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SECOND ANNUAL REPORT OF THE BUSINESS COOPERATION CENTRE

(November 1973 - October 1974)

(submitted to the Council by the Commission)

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This report summarizes the activities of the Business Cooperation Centre in the three areas assigned to it :

- information for businesses
- seeking of partners
- identification of obstacles to cross-frontier cooperation.

I. INFORMATION

Companies can contact the Centre for information on the economic, legal, tax and financial aspects of cross-frontier cooperation and integration.

They may ask it questions on cooperation projects in which the Centre itself was not the source of the original contact between the partners.

Where the Centre organizes the contacts, it is increasingly being asked not merely to put potential partners in touch with one another, but also to remain involved during the preliminary discussions. Provided the Business Cooperation Centre's reputation for

competence and discretion is maintained, this part of its work could become at least as important as its activities in putting undertakings in touch with one another.

When a company informs the Business Cooperation Centre of its intentions, the interview often takes the form of a critical examination, which may cause the company to reformulate or even abandon its desire for cooperation, and at all events encourages it to rethink its development strategy. Here too the Business Cooperation Centre performs a very useful task, although stopping short of business consultancy.

II. SEEKING PARTNERS

1. The annexed tables and graph show the progress in the Centre's activities in terms of the enquiries received, files processed and circulated, replies received from businesses interested in a circulated enquiry, contacts established between companies filling the desired bill and finalized cooperation arrangements.

Like the first report in November 1973, this report comes at a time of change. In November 1973, the first replies were just being received and contacts made. Since then, the number of cases in which the Centre has been able to propose a potential partner considered suitable by the applicant has levelled off at about 40 % .

As expected, finalized cooperation arrangements started to be recorded in July. By the end of October, seven had been confirmed to the Centre :

Management consultancy	Partnership	D - GB - NL
Electronic components	Specialization and reciprocal distribution	D - GB
Industrial anti-pollution equipment	Joint marketing, studies and execution	B - D
Graphical industry	Pooling of production capacities	B - N.Irl.
Hospital building	Joint development of non-member country markets	GB - NL
Engineering	Joint marketing and project design	B - GB
Transport	Joint operation	GB - NL

2. The reduction in the number of enquiries received is in line with the Centre's own wishes and makes the work load more commensurate with the capacity of its staff.

The figure of 250 enquiries suggested in the first report as the Centre's annual capacity appears to be 50 % too high, in view of the need to make the procedures more thorough.

Now that experience has shown that the files made up by the Business Cooperation Centre must be precise and detailed, the processing of an enquiry is no longer based solely on a questionnaire to be completed by the company, but includes a far more probing interview at the company's head office.

At one time the Business Cooperation Centre was forced temporarily to stop accepting new enquiries for partners as the time taken to process files had stretched to as much as six months between the receipt of an enquiry and its circulation.

The reduction in the number of enquiries, combined with on-the-spot investigations, which are faster than a written procedure, has cut this to about 10 weeks. Allowing for translation requirements, it appears difficult to shorten this period any further.

3. The average turnover of companies which have requested the Business Cooperation Centre to find them a partner is Bfrs 410 million; figures range from 125 million for Italian and Danish firms to 640 million for British firms.

Most of the companies want to cooperate with a partner of a similar size to their own, although a quarter seek a larger partner and 15 % a smaller one.

60 % of them seek cooperation in distribution, 55 % in production and only 5 % in research. Financial links are contemplated by 70 % of the firms.

4. Enquiries are more numerous from West Germany, the United Kingdom and Benelux and it is also in those countries that partners are mainly sought. Very few enquiries are specifically directed at Italy, Denmark or Ireland.

The interest aroused by the Centre's activities in different countries is therefore uneven. The number of enquiries and replies from France has reached an acceptable level, although still not comparable to the West German, the United Kingdom, Irish and Benelux figures, but the same cannot be said of Italy, where the response is clearly inadequate. Undoubtedly a lack of efficiency in the information structures, especially from the speed angle, is partly to blame, since Italian replies sometimes arrive up to seven months after an enquiry is circulated. After so long, the enquiry is generally out of date.

Although obviously too few to be representative, the agreements concluded reflect this phenomenon, since the nationalities involved are the United Kingdom (six times), Germany, Belgium and the Netherlands (three times each), while the other countries do not figure in agreements at all.

III. THE OBSTACLES ENCOUNTERED

1. As yet the experience of the Business Cooperation Centre is sketchy and relates mainly to the initial stages of inter-company contacts, in other words the comparison of complementary economic features.

Consequently the Centre has not so far come across attempts at cooperation where there is economic and psychological compatibility but which come to naught as a result of formal obstacles (such as legal, fiscal or administrative barriers) which the Community could deal with by legislative measures or through its industrial policy.

However, mention should be made of the differences from one country to another in the content and reliability of company accounts. These differences, which become apparent even during the first exploratory contacts, can easily lead to misunderstandings or mistrust. Consequently it is greatly to be hoped that the Community Directive on the harmonization of company accounts under Article 54 (3) (g) of the EEC Treaty will be completed in the near future.

2. Experience gained to date indicates that the reasons for contacts being broken off lie mainly in the organization of the companies or in the general economic situation.

A number of companies approaching the Business Cooperation Centre are not sufficiently mature or well organized to be able to engage successfully in cross-frontier cooperation projects.

Sometimes the businesses have not given sufficient thought to their own situation and therefore are unable to define accurately the complementary features they wish to find. Lack of precision in their objects and lack of balance between what is wanted and what is offered in return preclude fruitful discussions.

The decision to join forces with another business may come too late or too early : too late, if the business has failed to undertake structural reorganization at a time when its own situation and the situation in its sector held out some hope of a favourable outcome; too early if a business is only of local or regional scope and wants to embark on cross-frontier cooperation immediately.

Cooperation across frontiers is an important and difficult step. It involves a willingness to discuss with a certain frankness matters such as the commercial organization and financial situation of the partners. This frankness is often lacking, especially in small, family-run firms.

As regards organization, it is difficult for the heads of small and medium-sized firms to find time to deal with longer-term projects, since they are fully taken up with more immediate management tasks. Even in firms with several thousand employees responsibility for structural development is often handed over as an additional and accessory duty to an executive already engaged on other matters. As a result contacts initially considered promising by both sides founder because they are not followed up.

3. Other reasons for hesitation or obstacles to action lie in the general economic situation.

The climate of economic uncertainty in some member countries makes companies in another country think twice before embarking on long-term operations.

Because of the cyclical recession, companies tend to make stiff demands in the way of capital, orders or markets without being able to offer anything equivalent in return.

4. A more specific obstacle is the situation on the capital market. In many cases, cooperation between two companies will require one or other of them to invest, but at the present time money is in short supply and expensive everywhere.

4.1. In addition national exchange control policies may make it extremely difficult, if not prohibitive, to export capital (in the United Kingdom, the investment premium which has to be paid to obtain capital to invest abroad, even in Community countries, is currently (*) 80 %), and at the same time the provision of capital on the markets to which it is transferred is also subject to legal or practical restrictions for foreign investors.

4.2. In all the member countries, there are government agencies supplying long- or medium-term credit for industry. With today's tense situation and restrictions, these bodies will obviously not give any priority to applicants in their own countries who wish to invest abroad nor to foreign applicants who wish to invest in the country in question. Cross-frontier cooperation projects therefore have little likelihood of obtaining aid from national agencies.

(*) November 1974.

- 4.3. On the other hand, the European Investment Bank has included cross-frontier cooperation in its priority objectives.

Aid from the European Investment Bank to small and medium-sized firms takes the form of blanket loans to national credit institutes, which then relend to the small and medium-sized firms in their country. The problem outlined in 4.1. crops up again.

Direct aid from the European Investment Bank does not apply to amounts of less than Bfrs 100 million. Cross-national cooperation projects passing through the Business Cooperation Centre generally require investment of around Bfrs 20 million, and almost never as much as Bfrs 100 million.

It would appear therefore, that the type of firm applying to the Business Cooperation Centre, would benefit only exceptionally from this intervention.

- IV. The Business Cooperation Centre has set up a small advisory group representing nationalities and activities (chambers of commerce, trade associations, government agencies, banks) which advises it on the methods to use. This group has stressed the need for more personal and more direct procedures.

V. CONCLUSION

1. The interest shown by Community firms in the services offered by the Business Cooperation Centre has not faded.

The Community's action in setting up the Centre and thus providing direct and practical assistance for individual firms is regarded as a useful innovation.

Over the months, using more selective methods, the quality of the files (economic situation of the firms, formulation of the aims of cooperation, quantity and accuracy of the information) has greatly improved.

The general economic situation is inducing a number of firms to seek cooperation, but is making it more difficult to finalize projects.

The optimum conditions for cross-national cooperation are obtainable more easily in medium-sized firms than in small ones.

2. Within the limits of its instructions from the Commission, the Business Cooperation Centre has already adapted its working methods to increase efficiency.

However, the results shown to date are not entirely convincing from the point of view of economic impact.

The Business Cooperation Centre has been set up on an experimental basis for a period of three years. At the end of 1975, the Commission will provide the Council of Ministers with a review of the results obtained and the experience gained.

It will then be necessary to re-examine the needs of Community firms with regard to transnational cooperation and integration, the opportuneness of a Community action in that field, the ways and means to be employed.

Regarding in particular the areas of intervention of the Centre and how it operates, the following points should be examined :

- a) the principle that the services of the Business Cooperation Centre are free of charge was adopted subject to re-examination;
- b) whilst at present the Centre covers all sectors of the economy, its efficiency could perhaps be improved by concentrating its activities to a certain number of sectors or subsectors where cross-frontier structural reorganization is acknowledged to be both desirable and possible. This would also strengthen its impact as an instrument of the Community's industrial policy;
- c) as regards geographical coverage, a decision will have to be taken on the repeated requests from certain non-member countries to be included in the machinery of the Business Cooperation Centre.

WORK OF THE BUSINESS COOPERATION CENTRE

1 November 1973 - 31 October 1974

COUNTRIES OF ORIGIN

	B	D	DK	F	GB	I	IRL	L	NL	Non-member count.	TOTAL
1. <u>Requests for information</u>	52	227	37	115	207	85	39	3	50	85	900
2. <u>Circulated enquiries for partners</u>											
Extractive industries	1	-	-	-	-	-	-	-	-	-	1
Chemical industry	-	7	-	-	6	5	1	-	5	-	24
Metal structures	1	10	1	5	7	2	2	2	2	-	32
Mechanical engineering	3	10	1	9	2	3	-	-	3	-	31
Electrical engineering	1	3	1	1	8	1	-	-	-	-	15
Food industry	1	2	1	1	2	2	3	-	5	-	17
Textiles	-	2	1	-	-	1	-	-	1	-	5
Clothing	-	1	1	-	1	-	2	-	2	-	7
Wood	-	1	-	-	-	-	2	-	1	-	4
Paper	3	3	-	2	1	2	-	-	-	-	11
Miscellaneous industries	-	1	-	-	-	-	-	-	-	-	1
Building and civil engin.	1	3	1	-	1	-	1	-	2	-	9
Commerce	-	4	-	-	2	-	-	-	2	-	8
Transport	-	-	-	1	3	-	-	-	1	-	5
Services	2	3	-	-	8	-	-	-	4	-	17
T O T A L	13	50	7	19	41	16	11	2	28	-	187

12-

Work of the Business Cooperation Centre
1.11.1973 - 31.10.1974

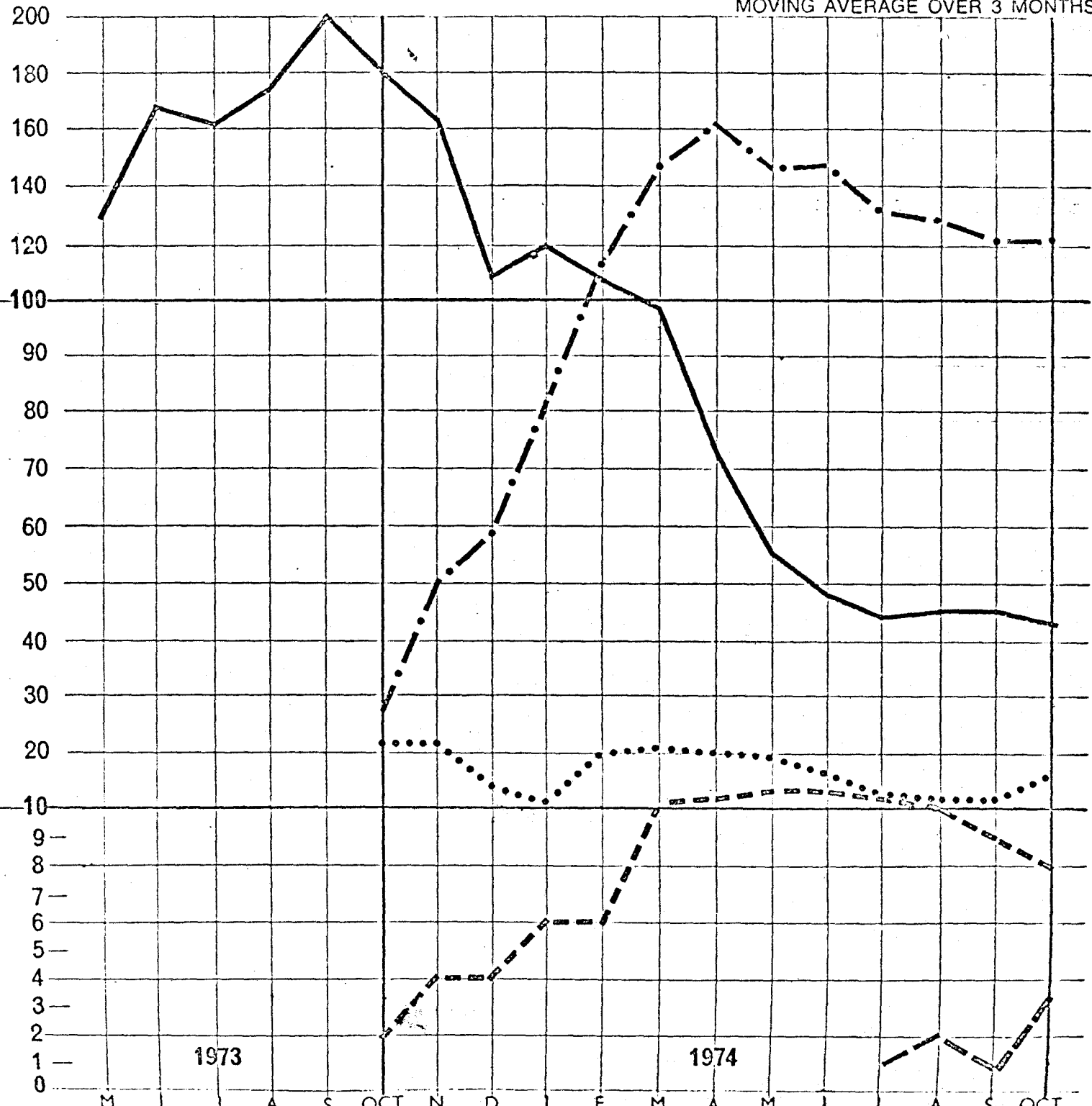
	B	D	DK	F	GB	I	IRL	L	NL	Non-mem-ber count.	TOTAL
<u>3. N° of replies received</u>											
Extractive industries	-	3	-	-	1	-	-	-	-	-	4
Chemical industry	24	73	1	8	17	11	9	1	7	-	151
Metal structures	62	135	14	30	32	7	11	4	10	-	305
Mechanical engineering	38	91	8	33	54	3	10	-	12	-	249
Electrical engineering	17	54	4	7	17	4	-	-	1	-	104
Food industry	14	80	2	6	27	5	5	-	12	-	151
Textiles	7	10	-	8	2	4	3	-	5	-	39
Clothing	9	10	2	9	5	17	3	-	1	-	56
Wood	17	26	2	6	5	3	-	-	5	-	64
Paper	8	6	-	5	13	2	4	2	4	-	44
Miscellaneous industries	-	3	-	-	2	-	-	-	-	-	5
Building and civil engin.	23	10	5	6	13	4	3	1	2	-	67
Commerce	6	11	-	3	3	3	1	1	4	-	32
Transport	4	14	-	7	6	-	-	-	6	-	37
Services	18	60	1	9	12	5	6	2	5	-	118
T O T A L	247	586	39	137	209	68	55	11	74	-	1.426
<u>4. Contacts established</u>											108

-13-

ACTIVITIES OF THE BUSINESS COOPERATION CENTRE TO 31ST OCTOBER 1974

MOVING AVERAGE OVER 3 MONTHS

- KEY
- REQUESTS FOR INFORMATION ———
 - REQUESTS FOR PARTNERS CIRCULATED - - - - -
 - REPLIES RECEIVED
 - CONTACTS ESTABLISHED - - - - -
 - AGREEMENTS REACHED - - - - -



- 17 -