

LEGAL ASPECTS OF DOING BUSINESS IN 1 WESTERN EUROPE

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LEGAL ASPECTS OF DOING BUSINESS IN WESTERN EUROPE

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This pocket supplement includes updated materials on:

- Denmark;
- Finland;
- Germany, Federal Republic;
- Portugal;

New chapters on:

- Iceland;
- Liechtenstein;
- Monaco.

There were no changes in the other chapters. Page numbers shown in parentheses in the revised chapters refer to the relevant topic headings in the main body of the volume.

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LEGAL ASPECTS OF DOING BUSINESS
IN WESTERN EUROPE

Western Europe: a Preface and Primer

(pp. 1-24)

JACK J. COE JR.

Community Law—Its Mode and Content
(pp. 4-13)

Insert new heading on page 13 before “*Europe—Developing an Approach*”.

Dealer Protection (p.13)

Businesses employing in Western Europe local sales agents or distributors, must become familiar with the legislative and judicial protection afforded such “dealers.”

Dealers, a term adopted by commentators for convenience, typically is meant to include two categories of local market affiliates; distributors and sales representatives, or commission agents. One recent survey of the subject contrasted the agreements associated with the two quite distinct types of dealers as follows:

“Under a distributorship agreement, the foreign entity will usually have the following characterisation:

- (1) it buys and sells on its own account and is compensated by the markup it charges on the goods it sells;
- (2) it bears the economic risk of sales and carries customers’ credit;
- (3) it usually warehouses and physically distributes the goods; and
- (4) it is an independent entity which has no power to bind the supplier.

In contrast, a sales representative or commission agent usually:

- (1) does not buy for its own account and instead is compensated by a salary or a commission based on the supplier’s sales;
- (2) does not bear the economic risk of failure of payment;
- (3) does not usually warehouse or physically distribute the goods but instead takes orders for shipment direct to the customer from the supplier; and
- (4) may not bind the supplier, unless it has express or implied authority to do so.”

(Saltoun and Spudis, "International distribution and Sales Agency Agreements" [1983]. 38 *The Business Lawyer*, pp. 883, 884 [hereinafter Saltoun and Spudis]).

The term "dealer" when used hereinafter embraces both categories of representative.

Varying from country to country, the schemes typically are a response to perceived exploitation of local representatives by foreign suppliers. The oft cited scenario depicts a supplier willing to avail of local expertise just long enough to establish a market position or to find a more attractive representative. Often the relevant agreement was drafted to favor the foreign supplier whose invocation of self serving escape clauses predictably led to distrust, dealer insecurity and ultimately to legal protection for sales agents and, to lesser extent, distributors.

Most Western European countries protect agents or sales representatives through local legislation. Belgium, by contrast, is unique in giving statutory protection only to distributors. Case law also may provide dealers with buffer from the otherwise harsh results of termination. Because such protection may override contract provisions to the contrary, the practitioner is well advised to consult local counsel with a view to navigating two main problem areas: notice requirements in relation to termination of the relationship and indemnity upon termination obligations.

Notice and indemnity issues may be linked. Thus, whether agents, and to some extent distributors, are entitled to benefits upon termination of the relationship often depends upon whether prescribed notice has been given. In addition, whether the agreement is one for a definite (fixed) period or for an indefinite duration affects the supplier's duties. Generally, fixed-term agreements, absent supplier promises of renewal, may expire without creating an obligation to pay extracontractual compensation to the agent. Where an agreement fails to stipulate a term, the parties may, however, be deemed to have contemplated an indefinite relationship thus making applicable both notice of termination and compensation requirements. Statutory compensation, which can be substantial, may in some jurisdictions, be avoided by compliance with notice provisions. Required notice periods typically vary with the length of the relationship. Termination compensation, when applicable, often reflects various components including a measure for lost profits (Calculated by reference to various factors), and another measure corresponding to creation of goodwill by the dealer on behalf of the supplier. It bears emphasis that the total award may equal several times the contractually contemplated yearly compensation for the dealer. Further, express waiver by the dealer or choice of law provisions may well avail supplier nothing.

In addition to specific dealer legislation and judicial protection, there is in some European jurisdictions protection extended to agents through national labor laws based on the premise that agents are, *vis-à-vis* their foreign supplier, in the nature of employees.

Notes
(pp. 20-23)

Updated text for the following notes:

47. For a relatively recent article summarizing the progress that has been made by the company law harmonization program see Nieuwdorp, "Status Report On The EEC Company Law Harmonization", *The International Business Lawyer* (November, 1984) p. 425. Greece, as of late 1984, had not adopted national legislation implementing the first and fourth directives. The compliance systems adopted by the UK, Italy, and Germany are reportedly in need of reform while the Belgian implementation of the First Directive has received acclaim for the ease with which annual company accounts are made available through a centralized system of deposit. In Germany, the Fourth Directive has spawned much political controversy. As a result, Germany has not fully complied with the Directive, a failing which has attracted much criticism.

49. As of late 1984, Italy and Belgium had not adopted the Second Directive.

52. The Seventh Directive was adopted on 13 June 1983 and is to be implemented by 1 January 1988. Its main object is to require consolidation of accounts by certain parent undertakings.

See *Official Journal* (18 July 1983).

54. The EC Patent Regulation is no longer in draft form. See Note 75.

75. Regulation 67/67, which provided a block exemption for certain exclusive dealing agreements, has been replaced by two new regulations which treat separately exclusive distribution and exclusive purchasing agreements, (Regulations 1983/83 and 1984/83 respectively). As of 1 July 1983, therefore, existing agreements benefiting from a block exemption under 67/67 will, after a grace period, be required to comply with the new regulations or be notified to the Commission. See generally Topke, "EEC Law of Competition: Distribution Agreements and Their Notification" (1985) 19 *The International Lawyer*, p. 117.

The respective coverage of the two regulations is set forth in Art 16 of 1984/83. Both regulations, like their predecessor 67/67 provide exemption for "resale" agreements only, as distinct from, e.g., contracts providing goods to be significantly processed or transformed before resale. Under the requirements of 1983/83, EEC-wide distribution agreements may, subject to other provisions, qualify for exemption, a more generous coverage than that extended by 67/67 which had been interpreted to allow exemption only to agreements for resale within a defined area. See Commission Decision of 19 December 1974, "In the Matter of Duro-Dyne/Europair", *Official Journal*, Number L.29, p. 11. The new regulations, like 67/67, set forth a list of restrictions (contractual terms) which may be included in an agreement without losing the exemption. Contained in Article 2 of each regulation, the exhaustive enumeration includes *inter alia* non-competition clauses if limited in duration to that of the agreement, minimum purchase requirements and range of goods commitments. Agreements may not seek to protect the reseller from parallel imports nor can the supplier be precluded from dealing with a resident consumer who approaches the supplier directly. See also, Commission Notice Concerning Regulations Number 1983/83 and Number 1984/83 On the Application of Article 85(3) of The Treaty To Categories Of Exclusive Distribution and Exclusive Purchasing Agreements, *Official Journal* C 101, p. 2, (13 April 1984).

As of 1 January 1985, certain licensing agreements may enjoy an 85(3) exemption without notification. The text of the rather intricate regulation may be found at *Official Journal* Number L. 219/15 (16 August 1984). It is admirably treated by two articles authored by Lutz and Broderick appearing in *The International Business Lawyer* (November 1984, p 437, and April 1985, p 161). The basic thrust of the regulation is to render Article 85(1) of the Treaty of Rome inapplicable to (agreements involving only two parties who have accepted, in the context of a patent licensing or patent and know how arrangement one or more of seven designated restrictions (contractual obligations which otherwise inhibit competition). Parties are free to undertake obligations similar to those enumerated if such obligations are more limited than those listed. Conversely, the regulation sets forth restrictions which will preclude an agreement from qualifying for the group exemption.

Andorra

D. G. MACDONALD ALLEN

Introduction

Andorra nestles high in the Pyrénées between Spain and France. It is difficult to find on the map, although it claims to be the oldest state in Europe and probably has the world's oldest Western parliament. As a Co-Principality, its system of government is certainly unique and its constitution offers possible solutions for such disputes as Gibraltar and the Falklands.

In order to understand the Principality, it is first necessary to delve into its history. Although Andorra has enjoyed peace for over seven centuries, it was not always politically stable. Andorra established its own identity during the Middle Ages, when the Franks and the Catalans joined forces under the Emperor Charlemagne to drive the Moors from the Pyrénées. Although free from Moorish domination, strife continued and the people turned to the Bishop of Seo de Urgel for help. The prelate, whose forces were powerful but heavenly, sensibly provided security from the retainers of a feudal Catalan family. The marriage between the noble family's heiress and the Count of Foix in 1203 ended years of disputes. Co-dominion was established in 1278 by the signing of the Treaty of Pareatges, which literally means 'pairing-off'.

As time went by, the title to the French side passed to the Kings of Navarre, one of whom became King of all France, and is vested today in the French President. The Bishop of Seo de Urgel, to whom marriage means only a ceremony for others, still rules in his own right. Consequently, Andorra has two Co-Princes, one French and one Spanish and they each rule in the Principality as Andorrans.

Why is it that the Principality does not aspire to full autonomy? Napoleon dubbed the Principality a Republic in 1806 and the French have sought to remove the Old Man of the Mountains from their backs, but the Andorrans will have none of this. Spain's socialist government of Felipe González also would like the Bishop to move over and vacate his seat, but the Bishop reminds them that he governs in the name of a higher authority, from whose court there is no appeal. In addition, the neighboring *Generalitat* of Catalonia would like to extend its borders. However, the Co-Principality is determined to survive.

The Principality lacks any arms bill and the armament budget is limited to a few hundred pesetas for celebratory blank cartridges fired each year. France represents Andorra diplomatically, and the Bishop and the French President each direct educational facilities. If you go to jail, your sentence may be served in either a French or Spanish prison. Internal postal services are free.

However, the two Co-Princes print stamps for use outside the Principality. These stamps are well favored by philatelists. Rival pillar boxes and post offices reign side by side.

There are few civil servants, and the staff in each town hall is small. Consequently, there are no general income taxes, no succession duties or estate taxes, and no taxes on capital. Additionally, there is freedom from exchange control and statutory banking secrecy.

The Andorrans have decided to continue to exploit the accident of history which has brought them peace and prosperity, and there are no official political parties or trades unions, and labor strikes are banned.

Banks

International financial institutions are absent from Andorra and the number of banks is limited. At the present time there are only five local banks. Deposits have been estimated at 100-billion *pesetas* and three banks with undisclosed foreign holdings control sixty per cent of that sum. In theory, no more than one-third of a foreign holding can be owned by non-Andorran interests, however, in at least one case, this appears to have been exceeded.

The Spanish and French are the primary commercial influences with bankers in both countries desiring a piece of the action. Fugitive francs and pesetas can easily find their way into Andorran banks without any questions being asked. Nevertheless, good relations are maintained with the monetary authorities of both France and Spain and most of the money deposited in an Andorran bank finds its way back to those countries.

Crédit Andorra is the second bank to be established in the Principality and has branches throughout the country, particularly in areas where foreign immigrants have settled. The head of the Spanish Bankers' Association, Rafael Termes, was the power broker behind *Crédit Andorra* through *Banco Popular*. For reasons of policy, this share was sold back to *Crédit Andorra* in 1980, ostensibly because of *Banco Popular's* policy of shedding participation in foreign banks, but more likely because any contact with *Opus Dei* was to be avoided in times of a Spanish socialist government. The bank publishes international accounts and Indosuez holds a remaining one-third of the stock.

Banco Bilbao controls two other banks, *Banca Internacional* and *Banca Mora*. In the seventies, Bilbao took over a small Andorran bank and used it as a platform to become *Banca Internacional*, which took a fifty-one per cent, interest in *Banca Mora*. The remaining stock of *Banca Mora* is held by the Mora family and any excess stock is held by a fiduciary. Anxious to preserve the two licenses, Bilbao takes care not to comingle the funds and formalities of the two banks, although their results are consolidated which gives them a greater balance of deposits than *Crédit Andorra*.

The other banks are *Banca Cassany*, which has a BNP board member and probably represents some BNP equity. French money is also represented in the *Crédit Agricole*, which is linked with the Perez family and the Pyrénées store, a somewhat ailing giant since the death of Perez. Finally, there is

Banca Reig, controlled by the Tobacco family with further interests in the Canaries.

La Caixa, the Catalan-based Spanish savings bank, is the odd man out. In addition, the French and Spanish national savings banks are allowed a presence, basing themselves on the post offices maintained by the two competitors. However, the French influence has declined as a result of exchange controls in France.

Despite the very high liquidity maintained by the banks (over seventy per cent of the big three's deposits are for a fixed term) the banks are motivated towards financing imports and providing stocking plans for local merchants. Mortgages are also available, repayable in hard currencies on a fifty per cent valuation short term.

The banks operate through an association and act together in such matters as bank commissions, staff salaries, and practice. A rate of exchange, based on Zurich rates is fixed at ten o'clock each day. The *peseta* is discounted against the rates offered in Spain and anyone living in Spain can visit Andorra to obtain a better rate of exchange.

Currency transfers have the disadvantage in that they are usually made through *pesetas*, which can be expensive if you don't start with *pesetas*. External francs and pesetas also have to be bought above par for the domestic currencies. Since banks are not members of the Euroclear system, delays and double commissions may be payable.

While the banks usually credit foreign check deposits almost immediately, it could be two weeks or more before the check is finally cleared. In addition, banks abroad seem to have trouble in clearing Andorran checks, mainly because they rarely seem to know where the Principality is located. It is usually better to obtain a draft drawn on the local bank's correspondent.

Nevertheless, accounts may be maintained as either deposit or current accounts. In addition, there are no additional costs apart from charges upon cashing checks and current accounts yield a small interest. It is probable that eighty per cent of funds deposited are held in the Euromarket, mainly because Andorrans always have been net lenders as a result of the influx of Spanish visitors.

At present the banks operate entirely free of any form of taxes and are entirely self-regulated. While there has been talk of allowing foreign banks to operate within the Principality, this would appear unlikely, if only for the reason that Andorra is well served with the number of banks at the present time and incumbents are unlikely to move over and make room.

Company Law

At the present time, there is no formal company law and no public register. Additionally, there is no commercial code or copyright law. However, to protect the consumer, attempts to pass off brand names through forgeries are subject to penal sanctions. It should be noted that importers and agents are zealous to defend their rights.

Labor Law

The Government fixes the minimum wages, holidays, and hours per day to be worked. It is possible to start work at the age of fourteen, working not more than thirty-six hours per week, for a salary of 26,676 *pesetas*. Above the age of eighteen, the minimum wage is 46,523 *pesetas* on a forty-four-hour week. Fines of 25,000 to 50,000 *pesetas* are levied for infractions. However, because jobs are in demand as a result of the unemployment situation in Spain and France, there is probably both exploitation and evasion. Moreover, most employers pay social security on the minimum wages and do not declare the full quantum. No contribution is payable by the worker. Social security membership is compulsory for all employees.

Residence Permits

French and Spanish national are in a special category and are only subject to a slight measure of control by the delegation that the two neighboring Co-Princes maintain. Spanish nationals have to renew a bi-annual green card. Other nationals may obtain residence by first registering with the local *Comú* (town hall) and then applying to the central government for acceptance as a local resident. Until recently, it was administratively difficult to process all applications and even today there are often considerable delays. Preference is usually given to applicants over the age of forty, unless members are of a family group, and letterbox residences are discouraged. A respectable applicant of means who has purchased property should experience no problems. However, it is possible to live in the Principality without residence by exercising the expedient of leaving before the expiration of ninety days and then returning.

All applicants are obliged to present color photographs with their application at the Commisariat of Police. While it would be denied that any color bar exists, there are no negro residents, a limited number of Asians working as domestic servants on a temporary basis, and a small group of Asiatic traders. Some years ago there were racial riots in Sant Julià de Lòria, when a group of black students fought knife battles with local youths over females. In addition the enterprises of the Asiatic traders, who have formed family groups to purchase goods thus cutting prices, caused local fences to be mended. Consequently, it is unlikely that any new Asian traders will be allowed into Andorra to work.

Any national with other than a French or Spanish passport will find it difficult to obtain permission to work, unless employed in a bank or circumstances necessitate a knowledge of foreign affairs. Moreover, residence permits are usually granted to those describing themselves as 'retired' on the premise that they will not commence lucrative employment.

Applicants are checked through the Paris Interpol office, via the French Veguery, and a penal certificate is required. Passport holders from countries which do not issue such certificates should obtain references from a person of

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eminence and judicial standing. However, it is possible to be a director of an Andorran company while still being retired by borrowing the name of an Andorran national or a foreigner with twenty years residence.

The title of director is not one which carries weight in the Principality, and such a company is, of course, registered in the name of the *pret nom* or borrowed name. The practice, while at times strongly denied, is widespread. Fees of upward of 50,000 *pesetas* per annum are charged for this service.

Civil Rights

It is impossible to obtain an Andorran passport except in the most exceptional circumstances and even children born of foreign parents in the Principality will not obtain Andorran citizenship. At present, a foreigner has to reside for twenty years in the Principality before achieving what are in practice limited civil rights. The foreigner can then open and operate one business in his or her name and have free water.

There are a number of ill-thought-out and petty restrictions on foreigners which in principle, are foolish and obnoxious. However, in practice, they scarcely offend anyone. For the Andorran minority, the voting age is to be lowered to eighteen years and divorce legislation is being considered.

Real Property

A foreign national can own one apartment, one chalet, or one piece of land on which to construct a house. Being in short supply, the price of land is extremely high and measurements are in terms of palms. One square meter equals twenty-five square *palms*. Additionally there are:

- *jornals*, and one *jornal* is 2,229.72 square meters.
- *caballós*, and one *caballó* is eighty-nine square meters.
- *garbas*, and one *garba* is 5.24 square meters.

Over ninety-two per cent of the land is communally owned and is unavailable for development. However, some *Comús* raise funds by selling a piece of mountainside for yet another block of apartments. Although fluctuating exchange rates affect prices, the La Massana based *CISA, Construcció Immobiliaria SA*, claims that property values rise by some twenty per cent annually. A 400-square-meter plot of land would probably cost upwards from four-million *pesetas* and a small chalet could be constructed for upwards from ten-million *pesetas*. Apartments commence at four-million *pesetas*.

Foreigners without civil rights are not allowed to rent their properties. However, this restriction is circumscribed by allowing a service organization

or an agent to rent the property with the owner receiving the rental income less the commission.

No professional qualifications are required to be an estate agent in the Principality other than being an Andorran national or a foreigner with civil rights.

Social Security

Foreigners below pensionable age may join the Social Security scheme, apparently based on the French model, the scope of which includes claims made in France or Spain. Contributions, which are high, and pensions are both paid in *pesetas*. There are adequate medical services, with two clinics, and it is possible to receive hospital treatment in either Toulouse or Barcelona.

A retired resident foreigner can probably obtain hospital and sickness insurance on more advantageous terms through private international schemes than by joining the Principality's scheme.

Education

Free educational facilities are offered to children of residents, up to second grade, at either the French or Spanish schools. Higher education follows in France or Spain. In addition, there is a French Lycée and an Anglo-American school in Barcelona which takes boarders and day pupils.

Language

The official language is Catalan, but both French and Spanish are spoken everywhere. Most bank personnel speak English and employ foreign nationals who can cope with most languages.

Taxation

There are no direct taxes, income taxes, purchase tax, value added tax, capital transfer tax, or succession duties. All goods imported are subject to a revenue tax, which is passed on to the consumer. Local taxes in each *Comú* provide for street cleaning, lighting, daily garbage collection and there are small franchise taxes on businesses. A vehicle owner pays a small tax as a road license.

In the autumn of 1983, the Counsel General voted to suspend a controversial taxing statute for a trial period of three months and, in 1984, the proposal was adjourned *sine die*. Although there had never been any intention to introduced a general income tax, certain reports had suggested to the contrary. The statute proposed a land registry tax, a tax on hotel lettings,

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bank deposits – which could have given the government power to inspect accounts and would have caused an inevitable flight of capital – and a tax on corporate capital.

Subsequently, the Government fell and was replaced by a caretaker administration under Josep Pintat, who pledged not to introduce any form of personal taxation or franchise taxes. There has now been produced a new taxing statute of twenty-six articles to govern the import of goods into Valleys, and the bill is remarkable more for the exemptions to its proposals than its proposals, and the General Council is to present the project to the Commission of Economy and Finance.

Among the many exemptions will be flour, the personal effects and food of visiting tourists, personal effects of settlers, goods for schools and books and furniture to be used in the offices of the Co-Princes, public societies, the Administration, the Church and local authorities. Animals being pastored temporarily also are excluded.

The proposed budget of 5,769,485,172 *pesetas* was based on consumer taxes of ninety per cent, of which some forty per cent was to be raised from taxes on petrol and oil products.

Taxation Conventions

There are no taxation conventions with any other jurisdiction and the Valleys maintain no revenue authority.

Foreign Trade

Andorra produces very little other than tobacco, almost everything else is imported.

Andorra does not maintain a customs union with Spain, although it is hoped that the airport at neighboring Seo de Urgel will eventually offer a duty-free zone. However, there is a customs union with France. The Principality maintains no export controls, but there is a small import duty, between two and nine per cent, on all goods entering the Valleys. It is impossible to estimate the volume of imported goods as no trade figures are published. Goods from Spain are, mainly of Spanish origin or they would be subject to Spanish duties. France acts as a clearing house for all other goods, including goods and equipment from Third World countries. The main trade is in the hands of about a dozen large importers, who also act as wholesalers and supply the smaller shops.

With Spain to be admitted into the European Economic Community in 1986, the Principality will be totally enclosed by EEC members. This will enable Spain to ship more goods to the Valleys than from any other EEC country, thereby breaking the monopoly of France. However, at present, any goods received via France from non-EEC countries carry Value Added Tax, which makes the cost of, say, Japanese electrical goods more expensive than

in some other jurisdictions. The Principality hopes for associated status in the EEC, rather on the lines of Jersey and Guernsey, but as it is not proposed to abandon the present privileges, this ambition is probably still-born, and a two-year moratorium has been imposed on this project.

Partnerships

Foreigners can form partnerships with an Andorran national or a foreigner with civil rights. However, a partnership controlled by a foreigner would be at a considerable risk and disadvantage since the foreigner lacks civil rights. This drawback is usually remedied by having the active partner trade in the name of the Andorran partner. In essence, the Andorran lends his name to the partnership (*pret nom*) and becomes the party at risk.

The system of *prets nom* is illegal, although it is widely practised by those unable or unwilling to wait twenty years. Generally, the active partner pays for the use of the name. Andorra has at least 38,000 inhabitants. However, fewer than 12,000 are Andorran nationals and less than 1,000 citizens are eligible to vote in the municipal elections, consequently the majority of inhabitants without Andorran passports or civil rights are borrowing someone else's name.

Corporate Bodies

As a result of recent reforms, the ten-year moratorium on the establishment of Andorran corporations has been lifted. This was done with the intention of producing revenue which was proposed under the ill-fated taxing statute currently in abeyance. At the present time, companies pay neither an annual franchise tax nor a tax on capital assets.

A non-resident foreigner is now able to hold shares in an Andorran company and act as a director, including the key post of secretary. However, control must be vested in Andorran nationals or foreigners with civil rights. In such cases, companies can function under a notarized power of attorney granted by the Andorrans or enfranchised foreigners. In theory, this power of attorney cannot be fully extended since the non-resident or resident non-franchised foreigner lacks civil rights. This contradiction is resolved by granting the privilege to operate banking accounts in banks within the Principality.

Companies are currently being formed with a paid capital of five million *pesetas* and new companies can be incorporated with capital of fifty million. On paper, this is a simple and inexpensive process, however, in practice companies are purchased from lawyers who associate with the two notaries (one French and one appointed by the Bishop) that exchange pleasantries for at least one million *pesetas*. All such companies must have Catalan names, however, there could be exceptions particularly when substantial foreign investment is being made and the investor insists on being in the driver's seat.

The Principality has sent delegations to inspect the company incorporation procedures in other tax havens, but the result has been the usual racist hybrid. No one other than a businessman planning to trade in the Valleys would purchase an Andorran company at ten times the price he could obtain elsewhere and surrender two-thirds control to Andorrans, the inevitable *prets noms*.

Nevertheless, as a trading vehicle, an Andorran corporation is probably essential. At the present time, a resident status is not necessary to act as a director and no work permit is required. In addition, the investor is at little risk as long as the corporate bandwagon is not loaded with assets. Accounts have to be maintained but there are no other stringent auditing requirements. In addition, the director of a company can be the auditor. Finally, a minimum of two shareholders is mandatory.

A number of old companies were on the market, at prices ranging from five-million pesetas upwards; however, the risks became too great. As an alternative to purchasing an Andorran company, it is suggested that the administrative office of a foreign company be established in the registered office of an indigenous Andorran company. There is nothing to prevent an Andorran or civil rights foreigner from acting as an agent for any other corporate body or person. In addition the foreign investor thereby benefits from the absence of income taxes and company taxes in the Valleys. Moreover, the foreign investor can export, re-import, invoice, and re-invoice as the cuckoo in the Andorran nest, paying a fee for such administration. Consequently, under this approach the investor maintains complete control, although nominee services are available should his modesty cause him to wish to adopt a cloak.

The Government

Administration is primarily based on six *comús*, each with an elected parish council. The six *comús* are: Sant Julià de Lòria, Encamp, Canillo, La Massana, Ordino, and Andorra La Vella which holds the seat of government. The *Consel General* of the Valleys is presided over by a *Sindic*. Following recent reforms, however, there is now a cabinet of six ministers and a President charged with day-to-day administration. It is too early to say if this experiment, designed to hasten affairs, and curtail lobbying and the exercise of personal influence, has been a success.

The heads of State are the two Co-Princes, and each Co-Prince is represented by a delegation through which he rules. The *Consel General* consists of twenty-eight *Consellers*, elected by popular vote of the enfranchised, and consists of four councillors, serving two-year terms, from each of the seven parishes. The *Sindic General* and the *Sub-Sindic General* serve for three-year terms. The *comús* have equal voting power but the quality and calibre of the representatives is far from equal. The smaller *comús* represent groups of peasant farmers and agricultural and other workers, while the *comús* of the more populated and commercial areas yield educated