



The Community's Enterprise Policy: indispensable complement to the internal market

■ by António Cardoso e Cunha, Member of the European Commission

The drive towards the single European market has a considerable impact on the business environment in general and the day-to-day operations of a large number of Community enterprises. Systems of national protection are being dismantled and a Community-wide market is emerging with new opportunities and increased competition for business. As the single market becomes a reality, enterprises in the Community are facing both their greatest opportunity and their greatest challenge for many years. Simultaneously, the prospect of the European Economic Area — which will bring together, from 1 January 1993, the EC and the European Free Trade Association (Austria, Finland, Iceland, Liechtenstein, Norway, Sweden and Switzerland) — and the closer ties with Central and Eastern Europe are yet widening the scope of this new dimension for European business.

The need for a Community enterprise policy Well before the signing of the Maastricht Treaty, the Community acknowledged that for the single market programme to succeed it does not suffice to set up a legal and economic framework. It is also essential to develop a dynamic enterprise policy which ensures that Community businesses are fully aware of the new market opportunities and are being helped where necessary to adapt their strategies to the larger market. The Community has therefore devised an enterprise policy which applies to all enterprises in general, whatever their size and location, but puts a particular focus on SMEs which are the cornerstone of all the Member States' economies.

Creating the right business environment A major objective of the Community's enterprise policy is to safeguard and improve the administrative, financial and legal environment for business during the completion of the internal market and beyond. A better business environment implies first of all the reduction of any excessive burdens on business. To help achieve this the Commission introduced a comprehensive monitoring system, involving early consultation with business circles on any proposed Community legislation which is likely to have a significant impact on enterprises. Furthermore, the Commission initiated several proposals, notably in the field of company law, which should enable smaller businesses to operate more effectively on a European level with the minimum of bureaucratic burdens.

Helping SMEs benefit from new opportunities The Community enterprise policy also aims at providing services for small businesses at Community level notably in the field of information and cooperation between enterprises. For example, the Community established a Euro Info Centre (EIC) network covering all regions of the Community. The EICs answer at a local level the questions of businesses on Community matters and thus assist SMEs to open doors to a broader European market. Other services such as the computerized BC-Net and the 'Europartenariat' forums were set up to promote cross-border cooperation between businesses.

Subsidiarity In defining and implementing its enterprise policy the Commission ensures that there is no duplication of what is already provided at national and regional levels whether by public or private organizations. These efforts are therefore largely concentrated on services which have a Community dimension. In addition, the Community endeavours to implement its enterprise policy as closely as possible to businesses by cooperating with the existing local business community. The 211 EICs and over 600 BC-Net advisers throughout the Community illustrate this approach to the Community enterprise policy.

Maastricht The Treaty on European Union puts a particular emphasis on the need for enhancing the competitiveness of enterprises. In line with the new Treaty provisions and a recent Council resolution, the Commission will press ahead with developing the action necessary to create an environment favourable to initiative and to the development of undertakings throughout the Community, particularly SMEs and to back up their integration into the single market after 1992.

10
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DECISIONS

■ Cross-border purchases in 1993

From 1 January 1993 Europeans will be able to shop throughout the 12-nation European Community without worrying about duty-free allowances and to bring home their purchases without having to undergo checks of any kind by customs officials. EC ministers adopted definitively on 19 October the eight remaining 'European laws' needed for this purpose, by approximating their national VAT and excise systems. This means that differences in VAT rates and excise duties — the special taxes on spirits, tobacco products and petrol — will have been narrowed in 1993. EC governments had always regarded such a move as a precondition to allowing their citizens to shop freely in neighbouring EC countries: it was important that countries with high VAT rates and excise duties not be required to lose too much revenue and for the others not to have to raise their rates. After much discussion the Twelve found a balance which satisfied everyone. In place of VAT rates which ranged between 12 and 38 % for the same articles in 1987, the new range of standard VAT rates will be between 15 % — the required minimum rate for all EC countries — and 25 %, depending on the country. The Twelve will be able to apply reduced rates to a wide range of basic goods, from services to transport and books, records, etc. All the higher rates for 'luxury' goods have been eliminated. Excise duties will apply to the same products throughout the Community. The only restriction on purchases by individuals will be an obligation to buy only what they can consume themselves. No trafficking, in other words!

■ Better protection for pregnant workers

Women employees and workers will enjoy better social protection, both during and after a pregnancy, as from the autumn of 1994, thanks to a directive ('European law') adopted by EC ministers on 19 October. This law sets out a series of measures representing an obligatory minimum level of protection in the European Community. This means that EC countries with more generous laws will be able to keep them; what is more, they will not have the right to dilute them in order to come closer to the Community minimum. Similarly, each of the Twelve will have the right to provide greater protection than envisaged in the directive. Under the new directive every job held by a pregnant worker will be assessed in terms of the risk to health and safety, including psychological fatigue. This marks an improvement in the EC as a whole. Where there are risks, it will be necessary either to improve working conditions for the person in question or to grant her leave on 'adequate' pay. The directive also provides for pre-natal medical examinations during working hours, prohibits dismissal of pregnant workers and ensures maternity leave of at least 14 consecutive weeks, without loss of workers' rights. One or other of these measures marks a step forward in six EC countries: United Kingdom, Ireland, Belgium, France, Greece and Portugal.

■ No free movement of waste

The free movement of goods, one of the pillars of the single market, will not apply to waste. In order to reduce the threat to the environment posed by this unusual merchandise, EC ministers agreed on a special system on 20 October. The basic principle is to recycle rather than destroy and, if this is not possible, to ensure the disposal is carried out as close to the source of 'production' as possible. Each of the Twelve will be able to ban the import of waste originating in another EC country and destined for disposal. For waste which is to be recycled the agreement of the country involved will be needed, as well as a contract between notifier and consignee. In the case of third countries, there will be a ban on both the export and import of waste. The agreement reached by EC ministers must now be definitively adopted as a law.

■ 'European' authorization for medicines

There are European laws setting out the necessary criteria and procedures for determining whether a new medicine can be marketed or one already on sale must be withdrawn from the shops. All these laws will come into effect on 1 January 1993. Even so, neither consumers nor manufacturers will benefit fully from the single market, because the decisions in question will continue to be taken by national authorities, who do not always reach the same conclusions, as experience has shown. To avoid the loss of time and money this involves, EC ministers approved on 10 November two European authorization procedures. The system will become operational from 1 January 1995, with the help of a European agency for the evaluation of medicines, to be set up on that date. One of the two procedures would be obligatory for biotechnological products and optional for other new medicines, the decision being left to the manufacturer. The European agency would authorize the medicine, thus allowing it to be marketed throughout the Community. The other procedure, applicable to other medicines, would rest on national authorization and its recognition by the other EC countries, with the European agency playing the role of arbitrator in the event of a refusal by a member country. It is expected the system will be definitively adopted next spring.

■ A special system for works of art

Neither antiquities nor religious objects from the 16th century will be treated as merchandise, and entitled as such to free movement within the single market and beyond. EC ministers reached agreement on 10 November on a special system, to apply to certain works of art. The agreement must be submitted to the European Parliament before it can become law. According to this system the Twelve will keep the right to define and protect their 'national treasures', but will no longer be able to ensure such protection by means of checks at the Community's internal borders. However, they will be able to secure the return of items having left their territory illegally. As for exports to non-EC countries, they will be subject to an authorization from the Member State in which the object in question is to be found. The agreement includes a list of the goods covered by it.

38 RECOMMENDATIONS FOR A SINGLE MARKET THAT WORKS

The 280-odd 'European laws' needed to complete the single market will not in themselves ensure that it operates to the satisfaction of consumers and businesses: practical measures aimed at establishing systematic cooperation between the Twelve and the European Commission will be necessary. This, at any rate, is the view of a group of independent experts asked by the Commission in March of this year to find out just how to ensure a single market worthy of the name. The group, which was chaired by the former European Commissioner, Peter Sutherland, submitted its report at the end of October. Entitled 'The internal market after 1992: meeting the challenge', the report makes 38 recommendations to the Commission and the Twelve. The experts claim that in order to profit from the single market consumers and businesses must know its rules. It is necessary, therefore, that both European laws and the national laws needed for their implementation be made as clear as possible. This could be done by bringing together all legal texts covering the same subject, for example. The Twelve must also present information more effectively and bring it 'as close as possible to the public it is aimed at'. The report also stresses the need to eliminate contradictions and inconsistencies: those to be found in Community legislation — a special group of Commission officials could deal with them — and those which could result from differences in 12 ways of implementing this legislation. To deal with the latter problems, the experts favour the creation of groups of contact points between the authorities in the Member States and the European Commission. And if these European laws are nevertheless forgotten or violated? The experts believe that the Commission and the Twelve must do more to inform Europeans of their rights and how best to defend them. It will also be necessary that the victims be treated in roughly the same way in all EC countries. All of which adds up to a programme which is both ambitious . . . and urgent!

EUROPEAN COMMUNITY AUDIOVISUAL POLICY

In 1988, the European Cinema and Television Year brought the range of audiovisual problems to the attention of political leaders, professionals and the public alike in the 12 Member States, and encouraged the European Commission in its efforts. In 1989 the following developments took place:

- (i) an Audiovisual Conference was held jointly by the French Government and the Commission. It enabled professionals to contribute to the market analysis and to the definition of a European cinema and television policy;
- (ii) Audiovisual Eureka was launched. It is an intergovernmental initiative involving some 30 European countries (including Central and Eastern Europe) and the Commission;
- (iii) the 'television without frontiers' Directive was adopted by the Council of Ministers;
- (iv) a decision on a high-definition strategy was adopted;
- (v) support for creative audiovisual work was increased through the Media programme.

The simultaneous launching of these interactive measures testified to the will to implement an overall, consistent and long-term policy. In this very particular area embracing both industry and culture, Community action is designed to achieve three inseparable and interdependent objectives:

- (i) to establish a proper statutory framework for the free movement of audiovisual material throughout the Community;
- (ii) to strengthen the programme-making industry so that it can respond to growing demand in a competitive market where European culture must maintain its presence;
- (iii) to adopt a common approach to meet the challenge of new technologies.

Statutory framework: television without frontiers

On 3 October 1989, the Council of Ministers laid the foundations of the statutory framework by adopting the 'television without frontiers' Directive with a view to eliminating impediments to freedom of movement for television broadcasting in the Community. It is based on a single principle: in the areas covered by the directive, television broadcasts are subject only to the law of the originating Member State, and receiving countries may not place any restrictions on their retransmission. To ensure free movement of broadcasts the directive harmonizes certain rules concerning: advertising and sponsorship, protection of minors, right of reply.

The directive pursues its cultural aims by encouraging European audiovisual distribution and production. It requires

broadcasters to reserve at least 10 % of their transmission time (excluding the time allotted to news, sports events, games, advertising and teletext services) or alternatively at least 10 % of their programming budget for European works by producers who are independent of broadcasters. In addition, broadcasters must reserve for European works a majority of their transmission time.

The statutory framework is now being supplemented by measures concerning copyright and neighbouring rights.

Media: promotion of the programme production industry

In the single market the European programme-makers will have to overcome a number of structural difficulties: producers are too small; production and distribution networks are too weak; language barriers have to be overcome. While the national basis of this industry provides a guarantee of cultural diversity it also acts as a barrier to its development and limits the scope for cross-frontier distribution. At a time where Europe must meet the growing demand for programmes, it is increasingly vital to stimulate cooperation between those working in the audiovisual field.

Thus, since 1988 the Community has implemented a policy supporting the European audiovisual industry, specifically in the form of the Media programme. Wide-ranging concertation with professional circles initially (1988-90) made it possible to launch an experimental phase of pilot schemes.

The positive outcome of this experimental phase led the Council of Ministers to go further and in December 1990 it adopted a five-year programme (1991-95) with an appropriation of ECU 200 million. Since European culture has no frontiers the Media programme is not limited to the Twelve, but is open to the EFTA countries and may be extended to most Central and Eastern European countries. The Media programme strategy is designed with the large internal market in mind and to attain certain cultural objectives. The measures supported are intended to:

- (i) remove the barriers from national markets and initiate cross-frontier cooperation so that those concerned can expand their operations through economies of scale;
- (ii) assist the reorganization of the audiovisual industry by giving priority to small and medium-sized operators and by giving support to all audiovisual sectors since they are interdependent;
- (iii) maintain proper regard for national differences and cultural identities, avoiding any cultural standardization and paying special attention to the needs of smaller countries and less widely-spoken languages.

Media intervenes both upstream and downstream of production without impinging directly on it. As a rule, funding takes the form of advances on receipts which are reimbursable and immediately reinvested. At present the programme covers some 20 projects under six different headings: training for professionals; improving the facilities for production, distribution, exploitation and financing; the development of a 'second market' (archives, retransmissions, etc.).

European technological challenge: advanced television

The development of cable networks and the use of satellites for relaying images considerably expand the range of possibilities open to television broadcasting. Europe is faced with the challenges of HDTV and advanced television, i.e. wide-screen television (16:9 format, much better suited to human vision). The latter introduces the format of the cinema to the world of video whilst HDTV offers an entirely new level of visual quality (16:9, more lines) and sound (digital or computer-aided). This advanced technology calls for the adaptation of both equipment (from the camera to the television receiver, including all production and distribution equipment) and programme production. To meet the competition from other industrial powers which are making a huge effort in this field, Europe must formulate a consistent policy, involving all partners: researchers, manufacturers, audiovisual professionals and consumers . . .

On 27 April 1989, on a proposal from the Commission, the Council of Ministers adopted a comprehensive strategy on European high-definition television. This strategy covers three closely interrelated areas: regulations to lay down satellite broadcasting standards; support for audiovisual professionals in seeking to launch services and promote the production of programmes using the new technology.

□ Directive on the adoption of standards for satellite broadcasting of television signals

The Community seeks to promote worldwide a high-definition standard developed in Europe: HD-MAC. This standard (1 250 lines, 50 images/second) adopted by the Twelve is supported by an ever-growing number of European countries.

The originality of the European approach is that it proposes a 'soft' transition from the present system (PAL/Secam) to high definition by opting for an initial phase (D2-MAC) using the same 16:9 format as is to be used for high definition. This means that D2-MAC 16:9 screens will not become technologically obsolete with the arrival of HDTV, the two standards being sufficiently compatible to permit the reception of HDTV with the usual image quality. The transition from black and white to colour television was achieved in a similar way.

The Directive adopted by the Council on 11 May 1992 lays down the conditions for the use of D2-MAC and HD-MAC standards for satellite broadcasting and cable retransmission.

□ Launch of advanced television services

● Since 1986 the Community has supported R&D projects in the context of Eureka 95, which has laid the foundations for the European HD-MAC HDTV standard. As early as 1988 industrial participants in Eureka 95 successfully developed a prototype complete with demonstration equipment (camera, video-recorders, domestic satellite receivers). In 1989, it became possible to produce programmes using this technological breakthrough. In this second phase, Eureka 95 has served to expand the production of HD and the related new services. The Community contributes to some of these activities through its R&D framework programme and through significant regulatory initiatives in the field of standardization.

● Production of HDTV programmes requires training for professionals and the use of certain equipment which is still rare and expensive. This is why cooperation is needed between manufacturers and creative artists. Such cooperation will be encouraged by the creation of Vision 1250, a European association which is supported by the Community and is responsible for making material available to its members and for promoting the European standard. It was largely thanks to Vision 1250 that the Albertville and Barcelona Olympic Games and the retransmissions from the Seville World Fair could be received in HD.

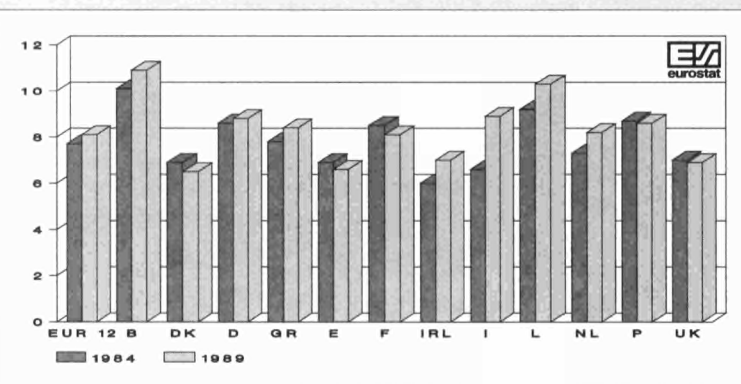
● This is not enough, however. To effect the wide-ranging technological changes required for the introduction of high-definition television, the Commission has held extensive consultations with all the parties concerned on the audiovisual scene, resulting in a Memorandum of Understanding (MOU), which sets out the common approach to be followed (by manufacturers, satellite operators, cable operators and broadcasters) in the development and promotion of services and equipment to meet the requirements of advanced television. To offset the cost of this technological adjustment, the Commission proposes financial support in the context of its action plan for the introduction of advanced television services in Europe.

The plan was proposed in April 1992 and includes support measures and financial arrangements designed to develop advanced television services bearing in mind all the various interests involved. Support would be provided for launching new broadcasting services using 16:9 D2-MAC or HD-MAC, upgrading cable networks, adapting existing programmes, and above all the production of new programmes in line with the new technical standards and the new format.

The action plan takes account of the specific requirements of the programme industry: technical quality, countries with less widely-used languages, role of independent producers, etc. The action plan should ensure that within four years a good range of services are retransmitted by satellite in 16:9 format, in D2-MAC or HD-MAC, with a substantial increase in the number of cable networks offering programmes in D2-MAC 16:9, while there will be strong incentives for the production of programmes meeting the new standards.

Consumer durables and amenities in European households

Household expenditure on furniture and appliances, running costs, etc. as % of consumption expenditure, 1984 and 1989



Household expenditure on consumer durables and amenities

Between 1984 and 1989, there was a slight increase in the share of household expenditure accounted for by consumer durables and amenities, from 7.7% to 8.1% of the total.

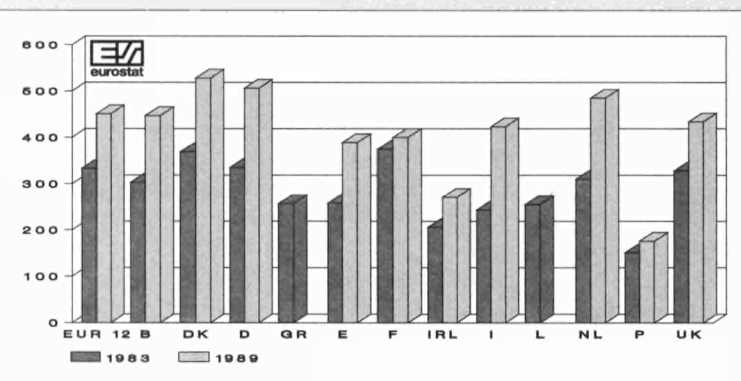
Only households in Belgium and Luxembourg spent more than 10% of their budget on this item.

Four countries – Spain, France, Portugal and Denmark – spent a little less on this type of consumption in 1989 than in 1984.

Household expenditure on consumer durables and amenities as % of consumption expenditure

	EUR 12	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
1984	7.7	10.1	6.9	8.6	7.8	6.9	8.5	6.0	6.6	9.2	7.3	8.7	7.0
1989	8.1	10.9	6.5	8.8	8.4	6.6	8.1	7.0	8.9	10.3	8.2	8.6	6.9

Number of television sets per thousand inhabitants, 1983 and 1989



Rise in numbers of television sets

In 1989, almost half of the population of the European Community (all ages taken together) owned a television set, as opposed to one-third in 1983.

The number of sets had increased most in Italy, Denmark and the Netherlands.

Although Denmark had fewer sets than France in 1983 (369 and 375 respectively per 1 000 inhabitants), in 1989 it had more per head of the population than any other country (528 per 1 000 as against 400 in France).

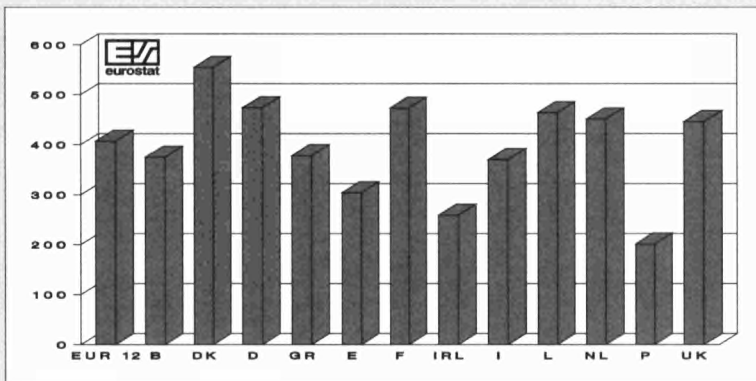
In Portugal, television ownership was still way below the Community average, with 176 sets per 1 000 inhabitants in 1989.

Number of television sets per thousand inhabitants

	EUR 12	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
1983	333	303	369	335	257	258	375	206	243	255	310	151	328
1989	451	447	528	506		389	400	271	423		485	176	434

Number of telephone trunk lines per thousand inhabitants, 1990

Telephones



In 1990, 40% of the population of the Community (all ages taken together) had a telephone line.

The distribution was very uneven, however.

Denmark had the highest rate, at 55%. The lowest percentages were in Portugal (20%) and Ireland (26%).

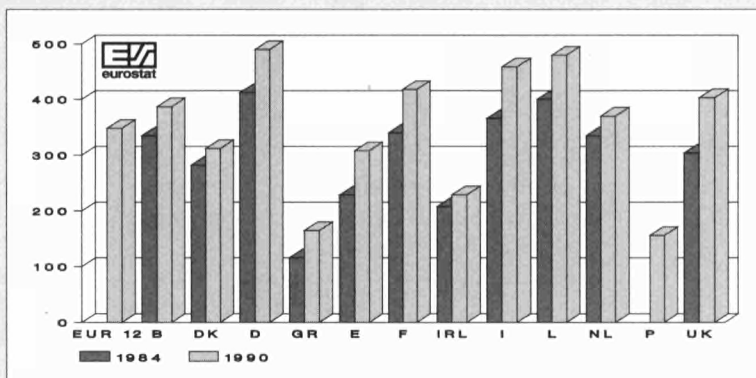
The figures for Greece were similar to those for Belgium and Italy, despite its lower purchasing power.

Number of telephone trunk lines per thousand inhabitants, 1990

	EUR 12	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
1990	407	375	555	474	378	304	473	259	370	464	451	201	446

Number of private cars per thousand inhabitants, 1984 and 1990

Car ownership



In 1990, there were approximately 131 million private vehicles in the European Community for a population of 329 million, i.e. one car for every three inhabitants (all ages taken together).

In all countries, the number of cars in relation to the total population increased between 1984 and 1990, most noticeably in the United Kingdom, Germany and Italy.

In 1990, almost one in two inhabitants in Germany and Luxembourg had a car whilst only 16% of the inhabitants of Greece and Portugal had one.

Number of private cars per thousand inhabitants

	EUR 12	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
1984	:	335	282	412	116	229	340	208	366	400	335	:	304
1990	348	387	312	490	165	308	418	229	459	480	370	156	403

The third edition of Europe in Figures, a panorama of the Community in words and figures, has now been published. 256 p, price ECU 16.50 (excluding VAT).

■ The single market in cosmetics

Thanks to common rules adopted on 3 November by the European Community's Environment Ministers, the Twelve will be able to eliminate the remaining obstacles to the free movement of beauty products. The projected European law, which must still come before the European Parliament, will lead to the harmonization of the information given to consumers. The EC will make an inventory of the substances contained in beauty products, thus making it possible to devise a European nomenclature. The packaging will have to list the substances utilized in manufacture. Technical information needed to determine the quality and safety of their products will have to be made available by manufacturers to the relevant national authorities on request. However, beauty products containing substances which have been tested on animals will be banned throughout the Community from January 1998.

□ BRIEFLY

The **single market in life insurance** will become a reality on 1 July 1994, except in Spain and Portugal — 1 January 1996 — and in Greece — 1 January 1999. EC ministers adopted definitively on 10 November a European law which will allow companies to sell their policies throughout the EC (see *Target 92*, No 7/92).

EC ministers adopted definitively on 3 November a European law aimed at protecting **the health and safety of workers in industries, mining and others**, which drill for minerals. The law provides for the information and consultation of workers and imposes various obligations on employers. It will come into force on 1 January 1993.

INITIATIVES

● Schengen: Greece joins and a common visa

On 6 November, in Madrid, Greece joined the Schengen group, which brings together European Community countries that want to end border checks, including checks on people, as quickly as possible. The group now includes nine EC countries; only the United Kingdom, Denmark and Ireland have not joined it. During their Madrid meeting the Schengen Nine agreed on a common visa, which will enable nationals of some 120 countries to enter their territories. The elimination of all checks on individuals between the Nine could come into force in mid-1993, instead of 1990, as initially envisaged by the group, and the beginning of 1992. Even so, the Nine are going further than the 12-nation Community.

● Post-1992 in practice

In a move which recalls the concerns expressed by experts in a recent report (see box on page 2), EC ministers have asked the European Commission to propose, by the end of next January, the practical arrangements likely to ensure the smooth functioning of the single market. In a resolution adopted on 10 November they have also asked the Commission to take the necessary initiatives by the end of March 1993; what is more, they have undertaken to deal with these matters on a priority basis. The resolution calls on the Twelve and the Commission to cooperate in the implementation of the rules of the single market, to make these rules clearer and more comprehensible and to inform consumers and businesses of European laws, their transposition into national legislation, their implementation and the means to ensure they are respected.

TO OUR READERS

1992 is coming to an end. The single market is no longer a goal but a virtual reality needing no more than the finishing touches. Then it will have to be kept going and improved day by day. Our monthly newsletter is therefore changing its name, even while keeping to a formula which has proved successful. From next month it will be entitled *Frontier-free Europe*. Meanwhile, we wish you a very happy New Year.

○ BRIEFLY

In a consultative document presented on 21 October the European Commission envisages the **liberalization of cross-border telephone calls** within the European Community. This is the Commission's preferred option, out of the four it sets out. The others are: a continuation of the status quo; a regulation aimed at improving services and the situation as regards prices and the complete liberalization of all telephone services in the EC.

In order to limit the risk of fraud, the European Commission proposed to the Twelve on 28 October the **harmonization of VAT rates for gold**. Thus when gold is bought for investment purposes, it would not be subject to VAT provided the buyer did not take delivery of it. However, gold sales for industrial or craft usage would remain subject to VAT, to be paid by the buyer.

With the **single market in air transport** set to become a reality on 1 January 1993, the European Commission proposed to the Twelve on 21 October that their relations with third countries be set in a Community framework. Thus negotiations with such countries would be conducted by the Commission or the Member State concerned, on the basis of common principles, as the case may be. Some 70% of the activities of the Community's airlines take place outside the EC. There are 600 agreements between Member States and third countries in existence.

The transfer of ECU 130 (ECU 1 = UKL 0.81 or IRL 0.75) from one Community country to another, by means of a **bank transfer or Eurocheque**, costs on average ECU 20 — i.e. 15% of the sum transferred — in commissions and other expenses. This is the discouraging conclusion of a study carried out in February by the European Consumers' Organization (BEUC) on behalf of the European Commission and published on 4 November. Given that European banks had undertaken to improve the situation by the end of this year, the Commission will call for a fresh study at the beginning of next year. If it notes that there has been no improvement, it plans to propose a regulation.

With a view to encouraging the Twelve to implement EC legislation on **foodstuffs** effectively, the European Commission proposed a Community programme of checks on 11 November. If adopted the programme, the first of its kind, would be carried out by the Member States and coordinated by the Commission.

SEEN FROM ABROAD

► Oslo envisages membership, but ...

On 8 November the annual congress of Norway's Social Democratic Party, currently in power, voted in favour of applying for European Community membership by 182 votes to 106. However, according to a poll published the same day 55% of Norwegians are against membership, which is supported by 35%. In 1972 the Norwegians voted to stay out of the Community in a referendum. Even so, Norway is well disposed toward the European Economic Area (EEA), which will bring together, from 1 January 1993, the EC and the European Free Trade Association (Austria, Finland, Iceland, Liechtenstein, Norway, Sweden and Switzerland). The Norwegian Parliament ratified the EEA agreement on 17 October by 130 votes to 35. This was slightly more than the necessary 75% majority.

▷ The **Liechtenstein Parliament** approved on 21 October membership of the European Economic Area (EEA). But both the parliament and the Head of State, Prince Hans-Adam II, want to call a referendum on the issue.

◆ Administrative simplification: much remains to be done

Small and medium-sized enterprises (SMEs) remain burdened by high administrative costs, according to a report presented by the European Commission at the end of October. The report sets out the position as regards the measures taken by the Twelve and the Commission to simplify administrative procedures relating to businesses, especially to SMEs. Following a first report, submitted in 1989, and a Council recommendation of 1990 calling on Member States to adopt measures aimed at simplifying administrative procedures affecting SMEs, the European Commission conducted an enquiry into its own practices and those of the Member States. Administrative simplification is a key feature of the business policies conducted by the Commission: it contributes to the introduction of an environment favourable to the creation and development of SMEs. Using the information provided by Member States as a basis, the report looks successively at codes of good practice, simpler forms, the consultation procedures introduced in the Member States . . . and all the other measures aimed at simplifying the administrative formalities to which SMEs are subject. According to this analysis, the results obtained are insufficient. To remedy this situation, it is necessary to continue with the actions already undertaken and to launch new ones, in order to improve the environment in which SMEs operate. Action at the Community level could prove necessary within this framework, the report notes. The Commission also envisages reinforcing the present system of evaluating the impact of Community decisions on business activity. It also plans to stimulate exchanges of information and experiences between Member States in the area of administrative simplification.

◆ Taxation: a business listening post . . .

Within a few weeks of the abolition of fiscal borders and the opening of the single market, Mrs Scrivener, the European Commissioner with responsibility for taxation and the customs union, will establish a committee which will act as a business listening post. It will have the task of making sure that the European Commission takes full account of the practical problems which businesses might face in the area of taxation in the early months of next year.

To be installed in December, the listening post will base itself on national networks, which will make it possible both to collect information from businesses and to keep them informed.

These decentralized networks will be based on existing structures of proven effectiveness: the 210 Euro Info Centres in particular, which seek to keep SMEs throughout the Community informed, as well as the Commission's offices in the Member States and the federations and professional organizations.

◆ . . . and a simpler border-free VAT system

The European Commission proposed to the Twelve in early November an initial series of measures aimed at simplifying certain aspects of the border-free VAT system, with a view to facilitating business activity and reducing administrative costs for SMEs.

These simplifications cover three series of operations:

(i) *cross-border purchases of products subject to excise duty: petrol, tobacco and spirits.* Businesses would be authorized to use the procedures provided for by the directive regarding the new system for excise duties after 1992 — in particular the accompanying document — to meet the checks required by the '1993' VAT regime.

A single type of formality will suffice for the two forms of taxation. This means that economic operators who are not subject to VAT, such as SMEs below the tax liability threshold, will not have to register for VAT when they purchase goods in other Member States which are subject not only to VAT but also excise duties — petroleum products, tobacco and spirits.

(ii) *triangular operations:* These are operations by which firm A in country A buys goods from firm B in country B, for delivery to client C, located in country C. The simplification envisaged aims at leaving out the intermediate stage, which requires firm B to intervene in country C for tax purposes. Firm B will be able to designate firm C straightaway as liable for VAT.

(iii) *trade with certain territories* which belong to the Community's 'customs territory' without being part of its 'tax territory' — the French overseas departments, for example. The simpler procedure will make it possible to treat goods coming from these territories as if they were coming from a third country, so that VAT could be levied on them on their entry into a Member State.

The Council of Ministers should be able to adopt these simplifications, which EC businesses have been waiting for, rapidly, so that they can be introduced during the first half of 1993. The border-free VAT system already decided on is sufficiently complete, however, to come into force on 1 January 1993 (see p. 2). It could only be improved and further simplified by these new measures.

The contents of this publication do not necessarily reflect the official views of the institutions of the Community.

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