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COMMISSION OF THE EUROPEAN COMMUNITIES

COM(75) 694 final.

Brussels, 23 December 1975

Report to the Council of Ministers on the Activities
on the Business Cooperation Centre

COM(75) 694 final.

Report to the Council of Ministers on the Activities
of the Business Cooperation Centre

1. The Commission decided in 1973 to set up a Business Cooperation Centre which would have the following tasks:

- to supply companies with information on the economic, legal, fiscal and administrative aspects of cross-frontier cooperations and mergers;
- to bring about contacts between firms wishing to enter into cooperation;
- to draw the attention of the Community Authorities to any obstacles in the way of cross-frontier cooperation within the Community.

It was understood that the Centre's activity was to:

- exclusively serve Community undertakings;
- be directed primarily to small and medium-sized firms;

- be of an intermediary character with the firms taking the initiative and the responsibility.

At the time the Centre was set up, the Commission confirmed to the Council that after an initial period of three years it would report on the results and experience acquired, in order to have with the Council an exchange of views on whether to confirm or to modify the terms of reference of the Centre.

2. The Centre operates as a specialized service linked to Directorate-General for Industrial Affairs. The staff currently consists of a head of department, three category A officials, two category B officials and four category C officials.

The Centre's activities from May 1973 to October 1975 (30 months) was as follows:

Requests for information:

Belgium	137
Germany	488
Denmark	89
France	256
United Kingdom	579
Italy	207
Ireland	77
Luxembourg	6
Netherlands	98
<u>Non-member countries</u>	<u>322</u>
Total	2 259

The requests for information mostly relate to company law, taxation systems, investment and foreign exchange control regulations and the right of establishment.

In general, the Centre confines itself to referring the inquirer to the relevant texts or obtaining them for him, or to pointing out the various possibilities that exist. It is certainly not called upon to propose choices or draw up solutions.

Requests to find partners for collaboration:

Origin	Requests processed and circulated	Replies from interested firms	Requests resulting in one or more negotiations
Belgium	28	373	17
Germany	70	886	47
Denmark	8	67	5
France	45	301	28
United Kingdom	80	481	44
Italy	40	126	24
Ireland	17	68	9
Luxembourg	2	15	2
Netherlands	37	173	13
Total	327	2 490	189

The two companies are brought into contact at the stage when each has seen an anonymous file giving the economic, commercial, financial and technical profile of the other, and has confirmed that it would be interested in entering into talks with a view to collaboration.

The Business Cooperation Centre is not a party to the negotiations, although a representative of the Centre is sometimes present at the first meeting, and the Centre remains at the disposal of the parties to provide any information on questions arising during the negotiations.

Following the introduction, a considerable time elapses - seldom less than eight months - before the companies either reach an agreement or find that the talks are deadlocked. The Centre is not automatically informed of the outcome. By a system of reminders, it was notified between June 1974 and October 1975 of about 30 agreements that had been concluded. In view of the time lag, these refer to 2/3 of the contacts established.

Broadly, then, it can be said that the Centre manages to propose a likely partner in two cases out of three, and that the contacts established lead to an agreement in one case out of five (see Annex).

Although these results are fairly well in line with the forecasts that were made at the time the Centre was set up, they have been adversely affected both by methodological problems during the running-in period and by the economic situation that has been troubling the Community for some time.

The pressure on the capital markets, followed by an all-round recession, have made companies very cautious and exacting. Often they are inclined to seek new outlets through cooperation without being able or willing to offer any satisfactory reciprocation. The incompatibility of aims then rapidly leads to deadlock in the negotiations.

3. An analysis of the overall data on the interest shown by business firms in the Centre's activity (number of requests for information, applications for partners, replies received, etc.) brings the following facts to light:

- With regard to the breakdown by countries, the lack of interest shown during the first year by France and even more by Italy has been largely overcome by a publicity drive and direct contacts with trade associations and other bodies supplying information to industry. However, the number of replies from Italy in answer to requests for partners is still well below what it might be, even allowing for the fact that Italy is not as much sought after as a partner country as Germany, France or Benelux. To that extent the publicity drive will have to continue.

- The most active sectors are those in which there is a very large number of small and medium-sized firms, and where action to integrate the marketing and production facilities is both possible and reasonable, e. g. the chemical industry, structural steel products, mechanical engineering, and the food industry.

	Requests for cooperation	Replies from interested firms
Extractive industries	3	18
Chemistry	39	350
Structural steel products	53	463
Mechanical engineering	53	410
Electrical engineering	24	137
Food industry	31	260
Textiles	14	105
Clothing	17	98
Timber	9	85
Paper	17	73
Miscellaneous industries	4	28
Building and civil engineering	15	109
Commerce	13	107
Transport	8	42
Services	27	205
Total	327	2 490

A more detailed breakdown would reveal the understandable absence not only of the extractive industries but also of highly concentrated sub-sectors such as basic chemistry, the motor vehicle industry, iron and steel, heavy electrical machinery and large-scale electronics.

What one might have expected, however, would have been greater interest from sectors in which a measure of restructuring would appear to be not just possible but also desirable, e. g. wood and timber, construction, transport. The services sector showed a clearly better response to that expectation.

- As to size, the firms that apply to the Centre normally employ between 50 and 400 persons, the average being around 250.

- Regarding the scope of cooperation sought, the majority of the applications aim in the first instance at contractual cooperation in the form of reciprocal marketing of products; other modes of cooperation frequently sought relate to the exchange of know-how, specialization or transfer of production, or financial links in the form of shareholdings.

4. The number of firms which have applied to the Cooperation Centre shows beyond doubt that it meets a need that is felt by small and medium-sized undertakings in the Community, and that their interest is not just an ephemeral one.

This interest has been shared by the press, radio and television, which has given wide coverage to the establishment of the Centre and the reports on its work.

Moreover, the Centre has enjoyed the support and the active collaboration - both essential to its effective operating - of the organisations representing trade and industry on the European, national, sectoral and regional level. Besides, UNICE has just come out strongly in favour of the continuation of the Centre.

Within the Community, the business world welcomes the Community's new initiative in making available to individual companies a service which, although limited in its scope, has a definite practical value, and it can be said that the Centre is in course of correcting the undue expectations of those who hailed it as the reorganizer of European industry (which is not its task), and the scepticism of others who feared that it would become a purely bureaucratic instrument.

The activities of the Business Cooperation Centre have also attracted attention outside the Community, and INTAL (Institute for the Integration of Latin America) has asked permission to make a closer study of its operation, with a view to setting up a similar organisation of their own.

Whilst being aware that the Business Cooperation Centre is an instrument with limited resources and scope, the Commission considers that the experiment has had positive results, and that the Centre should be confirmed in the aims and duties assigned to it in 1973.

5. The idea has been mooted in various quarters that the Commission or the Business Cooperation Centre should concern itself with subcontracting.

In the report by the Economic and Social Committee on the situation of small and medium-sized undertakings, the wish was expressed that the Business Cooperation Centre should extend its activities to take in subcontracting.

At the meeting held in April 1975 between the Commission and the organizations representing small and medium-sized business in the Community, it was also proposed that the Commission, and in particular the Business Cooperation Centre, should act as a "Community relay station" in the subcontracting sector.

Finally, the government experts in the field of small and medium-sized undertakings expressed at their meeting of 15 May 1975 the unanimous wish for the creation of a relay station in Brussels for the subcontracting markets operating in the Community, and they thought that this could in future be one of the functions of the Business Cooperation Centre.

It is not planned to substitute a Community subcontracting market for the regional or sectoral subcontracting markets which operate within the Community. Subcontracting generally takes place at regional level and to act as intermediary in this field it would be necessary to have continually updated information on the technical capacities of the undertakings, something which would be too ambitious to attempt to centralize at Community level.

However, the national or regional centres engaged in subcontracting expect the Commission, and in particular the Business Cooperation Centre, to undertake coordination in the form of the exchange of information on experience gained, to be organized between the various centres. A comparison of methods and nomenclatures used could lead to increased cooperation between the existing markets, especially in border regions.

Assumption of this function would be a logical extension of the activities of the Business Cooperation Centre, and the Commission is therefore proposing to instruct the Centre to take on this task.

Such an extension of its activities would involve only a very slight increase in the Business Cooperation Centre's operating expenditure.

6. A number of non-member countries have manifested their interest in availing themselves of the Business Cooperation Centre's facilities and this possibility has been mentioned explicitly on several occasions when cooperation agreements have been concluded between the Community and non-member countries. In such cases, therefore, the Business Cooperation Centre would also act as an intermediary for cooperation or joint ventures between the Community and undertakings in non-member countries, the undertakings involved being primarily medium-sized undertakings, of course.

Up to now the Commission has not reacted favourably to such steps, as it fears most of all that this would result in the Centre having too wide a range of tasks to carry out, both from the geographical point of view and as regards the industrial activities concerned.

In a way the situation has been simplified by the Lomé Convention, which provides for the setting-up of a specific procedure for industrial cooperation between the Community and the ACP countries, which would thus render intervention by the Business Cooperation Centre superfluous.

Nevertheless, the Commission has contractual relations, either preferential or not, with a considerable number of countries in and outside Europe which are not ACP countries. Any extension of the responsibilities of the Business Cooperation Centre to non-member countries would therefore have considerable repercussions on the organization, on staff and on specific working methods to be developed.

In any case, activities such as those carried out by the Centre, which are mainly for the benefit of medium-sized undertakings, presuppose the existence of a certain industrial environment which, apart from the contractual links, would constitute a factor of selectivity. Furthermore, applications would have to be submitted explicitly for assistance from the Centre and, what is more important, in view of the need for some degree of investigation of applications and the fact that it would not be feasible for the Community Centre to have the necessary direct contacts

in countries outside the Community, it would be possible to deal only with those countries which set up or appointed an operational unit to act as the Centre's counterpart and spokesman.

However, while aware of the economic and political value of an instrument for industrial cooperation between the Community and non-member countries at the level of medium-sized, or even small, undertakings, the Commission is still studying the matter and intends to inform the Council of its conclusions in this connection at a later date.

7. The Business Cooperation Centre provides its services free of charge.

When this matter was discussed by the Council and the Commission, the point was raised whether a financial contribution should be made by those undertakings using the Centre's services, particularly in view of the existence of private agencies in the same line of activity.

On the basis of the experience gained since 1973, it may be said that :

- the Business Cooperation Centre is complementary to the private sector rather than its rival; undertakings of the type which apply to the Centre turn only in exceptional cases to paid agencies, and it must be pointed out above all that the type of cooperation (contractual rather than financial) established between such undertakings does not fit in with the system of remuneration which generally involves a percentage of the assets transferred.

- A number of private organizations (banks, chartered accountant's offices) may carry out activities, most often at national level, which are comparable to those carried out by the Centre, but do so as a free service to their customers. Furthermore, the Business Cooperation Centre frequently collaborates with those organizations or acts as a relay between them.
- A financial contribution, in the form of a registration fee or a fee for opening a file, should ideally be selective without being prohibitive. However, the experience gained by the private organizations mentioned in the preceding paragraph, some of which have been applying a fixed charge on a temporary basis, tends to show that, if such a charge is applied, it is not so much those undertakings in an adverse financial position which are deterred and that furthermore, having paid, they do not readily accept failure to produce successful results.

The Commission therefore proposes the retention of the rule that the services of the Centre should be provided free of charge.

8. In conclusion, the Commission intends :

- a. to confirm the Business Cooperation Centre in its responsibilities for providing information and establishing contacts between undertakings within the Community;
- b. to instruct it to carry out certain tasks involving coordination in the field of subcontracting within the Community;
- c. to study in greater detail the possibility of extending the Centre's activities to certain non-member countries.

A N N E X

Interfirm cooperations concluded through the Business Cooperation Centre

Sector	Kind of Cooperation	Country
May 1973 - October 1973		
Nil		
November 1973 - October 1974		
Management Consultancy	Partnership	D - GB - NL
Electronic components	Specialisation and reciprocal distribution	D - GB
Industrial anti-pollution equipment	Joint marketing, studies and execution, reciprocal licencing	B - D
Graphical industry	Pooling of production capacities	B - GB
Hospital building	Joint development of non-member country markets	GB - NL
Consulting engineers	Joint marketing and project design	B - GB
Transport	Joint operation	GB - NL
November 1974 - October 1975		
Management Consultancy	Partnership	GB - F
Forge and Foundry	Exchange of capacities	D - L
Plastics	Exchange of know-how, reciprocal marketing	D - GB

Sector	Kind of Cooperation	Country
Translation	Reciprocal, technical translations	GB - GB - F
Lifting gear	Reciprocal marketing	D - GB
Consulting engineers	Joint marketing and project design	GB - NL
Building materials	Joint trading company	B - GB
Dairy products	Reciprocal distribution	B - F
Builders hardware	Reciprocal marketing, joint research & development	D - GB
Road passenger transport	Joint operating international coach services	GB - F - I
Metal components	Exchange of know-how, reciprocal marketing	B - GB
Miscellaneous textile industry	Joint trading company	B - F - NL
Recruitment and training of personnel	Pooling of capacities	GB - F
Flavours and essences	Joint research and exchange of know-how reciprocal marketing	D - GB
Meat processing	Reciprocal marketing	DK - F
Mechanical engineering	Specialisation	GB - F
Furniture	Specialisation - joint development	B - D
Paints	Reciprocal marketing	B - F
Mechanical engineering	Reciprocal marketing	B - F
Industrial constructions	Joint execution of projects	B - I
Clothing	Reciprocal marketing	B - I
Plumbing material	Reciprocal marketing - specialisation - joint selling under single trade name in third countries	D - I