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TAX ON SAVINGS PROPOSED

The EC Commission has presented member states with a proposal for a common 15 % withholding tax on interest earned on most forms of saving. It also wants cooperation between national tax authorities strengthened to combat tax evasion.

At present, withholding taxes vary between zero and 35 %, and there were fears in some countries of a flight of capital to low-tax countries with the planned removal of exchange controls next year.

The Commission has pitched the proposed common tax at a moderate level to prevent savings being driven out of the Community. Tax Commissioner Christiane Scrivener said she thought other countries could be persuaded to introduce a similar withholding tax and she hoped that negotiations would get underway soon, either at the multilateral or bilateral level.

There are a number of exceptions to the new proposal, including small savings, Eurobonds, residents of non-EC countries, EC residents in countries where there is automatic reporting by savings institutions to the tax authorities, transactions between firms, and interest paid by a private individual.

The Commission chose the common withholding tax in preference to compulsory declarations by banks of interest paid, because this might have raised serious difficulties in member states with a long tradition of super-strict banking secrecy.

A first reading of the proposal by the Council of Ministers showed eight of the twelve member states supportive of the idea. The UK and Luxembourg responded negatively, and Greece and the Netherlands with reservations.

RULES OF ORIGIN CLARIFIED

The EC Commission has ruled that the origin of integrated circuits, a \$ 6 billion market in the Community, will in future be determined by where "diffusion", the etching of circuits onto blank silicon wafers, takes place.

The Community's general rules of origin go back to 1968 and define the origin of a product as the country where the last substantial transformation that was economically justified took place.

However, due to the degree of technological development that has taken place over the past two decades, the Commission has decided to produce more precise definitions in certain sectors.

The Commission believes that, of the three significant stages of production of integrated circuits, diffusion is technically the most complicated and difficult, and also the one involving the greatest research investment.

US companies hold about one-fifth of the EC market in integrated circuits and Japanese companies half of that amount.

The Commission has also asked the Council of Ministers to approve a regulation that would tighten up rules of origin for photocopiers imported

into the EC. The Commission maintains that the place of origin should be where major components like lenses and generators are manufactured, and not where minor components are made and where assembly takes place.

The move was inspired in part by an attempt by a Japanese company RICOH to circumvent EC anti-dumping duties of 20 % by establishing an assembly plant in California. Japanese companies hold an 80 % share of the \$ 1 billion-plus EC photocopier market.

NO ARTIFICIAL GIANT-KILLER

Sir Leon Brittan, the new EC Commissioner for competition policy, has dismissed any suggestion that EC companies should be allowed exemption from anti-monopoly rules in order to come together to form conglomerates large enough to compete with US and Japanese companies.

He said that he supported the creation of large European entities that would be internationally competitive, but not at the expense of European competitors or consumers. "Competition at home is the best training for competition abroad", he said.

He added : "Companies that are allowed to operate in a monopolistic way in their own home markets, whether those are national or European, are in fact unlikely to become world leaders."

PROGRESS ON SOCIAL DIMENSION OF 1992

EC business and labor leaders have agreed to work more closely together on defining what working conditions should be like after 1992. Their cooperation pact was reached at a conference chaired by EC Commission President Jacques Delors, who has been pressing for more "social dialogue" to ensure that the 1992 program has the support of both sides of industry.

A new steering group made up of representatives of labor and of major public and private enterprises will study and make recommendations on problems in the employment market which could result from structural change over the next four years. It will also deal with improved education and training of workers.

Mr. Delors opened up the prospect of greater consultation of business and labor in the spending of EC funds, as well as on a proposed workers' rights charter and on the participation of workers in the management of companies under a proposed European company statute.

1992 "YES" : FORTRESS "NO", SAYS BUSINESS

UNICE, the umbrella grouping of EC employers, has declared that the number one priority of business and legislators over the next four years must be the completion of the internal market by 1992.

It also rejected the idea of a Fortress Europe, which would be protectionist to the outside world. However, it maintains that the EC should not be more open than other

markets and therefore it is urging the EC Commission to ensure that third countries provide reciprocal market access to EC exporters.

UNICE believes that the current Uruguay Round of GATT negotiations offers a framework for achieving such agreement, but it also believes that the EC should use its existing instruments and procedures to combat unfair trading practices.

TAKING AN OPTION ON THE FUTURE

Four of Europe's futures and options exchanges have agreed to band together to lobby EC institutions on legislative moves towards the creation of an open market in financial services, including regulation of exchanges, by 1992.

The four have formed themselves into a group called Ecofex (European Community Coordinating Committee of Options and Futures Exchanges) and are hoping that eventually all exchanges similar to their own will join.

BUSINESS FAVORS MONETARY UNION

A group of EC business leaders has published a survey of 1,000 of their peers which shows that 86 % of them favor the 12 member states creating a monetary union, including an EC central bank and a common currency.

The goal, which is being promoted by EC Commission President Jacques Delors and is due to be discussed at next June's summit of government leaders in Madrid, was revealed at the European Parliament in Strasbourg by Cornelius van der Klugt, president of the Association for European Monetary Union.

As a personal contribution to the effort, Mr. van der Klugt, who is also the boss of Dutch electronics giant Philips, said that he was considering

introducing the ecu, the EC's embryonic currency, for his company's internal accounting, and for invoicing with outside suppliers. A number of firms, including at least one US multinational, already do this.

Meanwhile, one of the new British members of the EC Commission, Sir Leon Brittan, called on the UK to become a full member of the existing European Monetary System (EMS), which coordinates exchange rates between most of the member states' currencies.

He said : "Increased monetary cooperation in Europe is again on the agenda and it is too important an issue for Britain's voice not to be heard."

CLOSER SCRUTINY OF PUBLIC TENDERS

As part of its drive to open up government contracts to EC-wide bidding, the EC Commission is to tighten up its monitoring of contracts for public works or the supply of equipment which are part-financed out of the EC budget.

In future, the Commission will withhold funds or recover grants where it discovers that public authorities have not given firms from other member states a fair chance to tender for contracts.

As a further incentive to the member states, the Commission has said that where applications for EC funding exceed the budgetary resources available (which is usually the case), it will give priority to projects which clearly indicate an open tendering procedure.

The new rules will favor competitive firms throughout the Community, including US firms established there.

KEEPING PACE WITH SAFETY STANDARDS

Pacemakers for cardiac patients are among a wide array of products for which basic EC quality and safety

standards are being proposed by the EC Commission. Once approved by the Council of Ministers, users of the products will enjoy better guarantees and manufacturers will obtain greater economies of scale by being able to sell throughout the 12 member states.

The pacemaker is included in a batch of electromedical equipment, which is increasingly used for therapeutic or diagnostic purposes. Other groups of products covered by the proposals are appliances burning gaseous fuels (mainly gas cookers, and heaters, which represent a 15 million unit annual market), most weighing instruments, and mobile machines which are largely used in construction and farming.

The new legislation will lay down essential quality and safety requirements, as well as certification procedures from which manufacturers may choose. European standardization bodies will have the task of drawing up the detailed manufacturing specifications within the framework of the essential requirements.

MORE PROTECTION OF ENVIRONMENT URGED

Failure by EC industry and regulating authorities to have due regard to environmental protection could jeopardize the entire 1992 program, Environment Commissioner Carlo Ripa di Meana has warned.

He said that unless higher common standards were agreed in tandem with the creation of common standards in other areas, countries which were particularly concerned about environmental protection could lose their enthusiasm for the rest of the package.

In addition, he pointed out that free trade in goods would never be achieved as long as environmental protection standards differed from one member state to the next. Failure to raise standards would also diminish the competitiveness of EC firms in third country markets where standards were higher.

Mr. Ripa di Meana said he was launching a crusade to protect the environment, starting with a get-tough approach to member states which had failed to implement many of the EC's existing 150 environmental protection laws.

PLAN TO PROMOTE LANGUAGE SKILLS

Businesses which want to ensure that they take full advantage of the creation of a true common market by 1992 should ensure that their employees have the necessary language qualifications.

This is the view of the EC Commission, which has launched the LINGUA program to promote the teaching of languages in general and, in particular, to encourage firms to give a high priority to language skills among their workers.

The Commission is hoping that the Council of Ministers will approve a budget of \$ 300 million for a first 5-year phase of grants and promotion.

...IN BRIEF

... There was a sharp rise in investment in the EC last year as companies continued to gear themselves to compete in the post-1992 open market. Preliminary figures show that investment was expected to grow by 7 %, the biggest rise for 25 years. Industry also enjoyed a higher return on capital employed, as well as better utilization of production capacity. Both have recovered to levels not seen since the early Seventies prior to the world economic recession.

... a study by the influential Centre for Business and Policy Studies in Stockholm has urged the government there to declare its intention to apply for EC membership as soon after 1992 as possible. It says that Swedish membership, along with that of Norway and Austria where there

are strong pro-membership movements, would tip the balance within the EC away from southern Europe towards the more industrialized North. In Norway, a recent opinion poll indicated more support for than opposition to EC membership, which Norwegians rejected in a referendum in 1972.

... Ford, one of the most successful car manufacturers in Europe, has announced a major reorganization of its production facilities, involving closures in some countries and increased capacity in others. A company spokesman said that the changes were necessary to prepare for anticipated changes in demand as 1992 approaches.

... the Eurocheque network, which is spread throughout Western Europe, is expanding eastward. Both Hungary and Czechoslovakia are to begin using the common format bank checks, and the Soviet Union is expected to follow suit later this year.

... cooperation between police authorities is an essential key to full freedom of movement for EC citizens between member states. Now, the police officers themselves are starting to get together. Police labor unions in the six Mediterranean member states have formed a European grouping to protect their rights and they are hoping their colleagues in the other six countries will join them.

... a Consumer Policy Service has been set up by the EC Commission in Brussels to ensure that consumer protection keeps pace with the increasing variety of goods and services that will be offered to them as a result of the tumbling of trade barriers between the member states.

... railway companies in the EC and in neighboring Switzerland and Austria have come up with a plan for a vast network of high-speed trains that would begin to criss-cross Europe early next century. The plan could cost as much as \$ 100 billion and they propose it should be financed from public and private sources, as well as from the EC bud-

get, which already helps fund road building.

... a conference on "Europe 1992 : Impact on US firms doing business in Europe" will be held on April 17-18 at the Marriott Marquis Hotel, New York. It is being organized by Frost & Sullivan, 106 Fulton Street, New York, NY 10038-2786, tel. (212) 233.1080.

"QUOTES"

"It (1992) has the potential to go in a beneficial or detrimental way. It could be very beneficial if, in the process of breaking down internal barriers, it doesn't erect external barriers to the US, Japan and other non-European countries. It's up to us to manage the relationship properly so it goes the right way." Secretary of State James Baker.

"Certainly we have some worries as to whether 1992 will create obstacles for our trade with the Community. However, we must be prepared to overcome these obstacles." Yury Matveyevsky, Soviet diplomat.

"Businessmen will no longer have to adapt to a variety of

requirements to gain access to a multitude of individual markets (after 1992). American experience in a large-scale internal market should stand you in good stead." Gerhard Stoltenberg, German Finance Minister, speaking in Washington.

"I believe in Europe, I believe in 1992, and I believe that, in spite of the problems that exist, there is every reasonable chance that the Europeans will achieve all that they want to do... I've never used the words "Fortress Europe" and I'm not going to start now." Alfred Kingon, outgoing US Ambassador to the EC.

"A United States of Europe... is simply not on the agenda now,

nor will it be for the foreseeable future." Nigel Lawson, UK Chancellor of the Exchequer.

"It is difficult to imagine a truly unified market without a common currency. Even if this objective cannot be achieved by 1992, it is important to set in motion a dynamic process leading towards monetary union." French Prime Minister Michel Rocard.

"I have not the slightest doubt that before the end of this century there will be a single European currency. The path in that direction is already very clearly staked out and that is where the great majority of the EC member states intend going." Lord Cockfield, ex-EC Commissioner.

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