

pharmaceuticals, petroleum-refining and power-generating equipment. It would therefore probably be safer to regard the figure of 3 - 6 per cent of GDP as a potential which will be realized when the integration process has run its full course.

Multinational Enterprises and Inter-Corporate Links

The lags in integration may have been a major reason for the surprisingly large number of subsidiaries acquired or established by Community firms in other EEC countries up to 1971. From 1959 to 1971, large parent companies based in the Community established 553 manufacturing subsidiaries in other EEC countries. Moreover, there were only 35 closures of such subsidiaries from 1958 to 1971. A study carried out in 1975 indicated that some of the largest numbers of subsidiaries were established in industries where economies of scale were greatest. Certain of these were industries where intra-Community trade was expanding most slowly. This, together with examination of specific cases, led to the conclusion that many of these branch plant operations were not the result of "common market behaviour" but rather of efforts by national governments and the private sector to limit integration. But no doubt there were also cases (though they do not seem to have been as well documented) where Community firms set up, or continued to operate, subsidiaries elsewhere in the EEC for other reasons, such as the advantages of being close to a local market (e.g. because of transport costs or perishability of product) or of spreading risks (e.g. shut-downs because of strikes).

In addition to parent-subsidiary operations, there were several cases of trans-national mergers or cooperative arrangements between major firms in different EEC countries. However, such initiatives were not as numerous or as successful as had been hoped. Most have now been dissolved or have turned into straight take-overs of one partner by the other.

There were many American take-overs and new subsidiary operations in the EEC in the 1960's and early 1970's. The book value of foreign direct investment by U.S. firms in manufacturing in the Community grew from \$1.1 billion in 1959 to \$9.7 billion in 1972 (these figures include investment in sales operations). The number of subsidiaries established or acquired by U.S. firms in the Community was at least as great as the corresponding figure for EEC firms.

✓ The attractions of the large, rapidly-growing Community market, in which internal tariff barriers were being removed, together with the difficulty of supplying it from the United States because of the Common External Tariff and transport costs, were obviously major factors in the upsurge of American investment. There seems to be little information on the extent to which the activities of American firms in the Community were influenced by the kind of considerations which seem to have impeded rationalization of the operations of European companies. However, in some industries, such as automobiles (already mentioned)