

COMMISSION OF THE EUROPEAN COMMUNITIES

SEC (73) 4979 final

Brussels, 11 January 1974

FIRST ANNUAL REPORT OF THE BUSINESS COOPERATION CENTRE

FIRST ANNUAL REPORT OF THE BUSINESS COOPERATION CENTRE

1. As the annexed table shows, the Business Cooperation Centre set up in May 1973 attracted widespread interest in its first six months.

2. Information to firms

The Office's best results so far have been in the first of the tasks assigned to it, i.e., the supply of information to firms of the economic, legal, fiscal and administrative aspects of international cooperation and links.

By the end of October, the Office had recorded 607 requests for information.

A good half of these are of only secondary interest, being either requests from firms for details of the aims and mode of operation of the Office, inadmissible requests for a search to be made for partner firms (from non-member-states, particularly the United States), or questions which the Office was not competent to answer and could only suggest be directed elsewhere.

To the other requests, which were for information on problems specifically relating to cooperation, the Office is trying to give as full an answer as possible, either from its own documentation, or by using the services of other Commission departments, or by calling on its network of external correspondents.

The questions mainly concern company law, contract law, international fiscal systems, rules concerning investment and exchange control.

The Office confines itself strictly to the provision of objective, neutral information and does not recommend a course of action to firms or take sides in differences of opinion between firms. Nevertheless, owing to the credit derived from its public and Community status, it has been able on about a dozen occasions to clarify or ease situations where parties were hesitant or had reached a stalemate.

The Office has been asked more than once whether it could prepare a Community cooperation manual on the lines of the German Kooperationsfibel giving full information on the principal types of cooperation and their economic, legal (types of company or standard contracts), competition and administrative aspects.

Apart from the enormous complexity of such an undertaking (the Nine have 36 possible bi-national relations), it is certainly too early to contemplate it in the immediate future when the Office is still in its running-in period.

3. The establishment of contact between firms seeking links

At the end of October the numbers of applications for a search to be made for partner firms were 582.

- a) During the first two or three months of the Office's existence, it was used very unevenly by the Member States, Italy and France being some way behind Germany and Britain. A special information effort was undertaken in Italy and France and now they are beginning to catch up.
- b) From the point of view of sectors, there are few surprises. The most interested sectors are structural and mechanical engineering, the food industry, textiles and clothing and the services sector.

The large number of request in the structural and mechanical engineering sectors is to be expected in view of the great size and diversity of those sectors. The food industry has been undergoing radical reorganization for a number of years, while textiles and clothing are hoping to strengthen their competitive position by structural integration. The marked interest of the services sector is apparently due to the fact that the activities of firms in this sector are more closely bound up with social, cultural, economic and legal conditions in the countries concerned than those of industrial firms and that they wish to add to their business potential by making reciprocal arrangements.

- c) The average size of firms is about 250 employees. This figure is a minimum rather than a mean in Britain and the Netherlands, but is much less often reached in France, Italy and Belgium.

Most of the firms fit well into the pattern for which the Office was created: they are small or medium-sized firms which have already made wide use of the existing opportunities in their regional and national markets and wish to find fresh openings through a link with a partner in another Community country.

- d) More than half the requests are for cooperation in production and/or marketing, about 40 % contemplate financial links sometimes giving as far as a controlling interest or a merger.

4. Since the requests come from all the Member States and all sectors, the probability that two requests for cooperation will pair off in the Office's index is obviously very low. The Office is therefore trying to develop a network of correspondents who can either bring offers of cooperation to the notice of potentially interested firms or compare the offers recorded by the Office with the requests which they themselves have to hand.

The principal characteristic of this network must be direct contact with firms in order to reduce the number of intermediaries. At present it comprises about 150 organizations (employers associations, chambers of commerce, regional or national government departments, banks, management consultants). For the time being this network is still far from homogeneous and its efficiency varies from country to country.

Early in October, the Office circulated a first set of 42 offers of cooperation which had been examined (information on the characteristics of the firm seeking a link, specification of the type of partner and links required, preparation in several languages of a summary not identifying the firm).

This procedure will be followed in principle once a month, as the examination of requests is completed.

In late October, the Office received the first responses to its offers and was able to begin the preparation of the first introductions.

Assuming a minimum of six months negotiation between firms (for cooperation under contract, mergers taking longer), the first links should be completed by mid-1974.

5. With the staff allocated to it, the Office should be able to deal adequately with something like 250 requests per year.

Moreover, a request is likely to be successful only when the firm is economically viable, knows fairly accurately what it wants and is firmly resolved to embark on the always difficult operation of a link between partners of different nationality.

These two considerations have prompted the Office, as from November 1973 to deal with requests for a partner more strictly and in that way to initiate a process of natural selection such as to eliminate impulse enquiries and firms which have to date operated only locally or regionally (other than "frontier" firms, of course) and which are therefore rushing their fences in thinking of immediate expansion into the international field.

To this end, the Office will in future require considerably fuller and more detailed information from the requesting firm. Experience has shown that insufficiently detailed requests lead only to misunderstandings and contacts which are quickly abandoned, such requests must be refused.

At the same time, the Office will systematically require the presentation of this information at an interview. Information given viva voce is always fuller and more nuanced than written information.

With the same end in view, and also in order to answer a question on this subject put by the Council of Ministers when it gave budgetary approval for setting up the Business Cooperation Centre, consideration should be given to charging an enrolment-fee to firms seeking a partner. At present, however, experience is not yet sufficient to settle this question.

6. The Office was initially designed to meet the requirements of smaller firms which lacked the knowledge of the market and the organizational know-how of very large firms. Given the diversity of national definitions and the very great differences between industries, it is not possible to give a firm definition of the "smaller firm".

In some Member States, it should even be emphasized that a firm may quite well employ more than 100 people without being excluded from the scope of the Office.

However, the fact that there is no such limit has also led a number of large firms to approach the Office. The Office has then explained that its function is not to hunt for firms, as this would give the Community a bad image, but to help firms which are in the smaller class at national level to enter that class at European level. This idea has to date been accepted without too much difficulty.

7. The Commission's directives to the Business Cooperation Centre specify that the Office is to serve Community firms.

However, as a result of inaccurate information, a large number of firms of non-member states have approached the Office to find a Community partner.

The Office has replied that it would be complying neither with the letter nor with the spirit of its terms of reference if it included non-member states in its sphere of activity.

Firms of European countries associated with the Community have on a number of occasions invoked the association link in order to obtain the Office's services.

Certain European non-member states have approached the Office to request its services through a representative, but unofficially.

Morocco, Tunisia and Israel have asked to be included in the system for linking firms under their agreements with the Community.

Without prejudice to what may be done in the longer term, the Office feels that to extend its services to non-Community firms, while it is still in its initial or consolidation phase, would be to weaken its chances of efficiency by rendering its task more complex, particularly in view of the wide economic differences between the requesting parties.

8. Identification of obstacles to links

In order to fulfil its third function, which is to inform the competent Community authorities of the obstacles which firms and the Office encounter in bringing about transnational links on a Community scale, the Office will need to gain wider practical experience than it has at present.

However, it can already confirm that the Commission's proposals concerning the creation of legal instruments for integration at Community level (the European "Groupement d'intérêt économique" and the European company) and international taxation (taxation of mergers and taxation of parent and subsidiary companies of different nationality) meet actual priority needs.

Similarly, the differences between Member States' company accounting methods (in content, presentation, auditing and disclosure) cause preferences or prejudices between Member States and therefore lead to an uneven distribution of links.

9. At the close of this first period of activity, it may be said that the creation of the Business Cooperation Centre undoubtedly meets a need on the part of Community transactors.

It is still too early to say whether the Office can satisfy this expectation in its present form and with its present resources.

It nevertheless already acts as a catalyst and the collaboration which it has established with national organizations might among other things help to improve the structure of the promotion of inter-firm cooperation in the various Member States.

ACTIVITIES OF BUSINESS CO-OPERATION CENTRE TO 31st OCTOBER 1973

Countries of origin

	B	D	DK	F	GB	I	IRL	L	NL	Third countries	Total
I. <u>Requests for information</u>	33	153	26	31	147	34	11		22	150	607
<hr/>											
II. <u>Requests for partner search</u>											
1. Number of firms who have made a request											
Primary industries	3	1		2	1			1			8
Chemicals	1	22	1	5	10	6	2		5		52
Metal products	3	34	2	7	10	10	2		3		71
Mechanical engineering	3	35	2	11	9	14	3		5		82
Electrical engineering	6	10	2	3	15	4	1		2		43
Food industries	4	10		8	12	9	6		5		54
Clothing	7	12		4	5	6	2		1		37
Textiles	3	18		7	3	8	3				42
Wood and paper	1	24		6	7	6	1	1	2		48
Industries, miscellaneous		3			2	2	2				9
Building and civil eng.	3	14	3	3	6		1		1		31
Commerce	3	5		5	3	5	2		2		25
Transport	2	5	1	8	5	1			1		23
Services	5	19		6	21		2		4		57
Total	44	212	11	75	109	71	27	2	31		582
2. Requests for partner search for which firms have supplied the detailed information requested by the Centre.											224
3. Requests for partner search put into circulation											42
4. Number of requests for which replies have been received											8
5. Contacts established											3