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HEADLINES

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General EU news

25/03/2000 Lisbon summit – EU wants new social model in the light of the new economy.

The European Summit in Lisbon on 23rd and 24th March marked a turning point in the way Europeans approach the problems of unemployment and social cohesion. They have now clearly placed their hopes in the development of the information society, the cornerstone of the new economy, rather than in state intervention. This does not mean that Heads of State intend to wash their hands of their political responsibilities, quite the opposite. EU politicians stressed the importance of political leadership in an annual meeting - which took place as part of the Council - on the co-ordination of economic policies. They intend to place more importance than ever at national level on IT training in the education system, and throughout life. The EU's new turning point is expected to be pursued in greater detail by the European Social Agenda, which will aim to refashion the European social model in the medium term.

Overview of the conclusions:

- The quantified objective for growth (3%) is defined as a "realistic hypothesis for the years to come" as long as the measures and reforms set out are implemented;
- Liberalisation is differentiated. The telecomms markets will have to be fully integrated and liberalised for end-2001: for the abolition of obstacles to financial services a strategy has to be defined by the end of the year; new rules for public procurement must be defined by the end of 2002. Liberalisation of the gas, electricity, postal and transport services, on the other hand, must simply be speeded up (water is not mentioned due to Austria's opposition);
- A detailed study has to be made on the further development of social security, with special attention to the viability of pension schemes.
- Intergovernmental Conference - the European Council took note of the state of progress in the work and the Presidency's intention of presenting a comprehensive report, under its own responsibility, to the Feira Summit.
- **SMEs:** inter linked with the discussions on information technology and innovation, there was general agreement on the need to create a favourable business environment, especially for small and medium-sized enterprises. All delegations agreed on the idea of a **European Charter for SMEs** (proposed in the Anglo-Belgian paper) - and a deadline of June 2000 was set for adoption. Delegations discussed ways to reduce start-up costs for SMEs, both in national markets and in the single market as a whole. The Council and Commission will be asked to launch a benchmarking exercise by June 2000 to mark progress on this, with results to be presented by December 2000. The Conclusions set out the need to provide easy access to venture capital for EU entrepreneurs - the European Investment Bank has already

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signalled its willingness to provide such capital at several EcoFin Councils. The Commission should provide a report on this and other venture capital initiatives later this year. The need to reduce to tax burden on young businesses was discussed but no specific targets set.

The full text on the Lisbon Summit is available on: <http://www.europa.eu.int/geninfo/whatsnew.htm>

01/04/2000 Intergovernmental Conference - IGC group split on size and shape of commission

Questions about the size and shape of the European Commission dominated the meeting of the European Union's representatives on the Intergovernmental Conference (IGC) on 28th March. A clear split emerged between the big Member States, who currently have two Commissioners, and all the others who want one Commissioner per Member State.

Germany, the United Kingdom, France, Italy and Spain - who all have two Commissioners - back a Commission made of a fixed number of, however many Member States are in the EU. Although only Germany and Spain went on the record for a maximum of 20 Commissioners. With regard to the appointment of Commissioners, the Presidency suggested two options involving the idea of a rotation system. Either the election of a Commission President by the European Parliament, which would then compose its own team, on the basis of pre-established criteria guaranteeing an "equitable rotation" of Member States. Alternatively, the appointment by the Council, with assent of the Parliament, on the basis of a predetermined order of rotation respecting a "strict equality" of representation of the Member States. Spain backed the latter proposal.

All the other delegations that spoke out, however, preferred a Commission composed of a Commissioner per Member State. The General Affairs Council (GAC) of 10th April will review all the debates on qualified-majority voting and will draw up a timetable for the continuation of the work. The preparatory group is to hold a seminar in Sintra on 14-15 April in advance of the informal meeting in Sao Miguel in the Azores, 5-7 May.

30/03/2000 Candidates for "Helsinki group" presented their negotiating positions on first chapter of Community Acquis - few derogations are requested

The first negotiating meeting between the EU and the six countries in the Helsinki group (Romania, Bulgaria, Slovakia, Lithuania, Latvia and Malta) took place in Brussels at a deputy level (Ambassadors of Member Countries, chief negotiators from candidate countries). This enabled the chief negotiators to submit to the Commission and Council their official negotiating positions on the first Chapters of the Community Acquis over which the EU is considering opening significant discussions by the end of June, namely:

- **Romania** - presented its position on the five chapters concerned: small and medium sized enterprises (SME), research, education, external relations, foreign policy and common security (CFSP). No request for derogations was made.
- **Slovakia** – Bratislava presented its position on the eight Chapters concerned: SME, research, education external relations, CFSP, competition, statistics, audio-visual policy and culture. No request was made for derogations.
- **Lithuania** – presented its position on the eight chapters concerned: SME, research, education external relations, CFSP, competition, statistics, audio-visual policy and culture. Two requests for derogations were made in the field of external relations, concerning maintaining the free trade area with other Baltic countries and the free trade area with the Ukraine.
- **Latvia** – presented its position on seven of the eight Chapters concerned (except competition) and two additional relating to industrial production and consumers. Only one

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request was made for derogation, concerning the maintaining of the free trade area with other Baltic countries, in case the three countries do not join the EU at the same time.

- **Bulgaria** – Sofia presented its position on the six Chapters concerned: SME, research, education external relations, CFSP, audio-visual policy and culture as well as on the two additional Chapters Statistics and telecommunications. On request for a derogation was made.
- **Malta** - presented its position on the eight chapters concerned: SME, research, education external relations, CFSP, industrial policy, telecommunications, audio-visual policy and culture. No request for derogation was made.

Economic & Financial affairs

13/03/2000 Sweden has no EMU timetable

The Swedish Finance Minister said his country did yet not have a timetable for holding a referendum on joining European Economic and Monetary Union (EMU).

Sweden, along with Denmark, the United Kingdom and Greece, is one of four EU member states which remains outside EMU but the government has said it will hold a referendum on EMU at a date to be fixed.

Denmark plans to hold a referendum on 28th September on membership of EMU.

Taxation

05/04/2000 Finance council - taxation and economic forecasts on agenda for April 7-8 informal session

EU Finance Ministers are to gather for an informal Council session in Lisbon 7th – 8th April, progress on taxation dossiers are certain to be a central theme. The session will begin on the evening of 7th April with the, now traditional, informal meeting of Euro zone Finance Ministers (Euro-11). This is to assess the economic situation and prepare for the G-7 Finance meeting (group of seven most industrialised nations) on 15th April, and the spring session of the International Monetary Fund (IMF) in Washington on 16th April.

Taxation

EU Ministers will review the work of the High Level Group entrusted with the task of trying to end the deadlock on the EU tax harmonisation dossier. At its meeting on 3rd April in Brussels, the Group explored the consequences of the British declaration requiring all Euro-bond operators to supply information to the Inland Revenue. One member of the group described London's decision as "a step forward", given that Britain has long rejected this procedure on the grounds of the administrative costs involved. However, the same member warned this might equally be little more than a manoeuvre, since the British are well aware of the aversion of some Europeans to the introduction of an information system, preferring instead the principle of taxation at source in the country where a non-resident receives savings revenue. This is the case notably of Luxembourg, Austria and Germany, which are subject to banking secrecy. The draft Directive on the taxation of savings (which applies to interest earned by natural persons in the Community, but in a different Member State to that where the interest is paid) provides two options: either the member State where the savings revenue is paid taxes at source; or it informs the tax authorities of the Member State where the saver is resident. The British are moreover continuing to insist upon the need to extend the harmonisation of taxation

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of savings to states outside the EU. The High-Level Group was considering the question of the Code of Conduct (concerning fiscal advantages granted by the Member States to their enterprises; the aim being to put an end to practices deemed most damaging to competition). The dossier is part of the "Fiscal package" and, despite the fact that negotiations have progressed well, its fate is linked to that on the taxation of savings.

Ministers will also hold an exchange of views on the measures the European Commission wishes to put in place to simplify and modernise existing rules on VAT.

Economic guidelines.

On 7th April, Economic and Monetary Affairs Commissioner Pedro Solbes will present the draft Broad Economic Policy Guidelines (BEPGs) which the Commission should adopt on 11th April. Since the launch of the Euro, the BEPGs include specific recommendations for each Member State. Mr Solbes will also present to Ministers the Commission's spring economic forecasts, also due to be adopted on 11th April. Ministers will again consider the follow-up and implementation of the conclusions of the Lisbon European Council on employment, economic reforms and social cohesion.

Public finances

The Commission will present a report on the quality of public finances recommending the pursuit of budgetary consolidation while assessing the structure of expenditure in relation to the major challenges facing the economies of the Member States over the coming years. Following the Lisbon European Council, public spending should no longer focus solely on investments, but also on research-development, education and training, etc.

29/03/2000 Commission wants to rekindle modernisation of VAT regime

Four years ago, the Commission planned for 2000 the transition to a new common VAT system based on the principle of taxation in the country of origin. Today, it noted that the "present climate" and notably, "the Member States refusal to align their VAT rates and reduce the number of special regimes" prevent the progress towards this objective. Therefore, it is considering, to improve the working of the internal market in the short-term, establishing a new strategy based on 3 central objectives:

1. the simplification and modernisation of the existing rules,
2. a uniform implementation of the provisions enforced
3. the strengthening of administrative co-operation.

Through this review, the Commission intends raising within the Council political momentum needed to carry out the reforms. Four projects for the simplification of the VAT regime are on the table in the Council for the last months, or even years. "The Member States are not ready to move to the original (tax regime, as they do not have sufficient trust to mutually trust each other to collect their indirect taxes, explains a spokesperson for the European Commissioner for Taxation, Mr. Bolkestein. Therefore, the Commission has chosen a pragmatic approach."

A first meeting with the Member State representatives showed "that nearly all the Member States support the Commission's ideas, but that there are nuances on each of their priorities," commented a national delegate. The debate continued at a Ministerial level during the informal meeting of the Economic and Finances Committee, on the 7th and 8th April in Lisbon. The Commission then foresees

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making VAT proposals on postal services, end April, and on commercial transactions on the Internet in May.

For the European Commission, the "long-term" objective still remains the establishment of a single taxation area.

Enterprise affairs

Communication reviewing the European concerted action on SMEs policy.

Since 1995, the Commission has been helping the Member States to work together to identify and exchange best practice in broad areas of Enterprise policy: the simplification of the business environment, the provision of effective business support measures and the visibility and take-up by enterprises of the services provided.

The results, already partially formalised in a Commission Recommendation and a Communication, consist of identifying central issues - in particular aspects of Enterprise policy and making concrete proposals for improvements, illustrated by cases of existing good practice. These 'good practices', which are to be published separately by the Commission, are outlined in the report.

More information in the following website:

http://www.europa.eu.int/comm/enterprise/entrepreneurship/concerted_actions/index.htm

Employment & Social affairs

04/04/2000 Working time directive.

An agreement was reached between the EP and the Council of Ministers to extend the working time Directive to workers in all the sectors and activities currently excluded from the Directive.

The Conciliation Committee, consisting of members of the European Parliament and the Council of Ministers. The Committee reached agreement on 3 April on the extension of the Working Time Directive (93/104/EC) to cover workers in the sectors and activities currently excluded from the Directive. These are the air, rail, road, sea, inland waterway, sea fishing and offshore sectors and the activities of doctors in training. Some 5 million people in the EU work in the industries and services concerned. The effect will be to amend the Working Time Directive to cover doctors in training, offshore and railway workers and all non-mobile workers in the excluded sectors. It will also provide for mobile workers in air, road and inland waterway transport to have adequate rest, 4-weeks' annual leave and for a limit on their working time. Some of the other basic provisions of the Directive will also apply. Specific working time provisions will apply to workers in sea fishing industry. A separate directive, adopted last June, covers the working time of seafarers. The Commission made these proposals in November 1998.

16/03/2000 Social affairs council.

Ministers held their first formal discussion on Social Affairs Commissioner Anna Diamantopoulou's package of measures to tackle discrimination. Although the debate has not advanced very far, the Portuguese presidency put the issue on the agenda to emphasise the EU's commitment to fighting racism and other forms of discrimination in the wake of the far-right Freedom Party's entry into government in Austria. Diamantopoulou's package aims to combat discrimination on the grounds of race, gender, sexual orientation, disability and religion. The two proposed directives aim to ban discrimination in the workplace and outlaw racism in general.

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Social affairs ministers confirmed their wish to reach a political agreement on the initiative by the end of the Portuguese presidency in June and to agree the legal texts by the end of the French presidency in December.

Single market

04/04/2000 EP committee welcomes single market strategy.

The Legal Affairs Committee gave strong backing to the Commission's proposed five-year strategy for improving the internal market.

In adopting a report drafted by its chairman, the committee broadly supported both the method and the objectives laid down by the Commission. It particularly welcomed the Commission's choice of a working method based on precise target actions with agreed deadlines, which can be reviewed and if necessary adjusted. In the report, the committee urges the Commission to put greater emphasis on monitoring Member States' progress in implementing single market rules. It also makes a number of recommendations aimed at cutting red tape and improving dialogue with business.

Lastly, the report puts forward various proposals on electronic commerce. It calls in particular for work on the simplification of the VAT system and its application to e-commerce to be speeded up. The Commission is also urged to make rapid progress on the creation of a European network of alternative dispute-resolution systems, in particular for online transactions, which will provide consumers with a real chance of obtaining legal redress. This is crucial to increase consumer confidence in e-commerce while not deterring small businesses from opening internet trading sites.

29/03/2000 In the conciliation procedure with the council on late payments, parliament calls for more guarantees for SMEs.

A decisive conciliation meeting took place between the Council and European Parliament on the draft directive aimed at strengthening the fight against late payments in commercial transactions, an issue of particular importance for small and medium-term enterprises. One of the main goals of the amendments adopted on second reading was precisely to ensure better protection against abuses from which SMEs suffer SMEs for which governments never stop stressing their essential role in job-creation.

International trade

27/03/2000 Japan, EU agree to get developing nations in on WTO round.

Japan Trade Minister and European Trade Commissioner Pascal Lamy agreed to seek an agreement with the United States and Canada on gaining the support of developing nations in the launch of a new round of global trade talks.

The initiative, which was in line with proposals made by WTO Director General Mike Moore in early February, include granting duty-free access to essentially all products from least developed countries and expanding technical assistance for developing nations.

The other measures are extending the moratorium for developing countries on implementing the Uruguay Round accords and enhancing the transparency of WTO's decision-making process.

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Some developing countries were also reluctant to launch the new round because they felt freer trade and investment had not benefited them.

07/03/2000 EP debates EU-Israel trade agreement.

There was broad support from MEPs for the Commission's approach on the delicate subject of possible infringements by Israel of the EC - Israel trade agreement. In an oral question, members had sought clarification from the Commission on the status of products coming from Israeli settlements in the occupied territories that were exported to the EU. Export of such goods represented an irregular application of the agreement which limited trade to the "territory of the State of Israel", excluding the occupied territories. Commissioner VITORINO stressed the delicate nature of the peace process which, he believed, should not be disturbed by a blindly legalistic application of the agreement.

03/04/2000 EU sees new china WTO talks "in a matter of weeks".

A European Union Commission spokesman said that negotiations between the EU and China on Chinese accession to the World Trade Organization could resume "in a matter of weeks."

Talks broke off at the end of March after four days with Lamy saying not enough progress had been made to strike a deal.

The EU is the largest of eight WTO members that have yet to sign off on China's membership in the global trade rules-making body. EU and Chinese negotiators have now held three rounds of talks this year, including two in Beijing, but have failed to hash out a deal.

03/04/2000 ACP states secure new aid and trade agreement with EU

The African, Caribbean and Pacific (ACP) states have struck a new deal with the European Union (EU) with the extension of the current treaty which was due to expire this February. At a meeting held in Brussels, Belgium, from 2-3 February 2000, the EU and ACP states concluded a new agreement, an extension of the Lome Convention, which regulates development co-operation and trade relations between the two regions.

One of the major agreements entered into is the determination of an eight-year transition period during which new negotiations on trade and economic arrangements with the EU are to be negotiated and concluded.

This transition will run from 1 March 2000 to 31 December 2007 during which period market access into EU will continue under current arrangements. A further 12 years was agreed upon as the implementation period.

In addition, 13.5 billion Euros were made available under the extended Environment Development Fund (EDF) to assist development efforts of ACP countries for the period 2000 through to 2005. This assistance would be used to support and promote efforts of ACP countries, which include poverty reduction, private sector development and reform of ACP economies and gradual integration of ACP countries into the global economy.

The purpose of the meeting was to negotiate a framework leading to a successor agreement to Lome IV, whose expiry date was set at February 2000.

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The new Lome agreement is expected to be signed in May 2000. The agreement will then be ratified by the EU's 15 member states and ACP's 71 states by September 2002, before it comes into force.

In order for this arrangement to be compatible with World Trade Organisation (WTO) rules and regulations, the EU is expected to ask for a waiver to continue with the current trade preferences. Internal arrangements are being made to ensure continuity of trade flows from ACP to EU. The more favourable preferential terms granted the ACP countries for accessing the Common European Market was more important than the financial development assistance covered by the agreement. The new agreement sees, particularly, the strengthening of political relations between the ACP and EU states.

Given the fact that the transition period is up to 31 December 2007, it is important that ACP states start to prepare for new trading arrangements with the EU.

21/0/00 Mexico approves free trade agreement with EU

The Mexican Senate ratified a free trade agreement with the European Union. The agreement, scheduled to take effect July 1, phases out tariffs on Mexican imports of E.U. industrial goods by 2003 and eliminates tariffs on EU imports of Mexican industrial goods by 2007. Most agricultural tariffs are phased out by 2010, although the two sides have yet to agree on how to free trade in meat, dairy products and grains.

The agreement offers Mexico a chance to wean itself from dependence on the U.S., the destination of 88% of its exports last year. It offers the 15-nation EU access to a market of about 100 million consumers.

Electronic commerce

29/03/2000 Data protection: commission endorses "safe harbour" arrangement with US

The European Commission has given Internal Market Commissioner Frits Bolkestein the go-ahead to seek the support of EU Member States for accepting the United States' proposed "safe harbour" arrangement as providing adequate protection for personal data transferred from the EU to "safe harbour" participants. Under the EU's data protection Directive, Member States must ensure personal data transferred to non-EU countries is "adequately" protected. The same Directive provides that the Commission may make a positive finding when the protection offered by a particular country meets this adequacy requirement. Following two years of discussion, the US is now ready to put in place an arrangement, which the Commission considers to offer "adequate" protection. Before adopting a formal decision to this effect, the Commission must seek the support of a qualified majority of Member States. It must also consult their data protection commissioners and the European Parliament. Once adopted the decision will be binding on all Member States and so constitute a strong guarantee against the interruption of data flows from the EU to "safe harbour" participants in the US. Approval procedures will take some time, but the arrangement should be finalised by the summer and operational in the autumn.

21/03/2000 Falling prices for interconnection of fixed telecommunications networks in Europe

The European Commission has updated its Recommendation on best current practice interconnection charges for fixed telecommunications networks for the year 2000. The aim of this Recommendation is to provide guidance to network operators and national regulatory authorities.

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11/03/2000: MEPs back common position on electronic commerce directive

The European Parliament's Committee on Legal Affairs and the Internal Market has rallied round the Council of Ministers' common position concerning the proposal for a Directive on electronic commerce. It has also decided against tabling any amendments. That, at least, was the general impression given during the debate the Committee recently held in Brussels. (common position for/ally adopted last February 28).

Competition Policy

05/04/2000 European commission opens final phase on consultation before adopting rules relating to exemptions in favour of aid to SMEs, training and "de minimis"

The European Commission has launched the final phase of consultations among interested parties on three draft regulations relating to group exemptions, concerning:

- State aid to small and medium-sized enterprises
- Aid to training
- Application of the de minimis rule. The drafts that the European Commission adopted in July 1999) were first submitted to the Consultative Committee for aid (composed of experts from Member States) and have now been published in the Official Journal. Interested parties have until 28 April to submit their comments before the Commission definitively adopts the regulations.

Valid for 5 years, the regulations take on board the principles that already exist in the Commission's "guidelines", "framework" or communications. In line with the reform of competition policy being pursued by the European Commission, the main goal of these regulations is to define the groups of aid exempt from notification and prohibition, so as to discharge the Commission's services from having to examine routine cases that do not normally raise problems, enabling them to focus on more complex and significant cases.

- a. The draft regulation on de minimis aid provides for aid not exceeding 100,000 euro over a three year period not affecting trade between Member States not being subjected to the obligation of notification. State aid in the agricultural, fisheries and transport sectors, as well as aid to exports, are excluded from this regulation.
- b. The draft regulation on aid to training sets the conditions and maximum amounts of subsidies that companies may receive to train staff, without it being necessary to notify it. This aid must be less than one million Euro and may not be accumulated with other forms of national, regional, local or European aid. The amount of aid authorised in relation to the total cost of the investment depends on whether it is a question of:
 - i. an SME or a large company;
 - ii. a region assisted by European regional policy or not,
 - iii. general training providing qualifications transferable to other companies, or specific and only applicable to the work in that company. Only aid to training in shipping may cover the total cost of the training.
- c. The draft regulation **concerning small and medium sized enterprises** allows certain types of aid (individual or in the framework of a scheme) to be exempt from notification if it is less than 50 million Euro or else corresponds to less than 50% of an investment cost of a maximum of 50 million Euro. Here too, the amount of aid allowed is dependent on the size of the SME or their belonging to an assisted region. The regulation does not apply to the shipbuilding, steel, fisheries or agricultural sectors, or aid to export.

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30/03/2000 State aid to publicly-owned services

The Commission said this week that it would review the way it polices state aid to publicly-owned services such as banks and broadcasters following a demand from Germany at last week's EU summit in Lisbon. The Commission has come under increasing pressure from Berlin over the issue since it ruled last July that 794 million Euro in state subsidies to Westdeutsche Landesbank broke EU state aid rules.