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target 92

Companies must be able to cooperate across national borders, without tax barriers

Christiane Scrivener, Member of the European Commission

In order to take maximum advantage of the single market, which is one of the aims of the Single European Act, companies must be able to cooperate, even if they are established in different Member States, without being subject to double taxation. Company taxation, in other words, must not penalize businesses which operate in more than one Member State, compared to those that do business in just one Member State. Fiscal obstacles to cooperation between companies established in different Member States must, therefore, disappear before 31 December 1992.

The fact is that when a company operates in several Member States, it is inevitably subject to the tax laws in force in each of them — laws which are coherent at the national level but do not accord with those of other Member States. This results in additional taxes, such as the withholding tax on dividends, which can be anywhere from 2.5 to 35 %, according to the country. The fact is that all EC countries, with the exception of Ireland, levy a withholding tax on dividends paid by a subsidiary to its parent company, registered in another Member State. Such situations also lead to higher administrative costs, thus making it more expensive to engage in cross-border activities, as compared to activities carried on within a single Member State.

The European Commission, as required of it, long ago submitted to the Council of Ministers for Economic and Financial Affairs proposals aimed at preventing double taxation. The first of these seeks to extend the tax system in force at the national level to capital gains resulting from cross-border operations involving mergers, breakups, asset transfers or exchange of shares. The second of the Commission's proposals would eliminate all withholding taxes on dividends paid by a subsidiary to its parent company, registered in another Member State. The third proposal provides for the introduction of a procedure which does away with double taxation in the case of tax recovery.

Like all 'European' tax laws, the adoption of these texts by the 12 Member States requires unanimity, whereas a qualified majority is enough for most other pieces of legislation required by the '1992' programme. This condition poses difficulties, but the Council of Ministers for Economic and Financial Affairs was warned that if it could not reach agreement on these texts at its meeting in June, the European Community's Heads of State or Government would have to be seised of the matter during the European Council of 25 and 26 June.

In order to complete this system the Commission intends submitting two fresh proposals in the coming months, both of which are required to eliminate double taxation. The first would make it possible to take into account the results of the foreign operations of all the companies in a group which are engaged in cross-border activities, while the second would provide for the elimination of withholding taxes on interest and royalty payments to a company by companies which are members of the same group but are established in other European Community countries.

These measures must be adopted if all forms of double taxation are to be eliminated by 1 January 1993 and cooperation between Community companies is to be encouraged.

Beyond 1992 it will be necessary to find out just which measures will be required to ensure the added competitivity of our companies at the international level. To this end the European Commission will look more closely at company taxation, in order to identify possible priority areas for action in the market after 1992. Action by the Community as such is necessary to the extent that the goals which have been set cannot be reached through national measures. However, one must always ask oneself if the principle of harmonization is necessary. This does not always seem to be the case as regards company taxation. Hence the Commission's decision to withdraw a 1975 proposal for the harmonization of company taxation and the withholding tax on dividends.

The Council must now face up to its responsibilities. The double taxation of companies must be eliminated by 1 January 1993, if our companies are to profit fully from the emerging single market. One must never lose sight of the fact that Europe cannot be built without its business and industrial enterprises.

The text of this issue
was completed on 8 May 1990.

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JUNE 1990

Decisions

■ ECU 2.6 billion for 44 rural regions

Some 44 rural development regions in nine European Community countries — the Twelve minus Greece, Ireland and Portugal — will receive aid totalling ECU 2.6 billion (ECU 1 = UK £ 0.74 or IR £ 0.76) from the Community between now and 1993, in order to prepare for the single market. The European Commission adopted on 3 May 1990 the priorities and financing of 44 regional programmes submitted by national and regional authorities. This aid is part of the ECU 60 billion released by the Twelve in order to reduce disparities and ensure the economic and social cohesion of the Europe of 1992. The aim is to develop agriculture, fisheries, forestry, tourism and other economic sectors, thanks to small and medium-sized enterprises, professional training and the introduction of the public infrastructure needed for the development of new activities. The regions earmarked for this aid cover 17 % of the Community's territory and account for 5 % of its population. Greece, Ireland and Portugal are already receiving similar aid as less developed regions.

■ Technologies for the single market

The EC Council of Ministers unanimously adopted a vast framework programme of Community research on 23 April 1990. With a budget of ECU 5.7 billion, for the period 1990-94, the programme will seek to bring about the technical conditions needed for the free movement of persons, goods, services and capital. Thanks to the Community's financial support, companies, research institutes, universities and the relevant government departments will be able notably to prepare for the installation of a European telecommunications network and the interlinking of national information technology networks. The Twelve must now adopt, by qualified majority, 15 specialized research programmes under this framework programme. The majority of these programmes will make it possible to draw up European technical standards. One of them will facilitate exchanges of highly qualified young researchers between the various Community countries.

BRIEFLY

■ The EC Council of Ministers decided on 23 April 1990 to **simplify the system for the mutual recognition of prospectuses** issued in connection with public offerings of shares. Hereafter, a public-offer prospectus will be enough to secure stock-exchange listing of shares of one Community country in another member country, thus reducing the formalities required for admission to official listing.

East Germany in the single market

The territory of East Germany will become part of the European Community as soon as it has been integrated into the Federal Republic of Germany, and no changes to the treaties that make up the Community's 'constitution' will be needed. These are the broad principles which the Community's Heads of State or Government approved during the special European Council which met in Dublin on 28 April 1990. The integration of East Germany will take place in three stages. The first will begin on 2 July 1990, when the monetary union between the two Germanys comes into force, to end at a date as yet unknown, during the unification of Germany. During this period of 'adjustment', the German Democratic Republic will be entitled to loans from the European Investment Bank, the EC's own bank, and from the European Coal and Steel Community and the Atomic Energy Community (Euratom). During the second stage transitional measures will apply to East Germany, now a part of the Federal Republic. The Twelve have foreseen that these measures 'will be limited to what is strictly necessary and will aim at a complete integration, as rapid and harmonious as possible'. The third stage will open when the entire Community legislation will apply to East Germany. Already on 26 April, before the Dublin Summit, the East German Minister for Foreign Affairs, Markus Meckel, asked his Irish counterpart, Gerard Collins, currently president of the EC Council of Ministers, that his country be granted observer status in Community institutions, pending German unification.

Initiatives

● Two new goals for 1992?

In addition to being the date for the completion of the single market, 31 December 1992 could also be the target date for two other wide-ranging European goals. The European Community's Heads of state or Government envisaged during the special European Council in Dublin on 28 April 1990, the approval by their respective Parliaments of the creation of an economic and monetary union and the launch of political union before 31 December 1992. As regards economic and monetary union, the Twelve had already agreed to hold, from December 1990, an intergovernmental conference designed to modify the Treaty of Rome, the European 'constitution', thus opening the way to the creation of a European central bank and the adoption of a common currency. In Dublin the Twelve committed themselves to speeding up the preparations for the conference, so that the changes to the Treaty could be ratified before 31 December 1992. As for political union, the Twelve evoked in Dublin the possibility of holding a second intergovernmental conference, leading to further changes to the Treaty, also to be ratified before 31 December 1992. This second form of union would result in the Community's institutions and decision-making process becoming both more democratic and more effective. It would also enable the Community to present a united front on the world stage.

● Capital movements liberalized in Italy

The remaining restrictions on capital movements in Italy were lifted on 14 May 1990. The Italian Government had decided on 27 April 1990 to lift these restrictions — on the opening by residents of current accounts abroad or in foreign currencies in Italy, for example. With Italy removing its last restrictions, the full liberalization of capital movements within the European Community has become a reality six weeks before the deadline of 1 July 1990. Spain, Greece, Ireland and Portugal will follow suit only later, their governments having obtained a derogation until the end of 1992.

● An action plan for consumers

In order to allow consumers to take full advantage of the single market, the European Commission adopted on 28 March 1990 a three-year action plan ending on 31 December 1992. The Commission wants to encourage the development of consumer associations in the less well-off regions of the Community and to make it easier for associations based in the border regions of the different Member States to work together. In addition, it proposes to authorize comparative advertising in all 12 Member States and to improve consumer information and safety. For the present the Commission must ensure the implementation by the Twelve of Community legislation which has already come into force but has been 'overlooked' by the national authorities, such as the directive on door-step selling and on misleading advertising.

● Towards cross-border investments

In order that European banks and securities firms can invest throughout the 12-nation European Community on behalf of their Community-wide clients, the European Commission proposed on 25 April 1990 a European 'law' which sets out common financial requirements for such firms. This proposal rounds off one dealing with investment services in general, which is already before the Twelve.

Frans Andriessen
Vice-President of the Commission

A STRONG EUROPE IN THE WORLD

Since 1985 – and I almost ought to say since 1992 – the European Community has been trying to recapture its central position in the world economy. Developments in Eastern Europe and relations with the United States and Japan in particular suggest that the Community seems to be succeeding.

The Single European Act, particularly the efforts to complete the internal market for 1992, has given European trade and industry such fresh impetus that it is now actively preparing for keener competition in a larger market. Trade and industry in almost every branch recognizes the great advantages of the internal market.

Because of its size – 325 million consumers – and the new opportunities for scientific, technological and commercial cooperation, the internal market is of inestimable value for economic growth, stronger competitiveness and better employment.

The Cecchini report showed that completion of the internal market is producing enormous savings of almost HFL 500 million and that it is helping to boost growth by up to 5% and lower prices by an average of 6%. All this can eventually lead to the creation of millions of jobs.

As governments, employers and workers each shoulder their own responsibilities, the Commission's cooperative growth strategy for more employment will produce additional growth of 7% and lead to the creation of 5 million jobs.

Calculations have shown that monetary union will yield cost savings of around HFL 50 000 million.

I told you that today (6 April) is a special day. Did you know that from today there are exactly 1 000 days to go before the internal market is completed on 31 December 1992? But this does not mean that we can simply rest easy for a thousand nights – on the contrary, it means we face a thousand days' hard work.

The Commission itself has done its homework. Well nigh all the proposals for the 300 measures spelled out in the White Paper have been laid before the Council. The Council has so far approved more than 60% of them, leaving some 130 proposals still awaiting a decision. The Member States will have to work hard to transpose the Community decisions into national legislation. They still have a lot of leeway to make up.

European firms now realize that they must make strenuous efforts. Since the 1992 venture began, production has increased by 20% and some 8.5 million jobs have been created in the Community.

European trade and industry has in many respects been sharpening its competitive claws again. All this goes to confirm the macro-economic estimates of the Cecchini report.

With the economy growing more and more international, global even, completion of the internal market constitutes a sort of test bed, or rather a training ground for European trade and industry to limber up and work out before the real competition begins on the world market.

Firstly, firms are gearing up for tougher competition on their own domestic markets and a substantial increase in sales on the markets of the other Member States. This accounts for the net growth in the volume of trade within the Community, where trade between the Member States rose from 55% of total exports in 1982 to 62% in 1988.

Secondly, companies are increasing their investments both in their own national markets and in the other Member States and even outside the Community. One striking phenomenon here is the annual percentage growth in the stock of fixed capital goods in Spain and Portugal, which was more than 10% in 1988 and in 1989. This is a particularly positive sign from the standpoint of the Community's economic convergence and social cohesion.

Finally, companies in Europe are already embarking on a strategy of mergers and cooperation in anticipation of 1992. Cross-frontier takeovers numbered 1 300 in 1989, for a total value of over ECU 45 000 million. Cooperation and joint ventures in the field of research and development are increasing by leaps and bounds. Firms from the United States and the EFTA countries are likewise becoming more and more active on the Community market. Even Japan is taking more notice of the European market.

In 1989 Japanese firms were involved in 119 mergers and takeovers compared with nine European companies in Japan. The Japanese mergers and takeovers were mainly concentrated in the United Kingdom (47), and to a lesser extent France (20), Germany (18) and Spain (12).

Taken together this amounts to half of the mergers and takeovers carried out by the Japanese in the United States. There are now over 500 Japanese firms in business in the EEC. Japan's investments in Community firms leapt from USD 2 000 million in 1982 to USD 8 300 million in 1988.

In this connection it is worth noting that the Community's investments abroad are more substantial than foreign investments in the Community. Thus, for example, the United Kingdom and the Netherlands are the biggest investors in the United States, even ahead of Japan! This is clear evidence of the effort being made by European companies to internationalize and go worldwide.

SUPPORT FOR SINGLE MARKET SOLID

Continuous solid support for the **completion of the single European market** by the end of 1992: Seven out of eight among those who think it will make a difference see it as a good thing. Three times the number of those who expect it to be harmful say they expect it to be helpful for the economy of their country. Four times as many as those who associate 1992 with fear, associate it with hope. **Opposition to the single market in the United Kingdom dropped by one-third.** Eight out of ten who express an opinion **welcome the Social Charter** (three out of four in the UK).

Source: Eurobarometer No 32, 5 April 1990.

The Community is not only the largest affluent market for the production and marketing of goods and services, it is also the world's biggest trading power. The Community's share of world trade stands at over one-fifth of the total, whereas Japan's share, for example, is less than one-tenth. The Community is also the world's biggest importer of agricultural products (importing about one-fifth of total world exports) and is the second biggest exporter.

As the world's biggest trading power, the Community has every interest in an open, fair and multilateral trading system, as provided for under GATT. In the past it has played an active part in successive multilateral trade negotiations and thus helped to extend the freedom of international trade and to strengthen the multilateral approach. It is firmly opposed to unilateral or bilateral measures applied by certain countries.

In the Uruguay Round the Community supported the move to extend GATT coverage to new areas such as services, agriculture, copyright, and so forth. It considers that it is indeed in its interests to have as many international trade-related activities as possible subject to a multilateral discipline.

It hopes that these negotiations can be successfully wound up in Brussels at the end of the year, because a stronger world trading system is in the interests of world trade and of the economic development of industrialized and developing countries alike.

The Community's future does not depend solely on the development of the internal market or on its integration into the world market. Its future also lies in the growing cooperation with the European Free Trade Association countries. This year the Community and EFTA are beginning negotiations to establish a European economic area, in which the so-called four freedoms – free movement of goods, services, capital and persons – will be assured. In this way the influence of the internal market of the Twelve could well be said to extend to the six EFTA countries, together forming a market of 18 European nations.

But that is not all. The Community's future is also being determined by the recent events in Eastern Europe. Eastern Europe with its 136 million people and its high level of development and great material needs can become a major trading partner. Add to them the Soviet Union and we have another 286 million people in the world of our free market, with truly exciting prospects for the expansion of trade and cooperation.

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There is a Chinese curse that says: 'May you live in interesting times'. But for us it is much more of a wish than a challenge. Events in Europe are so exciting and are moving so fast, already opening up unprecedented prospects for freedom, prosperity and well-being throughout the Continent.

Through the completion of the internal market and the establishment of economic and monetary union the Community is working its way towards a favourable starting position. Economically and politically its role in Europe and the world is bound to expand.

Excerpts from an address given in Rotterdam on 6 April 1990.

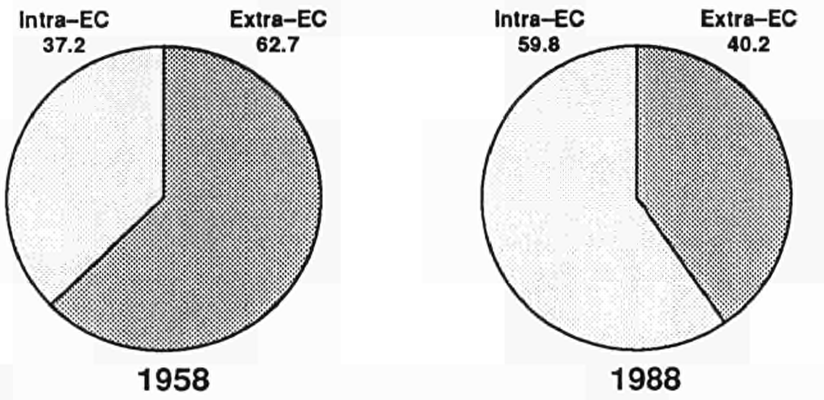
eurostat

Key figures

Statistical Office of the European Communities, L-2920 Luxembourg, Tel. 4301-4567

Growth of intra-EC exports

Growth in intra-Community exports as a percentage of total exports, 1958 and 1988, EUR 12 (fob)



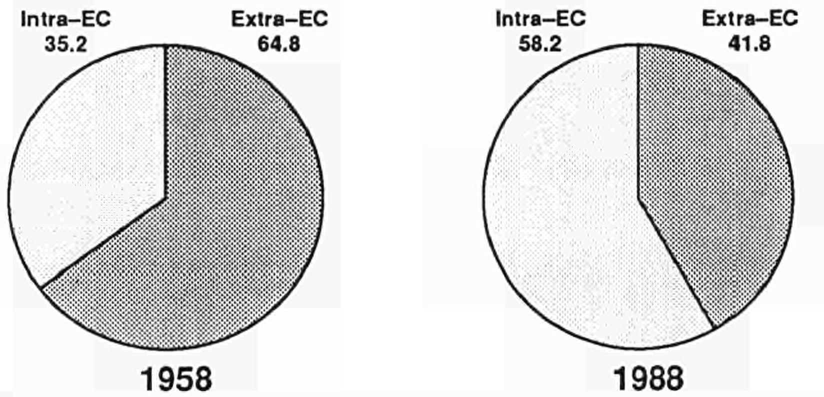
Over the 30 years of the Community's existence the pattern of intra-Community exports has changed radically. In 1958 exports between the present Member States accounted for only one third of total exports. In 1988 they accounted for two thirds.

In 1988 25 % of extra-EC exports went to EFTA countries.

(%)	1958	1960	1965	1970	1975	1979	1980	1982	1984	1985	1988
Intra-EC	37.2	40.9	49.6	53.4	52.4	56.5	56.1	54.4	54.6	57.4	59.8
Extra-EC	62.7	59.1	50.4	46.6	47.6	43.5	43.9	45.6	45.4	42.6	40.2
– EFTA	19.5	21.5	25.7	25.1	22.4	24.3	25.5	22.1	21.8	25.5	26.6
– USA	12.5	13.6	15.7	18.0	11.9	13.8	12.8	15.7	21.0	22.0	19.8
– Japan	1.0	1.2	1.6	2.6	2.0	2.6	2.2	2.3	2.7	3.3	4.7

Intra-EC imports

Growth in intra-Community imports as a percentage of total exports, 1958 and 1988, EUR 12 (cif)



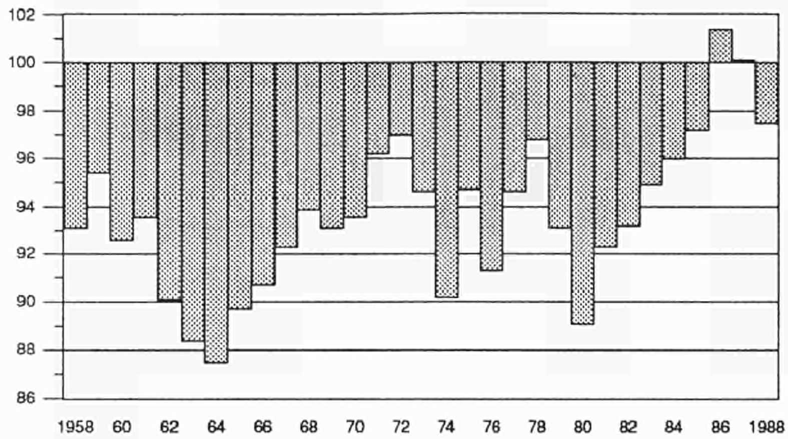
In 1988 imports between Member States accounted for 60 % of the total, compared with 35 % when the EC was established in 1958.

One quarter of the extra-EC imports are from EFTA countries.

In 1958 imports from Japan accounted for 1.4 % of total imports, compared with 10.7 % in 1988.

(%)	1958	1960	1965	1970	1975	1979	1980	1982	1984	1986	1988
Intra-EC	35.2	37.9	44.9	50.3	49.5	52.0	49.3	50.1	51.7	57.9	58.2
Extra-EC	64.8	62.1	55.1	49.7	50.5	48.0	50.7	49.9	48.3	42.1	41.8
– EFTA	14.4	15.0	16.3	17.4	15.6	18.0	17.0	17.2	19.4	23.5	23.3
– USA	17.6	20.4	21.1	21.7	17.6	16.4	16.9	17.7	17.2	16.9	17.6
– Japan	1.1	1.4	2.0	3.4	4.2	4.8	4.9	5.7	6.6	9.0	10.7

EUR 12 coverage rates: exports (fob)/imports (cif)



A difficult balancing act

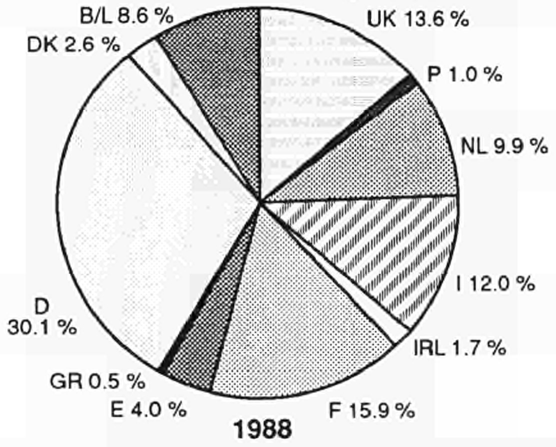
In 1987 EC trade was in balance, but moved into the red again in 1988.

The Federal Republic of Germany had the highest coverage rate (128.8 %), followed by Ireland (120.8 %)

On the other hand, Greece had the lowest coverage rate (44.2 %), its imports being more than double its exports.

(%)	EUR 12	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK
1958	93.1	97.3	92.9	119.6	41.1	55.3	91.3	66.1	80.1	88.7	60.2	88.4
1968	93.9	98.0	80.1	123.3	33.6	45.4	91.0	70.5	99.0	89.8	64.7	81.1
1978	96.8	92.4	80.8	116.7	43.0	70.3	93.6	79.8	99.2	94.6	46.3	91.0
1988	97.5	96.4	104.1	128.8	44.2	75.3	92.2	120.8	92.9	101.3	63.5	74.4

Share of Member States in total EC exports, EUR 12=100 %, 1988



The strength of German exports

In 1988 the Federal Republic of Germany was the world's top exporter, beating the USA and Japan.

The BLEU has the largest ratio of exports to GDP (58.7 %), followed by Ireland (57.5 %). The BLEU is also the top exporter in per capita terms at ECU 7 589, compared with ECU 464 for Greece.

(1988)	EUR 12	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK	USA	JAP
Exports (1 000 million ECU)	906.4	77.9	23.3	273.0	4.6	36.4	144.6	15.8	108.7	90.1	9.0	123.1	270.9	224.0
Exports/GDP (%)	22.5	58.7	25.6	26.8	10.4	12.7	18.0	57.5	15.5	46.6	25.5	17.7	6.6	9.3
Per capita exports (ECU)	2790.8	7589.6	4539.2	4443.8	464.0	934.3	2587.3	4468.3	1891.4	6101.0	876.1	2157.1	1111.6	1836.1

EFTA – the European Free Trade Association – comprises Austria, Finland, Iceland, Norway, Sweden and Switzerland.

ECU exchange rates against national currencies (ECU 1 = ...), 1988 average

BFR	DKR	DM	DR	ESC	FF	HFL	IRL	LFR	LIT	PTA	UKL
43.43	7.95	2.07	167.58	170.06	7.04	2.34	0.78	43.43	1537	137.60	0.66

● A cross-border VAT

The European Commission proposed to the Twelve on 8 May 1990 the elimination of VAT payments at border crossings, in order to ensure that customs checks at the European Community's internal borders disappear altogether on 31 December 1992. If the Twelve accept the proposal, people will be able to pay VAT at local rates throughout the Community on all their purchases, with two exceptions. They are cars and goods bought by mail. VAT on cars would be paid in the country of residence, at the time of registration. Firms which obtain their supplies in another Member State would pay VAT only on arrival of the goods in their own country. The Commission has also proposed to the Twelve that VAT be paid in the country of origin after 31 December 1996. It has given up for the moment the harmonization of national VAT rates.

● In order **to allow European audiovisual companies to take greater advantage of their domestic market,** the European Commission sent the Twelve on 10 April 1990 a proposal aimed at stimulating cooperation among them, especially among small and medium-sized companies. The new action programme would be a follow-up to the experimental Media (Measures to encourage the development of the audiovisual industries) programme. It would cover the entire sector, from conception to marketing, and run for five years (1991-95), with the Community providing some ECU 250 million.

● To ensure that **takeover bids** are carried out in roughly the same conditions throughout the 12-nation European Community, the European Commission has found it necessary to modify several pieces of Community legislation, or draft legislation, dealing with company law. It decided on 8 May 1990 to entrust the internal market Commissioner, Martin Bangemann, with the task of examining the eventual changes with EC ministers and the European Parliament. The aim would be to make sure that every share entitles its holder to exactly one vote, neither more nor less.

● So that consumers may have **cordless telephones that can be used anywhere in the European Community** by the end of 1992, the European Commission proposed to the Twelve on 8 May 1990 Community legislation setting aside a common wavelength for them.

● In their preparations for the single market European companies begin by adapting and transforming their activities. They also try, although not to the same extent, to improve their outlets and shift production. Cooperation between companies comes last, according to **a survey of 112 British, French, German, Italian and Spanish companies,** carried out on behalf of the Economics Ministry in Bonn. The survey shows that the number of initiatives launched in the context of the single market is directly related to the size of the company. Of the five sectors covered by the survey, the telecommunications sector leads in the number of '1992' initiatives. It is closely followed by motor vehicles and machinery. Chemicals, and especially textiles, bring up the rear.

Seen from abroad

▶ Budapest and Prague want membership

Czechoslovakia wants to be a member of the European Community by the year 2000, according to its Prime Minister, Marian Calfa. He was speaking in Brussels on 7 May 1990, just after having signed a commercial and economic cooperation agreement with the Community. At the end of a visit to the European Commission the same day, Mr Calfa explained that his country would have to adapt to the Community as regards 'the entire organization of its national economy', and more especially as regards technical standards, accounting and finance and banking. Every initiative currently being undertaken in Czechoslovakia is aimed at ensuring 'full compatibility' with Community rules. Prague has already begun to prepare for a future association agreement with the 12-nation Community, an agreement which, according to Mr Calfa, must imply the total liberalization of economic relations between them. For his part the new Hungarian Prime Minister, Joszef Antall, indicated to Western journalists on 16 April 1990 that he favoured Community membership for his country between 1992 and 1995. He thought this a 'realistic' timetable.

▶ A 29 % rise in Japanese factories in 1989

The number of Japanese factories located in Europe rose by 29 % in 1989, according to a study by the Japanese External Trade Relations Organization (Jetro), published on 1 May 1990. Jetro notes that many of Japan's industrial companies 'choose to locate in Europe, because of the greater opportunities they expect from the integration of the EEC in 1992'. Of the 529 Japanese companies with factories in Western Europe in January 1990, 132 were located in Britain, 95 in France, 89 in Germany and 55 in Spain.

▶ The Swiss want to know

The Swiss want to know what the European Economic Space (EES), to be negotiated this year between the 12-nation European Community and the other West European countries, means for them. Opinions are divided. Many of the country's political and economic leaders expressed their views at the end of April and in early May. The secretary of the Swiss trade union organization believes that companies, employees and citizens in general will benefit from the EES. The country's chemical industry backs the idea of the EES; it has proposed 80 changes to Swiss regulations, to adapt them to the Community's internal market. A group of Swiss MPs have even decided to set up a Swiss-EES Club, to stimulate their authorities to negotiate and ratify an agreement with the Community, and to inform their compatriots of the benefits of the EES. However, the country's Ecological Party is against both the EES and eventual Community membership. And for one of the main opponents of membership in the Swiss Parliament, Christoph Blocher, the EES and membership are equally unwelcome.

BRIEFLY

▶ The **National Association of Manufacturers** of the United States claimed in Washington on 25 April 1990 that the preparations for the single market would stimulate demand for American-made capital goods. In a report entitled 'Update on EC-92' the NAM regards the EC market to be both open and booming.

▶ The Moroccan Government plans to set up **industrial free trade zones, whose output would be exported to the single European market.** During a press conference in Rabat on 3 May 1990 the country's Finance Minister, Mohamed Berrada, indicated that his country was seeking to attract investments from Europe, America and Asia, and more especially from Japan, Kuwait and Saudi Arabia. Mr Berrada stressed that Morocco was the door to a Europe destined to become the world's largest market.

▶ For Asian companies, **the creation of the single European market represents both dangers and new opportunities,** according to a report of the Asian Development Bank (ADB), published in Manila (Philippines) on 30 April 1990. The ADB does not rule out the possibility of a rising tide of protectionism in Europe, in which case Japan and the newly industrializing countries like South Korea and Singapore would have to invest within the Community itself. However, the ADB takes the view that '1992' will favour Asian exports to the 12-nation Community, especially of electronic goods, jewellery and precious stones. The ADB envisages very strong competition between Asian and southern European manufacturers.

▶ **The Yugoslav President,** Janez Drnovsek, declared in Strasbourg on 8 May 1990 that his country could be ready to apply for membership of the European Community in two or three years' time. The next day in Stockholm the **King of Sweden** declared that his country could join the Community by 1995. Some 39 % of Swedes now favour membership (21 % in 1987), as compared to the 34 % who are opposed.

Encouraging participation in public procurement

The European Commission has just adopted a communication on encouraging small and medium-sized enterprises (SMEs) to take part in public procurement in the European Community. The opening up of major public works and supplies contracts to cross-border tendering will play a key role in the completion of the single market. The participation by SMEs in public procurement bears no comparison to their role in the economy as a whole. The Commission considers that widening the possibilities for such participation will not only stimulate their development but also bring to the public procurement sector a fresh and important element of competition.

In its communication the Commission looks at four categories of measures aimed at promoting SME participation: those which (1) give SMEs easier access to tendering procedures; (2) reduce the costs borne by them; (3) prepare them to take part effectively in tenders and (4) discriminate in their favour, although such measures cannot be tolerated as they are contrary to the Treaty of Rome.

As regards improved access to tendering procedures for SMEs, the Commission encourages the break-down of major contracts into smaller ones; this is unlikely to result in companies getting around the rules regarding thresholds. The Commission also favours SMEs joining hands to set up associations or cooperating with each other to tender for major contracts. Recourse by large companies to subcontracting, with SMEs in mind for a part of the contract, and a re-examination of the legal and fiscal conditions which apply to the participation of SMEs in public procurement in the framework of such agreements, would also be helpful.

The Commission is also concerned by the threat of bankruptcy, because of delays in payment, which hangs over SMEs far more than over large companies, whose fortunes are less tied to a single contract. The Commission advocates in this connection higher down-payments and advance payments.

As for giving greater publicity to tender announcements, the Member States are invited to do much more, of their own accord, than is laid down in the Community directives in this matter. They could, for example, see to it that tender announcements for public contracts for amounts even below those set by the Community directives are published free of cost.

If SMEs are to take a greater interest in public procurement, it will be necessary to improve the flow of information to them, using such instruments as the TED (Tenders Electronic Daily) database and the network of Euro-Info-Centres.

The Commission will study and evaluate the results of existing measures, encourage pilot projects and facilitate the exchange of information and ideas on SME participation in public procurement.

BC-Net: polling its users

The BC-Net is nearing its development phase, after a two-year experimental phase. In order to prepare for this new phase, the European Commission's Directorate-General for Business Policy has polled the 343 users who are business consultants on the operation of BC-Net.

Four out of five companies using the services of BC-Net employ fewer than 100 employees. BC-Net, in other words, is reaching its target, which are the SMEs. Confidentiality, a key element of BC-Net, is regarded as satisfactory by half the members of the network. The rate of 'matchings' which can be exploited (automatic 'matchings') has risen: some two-thirds of BC-Net members are of the view that one-third of successful matchings can be put to use.

The BC-Net has already given rise to numerous cooperation agreements, either as a result of matchings or thanks to the network of personal relationships that has grown up between BC-Net consultants.

As for the future, consultants who are members of the network favour the extension of BC-Net to the EFTA countries, the United States, Canada and East European countries. They also favour the use of electronic mail as a method of communication and for increased access to European databases. The results of this poll have been used to draw up a promotional programme, to be implemented during the development phase of the BC-Net project.

The annual meeting of business consultants who are members of the BC-Net will take place in Brussels on 8 June 1990. More than 300 people, from both the Member States and third countries, are expected to attend. The aims of this meeting are to present the balance sheet of BC-Net activities during its experimental phase, indicate the main guidelines for its development phase, which begins in August 1990, and to stimulate contacts and exchanges of experiences between the members of BC-Net.

The vocabulary of subcontracting

Encouraging cross-border subcontracting is a goal that the European Commission has been pursuing for a dozen years in the framework of its business 'marriage' bureau. The realization of the 1992 single market throws new light on the Commission's efforts, both justifying them and reinforcing the need for them.

Any attempt to facilitate cross-border subcontracting implies, above all, that the partners in such ventures have at their disposal the means of overcoming the difficulties inherent in the highly technical nature of their relationship and the plurality of European languages. The sectoral lexicons of subcontracting were born of this double requirement. They address themselves to subcontractors, principals and all the advisory and other bodies whose daily task it is to help improve relations between the first two groups.

A new publication covering the terminology of subcontracting in the textile and clothing sectors has just been published (Office for Official Publications of the European Communities, 1990. Catalogue number: CB-58-90-223-9A-C — ISBN 92-826-0147-1. Price: ECU 51.) It consists of three parts: a nomenclature of subcontracting products; a nomenclature of operations and production materials and a nomenclature of products of principals.

A Nomenclature of industrial services is also available (Office for Official Publications of the European Communities, 1990. Catalogue number: CB-58-90-158-9A-C — ISBN 92-826-0146-3. Price: ECU 25.25.) The justification for a lexicon of industrial services is the tendency for industries to subcontract an increasing proportion of their activities, and in particular to have growing recourse to industrial services.

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