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\*\* On 16 November, for the first time, the Ministers of Education of the Community Member-States met in Brussels within the framework of the Council of the Communities. "EUROPEAN EDUCATION IS ON THE WAY", said the newspaper headlines.

ANNEX 1 contains a short note on the subject.

\*\* A proposed directive on the harmonization of national requirements concerning the ANNUAL ACCOUNTS OF LIMITED LIABILITY COMPANIES (SOCIÉTÉS DE CAPITALS) was recently adopted by the Commission of the European Communities. Three other proposed directives on the harmonization of company law are already before the Council of Ministers (disclosure and nullity; raising and maintenance or alteration of capital; mergers). The Council has so far adopted only one of them (see "Industry, Research and Technology", No. 118). Some details of the Commission's new proposal are given in ANNEX 2.

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*The information and articles published in this Bulletin concern European scientific cooperation and industrial development in Europe. Hence they are not simply confined to reports on the decisions or views of the Commission of the European Communities, but cover the whole field of questions discussed in the different circles concerned.*

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\*\* THE EXTERNAL TARIFF OF THE EUROPEAN COMMUNITY IS CURRENTLY THE LOWEST tariff applied by the leading industrialized countries or groups of countries. This factor, together with the lowering of customs barriers between the Member-States and the rise in the standard of living in Europe, has made the Community an attractive outlet for exports, in particular for EXPORTS OF CONSUMER AND CAPITAL GOODS OF AMERICAN ORIGIN. Further particulars are given in ANNEX 3.

\*\* GROWTH RATES OF ELECTRICITY CONSUMPTION IN THE SIX for the first seven months of 1971 are appreciably lower than those for the corresponding period of 1970. After correction for working days, temperature differences and seasonal fluctuations, these rates are as follows:

|                          | <u>First 7 months<br/>of 1971</u> | <u>First 7 months<br/>of 1970</u> |
|--------------------------|-----------------------------------|-----------------------------------|
| Belgium                  | 5.1%                              | 9.1%                              |
| France                   | 6.0%                              | 7.3%                              |
| Germany                  | 6.7%                              | 9.3%                              |
| Italy                    | 3.1%                              | 5.6%                              |
| Luxembourg (uncorrected) | 2.5%                              | 7.7%                              |
| Netherlands              | <u>8.3%</u>                       | <u>10.6%</u>                      |
| Community                | 5.6%                              | 8.0%                              |

Electricity consumption, however, is not, in itself, a means of the short-term economic trend; this can only be assessed in the light of overall analysis of most of the elements of economic activity.

\*\* During its session of 15-19 November, the European Parliament adopted a resolution approving the Commission's proposal to increase the compulsory holding of STOCKS OF OIL and oil products to the equivalent of 90 days' of the previous year's consumption (see "Industry, Research and Technology", No. 109). The debates provided a further occasion for the European Parliament to deplore the sluggish implementation of a COMMON ENERGY POLICY (see "Industry, Research and Technology", No. 119).

ANNEX 1, p.1EUROPEAN EDUCATION

On 16 November, for the first time, the Ministers of Education of the Community Member-States met in Brussels within the framework of the Council of Communities.

"European education is on the way", said the newspaper headlines.

The fact is that the Member-States are currently in the process of remodelling their education systems as regards organization, principles and teaching methods, and the progress and content of studies at all levels, including the further education of adults. At the Hague Summit of 2 December 1969, they reaffirmed their faith in a Europe which "... is indispensable if a mainspring of development, progress and culture, world equilibrium and peace is to be preserved".

As a parallel to the development of the economic union, they would like to see an interpenetration and interconnection of national education systems, which would involve greater mobility of teachers and students. Moreover, the increasing share of the national income taken by education prompts the Member States to seek jointly better ways of using educational funds, personnel and establishments. Finally, it is clearly perceived that the implementation of the European Treaties postulates the development of education, since it is this which determines the progress of the economy.

If it were considered an end in itself, however, economic and social progress would only serve to exacerbate the revolt of the young and the crisis of civilization which we are experiencing. It is only rational if it serves to build

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a society which is accepted and desired by the citizens. This presupposes that men should be enabled to judge for themselves the objectives to be pursued and that they should exercise their choice in accordance with their personal and reasoned convictions. Hence the development of education, and especially of further education, should keep pace with economic and social development and lead with it to a new type of society which will enable all its members to savour the true quality of existence.

For these reasons the Commission of the European Communities is concerned that all these matters should be dealt with in a coordinated and coherent manner, in order that the common policies already being implemented may blend with the national education policies to ensure the Community's harmonious development.

This first meeting of the Ministers of Education should mark the real beginning of intra-Community cooperation in the field of education. What is essential is that there should be close collaboration between the Community institutions in order to ensure the coherence of the economic, social and educational objectives being pursued at Community level and their place in the more general picture of the society of the future.

ANNEX 2, p.1THE HARMONIZATION OF THE ANNUAL ACCOUNTS OFLIMITED LIABILITY COMPANIES

The harmonization of company law is one of the prerequisites for the merging of the national markets into a common market functioning like a domestic market: the national divergences in this respect create distortions of competition between the companies of the Member-States and impede the growth of intra-Community cooperation between companies and to the development of a true European capital market.

The Commission of the European Communities has already submitted to the Council of Ministers three proposed directives on the harmonization of company law. It has now adopted a fourth, concerning the harmonization of national requirements relating to the annual accounts of limited liability companies (sociétés de capitaux).

The principal aim of this new proposal is to render equivalent and comparable the information which all limited liability companies are bound to publish. At present, national laws on the matter differ greatly in their requirements, and companies having the same legal form but established in different Member-States publish widely differing information; this gives rise to inequalities in the functioning of competition.

Most of the provisions in this proposal, which concern "sociétés anonymes" and "sociétés à responsabilité limitée", are of a technical nature. While ensuring the necessary flexibility for business life, they regulate the pattern of the balance-sheet and of the profit-and-loss account, the

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evaluation of the various items, the provision of an annex commenting on the figures in the accounts and the furnishing of a management report showing the general evolution of the company's situation. These regulations also make the disclosure of all these documents obligatory.

The publication of annual accounts is of great importance, particularly as regards the protection of creditors of "sociétés à responsabilité limitée". Since the claims of such creditors are limited to the company's net assets, they must be able to determine the net assets with accuracy.

Certain categories of limited liability company may, however, be partly or totally exempted from compulsory disclosure:

- "Sociétés à responsabilité limitée" whose balance-sheet total is between one million and 100,000 units of account, whose turnover is between two million and 200,000 units of account, or which employ between 100 and 20 workers, may be exempted from disclosure of the net turnover but remain subject to the other disclosure obligations. "Sociétés anonymes" which do not exceed these same upper limits may be granted the same facilities.
- "Sociétés à responsabilité limitée" with a balance-sheet total lower than 100,000 units of account and a turnover lower than 200,000 units of account, or employing less than 20 workers, may be authorized under the national laws to publish only an abridged balance-sheet, omitting the profit-and-loss account, with a shorter annex.



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The harmonization of the national provisions on this subject will facilitate relations between transactors and the companies of the various Member-States. Investors in the Common Market, when they possess equivalent and comparable information, will be able to make their choice with full knowledge of the facts. Thus the rational orientation of capital investment in the Community will be better served.

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Commercial relations between the European Community and the United States  
and  
US investment in Europe

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The European Community's external tariff is currently the lowest applied by any of the leading industrialized countries or groups of countries. This factor, together with the lowering of customs barriers between Member States and the rise in the standard of living in Europe, has made the Community an attractive outlet for exports, in particular of consumer and capital goods of American origin.

A. Substantial deficit in the Community's balance of trade with the United States

Since 1958 the Community has been a rapidly expanding market for American exports. In 1958 the value of American exports to the Community was \$2,800 million and that of imports from the Community \$1,700 million. By 1970 American exports to the Community had risen to \$9,000 million and imports from it to \$6,600 million. During the first half of 1971 the USA's trading position relative to the Community remained strong and in large surplus, whereas the American balance of trade relative to many other trading partners deteriorated. During this period the Community's imports from the United States totalled \$4,800 million and its exports to that country \$3,700 million.

American exports to the Community have grown more rapidly than those to most of the rest of the world. According to American statistics, US exports to EFTA rose by 83% between 1960 (the year in which EFTA was founded) and 1970. During the same period American exports to the Community rose by 111%.

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As a result of this, the Community's balance of trade with the USA has shown a constant and considerable deficit averaging some \$2,000 million annually since 1958. This deficit rose to \$2,400 million in 1970, during which year 62% of the total surplus on the American balance of trade resulted from trade with the Community. The corresponding figure for 1960 was only 25%.

B. Rapid expansion of American investments in Europe

The book value of American direct investments in the Community more than quintupled between 1958 and 1969, rising from \$1,900 million to \$10,000 million. The Community is one of the zones in which American investment has shown the greatest expansion. In 1958 American investments in the Community, relating mainly to the oil industry, represented only 7% of total American investments abroad. By 1969 they had risen to over 14% of the total and nearly 60% of the sum involved related to manufactured products.

This increase is even more striking in the light of the increase in American capital investment in the Community from \$420 million in 1958 to the record level of \$3,100 million in 1970.

The United States' direct investments in the Community have a considerable effect on its exports and hence also on the Community's balance of trade with that country.

More and more American products, ranging from computers to detergents, are now manufactured in Europe instead of being exported from the USA. In 1968, the last year for which figures are available, the turnover of American subsidiaries in the Community amounted to \$14,000 million. The magnitude of this increase can be gauged from the fact that between

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1961 and 1967 this turnover rose from \$4,800 million to \$12,000 million. In 1970 the total profits from American direct investment abroad amounted to \$10,800 million, of which \$8,900 million represented the direct profits of subsidiaries and \$1,900 million was accounted for by royalties (on patents, trade marks, etc.) and by fees for technical, administrative and management services rendered. The Commission estimates that in 1970 American firms in the Community repatriated \$1,000 million, re-investing the rest of the profits in plant expansion in Europe.

European direct investment in the United States, on the other hand, has never been large. The book value was only \$1,400 million in 1960 and \$3,300 million in 1969. This is due partly to United States policy as regards foreign investment, which contrasts sharply with the Community's open-door policy; for example, no foreign investment is permitted in certain American industries, such as aviation, electrical engineering, insurance and alcoholic beverages.