



*European Communities
Commission
Background Report*

ISEC/B45/78

20 Kensington Palace Gardens
London W8 4QQ
Telephone: 01-727 8090

June 21, 1978

EASIER COOPERATION FOR SMALL BUSINESSES

Summary

While large firms usually have international contacts that enable them to cooperate on business projects across frontiers, small firms do not.

The Commission has recently sent the Council of Ministers a revised version* of a proposal, first submitted in 1973, specially designed to facilitate cooperation between small and medium-sized enterprises in the Community.

The new instrument will be known as the European Cooperation Grouping (ECG). Its function will be to make it easier for persons and companies carrying on business in the Community to adapt their activities to the conditions of the enlarged market.

Structure of the ECG

If adopted the Commission proposal would provide a legal basis, where none exists today, for cooperation between firms or individuals carrying on businesses in different Community countries. Legal cover or interpretation of 'cooperation' differs widely from country to country so that harmonization of laws, the normal Community solution, is impossible. In Britain the nearest thing to the Cooperation Grouping is the 'partnership'; in France (where this form of association started) the 'groupement d'intérêt économique'; in Belgium the 'Association momentanée', and in other countries, other forms of association. But any attempt to create a 'grouping' across the frontiers at the present time is fraught with legal, social, psychological and tax difficulties. The creation of the European Cooperation Grouping, based on agreed Community law, would help to eliminate these frustrations.

As proposed the Grouping would be as flexible an instrument as possible, with few governing bodies or binding rules. It would have to consist of at least two firms or "natural persons" (i.e. persons running a business) in different Community countries and would not be able to employ more than 500 people.

The purpose of the grouping would be to facilitate or develop the business of its members, and to improve or increase the results of such business. The aim of the group would not be to make profits for itself; such profits as arise would be distributed proportionately among the members of the group.

* OJ No C 103/4 of 28 April 1978

*** Note: Background reports are intended as non-copyright ready-reference material on topics of current interest concerning the European Community. An index will be provided periodically so anyone receiving the reports can refer to each number more easily.

The members would retain their own legal status as laid down by their native countries, and the sovereign body of the grouping would be the general meeting of members. Each grouping would have a manager who would be its legal representative vis-à-vis third parties. The contract establishing the grouping would state a limited period for its existence.

The members would also determine the amount and nature of contributions they intended to make to the ECG which, to start with, might well operate only on the basis of its members' own assets, experience and staff. The proposed regulation also provides, however, for the joint and several liability of ECG members for its debts.

Safeguarding employees' interests

Under pressure from the Economic and Social Committee and the European Parliament the revised Commission proposal makes special provision for the safeguarding of employee interest, both in the establishment and the winding up of ECGs.

Employees would have to be notified in good time before a grouping is formed, and if they felt that their interests would be adversely affected, managements would have to agree with them on protective measures, or such as already operate in their own country concerning mergers, takeovers and amalgamations.

The same would apply in the case of the winding up of the grouping.

Third parties

A number of clauses in the regulation ensures the protection of third parties, one of which requires proper disclosure of information. Founder members of the grouping would have to include specific items of information in the contract, and it would be registered in the member country in which its head office was situated. The most important information would have to be published not only in that member state, but also in the Official Journal of the European Communities.

*

*

*