



## HEADLINES

In this issue:

[EU/ Regional](#)

[EU / Agriculture](#)

[EU / Consumers](#)

[EU / Company Law](#)

[EU / Presidency](#)

[EU / Taxation](#)

[EU / Summit Of Nice, Presidency Conclusions](#)

[Coordination of economic policies](#)

[EU / Social](#)

[EU / Company Law](#)

[EU / Enterprise](#)

[EU / Enlargement](#)

[EU / Enterprise](#)

[EU / WTO Agriculture](#)

[EU / Information Society](#)

[EU / Research](#)

[EU / Finance](#)

[EU / Trade](#)

[EU / Industry](#)

[EU / Enterprise](#)

[EU / Enlargement](#)

[EU / Consumer Safety](#)

[EU / Electronic Commerce](#)

[EU / Internal Market](#)

[EU / Council Of Nice](#)

### EU/ Regional

**Brussels 19/12/2000:** Parliament wants Commission to partially revise intentions over “Innovative Actions” by regional fund (ERDF): The EP invited the Commission to present a revised version of its draft communication on innovative action by the ERDF for 2000-2006. Consulted on this issue the EP adopted the report by Helmut Markov. The EP “regrets” that the Commission has decided to move from a project based system of aid to a programme based one. This would mean for the EP, the “abandonment” of the possibility to set up direct links between the local and regional project leaders. On the other hand the EP approved the priority themes adopted by the Commission for 2000-2006 period, the three following themes: regional economy based upon technological innovation; the e-Europe initiative; regional identity and sustainable development.

### EU / Agriculture

**Brussels 18/12/2000:** Commission adopts proposal introducing annual system of lump sum aid for small farmers: The Commission adopted a proposal on introducing a simplified system of direct aid to small farmers. This system provides for a lump sum payment of a maximum of a 1000 Euro a year, on the basis of an average established over a reference period. It would be implemented over a three year trial period and should allow for a steep drop in administrative charges. 20% of the people working in the sector are concerned. Agriculture Commissioner, explained that this new scheme comes within the work carried out by the Commission to reduce bureaucracy. The goal of the project is to enable farmers to spend their time in the field rather than filling in the forms. In concrete terms, small farmers would have the possibility of only filling in one form for the three year period. This simplification will also lighten the task of European administration.

### EU / Consumers

**Strasbourg 18/12/2000:** Parliament makes Council’s position on food additives more severe: The EP decided, unlike the Council, not to include sodium alginate among the authorised additives, a product used for preventing pre prepared carrots from going white or losing their firmness. Its use could mislead consumers by giving the impression that the product brought is fresher than it really is, said the rapporteur from the Greens Group, Paul Lannoye. He recalls that the Commission is preparing to review the list of authorised food additives, of which there are currently 307. A communiqué from the Greens notes that, out of these additives, 144 may be considered as not presenting any guarantees that they are risk free, mainly regarding the risk of cumulated effect.

### EU / Company Law

**Brussels 21/12/2000:** EU ministers agree on the European Company Statute law: The EU's Social Affairs ministers reached a political agreement on the long-awaited legislation on the European

## ESBA Bulletin of December 2000 – Volume 2 – Number 10

Company Statute. The proposed legislation enables companies possessing a European dimension, to be set up as one European company in order to facilitate their activities at the European level, while guaranteeing the safeguarding of workers rights. The legal name of these companies will be 'Societas Europaea' or SE. The move is expected to save EU businesses around 30 billion euros per year. Ministers also agreed on the Directive concerning worker involvement in these European Companies. The EP will be consulted in a second reading on the two proposals. The legislation is due to be formally adopted early 2001 and enter into force in 2004.

### EU / Presidency

**Brussels 19/12/2000:** Swedes set out priorities for EU presidency: Sweden has set its priorities as EU enlargement, job creation and care for the environment for its term as EU President beginning in January. The Swedish Foreign Minister Anna Lindh, suggested that the EU should not be rushed in the enlargement process, but she added that Sweden would seek to advance membership talks, opening 'all chapters with all the countries. She said that enlargement to countries of central and eastern Europe was 'the greatest challenge' to the EU in the next few years, and this was Sweden's top priority. However, she added that the next EU Presidency did not favour a 'big bang' approach with lots of countries joining the EU at one time. This could 'endanger the whole enlargement process'. Full employment plus growth in the new economy are also important priorities for the Swedes as well as environmental protection.

### EU / Taxation

**Brussels 16/12/2000:** VAT applied to Internet sales inside Europe: The EP approved Commission proposal to charge VAT on goods from the Internet. Under the proposed Directive, customers located inside the EU will be charged EU VAT on all purchases made over the Internet regardless of whether the supplier is located. Conversely, EU operators do not have to charge VAT when they sell to third country residents. The new tax will apply to books and CDs, as well as broadcasting and TV subscriptions. The objective of the proposal is to create a level playing field for the taxation of digital e-commerce in accordance with the principles agreed at the 1998 OECD Ministerial Conference. In the future, suppliers with annual sales above 100,000, operating in the EU, will have to register in one Member State, where the tax will be applied. The EP calls on the Commission to raise, in another proposal, the question of breaking down the "electronic" VAT receipts between Member States. This provides for non European suppliers, whose annual sales in the EU exceed EYR 100.000 to have to register in at least one Member State that will be responsible for application of the tax. The present draft might still distort competition to the disadvantage of SMEs in Europe.

**Strasbourg 15/12/2000:** EP approves extension of normal minimum VAT rate at 15% but only until end 2003: Regarding the extension for 5 years of the minimum VAT rate, the EP called for the proposal to be kept in place for a shorter period. Even though it may seem impossible the replacement of this system with a definitive one based on the principle of taxation in the country of origin, the EP aims in achieving this as soon as possible

Following its Portuguese rapporteur, the EP adopted an amendment affirming that the introduction of the EURO will be accompanied by transparency of prices in the Single Market that will require greater coordination of VAT rates to keep the current provisions for three years and not five as proposed by the Commission. Another amendment adopted was that indicating that the normal rate of VAT applicable can't be less than 15% until 31 December 2003.

## EU / Summit Of Nice, Presidency Conclusions

Following our previous articles on the IGC, this is a review of the main Presidency conclusions of the Summit in Nice on economic and social matters:

**Nice 12/12/2000:** Economic and Social Conclusions of the Presidency:

A new impetus for an economic and social Europe

### European Social Agenda

Anticipating and capitalising on change in the working environment by creating a new balance between flexibility and security.

Changes in the economy and the labour market resulting mainly from a knowledge based economy and globalisation call for new responses taking into account workers expectations as well. The measures adopted to accompany these changes must make a balance between the different Community instruments.

The Council decided to:

Involve workers more in managing change by improving by 2002 Community framework, of rules of worker's rights to be informed, consulted and involved.

Develop the Community strategy on health and safety at work:

- Consolidate adapt and simplify existing standards
- Respond to new risks by initiatives on standards and exchanges of good practice
- Promote the application of legislation in SMEs, taking into account the special constraints where they are exposed, to apply them by means of a specific programme.
- Develop from 2001 onwards exchanges of good practice and collaboration between labour inspection institutions in order to satisfy the common essential requirements more effectively.

The Council approves the European Social Agenda which defines, in conformity with the Lisbon European Council conclusions and on the basis of the Commission communication, specific priorities for action for the next five years around six strategic guidelines in all social policy areas. Here the dual objective of social policy needs to be stressed. The Agenda must strengthen the role of Social Policy as a productive factor, and it must enable it to be at the same time more effective in the pursuit of its specific aims concerning the protection of individuals, inequality reduction and social cohesion. Such an approach presupposes firstly an increase in the level of participation in the employment market, especially by underrepresented groups. More and better jobs are the key to the solution, as well as more accessible labour markets should be promoted, and diversity in employment as a factor for social integration should be encouraged.

The future orientations for social policy are: i) more and better jobs; ii) anticipating and capitalising on change in the working environment by creating a new balance between flexibility and security; iii) fighting poverty and all forms of discrimination to promote social integration; iv) modernising social protection; v) promoting gender equality; vi) strengthening the social policy aspects of enlargement and the EU's external relations

# ESBA Bulletin of December 2000 – Volume 2 – Number 10

## **European strategy for employment**

The Council takes note of the Commission proposal on the employment guidelines

for 2001, which confirms the medium-term approach begun at the Luxembourg Council. They make improvements particularly regarding increasing the quantified objectives, including qualitative aspects peculiar to the various countries. They must enable account to be taken of the quality of employment, increased development of entrepreneurship and the cross-cutting objective of lifelong learning.

## **European strategy against social exclusion and all forms of discrimination**

The Council approves the objectives of combating poverty and social exclusion. It invites the Member States to develop their priorities in relation to these objectives, to submit by June 2001 a national action plan covering a two-year period and to define indicators and monitoring mechanisms capable of measuring progress.

## **Modernisation of social protection**

The Council takes note of the progress reports of the High-Level Working Party on Social Protection on the future evolution of social protection regarding pensions and the Economic Policy Committee on the financial implications of an ageing population. The Council approves the Council's approach, which involves a comprehensive assessment of the sustainability and quality of retirement pension systems. It invites the Member States, in cooperation with the Commission, to exchange their experience and present their national strategies in this area. The results of this preliminary overall study on the long-term viability of pensions should be available in time for the next European Council meeting.

## **Coordination of economic policies**

### **Structural indicators**

The Council welcomes with satisfaction the list of structural indicators, compatible among the various Member States, drawn up on the basis of the Commission and Council proceedings. They will be used to draw up the synthesis report. A small number of indicators will be selected by the Council before the Council meeting in Stockholm.

### **Regulation of financial markets**

The European Council agrees with the initial findings in the interim report by the Committee chaired by Mr Lamfalussy on the regulation of European securities markets and the third Commission report on the action plan for financial services. It invites the Council and the Commission to report back to it on this subject at Stockholm in March 2001 on the basis of the Committee's final report.

## **EU / Social**

**Brussels 09/12/2000:** EP calls for European definition of domestic help: By adopting a report by Miet Smets, a Belgian MEP, the EP noted the inexplicit nature of the definition of paid domestic help and its increasing demand due to the growing number of single parent families full time working couples. The Parliament would like a European definition to be composed on domestic help as a subject of a special guideline on employment so as to oblige member states to act in this sector. The EP

## ESBA Bulletin of December 2000 – Volume 2 – Number 10

recommends also the introduction of a specific social cover for this sector and it also wants domestic work to be tax deductible so as to reduce the incongruence between undeclared and declared work, as well as specific assistance for migrant women, especially regarding regulating their residence permits. Finally the EP suggests the creation of a special nominative visa for domestic help workers.

### EU / Company Law

**Nice 08/12/2000:** Nice Summit develops social chapter of statute of European company: A compromise was finally reached on the social chapter of the European company which should allow for the rapid adoption of the statute so long awaited for by the European businesses. The agreement has been in suspense since 1999 waiting for the regulation establishing this statute and the connected directive concerning worker participation. There are, however, conditions: For the European company to be able to be registered in a Member State not having transposed the reference provision, there has to be agreement on the modalities relating to worker involvement, say the Summit's conclusions. On that basis, the Summit calls on the Council to "polish off" the two texts left by the end of the year. The Parliament's opinion on the regulation dating back to 1991, further consultation may be necessary, which could delay definitive adoption until early next year, said a Commission spokesperson.

### EU / Enterprise

**Brussels 11/12/2000:** At its general Assembly the European Association of Craft, Small and Medium Sized Enterprises (UEAPME), re-elected its President of the Board Andrea Bonetti (Italy, Confartigianato), its Senior Vice President Mario Secca (Portugal, AIP) and Treasures Jean Pierre Martin (France, UAP). The five existing Vice Presidents were also re-elected.

### EU / Enlargement

**Brussels 11/12/2000:** Additional EUR 134 million to facilitate financing of small and medium sized enterprises (SMEs) in candidate countries: As part of their effort to support the development of SMEs of Central European candidate countries, the Commission and the Council of Europe Development Bank (CEB), in association with Kreditanstalt für Wiederaufbau (KfW), have reached an agreement to allocate euro 134 million to the existing Commission programme SME Finance Facility. The activities under this programme will be launched with the signature of the arrangement between the three institutions in the presence of Enlargement Commissioner Günter Verheugen.

### EU / Enterprise

**Brussels 09/12/2000:** Dirk F. Hudig will not extend his mandate as Secretary General: Dirk F. Hudig Secretary General of UNICE (European Employers) announced that he will not be seeking to extend his mandate which will end on January 31st 2001.

### EU / WTO Agriculture

**Brussels 09/12/2000:** EU discusses with developing countries on future of world agricultural trade: Developing countries were invited on an international conference in Paris to intensify dialogue "to promote a balanced and equitable development of trade in agricultural products, respecting the diversity of the farming systems in the WTO countries". Among the participants was also WTO DG, Mike Moore. The Union believes that the objective of strengthening dialogue and promoting a more harmonious development of world trade in agricultural products, has been reached. According to

## ESBA Bulletin of December 2000 – Volume 2 – Number 10

Commissioner Fischler, the conference was useful in showing that in the negotiations on agriculture there are different issues on which both developed and developing countries can have common interests. The main concerns comprised the two stakes of negotiation underway in Geneva. They were recognition of the multifunctional nature of agriculture and the need to take into account the specific problems of developing countries.

### EU / Information Society

**Brussels 09/12/2000:** Liikanen defends his project to review the legal framework for telecommunications faced with a certain amount of criticism: At a conference on the Information Society in the Parliament, Commissioner Liikanen specified that he was seeking to strike the right balance between market flexibility and the need for harmonisation at a European level. He recalled his conviction that deregulation had to be pursued in the telecommunications sector. It is inappropriate to lay down detailed rules in an area that is evolving very quickly like mobile telephony. The draft framework directive of the telecom package sets up a transparency mechanism providing the Commission with a power of control. It demands that Member States notify their draft measures after a period of consultation and gives the Commission the power to demand the withdrawal of measures it regards as unwarranted.

The British Premier, Tony Blair, was happy to have maintained right to veto over taxation and social security. He also underlined the results in Nice concerning the allocation of votes in the Council, because the position of UK alongside of that of the large countries was strengthened.

### EU / Research

**Brussels 12/12/2000:** Nice help define European research's future: The European Research Area (The European Research Area project offers a new horizon for scientific and technological activity and for research policy in Europe. The aim is to create conditions making it possible to increase the impact of European research efforts by strengthening the coherence of research activities and policies conducted in Europe. Another objective is to lay the foundations for a new contract between European citizens and science and technology by putting research back at the heart of society and subjecting its applications to informed political debate, as befits their social implications) was discussed at the IGC in Nice and the European Council made a number of recommendations to help further the creation of a Europe based on innovation and knowledge. It would like the initiatives taken to improve the transparency of research results and the attractiveness of scientific careers to be continued. It takes note of the Council conclusions on the Community financial instruments for SMEs and the first results of the EIB's 'Innovation 2000' initiative'. The European Council calls on the Commission to submit an initial report to the European Council in Stockholm on progress made in achieving a European Area of Research and Innovation.

### EU / Finance

**Brussels 14/12/2000:** Parliament in controversy over company takeovers: The EP adopted in its second reading controversial amendments to a proposed EU directive on company takeovers that could mean the end of hostile bids. The changes would allow a company's management to take defensive measures against a hostile bid without consulting shareholders.

The Commission had argued strongly against the changes namely to protect shareholders and to ensure that all investors are treated equally.

## ESBA Bulletin of December 2000 – Volume 2 – Number 10

Internal Market Commissioner, said he was deeply disappointed by the Parliament's decision and that MEPs had voted to change the crucial principle in the proposed directive that the management of target companies must consult shareholders before putting in place defensive 'poison pill' measures. He pointed out that this change would allow "an important source of artificial takeover barriers to remain in place, and so effectively hinder company restructuring on a pan-European level".

He added that the Commission would try to foster a compromise in the process of conciliation. But that "such fundamental changes" from the text agreed by the Council could put adoption of the proposal at risk.

### EU / Trade

**Brussels 05/21/2000:** EU Trade Commissioner Pascal Lamy opens door to reformulating EU position on new WTO Round: Mr. Lamy said that the time had come for the EU to consider reformulating its position if a new round of multilateral trade negotiations is to be launched. He emphasised that the EU was still committed to launching a new round that would improve market access and improve the organisation and rules of the WTO, which he himself called medieval. He said that any adjustments in the EU's position would require consultations both within and outside the Union, and that the Commission would respond to the results with appropriate initiatives. Lamy said the failure in Seattle was due to three main factors: less developed countries' perception that their interests were not properly taken into account; lack of responsiveness to concerns expressed via civil society in industrialised countries; and shortcomings in the WTO itself. Since then, the Commission had launched its 'Everything But Arms' market access plan for least developed countries enabling them to play a greater role in the multilateral trading system.

### EU / Industry

**Brussels 04/12/2000:** Council adopts conclusions on shipbuilding and innovation and postpones debate on reform of competition rules: The Industry Council after long discussions adopted conclusions on shipbuilding and on innovation as a factor of competitiveness and a decision for adoption of the 2000-2005 multiannual programme for enterprises and entrepreneurship. The Competition Commissioner reminded the press that the aim of making competition rules more effective by strengthening the role of national authorities has all the support and all that remains is its application.

Christian Perret, French Secretary of State for Industry, welcomed the adoption of conclusions on innovation and regarded it as a priority of the French Presidency concerning industry and the accomplishment of the aims defined at the Lisbon and Feira Summits for placing Europe at the forefront on innovation in 2010. He stressed that the conclusions and the action plans for SMEs emphasize among others a) the catching up with the US and Japan regarding innovation and patents; b) effort to be made to support SMEs and the development of venture capital; c) creation of an innovative spirit, not only in enterprise but also in university circles; d) setting in place of a scoreboard of the best innovative practices; e) definition of qualitative and quantitative aims.

### EU / Enterprise

**Brussels 07/12/2000:** Commission decides that aid to small and medium sized enterprises, aid to training and "de minimis" are a priori legal: The Commission adopted three exemption regulations concerning State aid to small and medium-sized enterprises (SME), training aid and the "de minimis"

## ESBA Bulletin of December 2000 – Volume 2 – Number 10

rule respectively. The regulations will exempt these categories of aid from the requirement of prior notification. In future, Member States can grant aid fulfilling all the conditions of the regulations without prior approval by the Commission. The regulations have been adopted after a broad consultation of Member States and third parties. Competition Commissioner Mario Monti said: "This is a further important step in our efforts to modernise and make more efficient the Community's competition rules. The new regulations have clear advantages for business, for Member States and also for the Commission. It is the first time that the Commission uses block exemptions in the field of State aid. However, we are in no way relaxing our policy, quite to the contrary: the new rules will improve the possibilities of State aid control also at the national level."

### EU / Enlargement

**Brussels 05/12/2000:** EU foreign ministers approve strategy on enlargement : EU foreign ministers approved the Commission's enlargement progress reports, the scoreboard and the strategy paper. At a joint press conference after the negotiations, all of the candidate countries' ministers expressed hope that the EU leaders would reach agreement on substantial institutional reform at the Nice summit. The EU enlargement strategy, expected to be endorsed by the EU leaders in Nice, foresees that:

- All requests for transitional measures and other outstanding issues should be addressed by the Union with the most advanced countries by June 2002 at the latest.
- To permit further progress in the accession negotiations when a limited number of problems cannot be solved rapidly, these will be 'set aside' to be revisited later.
- This approach should permit the conclusion of negotiations in the course of 2002 with those candidate countries who fulfil all the criteria for membership, thus putting the Union in a position to welcome new member states from the end of 2002.

### EU / Consumer Safety

**Brussels 01/12/2000:** New consumer protection rules agreed: The Council reached political agreement on the Commission's draft directive by which proposed new rules on product safety take a step nearer reality. The new law is designed to ensure a high and consistent level of protection for consumer health and safety throughout Europe. Consumer Commissioner said the idea behind the directive was simple and he welcomed and supported the intense work that has gone into responding so rapidly with a concrete decision to the widespread concerns of the public on health and safety issues. The draft directive will introduce new and more straightforward rules designed to ensure that only safe products are put on the market. Key features of the revision are increased transparency, more active market surveillance and simpler rules for rapid intervention to remove dangerous products from the market. A new element is the prohibition on the export of products banned in the EU to third countries.

### EU / Electronic Commerce

**Brussels 4/12/2000:** E-commerce gets new EU protection law : The EU has made a new law to make any e-commerce vendor subject to the laws of each of the 15 member countries. The law is designed to boost consumer confidence in buying online. The new legislation, which takes effect in March 2002, means that European consumers buying goods or services from a non-EU business over the Internet can sue the vendor in their own national courts. The Commission welcomed last week's decision to adopt the new law but it has already been criticised by both business and consumer groups. E-commerce companies complain that in the future, e-businesses might choose not to serve

## ESBA Bulletin of December 2000 – Volume 2 – Number 10

customers in countries that have particularly restrictive consumer laws while consumer groups were looking more specific legislation.

### EU / Internal Market

**Brussels 05/12/2000:** Frits Bolkenstein underlines role of fundamental micro economic reform: "The Lisbon Agenda marks an important change in the way Europe approaches the goals of sustainable economic growth with high levels of employment and a strong sense of social cohesion", said Commissioner for Internal Market in his speech on 'The future of the Social Market Economy'. It puts the economy on the track of fundamental micro-economic reform. The Summit called for an accelerated liberalisation of key economic sectors such as transport, gas, electricity and postal services. The Commission has put forward proposals in all these fields and looks for majorities in both the Parliament and the Council. It would be devastating for the legitimacy of European cooperation and the strength of our common currency if the EU were to be strong on declarations of ambitious goals but weak on achieving them. Failure to do so would create the impression that Europe is not capable of concerted reform

### EU / Council Of Nice

**11/12/2000 Nice:** Nice: agreement after longest Summit ever: After the longest EU Summit ever, leaders of the 15 member states reached an agreement on major reforms of the institutions. The most controversial issue (the re-weighting of the votes of EU member states in the Council of Ministers) was only resolved in the morning of Monday 11 December, with Belgium finally giving in to a proposal, in which it would have less votes than its Dutch neighbour. EU leaders also decided to open a new round of intergovernmental negotiations (Post-Nice) to be held in 2004.

Here is a short summary of the main results of the Nice Summit:

- **Qualified Majority Voting (QMV)** was accepted for:
  - trade in services (with exception of cultural issues, e-commerce and aspects of transport), modalities of justice and home affairs policy (except family law), some aspects of immigration and asylum policy (but only from 2004)
  - cohesion fund (from 2007)
  - free movement of professionals, reforms of the EU court and budget reforms
  - Veto was kept for social affairs, taxation
- **Enhanced Co-operation:** In the future, some member states will be able to progress more quickly on the road to more co-operation.
- **On the size of the Commission:** The summit agreed to reduce the number of seats on the Commission and have the five big states each give up their second commissioner in 2005. Each new member will have one commissioner until the EU reaches 27 members, after which a permanent reduction below that number will be set and commissioners will be appointed by rotation among member states.
- **Re-weighting of the votes in Council:**
  - Current member states after Nice: France, Germany, Italy, UK : 29 votes; Spain: 27; Netherlands: 13; Belgium, Greece, Portugal: 12; Sweden, Austria: 10; Denmark, Finland, Ireland: 7; Luxembourg: 4.
  - Future member states: Poland: 27 votes ; Romania: 15 ; Czech Republic and Hungary: 12 ; Bulgaria: 10 ; Slovakia and Lithuania: 7 ; Latvia, Slovenia, Estonia, and Cyprus: 4, and Malta: 3.
  - The qualified majority will be 258 votes out of 342, with 89 votes required for a blocking minority.

## ESBA Bulletin of December 2000 – Volume 2 – Number 10

- The UK, Sweden, Luxembourg and Ireland together successfully blocked the summit from removing the right to national veto in areas of taxation and social security while France retained its veto in the issue of defending its film industry from the influence of the American studios.
- As for the European Parliament, the number of members is to increase from 626 to 732 in the enlarged Union. Most of the present Member States will therefore be represented by fewer members in the new, enlarged Parliament.