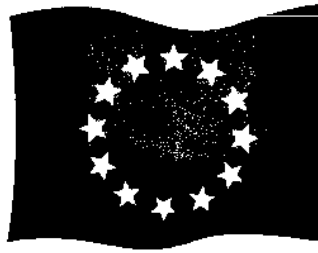


EUROPE AND US



New Europe for me as

METALWORKING

SME



Author: **Wirtschaftskammer Österreich**
Für den Inhalt verantwortlich: **Mag. Andreas Schneider**

2003

1 The Metalworking Industry in Europe

The European Union (EU) originally arose in the 50s as a coming-together of six states. The six founding states were Belgium, France, Germany, Italy, Luxembourg and the Netherlands. After four waves of accession (1973: Denmark, Ireland and the UK; 1981: Greece; 1986: Spain and Portugal; 1995: Austria, Finland and Sweden), there are now 15 member states in the EU.

The European Union is based on the principles of the rule of law and democracy. Its Member States transfer their sovereignty to joint organisations that represent their interests as a whole on questions of joint interest. All resolutions and processes are taken from the founding treaties ratified by the member states.

The EU's citizens enjoy the "Four Freedoms". This means:

- Persons may move within the EU as freely as they could previously only within a state - and without border controls. They may seek employment, go to school or university, reside or, of course, set up business anywhere (*Freedom of personal movement*).
- Goods are exchanged as on a domestic market. There are no longer any border formalities or certificates of origin (*Freedom of movement of goods*).
- Within the EU, anyone may provide or take advantage of services (e.g. insurance, cross-border installation work) (*Freedom of provision of services*).
- Anyone may, for example, open accounts, transfer or borrow money anywhere in the EU (*Freedom of movement of capital*).

A prerequisite for the smooth running of such a market is a framework of conditions allowing fair competition. Some of these conditions are given below:

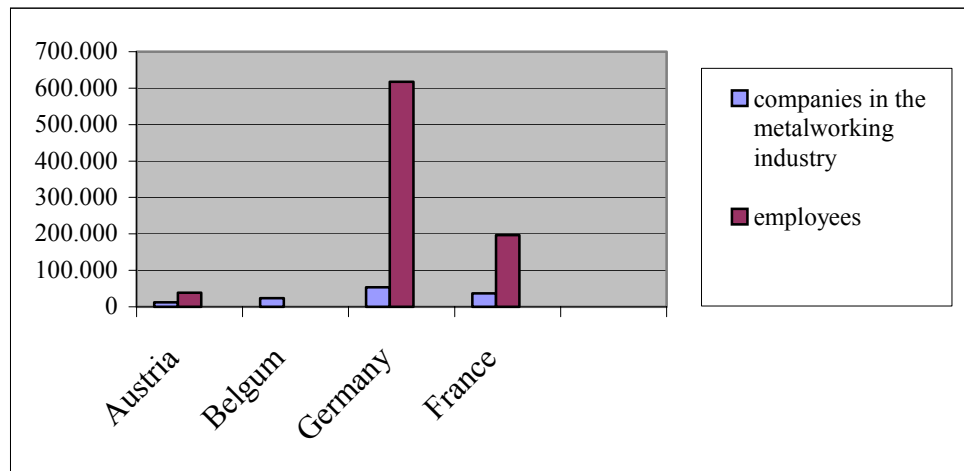
- Easing of trade by the removal of technical barriers
- Harmonisation of indirect taxes (VAT, consumer taxes, etc.)
- Harmonisation and/or recognition of norms and certificates
- Recognition of professional qualifications
- EU-wide rules for the granting of public tenders
- Measures against unfair competition by large conglomerates etc.

2 The metalworking industry and accession to the EU

Accession to the EU completely changes a country's overall economic conditions. These changes are not just a matter of making legal adjustments but can occasionally radically affect the structure of a large number of branches of business. Competition alters both structurally and in terms of competition law as a result of the four freedoms being realised, namely the freedom of personal movement, the freedom of movement of goods, the freedom of provision of services and the freedom of movement of capital.

The law has to be adapted in many areas.

The importance of SMEs in the EU



2.1 What advantages can businesses in the metalworking industry expect?

Reductions in prices when purchasing materials

As a result of the wider choice and stronger competition in the EU, businesses can make targeted and regular efforts to reduce the costs of purchasing materials. If one considers that the cost of materials makes up between 25% and 35% of total production costs, a reduction in purchasing costs of only 5% to 10% would make it possible to reduce the price of a product by between 1.2% and 3.5%.

Participation in the internal market

The European internal market, allowing more than 378,471,000 citizens to buy goods from other countries without restrictions, is by virtue of its size alone more interesting than the domestic market on its own. It is not possible to say precisely to what extent the increase in market volume has a direct effect in terms of numbers on the available market in the metalworking industry. Each entrepreneur will, of course, have to make the necessary preparations for potentially increasing his own business's market share. This will involve

market research, developing a marketing concept, considering specialising, etc., taking the advice of consultants where appropriate.

Abolition of border controls

Owing to the freedom of movement of goods, there are no border controls in the EU. Border controls with their related formalities, bureaucracy, hold-ups and delays in payments make a domestic product more expensive. Getting rid of these costs means improved competitiveness for business.

Regional subsidies, research programmes

Some regions of the EU that are poorer than the average receive special assistance from the EU's structural fund.

Improvement in quality

Increasing demands for better quality do not stop at the doors of SMEs. Even if official certification is frequently too expensive, systematic work in all divisions in line with quality guidelines will be necessary.

2.2 What disadvantages should the industry be afraid of?

Stronger competition

Most of the companies in the metalworking industry are afraid of increased competition upon entry into the EU.

With the same cost structure in all the EU member states, differences in price can only be achieved through improved productivity, better purchasing of materials, lower personnel expenses and/or better management. All companies have access to these methods of improving their business.

Price reductions based on miscalculations admittedly push market prices down but endanger the continued existence of a company.

Fears that foreign companies will increasingly set up here are not backed up by experience in the EU, according to which population mobility, at below 2%, is very low.

Most SMEs provide their services within a radius of 50 to 80 kilometres. This will not change significantly after entry. As before, companies will be building on strong economic and emotional ties to the local community. This will continue to give them a competitive advantage, especially when it is good quality that counts.

The problem of foreign companies "working their way in" is therefore only relevant to those close to the borders including, independently of the EU, those of Switzerland and the "transition" countries. Set against this, deliveries by companies in the metalworking industry outside the EU to subsidised regions of the EU have to be cheaper by the amount of the EU subsidy in order to be competitive.

High unemployment

SMEs in all EU countries have proved to be particularly resilient to critical situations, which shows up in significantly lower unemployment in the metalworking industry.

Provided there is a socially acceptable minimum level of employment, dealing politically with the problem of unemployment remains a matter for the individual member states.

2.3 The EU internal market and the 4 freedoms

The free movement of goods:

- Mutual recognition of norms and certificates
- End to border controls
- End to rules on certificates of origin
- Participation in the EU's VAT system

The free movement of people:

- Freedom of movement for employees
- Freedom for entrepreneurs and freelancers to set up branches

The free movement of capital:

- Foreign currency accounts and loans
- Freedom of foreign exchange

Freedom of provision of services:

- Cross-border business (installations, public-sector contracts, etc.)
- Mutual recognition of diplomas and certificates of competence

2.3.1 The free movement of goods

End to border controls and rules on certificates of origin

Upon entry into the EU, there is an end to all borders, border controls and rules on certificates of origin. This means

that goods can be supplied and sold without any trade barriers, duties or other restrictions such as waiting at borders.

Tax harmonisation

The EU's aim is to harmonise national taxation systems to alleviate border controls, administrative effort and distortions to competition.

Consumer taxes, for which minimum rates have been laid down, differ only minimally between EU member states. Taxes are only raised on products in their country of destination so they can move freely within the EU until they reach their destination. Private travellers pay VAT and pro rata consumer taxes in the EU in their country of origin.

Income tax is not affected by EU entry.

European standardisation – the EUROCODE programme

The aim behind European standardisation is the harmonisation of norms throughout Europe to ease the exchange of goods and services by the removal of trade barriers that can arise from differing technical requirements. CEN, Europe's multisectoral standardisation organisation, has the task of working out norms that conform to the basic safety requirements in the directives. These directives are binding on every country but leave them to choose the means of achieving the goal laid down within the prescribed time.

Here is an example of European standardisation:

EUROCODE for steel construction work:

History

- 1971 Publication of the "Council Directive concerning the co-ordination of procedures for the award of public works contracts" (Public Works Directive)
- 1988 Publication of the "Council Directive on the approximation of laws, regulations and administrative provisions of the Member States relating to construction products" (Construction Products Directive)
- 1990 Mandate to CEN to issue EUROCODES as prestandards (ENV)
- 1998 Start on the conversion of the prestandards into final norms

Current breakdown

- EUROCODE 0 Principles of planning structures
- EUROCODE 1 Actions on structures
- EUROCODE 2 Design of concrete structures
- EUROCODE 3 Design of steel structures
- EUROCODE 4 Design of composite steel and concrete structures
- EUROCODE 5 Design of timber structures
- EUROCODE 6 Design of masonry structures
- EUROCODE 7 Geotechnical design
- EUROCODE 8 Design provisions for earthquake resistance of structures
- EUROCODE 9 Design of aluminium structures

Machinery Directive and CE Mark

No machines may be sold or used in the EU without a "CE Mark". The "Machinery Directive" makes the mark compulsory and contains details of the safety measures that need to be carried out.

Along with machinery for commercial, private and industrial use, the safety concept also has to cover building components

that have a safety element such as feeding devices and safety appliances.

For machines that do not function independently but are installed into other machines or plant, there has to be a declaration by the manufacturer at the time they are taken apart. This will include a prohibition on their use until the whole plant in each case conforms to the Directive.

The safety of the machines must be assured, first in the way they are constructed, second by the inclusion of safety elements and thirdly by information on the dangers involved in the operating instructions or on each machine.

The manufacturer must also produce technical documentation listing the measures to be taken in order to achieve safety. This technical documentation thus becomes an integral part of the machine and a compulsory requirement for the affixing of the CE Mark.

The manufacturer of a machine certifies his conformity to the Directive by his declaration and affixing of the CE Mark. Whoever merely claims conformity and affixes a CE Mark without preparing the technical documentation or without adhering to the Directive in every aspect, risks punishment in the form of a fine, a prohibition on selling his products, a demand to do more work on the machine concerned and/or the recall of any machines already delivered.

2.3.2 The free movement of people

Prior to EU entry, the freedom of personal movement (freedom to set up branches) and the freedom of provision of services (cross-border work) are of most concern/interest.

Free choice of working location

The principle of the free movement of people enables every employee who is a citizen of an EU Member State the free choice of working location in any Member State in accordance with the principle of treatment equal to that granted to citizens of that state. The aim is the creation of a cross-border labour market. Employees are EU citizens and, as such, to be treated absolutely the same as citizens of the country where they are working. EU citizens may now work in any Member State without a working permit. Wages and other working conditions must be the same for all employees. Social security regulations ensure that employees working in another EU Member State can add together entitlements built up there and not lose any.

The only exceptions to the foregoing are for those in the public sector if the work involved is related to sovereign matters. Only citizens of the country involved may do this work.

Freedom to set up branches

The freedom to set up branches gives those pursuing a trade and freelancers the opportunity to be commercially active throughout the whole area of the EU. Here too a citizen of another EU Member State has to be treated the same as a citizen of the home country when he commences trading.

Rules on recognition of qualifications

The professional systems of qualification in the various Member States are not uniform. Recognition of professional qualifications/certificates of competence is consequently a significant prerequisite for the free movement of people. There are specific directives for many professional areas.

Since, however, the rules governing access to a profession are very different in each of the Member States, an interim measure has been the introduction of so-called transition guidelines. These generally lay down recognition of a specific period of independent practical work in lieu of demanding a certificate of competence in the country of choice.

To date there has not been an avalanche of new businesses being set up in Member States. Of course, this is also related to the comparable overall economic conditions in the neighbouring EU Member States.

2.3.3 Freedom of provision of services

In addition to the freedom to set up branches, freedom of provision of services guarantees that all are equally entitled to offer services inside and across borders.

Every entrepreneur is entitled to send his workers and salaried employees to provide services in another Member State provided he respects the prevailing legal regulations in the host country. Decisions on this are a matter for each Member State. But, in principle, entrepreneurs and their employees cannot be required to pay pension and social security contributions etc. twice.

2.3.4 The free movement of capital

In order to guarantee the free exchange of goods and services, freedom to transfer money and move capital is an important prerequisite.

Liberalisation and the associated increase in competition should allow a drop in the costs of capital, a reduction in the financial burden on companies and easier access for sav-

ers and borrowers to the international credit and insurance markets.

There are many kinds of business within this area encompassing the taking of holdings in companies, acquisition of property, payment of insurance premiums, making gifts, warranties and guarantees as well as share, debenture and loan transactions.

3 Strategies for success in the EU

Although the EU offers many opportunities and few risks to those in the metalworking industry, a company's success depends heavily on its internal structure.

Company analysis and costing

Every firm should be aware of its strengths and weaknesses. The most frequently occurring fault in an analysis of the metalworking industry was the lack of data, the "key management figures", which should serve as the basis for rational business decisions, for example:

- A full costing in its simplest form for calculating the breakeven points or in the form of a contribution costing for bottleneck-oriented decisions - and these have to be regularly checked
- A fair allocation of costs and proceeds to their source by product, cost centre or division
- Budgeting, planning liquidity, checking the state of finances, etc.

Only when this basic operating information is to hand, can an entrepreneur give thought to organisation, strategies and visions.

Marketing

Marketing does not just mean advertising and sales. It is a most basic approach, in line with which all actions within a company, from picking up the phone to delivery and after-sales, are carried out with the customer uppermost in mind.

Quality

Working out quality assurance systems is above all essential for those companies in the metalworking industry that are supplying industry. The aim in the EU is to guarantee competition under a uniform kind of quality standard. Certification systems can help entrepreneurs, as they require and allow the systematic analysis and improvement of all working procedures and also positively affect sales.

Co-operative ventures- Business Partner Search Database

DG Enterprise manages the partner search database, which contains a large amount of cooperation profiles. The database was developed in the framework of the cooperation networks BRE and BC-NET.

The BRE (Bureau de rapprochement des entreprises) was created in 1973 and the BC-NET (Business Co-operation network) in 1988 with the objective to promote cross-border co-operation and partnership between SMEs. The two instruments were designed to help companies to identify, via intermediaries who fed a database, other companies with which they could co-operate.

Following two negative evaluations and with a repositioning of the Commission's activities, the decision has been taken to close the networks at the date of December 31, 2000.

In the meanwhile, the database which was at the centre of the networks, continues to function and to receive co-operation profiles introduced by the former members as well as by all Euro Info Centers (EICs).

The main features of the cooperation profiles database are:

- its extensive geographical coverage;
- the broad dissemination of co-operation opportunities via the users

Thanks to these features, the database can be regarded both as a catalyst for co-operation and as a forum for dialogue between economic operators. Partner-searches for co-operation of all types (general, financial, commercial and technical) and in all sectors are possible via the database.

Through the database, the Commission seeks to encourage long-lasting co-operation agreements between enterprises with the aim of expanding their transnational activities and increasing their competitiveness.

The co-operation database operates through intermediaries (professional, private, public or semi-public bodies) ensuring that co-operation offers and requests are transmitted and disseminated at a regional, national or international level.

The intermediaries' role is to support, advise and/or help SMEs in carrying out their activities to locate suitable business partners.

For more information: <http://eic.cec.eu.int/psd/>

Various contact addresses

- Germany: Bundesverband Metall - Vereinigung diverser Metallhandwerke,
Ruhrallee 12, D-45138 Essen
- IG Metall, Lyoner Strasse 32, D-60528 Frankfurt am Main
- France: Fédération Nationale de l'Artisanat et des Petites Entre-
prises de la Métallurgie et de la Mécatronique, Lyon
- Greece: Aluminium Association of Greece, Leof. Kifissias Street 115,
GR-115 24 Athens
- Netherlands: Metaalunie, Einsteinbaan 1, Postbus 2600, NL-3430 GA Nieu-
wegein
- Italy: Assomechanica-CAN, Via G.A. Guattani, 13 - 00161 Roma
- Austria: Austrian Federal Economic Chamber, Wiedner Hauptstrasse 63,
A-1045 Vienna
- Belgium: Vlamef - Vlaamse metaalfederatie voor de KMO, Spastraat 8,
1000 Brussel, tel 00 32 2 238 06 15, e-mail:
vlamef@unizo.be, www.vlamef.be