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frontier-free EUROPE

Industrial policy and international competitiveness

■ by Martin Bangemann, Vice-President of the European Commission

Since 1 January 1993 operators in the Community have been able to do business in the largest domestic market in the world. In the space of a few years, the European Community has managed the remarkable feat of creating a single market from 12 separate, national markets. This success has been possible only because Member States and firms recognized a large home market as being essential to maintain international competitiveness.

From the single market to world markets Following the removal of border controls and technical trade barriers, businesses can now supply a single product for the whole of the single market. Manufacturers no longer have to produce for 12 separate markets. This increases competition enormously on the European home market. European firms must respond to the increasing pressure of competition by being increasingly cost-conscious if they are to continue to be successful in the market place. Nor is it any longer enough to measure success by the yardstick of Europe alone. The international competitiveness of European firms has to be gauged against our competitors on world markets, since these are the relevant markets for most products. Only manufacturers who produce to world market standards have a real chance of success.

Market forces and public responsibility The primary objective of the European Community's industrial policy is to increase the international competitiveness of European firms. To achieve this we must not rely on copying our competitors, for this would only lead to dependence on them. We must rather build on the economic strengths which undoubtedly exist in the Community. Above all, these include demanding standards and a skilled workforce. Even more important, however, is a business environment geared towards competition so that there can be fair competition between European firms. Government intervention and maintenance subsidies prevent the necessary structural change and so intensify structural crises. That is why strict discipline as regards subsidies is one of the most important pillars of industrial policy, even during an economic slowdown. A return to the old race to subsidize serves no-one, not even those receiving the subsidies. European industrial policy must accelerate structural change and promote the widespread use of new technologies. Here the Community authorities should not try to usurp the role of market forces. But wherever government action is necessary, it must be taken with the specific objective of increasing productivity and offering incentives for technological innovation. The 'European way' is based just as much on the belief in the free play of market forces as on government responsibility for maintaining and increasing international competitiveness. The inclusion in the Maastricht Treaty of the 'Industry' chapter now makes this clear for all to see.

Maximizing manufacturing networks The success of European industry will not come solely from mastery of the latest technologies. International competitiveness depends increasingly on the capacity to optimize production processes. The largest productivity reserves are found in improved organization of work and structuring of operations. Nowadays the key to economic success no longer lies only in the ability to invent, but also in the capacity to translate inventions into mass production more rapidly and efficiently than the competition. That involves flexible production processes and closer cooperation between manufacturers and suppliers. Small and medium-sized firms are just as important to the economic success of the Community as are large firms. Highly-specialized suppliers are as dependent on the success of large European firms on world markets as large firms are reliant on rapid and reliable subcontractors. This can gradually lead to a development partnership which will be one factor in ensuring the competitiveness of European industry. The internal market offers European industry new prospects for the future. What we must do now is try to realize them.

* Reprinted from *Panorama of EC industry 93*. See page 3.

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SEPTEMBER/
OCTOBER 1993
The text of this issue was completed on 14 September 1993.

DECISIONS

■ Regional and social aid, 1994-99

Between 1 January 1994 and 31 December 1999, regions and social categories with problems in the European Community will receive ECU 141 billion (1 ECU = UK £ 0.77 or IR £ 0.82) from the Community budget, thanks to a new aid scheme adopted by EC ministers on 20 July. The programme will help job creation, infrastructure development and business investments. By means of six 'European laws' the Twelve have set out the ground rules for the new system, which is designed to replace the one in force since 1989 and due to expire on 31 December 1993. Ministers at the same time established a list of the regions that are lagging behind in development terms; they will share between them more than two thirds of the budget envisaged — i.e. ECU 96 billion. These regions include, as at present, three entire Member States — Ireland, Greece and Portugal — Corsica, France's overseas departments, the Italian Mezzogiorno, Northern Ireland and 10 regions in the south and west of Spain. The Twelve have added to this list the Belgian Hainaut region and three neighbouring French districts of Valenciennes, Douai and Avesnes; East Germany; the Cantabrians (Spain); Flevoland in the Netherlands and, finally, Liverpool and the north of Scotland. The remainder of the aid will particularly benefit regions in industrial decline and rural areas facing population loss. The funds will come from four sources: the EC's present regional, social and agricultural Funds as well as the new financial instrument for fisheries.

OVERCOMING THE MONETARY CRISIS

'Without closer coordination of economic policies, it will not be possible to progress towards economic and monetary union (EMU) ... If the Member States accept to respect the common disciplines, without which there can be no smooth functioning of the internal market ... there is no reason why the Community should not return to a path of sustainable growth and employment creation as it had during the period 1985-90, under the impulsion of the 1992 objective ... The Commission in no way underestimates the gravity of the events ... And yet there is no alternative solution that will assure the prosperity and influence of the European nations. Thus its solemn appeal to the 12 governments to reinforce their cooperation in all fields and to take the decisions required at the two European Councils under Belgian Presidency.' (No doubt in end-October or mid-December.) This is how, in a communiqué published on 6 August, the European Commission reacted to the abandonment of the restrictive rules of the European Monetary System, decided on by EC Finance Ministers on 2 August. On that date ministers temporarily widened the fluctuation margins between the currencies in the system from 2.25% to 15% on either side of their central rates.

■ Fewer Japanese cars than forecast

Japan will export to the European Community 980 000 cars in 1993, instead of the 1 089 000 vehicles forecast last April. This figure is the outcome of an agreement reached between the European Commission and the Japanese Government on 4 September, and it represents a fall of 18.5% in EC imports of cars from Japan. This is more than the fall in total car sales in the EC in relation to 1992, put at 15.9%. Starting from this year the five EC countries in which imports of Japanese cars have been subject to restrictions — Britain, France, Italy, Portugal and Spain — will begin to implement the agreement reached in 1991 between the European Commission and the Japanese Government, under which they must gradually open up their markets to Japanese exports. Each year until 1999 Brussels and Tokyo will set figures for Japanese exports to the EC in general and to each of the five abovementioned countries in particular, exclusive of Japanese cars built in the 12-nation Community. The Euro-Japanese arrangement makes possible the free movement of cars within the single market since the beginning of this year.

■ A European system for medicinal products

With the Regulation ('European law') adopted by EC ministers on 22 July, a European system for the evaluation and authorization of new medicinal products is now ready — on paper at least. The cornerstone of the system, the European Agency for the Evaluation of Medicinal Products, set up under the new Regulation, will become operational only in 1995. The Regulation completes the legislative package adopted in June (see issue No 7/93). It provides for a Community-wide authorization procedure for medicinal products of a biotechnological nature and products for veterinary use aimed at raising productivity. Recourse to this Community procedure will be optional for other new medicinal products.

■ Action plan for the new-format television

European television broadcasters and producers can now ask the European Community to reimburse up to 50% of the additional costs arising from the use of the 16:9 'cinema' format. EC ministers adopted on 22 July a four-year action plan designed to facilitate the transition from the customary 4:3 format to the newer, high-definition format. (The plan covers the period from July 1993 to 30 June 1997.) The EC will provide a total of ECU 228 million, ECU 68 million of which will be held in reserve until 1 January 1995 for countries which do not take advantage of the plan right away. The funds will be allocated annually on a first-come, first-served basis, although preference will be given to programmes produced in Europe and financed by professionals. Only broadcasters transmitting more than 50 hours annually in the 16:9 format will receive funding.

□ BRIEFLY

EC ministers harmonized the **rules for awarding the 'CE' conformity mark** for 11 categories of industrial products on 22 July, when they adopted a Directive and a Decision to this effect. The products in question include toys and gas burning appliances. The CE marking is a guarantee that a product meets the requirements of the 'European law' to which it is subject.

EC ministers adopted on 19 July a Regulation aimed at **facilitating the Community-wide computerization of customs procedures** for the EC's trade with the rest of the world; it is on the lines of the single administrative document.

The operation of the single market heads the list of activities to be undertaken on a priority basis under the **statistical action programme** adopted by EC ministers on 22 July. The programme, covering the period 1993-97, will enable the EC's statistical office, Eurostat, to make available quickly more reliable and accurate statistics, even while reducing the demands on businesses. The Twelve adopted at the same time a Regulation on Community coordination in drawing up business registers for statistical purposes.

On 29 July and 6 September the European Commission adopted the **first projects to be funded through the interim financial cohesion instrument**, the forerunner to the Cohesion Fund, to be set up under the Maastricht Treaty. The instrument and Fund will provide a total of ECU 15.5 billion to the four least well- off EC countries — Ireland, Greece, Spain and Portugal. This aid covers infrastructure projects in the transport and environment fields.

In order to **improve air traffic control**, thus reducing 'aerial traffic jams', EC ministers adopted on 19 July the technical specifications needed to harmonize gradually the equipment in use in the Community.

More than 7 000 European students will be able to train in a company located in another EC country than their own, thanks to the **projects adopted under the 1993 Comett programme** (Community programme in education and training for technology). The European Commission announced the results of the selection process on 23 July.

The European Commission adopted on 23 July the new list of **regions in the UK entitled to regional aid** from the British Government. They cover 35.7% of the population. However, the aid cannot exceed 20 to 30% of the investment, depending on the region.

SMALL FIRMS: THE HIDDEN GIANT OF THE EUROPEAN ECONOMY

Throughout the European Community, the sector of small and medium-sized enterprises (SMEs) is experiencing a strong revival of dynamics and new entrepreneurship. Each year about 1.4 million start-ups of new enterprises are registered. SMEs, the 'hidden giant' of the European economy, provide seven out of ten private sector jobs. This is revealed in the first annual report of the 'European Observatory for SMEs'.

Commenting on the report, Mr Raniero Vanni d'Archirafi, Member of the Commission with special responsibility for enterprise policy, stressed that: 'The creation and development of SMEs in all Member States is essential if the European economy is going to fight its way out of recession. There is a need for Community-wide programmes to assist SMEs and enable them to adapt more quickly to the structural changes necessary as a result of the internal market. In the current climate of economic gloom, business managers are more sensitive to the risks associated with the opening-up of markets than to the attendant benefits and growth potential. This is clear from the report. Back-up policies for SMEs decided as part of the growth initiative launched by the Edinburgh European Council and economic stimulation measures planned at national level have a key role to play in countering this view and restoring a climate of confidence.

It is against such a background that the Commission proposed in January that priority measures for SMEs be stepped up; the Council (industry) agreed that the 1993-96 multiannual action programme would take effect on 1 July 1993. This is extremely encouraging, for the programme is a key instrument for reaping more effectively the benefits of the single market and thus helping to improve the employment situation.'

The report, commissioned by the EC, was produced by the 12 partner research institutes of the European Network for SME Research (ENSR), and was coordinated by EIM Small Business Research and Consultancy in the Netherlands. This independent report provides a first structured overview of the SME sector within the European economy.

The major objective of the 'European Observatory for SMEs' is to provide the European Commission with a structured flow of information about European SMEs in order to support the Commission's policy-making activities. However, the information is also of importance for the national governments as well as for intermediary organizations in the business sector.

Almost all firms are SMEs

Almost all of the 15.7 million enterprises in the non-primary private sector of the Community are SMEs (0-500 employees). The typical EC business is a micro enterprise (0-9 employees) of which there are more than 14.5 million. Roughly 50% of these micro firms are one person businesses without salaried employees. The European economy also has about 1 million small (10-99 employees) and about 70 000 medium-sized enterprises (100-499 employees). In contrast, there are only about 12 000 large enterprises with more than 500 employees.

On average there are about 45 enterprises per 1 000 people in the EC. This ratio ranges from about 30 in the Netherlands, Germany and Denmark to more than 60 in Portugal and Greece. These differences reflect average firm size, ranging from about four persons employed in the Mediterranean countries to about nine in some of the highest-income countries.

Job creation

SMEs provide 70% of the jobs in the non-primary private sector (employing 64 million in 1992). In the past four years employment growth was largely (more than 75%) the result of job creation in SMEs, particularly micro and small enterprises. Job generation studies generally show impressive rates of job creation by newly established enterprises. More recently (1991-92) it appears that only micro firms were still generating net job growth.

Start-ups and failures

Each year about 1.4 million new enterprise start-ups are registered across the Community as a whole. Although the vast majority of entrepreneurs are males, women are increasingly taking up the opportunity to start a new firm, especially in the trade and other services sectors. The average age of a new entrepreneur is about 35 years. The percentage of entrepreneurs with no degree or only a primary degree is rapidly decreasing.

Death rates among new enterprises are also high, due to a wide range of managerial, technical, marketing and financial problems: in the early years after start-up about 10% of new businesses fail each year. However, the average annual growth in the stock of enterprises during the period 1988-92 is estimated at almost 300 000 enterprises per year.

Internationalization of SMEs

International trade is growing more rapidly than production. Also foreign direct investment and international licensing show rapid growth. Even firms operating solely in domestic markets increasingly meet international players in both their input and output markets.

On average SMEs export about 10% of their turnover to other countries, whereas micro firms export only 5%. Internationalization among SMEs is increasing rapidly. Although in most cases exporting is the starting point, SMEs are also catching up in other areas of internationalization, e.g. investment. This ongoing process will be strengthened by the completion of the internal market.

Impact of the internal market

The reduction in delay and 'red tape' when exporting, and the harmonization of technical standards in the internal market, imply lower costs for SMEs. However, some formalities have merely been shifted from customs offices onto the firms themselves: the impact is liable to be smaller than forecast if the potential reductions in costs for SMEs are not fully realized in practice.

All things considered, the completion of the internal market will probably have a negative impact in the short term on many SMEs in manufacturing and the distributive trades, especially in the lower-income countries of the Community, where SMEs currently play an important role.

In the longer run, however, the single market holds a promise of greater general prosperity that will stimulate business activity by SMEs.

Key elements to foster European SME policy

- Both at national and Community levels more attention should be paid to specific programmes intended to help SMEs to overcome the recession, cope with the completion of the internal market and contribute to the competitiveness of the European business sector on the global scene. In this transitional period of the European integration process specific attention should be paid to transparency of new legislation and minimizing administrative burdens on business.
- Strengthening and expanding the existing information and cooperation instruments of the EC, such as the Euro-Info Centres, BC-Net and Europartenariat, is necessary to enable SMEs to remain competitive in the integrated European market.
- To overcome the problems in investment financing faced by SMEs, the EC should strengthen its financial policy to establish or to support guarantee schemes, risk capital funds, and to fight the late payment problem which severely affects the liquidity of SMEs, especially in a recession.
- The present economic situation requires an offensive approach designed to create favourable conditions for new start-ups and new opportunities for unemployed people to start their own business. An entrepreneurship promotion programme should be started at a European level to develop new entrepreneurship and counter the high failure rates of existing small firms.
- Finally, the report advocates strengthening the integration of policy instruments and programmes geared to upgrading and training personnel, in particular in SMEs. Essential elements are vocational training, supplementary and retraining programmes intended to keep the employees abreast of new technological and market developments.

For further information contact:
EIM, PO Box 7001, 2701 AA Zoetermeer, the Netherlands.
Tel: (31)79 413634. Fax: (31)79 415024.

eurostat

Key figures

Statistical Office of the European Communities, L-2920 Luxembourg, Tel. 4301-34567

Tourism in the Community

Tourism's contribution to the economy

Tourism's share of employment and gross domestic product (GDP) (Employment, 1991 data except DK and D (1990), B (1989) GR and IRL (1987) and F (1986)) (GDP, 1992 data except BLEU([1]), GR and P (1991))

Tourism occupies a fairly important position in Member States' economies, particularly in southern Europe.

Income from international tourism accounts for 5.5% of GDP in Portugal, 3.9% in Spain and 3.7% in Greece. At the other end of the scale, international tourism in Germany accounts for only 0.6% of GDP.

Tourism is even more important as a creator of jobs, accounting for 7.2% of all jobs in Greece and Denmark, and 6.8% in the United Kingdom.

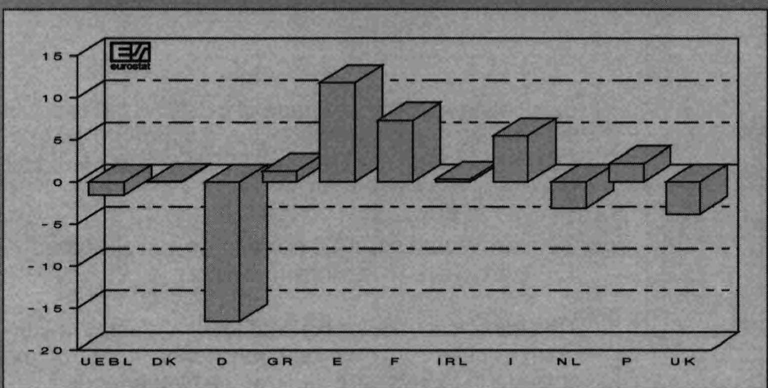
Contribution of tourism to the national economy in the Member States (%)

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
Employment	3.5	7.2	2.6	7.2	5.4	3.1	6.3	4.1	5.1	2.9	3.7	6.8
GDP	1.8([1])	2.7	0.6	3.7	3.9	1.9	3.3	1.7		1.5	5.5	1.3

([1]) Belgo-Luxembourg Economic Union (BLEU = UEBL).

Balance of tourism

Balance of income from and expenditure on international tourism, in billion ECU (1992 data except BLEU, GR and P (1991))



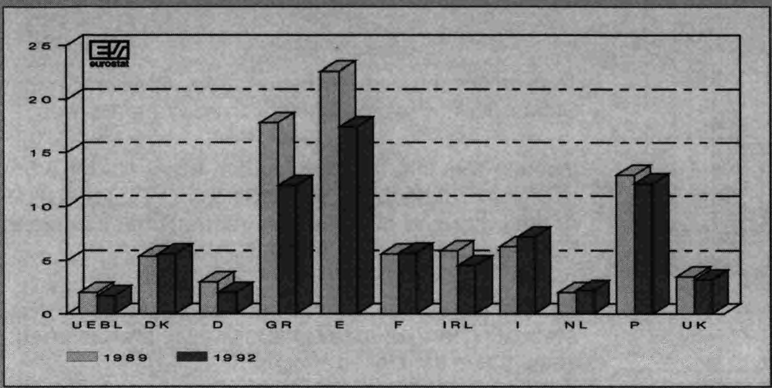
The BLEU and three other Member States (Germany, the Netherlands and the United Kingdom) showed a deficit on their balance of tourism in 1992. Germany had the biggest deficit, at almost ECU 20 billion.

Spain had the biggest surplus, at ECU 12.8 billion, followed by France (8.6 billion) and Italy (3.9 billion).

Balance of tourism, in billion ECU, 1992 (except BLEU, GR and P, 1991)

BLEU (UEBL)	DK	D	GR	E	F	IRL	I	NL	P	UK
-1.6	0.0	-20.0	1.3	12.8	8.6	0.2	3.9	-3.3	2.2	-4.6

Income from tourism as a percentage of total income in the current balance of payments, 1989 and 1992 (except BLEU, GR and P, 1989 and 1991)



Income from tourism

France was the country with the highest income from tourism in 1992, ECU 19.3 billion, followed by Spain (17.1 billion) and Italy (16.6 billion).

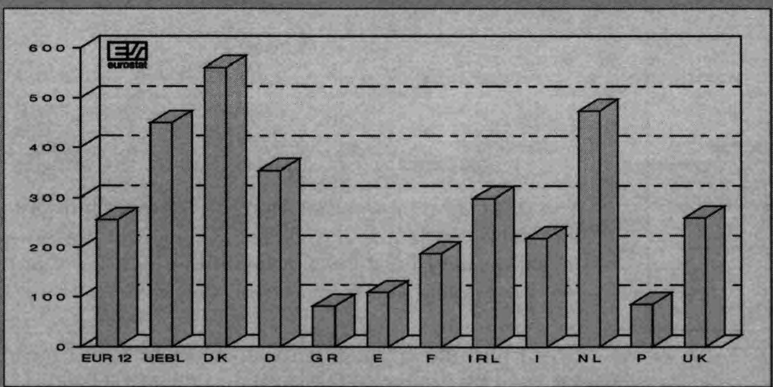
Seen in relation to the total income side of the balance of payments, tourism declined in importance between 1989 and 1992 in virtually all Member States. The decline was steepest in Spain and Greece.

Tourism accounted for more than a tenth of balance-of-payments receipts in three Member States in 1992: Spain (17.4%), Portugal (12.1%) and Greece (11.9% in 1991).

Income from tourism as a percentage of total income in the current balance of payments, 1992 (except BLEU, GR and P, 1991)

	BLEU (UEBL)	DK	D	GR	E	F	IRL	I	NL	P	UK
As % of total	1.7	5.6	2.0	11.9	17.4	5.7	4.5	7.2	2.2	12.1	3.2
In billion ECU	2.9	2.9	8.4	2.1	17.1	19.4	1.2	16.6	3.8	3.0	10.4

Tourist expenditure by head of population in ECU (expenditure of country A on travel abroad by population of country A) 1992, (except BLEU, GR and P, 1991)



How much do tourists spend?

Europeans spend an average of ECU 250 per head on their tourist travels abroad. The amount varies from ECU 81 per head for Greece to ECU 561 per head for Denmark.

Germany spent ECU 28.4 billion on travel abroad in 1992; the United Kingdom 15 billion.

This item accounts for 6.1% of total outgoings in Germany's balance of current payments, 4.9% of the United Kingdom's, and 4.8% of the Netherlands'.

Tourist expenditure by head of population, 1992 (except BLEU, GR and P, 1991)

	BLEU (UEBL)	DK	D	GR	E	F	IRL	I	NL	P	UK
In billion ECU	4.5	2.9	28.4	0.8	4.3	10.7	1.0	12.7	7.1	0.8	15.0
As % of total outgoings	2.6	5.5	6.1	4.3	3.9	3.3	3.7	5.4	4.8	3.3	4.9

INITIATIVES

● Protecting industrial designs

In order to grant industrial designers Community-wide protection for their products, the European Commission proposed to the Twelve on 28 July the creation of a Community system and the harmonization of national copyright laws. Under this system, industrial designs which have been registered with a Community design office — to be set up — would be protected for a maximum of 25 years in all 12 EC countries. Industrial designers could also opt for a three-year protection against counterfeiting, but without registration. At present the protection offered by national schemes ranges from none at all in Greece to 10 years in Spain and to ... eternity in Portugal. The system now proposed would help prevent counterfeiting, which cost Europe an estimated 100 000 jobs last year. In order to fight it more effectively the Commission proposed reinforcing Community regulations to the Twelve on 13 July. Under the new system the owner of a trade name, a design, or a design that has been copied, could ask the customs authorities not to release the goods in question. At present, such a step generally requires a court order, a long and complicated procedure in itself.

● Increased monitoring of banks?

The European Commission is determined to prevent a recurrence of the BCCI scandal, in which a bank with its registered office in Luxembourg and its head office in London 'mislaid' its customers deposits. To this end it proposed to the Twelve on 28 July the tightening up of 'European laws', whether in force or in preparation, on the control of banks, insurance companies and foreign-exchange dealers. The Commission particularly wants banks and insurance companies throughout the EC to be required hereafter to maintain their head offices in the same Member State as their registered offices. In addition, auditors would be required to report any anomalies to the authorities.

● The high cost of transborder payments

Anyone making a credit transfer of ECU 100 between two EC countries must pay ECU 20 on average in bank charges, and up to 24 times as much as for a credit transfer within the same country. This was one of the findings of a study carried out early this year for the European Commission, which published the main findings on 29 July. The authors of the study made 1 000 credit transfers, each of ECU 100, from and to each of the 12 EC countries. They were called on to pay between ECU 14 and ECU 33 in charges, while the beneficiaries also were called on to pay such charges in 42.4% of the cases. The cost of the foreign-exchange transactions represented only 1.4% of the total charges on average. The Commission regards such charges as excessive; but it is of the view that the average time taken to make the transfers — 4.6 working days — is in keeping with its recommendations. This is not the case, however, as regards the steps taken by the banks to tell their customers just how they will be charged.

● Industry in 1 100 pages, ecology in 600

All those in search of basic data, accompanied by a detailed analysis, on more than 180 industrial and services sectors in the EC can profitably turn to the 1993 edition of *Panorama of EC industry.* This hefty volume, running to 1 100 pages, and priced at ECU 125, exclusive of VAT, was published in July by the Commission of the European Communities. It can be obtained from: **United Kingdom:** HMSO Books (Agency section), HMSO Publications Centre, 51 Nine Elms Lane, London SW8 5DR. Tel.: (44)71-873 9090. Fax: (44)71-873 8463. Telex: 29 71 138. **Ireland:** Government Supplies Agency, 4-5 Harcourt Road, Dublin 2. Tel.: (353)1-613111. Fax: (353)1-780645.

The Commission also published at the end of July a guide to European institutions of higher education which offer courses on environmental subjects. It is priced at ECU 20 and can be obtained from the addresses listed above.

○ BRIEFLY

More than 5 000 customs officers took part in the **Matthaeus training programme** last year: 394 spent some time working alongside customs officers in another EC country than their own, while 4 637 followed language courses. The aim of the programme is to ensure that 'European laws' are applied in the same way by customs officers in all 12 EC countries.

The European Commission has developed a **Community procurement vocabulary** (CPV), a classification of goods and services for the use of businesses in the public procurement field. The Commission announced on 15 July that it is available in English, in printed or electronic form, and can be obtained from the Directorate-General for the Internal Market and Financial Services, Public Procurement: Economic Aspects Unit, 200 rue de la Loi, B-1049 Brussels, Belgium. Editions of the CPV in the eight other official languages of the EC will follow.

The European Commission's assessment of nearly three years of application of the **EC Merger Regulation**, is a positive one: nine-tenths of cases were settled within a month. The Commission is asking the Twelve to leave the present rules unchanged.

A draft Regulation which the European Commission sent to the Twelve on 14 July is designed to allow **European textile manufacturers** to export fabrics to low-wage countries and to re-import them as finished products for sale under their own brand names throughout the 12-nation Community. For the present such re-imports are subject to national quotas.

A **new European consumer information agency** opened its doors on 14 September in Kehl (Germany), across the border from Strasbourg (France). Set up by the associations of Baden-Wurttemberg and Alsace, the agency is the ninth of its kind in the EC. It should help consumers take advantage of the single market.

With a view to **eliminating a few more cases of double taxation** between EC countries, the European Commission proposed to the Twelve on 26 July that the advantages of existing 'European laws' be extended to new businesses, and in particular to cooperatives (in the case of dividends paid to the parent company in another country) and to companies holding less than 25% of the shares of another company, in the event of mergers, break-ups or other forms of restructuring.

More than 80 companies as well as European public and private bodies have decided to develop a **European standard for numerical broadcasts** (electronic) **for high-definition television** (HDTV). They signed a joint declaration in Bonn on 10 September. The group includes in particular British, German and French broadcasting companies.

SEEN FROM ABROAD

► Is Prague ahead of the Twelve?

The Czech Republic comes closer to meeting the European Community's economic requirements than most of the Twelve, according to the country's Prime Minister, Vaclav Klaus, speaking in Prague on 16 August. Mr Klaus mentioned the absence of a budgetary deficit, the level of unemployment (2.8% in July) and the monthly inflation rate (0.7% in July). Mr. Klaus reaffirmed in Stockholm on 30 August that his country would be ready 'within two years to open EC membership negotiations'.

▷ BRIEFLY

'We have a remarkable degree of political consensus in Parliament. Where we really have problems is with the electorate.' It is in these terms that **Sweden's prime minister**, Carl Bildt, evoked on 24 August, during a press conference, his country's eventual membership of the EC.

According to a report by **Japan's economic planning agency**, published on 5 August, European Community rules on product liability are on the way to becoming an international standard.

SMES

◆ Payment terms: an attentive Commission

Much is expected of SMEs when it comes to relaunching growth and employment in the European Community. But they cannot play their part unless there is a concerted attempt to deal with the problems they face because of the lengthening of certain contractual time-limits for payment and a generally deteriorating situation as regards delays in payment. The European Parliament and European Commission jointly organized public hearings in Brussels in July on such delays in the case of commercial transactions. The hearings gave more than 30 organizations, representing Community businesses as well as the professions interested in debt recovery, an opportunity to make their views known. Most of the participants confirmed their attachment to the right to enter into contracts freely, as it enables trading partners to set the payment terms applicable to their transactions. There were numerous demands, however, that this freedom be governed by certain principles, to be set at Community level, in order to combat and punish wrong practices and delays in payment. Many would like all Member States to introduce a system of legal proceedings for settling payment disputes that is simple, rapid and effective. On the basis of these views, and the comments it has received in response to a consultative document distributed at the beginning of the year, the European Commission will draw its own conclusions as to the actions it could eventually propose to the Member States.

◆ SMEs and competition: a practical guide

All managers of SMEs fear that their firm's expansion will be hampered by the existence of powerful groups that operate across national frontiers and have the economic muscle needed to impose their products, prices and networks and thus dominate markets, production and distribution through a complex and extensive network of agreements. Inter-company agreements are to be pursued ... but not at any price. The European Commission has the task of preventing any agreement or practice likely to distort competition. As far as SMEs are concerned, they enjoy favourable terms, designed to facilitate and encourage cooperation between them as much as their development. To help SMEs, the European Commission has just published a practical guide, *Small business and competition*, in all the official languages of the Community. It contains concrete examples, so that SMEs can assess the 'European' legality of agreements concluded with another firm or entered into by their competitors. The guide also contains information on measures to take, as regards advice, notifications, complaints, appeals, etc.

Small business and competition — a practical guide. 55 pages. ECU 6. ISBN 92-826-5213-0, catalogue No: CT-77-92-409- EN-C, 1993. Available from the Office for Official Publications of the European Communities.

◆ Towards a better financial environment for SMEs

Representatives of the European Community's banking sector met in Brussels at the end of July in order to examine the possibility of improving the financial environment for SMEs. The meeting was called at the initiative of Raniero Vanni d'Archirafi, the European Commissioner responsible for EC business policy. This Round Table, which will meet at regular intervals, will conduct an in-depth examination of the difficulties SMEs face in financing their activities, with a view to proposing solutions. The bankers will look into the question of access to bank loans as well as to venture capital. They will seek to identify the best practices in the Community, to evaluate the possibility of introducing them in other EC countries and to suggest new ways of improving SME financing. The Round Table will also study the role the European Commission could play in order to promote the financial instruments, whether new or existing, most favourable to SMEs, or to improve their financial structure.

◆ Europartenariat Scotland 1993: the catalogue is ready

Establish a direct contact between SMEs; encourage cooperation agreements in the commercial, financial or technological fields; develop the potential of economically disadvantaged regions and stimulate productive investments — these are the aims and method of Europartenariat. Since 1988 it has been inviting SMEs from all over the EC to meet with their counterparts in a given disadvantaged region.

The operation is carried out in three stages. They are: selecting SMEs in a given region, publishing a catalogue listing their proposals and organizing 'direct' business contacts with the help of interpreters. Scotland will embark on this Community activity this December, with company managers invited to meet each other in Glasgow on 13 and 14 December. Some 320 small and medium-sized Scottish enterprises have been chosen. Their proposals for commercial, technical or financial cooperation have been published in English, French, German, Italian and Spanish. This volume is being widely distributed through a network of business consultants, based in the various EC countries as well as in the Scandinavian countries, Central and Eastern Europe and the countries of the Mediterranean basin. The catalogue and more detailed information can be had from the Europartenariat consultants.

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