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frontier-free EUROPE

From *Target 92'* to *Frontier-free Europe*

■ by Colette Flesch, Director-General for Audiovisual Media, Information, Communication and Culture of the European Commission

For the last five years the aim of our monthly newsletter, *Target '92*, has been to keep economic operators, and small and medium-sized businesses in particular, informed of the aims and practical effects of the emergent single market.

A single market for all businesses: It was our ambition — and it still is — to be of service to the very large number of businesses of human dimensions which the Community wants to see participating fully in the benefits and opportunities of a frontier-free Europe. Small and medium-sized enterprises (SMEs) form a particularly important feature of the European economic tissue. It would be a mistake to limit the benefits of the single market only to large companies, whether national or multinational. In future, SMEs will find some of their customers, as well as numerous cooperation possibilities, outside their national borders. Without them a frontier-free Europe, needless to say, would be artificial and incomplete.

Five years of providing information: So that SMEs might be better informed, *Target '92* has published, over the last five years, numerous editorials, background articles, statistical analyses and news about the preparations for and birth of the single market.

Our pages have enabled members of the European Commission and others in positions of responsibility to outline Community action in a series of areas linked to the creation of the single market.

The background texts and 'key figures' have provided an opportunity to present an overview of such important issues as the impact of the Treaty of Maastricht, customs and fiscal problems, and the growing importance of service industries in the European economy.

Finally, through the remaining articles, which have been kept short on purpose, we have tried to sum up, month after month, the situation as regards the preparations for the single market: initiatives taken at the Community, national, regional and professional levels, and the decisions of European bodies and actions taken in favour of SMEs.

A continuing effort: Virtually all the Community decisions needed for the completion of the single market have now been taken. But this is not to say that the task of *Target '92* is over. The single market must hereafter be operational. It is now up to each of the Twelve to implement the decisions taken at Community level. As economic operators know only too well, there is work to be done, links to be established and gaps to be filled before regulations aimed at creating a single market actually result in a single market.

It is up to Europeans, and to companies in particular, to meet the challenge and take advantage of these new opportunities. Neither directives nor regulations will create the single market, which will become a living reality only if it is taken in hand by economic operators and implemented day after day.

Our newsletter, in other words, continues to play a role, even if it will no longer appear under its present title, *Target '92*. Our goal remaining unchanged, we believe the new title — *Frontier-free Europe* — expresses it more faithfully.

It is in the name of this Europe that, on the eve of a new year, I would like to send all our readers a message of work, prosperity and hope.

1
JANUARY 1993
The text of this issue was completed on 12 December 1992.

DECISIONS

■ Opening up financial markets

In the single European market investors will soon be able to turn to a broker or investment firm in any European Community country they like in order to buy or sell stocks and bonds on financial markets anywhere in the Community. EC ministers reached agreement on 23 November on a Directive ('European law') which will allow investment firms in one EC country to offer securities in all the other Member States. They will have to meet one condition, however: they will have to be authorized to engage in this activity in their own Member State. What the new Directive, which must come before the European Parliament before it can be adopted definitively, does is to harmonize the necessary criteria for obtaining such authorization. Investment firms will thus have access to all EC markets, including regulated markets, on condition that they respect the rules. Finally, the Directive sets out the general principles which investment firms will have to follow in their relations with their clients.

■ Exclusive rights for authors, composers, etc.

Authors, composers, musicians and producers — of records or films — will have the last word when it comes to the use to be made of their works, thanks to a Directive ('European law') which EC ministers adopted definitively on 19 November. The Directive gives them the exclusive right to authorize — or withhold authorization — for the rental or loan of their works throughout the European Community. This measure will enable the fight against piracy to be conducted more effectively, particularly in the audiovisual field. The Directive approximates the national laws of the Member States as regards the reproduction, distribution and broadcasting of works for radio and television, for the authors themselves as for radio and television companies.

■ Using airports more efficiently

EC ministers adopted on 8 December a Regulation ('European law') which seeks to guarantee a more equitable distribution of airport slots among airlines. The aim is to prevent the opening-up of air transport to competition from being balked because of congestion at airports. On 1 January a set of European rules came into force which in principle allow Community carriers to operate flights linking EC countries. But various Community airports — including some of the most important — are congested, which does not make the arrival of new airlines any easier. The new European Regulation, which has yet to be adopted definitively, sets out the principle that an airline which uses a slot for less than 80% of the time loses it. Newcomers will be able to take up half the slots which thus become available. The Regulation defines a newcomer as a carrier with fewer than four slots in an airport and wanting a slot on a flight operated by fewer than three carriers.

■ Maritime cabotage from 1 January 1993

Since 1 January ships from all European Community countries can carry passengers and freight between two or more ports within another Member State. Thus, a British freighter can pick up cargo in the French port of Calais for delivery to another French port — say Marseilles. This possibility, known as maritime cabotage was opened up by a Regulation ('European law') which was adopted definitively by EC ministers on 8 December. However, such cabotage exists without restrictions only in the north of the Community. In the Mediterranean and along the Spanish, French and Portuguese coasts the Regulation will apply only from 1 January 1995 to cruise liners; from 1 January 1997 to the transport of oil and oil products and drinking water; from 1 January 1998 to the services offered by vessels of less than 650 gross tonnes (GT) and from 1 January 1999 to regular passenger and ferry services. Cabotage will be liberalized only from 1 January 1999 as regards island cabotage in the Mediterranean and cabotage with regard to the Canary Islands, the Azores, Madeira, Ceuta and Melilla, the French islands along the Atlantic Coast and the French overseas departments. In Greece, cabotage will be liberalized only from 1 January 2004 for regular passenger and ferry services and services provided by vessels of less than 650 GT.

RELAUNCHED IN EDINBURGH

More than ECU 30 billion: this is the level which the European Community's support for relaunching the economy could reach in a few years' time, as a result of the decision taken by the Member States' Heads of State or Government at their meeting in Edinburgh on 12 December. What is involved is notably a new ECU 5 billion loan instrument (ECU 1 = UK£ 0.81 or IR£ 0.75), which will serve to speed up the financing of infrastructure projects in the fields of transport, energy and telecommunications; an ECU 2 billion European Investment Fund, to guarantee public or private projects for up to ECU 20 billion; and an ECU 15 billion Cohesion Fund which will finance, between 1993 and 1999, infrastructure projects as well as projects aimed at improving the environment in the four EC countries which are the least well off (Ireland, Greece, Spain and Portugal). Over the same period problem regions and social groups in the Community will receive ECU 176 billion in all of Community aid with a view to reducing disparities; this is nearly twice as much each year as during the years 1988 to 1992. This aid is one of the elements of an agreement among the Twelve on financing the Community until 1999. As for **checks at the EC's internal borders**, they have disappeared in principle since 1 January 1993 as regards goods traffic: the Twelve gave an undertaking to this effect. Checks on individuals will be eliminated during the course of this year as regards the countries that have signed the Schengen Agreements — Belgium, France, Germany, Greece, Italy, Luxembourg, the Netherlands, Spain and Portugal. Britain, Denmark and Ireland announced, in Edinburgh, steps in this direction, which should be the prelude to complete freedom of movement for people.

■ ECU 2 000 million to fight unemployment

During 1993 nine European Community countries will receive a total of ECU 2 120 million (ECU 1 = UK£ 0.81 or IR£ 0.75) from the EC budget to help them fight long-term unemployment and the underemployment of young people in certain of their regions. This sum is the EC's contribution to national job creation programmes approved by the European Community on 12 November. The regions which will benefit from it are those which do not receive aid under the EC programme for regions that are lagging behind economically: Britain; Belgium; West Germany; Denmark; central, northern and eastern Spain; continental France; northern and central Italy; Luxembourg; and the Netherlands. This aid will be used mainly to finance vocational training. Those who have been unemployed for two years or more and the victims of the single market, particularly customs and forwarding agents and their employees, will have priority this year.

■ Court rules against telecom monopolies

The 1990 European Commission Directive ('European law') banning national monopolies in the field of telecommunication services will remain in force on the whole. On 17 November the European Court of Justice ruled against the governments of Belgium, France, Italy and Spain, which had claimed that the Directive in question amounted to an abuse of power by the Commission. The Court held that the Commission had the right to seek, through a directive, the elimination of the exclusive rights, granted by the States, for the supply of telecommunication services other than standard telephone services. However, the judges also held that 'special rights' should not be affected, given that the Directive did

ANSWERS TO SOME QUESTIONS ABOUT ECONOMIC AND MONETARY UNION (EMU)

What is the supposed gain from joining the EMU?

Economic and monetary union will deeply affect the workings of the Community economy and even have repercussions on the management of the world economy. Some effects will be direct; others will be conditional on the responses of governments as well as private agents. Because of the complexity of the impact of economic and monetary union, no aggregate estimate of its net benefits can be calculated (unlike the 'Cecchini Report' for the internal market). But an extensive analysis of the Commission services,[1] with contributions from independent experts,[2] has identified the major benefits and potential costs.
In the following, monetary union is understood as the introduction of a single currency, the ecu, throughout the fully participating Member States. This is the approach chosen in the Treaty of Maastricht. Furthermore, net benefits are clearly highest with a single currency.

Efficiency and growth

The replacement of different national currencies with a single European currency eliminates the costs presently associated with converting one currency into another: exchange margins and commission fees paid to banks disappear. 'In-house' costs for companies to cope with the complexity of multi-currency operations are also eliminated. Small, open Member States, the less-developed Member States and small and medium-sized enterprises throughout the Community will benefit most from these cost reductions. But also the travelling citizen can expect considerable savings; today a traveller touring all Community countries and exchanging his cash in each Member State for the local currency would lose nearly half his budget only because of the exchange costs. Total savings in exchange costs both for business and the private sector are estimated at more than ECU 15 billion per year or 0.4 % of Community GDP, which is more than the 'Cecchini Report' estimate of the gains from the elimination of border formalities in the internal market.
Monetary union will also make the European banking system more efficient. Today a bank transfer of an amount equivalent to ECU 100 from one Member State to another costs on average more than 12 % and takes generally five working days. In the USA, however, for a bank transfer coast-to-coast there is a fixed fee of 20 to 50 US cents and the delay is two working days. Again the savings would be particularly valuable to small and medium-sized enterprises.
A single currency will furthermore eliminate the remaining exchange-rate fluctuations among the Community currencies and thus reduce the exchange-rate risk for companies trading or investing across the Community. It is likely that the reduced uncertainty for Community enterprises will stimulate considerably trade investment and thus economic growth. As business leaders expect a single currency to further strengthen the positive effects of the internal market, monetary union will improve the business climate in general which will again translate into higher investment and growth.

Price stability and budgetary discipline

In economic and monetary union there will be a single monetary policy under the sole responsibility of the European Central Bank (ECB). The primary objective of the ECB will be to ensure price stability. The ECB and its decision-makers will be fully independent of the Member States and of other Community institutions in order to meet this objective. Members of the monetary union can therefore expect to have a strong and stable currency. The advantages of a stable currency are less uncertainty and, in the longer run, lower unemployment.
National budgetary policies will in principle remain the responsibility of the national governments. But in economic union they will be conditioned by a new Community framework of incentives and constraints, generally conducive to macroeconomic discipline and stability. Economic and monetary union will bring valuable gains for many countries' national budgets through reductions in interest rates, as inflation and exchange risk premiums are eliminated.

The ecu as a world currency

Economic and monetary union will provide all fully participating Member States with a major international currency equal to the US dollar and the Japanese yen. Community banks and enterprises will thus be able to conduct more of their international business in their own currency. Moreover, the monetary authorities will be able to economize in external reserves and achieve gains as other central banks purchase ecus to diversify their holdings of foreign exchange. Economic and monetary union will also mean that the Community will be better placed, through its unity, to secure its interests in international coordination processes and negotiate for a balanced multipolar world monetary system.

Will the ecu definitively replace the national currency?

According to the Treaty of Maastricht, economic and monetary union within the Community in its third and final stage will be characterized by a single monetary policy under the sole responsibility of a newly created European Central Bank (ECB), at least for those Member States which fully participate. At the beginning of the third stage, the exchange-rate parities between the fully participating Member States will be irrevocably locked and the ecu will be rapidly introduced as their single currency.

[1] 'One market, one money. An evaluation of the potential benefits and costs of forming an economic and monetary union', *European Economy* No 44, October 1990, and Oxford University Press, 1992.
[2] 'The economics of EMU. Background studies for "One market, one money"', *European Economy* special edition No 1, 1991.

With the ratification of the Maastricht Treaty, the Member States — with the exception of Denmark and the United Kingdom — will have committed themselves irrevocably to the final stage of economic and monetary union, if they meet the necessary economic conditions. A first decision on the transition to the final stage will be taken before the end of 1996, and if no date for entry into the final stage has been set before the end of 1997, the third stage will start on 1 January 1999 with those Member States who meet the conditions. If there are Member States who do not initially meet the economic conditions, they will be granted a temporary derogation. Member States with a derogation will maintain their national currency under the responsibility of their national central banks. Their exchange rates with the ecu will still be adjustable.

The United Kingdom and Denmark are special cases in so far as these Member States have to take a separate decision at a later date whether they wish to participate in the third stage. If they so decide and meet the economic conditions, they will be part of monetary union, the single Community monetary policy and will introduce the single Community currency.

Having a single currency in the Community can be given different expressions without any economic consequence. Still, having different numerical amounts to express the same thing may also have disadvantages. Three questions arise:

(i) the ***design of notes and coins***: the ECB has the exclusive right to authorize the issue of bank-notes which need not look exactly the same, but should be sufficiently similar to be easily usable overall as they will have legal tender status throughout the Community. Coins may be issued by Member States subject to ECB approval as regards their volume and the Council has the faculty of only harmonizing the technical specifications;

(ii) the ***numerical expressions***: should they be the same? It is clearly more convenient that DM 1 would equal £ 1 which would equal ECU 1, but this is not strictly necessary, and has to be weighed against the psychological problems;

(iii) the ***name***: there is no particular reason to give the new unit the same name throughout the Community. A common sign and abbreviation for use in currency markets should be adopted, but the names could be different in the Member States.

How does currency trading affect our lives through the economy? (How is the economy affected by the exchange rate?)

The exchange rate is the price of a foreign currency in terms of the domestic currency. It affects the economy through a variety of channels.

Trade. The exchange rate influences, at least in the short run, the price of imports and exports relative to domestic production. Thus, a devaluation of the exchange rate should, under normal circumstances, improve the trade balance, as exports become cheaper in foreign currency terms and imports more expensive on the domestic markets. Thus, exports would be facilitated and imports made less attractive. The higher import prices will, however, push up the costs of living, trigger higher wage claims and thus fuel inflation. The improvement in the trade balance may therefore be short-lived, whereas the higher inflation will be difficult to contain.

Travel. The role of an exchange rate is particularly obvious in travel. There the exchange rate influences the purchasing power of the domestic currency in terms of foreign goods and services. A devaluation of the domestic currency would make travelling more expensive and would therefore tend to discourage it. The current account would improve, at least temporarily.

Foreign investment. The exchange rate also translates the price of foreign assets into domestic currency and of domestic assets into foreign currency. Here, the expectations concerning potential changes in the exchange rate are important; if, for example, potential foreign investors expect a devaluation of the currency they plan to invest in, assets in that currency will have to offer a higher interest rate to attract their investment.

In the third and final stage of economic and monetary union exchange rates among the fully participating Member States will be irrevocably fixed and a single currency, the ecu, will be rapidly introduced. The external value of the ecu towards third currencies, for example the US dollar or the Japanese yen, will remain flexible and will function for the Community as a whole as described above. But between fully participating Member States there will no longer be an exchange rate. This will put those Member States from a monetary point of view in a similar position as regions are today within a Member State: there is, for example, no exchange rate between Bavaria and Baden-Württemberg, both German *Länder* use the same currency.

The implications of the absence of an adjustable exchange rate between Member States can be discussed again with reference to trade, travel and foreign investment.

Trade. Without an adjustable exchange rate, a devaluation can no longer be used to stimulate exports across the board. This may be a problem, if a Member State suffers from an adverse shock which is not affecting other Member States (if all Member States were equally affected, they could still use their common exchange rate towards third countries). To redress the balance, the Member State would have to fundamentally improve its competitiveness: the productivity of its physical and human capital would have to be increased, wages and non-wage labour costs would have to react more flexibly to the changing circumstances. Such 'real' adjustments are more difficult to obtain than a devaluation. But they are inevitable, as a devaluation provides only a temporary reprieve. Furthermore, the inflationary effect of a devaluation would be avoided.

Travel. The impact on travel will be similar: without the possibility of exchange-rate adjustments, deteriorating relative performances of the tourist industries of certain regions and Member States will immediately be felt by travellers and induce them to change their destinations. The result will be felt in the regions or Member States concerned as losses in income and employment. Fundamental improvements will be required in quality and price to regain a competitive position.

Foreign investment. With credibly fixed exchange rates, the interest rates for similar assets will equalize across all Member States which participate fully in monetary union. Member States which today have to offer higher interest rates on their public debt because of persistent expectations of a devaluation of their currency can expect from EMU to see their interest rates decline and thus their debt servicing burden reduced.

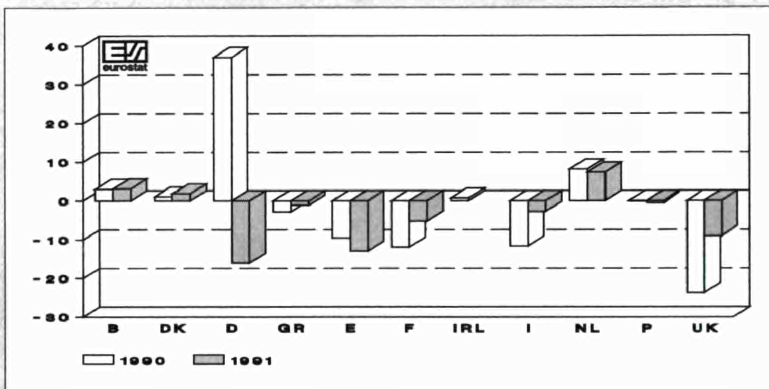
Source: Commission of the European Communities, Directorate-General for Audiovisual Media, Information, Communication and Culture — Single Market Unit.

eurostat
Key figures
Statistical Office of the European Communities, L-2920 Luxembourg, Tel. 4301-34567

The major economic balances

External accounts

Balance of payments results (current account, in billion ecus) for 1990 and 1991 (Germany, frontiers prior to 3 October 1990)



In 1991, seven Member States had an external trade deficit on current account.

Germany had a spectacular reversal from a surplus of ECU 37.1 billion in 1990 to a deficit of 16 billion in 1991. The deficit was particularly severe in the 1991 invisible trade account (especially the travel figures).

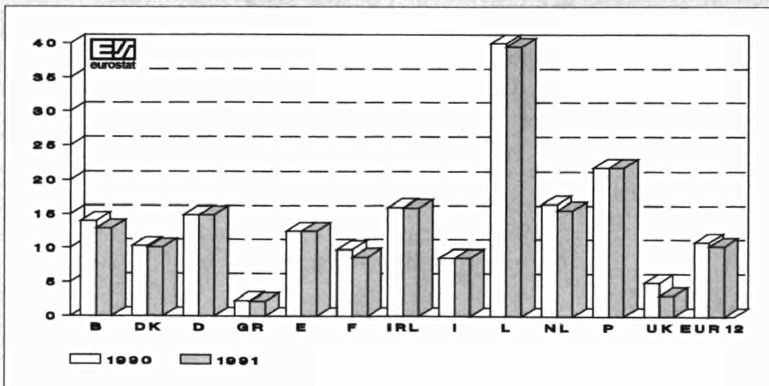
All the countries with a deficit in 1990 (except Portugal) saw an improvement in their situation.

Balance of payments results (in billion ecus)

	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK
1990	3.0	1.0	37.1	–2.8	–9.5	–11.9	0.7	–11.6	8.2	–0.1	–23.7
1991	3.1	1.8	–16.0	–1.1	–12.9	–5.2		–17.1	7.4	–0.5	–9.0

Saving in the national economies

Net national saving, as a percentage of net national disposable income, for 1990 and 1991 (Germany, frontiers prior to 3 October 1990)



Rates of national saving vary considerably from one Member State to another.

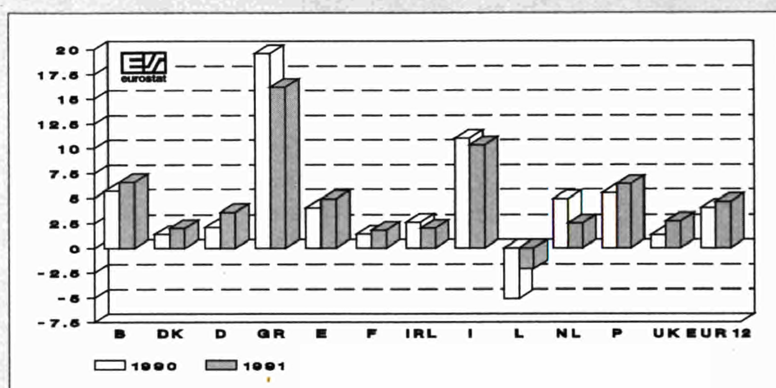
At Community level the average saving rate is 10% of income, with a slight decline between 1990 and 1991. The most significant decline was in the United Kingdom. The rate is lowest in Greece: 2.2% of its net national disposable income.

The abnormal figures for Luxembourg are due to its role as an international financial centre. Otherwise, Portugal has the highest rate of saving, followed by the Netherlands and Ireland.

Net national saving, as a percentage of net national disposable income

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12
1990	14.0	10.3	14.9	2.3	12.5	9.8	16.0	8.6	40.0	16.5	21.9	5.0	10.9
1991	12.9	10.1	14.9	2.2	12.5	8.7	15.9	8.6	39.5	15.6	21.9	3.1	10.3

The public deficit, as a percentage of GDP, 1990 and 1991 (Germany, frontiers prior to 3 October 1990) 1991: forecasts



The Member States' budgets

With the exception of Luxembourg, all Member States had a budget deficit.

Compared with Member States' GDP, the level of deficit and the change from 1990 to 1991 vary considerably.

In Greece, the deficit fell from 19.6 to 16.2% of GDP. The Netherlands also recorded a significant decline of 2.4 %.

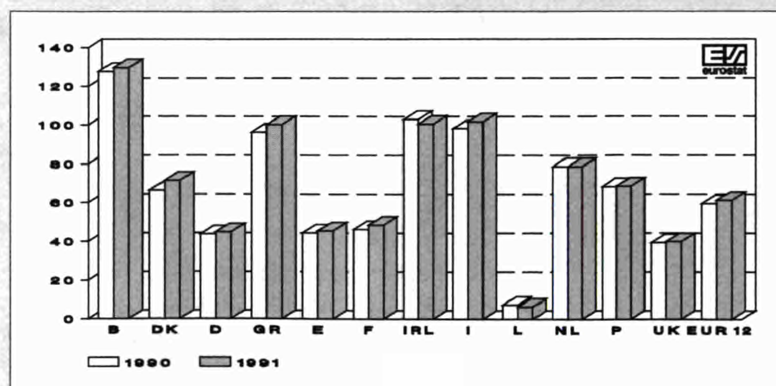
Luxembourg's budget surplus fell by 3 %.

At Community level, the cumulative balance of the Member States' budgets moved from a deficit of 4% to a deficit of 4.5% of Community GDP.

Public deficit as a percentage of GDP

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12
1990	5.7	1.4	3.6	19.6	4.0	1.4	2.6	11.0	–5.1	4.9	5.5	1.3	4.0
1991	6.6	2.0	3.2	16.2	4.9	1.8	2.0	10.3	–2.1	2.5	6.4	2.7	4.5

Gross public debt as a percentage of GDP, 1990 and 1991 (Germany: with frontiers prior to 3 October 1990) 1991: forecasts



Public debt of Member States

At Community level, the cumulative debt rose from 59.9 to 61.3% of GDP.

Seven Member States had a debt higher than the Community average for the two years under study.

The record debt was held by Belgium, with 129.6% of its GDP in 1991, 2,1 % higher than in 1990, followed by Greece with 100.2%, representing an increase of 3,9 %.

Only Luxembourg had a decline in debt compared with GDP. It is also the country with the smallest debt in the Community (6.3% in 1991).

Gross public debt, as a percentage of GDP

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12
1990	127.5	66.5	43.8	96.3	44.5	46.4	102.9	98.2	7.3	78.7	68.4	39.4	59.9
1991	129.6	71.6	44.9	100.2	45.6	48.7	100.5	101.7	6.3	78.7	68.6	40.0	61.3

not define them precisely. The Court also rejected the right of users to cancel contracts already concluded for supplies from telecoms subject to exclusive rights. The European Court had already reacted in the same way as regards the 1988 Commission Directive on telecom terminals.

☐ EC ministers adopted definitively on 3 December the Directive on the **health and safety of workers in mines and quarries.**

☐ In the absence of border checks other forms of control are necessary in the European Community. In the case of **animals in intra-Community trade,** these controls take the form of identification marks and registration, which makes it possible to trace them to the holding of origin. This system was adopted by EC ministers on 27 November, in the Directive aimed at controlling trade in animals between Member States from a sanitary viewpoint.

INITIATIVES

● The Commission and the Twelve

The European Commission and the European Community's 12 Member States share responsibility for the proper operation of the single market, according to the European Commission. Its viewpoint is set out in its initial response to the report on the working of the single market, which was presented at the end of October by a group of independent experts, chaired by the former European Commissioner, Peter Sutherland (see *Target '92,* No 10/92). In its reply on 2 December the Commission declared its readiness to accept its responsibilities. It announced that it will publish annually a report on the single market. But it also maintained that the Twelve must improve their national administrations, notably through increased computerization and the training of civil servants. The Twelve must also do more to keep public opinion informed of the measures they take to implement Community legislation. At the same time, national courts must ensure the concrete implementation of this legislation. The Commission, for its part, has already set up a 'crisis cell', with the competent authorities in the 12 Member States, to ensure the proper working of the single market in those sectors for which there is no Community legislation, such as counterfeiting.

● A single market for cars

At the end of last year the European Commission had to intervene a number of times in order to end practices which led to the European Community market for motor vehicles being fragmented into separate, national markets. The information was given by Commission Vice-President Sir Leon Brittan on 24 November. He cited a number of cases, including that of Citroën Belgium, which limited the benefits of its promotional prices to 'national' customers and of Alfa Romeo Belgium-Luxembourg, which reduced dealers' margins in the event of sales to customers resident in other EC countries. Sir Leon also mentioned the case of dealers who refused to implement the manufacturer's guarantee when cars had been purchased in another country. On a related subject, Sir Leon noted that in response to his demands of last May, most motor manufacturers had informed him that they would be telling their dealers in writing that they could sell freely to customers from anywhere in the EC. In addition, the Commission and manufacturers were trying to finalize a simple procedure which would allow consumers to compare car prices on a Community-wide basis. The fact is that prices for the same make and model of car still seem to vary a great deal from one EC country to another, according to a study carried out a year ago for the Commission by the European Consumers' Organization (BEUC) and published on 24 November. These differences can be as much as 40%, according to BEUC. What is more, it points out, the procedures governing the purchase of a car in another country remain long and costly, and the obstacles as numerous as ever.

● No European company tax

The Twelve, like the European Commission, reject the idea of a minimum 'European' rate of company taxation. The guidelines adopted by the European Community's Finance and Economy Ministers on 23 November stipulate that 'the actions of the Community as regards company taxation should be limited to what is strictly necessary for the harmonious working of the single market'. The Ministers take the view that it is necessary to put an end to the double taxation of sums which are transferred from one EC country to another, even while insisting that they should be effectively taxed once.

● Greater clarity

Hereafter the European Commission will present its annual work programme in October, some two months at least before the start of the year in question. To this end it will select important proposals for EC legislation, and consult the maximum number of persons and organizations as regards their contents. These are just some of the measures the Commission announced on 2 December. The aim is to publicize its work more effectively, especially among those who follow the Community's activities for professional reasons. In addition, the Commission will make greater use of Green Papers when drafting new proposals. The Commission also plans to speed up the codification of Community legislation dealing with the same subject.

● Keeping up with lobbies

Some 3 000 pressure groups or lobbies, employing roughly 10 000 people, operate in Brussels. They represent the most varied interests and work hard to convince the European Commission, the EC Council of Ministers and the European Parliament of the justice of their causes. On 2 December the European Commission announced the preparation of a yearbook devoted to these lobbies and of a database, to be compiled jointly with the European Parliament. The Commission would like to know these groups better, in order to be able to associate them more effectively with the preparation of Community legislation, and in order to incite them to adopt a code of good conduct.

SEEN FROM ABROAD

▶ The Swiss say 'No' to Europe

On 6 December the Swiss voted against their country's participation in the European Economic Area (EEA) in a nation-wide referendum. Opponents of Swiss membership of the EEA obtained 50.3% of the votes cast and were in a majority in 18 of the 26 cantons. The EEA Treaty, which would create an 18-nation grouping (the European Community and Austria, Finland, Iceland, Liechtenstein, Norway, Sweden and Switzerland), was concluded between the Community and the countries of the European Free Trade Association (EFTA). It has already been ratified by Austria, Finland, Norway, Sweden and . . . the Swiss Parliament. The countries concerned are expected to meet to find a way of enabling the EEA to come into operation without Swiss participation.

▷ On 25 November Norway's Ambassador to the European Communities, Eivinn Berg, presented to the British presidency his country's application for EC membership.

SMEs

◆ VAT: a computerized system of help to enterprises

Since last November a computerized system for exchanging information on VAT is in operation throughout the 12-nation European Community. It has been introduced primarily in order to enable tax authorities in the EC countries to check on whether VAT has been paid on goods traded between firms located in different countries, once border checks have been eliminated. But the firms themselves will find the system very useful, because it allows them to check on a firm, based in another EC country, with whom they are doing business for the first time.

The fact is that in the single European market all who are registered for VAT in their own country have a VAT identification number for their trade with firms based in other Member States. When they sell goods to such firms, their sales are exclusive of VAT. The seller asks the buyer for his 'European' VAT number, and he periodically sends his own tax authorities a statement showing his total sales to each business client, along with the corresponding VAT numers. A sale to a private individual in another EC country is always inclusive of VAT.

Firms have every reason, therefore, to make sure that their clients in other member countries are registered for VAT and that the number they have been given is correct. Firms can check this out very quickly by contacting their own tax authorities, by telephone, fax or even turning up in person. The European computerized system for its part acts as the link between the 12 national administrations, on a basis of full confidentiality: only the tax authorities have direct access to the system.

◆ VAT: reducing the burden for SMEs

The elimination of fiscal frontiers on 1 January 1993 will bring about far-reaching changes, which will make life easier for businesses in general and for SMEs in particular. All customs documents and checks on goods at the Community's internal frontiers will be ended. Fiscal checks on trade between member countries will be carried out afterwards, on the basis of the usual commercial documents, such as bills and quarterly VAT statements, which will have to be kept at the disposal of national tax authorities. As regards SMEs, Community legislation dispenses with the listing, or recapitulative statement, in the case of firms with a turnover of less than ECU 70 000, and gives each country the possibility of allowing firms with an annual turnover of less than ECU 200 000 to establish a listing less often than every quarter. The elimination of fiscal borders will mean savings for businesses. This is because an end to checks at the EC's internal borders will also mean an end each year to some 50 to 60 million 'single administrative documents'. This reduction in administrative costs will enable businesses to save the ECU 70 on average that each delivery to an EC country other than their own costs them.

◆ Cross-border cooperation: an asset

In order to remain competitive, numerous enterprises must enter into cooperation agreements outside the borders of their own country, modernize their management and vocational training methods, invest in new markets — in a word, be more active in the process of Europeanization and internationalization. This was the European Commission's message to SMEs, during the first annual conference of members of the business cooperation centre, which was held in Brussels on 5 and 6 November. Created in 1973, the BCC is the first instrument introduced by the Commission in order to help SMEs looking for partners in another country. Its aim is to stimulate and support a non-confidential search for commercial, technical or financial cooperation between small and medium-sized enterprises. It operates through a vast network of 340 local correspondents, public or private bodies specializing in advising SMEs. The centre's present network of correspondents enables it to contact firms in the 12 European Community countries as well as in 36 other countries, in Central and Eastern Europe in particular.

◆ BC-Net: the network extends to Hungary

Hungary has followed the example of Poland and Czechoslovakia, and since 25 November it is part of the business cooperation network — BC-Net. Three Hungarian bodies — HIT Investcenter Tradeinform, the Hungarian Chamber of Commerce, and Commercial and Credit Bank Ltd — now participate in the network of 600 business consultants and other intermediaries, who together cover the European Community, the countries of the European Free Trade Association and numerous other countries. BC-Net is currently present in 34 countries outside the Community. In relation to the business cooperation centre, which is directly accessible to firms seeking a non-confidential cooperation, BC-Net is characterized by two essential features: its confidential nature and the obligation to use the services of a business consultant. The identity of a firm is effectively known only to its consultant, who only reveals it when he believes it is in his client's interest to do so — and even then with the agreement of the latter. Since it was launched in 1988 BC-Net has handled more than 65 000 requests for cooperation (financial, technical or commercial), addressed to it from all sectors of the manufacturing and service industries.

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