

# COMMISSION OF THE EUROPEAN COMMUNITIES

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Fifth Annual Report of the  
Business Cooperation Centre (1977)

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1. Function of the Business Cooperation Centre

In July 1977 the Commission decided to make a number of changes to the directives it had given the Business Cooperation Centre when it was established in 1973.

1.1 Although the Centre is to continue to operate in all sectors, the Commission instructed it to concentrate on certain ones in order to increase the effectiveness and impact of its operations.

The priority sectors will be identified by the following characteristics:

- a reasonable development rate;
- the need to improve the competitive structure, notably by means of cooperation between independent small businesses, possibly to contend with competition from non-member countries;
- fast growing technology or rapidly expanding market.

The following initial list of sectors, which is intended only as a guide and is subject to amendment, has been drawn up by the Business Cooperation centre and other departments of the Commission:

- plastics processing
- furniture
- book publishing and graphics
- road transport

The trade associations in these sectors will also be consulted about this choice.

1.2 At the same time the Commission authorized the Centre to extend its hitherto entirely passive role. In certain circumstances, it may make the first move by itself approaching firms when it has identified a need and a potential for transnational cooperation.

The action begun in 1977 will be developed further in 1978 in two sectors:

- medium-sized deposit banks;
- small and medium-sized manufacturers of medical and hospital equipment.

1.3 Following requests from a number of non-member countries to be included in the Centre's activities and in view of the fact that certain link-ups sought by Community firms can be found outside the Community, the Commission decided that the Centre may henceforth establish cooperation between Community firms and firms from non-member countries.

The countries concerned are those having structured links with the Community (cooperation agreement, free trade agreement, etc.). The Community and the non-member countries interested will together decide what form any industrial cooperation will take.

To date Austria, Canada, Israel and the five ASEAN countries have officially asked to participate in the Centre's operations and the practical details are now being considered. A number of other countries have made preliminary enquiries.

## 2. The Centre's resources

The Centre's present staff consists of four category A, two category B and four category C officials. There is an item in the Commission's budget to cover its operating costs (rent, office equipment, missions, etc.). The 1977 appropriation was Bfrs 3 300 000.

The Centre was set up in 1973, and as it was then little more than an experiment, it was quite natural to devote only very limited resources to it. In 1976, after the experiment had been running for three years, both the Commission and the Council concluded that it had been a success and expressed satisfaction at the results obtained.

To succeed in its role as a go-between for small and medium-sized firms of different nationalities, it must take a detailed and thorough examination of each case. There is therefore a direct correlation, which cannot be reduced, between the means employed and the results obtained.

Moreover, the Centre must have additional resources if it is to cope with the new tasks which have just been entrusted to it and those which were assigned to it in 1976 (coordination in respect of sub-contracting) and also to provide as good a service as in the past.

The Centre accordingly feels that its permanent staff should be increased and that its administrative budget should be increased to enable it to hire experts for highly specialized work.

3. Operations

3.1 The Business Cooperation Centre's activities in 1977 were as follows:

Information: number of requests	515
Search for partners	
- number of requests	84
- number of replies	894
- contacts made	75

As a result of these contacts, the following agreements were confirmed by the Centre:

Sector	Type of cooperation	Nationality of firm
Mechanical engineering	exchange of licences and knowhow	D - I
Specialized road transport	exchange of knowhow and reciprocal help	D - GB
Industrial brushes	joint manufacturing subsidiary	GB - F
Wines	reciprocal distribution	D - GB
Banking	reciprocal help in operations abroad	D - DK
Plastics processing	joint sales subsidiary	D - I
Road transport	reciprocal help in international transport	GB - NL
Transport intermediaries	joint venture	GB - NL
Banking	reciprocal help in operations abroad	B - DK
Furniture	reciprocal distribution of certain products	D - F
Rubber processing	reciprocal distribution of certain products	D - I
Paper	exchange of market information; reciprocal supplies	D - F
Project study and development	joint handling of projects	DK - F
Plastics	investment	GB - F
Software	exchange of programmes	B - I
Chemical cleaning products	reciprocal shareholding and exchange of products	B - F
Milk products	joint manufacturing subsidiary	D - IRL
Structural steelwork	joint manufactur	D - F

3.2 In four years the Centre has been responsible for cooperation agreements involving 32 German firms, 30 British firms, 30 French firms, 15 Belgian firms, 12 Italian firms, 11 Dutch firms, 5 Danish firms, 4 Irish firms and 1 Luxembourg firm.

These figures are a fair reflection of each country's position in the Community economy. Belgium is the exception, its high ranking being due to the Centre's location in Brussels, which inevitably makes contact with Belgian firms easier and more frequent than with other countries. Italy and to a lesser extent Denmark are under-represented, having made fewer requests and been less sought-after.

Britain still produces most requests, British firms being constantly in search of a foothold on the continental market. Since small businesses in Britain as a rule have little experience of the continental market, they seek the support of a continental partner. Most British firms seek a smaller partner and try to strengthen cooperation by acquiring a holding.

The interest of French firms in transnational cooperation has increased noticeably in recent years in step with the export drive led by French industry and small businesses in particular. On the other hand, the interest of German firms seems to have declined slightly, and they appear to be concentrating on non-member countries' markets rather than strengthening their presence in the other Community countries.

Germany, France and the Benelux are much more sought-after than the four "outlying" countries of the Community, although the reasons are not necessarily the same in each case.

Since affinities diminish with distance, it is not all that surprising that the Centre has yet to produce an agreement between a British and an Italian firm.

3.3 The recent oil crisis has resulted in a shifting of purchasing power from Europe to other parts of the world.

The absorption capacity of the national markets has consequently been reduced and firms' efforts to offset this by creating outlets in adjacent markets have encountered the same obstacle.

The consequent need to look further afield for export markets poses serious problems, however, for small businesses.

Since these new markets have not yet developed commercial networks of the traditional type, the exporter must himself organize on-the-spot market research, and the cost can be prohibitive for many small firms.

The sharing of efforts and costs through cooperation between exporting small businesses is one answer, but distrust or scepticism will often prevail over community of interests and will deter firms from making an investment which cannot guarantee a return to each participant.

The Centre feels that the authorities, national or Community as the case may be, might increase the chance of success in this area if they contributed towards the cost of setting up export groupings of small businesses by meeting some of their management and market research costs for a limited period.



#### 4. Sub-contracting

4.1 The Centre has followed up its contacts with the various sub-contracting bodies in the Community.

The work on the nomenclature of sub-contracting in the metalworking industry was concluded by the group of experts working under the auspices of the Centre. This working instrument in four languages (Dutch, English, French and German) will serve as a basis for drawing up regional registers of sub-contracting firms. Its use as a means of listing sub-contracting firms is planned in Germany from 1979, while in France the Ministry of Industry has recommended that all sub-contracting bodies adopt it in 1978. It will be given its public debut in 1978 at the VAT sub-contracting fair in Utrecht where visiting orderers may, using the nomenclature classification and the language of their choice, question a computer about the sub-contracting possibilities of exhibitors. Belgium and Luxembourg will each use the nomenclature as a basis for its sub-contractors index and the Office Belge pour le Commerce Extérieur will use it to feed data on Belgian firms in the metal industry into a computer. In Israel, the Ministry of Industry will use the nomenclature to draw up sub-contracting registers.

Besides working on terminology the experts group is preparing harmonized index cards of sub-contracting firms, a nomenclature of sub-contracting products and a common reference list of the experience required by sub-contracting firms.

This classified information will enable sub-contracting bodies to produce their own card indexes and make it possible to publish standardized registers. It will thus help to open up the sub-contracting market.

The Centre intends to continue this work by giving its support to the preparation of a sub-contracting nomenclature in the plastics and wood industries and in electrical and electronical engineering.

#### 4.2 Other activities in the sub-contracting field

A preliminary exchange of views between the Centre and the organizers of various sub-contracting fairs has helped to sort out the problem of clashing dates and the increase in the number of such events in the European Community.

A joint meeting is planned in the second half of 1978 in an effort to bring points of view into line under a Community imprint.