EXECUTIVE SUMMARY

Strong competition policy is seen in the European Community (EC) as playing an important role in the Europe 1992 initiative. The rules that this policy provides on competition between companies and the granting of industrial aid by the EC Member States are viewed as necessary for ensuring that private interests and Member State governments will not be able to undermine efforts to complete the internal market by resorting to anti-competitive private arrangements or government subsidies.

In respect of the role of competition policy in helping to complete the internal market, a number of measures for increasing its effectiveness have been proposed or adopted during the run-up to 1992. These include:

(i) the implementation of the EC Merger Control Regulation in September 1990;
(ii) several measures designed to strengthen the Community's competition policy restraints on the granting of aids (i.e. government subsidies) by the Member States; and
(iii) efforts to promote the development of open and competitive markets in previously highly restricted areas of the EC economy.

Implications for Canadian Businesses

The EC Merger Control Regulation creates extensive new obligations for the notification of concentrations between large companies that meet the Regulation's Community dimension thresholds. The arrangements covered by the Regulation may include not only mergers and acquisitions, but also other arrangements by which effective control of a business may be transferred, such as certain export consortia or joint ventures.

The Merger Control Regulation goes some way toward reducing the uncertainty and costs that, in the past, have been created by the lack of a cohesive Community competition policy on mergers, and overlapping jurisdiction in the merger area between the Member States and the Community. The potential benefits of the Regulation, however, are restricted by features such as:

(i) the use of tight deadlines and extensive information requirements for merger notification;
(ii) the restriction of the automatic application of the Regulation to only very large mergers; and
(iii) the broad scope that the Regulation leaves for overlapping Member State and Community jurisdiction over mergers.