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### Political Developments And Institutional Changes

**Parliament provides Prodi Commission with a 5-year term, by 404 to 153 . Romano Prodi ( 59, Italy, Centre): President of the Commission**

The European Parliament gave its confidence in Romano Prodi and his Commission for the remainder of the mandate of the Santer Commission and then a full mandate until January 2005. Following that positive vote, The Commission was formally appointed by the Fifteen governments.

**EU/European Parliament** : Nicole Fontaine (candidate for the European People's Party group) was elected President of the new European Parliament from the first round with more than the absolute majority required.

### World Trade Organisation

**WTO** : compromise over new Director-General secured, Mike Moore (former New-Zealand Prime Minister) and Supachai Panitchpakdi (Thai Deputy Prime Minister) to share the task, three years each.

#### **WTO panel condemns US export subsidies**

A WTO panel confirmed on the 17 September that US export subsidies covering approximately US\$ 250 billions worth of US exports are in violation of the WTO rules. For many years, US companies have taken advantages of subsidies through their so-called "Foreign Sales Corporations " established in tax havens in countries like the Virgin Islands and Barbados. The subsidies add up to around US\$ 2.5 billion a year.

#### **EU trade ministers to meet 1st October in Florence to prepare EU position on 'Millennium Round'**

The EU trade ministers are to hold an extraordinary informal meeting for an exchange of view with European Commissioner Pascal Lamy in preparation of Community stance with a view to the WTO conference in November. The EU departure position will be defined by the General Affairs Council in its October and November sessions.

#### **European Commission notes that American is maintaining many obstacles to market access**

The Commission has published its 15th annual reports on US obstacles to trade and investment. The 17 categories of obstacles met by exporters of goods and services and European investors seeking access to American market include :

- Extraterritorial provisions in certain law
- Unilateral commercial legislation (suspension of customs liquidation in the banana dispute and more generally section Sections 301 to 310 of the US Trade Act)
- A limited number of tariff barriers (peak tariffs, etc...)

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- Other customs barriers (customs users fees and excessive invoicing requirements on importers...)
- Technical barriers (proliferation of sub-federal regulations, federal standards that differ from international standards, labelling requirements...)
- Trade defence instruments (anti-dumping legislation of 1916)
- Tax measures
- Intellectual property (protection of trademarks, government use of patents, copyrights...)
- Telecommunication services (investment restriction, conditionally of market access to satellite communication)

### Single Market

#### **EU/Consumers: contents of green paper on civil liability for defective products**

The European Commission has adopted a Green paper on civil liability for defective products, and also intends launching a broad consultation process among interested parties to examine the actual implementation of rules relating to producer liability and to assess the impact from the point of view of the functioning of the internal market of consumer protection and the competitiveness of European business.

It is, in particular, a question of gathering factual information to assess to what extent the goal sought by the Directive (protect victims, encourage business to enhance product safety, facilitate trade within the Single Market without penalising innovation and job creation), have really been met. In doing that, the Commission is also initiating the debate over possibly substantial reviewing existing provisions, as requested by the European Parliament.

The Commission is to see whether :

- The current Directive has led to greater benefits for the victims than the costs for business.
- To which aspects of the Directive should be reformed to increase its social benefits while keeping costs at a reasonable level
- Whether the disparity between legislations on civil liability for producers has discouraged, even partially, the marketing in some member States of products coming from another one
- Whether the Directive should be reviewed and become a common and single system of liability for defective products or whether Member State should be able to adopt stricter rules of liability

#### **EU/financial services : Commission modifies its proposal on distance selling of financial services, taking on board European Parliament amendments**

The Commission has unveiled a modified draft Directive creating a clear regulatory framework for distance selling of financial services within the Single market and aiming to provide consumers with a high level of protection in the area of retail financial services (banking, insurance, investments services) sold by mail, telephone, fax or Internet.

The Commission took on board most of the Parliament amendments, including those providing that :

- Instead of granting consumers the right to a period of reflection before agreeing to a contract, they would be entitled to receive a comprehensive set of information prior to its conclusion (enabling them to compare offerings)
- The introduction of consumers' general right to withdrawal without penalty or justification

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The member States would be free to define a "cooling off" period of between 14 and 30 days. The Commission will forward the modified proposal to the Council for a common position and subsequent submission to the Parliament.

### Small And Medium Sized Enterprises

EU/Budget: The budget for SMEs is at stake for the year 2000. Following the European Parliament willingness to foster budget concentration on the main policies of the Union, the Budget commission at the European Parliament proposes to downsize the SMEs budget from 40 millions euro to 24 millions euro. That will affect programmes such as Best, concerted actions between Member States or capital risk initiatives.

#### **EU/Single Market : Council adopts "common position" on Directive introducing measures against late payment – Economic significance for SMES**

From a technical point of view, the Directive takes a major importance for the way the economy works and mainly for SMEs which sometimes run the risk of bankruptcy if payment are not made within reasonable time limits. The European parliament will consider the text in a second reading in the autumn and the final adoption of the Directive by the Council could take place in the spring of next year.

The basic principle is that any delay compared with to the times set opens up the right to interest which must be sufficiently high to offset the creditor's losses and discourage systematic delays. The Commission had first tried in 1995, to settle the problem by a "recommendation" to the member States, but it had noted that the majority of member States did not comply. It therefor chose the method of binding provisions, by proposing, in March 1998, a community Directive.

### EU Enlargement

#### **Council presidency notes that opinions still differ over appropriateness of setting deadlines or opening accession negotiations with other candidates**

All Member States want to keep up the dynamic of the enlargement process, but opinions differ over certain details of the process :

- Whether or not to set an indicative date for the end of the negotiations for those countries with which accession negotiations have already begun
- How to proceed with countries that have not yet begun negotiating
- What decision to take regarding the Balkan countries

Before taking any decision on the subjects, the Finish presidency wants to wait for the European Commission reports, expected mid-October.

### Social Affairs

#### **Employers' document on EU social and employment policy**

UNICE (European employers) presented on the press, on Monday 20 September, its new discussion paper that focuses on EU social and employment policy. Entitled "*Freeing Europe's employment potential- European social policy on the eve of 2000 : seen by companies*". The paper proposes a new

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qualitative approach by this policy which "should no longer be judged by the quantity of regulations" and said UNICE Secretary General. The latter added that Europe needs structural reforms geared to the future on all its markets and that the European social policy should, like the European employment strategy, be based on the sharing of experiences and bench-marking, in order to promote the most successful member State practices. Priority should always been given to action by social partners in their relevant spheres.

### **Commission makes recommendations on the implementation of member States' employment policies**

For the first time, the European Commission has proposed to the Council of Ministers to make recommendations to individual member States on employment policies. The recommendations have been drawn up on the basis of a comparative analysis of Member States employment performance, and of the major shortcomings in implementing the 1998 Employment Guidelines or in translating into action the 1999 Employment Report 1999. The Commission has identified the following nine priority areas where particular efforts are considered necessary : tackling youth unemployment; preventing long-term unemployment; reforming the tax and benefit systems, with a particular focus on older workers and women; promoting lifelong learning; creating job opportunities in services; reducing the fiscal pressure on labour; modernising work organisations; tackling gender issues in the labour market; improving indicators and statistics.

## **Taxation**

### **European Commission to prepare a study by mid-2000 on actual level of company taxation in Member States**

This exercise is intended to complement the work of the group responsible for implementing the code of conduct on company taxation, chaired by Mrs Primarolo. The Commission study will compare the actual level of company taxation in the different Member States and determine the tax obstacles that still slow down cross-border economic activities in the Internal Market.

The Commission will set up two panels : one made of tax specialists, to measure the actual level of taxation, the other, made up of company and worker association to highlight tax obstacles to the creation and activities of European companies.

Member States asked the Commission for this study at the EcoFin Council of 1 December 1998. A second study was commissioned to analyse taxation on holding companies and the activities of intra-groups in the different Member States. Remaining confidential, it should not however play a large role in the global assessment.

The Primarolo group has not yet begun the assessment phase of its work, by which it will have to determine what preferential systems among the some 200 detected have an influence on company localisation. Experts have so far only dedicated themselves to the description of these systems, several of which should finally not be covered by the code. There should be an initial selection mid-October, at an extraordinary meeting in Italy.

### **Tentative agreement on lowering VAT on certain labour-intensive services**

The Fifteen agreed unanimously that lower VAT rates could be applied in accordance with the list presented by the Finish Presidency. An upcoming Ecofin Council siting would give the Fifteen the

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possibility of reviewing other potential areas where the reduction might be applied in the future. The list approved includes the following services :

- Small repairs
- Renovation and repair of private homes (excluding the material that represent an important part of the value of the services provided)
- Cleaning of private homes
- Home health care services
- Hairdressing.

It will be up to the Commission to assess the results of this first experiment in the use of taxes for economic and employment purposes.

### **The Fifteen create a working group on prevention of tax fraud**

The Fifteen have agreed on the creation of a high-level group, charged with examining ways of improving the prevention of tax fraud. It will hand down his conclusion by May 2000 at the latest. The group will be charged with identifying any weakness in existing community regulations and finding ways of improving co-operation between national tax administration in preventing tax fraud.

## **Banks**

### **Banks continue to justify cost of cross-border payments and exchanges operations in Euro-zone for technical reasons. Criticism from the European parliament and the European commission**

It was pointed out that the costs have fallen for operations as a whole but without falling anywhere near the level of costs invoiced on national markets. It was also recalled the letter M. Monti sent to the operators of the sector for obtaining information allowing an analysis of how the market works and the investigation launched by Mr. Van Miert on suspected anti-competitive practices. Banks have become very cautious about diffusing information. So far the Commission has only gathered very fragmented information which cannot easily be compared.

## **Miscellaneous**

### **Amended proposal for a coherent legal framework for electronic commerce in the Single market**

An amended proposal for a Directive to establish a coherent legal framework has been put forward by the European Commission on 1 September 1999. The amended proposal takes into account the favourable Opinion from the European Parliament, adopted on the 6 May 1999, on the original proposal that fully supported the Commission's Single Market approach.

A number of clarifications have been introduced in the amended proposal concerning 'inter alia' definitions of Information Society services and of consumers, the link between the electronic commerce proposal and existing consumer protection and data protection directives, the treatment of unsolicited commercial communications via electronic mail and determination of the moment when an on-line contract is concluded. However, in order to preserve the careful balance of interests featured in the original proposal, the Commission has maintained the proposed rules limiting liability of on-line service providers who act as intermediaries.