

Discussion on the 6th Annual Report on Competition Policy

Speech by Minister Raymond VOUEL, Member of the Commission  
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Mr President, Ladies and Gentlemen,

Our annual debate on the Commission's competition policy is, I think, particularly important this year.

There are inevitably those who, in the economic and social situation that our Community is in, question the very principle of our market-economy system, who doubt the value of undistorted competition or who wonder whether the rules governing our system can still be justified today.

If I were to say that, by deciding to join the Community, the Member States agreed to the principle of free competition between their industries, I should of course be speaking the truth. But this would be the easy way out, giving a purely legal answer that stifles all discussion of the basic principle.

In the situation as it is the questions raised call for an economic and social answer - a political answer.

The situation of our Community has different, apparently irreconcilable facets. In relation to the outside world, the Community is an entity which is wide open to free trade and is indeed becoming more so. At home, its industrial structure is undergoing far-reaching change, and important

industries which have been the traditional source of our prosperity in the past are now in a serious crisis that is making them incapable of standing firm in the face of international competition.

This openness towards the outside world is an irreversible fact of life. Provided it is properly organized the Community stands only to gain by it. But it implacably forces us to make our industries competitive on world markets.

And so it is absolutely impossible for us to integrate ourselves into a worldwide system which is open to the free play of competition while at the same time, back at home, sticking in the rut of national protectionism. For it is in Community terms that we must work for a competitive industrial base.

Only through a market-economy system and through undistorted competition between industries in the Member States will be attained this objective of a competitive Community industry. This alone offers the guarantee of real economic and social progress.

In fundamental terms, then, it is this respect for a system of undistorted competition which remains the basis for the long-term development of our economy. Yet this does not mean that the policy we apply must not be adaptable to circumstances.

It is becoming more and more evident that restoring the competitiveness of Community industry and improving the employment situation depend on rapid and far-reaching structural transformations which market forces alone will in some cases not be able to bring about. And even if they could, the social cost would not necessarily be acceptable and the results might come too late anyway.

In this context competition policy cannot aspire and does not seek to aspire to the elegant harmony of a tidy but unrealistic theory.

Neither the laissez-faire approach nor interventionism can as absolute principles offer a durable solution to the problems we are up against. The one would be found unacceptable : the other would lead to excessive conservatism.

And so what is needed is a dialectic process. Yet such a process cannot be allowed to go so far as to jeopardize the unity of the common market or the consumer's freedom of choice. Consequently, the Commission is particularly vigilant in applying the rules of competition to business firms; for the various forms of restrictive practice and the attempt to gain economic power by unfair means represent the most potent and the most real threats that the market will be fragmented once again.

It is vital for the Community that the essential structural transformations be set in motion without delay and then brought to fruition so as to strengthen the competitive capacity of our firms as quickly as possible.

It must be acknowledged that we are not yet quite clear where the bases for the Community's future industrial development lie, at a time when the cards are being redealt at the international table. But one thing is certain : difficulties are being met in a number of industries and we cannot remain indifferent to them because of their continuing importance (even if this is sometimes overstated) to our economic life, because of their geographical concentration and because of the social and political problems they raise. At the same time there is an unknown factor : the new forces that can take over from the old and spearhead our future industrial growth. This unknown factor affects the way we go about things, and makes us take a cautious - not to say hesitant - approach.

The complexity of this situation requires a pragmatic response, particularly when we scrutinize schemes of aid. Any efforts we make to help industries in difficulty to adapt will tend to deprive other industries of some of their dynamism, and we must give very careful thought to just how much effort we dare make. Aids must be given only where they are absolutely necessary, and the amount given must

actually fit the situation so that the necessary changes really are made and the industries concerned can genuinely progress towards long-term competitiveness.

But as the alternative paths to growth, notably in terms of replacement industries, have not yet all been charted, we have to concede the need for crisis aids. The purpose of these should be to see that existing industries facing the prospect of sudden collapse can keep going for the moment, to sort out their strong and their weak points and then to decide what can be done in their place.

Employment aids are a typical example of crisis aid. For obvious reasons the Commission has so far never opposed the various measures taken in nearly all the Member States to encourage firms either to create new jobs or to maintain existing jobs. But if the situation does not improve and these measures continue in operation, we shall have to review the effects of certain of these aids from two angles :

First, in a given demand situation, the job created or maintained often leads to the loss of a similar job somewhere else;

secondly, in certain crisis industries, aids to preserve employment and keep output up have the effect of aggravating the crisis, exporting unemployment to other

Member States and conflicting with the rules that govern the grant of aids, so that measures which do no more than preserve the status quo will eventually have to be stopped.

Mr President, Ladies and Gentlemen,

In what I have just been saying my main aim was to show operating a competition policy, particularly at a time of economic difficulty, consists of something more than simply applying a set of fixed rules. The methods used can change, as can the emphasis, provided the Commission remains within the four corners of the objectives set by the Treaties. Our unswerving purpose must be to help the Community to continue benefiting as a whole from an open-market economy guided by the principle of undistorted competition.

But I must admit that there is a question which is coming up in ever more insistent terms. Surely an industry which is particularly hard hit by the crisis should be subject to a complete set of specific, transitional rules enabling it to find its way out of its difficulties as smoothly as possible. This idea is certainly compatible with the ECSC Treaty, whose provisions go further than those of the Treaty of Rome and in certain circumstances make it easier to pursue objectives which are acknowledged to be in the common interest. This gives the Commission substantial resources with which to offer a more effective response to the structural difficulties facing the Community's steel industry. If the Commission had similar scope for action in other industries, such as textiles or shipbuilding, it may be that we could solve the problems there more quickly.



I should also like to come back to a question which has been raised many times in your Committee on Economic and Monetary Affairs. The question can be summed up as follows : do concentration and inflation go hand in hand ?

True enough, there is a possibility that this is so. But the point I should like to emphasize is that the programme of studies on concentration which the Commission has been pursuing since 1970 has not yet shown a definite correlation. As we say every year in our competition report, the sole purpose of these studies is the systematic analysis of the degree and development of concentration industry by industry and country by country. The major country-to-country differences found in the course of these studies do not necessarily parallel the differences in rates of inflation. And the difference in rates of inflation seems unaffected by the fact that in our member countries there are both multinational firms and purely domestic large firms in both the private and the public sector. But a continuous process of concentration logically leads to anticompetitive market structures in which pricing policies can be practised that are by no means in the public interest. This is why the Commission is endlessly asking the Council to at last issue the regulation which would give the Community the means of resisting such developments.

Mr President, Ladies and Gentlemen,

May I now come to a number of important passages in your Resolution, which, if I may say so, is most constructive and most encouraging for the development of our competition policy.

First, perhaps I may confirm that we are still giving priority to measures to control the conduct of dominant firms, especially as for the time being we do not have the powers we need to prevent new dominant positions from being acquired through merger for instance .

The various decisions that we have taken here in recent times have all been appealed to the Court of Justice. This gives the Court the opportunity to rule on the tests to be applied in determining what is the relevant market for assessment of a firm's position. Again the Court will be able to give us useful guidance on the specific obligations of dominant firms, particularly in relation to their pricing policy. I am sure that there is no need to remind you just how decisive these basically very technical questions can be in the development of an effective policy in this field.

You have also expressed concern that the Commission should rapidly clear up all the uncertainty surrounding patent licensing. We share your concern and are endeavouring to clarify the limits to restrictions on free movement and competition which a patentee can legitimately impose in order to protect his invention. Some aspects of licensing agreements have already been dealt with by Commission decisions and Court judgments. Our group exemption regulation will proceed on the basis of the existing case law, to which it will also add new elements. Following the procedure we have used on other occasions, my intention is to let your Committee on Economic and Monetary Affairs have the draft regulation in due course so that its main points can be discussed.

I will now move on to a question which is giving me particular cause for concern, public undertakings within the meaning of Article 90 of the EEC Treaty. I am well aware of the rôle these undertakings play in certain Member States. I am also well aware that the specific duties assigned to them are often of vital importance, and Article 90 expressly takes this into consideration.

However, I can see possible distortions of competition resulting from the special relationships between States and public undertakings.

At the present time it is hard to verify whether the extent to which these undertakings are subsidized by the States actually corresponds to the additional costs arising from their particular obligations. I am tempted to say that sometimes the one is out of all proportion to the other. This is tantamount to concealed assistance which can have harmful effects on various aspects of competition. I don't want to claim that this is a general state of affairs. I only want to say that it is essential that the Commission be given the necessary means to perform its duties under Article 90. For this purpose I intend proposing that the Commission make use of the direct powers of action provided by Article 90(3).

To turn to state monopolies of a commercial character, certain forms of these systems still raise barriers to free movement. We must realize, however, that the adjustment of national monopolies is a politically sensitive and complex problem. I can assure you that I have used all the means available to me, including political discussion and the administrative procedures provided by the Treaty to reach as speedily as possible the final adjustment of the few

remaining monopolies.

As regards state aids, Mr President, I have already outlined the approach by which the Commission endeavours to apply a consistent policy adapted to the particular situation of our industries at present. However, I would like to give you some additional information that will link up with what I said last June during the debate on the oral question on this topic put by Mr Normanton and Mr Van der Mei on behalf of the Conservative and Christian-Democratic Groups.

A number of measures have been taken which already fulfil or will fulfil some of the intentions outlined in the Report and the Resolution before you.

Firstly, as regards aid for specific industries, the Commission has taken action in a number of industries experiencing particularly serious difficulty in adapting to the new structural and economic conditions in which they have to face up to competition

On account of the serious crisis in the shipbuilding industry the Commission has presented a proposal for a fourth Directive to the Council adjusting its policy on aid coordination. The Commission wishes to provide for the temporary granting of special assistance to counter the crisis in the form of production subsidies designed to enable Community shipyards to meet the prices charged by yards in certain non-member countries.

The granting of this type of assistance is conditional upon the implementation of restructuring plans. The new Directive will prevent measures of assistance causing distortions of competition between shipyards in the Member States which would be inconsistent with the common interest.

As a result of the difficulties in the steel industry the Commission has laid down guidelines on aids for the industry : no assistance to maintain the status quo but assistance for restructuring, modernization and rationalization, provided that these measures do not encourage surplus production capacity. The Commission wonders whether the provisions of the ECSC Treaty are adequate for coordinating all the state intervention required at the moment. It is now considering whether it should send a proposal for a decision to the Council specifying permissible forms of assistance and intervention in the Member States.

In view of the surplus production capacity in the man-made fibres industry the Commission has advised the Member States that they should refrain for two years from any assistance which could increase capacity still more. This should apply not only to specific assistance for the industry but also to the application of general and regional aid schemes. I must stress that the Commission will do likewise should similar situations occur in other industries. As far as regional aid schemes are concerned, we have continued technical work with the assistance of experts from the Member States with a view to finding criteria for making comparable all types of regional aids granted in the Community.

This work is of great practical importance. The Commission hopes that it will thus be able to make decisive progress in its policy for coordinating all regional aids applied in the Community. This is vital to the Community's less-developed regions if the notion of a gradual and consistent improvement in the standards of these regions is not to remain pie in the sky.

I would also, Mr President, like to say a word about our policy on small and medium-sized firms. I can assure you that, like you, I attach great importance to an active policy on their behalf. I am convinced that these firms play an essential part in maintaining the structure of competition in the Community.

We take account of these firms' special problems both in assessing the assistance granted them by the States and in applying the rules on restrictive agreements.

Although competition policy certainly cannot take the place of a policy specifically designed for small and medium-sized firms, the rules of competition must nevertheless be applied in such a way as to create a general environment that is conducive to their development. For this reason the general rules we are now working out on patent licensing, subcontracting, specialization and minor agreements will take account of the need to encourage them particularly via certain forms of cooperation.

Allow me, Mr President, to conclude my remarks by offering my warmest thanks to the Committee on Economic and Monetary Affairs and its rapporteur, Mr Pierre Bernard Cousté, for their painstaking examination of our Sixth Report and the largely encouraging conclusions they have put down in the Resolution on which you are about to vote.