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** A number of measures taken by the European Community affect SMALL AND MEDIUM-SIZED BUSINESSES. These measures, together with those taken in this field by the Member States, are reviewed in a note which the Commission of the European Communities has sent to the representatives of the member countries. A summary will be found in ANNEX 1.

** A rapid rise in costs and prices, a reduced utilization of production capacity, a slight fall in employment, and except in France and Italy a slowing down of economic growth: these were the main market trends in the Community at the end of 1971 and the beginning of 1972. They were reflected in a GENERAL INCREASE IN UNEMPLOYMENT, varying from one Member State to another, during the last quarter of 1971 and up to February 1972. The trend showed no signs of reversal until March 1972 and even then the level of unemployment remained appreciably higher than it had been a year previously. These facts emerge from a general report on THE STATE OF THE EMPLOYMENT MARKET IN 1971-72 which the Commission of the European Communities has just published as part of its preparatory work directed towards economic and monetary union. The conclusions of this report are given in ANNEX 2.

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For further information please apply to the

Commission of the European Communities
Directorate-General for Press and Information
Division for industrial and scientific information
200, avenue de la Loi
1040 Brussels - Tel. 3500 40

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The information and articles published in this Bulletin concern European scientific cooperation and industrial development in Europe. Hence they are not simply confined to reports on the decisions or views of the Commission of the European Communities, but cover the whole field of questions discussed in the different circles concerned.

PRESS AND INFORMATION OFFICES OF THE EUROPEAN COMMUNITIES

1 BERLIN 31
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Suite 707
tel. (202) 296-5131

- ** EXCLUSIVE DEALING AGREEMENTS, by which a firm grants the right to sell its products to a limited number of regional dealers, result in compartmentation of the market and a restriction of competition, and may therefore be subject to the prohibitions contained in Community legislation on agreements. Further details are given in ANNEX 3.
- ** EXPORTS FROM THE US TO THE COMMUNITY dipped slightly in absolute value (-0.4%) in 1971, dropping from 8,320 to 8,290 million dollars. This drop relates to the non-agricultural sector only, in which exports amounted to 6,460 million dollars in 1971 as against 6,760 million in 1970. In the agricultural sector, on the other hand, US exports to the Community rose by 17.4%, i.e., from 1,550 million dollars in 1970 to 1,820 million in 1971.
- ** On 9 December 1971 the Commission took a decision under Article 86 of the EEC Treaty (which prohibits the ABUSE OF A DOMINANT POSITION) in respect of the American Continental Can group, the world's largest producer of light metal containers (see IRT No. 125). In its decision the Commission ruled that Continental Can's takeover of a Dutch metal container firm, Thomassen & Drijver-Verblifa NV, amounted to an abuse of a dominant position, and enjoined Continental Can to submit proposals by 1 July 1972 for ending this infringement of the Treaty's rules on competition.
- After considering the proposals submitted by Continental Can in accordance with this decision, the Commission has concluded that they are not sufficient to end the infringement, and is preparing, after it has heard the views of the Advisory Committee on Cartels, to take a formal decision rejecting Continental Can's offers as unsatisfactory.

** THE DEVELOPMENT OF HIGH TEMPERATURE GAS REACTORS and the problems inherent in the commercial development of this type in Europe were analysed during an information meeting held in Brussels on 26 May 1972 by the Commission of the European Communities and attended by the chief executives of the electricity generating companies and officials of the governments of the Community member and applicant countries.

The Commission, having contributed largely to the financing of the HTR knowhow, wishes to see that this knowhow benefits the European industry as fully as possible. The decisions taken by the utilities as regards the introduction of HTRs in their networks in the near future could be an important factor in launching the HTR commercially in Europe.

Since the HTRs were developed in a context of broad international cooperation, the next stage, the building of the pilot plants, should also be feasible in a multinational context. Declarations of intent have been made to this effect by various countries in the enlarged Community. This seems to be the moment to review the situation and see how far these declarations of intent might lead to one or more joint construction projects.

** The United States Information Agency (USIA) has just sounded out 4,295 European business men and administrators concerning "THE ROLE OF AMERICAN FIRMS IN WESTERN EUROPE". Among other things they were asked to state whether they agreed or disagreed with certain remarks which have been made on the subject of international companies, such as the following:

1. "The power of international companies often means that they can behave as though they were above the law."

	D	I	F	E	GB	B	NL	N	CH
Number of cases	480	480	483	481	486	453	477	476	479
Agree strongly	8%	10%	11%	26%	6%	9%	27%	23%	20%
Agree	31	37	47	25	39	44	30	26	24
Neither agree nor disagree	16	15	10	16	7	14	6	18	17
Disagree	34	31	24	14	43	25	11	15	21
Disagree strongly	8	2	4	14	2	4	21	14	9
Don't know	3	5	4	5	3	4	5	4	9
Total	100	100	100	100	100	100	100	100	100

2. "International companies constitute the main force working towards the elimination of trade barriers between countries,"

	D	I	F	E	GB	B	NL	N	CH
Agree strongly	23%	16%	10%	40%	4%	10%	37%	51%	31%
Agree	53	59	57	34	41	54	35	35	39
Neither agree nor disagree	14	12	14	13	15	17	9	6	17
Disagree	6	9	12	6	33	12	6	4	6
Disagree strongly	1	-	2	4	2	3	8	2	3
Don't know	3	4	5	3	5	4	5	2	4
Total	100	100	100	100	100	100	100	100	100

3. "International companies are a good thing because they counterbalance the growing power of national governments."

	D	I	F	E	GB	B	NL	N	CH
Agree strongly	7%	5%	4%	17%	2%	3%	22%	17%	32%
Agree	35	46	27	22	28	29	22	29	45
Neither agree nor disagree	24	19	18	24	17	20	10	18	10
Disagree	23	19	34	15	41	32	12	15	7
Disagree strongly	6	3	9	15	5	7	24	17	1
Don't know	5	8	8	7	7	9	10	4	5
Total	100	100	100	100	100	100	100	100	100

** THE OPTICAL AND PRECISION INSTRUMENT INDUSTRY, which is interested in a large number of new technologies, should be considered as akin to those whose role in technical innovation was particularly underlined in the memorandum by the Commission of the European Communities on industrial policy (see IRT No. 48). Any well-conceived policy of technical promotion must take this fact into account. These are the main conclusions arrived at in a structural study on the optical and precision instrument industry carried out on behalf of the Commission by a research institute (and summarized in IRT No. 140), which the Commission has again set out in reply to a written question by Mr Cousté, a member of the European Parliament. The Commission states that this study was forwarded for comment to the Federation of the European Optical and Precision Instrument Industry (EUROM) and was extensively discussed with this organization with a view to its subsequent publication. The Commission also made contact with EUROM in order to consider ways and means of conducting action at Community level in regard to this industry in the future.

** An International Symposium on ENVIRONMENTAL HEALTH ASPECTS OF LEAD will be organized jointly by the Commission of the European Communities and the United States Environmental Protection Agency in Amsterdam on 2-6 October 1972. The aim of the Symposium is to examine the ways through which the recent data supplied by studies on environmental lead can be used to improve the protection of man and his environment. Inquiries should be addressed to the Commission of the European Communities (Health Protection Directorate, 29 rue Aldringer, Luxembourg).

** The proceedings of the colloquium on THE HEALTH IMPLICATIONS OF THE STORAGE OF RADIOACTIVE SUBSTANCES ON AND IN THE GROUND, which was held in Cherbourg La Hague, France, on 14 and 15 April 1970, have just been published by the Commission of the European Communities as document No. EUR 4736 d/f/i/n. This document is on sale at the Office for Official Publications of the European Communities, PO 1003, Luxembourg 1.

** The Commission of the European Communities, in conjunction with the Physikalisch-Technische Bundesanstalt, is to organize a seminar in Brunswick, West Germany, on 12 and 13 June 1972 on the POSSIBLE APPLICATIONS TO DOSIMETRY OF THE EFFECTS INHERENT IN EXOELECTRONIC EMISSIONS.

MEASURES TAKEN BY THE EUROPEAN COMMUNITY WHICH
AFFECT SMALL AND MEDIUM-SIZED BUSINESSES

A number of measures taken by the European Community are of direct interest to small and medium-sized businesses. The Commission of the European Communities recently summarized these measures in a note which it forwarded to the representatives of the member countries.

1. The right of establishment and of the free offer of services within the Community

In industry, crafts, trade and services, the elimination of restrictions on the right of establishment is already very far advanced. In all, 44 draft directives concerning the elimination of restrictions on foreigners, the mutual recognition of diplomas and the coordination of laws and regulations are also under discussion in the Council; these mainly concern small and medium-sized businesses (e.g., offers of personal services, itinerant activities, trade in toxic products, production and marketing of drugs, auxiliary transport activities, travel agencies, etc.). Seven other draft directives are being prepared by the Commission (e.g., sea fishing, certain activities relating to transport, and hiring of vehicles).

The Commission of the European Communities will shortly publish a compendium of national laws concerning access to professional activities carried on by small and medium-sized businesses. The legal situation for the applicant countries will be taken into account as soon as possible in the Commission's activities. The task of coordination will be pressed forward as vigorously as the smooth functioning of the Common Market requires, with the ultimate goal of ensuring a better adaptation of professional structures. The mutual recognition of diplomas will make it possible to complete or replace the transitional measures already decreed concerning the activities of small and medium-sized businesses.

2. Professional training and further training:

A first programme of action in the matter of professional training, affecting all professional categories, was initiated in the Community in 1965. The Commission is now preparing a further programme to supplement the original programme and adapt it to present-day problems. This second programme will relate in particular to the exchange of information, cooperation at Community level and the alignment of training standards. It will cover both the structure and organization of training and teaching methods and equipment. It will also relate to industry, particular attention being devoted to the problems of small and medium-sized businesses and craftsmen.

The harmonization of training programmes in the Community, together with the professional training of independent workers, will be considered shortly by the group of government experts dealing with the problems of small and medium-sized businesses.

3. Cooperation between small and medium-sized businesses

At the request of the senior officials for industrial policy sitting in the Council, the Commission is at present studying the problems raised by the creation of an "office for cooperation between businesses", and is consulting the various professional organizations concerned.

A proposal for a "Groupement d'Intérêt Economique Européen" (European Economic Interest Grouping), to promote transnational cooperation between businesses, has been submitted by the Commission to the Member States and also to industrial and trade union circles (see IRT Nos. 116 and 119).

Lastly, the Commission is seeking, within the limits of the rules of competition, to facilitate the conclusion of cooperation agreements designed to strengthen the competitive capacity of

small and medium-sized businesses without prolonging the life of obsolete structures. The Commission's standpoint in this matter has been expressed in the following two communications, which seek to clarify the legal position concerning businesses:

- (a) That of 1968 relating to agreements, decisions and concerted practices concerning cooperation between businesses, whose aim is to remove uncertainty as to the forms of cooperation which are permissible under European business law.
- (b) That of 1970 on "cases of minor importance", which excludes from the ban decreed in Article 85, para. 1, of the EEC Treaty agreements which have only an insignificant effect on competition and trade between Member States.

The practical application of these measures is illustrated by individual decisions relating to cooperation, some of which directly concern small and medium-sized businesses.

4. Subcontracting

The European Commission has undertaken certain work in the field of subcontracting at Community level. It is acting in collaboration with the representatives of subcontracting organizations in the member countries, the work covering the following matters:

- (a) Closer contact and better cooperation between existing subcontracting organizations in the Community.
- (b) The preparation of a Community subcontracting charter, which is creating considerable interest in professional circles.
- (c) The examination of subcontracting agreements in the light of Article 85 of the Treaty. A working document on this question has already been submitted to government experts.

5. Financial aid

(a) Regional policy

The Commission proposes to extend the operation of the Fonds de bonification d'intérêts pour le développement régional (Fund for Low-Interest Rates for Regional Development) and of the EAGGF (European Agricultural Guidance and Guarantee Fund) to projects relating to craftsmen and small and medium-sized businesses, on condition that these projects conform to the conditions laid down in the regulations concerning these two funds, i.e.,

- for both the EAGGF and the Fonds de bonification d'intérêts the projects to be financed must relate to economically sound investments directed towards industrial, craft, service and infrastructure activities. Projects concerning marketing and the transformation of agricultural projects will receive priority support from the EAGGF.

(b) The European Investment Bank (EIB)

In 1968 the EIB extended its field of activity to small and medium-sized businesses by means of the "overall loan" system. These operations are in line with the policy of active support pursued by the Bank in relation to industrial initiatives which are too limited to warrant direct participation but nonetheless are of real value from the standpoint of the harmonious expansion of the regions considered.

Since 1968 the EIB has allotted a total sum of 57 million u.a., broken down among eight overall loans. Other overall loans are still being arranged. In 1969 overall loans represented 3.6% of the total aid to industrial initiatives granted by the EIB to member countries. In 1970 the percentage was 12.3% and in 1971 10.7%.

6. Taxation

The Commission has prepared draft directives on the taxation of mergers and parent companies and subsidiaries in various Member States. These proposals may be of interest to small and medium-sized businesses, particularly those in frontier areas.

The Commission is also preparing a proposal for the harmonization of VAT regulations concerning small and medium-sized businesses.

7. Fairs and exhibitions

The Commission considers that the joint participation of small and medium-sized industrial and craft businesses in fairs and exhibitions in other countries should be encouraged. It is willing to examine specific proposals for such joint participation. In this context the efforts of the Commission's departments to create a European Trade Centre are worthy of mention.

8. Transport policy

The Commission has proposed certain measures in favour of small and medium-sized haulage firms. In implementation of the joint transport policy it proposes structural measures designed to favour the formation of businesses of a size which is technically and economically viable. It has submitted several draft directives to the Council on the right of establishment and has emphasized their direct relevance to the joint transport policy.

THE STATE OF THE EMPLOYMENT MARKET IN THE
MEMBER COUNTRIES OF THE COMMUNITY

in 1971-72

(Conclusions drawn from the report on this subject recently published by the Commission of the European Communities)

The short-term trend of the Community market is characterized by a general increase in unemployment, which varies in extent from one Member State to another, during the last quarter of 1971 and up to February 1972. A tendency to resorption was not apparent until March 1972, and even in that month the unemployment level remained appreciably higher than a year before.

In France and Italy increasing unemployment among young people has for some time been a cause of concern; it has now become a leading preoccupation of employment policy in Belgium and the Netherlands also. It is due to various causes, such as the gap between training facilities and job openings, a flood of job-seekers on the market at a given time, fewer vacancies, etc.

The economic recession has also reduced the demand for foreign labour in several countries. In West Germany, for example, vacancies for foreigners in the first quarter of 1972 were 46% less than in the same quarter of the previous year. There was a similar trend in Belgium, France and the Netherlands which will doubtless persist for the next few months.

Apart from steps to revive economic activity, the governments of all the Member States have taken certain measures relating to their labour and employment policies in order to cope with the present situation. They envisage (a) an expansion of public works programmes and (b) professional training programmes for

adults and above all young people, together with measures specifically designed to favour the integration of certain categories of persons in a professional activity.

In this connection, the Community must consider to what extent the new Social Fund can be used for purposes connected with the employment policy similar to those contemplated for the textile industry (see IRT Nos. 109 and 137).

In certain Member States the employment of foreign labour has made an essential contribution to economic growth in recent years. Even in the event of expansion being sluggish in the years to come, several Community countries will probably continue to have relatively considerable manpower requirements from other Member States or from non-member countries because of the slow growth of the active population. The Community must therefore map out a coherent immigration policy which should take into account not only the labour requirements of the host country but also the long-term needs of industrial policy, and especially regional policy. The interests of the supplier countries must receive special consideration from the Community in the interests of economic and political equilibrium.

EXCLUSIVE DEALING AGREEMENTS IN COMMUNITY
LEGISLATION ON CONCERTED PRACTICES

Exclusive dealing agreements, by which a company grants the sale of its products to a limited number of regional dealers, while offering certain advantages (e.g., easier organization of an efficient after-sales service for advanced technology products) nonetheless lead to compartmentation of the market, and a restriction of competition which limit the consumer's free choice and tempt the dealer to take advantage of his exclusive position to exact excessive profits. Such agreements may therefore come under the bans laid down by Community legislation on concerted practices.

Exclusive dealing agreements applying only to sales within the national territory are not affected by this legislation, which is aimed only at understandings restricting competition on international markets. It is considered that the ease of movement of customers and products within the national territory preserves a certain freedom of choice for consumers and ensures a degree of competition between producers.

This is not true of the Common Market as a whole, where the absolute territorial protection clause, whereby a dealer is protected against any imports from another Community country, tends to limit trade between one country and another, which must remain open. Such a clause is in fact tantamount to suppressing competition between the exclusive dealers in the various countries. It tempts them to abuse this situation by raising their sales prices excessively. It also deprives consumers of the freedom to buy products in another Community country. Community legislation, confirmed by the constant activity of the Commission and by the Court of Justice, forbids this practice.

On the other hand, exclusive dealing agreements which do not preclude imports from other Community countries are authorized without even the need to obtain the Commission's approval.

The firms which had concluded exclusive dealing agreements granting absolute territorial protection to their dealers have hence had to amend them. Exclusive distribution agreements which leave open the possibility of parallel imports within the Common Market are exempted category by category.

The treaty also gives the Commission the right, in exceptional circumstances, to authorize agreements which come under the general ban decreed by Article 85, para. 1, when the restrictions which these agreements impose on competition are outweighed by the economic advantages which they confer on business and the consumer (Article 85, para. 3).

For example, the Commission could grant this authorization, for a limited time, to agreements for absolutely exclusive territorial dealing which permitted the emergence of a new producer on a given market. The same might apply to the sale of products occupying a weak position on their special market.

Lastly, exclusive dealing agreements also exist between rival producers of different nationalities, who grant one another exclusive dealing rights in their products on their respective national markets. The Community is reticent about these agreements, which often amount to a carve-up of the Community market, thus restricting competition and limiting consumers' choice. This type of agreement must at all events be notified to the Commission.

Legal precedents suggest that the probability of the Commission's authorizing such agreements increases when it is possible to fit them into the category of Specialization Agreements, under which

each firm is responsible for a particular range of products which are not in competition with those of the other signatories to the agreement. They then permit firms specializing in certain particular products to increase both the quantity and quality of their output, to the benefit of the consumer. They are particularly advantageous for advanced technology products and may come under the category of agreements which offset the restriction of competition by conferring economic advantages.

