

PRESENTATION OF THE SIXTH REPORT ON COMPETITION POLICY -
INTRODUCTORY STATEMENT BY MR. RAYMOND VOUEL, MEMBER OF
THE COMMISSION

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The transmission of the Sixth Report on Competition Policy to Parliament provides me with an opportunity for the now traditional contact and dialogue with the press. This is something to which I personally attach great importance, and it is my intention to talk to you from time to time about the Commission's competition activities, though I shall still be available to explain the reasons for individual decisions as they are issued.

Before I come to the Competition Report itself, let me start off with a few words of a general nature since this is the first time that I have met the press in a formal context as Member of the Commission responsible for competition.

I should like to begin by expressing my profound conviction, which is shared by the whole Commission, that today it is more vital than ever to operate a firm and consistent competition policy if we are actually to do something about overcoming the economic, monetary and social difficulties that face us. The situation being what it is, there is sometimes the temptation to take what looks like the easy way out and seek to solve economic and social problems by stepping up national protectionism both against other Community countries and against the rest of the world. But I think that this approach is a self-defeating one: protectionism and market fragmentation will not help us out of our difficulties and the temptation should be resisted.

What I see as the most important task ahead of us is the preservation of a single, open Community market.

For one thing, the free movement of goods and services which this single market allows is essential if the consumer is to be able to choose freely and to buy on the best terms available. Apart from contributing to the fight against inflation, this will also help to ensure that a fair share of the economic benefits of our Community is given to the consumer.

For another, it is the necessary precondition both for the future economic development of our Community and for employment and social progress for our workers. It is now generally agreed that if our economy is to expand, if the jobless are to be put back to work and if the threat of unemployment is to be removed for the future, far-reaching structural changes are essential. We dare not delay making a start on setting up these new structures, which must be competitive enough to face the full pressure of the world market. Only if we see to it that business is competitive can we be sure of future growth and at the same time secure full employment in conditions of human dignity and satisfaction.

If it can prevent markets from being split up, put an end to harmful restrictive practices and make price-fixing and other forms of collusion impossible, competition policy will help to achieve these objectives. But even so, the principle of undistorted competition is not and must not be a dogmatic principle. It must operate with due consideration for all the objectives of the Treaty and for the multiplicity of economic and social situations that can arise so as to help the whole Community to develop in a harmonious fashion.

Competition policy plays this fundamental role through a body of rules which must be complied with by public and private sector firms, whether of Community nationality or not, that do business in the Community, and I shall do all I can to see these rules are complied with.

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Moving on to the Sixth Report on Competition Policy itself, we have here a description of the Commission's activities in 1976. Rather than talking to you about this or that individual case, however important, what I should like to do is bring out the policy which underlies our activity and, in the light of what I have just said about my view of the fundamental purpose of competition policy, give you a fuller picture of the points to which I attach priority and which I hope to deal with in the near future.

The first point which I should like to emphasize, since it strikes me as being not only essential to the correct operation of the system of competition itself but also to making our economic structures in general better adapted to the needs of our future development, is the growing attention paid to the interests of small and medium-sized business. This will apply both in the scrutiny of state aids to small and medium-sized business and in the application of the Treaty articles on restrictive practices and dominant positions. What I wish to do in this latter connection is to promote cooperation between these firms so as to help them survive and play an active role on the European market. The problem of small and medium-sized business will never be far from my mind this year in the review of the problems of subcontracting, the notice on minor agreements and the extension of the block-exemption regulation for certain specialization agreements.

I shall also bear in the mind the preoccupation of small and medium-sized firms in the future block-exemption regulation for certain patent licensing agreements. The very fact that a block exemption is being issued is of particular importance to these firms. Obviously the regulation is bound to raise a number of difficulties, since it deals with a delicate area where contradictory principles and interests meet, such as the need for free movement of patented goods and the need for protection when know-how is transferred. But my hope is that this regulation, now being discussed by the national experts, will be passed by the Commission in 1978, at about the same time as the Community Patent Convention comes into force.

A second point which I should like to emphasize, and this more particularly concerns the consumer, is the need for the Commission to make its mind up fairly quickly on what to do about a manufacturer who, working through the trade, distributes his goods under guarantee throughout the common market. My view is that such a manufacturer, even (or especially) if he is working through a selective distribution system, must sell his goods on such terms that the guarantee will be honoured anywhere in the Community, regardless of where the product was bought. What I should like to see, then, is a sort of "European Guarantee" applying to all guaranteed products.

Another important question concerns joint ventures. I feel that close attention must be paid to developments here, since we have established that joint ventures, which is to say subsidiaries formed by two or more other firms,

are an increasingly popular form of cooperation. In the near future I hope to use a number of decisions on individual cases to clarify the way the prohibition on restrictive practices applies to joint ventures, and in what circumstances exceptions may be allowed. For the fact is that although the formation of joint ventures is acceptable within certain limits, there can also be unacceptably far-reaching restrictions on competition.

Lastly, there is the proposed merger-control regulation, to which I attach so much importance. As you know, our proposal has been on the Council's table for a long time now, and indeed for far too long. The Community must be in a position to preserve its system of undistorted competition by controlling mergers and takeovers which are likely to cause rapid, substantial and irreversible changes in competitive structures. I certainly regret the time it is taking to get a decision out of the Council on a matter of such importance. However, the Council has now promised to have the regulation considered very shortly by the Permanent Representatives. I shall be following this closely, and I sincerely hope that the Commission's proposals will eventually be adopted.

I feel that these few highlights of our competition policy will be in the interest both of firms themselves and of consumers and will make a serious contribution to the structural changes which we must make if we are to be assured of economic and social development. But I am equally convinced that the Commission's policy on State intervention, particularly in a situation such as we are in now, will be just as crucial. By State intervention I mean both aids to firms and State monopolies and public corporations.

The Commission's policy on State aids has been applied in a context where preoccupations as to employment, stimulating productive investment and fighting inflation have been the predominant ones and will continue to be so for some time to come.

As you will realize, it is particularly difficult to prevent aids from pushing the common interest into second place and to prevent a given Member State, for whatever reasons and under whatever pressure, from taking national measures which are inadequately coordinated with those of the other Member States, in the illusory hope of immediately solving all its problems. There is no more dangerous illusion than this. What we have to do is to ensure that aids which simply preserve the status quo in industries or firms in difficulties and export subsidies in trade between Member States do not evolve into a general spirit of national protectionism; likewise, we also have to make sure that programmes to give a new boost to investment do not involve the Member States in outbidding each other to attract new investment into their own territory.

Above all, the cyclical aspects of the present crisis must not be allowed to blind us to the fact that the crisis can only be handled properly if Community industrial structures are thoroughly reformed, either through rationalization or through conversion; any measures achieving no more than to preserve the status quo but hitherto accepted for chiefly social reasons will now have to give way to measures designed to stimulate the necessary changes, for these will also help the fight against inflation.

This is the spirit in which the Commission has continued its systematic scrutiny of national schemes of regional and industry aid. These are the principles which led it to decide in favour of the overall reform of the French scheme of regional development aids and the Danish scheme of regional development aids currently operating. The regional aid schemes of the other Member States will be examined on the same basis.

As regards industry aids the Commission has sought to ensure that measures taken by the Member States conform, in the shipbuilding industry, to the rules laid down in the Third Directive adopted by the Council last year and, in the textile industry, to the principles set out in 1971 in the Community "approach". The Commission is now working on common principles to apply in other industries where structural changes appear necessary (steel) or where aids which encourage the development of new production capacity ought to be discontinued (man-made fibres).

Next, the question of export aids in trade between Member States. My view is that these call for particularly severe treatment since they are diametrically opposed to the very principles of the common market and inevitably spark of national defence measures with the serious threat of escalation into undisguised protectionism.

As regards state commercial monopolies I shall do all I can to see that the last remaining exclusive rights are abolished. The Commission and the Court of Justice in any case seem to be thinking along the same lines in this field.

Finally, as regards public corporations, covered by Article 90, the Commission's report alludes to the obligations which both Member States and these corporations themselves must respect. Particularly in the current situation the common market's public sector must be better integrated so as to better reflect its special role in the economic and social fields. I shall pay special attention to the question of clarifying the relations between these corporations and their Governments and to ensuring that they operate on the principle of Community preference. Having given my basic views in the Competition Report, I hope to discuss them thoroughly with those concerned in the near future.