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FINANCE: Complete liberalization of capital flows in 1990

Another milestone for the European Community.

From 30 June 1990 every citizen of the European Community will be free to open an account, borrow or invest in whichever Member State he chooses. When the Community's finance ministers met in Luxembourg on June 13 in formal session, they confirmed the decision to free capital movements taken by them at their earlier, informal meeting in Travemünde, and set 30 June 1990 as the latest date for its implementation.

Four Member States facing financial difficulties - Greece, Ireland, Portugal and Spain - were allowed to delay implementation until 31 December 1992. (Greece and Portugal could eventually be allowed a further, if final, delay of two years.)

Under the new Community Directive countries facing serious balance of payments problems will be able to invoke a safeguard clause, suspending its implementation for up to six months. It will be up to the European Commission, however, to decide whether the situation is sufficiently serious to justify such a step.

Only five Member States have completely liberalized capital movements so far. They are Britain, Germany and the three Benelux countries (Belgium, Luxembourg and the Netherlands). Freedom of capital movements, even if introduced progressively, and the removal of all exchange controls, represent a significant step towards the single European market. But the adoption of such basic reforms has been far from painless.

Countries with high levels of taxation feared (and still do) that the new Directive will encourage tax evasion, given the differences in national tax systems. Article 6 therefore requires the European Commission to submit to the Council of Ministers, before the end of the year, proposals aimed at eliminating, or at any rate reducing, such risks. They are expected to include measures aimed at tax harmonization, the strengthening of the European Monetary System (EMS) and certain safeguards regarding savings, the operation of banks, etc.

The Council should decide on these various proposals before 1989, so that the approximation of national tax systems can take place before the Directive comes into force.

Last-minute hesitations by one or other Member State cannot be ruled out. The fact remains, however, that one by one the old-established national barriers are coming down, opening the way to a single European market.

A PEOPLE'S EUROPE: Spain and Portugal will no longer stamp Community passports

Eleven of the 12 EC countries already meet Community rules.

It's good-bye to the old-style passport, its pages blackened with the hieroglyphics of immigration officials, yet proof that its holder had travelled to foreign parts. As the European Community's internal frontiers gradually disappear, what are now foreign parts will cease to be so, certainly in the eyes of the European Commission, guardian of the Treaty setting up the Community.

The Commission in fact is determined to ensure that Community law is respected and that nationals of all 12 Member States can move freely between them. While they will need a valid identity card or passport, the Commission takes the view that Member States will be violating both the letter and spirit of Community law if they insist on stamping them.

The Community's nine older members agreed to end this practice. Following their entry into the EC, Greece, Spain and Portugal were ordered to do so by the European Commission, which started proceedings against them. Spain and Portugal have now agreed to follow suit and the Commission has closed its files on them. The case against Greece continues, however.

Once Greece falls in line, the Community's travellers will be able to point to the blank pages in their passport as clear proof of the unity of Europe.

COMPANY LAW: The truly European company is on the way?

The European Commission drafts fresh proposals.

Mergers, takeovers, concentrations and buy-outs have become the rage, as businessmen and companies try to occupy the commanding heights of the economy before the single European market becomes a reality in 1993. But no one can set up a truly European company for the present, because it simply cannot exist legally.

In order to fill this lacuna, the European Commission has drawn up a series of general proposals, which it would like the EC Council of Ministers, the European Parliament and European employers' organizations and trade unions to examine within the next six months. On the basis of their reactions, the Commission plans to draw up detailed proposals, which it hopes the Council could adopt in time for the target date of 1992.

So far all attempts to give legal substance to the European company have failed. The statute of European company, first proposed in 1970 and revised in 1975, was abandoned in 1982. Proposals to harmonize national company law and authorize "European" company mergers remain on the shelf.

For years the European Commission has run up against differences between the Member States on how to ensure that workers and employees are represented in the Company's boardroom. In any case, the task of finalizing the statute of European company in all its details could conceivably take years.

This time round the European Commission offers a choice between three options as regards workers' representation: (1) a co-management scheme, with workers represented on the company's management boards, as in Germany; (2) a system of factory committees, representing workers, such as are to be found in France - these committees would be associated with certain decisions taken by the company; and (3) agreements negotiated by the workers of a company with their employers, setting out the modalities of their participation.

While companies would be under no obligation to adopt the statute of a European company, it would nevertheless have its attractions for them. Thus a European company would pay taxes only in the country in which its registered offices are located. The local tax authorities would take into account its activities in the other Member States.

SMEs: Simplifying their accounting requirements

Commission proposals and a Council resolution.

The European Community must do more to help companies grow and it can make a start by making life easier for them. Both the European Commission and the 12 EC governments are agreed on this. The Commission in fact recently proposed modifying certain European regulations in order to simplify accounting requirements for small and medium-sized enterprises (SMEs), immediately after the Council of Ministers had adopted a resolution calling for simpler administrative procedures and a more active Community policy generally in favour of SMEs.

Among the European Commission's proposals is one which would exempt small, family-owned companies from the accounting requirements of current European regulations. If the proposal were adopted such companies, which are managed by their owners, would no longer be required to draw up their balance sheets according to the accounting rules currently in force, which require certain items of information to be provided and the balance sheet to be published. What is more, the national authorities would no longer have the right to oblige such companies to comply with accounting procedures which were stricter than those contained in the proposed Community regulation.

SMEs which were not entitled to this exemption would nevertheless have the possibility of drawing up their annual accounts in simplified form. At present, Member States are under no obligation to grant derogations from the general rules.

For these SMEs, the benefits of such derogation would be greater than is the case at present. They could publish their balance sheet in abridged form and make it available to the public at their registered offices. Their national authorities could not require them to publish information over and above that required by the Community directive.

Logically, the 12 EC governments should have no difficulty in adopting the Commission's proposals. Only the day before their publication, the EC Council of Ministers had asked for a considerable simplification of the formalities SMEs must comply with under the existing Community directive on company accounts.

The Council also set out in its resolution the guidelines which, in its view, should be followed by the Community in its policy of encouraging companies, especially SMEs. Such a policy was indeed launched by the Council in October 1986, when it adopted an action programme favouring SMEs.

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The Council recalled the important role played by SMEs in creating jobs and making the European economy more competitive. It held that the Council should pursue more vigorously policies aimed at helping businesses.

For the Twelve, the European Community must avoid superfluous regulations, while those which it enforces should keep the costs borne by companies to a minimum. The Council also asked the European Commission to improve the information it provides for the purpose of assessing the effects of its proposals and decisions on SMEs. The Council felt it necessary to take this information into account during its own deliberations.

The Council moreover favoured strengthening the possibilities offered SMEs in the framework of the Community's research programmes and its regional, social and agricultural funds. It also stressed the utility of exchanging experiences between the Community's different regions, in order to improve the effectiveness of programmes in support of SMEs.

The Council also favoured an extension of the Euro-Info Centres network, as a means of keeping SMEs informed of Community regulations and of the possibilities the Community offers them through its financial and other activities. The network, still in its pilot phase, consists of 39 information centres spread across the 12-nation Community. The centres are housed in the offices of chambers of commerce, regional development agencies and other organizations which service businesses. The Council asked the Commission to submit a plan for the setting up of new Euro-Info Centres, once it had consulted the national authorities.

The Council underlined the need for companies established in different EC countries to cooperate with each other. It expressed satisfaction at the launch of the BC-NET (Business Cooperation Network), a computerized European network which allows SMEs in all 12 EC countries to exchange offers of and requests for collaboration through business consultants.

The Commission has also asked the Twelve to modify the Community regulation which applies to groups of companies active in several member states, in order to allow them to use the ECU rather than national currencies to draw up their accounts. Its use, which would reduce the impact of exchange rate variations, would come about by 1992 at the very latest. The Commission also plans to introduce measures aimed at simplifying the accounts kept by SMEs that same year.

CONSUMERS: To have a say in the choice of European standards

The Twelve take steps to ensure that consumers are represented on the appropriate national bodies.

Consumer organizations in the 12-nation European Community will be able to take part in the vast standardization programmes launched by the Community some three years ago in the light of the single European market. The EC Council of Ministers decided recently to strengthen their role in the preparation of technical standards in the Community.

The Twelve want to make sure that consumers are represented on the various national bodies dealing with technical standards, such as the British Standards Institute. They also want to include consumers representatives in the national delegations taking part in the work of the European and international bodies that deal with standards. To this end the Twelve are prepared to give consumer organizations the help they need.

The Council has also asked the European Commission to organize meetings at which consumers can give their views on the technical aspects of standardization. At the same time it would like the Commission to evaluate systematically the impact of its proposals on consumers before submitting them to the Council.

REGIONAL AID: ECU 740mn.\* for 10 EC countries

The European Commission approves three ERDF allocations.

Regions facing difficulties in all European Community countries except two - Luxembourg and the Netherlands - are to receive a total of ECU 740mn. from the European Regional Development Fund (ERDF). The funds, which were released by the European Commission at the beginning of June, will help create 5,768 jobs, especially in Britain and Germany, and safeguard another 1,647, mainly in Britain. They will also help finance infrastructure projects, especially in Greece, Italy, Portugal and Spain.

Some ECU 675mn. have been earmarked for infrastructure projects, such as the construction of roads, improvements to the water supply and the development of industrial zones. The balance of ECU 66mn. will finance industrial investments.

\* 1 ECU = UK£0.65 or IR£0.78.

SPORT: The Commission offers its cooperation to the EC's sports authorities

President Jacques Delors and Commissioner Ripa di Meana set the ball rolling.

Sports authorities in the 12 European Community countries have always been very jealous of their independence. Their determination to safeguard their authority in the face of the powers that be has led them to suspect the European Community of wanting to interfere in their affairs.

The European Sports Commissioner, Carlo Ripa di Meana, was especially pleased, therefore, with his recent meeting with the presidents and secretary-generals of the national Olympic committees and the inter-federal committees of the Community member states. The aim of the meeting was to pave the way for a fruitful collaboration between these bodies and the European Commission.

In Mr Ripa di Meana's words it marked "the start of a new phase in the cooperation between the national Olympic committees, aimed at giving sports a Community dimension". The meeting in fact agreed to set up a joint committee to work towards this goal.

The new committee was quick off the mark; it held its first meeting in Brussels on June 14, within a week of being set up. The three main points on its agenda were: (1) the effects of the single European market on sports, especially the mutual acceptance of diplomas; taxation, etc.; (2) sports and youth and (3) an initial exchange of views in advance of the informal meeting of the Community's sports ministers, set for July 16 and 17 in Athens.

At its next meeting the joint committee will define the terms of a Community presence at the Olympic Games in Seoul later this year, as well as in Barcelona and Albertville in 1992.

This is a subject close to the heart of both Mr Ripa di Meana and Commission President Jacques Delors, who told the Brussels meeting of the importance which both he and his colleagues attach to the Community dimension in sports.



EMPLOYMENT: Towards a common migration policy

The Commission obliges the Twelve to consult each other on measures regarding workers from non-member countries.

A decision taken by the European Commission under Article 118 of the Treaty of Rome requires European Community Member States to consult with each other on national measures regarding workers who are nationals of non-member states. Such measures would cover the entry of these workers; their residence and employment; their living and working conditions, wages and economic rights and the promotion of their vocational and social integration.

The Member States would also have to notify the Commission as well as the other Member States of these measures.

Prior notification and consultation will also be required in the case of measures for the residence and employment in non-member countries of nationals of the Member States.

This decision takes into account the ruling of the Court of Justice of 9 July 1987 which, even while it annulled an earlier Commission decision in the matter, dating from 1985, recognized that cooperation between Member States in the social field, referred to in Article 118, extended to their migration policies in relation to third countries. The Court also held that the Commission had the capacity to adopt rules of a binding nature.

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