



COMMISSION
OF THE EUROPEAN
COMMUNITIES

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THE WEEK IN EUROPE

VAT impasse. Meeting in Luxembourg on Monday, EC Finance Ministers made an attempt to overcome a two year old impasse over Commission proposals for an alignment of national rates of Value Added Tax and Excise rates by 1993 by agreeing to abandon key provisions for revising VAT collection arrangements. These provisions asked for an end to the current system of zero-rating goods bound for export to other EC states in favour of levying VAT on all taxable goods sold, regardless of where in the Community they are to be sold. Thus in tax terms at least, the 12 EC states would become one. The Commission has agreed that switching from zero-rating to tax paid exports would provide the only means of scrapping checks on traders at borders without inviting fraud on a massive scale. However, the ministers endorsed a counter-proposal asking that the current zero-rating mechanisms are maintained "for a limited period", on the grounds that too little time is left to adapt to a new system. The Commissioner for tax policy, Christiane Scrivener, warned the ministers of the dangers of fraud and of imposing higher costs on industry. The Finance Ministers also disagreed about when and how to abolish the present system of duty free allowances given to travellers when they cross EC frontiers. Denmark, Ireland and Belgium, in particular, fear a vast loss of revenue to the low-rate neighbour countries if these allowances are abandoned. After Monday's meeting of Finance Ministers, its chairman Pierre Berégovoy of France, admitted that the Governments' unanimous preference for maintaining the present system was a compromise, but at least it represented the first time all Twelve had been able to agree on an element of indirect tax harmonisation.

"Substantial progress" on mergers regulation. The Internal Market Council, meeting in Luxembourg on Tuesday, has made substantial progress on the merger regulation but the fundamental question of future revision of the threshold still remains unresolved. This will be dealt with at the Council meeting of 23 November, together with the questions of Commission powers below the 5bn ECU (£3.5B) threshold. The countries still with reservations on these points are the UK, Luxembourg and the FRG. Agreement was reached on the criteria to be applied by the Commission in assessing mergers above 5bn ECU. The formula agreed would reflect the main elements of Article 85(3) of the Treaty of Rome, based clearly on competition policy considerations while taking into account technical and economic progress provided this was to the consumers' benefit and did not impede competition in the product concerned. The Council also agreed a working text which would allow the Commission to authorise Member States to examine large mergers in certain specific circumstances where competition was affected in a local or national market. This satisfied the FRG which had demanded the right for a Member State to intervene in specific circumstances after a positive decision by the Commission. However there remained different viewpoints over how far the Commission could intervene at the request of a Member State or on its own initiative for mergers below the threshold. Some Member States, including the UK and FRG, are reluctant to agree such a possibility on the Commission's own initiative whereas others, such as Italy, Holland and Belgium, insist on the need for a such a provision.

EIB loan for UK paper company. Shotton Paper Company's integrated pulp and newsprint factory near Wrexham, Clwyd, is to be given a major boost with a £20 million loan from the European Investment Bank which will double its newsprint production to 400,000 tonnes a year. As well as using wood from UK forests, the project will also use up to 150,000 tonnes a year of recycled waste paper. Situated in an assisted area, the expansion will create about 150 new jobs. The EIB advanced £17 million in 1985 for the construction of the factory. This loan brings to £543 million the total of EIB finance for capital investment in the UK so far this year.

UK ordered to lift fishery restriction. The UK government was ordered by the Court of Justice on Tuesday to suspend part of a law aimed at protecting the UK fishing fleet from Spanish boats. The Commission had asked the Court to restrain the UK from applying new nationality requirements laid down in section 14 of the 1988 Merchant Shipping Act. These came into force at the beginning of April this year and stated that any boat wishing to join a new British Fishing Vessel register had to be at least 75% owned by British nationals. The Court order - which is an injunction pending the main hearing - found that there was a prima facie case to answer in respect of the right of establishment and the right to participate in the capital of companies as enshrined in the Treaty of Rome.

EIB loans for Poland and Hungary guaranteed. EC Finance Ministers on Monday took the formal decision to guarantee European Investment Bank loans for Poland and Hungary. The first loans from the EIB are likely to be targeted on infrastructure and industrial projects.

ERDF grant for Ulster. As part of the UK allocation from the European Regional Development Fund, a grant of 3 MECU (£2m) has been made to an as yet unnamed pharmaceutical company in Northern Ireland. The grant will help preserve more than 250 jobs.

Nike Prize 1990. The aim of this biennial award is to give public recognition to TV programmes which contribute to an understanding of the position of women in society. In 1990 there will be three awards for a factual, fiction/entertainment, and a children's programme. The award ceremony will take place in Athens on 9 November 1990. Details from Service Information Femmes, Commission of the European Communities, rue de la Loi 200, 1049 Brussels, Belgium.

Conference and Diary Dates

Commissioner Vasso Papandreou, briefing on Social Policy. 11.00 17 October at 8 Storey's Gate.

Foreign Ministers (informal)	14-15 October	Chateau d'Esclimont
Transport Council	16 October	Luxembourg
Research Council	17 October	Luxembourg
ECO/SOC Plenary Session	18-19 October	Brussels
Agriculture Council	23-24 October	Luxembourg
4th ACP/EEC Ministerial Session	27-29 October	Luxembourg
Agriculture Ministers (informal)	29-31 October	Beaune
Energy Council	30 October	Luxembourg
Social Affairs Council	30 October	Luxembourg

Our next briefing will be on Thursday, 19 October at 11.30 am.