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HEADLINES

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Small Business

13 September 2000 : UNICE meets the European Parliament's Intergroup on SMEs

The meeting held by a UNICE (European employers) delegation, headed by its chairman, Baron Georges Jacobs, and its General Secretary Dirk Hudig, with representatives of the SME Intergroup (small and medium-sized companies) of the European Parliament, in Strasbourg, had for main reason to meet with MEPs and hold an open and free discussion on questions of respective interest. The 80 SME entrepreneurs present explained to MEPs how they could be helped to develop the spirit of enterprise and a better and simpler business environment. They discussed with French MEP Elizabeth Montfort (Union for a Europe of Nations) about the multiannual programme for SMEs and entrepreneurship 2001-2005 for which she is Rapporteur.

The entrepreneurs insisted on: the essential role of company directors in the creation of well-being and employment; the need not to place too much emphasis on size, sector or categories of enterprises; and the risk of splitting the budget for enterprise policy into many small-scale programmes that will not have the expected overall impact. They restated their preference for an enterprise policy that focuses on entrepreneurs who are the real creators of value, who aim at growth, employment and who want to gain advantage from the European Single Market. UNICE hope to make this meeting an annual tradition to take stock of subjects as varied as social dialogue, the environment, transport, etc., said the spokesperson.

Consumer Affairs

8 September 2000 : The Commission renews the Consumer Committee, advisory body working on its side

The Commission nominated twenty representatives from national and European consumer organisations who will sit for three years within the Consumer Committee placed besides the Commission, so as to provide it with advice on all issues concerning consumer interests. The advisory body is made up of one representative per Member State and five representatives from European consumer associations, namely AEC (Association of European Consumers), ANEC (European Association for the Co-ordination of Consumer Representation in Standardisation), the BEUC (Confederation of Family Organisations in the EU) and Eurocoop (European Community of Consumer Co-operatives).

Through the opinion published, the aim of the Consumers Committee is to put forward the voice of EU consumers in the Community decision-making process on the subjects which concern them. In its previous form, the Committee spoke out on themes as varied as the Euro, the WTO conference in Seattle, the responsibility of tobacco manufacturers, the report on universal service requirements in services of general interest.

13 September 2000 : The Swedish EU presidency to push consumer interests.

Swedish Trade Minister Leif Pagrotsky said on Wednesday “Promoting the interests of consumers is a key priority for Sweden when it holds the presidency of the European Union in the first half of 2001”. Pagrotsky said Sweden would not try to break international trading agreements, such as those made in WTO, when they conflict with consumer interests.

But consumers' interests need to be given the same weight as those of producers. At present they were often completely ignored in trade discussions. From January ministers responsible for the EU's internal market will meet regularly with consumer affairs ministers to ensure this goal is met, he said.

One example where action could be taken was parallel sales. At present the EU forbids traders to import goods and sell them in the EU from third countries where retail prices are lower than in EU, if that undercuts local prices. Pagrotsky noted the EU would launch free-trade negotiations with the Latin American trade area MERCOSUR on July 1.

He said Sweden, which would have welcomed an earlier start to the talks, was keen to open up Latin American markets to EU businesses and ensure that EU consumers got access to Latin American goods.

Enlargement

13 September 2000 : Enlargement: no commitment to a date

The enlargement commissioner Guenter Verheugen said that Poland is not delayed compared to other candidate countries in adjusting its laws to EU standards, and it will probably be in the first group of countries to be admitted to the Union. He added that in January 2005, most of the candidate countries should be admitted to the EU, but also warned that the enlargement date will not be announced at the EU's December summit in Nice. Soon, the EU should start to make political decisions in the course of accession negotiations. This should enable an acceleration of the talks, which are now snagged on technical details. Verheugen noted that the conditions under which candidate countries will be granted temporary exemptions from EU law have not been determined yet. In his opinion, in order to accelerate the enlargement process, it is first necessary to appease enlargement fears in EU countries, particularly regarding the alleged massive immigration from the East, competition from Central and Eastern European firms, the security question in connection with newly opened-up borders and the need for the EU budget to accommodate new members.

Information Society

6 September 2000 : Germany plans "Internet tax"

Germany is planning to slap new levies on computer, telecommunications and Internet products to ensure that authors are properly rewarded for the use of their work.

Proposals had been drafted requiring manufacturers of goods from computers to printers, modems, compact disc "burners" and other devices to pay royalty fees that would then be forwarded to music and film companies.

The new tax would particularly intend to ensure that the authors of cultural products available on the Internet were properly rewarded.

Similar levies already exist in Germany on devices whose main function is that of copying, such as scanners, photocopiers and fax machines. Depending on the power of the machine involved, the taxes range from 75-600 DeutschMarks ($30-$275).

The levies are paid by manufacturers to firms that specialise in collecting royalties on so-called "intellectual property". They then pass these fees on to clients such as authors, music, film or software companies.

Hardware companies say extending the taxes to computers and telecom equipment like modems could make them up to 30 percent more expensive.

Because the taxes are only payable when the products are bought in Germany, there have been warnings they could lead hi-tech firms to flee the country and sell through mail order and other channels from abroad.

Competition

31 August 2000 EU: EP Committee debates competition policy reforms.

The Economic and Monetary Affairs Committee has approved Commission proposals to take a new approach to horizontal co-operation agreements based on economic considerations. These types of agreements are made between companies operating in the same markets and are at present regulated under "block exemption" rules exempting research and development and specialisation agreements from EC Treaty provisions. The current rules expire at the end of this year.

The Commission is proposing to renew the block exemption regulations with new guidelines on the application of Article 81 of the EC Treaty (ex Article 85). The aim of the new proposal is to lay down a clear legislative framework and adopt a more "user-friendly" approach by, for example, exempting companies holding less than 20% of market share for specialisation agreements and 25% for research and development agreements, albeit on the understanding that existing provisions excluding anti-competitive practices such as price-fixing and restrictive agreements remain. The non-binding draft resolution tabled by Jonathan EVANS (EPP-ED, UK) approving the proposal does, however, express concern at the Commission's desire to use market share thresholds as the main indicator of market power and calls for the maximum duration of exemptions for joint ventures in the R&D area to be increased from 5 to 10 years. The committee also wants the Commission to take a more flexible approach to joint R&D projects as well as to raise the market share threshold for exemption for general horizontal agreements from 15%, as proposed, to 20%.

Taxation And Finance

24 August 2000 : EP/INTERNATIONAL FINANCIAL INSITUTIONS – Publication of an EP survey

"The functioning and Supervision of international Financial institutions" is the subject of a survey published by the Directorate General for Research of the European Parliament and drawn up by the Univesita Commerciale "Luigi Bocconi", the "Paolo Baifi" Centre for Monetary and Financial Economics an the Newfin - Financial Innovation Research Centre. This two-volume survey provides an overview of the problems affecting international financial institutions in the past few years, before looking at different proposals aimed at redefining the world financial system at macroeconomic level (role of the institutions, exchange rate systems....) and microeconomic. Finally, the authors propose improvements that could be made in Europe.

The survey may be obtained from Ben Petterson, of the "Research" Directorate General of the European Parliament (tel.: + 352.43.00.24.114 begin_of_the_skype_highlighting + 352.43.00.24.114 end_of_the_skype_highlighting; e-mail: gpatterson@europarl.eu.int).

24 August 2000 : Swiss banks not ready to lift the banking secret

The Frankfurter Allgemeine points out, from Bern, that Georg F. Kreyer, President of Schweizerische Bankiervereinigung, has declared Swiss bankers will not give way to pressure from the EU or from other international organisations to lift the banking secret in Switzerland. Regarding the introduction of withholding tax on foreigners' savings income, Mr Krayer affirmed that this is not to be considered unless all the main international financial centres - including Japan, Singapore and Hong Kong as well as the United States – co-operate with the EU.

31 August 2000 : The beauty of VAT for EC outsiders.

VAT is a beautiful tax. The system of charging VAT on sales and imports, while reclaiming VAT on purchases and zero-rating exports, means the right tax charge always ends up in the right place - the consumer.

Exempt supplies are the only stain on the theory of the tax. The practice is a different matter. Knowing where the tax charge falls and getting the money are not the same thing. E-commerce presents new challenges, and the European Commission's response is not the complete solution.

The commission published its proposal on 7 June [1] . It will be debated in the council of ministers over the coming months. It is directed at sales of digitised products, such as software and music, downloaded over the Internet by private consumers. At the moment, such a sale from outside the EC is not subject to VAT. A community business does have to charge VAT even if the consumer is outside the community. This gives non-EC businesses an advantage. The position is the opposite to that for goods: imports of goods do suffer VAT, while exports are zero-rated.

The commission's proposals fit with the theory of VAT. Sales of digitised products to consumers within the community will suffer VAT, but sales to non-community consumers will become zero-rated. The hard bit will be applying these rules.

The biggest problem is that a non-community business will be outside the reach of community tax authorities. When goods are imported, VAT is easy to collect: if the money is not handed over, the goods stay at the docks. But digitised products cannot be held up, and the business does not need to have any assets within the community which the authorities might seize.

Thus when a non-community business is told that it must charge VAT and hand it over, it can simply refuse. If it does not care about reputation it might well do so, in order to keep a competitive advantage. The community's main hope is that large businesses will want to keep their good record for compliance with local laws, and will voluntarily pay VAT.

Suppose that they do not comply. The commission suggests another weapon.

Businesses selling software and music need to be able to enforce copyright law. If they could not, there would be even more pirating than there is now. The commission hints businesses which do not pay their taxes might not get help.

If this threat could be used, it would be serious. But there are international agreements to enforce copyright. Neither the EC nor member states could break those agreements just to enforce tax law.

Recognising enforcement is going to be difficult, the commission has set out to make voluntary compliance easy. A non-community business will only have to register in one member state, to cover sales to consumers in all 15 states. But this labour-saving measure will not be implemented.

The reason is that it would lead to some member states being more popular than others as places to register. Sweden and Denmark, with their 25% VAT rate, would attract few businesses. Luxembourg, with a 15% rate, would be very popular.

The UK, with a 17.5% rate, the English language and a comparatively sensible regulatory regime, should do well. Member states not attracting businesses would see VAT on sales to their consumers going into other states' treasuries.

There is no provision for re-allocating the money. Member states losing out will vote against allowing a business to register in just one member state, so this will be rejected. The chance to make compliance simple for non-EC businesses will be lost.

There will be another burden on non-community businesses. They will be asked to charge VAT on sales to community consumers, but not on supplies to community businesses (which will pay the VAT themselves). To do this, they will have to check whether their customers are businesses. The commission expects them to check the VAT numbers which businesses will supply in order to prove their status. They may or may not care enough to bother.

So the commission is thinking along the right lines, but there is a lot of work to do. The EC will have to rely on the goodwill of non-EC businesses.

(Author: Richard Baron, deputy head of the policy unit at the Institute of Directors)

8 September 2000 : LAMFALUSSY calls for a greater integration of financial markets

First Report From Committee Of Wisemen To Council On 9 November.

The Chairman of the Committee of Wisemen on the regulation of European stock markets, Alexandre Lamfalussy, was highly critical about the lack of determination shown by the Fifteen to move forward in the field of financial markets. "Everything we can do to achieve an integrated, effective and transparent market in Europe will help the buoyancy of the euro on the exchange market", he said. "Market integration must be greatly speeded up. The deadline in the year 2005 simply means, and I understate, showing very little ambition", he added in reference to the buffer date fixed by the Fifteen for achieving a fully integrated market.

The former president of the European Monetary Institute had come to present to the press the work by the Committee of Wisemen, under his chairmanship, established in July by the EU finance ministers for reflecting on harmonisation of regulatory practices on the stock markets. Given the alliance process underway between European stock exchanges, this Committee will be entrusted with assessing the current regulatory system and any desirable adjustments to be made. "We know that the implementation (of this regulation) is far from perfect. It is up to us to state where the shortcomings lie and how to respond to market developments", explained Mr Lamfalussy. "The movement for grouping stock exchanges poses problems for regulators, problems which were not so apparent one year ago".

A first experts report will be produced next 9 November and in view of the Economic and Finance Council of 27 November. The final result of the Committees work will then be presented to the European Council, in March or May of next year, according to the priorities of the Swedish Presidency and our rate of work", commented the President.

Employment

2 September 2000 : MEPs propose measures against undeclared work

Undeclared work was the first cause for concern at a meeting of the European Parliament's Committee on Employment and Social Affairs on 29 August. A non-legislative report by Anne-Karin Glase (EPP-ED; Germany) highlighting the political, social and economic damage caused by undeclared work was adopted by a large majority of MEPs. The report [2] gave rise to a resolution [3] adopted on the 21rst of September.

The German rapporteur, Ms Glase, recognised the difficulty in defining "undeclared work", although agreement was reached on the phrase "any paid activities that are lawful as regards their nature but not declared to the public authorities".

Undeclared work, said the Committee, has a significant impact on public finances in the form of losses to tax and social security revenue. It also leads to the evasion of health and safety rules and of agreements on working hours and minimum wages. The report calls on Member States to make an inventory of the main sectors and categories of people concerned. The most efficient types of measure should be combined in an action programme, and steps to combat undeclared work should form part of a wider employment strategy. According to the Committee, Member States should take both preventive and curative action against undeclared work through clear rules, changes in the burden of taxation and adequate checks and penalties. More co-operation is also needed on a European scale, say the MEPs. In view of the links between the level of undeclared work, the rate of tax and social security contributions and the degree of social protection, Member States should try to reduce tax and social security contributions and bring greater flexibility to the labour market. They should also publicise the problem more and enhance social dialogue in order to increase awareness of it. The Committee is convinced that VAT reductions introduced in certain labour-intensive services (Council Decision of 28 February 2000) are helping measures to combat undeclared work.

6 September 2000 : The Commission adopts package to speed up labour market reform.

Commission adopts hard-hitting package to accelerate reform of EU labour markets

On a proposal from Anna Diamantopoulou, Commissioner for employment and social policy, the Commission agreed a major new employment package calling for a new push to exploit the positive growth climate and get Europe working. The package the first since the Lisbon special summit on jobs includes a set of new employment guidelines for all EU governments and specific recommendations addressed to individual member states.

Following an in-depth analysis of the employment policies and employment situation in all the EU member states, the Commission concludes that substantial progress has been made in structural reforms designed to increase the dynamism and adaptability of Europe's labour markets but that governments can and must do more. Although on a downward trend, long-run unemployment still accounts for almost half of the EU's jobless; gender differences in employment, unemployment and pay rates persist and major regional inequalities remain stubborn. Participation in lifelong learning remains relatively low, active ageing policies for the workforce are limited and, at the same time, bottlenecks in labour supply and skills are building up in some areas.

The key Areas for Recommendations concern:

- Active and preventive policies combating youth and long-run unemployment: progress is uneven across the member states in meeting the target that every young person is offered a new start before reaching six months of unemployment and every adult before 12 months. The Commission has put forward recommendations in this area to 7 member states (B,D,EL,ES,F,IT,UK).

- Tax and benefit reforms: few of the member states have undertaken comprehensive reviews and reforms of their tax and benefit systems - exceptions being Denmark, UK and the Netherlands. This therefore remains a priority for member state action. Specific recommendations are issued here to 5 countries (B,EL,ES,FIN,SW).
- Taxes on labour: progress in reducing labour taxes has been slow and uneven across the member states. At just over 39% in 1998, the average effective EU tax on employment remains 15 percentage points higher than the US. Specific recommendations to reduce taxes on labour are issued to 7 member states (B,DK,D,F,AU,FIN,SW).
- Skills and lifelong learning: with the challenge of building a competitive knowledge-based economy, much more needs to be done on skills and lifelong learning to promote employability and adaptability in the new economy. Recommendations on skills and lifelong learning are issued to 10 countries (B,D,EL,ES,F,IRL,IT,LUX,P,UK).
- Older workers and active ageing: variation in older workers' participation rates in employment is one important factor lying behind differences in employment and unemployment rates across member states. Policy action here involves tax and benefit systems as well as skills and training and anti-discrimination. Member states are developing proactive policies in this area with the most comprehensive reforms undertaken or envisaged in Denmark, Germany, the Netherlands, Austria and Finland. Recommendations on older workers are issued to five countries (DK,D,F,IT,AU).
- Gender mainstreaming and equal opportunities: differences in employment rates between men and women are one central factor behind different employment rates across countries and between the EU and the US. Countries with gender gaps greater than 20 percentage points are: Spain, Greece, Italy and Ireland. Recommendations on gender mainstreaming and equal opportunities are issued to 11 countries (DK,D,ES,IRE,IT,LUX,AU,P,FIN,SW,UK).
- Service sector promotion: the service sector is the key net creator of jobs in the EU. Action to promote entrepreneurship, to reform the tax benefits system and reduce taxes on labour are all relevant here, together with action to simplify administrative burdens. Recommendations are issued to two countries on service sector promotion (EL,P).
- Social partners and modernisation of work organisation: creating a skilled workforce, and modern adaptable businesses is a central element of the employment strategy. Inadequate reporting by the social partners makes proper assessment of the adaptability pillar of the guidelines difficult. There is relatively little evidence of comprehensive efforts to modernise work organisation, with only piecemeal approaches on more adaptable forms of contract. Recommendations are issued to six countries (EL,ES,LUX, NL,P,UK).

The new employment guidelines for 2001 make some substantial changes and additions to the guidelines for 2000 to take account of policy developments, the continuing need for structural reforms in Europe's labour markets, the new strategic goal adopted at the Lisbon summit of building an inclusive and competitive knowledge-based economy and the Lisbon decision to review progress in 2002.

12 September 2000: EU/EMPLOYMENT.

Joint (commission/council) report on employment shows clear progress in implementation of European strategy for employment.

Third document of the "employment package" adopted last week by the Commission (see EUROPE of 7 September), the draft joint report on employment 2000 (which is a joint Commission/Council report), contains an assessment of the national action plans presented by the Member States last spring, in which they have outlined the measures taken to follow-up the guidelines for employment and the recommendations previously adopted [4] . As pointed out by the Employment Commissioner

Anna Diamantopoulou during her press conference, the preparation of the report was made during an economically favourable period, with forecasted EU growth exceeding 3%.

It is a question of the third report drawn up by the European Commission in accordance with Article 128 of the Treaty, following the 1998 and 1999 reports. This report on employment 2000 will be forwarded to the Council for adoption, and the European Parliament, the Economic and Social Committee and the Committee of the Regions for information. It will be ratified by the European Council of Nice (December 2000) as foundation for the new guidelines on employment.

In a communique, the spokesperson presents the following general data and information:

- Prospects for growth are good: expected GDP growth in the EU is 3.4% in 2000 and 3.1% in 2001, which should allow for a significant growth in employment.
- Unemployment: the level of unemployment in the EU was 9.2% in 19999, 8.4% in June 2000, and should stand at 8% in 2001, according to forecasts. The geographic and social map of unemployment nevertheless remains very disparate. There are 14.4 million unemployed in the EU; in 1999, the level of unemployment for men stood at 7.9%, that of women 10.8% and that of the young 8.5%. Long-term unemployment (over 12 months) has fallen, going from 4.9% in 1998 to 4.2% in 1999, and represents 45% of all unemployment.
- Employment: between 1998 and 1999 the level of total employment in the UN increased, going from 61.3% to 62.2% (but still below that in the United States and Japan which are close to 75%). 70% of jobs created were so to the benefit of women: in 1999, the level of women's employment stood at 53% and that of men at 71.5%. The man/woman gap is 18.5 points, whereas it was 27 points at the beginning of the 90s. The rise in employment mainly occurred in the services sector. Since 1994, creation of very qualified employment in the management sector, liberal and technical professions was twice as great as average employment creation. Manual jobs, qualified or not, have lost speed. By country, employment growth in 1999 was greatest in Ireland, Luxembourg, Finland, Spain and the Netherlands. The highest level of employment was recorded in Denmark (76.5%), Sweden, the Netherlands and the UK all had rates higher than 70%, and the lowest level (55%) is to be found in Spain, Italy and Greece. Women participation is the highest in Denmark, Sweden, the UK, Finland and the Netherlands, and the lowest in Spain, Italy, Greece, Belgium and Luxembourg.

Health

2 September 2000 The EU Public Health Programmes extended until 2002

The European Commission announced on 31 July that all existing EU public health programmes will be extended until 2002. The programmes include health promotion, information, education, and training, the action plan to combat cancer, and the programmes for the prevention of AIDS and certain other communicable diseases, the prevention of drug dependence, health monitoring and pollution-related diseases. In 2002, they will be replaced by the new overall health strategy including an action programme which the European Commission proposed in May. This was primarily a procedural decision to compensate for the fact that the co-decision procedure on the new public health programme may not be completed before some current programmes expire in 2000 and 2001.

[1] (Com(2000)348 "Communication from the Commission to the council and the European Parliament: A strategy toimprove the operation of the VAT system whithin the context of the internal market" – See http://europa.eu.int/eur-lex/en/com/pdf/2000/com2000_0348en01.pdf)

[2] Report PE A5-0220/2000 – See also Initial proposal COM(1998)0219; Opinion of the ESC

CES0063/1999.

[3] European Parliament resolution on the Commission communication on undeclared work (COM(1998) 219 - C4-0566/1998 - 1998/2082(COS))

[4] Council decision of 13 March 2000 and Council recommendation of 14 February 2000.