

ESBA Bulletin of July / August 2000 – Volume 2 – Number 6



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Small Business

28 JULY 2000 : The European Commission released the 6th report of the European Observatory for SMEs

The report combines aggregate data on Europe's almost 20 million SMEs with an analysis of recent national policy developments and key issues affecting their competitiveness. With a view to harnessing their potential to accelerate job creation, innovation and economic growth, it looks into specific areas of their business environment. These areas include the functioning of the markets for products and services, labour market issues, access to both finance and Community programmes, associations and foundations in the social economy and the impact of electronic commerce on the way SMEs do business.

The sixth report also includes two in-depth studies on themes of particular relevance to SMEs:

- Vocational training, where SMEs do not yet fully benefit from the existing training support infrastructure;
- The role that new services are playing in the evolution of the European economy and that enterprises play in generating and spreading new services across Europe.

The report will be published in English, French and German. Executive summaries are available in 13 languages on the Commission's Europa server http://europa.eu.int/comm/enterprise/enterprise_policy/analysis/observatory.htm

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Enlargement

27Jul2000 The EU would like to support the development of SMEs in Croatia.

As part of its ongoing programme of support for economic development in Croatia, the Commission is holding a meeting with EU Member States and representatives of the Croatian Government to discuss Croatia's global strategy for the development of SMEs.

The Commission fully supports the strategy of the Croatian Government to invest in the development of SMEs. This sector, with its flexibility and dynamism can have a big impact in terms of job creation and economic growth. EU aid in 2000 amounting to Euro 18.5M, includes specific measures to promote SME development, notably in the form of technical assistance and support schemes.

Information Society

Announcement : The French Presidency will hold a major Information Society Conference in Nice on 6-8 November 2000

On 6-8 November 2000, it is in Nice that IT decision-makers and specialists will meet in Nice at this year's IST Conference "IST 2000" this year, under the theme "of an Information Society for All". The IST 2000 event will also focus on issues in line with the European Commission's eEurope initiative.

With some 3500 participants last year in Helsinki, the IST event has become a major European Commission annual event, a unique opportunity for European IT industries and specialists to meet and discover the best of Innovation in Europe and beyond, as well as a common ground for exchanging experiences and ideas on tomorrow's Europe.

July 2000 : Commission reports on progress towards creation of "dot EU" - to accelerate e-commerce in Europe

The Commission continues to speak for the creation of the "dot EU" Domain Name in the Internet as a means to increase the use of e-commerce in Europe. In a Communication that was adopted in early July, the Commission sets out how this idea should be implemented in practice and paves the way for further concrete steps to be taken, notably towards ICANN and the US Government, before Internet users will be able to use the "dot EU" Domain Name.

The European Commission will now continue to consult with relevant private and public sector participants and users' associations in Europe in order to facilitate the preparation of guidelines and the legal framework for the registration policy of .EU. (see <http://www.ec-pop.org>)

Commission proposed overhaul of rules for electronic communication (12 July)

The European Commission adopted today a package of legislative proposals designed to strengthen competition in the electronic communications markets in the EU. It aims to drive forward the liberalisation of telecommunications markets by adapting regulation to the requirements of the Information Society and the digital revolution. The package puts particular emphasis on the stimulation of affordable high-speed Internet access and providing a light-touch legal framework for market players. This new package comes after the liberalisation of the telecoms market on 1st January 1998 which has completely affected the national monopolistic situations. Telecoms in Europe are still far more expensive than telecoms in the US. This creates a major disadvantage for European competitiveness in the so-called "New Economy".

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To achieve this, the new package proposes to:

- Liberalise the "last mile" of telecommunications markets by unbundling access to the local loop. This will lead to cheaper and faster Internet access over local copper-wire networks. (see also IP/00/750 of today);
- Introduce flexible mechanisms in the legislation to allow it to evolve with future technology and market changes and to roll back regulation when markets become competitive;
- Create a level playing field across EU by facilitating market entry through simplified rules and ensuring harmonised application through strong co-ordination mechanisms at European level;
- Adapt regulation to increasing competition by limiting most of market power based regulation to dominant operators, as defined in EC competition law;
- Maintain the universal service obligations in order to avoid exclusion from Information Society; and
- ensure the protection of right to privacy on the Internet.

The new regulatory framework will significantly simplify and clarify the existing regulatory framework, bringing the number of legal measures from 28 to 8:

- Five harmonisation Directives, including a Framework Directive and four specific Directives on authorisation, access and interconnection, universal service and user rights, and data protection in telecommunications services.
- A Regulation on the unbundling of the local loop.
- A draft Commission Liberalisation Directive.
- A Decision on Community radio spectrum policy (see IP/00/751 of today).

The new regulatory framework for electronic communications services is a corner stone in ensuring Europe's transition to a new knowledge based economy, as envisaged in the conclusions of the Lisbon European Council. Information society industries account already for 1 in 4 new jobs in Europe. The aim is to have the new legislation in place as of beginning of 2002.

For documents see http://europa.eu.int/comm/information_society/policy/framework/index_en.htm

Environment

Commission proposes to improve public access to environmental information (3 July 2000)

The European Commission today adopted a proposal for a Directive on public access to environmental information. The proposal is designed to replace the 1990 Directive on the freedom of access to information on the environment and is based on the experience gained with this Directive. A report on this experience accompanies the Commission's proposal. The proposal is intended to contribute to an increased public awareness of environmental matters and to more effective and meaningful participation by citizens and NGOs in environmental decision-making.

Environmental issues are best handled with the participation of all concerned citizens at the relevant level. Public awareness and involvement first of all depend on public access to environmental information. Directive 90/313/EEC constituted a cornerstone in the Community's legislation in this area. This Directive was a catalyst for change in the way public authorities approach the process of openness and transparency, and individuals and organisations have made extensive use of its possibilities. Improved access by the public to environmental information has contributed to an

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increase in public awareness of environmental matters. The process of openness initiated by Directive 90/313/EEC needed to be further stimulated and continued by correcting the shortcomings identified in its practical application. Most of these shortcomings are identified in the Commission report to the Council and to the European Parliament on the experience gained in the application of Council Directive 90/313/EEC which accompanies the proposal.

Commission adopts plans for a pollution register (20 July 2000)

The European Commission has adopted a Decision on the setting up of a European Pollutant Emission Register (EPER). The Register will cover emissions of 50 pollutants from about 20,000 individual industrial facilities across the European Union and it will be of great importance as a public instrument to provide accessible and comparable information on the emissions of pollutants from industry. Both the public and industry can use the EPER data to compare the environmental performance of individual facilities or industrial sectors in different countries. Governments can use the registered data to monitor the achievements in meeting environmental targets in national and international agreements and protocols.

Commission launches consultation on environmental issues of PVC (26 July 2000)

The European Commission has adopted for the first time a Green Paper evaluating environmental issues related to PVC. It is scientifically based and includes related human health aspects. In the context of sustainable development it puts forward a number of options to address the impacts of PVC. The two main issues are the use of additives such as lead, cadmium and phthalates and the waste management of PVC. In order to adopt a comprehensive Community strategy early in 2001, the Commission is launching a broad public consultation on the basis of the Green Paper. All stakeholders are invited to discuss and comment on the Paper before the end of November, a public hearing will be organised in October. All necessary information will be available soon on internet at: <http://europa.eu.int/comm/environment/pvc/index.htm>.

Background

PVC is one of the most widespread plastics used today with a production of about 5.5 million tonnes in Europe in 1998. The main applications of PVC are in the building sector, which accounts for 57% of all uses. Other large uses are in the fields of packaging, household and automotive appliances.

The presentation of the main environmental problems of PVC in the Green Paper is the result of a comprehensive 3 years study programme (5 studies commissioned by the services of the Commission considered mechanical recycling, chemical recycling, landfill, incineration, and the economic implications of a diversion of PVC waste from incineration. They can be found at: http://www.europa.eu.int/comm/environment/waste/facts_en.htm) on technical, scientific and economic aspects of the PVC life cycle (the so-called "horizontal approach" on PVC). This follows the commitment made by the Commission in its Proposal for a Directive on End of Life Vehicles (COM(97) 358 final) (July 1997).

A number of issues regarding PVC and its impact on the environment have been identified and analysed in greater detail in the Green Paper: the PVC industry and its products, the additives and the management of PVC wastes (in particular the recycling, the incineration and the landfilling).

The Green Paper presents also for consultation a range of policy options and questions for all of the specific issues identified. A first set of questions relates to the use of certain additives, in particular lead, cadmium and phthalates. Lead and cadmium are used as stabilisers in PVC products in order to

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prevent degradation by heat and light. Phthalates are used as plasticisers to manufacture flexible PVC products. Questions are raised about potential measures and the timeframe to implement measures with the objective to reduce those environmental and human health impacts that need to be addressed.

A second range of questions relates to the management of PVC waste. About 3.6 million tonnes of post-consumer PVC waste are generated annually in Europe. An increase of PVC waste quantities of about 80% is expected in the coming 20 years due to the long average life spans of certain PVC products that gained significant market share in the 1970s and 1980s. Questions in the Green Paper are raised about potential measures and their effectiveness to improve, in accordance with the general Community Strategy, the management of PVC waste present in various waste streams.

In addition, the Green Paper presents a series of possible measures, whether mandatory or voluntary, that are conceivable in the framework of a Community strategy on PVC. In that context, the European PVC industry has signed a voluntary commitment on the sustainable development of PVC, which, *inter alia*, addresses the reduction of the use of certain heavy metal stabilisers, the mechanical recycling of certain post-consumer wastes, and the development of further recycling technologies. Implementation will start in 2001.

At the end of the consultation process, the Commission can also propose legislative measures, such as a Proposal for a Directive on PVC, or a mix of instruments such as the adaptation of existing Directives, Recommendations to the Member States and strengthened voluntary commitments.

Trade

Entry into force of EU-Mexico Free Trade Agreement signals start of new era in Europe's relations with Mexico (3 July 2000)

Following the signature of the EU-Mexico FTA at the European Council in Lisbon in March (Joint Council of the Interim Agreement on Trade and Trade-related Matters), tariff dismantling between Europe and Mexico allowing for preferential access for European and Mexican exporters into their respective markets began on 1 July 2000. The Agreement also provides for the entry into force of the chapters on public procurement, competition and dispute settlement.

FTA in Goods:

The FTA will liberalise over 96% of EU-Mexico trade by 2007 at the latest. The bulk of tariff dismantling (industrial products) will be completed by 1 January 2003: as of now, 82% of Mexico's industrial exports can enter the EU duty free whilst 50% of European exports no longer pay any duties. These include exports currently paying tariffs of up to 20% such as engines, telecommunications equipment, cellular phones, public phones, a number of pharma-chemical products, TV and radio parts and medical equipment. Specific arrangements for cars include a tariff cut from 20% to 3.3% with the tariff disappearing in 2003.

By 2003, when industrial products will be fully liberalised in NAFTA, all Mexican exports will enter the EU duty free and EU exports will only have to contend with a maximum tariff of 5%. For example EU exporters of shoes and textiles will have to contend with tariffs slashed from 35% to 5%.

Effectively this extremely quick dismantling calendar will place economic operators on both sides on an equal footing with other preferential partners in real time.

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For agricultural products, preferential access will be possible for important EU exports such as beer, certain vegetables, fruits and fruit juices, liquors and spirits (vodka, cognac, certain whisky, gin), cut flowers, tomatoes, pectic substances and tobacco. Tariffs in wines that stood at 20% are now reduced to 15%. Quality wines (above 5 US\$ in value) will enter Mexico duty-free as of going down to zero in 2003. Mexico will gradually eliminate tariffs on olive oil.

Mexican agriculture will benefit with preferential access for exports to the EU of coffee, avocado, cut flowers, fruits and juices, and honey.

Public Procurement

EU operators will have guaranteed access to Mexico's public procurement markets terms substantially similar to NAFTA. Access to markets at federal government level includes most government enterprises and key sectors such as petrochemical (Pemex), electricity (CFE), dredging, construction and IT. The agreement contains clear rules guaranteeing transparency.

Competition

Substantive disciplines on *competition* will now ensure a level playing field for economic operators

Dispute Settlement

An effective bilateral dispute settlement mechanism compatible with a WTO will now also enter into force.

The chapters on *services, investments and IPR* the negotiation of which was finalised in November 1999, must await completion of the ratification procedures by Member states and Mexico of the EU-Mexico Economic Partnership, Political Co-ordination and Co-operation Agreement signed with Mexico in December 1997. This is expected to take place during the French Presidency.

Background Information

The full agreement is available in all EC languages on the DG Trade website at: <http://europa.eu.int/comm/trade/bilateral/mexico/fta.htm>

Customs fraud: Commission decides importers must pay duty on goods with false origin certificates (13 July 2000)

The European Commission has decided to require EU importers to pay customs duties on goods imported into the Community and covered by some 5000 origin certificates issued by the Bangladesh authorities between 1994 and 1996. The Commission considers that the Bangladeshi origin of the goods in question is not proven, so that they do not qualify for zero customs duties granted to Bangladeshi goods under the Generalised System of Preferences (GSP). The decision is based on the need to protect against fraud the financial interests of the Community (Common Customs Tariff duties are paid into the Community's budget, making up some 12.4 per cent of total revenue in 2000).

European Commission publishes 2000 report on US trade barriers (1 August 2000)

The European Commission released today its sixteenth annual Report on Barriers to Trade and Investment in the United States. The Commission expresses its expectation that the WTO rulings on

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the Foreign Sales Corporation will be implemented by 1 October 2000 and reiterates its opposition to the so-called 'carousel' legislation. The report provides an update on all major obstacles that EU companies face when exporting and investing in the US. It also draws attention to persisting US unilateral and extraterritorial legislation, abusive use of US trade policy instruments and export subsidies. There are also many differences in the legal and regulatory systems, leading to non-tariff barriers. The Commission attaches the utmost importance to market access barriers in emerging sectors, notably in information technologies.

The transatlantic economic relationship has grown particularly strongly over the years, to the benefit of both economies and is underpinned by the most extensive trade and investment links in the world. The EU and the US have committed in the New Transatlantic Agenda of 1995 and in the Transatlantic Economic Partnership of 1998, to strengthen and consolidate the multilateral trading system and to progressively reduce or eliminate barriers that hinder the flow of goods, services and investment.

Nevertheless, European companies continue to face important problems when exporting to the US. The European Commission's 2000 report on US trade barriers gives full detail on the considerable number of impediments, ranging from more traditional tariff and non-tariff barriers, to differences in the legal and regulatory systems, and to the absence or limitation of internationally agreed rules and disciplines, which still need to be tackled. These barriers include standards and certification procedures as well as sanitary and phytosanitary requirements. Restrictions in the Government procurement sector (such as the Federal Buy America legislation) as well as in the air and maritime transport also substantially reduce trade and investment opportunities

The Report is available on the Internet at the following URLs:

- <http://mkaccdb.eu.int/news/usa.html>
- http://europa.eu.int/comm/external_relations/us/intro/index.htm

The EU is threatening to withdraw from WTO commitments

The EU is threatening to withdraw from World Trade Organisation commitments if the US passes legislation preventing Deutsche Telekom from buying American firm VoiceStream. The threat comes after US Senator Fritz Hollings, supported by a number of other senators, introduced proposals for legislation late in June to ban the take-over of a US telecoms company by a firm which is more than 25% owned by a foreign government. This would affect Deutsche Telekom, because it is 58% owned by the German state.

The Commission has announced plans to sue a number of US tobacco firms in the US courts for allegedly evading customs duties by smuggling cigarettes into the Union, although it declined to give further details about the companies involved. Commission officials said cigarette smuggling was the biggest single source of fraud against the EU budget, worth billions of euro over many years.

The EU said this week that South Africa had refused to adopt the text of a draft bilateral wine and spirits trade agreement, making it impossible for the accord to be implemented on 1 September as originally planned. South Africa claims that the text drawn up by the Commission does not faithfully reflect what was agreed in negotiations.

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Taxation and Finance

Commission warns banks in four countries about euro-zone exchange charges (6 July 2000)

The European Commission warns banks and banking associations in Belgium, Finland, Portugal and Ireland that it has evidence of breach of European Union competition rules concerning charges for exchanging euro-zone currencies. The banks have until early October to reply, but they should be under no illusion that the Commission will severely punish any price-fixing arrangements which, if confirmed, would have undermined the launch of Europe's single currency and harmed consumers.

The Commission has sent or is on the point of sending statements of objections to nearly 120 banks and banking associations in Belgium, Finland, Portugal and Ireland following an investigation into consumer complaints that banks had collectively fixed charges for the exchange of currencies in the euro zone.

The formal warnings follow an investigation which started shortly after the introduction of the euro in January 1, 1999 in 11 EU countries Britain, Denmark, Sweden and Greece are not part of the euro.

A statement of objections is a legal step in proceedings under article 81 of the treaty which bans cartels and other damaging concerted practices. It does not prejudge the outcome of the investigation, which provides for the right of defence of the banks including at a hearing. But if ultimately found guilty the banks could be fined, according to the gravity of the infringement and its duration (see guidelines on the method of setting fines on web site europa.eu.int/comm/dg04/lawenten).

Financial services : Commission recommends greater disclosure of financial information in accounts (25 July 2000)

The European Commission has issued a Recommendation designed to broaden the scope of financial information that should be disclosed in the annual and consolidated accounts of banks and other financial institutions. It is important for the market to be aware of a financial institution's exposure to loss and the basis on which these exposures are managed and calculated. The Recommendation therefore suggests that annual accounts of financial institutions should give greater qualitative and quantitative information on institutions' activities in financial instruments, including derivatives, and on the objectives and methods of risk measurement and management systems. Public disclosure of accurate, timely and reliable information will help people make a more accurate assessment of an institution's financial performance and state of health, leading to better market discipline and increased investor confidence. This measure is part of the Financial Services Action Plan designed to create an integrated market in financial services, for which the Lisbon European Council set an implementation deadline of 2005.

European Commission accuses Spain, France, United Kingdom and the Netherlands of irregularities in implementation of VAT (1 August 2000)

The European Commission decided to send reasoned opinions to the United Kingdom, Spain, France and the Netherlands for infringements to Community regulations on value added tax (VAT) (notably the sixth VAT Directive, 77/388/EEC). These infringements concern the rates of VAT on profit margins of auctioneers (UK), bottled liquefied petroleum gas (Spain), gas and electricity (France) and water (Netherlands). In the absence of a satisfactory answer from these States in the two months following the receipt of the reasoned opinions, the Commission could decide to take them before the European Court of Justice.

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Agriculture

Commission to recover 350.8 million euro worth of CAP expenditure from Member States (5 July 2000)

The European Commission has adopted a decision to recover 350.8 euro million misspent by Member States on agricultural subsidies. Amounts are to be claimed back from the Member States because of inadequate control procedures or non-compliance with the Community rules on agricultural expenditure. The Member States are responsible for paying out and checking virtually all expenditure under the CAP. The clearance of accounts procedure is a vital instrument for controlling CAP expenditure, permitting the recovery of sums paid out without sufficient guarantees as to the legitimacy of the payments made or the reliability of the control and verification system in the Member State concerned. Since the beginning of 2000, nearly 626.3 euro million will thus have been

Single Market

Commission proposes the creation of a Community Patent (5 July 2000)

The European Commission has proposed the creation of a Community Patent to give inventors the option of obtaining a single patent legally valid throughout the European Union. The proposal would significantly lessen the burden on business and encourage innovation by making it cheaper to obtain a patent and by providing a clear legal framework in case of dispute. The Lisbon and Feira European Councils cited the creation of a Community Patent as an essential part of Europe's efforts to harness the results of research to new scientific and technological developments and so contribute to ensuring a competitive, knowledge-based economy in Europe. The Summits recommended that the Community Patent should be available by the end of 2001.

At present patents are awarded either on a national basis or through the European Patent Office (EPO) in Munich, which grants so-called European Patents. These are essentially a bundle of national patents. The EPO, established by the intergovernmental European Patent Convention of 1973, offers a single application and granting procedure and so saves the applicant the trouble of having to file with a series of national patent offices. But each Member State may still require that, in order to be legally valid in their territory, the European Patent must be translated into their official languages. Moreover, in the case of disputes, it is national courts that are competent so that, in principle, there can be 15 different legal proceedings, with different procedural rules in every Member State and with the risk of different outcomes. The costs of translation mean that it is currently significantly more expensive to patent an invention in Europe than it is in the US or Japan. When added to the potential inconvenience of working with a variety of different legal systems in case of dispute, the current system is a significant barrier to research, development and innovation.

Under the Commission's new proposal for a Council Regulation, Community Patents would be issued by the European Patent Office. National and European Patents would coexist with the Community Patent system, so that inventors would be free to choose which type of patent protection best suited their needs.

Comparison of costs and fees (in euros) payable for obtaining patents in the EU, the United States and in Japan:

	Filing and search fees	Examination fees	Grant fees	Renewal fees	Translation costs	Agent's fees	Total
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EPC (typical application, 8 Member States)	810+532	1 431	715	16 790	12 600	17 000	49 900
US	690	-	1 210	2 730	n/a	5 700	10 330
Japan	210	1 100	850	5 840	n/a	8 450	16 450

At present, a typical European Patent (to apply in eight Member States) costs approximately 49,900 Euros, of which 12,600 (some 25 per cent) are accounted for by translation costs. In the case of a European Patent to apply in all 15 Member States and requiring translation into all eleven EU official languages, the translation costs go up to some 17,000 euros. The proposal to create a Community Patent would reduce translation costs to some 2,200 Euros by not requiring any translation beyond that already foreseen in the Munich Convention for the granting of the patent (this implies that the patent would be granted and published in one of the working languages of the EPO English, French or German - and the claims (i.e. the part of the patent which defines the scope of protection) would be translated into the other two).

Legal Certainty

Currently patent disputes (including those concerning European Patents) are referred to national courts. The procedures may be different in every Member State and potentially there can be 15 different interpretations of how the law as laid down in the European Patent Convention applies in a particular case.

The Commission suggests that to deal with disputes related to the question of infringements and validity of Community patents a new centralised Community tribunal within the framework of the European Court of Justice should be set up.

This would require an amendment to the Treaty, which the Commission has already called for in March of this year in its position on the Intergovernmental Conference. Discussions to this end are currently held within the Intergovernmental Conference in the context of strengthening and reforming the Community judicial system.

The competence of the tribunal will be limited essentially to disputes concerning infringement and/or validity of the Community patent. Other disputes such as relating to contractual licensing or ownership of the patent will be handled by national courts.

Economic and Social Committee recommends a redirection of efforts of the European Single Market in view of combating tax evasion and organised crime in the field of cross boarder trade (19 July 2000)

It is unanimously that the Economic and Social Committee adopted two own-opinion initiatives making a series of recommendations in the aim of combating crime in the Single Market. The first opinion concerns the fight against tax evasion, the second customs co-operation within the Single Market.

The own-opinion initiative on "combating tax evasion in the Single Market (Single Market Observatory)" recalls that evasion is an integral part of organised crime and considers that the

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primary responsibility is that of Member States, whose job it is to co-ordinate policies in combating crime carried out on their territory, prior to effective and resolute action at European level. The Committee notes that the main obstacles to a comprehensive policy are situated within the Council itself: the EcoFin Council continues to deal with the fight against fraud (whether or not attributable to organised crime), whereas the Justice/Home Affairs Council is responsible for the prevention and control of organised crime. The Committee considers that the Heads of State or Government (European Council) should have provided for a co-operation mechanism between these two Councils to combat tax evasion. With this same aim, the Committee recommends granting Europol greater support and providing it with more means, in accordance with the recommendations that the Amsterdam Summit (April 1997) adopted and reiterated at the Tampere Summit (October 1999), and observes that, in all evidence, the situation did not progress between these two dates.

Institutional Affairs, Reforms

A Basic Treaty for the European Union: additional contribution to the Intergovernmental Conference (14 July 2000)

The Commission approved a communication on the reorganisation of the European Treaties. It follows up the report which the European University Institute in Florence presented to the Commission on 15 May last. While keeping an open mind on the choices made by the Florence Institute, the Commission believes that the Intergovernmental Conference should lay down a timetable and procedural arrangements for embarking on this work without interfering with the current enlargement process.

Simplifying the treaties

Ever since the Paris Treaty of 18 April 1951 establishing the European Coal and Steel Community, Europe has been constantly evolving, and four successive enlargements have raised the number of Member States from six to fifteen. The treaties, however, the fruit of fifty years of European integration, form a complex and not very coherent whole and are becoming less easy to read and to understand. The Amsterdam Treaty went some way towards simplifying the treaties by repealing and deleting provisions which had lapsed or were obsolete and by renumbering the articles in the treaties, but the result is still complex and mixes provisions of differing importance.

The report of the Florence Institute drafted a "Basic Treaty of the European Union"⁽¹⁾ which combines in under one hundred articles the provisions relating to the institutional framework and operation of the Union and the objectives of the Union policies. This Treaty contains all of what are considered the fundamental provisions of the Treaty on European Union and the Treaty establishing the European Community, set out in logical order.

(1) The report was produced by a group of internationally renowned law professors, representing various nationalities and legal cultures. The work was coordinated by Yves Mény, Director of the Robert Schuman Centre of the European University Institute, and Claus Dieter Ehlermann, a professor in the Institute. It can be consulted on [HYPERLINK "http://europa.eu.int/comm/igc2000/"](http://europa.eu.int/comm/igc2000/) <http://europa.eu.int/comm/igc2000/>

The Commission will close the gap between its tasks and resources (27 July 2000)

Following a comprehensive review carried out by its 'Peer Group', the Commission today adopted a two-year strategy to close the gap between its key tasks and the resources needed to perform them to the required standards of excellence. Two thirds of the needs identified will be met through a

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'reform dividend' of ambitious internal measures including efficiency gains, staff redeployments and early retirement. The remaining one third will be met by new posts to be requested from those foreseen in existing financial perspectives. The overall result of this approach will be 1000 new faces in the Commission within 2 years - to a renewal of over 5% of the Commission's human resources staff and over 500 people reassigned to new duties, corresponding to 1000 new people. The efficiency measures mentioned set out in the Peer Group's strategy entail a productivity gain target of 16% over this current Commission's term of office.

The Commission wants to overhaul the management of its support programmes (26 July 2000)

The Commission wants to overhaul the management of its support programmes. Ultimately 99 of the 119 existing technical assistance offices (TAOs) are to disappear. In the field of external action in particular, an agency is to take over much of the work done by the TAOs. On Wednesday the Commission adopted a communication proposed by Ms Schreyer, the Budget Commissioner, on the impact of this policy on the 2001 budget. Pending the introduction of the new structures, and in particular the adoption of a legal basis for executive agencies, the Commission is proposing two transitional arrangements to be applied on a case-by-case basis: either the work will be taken over by temporary staff within the Commission; or the contracts of existing TAOs will be extended, where appropriate with some restrictions on the tasks assigned to them. The Commission will be sending the necessary proposal to the budgetary authority - Parliament and Council.

As regards external action, the Commission has decided to set up a new structure, Europe Aid, to handle Community aid to non-member countries. It will replace the Common Service for External Relations (SCR). The final status of this structure - an executive office or an executive agency - will be determined later. The necessary outside staff will be incorporated into the service replacing the SCR at Commission headquarters and in the delegations. Current contracts with TAOs will be extended only for limited periods when this is necessary for the sake of continuity so that the new service can take over the work in satisfactory conditions. The final date proposed is 31 December 2001.

EU Draft Charter tempers social rights plans (31 July 2000).

Last weekend saw the publication of the first complete draft of the 'charter of fundamental rights for the European Union.' The draft may make the inclusion of social rights more to the taste of business interests by toning down earlier proposals on issues such as workers' right to information and consultation. The social rights are now grouped in a chapter headed 'solidarity'. The draft also has greater clarity than previous versions, although there are now 52 articles instead of 50, since overlap has been eliminated. Another change is that a preamble has been added, stating that the EU 'intends to enhance the protection of fundamental rights in the light of changes in society, social progress and scientific and technological developments.' The final draft must be ready for consideration by EU leaders at the October summit in France.

Consumer Affairs

Commission proposes new food safety hygiene rules (17 July 2000)

Under the proposals, contained in 4 Regulations, food operators right through the food chain will bear primary responsibility for food safety. The new regulations will merge, harmonise and simplify very detailed and complex hygiene requirements previously scattered over 17 existing directives. They innovate in making a single, transparent hygiene policy applicable to all food and all food operators, from the farm to the table, together with effective instruments to manage food safety and any future food crises throughout the food chain. The focus is on setting objectives while leaving

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business flexibility in deciding the safety measures to take, rather than prescribing them in great detail.

Basic principles

The basic principles underlying the new hygiene rules are first the introduction of the farm to the table principle to hygiene policy. Currently there is no systematic and all embracing hygiene regime covering all food in all sectors, but rather a patchwork of rules for specific sectors and types of produce with gaps notably at primary production level (i.e. farms).

A second important principle is the primary responsibility of food producers for the safety of food through the use of programmes for self-checking and modern hazard control techniques. The implementation of a harmonised Hazard Analysis Critical Control Point (HACCP) system will become obligatory for all non-primary food operators.

This type of self-checking programmes are already in place in parts of the food industry, notably in larger food factories, but were not yet required in for example slaughterhouses.

In most food business checking the quality of raw materials, avoiding bacterial contamination (for example salmonella), maintaining the cold chain during storage and transport and appropriate anti-bacterial heat treatment are critical in controlling safety. Companies will be obliged to keep records of safety checks carried out under HACCP for surveillance purposes. On farms, Codes of Good Practice are to be used as the safety management instrument given that for the moment full HACCP implementation is considered over-ambitious in the farming context.

A third key principle is the traceability of all food and food ingredients. To achieve this compulsory registration of all food businesses is introduced. Such registration numbers must follow products. Record keeping enabling to identify suppliers of ingredients and foods is made obligatory. Producers must also put in place procedures for the withdrawal from the market of products presenting a serious risk to consumer health.

The basic hygiene rules which are part of standard operating procedures of food businesses cleanliness of premises, washing hands before handling food, etc remain as before.

Flexibility

The implementation of harmonised hygiene rules has in the past proved difficult in traditional food production and in food businesses in remote islands, secluded mountain areas and other geographically isolated regions. "The responsibility for adapting the rules to such local situations is left to Member States since they are better placed to judge and find appropriate solutions, provided the basic principle of food safety is not compromised", David Byrne said. "This is an issue that has been emphasised to me on visits to Member States and I am pleased to deliver on measures to introduce enhanced flexibility".

Implementation of a HACCP system implies the involvement of staff with specialised skills, which small and medium enterprises (SMEs) may not have. Therefore special arrangements to facilitate HACCP implementation in SMEs are foreseen, such as the development of sector specific codes of good hygienic practice. Such sectoral codes can give for example small cheese producers more detailed indications on hazards on controls.

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Additional hygiene rules for food of animal origin

A second proposal for a regulation sets out specific additional hygiene rules for food of animal origin, such as meat and processed meat products, fishery products, dairy products etc. In comparison with the existing legislation which is in many respects very detailed and prescriptive, the new text introduces more flexibility.

Controls by national authorities

The third proposal logically regroups the obligations of the veterinary authorities in the Member States, thus making a start with the separation of responsibilities and with the introduction of the farm to fork principle. More updated inspection and control procedures for ante- and post mortem inspection of animals at slaughter are to be put forward within this framework on a solid scientific basis - as foreseen in the White Paper on Food safety for September 2001. The current proposal allows the Member States more flexibility in setting up veterinary controls. For example in meat cutting plants controls by trained meat inspectors acting under the responsibility of a qualified vet will be sufficient. A major Commission initiative to revamp food controls is scheduled in the White Paper for later this year.

The fourth proposal recasts, updates and improves the transparency of animal health measures which were scattered over seven different directives. Finally a proposal for a directive repeals 17 existing directives while leaving the implementing decisions in force.

Legislative process

The proposals take the form of Council and Parliament Regulations rather than Directives to ensure uniform application, better transparency and to facilitate rapid updating in the light of new technical and scientific developments. They are next to be discussed by the European Parliament and the Council and to be finalised and adopted in co-decision procedure. The Regulations once adopted by EP and Council will replace Directive 9343/EEC on the hygiene of foodstuffs and 16 product specific Council Directives (see annex).

Annex

Directives withdrawn

- Directive 64/433/EEC (fresh meat) Directive 71/118/EEC (poultrymeat) Directive 72/461/EEC (fresh meat)
- Directive 77/96/EEC (trichina examination) Directive 77/99/EEC (meat products) Directive 80/215/EEC (meat products)
- Directive 89/362/EEC (milking hygiene) Directive 89/437EEC (egg products) Directive 91/492/EEC (live bivalve molluscs) Directive 91/493/EEC (fishery products) Directive 91/494/EEC (poultrymeat)
- Directive 91/495/EEC (rabbit meat and farmed game meat) Directive 92/45/EEC (game meat) Directive 92/46/EEC (milk and milk products) Directive 92/48/EEC (fishing vessels) Directive 93/43 (foodstuffs)
- Directive 94/65/EC (minced meat).

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Publication of comments on the Food Safety White Paper (July 2000)

The European Commission has published today a series of comments from interested parties on the Food Safety White Paper. The White Paper which was adopted in January this year sets out a major programme of legislative reform to complete the EU's integrated "farm to table" approach to food safety. It also proposed the establishment of a new European Food Authority. In the spirit of greater transparency at all levels of food safety policy making which is a key element of the new approach, the Commission invited all interested parties to comment on the White Paper. Nearly 110 contributions were received. In so far as their authors have agreed to publication, these comments are now available on the Commission's Europa website. The comments include contributions from other EU institutions, EU Member State authorities, third country governments, food and drink industry, agricultural organisations, retailers and distributors of food products, consumer groups and other stakeholders. They represent a wide variety of different, and sometimes contradictory, positions on the White Paper approach. As far as possible, the Commission is taking both general and specific comments into account in its drafting of the concrete proposals. The comments on the White Paper on Food Safety are available at http://europa.eu.int/comm/food/fs/intro/index_en.html

Employment And Social Affairs

The European Commission adopts a series of measures to encourage co-operation to reinforce the employment strategy (July 2000)

The European Commission adopted a proposal which will set up new possibilities to finance co-operation between Member States regarding research on employment issues and the development of employment policies. This proposal will aim at promoting the knowledge based-economy and the exchange of best practice and the dissemination of innovation and information.

Competition

Independent Music Labels seek faire competition (26 July 2000).

Impala, the trade association representing independent music companies in Europe*, has asked the European Commission to examine carefully the planned mergers of AOL-Time Warner/EMI-Virgin and Universal-Vivendi, taking care that they do not result in total control of the emerging digital delivery market for music. The Internet represents a definite potential for independent labels and artists because distribution and promotion costs are much lower than in the traditional environment, underlined Impala. But the concentration of catalogues in the hands of a few dominant operators in the on-line supply sector poses a serious threat to consumer choice and the economic viability of independent production, warns the President of Impala, Michel Lambot. Further concentration in the sector risks making access to the market gradually harder for independent structures and could lead to a cultural impoverishment, Impala stresses. The Association is also asking the Commission to make sure that music is not used as a loss leader or to attract subscribers on Internet or cable. The Commission decided on 14 June to open a full, second-stage investigation under the 1989 EU Merger Regulation into the proposed link-up between Time Warner and the EMI Group. The focus of the investigation is likely to be on recorded music, music publishing, as well as digital delivery of music via the Internet.

* Impala brings together more than 400 independent labels from Europe and third countries.