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The External Aspects of the Completion of the Internal
Market

by Duncan Wallace

For some time - ever since the publication of the Commission's "White Paper" on the measures it intends to propose to bring about the completion of the Internal Market - there has been a growing concern in informed circles that the dismantling of the internal obstacles to trade and transnational investment and industrial establishment between the twelve Member States, will lead to increased obstacles being put in the way of similar activities emanating from third countries.

The "Economist" mirrored these anxieties when it said : "If the politicians and bureaucrats of a better-integrated Europe will feel emboldened to "get tough" with exporters from the rest of the world, then the motor of free trade will backfire in the faces of Europe's consumers.. Ominously, these are signs that this is already happening".

Former Commissioner Willy de Clercq who had responsibility for external trade has often been quoted as saying that it was not the intention to create a "fortress Europe", but admitted that the intended structure of post-1992 Europe would give it "negotiating leverage" to exact "reciprocity" and these concepts will be examined later in this article.

Another assurance was recently given by Dieter Frisch, Director General for Development at the Commission. In his address to representatives from developing countries given in Bonn in October last year he stressed that **the Community could not afford a closed market for economic reasons.**

Too large a proportion of the Community's trade was with third countries for there to be any possibility of isolationism. In 1986, 14,8 % of the Gross National Product of the Community was generated by exports of goods and services from the Community. Frisch was therefore underlying the truism, that any attempt to block or interfere with imports from third countries would lead to retaliation against the Community's exports. On the contrary,

and like de Clercq, he claimed that a revitalised Europe would generate **increased** world trade.

Indeed there does seem to be no logical economic or political reason for complete isolationism. It is selective restrictions that are in issue and here many can see a good case for such measures, especially in sectors that are presently relatively weak and uncompetitive.

1. Certain sectors are relatively weak and uncompetitive.

These sectors include the vital and strategic area of high-tech industries - product groups such as electrical goods and electronics, office machinery and information technology. Weakness in these industries is attributed to :

a - **low productivity** in the European industries concerned.

Taking ~~electrical and~~ electrical goods as an example, productivity is estimated as only one quarter of Japan and half that of the United States.

b - **fragmentation** of European industry, which lacks, especially in the hi-tech sector, the size of undertaking and uniform single market required for achieving the **necessary economies of scale** and **heavy investment in research and development** essential for competing against Japanese and American competitors.

It is pointed out that since 1979 the share of Community industry on **world markets** for manufactured products as a whole has declined almost continuously, and for electrical goods the decline has been in the order of nearly 5 per cent. For the same industry Japan increased its market share by 11,7 per cent.

Community industries have however done far better at keeping their own Community market. This holds good even for the market in electrical and electronic equipment, as well as such other sensitive and weak areas as cars and office machinery.

It is widely accepted in Community circles that it has only been protectionist measures of one type or another that have enabled Community industry to hold onto its share of the home market. Prominent amongst such measures have been (a) duties levied on imports for alleged dumping (b) quantitative restrictions and (c) technical barriers to trade. Each of these broad categories will be examined in detail later.

It is, however, a noteworthy fact that such measures have been used mostly in cases where Community industry is weak, often in violation of a proper application of such international agreements as the General Agreement on Tariffs and Trade.

Senior officials and national governments fear that the homogenisation that the completion of the Internal Market entails, if not qualified by other more restrictive steps, would throw the market open to a competition which experience up until now has shown that, for certain strategic sectors, such as electronics and electrical equipment, Community industry has been constantly losing ground.

It is hoped of course that the completion of the Internal Market will eventually bring about just the increases in productivity, economies of scale and increased research and development spending that will make European industry and the services sectors competitive.

D Period of adjustment

However the general view is that there will be a period (a "period of adjustment") while such rationalisation is occurring when European industry will be particularly sensitive and vulnerable - and during which it will have to be protected to survive.

In other words it is considered by many officials that it may take up to five years for the round of take-overs amalgamations and corporate alliances which will have to occur, to take place. Even when such restructuring occurs, in many cases it will not succeed or at least it will present teething problems, while it is decided which production lines/processes shall be carried out by which partner and where rivalries between senior managers, afraid of loosing influence or even their jobs, causes friction and inefficiencies. Large numbers of redundancies are to be foreseen (see below on this) and industrial action will prove inevitable.

Corporate alliances have proved to be particularly prone to failure. Recent research undertaken by Susan Simon of Nynex Inc. suggests a long-term success rate for such alliances of only 10 to 15 per cent. Failure she suggests is due, amongst other reasons, to a lack of clear objectives and realisation by the economically weaker partner that it is gradually losing overall control. Such alliances, experience shows, usually end either in outright merger or dissolution.

The above may be regarded as the more optimistic scenario. Usually reliable sources confirm that the advice received from outside experts as to the likely beneficial effects of the completion of the Internal Market is far from being as positive as is shown by the recently published Cecchini Report. This would

account for the ^{initial} reluctance of the Commission to make available the underlying reports.

There is also admitted to be a friction between the need for such rationalisation - entailing mergers and amalgamations - and the Community's competition and social policies. The competition policy seeks to avoid abuses due to a "dominant" position and seeks to ensure that such mergers and amalgamations are only undertaken when it is in the "public interest", where other matters such as effects on unemployment and monopolistic or oligopolistic practices, leading to higher prices and reduced consumer choice, are to be born in mind.

Of course this should be where competition from third countries comes in - to keep prices down and provide choice of products. But it is acknowledged that it will be difficult to refuse a request for protective measures when it comes from the quasi-totality of a European industry, alleging "dumping" or uncompetitive practices, resulting in price-undercutting of home-produced products - even when it is known that the blame lies with the European industry for low-productivity, for bad design or lower quality.

European industry in such circumstances will often point to the "inevitable" redundancies that reduced production will entail. Yet these industries seldom hesitate to reduce their workforce when they consider it required to achieve greater productivity in the process of rationalisation.

Yet is not exactly this the point in issue? If European industry is losing ground in a particular sector - is it not better that the least efficient operations should close and the others either be forced to improve their competitiveness for the product in question or move into another production line where they can

hold their own? This effectively begs the whole question of the justification for protectionism.

The argument for such measures makes out that the sale abroad of products at a less price than they are sold for at home (or their cost of production and reasonable profit if more) is injurious and unfair to the industry in the importing country.

But economists who favour free trade make a distinction between imports which continue at the same prices for a substantial period - because the firms have a comparative advantage due to cheap local raw materials or cheaper labour or because they are more efficient or a combination of these factors, and those whose low prices are a transient phenomena and are either the result of selling goods below surplus capacity, or perhaps with the aid of subsidies from a government anxious to avoid unemployment or receive hard currencies or as a ploy to penetrate a market by artificially low prices, which will be increased once a market share has been established - so called predatory pricing.

In the latter case, the injury is one which most agree can and should be justifiably avoided. It is inefficient and uneconomic, as well as sociably unacceptable, to close factories and redirect the factors of production and undergo the costs of industrial reconversion, simply in response to a temporary and contrived phenomenon.

But in the case of a genuine comparative advantage in the exporting firm the response should be different. Here the consumer - and the economy - benefits from the competition. Home industries are forced to improve their efficiency and this benefits the consumer with lower prices, the economy and the trade balance, when the industry's new efficiency improves its competitiveness in international markets. This is also true where

the imported goods are incorporated into other goods in the importing country.

Cheaper imports will also help to break-up monopolistic conduct or price-collusion.

There is nothing unfair, at least from the point of view of purchasers in the importing country, that they should be able to acquire their products cheaper than purchasers in the exporters own country.

This may arise where an exporter is able to practice discriminatory pricing because of differences in the elasticity of demand in the country of export and his situation as a monopolist or quasi-monopolist in his home country, coupled by a low risk of the same goods being reimported (parallel imports) due to high transport costs and customs tariffs. However in some cases the lower-priced exports are not profitable themselves but enable economies of scale to be reached which permit a greater overall profit to be realised, given the higher selling prices on the exporter's home market. The producer in the country to which he exports may not be able to practice the same pricing/production policy because, for example, of greater competition at home or the different elasticity of demand. In this case the producer in the country of import is not less efficient and the exporter gains his advantage through monopolistic conduct.

Nevertheless such conduct on the part of the exporter is profit-maximalist and not predatory and continues over the long term. Arguably therefore the economics of international trade and specialisation dictate that the producer in the importing country should move into a line where he can compete favourably on international markets.

Unfortunately the GATT anti-dumping Code, particularly as applied by European Community legislation, fails to distinguish between exports which are actually made at a loss, perhaps for predatory reasons and short term, from those which are merely cheaper than when sold on the home market, because, for example, of differences in the elasticity of demand. Inadequate emphasis is given to the overall advantages to the importing countries economy of cheaper imports or to the benefits of genuine international specialisation for international trade and the world economy.

But what protective measures could the Community take ?

At least for products whose origin is one of the signatory countries of the GATT, the European Community is largely restricted in those measures it may take to protect its own industry, and economy to certain restrictions to safeguard the balance of payments, sanctioned by Art XII of the GATT, so-called anti-dumping measures which aim at increasing the price of the "dumped" goods in question and, thirdly, prohibitions or quantity restrictions taken against a category of goods. Individual Member States of the Community may also prevent goods entering their territories for reasons of public security, morality or the protection of the health and safety of their populations. Unfortunately there is considerable scope for using these latter criteria as a disguised means of protecting their own manufacturers against competition.

In addition to the above, extensive use has been made by the Community of "Voluntary Restraint Undertakings" where particular countries agree to restrict their exports of certain categories of goods.

There are also multilateral agreements dealing with particular product sectors, such as the "Multi-Fibre Agreement"...

In common with most developed countries, the Community has shown a marked preference for anti-dumping measures (taken under GATT Art. VI) over quantity restrictions imposed in accordance with the "safeguard clause" of the GATT (Art. XIX), where there were grounds capable of justifying recourse to either method. The chief reason for this is that measures taken under the safeguard clause must be non-discriminatory, that is they must relate to all products of a particular category and not to the goods of particular producers or countries.

Art. VI on the other hand can be relied upon to impose duties on qualifying goods coming from a particular country or from named producers.

Art. XIX provides for consultation with affected States, but unless their consent is obtained, often after agreement on compensation, they are free to take retaliatory action by suspending "substantially equivalent concessions or other obligations" under the GATT. No such action can be taken, as such, under Article VI.

ANTI-DUMPING MEASURES

The European Community has been making increasing use of anti-dumping measures in recent years to protect its indigenous industries, as the following table shows.

TABLE 1

Anti-dumping and anti-subsidy investigations in the
period 1 January 1984 to 31 December 1986

	1984	1985	1986
Investigations in progress at the beginning of the period	33	40	44
Investigations initiated during the period	49	36	24
Investigations in progress during the period	82	76	68
Investigations concluded by:			
- imposition of definitive duty	5	8	4
- acceptance of price undertaking	27	4	25
- determination of no dumping	6	2	4
- determination of no subsidisation	-	1	-
- determination of no injury	-	15	7
- other reasons	4	2	7
Total investigations concluded during the period	42	32	47
Investigations in progress at the end of the period	40	44	21
Provisional duties imposed during the period	11	9	6

Art. VI of the GATT recognizes that "dumping" is to be condemned if it causes or threatens material injury to an established industry or "materially retards" the establishment of a domestic industry.

A product is to be regarded as "dumped" if it is exported at a price which is less than the home sale price of such product "in the ordinary course of trade".

The vital factors of course and the key to the use of the Community's anti-dumping legislation (now contained in Council Regulation 2423/88 of 11th July 1988) is the way in which the home selling price (the "normal value") and the "export price" are calculated. The difference between the two is the "dumping margin" and constitutes the maximum permitted duty that can be levied.

Quite legitimately according to GATT, the Regulation provides that only the first price to an independent purchaser in the Community can form a "point of departure" from which, by a series of adjustments, the "true" export price can be calculated, i.e. the ex-factory price in the country of export.

When the price of the first arm's-length sale price in the country of export is taken, it is then necessary to work it back to the ex-factory price, so that the comparison required for establishing the "dumping-margin" if any may be made.

However, Regulation 2423/88 allows (just as its predecessor 2176/84 did) for the Commission to deduct certain expenses like advertising and overheads, when calculating the constructed export price (Art. 8 (b)) whilst not granting a deduction for the same items when calculating the "normal value". The dumping margin is therefore artificial and built-in.

The chief advantage of the legislation as it presently stands is that it bears especially heavily on far-eastern exporters, whose selling structures, both at home and in the E.C., are often composed of several layers of connected companies. It is axiomatic

that the further down the line the "point of departure" is taken from, the greater the distinction becomes.

It is of course in large part companies of far-eastern origin that pose the greatest threat in the "sensitive" sectors discussed earlier.

QUOTAS and VOLUNTARY EXPORT RESTRAINTS

The disadvantages of quantitative restrictions has already been seen. The legality of the present, in many cases longstanding, national quotas, based on Regulation 288/82, has always been questionable, many not having been submitted to the consultation procedure required by GATT (Art. XIX), most being country-specific whilst not benefiting from any exemption from the general requirement for non-discrimination, and almost all existing for too long to really be capable of being considered "temporary" phenomenon, which Art. XIX of the GATT is designed to safeguard against.

In any event after the completion of the Internal Market exemptions based on Art. 115, to the principle of free movement of goods already circulating in the Community, will no longer, in the Commissions view, be feasible. Thereafter if quantitative restrictions are to be taken at all, it must be by the Community as a whole.

The probability is that such quantitative restrictions will occur in the "sensitive" areas already described.

Often, of course, Member States or the Community-itself has sought to by-pass the limitations of GATT by entering into bi-lateral agreements with particular countries, which "voluntarily" restrain the quantity of exports of certain products. The danger of such a move towards bilateralism and away from

multi-lateralism and free world-trade cannot be too greatly stressed. It also ties in with the current thinking of "reciprocity" - a bargain struck between two parties, each of whom has something to offer. It is a bargain struck on political and often only coincidentally economic grounds. It is also unfair to the developing countries whose room for manoeuvre and bargaining power is limited.

STANDARDS AND TECHNICAL BARRIERS TO TRADE

Member States have also had recourse to technical barriers to trade, such as when the French Government moved its customs clearance operations for video-recorders in land to Poitiers and deliberately understaffed them, creating a back log.

Less blatant is the requirement for foreign produced goods to meet certain specifications or meet particular health or safety regulations, very often requiring manufacturer's to produce for individual Member States' markets.

The recent drive towards mutual recognition by Member States of each others' requirements and the development of common safety requirements, as well as the possibility of manufacturers to adhere to Common European-level standards is an important element in the completion of the Internal Market. It would also make it far simpler for non-EC manufacturers - a fact not lost in the Commission.

The solution could well be for mutual recognition by the Community of testing and certification procedures in non-Member States to again be based on the principle of reciprocity.

Letter from Michael Cendrowicz

Dear Duncan,

External Aspects of the Completion of the Internal Market

I have hesitated rather a long time before sending you comments on your paper about the external aspects of the programme for completing the Internal Market because I have to tell you that I disagree fundamentally with its central thrust. While I accept that trade protection legislation against dumping or subsidised exports should not be abused, I not merely believe that this is a long way from being the most important, let alone the only issue on the external side and I do not in any event share your dismal view of the way the EC applies its powers.

You seem to me to have been far too ready to repeat uncritically any attack by third countries, most of whom are scarcely disinterested parties - i.e. the USA and Japan.

In fundamental distinction to the US procedure, in the EC anti-dumping duties are normally imposed only to cover the extent of damage, and not the full margin of dumping. Cases even exist where no damage having been found, no duties have been imposed, even though the evidence of dumping is irrefutable. As to the criticisms of the formula used to measure dumping, I believe this was convincingly demolished by Krenzler's letter to the FT.

The issues which in my opinion are much more important than dumping and which you have not referred to at all are:

Trade in Services

Trade in services, e.g. banking, insurance, shipping etc, whose importance is growing much more rapidly than the commodities trade. This trade is not as yet covered by any GATT code. The negotiations in the Uruguay Round are certain to be extremely long and complex. Here I believe you should have turned your attention to the issue of reciprocity. It really is an extraordinary cheek on the part of the US, which has enshrined highly dubious requirements in its latest Trade Act, to pound the table and demand access to the whole of the EC when its own banking legislation has always prevented the establishment of nationwide banking chains, whether US or foreign. Similarly the huge Japanese security houses like Nomura could well scoop the board in London, while only a handful of British brokers have got a seat on the Tokyo Stock

Exchange. The concentration of institutional power to influence investment/production/employment of such great manipulators of capital needs to be controlled.

Removal of Internal Trade Barriers

1992 will also bring about the removal of internal trade barriers to the free movement of imported goods or should do - e.g. the national quotas inside the Multifibre Agreement, GSP etc as well as the effective abolition of recourse to Article 105. In terms of the trade involved this dwarfs many times the efforts of anti-dumping and anti-subsidy measures.

Textiles of course are still of major importance to many developing countries, but there are also many other products, notably Japanese cars, where new arrangements will have to be worked out which do not necessarily hand over the EC market on a plate.

Yours

Michael Cendrowicz.

The Single European Act : Reform of the Structural Funds

by Ellen Sweet-Escott

The three European Structural Funds (the European Regional Development Fund, the European Social Fund and the European Agricultural Guarantee and Guidance Fund [Guidance Section]) have a significant contribution to make to the "economic and social cohesion" of the Community, which was laid down as one of its objectives by the Single European Act. As a result of the Single European Act, the funds have undergone a wide-ranging reform which is currently being implemented.

The main idea is that the funds should assist in reducing the disparities, both economic and social, between the richer part of the Community, and the poorer regions - which tend to be the peripheral areas.

These disparities clearly increased greatly with the accession of Greece, Spain and Portugal to the Community, whilst, at the same time, many of the industrial areas of the Community were experiencing a dramatic decline in prosperity. Consequently the demands made on the funds increased manyfold, whilst the resources were considered insufficient to deal with the problems faced in the Community.

A word about the funds themselves:

The European Regional Development Fund (ERDF)

This was created in 1975, and supports infrastructure and industrial developments of many different types, from, for example, large tourism projects to small industrial units. In the UK, local authorities are major beneficiaries.

The European Social Fund (ESF)

This fund supports training and job creation schemes. It has often been a vital source of support to voluntary bodies (such as womens workshops) but the lions share in the UK has gone to central government training schemes.

The European Agricultural Guidance and Guarantee Fund (EAGGF) - Guidance Section

This aims to promote the development of agricultural structures, as well as contributing to the development of rural zones.

Until the reform, which came fully into force on 1st January 1989, the funds tended to be allocated on a one-off, usually annual basis, which made it difficult to plan ahead. There has been a trend away from that in recent years, with the introduction of Integrated Mediterranean Programmes and Integrated Development Operations, which brought two or three of the funds together to operate on a multi-annual basis, and tackling specific problems. This multiannual strategic planning approach has been continued with the reform.

The reform of the structural funds

The reform really got under way with an agreement by heads of government last year to double the size of the structural funds by 1993. This was followed shortly afterwards by agreement on five objectives for the funds.

I. "promoting the development and structural adjustment of the regions whose development is lagging behind"

All three funds are available for this. the regions referred to by this first objective are; Greece, Portugal, Ireland, N. Ireland, parts of Spain and Italy and the French overseas territories and Corsica.

2. "converting the regions, frontier regions or parts of regions (including employment areas and urban communities seriously affected by industrial decline"

The ERDF and ESF will be used.

The list of eligible regions was announced by Commissioner Millan in March this year, and includes many industrial areas of the UK, with some regions which had not been eligible in the past.

3. "Combatting long term unemployment"

ESF only. No regional limitations.

4. "Facilitating the occupational integration of young people"

ESF only; no regional limitations

5a. "Speeding up the adjustment of agricultural structures"

EAGGF only.

5b. "Promoting the development of rural areas"

All three funds are to be used. The list of eligible regions includes part of the UK.

Another important element of the reform is the emphasis given to the partnership between the Commission, central government and the local/regional representation.

Concluding comments

It is difficult at this early stage in implementation to draw any concrete conclusions about the reform, except to note that it has a politically and practically important role to play in the achievement of the Single European Market if all regions are to be able to compete equally and fully. It is a subject of great interest to the UK, and something to which the BLPG should perhaps consider more.

LES MARCHES PUBLICS A L'HORIZON 1992

by Rudy LAMMENS, Secrétaire Général, Belgian International
Construction Industry, "B.I.C.I."

Introduction

Il n'est sans doute pas inutile de préciser brièvement l'importance des marchés publics dans la Communauté. Bon an mal an, les commandes passées par les administrations publiques des Etats membres représentent un chiffre d'affaires de l'ordre de 200 milliards d'Ecu. Par ailleurs, si l'on y ajoute les différents marchés conclus par les entreprises publiques (transports, énergie, P.T.T., etc.) on aboutit à un total de quelque 400 milliards d'Ecu.

Les marchés publics représentent une part importante du P.I.B. (Produit Intérieur Brut) de la Communauté : ils sont évalués à 9% en moyenne du P.I.B. et si l'on y inclut les entreprises publiques, cette part atteint 15% du P.I.B. de la Communauté.

Les entreprises européennes de la Construction s'interrogent sur les conséquences réelles de l'ouverture des frontières sur la Construction. La question principale porte sur le degré d'ouverture de l'Europe publique et pour cause : les marchés publics, bien qu'en légère diminution, représenteront encore près de 60% du marché européen de la Construction en 1992.

Un marché cloisonné

Bien que la passation des marchés publics obéit à des règles de publicité prévues par les Directives de 1971 et 1976, le secteur des marchés publics présente un cloisonnement type dans l'environnement commercial européen :

- * 20% du montant global des marchés publics font l'objet d'une véritable compétition ouverte à travers la Communauté;
- * 75% des ces dépenses sont généralement réservées à des "champions nationaux";
- * 2% seulement des marchés publics sont adjugés à la concurrence intra-européenne.

L'initiative de la Commission, qui s'attaque là à un des bastions les mieux défendus, poursuit un double objectif pour remédier à cette situation déplorable : d'une part procéder à l'ouverture graduelle des secteurs exclus (télécommunications, énergie, transports et eaux) et d'autre part, mettre en oeuvre le renforcement de l'application des règles communautaires dans tous les secteurs, et principalement au moyen des pouvoirs d'intervention de la Commission, pouvant aller jusqu'à la suspension de la procédure d'appel d'offres objet du litige.

Récemment la Commission a engagé une vaste opération d'information en publiant un vade-mecum (cfr J.O.C.E. du 31/12/1977 n° C 358/1) précisant l'interprétation de tous les textes existants qui concernent l'application et le contrôle des règles européennes quant aux différents marchés publics.

Quelques réflexions sur les répercussions du Marché unique sur la Construction

Bien que 1992 ne semble, à première vue, pas promettre de bouleversements majeurs dans le secteur européen de la Construction, cette nouvelle dimension entraînera néanmoins, eu égard aux caractéristiques propres au secteur de la construction, quelques mutations significatives.

Une première réflexion concerne l'approche globale du secteur de la Construction.

La Commission escompte de l'introduction des règles de la concurrence, grâce aux économies d'échelles réalisées, une réduction des coûts pesant sur les entreprises et un surcroît d'efficacité des ressources ainsi dégagées à des investissements industriels, aux efforts de recherche et de développement et à la création d'emploi.

Les aspirations de la Commission à cet égard sont non seulement légitimes mais sont surtout primordiales si l'on veut accroître la compétitivité des entreprises européennes sur les marchés mondiaux, laquelle constitue d'ailleurs une des préoccupations majeures de la Commission face à la concurrence acerbe des entreprises extra-communautaires notamment japonaises et coréennes.

Les atouts d'une entreprise de construction en générale résident en effet dans la compétence technologique, le prix concurrentiel, la capacité de management et la haute qualification de son personnel d'encadrement et d'exécution.

Pour assurer cette compétitivité, il faut une formation adéquate des ressources humaines, un effort de recherche et d'innovation dans les domaines techniques - qui existe certes, mais est encore très inférieur à celui des autres secteurs industriels -, des innovations dans les domaines financiers et l'élimination des entraves diverses notamment sur le plan fiscal.

Une deuxième réflexion se situe au niveau du marché et des entreprises englobant les points suivants :

- * comme une homogénéité de force des secteurs du bâtiment et des travaux publics existe dans la Communauté, l'on ne doit pas s'attendre à une concurrence accrue sur les marchés nationaux. Le marché européen n'étant pas vraiment riche de promesses pour les grandes entreprises européennes, leaders mondiaux de l'exportation, l'on assistera toutefois à des collaborations plus étroites (alliances, participations, joint-ventures, etc.) entre entreprises afin de renforcer des positions concurrentielles au niveau du marché des Douze;
- * l'ouverture des frontières, concernera plus les grandes entreprises de taille européenne, les entreprises frontalières et les entreprises très spécialisées (ex. forage, fondations, techniques spéciales, etc.);
- * dans le secteur de la construction, le marché européen supposera davantage une approche globale des contrats : conception, engineering, financement, exécution, gestion.
- * les entreprises européennes exportatrices ont, ces dernières années, subi une perte de compétitivité sur les marchés mondiaux. Par une série de mesures envisagées (harmonisation de la fiscalité, reconnaissance des normes techniques, libéralisation des services financiers) une nouvelle impulsion leur sera donnée pour reconquérir ces marchés.

POSSIBLE EFFECTS OF A UNIFIED INTERNAL MARKET
ON DEVELOPING COUNTRIES

by Jeremy Lester

1. The influence on developing countries of a more complete integration of European markets is likely to be complex, and likely to operate not so much directly through "economic" factors such as economies of scale, but rather through attitudes and the policies generated through those attitudes. Attitudes towards preferential treatment for less developed countries on market access, attitudes to development issues, attitudes to capital investment, choices about location.

The influence of enhanced integration of monetary and finance capital as opposed to integration of the markets for merchandise could have significant effects too - both **positive**, through establishment of a world monetary regime less inimical to third world interests than dollar hegemony, and **negative**, through making Europe a more safe haven for both finance and investment capital.

2. Merchandise, effects through trade in goods

As far as integration of markets for goods is concerned, there are in theory few products for which access to European countries markets is different from country to country. At first sight there would accordingly be little direct effect from dismantling of barriers to internal trade. In fact the products for which there are such barriers, are ones of some importance to particular LDC's, and in addition will be effects in terms of rendering the market more "modern".

. Products currently affected by barriers

. Bananas

Trade in bananas follows patterns established before the creation of the E.C. When preferential access to particular countries from particular LDC's is dismantled, the pattern of trade will change, but the effect is more likely to be one of changed pattern than of quantitative change of overall trade. Low cost producers will gain at the expense of hitherto protected ones - the particular ways will depend on the residual protection offered to LDC or ACP producers vis à vis the "dollar brand" producers of central America.

. Textiles

This is a more complicated case, for it is related to the degree to which the unified market will be a protected market. Countries which have at present privileged access to the markets of particular member states, often in part because of ties of tradition, will lose their special status and become subject to the general conditions of access to the market accorded under GATT rules. Textiles are an example of where a preference for LDC's as opposed to NIC's is likely to be retained.

. Products subject to different norms

There are some products which are accepted in particular member states but which do not at present have the right to circulate freely. Rules about health, environmental effects, are not yet uniformly applied. It would require a detailed study to see whether the effect of market unification will work towards total exclusion of products more or less, rather than towards total inclusion. Some products such as meat which do not fully respect veterinary regulations (but which are now allowed access to a single

E.C. country) may be excluded, while others, such as phosphate fertilisers with high levels of cadmium, might have access widened to include all E.C. countries. There is likely to be a period of adaption in order that any switch to changed norms is progressive, not suddenly implemented.

"Rendering the market "more modern"

The products which will be able to take full advantage from market integration will be those backed by effective advertising, by efficient distribution, by clever packaging.

All these are complicated emanations of advanced capitalism and not ones easily emulated by LDC's. In this respect, the produce of the third world is likely to find market penetration more difficult for items of higher value added. Goods which enter the E.C. as raw materials will not be affected - goods such as packaged foods or made-up clothing will be harder to market.

Observation of shared rules on hygiene and pollution is likely to have a similar effect of exclusion of the produce of the less prepared.

3. Increased differentiation between developing countries

The unified internal market is likely to be a challenge, a challenge which will reward those producers who succeed in adapting, and will penalize those who do not. The most likely to succeed are the countries already industrializing, with experience of sophisticated markets, with amenable rules about investment and labour relations. The least likely to succeed are the LDC's. Privileged access to the E.C. for LDC produce is unlikely to outweigh such effects, for, contrary to purely

economic considerations, investment tends to be made in those places where capital can feel secure, rather than those where labour costs are lowest and profits, in theory, highest.

Thus the countries most likely to benefit from the larger and more efficient market which 1992 is meant to offer are the countries who are, in equity terms, least in need. The poorest countries of Africa, for instance, will not benefit one iota from the free circulation of plastic bags or flip-top match boxes around Europe. Such increased differentiation can only be combatted through increased differentiation of market access - unlikely, as preferences are in general going down rather than up - or through seriously improved development assistance. About the latter, more later.

4. "Zone of stability"

One effect of market unification, not always considered, is the tendency for productive investment to seek havens where it is unlikely to be threatened over a period of say a couple of decades. Finance capital is far more footloose, but it too has a marked preference for stability. As the E.C. becomes an ECU zone, the effects to this investment preference could be quite pronounced.

Some diversion from, eg, the USA is possible, but a further diversion is likely to be away from the developing world. The tendency for financial assets to be stashed away in Switzerland will be matched by a tendency to invest in a safe block such as the EC where market access is assumed through production within any possible barriers against goods from outside.

5. Development issues attitudes

Traditionally there have been relatively positive attitudes to development and the third world in Europe compared with eg US. The EC has a relatively high dependence on entertaining a smoothly functioning international trade system. So we may expect that a strengthened Europe will be able to exercise more influence in this direction in, eg, the World Bank and IMF.

On the other hand, there is a risk that "completion of the internal market" is a step on towards introspection. England of the Commonwealth, France of the zone of francophonie, had more of a world view than the UK and France as zones of a common European market. It is in function of attitudes as well as of objective economic factors that the net effects will be fought out.