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General EU News

16/02/2000 Enlargement – EU opens negotiations with six more countries

The European Union took another step towards defining its future when it opened negotiations on February 14 with six new candidates, the "Helsinki six" of Malta, Romania, Slovakia, Latvia, Lithuania and Bulgaria.

The Commission will propose which and how many chapters each of the Helsinki six can open, in time for a decision by the Committee of Member States' Permanent Representatives to the EU (COREPER) on March. **The expectation is that all will start with the chapters on small and medium-sized firms**, science and research, education and training, statistics, and company law.

Institutional reform - intergovernmental conference officially opened on 14 February

The Intergovernmental Conference on institutional reform, that will prepare the European Union for an unprecedented enlargement, opened on Monday 14 February in Brussels.

The Portuguese Presidency announced that she planned to divide the Preparatory Group's work into two phases of discussions on all the different topics to be covered:

- a first phase starting with the issue of qualified-majority voting, followed by institutional matters related to Amsterdam "leftovers", and only then would the question of the Commission and vote weighting be discussed. "Closer cooperation will be included under institutional matters", announced the IGC Chairman.

- a second phase in the final stage of IGC negotiations, which would re-examine issues which have already been discussed and try to identify new issues which might come up and in particular, whether negotiations over security and defence problems, to be covered under separate talks, would reach sufficient "maturity" for them to be included in the final stage of the IGC. If conclusions are reached in separate discussions on the Charter of Fundamental Rights, they may also be included in the Intergovernmental Conference in the second half of this year.

12/02/2000 European commission - white paper on new governance

Strategic guidelines for the 2000-2005 period, together with a work programme for the year 2000 were adopted by the European Commission .

The strategic guidelines for the 2000-2005 period are based on four key lines of action: strengthening Europe's voice, a new economic and social agenda, a fair and caring Europe, and developing new types of governance. The Commission's latest talks focused on the question of governance.

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According to information made available, the White Paper on the new governance (due to be published in the first half of 2001) will seek to promote two dimensions: the first will have a unifying effect, embracing economic and monetary policy, the space for freedom, justice and security, the Common Foreign and Defence Policy. This dimension will involve channelling the attributes of the former national business areas into the EU institutions, either on a separate or joint basis. The second dimension will focus on a decentralisation process: this is already under way for competition law, thanks to the Green Paper on streamlining procedures and the awaited legislative sequels, in preparation in the case of infringement procedures, and due to be pursued with the move, (contemplated by the think tank on the future of the EU's judicial system - an issue to which European Report will return in a forthcoming issue) to decentralise Community law. Also due to be included is regional policy, as this will have to be reshaped come enlargement.

International trade

09/03/2000 Lamy to go to China for WTO entry talks.

The European Union's trade commissioner, Pascal Lamy, said on Thursday he would go to China soon to resume talks on its application to join the World Trade Organisation.

Lamy's readiness to visit China appeared to indicate some significant progress may have been made because officials have previously said Lamy would not join the talks until negotiations were far enough advanced.

Last month, a round of intensive negotiations in Beijing between China and the European Union on the Asian giant's 14-year quest to join the WTO ended with no agreement.

Lamy said last week that some technical and tariff issues, including mobile telecommunications and life insurance, remained to be sorted out before he holds talks with Beijing.

06/03/2000 EU outlines short term package to re-launch WTO process.

The European Union proposed a comprehensive 'short term package' aimed at restoring the confidence of developing countries in the World Trade Organisation (WTO) and re-launching a new round of multilateral discussion on various issues.

Lamy said the short-term package being evolved by the Union would address various contentious aspects related to market access, WTO rules and regulations, development and concerns of a civil society.

Lamy emphasised the need for updating WTO rules to effectively respond to the changes arising out of globalisation to provide a predictable, transparent and non-discriminatory framework for traders and investors.

Single Market

06/03/2000 Commission moves to simplify single market legislation

A series of recommendations to simplify national and EC legislation affecting the Internal Market have been made by the European Commission in a review of the SLIM initiative Simpler Legislation for the Internal Market. SLIM has resulted in clearer rules but more could be done to target complex sectors and enhance transparency, according to the report.

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The review suggests the following key action points:

- Creation of a group of "better regulation" specialists, working under the auspices of the Internal Market Advisory Committee (IMAC comprising Member State representatives and chaired by the Commission) which would help to steer SLIM and provide a forum for discussion of "candidate" sectors.
- IMAC to be consulted at the beginning and end of each phase.
- Involvement of some of these specialists as designated "regulatory quality correspondents" to specific SLIM teams.
- Commission to consider feasibility/desirability of appointing independent experts to assist SLIM teams.
- Consultation of Member States and European Parliament on the selection of sectors.
- A requirement that any party putting forward a sector for review should state clearly the areas needing simplification and the expected benefits, while the Commission would agree to explain its reasons for rejecting suggestions.
- Preparation by the Commission of a guide for SLIM chairpersons and team members, including a clear definition of the overall objectives.
- Clear definition of the objectives of individual teams in the working document setting up each phase.
- More transparency with regard to the work of teams, including "flash" reports to be provided on relevant web sites within two or three days of each meeting.
- IMAC "better regulation" representatives of the Member States with officials on a particular SLIM team to report on the situation regarding national legislation in the sector in question; at least one such report per sector to be based on a parallel national SLIM exercise.
- The Commission to set itself a target of coming forward with proposals within six months of a SLIM report.
- Council and Parliament to develop mechanisms to ensure that simplification proposals are adopted quickly.
- Member States to report regularly to IMAC and the Internal Market Council on independent national simplification programmes.

11/02/2000 Insurance - Commission issues clarification of rules to promote single market

The Commission issued a "clarification" on its "concepts of freedom to provide services and general good" in an effort to promote "a fully integrated Internal Market in insurance."

The Commission Communication "specifies the exact scope of the freedom to provide services and defines the legal framework within which a Member State may invoke the general good in order to regulate insurance business in its territory by way of branching or by way of freedom to provide services by an insurance undertaking duly authorised and established in another Member State."

Enterprise affairs

Enterprise policy

Joint action by the EU and its members to promote entrepreneurship is described in a Commission report on Concerted Action with the Member States in the Field of **Enterprise Policy**.

The report describes efforts to promote training and information; finance for start-ups; and incubators.

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03/02/2000 Commission launched new phase of information campaign on the euro, focusing on SMEs in 2000

Small and medium-sized enterprises. The Commission is not satisfied with their preparation, said Mr Solbes. Resolved to ensure that **SMEs** understand that "the euro is an indispensable element that will enable their clients to make comparisons", the Commission sets the following objectives:

- to ensure that all enterprises and consultants understand that they cannot continue using old national currency units in their accounting after the end of the transitional period on 31 December 2001;
- to persuade all businesses, right down to the smallest craftsman or retailer, that they must have: - a date for being ready to trade in euros and for changing internal accounts over to the euro; - a plan for the changeover (what tasks must be carried out and when); - the resources, human, financial and otherwise, needed to carry out the plan.

Concerning programming of the campaign, Commissioner Solbes said particular attention would be given, in 2000, to "elements having an impact on the operation of **SMEs**".

29/01/2000 Commission to simplify - not 'relax' - state aid reviews for SMEs.

The European Commission is drawing up plans to exempt small businesses from lengthy state aid investigations as part of a review of its competition policy. The EU executive will adopt new rules before July **which would mean that state aid payments to firms judged too small to affect competition would no longer require clearance from the Commission.**

The plans, which are being discussed with EU governments and industry groups, may exempt aid for training and research and development. The proposals form part of a wider effort to lighten the Commission's workload and provide automatic clearance for commercial agreements and aid payments with no detrimental effect on competition.

Social affairs & employment

01/03/2000 Commission sets out targets for march job summit

On February 28, the European Commission urged EU Heads of State and Government to commit themselves to a string of targets for increasing competitiveness when they meet at the Special European Council in Lisbon on March 23 and 24.

The Commission proposes taking advantage of a "favourable economic outlook" in order to make economic reforms, prepare Europe for the knowledge economy and strengthen the European social model by investing in people. The EU executive believes that the Lisbon Summit provides a unique opportunity to set long-term goals, identify priorities, establish targets and dates and define who does what. Efforts to achieve whatever is agreed will be monitored by benchmarking and peer review.

The 23-page submission starts with an up-beat, congratulatory tone: the Internal Market, Economic and Monetary Union, the launch of the Euro on time. **Then come the challenges which Lisbon is supposed to tackle:** changing the skills needed for work through education and training, making the European economy more dynamic and entrepreneuring, and ensuring that the new knowledge-based society is inclusive for all citizens.

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The Commission believes that in addition to ensuring the sustainability of Europe's sound macro-economic policy the EU's response to these challenges should focus around two main policy axes: the pursuit of economic reform to prepare the knowledge economy and the strengthening of the European social model by investing in people. To achieve the first goal the Commission proposes six priorities:

- Implementing the e-Europe initiative and creating an Information Society for all European citizens and business. To facilitate the expansion, the Commission wants governments to open up local telephone markets and reach agreement on pending e-commerce legislation by the end of this year.
- Opening up the Internal Market by 2004 is another priority. One target is for EU governments to commit themselves to liberalising energy markets fully within five years. The Commission also wants governments to adopt plans for a Community-wide patents system by 2001 and to put in place new public procurement rules by 2002.
- In financial services, the Commission wants to complete a financial services action plan, which it has already tabled by 2005. The plan includes risk capital, and aims to capitalise on the introduction of the Euro for the benefit of businesses, investors and consumers.
- Enterprise Europe should be promoted in order to create the conditions for a more entrepreneurial and innovative Europe.
- A true European research area is proposed for 2002.
- A review of the Community's financial instruments by the end of this year is promised to ensure that they are compatible with the policy priorities set.

The second area, investing in people and strengthening Europe's social model, involves a number of key priorities:

- modernising social protection systems and ensuring sustainability of pension provision over the long term. A proposal to enable supplementary pensions funds to operate at pan-European level is promised for later this year
- restoring full employment as the key objective of economic and social policy;
- increasing investment in education and training for the knowledge economy. Targets in this area include connecting all schools to the Internet by 2001, ensuring all teachers have Internet skills by 2002 and all citizens the opportunity to acquire digital literacy skills by 2005.
- promoting a new social dialogue
- striving for social inclusion, not exclusion. Specific targets for governments include cutting the numbers below the poverty line from 18% to 15% in 2005 and cutting the total by another five percentage points by 2010. Child poverty should also be halved within 10 years, says the document.

Finally, Internal Market Commissioner Fritz Bolkestein tabled the Cardiff report on structural reforms before the Finance Council. According to Mr Bolkestein, this document clearly demonstrates the benefits of the reforms already undertaken in terms of lowering consumer prices and increasing **competition** between companies. **The Lisbon Summit should therefore serve to put in place a genuine Single Market for capital**, improve the performance of commodities and services markets and rapidly develop services linked to the information society.

The full document "The Lisbon European Council: An agenda of economic and social renewal for Europe" is available on the Internet at: [http://europa.eu.int/comm/commissioners/prodi/lisbon - en.htm](http://europa.eu.int/comm/commissioners/prodi/lisbon-en.htm).

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22/02/2000 Workplace equality directive approved

The European Commission has approved a directive whereby member states must set up a system of 'proportionate and persuasive' legal sanctions to protect employees from discrimination on grounds of sexual orientation, age or religion. This goes hand in hand with another directive outlawing racial discrimination within the workplace.

Taxation

02/03/2000 Nine member states adopt reduced VAT system for labour-intensive services

The EU Council has adopted the decision reducing VAT on "labour intensive" services. The Member States who so wish are authorised to apply a reduced VAT rate, for a period of three years.

Approved last October 8 by the Economic and Financial Affairs Council, this proposal was still the object of a review by the British Parliament. From the 1 January 2000, the States involved were still authorised to enforce the decision, in anticipation of its entry into force.

01/03/2000 Continued deadlock in council on savings withholding tax

Negotiations on the taxation of savings in the EU floundered once more on February 25 over the position adopted by Britain. The first meeting in Brussels of the High-Level Group entrusted with resolving the deadlock on the withholding tax plan, saw a proposal from Britain challenging the co-existence of two options: exchange of information between tax authorities and minimum taxation of savings in the country where savers earn interest. London is advocating scrapping this second option, arguing that its position is consistent with the principle agreed at Helsinki in December 1999, that all citizens residing in a European Union Member State should pay all taxes due on all savings revenue. Britain's EU partners regard its position as unacceptable.

26/02/2000 Taxation/competition - probe into damaging tax systems

There are too many uncertainties surrounding tax harmonisation initiatives in the EU and particularly about the question of removing tax measures likely to distort competition, according to Mario Monti, European Commissioner for Competition. Speaking on February 23, the Commissioner said he had instructed his services to consider all state aid by of tax concessions granted to companies. This decision he believes is in keeping with the Commission's institutional obligations.

11/02/2000 Commission to propose new VAT enforcement rules

The Commission said it will propose measures to improve the existing EU legislation on administrative cooperation and mutual assistance in enforcing the Value Added Tax by eliminating remaining barriers to exchange of information.

According to the Commission, Member States are "not devoting enough resources to VAT controls, introducing modern control methods or coordinating sufficiently amongst themselves." As a result, "national exchequers and the Community Budget are losing VAT revenue and legitimate trade is penalised."

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05/02/2000 Plan for VAT on e-Commerce in the pipeline

A proposal for an EU Directive on levying VAT on transactions carried out electronically is due to be tabled later in March. The aim of the measure is to ensure that the on-line economy does not escape indirect taxation when goods are bought from operators based outside the EU.

The Commission's approach is based on three principles that gave rise to Council of Ministers' Conclusions back in July 1998:

- Electronic commerce should not create new taxes
- The provision of a product made available to consumers in a digital form has to be treated, from the point of view of VAT, as the provision of a service
- Services provided via electronic commerce (or other means) to be consumed in the EU shall be taxed in the EU irrespective of their origin.

Economic & financial affairs

09/03/2000 - European commission welcomes Greek EMU application

The European Commission said it welcomed Greece's application to become the 12th member of the euro zone.

The Commission will examine the progress made by Greece in fulfilling the convergence criteria set out in the Treaty in good time and make a recommendation to the Council.

The Commission should take its decision on Greece's application on May 3. This would give time for the European Parliament and European Union finance ministers to consider their positions before a final decision was taken by European Union leaders at their June 19-20 summit near Oporto, Portugal.

Finance Council

The Finance Council on February 29 also discussed its contribution to the Lisbon European Council. The Economic and Financial Committee (EFC) emphasised improvements to the functioning of capital markets, the role of venture capital markets and the need for sustainable public finances. The Economic Policy Committee's (EPC) contribution focused on a number of key sectors where reforms are deemed to be urgent, notably labour market conditions and the modernisation of social security systems, etc.

Electronic commerce

04/03/2000 Council adopts common position on electronic commerce directive

The Council of Ministers formally adopted its common position on February 28 on the proposal for a Directive harmonising certain legal aspects of electronic commerce. Agreement was reached on this text at the Council's Internal Market session on December 7, 1999. The common position will now go before the European Parliament for the proposal's second reading. **The text recognises the country of origin principle (the regulations of the Member State of origin apply) as a general rule**, but leaves room for derogations. Destination States are at liberty to restrict the free movement of services covered by the Directive if they threaten public order, health or safety, respect for human

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dignity or protection of consumers, including investors, a derogation that will embrace financial services.

10/02/2000 Bid to boost competition in telecomms

TELECOMS chief Erkki Liikanen is set to unveil plans to boost competition in one of the last bastions of the former telecomms monopolies.

Officials say the Finnish Commissioner is drawing up recommendations for national regulators which will call on the former monopoly operators to give rivals fairer access to their local networks ('local loops') that go direct into customers' homes and businesses.

Under the plan, operators would be able to rent access to these raw copper wires without having to pay for a 'bundle' of extra services such as local telephone exchanges.

03/02/2000 Commission proposes creation of "dot eu" on internet.

The European Commission proposed the creation of a new Internet Top Level Domain, ".eu". It launched a public consultation and will communicate the project to the European Parliament, Council and other organisations of the European Union. It should proceed with an exchange of views with ICANN (Internet Corporation for Assigned Names and Numbers), which is responsible for managing and the technical coordination of Internet infrastructures, especially the allocation of names and addresses (<http://www.icann.org>).

This proposal is part of the eEurope Initiative, that the Commission launched and intended to develop the Information Society in Europe. The Commission's working paper raises particular problems, such as the nature of the organisation of the future register, the drawing up and implementation of registration measures and the dispute settlement policy.

At the end of a 6-week public consultation, the Commission will turn to the Council and Parliament if it appears that a decision is needed. The consultation will take place at: <http://europa.eu.int/comm/dg13/index.htm>.

Competition policy

29/02/2000 Byers opposes Brussels' competition law plan

Trade and industry secretary Stephen Byers has spoken out against European Commission proposals to shift investigations into breaches of competition laws from Brussels to national capitals. Speaking to the Social Market Foundation, Byers argued that such a move would 'reduce business certainty and put at risk a key component of the single market, namely a level playing field in terms of competition policy'. He pledged to work with the government and the EU to find ways to increase decentralisation without damaging business certainty and consistency. Byers has already gained the backing of the CBI, MEDEF and UNICE.

22/01/2000 Commission begins consultations on horizontal cooperation agreements

The European Commission's competition authority is taking its first steps to prepare for an initial round of consultation with EU governments over EU rules governing horizontal business agreements. The documents currently prepared by the Commission will be made public for a wide consultation for

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industry through a public hearing planned for May, followed by a second meeting of the EU Advisory Committee on Restrictive Practices and Dominant Positions.

Along with draft guidelines on the applicability of Article 81 of the EU Treaty (restrictive business practices) to horizontal cooperation agreements (like joint ventures and trading alliances, for example), the Commission has also proposed new draft block exemption Regulations on the application of Article 81(3) to categories of specialisation agreements and research and development (R&D) agreements between companies. The draft block exemption Regulations are intended to replace the existing Commission Regulations on specialisation agreements (417/85/EEC) and R&D (418/85/EEC) which expire at the end of 2000. The next step for the Commission is to consult the Member States (via the Advisory Committee on Restrictive Practices and Dominant Positions) before the documents can be presented to the Commissioners again, this time for their final stamp of approval

According to the Commission, the draft Regulations aim at clarifying the application of competition policy in the area of horizontal cooperation agreements. They are an essential pillar in the Commission's efforts to modernise competition policy, and the approach is very similar to that of the new Regulation setting out the rules for the distribution sector ("vertical cooperation agreements") which the Commission adopted on December 22, 1999 . The new guidelines describe the general approach which should be followed when assessing horizontal cooperation agreements. Such agreements have to be analysed in their economic context, taking into account both the nature of the agreement and the parties' combined market power.

The impact of the proposed changes on industry will be positive, the Commission hopes, with an increase in legal security improving cooperation between companies with little or no market power, in particular SMEs. These companies will have greater contractual freedom for their cooperation and will be freed from the costs and delays associated with unnecessary notifications. The current block exemptions on R&D and specialisation not only define categories of agreements which are covered, but also list the exempted clauses. The Commission proposes to delete these so-called "white lists" from both block exemption Regulations. Instead, they exempt all conditions under which undertakings pursue R&D and specialisation agreements, subject to certain conditions and the exclusion of hardcore restrictions. This move away from a clause-based approach gives greater contractual freedom to the parties of such agreements.