

Commission Services Progress Report
on the
EU-Japan Business Dialogue Round Table 2003 Recommendations

Brussels, April 2004

Under the heading “*New Challenges for Sustaining growth and Competitiveness: Promoting Mutual Investment and Securing Benefits from EU Enlargement*”, the European Union – Japan Business Dialogue Round Table (BDRT) issued in 2003 its recommendations to the leaders of the EU and Japan.

Adopted during the BDRT annual meeting held in Brussels on 27 and 28 May 2003, those recommendations have been duly studied by the European Commission Services.

The following document outlines progress made in considering or implementing the various recommendations put forward by the BDRT.

For each recommendation (or set of recommendations concerning the same issue / topic), a summary is proposed before describing the action taken and the state of play. Finally, a paragraph is dedicated to the prospects for implementation.

The progress report is divided into 4 parts dealing with the following issues:

- Trade and Investment,
- WTO,
- Accounting and Tax Issues,
- Information Society.

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1. TRADE & INVESTMENT

1.1. Closer bilateral dialogue in the area of trade

1.1.1. Summary of recommendation

The Members welcomed the Declaration of the EU-Japan Summit in Athens on 2 May 2003, relating to bilateral economic relations, and in particular the call for considerable potential for growth in two-way flows of trade and investment. They noted with interest the results of the last EU-Japan Summit; namely - as far as Trade is concerned - the Summit agreed to launch closer bilateral dialogue in the areas of intellectual property protection, government procurement, access to medicines for developing countries and aviation-related technological matters.

1.1.2. State of play and prospects for implementation

Relatively good progress was made so far on the four trade areas for bilateral dialogue, on which agreement had been reached at the last EU-Japan Summit in Athens.

Intellectual Property:

A Joint Initiative for IPR enforcement in Asia was in principle agreed. A joint text for adoption at the next EU-Japan Summit is under preparation. Several meetings and video-conferences have been organised, bilaterally and involving third countries, in the context of the IPR dialogue, where information about respective IPR programmes and other issues has been exchanged.

Access to Medicines for Developing Countries:

Fruitful exchanges of information have taken place. An assessment on whether the Japanese Pharmaceutical Law would provide an adequate basis for preventing trade diversion to Japan of medicines sold by EU and US producers at tiered pricing is currently ongoing.

Aviation-Related Matters:

Information has been exchanged on issues like safety, accidents, fuel taxes, etc. and proposals for developing more concrete co-operation in this area are under evaluation.

Public Procurement:

Expert meetings took place in the framework of the EU-Japan Regulatory Reform Dialogue, where information on EU and Japan public procurement systems was exchanged. Interesting contacts are taking place on the Public Private Partnership approaches. The facilitation of foreign companies' access to the Japanese public procurement market would greatly encourage the inflow of foreign investment towards Japan.

1.2. Call for the conclusion of a “Framework Agreement on the Enhancement of Foreign Direct Investment” (FDI Agreement)

1.2.1. Summary of recommendation

In order to accelerate the implementation of the “Japan-EU Initiatives on Investment”, in their Summit statement the authorities of Japan and the EU “encourage the close involvement of the private sector, in particular the EU-Japan Business Dialogue Round Table”.

For their part, the BDRT Members have responded positively to this request and will take all necessary steps. For many years they have attached great importance to this question and set out precise suggestions that could foster FDI. The idea of asking the EU and Japan to negotiate a “FDI Enhancement Agreement” was adopted by the plenary in order to provide a more structured framework to mutual efforts to promote and facilitate and increase in foreign direct investment.

It is envisaged that such an Agreement would go beyond the commitments agreed to at the 2003 EU-Japan Summit to address the many ideological and structural barriers inhibiting foreign direct investment between the EU and Japan in areas such as taxation, corporate reorganization, human resource allocation and the regulation of commercial activity.

1.2.2. Action taken and state of play

The EU-Japan Business Dialogue Round Table’s proposal for a bilateral “FDI Enhancement Agreement” has been carefully assessed by the competent services of the European Commission and the Japanese authorities. As several of the proposed issues touch upon EU Member States competencies (e.g. reforms in the tax system, immigration policy, social security, etc.) or may overlap GATS negotiations under the Doha Development Agenda (DDA), the follow-up to be given to this recommendation is to be carefully considered. Additionally, some of the proposed issues could be dealt in the framework of a strengthened EU-Japan regulatory dialogue. Both the EU and Japanese side, however, acknowledged the need to intensify efforts to further stimulate respective FDI.

1.2.3. Prospects for implementation

Since November 2003, the European Commission and the Japanese government have begun work to identify possible new, concrete and non-bureaucratic actions to facilitate and promote bilateral FDI. This initiative should aim at reinforcing and building up on what is already pursued in the existing bilateral and multilateral fora to promote EU-Japan investment. The objective is to agree on such an initiative at the next EU-Japan Summit, which is scheduled for 22 June 2004 in Tokyo.

1.3. EU Enlargement

1.3.1. Summary of recommendation

The Members noted the great potential for growth and investment resulting from the expansion of the European Union by 10 new Member States, and stressed the importance of ensuring that the Enlargement would benefit both EU and Japan.

Therefore, all efforts should be made, while taking account of WTO rules, in order to avoid that Enlargement hamper Japanese traders and investors' interests and activities in the acceding countries. Moreover, the Members call for the smooth transition of customs duties and value-added taxes in the new Member States.

1.3.2. Action taken and state of play

EU Enlargement will be greatly beneficial to third countries:

- an increased single market: with a population of almost 455 million and a GDP of around €712 billion, the enlarged EU will account for over 19% of world trade and be a main source of FDI;
- simplified and enhanced access to the ten new Member States' markets: a single set of trade rules, a single tariff, and a single set of administrative procedures will apply not just across the existing fifteen Member States but across the enlarged union of twenty-five;
- an increased coverage of the EU open standard of treatment of third countries: the adoption by the new Member States of the common external customs tariff will amount to an overall reduction in customs duties. The ten new Member States apply an average duty of 4.8% on industrial products, a figure which will diminish to 3.6% as they adopt the EC tariffs. Similarly, the average duties on imports of agricultural products will overall drop from 18.7% to 16.2%.

During 2003, the Commission organised a series of seminars (Tokyo, Osaka and Brussels), involving both government and business representatives, where the Enlargement process was extensively explained and where questions of Japanese business were answered. Moreover, Commissioner Verheugen in charge of enlargement negotiations visited Japan to present the implications of enlargement to the Japanese political and business circles, as well as to the broader Japanese public. A booklet in Japanese that addressed these issues was published and widely distributed on this occasion. The conclusions of the Brussels seminar, which took place on 14 November 2003 and was attended by over 140 business and government representatives, including high level representatives of the Round Table, are available at the following website:

http://europa.eu.int/comm/trade/issues/bilateral/countries/japan/seminar_en.htm

1.3.3. Prospects for implementation

The overall level of tariff protection will decrease after enlargement. Even so, in compliance with its WTO obligations, the EU will address with third countries having negotiation rights the limited number of cases where Enlargement will lead to an increase in tariffs. The European Commission is currently in a process of negotiation with those countries, including Japan. Overall, it seems that this enlargement will not entail a level of compensation as high as the previous enlargement, as the EU will take aboard countries less liberalised than the current EU at large, with much smaller trade flows and in most cases higher tariffs.

1.4. Eliminating tax-related barriers to investment

1.4.1. Summary of Recommendations

- 1) Exempt from withholding taxes dividend payments, interest and royalty payments among affiliated companies between EU Member States and Japan.
- 2) Mutually exempt EU-Japan investments from controlled-foreign-corporation (CFC) taxation.
- 3) Expand the application of the foreign tax credit system.

1.4.2. Action Taken and State of Play

- 1) Following a political agreement reached in January 2003 on the adoption of the "Tax Package", Directive 2003/49/EC exempting from withholding taxes interest and royalty payments made between associated companies of different Member States was finally adopted on 3rd June 2003.

Member States had to implement the Directive as of 1st January 2004. As a consequence, payments made by one company in any Member State in the form of interest and royalties to an associated company resident in other Member States will be exempted from any tax levied at source, either by deduction (i.e. withholding taxes) or by assessment.

It has to be noted that the Directive applies to interest and royalty payments between associated companies established within the EU, and not to such payments when made from a European subsidiary to a Japanese mother company and / or vice versa. The exemption from withholding taxes of dividend, interest and royalty payments between EU and Japanese affiliated companies would be a matter to be addressed under the bilateral double taxation treaties between individual EU Member States and Japan.

- 2) A mutual exemption of EU-Japan investments from CFC legislation would also be a matter to be dealt with under the individual bilateral double taxation treaties between EU Member States and Japan.

For information, most of current EU Member States have in place CFC legislation, albeit with differences amongst them, notably in terms of the effective-tax-rate triggers and of rules for the determination of the CFC business activity. On the basis of the information available to the Commission, none of the existing Member State's CFC legislations include Japan in their "black lists".

With regard to Japan's application of CFC legislation, there is a general trend in the EU to lower statutory corporate income tax rates. In some of the current Member States, the statutory rate is already lower than the 25%-threshold, which would trigger the application of the Japanese CFC legislation. Moreover, out of the 10 countries joining the EU as of 1st May 2004, several apply corporate income tax rates lower than 25%, thus again triggering the application of Japan's CFC provisions. This situation may hinder direct investment from Japanese into the EU Member States, as repatriated profits would be subject to unitary taxation in Japan.

3) As of today, there is no EU legislation in force regulating foreign tax credit. Such provisions are under the full competence of individual Member States and their right to negotiate bilateral tax treaties with Japan.

1.4.3. Prospects for Implementation

As a general remark, all three recommendations made by the BDRT under the heading "Eliminating tax-related barriers to investments" require action under the competence of individual Member States. It is unlikely that Member States would grant the Commission a mandate to negotiate with the Government of Japan in the areas proposed by the BDRT.

With regard to the proposed exemption from withholding taxes of dividend, interest and royalty payments among affiliated companies between EU Member States and Japan, it has to be noted that any withholding taxes on these transactions (and, therefore, any exemption from such taxes) are regulated on a bilateral basis by each Member State in their Double Taxation Treaties with Japan. In this context, any exemption from the withholding taxes should be negotiated by Member States individually, by revising their Double Taxation Treaties with Japan, should they wish to do so.

In this context, it has to be mentioned that the Commission intends to present in 2004 a Communication on the Member States' bilateral tax treaties and their interaction with the EU legislation, and the possible implications for co-operation in this matter.

With regard to the mutual exemption of EU-Japan investments from (CFC) legislation, the recommendation has to be directed more on the Government of Japan than on EU Member States as several current and future EU Member States apply a statutory corporate tax rate below the 25% threshold, which triggers the application of Japanese CFC legislation. On the other hand, no EU Member States includes Japan in their "black list", and Japan's 30% statutory tax rate is above the threshold in all EU Member States having CFC legislation.

With regard to the expansion of the application of foreign tax credit systems, the same considerations made above would apply.

1.5. Facilitating business development: human resource considerations – Social Security Treaties

1.5.1. Summary of Recommendations

A commitment should be made to conclude social security treaties between all the Member States and Japan at the earliest possible date. In addition, ways to expedite the conclusion of such treaties should be studied, including the possible conclusion of a model social security treaty between the EU and Japan.

1.5.2. Action taken and state of play

Community provisions in the field of social security, in particular Regulation (EEC) 1408/71 co-ordinate, but do not harmonise arrangements for people who exercise their right to free movement within the European Union.

Member States continue to be responsible for the funding and organisation of their social security systems. They are therefore free to determine details of their own social security systems, including which benefits shall be provided, the conditions for eligibility and the value of these benefits, as long as they adhere to the basic principle of equality of treatment and non-discrimination as laid down in the Regulation.

It is also the exclusive competency of Member States to conclude social security treaties with third countries.

1.5.3. Prospects for Implementation

Given the competencies in this area, the conclusion of social security treaties between Member States and Japan has to be discussed on a bilateral basis.

1.6. Smooth movement of workers in the EU

1.6.1. Summary of Recommendations

Double taxation on contributions and payout of occupational pensions should be eliminated.

BDRT welcome a political agreement (December 2002) on the draft Council Regulation to extend the totalization of basic pensions to non-EU nationals when they move across the EU countries and expect its early implementation.

1.6.2. Action taken and state of play

Occupational pensions: in June 2002, the Commission launched, in accordance with Article 138 of the EC Treaty, the first stage consultation of the European social partners on the need and possible direction of initiatives at Community level to improve the portability of supplementary pension rights. The second stage consultation on the possible content of such an initiative was launched on 12 September 2003. Based on the responses of the Social Partners, the Commission is currently preparing a proposal for a Directive in this area which is likely to be presented in autumn 2004.

Extension of Regulation 1408/71 to third-country nationals: on 3 December 2002 the Social Affairs Council agreed on a new Regulation extending the current Community provisions in this field (Regulation 1408/71) to third country nationals and their family members legally residing in the EU. This Regulation No. 859/2003 was formally adopted on 14 May 2003 and entered into force on 1 June 2003.

1.6.3. Prospects for Implementation

Occupational pensions: the Commission is currently preparing a proposal for a Directive in this area which is likely to be presented in autumn 2004.

Extension of Regulation 1408/71 to third-country nationals: Regulation No. 859/2003 entered into force on 1 June 2003. As a result, Japanese nationals and their families can now rely on the Community provisions in the field of co-ordination of social security systems when moving within the EU.

1.7. Facilitating new business development through regulatory reform

1.7.1. Summary of recommendations

Direct investment should be enhanced by revising regulations concerning market access, including regulations on the transfer of assets, services and intellectual property and regulations on capital, as well as by establishing an open business environment that does not place new market entrants at a competitive disadvantage.

1.7.2. Action taken and state of play

The three year rolling programmes of regulatory reform started a decade ago in Japan and the Single Market Programme and the Lisbon process in the EU have provided a framework of reference for discussions and the exchange of ideas and proposals.

In the field of promotion and support of Foreign Direct Investment steps forward have been done by strengthening Competition policy, Revision of commercial code, liberalisation of Foreign Legal advice and financial services. More Transparency and predictability in the administrative process as well as further adoption of international standards could further improve Japan's attractiveness as a destination for investment.

The recent two High Level Meetings on Regulatory Reform in November 2003 in Tokyo and February 2004 in Brussels showed clear ongoing progress in improving the regulatory environment for business and investments in Japan. Measures to facilitate cross-border-mergers, special zones for structural reforms, considerable improvements in reducing time and simplifying procedures for product approvals in the field of Pharmaceuticals, Medical devices and Cosmetics as well as discussions on the Japanese system of public procurement can be mentioned.

Furthermore, the declaration "Initiatives on Investment" adopted at the 2003 EU-Japan Summit in Athens led to the implementation of a series of joint promotion and awareness raising activities in the area of cross investment. Notable examples in this area were the JETRO/DBJ participation in the ETP conference on *Market opportunities in Japan* in December 2003 in Brussels and the Commission participation in a JETRO investment promotion event in Munich in the same month.

A number of other activities were also implemented individually by each partner, notably:

- (a) the two Seminars on EU Enlargement, organised by the Commission in Tokyo and Osaka in June/July 2003;
- (b) the Seminar on *Japanese Investments in the Enlarged European Union*, organised by the Commission in Brussels in November 2003;

(c) the *Japan Paradox* Conference organised by the Commission in Brussels in December 2003 which underlined why Japan offers better market opportunities today despite slow economic growth.

1.8. Reasonable settlement of tariff classifications

1.8.1. Summary of Recommendations

- 1) Apply tariff classification based on ITA Agreement to IT products designed using digital or network technology.
- 2) Classify multi-functional products based on IT under the ITA products through reasonable discussions at the WTO instances.

1.8.2. Action Taken and State of Play

As already stated in the previous report, the statement on classification of products in the EU tariff seems to reflect an incorrect understanding of the purpose of classification. In the EU, classification is made in accordance with the rules of the HS Convention and has as its objective to find the correct heading in the nomenclature used in the EU tariff. Classification is not based on the duty rates associated with the Community subdivisions to HS nomenclature. The objective of classification is not to undermine tariff concessions or to make new tariff concessions without proper trade negotiations. This is in conformity with Article 9 of the HS Convention which states that “The Contracting Parties do not assume by this Convention any obligation in relation to rates of Customs duty”.

With regard to the discussions on the classification of certain “multifunctional products” in the HS Committee, the EU position on the classification of such products is well-known. The request made by the Japanese side ignores the fact that the EU has had a firm position on the classification of so-called “digital copiers” in the HS Committee supported by many other Contracting Parties, but not Japan. The request also reflects the misunderstanding that all so-called “IT products” are covered by the ITA. Thus, it must be stressed that the ITA covers many IT products but not all products using IT. Concerning the duty rate in question, it is to be pointed out that when the question of including “digital copiers” was discussed during the negotiations leading to the ITA, the EU position was to include this kind of product under HS subheading 9009.12. However, others countries did not agree, the result being that this type of product was excluded from the ITA.

The suggestion to apply ITA rates for all so-called IT products whether or not covered by the ITA by means of reclassification is not viable. Duty rates are fixed by the Council in accordance with the EU’s multilateral and bilateral tariff commitments.

1.8.3. Prospects for Implementation

The launch of multilateral market access negotiations for non-agricultural products within the new WTO Round provides an opportunity for both the EU and Japan to reduce overall tariff levels and tariff peaks as well as to seek harmonised and simpler tariff structures for all WTO Members. Under the Doha Development Agenda negotiations, the Community is committed to removing quotas and reducing or, where appropriate, eliminating tariffs.

1.9. Proposed European Commission Regulation on chemicals control

1.9.1. Summary of Recommendations

BDRT Members support the objective of the Regulation to protect human health and the environment, but urges the Commission to focus on risk assessment and risk control of chemicals based on scientific evidence. Obligations under the TBT and other WTO agreements should be taken into account.

1.9.2. Action taken and state of play

The aim of the new chemicals policy (REACH) is to balance the social, economic and environmental aspects of sustainable development. The REACH system, which is science-based, predictable and transparent, will contribute to improved chemical safety world-wide. REACH has been developed in a climate of consultation and designed to be fully WTO compatible.

The main objective of the new Chemical strategy is to ensure a high level of protection for human health and the environment, while ensuring the efficient functioning of internal market and stimulating innovation and competitiveness in the chemical industry. This will take place through open and transparent rules that can benefit any operator. REACH will facilitate research, innovation and the introduction of new substances and will also create equal conditions for companies coming from within and outside the EU. It will be consistent with harmonisation of testing methods at global level, and internationally acquired data will be allowed to be used.

REACH was “pre-notified” on 22 May 2003 under Article 2.9.1 of the TBT Agreement (G/TBT/W/208) offering WTO Members the opportunity to become acquainted with the system considered and to participate in an internet consultation (closed on 10 July 2003). Following different comments from stakeholders within the European Communities and from third countries (notably Japan), the earlier draft was substantially modified in order to make the proposed new system less costly and more workable, while maintaining the guarantees for health and environmental protection.

The proposal has been designed to be WTO compatible. REACH does not differentiate between chemical produced within the EU or those imported into the EU, and allows use of data from all parts of the world. Moreover the Commission is fully aware of its obligations resulting from the TBT agreement.

The final proposal for a future chemicals policy has been adopted by the European Commission on 29 October 2003 and it has subsequently been notified on 21 January 2004 to the WTO secretariat in accordance with Article 2.9.2 of the TBT Agreement (notification G/TBT/N/EEC/52). By addendum 1 to this notification, the initial 90 days period for comments has been extended until the 21st of June 2004.

The proposal is now under discussion in the Council of Ministers and the European Parliament.

It should be underlined that Japan has demonstrated keen interests in new chemicals policy. At the same time, the Commission has spent considerable efforts in discussing the future policy with the Japanese authorities and industry representatives.

1.9.3. Prospects for Implementation

The Commission's work does not stop here of course. In the interim period leading up to the adoption of REACH by the Council and European parliament, a great deal of preparatory work needs to be done. The Commission plans to encourage voluntary strategic partnerships between industry and the authorities in order to test run elements of the proposal and clarify the practical procedures for all stakeholders. Alongside this, practical guidance will have to be developed for industry. The Commission shall be looking to industry and other stakeholders including those outside of the EU to co-operate in developing that guidance.

Further work will also be done to investigate the economic impact of the proposal on different sectors, complementing the impact assessment done for the REACH proposal.

1.10. Community patent

1.10.1. Summary of Recommendations

BDRT welcome the decision to establish a unified patent system and expect its early adoption and implementation.

1.10.2. Action Taken and State of Play

The Commission tabled its proposal for a Regulation setting up the Community Patent in July 2000. In March 2003, the Council finally reached a broad political agreement on the main thrust of the proposal.

The European Commission has recently presented proposals for two Council Decisions establishing a Community Patent jurisdiction, under the aegis of the European Court of Justice, to allow the resolution of disputes within the future Community Patent system, in particular those on infringements and on the validity of Community Patents. Under the proposals, the jurisdiction of the Court of Justice would be exercised by a new Community Patent Court. The new system would mean that judgements over Community Patent rights would be effective throughout the EU, avoiding the expense, inconvenience and confusion that can occur when judgements in several different national courts are required.

1.10.3. Prospects for Implementation

As a result of detailed work by a Council working group, the Competitiveness Council came close to reaching an agreement on the outstanding issues at its meeting in November 2003. It nevertheless failed to agree on the length of the period under which translations of claims can be filed. The Commission hopes to make further progress on this initiative during the course of 2004.

2. WTO

2.1. Policy Statement concerning the World Trade Organization

2.1.1. Summary of policy statement

BDRT members:

- strongly believe that the successful conclusion of the Doha Development Agenda (DDA) negotiations can help restore the unity of the international community through the strengthening of the multilateral trading system;
- urge all WTO members, including the EU and Japan, to ensure the necessary progress on substance and accelerate the process to complete negotiations in a reasonable timeframe;
- encourage key players, such as the EU, Japan and the United States, to take a leading role to push the negotiation forward on the market access and the rules side of the DDA;
- encourage the EU and Japan to continue the effort for “capacity building,” in order to allow more effective participation of developing countries in the WTO;
- emphasize that all WTO members should fully comply with all their WTO commitments and urge in particular the EU and Japan to monitor the infringements of intellectual property rights, and to take appropriate actions, when necessary;
- agree to provide policy proposals from time to time in response to the progress of government-to-government negotiations.

Addendum submitted on 18 December 2003, pursuant to which BDRT Members:

- expressed deep concern about the Cancun failure and made a request for an early resumption of the WTO DDA negotiations;
- asked all parties to demonstrate flexibility such that satisfactory results may be achieved as soon as possible

2.1.2. Action Taken and State of Play

The first half of 2003 was dedicated to the preparation of the Cancun Ministerial conference. The EU and Japan worked closely together with the view of properly preparing this meeting. The aim of the conference was to reach the political decisions needed to pursue further negotiations under the DDA, particularly in the areas of agriculture, access to markets for non-agricultural products, trade in services, development, and the so-called four Singapore issues.

Regrettably, the conference failed to reach an agreement or common position on any of the core issues. The lack of agreement at Cancun was a setback for the multilateral trading system and led to some extent to the revision of WTO members' trade policies and adjustment of positions in the round.

Cancun did, however, not weaken WTO Members' political commitment to the WTO - this was reconfirmed in the General Council meeting in December 2003 - nor their will to make progress in these negotiations, notably to further liberalise trade and strengthen the rules-based system in order to aid economic growth, employment and sustainable development; with a focus on measures to assist the growth and integration of developing countries, particularly the poorest.

Also, despite this setback, some progress could be made, for instance with an agreement on TRIPS and access to medicines. The Cancun ministerial also welcomed Cambodia and Nepal as the first least developed countries to join the WTO since its establishment.

Within this context and drawing on the lessons learned at Cancun, the Commission carried out a substantial review of its approach to the Doha round, resulting in a new Communication endorsed by the Council and which reconfirmed the priority the EU attached to reviving the negotiations as soon as possible.

The EU and Japan have both remained fully committed to further open up markets and developing trade rules within a multilateral framework, to making progress in the DDA negotiations on process and on substance and to ensuring their successful conclusion. The EU and Japan have remained close allies in the WTO and have continued to constructively cooperate across the board of the DDA by maintaining dialogues in capitals and in Geneva, and by involving all levels.

2.1.3. Prospects for Implementation

It is too early to talk about any outcome of this negotiating round. Obviously, the progress that has been achieved since Cancun on procedural terms will need to be matched by progress on substance. All WTO Members agreed that 2004 should not become a lost year and are thus committed to ensure the necessary progress. If WTO Members manage to translate their political willingness into more constructive and flexible positions on substance on all agenda items, i.e. market access and rules issues alike, the prospects for successfully concluding the DDA negotiations in a reasonable timeframe remain positive.

The EU and Japan stay committed to closely work together to help achieving the necessary progress and to build alliances with all trading partners to meet the ambitious goals for this round. Ensuring support from business through close dialogues on trade and investment issues of concern to them will remain one of the key aspects to the successful conclusion of these talks.

3. ACCOUNTING AND TAX ISSUES

3.1. EU policy on taxation and company organization

3.1.1. Summary of Recommendations

- 1) Construct a foundation for a common consolidated corporate tax base.
- 2) Expand the scope of the Merger Directive (including extending it to Japanese companies).
- 3) Adoption of Directive on interests and royalties.
- 4) Adoption of Directive on profit/loss offsetting.

3.1.2. Action Taken and State of Play

1) In its October 2001 Communication on company taxation “Towards an Internal Market without tax obstacles” (COM (2001) 582), the Commission concluded that, in addition to short-term actions aimed at removing tax obstacles to cross-border trade, as a longer term objective Member States should allow companies to use a single consolidated tax base for computing their tax on EU-wide profits.

In the April 2002 European Company Tax Conference, the issue of a common consolidated tax base was widely discussed. Since then, a number of events organised by expert federations and research institutes have taken, where this issue has been debated.

The Commission in November 2003 presented an overview of its follow-up work in the company tax field. It confirmed its commitment to its 2001 strategy. Concerning the common consolidated tax base, it reported on the results of its wide consultations on this idea and announced that it plans initiatives in three areas as a result of these consultations:

- (a) Despite differences of views among business representatives, industry and Member States on the detail, there is general agreement within the business community and growing support in the political world for a pilot scheme to allow Small and Medium Enterprises to use the tax rules of their home state for calculating their EU-wide taxable profits. These companies would particularly benefit from the resulting simplification and reduction of tax compliance costs. The Commission therefore proposes to discuss with representatives of business and interested Member States the detailed arrangements for such a pilot scheme. The Commission will make a recommendation for action in this field in 2004.
- (b) The Commission considers that accounting rules are key to the concept of a common tax base (taxable profits). The International Financial Reporting Standards (IFRS, formerly known as International Accounting Standards), the EU compulsory standards for the consolidated accounts of listed companies as from 2005, provide a useful neutral starting point for

discussing the technical tax issues. The Commission intends to establish an Expert Group to discuss the detailed tax principles that would have to be applied on the basis of using the IFRS as a starting point.

- (c) Central to the establishment of a consolidated tax base (taxable profits) would be the arrangements for sharing tax base (taxable profits) between Member States. The Commission proposes to continue research into the issues that would be relevant to tax base (taxable profits) sharing, such as definitions of groups of companies and of income, formulae and weightings. It also proposes that discussions with Member States and companies should be started on how real data could be obtained on the current EU tax base (taxable profits) distribution which could provide a starting point for this work.

The Commission's November 2003 Communication was discussed with a wide variety of taxation specialists, officials from Member States and the Commission, business and trade union representatives and academics at a Company Tax Conference in Rome on 5-6 December.

2) The Commission is not satisfied with the current limited scope and practical implementation of Directive 90/434/EEC on Mergers, in that it does not cover certain types of company restructuring. With the view of addressing this issue and of extending the applicability of the Directive to companies formed under the European Company Statute, the Commission presented a proposal in October 2003 (doc. COM(2003)613).

The proposal intends to update, clarify and broaden the scope of the Merger Directive, in that it:

- updates the list of companies to which the Directive applies to cover new legal entities, including certain co-operatives, non-capital-based companies, mutual companies, savings banks, funds and associations with commercial activity; it also includes companies formed under the European Company and European Co-operative Society statutes;
- extends the application of tax deferrals to a new business re-organisation – the "split-off", which occurs when a company transfers without being dissolved part of its assets and liabilities to a receiving company, constituting a branch, and receiving in exchange shares to the shareholders of the transferring company;
- ensures that deferral of tax applies on capital gains resulting from the transfer of the registered office of a European Company or of a European Co-operative Society from one Member State to another;
- clarifies that the tax deferral regime applies also when a company decides to convert its foreign branch into a subsidiary;
- ensures that the value of securities and assets exchanged in cross-border mergers and divisions are calculated the same way for tax purposes in different Member States when they are ultimately subject to tax.

With regard more specifically to tax deferral on real property transactions and transfer of other intangible assets, after consulting the Member States on the possible amendments in the Commission's working groups and the prospect of reaching a final agreement, the Commission decided to limit its proposals. At the moment the Council is discussing these proposals of the Commission to amend the Merger Directive.

Japanese-owned companies that are resident in an EU-Member States would be within the scope both of the existing Directive and of the Directive if and when amended. Member States would be most unlikely to agree to extending the scope of the Merger Directive to Japan-based companies, considering that such matters should fall within the scope of their individual bilateral tax treaties with Japan.

3) Following a political agreement reached in January 2003 on the adoption of the so-called Tax Package, Directive 2003/49/EC exempting from withholding taxes interest and royalty payments made between associated companies of different Member States was finally adopted on 3rd June 2003.

Member States were required to implement the Directive from 1st January 2004. As a consequence, payments made by one company in any Member State in the form of interest and royalties to an associated company resident in other Member States will be exempted from any tax levied at source, either by deduction (i.e. withholding taxes) or by assessment.

It has to be stressed that the Directive applies to interest and royalty payments between associated companies established within the EU, and not to such payments when made from a European subsidiary to a Japan-based mother company and / or vice versa.

4) As mentioned in its October 2001 Communication "Towards an Internal Market without tax obstacles", after more than a decade, the Commission withdrew its 1991 proposal of Directive on cross-border loss relief with a view to considering a more complete solution to the problems in this area. There are at present major limits in cross border loss relief between Member States which can lead to (economic) double-taxation. Generally, losses of subsidiaries are not tax-effective at the level of EU parent companies and losses of permanent establishments can be offset against headquarter profits only under specific circumstances.

In its November 2003 Communication "An Internal Market without company tax obstacles: achievements, ongoing initiatives and remaining challenges" (COM (2003)726 final), the Commission announced that it would consult with Member States with a view to presenting a more comprehensive initiative in this area in late 2004/early 2005

3.1.3. Prospects for Implementation

1) Taking into account the results of the consultations carried out, the Commission services will pursue their work, in particular with regard to the pilot project of applying "Home State Taxation" to small and medium enterprises, for which support has been shown by many interested parties.

The Commission services will continue their work with the view of performing a practical test of the system, in order to gather sufficient evidence of the benefits for SMEs. To this purpose, at least in this first stage, the pilot scheme would have to use the existing EU definition of SMEs, with the idea to run for about five years while ensuring at the same time that the formalities of submitting tax returns are kept to a minimum.

2) The proposal for amending Directive 90/434/EEC on Mergers has been submitted to the Council for adoption in October and will now have to be approved by Member States.

3) The Directive exempting from withholding taxes interest and royalty payments made between associated companies of different Member States is currently in force.

4) With regard to profit and loss offsetting, following the withdrawal of the outstanding proposal, the Commission services have now started an internal analysis of the legislative options, taking into account important developments in national courts' and ECJ rulings, and in addition are about to commence consultations with Member States.

3.2. Transfer pricing issues

3.2.1. Summary of Recommendations

- 1) Extend the application of the Arbitration Convention to transactions between EU and Japan.
- 2.) Harmonise documentation requirements and develop mutually acceptable standards.
- 3.) Establish guidelines on unilateral and bilateral advance price agreements (APAs) for EU-Japan transactions.

3.2.2. Action Taken and State of Play

In its October 2001 Communication on company taxation "Towards an Internal Market without tax obstacles" (COM (2001) 582), the Commission outlined its twofold strategy to tackle transfer-pricing problems, notably in the form of high compliance costs and potential double taxation, that companies face when doing business across borders.

On the one hand, the Commission intended to encourage the use by Member States of Advance Price Agreements and, on the other hand, it favoured better co-ordination of transfer-pricing policies within the EU, notably by establishing in July 2002 the "EU Joint Transfer Pricing Forum".

Since its inception, the "EU Joint Transfer Pricing Forum" has met six times, and discussed pragmatic, non-legislative recommendations to solve the problems in the application of the Arbitration Convention and the mutual agreement procedures under double taxation treaties. It also discussed the practical problems for companies resulting from the fact that the Arbitration Convention has not been in force since 1 January 2000. The outcome of such discussions is published in:

http://europa.eu.int/comm/taxation_customs/taxation/company_tax/transfer_pricing.htm

3.2.3. Prospects for Implementation

The EU Arbitration Convention only applies to transactions within the EU. Its extension to transactions between the EU and Japan would be a matter for discussion with the individual EU Member States who would be likely to prefer to deal with arbitration questions in accordance with the rules laid down in their individual bilateral double taxation treaties with Japan.

Discussions in Joint Transfer Pricing Forum will continue in 2004, focussing on documentation requirements and on possible preventative measures to avoid double taxation in the area of transfer pricing (e.g. advance pricing agreements).

The Forum plans to issue an intermediate report on its activities early this year. It has to be noted the Forum is not scheduled to address any possible co-operation between the EU and third countries, including Japan, in the field of transfer pricing.

3.3. International Accounting Standards

3.3.1. Summary of Recommendations

BDRT is pleased that the EU continues to make steady progress towards implementation of international accounting standards (IAS) in 2005 for listed companies.

3.3.2. Action Taken and State of Play

As already stated in the 2003 Progress report, Regulation 1606/2002 on the application of international accounting standards was adopted on 19 July 2002 and entered into force on 11 September 2002. The next step towards implementation of IAS for EU listed companies in 2005 is the endorsement of existing IAS by the Commission, in accordance with Article 6 of the Recommendation.

3.3.3. Prospects for Implementation

The Commission remains committed to the use of IAS in the European Union. As from 01.01.2005, all quoted companies must use IAS for the preparation of their consolidated accounts.

4. INFORMATION SOCIETY

4.1. Promotion of the IT society aimed at by eJapan / eEurope

4.1.1. Summary of Recommendations

The following actions should be promoted to achieve the IT society aimed at by eJapan/eEurope and to help economic growth and help solve social problems:

- Solution of social problems (e.g. unemployment) through the eJapan/eEurope initiatives;
- Public authorities at national level should lay down specific national targets for broadband subscribers;
- Development of solutions and business models;
- Global expansion of high quality broadband networks and ensuring their interoperability;
- Creation of business opportunities through co-operation with communities;
- Development of new business models through linkage between telecommunications and broadcasting with the appropriate regulatory conditions.

4.1.2. Action Taken and State of Play

The EC understands that some of these recommendations address business-led and public sector initiatives. Regarding the latest initiatives taken by the EC, the importance of investment and use of information and communication technologies (ICTs) for further growth and jobs in Europe is highlighted in a communication adopted by the Commission on February 3rd 2004¹ in the run up to the Spring European Council. It underlines the importance of the electronic communication sector for the health of the European economy and its key role in boosting productivity. Further growth will be driven by the provision of new services over high-speed fixed and wireless networks making use of broadband and 3G mobile communications, while policy makers must do more to create the conditions for faster investment. The report singles out the implementation of the new regulatory framework for electronic communications, action to extend broadband coverage in underserved areas, stimulating demand and the successful role out of third generation mobile communications as top priorities. This is supported by the mid-term review of the eEurope 2005 Action Plan.

“eEurope is a key element of EU’s approach to boost productivity and competitiveness in the European Union, while ensuring that people in every part of the Union can draw the full benefit from the information society. eEurope

¹ Connecting Europe at high speed: recent developments in the electronic communications sector

combines the right regulatory environment for investment, steps to promote the supply of new services and infrastructure and stimulate demand of those services and EU sponsored research into new information and communication technologies. A Mid-term Review Communication² on the e-Europe 2005 Action Plan has been published on 19th February 2004 by the European Commission. The report notes that the share of basic government services fully available on line rose from 17% to 43% between October 2001 and October 2003. Broadband has also made good progress with the number of high-speed broadband connections almost doubling in the year to October 2003 and there has been strong progress in a number of policy areas. The analysis confirms the Commission's recent report on connecting Europe at high speed.

The Mid-term Review Communication outlines also areas where the Action Plan should now be fine tuned. Future priorities could include focusing on interoperability, standards and multi-platform access in order to make sure networks and devices can talk to each other, learning from practical experiences in other Member States, focusing on content for new high speed services and developing businesses models for e-services. Finally, a clearer picture of regional differences is needed as well as considering how to overcome the risk of a digital divide by using different technological solutions.

4.1.3. Prospects for Implementation

EU Member States and accession countries have made good progress in rolling out broadband access and in getting public services on line. eEurope, launched in 2000, seeks to ensure that the Union realises the full potential of the information society to drive growth through improved productivity and competitiveness. To do this eEurope now focuses on the widespread availability of secure broadband services and action to promote greater use. The report³ recognises the important role of public authorities in area such as procurement, e-government, education and eHealth, as well as the area of e-business where public authorities have an important role in setting the right regulatory conditions. The current Action Plan has ensured steady progress in most areas, but despite positive signs, more effort is needed to share experience and to tailor services to user needs rather than just focusing on installing new technology or applications. This also requires strong political leadership. The Action Plan forms the basis for a discussion with Member States and stakeholders with a view to identifying changes by summer 2004.

² Connecting Europe at high-speed internet: reviewing the eEurope 2005 Action Plan

³ Connecting Europe at high-speed internet: reviewing the eEurope 2005 Action Plan

4.2. Public and private contributions to the successful deployment of broadband

4.2.1. Summary of Recommendations

Both the government and private sector should contribute to the successful deployment of broadband; for example, rule-making of copyright protection.

The private sector should promote the construction and implementation of business models that capitalise on broadband services while the government should promote policies to develop an environment that facilitates the use of broadband services.

4.2.2. Action Taken and State of Play

ICT technologies allow new rich media to be developed. The seamless treatment of audio, video and data allows the provision of enhanced services to the end-user for professional, educational or entertainment purposes. The future of e-content distribution in broadband networks and mobile applications is largely dependent on the conditions under which such new rich media content can be created, delivered and sold to end-users.

The Copyright Directive (2001/29/EC) provides TM - technological protection measures and DRM - Digital Rights Management information protection by requesting Member States to ensure sanctions on removal, circumvention or alteration of such protection measures or information. Additional policy and regulatory measures are envisaged through the draft Directive on the enforcement of intellectual property rights and a draft Communication (in preparation) on Rights Management.

The availability of DRM - Digital Rights Management systems and services is a key component of the e-content distribution. Technological protection measures and DRM technologies are currently available and business models are being experimented with various degrees of success in the market place for the distribution of online music or movies (Apple iTunes, BuyMusic.com, Napster, MusicMatch.com, Rhapsody-K-Listen.com, MusicNet.com, OD2). While some services are available in the EU the majority of the business models are at this stage still originating in the US.

The Commission has invested in research projects focusing on DRMs for the last 10 years at least. Over 20 projects have delivered valuable results. In 2002 and 2003 workshops were organised to provide opportunities for dialogue between stakeholders with the view to address outstanding DRM issues together and find common ground. In this context a Working Paper was published in February 2002 which outlined the state of development and the issues arising.

While this dialogue between stakeholders is essential and has been regarded as important by the stakeholders themselves, major breakthrough still need to be achieved on some of the outstanding issues. Such issues in relation with the implementation of DRM technologies include notably:

- interoperability and standardisation

- privacy
- compatibility with remuneration schemes (levies) and criteria/transparency of criteria applied to assess the use of TM with respect to fair compensation for private use;
- choice between individual or collective management of rights;
- risk for DRM systems to be compromised;
- impact of the use of DRMs on copyright exceptions including the exceptions provide by Directive 91/250 (protection of computer programs);
- role of DRMs in the control of piracy.

Though a number of key organisations (DVB, TV-Anytime, CEN-ISSS, OMA) have tried for some years to achieve **DRM standards** which are interoperable, no general consensus on interoperability has been reached yet.

The ICT industry is concerned about the increase of **levies** on equipment as well as on media support claimed by collecting societies (one official complaint at least from BITKOM (supported by EICTA) against collecting societies) and about the difficulties to have a one-stop-shop EU-wide licensing in Europe.

The fight against **piracy** is the major concern of rightsholder organisations and content providers whose concerns are very strong with respect to P2P networks sharing of files. Though recognising that piracy is a critical issue, the advent of new successful business models in the music industry also demonstrate that a peaceful coexistence with P2P technology is possible. It also emphasises the important role of innovative marketing techniques in line with new consumption practices.

The advent of **broadband networks** and their capacity to transmit large volumes of multimedia content at high speeds emphasises the importance of ensuring that digital content is available under the appropriate conditions, which meet the interests of all stakeholders. In this context, DRM technologies are promising to establish the right incentives for this development, notably a secure environment for ensuring remuneration and preventing illegal copying. This would encourage content producers to make their content available and thus entice users to take-up broadband.

4.2.3. Prospects for Implementation

To ensure progress on the outstanding issues in the EU and prepare concrete steps that would be validated through an open process in the course of 2004 is proposed to set up an informal **High Level Group on Digital Rights Management issues**.

The High Level Group will review the policy challenges raised by DRM systems and technologies, through a comprehensive approach including technological, economic and legal aspects. It will assess how DRM systems and technologies can contribute to the efficiency of the distribution of e-content while considering

such distribution in the context of the deployment of broadband. Where appropriate it will provide recommendations to the stakeholders and in particular to policy-makers and its conclusions or recommendations will be reported and validated notably at an open workshop to be organised by the Commission in 2004.

4.3. Periodical monitoring of the progress of eJapan / eEurope

4.3.1. Summary of Recommendations

Because both technology and markets are subject to dramatic change in an IT society, it is necessary to monitor the progress of eJapan / eEurope periodically, and both the government and the private sector should develop and implement actions to accelerate such progress.

4.3.2. Action Taken and State of Play

The e-Europe 2005 Mid-term Review Communication indicates the EU is already conducting a monitoring of progress and it outlines areas where the Action Plan should now be fine tuned. Future priorities could include focusing on interoperability, standards and multi-platform access in order to make sure networks and devices can talk to each other, learning from practical experiences in other Member States, focusing on content for new high speed services and developing businesses models for e-services. Finally, a clearer picture of regional differences is needed as well as considering how to overcome the risk of a digital divide by using different technological solutions.

So far, the Report analyses progress in six areas:

- e-government: Information and Communication Technology is helping to support the modernisation of national administrations and improving the quality and availability of services. Even so, wide differences persist among Member States in the range of services delivered by electronic means and the extent to which services allow users to “interact” electronically with public authorities rather than just collect information or download forms.
- e-learning: Almost all schools and education and training centres across Europe are now on line. However to deliver all the potential benefits, e-Learning requires reliable technology and high speed on-line access. Ensuring teaching staff are adequately trained, that courses are adapted to use on-line services and that the is good educational content is equally important.
- e-health: With its dependence on bandwidth, security and privacy, and user-centred service provision, e-health encapsulates all the main themes of eEurope. Making the best use of technology to improve access, deliver better care and help contain costs places e-Health at the centre of health policy at regional, national and European levels. Most Member States now have dedicated e-health plans and some have set specific budgetary targets of how much of the budget should be invested in eHealth spending.
- e-business: e-commerce data show a steady increase in buying and selling on-line, but more needs to be done to fully integrate ICT into business processes. The legal framework for e-business is taking shape, as Member States transpose EU directives on e-signatures, e-commerce and copyright directives into their national laws. These directives are supplemented by the recently-approved package of e-procurement directives for the public sector.

- **Broadband:** Member States agreed at the Spring 2003 European Summit to put in place broadband national strategies by the end of 2003 and most Member States have now notified these to the Commission. The EU is acting to promote investment in broadband infrastructure in Europe's less-favoured areas, for example by using the structural funds to promote broadband development in rural and remote regions and in economically disadvantaged urban areas.
- **Security:** Network and information security is a prerequisite for the information society. The creation of a European network and information security agency later this year is a welcome sign of progress. However, only 54% of companies have a formal "security" policy to address these issues.
- **e-inclusion:** The report recommends implementing EU e-accessibility standards, Web Accessibility Initiative (WAI) guidelines and common labelling rules for accessible web pages. To improve accessibility for disadvantaged population groups and regions, it suggests further promoting access over different platforms such as PCs, digital TV, 3rd Generation Mobile, etc. ICT access and digital literacy campaigns will also play an important role.

4.3.3. Prospects for Implementation

The implementation of the e-Europe initiative is subject to a close monitoring with a view to establish comparisons between EU Member States and notably on national broadband strategies. Moreover, the EU is also very active within the OECD Working Party on the Information Economy by providing extensive data and information with a view to establish comparisons between national ICT strategies on an international basis.

4.4. Establishment of a competitive environment that stimulates investment in broadband

4.4.1. Summary of Recommendations

Establishment of a competitive environment inspired by competition principles and ensuring that a level playing field exists for all markets participants will stimulate investment in broadband infrastructures and services and foster innovation.

4.4.2. Action Taken and State of Play

If the EU is to maximise the impact of the Information Society as the engine for growth, productivity and jobs, we have to create the right climate for further investment, said Enterprise and Information Society Commissioner Erkki Liikanen. "Our report⁴ takes the temperature of the sector. It shows considerable improvement over the last year, largely due to continuing growth in mobile, broadband and Internet services. For 2004, demand for mobile data services may replace broadband as a key force for recovery. The regulatory framework and technologies are now there, but to exploit their full potential what we now need is clear and renewed political commitment at the highest level to making eEurope a reality".

After two years of consolidation following the sharp downturn in 2000-2001, conditions now seem right for the sector to grow more strongly. The electronic communications sector expanded modestly in 2003. Revenues are estimated to have grown by 2.6%, a rate comparable to that of nominal GDP. Most of the overall increase in revenues came from mobile services, but broadband and Internet services also continued to expand. The number of broadband connections doubled in the twelve months to October 2003 to almost 20 million connections across the EU. However, level of broadband subscriptions varies considerably across Member States, showing that action continues to be needed to avoid a widening digital divide. 3G services also started to make their presence felt with around 500,000 subscribers spread across five Member States. By the end of 2004 more than forty 3G networks should be providing commercial services fuelled by demand for high speed data access for e-mails, internet, and on-line services while on the move.

Further improvement will depend on whether investment in ICTs picks up. Since the burst of the Internet bubble, telecom operators have been reducing capital expenditure as part of their consolidation plans. A return to renewed growth for the whole sector requires a revival in capital spending. The rate of investment will be affected by what public policy makers do: the implementation of the new regulatory framework will provide greater legal certainty for investment: the implementation of national broadband strategies will create additional demand, and the removal of regulatory and technical barriers will facilitate the roll-out of 3G networks.

⁴ Connecting Europe at high speed: recent developments in the electronic communications sector.

4.4.3. *Prospects for Implementation*

Subsequent to the above mentioned remarks, the Report “Connecting Europe at high speed: recent developments in the electronic communications sector“ identifies four priority areas for action:

- Addressing regulatory challenges. Late or incorrect transposition by Member States of the new regulatory framework for electronic communications is holding back competition and creating uncertainty. Infringement proceedings are underway against a number of Member States who have failed to transpose the new measures. Securing full and effective implementation of these rules by both existing and the new Member States remains a top priority for 2004. In addition, the new rules must be applied consistently by national regulatory authorities. The common guidelines due later this year on the remedies that may be imposed on operators with significant market power will be of particular importance. They should help regulators to provide the right investment incentives and to ensure that emerging markets are not subject to inappropriate obligations.
- Increasing broadband coverage in underserved areas. Within the eEurope Action Plan, Member States agreed to publish national broadband strategies by the beginning of this year. Denmark, Finland, Greece, Italy, the Netherlands, Portugal, Spain, Sweden and the UK, as well as Poland, have all finalised these strategies. A particular focus should be identifying areas that risk being placed in the slow lane of the information society because of insufficient demand to justify the roll out of broadband services. EU funding may play a role alongside action at a national, regional or local level. Guidelines exist on how structural funds can be used in such areas. The exchange of best practice and innovative solutions will be helped by the creation of a Forum on the Digital Divide later this year. The Commission will also report on those national strategies by the summer.
- Stimulating demand. While the majority of households in the EU can access broadband, only a fraction of them have chosen to do so. Use rather than roll out looks set to become the biggest issue for the broadband market. Experience of countries with the highest levels of broadband take up show the importance of effective network-based competition to drive down prices and promote innovative on-line services. In addition, action by Member States to stimulate demand can also play a role. They are promoting the use of ICTs within more and more key services local and national government, health and education - and shifting them on-line. This must be accompanied by further steps to address security, digital rights management and the interoperability of different services and devices. The mid-term review of the eEurope 2005 Action Plan, due to be completed by summer 2004, provides an opportunity for further support.
- Successfully launching third generation mobile communications. The report of the Mobile Communications and Technology Platform set out a strategic vision of key sector players for the future of mobile services, by highlighting a range of commercial and regulatory challenges. This converged, data-driven 3G world will be more complex than the voice-based world of GSM. If mastered, this can offer exciting new services and a significant boost to

productivity in the Union. The Commission will set out its approach later this year and will continue to work with stakeholders to define strategic research priorities in the mobile communications area.