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SIXTH AND SEVENTH PROGRESS REPORT OF THE

BUSINESS COOPERATION CENTRE

(1978 and 1979)

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BUSINESS COOPERATION CENTRE
(1978 and 1979)

INTRODUCTION

In pursuance of the modifications made by the Commission to the instructions of the Business Cooperation Centre, its activities were rather more orientated during the period under review, towards more selective and collective initiatives but continuing at higher level in the field of "twinning" operations between small and medium-sized enterprises of different nationalities.

1. Volume of activity

	1979	1978	(1977)
Information activity :			
- requests for information	575	513	(515)
Partner-seeking activity			
- number of requests	120	88	(84)
- number of replies	1737	1070	(894)
- number of contacts established	102	80	(75)

As a result of these contacts, the following agreements were confirmed to the Centre:

Sector	Purpose of cooperation	Nationality of the undertaking
Management consultancy	Sharing of projects	UK - I
Processing of plastic materials	Exchange of know-how reciprocal distribution	D - IRL
Processing of plastic materials	Reciprocal distribution	D - F
Saving banks	Reciprocal assistance, operations abroad	DK - A
Software	Technical and commercial operations	DK - UK
Consulting Engineers	Sharing of projects	UK - F - F

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Software	Technical and commercial operations	DK - UK
Consulting Engineers	Sharing of projects	UK - F - F

Chemical products	Reciprocal distribution	B - UK
Data-processing	Joint development	DK - UK
Consulting Engineers	Sharing of projects	UK - F
Processing of plastics	Joint venture	D - UK
Consulting Engineers	Sharing of projects	A - D
Cosmetics	Joint venture	F - UK - UK
Furniture	Specialization, reciprocal distribution	F - IRL
Structural steel engineering	Exchange of licences, reciprocal distribution	A - D
Footwear	Specialization	D - IRL
Leather	Joint venture	I - IRL
Footwear	Specialization agreements	F - F - IRL
Consulting Engineers	Sharing of projects	D - UK
Structural steel engineering	Joint venture	D - UK
Management consultancy	Sharing of projects	D - UK
Footwear	Specialization	D - IRL
Mechanical engineering	Specialization and reciprocal sales agreements	F - I
Mechanical handling equipment	Joint marketing agreement	UK - NL
Civil Engineering	Joint undertaking of projects	F - NL
Structural steel engineering	Joint venture	F - I
Tools	Reciprocal distribution	UK - F
Optical products	Reciprocal distribution	UK - B
Structural steel engineering	Reciprocal distribution	UK - F

Civil engineering	Technical and sales cooperation	UK - F
Environmental protection	Joint venture	UK - F
Electronic components	Specialisation	D - UK
Chemicals	Joint venture	B - UK
Consulting Engineers	Joint undertaking of projects	D - D - D - UK - NL
Mechanical engineering	Joint venture	I - NL
Management consultancy	Association	UK - F
Bronze founding	Technical exchanges and joint marketing	A, B, D, UK, UK, F, I, NL, NL

In 1978 and 1979, the instances of bilateral cooperation in which the B.C.C. sought a partner at the specific request of firms involved the following undertakings, broken down by nationality :

1978 - 1979	(Total since 1974)
24 British undertakings	66
14 German undertakings	55
17 French undertakings	55
5 Belgian undertakings	21
6 Italian undertakings	20
5 Netherlands undertakings	16
5 Irish undertakings	9
3 Danish undertakings	8
0 Luxembourg undertakings	1
4 Austrian undertakings	4

As regards the various sectors, a striking aspect is the considerable number of service undertakings among the parties to the agreements concluded. This is accounted for by :

- first, the fact that, since industrial enterprises are engaging increasingly in transnational activity, the service undertakings are feeling the need also to be represented on their clients external markets;
- secondly, the fact that, since the "product" of a service undertaking is affected by the regulatory and administrative environment to a still greater extent than an industrial product, it is more difficult to export as such and in many cases necessitates enlisting the assistance of an on-the-spot partner.

2. Projects initiated by the Business Cooperation Centre

In addition to the "twinning" of undertakings when specifically requested to do so, the B.C.C. has taken advantage of the opportunity which it was given in 1977 to initiate projects on its own initiative, as it had announced in its previous progress report.

2.1. Banks

One of the sectors of the economy in which a trend towards concentration is most obvious is the banking sector. Faced with the increases in their capital and reserves which they are periodically required to carry out by the supervisory authorities; developments in the needs of the customers who themselves are having more and more international contacts and expect to receive service on an international scale; and the cooperation groupings set up by the major banks, which have put an end to the links of reciprocity between major and small banks, the independent regional or medium-sized banks are coming under the control of the major banks one after the other.

One of the few means of safeguarding their independence is for them to complement each other.

After many preparatory contacts, the B.C.C. was able to preside over the constitution of the "European Group of Banks" (GEB), which at the present time consists of 10 medium-sized banks (two Belgian, two French, three Italian, one German, one Danish and one Dutch), having between them 525 branches and employing about 6.500 persons.

The types of cooperation currently being practised comprises :

- opening of accounts and lines of credit on the basis of reciprocal preference;
- exchanges of experience at the level of general management and department heads;
- reciprocal assistance in customer service and marketing;
- exchange of trainees.

In the course of time, more intensified forms of cooperation, such as consortium financing, will have to be built up.

2.2. Trade fairs for sub-contractors

The attention of the B.C.C. was drawn by both the organizers and the users (that is to say, the sub-contracting industries and the principals, mainly in the metalworking sectors) to the tendency towards proliferation of trade fairs for sub-contractors. The overlapping of dates, the diversity of definitions of "sub-contracting products" and the application of criteria of varying degrees of importance could only create problems for the organizers, the exhibiting sub-contractors and the principals visiting the fairs.

The B.C.C. arranged a number of meetings between the organizers of the main European trade fairs for sub-contractors and, in cooperation with the representatives of the main sub-contracting industries, an instrument for concerted action was set up, which :

- did away with the overlapping of dates;
- adopted comparable definitions of the sub-contracting products to be admitted;
- adopted harmonized systems of assessing the importance of the different trade fairs;
- brought about bilateral cooperation between various trade fairs.

2.3. Medical and hospital equipment

In Western Europe, the need for new hospital capacity is reaching saturation point, on the other hand, increasing demand is becoming evident in overseas countries.

There is also the fact that medical and hospital equipment is often manufactured by small and medium-sized enterprises which have too restricted a range of products to participate in tenders and insufficient resources to seek large export orders themselves.

The B.C.C. had accordingly devised a project for bringing together a number of small and medium-sized enterprises in this sector with the aim of setting up a large-scale export group, which would be also to do market research on the spot and would simultaneously be a sound partner for the coordinating contractors.

The B.C.C. contacted close to 200 small and medium-sized enterprises in the Community medical and hospital equipment sector. Over a third of them reacted favourably and an initial meeting took place for the purpose of determining the functions and the structure of such a group.

Although this meeting confirmed the interest shown by the firms in such an initiative, the B.C.C. was not able to follow it up, mainly for two reasons:

- the very great diversity of hospital equipment, sometimes of a rather small unit value, required the participation of a very large number of participants if the group would be able to offer a complete set of items of its own manufacture;
- such a group, necessitating a management structure of its own, incurs rather substantial costs and cannot be profitable during the initial period. Whilst in a certain number of member countries, such a group could benefit from government aid, groups of an international character are not eligible for such grants.

2.4. Hotel equipment

The B.C.C. took a similar step when it approached manufacturers of equipment and ornamental articles for "four-star" hotels and business premises (carpets, furnishing fabrics, linen, cutlery, chinaware, drawing-room furniture, chandeliers, decorations, kitchen implements, etc.), with a view to forming a group for overseas export marketing, initially on the North-American market.

This proposition met with a very positive response from the firms involved, there being more than 200 manufacturers interested.

2.5. Bronze foundries

On the initiative of the Business Cooperation Centre, some ten bronze founders (Belgium, Holland, Germany, France, Italy, Great Britain, Austria) will meet periodically to exchange technical ideas and to carry out joint marketing of their products.

3. General observations

3.1. Overseas export groups

When endeavouring to set up a transnational group for the export of medical and hospital equipment, the B.C.C. received confirmation that many small and medium-sized enterprises allow distrust or scepticism to outweigh solidarity of interests, particularly when there are partners of other nationalities, and this inhibits them from making an investment where equal rates of return cannot be guaranteed for each participant.

The B.C.C. therefore reiterates its suggestion that the Community for joint overseas export schemes among firms which by themselves are not in a position to export to third countries, could provide a financial contribution to the costs of setting up such groups, assuming for a limited period a fraction of the management and market prospection costs.

3.2. The European Cooperation Grouping

The painful gestation of this Community legal instrument seems sometimes to raise doubts about its usefulness or necessity.

It is true that quite rightly, the legal obstacles to transnational cooperation no longer have the prohibitive importance that was attributed to them during the first decade of the Common Market's existence. It is also true that a Community Statute is not necessarily intrinsically superior or more effective.

However, the B.C.C. can bear witness to the fact that the psychological importance of making use of a Community Statute will often be decisive: since small and medium-sized enterprises are involved, the fact of having to choose a national legal structure automatically places one of the partners on unfamiliar ground, which he distrusts, and the B.C.C. has seen several groupings fail for want of an E.C.G. that could have put all partners on the same footing.

The future member countries have also already expressed their interest in the existence of such a statute.

4. Terms of reference of the B.C.C.

The formation of the B.C.C. in 1973 coincided in the main with the first enlargement of the Community. Logically the new member countries were the most active in calling upon the services of the B.C.C. in order to further contacts with the Six.

The admission of Greece, Spain and Portugal will no doubt create new research needs for partners and contacts on behalf of the firms of these countries seeking complementary technical, commercial or financial factors.

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Given that on average these countries are less developed economically than the present day Community, it is highly desirable to encourage this activity from now on in order to prepare the small and medium-sized Greek, Portuguese and Spanish enterprises for their confrontation with the Economy of the Nine.

Having regard for this situation, this new priority implies in itself an equivalent reduction in the Centre's activities inside the present Community and with the non-member countries.

In addition the experience of the B.C.C. in the peripheral regions of the Community, shows that firm - to - firm contacts are difficult to organise and come to function less frequently when the potential partners are of greatly diverse degrees of development. Also the B.C.C. proposes, within Community competition rules, to concentrate its efforts mainly in the organisation of collective contacts on a sectorial or regional basis, between industrialists of the Community and industrialists of the future member countries. These collective contacts will permit exchange of experiences and familiarisation with the economic environment, which will prepare the participants for more operational types of cooperation links.

Finally it should be remembered that the B.C.C. has established on an experimental basis, exchanges of information with certain third countries - European and outside of Europe.

One must state here and now that this type of industrial cooperation does not function in a very satisfactory manner, and does not seem to lead to convincing results. The reasons in the majority of cases are:

- the difficulties of communication due to the geographical distance;
- the diversity of content in the information exchanges;
- the projects presented by the third countries being of a size not accessible to the small and medium-sized clients of the B.C.C.

For these reasons the B.C.C. considers that it should not be confirmed in its duties with regard to firms in non-member countries.

CONCLUSION

The foregoing considerations lead the B.C.C. to orientate its future activities in two main directions:

- to support as broadly as possible the small and medium-sized enterprises of the three candidate countries in their efforts to adapt to the market conditions of the European Community;
- to maintain a certain contact structure for the small and medium-sized enterprises of the Community to assist them in their search for trans-frontier links.

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