EUROPEAN COMMISSION
Directorate-General 'Information, Communication, Culture and Audiovisual Media'

Monthly newsletter
ISSN 1021-2353

frontier-free EUROPE

An integrated programme to mobilize the growth and employment potential of SMEs

■ by Raniero Vanni d'Archirafi, Member of the European Commission

The threefold problem of growth, competitiveness and employment is at the heart of the European Union's priorities. However, there is unanimity today on the vital role that small and medium-sized enterprises (SMEs) must play in helping resolve it.

Why an integrated programme? If the role of SMEs as a source of employment is above all a matter for the SMEs themselves, all EU countries nevertheless have undertaken numerous activities so as to remedy their main weaknesses, which are likely to curb their dynamism because of their small size. The Member States have put into place the instruments which correspond to the variety of situations encountered in the field, but without first defining, in a manner that is coherent and takes advantage of synergies, an overall strategy tied to macroeconomic priorities.

At the Community level, the action programme in the field of business policy, adopted on 14 June 1993, continues with the consolidation of this policy. Its main objective is the integration of SMEs in the internal market, particularly by encouraging the Europeanization of businesses, a valid goal in relation to the 'growth' objective. Next, in order to meet the problem of the financing of SMEs, loans at subsidized rates of interest will be introduced (ECU 1 billion, with a 2% interest-rate subsidy).

However, to the priority given to 'growth' there has been added another priority — 'employment' — in a context in which most of the measures which effect the job-creating potential of SMEs are invariably national in origin. The European Union so far has supported these measures in the framework of structural policies. It will continue to do so, notably because of the new Community initiative, endowed with ECU 1 billion in favour of SMEs recently decided on by the Commission. However, given their inevitable focus on the most disadvantaged regions, these initiatives cannot mobilize the full job-creating potential of SMEs.

To achieve this, it is important to attain a critical mass in the implementation of business policy at all levels. This requires, above all, the positive commitment of the Member States, regions and all those concerned with the development of SMEs. Thanks to an integrated programme in favour of SMEs and the craft sector, it is therefore a matter of presenting, in a general framework for action, an interdependent set of measures which, if adopted in a concerted manner, will make a significant contribution to solving the unemployment problem. It is also a matter of giving a higher profile to all existing measures, in order to make it easier for SMEs to take advantage of the opportunities being offered to them.

A new approach The integrated programme, which the Commission proposed at the end of May, gives concrete form to the objectives set out in the White Paper on growth, competitiveness and employment in the short as well as medium term. It seeks to bring together the various initiatives — existing as well as new ones — in order to attain a higher degree of convergence.

The main novelty of the approach which is being followed is that it seeks to encourage all the parties concerned to set out their actions in favour of SMEs in a framework which corresponds to the present economic and political context.

The integrated programme envisages two different kinds of action:

(i) measures designed to encourage mutual consultation and, if the need arises, coordination between Member States regarding the simplification of administrative formalities and national or regional policies of support for businesses; and

(ii) determination of the contribution which the European Union intends making to the development of businesses, as regards their legal and fiscal environment as well as certain direct support measures.

This programme is not intended to replace the various national or Community actions. The aim rather is to mobilize the various contributions and ensure their greater effectiveness by identifying and exchanging the best practices, on the one hand, and raising the profile of the activities conducted for the profit of businesses, on the other.

The European Union believes in the virtues of concerted action relative to purely national action, to the extent that the policy in favour of SMEs is part of the general economic policy, which itself is subject to concertation in the framework of the economic and monetary union. With the integrated programme, the principle of which was approved by the recent European Council in Corfu, we are going to start on the second generation of the European Union's business policy. It is a veritable 'pact for jobs' we plan to launch.

7
JULY/AUGUST
1994
The text of this issue was completed on 12 July 1994.

DECISIONS

■ Fresh funds for infrastructures and SMEs

Major projects for the development of transport, energy and telecommunications infrastructures, as well as investments in SMEs, will become possible thanks to a new European Investment Fund (EIF), operational since mid-June of this year. The EIF extends guarantees to projects designed to create jobs and stimulate economic activity. These guarantees should reach ECU 500 million (ECU 1 = UKL 0.78 or IRL 0.79) by the end of the year, and ECU 3 to 4 billion in the next three years. Set up by the Edinburgh European Council in December 1992, the EIF has a capital of ECU 2 billion of which 40% was subscribed by the European Investment Bank (EIB) on 25 May 1994. The Council of the European Union decided on 6 June 1994 that 30% of it would be provided from the Community budget. The remaining 30% is being put up by 58 commercial and public sector banks in the European Union. All the EIF's shareholders met on 14 June to set it up formally.

ELEVEN MAJOR TRANSPORT PROJECTS

Work on 11 transport projects, all of which are on a European scale, can begin between now and 1996, if it has not already begun, and be successfully completed without running the risk of becoming delayed for financial reasons. They include five high-speed rail links: Paris-Brussels-London/Cologne/Amsterdam; Verona-Munich, via the Brenner; Madrid-Barcelona-Perpignan-Montpellier and Madrid-Vitoria-Dax; Paris-Metz-Strasbourg-Karlsruhe/Saarbrücken-Mannheim/Luxembourg and Lyons-Turin. Also included are two rail links of the traditional kind: (1) Rotterdam-Rhineland-Ruhr for goods trains and (2) Cork-Dublin-Belfast-Larne-Stranraer between the two Irelands. The programme also includes two motorways: Patras-Greek-Bulgarian frontier in Greece and Lisbon-Valladolid. The last two projects concern the modernization of Milan's Malpensa airport and the construction of a fixed link between Denmark and Sweden. These major projects will make it easier to travel within the European Union, improve the operation of the single market and, in the short term, stimulate the economy and create jobs. At Corfu on 25 June, the EU Heads of State or Government declared that the projects had 'high priority'. They made a political commitment to see to their financing. They have thus followed the recommendations of the European Commission's White Paper on growth, competitiveness and employment.

■ Border-free training

Exchanges between European Union countries in the fields of education and vocational training will become more extensive and more numerous in the next five years. On 21 and 22 June the EU Council of Ministers adopted two programmes which bring together all European activities in these fields. The first of these, Socrates, which has a budget of ECU 760 million, deals with education: student and teacher exchanges in the framework of the Erasmus programme; cooperation between primary and secondary schools located in different countries — a novelty in the European context; the promotion of language teaching; the sharing of experiences between educational civil servants and, finally, the development of distance teaching, for both children and adults. The second European programme, Leonardo, covers vocational training, and has a budget of ECU 620 million. It will develop the activities undertaken in the context of the following programmes: Comett (exchanges between universities and businesses in the technological field); FORCE (continuing vocational training); PETRA (early youth training) and Eurotecnet (the use of new techniques in vocational training).

■ Agreement on European Works Councils

Very soon all those employed by multinational companies located in the European Union — with the exception of the United Kingdom — will be entitled to be kept informed and to be consulted as regards relocation and reorganization, for example. Such consultations will take place if at least 100 employees, or their representatives, in two Member States ask for them, and will be conducted through a European Works Council or some other mechanism agreed on by employers and employees. This system was adopted on 22 June in the form of a directive ('European law') by the EU Council of Ministers — minus the United Kingdom — under the Maastricht Agreement on social policy. The system will apply to companies, or groups of companies, with at least 1 000 employees within the 11 Member States in question, and with at least two undertakings, or companies, each employing at least 150 people, and located in two different countries. The new 'law' does not call into question existing consultation mechanisms. It gives concrete shape to an idea launched in 1970 in a European context.

■ Better protection for young workers

All Members States of the European Union must ban, in principle, work by young people under 15 years of age and children of school age. They must also — with the exception of the United Kingdom, which obtained a four-year derogation — limit the work done by adolescents under 18 years of age. The EU Council of Ministers adopted on 22 June a directive which will require most Member States to modify their legislation. The national authorities can nevertheless authorize children to engage in artistic, sporting or advertising activities and, as from the age of 14, to undertake light work or obtain in-plant work experience. In any case, children are banned from night-work between the hours of 8 p.m. and 6 a.m. and adolescents between the hours of 11 p.m. and 7 a.m. Working time is limited: during school hours, for example, it cannot exceed two hours per day and 12 hours per week. The directive also requires employers to follow special measures aimed at protecting the health and safety of young people.

□ BRIEFLY

The European Commission put ECU 11.85 billion at the disposal of the Member States of the European Union on 15 June, as **regional and social aid** for reaching objectives defined at the European level: cooperation between frontier regions; vocational training of young people, women and the disabled; the conversion of regions dependent on coal, steel, textiles and armaments; the adaptation of workers and SMEs to industrial change and the modernization of inner cities and regions dependent on the fishing industry.

To facilitate the operation of the internal market in foodstuffs, the European Union Council of Ministers adopted on 18 June **two directives which authorize the use of a number of sweeteners and colourings**, even while setting out the conditions under which they can be used in various foodstuffs.

The EU Council of Ministers decided on 24 June to improve the effectiveness of European programmes designed to **fight the diseases of animals** used in the preparation of foodstuffs. The aim is to improve the training of specialists and greatly increase the number of operations designed to eliminate diseases which present public health problems at the level of the single market.

Member States of the European Union will have to eliminate, by 1 July 1995 at the latest, all measures which discriminate between EU companies as regards **access to petroleum and natural gas deposits**. As a result, the prospection, exploration and production of hydrocarbons will be thrown open to European competition.

Owners of **yachts**, which meet the criteria set out in the directive adopted on 6 June by the EU Council of Ministers, will be able to sell them and put them into service without restrictions in the single market. The directive lays down the requirements as regards safety and environmental and consumer protection.

Fresh eggs will have to be delivered to consumers within 21 days at most after the date of laying. This requirement, which will apply throughout the ECU, was laid down by the EU Council of Ministers on 24 June, when it set out the specific health conditions for the marketing of eggs in the single market.

TRADE IN GOODS: AN IMPORTANT CHALLENGE FOR THE EUROPEAN UNION

The 'openness' of the European Union, as measured by total imports plus exports as a proportion of GDP (gross domestic product), was 17.4% in 1992, higher than that of the United States (15.7%) and Japan (14.3%).

In 1992, trade in goods by the European Union [1] represented 17% of world imports and 16% of total world exports, worth ECU 488 billion and ECU 436 billion respectively. The US share of world trade in goods was slightly less (14% of world imports and 12% of world exports). Japan's imports represented 6% of the world market and its exports 9%. Trade flows between the countries of EFTA (European Free Trade Association) totalled 5% of world imports and 6% of world exports.

Recent trends in the Union's external trade ...

The European Union's trade deficit with the rest of the world worsened between 1989 and 1991 to almost ECU 70 billion, before improving again to reach ECU 52 billion in 1992 and a mere ECU 14 billion in the first three quarters of 1993. The sharp deterioration in the balance of external trade in 1991 was the result of the increase in imports of manufactured goods to meet demand in the unified Germany: imports of transport equipment, clothes and shoes rose by a quarter between 1990 and 1991. In 1992 and 1993, a growing surplus in machinery, and especially transport equipment, played a central role in restoring the balance in extra-Community trade. Declining energy costs under the impact of lower oil prices boosted the recovery.

The EU's imports in volume terms increased sharply in 1990 and 1991 (by 5.7% and 6.9% respectively), supported by flows of manufactured goods and in 1991 by flows of energy products. Imports in volume terms levelled out in 1992 (0.8%), before falling back between January and September 1993 (by almost 5% compared with the same period in 1992).

The European Union's export volumes, which had fallen slightly in 1990 and 1991 (− 0.3% and − 0.2%) as a result of the Gulf War and German unification, grew by 1.3% in 1992 and by approximately 6% between January and September 1993. In 1992, exports were boosted by food products and chemicals. In the first nine months of 1993, the dollar-ecu and yen-ecu parities galvanized the European Union's exports in volume terms, particularly of manufactured goods.

The Union's terms of trade (that is, the ratio of import values to export values) rose by 3.7% in 1990 and 1.8% in 1991. The year 1992 saw a 4% rise, followed in the first three quarters of 1993 by a slight fall compared with the corresponding period in 1992. Falling prices for imported raw materials and energy products helped improve the terms of trade over this period, particularly in 1991. This improvement was tempered, however, by the downward trend in the terms of trade in manufactured goods in 1991. These rose slightly in 1992 before taking a turn for the worse again in the period from January to September 1993.

... and that of our main partners

Following an improvement in 1990 and 1991, when it fell to nearly ECU 70 billion, the US external trade deficit dipped in 1992 (to ECU 81 billion) and the first three quarters of 1993 (ECU 86 billion). The deterioration in 1992 can be explained by the fact that imports rose more sharply (by + 4.4%) than exports (+ 1.7%). The same phenomenon occurred in the first nine months of 1993 (+ 23% for imports as against + 13% for exports). Between the first three quarters of 1992 and the same period in 1993, the value of the dollar against the ecu rose by 10.7%.

Japan's surplus fell between 1988 and 1990 (from ECU 66 billion to ECU 41 billion), then rose again in 1991 to reach ECU 80 billion in 1992 (in the first three quarters of 1993 the surplus was ECU 75 billion). Japanese exports dropped by 10% in 1990, when the yen was 17% down against the ecu, compared with a 4% increase in imports. In 1991, the difference between the rate of growth of exports (13%) and imports was nine points; 1992 saw a 6% fall in exports while imports increased by 4%. In the first three quarters of 1993, the yen rose some 26% against the ecu: exports increased by 18% and imports by 14%.

Trade by the EFTA countries was in deficit in 1988 and 1989 to the tune of about ECU 5 billion, falling to a mere ECU 2 billion in 1990 and barely ECU 1 billion in 1991. Trade for 1992 showed a surplus of over ECU 5 billion. In 1990, exports from the EFTA countries rose by 2% while imports remained steady.

Geographic structure of EU trade by product

The European Union trades mainly with the industrialized nations. In 1992, imports into the Union from these countries reached 59% of extra-Union imports; exports stood at 55%. Since 1988, the industrialized nations'

[1] Excluding intra-Community trade.

share of Union trade has fallen, more sharply in the case of exports than imports. The redistribution has benefited the Central and East European countries and China in the case of imports, while the developing countries and the Central and East European countries have taken a greater share of exports.

Trade with the industrialized countries is mainly in manufactured goods (77% of imports and 84% of exports). Machinery and transport equipment head the list, representing 40% by value in 1992. Chemicals accounted for 9% of imports and 13% of exports in 1992.

EFTA is the Union's leading trading partner (23% of imports and 25% of exports), followed by the United States and Canada (approximately 20% of total flows) and Japan (11% of extra-Union imports, and 5% of exports). The Union is also the EFTA countries' biggest trading partner, for they conduct almost two thirds of their trade with Union States.

In 1992, 30% of the European Union's imports came from the developing countries. Almost half of this trade was made up of manufactured goods, originating for the most part in the newly industrialized countries (NICs) of Asia (Singapore, South Korea, Taiwan and Hong Kong) and to a lesser extent in Mediterranean countries. The Union imports mainly machinery, transport equipment and sundry manufactured goods from the Asian NICs (accounting for 10 and 9% of imports from developing countries). Flows of manufactured goods from the Mediterranean countries represent 13% in value terms of imports from developing countries.

Since 1990, imports of manufactured goods from the developing countries have risen at the expense of energy products and raw materials, representing 43% of imports from these countries in 1990, 46% in 1991 and 48% in 1992. The percentage of imports from the developing countries (in value terms) represented by energy products has been falling since 1990 as a result of declining oil prices in 1991 and accentuated in 1992 by the depreciation of the dollar against the ecu (31% in 1990, 30% in 1991 and 26.5% in 1992). In 1992, energy products represented 26.5% by value of Union imports from developing countries, and originated mainly in the OPEC countries. The percentage of food imports from the developing countries was close to 14%, while raw materials accounted for 6.5%.

In 1992, 35% of the Union's exports went to the developing countries. Of these, 83% were manufactured goods, of which half were machinery and transport equipment. Exports of manufactured goods increased at the expense of flows of foodstuffs exported to developing countries, which in 1992 represented 7% of Union exports to these countries. The breakdown in terms of products of Union exports to the various parts of the world shows little variation and remains close to the percentages set out above.

OPEC and the Mediterranean countries each have an almost 10% share of the Union's external trade.[2] Trade with the Asian newly industrialized countries accounts for 6% in value terms of the Union's trade, while trade with the Latin American and ACP countries (African, Caribbean and Pacific countries which have signed the Lomé Convention) accounts for 5 and 4% respectively.

Trade with the countries of Central and Eastern Europe has increased since 1990: in 1992 it represented almost 8% of the EU's external trade (6.5% in 1990). Energy products accounted for almost a quarter of imports from these countries, while one fifth was made up of trade in manufactured articles classified by materials. The share of energy products in imports from these countries is dropping while that of manufactured goods rises.

For 1992, three quarters of the Union's exports to the countries of Central and Eastern Europe were made up of manufactured goods, mainly machinery and transport equipment, and food products (15%).

China, which accounted for 1.6% of the EU's exports in 1992, is emerging as a new import partner. In 1988, 1.8% of the Union's imports came from China, compared with 3.4% in 1992, and 4% between January and September 1993. These imports were mainly manufactured goods — miscellaneous manufactured articles account for 56% of trade flows from China to the EU. China's share of Union exports remained steady between 1988 and 1992 (1.6%) but increased in the first nine months of 1993 to 2.4%.

Trade agreements between the European Union and its partners

The EC Treaty stipulates that the common commercial policy with regard to goods must be based on uniform principles within the Union, particularly in regard to common customs arrangements and the conclusion of common trade agreements with non-member countries.

The European Union subscribes to the fundamental principle of the General Agreement on Tariffs and Trade (GATT), namely that of the most favoured nation, whereby the GATT contracting parties apply the same treatment to imports from non-member countries.

Nevertheless, by virtue of other principles accepted by GATT covering the Generalized system of preferences, the Union affords preferential tariff treatment to groups of countries, including most of the developing countries. These countries do not receive uniform treatment: the ACP countries receive the most privileged treatment, followed by the Mediterranean countries, and lastly the other developing countries which benefit from a number of generalized tariff reductions.

At the moment, industrial goods and certain agricultural produce are traded free of duty between the EU and EFTA under the Free Trade Agreements signed in 1972. The Agreement setting up the European Economic Area, which came into force on 1 January 1994, introduces freedom of movement of goods, capital and persons between the Union and the EFTA countries (except Switzerland).

Since 1989, products originating in the Central and East European countries have been covered by the Generalized system of preferences, with one or two restrictions affecting textiles, agriculture, steel and coal. At the end of 1991, Association Agreements were signed with Hungary, Poland, the Czech Republic and Slovakia. These provide for the setting-up of a free trade area at the end of a 10-year transitional period. In January 1995, industrial goods originating in the signatory countries will have free access to the EU market.

[2] *Note:* Some countries belong to more than one area.

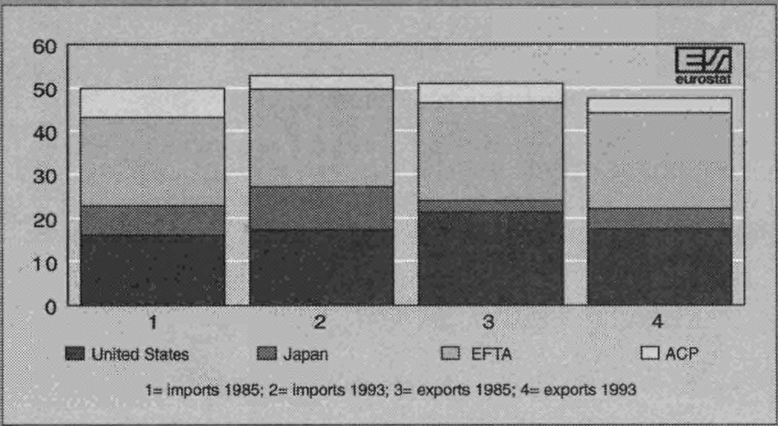
Key figures

eurostat

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

Extra-Community trade in goods

Geographical breakdown of extra-Community trade in goods (%)



The European Union's trading partners

The EU's main trading partner for both imports and exports is EFTA, which accounts for more than 20% of the trade. Japan increased its share of the Union's imports (6.7% in 1985 compared with 9.8% in 1993) and took in 4.7% of Community exports in 1993 (as against 2.6% in 1985).

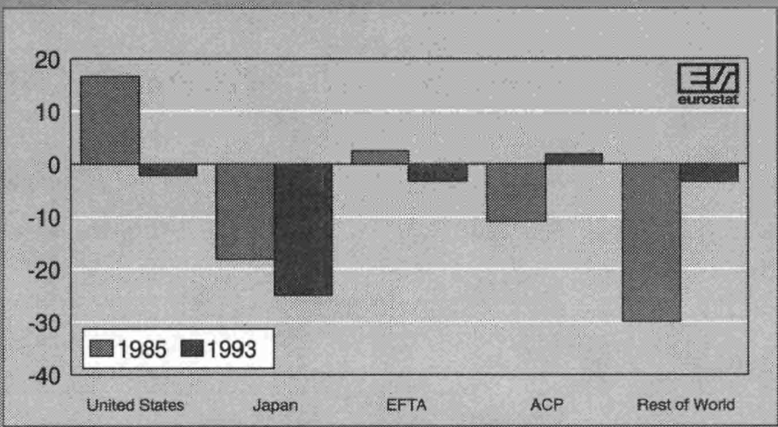
Over the same period, the percentage of the Union's exports going to the United States decreased (17.4% in 1993 compared with 21.4% in 1985). The ACP countries saw their share of trade decline for both imports and exports.

The United States, Japan and EFTA together accounted for more than 40% of extra-Community trade at any time throughout the period.

The European Union's main trading partners, 1993, %

	United States	Japan	EFTA	ACP
Imports	17.8	9.8	22.6	3.0
Exports	17.4	4.7	22.0	3.4

Balance of trade in goods, 1985 and 1993, (billion ECU)



Balance of trade in goods

The EU's balance of trade in goods with the rest of the world improved from a deficit of ECU 29.9 billion to a deficit of ECU 3.4 billion. This overall improvement was not reflected in the individual balances with every trading partner.

Whereas 1985 saw a trade surplus of ECU 16.6 billion with the United States, by 1993 this surplus had become a deficit of ECU 2.2 billion; the balance of trade with EFTA saw the same trend. The deficit with Japan increased from ECU 18.1 billion to ECU 25 billion.

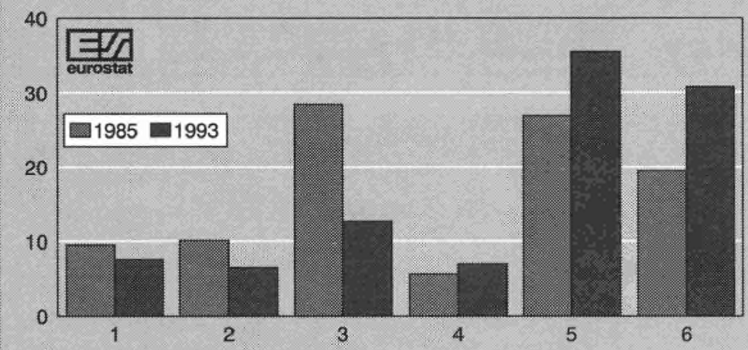
The balance of trade with the ACP countries, on the other hand, recovered from a deficit of ECU 10.9 billion to a surplus of ECU 1.9 billion.

Balance of trade in goods, ECU billion

	United States	Japan	EFTA	ACP	Rest of world
1985	16.6	-18.1	2.5	10.9	-29.9
1993	-2.2	-25	-3.3	1.9	-3.4

Imports by product

Extra-Community imports of goods, broken down by class of product, 1985 and 1993, %



1= food, drink and tobacco; 2 = crude materials; 3 = fuel products; 4 = chemicals; 5 = other manufactured goods; 6 = machinery and transport equipment

There was a profound change in the breakdown of imports of goods between 1985 and 1993.

The most notable changes concern the items 'fuel products', which fell sharply (from 28.4% to 12.7%), and 'machinery and transport equipment', which rose sharply, accounting for 30.7% of exports in 1993 compared with 19.5% in 1985.

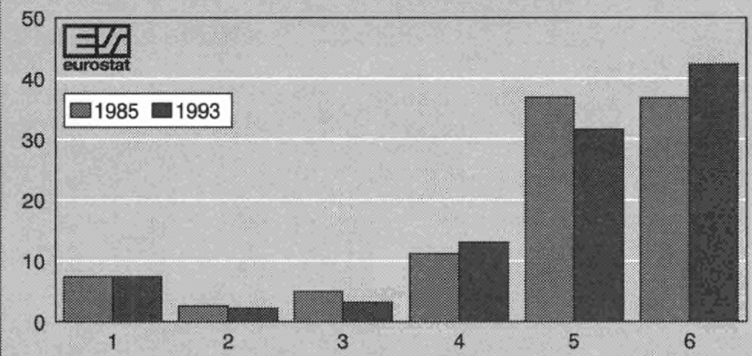
The item 'crude materials' saw a fall in its relative share (10.1% in 1985 compared with 6.5% in 1993).

Extra-Community imports of goods, broken down by class of product, %

	Food, drink and tobacco	Crude materials	Fuel products	Chemicals	Other manufactured goods	Machinery and transport equipment
1985	9.5	10.1	28.4	5.6	26.9	19.5
1993	7.6	6.5	12.7	7.0	35.5	30.7

Products exported to the rest of the world

Extra-Community exports of goods, broken down by class of product, 1985 and 1993, %



1= food, drink and tobacco; 2 = crude materials; 3 = fuel products; 4 = chemicals; 5 = other manufactured goods; 6 = machinery and transport equipment

Manufactured goods make up the bulk of the EU's extra-Community exports.

The machinery and transport equipment sector accounted for 42.2% of exports in 1993, up sharply compared with 1985.

Whilst the item 'food, drink and tobacco' remained at 7.5%, exports of 'fuel products' fell from 5% to 3.2%.

Extra-Community exports of goods, broken down by class of product, %

	Food, drink and tobacco	Crude materials	Fuel products	Chemicals	Other manufactured goods	Machinery and transport equipment
1985	7.5	2.6	5.0	11.2	36.9	36.8
1993	7.5	2.2	3.2	13.1	31.7	42.3

EFTA: European Free Trade Association, comprising Austria, Finland, Iceland, Norway, Sweden, Switzerland and Liechtenstein. ACP: Cooperation and trade agreement between the Community and 69 African, Caribbean and Pacific States which are signatories to the Lomé Convention.

INITIATIVES

● Towards the information society

Information technology, which brings together computers and telecommunications, represents 'an unprecedented technological revolution', full of promise for economic progress and employment. Its applications will range from teleworking and distance learning to the development of services for small and medium-sized enterprises (SMEs), air traffic control and health-care networks. If Europe is to take full advantage of the information society, the private sector will have to invest in it. But the public authorities, European as well as national, must create the regulatory framework needed to enable electronic information to move freely within the EU. This was the conclusion reached by the European Council at Corfu on 25 June, on the basis of a report drawn up by leading industrial figures under the chairmanship of the European Commissioner Martin Bangemann. The European Council approved the idea put forward by the Commission to set up a coordination group of high-level representatives, one from each EU country.

● Reducing the cost of employment

Since last year, ways of reducing the cost to firms of creating new jobs, thus favouring both employment and economic growth, have been introduced in nine of the 12 European Union countries. This lightening of the tax burden and/or of social security contributions is linked to the creation of jobs in Belgium, Spain and Italy and, under certain conditions, in France and, exceptionally, in Ireland. However in Denmark, Luxembourg, the Netherlands and the United Kingdom, employers are not required to take on employees in order to benefit from such measures. These are among the findings of an initial assessment presented by the European Commission on 22 June.

SINGLE MARKET: GOOD SECTORS...

The single market only works if 'European laws' are transposed into national legislation. As of 3 June the European Commission noted in this connection 'good' sectors — capital, VAT, excise duties on alcohol, tobacco and petrol — as well as more or less satisfactory areas — technical standards, transferable securities and chemical products. But one also noted substantial delays, affecting other aspects of economic activity: insurance, protection of trade marks and software, public procurement, company law and telecommunications terminals. Taking all sectors and countries as a whole, 88.2% of the 'laws' in force had been transposed.

● Limiting 'economic' immigration

After 1 January 1996 the Member States of the European Union should grant entry to third-country immigrants only when they are going to take up specific jobs which cannot be filled by EU nationals or residents. This is one of the principles adopted on 20 June by the EU Council as defining a common policy *vis-à-vis* 'economic' immigration. Immigrants granted entry will have to be in possession of an authorization or work permit valid for a single job and for a maximum period of four years. These principles do not apply to nationals of the European Economic Area nor to refugees and asylum seekers.

● Internal market weeks

After the internal market 'weeks' organized in mid-May in Belgium and the end of June in Italy and Luxembourg, citizens and company managers in the nine other EU countries will have their say between September and December. They will be able to ask questions and express their views by telephone, and to meet members of the European Commission. These 'weeks' will beheld from 13 to 17 September in Denmark, from 1 to 15 October in Spain and Greece, from 24 to 29 October in Ireland, from 1 to 4 November in the United Kingdom, from 7 to 12 November in France, from 14 to 18 November in Portugal, from 22 to 25 November in the Netherlands and, last but not least, from 29 November to 3 December in Germany.

☐ BRIEFLY

The European Commission proposed on 30 June to **simplify**, for SMEs in particular, the **tax formalities linked to the transport of alcohol, tobacco and petroleum products** from one EU country to another. These three categories of products are subject to special taxes, known as excise duties.

Although the principle of **equal pay for men and women for work of equal value** is enshrined in the Treaty on European Union and in the laws of all the Members States, it is seldom applied. This finding is highlighted in a memorandum on equal pay published by the European Commission on 30 June. The Commission suggests doing more to publicize the laws on wages and to improve the training of employers and trade unions.

No single market for letters: this is one of the findings of the European Consumers' Organization (BEUC), after it had mailed 6 240 letters and printed material between 13 major cities in the European Union and Switzerland last November. Only 53.2% of the letters reached their destination within three working days; 1% of the letters were lost. The post was quickest in Germany, France, Luxembourg and the United Kingdom.

The European Commission has decided to withdraw its proposal aimed at generally harmonizing the **responsibility of those offering services**, in view of the very guarded attitude of both EU governments and the European Parliament. On 23 June the Commission adopted fresh guidelines: it intends proposing 'laws' in certain well-defined sectors, such as the building industry or medicine, and making it easier for consumers to have access to the courts and to after-sales services.

The European Commission is setting up a database accessible to the general public covering the various **European lobbies or pressure groups**, as the European Commissioner for information, João de Deus Pinheiro, noted on 9 June. Lobbies which would like to be included in the database must obtain a form from the European Commission's Secretariat-General, Rue de la Loi 200, B-1049 Brussels.

European motorists are entitled to the manufacturer's guarantee throughout the 12-nation European Union, regardless of the country in which the car was bought or the status of the seller — authorized dealer or parallel distributor. The European Commission issued a reminder to this effect on 7 June, after having received complaints: authorized dealers had made a ruling of the European Court of Justice on watches a pretext for refusing to guarantee vehicles sold through the parallel network of intermediaries.

SEEN FROM ABROAD

► Austrians say 'yes' to the Union

Two thirds (66.6%) of Austrians voted for their country's entry into the European Union, set for 1 January 1995 while one third (33.4%) opposed it, in a referendum held on 12 June. Those supporting entry were in a clear majority in all the *Länder* (States) that make up Austria, with a hig of 74.6% in Burgenland, on the frontier with Hungary, and a low of 56.4% in the Tyrol, to the west. Finland, Sweden and Norway, which negotiated their entry in parallel with Austria, will hold referendums on 16 October and 13 and 28 November respectively.

► Boris Yeltsin envisages entry

'Russia rejoins the economic Europe' was how the Russian President, Boris Yeltsin, described the agreement on partnership and cooperation, linking his country and the European Union, which be signed in Corfu on 24 June. During dinner with the EU Heads of State or Government, Mr Yeltsin raised the possibility of his country's eventual membership of the EU. Speaking in Moscow, just before leaving for Corfu, Mr Yeltsin expressed the view that 'the signature of an agreement with the European Union does not imply adhesion to this prestigious club for Russia, but it will be the first step ... towards the recognition of Russia as a full associate in the political and economic fields'.

☐ BRIEFLY

The **National Bank of Switzerland**, the country's central bank, has decided to keep in close touch with the new European Monetary Institute, according to Jean Zwahlen, a member of the bank's management. The policy of Switzerland's central bank will remain 'Eurocompatible', in order to prevent the Swiss franc from being isolated, Mr Zwahlen declared on 23 June.

Integrated programme for SMEs and the craft sector

The integrated programme proposed by the European Commission seeks to bring together, within a global coherent framework, actions already being undertaken in favour of small and medium-sized enterprises (SMEs), and to add to them. It proposes an innovative approach, based on support for concerted actions undertaken between Member States and the European Union, aimed particularly at fostering mutual consultation and joint coordination between them. The aim is to improve the environment in which SMEs work, largely through administrative simplification. The Commission's proposal also seeks to facilitate exchanges of experience and to stimulate demand for national or regional measures supportive of SMEs and the craft sector. The new approach is aimed also at identifying and integrating more effectively the various contributions that the European Union can make to the creation and development of businesses.

With a view to improving the enterprise environment, the European Commission will adjust and strengthen internal procedures for evaluating the impact of its legislative proposals on SMEs. It will also look more closely at methods of cost-benefit analysis. The Commission has already embarked on large-scale consultations in order to facilitate the transfer of enterprises (see below). It has also submitted a communication on improving the fiscal environment for SMEs; it is accompanied by a recommendation on the way businesses are taxed (see below). As regards improving payment periods, the Commission initially plans to submit a recommendation to the Member States. It will deal specifically with the right to interest on overdue payments, appeal procedures for uncontested claims and to improving payment discipline on the part of public authorities. However, in the event that this non-binding legal instrument is ineffective the Commission reserves the right to propose 'European laws'. As regards the specific difficulties of cross-border trade, the Commission envisages the promotion of joint action by the Member States, with a view to speeding up the procedures for obtaining an injunction for uncontested claims.

In view of the forthcoming European Council, to be held in Essen this December, the Commission will carry out work on local services which make daily life easier, such as voucher schemes. It will look for ways of developing an environment which favours the creation of new jobs in the services sector. This work will be conducted in parallel with an examination of the follow-up to the Portuguese Government's memorandum on SMEs. Finally, the European Commission will strengthen, in the framework of existing Community programmes, particularly the 1993-96 programme in favour of SMEs and the craft sector, support measures for enterprises, in order to improve their access to financing and credit, stimulate cooperation between them and improve their management quality.

Improving the fiscal environment...

In nearly all EU countries SMEs are penalized by the existing systems of taxation in relation to their larger competitors. According to a Commission estimate, one SME out of two does not have corporate status. As their legal status is generally that of sole traders and partnerships, they are generally taxed through the head of the enterprise — in effect pay income tax, where the highest marginal rates can be some 30% higher than the level of company tax. This handicap often prompts the heads of SMEs to seek corporate status, often at high cost, purely for tax purposes. In order to end this discrimination, the European Commission has submitted a 'recommendation' to the Member States, the effect of which would be to set the tax burden on reinvested profits, in the case of sole proprietorships, at the same level as that applied to non-distributed corporate income. The aim of the operation is to make it easier for SMEs to finance themselves out of their retained earnings. This legally binding recommendation allows Member States to choose their own system, even while drawing their attention to the systems in force in other countries.

In a more general text on the taxation of SMEs, the Commission has suggested simplifying the administrative formalities which apply to SMEs operating in an EU country in which they do not have a separate enterprise.

As a way of helping the fixed places of business of SMEs, the Commission is proposing the non-taxation of profits in the country in which they arise, a solution which is already being followed in the bilateral tax conventions governing building sites which are in operation for only a short period of time. This solution would make it possible to tax fixed places of business in the SME's country of origin; as a result, they would be subject to direct taxation only in this country.

... and making the transfer of SMEs easier

Thousands of SMEs disappear every year because they have been unable to overcome the difficulties linked to their transfer. It has been estimated that nearly 10% of business closures in the European Union have their origin in a badly administered inheritance, calling into question at least 30 000 enterprises and 300 000 jobs every year. This closure rate is common to all the Member States, and it will become increasingly acute since the generation of post-war entrepreneurs is now reaching retirement age. In the framework of its integrated programme in favour of SMEs and the craft sector, which contains an initiative in this field, the European Commission adopted on 29 June a communication analysing the main problems facing entrepreneurs during the transfer of SMEs. It looks at possible solutions, with a view to ensuring the continuity of businesses and of the jobs tied to them. How, for example, can one ensure the continuation of businesses with the legal status of sole proprietorships and partnerships in the event of the death of the head of the enterprise or of one of the partners? How would it be possible to prevent international double taxation in the event of a cross-border succession? How can one adapt the taxation of an inheritance to ensure the survival of the business? What are the possibilities for facilitating the take-over of an enterprise by a third party? In its communication the Commission has identified a number of fiscal and legal solutions to be found in some Member States, and which it thinks could be introduced throughout the EU because they appear to represent the best current practices. All those concerned by the Commission's working paper are invited to forward their observations to the European Commission by 30 September 1994. An announcement to this effect will appear very shortly in the *Official Journal of the European Communities*.

European Commission
Directorate-General 'Information, Communication, Culture and Audiovisual Media' and Directorate-General for Enterprise Policy, Distributive Trades, Tourism and Cooperatives, Rue de la Loi 200 — B-1049 Brussels

OFFICE FOR OFFICIAL PUBLICATIONS OF THE EUROPEAN COMMUNITIES

L-2985 Luxembourg Catalogue number: CC-AI-94-007-EN-C