



The working of the single market: a major challenge

by Carlos Ferrer, President of the Economic and Social Committee
of the European Union

Knowing that the internal market is the very basis of the European Union, that its operation is so necessary for the competitiveness of Community businesses, and that for the EU citizen it is the most tangible evidence of a Europe without international frontiers, we have undertaken to examine regularly and carefully the introduction of the legislation which shapes and organizes the internal market.

Our reaction It is therefore at the request of the European Parliament, the Commission and the Council Presidency that the Economic and Social Committee (ESC) has created a new tool, which will enable it to play the role of a permanent monitoring agency (forum) as regards the operation of the internal market.

To this end, our competent departments, and in particular those dealing with industry, trade, the craft industries and services, have undertaken the task of detecting any eventual shortcomings, incorrect interpretations and occasionally even the more or less avowed resistance which would be likely to compartmentalize markets and prevent the free movement of goods, capital, services and people.

The three groups which make up the ESC — the representatives of employers, workers and various other interests — are unanimously convinced of the need to guarantee the proper operation of the internal market, so that the Union appears credible in the eyes of its population.

The results During an initial critical examination, the Economic and Social Committee found that numerous obstacles to free movement persisted. It addressed a series of recommendations¹ to European law-makers, with a view to having them removed and the internal market consolidated. The Committee particularly called for:

- greater harmonization of environmental standards, offering a higher level of protection, in order to guarantee balance and compatibility between the aims of strengthened environmental requirements and the operation of the internal market;
- the adoption (during the introduction of the definitive system of VAT within the European Union) of measures which ensure a level of clarity, simplicity and coherence that makes it possible to eliminate all obstacles within the Union;
- the standardization of the taxation of interest on mortgage loans and insurance premiums, whether contracted in one's own Member State or in another Member State;
- the adoption of a directive regarding the 'secondment of workers', which represents another step towards the elimination of distortions of competition linked to cross-border employment;
- an intensive programme in favour of the equivalence of diplomas for all 'unregulated' professions;
- the adoption of measures which ensure that EU citizens who take up residence in another Member State do not lose certain social benefits and pension rights;
- the adoption of a code of good practice, aimed at speeding up cross-border payments and reducing the cost of such payments;
- the examination of government procurement procedures in the Member States, in order to guarantee that they do not make administrative demands on companies located in other Member States which amount to commercial obstacles;
- the extension of the system for providing information on proposals for new regulations in the field of standards (Directive 83/189/EEC), its increased implementation and a programme for the harmonization of standards.

There is a major deficiency in the basic framework of the internal market and, as a result, the possibilities for effective cross-border cooperation between European companies — small and medium-sized enterprises in particular — are still quite small. This is the absence of a legal status for European limited liability companies, associations, cooperatives and mutual benefit societies. Legal status for such enterprises, in the promotion of which the ESC has invested its legitimacy and representative character, would be the expression of the values of a European company, for the benefit of which employers and workers, as well as the other professional bodies represented on the Committee, continue to work.

¹ The full text has been published as a brochure (CES 95-001), which can be obtained from the ESC, Industry Division, 2 rue Ravenstein, B-1000 Brussels. Tel.: 519 92 30; Fax (32 2) 519 97 57.

■ Vocational training without frontiers

European activities in the field of vocational training received a fresh impetus at the start of the year with the Leonardo programme, named after Leonardo da Vinci, which the European Union Council of Ministers adopted definitively on 6 December. With ECU 620 million (ECU 1 = UKL 0.79 or IRL 0.80) from the EU budget, Leonardo will run until the end of 1999. The new programme is a follow-up to a number of separate EU programmes: Comett (cooperation between universities and businesses), PETRA (the initial vocational training of young people), FORCE (continuing training) and Eurotecnet (innovation in training). Under the new programme, as under its predecessors, it is possible to organize cross-border training courses and exchanges for apprentices, students and specialists in training. Thanks to Leonardo, organizations and enterprises throughout the Union can work together on the development of common training courses, the training of trainers and the improvement of language learning. Leonardo also makes it easier to improve knowledge at the European level when it comes to anticipating needs, qualifications and new forms of training.

■ Towards 'greener' packaging

Packaging that is both 'green' and can be moved freely within the European single market is the goal of the directive ('European law') which the EU Council of Ministers adopted definitively on 14 December. The directive covers both new and used packaging, whatever the material used in its manufacture. It allows the Member States a breathing space of 18 months in which to meet its requirements. Under the new directive, they must set up a system for the recovery, collection and recycling of used packaging. The directive also sets out quantified targets. Thus, in five years, the Member States will have to recycle between 50 and 65% by weight of packaging waste. At the same time, they will have to recycle between 25 and 45% by weight of all packaging material contained in this waste — with a minimum of 15% for each type of material. At the end of 10 years the percentages will be increased. Ireland, Greece and Portugal have been granted temporary derogations.

■ Research: 20 programmes for 1998

A new phase in European research activities has begun. With the definitive adoption of 10 specific research programmes on 15 December, all 20 programmes which make up the fourth framework programme of research for the period 1994-98 are now in place. The framework programme has a budget of ECU 12.3 billion, to which an additional ECU 700 million will be added in 1996. It covers all the research activities subsidized through the EU budget, and will allow companies, research centres and universities to work together, across national frontiers, in such varied fields as computers, telecommunication, energy, the environment, biotechnology, transport and agriculture. The new framework programme, even more than the previous one, contains measures designed to help small and medium-sized enterprises (SMEs) participate more actively in research programmes and exploit the results of such programmes. Invitations to tender appeared in the *Official Journal of the European Communities* on 15 December (OJ C 357).

■ Reverting military zones

With the end of the cold war, land used by the defence industries and for military bases is being rapidly returned to civilian use. On 21 December the European Commission

adopted the list of military sites entitled to Community aid under the Konver programme, as well as the breakdown of this aid among the Member States. Eleven countries have an interest in Konver, which will continue its activities until 1999. Of the 12 older members of the Union only Ireland, because of its policy of neutrality, is not concerned by it. Germany is to have the major share (43%) of the ECU 500 million made available to Konver, followed by the United Kingdom (19%) and France (14%).

■ More light on joint ventures and mergers

Hereafter, when setting up a joint venture with a turnover or assets of less than ECU 100 million, the parent companies can notify the operation to the European Commission using a simpler form. This is one of the clarification measures adopted by the Commission on 22 December, in order to make it easier for businesses to follow the EU's ground rules for keeping a check on mergers and concentrations. The Commission has also clarified the difference between joint ventures based on 'concentration', on the one hand, and 'cooperation', on the other, as they are dealt with differently. At the same time, the Commission has sought to define more clearly such terms as concentration, turnover and the enterprises in question.

□ BRIEFLY

As from 1 July 1995, the European Union will be **better equipped to deal with the problem of counterfeit and pirated goods**. The EU Council adopted on 22 December a regulation which extends the protection currently available to registered trade marks and brand names to copyright, designs and models. The regulation bans the sale and export of goods regarded as pirated under the new definition.

The policy of **aid to industrial regions in decline** is now in place for the period 1995-99. The European Commission adopted the 20 remaining regional programmes on 7 December. As regards **fragile rural areas**, the Commission has approved programmes which account for 90% of the funds for the same period. The most recent decision was taken on 7 December. On 4 January the Commission defined the industrial and rural areas in Austria and Finland entitled to EU funds.

Dangerous waste is well guarded. The EU Council of Ministers adopted on 15 December a list of such waste, thus making possible the implementation of a 1991 directive on controls on dangerous waste. The Council adopted, at the same time, a directive aimed at reducing the pollution caused by the incineration of dangerous waste.

To make **buses and coaches which are safer** in the event of a fire is the aim of a directive which the EU Council adopted on 8 December. The directive, which covers vehicles carrying more than 22 passengers, now goes to the European Parliament.

The EU regulation on **outward processing traffic (OPT)**, under which fabrics or parts of garments can be exported for finishing in low-wage countries, has been brought into line with the single market. The EU Council adopted on 8 December a regulation which transforms national quotas for the reimport of finished products into EU quotas.

The EU Council of Ministers decided to **do away entirely with polychlorobiphenyls (PCBs) and polychlorotriphenyls (PCTs)** by the year 2010. These dangerous substances are used in transformers and condensers in particular. The directive, which provides for the controlled elimination of the substances and equipment in question, now goes to the European Parliament.

The quantity of **petrol lost through evaporation** at every stage in the storage and distribution chain will be smaller hereafter, thanks to a directive adopted by the EU Council on 12 December. The Member States have a year in which to conform to the new directive.

INITIATIVES

● The trans-European networks progress

At the meeting of the European Council in Essen on 9 and 10 December, the leaders of the European Union Member States confirmed that the 11 transport infrastructure projects decided in Corfu last June had either already been started or can

Aid for SMEs under the European Union regional policy

In Europe small businesses (SMEs) are the foremost creators of wealth and jobs; they are the key to competitiveness, partly because of the change in the economic system (especially the growth of services and subcontracting) and partly because of their specific potential: flexibility and entrepreneurial spirit to promote innovation in products and processes, the response to new market conditions and opportunities. They therefore have a key role to play in regional and local development.

Economic and social cohesion and SMEs However, SMEs often have to contend with difficulties which hinder the realization of their potential, especially in less-advantaged regions and those most distant from the large decision-making centres:

- (a) access to credit is more difficult and the costs are often higher to SMEs in the absence of suitable financial engineering arrangements;
- (b) there is a lack of information, local advisory and training services and common operating services;
- (c) markets are restricted and certain local economies lack dynamism.

Problems such as these justify aid for SMEs under Community structural policies. The general aim of such policies is to reinforce economic and social cohesion in the European Union, which means, in particular, reducing regional disparities. In this context, not only must maximum benefit be derived from the single market but the conditions for convergence associated with economic and monetary union (EMU) and the development of disadvantaged regions must be reconciled. Support for SMEs in these regions is at the core of the guidelines in the Commission White Paper on growth, competitiveness and employment.

Structural Fund support for SMEs Community action to reinforce the fabric of SMEs in disadvantaged regions is organized in the framework of the new Structural Funds Regulation of July 1993. It gives priority to five development objectives adopted by the Structural Funds for the 1994-99 programming period. Aid is focused on businesses located in regions where development is lagging behind (Objective 1), areas in industrial decline (Objective 2) and the development of rural areas (Objective 5b). To these specifically regional objectives, the entire Union qualifies for aid for combating long-term unemployment, the integration of young people into working life and of those threatened with exclusion from the labour market (Objective 3), the adaptation of workers to industrial change and changes in production systems (Objective 4) and adjustment of agricultural structures and fisheries under the CAP (Objective 5a).

In addition to Structural Fund assistance, especially from the European Regional Development Fund (ERDF) which co-finances the greater part of aid to SMEs, certain loans may be granted by the European Investment Bank (EIB), the European Investment Fund (EIF) and the ECSC.

European Union regional aid for SMEs in most cases forms an integral part of development programmes, which are a series of measures for a multiannual period, each with its own budget. These programmes are always proposed by the national and regional authorities. Once adopted by the Commission, the programmes are managed by these authorities, and any proposals for projects or measures to be financed under these programmes should be addressed to them. The administration of Community aid may be entrusted to an intermediary body which allocates resources; this form of assistance, known as a global loan, facilitates a comprehensive approach to problems on the ground, associating the maximum number of local or regional partners, and thus making the most of the development potential of an area, especially through aid to SMEs.

The Structural Funds contribute to the following three categories of measure.

1. National programmes National programmes may either be proposed on the basis of a Community support framework negotiated between the Member State and the Commission, or may be included from the outset in the single programming document (SPD) which becomes directly operational once it is approved. Nearly all the Community support frameworks and the single programming documents include subprogrammes or specific measures for SMEs, such as:

- (a) Support for SMEs in the context of national regional aid plans to stimulate productive investments creating lasting employment, and which provide for direct aid or various financial facilities for firms. Co-financing of national or regional aid schemes is the most traditional form of Community support for the development of SMEs. To ensure they are compatible with the principles of free competition, these schemes must have been approved by the Commission, which takes specific regional problems into account;
- (b) Support for various services close to firms to improve the standards of management, financing and commercial development of SMEs, facilitate their establishment, stimulate their capacity for innovation and promote cooperation networks.

The activities of SMEs can also be facilitated by measures to reinforce basic major infrastructures essential to economic development, especially in Objective 1 regions. Finally, other measures can benefit the re-

gional economy by setting up or fitting out industrial or business parks to accommodate new firms.

2. Community programmes Programmes drawn up in the context of Community initiatives are proposed by the Member State on the basis of guidelines established by the Commission with a view to supplementing the Community support frameworks and the single programming document and helping to resolve problems with specific Community implications.

Several Community initiatives are designed to encourage economic diversification in areas heavily dependent on industrial activities in decline or undergoing rapid change: Resider II and Rechar II (steel and coalmining), Konver (defence industries and installations), RETEX (textiles and clothing). These initiatives contain many measures to assist SMEs engaged in alternative activities.

The SMEs initiative is specifically geared to assist, especially in Objective 1 regions, industrial or service firms to adjust to the single market and become competitive at international level. Assistance covers the following:

- (a) improving the production and organization system (management and organization, technologies and telecommunications, product quality);
- (b) consideration of environmental factors and rational energy use;
- (c) cooperation between SMEs and research centres, technology transfer centres, training centres and universities to promote R&D; cooperation between SMEs, their principals, their subcontractors and their clients;
- (d) access to new public and private contracts; better access to financing and credit (especially through interest-rate subsidies on EIB and EIF loans);
- (e) improving qualifications.

Small businesses may also qualify for aid under Interreg II (cross-border cooperation), Leader II (rural development), employment and development of human resources (under Objective 3), ADAPT (under Objective 4) or URBAN (urban renewal).

3. Innovative schemes and pilot projects Outside the framework of these programmes, the European Commission can, on its own initiative and with limited financial means, set up innovative schemes (pilot projects, networks for cooperation and exchanging ideas, studies) with a view to sketching out new policies using an experimental European level-approach.

A number of operations of this type which could involve SMEs are planned for 1994-99. They are designed to promote interregional cooperation (exchange of experience, cooperation with local and regional authorities, with regions in neighbouring non-member countries, etc.), regional economic development (exploitation of local resources, technologies and telecommunications in economically depressed areas, economic role of the cultural heritage) and the development of urban policies. This will be a follow-

up to the experience in recent years of the Recite programme (regions and cities of Europe).

The Commission can also support the establishment of original support instruments for SMEs to facilitate the sharing of resources of every type at local or regional level, and can involve firms and other socio-economic partners in a development dynamic. These instruments include:

- (a) business and innovation centres (BICs), which have the task of encouraging local and regional industrial development by setting up integrated services systems for SMEs, especially in disadvantaged areas. They select business innovative projects with a good growth potential in industry or services to industry, and help them to start up by providing ongoing professional assistance to entrepreneurs;
- (b) seed capital funds which help viable SMEs in the start-up phase to consolidate their financial structure and thus stimulate local development;
- (c) Europartenariat meetings enabling SMEs in disadvantaged regions (including those outside the European Union) to join up with firms from other regions to make contacts and conclude cooperation agreements (trade, technical, financial);
- (d) the Euroleader programme, which each year helps selected young entrepreneurs to develop a European strategy.

Similarly, new measures are planned in areas such as:

- (i) international marketing of regional products;
- (ii) exploitation of high quality regional tourism;
- (iii) measures accompanying large infrastructure works to optimize their economic spin-off locally.

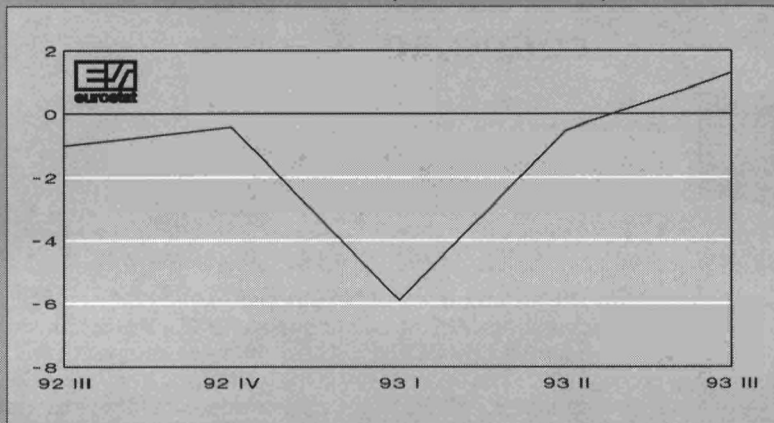
Enterprise policy All the above instruments are supplemented by various measures and operations which the European Commission has set up under its enterprise policy, and which contribute generally to regional development. For greater effectiveness and visibility, these initiatives are now combined in an integrated programme for SMEs. They include:

- (i) the network of 210 Euro-Info Centres located in the regions of the European Union and which give information, advice and assistance to SMEs;
- (ii) the Business Cooperation Network (BC-Net) and the Business Cooperation Centre (BCC) which help businesses to find partners in Europe and elsewhere;
- (iii) enterprise initiatives which facilitate cooperation agreements through personal contacts between entrepreneurs in at least three regions in three Member States.

European spatial development perspective and SMEs The promotion of SMEs must also be seen in the context of the European spatial development perspective. In connection with its innovative projects, a study programme by the Commission has led to the preparation of a discussion paper on this question entitled 'Europe 2000'. For example, it tackles the mobility of firms, the importance of advanced telecommunication services for businesses in isolated regions, and the role of medium-sized towns and their businesses in achieving a balance between large conurbations and rural areas.

Trade in the European Union

EU trade balance with the United States, in billion ECU (total SITC 0-9)



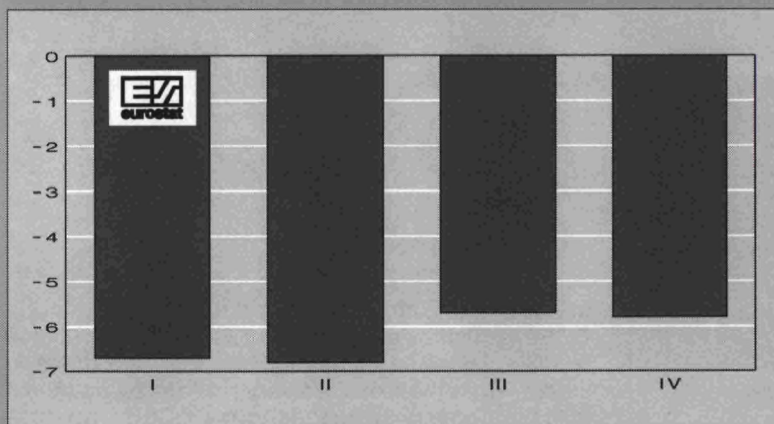
EU trade with the United States

The EU trade balance with the United States recorded a surplus of ECU 1.3 billion in the third quarter of 1993, in contrast to a deficit of ECU 1 billion during the same quarter of 1992. Expressed in ecus, European Union imports from the United States increased by 4.6% between the third quarter of 1993 and the corresponding quarter of 1992. In the same period, exports to the United States increased significantly in value, by 17.7%.

EU imports and exports with the United States, % annual change (total SITC 0-9)

In value	92 III	92 IV	93 I	93 II	93 III
Imports	-14	-9.6	-5.2	-4.8	4.6
Exports	-1.9	4.4	-0.2	15	17.7

EU trade balance with Japan in 1993, in billion ECU (total SITC 0-9)



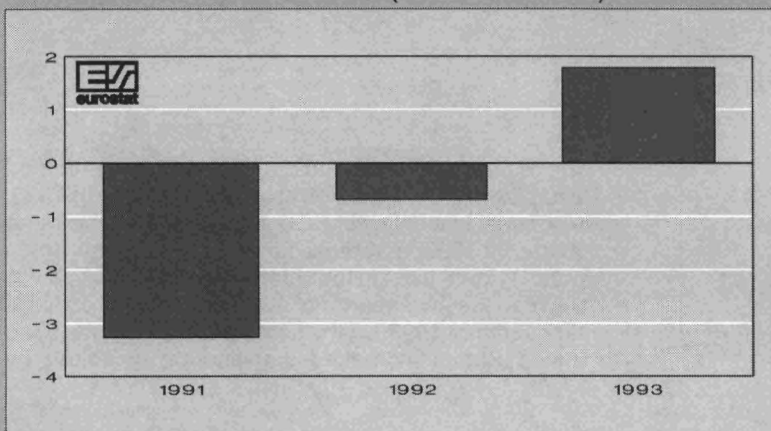
EU trade with Japan

Between 1992 and 1993, the European Union's trade deficit with Japan decreased by 19% to ECU 25 billion. This improvement in the EU's trade balance with this partner is due mainly to the increase in the value of EU exports to Japan (10.1%) and the decline in the value of EU imports from that country (7.5%).

EU imports and exports with Japan, % change (total SITC 0-9)

In value	92/91 01-12	93/92 01-12	93/92 10-12
Imports	-0.6	-7.5	-2.2
Exports	-7.4	10.1	28.6

*EU trade balance with the ACP countries,
in billion ECU (total SITC 0-9)*



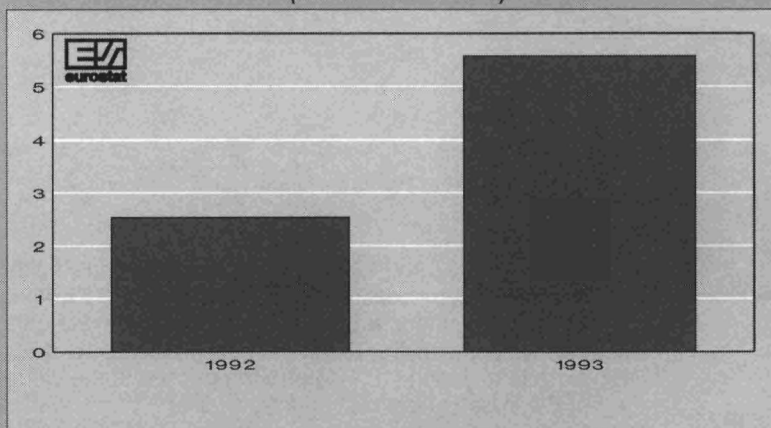
EU trade with the ACP countries

The trade balance of the European Union with the ACP countries (African, Caribbean and Pacific countries) improved by ECU 2.5 billion in 1993 compared with 1992. The sharp decline in EU imports from the ACP countries (-18.5%), and a more moderate fall in exports (-5.1%), transformed the 1992 deficit of ECU 0.7 billion into a surplus of ECU 1.8 billion in 1993.

EU imports and exports with the ACP countries, % change (total SITC 0-9)

In value	92/91 01-12	93/92 01-12	93/92 10-12
Imports	-6	-18.5	-5.7
Exports	9	-5.1	-11.3

*EU trade balance with the CCEE, in billion ECU
(total SITC 0-9)*



EU trade with the CCEE

In 1993, the European Union trade surplus with the CCEE (countries of Central and Eastern Europe) rose to ECU 5.6 billion compared with ECU 2.5 billion in 1992. This is the result of a very sharp increase (about 20%) in Community exports to the CCEE, whereas CCEE exports to the EU rose by only 6.7%.

EU imports and exports with the CCEE, % change (total SITC 0-9)

In value	92/91 01-12	93/92 01-12	93/92 10-12
Imports	17.3	6.7	8
Exports	22.2	20	7.4

be started shortly. Several high-speed rail links are among the 11 projects. The EU leaders added three projects to the list: the Nordic triangle, consisting of road and rail links between Sweden, Finland and the rest of the Union; the Ireland/United Kingdom/Benelux road link and the main railway line running along Britain's west coast. The European Council also confirmed the nine major gas and electricity infrastructure projects approved at Corfu, adding to the list the electrical inter-connection between France and Spain. The European Council also asked all European and national authorities to see to the realization of the projects by eliminating all legal and administrative obstacles. The European Investment Bank (EIB), for its part, has created a special mechanism for financing these major works.

● Improved mutual recognition of diplomas

The European Commission has launched a discussion on the mutual recognition of diplomas and qualifications by the various EU countries on the basis of a study dealing with training and the professions at the higher-education level. In a communication adopted on 14 December, the Commission is of the view that it is necessary to coordinate two forms of recognition of diplomas — the first in connection with admission to another educational establishment, in order to continue one's studies, and the second in connection with entry to a profession. The Commission is proposing four lines of action in order to improve the mutual recognition of diplomas: (1) providing more detailed information on the various national educational systems; (2) creating European networks bringing together universities and professional people; (3) adapting training programmes on a consensual basis in order to reduce the differences from one country to another; and (4) evaluating the quality of the various training courses by means of contacts between national systems.

● An informatics market-place

Suppliers of computer hardware and software who are looking for new markets, as well as businesses, associations, professional organizations and communities in search of solutions can get in touch with the Information Society Project Office (ISPO). Operational since last December, ISPO was set up by the European Commission in order to bring together suppliers and users, with a view to encouraging the development of an information society at European level. ISPO also acts as a forum for the exchange of ideas and information. ISPO can be reached by calling the following freephone numbers: in the UK: (0800) 96 21 14, in Ireland: (1800) 55 32 24. It can also be contacted in Brussels by telephone: (32-2) 296 88 00 or 296 89 00; fax: 299 41 70 or 299 41 80; electronic mail: ispoaispo.cec.be; via Compuserve: 100137,370. ISPO's mailing address is: ISPO, 24 — 2/78, rue de la Loi 200, B-1049 Brussels.

FRONTIER-FREE STATISTICS?

Two years after it was set up to provide statistical information on trade between the countries that make up the European single market, Intrastat is still facing teething problems. The news was given by Eurostat, the European Union's Statistical Office, which manages Intrastat, in a balance sheet drawn up last October and published in December. Delays in the transmission of data by Member States are posing a severe problem. Thus, by the end of last October, only 7 of the 12 EU countries had forwarded statistics covering the first six months of 1994; as for the other countries, Eurostat does not expect the situation to improve quickly. Intrastat faces a further difficulty, due to the fact that numerous businesses do not forward statistical information of their purchases in other EU countries. As a result, 'arrivals' (previously imports) are under-recorded in relation to 'shipments' (previously exports). With a view to improving the situation, Eurostat envisages a survey of both suppliers and users of statistics.

○ BRIEFLY

Since 9 January, the **Austrian schilling** has been part of the exchange-rate mechanism of the European Monetary System. Representatives of the Member States and EU central banks took the decision on 7 January, at the request of the Austrian authorities. Austria has been a member of the EU since 1 January. The two other new members, Finland and Sweden, do not plan to join the exchange-rate mechanism in the short term.

Identity checks at the frontiers shared by the countries belonging to the Schengen Group — the three Benelux countries, France, Germany, Portugal and Spain — should come to an end on 26 March. This is the date set by ministers of the seven countries belonging to the Group on 22 December. This deadline, which had initially been set for 1990, had to be postponed a number of times.

A draft directive adopted by the European Commission on 21 December is designed to **open up cable television throughout the Union to new computerized services** such as teleshopping, banking, interactive databanks and seat reservations made from the home. The Commission, which can adopt the directive on its own initiative, following extensive consultation, envisages it coming into force on 1 January 1996.

In order to **make it easier for barristers to practice in an EU country** other than the one in which they qualified, the European Commission proposed a directive on 21 December, which would allow them to continue working on the basis of their original qualifications for five years, without having to undergo an aptitude test, as is the case at present.

The **European arbitration convention for the elimination of double taxation** in the event of payment of back taxes involving associated companies established in different EU countries came into effect on 1 January. The convention provides for a special procedure in case of disagreement between the fiscal authorities of the countries in question. Ratification by the last Member State on 16 December opened the way for the convention's implementation.

To enable investors to recover at least 90% of their outlay — and in any case at least ECU 20 000 — should their bank or stockbroker be unable to reimburse them in the event of bankruptcy or fraud is the aim of an amended draft directive adopted by the European Commission on 14 December. The amendment to a 1993 proposal takes into account the views of the European Parliament.

The **Dutch Government** submitted to the EU Council on 5 December a new convergence programme for the period 1995-98. The aim is to enable the country to meet all the 'Maastricht criteria' in order to be able to take part in the single currency in 1997 or 1999.

In a draft regulation submitted on 12 December, the European Commission has sought to **increase by five years the period of validity for patents covering insecticides, fungicides and weed-killers**, which at present is 20 years. In fact, up to 10 years can pass between the time an application for a patent is filed and the product in question arriving on the market.

The European Commission proposed on 13 December to **liberalize baggage handling and similar services at airports**, by applying to them the principles of the single market and establishing the right of self-help by airlines. At present the right to provide these services is often the private preserve of the national airline or the airport itself.

Nearly three quarters — 73% to be exact — of the **financiers in the City of London** believe that the single European currency will come about one day, although not by 1997 or even 1999, as provided for by the Treaty of Maastricht. This is one of the findings of a study by the London Securities and Derivatives Exchange published on 9 January. More than 30% of those polled foresee monetary union by the year 2005.

SEEN FROM ABROAD

► Washington seeks closer links

The United States and the European Union should 'explore ways of opening up transatlantic trade and investment even further', according to Mr Ron Brown, the US Trade Secretary, speaking in Brussels on 15 December. He believes the United States and the European Union should go beyond the Uruguay Round as regards tariff reductions on products of common interest and accept the mutual recognition of product certification.

◆ Delays in payment and late payments

There is grave concern at the rising number of late payments and the lengthening payment delays. Recent studies show that delays in payment rose last year to 66 days on average for firms in the European Union. More than one-quarter of businesses must wait for more than 90 days to be paid, and 8% for more than 120 days. The longest average delay was in Italy (90 days). In six other EU countries, the situation had worsened. This was particularly true of Germany (from 34 to 43 days), Belgium (from 45 to 57 days) and France (from 57 to 70 days). As for delays in payment (i.e. periods exceeding the legally applicable period), the EU average was 13 days. Average delays reached 19 to 20 days in France and Italy and as much as 23 days in the United Kingdom.

These lengthening delays in payment and the generalization of late payments are weakening the financial equilibrium of small and medium-sized enterprises (SMEs), adding to their cash-flow problems and resulting, if not in bankruptcy, in high administrative costs at the very least. They also represent an obstacle to the efficient working of the single market. Differences in the various national regulations, and the even greater difficulties in recovering debts arising from cross-border transactions, are discouraging SMEs from developing their intra-EU trade, with negative effects on both jobs and competitiveness. In a recommendation it adopted on 30 November, the European Commission asked the Member States to introduce a sufficiently dissuasive legal framework for bad debtors, and to provide adequate penalties in the event of payment delays, in recognition of a right to interest for payment delays at rates sufficiently high to be dissuasive. As regards redress procedures, the Member States are asked to ensure procedures which are inexpensive and rapid.

The Commission has also asked the Member States to improve the information and training of SMEs as regards credit management and to clarify payment terms in contractual relationships, by indicating the precise payment date provided for and fixing, in the absence of a written contract, a legally applicable payment period. To help SMEs keep their heads above water, Member States could generalize certain fiscal measures: defer payment of VAT until the corresponding invoice has been settled and allow SMEs to file their VAT returns at longer intervals. Government departments and public bodies should also set a good example. The European Commission has asked them to adhere to a maximum payment period of 60 days for public procurement contracts and the generalization of interest payments on arrears.

The European Commission plans to assess the effectiveness of its recommendations after three years. It reserves the right to propose more binding measures in the absence of a significant improvement.

◆ Reducing the mortality rate among SMEs

Thousands of healthy businesses, small and medium-sized enterprises (SMEs) for the most part, disappear each year because they are unable to overcome the problems linked to a change in ownership. It has been estimated that nearly 10% of voluntary liquidations in the European Union are due to a badly managed inheritance, calling into question at least 30 000 firms and 300 000 jobs a year. With a view to safeguarding these businesses, the European Commission adopted on 7 December a recommendation to EU Member States on the change of ownership of SMEs, which it had drawn up after having consulted all interested parties. The Commission has set out the best

existing practices in EU countries, and called for their adoption by the countries which have not yet done so. The measures recommended by the Commission represent a coherent package of legal and fiscal instruments, designed to ensure that changes in the ownership of SMEs take place under viable conditions. Thus business entrepreneurs could be allowed to choose the most suitable legal form, and that of a limited liability company in particular, to ensure a successful change of ownership. Another Commission recommendation provides for the continuity of partnerships in the event of the death of one of the partners, and the primacy of the partnership agreement over unilateral acts.

The Commission also wants Member States to ensure that the payment of inheritance and other taxes, including the payment of financial compensation, does not jeopardize the very existence of the enterprise. In order to ensure that tax payments do not act as an obstacle to changes in ownership within the family itself, the Commission has recommended two measures: that assets be taxed more lightly, provided the heirs continue to run the business, and that the payment of the settlement rights be deferred or spread out over a period of time. The Commission is also supporting all initiatives aimed at encouraging business proprietors to prepare for an eventual transfer of ownership during their lifetime, not forgetting the tax incentives for the transfer of ownership to third parties in the event that there is no one in the family who can succeed — transfer through sale during the lifetime of the proprietor or its takeover by the employees.

◆ A committee to make life easier for SMEs

The Committee for the Improvement and Simplification of the Business Environment held its first meeting in Brussels on 9 December. Made up of Member States' representatives responsible for simplifying administrative matters as well as six members of European professional bodies, the Committee's main task is to study the business environment, especially of SMEs. It will meet two or three times a year, to guide the work which will be undertaken at gatherings at which information on the best practices within the Union will be exchanged.

◆ Europartenariat at Dortmund in March

Europartenariat Cornisa Atlantica, held in Bilbao on 21 and 22 November, provided as many as 479 enterprises from seven regions of Spain (the Basque Country, Galicia, Asturias, Cantabria, Navarre, La Rioja and Aragon) with an opportunity to meet the representatives of some 2 000 firms from 50 different countries. Of the total, 974 were from the European Union, 132 from the EFTA countries, 197 from non-EU Mediterranean countries, 502 from Central and Eastern Europe, 77 from the Commonwealth of Independent States and 140 from Latin America. No fewer than 8 705 meetings were arranged in advance, and enabled the managers of selected Spanish companies to establish contacts.

The next Europartenariat will be held in Dortmund, in the German *Land* of North Rhine-Westphalia, on 20 and 21 March of this year. During these two days, 371 selected SMEs located in the region, which are facing problems of industrial reorganization, will have an opportunity to negotiate financial, commercial or technological cooperation agreements. Information on the companies themselves and their cooperation projects is given in a catalogue, which is available in German, English, French, Spanish and Italian. It has been widely distributed through a network of business consultants. These Europartenariat consultants have been given the task of finding partners and coordinating their participation at the Dortmund Europartenariat.

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