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target 92

Taxation must not prevent companies from taking advantage of the single market

■ by Christiane Scrivener, Member of the European Commission

With the European Community's progress towards integration, companies in the Member States are becoming more sensitive to fiscal matters. The completion of the Customs Union in 1968 and, closer to us in time, the gradual realization of the single market, particularly as regards the total liberalization of capital movements since 1 July 1990, has already led to economic activities which are conducted in another EC country being regarded as domestic activities to a certain extent. As a result, the differences among the Twelve on fiscal matters are being felt all the more keenly.

Investments that can distort competition The nature of economic ties within the Community has changed. As recently as a decade ago they consisted largely of trade in goods and services; since then direct investments have come to play an increasingly greater role. The fact is that investment flows increased fivefold between 1984 and 1988, having doubled in 1986 and again in 1988.

Differences in taxation from one EC country to another can influence the location of investments and thereby distort competition. Thus, in the case of an investment by a wholly-owned subsidiary, using funds provided by the parent company, the tax component represents 2.1 % of the cost of capital if the subsidiary is located in another EC country, and only 0.7 % if it is located in the same country.

Preventing double taxation In the run-up to the single market the European Commission has given priority, not surprisingly, to the elimination of double taxation on cross-border transactions, in order to put an end to provisions under which purely domestic activities receive more favourable treatment.

Some of the principal forms of double taxation have already been eliminated, thanks to measures proposed by the European Commission and adopted by the Council of Ministers in 1990. Two of them are in force since 1 January 1992.

- The first of them ended the double taxation of dividends distributed by a subsidiary to its parent company, established in another Member State.
- Under the second of these measures tax payments can be deferred as regards capital gains arising from cross-border restructuring activities — mergers, divisions, contributions of assets and exchanges of shares — until such time as the gains in question are realized.
- The third measure, adopted in 1990, still awaits ratification by the Twelve. It seeks to eliminate the double taxation on payment of back taxes.

In order to complete these measures the Commission proposed to the Council two new measures in December 1990. The Council must adopt both of them before the end of the year.

The first of these measures abolishes withholding taxes on interest and royalty payments to companies of the same group but established in different EC countries, while the second makes it possible for a parent company to take into account the losses suffered in other EC countries by its subsidiaries and fixed places of business.

Need to do more? Is there a need for additional Community legislation in order to ensure the effective operation of the single market? In order to assess the situation I asked a group of independent experts, chaired by the former Dutch finance minister Onno Ruding, to look at the differences in the tax burden from one Member State to another, their consequences for the single market and action to be taken eventually at the Community level. The group submitted its report in March and the Commission, after having analysed it, produced certain guidelines on 24 June for company taxation in the post-1992 period.

This report confirms the validity of the approach followed so far as well as the absolute priority given to ending double taxation within the single market framework. Extending the benefits of the measures already taken to prevent double taxation to all companies — particularly private ones — seems justified therefore.

Other ideas deserve examination, such as the principle of a minimum Community rate of company taxation. But the suggestions made by the experts often go beyond what is strictly necessary. This is the case, for example, when they recommend a maximum rate of company taxation. We must be careful to limit harmonization to where it can be justified on economic grounds.

The Commission is of the opinion, however, that certain areas must be looked into more thoroughly. Thus one could offer small businesses the option of company taxation, generally lower than personal income tax. Moreover, tax incentives could encourage research and environmental protection. In any case, what matters is whether companies, and small and medium-sized enterprises in particular, can take full advantage of the single market.

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SEPTEMBER/
OCTOBER 1992
The text of this issue was completed on 16 September 1992.

DECISIONS

■ Greater freedom for air transport

From 1 January 1993 air transport within the European Community will have greater freedom, thanks to the third air transport liberalization package, adopted definitively by EC ministers on 23 July. The five measures they adopted complete the single market in air transport, for passengers as well as freight. Thus three 'European laws' guarantee airlines virtual freedom to set fares and rates for air services; the right to fly anywhere within the Community, once they are in possession of a European licence; and to operate any route within the 12-nation Community. Flights within a Member State will remain subject to one restriction until 31 March 1997. British Airways, for example, will be able to fly passengers between Paris and Nice only if the flight starts or ends in Britain, and if the passengers flying within France do not occupy more than half the seats. The other two 'laws' adopted on 23 July extend certain European competition rules to air transport entirely within the same Member State: the ban on the misuse of a monopoly situation and inter-company agreements, which at present apply only to international flights, will apply also to internal flights. In addition, the European Community will have the right to authorize agreements within a Member State if they are advantageous for consumers. The latter should enjoy lower fares as a result of this 'open skies' policy.

■ Towards cross-border electricity

A small, independent electric power station located in France, but near the border with Italy, can sell its electricity to Italian customers, without being bothered in any way by the two State monopolies, France's EDF and Italy's ENEL. Thanks to the European Commission's intervention, EDF renounced its agreement with ENEL, requiring the small independent producer, SHG, to charge French rates, which are much lower than those in force in Italy. Linked to the Italian electricity grid, SHG cannot be linked to the French distribution network as it is separated from the rest of France by mountains. Through its agreement with ENEL, EDF required SHG to sell it all the electricity it generated at French rates – and then re-sold it to Italy. When Italian prices rose to twice the level of French prices, SHG filed a complaint with the European Commission, in April 1991. The latter took the view that the agreement between the two State monopolies was in violation of EC competition rules, and opened proceedings against them. As SHG and EDF have settled their differences amicably, and the former now receives the price paid by ENEL to independent Italian producers, the Commission decided on 4 August to close the proceedings. According to Sir Leon Brittan, the EC's competition Commissioner, the affair represents 'a step towards the opening up of national energy markets'.

■ A European workplace for researchers

More than 700 young and talented European researchers will be able to spend up to two years developing their skills in the best research centres in an EC country other than their own. The European Commission decided on 7 August to grant fellowships to 252 researchers as well as to 239 laboratories and research teams in a position to accept young colleagues from another country. These fellowships, which will take some ECU 67 million from the EC budget (ECU 1 = UK£ 0.69 or IR£ 0.76), are part of the 1992-94 Human capital and mobility programme. The programme covers numerous fields of study, including the exact and natural sciences, economic and social sciences and business management. The aim is to create a border-free zone for European researchers, thus improving European competitiveness, without neglecting the Community's less favoured regions: additional one-year fellowships will be awarded to researchers who belong to such regions and want to return to them in order to apply the knowledge they have gained.

❑ BRIEFLY

EC ministers decided on 27 July to strengthen the system by means of which national employment exchanges send each other information on vacancies and applications for employment (known by its acronym Sedoc). The aim is to help Europeans **find work outside their own countries,** anywhere in the Community.

From 1 January 1993 **carriers registered in one Community country will be able to operate national road passenger services within another EC country.** The EC Council of Ministers definitively adopted on 23 July the regulation (European 'law') authorizing passenger cabotage. But only the regular transport of schoolchildren and workers will be liberalized as from next year, along with round trips, with the same passengers, by coach. Other coach services will have to wait until 1996 at least (see *Target 92*, No 7/92).

Milk, too, will be moved freely within the single market. EC ministers removed the last remaining obstacles on 23 July, by ending the import derogations for milk granted to Britain and Ireland.

INITIATIVES

● A more 'European' VAT in Spain

Since August the standard VAT rate in Spain is no longer 13% but 15%. The government decided on 23 July to bring its rate into line with the minimum rate of 15 % accepted in principle by EC ministers on 24 June. As of mid-September a European 'law' making this minimum rate applicable from 1 January next year was still awaited. But several other EC countries have already adjusted their VAT rates to this end. Thus Belgium, Greece and France have eliminated the higher rates levied on luxury goods. Germany and Luxembourg have raised their standard rates to 15 %, while Portugal has reduced it from 17% to 16% and the Netherlands from 18.5% to 17.5%.

● Uncovering false papers at EC level

Twenty-two national civil servants who have the task of checking identity documents at EC ports and airports have followed a course on how to detect false papers, held from 31 August to 11 September. Funded by the European Commission and organized by the Belgian gendarmerie and the Dutch CID, with the help of Britain's immigration service, the course was held in Brussels and the Dutch city of Eindhoven. The aim: a better knowledge of the methods used to forge

90 % OF THE '1993 MEASURES' ADOPTED ... BUT WHAT OF BORDER CONTROLS?

At the beginning of September, or 120 days from the date set for the completion of the single market, more than 90% of the 276 measures required to this end had been adopted. This is the main piece of good news contained in the European Commission's latest annual report on how work on the single market is coming along, published on 2 September. To complete their task EC ministers therefore must adopt no more than 23 measures by the end of the year. Another plus point: the speed with which these European 'laws' are being transposed into national legislation has increased. As of 15 August the Twelve had transposed, on average, 75 % of the 174 measures which can be implemented only once this has been done. This is the best result since 1989. The proportion of laws that have been transposed varies from nearly 90% in Denmark to 64% in Belgium. But the elimination of checks at the Community's internal borders, set for 1 January 1993, is not certain. The Member States have yet to shift the controls on the ground. They must also sign the convention on the crossing of the Community's external frontiers, which has been held up by differences between Britain and Spain over the status of Gibraltar. Finally, Britain takes the view that the maintenance of border checks on individuals is compatible with '1993', and needed in the fight against illegal immigration and international crime.

THE EUROPEAN ECONOMIC AREA: 19 COUNTRIES IN AN ENLARGED SINGLE MARKET

The establishment of the European Economic Area marks the beginning of a new phase in relations between the European Community, its Member States and the countries of the European Free Trade Association (EFTA) – Austria, Finland, Iceland, Liechtenstein, Norway, Sweden and Switzerland.

Encompassing, as it does, the Community and a group of countries of which the majority have applied for Community membership, the EEA is also to be seen as a major feature of the new architecture of Europe.

When the Agreement comes into force, probably at the beginning of 1993, the EEA will in fact form the largest integrated economic area in the world with 19 countries and some 380 million inhabitants. A new impetus will thus have been given to special relationships founded on proximity, intense economic relations, shared values of democracy and the market economy and a shared European identity.

The EEA Agreement was signed in Oporto in May 1992. Its purpose is to establish a homogeneous and dynamic integrated entity that is founded on common rules and equal terms of competition, enjoys the means (including the judicial procedures) it needs to ensure its implementation and is based on equality, reciprocity and the general balance of advantages, rights and obligations. The Agreement makes provision for the establishment within the EEA of the free movement of goods, persons, services and capital (the 'four freedoms') on the basis of existing Community legislation (the *aquis communautaire*); there are a limited number of exceptions and transition periods.

● **Free movement of goods** – As a follow-up to the total abolition of customs duties on industrial products already achieved by the 1972 free-trade agreements, the Agreement abolishes almost all remaining obstacles to trade in goods. The following are particularly worthy of note: banning of all quantitative restrictions and measures having an equivalent effect; improvement of the rules on origin leading to the introduction of an 'EEA origin'; prohibition of any discriminatory commercial practices on the part of State monopolies as regards terms of supply and outlets; conditional exclusion of anti-dumping measures in internal EEA relations; removal of technical obstacles to trade; simplification of border checks and procedures relating to trade in goods; creation of a common market in public procurement; and introduction of simplified procedures for trade in processed agricultural products.

● **Free movement of persons** – The EEA will open up new opportunities for wage-earners and self-employed persons. There will be no discrimination based on nationality in matters of employment, pay or other working conditions. The citizens of the EEA countries will be free to move and to seek and take up employment anywhere in the Economic Area. Standard rules on the coordination of social security systems will enable all workers, regardless of country of origin in the EEA, to enjoy social security benefits without discrimination or interruption. Freedom of establishment is expressly recognized in the Agreement: nationals of all EEA countries will be entitled to set up businesses, agencies, branches, etc. and engage in the professions in the country of their choice. The equivalence of diplomas and other qualifications will be recognized and students will be encouraged to study, train or engage in research elsewhere than in their country of origin.

● **Freedom to offer services** – The Agreement enshrines the freedom to offer services on a non-discriminatory basis, the signatory States having undertaken to treat nationals of all EEA countries in the same manner as their own nationals. The principle of the 'single licence' will be applied to credit institutions throughout the EEA and the principle of 'home-country control' will render the home country responsible for monitoring the activities of national credit institutions regardless of where they do business in the EEA. Dealings in stocks and shares are also covered. To protect investors' interests, the Agreement lays down stringent rules on minimum capital requirements and the disclosure of information by listed companies. The Agreement also covers insurance, including life assurance, non-life insurance and motor vehicle insurance.

There are provisions on telecommunications and audiovisual and information services. Other clauses relate to transport – by land, sea and air. They are based on the principle of reciprocal access to markets, greater liberalization of services and harmonized technical and social provisions. Separate bilateral agreements on road transport have been concluded with Austria and Switzerland.

● **Free movement of capital** – The agreement establishes a comprehensive, non-discriminatory framework for transfers of capital, cross-border investments (direct or indirect), loans, etc. It provides for the removal not only of exchange controls directly affecting capital transfers but also of other indirect obstacles. The national rules on capital movements will apply to foreign residents and nationals alike. As regards investments and establishment in fisheries, Norway and Iceland will be entitled to maintain their existing national legislation.

The introduction of fair terms of *competition* within the EEA is one of the main objectives of the Agreement. The technique consists of incorporating the Community rules into the Agreement and setting up a structure similar to that of the Community, the EFTA Surveillance Authority, which will be responsible for monitoring the application of the EEA rules in the EFTA countries and an EFTA court responsible for judicial review.

Specific solutions have been devised, in some cases by means of bilateral agreements, to increase trade in *agriculture and fisheries* within the EEA. In agriculture, for example, a future developments clause commits the parties to continuing their efforts to bring about the gradual liberalization of trade by means of national legislation while taking account of the outcome of the Uruguay Round. Furthermore, bilateral arrangements are designed to promote trade in particular products (cheese, fruit and vegetable juices, wines and spirits, meat, horticultural products) as well as the entry on the EFTA markets of various products from the least developed regions of the Community. In addition, the agreement contains provisions which set out to reduce the technical obstacles caused by differences in veterinary and plant health rules.

There is to be gradual liberalization of trade in fishery products. The EFTA countries will immediately abolish almost all their customs duties on Community exports. The Community will immediately abolish or gradually reduce its customs duties (except on certain sensitive species). As regards access to resources (which is the subject of bilateral agreements), Norway and Sweden have given the Community additional catch possibilities or consolidated existing ones. The agreement with Iceland also provides for an exchange of quotas.

Beyond the four freedoms, the EEA Agreement provides for wide-ranging and balanced cooperation in two major areas:

● first, in fields which have at least some impact on the competitiveness of firms and are directly linked to the establishment of the four freedoms; this concerns the 'horizontal' policies, among which the Agreement refers to social policy, consumer protection, the environment, statistics and company law;

● second, in the Community 'flanking' policies; cooperation here may take the form, among others, of EFTA country involvement in the Community's framework programmes, specific programmes, projects and other activities in fields such as research and technological development, education and training, youth affairs and more general aspects connected to the environment, social policy, consumer protection, small business, tourism, audiovisual policy and civil protection.

The EFTA countries have agreed to help reduce the economic and social disparities between regions, going beyond the arrangements relating to agriculture and fisheries already mentioned and setting up a five-year financial assistance mechanism for Portugal, Ireland, Greece and certain regions of Spain in the form of ECU 1.5 billion in soft loans and ECU 500 million in direct grants.

The Agreement sets out to ensure uniform application of the rules while safeguarding the autonomous decision-making power of the contracting parties. To facilitate the transposal of new Community legislation in the EEA, it institutes a continuous process of information and consultation at all stages of the Community drafting process. It also lays down rules to ensure the uniform interpretation of the terms of the agreement and rules on monitoring, implementation and the settlement of disputes.

The institutional structure of the Agreement is as follows:

● an EEA Council consisting of the members of the Council of the Community, members of the European Commission and a member of the government of each EFTA country will provide the political impetus for the application of the Agreement and will establish general guidelines for the Joint Committee;

● an EEA Joint Committee consisting of representatives of the contracting parties will have four functions: first, serving as a forum for the exchange of views and information; second, taking decisions (in particular whether or not to adopt new *acquis communautaire,* and managing the Agreement; third, ensuring that the Agreement is interpreted as uniformly as possible; fourth, examining and seeking solutions to disputes concerning the interpretation or application of the Agreement;

● an EEA Joint Parliamentary Committee consisting of 66 members (33 for the European Parliament and 33 for the parliaments of the EFTA countries) will contribute to greater understanding between the Community and the EFTA countries, with the power to adopt reports or pass resolutions;

● an EEA Consultative Committee will serve as a forum for discussions between the two sides of industry.

eurostat

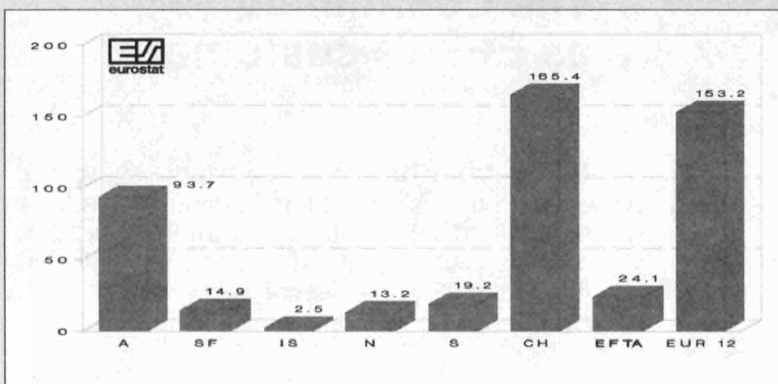
Key figures

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

European Economic Area (EEA): an area of 379 million people

Population density, inhabitants/km², at 1.1.1992

(Germany after 3 October 1990)



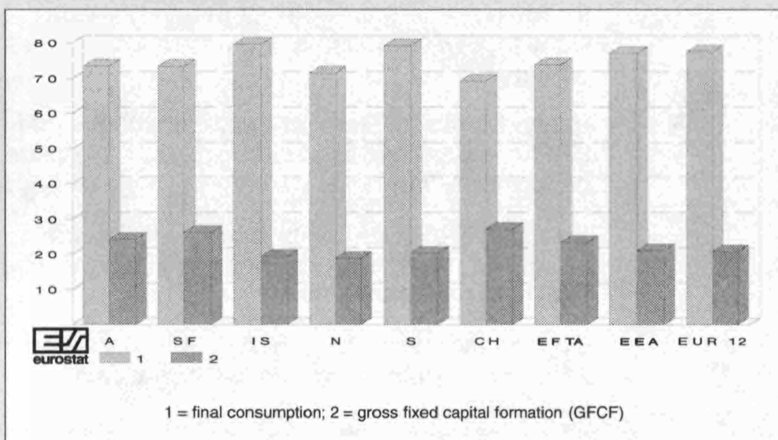
Population and density

With 24 inhabitants per km², the average population density of the member countries of the European Free Trade Association (EFTA) is well below the Community average of 153 per km². Switzerland is the only EFTA country which exceeds the Community figure with an average density of 165 per km².

There are 379 million people in the European Economic Area, with the Community accounting for 91% of the total.

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12	EFTA	EEA
Total population (million)	10.0	5.2	80.2	10.3	39.1	57.2	3.5	57.8	0.4	15.1	9.8	57.6	346.2	32.9	379.1
Density (inhabitants/km²)	328.6	120.0	324.2	77.7	77.4	104.2	50.3	191.8	149.9	364.5	106.9	236.1	153.2	24.1	105.3

Use of gross domestic product, 1990, in %



1 = final consumption; 2 = gross fixed capital formation (GFCF)

What is GDP used for?

In the European Economic Area 77.1% of gross domestic product (GDP) is for consumption (public and private).

Within EFTA it is Iceland and Sweden which devote the largest proportion of GDP to consumption with more than 78%. In Greece the figure reaches 92.2%, far ahead of the other EEA countries.

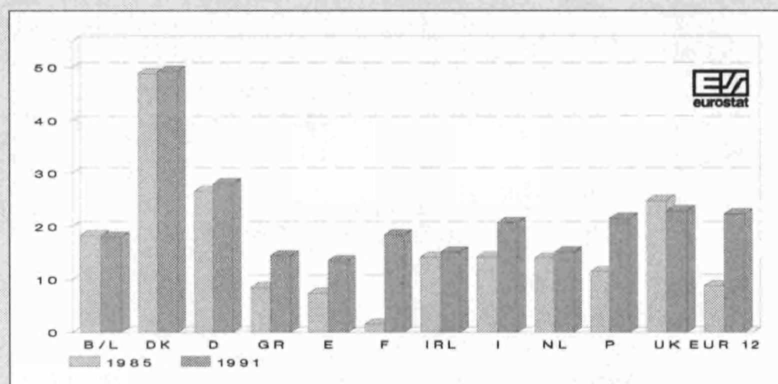
In Switzerland investment (GFCF) accounts for 27.2% of GDP, whereas the EEA average is 21.1% (20.8% for the Community).

Use of gross domestic product, 1990, in %

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12
Final consumption	77.0	77.3	72.0	92.2	77.5	78.6	71.1	78.8	71.3	74.1	79.8	83.5	77.5
GFCF	19.8	17.9	21.4	18.9	24.4	20.9	18.6	20.2	24.7	21.7	26.1	18.9	20.8

Community imports of goods from EFTA countries, as % of imports from non-Community countries, 1985 and 1991

(1991: Germany after 3 October 1990)



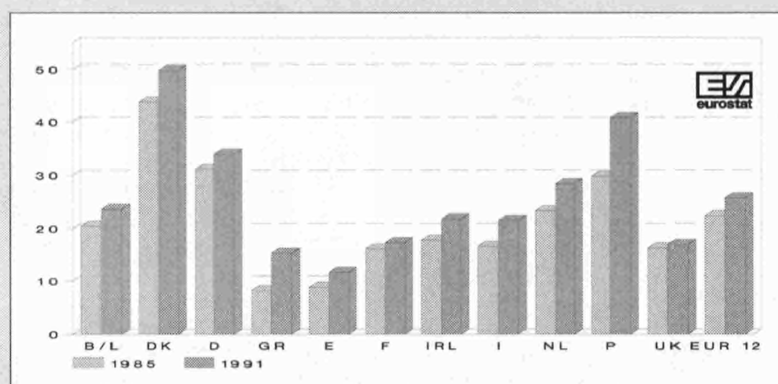
The Community as EFTA's customer

Goods from the EFTA countries sharply increased their share of the Community market in the period 1985-91, jumping from 8.9% to 22.4% of Community imports. This rise was particularly marked in France, where the share of EFTA goods rose from 2% of imports in 1985 to 18.4% in 1991.

Denmark is the Member State which imported most from the EFTA countries in 1991, with goods from those countries accounting for 49.3% of Danish imports.

Community exports of goods into EFTA countries, as % of exports from non-Community countries, 1985 and 1991

(1991: Germany after 3 October 1990)



EFTA as the Community's customer

In 1991 a quarter of the Community's exports went to EFTA, which is thus the Community's primary market.

Every Member State of the Community saw EFTA's importance as a trading partner rise in the period 1985-91.

Denmark's exports of its goods are becoming more and more focused, since the EFTA countries take half of the country's exports.

On the other hand, the EFTA countries take only 11.6% of Spain's exports to non-Community countries.

*The **EEA** was dealt with in edition 10/1991 of Key Figures, and four other EEA indicators were published: demography, standard of living, purposes of consumption and consumption patterns.*

***EFTA:** The European Free Trade Association, which comprises Austria (A), Finland (SF), Iceland (IS), Norway (N), Sweden (S), Switzerland (CH) and Liechtenstein.*

passports, visas and identity cards and the most effective methods of detecting them. Once back in their own countries, the 22 will train their colleagues in 'European' techniques they have learned themselves. In the single market, police and immigration officials who operate in ports and airports will be working for both their own country and the European Community as a whole. Hence the need to make them more effective.

● Capital liberalization in Portugal

As from 1 January 1993 capital movements will have been fully liberalized in Portugal. On 13 August the country's central bank, the Bank of Portugal, decided to end all restrictions in three stages, in keeping with official guidelines. Foreign currency borrowings were liberalized on 31 August. Bond purchases by non-residents will be liberalized on 31 October of this year, and they will have full access to the Portuguese money markets from 1 January 1993. The liberalization of capital movements, a key element of the single European market, has been in force since 1 July 1990 in eight EC countries. Portugal has been granted a derogation, along with Greece, Spain and Ireland.

● For more effective air traffic control

In order to reduce the number of flying hours which are lost in the 12-nation European Community — some 54 000 each year at present — and to allow the third air package (see p. 2) to produce results, the European Commission proposed to the Twelve on 22 July the adoption of compatible technical standards for their air traffic control equipment. At present each country has its own control system. Neither the radar installations nor the computers are compatible, while telephones are still used to allow aircraft to transfer from one zone to another. The result: 40 % of the Paris-Brussels and Brussels-London flights, for example, are late. The Commission wants recourse to an EC directive in order to make the standards drawn up by Eurocontrol, the specialized body to which all EC countries except Denmark belong, legally binding.

● A single market in dual use products

Products and technologies which can be used for both civil and military ends should be able to move freely within the European Community from 1 January 1993, in keeping with the principles of the single market. But each Member State wants to be certain that when these sensitive products are exported from its territory they do not end up in a country under embargo or suspected of aiding terrorists, for example. In order to reconcile two apparently contradictory demands, the European Commission proposed to the Twelve on 15 July a framework regulation ('European law' aimed at levelling upwards export controls on the products in question. Under the terms of the Commission's proposal the Member State of the exporter would grant an export authorization valid throughout the EC because it was issued on the basis of Community criteria. If the Twelve adopt this regulation, they will then have to draw up together two lists. The first would list 'friendly' countries, the second the goods and technologies considered sensitive.

● Help for the victims of '1993'

A regulation which the European Commission proposed to the Twelve on 22 July seeks to facilitate the rapid redeployment of the people, companies and regions which will be hardest hit by the disappearance of checks at the European Community's internal borders. Designed to round off the action plan adopted by the Commission in May (see *Target 92,* No 6/92), the new proposal would receive a financial allocation of ECU 30 million. This will enable the Community to finance redeployment projects, to be submitted to the Commission by the national authorities before 31 March 1993, for a maximum of 50 % — rising to 75 % in the case of regions that have fallen behind in their development. The Commission will examine the projects within three months, favouring those actions which will create real jobs or prevent existing ones from disappear-ing. Companies which depend on border controls could shed more than 63 000 jobs throughout the Community on 1 January 1993. But help will be available as from that date if the Twelve adopt the Commission's proposal quickly.

SEEN FROM ABROAD

▶ Three million tonnes of bananas

The proposals for the unification of the Community market for bananas, submitted by the European Commission in April (see *Target 92,* No 5/92), have alarmed producers in Latin America and the Caribbean. The Latin American countries take the view that the customs tariffs and quotas proposed by the Commission will lead to a fall in their exports to the 12-nation European Community. The Trade Ministers of Costa Rica, Honduras and Panama were in Germany on 2 September to plead their case. Costa Rica's minister then went on to Geneva to present his case to GATT (the General Agreement on Tariffs and Trade) on 9 September. Meanwhile Ecuador's Agricultural Minister began a tour of European capitals on 6 September for the same purpose. From the opposite camp, Dominica's Prime Minister inaugurated in London on 11 September a trip through Europe, aimed at convincing the Twelve that they must adopt the Commission's proposals and not give Latin American bananas more than their due. The Community consumes more than 3 million tonnes of bananas a year. Some 60% of them come from Latin America, 20 % from European overseas territories and another 20% from the Caribbean and Africa.

▶ Swiss 'yes' to the single market

On 26 August the Swiss Parliament (national council) adopted by a two-thirds majority the Treaty on the European Economic Area (EEA), which will enable Switzerland and other EFTA countries to form an enlarged single market with the European Community on 1 January 1993. While the Swiss people have yet to take part in the referendum on the EEA, set for 6 December, the Swiss Bankers' Association presented a report on 8 September which regards Swiss participation in the EEA as very positive for the country's economy. As for Swiss employers, they published a brochure at the end of August explaining the advantages of the EEA.

TOO MUCH STATE AID FOR THE RICH

The rich Member States and regions situated in the heart of the European Community are too generous with State aid for their manufacturing industries, as compared to the less prosperous regions or those on the periphery. This imbalance has unfavourable effects on the Community's efforts to reduce the gap between rich and poor regions, on the eve of the completion of the single market. This is what emerges from the third report of the European Commission on State aid, published on 31 July. While the level of State aid in general is on a downward trend, the report notes a slight rise in aid to manufacturing industry between 1988 and 1990. During this period the Big Four — Britain, France, Germany and Italy — accounted for 79 % of State aid to industry. The level of aid per person in employment provided by Greece, Spain, Ireland and Portugal has remained below the Community average, leading the Commission to conclude that it must move 'with greater diligence' against these imbalances.

SMEs

◆ SMEs provide two jobs out of three

There were some 11.6 million firms in the European Community (excluding agriculture) in 1988, employing 80.7 million people. Ninety-two percent of the firms had fewer than 10 salaried staff. These micro-enterprises (between nil and nine employees) accounted for 29 % of total employment and for 22 % of turnover. Small and medium-sized enterprises (SMEs), in the strict sense of the term (from 10 to 499 salaried employees) account for 40 % of total strength and for 49 % of the sales of all enterprises.
These are just some of the facts contained in a work entitled **Enterprises in Europe,** on sale at the Office for Official Publications of the European Communities in Luxembourg. This publication analyses the situation of companies, small and medium-sized ones in particular, in the European Community and the EFTA countries (Austria, Finland, Iceland, Liechtenstein, Norway, Sweden and Switzerland).
In all EC countries the average size of industrial firms exceeds that of firms in other sectors (building industry, trade, catering, housing).
In industry the turnover per person increases with the size of the firm for the European Community countries as a whole. However, the results of large firms are well below those of other firms in the transport, finance, property and business services sectors.

◆ Pan-European subcontracting forum

To help European subcontractors meet the challenges flowing from the completion of the single market and the globalization of the world economy, the European Commission is organizing a Pan-European subcontracting forum in Madrid on 14 and 15 December.
The forum will bring together all those involved in subcontracting, in whatever role. A number of studies will be presented at the forum. They include a synthesis of the results of 12 studies on the economic role of subcontracting in the Member States; a study of the costs due to the multiplicity of certification procedures for subcontractors and a study of the feasibility of setting up a network of exchanges and databanks on subcontracting.
Organizations representing main and subcontractors; certification bodies; databank managers ... and subcontractors themselves will speak of their experiences and problems.
A guide to intermediary subcontracting bodies will be published on the occasion of the forum, together with brochures setting out their work.

◆ BC-Net: new members

BC-Net (the Business Cooperation Network) is the first European network set up with the aim of helping businesses find partners. It covers the entire Community as well as numerous non-EC countries. Thanks to BC-Net it is possible to compare, quickly and confidentially, requests as well as offers of cooperation from SMEs who have sought the help of the roughly 600 private and public consultancy firms that are part of the network. This search for partners can cover all activities and sectors of the manufacturing and service industries as well as all forms of cooperation: commercial, technical and financial.
Since it was launched in July 1988, BC-Net has handled nearly 60 000 offers of cooperation. The network also covers the EFTA countries as well as numerous other non-EC countries: Argentina, Australia, Brazil, Cyprus, Malta, Mexico, Poland and Tunisia. Chili, Israel, Turkey and Uruguay joined the system in July 1992.

◆ Europartenariat Mezzogiorno: the catalogue is available

Southern Italy's Mezzogiorno will be hosting Europartenariat this December, after Ireland, Andalusia, Wales, Portugal, East Germany and Greece. Europartenariat is an initiative of the European Commission, which seeks to promote the economic development of the EC's less favoured regions by encouraging businesses which are based there to cooperate with their counterparts elsewhere in the Community. This cooperation can take a number of forms: production agreements, technology transfer, technical assistance, joint ventures, etc. It is of particular interest to SMEs.
Some 400 firms from the eight regions that make up the Mezzogiorno will welcome their potential partners in Bari on 3 and 4 December. These 400 firms belong to a wide range of sectors, including food, mechanical engineering, textiles, electronics and chemicals. The forms of cooperation they are looking for are commercial 38 %), technical (32 %), financial (18 %) and research (12 %).
The projects submitted by these firms are set out in a catalogue, which is available in English, French, German, Italian and Spanish. It is being widely distributed 'through the Euro-Info-Centres and the BC-Net consultants in particular and by a network of consultants in the 12 Member States, who have been entrusted with the task of looking for partners and coordinating their participation in the Mezzogiorno Europartenariat.

Catalogues as well as further information may be obtained from the following:

ENGLAND ● Business Briefings Consultants Ltd, Mr Howard Evans, 41 Boltro Road, Haywards Heath (near Gatwick), West Sussex RH 16 1BJ — Tel.: 0444-4166 78 — Fax: 441162

SCOTLAND ● Strathclyde Innovation Centre, Mrs Agnes Barclay, 62 Templeton Street, Glasgow G40 1DA — Tel.: 041-5545 995 — Fax: 5566320

NORTHERN IRELAND ● Industrial Development Board for Northern Ireland, Mr Gerry McConnell, IDB House, 64 Chichester Street, Belfast BT1 4JX — Tel.: 0232-233 233 — Fax: 231 328 — Telex: 747025

WALES ● Welsh Development Agency, Mrs Elizabeth Haywood, Pearl House, Greyfriars Road, Cardiff CF1 3XX — Tel.: 0222-222 666 — Fax: 4345 615

IRELAND ● An Bord Trachtala, Mr Liam Kelleher, Merrion Hall, Strand Road, Sandymount, Dublin 4 — Tel.: 01-2695 011 — Fax: 2695 820 — Telex: 93678 CTT EI

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