



An active competition policy for economic growth

by Karel Van Miert, Member of the European Commission

The new Commission is faced with a number of challenges, arising from the tasks the European Union must carry out successfully in the coming years. The most important of these tasks is set out in the 1993 White Paper 'Growth, competitiveness, employment'; it is to overcome structural unemployment and strengthen the competitiveness of the European economy on world markets in general, and on the expanding markets of tomorrow in particular.

Competition is not an end in itself

In this context the Commission has an active role to play in competition policy — and not only because competition is one of the few areas in which the Commission has wide-ranging decision powers of its own. Even more relevant is the fact that an active competition policy is needed to enable the European economy to realize fully its growth potential. This applies to the optimum use of the existing internal market. It also applies to the opening-up of markets that, for the moment, remain largely closed to competition; and it particularly applies to the expansion, free of all shackles, of future markets.

In this connection I would like to make clear that the introduction of the principles of competition is not an end in itself. Competition policy can be seen rather as one instrument among others, which fosters the achievement of the Community's basic objectives. The Community's competition policy does not operate in a vacuum. It must take into account its effects on other areas of Commission action, such as industrial, regional, social and environmental policies. Besides, this global vision is not a one-way affair. Competition policy, in turn, plays a role in the preparation and introduction of other policies — this is overlooked sometimes by those who criticize the institutional framework of European competition policy, and in particular by those who favour the establishment of a European cartel office.

Ensuring the rules of the game evolve

I should like to make a second basic point which I consider timely. When one talks of competition policy, one thinks of cartels, abuse of a dominant position, and checks on mergers to begin with — that is to say, of competition rules as they apply to businesses. The Commission's competition policy is not limited, however, to these classic areas of anti-trust policy, but extends to competition rules applicable to the Member States. I will only mention in this connection the keywords: liberalization, deregulation and State aid. In addition, changing international relations play an increasing role in the field of competition.

Indeed, what is at stake goes far beyond the settlement of particular cases. It is not enough to implement competition rules; they must be continuously updated. In other words, the Commission must not only see to it that the rules governing the market economy in the Community are respected, but also ensure that they evolve, adapting them to the dynamics of economic development. The Commission must, at the same time, create the conditions which make these dynamics possible.

The Commission is determined to ensure the development of competition policy in a manner as transparent as possible. I see an example of this in the detailed consultations with the economic and legal circles that took place last year during the preparation of the legislation regarding the checks on mergers and in connection with Article 85 of the EC Treaty, which bans arrangements between companies and cartels. The Commission will continue to pursue its competition policy by means of an open and constructive dialogue with those whom it is aimed at.

DECISIONS

■ Helping SMEs and workers adapt to change

Numerous companies, particularly SMEs, and nearly 600 000 workers in the European Union will find it easier to adapt to technological changes thanks to 14 national and regional programmes the European Commission approved on 24 May. These programmes, which had been submitted by EU Member States in the framework of the new ADAPT initiative, will benefit from ECU 1.4 billion (ECU 1 = UK£ 0.84 or IR£ 0.82) which will be paid out by the European Social Fund between 1995 and 1999. The 14 programmes concern the EU's 12 former members; they include two programmes for the UK, one of them for Northern Ireland, the other for Britain, and two for Belgium. The national authorities must now submit projects that are both transnational and innovative to the Commission before 15 September 1995. The projects should be launched in November. In principle, the Commission will approve programmes for Austria, Finland and Sweden in September.

■ Compensating investors

By the end of 1996 at the earliest, investors throughout the European Union will be entitled to a minimum level of compensation in the event of the collapse of a stockbroker, bank or other investment firm that had been acting on their behalf. EU finance ministers reached an agreement on 22 May on a directive that provides for compensation amounting to at least 90% of the sum in question, with a ceiling of ECU 20 000. This directive will complete the single market in the field of investment services, given that a directive coming into force on 1 January 1996 allows investment firms based in one EU country to offer their services throughout the EU, without the need for further authorizations. The new directive, which now goes to the European Parliament, should come into force 18 months after its definitive adoption.

■ Limits to a contractor's liability

A contractor established in one EU country is not required, in principle, to settle the unpaid social security contributions of a subcontractor based in another EU country, even if legislation in force in the latter country provides for it. In a ruling to this effect, the European Court of Justice decided on 18 May in favour of a Belgian building firm, which had used a Dutch subcontractor for insulation work carried out in Belgium. When the subcontractor went bankrupt, the Dutch professional body entrusted with the task of collecting the unpaid contributions sought to recover them from the Belgian contractor, under the provisions of a Dutch law. The Belgian firm held that this law did not apply outside the territory of the Netherlands. The Dutch court before which the case was brought turned to the European Court of Justice in Luxembourg. The latter held that the Belgian contractor would have been liable if its relationship with the Dutch firm had been no more than a cover, and had it been the real employer of the workers provided by its subcontractor. In the building industry the main contractor and its subcontractors are often based in different countries, however.

■ An exemption for maritime consortia

In future, the consortia created by shipping companies to handle the transport of containers by sea will benefit, subject to certain conditions, from a block exemption from the ban on agreements under the provisions of the EC Treaty. The European Commission decided on 28 April to grant these consortia an exemption for an initial period of five years. This exemption concerns international liner conferences serving one or more European Union ports. This means that shipping companies can coordinate not only their timetables but also port utilization, computerized systems and cargo space. They do not, however, have the right to set tariffs or come to an understanding on the overland transport of containers. The Commission takes the view that the con-

sortia make it possible to rationalize sea transport, thus leading to a reduction in costs and a better quality of service. This can only be to the advantage of European exporters and importers.

■ Door-to-door selling of forward contracts

A Member State of the European Union has the right to ban a company, established on its territory, from telephoning prospective customers to offer them services for investments in forward commodity contracts. A ruling to this effect was handed down by the European Court of Justice on 10 May. The Court held that a Dutch regulation, aimed at safeguarding the confidence of European investors in the Dutch financial sector, was compatible with the EC Treaty. A company established in the Netherlands, but without any offices elsewhere in the EU, had challenged the regulation in question before the Dutch courts, on the grounds that it was contrary to the freedom of providing services on the European market. The Court held that the restriction was justified, given the need to protect investor confidence. It was all the more necessary given that the Dutch Finance Ministry had received complaints from investors — Dutch as well as others — who felt they had been let down.

□ BRIEFLY

During the university academic year 1995/96, 227 new initiatives aimed at **furthering the teaching of European integration** will receive a total of ECU 1.23 million in aid from the EU budget, thanks to the Jean Monnet project. The European Commission decided on 8 May to support these projects, which include 56 full-time teaching posts and 64 new courses, which will be both permanent and compulsory.

PREPARING EUROPE FOR THE 21ST CENTURY

'A qualified success' is how the European Commission sums up the results of the implementation of the Treaty on European Union over an 18-month period. The assessment is contained in a report published on 10 May. The report, requested by the Heads of State or Government of the European Union, is the Commission's initial contribution to the preparations for the 1996 Intergovernmental Conference (IGC), which will seek to improve the Maastricht Treaty. For the Commission the strong points include the launch of economic and monetary union and the enhanced powers of the European Parliament. The weak points of the Union Treaty, in the Commission's view, are decision-making procedures that are both numerous and complicated. The agreement on social policy is a 'dangerous precedent' for the cohesion of the EU, given the UK's opt-out, while there are 'serious inadequacies' as regards cooperation among the EU countries on legal and police matters. The Commission is of the view that the EU must not be enlarged until these shortcomings have been corrected. It is also of the view that 'the main issue during the conference should not be an increase in the Union's powers'. The Commission comes out in favour of wider use of majority voting in decision-making and different speeds of integration; but it is opposed to an 'à la carte Europe', with each Member State choosing the policies it is prepared to support.

INITIATIVES

● No internal market without sanctions

There are significant differences in the EU as regards the sanctions provided for by each Member State in the event of violations of single market rules. What is more, these differences can distort competition within the single market. This observation has led the European Commission to ask the Fifteen to indicate, within the context of all new proposals for EU legislation prepared by it, the sanctions which would apply in cases of infringement. This is one of the initiatives contained in a communication adopted by the Commission on 3 May, in which it calls on the EU Council and European Parliament to support its action in this field. The Commission, which has already made an initial analysis of national sanctions, intends examining the situation sector by sector. It may submit proposals in the coming months.

SHARP RISE IN TRADE

Trade between the countries of the then 12-nation European Union and the rest of the world rose sharply in 1994, according to the figures released on 15 May by Eurostat, the Statistical Office of the European Communities. Trade among the EU countries recovered sharply, rising by 10% during the first nine months of 1994, as compared with the same period in 1993. This tendency was evident in all member countries except Germany and, above all, Greece. In its trade with third countries the EU recorded a surplus of some ECU 3 billion in 1994, as compared to just ECU 2 billion in 1993 and deficits in earlier years. EU exports to third countries rose by 10.4% and imports by 9.3% as compared to 1993.

● A series of studies on the single market

A series of studies launched recently by the European Commission will seek to assess the impact of the single market on economic growth, employment and the environment as well as on regional disparities and the competitiveness of European companies on world markets. An announcement to this effect was made by the Commission on 12 May. One of the two studies just begun is being carried out by the national statistical offices; it involves surveying some 12 000 European companies in all. The other study is being conducted by business consultancies and involves European employers' organizations. The Commission is also having a large number of sectoral studies made, covering everything from textiles and clothing to the retail trade, insurance and the food industry. This large-scale operation also includes thematic studies dealing with the liberalization of government contracts, information services and the trans-European transport networks, for example. The results will be set out in a report to be published in mid-1996. The Commission is inviting all companies and organizations to comment or to report on the studies. It will organize a public meeting with this in mind on 27 September.

● White Paper for East European neighbours

In order to help the countries of Central and Eastern Europe adapt to the European single market and the European Economic Area, the European Commission published a White Paper on 3 May. For the time being, the document is addressed to the six countries already associated with the EU — Poland, Hungary, the Czech Republic, Slovakia, Bulgaria and Romania. It will apply also to future associated countries: the three Baltic States and Slovenia. The White Paper indicates the laws and regulations these countries would have to adopt in order to align their economies with the single market. It describes the technical and administrative means needed to implement these measures, and it explains how the technical assistance provided by the EU can help bring about these changes. Even though it is of interest to the countries wanting to join the EU, the White Paper is not part of a negotiating process. It does not contain a timetable; nor does it set out fresh conditions for membership.

● Competition: a heavy workload in 1994

Last year the European Commission handled a record number of cases and became more effective in its role as guardian of free competition within the European Union. This in substance is the assessment contained in the Commission's Annual Report on European Competition Policy, published on 24 May. The Commission sharply reduced the number of pending cases — from several thousand to 1 050. It handled twice as many concentration cases as in 1993 (95 as compared to 48). It now settles more than 90% of cases of company mergers and concentrations within a period of one month — a situation unique in the world, according to Karel Van Miert, the European Commissioner responsible for competition. Besides, the Commission has stepped up its checks on State aid to companies, notably by blocking aid already granted but illegal in terms of European rules.

○ BRIEFLY

Austria adhered to the Schengen Agreements on 28 April; these Agreements provide for the free movement of people among the signatory States, all of which are members of the European Union. However, Vienna will be able to implement the Agreements fully only in two years' time. At present only Germany, the Benelux countries, Spain, France and Portugal are implementing 'Schengen' in principle. Greece and Italy have signed the agreements but have not yet begun implementing them.

The European Commission proposed various measures to the Fifteen on 23 May, in order to **give a fresh impetus to inland waterways transport**, by making it more profitable. To this end, it has proposed notably an end to the system of 'each in turn', which hampers free competition, particularly in France, Belgium and the Netherlands. The Commission also envisages a 15% reduction in capacity by 1998.

The International Road Transport Union (IRU) and the International Union of Combined Road/Rail Transport Companies (private) signed a joint declaration in Brussels on 4 May. Their aim: to strengthen cooperation in order to **promote the use of combined transport**, both within the EU and beyond it.

The European Commission proposed to the Fifteen on 26 April a negotiating mandate for an **open skies agreement with the United States**. It is a question of establishing equitable conditions of competition between European and American airlines, whereas the United States is trying to gain access to the European market by means of bilateral agreements with individual EU countries.

In order to bring European legislation into line with the interpretation of the EC Treaty by the European Court of Justice, the European Commission proposed on 16 May a directive that guarantees **equal treatment for men and women as regards occupational social security schemes**. In practice it is a question of retirement age and survivors' benefits under the supplementary schemes set up by employers.

In order to secure progress on an issue that has been kept pending for the last three years, the European Commission has modified its **proposal for an energy/CO₂ tax** designed to discourage carbon dioxide emissions, thus combating the greenhouse effect. The revised proposal, submitted on 10 May, provides for a transitional period from 1996 to the year 2000. In any case, the tax would be introduced only by those EU countries wanting to do so.

According to a working document approved by the European Commission on 11 May, **small and very small electricity networks** would be dealt with in the same way as others with regard to the liberalization of the internal energy market. To this end, the Commission is proposing a definition of independent producers.

The European Commission proposed to the Fifteen on 12 May a **uniform plastic driving licence**, much like a credit card in appearance, in order to meet the demands of certain member countries. The principle of the plastic driving licence would remain optional, but the European system would become obligatory as from 1 July 1996 for Member States adopting it. Finland and Sweden have already introduced plastic security driving licences.

On 11 May the European Commissioner responsible for energy, Christos Papoutsis, announced that the European Commission will continue with its efforts to **bring more or less into line the excise duties applied by the various EU countries to the same fuel**. This will also be necessary as regards the taxes levied on competing fuels, in order to reduce distortions within the internal market.

SEEN FROM ABROAD

► Bulgaria a candidate in 1996

Bulgaria will apply for membership of the European Union in 1996, at the time of the EU Intergovernmental Conference on revising the Maastricht Treaty. The Bulgarian Prime Minister, Jean Videnov, announced this in Sofia on 4 May, during a meeting with Hans van den Broek, the European Commissioner who has responsibility for the EU's relations with the countries of Central and Eastern Europe. Bulgaria has concluded an Association Agreement with the EU. It, therefore, sees EU membership as a vocation, as do five other Central and East European countries. Two of them — Hungary and Poland — have already applied for membership.

◆ **Medpartenariat Morocco: over 1 000 SMEs took part**

The European Commission is organizing Medpartenariat meetings in the framework of the Medinvest programme. Morocco is the second country to benefit from this Community programme of cooperation between SMEs based in the European Union, on the one hand, and in non-EU Mediterranean countries on the other. Medpartenariat Morocco came after Turkey (April 1994) and before Israel (set for October 1995). Held in Marrakesh on 15 and 16 May, it enabled 252 Moroccan companies to establish direct contacts with 780 company managers from the EU (663 SMEs) and from Central and Eastern Europe and the Mediterranean basin (117 SMEs). Some 4 000 meetings in all were organized between the managers of Moroccan companies and their counterparts from the participating countries. Each Moroccan company thus took part in 16 meetings on average. The managers of the companies from outside Morocco also met with each other (there were 122 such meetings in all). The most numerous 'foreign' firms were from France (186), Spain (150) and Italy (96). The next Medpartenariat will take place in Israel, this October (23 and 24).

◆ **BC-Net: a new, interactive approach**

Would you like to be more active on the European market, adopt or transfer new technologies, acquire or grant licences to exploit patents? In order to be able to answer such questions from SMEs, BC-Net (Business Cooperation Network) consultants will have on-line access to a recently created database on technical and technological cooperation.

After detailed discussions with BC-Net members, the normal procedure of automatically putting together offers for cooperation with demands for such cooperation has now been given a new, interactive dimension. It will be possible for members of the network to consult, on-line, the technical and technological cooperation profiles created by their opposite numbers, and to download, simply and immediately, those which they believe will be of interest to their clients.

The discussions with BC-Net members have also highlighted the will to create a BC-Net subgroup devoted to technological innovation. As a result, some 40 BC-Net members, both from the private and public sectors, have been selected by BC-Net's central unit to form an innovation and technology (I&T) subgroup. The innovation and technology database is with the ECHO server in Luxembourg.

It should be added that BC-Net includes several hundred consultants and intermediaries, along with private and public bodies specializing in cooperation between enterprises. It helps SMEs look for partners at local, Community and international levels. But it is the human dimension of these con-

tacts which, backed up by databases, helps make the BC-Net an effective instrument, and one adapted to the need for company confidentiality.

◆ **A report on the difficulties SMEs have with standardization**

Small and medium-sized enterprises (SMEs) in the European Union face numerous problems related to standardization, certification and quality assurance and problems to do with the requirements of safety and hygiene at the workplace. SMEs recognize they do not have sufficient information and feel uneasy in the face of these complex issues. Consequently, they would like to be better informed and advised. This is the key message contained in a report drawn up in the framework of the Euromanagement pilot scheme — at the request of European bodies representing SMEs — and submitted recently to the Member States. Concretely, more than 840 SMEs from all EU countries and from the European Economic Area were the object of an audit carried out by consultants, on the basis of a common methodology prepared by a European coordinator, the French standards body AFNOR.

In view of the difficulties SMEs face, the report concluded that the European Union needs to embark on fresh activities aimed not only at alerting and motivating them but also providing them with information, training and advice. The report also recommends that SMEs be encouraged to take part in the standardization process.

◆ **Euro-Info Centres: 16 correspondence centres in third countries**

Distributed among nearly all the regions of the European Economic Area are more than 210 Euro-Info Centres. Their task is to inform, help and advise businesses in all areas that are within the Community's competence — regulations that have been adopted or are under discussion; the harmonization of techniques and standards; programmes in finance, research and technological development and public contracts, to mention only a few such areas. In view of the interest shown by several non-EU countries, the European Commission backed the creation of 16 correspondence centres, all of which are currently in operation. They are located in EFTA countries (Switzerland), in Central and Eastern Europe (Bulgaria, Romania, Hungary, the Czech Republic, Slovakia, Poland, Lithuania and Slovenia) and in the countries of the Mediterranean basin (Cyprus, Malta, Turkey, Morocco, Tunisia, Israel and Jordan). When setting up a correspondence centre and selecting the body that will house it, the European Commission takes care to ensure the introduction of an effective system of information exchange. In this way, the EU's companies can have access to the same information, the same assistance and the same advice as is on offer to local firms.

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