



## Policy Focus

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

**March 2009**

### **BritishAmerican Business Policy Update:**

#### **Taxation of the Foreign Profits of Companies**

► Following on from our previous representations to HM Revenue and Customs on the Taxation of the Foreign Profits of Companies, we responded to an updated HMRC consultation by outlining our concerns with the proposed worldwide debt cap. We noted specifically that we were: “concerned that the worldwide debt cap represents an alarming move away from the arm’s length principle that has long underpinned the UK tax system. Its potential effect on many of our members would be both arbitrary and discriminatory. In particular, those of our members who happen to be cash-rich could be faced with substantially increased UK tax bills under these proposals whereas those of our members who have large amounts of external debt would seem to avoid such a consequence. This seems to be counter intuitive in that it is assumed that the UK would prefer the former to the latter as future foreign direct investors.” We look forward to further consultation with HMRC on this issue.

### **London**

#### **London Maintains Top Position in World Rankings**

London has retained the top position in the Global Financial Centres Index despite the recent economic difficulties faced by the city over the last six months. The report which is compiled twice yearly by the Z/Yen Group think-tank and which was published this month, has placed London at the top of the rankings, a position which it has held since the survey was first compiled two and a half years ago. New York in second place, 13 points behind.

[LINK](#)

### **London**

#### **UK Services Sector Doing Better than European**

### **Brussels**

#### **Crackdown on Tax Havens**

On March 3<sup>rd</sup> France and Germany called for stricter regulation of tax havens and urged European leaders to support their call for greater disclosure on the use of such havens. Christine Lagarde, French finance minister, and Peer Steinbrück, her German counterpart, said that they wanted leaders meeting at the G20 summit in London on April 2<sup>nd</sup>, to end bilateral treaties with territories that refused to co-operate with other governments.

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### **Brussels**

#### **Alistair Darling Calls for European Financial Regulatory Body**

The British Chancellor of the Exchequer, Alistair Darling, has called for an independent supervisory body to oversee Europe's financial standards. In a letter to European finance ministers sent on March 3<sup>rd</sup> he said that the body should not be given powers over national regulatory authorities, but should act as a source of “technical financial rules.”

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### **Brussels**

#### **European Car Output Forecast to Fall in 2009**

According to the European Automobile Manufacturers Association (ACEA), in figures released on March 5<sup>th</sup>, car output in Europe was forecast to fall by 25% in 2009 compared to 2008. President of the ACEA, who is also the CEO of Renault, said the only exception would be in Germany. He called for joint European intervention claiming that the industry needed €40 billion in support.

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## Counterparts

The British services sector, which is the single largest contributor to the UK economy, is faring better than its equivalents in continental Europe according to a report published on March 4<sup>th</sup>. The Purchasing Managers Institute Services Index showed the sector continued to contract in February 09. Although the headline Index reading of 43.2 was the latest in a series of small, but steady, incremental increases since the record low of 40.1, reached in November 2008. Paul Smith, senior economist at Markit Economics, said: "The latest data provide further hope that the UK service sector is past the worst point in its downturn."

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## London

### Bank of England Cuts rate to 0.5%

Interest rates in the United Kingdom were reduced to a record low of 0.5% by the Bank of England on March 5<sup>th</sup>, the lowest rate since the bank was founded in 1694. The Bank also confirmed it would be creating £75 bn. of new money to pump into the economy over the next three months, as a part of a quantitative easing policy.

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## Washington

### President Obama Backs Global Response to Credit Crisis

On March 3<sup>rd</sup>, after talks with the British Prime Minister Gordon Brown, President Obama backed the UK's efforts to mount a global response to the economic crisis. President Obama stated that "We've got to update our institutions, our regulatory frameworks, so that the power of globalization is channelled for the benefit of ordinary men and women." Gordon Brown became the fifth British Prime Minister to address a joint session of Congress in which he urged them to work with 'your friend Europe.'

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## Washington

### Russia Top Priority for Secretary of State

The United States' Secretary of State, Hilary Clinton, has pledged to make reaffirming US relations with Russia a top priority. Speaking during an informal dinner in Brussels on March 4<sup>th</sup> she said "We want to have a more robust and meaningful dialogue with Russia going forward on a range of issues"

[LINK](#)

## Forthcoming External Events

### London

- ▶ **March 19:** Surviving the Global Financial Crisis
- ▶ **April 1-2:** UKTI Conference: Winning Beyond 2012 (Manchester)

### Washington

- ▶ **March 30-April 1:** Offshore Wind Development Conference
- ▶ **April 14-16:** World Healthcare Conference

### Brussels

- ▶ **March 26:** Women in Business and Politics Conference
- ▶ **March 26-27:** 7<sup>th</sup> European Business Summit