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EUROPEAN COMMUNITY POLICY TOWARD MULTINATIONALS

Viscount Etienne Davignon, European Community commissioner in charge of internal market and industrial affairs, outlined the nine-nation European Community's policy toward multinationals in a recent speech at the London Law Society. A summary of that speech is reproduced below:

COMMUNITY LAW FOR MULTINATIONAL ENTERPRISES

The European Commission policy vis-a-vis multinationals is not a crusade for or against such companies, but an attempt to create a balanced framework of their operations.

Indeed, Community policy reflects the two aspects of multinational activities. The Community has sought:

- * to remove obstacles to the cross-frontier activities of enterprises within the EEC, while at the same time seeking

- * to secure the adoption of appropriate legal rules to regulate the problems which are likely to arise as a result of those activities.

CODES OF CONDUCT

Clearly enough community law and international codes should not be considered as alternatives but as complementing each other.

This is a major feature if we want to prevent European multinationals from suffering competitive disadvantages by having to observe "higher" standards than those imposed on the other industrialized countries or on the developing countries. Equally important are mutually agreed standards for the behavior of multinationals in developing countries, on the one hand, and for those countries' treatment of multinationals, on the other hand. Such standards play a major part in ensuring balanced economic development.

The Commission has always wanted to bear in mind both the benefits of the continued development of multinational enterprises and the causes for concern which are inherent to such companies.

a) The development of cross-frontier activities by enterprises is a significant and positive part of our economic system which, despite current difficulties, is still based on principles of free competition and free trade. Enterprises are thus faced with the necessity of developing a profitable combination of factors of production in a competitive world environment. This necessity leads and may even oblige enterprises to reach out beyond their national frontiers to achieve a combination of those factors which is closer to the optimum. The fundamental economic result is of great significance to everyone and should not be forgotten: a more efficient use of scarce resources upon which real increases in our standard of living, and even perhaps its maintenance, depend. Enterprises, developing multinationally, are a vital element in the process of economic and technical innovation which is the foundation of the Community's prosperity.

b) At the same time, while recognizing the benefits which we derive from multinationals, we cannot ignore the fact that the activities of multinationals cause concern to many who are affected by their operations, both in the member states and outside, notably in the developing countries, which are frequently sources of raw materials and markets of considerable importance to us. The main cause of the concern is essentially the perception that multinational enterprises, by reason of their scale and their expanded range of choice, may be less subject to national constraints, and less sensitive to national and local preoccupations and needs, than enterprises which are national or local in character. Even a nation state of some size may feel itself on unfamiliar and insecure ground when confronted by an enterprise which has apparently superior resources, financial, technical and human, organized on a world-wide basis. No wonder then that others who deal with these enterprises (suppliers, customers, shareholders, employees, unions etc.) should also express concern from time to time, and that these concerns should lead to demands for new regulations, national, Community and international.

CHARACTERISTICS OF COMMUNITY MEASURES

Rather generally framed measures than specifically applicable to multinationals, because,

a) multinationals are very difficult to define legally.

b) unjustified discrimination against multinationals has to be avoided.

c) many problems turn out to be not in their nature confined to multinationals.

MULTINATIONALS AND COMPETITION

The foundation for the development of multinational activities in the EEC is the right of establishment for enterprises formed under the laws of the member states. The latter have agreed to introduce no new restrictions on this right in their territories of companies of other member states.

Through coordination of technical standards and fiscal harmonization, for example, the Commission's aim is to remove barriers to integrated industrial and commercial activity.

Cross-frontier activities thus made easier have to be counter-balanced: competition is maintained (for example through controlling concentrations).

Coordination of company and tax laws is a second major component of the counter balance, and in particular the development of minimum standards and procedures as to disclosure.

A report on a draft code of principles on multinational enterprises and governments, prepared by committees of the European Parliament and the U.S. Congress, can be obtained, free of charge, by writing to the Washington office of the European Community. Ask for: European Parliament Working Document 547/76.

SCHEDULE OF EVENTS -- FEBRUARY, 1979

(All events are in Brussels unless otherwise noted)

February	5	Opening of negotiations with Spain
February	5 - 6	Agricultural Council
February	6	Foreign Ministers Council
February	12 - 16	European Parliament (Luxembourg)
February	19	Council on Economics and Finance
February	19	Council on Fisheries (Provisional)
February	20	Council on Transport