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April 2010

A bi-monthly review of major policy developments in Brussels, London and Washington, prepared for BABC member companies.

[BAB Urges More Business-Friendly Policies](#)

On March 25th, we wrote to the Chancellor of the Exchequer and the relevant shadow ministers in the Conservative and Liberal Democrat parties, expressing our members' concerns about the negative impact of recent fiscal and regulatory changes on their business interests, and also on perceptions of the UK as an investment location and therefore on likely future levels of foreign and domestic investment in the UK. The issues we highlighted included: the non-dom tax; intra-company personnel transfers; taxation of foreign profits; and increased income tax rates.

[Government Accepts BAB Proposals for Changes to Immigration Legislation](#)

We are pleased to report that in early 2010, the UK Government accepted all of the Migration Advisory Committee's (MAC) recommendations for change to the UK's immigration legislation, including two specific proposals that we had urged the MAC to adopt that will make it easier for UK and foreign companies to bring qualified employees into the UK. These measures provide for the admission of employees with overseas qualifications in fields such as Law and Accountancy, and with Bachelor's degrees provided that their previous earnings meet the required level.

[BAB Acts on Air Passenger Duty](#)

In response to concerns expressed by our members, we are urging the UK Government to follow the example of its European counterparts and abandon its plans for further increases in Air Passenger Duty (APD), as this will have a negative impact on the business community, on the tourism and aviation industries, and on inward investment into the UK.

London

[UK Economy: Modest Revision of growth to 0.4% in Fourth Quarter of 2009](#)

The revised figure (up from 0.3%), confirms that growth resumed in the UK after six consecutive quarters of negative growth. The upward revision was spurred by services, construction and agriculture which showed slight improvement. Data from the Office for National Statistics, released on March 30th, revealed that gross capital formation rose by 0.3%, while government and household spending declined by 0.2%. Manufacturing grew by 0.8% from -0.3% in the third quarter; while service industries grew at 0.5% up from -0.2%.

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London

[Alistair Darling Announces 2010 Budget](#)

The Chancellor of the Exchequer, Alistair Darling, announced the UK's final annual budget before the General Election on May 6th. Significant measures included abolishing stamp duty on homes under £250,000 for first-time buyers. In his announcement, on March 30th, Darling warned that cuts will follow after 2011, and that they could be "the toughest for decades." The Conservatives have said that if they win the upcoming election, they will introduce their own "emergency Budget" within 50 days after taking office, and have since said that they will not proceed with an increase in National Insurance contributions for those earning less than £45,000 per annum.

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Brussels

[Franco-German Accord On Taxing The Banks](#)

Germany and France have agreed on a new bank tax designed to help compensate for public money the industry has received to date in bail-out funds. Both countries have expressed a wish to see the new bank levy introduced worldwide. On March 31st, Germany's Finance Minister Wolfgang Schäuble said, "The new measures on financial market regulation that the government adopted today are embedded in a whole package of measures that we have agreed on at the international, G-20, European, and national level." The accord between both countries also raises the possibility that the G-20 could agree on a similar bank levy at their summit in June.

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Washington

[President Obama to Lift Ban on Off-Shore Drilling](#)

On March 30th, President Obama announced plans to open currently off-limits areas in the Atlantic Ocean off the southern United States, in the eastern Gulf of Mexico, and near part of Alaska to oil and gas exploration. The President justified his plan to open more coastal areas to drilling by citing the need to reduce oil imports. Emphasizing the need to move away from dependence on oil and other hydrocarbons, the President said, "Drilling alone cannot come close to meeting our long-term energy needs and, for the sake of the planet and our energy independence, we need to begin the transition to cleaner fuels now."

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Washington

[Transatlantic Open Skies Breakthrough](#)

The European Union and the United States have taken a significant step towards aviation liberalization, paving the way for foreign ownership of their airlines following extensive talks. Under the draft deal to move towards EU-US "open skies", European airlines would be able to take majority stakes in US companies, and eventually, US firms would be able to reciprocate. On March 29th, European Commission Transport Vice-President Siim Kallas said, "Both sides have agreed to increase regulatory co-operation, and remove the

barriers to market access that have been holding back the development of the world's most important aviation markets." Full liberalization would be worth £11 billion and create 80,000 new jobs, according to the Commission.

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Washington

[U.S Senate Approves Final Healthcare Reform_Changes](#)

On March 23rd, President Obama signed into law a sweeping healthcare overhaul which will offer insurance to an estimated 32 million uninsured Americans. The bill includes tax credits for small businesses offering health insurance to employees, as well as a guarantee that children with pre-existing medical conditions can gain insurance coverage, and a ban against insurers dropping coverage for the ill.

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Washington

[US and Russia Reach New Arms Control Deal](#)

On March 26th, President Obama announced that the United States and Russia had reached "the most comprehensive arms control agreement in nearly two decades." The new Strategic Arms Reduction Treaty (START) will last 10 years, and will cut about one-third of the nuclear weapons that the United States and Russia will deploy. President Obama and Russian President Dmitry Medvedev signed the agreement on April 8th in Prague, Czech Republic.

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Brussels

[Unemployment and Inflation Rise in the Euro Zone](#)

On March 31st, the European Union's statistics agency, Eurostat, has revealed that unemployment in the 16-member euro zone rose to 10% in February. According to Eurostat, 15.749 million people were unemployed in the euro zone during February, up 61,000 from the previous month. Meanwhile, in the 27-nation European Union, the unemployment rate rose from 9.5% in January to 9.6% in February. Figures also released showed inflation in the euro zone reached 1.5% in March - a 15-month high.

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Brussels

[£20 billion Greek Bail-Out Agreed](#)

All 16 euro zone countries have agreed to back a Franco-German plan to offer debt-laden Greece loans in conjunction with the International Monetary Fund (IMF). The safety net would total up to 22bn Euros (£20bn), but would only be used if market lending to Greece dried up.

French President Nicolas Sarkozy, announced on March 25th, that Euro zone nations would grant co-ordinated bilateral loans, totalling some two-thirds of the funding. The President of the European Council, Herman Van Rompuy, said the deal was significant "not just for Greece, but for the stability of the

euro zone".

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