

Comparable Performance of Member States

Clearly, the sectors with greater price and performance discrepancies among the various countries in the EC will be most affected. Many of these sectors are in the service industry: financial and insurance services, distribution, tourism, etc.

Table 1 summarizes, with examples, the main elements of this analysis.

The acceleration of mergers and acquisitions, of majority and minority shareholding acquisitions, and of joint ventures within the EC in the last half of the 1980s confirms the importance of restructuring and concentration.

Once again, it would be misleading to attribute this acceleration solely to Europe 1992. However, several facts confirm that the 1992 deadline amplified these developments. For example:

- the acceleration of mergers and acquisitions in the 1980s was stronger in the EC than in other parts of the world;
- EC-wide and international operations have experienced more growth than national operations;
- when asked to identify the reasons for increasing numbers of takeovers and joint ventures, heads of companies stated that reinforcing their position on the market was the main motivation behind mergers, acquisitions and majority takeovers, whereas R & D was the main motivation behind joint ventures. For the latter, EC-wide operations are increasing most quickly, which illustrates the extent of EC R & D efforts aimed especially at standing up to the Japanese challenge.

Finally, an analysis by sector reveals that the banking, insurance, distribution, chemical and agri-food sectors are accelerating most, while computers and

extractive industries are minimally affected. These observations confirm the preceding conclusions.

4.3 The Acceleration of Foreign Investment in the EC

The Europe 1992 process has been accompanied not only by a strong revival of intra-EC investment, but also by an explosion of non-European investment in Europe, especially from the United States and Japan.

Direct American investment in the EC, as defined in the balance of payments, became positive once again in 1985, in contrast to 1983 and 1984. Moreover, the annual investment in the EC of American-controlled subsidiaries increased by more than 50 per cent from 1986 to 1989. Similarly, direct Japanese investment in the EC more than tripled from 1985 to 1987.

This explosion of extra-EC investment in the EC is taking place in a context of growing international investment. However, the proportion of American and Japanese foreign investment with the EC has substantially increased during this period, from 15 per cent to 19 per cent in the case of Japan and from 42 to 46 per cent in the case of the United States.

In both cases, the United Kingdom receives by far most of the investment.¹² Japan gives priority to Luxembourg and the Netherlands, while the United States gives priority to the FRG and France.

These divergences also reflect sectoral differences; more than 80 per cent of direct Japanese investment in the EC in 1987 was in the banking and insurance sector (which explains the importance of Luxembourg), whereas more than 60 per cent of direct American investment in 1988 was in the manufacturing sector.