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"Competition policy as part of economic policy in the Common Market"

Summary of the address by M. Hans von der Groeben, Member of the EEC Commission, before the European Parliament in Strasbourg on 16 June 1965.

The Common Market needs enterprises on a European scale if the benefits of mass production are to be fully available to its 180 million consumers and if Common Market firms are to strengthen their position in international competition. For European industrialists must be prepared for keener competition among themselves and with their competitors outside the Community.

This was stated by Hans von der Groeben, the member of the EEC Commission with special responsibility for competition matters, before the European Parliament in Strasbourg on Wednesday. M. von der Groeben, whose subject was "Competition policy as part of economic policy in the Common Market", gave a comprehensive survey of the development, present situation and future tasks of common competition policy. The essential aim of the Community, he said, was an economic order "that will promote prosperity and economic freedom to the utmost and thereby serve the interests of the consumer".

M. von der Groeben outlined a five-point programme that will help firms to adapt to the larger market and increased competition from non-member countries:

- (1) Further opening of Community markets;
- (2) Removal of tax barriers to the growth of enterprises;
- (3) Establishment of a European form of company to facilitate international mergers;
- (4) Establishment of a European patent;
- (5) Strengthening of medium-sized and smaller firms.

The competitiveness of Community firms on world markets has been decisively enhanced by the gradual opening of the internal markets of the Six. The Commission will pursue this policy of opening markets and removing frontier controls by 1970.

Tax provisions standing in the way of firms wishing to merge with or acquire an interest in firms in other countries must be adapted to the trend towards a unified market. The Commission has therefore put forward proposals that will prevent double taxation where mergers occur and will align tax regulations concerning the formation of companies. Further measures of tax harmonization are being prepared.

In order to provide firms with a suitable legal form for their wider sphere of activities in the Common Market, the Commission is advocating the creation of a European form of company. Agreements are also being prepared on the mutual recognition of companies by Member States, on mergers between companies from different Member States, and on the transfer of company head offices from one Member State to another.

The European patent proposed by the Commission will facilitate the exploitation of inventions and make the process cheaper, thus helping to make Common Market firms more competitive.

The Commission believes that the position of smaller and medium-sized firms, including craft undertakings, must be improved. It has therefore proposed the early adoption of the competitively neutral added-value tax. The Commission is also in favour of arrangements for joint research, specialization, rationalization and joint purchasing. And it is considering measures to facilitate access to capital markets and subsidies for adaptation if necessary.

M. von der Groeben then emphasized how important it was that competition should remain effective, that access to markets should be free, that changes in supply and demand should be reflected in prices, and that production and sales should not be artificially restricted and obstruct the freedom of choice of suppliers, buyers and consumers.

There are limits to the growth of enterprises by means of mergers. Article 86 of the Treaty prohibits the abuse of dominant positions. The Commission will have to examine each individual case to assess how far the acquisition of other enterprises by a firm in a dominant position constitutes such an abuse. But the more such a firm approaches monopoly by merging with another firm and thus endangers the freedom of action and choice of suppliers, buyers and consumers, the more probability there is that this merger will be an abuse.

The Commission is determined to apply the Treaty's competition rules to all restraint on competition that affects the Common Market, irrespective of whether it is practised by firms inside or outside the Community. M. von der Groeben declared that investment by non-Community firms in the Common Market was economically desirable as a rule. But it led to difficulties when it was based on artificial incentives such as tax privileges or the wish to dominate the market.

The introduction of the added-value tax and a decision to remove tax frontiers by 1 January 1970 were the major political tasks of this year. The Commission also intended to speed up the

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alignment of direct taxes, which are still higher for firms in some Community countries than in others.

In conclusion, M. von der Groeben expressed the hope that the European Parliament's debate on competition policy as part of the Community's economic policy in October would centre on the major problems involved in shaping the economic order of the Common Market. The purpose of European competition policy was to make a decisive contribution to the attainment of a fair and viable economic and social order in Europe.

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