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Press Release*

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ISEC/3/79

January 18, 1979

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before 00.01 HOURS, FRIDAY, JANUARY 19, 1979.

THE EUROPEAN COMMISSION'S APPROACH TO MULTINATIONALS

Summary of Mr Etienne Davignon's speech at the
Law Society, London, January 18, 1979.

Community law and codes of conduct for multinational enterprises

The European Commission policy vis-a-vis multinationals is not a crusade for or against such companies, but an attempt to create a balanced framework of their operations.

Indeed, Community policy reflects the two aspects of multinational activities. The Community has sought:

1. to remove obstacles to the cross frontier activities of enterprises within the EEC while at the same time seeking
2. to secure the adoption of appropriate legal rules to regulate the problems which are likely to arise as a result of those activities.

As far as codes of conduct are concerned

Clearly Community law and international codes should not be considered as alternatives but as complementing each other. This is a major feature if we want to prevent European multinationals from suffering competitive disadvantages by having to observe "higher" standards than those imposed in the other industrialised countries or in the developing countries. Equally important are mutually agreed standards as to the behaviour of multinationals in developing countries on the one hand and as to those countries treatment of multinationals on the other hand. Such standards do play a major part in ensuring balanced economic development.

The Commission has always wanted to bear in mind both the benefits of the continued development of multinational enterprises and the causes for concern which are inherent in such companies.

- a) The development of cross frontier activities by enterprises is a significant and positive part of our economic system which, despite current difficulties, is still based on principles of free competition and free trade. Enterprises are thus faced with the necessity of developing a profitable combination of factors of production in a competitive world environment. This necessity leads and may even oblige enterprises to reach out beyond their national frontiers to achieve a better combination of those factors. The fundamental economic result is of great significance to everyone and should not be forgotten, a more efficient use of scarce resources upon which real increases in our standard of living, and even perhaps its maintenance, depend. Enterprises, developing multinationally, are a vital element in the process of economic and technical innovation which is the foundation of the Community's prosperity.

- b) At the same time, while recognizing the benefits which we derive from multinationals, we cannot ignore the fact that the activities of multinationals cause concern to many who are affected by their operations, both in the member states and outside, notably in the developing countries, which are frequently sources of raw materials and markets of considerable importance to us. The main cause of the concern is essentially the perception that multinational enterprises, by reason of their scale and their expanded range of choice, may be less subject to national constraints, and less sensitive to national and local pre-occupations and needs, than enterprises which are national or local in character. Even a national state of some size may feel itself on unfamiliar and insecure ground when confronted by an enterprise which has apparently superior resources, financial, technical and human, organised on a world-wide basis. No wonder then that others who deal with these enterprises (suppliers, customers, shareholders, employees, unions etc) should also express concern from time to time, and that these concerns should lead to demands for new regulations, national, Community and international.

Characteristics of Community measures

The Community needs generally framed measures rather than measures specifically applicable to multinationals, because:

- a) multinationals are very difficult to define legally
- b) unjustified discrimination against multinationals has to be avoided
- c) many problems turn out to be not in their nature confined to multinationals.

Multinationals and competition

The foundation for the development of multinational activities in the EEC is the right of establishment for enterprises formed under the laws of the member states. The latter have agreed to introduce no new restrictions on this right in their territories of companies of other member states.

Through coordination of technical standards and fiscal harmonisation for example, the Commission's aim is to remove barriers to integrated industrial and commercial activity.

Cross-frontier activities thus made easier have to be counterbalanced: competition is maintained (for example through controlling concentrations).

Coordination of company and tax laws is a second major component of the counter balance, and in particular the development of minimum standards and procedures as to disclosure.

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