2.2 Changing European Environment as a Result of 1992

The industrial equipment sector can be broken down into two parts: the electrical and electronic engineering and the mechanical engineering categories. Growth trends and opportunities are so different as to preclude analysing them together.

a) Electrical and Electronic Engineering

The electrical and electronic engineering category holds a key position in the EC. This industry is a leader in terms of production volume and numbers of people employed. Growth and development of intra-EC trade have been substantial, and, with the creation of the Single Market, this trend is likely to intensify.

The industry is dominated by a few very large companies that are found in almost every Member State of the Community. Ten per cent of the companies in the category represent approximately 80 per cent of the total output.

Recently, electrical and electronic manufacturers have been increasingly active in their own restructuring and re-grouping. Besides corporate integration at the international level, R&D co-operation and joint ventures for purposes of standardization have gained in importance. This trend will apparently continue in the near future.

Structural changes set in motion in the 1980s in the direction of technology-intensive production methods will be key elements in the future of the industry, as they continue to contribute to favourable growth prospects. In order get the desired results, the European Community has set up research and development programs in which all countries, those both inside and outside the EC, can participate.

The industry is concentrated in particular areas such as Baden-Württemberg, Bavaria, and North Rhine-Westphalia in Germany; the Paris basin in France; the northern and southwestern parts of Italy; and the West Midlands and the northwestern region of the United Kingdom. These regions are increasingly gaining in strength as companies from other Member States and from outside the EC set up plants there. Investments in Spain in this category have increased greatly in the past years as a result of the low cost of labour in this country.

By rationalizing their production, companies in this category are trying to save costs to become internationally competitive. The opening of the European market will permit them to achieve large economies of scale and spread their variable costs over a large number of clients.

b) Mechanical Engineering Products

The European Community is by far the world's biggest producer of mechanical engineering products. The success of this category of the industry lies in the fact that it combines microelectronics and highly efficient and precise mechanics. In 1989, shipment value was 210 million ECU while consumption value was 180 million ECU for a net export value of 30 million ECU.

Description of the Industry

The mechanical engineering category of the industry supplies traditional capital goods and related components. Its clients are active in all sectors of the economy, ranging from farming, energy, and industrial sectors to government services. This requires a broad-based production, able to take on unit manufacture, such as ball bearings, as well as a wide variety of machines, such as automatic lathes, robots and hydraulic dredgers. The fitting out of complex industrial installations, such as cement plants, is another area in which the mechanical engineering category is active. It is a very diversified industry, and the traditional view according to which the industry manufactures mechanical devices to transform energy is one of the