declaration on Employment" in which they underline the importance of the development of "a significant dialogue on employment and labour relations" in their sector. The goal is to seek to "establish a common understanding on minimum standards for the longer-term development of working life in the European retail and wholesale trade and actively to promote good employment and labour relations practices". The partners support efforts to establish the EU as a leading region with regard to technological development, with emphasis on the need for commercial enterprises to strengthen their initiatives in the field of e-commerce and e-business.

Single Market

06/05/2000 Commission announces review of internal market strategy

Of the 53 target actions listed in the European Commission's new-look Internal Market Strategy set out last November and endorsed at the Helsinki European Council in December, only 27 are expected to have been achieved by the first six-monthly deadline on 30th June. "To fall so far short of the targets (...) is disappointing", the Commission said in a Communication it adopted on 28th April reviewing the progress that has been made in implementing the Strategy to date. The Communication adds new priorities that were not previously included. These were selected on the basis of Opinions it received, including those from the European Parliament, the Economic and Social Committee as well as business, consumer and environmental organisations. These issues will also be discussed at the next Internal Market Council on 25th May.

The Communication emphasised that the European Union's legislators must respond to the twin phenomena of globalisation and technological advancements in order to improve the competitiveness of the European economy. The creation of a framework to stimulate innovation and investment is necessary to achieve sustainable economic growth, increased and better jobs, together with improved social cohesion. It also stressed the need for better interaction between the Internal Market and the external policies of the EU, particularly with regard to enlargement.

The Commission has already noted a problem with the deadline for its first review under the new Strategy as it was carried out barely six months after the list of target actions was compiled. It, therefore, proposes shifting the future review deadline periods from June and December to March and September respectively in order to reflect the priorities set out by the Spring European Council on economic and social matters.

The Communication highlighted the fact that the cost of setting up a business is six times greater in the EU than in the US, and called for rapid agreement on a Regulation to create a Community Patent to redress this situation on the industrial property front.

In the transport and utilities sectors, it stressed the need for further liberalisation in the gas, electricity and energy markets, and postal and transport services. In the financial markets, it recommended that the securities markets be more integrated to encourage corporate borrowers.

ESBA Bulletin of May 2000 – Volume 2 – Number 4

Within the business environment, the Communication mentioned the importance of reducing state aid to promote competition, and also relieving the administrative burdens on businesses by introducing a new integrated regulatory and simplification initiative. It referred to the service markets in particular as an important growth area for employment and set a target of 3% annual growth in the sector. The amount of cross-border public procurement contracts is still significantly lower than in the private sector, although there has been an improvement in transparency in the award of public contracts.

On the citizens' and consumer rights side, the Communication discussed recent developments in improving dialogue with the citizens on their Internal Market rights, in particular the setting up of an Internal Market Forum. This will be organised by the Commission by bringing together experts in all the relevant fields to examine citizens concerns, especially in the area of food safety. Lastly, it mentioned enlargement and the Internal Market, emphasising how important it was for the candidate countries to have the EU Internal Market legislation in place before accession, and that if transitional arrangements are granted, they should be limited in number and with only a short period of time given.

Commission's target actions to be completed by June 2000: Improving the quality of life of citizens

- Commission Communication on Environmental Considerations in Public Procurement (June)
- Commission White Paper on Food Safety
- Commission Communication on Passenger Protection in Air Transport (May/June)
- Commission Communication on Legal Aid in Civil Matters
- Commission Communication on Priorities in EU Road Safety
- Commission Package of Regulations on a Uniform Format for the EU Passport, Identity Card and Residence Permit (June)
- Commission's "Dialogue with Citizens and Business" Promotion Campaign launched (May)
- Commission Proposal to amend the General Product Safety Directive 92/59 Enhancing the efficiency of Community product and capital markets
- Commission proposal for a Directive on the Patentability of Software (June)
- Commission proposal for a Regulation on the Community Patent (June)
- Commission proposals for Electronic Communications Framework Directive and Four Specific Directives (June)
- Commission Interpretative Communication on Concessions (April)
- Commission Communication on Economic Reform - Report on the functioning of product and capital markets in the EU (Cardiff Report)
- Implementation by the Member States of the country-specific recommendations on product and capital market reform contained in the 1999 Broad Economic Policy Guidelines
- Action to support initiatives for on-line out of court redress Improving the business environment
- Commission Guidelines to the Block Exemption Regulation for Vertical Restraints (May)
- Commission Pilot Project for Community Support to National Initiatives in Administrative Co-operation
- Commission proposal for a Public Procurement Legislative Package (April)
- Commission Reports on the Evaluation of SLIM and the Business Test Panel Projects
- Commission's "Dialogue with Citizens and Business" - Business Feedback Mechanism launched (March/April)
- Commission services paper on Representations to Patent Offices about Patent Agents within the Internal Market (May) Exploiting the achievements of the Internal Market in a changing world

ESBA Bulletin of May 2000 – Volume 2 – Number 4

- Adoption of a Council Decision on ratification of World Intellectual Property Organisation (WIPO) copyright Treaty (WCT) and WIPO Performances and Phonograms Treaty (WPPT) on behalf of the EC

Other target actions which are expected to be completed by June 2000

- Enhancing the efficiency of Community capital and product markets
- Adoption by European Parliament and Council of Electronic Commerce Directive Improving the business environment
- Adoption by Council of Directive on taxation of savings
- Adoption by Council of Directive on interest and royalties
- Unfair tax competition Code of Conduct: agreement on roll-back or amendments for harmful tax measures under Code
- Adoption by European Parliament and Council of a Directive combating late payments in commercial transactions.

06/05/2000 Parliament calls for strengthened sanctions and attribution to EuroPol of powers to fight counterfeiting and piracy

With the almost unanimous adoption (504 in favour, none against, 7 abstentions), of the report on the Commission Green Paper on the fight against counterfeiting and piracy in the internal market, the European Parliament called on the Commission to adopt a global and co-ordinated approach comprising a preventive aspect and a law enforcement aspect, characterised by "firmness and uniformity".

In its resolution, the Parliament mainly calls for the imposition of heavier sanctions to fight this kind of activity, including the temporary or permanent closure of the establishments in which the acts of piracy and counterfeiting have been committed. In addition, it calls on the Commission to propose the amendments to the treaty needed to enable EuroPol to assume new powers in this field.

The EP also calls on the Commission to propose that the Intergovernmental Conference provide, in the context of reform of the Court of Justice, "an allocation of duties that takes account of disputes relating to intellectual and industrial property".

European Commission announces action plan

Commissioner Bolkestein said the Commission broadly supports the report by Ms Fourtou, and announced that, after the Green Paper, it will soon present to the Commission a communication setting out an inventory of the consultation procedures that exist in this field and an action plan aimed at strengthening the fight against counterfeiting and piracy.

05/05/2000 European commission clarified its guidelines concerning application of single market rules to "concessions" through which public authorities confer to a third party management of a public service.

The European Commission adopted a "communication" through which it outlines its position and intentions over the applying of internal market rules to a particular form of partnership between the public and private sector: the "concessions" regime. This concerns the cases in which the public authorities entrust a third party with the management of certain infrastructures (such as motorways) or other services provided to the public and that a third party assumes the risks of running it. This is a

ESBA Bulletin of May 2000 – Volume 2 – Number 4

relatively common system in several Member States, but the methods of applying it are not always uniform, even if the interpretation of the European provisions applicable are not always easy.

The general principle maintained by the Commission is that the principles of the Treaty apply to concessions, in particular: equal treatment, transparency, mutual recognition and proportionality. Beyond this principle, the Commission wanted to inform the public bodies concerned and the operators of the application rules, through which the Community companies must benefit from free access to all the concessions "of public service utilities." The Commission already published in February 1999 a draft communication on this subject, which enabled it to gather reactions from all the areas concerned. The final communication only brings minor modifications to that of 1999. The Commission does not exclude the future adoption of a legislative text, if necessary.

International Trade

05/05/2000 Taiwan, mainland china to join WTO in September

Taiwan and Mainland China are expected to join the World Trade Organization (WTO) in tandem later this year. Officials said that a WTO panel had informed Taiwan of the admission arrangements, which were worked out during talks with the United States, the European Union, Japan and other major trade powers in the WTO.

According to these arrangements, the applications of Taiwan and Mainland China will be processed simultaneously by the WTO council. However, Taiwan's membership will be granted only after Mainland China's application has been accepted.

03/05/2000 WTO chief sees new movement in trade blockage

World Trade Organisation Director General Mike Moore said the body was rebuilding confidence between rich and poor countries after months of blockage.

Speaking at a news conference, he hailed as a "major step in the right direction" an agreement reached among the WTO's 136 member countries to set up a mechanism to tackle key trade problems facing developing economies.

"Our wheels have been spinning for some time, but we're now getting traction again," said Moore, a former New Zealand prime minister who has been battling to get the WTO back on track since the collapse of a Ministerial Meeting in Seattle last December.

But he implicitly recognised that the launch of a new global trade liberalisation round - a project, which also dissolved in the Seattle debacle - remained off the negotiating table for the immediate future.

After a day-long session of the WTO's ruling General Council, key developing countries made it clear they were still far from agreeing to a full-scale new round until they saw concrete progress on issues vital to their economies.

Moore, who four months ago had set 3rd May as a deadline for completion of a "confidence-building package", said the body was almost at that point and could have all the elements in place after a further General Council session next Monday.

Regular consultations

ESBA Bulletin of May 2000 – Volume 2 – Number 4

One agreement at Wednesday's meeting had been to set up regular consultations on the problems developing countries had with implementing accords they had signed up to in the 1987-93 Uruguay Round, he told reporters.

Poorer members of the WTO had made clear they would not even consider discussing a new round - and new commitments to open markets - until these concerns were met.

The WTO chief, describing himself as an "eternal optimist", said another part of the package now formalised was agreement on a framework for ensuring better access to the markets of richer WTO powers of goods from the poorest 48 countries, the LDCs.

But some envoys from the 29 LDCs, or least-developed countries as defined by the United Nations, who are already members of the WTO said offers from the four biggest trading powers, the Quad, on easing tariffs were very disappointing.

Bangladesh ambassador Iftekhar Ahmed Chowdhury told the Council the offers from the United States, the European Union, Japan and Canada "enormously belie" LDC hopes of tariff-free treatment for all their exports.

Many LDCs see the phrasing of the Quad offer as ensuring some of their most profitable exports - like textiles and clothing or farm produce - would still face tariff barriers because of pressure from domestic lobbies in the four countries.

Envoys from richer powers said the Quad offer, which 13 other countries including more prosperous developing countries and former communist economies have so far said they will join, was simply a "building block."

Electronic Commerce

05/05/2000 Parliament has approved the council's common position without amendments; the directive on "electronic commerce" is adopted

The European Parliament approved, on second reading, the Council's "common position" on the directive on electronic trade.

The European Parliament will carefully examine the proper implementation of the directive into national law, as it will be crucial to avoid any dilution of the positive effect of the directive by bad implementation, Mrs. Palacio exclaimed, stressing the urgent need to adopt "such a modern legal framework", especially due to the competition of American companies and the need to prompt small and medium-sized enterprises and "micro-firms" to embark on "frontier-free commerce" without delay.

26/04/2000 Commission took the initiative to "unbundle" access to local loop, result of public consultation on electronic commerce

The Commission is expected to adopt a recommendation and a communication on "unbundling" the local loop. At the same time, it will give the results of the public consultation on Review 1999 of electronic communications, as well as the major lines to be incorporated into the six directives that it will propose on this subject in June. In the Commission's opinion, these two points are along the same lines as the Lisbon Summit's conclusions on the implementation of the Information Society. They come within the context of the eEurope initiative launched by the Commission on 8th December

ESBA Bulletin of May 2000 – Volume 2 – Number 4

1999, in which the buffer date of December 2000 was fixed for provision of unbundled access to local loops of existing operators.

"Unbundling" the local loop permits use by other operators, in whole or in part, local loops established by the traditional operators to whom the lines belong. The lack of competition and choice on the local telecommunications markets, unlike the long distance and international telecommunications markets, had been emphasised by the Commission in the 1999 Review of the regulatory communications framework. It had announced its intention to publish recommendations on prices and certain other aspects regarding access to the local network, and above all envisage, in the short term, a recommendation on the technical and economic aspects of unbundling the local loop.

19/04/2000 Working group on smart cards

Thirty or so companies and the European Commission agreed, on 11th April in Lisbon, to set up a working group to promote the interconnection of smart cards and guarantee they may be used in all security by consumers. The smart card market is fragmented by country and sector, according to the sponsors of this high-level group in a joint Charter drawn up during a conference held in Lisbon on the knowledge and information society.

At present, there is no universal smart card available that consumers can use to telephone, pay for transport services, medical care, taxes and gain access to the Internet. Smart card company managers and the European Commission see advantage in stepping up action so as to accelerate, consolidate and harmonise their use throughout the EU and to promote closer co-operation between economic sectors and between countries.

The group has set itself four main aims, together with a timetable for achieving them:

- Raising the confidence of users by allowing them a suitable level of security by the end of the year 2000. Confidence is inextricably tied in with consumers' rights, such as security, protection of privacy and confidentiality and identification. Security has to be guaranteed by the end of the year 2002 for electronic transactions.
- Making it easier to use smart cards by 2001 so as to avoid a gulf between those with access to the new technologies and the others: all citizens should be able to use their cards anywhere. "The very many cards available and the variety of user terminals, plus the specific needs of people in difficulty are hampering wider acceptance of the smart card", according to the Charter signatories.
- Improving access: terminals are not always interconnected and national borders and specialist applications act as barriers. A joint set of specifications is needed to allow terminals to be compatible with different applications.
- Developing new applications and services. This mainly involves defining a "European model" for procedures for gaining access by smart card to public administration services, such as administrative documents (birth or marriage certificates), computerisation of administrative procedures (social rights, VAT, etc.) or alternatively public procurement procedures via the Internet.

Those taking part in the Lisbon meeting also urged the EU Member States to proceed at an early date to create a legislative framework on the recognition of the electronic signature and secure electronic payments, whatever the amount involved.

ESBA Bulletin of May 2000 – Volume 2 – Number 4

15/04/2000 Commission sets out its policy for internet management

The European Commission has set out several key recommendations to improve the future running of the Internet. These recommendations, contained in a Communication adopted on 11th April, focus on the way the Internet's infrastructure - including the "dot.com" or "dot.gov" system of domain names, and the so-called Internet Protocol (IP) addressing system - is co-ordinated internationally. The Commission is also proposing a Code of Conduct against cybersquatting. The strategy paper explores ways of resolving disputes between domain names and making room for more Internet addresses. It also recommends improving the relationship between public and private Internet users in the EU, and ensuring that the non-profit-making body, which oversees registration of domain names, is run on transparent, globally representative lines.

The Commission's key recommendations are to:

- Elect members of the ICANN Board (Internet Corporation for Assigned Names and Numbers) through transparent, globally representative procedures;
- Bring the registration of gTLD and ccTLD (country code Top-Level Domains) into line with intellectual property and personal data protection principles;
- Introduce transparent and secure ICANN financing by the Registries and Registrars for domain names and IP addresses;
- Achieve consensus on ccTLD registration policies in line with the public interest and EU law;
- Shift from addresses based on numbers that are 32 bits long (IPv4) to address protocol based on 128-bit numbers (IPv6) so as to make room for far more Internet addresses and uses;
- Establish a new dot.EU domain name according to transparent criteria;
- Facilitate access to the Internet through appropriate EU leased line pricing policies and unbundling of the local loop.

Background

Several important developments concerning the organisation and management of the Internet have taken place over the last two years at the initiative of the United States Department of Commerce in consultation with other international partners, including the European Union. These reflect the Internet's expansion from a US-based network used mainly by universities, government and military departments to the most significant global tool for communicating, obtaining information and completing electronic business.

A globally representative, non-profit-making body, ICANN, has been set up to manage Internet numbers and domain names. Initially appointed for two years, the eighteen members of the ICANN Board are now elected: half of them by private, self-regulatory bodies such as Domain Names Supporting Organisations (DNSO), Addresses Supporting Organisations (ASO) and Protocols Supporting Organisations (PSO). The other half will be elected by Internet users at large, through a procedure currently being set up.

The European Commission and EU Member States, as members of a government committee advising ICANN, play a key role in bringing public interest and government policy issues to bear that affect Internet usage.

Domain names are the tools through which individuals and businesses communicate across the Internet. Registration as "dot.com", "dot.net" and "dot.org" companies has been opened up to competition among a number of Registrars. ICANN has also endorsed the World Intellectual Property Organisation (WIPO) guidelines for dispute settlement in case of domain names and trade marks.

ESBA Bulletin of May 2000 – Volume 2 – Number 4

Discussions between ICANN, the GAC and National Country Code Top Level Domains (ccTLD) registrars are under way to clarify the formal relationships between the Registries, Governments and ICANN taking the public interest into account.

The Commission has launched a consultation process on the creation of the new Internet Top Level Domain: ".eu". This has been highly successful, prompting a large number of substantive replies. The Commission is analysing the replies and will decide on the way forward shortly.

Competition Policy

05/05/2000 EP/competition

By adopting the report tabled by the Belgian Christian-Democrat Marianne Thyssen, the European Parliament approved the plan for new guidelines on vertical restrictions to trade (between supplier and distributor: Ed.). It did, however, ask the Commission to detail and clarify certain notions so as to offer companies greater legal security. The "guidelines" inform companies of how the European Commission will assess the agreements in question.

02/05/2000 Group urges EU to spur mobile phone competition

A Europe-wide consumers' group urged the European Union to tackle abuses it said consumers faced from mobile phone operators and to boost competition.

The European Consumers' Organisation, known by its French acronym BEUC, said European consumers would be denied the full benefits of new mobile internet phone technology if basic issues of choice and transparent pricing were not addressed now.

"For no other service/utility are prices so lacking in transparency (as) in the mobile phone sector," BEUC said in a summary of its new policy paper on mobile telecommunications.

"With 'pricing innovation', the industry buzzword, comes extreme pricing complexity, making it impossible to predict or compare costs and charges for using a mobile phone," said BEUC, which represents 29 consumer organisations in 20 European countries.

01/05/2000 Commission renews shipping pact exemption

The European Commission renewed for a period of five years a block exemption allowing shipping companies to enter into consortium agreements covering the maritime transport of cargo. The block exemption regulation, which was adopted in 1995, automatically covers liner-shipping consortia, which have a market share of below 30 percent. The agreements allow shippers to provide a joint liner shipping service through the co-ordination of sailing timetables, the exchange and sale of space on vessels and the pooling of vessels and port facilities.

29/04/2000 Commission opens horizontal business co-operation agreements debate

The European Commission published draft rules and guidelines on horizontal co-operation agreements between competing companies - the first initiative, which tackles the ambiguity over the EU regulatory approval procedure for such deals. Horizontal co-operation agreements (i.e. agreements between companies operating at the same level of the market) are potentially distortive of competition and are liable to fall under the EU's rules governing restrictive business practices (Article 81 of the Treaty). The objective of these proposals, it said, was to clarify the application of

ESBA Bulletin of May 2000 – Volume 2 – Number 4

competition rules and to invite all interested parties to comment upon the new draft rules. These comments should reach the Commission before 29 May.

The Commission has published a draft block exemption Regulation on the application of Article 81(3) of the Treaty to categories of specialisation agreements, a draft block exemption Regulation on the application of Article 81(3) of the Treaty to categories of research and development (R&D) agreements and draft Guidelines on the applicability of Article 81 to horizontal co-operation agreements.

These draft block exemption Regulations are intended to replace the existing Regulations on Specialisation (Commission Regulation (EEC) Number 417/85) and R&D (Commission Regulation (EEC) Number 418/85). In comparison to the existing Regulations, the drafts are designed to be more user-friendly, with greater clarity and an increased scope of application. The new block exemptions will replace the existing system of specifically exempted 'white list' clauses by a general exemption, for companies holding no significant market power, of all conditions under which undertakings pursue R&D and specialisation agreements. 'Hardcore' restrictions (price-fixing, output limitation or allocation of markets or customers) will generally remain prohibited. The market share threshold for exemption is set at 20% for specialisation agreements, and at 25% for R&D agreements.

The draft Guidelines complement the draft block exemption Regulations and are applicable to R&D and production agreements not covered by the block exemptions as well as to certain other types of competitor collaboration (e.g. joint purchasing, or joint commercialisation). The Guidelines describe the general approach, which should be followed when assessing horizontal co-operation agreements and set out a common analytical framework.

- Guidance for the assessment of horizontal agreements between companies is currently given by way of two block exemption Regulations (on research and development (R&D) agreements and specialisation agreements respectively) and two interpretative Notices (dealing with particular issues such as co-operative joint ventures). As the block exemption Regulations will expire on 31 December 2000, and as the existing Notices need to be updated, the Commission has engaged in a fact-finding exercise resulting in draft rules for the future assessment of horizontal co-operation. The Commission says the draft documents aim to give better guidance to market participants and will replace the fragmented and partly outdated notices and regulations in this area. The review is also an essential pillar in its attempts to modernise EU competition policy. The approach is very similar to that of the new Regulation setting out the rules for the distribution of goods and services ("vertical co-operation agreements") which the Commission adopted on 22 December 1999.-

The draft regulations and guidelines were published in the official Journal C/188 of 27 April 2000 and on the Commission Internet site: <http://europa.eu.int/comm/dg04/entente/other.htm>.