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COMMISSION OF THE EUROPEAN COMMUNITIES
Directorate-General Information, Communication and Culture

Monthly newsletter on the single internal market

The single market requires the adoption of one European standard a day between now and end-1992

The European Commission wants the experts to rise to the challenge

The adoption of the famous '300 measures' of the 1992 programme is essential to the realization of the single European market. It will not be enough, however, to ensure that the Community is a frontier-free area as regards technical standards for every manufacturer and consumer. This is because the 300 measures are 'European laws' which simply provide a framework when it comes to technical standards; they do not go into the details of the relevant European standards. These are being drawn up by experts from standardization bodies and not the 12 governments. This division of labour — described as the 'new approach' — avoids overloading the 1992 programme by excluding from it the hundreds of European laws that would have been necessary in order to harmonize all the technical prescriptions at the Community level.

The single market nevertheless needs European standards. Take electrical household appliances for instance: to guard against electrical shocks the flex contains three wires, one of which is earthed. If the laws of all 12 EC countries require appliances to be properly earthed in this way a European law is unnecessary; if not, the Twelve must adopt a law making this obligatory throughout the Community. But this European law would not specify the exact shape or location of the pin in the three-point plug which earths the washing machine or electric iron, for example. Given this state of affairs, a person resident in one Member State can buy, say, a washing machine in a neighbouring State and bring it home without encountering any problems when crossing the border. But when he tries to install the machine he may discover that the plug fitted to it will not fit the socket in his home. In other words, before consumers can treat the single market as just that, manufacturers will have to take the steps needed to meet the objectives laid down by the European law and in the case of our example, use the same plugs and sockets throughout the Community. Standardizing plugs and sockets is the task of standardization bodies. They have already adopted more than 800 European standards during the last six years, which is three times more than during the previous 20 years.

The challenge facing these bodies is that they must adopt at least another 800 standards between now and end-1992, or almost one standard a day. The completion of the single market depends on it. What is more, European industry is beginning to draw up its own programmes for harmonizing national standards, in order to exploit fully the economic benefits of a single market.

In order to encourage those responsible for preparing European standards to meet the challenge, the European Commission published a Green Paper on the development of European standardization on 8 October. In this paper the Commission makes recommendations and suggestions for faster technological integration in Europe.

The Commission calls on European industry to give standardization a much higher priority in its strategy for the internal market. In practice this implies that firms will contribute more funds to financing European and national standardization bodies, set out priorities as regards the work of standardization and provide experts to carry out these tasks.

Standardization bodies are asked by the European Commission to adopt more efficient working methods, even while studying the complete restructuring of the European standardization system between now and the end of 1991. In the mean time these bodies could speed up the preparation of European standards by turning over part of the work to sectoral bodies and by having greater recourse to majority voting, on the basis of the same formula as the EC Council of Ministers. The Commission also calls for better coordination between existing bodies as well as the extension of their work to the countries of Central and Eastern Europe, given that this is already the case with regard to Switzerland, Austria and the Nordic countries.

The Commission finally wants the 12 EC governments to increase their support for standardization, at both the national and Community levels. In this connection the EC Council of Ministers should undertake to provide finance for standardization on a long-term basis, and to set out the guidelines for cooperation between the future European standardization system and the public authorities.

The Commission has given all interested parties three months in which to send it their comments on its Green Paper, after which it will be necessary to act — and act quickly.

10 NOVEMBER/
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DECISIONS

■ Cross-border electricity

The integration of electricity transmission grids in the 12-nation European Community will become easier after 1 July 1991. For the Community this will mean a more rational use of the Community's electricity production and better energy supplies. The fact is the EC Council of Ministers definitively adopted on 29 October a directive (European law) eliminating the obstacles to the transit of electricity from one Member State to another. The text requires the bodies responsible for high-voltage transmission grids to inform the European Commission of demands for the transit of electricity, notify it of any transit contracts that may have been concluded and inform it of the reasons for the failure of negotiations. In this last case the Commission can set up a conciliation body or even embark on the procedures provided for by Community law if the reasons for the absence of an agreement appear unjustified. As regards the transit of natural gas, there was a qualified majority in the Council in favour of a similar system but a decision will be taken at a later date.

■ A trade mark has priority over free movement

In the single European market the protection of a trade mark will be one of the few cases in which an exception to the rule of the free movement of goods within the European Community will be possible. The EC Court of Justice held on 17 October that a company based in one Member State had the right to oppose the import from another Member State of products bearing its trade mark but without its consent. The Court's ruling was in favour of the German manufacturer of the caffeine-free coffee, Hag, and against the Belgian company, CNL-Sucal, which was exporting its own caffeine-free coffee to Germany under the brand name Hag. The fact that the Belgian firm had been a subsidiary of the German firm, before the Second World War, was irrelevant in the Court's view. The fact is the German parent company had been expropriated by the Belgian authorities as 'enemy property' in 1944.

■ European dietary labelling

In the single European market manufacturers of food products who want to inform consumers of the nutritional and dietary value of their goods will have to follow certain common rules of labelling. They are set out in a directive (European law) adopted by the EC Council of Ministers on 24 September. The aim of these rules is to allow consumers to compare the products on offer more easily, and manufacturers to sell their output throughout the 12-nation Community — and even beyond its frontiers, for the rules are in line with the FAO's world food code. While this dietary labelling remains optional, the Council agreed on 17 September on the principle of mandatory labelling, to be introduced later.

TWO-THIRDS OF EUROPEANS FAVOUR MONETARY UNION

Some two-thirds of the citizens of the European Community would approve the replacement of their national currency by a European currency, the ecu, according to a poll carried out for the Association for the Monetary Union of Europe (AMUE) and published on 6 November. The most enthusiastic are the inhabitants of the southern half of the EC, together with Belgium, Luxembourg, and Ireland. The single currency has only a slender majority in the two Community countries with the strongest currencies — Germany and the Netherlands. And it arouses strong opposition in the United Kingdom and especially Denmark. As for the creation of a European central bank, the next goal of economic and monetary union of the Twelve, it is favourably viewed by two-thirds of the Community's citizens and enjoys a comfortable majority in all Member States except Denmark, where the opponents lead by a hairbreadth. The question regarding the central bank had been asked at the beginning of October in the Eurobarometer poll, which is conducted on behalf of the European Commission.

□ BRIEFLY

The EC Council of Ministers adopted on 19 October a European law harmonizing the rules for policing the health regulations which apply to trade in poultry and eggs for hatcheries, both among the Twelve and with non-EC countries.

INITIATIVES

● A European central bank in three years . . .

1 January 1994 could see the start of the second phase of economic and monetary union (EMU), which will be marked by the creation of a European central bank, responsible for the management of monetary policy in concert with the central banks of the Member States. Eleven Heads of State or Government (the Twelve without the United Kingdom) adopted this common approach at their summit in Rome on 27 and 28 October. They took the view that this new monetary authority, which will be entirely independent, will have to ensure price stability before everything else. In early 1997 at the very latest the European Commission and the future European central bank will begin preparations for the transition to the third and last stage of EMU, which will be one of fixed exchange rates between the currencies of the Twelve and, finally, of a single currency — 'a strong and stable ECU'.

● . . .and the outlines of political union

At the Rome Summit in October, 11 European Community countries (the Twelve without the United Kingdom) sketched out the broad outlines of European political union. This, like EMU, will be the subject of an intergovernmental conference starting on 14 December 1990 in Rome. The Eleven are of the view that the 'political dimension' of European union should extend the competence of the Community, develop the role of the European Parliament in legislative matters, define European citizenship to complement that of the individual Member States, and establish a foreign policy and common security. The task of the two intergovernmental conferences will be to modify the Treaty of Rome, the European Constitution.

● Sterling enters the monetary Europe

Since 8 October the pound sterling is participating in the exchange-rate mechanism (ERM) of the European Monetary System (EMS). The British Government had decided three days before on the pound's entry into a mechanism that has been functioning since 1979 and which allows the currencies taking part to have relatively stable exchange rates in relation to each other. Thanks to this British initiative, 10 of the 12 European Community currencies are now inside the ERM. Most of them can vary by up to 2.25 % from a rate set by common agreement. Two of them — the Spanish peseta and the latest arrival, the pound sterling — can vary from this rate by up to 6 %. Two Community currencies have yet to join the ERM; they are the Greek drachma and the Portuguese escudo. In a communiqué issued on 6 October the European Commission greeted sterling's entry into the ERM as an important event in the unfolding of the first stage of economic and monetary union (EMU). This effectively provides for the participation of all Community currencies in the ERM before the transition to the second stage — the creation of a European system of central banks. Moreover, both the European Commission and the Banking Association for the ecu, which is made up of the major EC banks, have stressed that sterling's entry will make the ecu, the European monetary unit, stronger and more stable. The fact is that sterling's fluctuations have been the main factor in the ecu's instability *vis-á-vis* different currencies these last years.

TAX LAW AND CROSS-BORDER COOPERATION BETWEEN COMPANIES

The Single European Act defines the internal market as 'an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured'.
There are at present 12 tax territories in the Community, each with its own tax system. In the nature of things the national rules take a unilateral approach to the tax treatment of a business activity. This frequently leaves cross-border activity worse off than domestic activity, and often leads to double taxation which is an added burden on the firms involved.

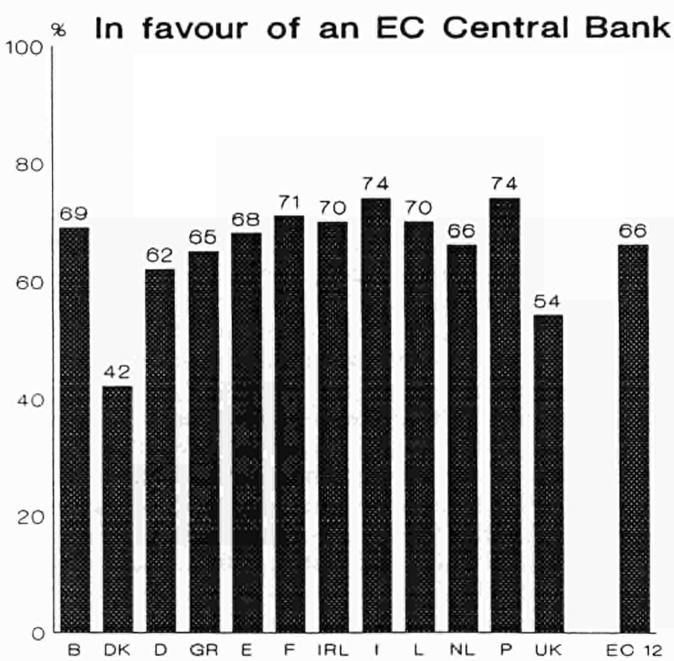
Example 1
A company wishing to operate in another Member State may set up a subsidiary there. It naturally plans to recover its investment in the form of dividends paid by the foreign subsidiary to the parent. This is where the tax problems begin. In extreme cases the profits of a foreign subsidiary may be subject to a threefold taxation:
(i) corporation tax charged on the subsidiary's profits in the subsidiary's country;
(ii) withholding tax charged on distributed profits in the subsidiary's country; and
(iii) corporation tax on the parent company's profits, which incorporate the profits distributed by the subsidiary.

Bilateral or unilateral measures have been taken to minimize such extreme forms of multiple taxation, but companies operating internationally are still at a clear disadvantage as compared with their competitors who are taxed only in their own country. Obviously such a situation can discourage firms from operating in another Member State, and thus seriously hamper the emergence of a single market.

Example 2
Rather than setting up a subsidiary a company may choose to commence operations in another Member State by means of a merger with a local company, or another similar link-up such as a transfer of assets or exchange of shares. The commercial advantages are self-evident:
(i) The two sides can each make use of the other's distribution system, which is at home with the special features of the market to be developed.
(ii) Transport and storage costs can be lowered by relocating sections of production activity whose output was in any case intended for export.
(iii) Large areas of research and development can be coordinated, so as to secure a division of labour and savings in costs.

As the laws of the individual Member States stand at present, a cross-border merger will as a rule expose a transferring company's hidden reserves to tax — a disadvantage which is enough to deter interested companies from this form of cooperation at European level. Mergers inside a single Member State, on the other hand, are usually covered by special rules which allow tax to be deferred.

Example 3
Where different national tax authorities assessing a company with international operations disagree about the size and justification of transfer prices within the group, it can happen in extreme cases that the tax authorities in State A refuse to accept a price paid by the subsidiary in that country to its parent in State B, and consequently reassess the subsidiary's profits upwards, while the tax authorities in State B do not make the corresponding downward adjustment in the parent company's case. This means that even though the subsidiary cannot offset the full price paid to the parent so as to reduce its own tax liability, the parent must enter the entire amount in its balance sheet, without taking account of the adjustment made on the subsidiary's side, and pay tax accordingly.



In the framework of the European Monetary Union it is envisaged that there will be a Central Bank of the European Community, where national central banks would be represented. Would you be favourable or unfavourable, to the creation of such a European Central Bank?

TELEPHONE FLASH EUROBAROMETER N°3, 1-8 October 1990, EOS-Gallup Europe

The solution currently incorporated into double taxation conventions, in line with Article 25 of the OECD Model Convention, is a procedure for reaching mutual agreement between States; it has the serious drawback that if agreement is not reached the amount of the adjustment continues to be taxed twice. And mutual agreement proceedings frequently last several years, which can cause liquidity problems particularly for smaller businesses.

Three new tax measures adopted by the Council

On 23 July 1990 the Council of the European Communities adopted three measures in the field of direct company taxation which had been proposed by the Commission with a view to solving these problems on a Community-wide basis. The measures are:

(i) a Directive on the common system of taxation applicable to mergers, divisions, transfers of assets and exchanges of shares concerning companies of different Member States (the 'Mergers Directive');[1]

(ii) a Directive on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States (the Parent/subsidiary Directive');[2]

(iii) a Convention on the elimination of double taxation in connection with the adjustment of profits of associated enterprises (the 'Arbitration Convention').[3]

The Council discussed the measures as a package; the Commission had given them priority in its White Paper on completing the internal market, and repeatedly drawn attention to their urgency. One of the main objectives of the single market is to enable firms to operate throughout the Community without hindrance from tax borders or tax rules. The economic advantages to be secured from the single market rest primarily on an expansion of cross-border business activity within the Community. The Council's adoption of the Commission proposals is an important step towards the achievement of this goal.

A brief look at the new legislation

The Mergers Directive: This Directive was originally proposed by the Commission in 1969.[4] As its full title says, it aims at a 'common system of taxation applicable to mergers, divisions, transfers of assets and exchanges of shares concerning companies of different Member States'.

In the event of a cross-border merger — and the same applies to the other transactions covered — the Directive ensures tax neutrality in three ways:

(i) A merger must not give rise to 'any taxation of capital gains calculated by reference to the difference between the real values of the assets and liabilities transferred and their values for tax purposes', that is to say on the hidden reserves. To prevent this happening, while at the same time protecting the tax interests of the State of the transferring company, the Directive adopts the approach that the receiving company will continue to have a permanent establishment in the State of the transferring company whose own balance sheet will continue to show the transferred assets at their original book values.

(ii) Any gains accruing to the receiving company from the cancellation of a holding in the transferring company is not to be liable to any taxation.

(iii) The allotment of securities representing the capital of the receiving company to the shareholders of the transferring company is not of itself to give rise to any taxation on the gain. It is of course stipulated that a shareholder in the transferring company is to declare the new shares in his tax returns at the same value as the holding cancelled in the course of the merger.

The Parent/subsidiary Directive: This Directive, whose full title is 'Council Directive on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States', was likewise first put forward in its original form in 1969.[5]

Its purpose is to prevent the triple taxation of the profits of foreign subsidiaries in the Community which was described at the beginning of this paper. It does so by requiring the State of the parent company either to refrain from taxing profits distributed by the foreign subsidiary or to deduct tax already paid abroad up to the limit of the amount of the corresponding domestic tax; neither the State of the subsidiary nor the State of the parent is to levy withholding tax.

The Arbitration Convention: The third measure adopted by the Council on 23 July provides for the introduction of an arbitration procedure to resolve the differences of opinion of the kind described above which may arise between the tax authorities of different Member States when they reassess transfer prices between associated enterprises for tax purposes.

It was in fact already possible to avoid double taxation here by following a mutual agreement procedure laid down in Article 25 of the OECD Model Convention. But the bilateral conventions do not require the tax authorities involved to eliminate double taxation, but only to discuss the matter between them; and, as has already been said, mutual agreement proceedings can often last for years. The Community arbitration procedure on the other hand requires that the double taxation be finally eliminated within not more than three years of the initiation of proceedings.

Application of the new measures in the Member States

The two Directives must under Article 189 be transposed into national law, which will require appropriate legislation in all 12 Member States, and the Convention has to be ratified by the legislatures of the individual States.

(i) Article 8 of the **Parent/subsidiary Directive** requires Member States to bring into force the laws, regulations and administrative provisions necessary to transpose the Directive into domestic law before 1 January 1992; there are temporary exceptions for Greece, Germany and Portugal.

(ii) Like the Parent/subsidiary Directive, the **Mergers Directive** is to be transposed into the domestic law of all the Member States before 1 January 1992. The only exception is Portugal, which is allowed one extra year to implement the provisions concerning transfers of assets and exchanges of shares.

(iii) The **Community arbitration procedure** was originally proposed as a directive, like the other two measures.[6] In the course of discussion the Member States agreed to embody the arbitration procedure in a multilateral convention under Article 220 of the EEC Treaty.

The Convention requires ratification by the legislatures of the individual Member States, so that there is no fixed date for its entry into force. Obviously it is desirable that it should be applied from 1 January 1992 onward like the two Directives.

[1] *Directive 90/434/EEC; OJ L 225, 20.8.1990, p. 1.*
[2] *Directive 90/435/EEC; OJ L 225, 20.8.1990, p. 6.*
[3] *Convention 90/436/EEC; OJ L 225, 20.8.1990, p. 10.*
[4] *OJ C 39, 22.3.1969, p. 1.*
[5] *OJ C 39, 22.3.1969, p. 7.*
[6] *OJ C 301, 21.12.1976, p. 4.*

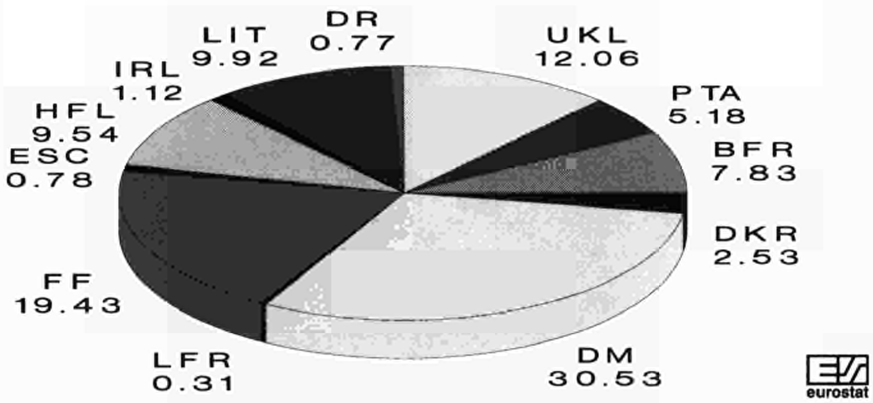
From* European File, *No 1-2/1991.

Key figures

eurostat

Statistical Office of the European Communities, L-2920 Luxembourg, Tel. 4301-4567

Composition of the ecu as at 8.1.1990
Percentage share of each currency



European Monetary System

The entry of the pound sterling into the European Monetary System (EMS) in October 1990 represents the most important recent event on the road towards European monetary union. The pound's fluctuation margin has been set at 6% (like the peseta, which entered the EMS in June 1989) as against 2.25% for the other currencies in the exchange rate mechanism (ERM).

Now only Greece and Portugal remain outside the ERM.

Re-alignments of EMS currencies (%)
in terms of their central rates against the ecu

	BFR/LFR	DKR	DM	DR	ESC	FF	HFL	IRL	LIT	PTA	UKL
24.9.1979	–	–3.00	+2.00	–	–	–	–	–	–	–	–
30.11.1979	–	–5.00	–	–	–	–	–	–	–	–	–
23.3.1981	–	–	–	–	–	–	–	–	–6.00	–	–
5.10.1981	–	–	+5.50	–	–	–3.00	+5.50	–	–3.00	–	–
22.2.1982	–8.50	–3.00	–	–	–	–	–	–	–	–	–
14.6.1982	–	–	+4.25	–	–	–5.75	+4.25	–	–2.75	–	–
21.3.1983	+1.50	+2.50	+5.50	–	–	–2.50	+3.50	–3.50	–2.50	–	–
18.5.1983	–1.90	–1.90	–1.90	–	–	–1.90	–1.90	–1.90	–1.90	–	–
22.7.1985	+2.00	+2.00	+2.00	–	–	+2.00	+2.00	+2.00	–6.00	–	–
7.4.1986	+1.00	+1.00	+3.00	–	–	–3.00	+3.00	–	–	–	–
4.8.1986	–	–	–	–	–	–	–	–8.00	–	–	–
12.1.1987	+2.00	–	+3.00	–	–	–	+3.00	–	–	–	–
8.1.1990	–	–	–	–	–	–	–	–	–3.68	–	–

Eleven years of monetary integration

The EMS has seen 13 re-alignments since it came into force on 13 March 1979.

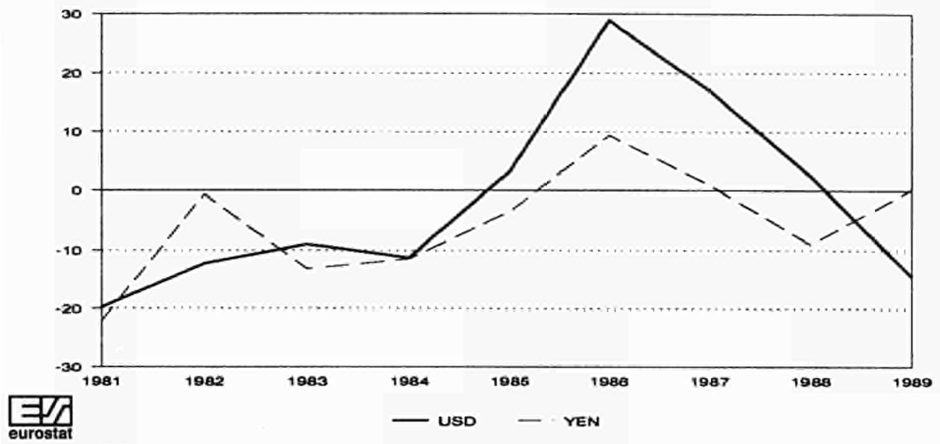
Since the re-alignment in January 1987, however, there has been only one re-adjustment, involving only the lira.

Despite the monetary and economic difficulties, the EMS has therefore provided relative stability, with re-alignments a matter of negotiation.

Rates for the ecu in national currencies in October 1990 (monthly average)

BFR	DKR	DM	DR	ESC	FF	HFL	IRL	LFR	LIT	PTA	UKL
42.43	7.86	2.06	206.89	181.82	6.90	2.32	0.768	42.43	1 544.3	129.34	0.695

Annual fluctuations of the dollar and yen against the ecu (%), 1981 to 1989



Ecu, yen, dollar: Large fluctuations

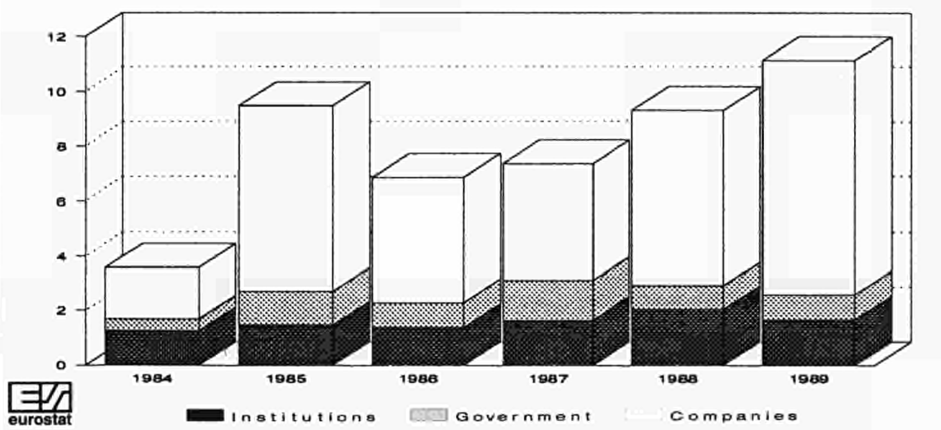
The yen has fluctuated less markedly than the dollar in relation to the ecu.

From 1985 to 1986 the dollar rose by 28.9%, whereas the yen rose by only 9.4%.

The dollar has continued to slide from its 1986 peak, while the yen, after following a similar but less pronounced course, rose in 1988. These very large fluctuations have not destabilized the mechanisms of the EMS.

	1981	1982	1983	1984	1985	1986	1987	1988	1989
Dollar	1.11	0.97	0.89	0.78	0.76	0.98	1.15	1.18	1.10
Yen	245	243	211	187	180	164	166	151	151

Bond issues denominated in ecus ('000 million)



Use of the ecu by the private sector

Private-sector use of the ecu has gone beyond the intentions of the founders of the EMS, who did not foresee that it would develop into a financial instrument.

Bonds denominated in ecus are floated both inside and outside the Community (the latter accounting for 42% in 1989).

Companies are the main floaters of ecu bonds on account of their greater stability, which affords increased security.

Bond issues in ecus ('000 million)

	European Community			Outside European Community		
	Companies	Government	Institutions	Companies	Government	Institutions
1984	1.20	0.20	0.95	0.80	0.22	0.27
1987	2.06	1.00	1.34	2.20	0.45	0.30
1989	4.40	0.50	1.56	4.14	0.42	0.10

● Industry: neither winners nor losers in 1992

The view that certain sectors of industry would be natural winners and others natural losers in the 1992 single market is 'nonsensical', the Director for the economic evaluation of Community policies in the European Commission, Michael Emerson, declared in Brussels on 5 November when presenting a study entitled 'The impact of the internal market by industrial sector: the challenge for the Member States'. In this study experts from the Commission and the 12 EC countries have listed the 40 industrial sectors, out of a total of 120, for which the single market will be synonymous with change — good or bad. These sectors together account for some 50 % of manufacturing output in the Community. They can be divided into four major groups, the first of which consists of high-technology public-procurement sectors and the second of traditional public-procurement markets (boilermaking and railway equipment in particular), where price differences between Member States are substantial. The third group consists of sectors with negligible price differences as between one Member State and another (shipbuilding and electrical equipment, for example). In the fourth group are sectors with moderate non-tariff barriers to trade among the Twelve. Examples are electrical household appliances, clothing and a range of capital goods, including metalworking tools. The study highlights the industrial strategies open to the different EC countries. Thus the less-developed countries (Greece, Spain and Portugal) can choose between industrial diversification, along the lines of the Community's northern members, or a specialization based on the manufacture of quality products in traditional sectors, on the Italian model. For the other EC countries the choice is between a veritable 'Europeanization' of their industry and the encouragement of 'national champions', backed by State aid. The options selected will determine gains and losses.

THE TWELVE FACE UP TO 1992

On the whole the Twelve are making progress in transposing into their national legislation the European laws required by the creation of the single market. In a report published on 5 October the European Commission has noted that Spain and Portugal have made a very great effort in this connection. As a result, they are catching up with the front runners — Denmark, which had transposed more than 80 % of the laws as of 25 September, and Germany and the United Kingdom, both of which have proved almost as efficient. Greece, which has transposed only half the measures in question, and Italy, which has managed a mere 40 %, present problems. However, the Commission is not putting down such delays to a lack of goodwill; in its view they reflect organizational and administrative problems. The Commission is working to make officials in the Member States aware of what is at stake, even while organizing exchange programmes between the Twelve, in order to make sure that the 1992 programme is implemented in a truly European spirit.

● Excise duties in the single market

From 1 January 1993 border checks at the European Community's internal frontiers must disappear. But the excise duties on alcohol, tobacco and petrol will continue to be levied, given their importance for the budgets of the Member States. To reconcile these two requirements the European Commission proposed four 'European laws' to the Twelve on 19 September. Under the system envisaged by the Commission, consumers would continue to pay excise duties at the time of purchase, generally at the rates in force in the country of purchase, and at the rates in force in the country of residence in the case of a mail order. Goods would circulate duty-free until their sale to the consumer, to the extent that all the intermediary companies had been authorized by their respective Member States, thus forming a network of 'interconnected bonded warehouses'. To avoid the risk of fraud, the Twelve would levy excise duties on the same products.

● Gains of ECU 15 billion thanks to EMU

If the Twelve embark on economic and monetary union (EMU) by adopting a single currency, the ECU, they will again at least ECU 13 to 19 billion a year (ECU 1 = UKL 0.70 or IRL 0.77) — the actual cost of foreign-exchange transactions between European Community countries. This is one of the benefits of the EMU listed by the European Commission's own experts and other specialists in a report entitled 'One market, one money'. The document stresses that the EMU would eliminate the present uncertainties over exchange rates and would therefore stimulate economic activity. Seven countries could join the EMU at once and without any problem: the three Benelux countries (Belgium, Luxembourg and the Netherlands); Denmark; France; Germany and Ireland. Italy, Spain and the United Kingdom would need a few years in which to adapt, while Greece and Portugal would need even more time. But the report points out that the EMU will not come about at the expense of the less well-off members of the Community. Of course the fall in inflation rates will lose them tax revenues; however, such losses will be more than offset by the decline in interest rates and the recovery in long-term investments.

● An industrial policy for 1992?

What the single European market needs is a pragmatic industrial policy, in the view of the European Commission, which has thus tried to look beyond the ideological debate between advocates of *laissez-faire* policies and defenders of large-scale State intervention. Commission Vice-President Martin Bangemann, who has responsibility for the internal market, proposed to the Twelve on 30 October a document of reflection defining the broad outlines of such a policy. 'The role of the authorities is above all that of a catalyst and a pathfinder for innovation. The main responsibility for industrial competitivity lies with companies; but they must be able to expect from the authorities an environment and a clear and foreseeable viewpoint for their activities.' According to the Commission, such an approach must guide the Community's scientific, social and external policies; it should in addition lead to concrete proposals in the field of technology.

○ The **European Women's Lobby** was born on 21 September, with the aim of promoting the viewpoint of women with regard to European policies and ensuring that the single market is not achieved at their expense. Set up by womens' associations, both national and European and of diverse political tendencies, the Lobby wants to be treated as a representative body by the European Commission.

○ The European Commission proposed to the Twelve on 19 October the setting up of a **European agency for evaluating medicines.** The goal: to endow the single market with a credible body capable of giving, or withholding, the authorization to market new medicines. The present system of mutual acceptance of national procedures is regarded as ineffective. It penalizes European manufacturers while consumer organizations are critical of it.

SEEN FROM ABROAD

▶ Tokyo ready to put a brake on its cars

'We are ready to cooperate with the EEC to limit our car exports for a certain period of time'. This affirmation by Noboru Hatakeyama, Director of trade policy in the Japanese Ministry of Trade and Industry (MITI), represents the first declaration by a senior Japanese official in favour of a transitional period for the opening up of the European market for cars. The fact is that the quotas or national restrictions applied by five Community countries (France, Italy, Portugal, Spain and the United Kingdom) must disappear in principle on 1 January 1993, leaving the single market entirely open in theory to imports from non-EC countries. European circles in Brussels were stressing at the beginning of November 1990 that Tokyo can wait until 1 January 1998 to look upon the European market as open without limits. It is now up to the Twelve to agree among themselves to conclude an informal arrangement with Japan.

▷ **Twenty-one Swiss MPs** from four major political parties, in both government and opposition, launched on 5 October an initiative aimed at obtaining 100 000 signatures of Swiss citizens, in order to ask for a referendum on the opening of membership negotiations with the European Community.

▷ The Norwegian Government decided on 19 October **to tie the rate of exchange of the Norwegian crown to the ecu,** with a 2.25 % margin of fluctuation in relation to the European monetary unit. This is the same margin as applies to the currencies of the oldest members of the European Monetary System (EMS).

○ **Finland will ask to join the European Community before 1995.** A declaration to this effect was made by the country's Foreign Trade Minister, Pertti Salolainen, in a local newspaper on 18 September.

SMEs

◆ A European Conference on the crafts industry

The first European Conference on the crafts industry was held at Avignon (France) on 12 and 13 October, along with a European exhibition on traditional arts and crafts. The Conference brought together representatives of national and European associations, the public services and the European Commission, in order to examine the specific needs of the crafts industry and small businesses in meeting the challenge of the integrated European market.

More than 400 participants discussed four major themes: the right of establishment, vocational training, the new technologies and access to new markets. They wanted the Council to adopt a resolution providing the framework needed to continue the following actions in particular:

(i) improve the quality and quantity of information regarding national and Community initiatives likely to benefit firms in the crafts industry;
(ii) facilitate their access to Community programmes; simplify procedures and develop the instruments likely to help the crafts industry and small businesses to take greater advantage of these programmes;
(iii) encourage cooperation and information exchanges between firms in the crafts industry (especially in border areas), crafts associations, technical institutes and teaching and vocational training establishments;
(iv) make the crafts industry and small firms more competitive by improving their technology and management abilities and through increased vocational training.

Conference participants suggested that professional bodies and the Commission should look into the possibility of setting up a 'European Academy of the Crafts', which would have the task of promoting information and training in the sector of crafts and small businesses.

Also envisaged is the launching of pilot projects to encourage the cross-border twinning of crafts businesses or organizations, or even the organization of cross-border training programmes, allowing apprentices to take advantage of training programmes in other Member States.

◆ An action plan for rural tourism

The European Commission adopted at the end of September an action plan in favour of rural tourism. The European Community's rural areas enjoy considerable advantages, in the view of the European Commissioner for tourism, António Cardoso e Cunha. They include landscapes, authentic sites, local culture, architectural heritage, etc. In order to attract tourists the Commission is prepared to back the creation and development of small and medium-sized businesses specially entrusted with the task of implementing and managing products stemming from rural tourism.

In close association with the tourist industry the Commission has declared its readiness to finance the following priority measures:

(i) help with the preparation of information on all the elements of rural tourism harmonized at the level of the Community;
(ii) help with the development of rural tourism products, by offering better access to information and Community sources of finance and supporting information and exchange programmes and the creation of European networks; and
(iii) help with integrating this form of tourism into the leisure network through the creation of a European network for the distribution of rural tourism products.

◆ Portugal to host Europartenariat 91

Portugal will host Europartenariat next year. The aim of this annual operation, launched by the European Commission, is to enable the SMEs located in a problem area of the 12- nation European Community to negotiate cooperation agreements with firms based elsewhere in the EC. As a first step the European Commission will choose between 150 to 200 proposals from those submitted by Portuguese enterprises. These cooperation proposals will be set out in a catalogue, to be distributed throughout the Community by BC-Net (the Community's Business Cooperation Network); the Euro-Info Centres; the business and innovation centres; chambers of commerce and other bodies which provide advice and information to SMEs. An interbusiness cooperation fair will be held in Oporto on 17 and 18 June 1991, so that European businessmen from all over the Community can discuss with their Portuguese counterparts the various possibilities of technical, financial and commercial cooperation as well as of subcontracting.

◆ Phare: support for SMEs in Hungary, Poland and East Germany

The European Commission recently decided to finance a number of projects in Central and East European countries in the framework of the Phare programme, which is aimed at supporting the process of economic and social reform currently under way in these countries. The projects are in the following priority sectors: agriculture, investments, the environment and training. Their beneficiaries are small and medium-sized enterprises (SMEs).

Poland: An ECU 25 million sector-based programme in the field of imports and technical assistance. Its principal objective is to enable private-sector SMEs to obtain foreign exchange. They will then be able to import equipment and other essential products and meet the costs arising from the reinforcement of the various forms of aid available to SMEs (advice, assistance, training, studies, etc.).

Hungary: An ECU 21 million programme in favour of the Foundation for Business Development (HFEP). The Foundation's task is to grant loans to SMEs, offer credit guarantees in support of these loans and finance the supply of risk capital and support services for the development of SMEs.

The new German *Länder* (former German Democratic Republic): An ECU 14 million programme aimed at developing regional economic structures. It is in three parts.

To begin with, regional measures will be taken to convert former industrial zones. A technology and consultation centre will be set up with the task of helping businesses to adapt to the requirements of market economy.

Information and consultation offices will also be set up. An information programme on the European Community will help businesses to integrate themselves into the Western economic system.

Finally, statistics will be adapted to the requirements of a market economy. They will be prepared according to a method comparable to that used in the industrialized West. Decision-makers, both public and private, will thus have at their disposal reliable macroeconomic statistics on which to base their decisions.

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