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Ladies and Gentlemen,

I am very happy to speak to you today. While the microphone was switched off, you have not heard me say that the EEC economy is in a "hell of a mess". But I could have said it. The economic outlook, also reflected in the European Commission's annual economic report for 1982 and 1983 which was recently published, is not good. We enter the 4th successive year of recession. The prospects of the economic recovery in the years ahead are not favourable. On the first of this month 11.5 million people were unemployed in the Community of the Ten, of which 6.6 million men and 4.9 million women, a 17% increase over October 1981.

Most European countries seem to be suffering from the same illness, the "European disease". The diagnosis has not been too difficult. It is characterized by heavy public sector debts, by the narrow capital base of companies and by the straight-jacket of the welfare state. But the medicine administered and the remedies adopted have differed in timing, approach and intensity. And this is a serious handicap to our efforts to secure greater economic conversion. And it is precisely the progressive approximation of the economic policies of the 10 Member States which is at the heart of the European Economic Community.

For the necessary changes to come about, some of the sacred cows of our welfare state will have to go. A year ago many governments were clearly afraid to act but I think that we have seen various examples in recent months where national governments have not hesitated to take unpopular measures. Here the Commission's duty of coordination and mutual assistance is of the utmost importance and it is only through a common EEC approach that we can hope to get out of the difficulties.

A similar common European problem is posed by the existence of obsolete industrial structures and excess production capacity in fair number of industrial sectors. And this goes hand in hand with a gap in technology between Europe and the United States and Japan, its major trading partners, and unsatisfactory performance in new developing sectors. The need for a truly European industrial policy therefore seems selfevident.

And yet there is no "single European industrial policy instrument". The EEC Treaties provide an array of instruments which must be used to steer industry and national governments in the right direction.

And let me insert here that I think that there is too much negative talk. We must not talk one another into depressions. Favourable developments must be grasped. A new course must be set in a number of areas where progress has been blocked by the rigidity of our social-economic structures. And there are positive signs, of course. Wages, salaries and consumer prices have risen less sharply than expected. The result has been a slight improvement in our competitive position. Inflation is expected to ease a bit in 1983. Interest rates, although still too high, have fallen. And in many EEC Member States balance of payment deficits have narrowed and budget deficits have at least more or less stabilised.

But back to the instruments which we have. The main instrument is the Common Market itself. It is essential that the Common Market be maintained and reinforced. Then there are the instruments for laying down norms and standards, for harmonizing legislation, for liberalizing public procurement policies. Our commercial policy - which requires very careful handling - and the Community's financial incentives and our social policy are other useful tools for giving guidance. And, last but not least, there is our competition policy, as applied in the areas of state aids and antitrust.

It is clear that the continuing recession has far-reaching consequences for the functioning of the Common Market both inwards and outwards in the Community's relationship with third countries.

you probably all know that ^{the} Community is in any case severely handicapped when compared with the United States, since our Common Market is not half as open as yours. It may be true of course that in our internal traffic there are no customs duties, charges, or other quantitative restrictions. But it is as true that the continuation and the deepening of the economic recession ^{has} only increased the inventiveness of Member States when it comes to non-tariff barriers. Some national governments seem to reserve their own national markets for their public procurements. Others fence their markets off by introducing new national norms or standards.

This subdivision of the Common Market into submarkets severely affects the competitive position of European companies vis-à-vis their American or Japanese counterparts. It is a development which works to the detriment of European companies and to US subsidiaries established here since it

denies to them the economies of scale which the large and genuinely unrestricted national US market offers to its companies.

It seems curious in this connection that in practice it has sometimes seemed easier to conclude transnational joint ventures with third countries than with companies from other Member States of the Community. I will not go into detail but would like to remark that the experience of the most recent decisions shows that EEC competition law as applied to joint ventures has generally tended to be more favourable towards joint ventures than US law. US professors who have made comparative studies on US and EEC antitrust law seem to agree with me on this point. There have now been approx. 30 joint venture cases dealt with by the Commission of which details have been published. In only 4 of these has the Commission prohibited the joint venture itself and in 6 more the Commission objected only to certain features of the arrangements. All the other Commission decisions on joint ventures have been essentially favourable. I will come back in a moment to our position with respect to the increased needs for cooperation between companies in a recessionary economy. But let me go back for a minute to the dangers of a renationalisation of markets.

It is clear that the growing tendency to renationalise and protect one's own market has its repercussions on third countries as well. It is easy, of course, to refer in this connection to the recent French measures which oblige all importers of video tape recorders to go through customs in the French town of Poitiers. If Carl Martel had not made Poitiers

into a famous town, then certainly the one customs official in charge of VTRs would have done so. But don't be misled by all the publicity concerning the French measures. There are many other sinners in the Community who are trying to curb sensitive imports. And let us not forget that the Community's plans to stimulate productive investment can only lead to positive results if business can be sure of the market it is to operate in.

Too much of the publicity tends to be too negative and only underscore the fact that no concrete results are being achieved. In my view you can also look at the current developments in another, more positive way. Isn't it true that the very fact that the Common Market exists - in spite of its imperfections - and that the Economic Monetary System functions^{is}/proof of the achievements we have made? Doesn't the very fact that "turkey wars" exist prove that the system functions? Don't misunderstand me. I am not saying that no further progress should be made. I simply want to underscore the fact that much of the information which may reach you seems more negative than deserved.

The same applies to the GATT meeting which is being held in Geneva. The press has been gearing up to underscore the areas of conflict between the world's main trading partners and has underlined the likelihood of failure of the meeting. Even some of the participants have talked in terms of threats or have warned that the political will to preserve an open market is close to collapse. It may not come as a surprise to you that I do not believe that such statements are likely to be helpful. My point is simple. It is ridiculous to create exaggerated

expectations as far as the outcome of a three- or four-day meeting is concerned. And it is unrealistic to talk in terms of "victory" and "defeat" when genuine efforts are being made to come to grips with the potential scope of the proposals made, both with respect to agricultural subsidies and with respect to services. But it is absolutely essential that the world's main trading partners reiterate their willingness, also at a ministerial level, to enter into constructive discussions whenever necessary and to guarantee that world trade remains as open as possible. Let us not forget that GATT has been responsible for the biggest increase in prosperity known in the recorded history of the western world.

Community - US relations play an important role in this context. Here too tensions tend to be exaggerated. It is largely thanks to the intervention of the European Commission that the steel conflict has been solved, and this in connection with products for which no Commission competence is specifically foreseen in the ECSC Treaty. The pipeline problem has also been solved, no matter the interpretation given to that solution by certain Member States.

Differences of opinion continue to exist when it comes to the agricultural policy. The US Administration no longer feels itself bound by the commitments of previous US Administrations. And here too it is not harsh talk but a continued willingness to discuss matters across the Atlantic which is of the greatest importance. Both the United States and the EEC would pay heavily, in my view, if they would start putting their agricultural surpluses on the world market.

Let me now turn to one of today's most important non-tariff barriers in intracommunity trade : national state subsidies. State aids or state subsidies clearly have an important effect on the proper functioning of the common market. In the last 10 years most European industries have seen their profits eroded for a variety of reasons, some of which I have already mentioned. This has clearly not improved the employment climate in the EEC.

Under the competition rules of the EEC Treaty, articles 92 and 93, no national aids may be granted to firms without prior approval from the Commission. At this time of economic malaise, characterized by a proliferation of national state subsidies, my task is not an easy one. Restrictions on subsidies or refusals to grant subsidies often have direct effects on employment. But, in imposing strict conditions on proposed aids, the Commission is convinced that it contributes to the adjustment and modernization of European industry in the medium and long term. Subsidies are only tolerated to the extent that they serve a "higher goal" of general Community interest. I should point out in contrast that in the United States, Washington has no control at all over subsidies granted by the states.

The European Commission is not taking its responsibilities lightly: It is only yesterday that I announced to the press that procedures will be opened against nine Member States because we believe that the steel restructuring plans as submitted are inadequate. Further sacrifices are necessary, particularly there where the most obsolete equipment is used, the highest losses are recorded and the biggest subsidies are foreseen.

Another article in the Treaty's chapter on competition which I would like to mention and which might be important to US businessmen is Article 90. It prohibits Member States from adopting measures which have the effect of obliging or encouraging state-owned companies to break Community antitrust rules. You may need to invoke Article 90 if your right to sell in Community markets is being interfered with by national measures. State-owned companies are bound by the normal rules on competition, but - and this is a separate point - the financial relationship between them and their national government may well elude supervision. It is precisely in this areas that the Court has recently confirmed our power to deploy a new instrument, based on article 90(3), the Transparency Directive, under which EEC Member States may be required to to provide information on their financial links with state owned companies. We will soon ask a number of sectors for precise information.

And then there is of course the antitrust side of the EEC competition policy. Here too our policy plays a very important role in bringing about the necessary industrial adjustments.

I do not believe that the Commission's enforcement of the competition rules is too legalistic or "out of tune" with economic reality and with the objectives of industrial policy. Let me touch upon a number of points in this context.

It is clearly recognised that cooperation and mergers are often essential in the interest of restructuring and rationalisation. I already mentioned joint ventures. The existing rules impose limits but also

permit us to develop a policy and, importantly, to sanction it. Even in a time of crisis competition continues to be a driving force in technological and economic progress. State subsidies and national government plans to rejuvenate whole industrial sectors do not favour the optimal use of our productive factors in the same way as healthy competition does.

I do not think that I should bother you with detailed descriptions of the various proposals with respect to joint specialisation, joint R & D, selective distribution, exclusive distribution and patent/licensing. But it is clear that we cannot remain inactive in the face of increased needs for cooperation between companies, due partly to technological developments, partly to competitive pressures from outside the EEC.

Where justified, we must actively favour projects with respect to joint R & D or the joint production of component products. And the capital risk involved or indeed the chances of the ultimate commercial success of the project may well mean that the joint venture should be extended even to the stage of the joint marketing of the product by the participants.

But effective competition should always be maintained and the Commission must clearly always see to it that the least restrictive means are chosen, even for a clearly desirable objective.

Let me add in this context that the Competition Department is currently defining, on my insistence, its attitude to cooperation in the field of R & D. I hope to be able to announce in 1983 which forms of cooperation do not fall within the prohibition of article 85 (1) and to give guidance on where exemptions can and will be granted.

Over the years the main thrust of the EC's competition policy has been directed towards the production and distribution of manufactured goods. But we have started to turn our attention to the services sector as well. The Commission is, in fact, examining the banking and insurance sectors. If there was ever any doubt as to whether the competition rules apply to banking, then these must have been allayed by the Court's decision last year in the Zürchner case. It is clear, however, that the competition rules cannot apply fully where competition is a priori eliminated due to government regulation, as is often the case in the banking sector.

Later this afternoon you will hear something about procedures in competition matters. I believe that some useful improvements have been made in our procedures over the past one and a half years. But I do not think for a minute that all criticism will stop. First of all, the weaker one's case on substance, the more vociferous the criticism of the procedure. And secondly, businessmen want quick reactions and fast solutions to their problems. Their lawyers, however, may not always agree. And I do not think that legal fees are the main cause for such

disagreement Requirements of due process, fair hearings and thorough investigations tend to take time, as you all know. And I can assure you that it is not easy to reconcile the interests and preoccupations of lawyers from ten - and if I include US counsel, eleven - different backgrounds. We are trying to do the impossible. And we are working towards "crisper", shorter and - not unimportant - faster decisions, whilst maintaining the various procedural safeguards which due process requires.

It is deplorable in this connection to see that sometimes the very same companies which insist loudly and repeatedly on fair procedures do not leave a single opportunity unused to bring their particular grievances to the attention of other persons, not directly involved in their procedure. It will not come as a surprise to you that I do not approve of such lobbying efforts.

Too few businessmen seem to realize that the antitrust rules of the EEC treaty are directly applicable. That, therefore, articles 85 and 86 can be used as a defence in private court-actions. And that, as a corollary, plaintiffs which claim to have suffered loss as a result of an infringement of articles 85 and 86 of the EEC Treaty may bring actions for injunctions and presumably also for compensation before the national courts of the Member States. The Commission has of course an interest in encouraging such actions. And the European Court of Justice has stated that national courts have a duty to ensure that their decisions do not conflict with Community action.

Another remark which I wanted to make in this context is that I am always astonished to see that there are so few companies - and here I am thinking of the small- and medium-sized ones in particular - which lodge complaints with the European Commission.

But I think that I have kept you long enough and hope that I have provided you with sufficient food for thought for your continued deliberations this afternoon. And, to the extent that you may have questions, don't hesitate to write or call. The highly qualified men and women from Directorate General IV are not living in an ivory tower, as sometimes wrongly suggested.

Thank you.