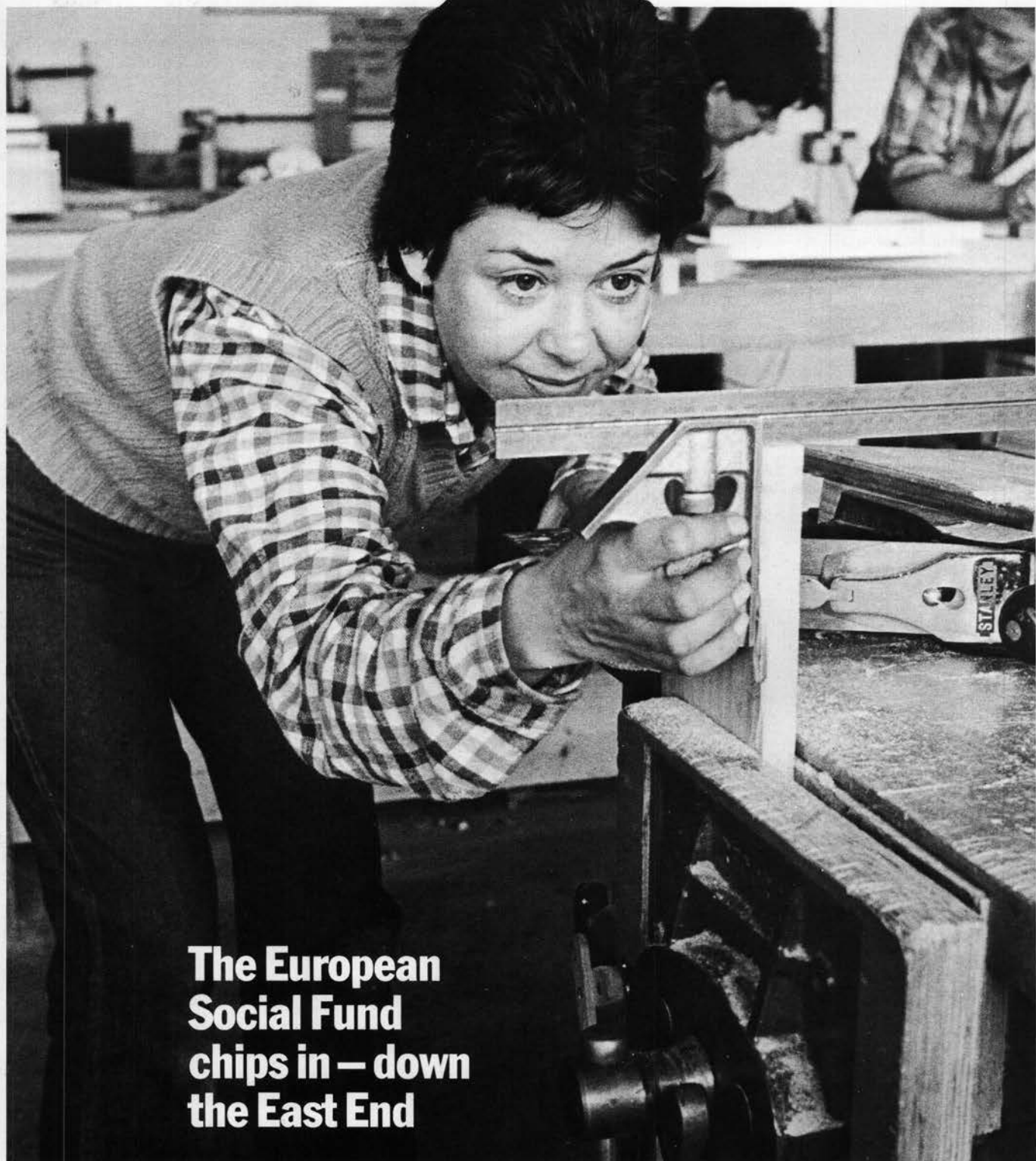


Europe 83

No. 6

June 1983



**The European
Social Fund
chips in – down
the East End**



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A trickle of aid for London's worst-hit areas

Finding a European-funded project in London is as difficult as catching a taxi on a rainy day. They are few and far between. Which leads to the question: is the capital getting enough from the EEC? The answer has to be No, even though the reasons for the lack of grant aid may be sound.

But there is every reason to hope that things might change in the near future.

London's worst-hit localities suffer from high unemployment. Often, they have large ethnic populations with difficult social problems.

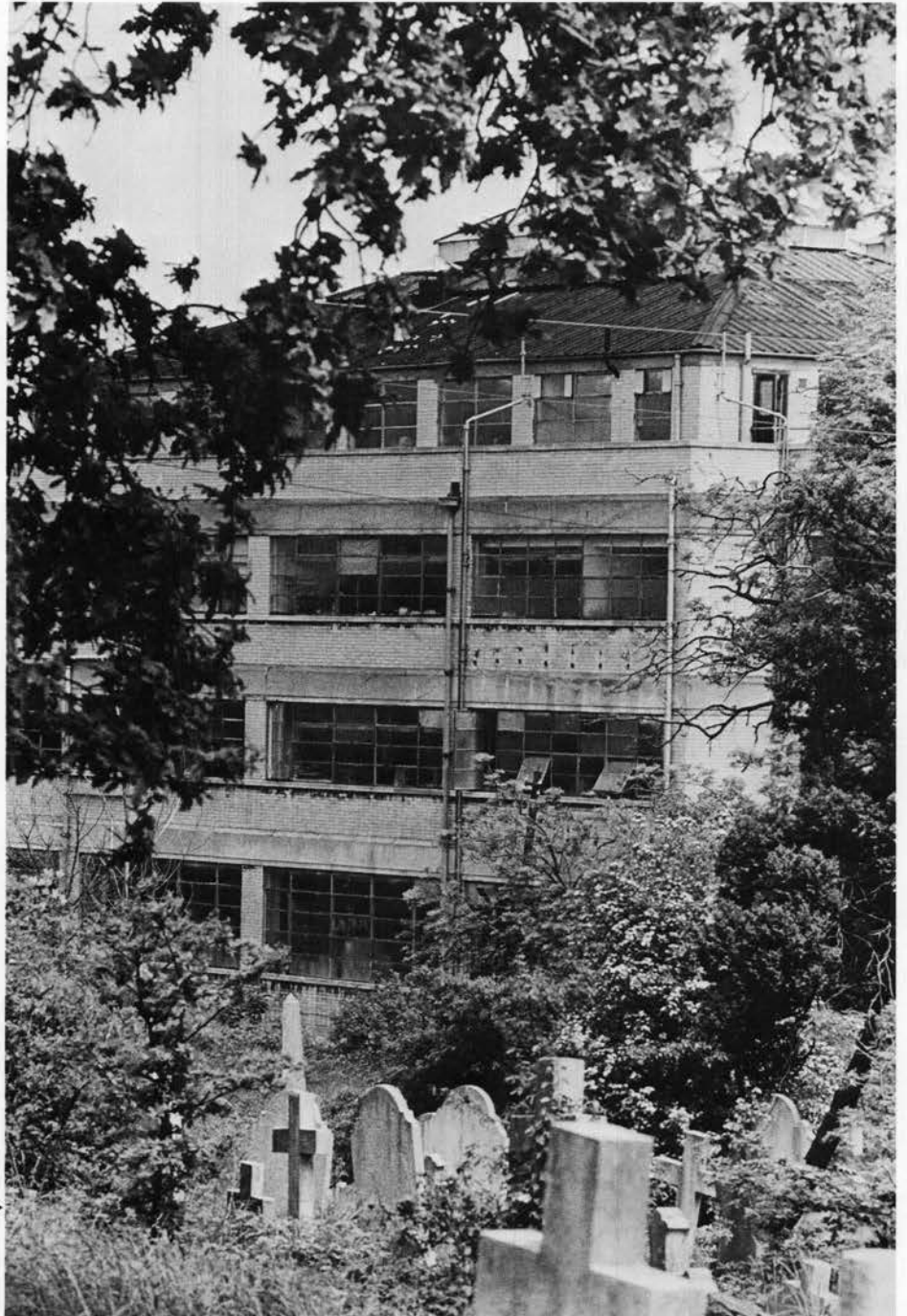
Around 340,000 people in Greater London are without jobs. In areas such as Poplar, one in four of the working population is unemployed. In Holloway the figure is 19.3 per cent. For Stepney it is the same. In Deptford it is 17.2 per cent, and in Hackney 17 per cent (figures compiled October 1982). These compare with 11.2 per cent for Great Britain as a whole; 10 per cent for Greater London; 13.3 per cent for Inner London; and 10.1 per cent for the whole European Community.

With the help of Community funds, the capital's poorest communities are being offered a better chance to cope with the recession.
ROY STEMMAN reports

Hopes of cash support for these inner urban areas have been raised by signs of changes in government policy regarding eligibility for ERDF aid, which may eventually result in some major cities' inner areas being helped. It remains to be seen whether London would be included in such schemes. But the Greater London Council has been pressing for a considerable time for its black-spot areas to be recognised. The European Commission's new proposals for the European Social Fund (ESF) have a similar viewpoint – except that their definition of high unemployment is at least three times the national average, which would exclude not only London but everywhere else in the UK.

Earlier this year the GLC published a review of European Community funds for the capital. It discovered that the GLC and the ILEA had made 16 applications to the EEC for ▶

London, being in the relatively prosperous south-east of England, is not an assisted area. It does not, therefore, benefit from the European Regional Development Fund (ERDF). Yet London, with its seven million population – which is greater than the whole of Denmark (five million) or Ireland (three million) – includes some areas which are as deprived and in need of assistance as any in the UK.



The Training Forum in Hanbury Street, 'an area that has suffered from years of neglect and decay'.

funds totalling £9,540,570. Of these, eight were awarded, two are awaiting decision, one application was withdrawn, one not taken up, and the rest failed. The total funding was £607,200. One of the failed applications was a project, costing £7,350,000, for the recovery of energy and material from household waste. Another failed application was a GLC scheme using radar and computer technology to predict non-tidal floods. It would have required funds from the EEC of more than £1 million.

Such money as has found its way from Brussels into London has gone largely on minority groups with special needs, for whom aid is available regardless of location. The handi-

Grants from Europe have helped to start the Lambeth Women's Workshop, with its emphasis on handy skills.

'The handicapped have benefited from EEC grants for training programmes'

capped, for example, have benefited from EEC grants for training programmes. Women's groups have been assisted. And ethnic groups have been helped to make a positive contribution to living and working in London by schemes to teach them the language or particular skills.

One of the projects for physically handicapped people, which will be receiving around £106,000 from the EEC, is particularly imaginative. It is being run by the London

Borough of Southwark on the Aylesbury Estate, and expects to open its doors to the first of 50 handicapped people in August.

Taking charge of the scheme is Debbie Brenner, development officer. She told me: 'Our aim is to give physically handicapped people skills which will equip them for the open market. We looked at obvious things, like wooden toys, but then decided to go for new technology. Anyone, however much they are handicapped, can handle micro-computers. We will teach them to use a keyboard, assess their abilities, and make sure they can communicate through a computer.'

'They will be shown how to use various software packages so that, in time, they will be able to handle office work. Ultimately, we hope to take in office work from outside and even set up a small business. We are going to make sure there is something for them to do



once they finish the course.'

The handicapped individuals who take part in the project will also have access of a variety of other facilities at Aylesbury's day centre for the handicapped.

Other schemes from which handicapped people in London will benefit from EEC finance include the Crossroads Care Attendant Scheme Trust. Five UK areas, including the London Borough of Islington, will receive a total of £100,000 for housing adaptation purposes. Lambeth is also participating in a programme for the social integration of disabled people, between 1983-1987, to which the EEC is contributing about £400,000.

Meanwhile, to the north of London, the EEC has given £37,000 grant aid to the London Borough of Redbridge for training 40 handicapped people.

Living and working in London can present

almost insurmountable problems for some sections of the community, such as the Bengalis, who look for an income from the clothing trade in the East End of London. But, with European financial assistance, they are managing to enhance their skills, and with them their chance of earning a better living.

I found the Tower Hamlets Training Forum workshop in Hanbury Street, in an area of London that has suffered from years of neglect and decay. Here, and at three other locations, the Bengali community looks for help seven days a week.

Under the patient guidance of workshop manager Mi Ghazi, 120 students work hard at upgrading their skills in machining, pattern cutting, stock cutting, pattern grading and pressing. Daytime classes mainly attract women, and are timed to coincide conveniently with school hours (the workshop also has its

own well-equipped creche). Evening classes are usually mixed.

Almost all the teachers are from the London College of Fashion. Since, at times, there are as many as four different languages or dialects in a single class, a language teacher is also on hand to help with communication.

The clothing industry is important to Tower Hamlets, since it employs 18 per cent of the workforce in the borough. A high proportion are of non-UK origin. Its finance for the workshop has been matched by the ESF, which has given a £293,000 grant. This has enabled some Bengalis to acquire the necessary skills to acquire a job in the clothing industry, and others to gain better jobs through improved techniques and knowledge.

Bengali-speaking pupils have also benefited from EEC aid of £200,000, spread over four years, to develop materials for bilingual teachers of that language and of Greek, in the seven-to-11 age range.

The ESF has given £45,000 over two years for the conversion of a building on a Tower Hamlets estate into a centre for Asian women. And in Brent, a £68,000 European grant has assisted an innovative training programme for those running the Stonebridge bus depot project, which is a range of activities organised by the local black community.

Because it is Community policy to promote equal opportunities for women, and to improve their conditions of employment, a number of women's projects in the UK have had financial help from the ESF, including Lambeth Women's Workshop. This project, which was set up in May 1980, trains 48 women a year on a two-day-a-week basis over periods of 16 weeks. Originally, the women hoped to have a multi-skills centre but not enough money was available to realise this ambition so they opted, instead, for a single non-traditional skill - carpentry.

Their workshop, on the Parkhall Trading Estate, is on the second floor of a building overlooking a cemetery. The room is large, light and well-equipped, and there are child-minding facilities for women with under school age children.

All the preliminary work in setting up the Lambeth Women's Workshop, including architects' plans, was done by women. An ESF grant of £20,724 was given to the project in 1981, followed by a £28,138 grant in 1982. The participants have to be over 25 and either unemployed or returning to work after a break. An estimated one-third who take the short introductory course go on to study carpentry on a TOPS course, while a handful each year find some type of work, perhaps with Manpower Services Commission (MSC) training built-in.

Lesley Climpson, who has been associated with the Lambeth project for 2½ years, has recently visited Southwark to give some helpful suggestions to Alex Tagg, who has been recruited by the borough to start a similar women's scheme on a larger scale. An ESF grant of £114,000 has been made available to Southwark to run a women's workshop which



Members of the Bengali community can be trained in a local industry - clothing.



Left: trained in the East End – for the trade up West.

will take 30 women at a time for a six-month period.

Premises have been found, and staff are now being recruited. 'The initial thrust will be carpentry,' Ms Tagg told me, 'but I hope that in time we will move into other skill areas, such as new technology and electrical work.'

One of the Southwark workers will have a combined role of basic skills teacher and administration worker, with the aim of looking at what the women can do when their course comes to an end. They will learn about book-keeping, and getting established in a male-dominated area of work. Setting up in business, or as a co-operative, will also be tackled with the women students.

'All the preliminary work in setting up the Lambeth Women's Workshop was done by women'

Other EEC-financed projects may be of long-term benefit to a much broader spectrum of the Greater London community, for money has been made available to the GLC and others to finance environmental research projects.

During hot summers, London suffers from something akin to the Los Angeles smog. A grant from the EEC of £8,900 has been made available to enable the GLC, Central Electricity Generating Board and the UK Atomic Energy Authority, jointly, to study the phenomenon of ozone levels in the atmosphere. Research began last year, and has just started for 1983. Day and night measurements are being taken, on the ground and at varying heights in the atmosphere, in an attempt to understand more fully what is happening and what influences the distribution of the ozone.

Pollution of a different kind – noise – has also been studied with the help of two EEC grants totalling £24,800. The work is being carried out in ten areas of London where

dwelling are being insulated against traffic noise. Measurements of noise levels are being taken before and after the installation of the sound-proofing, and householders are being questioned about their environment and the effect of the insulation.

London, then, has seen some cash from the EEC, and some of the projects discussed would never have happened without its support. But the amount is minute compared with some other UK regions which are experiencing large-scale unemployment and the demise of traditional industries. In time, however, London may establish stronger links with the Community. Certainly it deserves to be on a par with Brussels, Luxembourg or Strasbourg as the home of a Community institution – and that might well happen with the establishment of a European Trade Mark Office in the capital. The GLC has launched a campaign, jointly with the Department of Trade, to support the case in Europe. It could provide 200 jobs. Meanwhile, the Lord Mayor of London, Sir Anthony Jolliffe, has called for closer links between the City of London and Brussels.

The GLC survey, while recognising that grant aid is limited under present government and EEC policies, stresses that it and the London local authorities are continually seeking access to Community sources of funds. But there are times when the bureaucracy it encounters makes life very difficult.

In 1980-81 it received a grant for a pilot scheme, run jointly by the London Industrial Centre and the London Enterprise Agency, to provide training and advice for people setting up and developing small businesses. The entrepreneurs were taught over four inter-linked weekends and the aim of the scheme was to provide new viable job opportunities in London, particularly the inner city areas. As a result, 11 of the participants have created at least 22 jobs for other people.

However, the GLC report says that the amount of staff time and effort expended in achieving a grant of £5,000 was 'out of proportion' to the value of the grant obtained. **E**

UK company ties up twine deal

Every day, a Midlands company produces enough twine to stretch from London to Brussels and back – six times over. Its daily output, 2,700 miles to be precise, makes Powerstrapex Europe's largest manufacturer of twine for industrial packaging.

The company has just opened a second £½ million production line to increase its output, following an agreement it signed in 1982 with Strapex of Switzerland. As a result, two-thirds of its twine is now shipped out to European Community markets.

The breakthrough for the Witton-based company, which is part of the GKN Engineering group, came when it tied up a special deal with the Swiss manufacturers of mechanical tying machines. These can handle anything from small postal packages to large pallets of goods.

The English company has been selling Strapex machines in Britain for several years, and selling twine and strapping to home customers. Some 2,500 tying machines have been sold in the UK.

At the beginning of last year, however, Powerstrapex signed an agreement with Strapex to supply twine to its European subsidiaries and agents. It's a four-year deal, which includes a guaranteed minimum offtake by the Swiss company. In return for being a 'chosen supplier', Powerstrapex guarantees price stability, subject to raw material costs.

The export contract is valued at £2½ million and accounts for 65 per cent of its production of polythene twine. It has enabled the Midlands company to invest in an additional production line, which in turn has helped it retain its competitive edge.

'We believe we are less labour-intensive than our competitors,' says managing director Bill Parker, 'and we have achieved economies of scale on production giving us an edge of a few pence per kilo.'

It may not sound very much, but with an annual capacity of 800 tonnes of twine a year it soon adds up to considerable savings. It is a price-sensitive product, and one that is governed by the cost of the raw material – high density polyethelane. This is bought from a number of sources including Germany, to which it is then re-exported in the form of twine.

Powerstrapex's products also go to Switzerland, France, Denmark, Portugal, the Netherlands and countries outside Europe.

ROY STEMMAN



Yes, we can do something for the young jobless, says Ivor Richard

Report by BOB TAYLOR on social affairs commissioner Ivor Richard's proposals for finding jobs for Europe's school-leavers

When hiring staff, employers naturally seek what they perceive to be value for money. The result is that an unemployed worker with several years experience and demonstrable skills is generally preferred to a youngster who lacks both.

This, according to social affairs commissioner Ivor Richard, is one of the principal reasons why one in four of the under-25s in the European Community is out of work, compared with one in ten of the adult population.

But it is only one factor. At Mr Richard's initiative, the Commission has drawn up a strategy for creating more jobs for young people which it hopes will secure the backing of member states.

His proposals include more job opportunities through shorter working hours and job-sharing, subsidies for employers who hire young people, help for under-25s who want to start their own businesses, and the expansion of public service jobs in the non-market sectors of the economy.

'There are no miracle cures which have somehow until now eluded the imagination of policy-makers,' says Mr Richard. 'All aspects of the unemployment problem have been examined and all the possibilities for action analysed. It is the scale of the effort and the quality of action undertaken that will determine the extent to which the strategy will be successful. We have highlighted a series of specific measures which, if implemented by member governments, could generate 2.5 million jobs for young people in five years.'

The brunt of the financial effort will have to come from Community governments; but the Commission would back their action by contributions from the European Social Fund. Ivor Richard hopes its budget will be considerably increased and that its scope for job-

creation activities enlarged. In 1982, the Fund spent 147 million ECUs on job subsidies for young people, helping to create nearly 300,000 jobs, most of them in the private sector.

In the past, he says, government programmes have been geared more to keeping young people occupied for a limited period, rather than inserting them into the labour market. 'The credibility of training schemes is determined by whether young people taking part end up with reasonable jobs.'

He adds: 'The present untenable level of youth unemployment is not just a temporary phenomenon resulting from the accelerated rate of young people arriving on the labour market. This trend, stemming from the population bulge of the 1960s, is just getting under way and will continue for several years.'

'School leavers in the 16 to 18 bracket form a relatively small proportion of young unemployed. The bulk of them are in their 20s. More than 1.5 million from the total of 4.5 million young people without jobs in the Community have been out of work for more than one year.'

'Besides demography, there is a coalition of other factors that have contributed to the current situation. The recession has lasted much longer than anyone expected, with the result that the level of economic activity is insufficient to sustain a steady number of jobs, let alone create new ones. Then there is the need to restructure basic industries, to increase productivity and competitiveness in what were basically labour-intensive sectors. They have shed a large number of workers in the process. The introduction of new technologies is also responsible for the creation of fewer jobs in the manufacturing but also increasingly in the service sectors.'

Ivor Richard believes that, in the medium term, high-technology industries themselves offer good chances of producing new jobs for young people. Other promising areas are the energy saving sector and small and medium-sized business which are by their nature dynamic and flexible and are traditional leaders in technical innovation. 'Although unlikely to create nearly as many jobs as public sector initiatives or the payment of hiring premiums to employers, helping young people set up their own businesses merits particular attention', he says. 'The problems of creating new ven-

tures, either as companies or cooperatives centre on loan-financing and the acquisition of management, accounting and marketing skills. Young people are often more adaptable than older workers and are therefore often more willing to take the risks involved in branching out on their own.

'The notion of positive discrimination in favour of young unemployment is an important one', says Mr Richard. 'Employers should try to make sure that more vacancies caused by retirement of older workers should be reserved for the young. While it is true that the hiring of young people, at lower wages than adult workers may create a source of cheap labour, as some trade union leaders feel, it is a risk that in the present situation one has to take. Without specific action for young people, their situation can and will only get worse.'

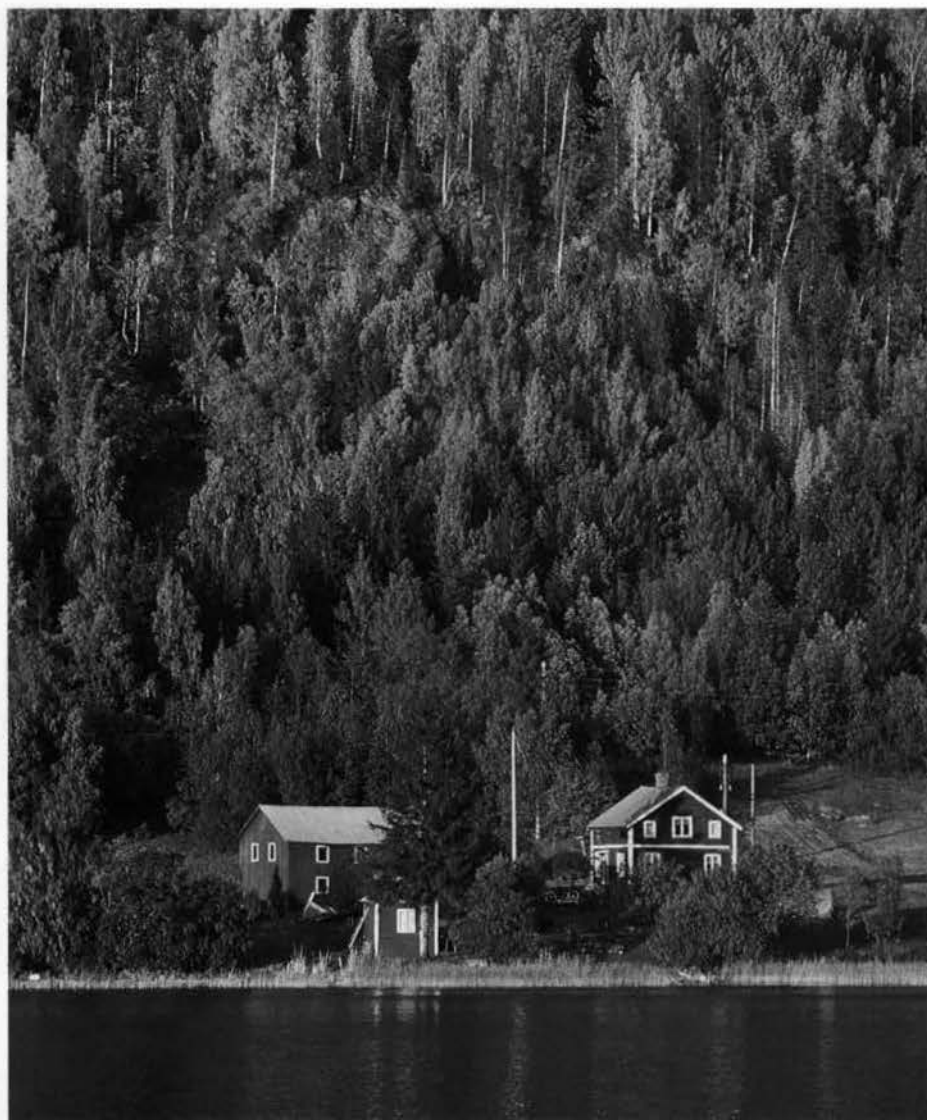
He expects member states to take action on his proposals, hopefully by early next year if not before.

'Bend the rules' to help the young

For Mr Ad Melkert, Secretary-General of the European Youth Forum, the Richard proposals are a step in the right direction. 'We feel that the Commission is right in calling for a reduction in working hours for everybody. There is still a widespread idea that short-time working should only apply to young people - creating a sort of 32-hour-week ghetto for young people that would risk separating them permanently from the rest of the labour force working 35 or 38 hours a week,' he says.

'The Commission could have done more to make bureaucratic rules for young unemployed more flexible. What scope is there for initiative to set up new businesses or cooperative ventures in Belgium, for instance, when an unemployed young person has to register at the labour office every day and is only told the time he or she must be present the following day? Tax breaks could have been included in the guidelines Mr Richard puts forward to help young people who start their own business. The national tax authorities would make up what they had lost after a few years from successful ventures.'

'The Commission paper contains a fair analysis of the situation and its guidelines present a move forward. But the actual commitments are of course left to member states. We at the Youth Forum were disappointed that the proposals came too late for them to be analysed in detail before the special session of the European Parliament on unemployment. We had expected them to be published in March, but presumably Mr Richard had some trouble in getting his ideas through the Commission. Some elements seem to have been watered down since we were consulted on the proposals in January. ☐



Left: Sweden's softwood forests may soon be lost to Europe's paper industry.

Turning our forests into a wasting asset

An upturn in the demand for paper could have a dire effect on Europe's woodland, reports ROBERT LAMB

In recent decades the paper industry in most of Western Europe has come to rely almost wholly on the managed softwood forests of North America, Scandinavia and Russia for raw materials.

Mass paper production needs huge and continuous supplies of the fibrous plant cell-wall cement, cellulose, and the best softwood trees yield cellulose in a clean, long-fibred, almost machine-ready form.

Production plants the size of battleships

have been developed to exist solely on a forest diet. For, until fairly recently, there seemed to be no limit to the amount of cheap pulp other countries' trees could provide. Despite long-term forecasts of inevitable growth in demand for paper and board products, however, the tree supply now looks distinctly finite.

The situation is confused by a current *drop* in demand for pulp and paper. Recent EEC and UN publications have forecast a supply glut on this market for at least the next three years, reflecting low (2-3 per cent) world average growth in Gross Domestic Product and hence in demand for 'luxuries' like newspapers and books and necessities like packaging and building board or insulation materials, as a result of the recession.

These bulked averages include figures for countries which can expect zero growth or worse in the short term, so they err on the low

side. But there is little reason to doubt the general trend they describe, apart from the contradiction they pose to longer-term forecasts based not on GDP prospects but on estimates of population growth and other, less obvious factors.

The US Forest Service has predicted that domestic demand for wood (for pulping and other uses) will far exceed supply by 1990, and that by the year 2000 the US will cease to export forest products altogether. It is no exaggeration to say that this eventuality, if it came about suddenly would have an effect on world markets comparable to the OPEC oil price coup, flattening dozens of major industries by pushing prices of a whole range of commodities, but especially of pulp and paper, skyhigh.

They would not have far to go. Last year Russia practically doubled the prices of her forest product exports to help pay for grain imports. Sweden plans to turn large areas of commercial forests over to biomass energy production during the next 20 years, and it seems likely other Scandinavian producers will follow suit, squeezing the world market still tighter.

Environmental considerations will also mean that more and more natural forests formerly available for commercial logging will become wilderness and watershed reserves. Above all, the cash-flow problem of raising a slow-growing wood crop (requiring expensive petro-chemical inputs for disease control) for a fluctuating market scared many overseas tree-farmers into scaling down the replanting programmes of the 1970s which should have provided tomorrow's harvests.

Paper manufacturers have taken steps to guard against fluctuation in pulp prices (such as the false shortage of pulp in the early 1970s) by greatly increasing their capacity to use waste paper. The EEC as a whole recovers around 40 per cent of its waste paper for re-processing, and Britain has the distinction of actually using more waste than new raw material at present. This trend may continue, and major paper users may some day even invest in their own, in-house paper recycling plants, if the technology can be suitably scaled down.

The trouble is that the current pulp glut is already undermining demand for pulp-wood trees, let alone waste paper, in this country. Trees harvested in Britain are actually being shipped to Scandinavia at this moment to keep mills working up to capacity there.

At times of temporary pulp shortage, there is always likely to be a surge in demand for waste paper. But the infrastructure (local authority collecting and sorting facilities, for instance) takes a long time to develop and is liable to be stymied, as now, by a sudden reversal in market trends.

Assuming that the present glut will sooner or later be reversed, waste paper recovery should not be relied on as the whole answer to future supply problems. In any case, there has

to be some fresh pulp and brand-new paper constantly entering the waste-using cycle, and time could make this irreducible requirement more costly than the finished product is worth. A steady harvest of some kind of living plant crop other than prime softwood, would be the best standby.

Cheaper – that is, stringier and more resinous – softwoods can be pulped with a little extra processing, stretching the tree supply a little further. In tree-poor but paper-greedy countries like Britain, the supply of home-grown pulpwood could be stepped up. Britain buys fully 10 per cent of all the wood available on the world market: we imported 92 per cent of our forest product needs in 1978 (two thirds in pulp and paper form) and they cost us around £2½ billions – more even than imported petroleum products.

Pulping hardwood trees is another option now being considered, though their generally lower cellulose content and shorter fibres means they require a heavy chemical and mechanical battering before they can be reduced to a usable pulp which, even then, may have to be mixed with softwood fibres to maintain quality. Tropical hardwoods, at least those many tropical species which are too soft to use for sawtimber, are most suitable.

Several tropical countries now have their own pulping plants. But the product has not yet reached the export marketplace in quantities remotely comparable with softwood pulp, though growth in tropical hardwood pulp operations and exports seems inevitable. There is however a real fear that putting tropical forests to this use could be a deadly turn of the screw on many threatened rain forest relics.

True, there is scope for pulping reject trees left behind by timber-logging or land-clearing operations, trees which would otherwise be

completely wasted. But the chances are that both baby and bathwater may be equally sought after in future, so that even the forest areas now lucky enough (from a conservationist point of view) to be poor in prime timber and fertile soil, may get the chop in due course to help keep pulp production up to capacity.

Faced with so few desirable or sustainable alternatives, the paper industry may soon have to begin looking to other, non-woody, kinds of plants for its fibre requirement.

Cereal straw is one obvious home-grown candidate. There is a massive surplus of this material in the EEC and especially in the United Kingdom. Since cereal farms now greatly outnumber livestock farms in Britain, and are generally lumped apart from them by region, the practice of combining straw with manure to make organic fertiliser has become a thing of the past.

Cheap synthetic fertilisers and – lately – synthetic animal bedding have also played a large part in this change. Converting the surplus straw to animal feed, fuel bricks, rope, and building materials are possibilities which have all been tried, but at present less than a quarter of the surplus ends up in a useful product, leaving millions of tons just sitting on the fields.

Using the straw surplus to make pulp and paper could be a feasible solution: in Denmark, a lot of good-quality writing paper is already produced in this way. In Britain, however, after a few initial experiments, the option seems to have been abandoned. Collecting the straw and storing it on a suitably large scale is more of a problem than processing the stuff. But, as the Danish experience shows, none of the problems is insoluble.

□ Abridged from the Guardian

Italian food fraud leaves a nasty taste

A customs officer in the Italian port of Genoa one day had the bright idea of opening a case of 'Mortadella' sausages destined for the Canary Isles. It was just a routine check. Imagine his surprise when he popped a piece of the famous sausage into his mouth, only to discover that it was actually made out of horse manure, sawdust and cotton.

Later enquiries showed that the Italian manufacturer of the stuff was behind a multi-million lira fraud. He had bought duty-free pigmeat to make mortadella for export, but had sold it on the Italian market. He then sold the phony sausage to imaginary firms in the Canaries and in Greece (which was not then a member of the Community) and applied for an export refund under the CAP.

The case is by no means an isolated one. Phony merchandise, fake labelling and falsification of documents are just some of the frauds perpetrated against the CAP in all the Community member states. According to figures recently pub-

lished by the European Parliament's Agriculture Committee, 114 out of 242 frauds reported to the European Commission in 1981 took place in the Federal Republic of Germany. The United Kingdom, France and Denmark followed with 42, 40 and 32 cases respectively. Italy, Ireland and the Netherlands all reported less than 10 cases.

Over the past eleven years about 1,400 cases of fraud have been registered. Overall they represent about 0.1 per cent of total Agricultural Fund (EAGGF) spending, but nearly a third of the money has been recovered. The European Commission is acutely aware of the problem – as are the other Community institutions, including the Court of Justice, the Court of Auditors and the European Parliament.

A Community Directive dating from 1979 requires member states to increase the number of systematic checks they make on people's books and accounts. Most cases of fraud are discovered during routine checks.

A COMMUNITY STRATEGY FOR WOOD PRODUCTS

Community forests cover one-fifth of its total land surface and employ 1.4 million people. But, the forests supply only two-fifths of Community needs.

In 1979 the Community consumed 238 million cubic metres of wood products, 60 per cent of which had to be imported from abroad, resulting in a trade deficit of around £10 billion. Yet demand in this sector, in particular for paper and packaging, has been increasing in volume at an average 1.8 per cent a year.

The Commission considers that, with better management, the Community's forests could help to bridge this trade gap. The five-year programme adopted in 1979 to improve the forests in the Mediterranean regions is showing encouraging signs of success. But in the northern industrial regions of the Community there are alarming signs of damage and decay from 'acid rain' and other atmospheric pollutants.

In April this year, the Commission proposed a more stringent common policy for combating air pollution from industrial plants. It is also considering new proposals for a forestry strategy designed to improve the quality and standards of native wood products. Community forests are about 60 per cent deciduous and 40 per cent conifers; but the Commission has found not only that wood production is falling below capacity, but also that quality and price compare badly with non-EEC competitors.

An effective strategy would require coherent plans for afforestation, reforestation and improving the yield of existing forests; stepping up forest protection; and achieving a balance between felling and replanting. In addition, the Commission would argue for using raw materials in industry more rationally, quickening the recovery and industrial use of waste wood, and increasing the collection and recycling of paper.

Forests may tend to march across boundaries, but what happens on one side of the border may be different from that on the other. Conditions in Scotland, say, differ from those in West Germany or the Mediterranean. Such factors have made it difficult to achieve a common forestry policy in the past.

But, faced with the prospect of forest decay from pollution and a growing trade deficit on wood products, the case for positive common action on both fronts becomes increasingly clear.

The rise and rise of the ECU

Now a little more than four years old, the European Monetary System (EMS) has not come up to everyone's expectations.

Up to now it has not been possible to proceed with the development that was to have taken place after the initial two years. Nor has it led, as was hoped, to the convergence of member countries' national economic policies.

This may be the main reason why adjustments of central rates within the system have become more frequent and extensive in the past 18 months, as well as more controversial. The most recent realignment, decided on March 21, 1983, after three days of strenuous and complex negotiations, affected every national currency participating in the EMS.

But one part of the system has not only experienced considerable success to date, but looks likely to go from strength to strength. That is the use of the European Currency Unit (ECU) in private markets. Although it was not very much in evidence during the first two years of the EMS, in 1981 it took off.

This has been most evident in, if not limited to, the bond issue business. Bonds denominated in ECU have become very popular with both borrowers and investors, and this popularity transcends the physical borders of the European Community. Recent issues include those placed by the Province of Quebec, the Norwegian subsidiary of Elf Aquitaine and the Swedish Export Credit Agency.

Similarly within the Community, it has not just been Community institutions (the European Investment Bank; Euratom) or member governments (Italy; Ireland) which have chosen to issue ECU-denominated bonds: a variety of banks, utilities, mortgage credit organisations and others have done the same. By 1 February, 1983, 30 bond issues with a total value of 2.5 billion ECUs have been completed. Some 200 million ECUs of the total were accounted for in 1981; 1.8 billion in 1982; and the rest in the early weeks of this year.

Since the beginning of February another eight issues, totalling 320 million ECUs (including one private placement of 40 million ECUs by the European Investment Bank) have been announced; and the chances of a new issue record being set in 1983 appear likely. 'It is a fantastic development,' notes a prominent Belgian banker.

Supporting this view is the fact that, in an incredibly short space of time, the ECU has established itself as the world's fourth most important bond issue 'currency', outdistanced only by the dollar, the deutschemark, and sterling. It has fared distinctly better than issues in special drawing rights, another composite currency.

The ECU is a basket of all the currencies of the European Community, other than the



In the past two years, the Community's own currency unit has really taken off, reports PETER DREYER

Greek drachma, but including sterling – although the United Kingdom has remained outside the EMS. The weight of each currency in the basket is allocated on the basis of EMS central rates; so it shifts when central rates are adjusted, as they last were in March 1983. Its current value stands at about 57 pence.

This has meant that the deutschemark, which has been revalued several times, now accounts for 37.4 per cent of the ECU value, compared to the 33.0 per cent share it held when the system started four years ago. Conversely, the French franc's share has declined from 19.8 to 16.9 per cent, and the lira's weight has fallen from 9.5 to 8.1 per cent.

It is therefore easy to understand why ECU issues should have such a powerful attraction for citizens of countries with weaker currencies which have devalued, or might devalue in the future. In Belgium, but above all in France and Italy, buyers are increasingly availing themselves of the protection offered by ECU bonds, against the downgrading of their national currencies. Although the great majority of bond operations so far have taken place in the Euromarket, last year, two Italian borrowings totalling 1.2 billion ECU, were almost entirely placed – and disposed of – on the Italian market.

On the other hand, it is just as evident that nationals of strong currency countries do not have any great incentive for going into ECU investments: for the most part they believe

'The ECU is now the world's fourth most important currency'


that they are better off staying in their own currency. In the Federal Republic of Germany, where this state of affairs is most obviously the case, ECU issues are not authorised: the monetary authorities class them in the same category as indexed issues, which are also not permitted.

The acceptance of the ECU by private markets in many EEC countries is, of course, only a first step. Precisely what the follow-up will be is still uncertain. The European Commission, replying to questions from the Parliament, has said that, although it would be interested in the ECU as a monetary symbol, the introduction of an ECU banknote (or coin) circulating freely throughout member states cannot be expected in the near future. According to the Monetary Committee this would apparently involve serious legal and technical difficulties.

In the same vein, the Commission says that the moment has not yet come for creating ECU-denominated monetary instruments, such as traveller's cheques. For one thing, demand is not big enough yet and the growing popularity of other monetary instruments like cash and credit cards makes it doubtful that sufficient demand is likely to develop in the future.

But it is not only in the bond markets that the ECU is flourishing. On a parallel front the volume of ECU deposits, including interbank deposits, has expanded briskly. The Kredietbank (Brussels) which, together with Lloyds and Morgan Guaranty, is one of the international banks most active in this field, has noted a sixfold increase in its ECU deposits over the past two years. In the absence of official statistics, and assuming that the pace was the same elsewhere, this could mean that by early 1983 the deposit market had grown to about three billion ECU. The Belgian bank has estimated that the ECU interbank market has expanded to the point where at least 100 banks, but conceivably twice that number, now handle ECU transactions.

The introduction by the banks of new instruments for both ECU deposits and ECU lending has much to do with this. For example, Belgian banks have cut the minimum amount needed to open an ECU time deposit account to that of ordinary foreign currency accounts, i.e. 500,000 francs (about 10,000 ECU). Formerly, only very large deposits were allowed. In Luxembourg, Credit européen last October offered its customers the possibility of opening savings books in ECU. And in London, Lloyds Bank started issuing ECU certificates of deposits as long ago as February 1981.

All this allows one to draw the conclusion that the ECU has firmly established itself in international banking. And inevitably, the more use is made of it, the firmer its roots will become. 

German agriculture's Mister Big steps down

With the departure of Josef Ertl as German Agriculture Minister, a convinced European leaves the Community scene.

Before the last elections in the Federal Republic, Ertl ended speculation about his intentions by accepting the prestigious office of president of the DLG, the body responsible for promoting German agriculture and controlling quality and labelling. He starts his new job in the autumn.

The changes on the German political chessboard would probably have meant that he would not have been able to carry on anyway, because of the declining popularity of his party. So – 'not without nostalgia, but happy to be freed from the heavy burden of direct responsibility' – Ertl has thrown in the towel after 13 years, 4 months and 13 days.

His departure is regretted both in Bonn and Brussels. Welcomed with considerable reserve, as a hitherto little-known transitional figure, and put into the job by the new Social-Democrat coalition on the strength of the fact that he was President of the Liberal Party in Bavaria, Ertl became convinced that the Common Agricultural Policy, about which he initially had serious doubts, was a vital part of the Community.

Ertl committed himself to supporting it. And in order to do this he declared himself ready to take responsibility for 'the numerous follies committed in its name'. With considerable courage and not a little success, he devoted himself to the task of defending the CAP in his own country, never hesitating to use his full political weight in government against its opponents, who argued that the Federal Republic's role as the Community's effective treasurer was unacceptable.

'He was effectively depriving his own farmers of part of the price increases agreed for farmers in other countries'

It would be premature to try to quantify Ertl's achievement. But it is clear that he will rank as modern Germany's longest-serving agriculture minister and as an active member of the Community's Council of Ministers.

Known for his European convictions, and as a member of the Bundestag, Ertl joined the Government in 1969, the period when major doubts were beginning to emerge about Sicco Mansholt's plan to bring about economic and

HENRI DEHEYN looks back on the larger-than-life career of Federal Germany's longest-serving agriculture minister and member of the EEC's Council of Ministers

political integration through the CAP. The reluctance of the capitals to commit themselves to further integration had just led to the first serious assault on the until then sacrosanct principle of fixed exchange rates.

Ertl's down-to-earth realism prevented him from sharing this view. Events gave him ample reason to argue that the CAP would not stop governments from adjusting their exchange rates. For Ertl, the first re-valuation of the Deutschmark in 1969 was not an 'accident', but an inevitable consequence of economic divergence.

Soon he was to be confronted by the consequences of the resulting monetary fluctuations on a policy which, marked as it was by Mansholt's socialist seal, he could not totally approve of as a good liberal. But, believing in the CAP and hoping for better days to come, Ertl remained a cornerstone of the Community, and took on the thankless task of protecting the policy from the growing storm clouds.

In 1971 his views on the need to establish a system of compensatory measures, which until then had only been provisional, prevailed. For him the Monetary Compensatory Amounts (MCAs) were the only way to maintain what he called the fiction of unitary prices, during a period of continually changing exchange rates. This was certainly a victory, but it resulted in bitter recriminations from voters who had elected him to defend German agricultural interests.

At every discussion of agricultural prices since then, Ertl has found himself exposed to the joint fire of countries with weak currencies, asking for a cut-back in positive MCAs, which they look on as an illegal barrier to trade in agricultural products. The arguments he had with successive French colleagues, and in particular the ebullient Jacques Chirac, will not be forgotten by anyone who attended them.

As a minister, he was in an extremely difficult position, in that he was effectively depriving his own farmers of part of the price increases agreed for farmers in other countries. Lower inflation rates in the Federal Republic luckily meant that compensation was roughly

commensurate with production costs.

Shortly after he joined the German government, the Commission submitted a first memorandum on balancing supply and demand in agricultural markets, to the member states. The debate on surpluses opened and the discussion of the major changes needed in the CAP were broached. All that this led to was a reiteration of the claim that, under the existing conditions, there was no valid alternative, and that, compared to other policy areas, the room for manoeuvre was very limited.

Ertl made this analysis his own. But he condemned the fact that it was still necessary to solve social, regional and trade problems through the CAP, because of the lack of other sectorial policies and a lack of political will to create them. In this respect he had to leave the scene on a note of impotence. He could only hope that in future, despite the economic crisis, the rising threat of protectionism and the growing selfishness of member states, the essentials will be preserved.

He has no illusions about what will happen if the situation continues to stagnate. The regrets, the feeling of powerlessness, and the lucidity which Ertl possessed, often brought perceptive and cynical agreement to decisions of which he did not totally approve. He would not hesitate to observe after a long bout of bargaining, when national sentiment was running too high for his taste, that he thought ministers had not shown much Community spirit, but that at least they would go back to their respective capitals 'with the same stiff behinds from the Council seats'.



A gloomy view from the think-tank

MALCOLM SUBHAN
reviews a new study of the Community by a team of academics, which highlights the continuing conflict between Community action and national interest

Ask the average person to name the most important European achievement since World War II, and the answer is unlikely to be the creation of the European Community.

And yet it was among the most decisive events of post-war history. Not surprisingly, it is regarded as Western Europe's most important achievement by the authors of the latest study on the European Community. This is a slim volume entitled 'The European Community: Progress or Decline?*', written by the members of five EEC think-tanks dealing with international affairs.

The authors see the Community as 'the centrepiece of West European efforts at integration and structural cooperation'. It has led to a network of economic agreements with the countries of EFTA and southern Europe and also, in the field of diplomacy, to the beginnings of European political cooperation.

Most important of all, the Community has helped keep the peace in Western Europe. As the study points out, many have forgotten that the driving force behind the creation of the European Community was the desire to banish the scourge of war from Western Europe. If peace within the Community's frontiers is taken for granted today, it is because the European Community is 'the embodiment' of many years of determined efforts to turn Western Europe into a zone of peace.

It is not surprising, therefore, that other regional groupings should look on the EEC with great interest. The Association of Southeast Asian Nations (ASEAN), the Andean Pact and the Gulf Cooperation Council, to mention only three, are developing close relations with the Community. While all three were set up in response to the specific needs of their member states, it is obvious they see the European Community, if not as a model at least as a forerunner.

What is surprising, to an outsider at least, is the EEC's failure to evoke a similar response

from its own citizens. The majority are indifferent to it, while its critics probably outnumber its supporters. The Community, the study notes, is now viewed as 'a distant and soulless organisation' by the peoples of Western Europe.

This is partly because the Community remains 'a half-built house'. The study lists some of the areas in which it has even slipped backwards. For example, if the customs union still holds, it nevertheless has been weakened by national subsidies and administrative barriers. And although the common agricultural policy has helped to sustain farm incomes, surpluses have piled up and so have costs.

The Community budget, the instrument and symbol of financial solidarity, is being increasingly undermined by the notion of *juste retour* – that a member state's budgetary contribution should be limited to the benefits it draws from Community membership. The fact that Community expenditure is threatening to exceed Community income has only added to the tensions between member states.

How is it that the Community has gone from rapid progress to a slow decline in the space of a decade? The study cites two main reasons for this turn-around in its fortunes. The economic recession has undermined the confidence which accompanied European integration throughout the 1960s and early 1970s. At the same time, the Community has had to face up to problems which its founding fathers barely anticipated, such as the emergence of the newly industrialising countries.

The decline can be halted, of course. The study contains numerous policy directions and recommendations aimed at getting the Community moving forward once again. It calls on the member states to implement without further delay the programme for the unity of the internal market which the European Council endorsed in December, 1982. As long as there are barriers to the free flow of goods and services within the Community, the benefits from participating in a Common Market will be greatly reduced, if not lost altogether.

The long queues of lorries at the customs posts within the Community are the clearest indication that the EEC is not yet a single, unified market. As a result, Community manufacturers cannot take full advantage of economies of scale; nor can they specialise to any appreciable extent. They are no match, therefore, for Japanese and American firms – which in any case deal direct with local firms, given the continued fragmentation of the Community market.

One of the study's basic recommendations, therefore, is the development of European industrial structures which take full advantage of the dimension and the potential of the European Common Market. The national framework, it points out, 'is simply too narrow to allow the development of an appropriate industrial policy in such new sectors as computers and information technology'.

The authors do not hesitate to take on the Community's own sacred cow – its common

agricultural policy. They point out, for example, that there is no practical limit to potential milk production using modern techniques and relying almost totally on imported feed-stuffs. The EEC, in other words, has no choice in the matter: it must keep output under control. Mechanisms to avoid costly surplus production must be further developed. At the same time, Community price levels must be related to world prices, though in the framework of income support for small farmers.

If the EEC is to go forward again, the member states will have to give preference to common policies. In the context of industrial policy, for example, they will have to resist pressures to maintain obsolete structures. This means curbing costly financial aid to national industries. Such aid not only distorts competition within the Community – it is also self-defeating.

The authors of the study clearly believe that the major economic problems of today – such as the absence of growth, industrial reorganisation, unemployment – are more effectively handled at the Community level. They clearly would like the Community to perform significant functions in macro-economic policies (monetary, fiscal, budgetary, prices and incomes). But to the extent that this requires a limitation of national autonomy, many of the policy recommendations are likely to be resisted by the member governments.

The current preference for national policies and national solutions reflects one of the EEC's major shortcomings – one which, incidentally, finds no mention in the 52-page study. It is the Community's inability to arouse and hold the loyalty of its citizens, it says. But it never asks why this should be so.

And yet, if governments are once again pursuing national, rather than Community, interests it is partly because the Community no longer enjoys the support of those living within its frontiers. The blame for this state of affairs must rest inevitably on the Community's own institutions in the first place; for whatever reason, they have failed to mobilise public opinion in the member states.

The task facing them today is two-fold. On the one hand they must press the member states to adopt the policies needed to ensure the Community's continued progress; on the other, they must seek how to win popular support.

□ The European Community: Progress or Decline? By Karl Kaiser (Forschungsinstitut der Deutschen Gesellschaft für Auswärtige Politik); Cesare Merlini (Istituto Affari Internazionali); Thierry de Montbrial (Institut Français des Relations Internationales); William Wallace (Royal Institute of International Affairs) and Edmund Wellenstein (Nederlands Instituut voor Internationale Betrekkingen 'Clingendael'.) Published in the UK by the Royal Institute of International Affairs, Chatham House, St James's Square, London SW1Y 4LE, price £5.00.

EUROFORUM

Helping to integrate the Greeks into the European Community

Last February, when Commission Vice-President Lorenzo Natali unveiled the Commission's proposals for Integrated Mediterranean Programmes, I took the risk of aiming at Greek public opinion a positive political prediction. The text of my statement to the press was as follows:

'The Commission's decision on Mediterranean integrated programmes, taken on a proposal from Vice-President Natali, is of central importance in relation to the Memorandum of the Greek Government. These proposals, on the scale and modalities of Community involvement in Greek development, constitute a specific attempt to respond to very many of the demands stated in the Memorandum, and further clarified in Athens during the past six months through an unprecedented series of special missions involving over 200 Commission officials.

The drafting of the specific programmes for Greece has already commenced and will soon be completed. I consider yesterday's decision by the Commission to be an encouraging augury for the outcome of our efforts to solve the problems of Greece in cooperation with the Greek authorities.'

While the long-term perspective remains to be seen, it can already be said that the vital first phase, essential to the fulfilment of the augury, has run much as I envisaged and hoped it would. On 29 March the European Commission adopted, at my suggestion, a set of spe-

Commissioner RICHARD BURKE outlines the initiative that could meet the special needs of the Community's tenth member state

cific proposals in completion of our response to the Greek Government's Memorandum of 19 March 1982, to be presented to the Council of Ministers and the European Parliament. Within the framework of the Mediterranean proposals the detailed programme for Greece had already been published some days previously, and had been widely recognised as a far-reaching, ambitious and generous response to many of the demands in the Greek Memorandum.

The realisation of the long-term perspective is primarily a matter for the Greek Government and people. In devising a comprehensive and practical re-

sponse to the concerns outlined in the Greek Memorandum, the Commission put forward initiatives designed to achieve two central objectives: Firstly, to help the Government and people of Greece achieve the economic transformation to which they aspire and, secondly, to accelerate the integration of Greece within the Community.

As already mentioned, it was March of last year when the Greek Government sent the Council of Ministers a Memorandum concerning Greece's position within the Community. At the European Council of 29/30 March 1982, the Greek Prime Minister spoke of the background to the Memorandum and it was agreed that the Commission should study the Memorandum and report to the Council on it. I was invited by the Commission to co-ordinate the work of all Commission services involved in the

ON THE LINE

On 21 April the Political Affairs Committee held its first public hearing on human rights in Brussels, at which four non-governmental organisations presented evidence and answered parliamentarians' questions. Thomas Hammarberg, Secretary-General of Amnesty International, spoke of his organisation's impartial work for 'prisoners of conscience' throughout the world. Menno Kamminga, from Amnesty's legal office, reported on the campaign against political killings launched earlier this year.

When asked what action he thought Europe should take, Mr Hammarberg suggested that all the European member states should be encouraged to ratify the European Convention on Human Rights. He also would like to see a greater emphasis placed on 'human rights' education, both in schools and universities and in the training of policemen, lawyers and members of the armed services. Lord Bethell and Mr Israel, stressing Parliament's need for up-to-date and accurate information, hoped for a greater degree of co-operation between Amnesty International and the European Parliament in the future.

The President of the Political Affairs Committee, Mariano Rumor, stressed that both he and the Parliament's President, Piet Dankaert, hoped that the information provided by the non-governmental organisations would help Parliament to establish a concrete human rights policy.

'All parties should work to achieve the objectives of the Commission'

study and to act for the Commission in all political contact with the Greek Government involved in the exercise.

In starting work on the Greek submission I was conscious that a number of the issues raised would be affected by the dynamic of routine decision-making. Many others were clearly the expression in a most acute form of the specific Mediterranean problems identified by the Commission in 1981 in the course of its 'Mandate' search to find a new balance between all parts of the Community through a restructuring of the Community budget.

By June 1982, when the Commission's initial report on the Memorandum was ready, important agricultural and regional decisions had already been taken by the Council of Ministers. First, the decisions of 18 May 1982 on common prices and related measures provided the answer to the question of support prices for Greek farmers, substantial rise in prices in ECU, devaluation of the representative rate for the drachma, accelerated alignment of the prices of certain agricultural products on the common prices, increases above the Community average for certain Mediterranean products, etc.

Secondly, the more favourable conditions and rates of refund applied in respect of certain Mediterranean regions were to be extended, by the end of 1982, to similar areas in Greece. It was also emphasised that the Commission's ongoing work to speed up development in the Mediterranean regions was indeed the context in which solutions would be sought for many of the Greek demands.

The Commission's response was very open in its approach. It accepted the description of the economic situation given in the Memorandum, and accepted that determined action was called for. Clearly all countries have, to different degrees, to cope with the difficulties of the economic crisis and, equally clearly, there are undeveloped aspects of the Greek economy for which the Community cannot be held responsible. The extent to which the Community can help a country is, of course, dependent on the compatibility of the policies pursued by the recipient country with Community action.

The Commission's conclusion therefore was that, provided each made the

necessary effort, a valid answer could be given to the questions posed by the Greek Government.

While the Commission's study of the Memorandum detailed the technical parameters of Community action, political resolve, was and is clearly going to be the key to acceptance of final decisions in the matter. The Council took note of the Commission's report at its session of 20/21 June 1982, when it was agreed that the Greek Government and the Commission would remain in contact in order to clarify the various aspects of the Memorandum as far as possible.

In July last year, in the course of a series of meetings in Athens, it became clear that a major element in the specificity of Greek difficulties with the Community system was the risk of mutual incomprehension arising from problems of communication and tradition exacerbated by contrasting conceptions of bureaucracy and decision-making on all sides. I discussed the situation with Mr Papatheou and Mr Varfis, Secretary of State for European Community Affairs; and out of these talks emerged the idea of arranging a series of special missions to examine in depth the issues raised in the Memorandum in Athens in direct contact with the Greek Government.

'Action to help the Greeks launch their five-year development programme'

The Commission endorsed this idea. Over a six-month period, approximately 200 Commission officials took part in discussions in Athens on almost every feature of the participation of Greece in the Community. This was a unique exercise in the history of the Commission's relations with member states, and it proved to be of significant benefit to both sides.

Much of the presentation of the Commission's latest communication to the Council and the European Parliament - Greece in the Community: Assessment and Proposals - is explained by the pattern of events and initiatives in the twelve-month period I have described.

The response to Greek demands achieved through the ongoing pattern of Community decision-making and the mission exercise is first summarised. For example, the proposals for a Mediterranean Integrated Programme

for Greece are noted as far-reaching and ambitious and a specific attempt to respond directly and comprehensively to many of the basic structural questions raised in the Memorandum. It is proposed in the context of this programme that 2.542 million ECUs should be invested in Greece by the Community in the period 1985 - 1991: 1.233 million ECUs in agriculture, 120 million ECUs in forestry, 139 million ECUs in the fishing sector and 1.048 million ECUs in general.

Substantial as these proposals are, the Commission accepts in the communication that they do not meet all the valid demands outlined by the Greek authorities, either in the Memorandum or in the context of the missions to Athens. A series of specific actions is accordingly proposed to help the Greeks launch their 5-year development programme and in certain cases to meet other specific demands.

The following proposals are selected from among them as being the more far-reaching in their scope and importance.

Agriculture. Extension to all of rural Greece of measures concerning irrigation, forestry infrastructure and the hiring and training of quality control personnel.

Employment and Social Policy. Aid for the construction and equipment of training centres; aid for the construction and equipment of hospitals and the introduction of modern techniques for certain categories of handicapped people.

Environment. Assistance to the Greek Authorities to develop a comprehensive depollution programme for Athens; when the programme has been established the Commission will present proposals for participation in its implementation.

The work of the Greek Government and Administration on the Memorandum, and in contact with the Commission services, has come to be recognised as of immense value in the preparations for the first Greek Presidency of the Council of Ministers which begins in July. It is to be hoped, indeed, that the imminence of this presidency will facilitate serious consideration of the Commission's Mediterranean and Memorandum proposals by the Council of Ministers.

I see the Commission's Memorandum report as a helping hand for Greece in the period leading up to the acceptance and implementation of the Integrated Mediterranean Programmes. The helping hand is offered not through any derogation from the Treaties but through the implementation of Community policies.

EUROPEAN REVIEW



Jean Rey, veteran European

A respected pioneer of European unification and a former President of the Commission, Jean Rey, died on 19 May. He was 80.

M. Rey led the EEC team in the Kennedy Round negotiations which were successfully accomplished in 1967, and in the same year became President of the Commission. He remained as Deputy for Liège until 1958, held various offices in Belgian governments, and was a prominent Freemason. In his later years he was President of the Court of Arbitration of the International Chamber of Commerce.

Service with a smile?

Service industries account for 38 to 41 per cent of Gross National Product in most member states – without counting the contributions made by tourism and catering.

The exceptions are Luxembourg, where services are 57 per cent of GNP, and Greece and Ireland, where they account for only 33.7 per cent of the nations' wealth.

The UK's services sector comes top of the league in terms of jobs. Figures for 1980 show an estimated 9.2 million persons employed. Next in line was the Federal Republic of Germany with 8.1 million workers in service firms.

New court for terrorists

MEP Georges Donnez, of the Parliament's legal affairs committee, is calling for the creation of a European Criminal Court to deal with terrorists. He also wants the Commission to propose directives for suppression of terrorism in member states and the setting-up of common principles for extradition between them.

Mr Donnez suggests that the court could have a similar composition to the European Court of Justice, with an advocate-general and the power to hold closed proceedings. The new court's powers could extend to all terrorist crimes in which extradition might be needed, or only to those cases where a member state was unwilling or unable to extradite a person accused of terrorism, Mr Donnez says.

Moves for more equality

In a move to end discrimination in social security, the Commission adopted on 21 April a new equality directive to ensure equal treatment in schemes offered by companies to their workforce.

This new proposal is a follow-up to the 1978 social security directive, which is scheduled to enter into force at the end of 1984, and provides for equal treatment in the member states' social insurance schemes.

Occupational schemes aim to supplement and possibly replace benefits available under state social security provisions, such as pensions, sickness, invalidity and unemployment, family and survivors' benefits. The draft directive covers all occupational schemes whether they form part of collective agreements or are offered unilaterally by the employers.

Also covered are schemes set up by the representatives of self-employed occupations such as doctors and lawyers.

Under the proposed directive both direct and indirect discrimination by reference to marital or family status will be banned as a condition of access to these schemes and for the calculation of contributions and benefits given.

Our cup runneth over

Total wine production from the 1982 harvest reached an estimated 169 million hl – the third highest level since 1973 – with quality wines reaching an all-time high.

To make sure the surplus does not depress the market in table wines and lower prices for quality wines produced in specified regions, the Commission is proposing a short-term programme of storage aid so that part of the production is carried over for marketing next year.

The special system would aid wine-growers in France, Luxembourg, and the German Federal Republic to store up to 15 per cent of their 1982 production for six months, with special allowance for growers in the Moselle Luxembourg and Mosel-Saar-Ruwer areas to store up to 30 per cent of their production.

The Commission says it will review the situation at the start of the next growing year and, if necessary, extend the storage contracts by three months.

The Chinese connection

Chen Mu Hua, the Chinese Minister for Foreign Economic and Trade Relations, took the opportunity of her visit to Brussels in April to invite External Affairs Commissioner, Wilhelm Haferkamp to Peking and to reaffirm that the Chinese economy was open to foreign trade and investment.

After a relative slowdown in imports in recent years, China is now committed to modernising her industry and is seeking assistance from abroad.

A number of agreements are being negotiated with Community countries and China is preparing for negotiations on renewal of her textiles agreement with the Community, which expires at the end of the year.

The list of areas involving Sino-Community cooperation has steadily increased since both parties signed a trade agreement in 1978. Now they cover evaluation of Chinese agricultural, energy and pharmaceutical needs, mineral exploitation and increasing trade.

Standing up for the women

The problems of women in rural and declining industrial areas should be a basic consideration in the new broad approach of the EC's Regional Policy and Fund, says MEP Sile de Valera.

The willingness or reluctance of the Commission and the Council to make specific acknowledgement of the problems of women in the less-favoured regions will be a sign to women everywhere in Europe of how seriously they are prepared to confront the problem of making equal opportunity a reality, Miss de Valera declared.

Defusing urban 'time-bombs'

The problems of general urban decline in industrial areas 'form a chain of socially primed time bombs which need urgent defusing', Social Affairs Commissioner Ivor Richard told an OECD Inter-Ministerial Conference on Urban Affairs in April.

The problem of general urban decline related to the economic decline of older industries might be even more urgent than the pressing issues of inner city decline and uncontrolled growth of urban areas, Mr Richard told the Paris meeting.

In the ship-building cities of Glasgow and Tyneside, the textiles towns of Roubaix and Belfast, the steel cities of Charleroi, Thionville and Cardiff, people face the combined effects of 20 to 40 per cent youth unemployment rates; post-war housing estates; frequently impoverished educational and cultural facilities; and 'an outdated infra-structure supplied over wide areas with 19th century energy sources now disintegrating with unnerving rapidity,' he told the conference.

In the prosperous 60s and early 70s countries redeveloped or 'de-congested' their cities, making many errors in the process, he said. Society must now deal with the results of that dismantling, along with the problem of de-industrialisation, which Mr Richard called the single greatest social challenge facing the European Community.

The Commissioner said the Community will soon launch a comprehensive study on the problems of urban decline.

Protest on aircraft noise standards

The European Community has made clear that it is not going to sit silently by and let the United States impose domestic US noise standards on foreign-registered aircraft.

The Commission has registered a firm objection to the US Federal Aviation Agency (FAA). The Commission wants the US to follow normal international aviation practice and allow foreign aircraft to fly to and from the United States within the limits of the internationally agreed noise standards. These are governed by the Chicago Convention to which the United States is a signatory.

In particular the Commission points out that the Convention requests that states should not prohibit the operation of foreign registered non noise certificated subsonic planes before 1988.

In support of their case, the Commission cite President Reagan's own sentiments during the strike of air traffic controllers. He wrote to Civil Aviation Board Chairman Marvin Cohen that it was especially important that the United States demonstrate its sensitivity to the concerns of foreign governments in support of the international aviation system. President Reagan said that it was essential 'to address matters of common concern in a cooperative manner.'

The applicability of his words to internationally agreed noise standards can hardly be disputed, says the EEC.

Tunisian premier visits Brussels

During his visit to the Commission at the beginning of May, Premier Mohamed Mzali chose to focus on the recent attempts by the three Maghreb countries - Tunisia, Morocco and Algeria - to draw closer together.

He told Commission President Gaston Thorn that an integrated Maghreb and a united Europe were complementary. Co-operation between them was natural; a privileged relationship could be established and strengthened.

A successful, multidimensional cooperation between the EEC and the Maghreb, the Prime Minister declared, could give fresh impetus to the Euro-Arab dialogue and even open the way to global North-South negotiations.

Fare deals on the train

Special rail rates for senior citizens taking international journeys may be standardised by the middle of this year, as a first step towards harmonising European rail fares, the Commission has told Parliament.

Other uniform special rates for children, young people, and groups (including families) are being studied and may come into force by 1984, transportation commissioner Giorgios Contogeorgis said.

The Commission is working with member governments and rail boards to solve the problem of widely varying fares in the Community, he explained. The focus is now on harmonising special concessionary rates given to the disabled, elderly, severely handicapped, war-wounded, blind, economically disadvantaged, children, young people, and large families.

Safety first in Luxembourg

In April the Commission organised an international symposium on health and safety of onshore and offshore gas and oil workers in Luxembourg.

An international team of experts reported to the 400 delegates on accident risks, existing legislation, safety training for workers, health and psychological problems, and inspection and emergency procedures.

In a message to the symposium, social affairs commissioner Ivor Richard warned that exploitation of offshore reserves 'clearly presents a hazardous operational problem' despite advances in safety techniques.

Europe is in the vanguard of technological efforts to make the offshore industry hazard-free. In coming to grips with the sometimes appalling working conditions in the North Sea - wind speeds of up to 150 mph, waves up to 20 metres high, and freezing temperatures - European technology has been universally acclaimed.

Both industry and governments have done a great deal to protect the 30,000 offshore workers in the gas and oil industries. But some sections of industry now fear excessive legislation may restrict further development in platform technology.

The issue of 'additionality' in Northern Ireland

Additionality is an important European issue in Northern Ireland, though it attracts much less attention in the Republic.

At its simplest, it is used to make a distinction between extra European funds on top of the Northern Ireland grant-in-aid from the Exchequer; and European funds replacing United Kingdom funds, within the grant-in-aid, which reduces the net cost to the Exchequer.

In the Republic most European Community financial contributions are easily seen to be additional. The Government there receives net transfers of funds from the European Community, which indisputably have the effect of making extra resources available to the country.

In Northern Ireland there is a forward programme of government spending, which is quite separate from the other United Kingdom domestic Exchequer items. This spending programme does not necessarily increase as a result of any increase in European transfers into the Exchequer, based on Northern Ireland applications.

The easy and tempting conclusion is that expenditure remains the same as planned, and the Treasury faces a lower bill for the grant-in-aid towards Northern Ireland as a result of the European contribution.

'The Commission is not empowered to enforce regional additionality'

However, the issues are not quite so simple, nor is it easy to prove or disprove an absolute lack of additionality. The nub of the issue is that, whereas Northern Ireland is treated separately within the United Kingdom's domestic financial arrangements when dealing with Europe, Northern Ireland is a small part of the United Kingdom/Europe package. The relevance of additionality, then, is to the United Kingdom overall, rather than to Northern Ireland. While this may satisfy the Treasury, it does not satisfy the European Commission, who feel that regions such as Northern Ireland should experience the direct benefit of additional resources.

The European Commission is, however,

Should EEC funds directed towards hard-hit areas, count as additional to state aid, rather than as a means of holding down government expenditure? Economist JOHN SIMPSON discusses the situation as it looks from Belfast

not empowered to enforce such regional additionality, and the present ambiguous system certainly does not appeal to people in Northern Ireland.

As the word 'additional' clearly means

doing more in a given region, then better arrangements are required. The Treasury argues that when spending plans are being drawn up, allowance is automatically made for European Community assistance, and therefore the overall availability of resources is higher than they would be otherwise.

The inherent weakness of this defence is that it cannot either be proved or disproved. It makes any European contribution less noteworthy, and therefore less effective: sometimes even counterproductive.

In general, European monies earmarked for Northern Ireland are not additional. There are, however, exceptions, such as the anticipated £63 million for urban renewal in Belfast, or the funds attracted for Enterprise Carrickfergus, or the non-quota section monies for the development of tourism on the border, and for small business development in



Flashback to our issue of November 1981: the craft workshop at Newry, a pilot scheme for creating full-time jobs.

Belfast. Agriculture is different, because agricultural price supports are handled centrally in Brussels.

But the last Government's rebate – though mentioning specific projects in Northern Ireland – was not additional money, though it may have been anticipated when the Government's spending plans for the Province were being drawn up.

The public interest surrounding the issue of additionality in Northern Ireland has made both the Government and the European Commission more sensitive to it; and in offering further funds, the Commission are now subjecting them to 'an assessment of additionality'.

Many figures and self-justifying arguments have been presented, even produced by the Chancellor of the Exchequer in answer to Parliamentary questions, designed to prove or disprove opposing views. In essence, however, were all monies committed by Brussels for projects in Northern Ireland to be additional to nationally approved spending, there would be significant benefit here.

But Northern Ireland has to reconcile the financial benefit of being in the United King-

dom with the financial benefits stemming from its status as a depressed European region. If no satisfactory changes are made, the Northern Ireland public will continue to be justifiably critical of the authorities for giving the impression that European funding has a direct and transparent effect on Northern Ireland, when in fact, Government will effectively determine the extent to which European funds earmarked for Northern Ireland will be additional, if at all.

Possibly funds could flow additionally to Northern Ireland from Europe, under arrangements where the relevant Departments of Government in Northern Ireland were permitted to provide the matching amounts necessary to attract European support in the first place from within the Northern Ireland grant-in-aid.

This would constitute, from the Treasury viewpoint, a difference in presentation, as well as in principle. But in European Community terms, it could make a significant step towards clarity and satisfy the mechanisms for the use of European Community monies. The further public discussion of additionality is by no means exhausted. **E**

Why we must keep agricultural spending down – Tugendhat



A warning that the European Community's agriculture expenditure must be restrained was issued by Commission vice-president Christopher Tugendhat in a speech to a luncheon organised by the London Conservative Euro-Constituency on 24 March.

Europe's spending on agriculture, he said, is rising at a rate that could endanger the very existence of all Community expenditure policies including the Common Agricultural Policy itself.

The figures for the April advances for Common Agricultural Policy (CAP) expenditure paid by the Commission to the intervention agencies in the member states show that the over-spending already apparent in the first quarter of this year is gathering momentum, Mr. Tugendhat added.

The total for the first four months including April is £3350 million – about £800 million more than in the same period last year, and nearly £400 million more than was budgeted for.

Mr Tugendhat said that the Commission had proposed a 5.5 per cent average price increase, with less for the surplus commodities.

As well as these harmful consequences of a general nature, which may deter or prevent the solution of economic problems, there are also the damaging effects, from a Community point of view, of aids which distort trade between member states.

Increased state intervention can mean leap-frogging national aids, threatening the unity of the common market by producing quasi-protectionist effects – and, instead of eliminating them, may simply shift economic difficulties from one member state to another, Mr Tugendhat said.

letters

Home from home

I am what must be considered a true European: a migrant who has adapted to another environment. Since the concept of the EEC encourages migration and hospitality, I don't feel like a foreigner living in England – I consider myself a European in another European country. I'm *at home*, even though not in the place in which I was born. I live and work here without any restrictions or discriminations, and I pay my taxes to the Inland Revenue of Great Britain, where I reside.

However, even though from next year or so I shall be carrying a European passport, I am still a German national (since we're all Europeans there is no need to change nationalities) and I am lucky to still be given the vote in what remains my second home in Germany. But I honestly don't care very much who wins the elections there.

On the other hand, I really do care who runs Britain, because it affects my life and affluence. But because I am only a citizen of Europe, not of Britain, I am not allowed to vote for my councillors, MPs and, above all, my Euro-MP, the person that I need more than most British residents!

Surely, the introduction of rights to 'Votes where taxed' (instead of 'No taxation without representation') should precede any further discussions about issuing Euro-passports.

Ulla Thiessen
Hampstead, NW3.

Classroom poll

In contrast to the opinion poll published in your March issue is the result of a short survey on attitudes to Europe prior to a course on European integration which I conducted among two groups of twenty students at this college.

There was no significant difference between the responses of the groups, one in the third year of a BA history degree and the other on a part-time 'A'-level history course.

Nearly two-thirds of both groups thought Britain should stay in the European Community, and just over a quarter were against. Nine students were convinced federalists supporting British participation in a Europe evolving towards political federation, while eight who favoured staying in the Common Market opposed further integration.

I am not sure what to make of the one respondent who was against the Common Market but favoured Britain's participation in a federal Europe!

G. D. Barnes, BA, M.Phil
Principal, The College of St Paul
& St Mary,
Cheltenham, Glos.

The shock of Seveso — and what the Commission is doing about it

Seveso, a village in Italy, has become synonymous with the horrifying chemical accident that occurred in 1976. Waste contaminated by dioxin was shipped to an unknown destination from the area in 41 containers, in an atmosphere of cloak-and-dagger secrecy.

It was eventually found to have been dumped in a building near St Quentin, northern France, and is now to be finally disposed of in Switzerland.

This affair has spotlighted an area of concern of the European Commission — the shipment within the Community of toxic wastes. For those two tonnes from Seveso represent only a small fraction of the 20 or 30 million tonnes of poisonous industrial waste within the Community — and even less of the 150 million tonnes of total industrial waste.

About a million times the amount of poisonous waste from Seveso crosses borders of member states every year.

In January 1983 the Commission proposed a new measure to reinforce control of hazardous waste for the protection of the health of Europe's citizens and the environment. It recommends continued supervision and monitoring of wastes from the moment of their arising until their ultimate treatment or safe disposal in the Community.

The proposed directive would ensure that no transfrontier shipment could take place without acknowledgement of a notification to import the waste to a member country. Waste would be appropriately labelled and packaged with details of its nature, composition and quantity. A telephone number where specialist advice may be obtained at all times during the shipment would also be required.

Only undertakings with an appropriate licence for such chemicals would be allowed to transport it across frontiers. Full insurance coverage would be necessary in respect to damage it may cause during shipment.

Every three years, member states would draw up a situation report on the implementation of the directive and the Commission would submit a report to Council and Parliament.

The proposed new directive will strengthen the already existing Community legislation in this area. In March 1980 a directive on the treatment, stockage and disposal of toxic waste came into force. Member states are required through their competent authorities to authorise and supervise the transportation, treatment and disposal of toxic and dangerous waste.

In Brussels, a statement by the Commission's head of information services referred

to the Seveso affair as 'a classic example to show the difficulties of managing and controlling the industrial environment in Western Europe at a national level. It also shows the many contradictions in policy options by bureaucrats and politicians.'

'The economic recession has pressurised bureaucracies to step up checks on persons and goods crossing the Community's internal borders. But in the meantime, barrels containing a deadly poison are apparently allowed to roll freely across these same borders, as a result of the member states' resistance to accept a common European responsibility.'

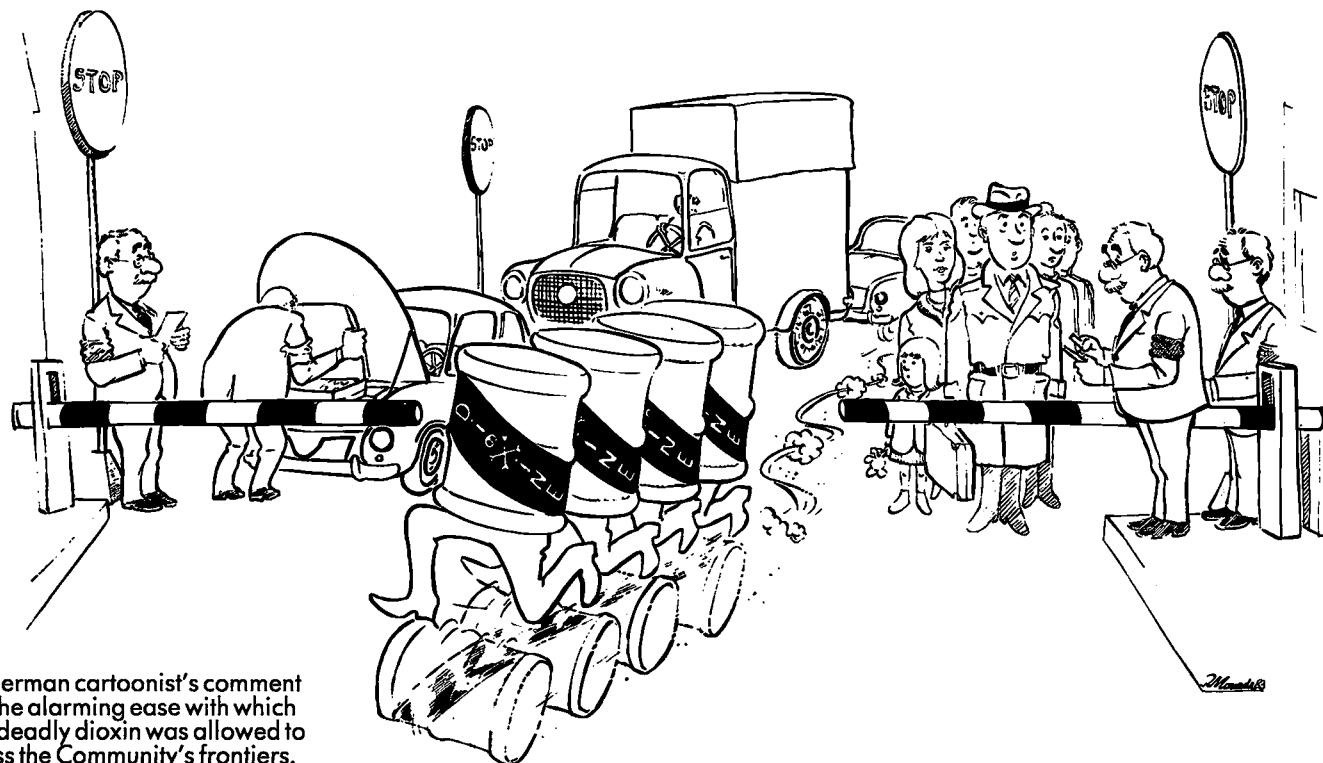
'The Council rejects initiatives to encourage a greater measure of freedom in the movement of persons and goods within the European Community, although the measures in question are nothing but normal.'

'Will the Environment Council also reject the draft directive on the supervision and control of transfrontier shipment of hazardous wastes within the Community?'

'Industry in the European Community each year produces 150 million tonnes of waste. Out of each 10 tonnes 1.5 to 2 tonnes consist of dangerous waste. One out of 10 tonnes is being moved between member states in order to be destroyed or stored. Procedures for the treatment of dangerous waste remaining within a member state have been fixed under an existing directive.'

'Now it is up to the Council to take the next step on the way to a European control system, so as to get a grip on the 2 to 3 million tonnes which are crossing the borders to be treated elsewhere — shamelessly and without anybody assuming the responsibility.'

'An urgently needed European solution for a European-wide problem is there for the taking.'



A German cartoonist's comment on the alarming ease with which the deadly dioxin was allowed to cross the Community's frontiers.

1772 tonnes. In the light of this the Community's competitive potential appears to be fairly satisfactory. The Commission does not therefore intend to help Community growers in any way, according to Commissioner Dalsager.

Minority tongues study

The European Parliament has adopted a resolution reiterating its support for the right of 30 million Europeans to belong to minority cultures and speak minority languages.

Irish, Welsh, Breton, Basque and Friesian are just some of the cultures which first won recognition at European level in October 1981, following the Parliament's approval of a report compiled by Italian Socialist MEP Gaetano Arfè.

The Parliament's new resolution renews calls for European Commission backing for studies of minority issues and an end to discrimination against minority languages. Parliamentarians have asked for regular progress reports on Commission efforts to encourage regional and folk cultures through the media and other educational programmes.

They would also like to see economic projects financed by the European Regional Development Fund, specifically aimed at benefiting disadvantaged areas inhabited by cultural minorities.



Victor or Victoria?

One person out of a hundred thousand in Europe is a transsexual – someone who 'deeply believes that he or she belongs to the opposite sex, despite undeniable chromosomal evidence to the contrary' –

according to a report published by the French Academy of Medicine.

The European Parliament has been looking into the issues surrounding transsexualism, with an eye to solving the legal problems posed by people who undergo sex-change operations. But are then not allowed to change their civil status or name. Sex-changes require numerous operations and are a source of considerable suffering.

In most European Community countries, sex-changes are tolerated, even if they are not always legal – but the person operated on is not given the right to change his or her identity papers. A group of twenty Parliamentarians say that this can have 'unpleasant and psychologically damaging consequences for the person concerned, for example in hospitals or prisons, where a person physically resembling a woman can find herself in a male section or vice versa.

At the moment, the Federal Republic of Germany is the only country with specific legislation relating to sex-change transsexuals, which permits a change in civil status after the operation under certain conditions.

The situation in other Community member states varies widely. For example, in Italy a recent change in the law now permits a change of identity, but sex-change operations are not yet legal. In the United Kingdom, the opposite is true: the surgery side is legal in cases where it is considered 'therapeutic'. But a change in civil status is not possible on the grounds that it would contravene the sacrosanct principle of birth.

In France and Belgium no legislation yet exists, either regarding the operation or the change in civil status. In France, under Article 316 of the penal code, 'the crime of castration' is still technically punishable by life imprisonment. But a certain laxity has applied in the case of sex-change operations and no doctor has ever been prosecuted. In Belgium, new legislation has been delayed, following a widely publicised scandal some years ago, when a transsexual died after post-operative complications.

Check on cheque-book journalism

In the wake of a court case involving revelations about the British royal family by a former royal servant, published in a popular British newspaper, a

Euro-MP has tabled a motion calling for a Europe-wide inquiry into Press ethics.

Socialist MEP Ann Clwyd says that a European Parliament committee should investigate the ethics of paying for information and intruding into people's private lives. The 'hounding' of public figures and intrusion on their privacy by the Press should be discouraged, she claims.

The committee conducting the investigation should draw up guidelines for editors on payments for stories and a code of conduct on privacy, she says.

More young people are jobless

Unemployment among the under-25s reached a record one in four in the European Community countries, excluding Greece, in April, according to figures released by Eurostat. In four countries – the Netherlands, Italy, Denmark and Belgium – the situation was even worse, with one young person in three looking for a job. Unemployment rates for the age group ranged between 33 per cent and 35 per cent in all four states.

Youth unemployment in the United Kingdom, France and Ireland was roughly in line with the Community average, registering 28 per cent, 27 per cent and 26 per cent respectively. In the Federal Republic of Germany it was considerably lower, at 15 per cent, according to the report.

Youth unemployment rates vary from an average of 25 per cent for men to 29 per cent for women, but major differences exist in different countries. In the Federal Republic of Germany, the Netherlands, the United Kingdom and Ireland, there are far more jobless young men than women. But in France, Italy, Belgium and Denmark the opposite is the case and young women have been hardest hit.

The under-25s currently account for about 40 per cent of Europe's 12 million unemployed and young people are more than twice as likely to be without a job than their elders, says Eurostat. The average rate of unemployment for young people is about 26.4 per cent, or 2.4 times the overall Community rate of 11.1 per cent.

The chance of being unemployed for young men is about 2.7 times higher than for men in general and in some countries is even higher. In Italy, for example, a young man is



Roses, roses all the way

Imported roses from Hungary, Bulgaria and the German Democratic Republic could be about to swamp the European Community rose markets, according to a French Socialist member of the European Parliament.

Yvonne Théobald-Paoli made the claim in a written question to the European Commission, in which she called for measures to improve the situation of Community growers. But, according to European Agriculture Commissioner Poul Dalsager, the Community's competitiveness on world rose markets is not seriously threatened. European rose bushes are selling well. In 1980 the volume of Community exports was about three times greater than imports.

The Community imported about 484 tonnes of rose bushes in 1980. The biggest supplier was Bulgaria, selling an estimated 119 tonnes, followed by Morocco with 93 tonnes, Hungary with 74 tonnes, Spain with 59 tonnes, Israel with 42 tonnes, the German Democratic Republic with 39 tonnes and another 58 tonnes from other sources.

Commissioner Dalsager says that European growers do not have much to worry about, as imports from Hungary, Bulgaria and the German Democratic Republic have all remained relatively stable. In 1979 they totalled 222 tonnes and the following year reached 232 tonnes. Recent estimates show no major change for 1981 and 1982.

Community exports to third countries in 1980 amounted to about

about four times less likely to have a job, than an older man.

The Eurostat figures follow the publication of a major report on youth unemployment by the European Parliament's Committee on Social Affairs and Employment. The Commission stresses that reduction of the unemployment rate of young people down to the average rate for adults (i.e. at present from 23 per cent to 11 per cent) would require the creation of 2.5 million extra jobs. The longer the member states put off facing up to this challenge, says the Commission, the worse it will become, both because of an increase in the number of unemployed and a lengthening in the duration of unemployment.



Yellow slipper peril

Could Chinese slippers swamp Europe's shoe shops? Over the years the threat has been growing. In 1982 more than 52 million pairs of slippers, mostly from the People's Republic of China flooded beleaguered European shoe markets.

In 1980 Europe was only importing about 27 million pairs of slippers. Two years later the number had nearly doubled. The problem is a European one, but is a particularly sensitive issue in France, where traditional slippers are fast losing ground to imports. Third country imports share of the French market rose from 23 per cent in 1979 to 34 per cent in 1981, while the Community share dropped from 77 per cent to 66 per cent over the same period.

The European Commission has opened an inquiry to examine the implications of huge third country imports for the Community's shoe industry, particularly in terms of jobs. Europe's whole shoe industry is currently in a bad way. Despite restructuring and the introduction of new technology, the recession has meant that European producers are finding it increasingly difficult to be internationally competitive.

Community exports continually run up against tariff and other trade barriers, both in the industrialised countries like Japan, Canada, Australia and the US, and in the developing world. Earlier this year, three French Progressive Democrat MEP's—André Bord, Pierre Cousté and Christian de la Malène—tabled a motion calling for the Community to intervene on behalf of Europe's shoe manufacturers.

Narjes spells out action on the environment

The Community has adopted over sixty legal measures concerning water and air pollution, waste treatment, noise abatement and the protection of natural resources, according to Karl-Heinz Narjes in an address to the German and Industrial Trade Association.

In the process, the Commissioner added, the Community has increasingly altered the emphasis from combating existing environmental damage to the prevention of pollution. 'There can be no doubt', Mr Narjes said, 'that this method is much more effective in both environmental and economic terms'.

On the question of economics versus environmental protection, Mr Narjes disputed the widely-held opinion that there was a conflict here. He maintained that environmental policy was nothing more than properly-conceived long-term economic policy. Environment policy was an important component of any structural policy: consistency must be ensured. Sudden changes in the framework conditions created insecurity and adversely affected the propensity to invest and investment decisions. Mr Narjes emphasised the importance of the polluter pays' principle, which ought to be strengthened by means of market-economic solutions.

Turning to topical questions, Mr Narjes referred specifically to 'acid rain'. As there was still some uncertainty as to the causes, he said, more research was needed. The Commission would make its contribution in this connection: a scientific symposium would be held in September. However, there was scarcely any doubt that forests were dying as a result of air pollution caused by sulphur dioxide and oxides of nitrogen.

The damage caused is already

enormous in terms of the sums of money involved, Mr Narjes said. In the Federal Republic of Germany alone some 700 000 jobs are dependent on the wood industry. The costs of air pollution in terms of the economy as a whole are likely to be well in excess of the costs involved in stepping up efforts to improve air quality.

The Commission intends to supplement the existing Community provisions concerning the maintenance of air purity (quality standards for sulphur dioxide and lead, and emission standards for vehicle exhaust gases) as quickly as possible. It recently submitted to the Council of Ministers a proposal for a directive on the limitation of emissions from stationary industrial plants, in accordance with which large new emission sources would require prior authorisation, entailing purification of waste air in accordance with the state of the art. Provisions relating to large combustion plants are envisaged at a later stage, and a draft directive on air quality standards for oxides of nitrogen is being prepared.

Mr Narjes criticised the fact that turning directives into national legislation was not always satisfactory where environmental matters were concerned. He had given instructions, he said, that use should be made of all the legal remedies available in the event of infringements of Community law. As a result, the number of cases before the European Court of Justice has increased considerably.

A flag for Europe?

A blue background with twelve gold stars should become the official European Community flag, according to the European Parliament's Political Affairs Committee.

For the past twenty-four years the design has been the emblem of the Parliamentary Assembly of the Council of Europe, and has flown beside national flags at dozens of meetings and twinnings of European towns.

In a report compiled by Christian Democrat MEP Kai Uwe von Hassel, the committee described the flag as 'a symbol with which the people of Europe might identify', and said that negotiations to share the emblem with the Assembly should start soon.

It is also said that the Parliament's current flag, which is blue, with the initials EP/PE framed in a wreath of gold oak leaves, should be scrapped.



Bad effects of video 'horror'

Violence recorded on video is commonplace, and evidently enjoyed by young people in their leisure time. But does the fact that video cassettes can be freely bought on the open market by anyone, pose a threat to young people's morality? A group of Christian Democrat MEPs believe that it does. They have tabled a motion calling for controls on all media that are 'a danger' to the young.

In the Federal Republic of Germany alone, sales of video recorders have doubled over the past two years. The video cassette market has grown at a similar rate. 'Horror', 'war' and 'action' films account for the lion's share. Pornographic films only represent about 12 per cent of the market. The MEPs are particularly critical of the flood of video cassettes portraying scenes such as 'dismemberment of human beings and cannibalism', which they say incite violence and set an 'appalling' example.

Currently the law in member states is not sufficient to control these excesses, and it is impossible to limit young people's access to 'dangerous' cassettes. The MEPs say that the time is ripe for joint action. They want the creation of a European Inspection Office for material potentially harmful to young people. It would be composed of lawyers, civil servants from ministries of education, teachers, youth leaders, psychologists, psychiatrists and journalists, and would, under certain circumstances, be empowered to restrict the production and sales of certain cassettes.

The motion recommends that the Office's powers should be mainly aimed at violence, drugs, racial hatred, the glorification of tyranny and war, pornography and sexual discrimination.

QUESTIONS IN THE HOUSE

**Roger-Gerard Schwartzberg,
France:**

'What action does the Commission intend to take on the report by the French Socialist, M. Bassinet, proposing that the Community should strengthen its links with Norway?'

**Answer by Wilhelm Haferkamp
on behalf of the Commission:**

'The Commission's departments have studied with interest the report by M. Bassinet to the Assembly of the Western European Union to which the Honourable Member refers. Questions of security do not come within the competence of the Commission and it cannot comment on that subject. In the other areas of relations between Norway and the Community, the Commission has adopted a dynamic approach which broadly matches that expressed by M. Bassinet in his report.

The Commission has tried to improve the functioning of the free trade agreements concluded with Norway in 1973 and to strengthen them where necessary.

As regards those fields not covered by the free trade agreements, cooperation has been extended on a pragmatic basis and now covers contacts concerning economic and monetary affairs, energy, transport, environment, development aid, research, state aids and industrial policy. An annual meeting at ministerial level provides the opportunity to review matters and to discuss general questions of external economic policy.

Contacts in the energy field have in fact increased over the last few years and now cover a great number of aspects ranging from research and development in hydrocarbon technology to gas and oil supply and demand forecasts.

In July 1982, on the tenth

anniversary of the signing of the free trade agreements with the EFTA countries, the Commission and the Council stated their intention to continue and broaden cooperation in a spirit of Western European solidarity and to give it a dynamic basis for future action. The Community will consider in the same spirit any suggestions the EFTA countries might make for stepping up cooperation.'

Ann Clwyd, United Kingdom:

'The acidification of lakes and rivers in Sweden is giving rise to great concern. Would the Commission indicate whether this problem exists in any of the member states of the Community, and whether the Commission has had discussions with any Scandinavian governments concerning the problem?'

**Answer by Karl-Heinz Narjes on
behalf of the Commission:**

'To the knowledge of the Commission, in most of the member states an acidification of lakes and rivers has not yet been established, with the exception of some isolated cases in the northern parts of the United Kingdom and in the Netherlands. Outside the EEC, in Switzerland and Austria some acidification of lakes has been reported, but the phenomenon has been mainly limited to the Scandinavian countries and to Canada.

At the regular meetings of the Commission's services with the Scandinavian governments on environmental issues the problem of acidification is one of the most important topics raised regularly.

With the aim of finding a solution to the problem of long-range air pollution the Commission signed, on behalf of the Community, in November 1979, a convention on long-range transboundary air pollution. This convention was elaborated in the frame of the Economic Commission for Europe of the United Nations. In the meantime 24 signatories have ratified the convention among which were the EEC and its member states, so that it came into force at the end of March 1983.

In the framework of this convention, the EEC collaborates activity to the current fact-finding, and is preparing further legislative measures aiming at tighter control emissions contributing to the acidification of the environment.'

Jeremiah Cronin, Ireland:

'Can the Commission state whether or not any assistance from the Social Fund has been provided for the training in Ireland of craftsmen who produce craftwork, souvenirs, etc. for the tourist industry, and also whether restorers and preservers of monuments and historic buildings, works of art etc. have been similarly aided; if not, whether such applications will receive favourable consideration?'

**Answer by Ivor Richard on behalf
of the Commission:**

'Social Fund assistance has been accorded on several occasions to projects in Ireland for the training of craftsmen producing souvenirs, craftworks and works of art, besides training in the techniques of restoration of historic buildings and the

maintenance of historic gardens.

These operations are presented and approved as part of overall applications, so that no indication can be given of the amount of assistance granted in each case.

The following, among other operations in this area, have approved: Training of designers for Kilkenny Design Limited, for occupations relating to the following sectors: ceramics, carpets, silverware, furniture, musical instruments, industrial design, etc. Training of craftsmen producing souvenirs, etc. for the tourist industry, organized by the Industrial Development Authority at Strokettown Cluster. Training in the maintenance of historic gardens and landscape gardening, organised by the ACOT.'

**Mr Cornelis Berkhouwer,
Netherlands:**

'Is the Commission aware that most member states apply a cheap rate for telephone calls made in the evening and at weekends, but that this does not apply to international calls? If so, does the Commission not feel that telephone communication between individuals helps promote Europe integration and that there is a good case for applying a similar reduced rate to international, i.e. intra-Community, telephone calls?'

**Answer by Karl-Heinz Narjes on
behalf of the Commission:**

'The Commission agrees with the Honourable Member that cheap night and weekend rates for international telephone calls within the Community would be seen as a tangible sign of the advance of European integration. However, international call charges are fixed bilaterally or multilaterally by the telecommunications authorities of the countries concerned.'

New warning for smokers

Tobacco causes over 100,000 deaths every year in the European Community, according to the first annual symposium of the European Organisation for Cooperation in Cancer Prevention Studies (ECP).

Meeting in Brussels at the end of March, the group claimed that tobacco consumption in Europe exceeds 2 kg per person per year. Malignant tumours, many of which are caused by smoking, will claim an estimated 600,000 lives this year.

The symposium, which had as its theme 'Tobacco and Cancer - New Investigational Approaches', brought together experts from all over Europe to discuss the initial findings of transnational research efforts into cancer prevention in the Community. Official backing for the event came from European Commission vice-president Etienne Davignon and social affairs and employment commissioner Ivor Richard. Commission support for ECP, a privately-financed research body, stems from recommendations it made on joint medical research and scientific cooperation in 1981 and 1982.

Despite growing evidence linking tobacco to cancer and heart disease, Europeans are still smoking heavily, according to the experts. Consumption of cigarettes per head of population in Europe rose by an average of 23.2 per cent between 1970 and 1980. In the United Kingdom the increase was as much as 49 per cent between 1970 and 1980. The Greeks, the heaviest smokers in the Community registered a 40 per cent increase. Even the Danes, who currently smoke less than anybody else in the EEC, increased their consumption by 9.4 per cent almost catching up with the Irish, who recorded the smallest increase at 3.1 per cent.

But over the past five years overall tobacco consumption, although it has not actually fallen, has at least stagnated, either because of improved public information about the effects of smoking, or because of people economising in response to the economic recession.

Speakers at the symposium also referred to the changing composition of smokers in Europe. 'Lung cancer incidence in women, which used to be much lower than in men, now shows a constant rise, as a consequence of their increased smoking habit', they claim.

Britain and the EEC: waiting for the message to sink in

In an interview with James Hogan, EEC Commissioner Karl-Heinz Narjes urges that membership of the Community should be seen in terms of its long-term benefits

A forceful critic of bureaucratic interference on the part of governments, Commissioner Narjes is quick to remind member states that the Commission has just put forward a crash programme of measures designed to free the common market from obstacles to trade and red tape.

This programme was drawn up at the request of the European Council meeting in Copenhagen, and it is now up to member states, he says, to summon up the political will to adopt appropriate measures in the interests of completing the common market. As far as the UK government is concerned this means a common market in services as well as goods.

Commissioner Narjes also points out that the anti-Market lobby is failing to see that the benefits of Community membership accrue to member states over a long period. Confident that the benefits of EEC membership in the long term are irresistible, Commissioner Narjes is, nevertheless, worried that business confidence, especially in the small business sector can be undermined by the uncertainty created when the value of membership is continually questioned.

But he remains philosophical. 'In all the EEC countries you still find those people who think they can easily dispense with community membership. These people usually have no idea of the economic damage that could be caused by leaving the Community. In reality, the member states of the Community are much more interdependent than these people care to realise.'

As an example of the Community's irresistible appeal, he points to the recent questions raised in Greece and France about some of the effects of membership. Isolationist sentiments were expressed, but, says the Commissioner, both countries finally decided in favour of the Community's collective strength. He predicts the same outcome in Britain when it finally sinks in that withdrawal from the Community might place over forty per cent of total British exports at a disadvantage. He gives no assurances that the Community would readily offer some kind of free trade association with Britain in the event of withdrawal. 'British exports to the Community now stand at forty two per cent of your total exports. When Britain joined the community that figure stood at only 28 per cent. Do you want to fall back to 28 per cent?' he asks.

The question is, perhaps, disarming enough to anyone with half an eye on exporting to the Community in the future. But when it comes to the damage to business confidence which may be caused

by political uncertainty about Community membership the Commissioner delivers an unmitigated warning. 'If you are a businessman contemplating a new investment prior to an election, and there is a danger that a new government might, as we have already seen in the Community, increase taxation or change the law to your disadvantage, you will hesitate to invest, or you may invest rather less than you would have if there had been some guarantee of continuity in the business climate.'

This kind of assurance can certainly be offered by Community membership, Commissioner Narjes maintains, but only if the Community works to create a healthy business climate in which investors can take their prospects for granted. Without that degree of business confidence, and in an atmosphere of uncertainty, investment is more likely to fall while unemployment increases. Continuity in small firms' policies is particularly important, he stresses, especially if smaller businesses are to be freed from the burdens of red tape which, as the Commissioner has said before, 'have hobbled but not yet strangled the victim.'

But governments do change in the Community all the time, so how can this kind of guarantee be possible? The Commissioner once more points to the benefits of Community membership as the answer. 'I certainly cannot imagine there being any kind of political insurance system for small firms against changes of government in Europe. But if you take a long-term view, instead of a day to day view of the Community, you will see that since 1957 a high degree of economic convergence has already taken place. More recently, the business sector has benefited noticeably from economic convergence. So the Community is already generating a sense of reliability and continuity. This is the kind of long-term insurance that Community membership can provide.'

But how does the Community explain the fact that the climate for small firms has been steadily declining since the community was formed?

'In the first 10 years of Community membership,' he explains, 'the Community had to concentrate on establishing the customs union and the common agricultural policy. The decision-making process is such that we cannot harmonise everything at once. In the seventies we had to concentrate on enlargement negotiation and the subsequent transition periods following the accession of Britain, Ireland and Denmark. But while this was going on, member states themselves were introducing their own regulations and a lot of these were discriminating against the interests of smaller businesses.'

'In the last ten years, in particular, there has been a sharp increase in government interference in business. This is why we need to help the small business sector right now. The economic recession, of course, provides us with a further impetus to put things right for small businesses.'

In answer to the accusations that the Community is also guilty of too much bureaucratic interference, Commissioner Narjes again throws the ball back into the court of the member states. Each member state has its own problems, he admits; but it also has the freedom to implement Community directives in its own way to suit its own particular characteristics.

He believes that fear of change inhibits member states when they look at the harmonisation programme. But one law is better than 10 different regulations when it comes to trading in the Community, he points out. 'If member states believe that a Commission proposal is likely to be harmful then they have only to come up with the evidence to get us to reconsider.'

□ Acknowledgements to British Business

'British exports to the EEC now stand at 42 per cent of your total exports. When Britain joined, that figure stood at only 28 per cent'



A last dispatch from Brussels

Long-serving prisoners released from gaol often have serious problems in adjusting to life in the world outside.

The phenomenon – sometimes linked to a reluctance to actually leave the prison itself – is known as ‘institutionalisation.’

It would be wrong to draw any comparison between life in prison and work as a journalist covering European Community affairs for eight years; if Brussels is a prison it is an extremely well upholstered lock-up. But the process of institutionalisation is not unknown and results in the journalist who finally quits the EEC scene doing so with very mixed feelings.

First the good points – of which there is no shortage. Brussels is an extraordinary and fruitful vantage point from which to observe and report on the international scene. The fact is that, from Brussels, it is possible to keep tabs not just on the European Community and its many institutions, but also NATO and – indirectly – other international decision making bodies such as GATT, the OECD or the IEA.

As far as EEC work is concerned, there are many advantages not available to the bulk of European journalists working from their national capitals. The most important is that policy-making at the European level is a much more transparent, open and accessible process than in most national capitals.

This is only partly because of a conscious desire of the politicians and Eurocrats to make it like that. If journalists have better access to sources and prime material, it is because EEC governments – and EEC institutions – are, more often than not, in competition with each other and cannot afford to let their side of the story go untold (if they do someone else will tell it).

Thirdly, the sheer physical conditions in which European Community correspondents work – while by no means perfect (we will come to that) are often much better than is available elsewhere. And, for the lazy journalist (of which there are some) there is no end of opportunities to sit back and be spoon fed by an army of professional press, information and PR men.

‘The EEC story is all too often technical, complex and difficult’



JOHN PALMER, a leading British correspondent on Community affairs, takes his leave – but not without certain regrets

Honesty compels me to balance all of this with the bad news. The EEC story is all too often (at least in appearance) technical, complex and difficult – if not downright esoteric (adjustment in Monetary Compensatory Amounts!). It is an uphill battle – not helped by the approach of decision-makers at the Commission and the Council – to bring out the underlying politics which make the technical data minimally accessible to one’s readers.

In this respect the Commission is its own worst enemy. Although well advised and served by its press relations experts, Commissioners invariably ‘chicken out’ of speaking their minds, of exposing their underlying political thinking on controversial issues, and generally speak in public as boring, politically supine Eurocrats.

Inevitably, this colours the image which the Commission – and most of its members – has in the minds of those members of the European public who bother to try to follow EEC affairs. Of course, life would be stormy if the Commission spoke its own mind more often and risked the wrath of the member states – but at least it would help to bring into existence that ‘European public opinion’ to which it pays lip service but which in reality barely exists.

For a start the Commission should allow its members more latitude to express in public their private opinions. Secondly it should be seen taking a more active role in the more ‘political’ aspects of EEC policy making such as foreign policy cooperation.

At present the Commission may not like all the coverage it gets. But it is probably more relevant to say that it is ‘over-exposed’ by jour-

nalists who are over-dependent on the Commission for their stories. What is really needed is to open up the Committee of Permanent Representatives to much fuller journalistic briefings by all delegations, and to get access for journalists to those parts of Council meetings where European Community law is being made for the public (at present, indefensibly, behind closed doors).

Perhaps one day the European Parliament will become an alternative focus, of comparable importance to the Commission, for EEC journalists. But that depends on a political evolution in the powers of the European Parliament which will make journalists feel less guilty than at present that they are effecting something of a confidence trick on the public by presenting the Strasbourg assembly as a real Parliament at all.

And the Commission itself? At present Commissioners, senior officials and press spokesmen get far too easy a ride at conferences and briefings. The EEC press corps needs to imbibe far more of the critical, sceptical and demanding stance of the American media and be far less ready to accept ‘received wisdom’.

It would help if briefings were allowed in English as well as in French, partly because it is outrageous that, while English can be used at meetings at all levels in the Commission, it is banned in the Salle de Presse. But, more important, it would encourage wider participation by the great majority of accredited correspondents who remain silent at present.

That said, I know that I will no sooner have left Brussels, the Berlaymont and the Charlemagne than I will regret my decision. For the past eight years have been among the most fulfilling and stimulating of my career, and I will miss the camaraderie and friendship of the Brussels press corps very much.

□ John Palmer, European Editor of the Guardian, is returning to London to become a director of the Greater London Enterprise Board.

All square with the Cubists

It is seventy-five years since Braque and Picasso, in a relationship which Braque likened to a pair of climbers roped together on a mountain, discovered Cubism together. It was to be a turning-point in the story of Western art.

Now comes a major exhibition at London's Tate Gallery, bringing together many of the finest examples of the Cubists' work, to drive the lesson home.

It concentrates on the four European masters—two French, Braque and Léger, and two Spanish, Picasso and Gris—whose work expresses Cubism in its purest form. To these is added the sculpture of Laurens and Lipchitz and a group of paintings by the Cubist inner circle, notably Delaunay, Metzinger and Gleizes, working in the same idiom and sharing the same perception.

That perception derived from Cézanne, whose later work (he died in 1906) showed a new way back to the realisation of structure and form. The earliest painting by Braque in the exhibition, 'Landscape at L'Estaque', is unmistakably based on Cézanne's work of the 1880s. Picasso at first introduced elements of the negroid primitivism which fascinated him at the time, gradually dropping them as he drew closer to Braque's low-key, methodical approach, in which objects are separated from one another by what he defined as 'visual space'. By 1910 it becomes difficult to tell a Braque from a Picasso, and vice versa. The chance to make this comparison for oneself, painting by painting, is a rare pleasure.

The works have been chosen from collections in Europe and the United States by the English collector and connoisseur Douglas Cooper, in collaboration with an American art scholar, Gary Tinterow. Cooper remarks that surprisingly few of the collectors who recognised the early Cubists were French, or even lived in France. There was a strong German connection, through the dealers Kahnweiler (whose stocks of Cubist paintings were seized by the French authorities during the war) and Wilhelm Uhde. Gertrude Stein and her husband Leo were among the Cubists' first patrons. Two Russians traders with an eye for modern art, Shchukin and Morosov, each formed important collections.

The British public's first chance to lay eyes on a Cubist painting—or, come to that, even on a Cézanne—was at the sensational exhibition of modern French art organised by Roger Fry at the Grafton Gallery in 1910, for which Fry coined the term 'Post-Impressionist'. At least one Cubist painting, Picasso's 'Bottle and books', was bought by an English collector.

Cooper defines the early partisans for Cubism as 'a small percentage of visually alert members of the art-conscious public' who rec-

ognised its new and serious approach to expressing in paint 'conceptions of form, space and time that are characteristic of the twentieth-century outlook'. He makes a distinction between the 'essential' Cubism of that first dozen years and the later spin-offs of painters treading on Braque's and Picasso's heels. By then, the Cubist 'state of mind' had become, in the work of other hands, merely the Cubist 'manner'.

By the 1930s, Douglas Cooper records, prices for early, 'pure' Cubist works had slumped. It was then that he started building his own collection of them. Some of those lovingly-chosen acquisitions are among the 233 works now on show at the Tate—the first time, incredible though it may seem, that a major Cubist exhibition has ever been held in London.

□ 'The Essential Cubism 1906-1920' is at the Tate Gallery until 10 July 1983.



Top: 'Portrait of Josette' by Juan Gris, 1916 (Prado). Right: Léger's 'Rooftops of Paris', 1911 (Galerie Nathan, Zurich).

What are the odds in the competition stakes?

How competitive are the European Community economies compared with other countries? The European Management Forum – an independent body based in Geneva – has responded to the question for the fourth successive year, by identifying ten main factors which contribute to competitive performance and which can be used to assess overall economic achievement.

They are: dynamism of the economy; industrial efficiency and production costs; dynamism of the market; dynamism of the financial system; human resources; the role of the state; natural resources and infrastructures; attitudes towards external relations; attitudes towards the future; and consensus and socio-political stability.

It is significant that, among these quantitative and qualitative (and therefore subjective) criteria, very few are related to wages and productivity.

It is also interesting to note the place given to the future in the study, the extent to which an industry is prepared to go in order to ensure its future competitiveness. It is shown mainly in the volume and direction of R & D spending (public and private), in the propensity of enterprises to use new inventions, in industrial innovation resulting from technological progress or markets needs, in the innovative nature of products, and in the sort of aids the state can bring to bear to ensure future competitiveness.

Japan is best prepared for the future and generally leads the field, followed by Switzerland and the Federal Republic of Germany. The Netherlands rank seventh in the world, Belgium and Luxembourg eighth, France eleventh, Denmark twelfth, Ireland fourteenth, the United Kingdom seventeenth, Italy eighteenth, and Greece twentieth.

Nowadays, with the threat of protectionism of various kinds hanging over us, external relations are also an important part of a country's competitiveness. It is vital for countries to fully deploy their productive resources, to import the goods and resources that they need; and, more generally, to fully take advantage of international specialisation. No country, however powerful, can now allow its attention to wander from the international level, where perhaps the biggest gains now lie. Countries must know where they fit into the international division of labour. The three champions in this regard are Japan, the Netherlands and Switzerland. Britain is fourth in the world, followed by the Federal

Economist HENRY SCHWAMM reviews the latest evidence of stiffening competition from other parts of the world

Republic of Germany (fifth), Belgium and Luxembourg (sixth), Denmark (seventh), Ireland (ninth), Italy (fourteenth), France (fifteenth) and Greece (twentieth.)

Consensus and socio-political stability show Switzerland in the lead, and Italy and Greece bringing up the rear. The leading Community country in this respect is the Netherlands, which is fifth in the world. Denmark is seventh, Belgium and Luxembourg ninth, the Federal Republic tenth, Britain thirteenth, Ireland sixteenth, France nineteenth, Italy twentieth and Greece twenty-second.

An examination of the 22 member countries of the OECD, excluding Iceland, in terms of the European Management Forum criteria, confirms the dominant position of four countries: Japan, way ahead, followed by Switzerland, the United States and the Federal Republic of Germany. Eight EEC member states out of ten occupied much more modest ratings on the competitiveness scale: Denmark (11th), Britain (13th), Belgium/Luxembourg (14th), France (15th), Ireland (16th), Italy (18th), and Greece (21st). The Netherlands rated an honourable fifth place. EFTA members rated second (Switzerland), eighth (Finland), ninth (Sweden), tenth (Austria), twelfth (Norway) and twenty-second (Portugal).

Japan came out as overall winner in the race for international industrial competitiveness, for the third consecutive year, chased this time by Switzerland.

Despite its third place, the United States remains a formidable competitor, particularly for Europe. But for poor showings in two factors, 'External relations' and 'Stability and socio-political consensus', they would have come first, leading in 'Dynamism of the market', 'Human resources', 'Role of the state', and 'Natural resources and infrastructures', second in 'Dynamism of the economy' and third in 'Dynamism of the financial system'.

Although the Federal Republic of Germany remains a solid industrial power, maintaining its fourth place for three years, its overall performance has deteriorated. Its GNP has registered a 0.3 per cent fall in real terms and is currently about 700 billion dollars, or 9 per cent of total OECD Gross National Product.

Its 7.6 billion dollar deficit in 1981 may have been a transitory problem; but the growing number of unemployed suggests a structural problem which may herald new difficulties.

The Netherlands are fairly close to Japan and Switzerland in terms of productivity, and also show excellent results in research and development. The Netherlands is also particularly well-endowed with raw material energy resources, in the form of natural gas.

The United Kingdom, France and Italy are three major industrialised countries with serious competitiveness problems. All three are extremely badly placed (17th to 21st) in terms of productivity, particularly as regards wages and per capita production. In Italy the importance of the 'black economy', which accounts for an estimated 10 per cent to 30 per cent of GNP, seems to have grown. Britain's traditional supremacy in the services sector is not clearly shown in a report on industrial competitiveness.

Nor do poor British and Italian results for the future augur well for the future industrial competitiveness of either country. Some hope remains, however, for France. More firms are investing in strategies for the future and public spending on research and development has increased. But will it be effective?

The Mediterranean countries, and in particular Greece and the two countries waiting to join the Community, Spain and Portugal, are the least well-off in terms of competitiveness.

Due to insufficient statistics, the newly industrialising countries, such as Argentina, Brazil, India, Korea and Mexico, are not listed. But we know from their success on European and other markets that they must have comparative advantages which provide them with the productivity levels which they enjoy: raw materials for manufacturing industry, labour and high wages to buy consumer goods.

Take the case of Korea. Its declared ambition is to join the group of industrialised countries and to become a member of the OECD by the beginning of the next decade. It could well achieve this goal if its current growth rates of 6 to 7 per cent are maintained. Per capita GNP has risen from 115 dollars in 1961 to 1800 dollars last year.

Export emphasis has been on heavy industry, shipbuilding, machines and chemicals, and on products incorporating more technology, rather than on consumer goods, which was a sector in which Korea feared competition from other Asian countries with better trained workforces.

At this stage it is important to quantify the number of factors affecting a firm's competitiveness that are beyond its direct control – for example, the size of the domestic market, natural resources endowment, and the role of the state. Firms are in a position to directly influence, if not actually determine, other factors such as productivity, through efficient organisation and the quality of marketing and technology. These criteria have an immediate impact on competitiveness in terms of labour costs, and are an important influence on other

long-term factors such as R & D.

Different models of competitiveness are conceivable. A country like Switzerland, which has comparatively high labour costs, can be more industrially efficient than a country enjoying lower labour costs, because of its high level of productivity. Some countries can acquire or maintain technological advantages through intensive R & D efforts and specialisation in products with a particularly high 'value added'. Others will exploit available raw materials to mass produce goods that have a relatively low 'value added'.

There is no single way to becoming competitive. Nevertheless, one can observe that the most successful countries are not generally those with the most natural resources (eg the United Kingdom and Norway) but those which, like Japan and Switzerland, have been forced to adapt to the lack of such advantages. More than the others, they enjoy a particularly highly motivated workforce and high output, creating high 'value added' from imported goods. The golden rule of good business management is transposed to the level of national economies.

It is not difficult to understand why Europe, more than any other industrialised region on earth, is now exposed to two paradoxical competitive pressures. That of the 'old' industrialised countries, the US and Japan, in 'new' sectors such as chemicals, electronics and data processing; and that of the 'young' NIC's in 'old' sectors such as agri-food, engineering and shipbuilding. Together they have Europe in a sort of pincer grip. The American-Japanese pincer is easily the stronger, but the NIC pincer, despite its 'tender years', is showing itself to be increasingly rapacious.

For example, in 1982 the Americans accounted for 48.7 per cent of the world's top 200 chemical firms, while the EC's share had dropped to 32.5 per cent. In 1979 83 per cent of world computer production was in the hands of American and Japanese companies. Japan's share of the fast growing consumer electronics market rose from 39 per cent in 1975 to 52 per cent in 1980, while Europe's share dropped from 40 per cent to a third.

Although the Federal Republic of Germany accounts for about 13 per cent of world industrial production, its share of the data processing market is barely 4 per cent. Community production of machine tools, a central component of industrial production in the developed countries, fell 6 per cent in a year, from 34 per cent of the market in 1980 to 28 per cent in 1981, while American and Japanese sales rose. In the field of wide-screen televisions, Community producers have a chance of maintaining their strong position. But fears remain that competition from SE Asia will intensify in the future, forcing a drastic concentration and reorganisation. The world video market is already 90 per cent controlled by the Japanese.

Europe is in an increasingly uncomfortable position, unable to compete with the NIC's 'old' products either abroad or in European

markets, and no longer able to compete with the 'new' products made from the fruits of new technology by the Americans and the Japanese, either. In other words, and in a more general sense, Europe no longer dominates world markets and, on the contrary, the world now controls more and more European markets.

Europe still has the means to mount a counter-offensive. Firms will have to do most of the

'Europe is increasingly unable to compete in either old or new product markets'

work themselves – not only by progressively adapting themselves to future demand, but by anticipating change forecasting the imperatives of the market.

To ease the pressure of the NIC pincer involves perfecting 'mature' products, which are labour intensive; by miniaturising tools and machines; by optimising processes and production methods to save valuable energy and raw material resources; by using new materials in telecommunications, such as optic fibres, by automating production lines and management with the help of microprocessors and industrial robots; and by generally ap-

plying new techniques to manufacture all the 'old' products that the NICs have now learnt to imitate.

The problem with the industrialised countries will be tougher, and in some ways more existential. Faced by their economic equals, will the Europeans be capable of resisting? The causes of the deep change in the respective competitive strengths of Europe and the other industrialised countries does not only lie in over-valued European currencies, or high wages or low productivity. Europe has lagged behind with technological developments, hesitated to innovate, been slow to invest, has neglected to properly train its workforce and when it has not been openly hostile to technical progress, has been afraid of it. Above all our traditional desire for national independence has prevailed, and the industrial fragmentation resulting from it has exposed our potentially able continent to continual harassment and condemned it to progressive insignificance.

Europe's industry is in danger. But this is not a reason to resign oneself to the argument that the factors undermining our competitiveness are outside our control. Today Europe is a market, but it is not yet sufficiently seen as a privileged area in terms of production, infrastructures and initiative. Paradoxically, and doubtlessly somewhat short-sightedly, Europeans are making a lot of noise about their disenchantment with the idea of a European union, at a time when it is really the only chance left for them to have any weight in the hard world which is unfolding before their eyes.

Commission stands by 'fair and genuine' competition, says report

Under the Rome treaties, the Commission is required to ensure undistorted competition within the Community. The latest annual report on competition policy shows that there was a big increase last year in the number of cases in which member states stepped in to support or rescue firms, in both the private and public sectors.

The Commission had to take decisions on 232 proposed state aid measures – far more than in any other previous year. However, the Commission makes it clear that it stands by its belief in fair and genuine competition. That, it says, is the only way to ensure optimum allocation of resources, development of innovation, and long-term improvements in the competi-

tiveness of the European economy.

Of the projects and schemes notified to it, the Commission approved 104 at once, and initiated proceedings in respect of 128. Amendments urged on member states by the Commission in the course of the proceedings meant that 115 of these were eventually approved. The Commission took final negative decisions in only 13 cases.

The Commission thus acknowledged that, in many cases, the grant of state aids may be beneficial to the Community, insofar as such assistance favours economic growth, improves industrial structures, reduces regional imbalances and promotes research and development.

However, the Commission is well aware of the dangers inherent in the proliferation of state aids, and whenever necessary it has drawn attention to their numerous drawbacks: the risk of firms becoming dependent; the risk of delaying the reallocation of resources; and the risk of maintaining unviable firms in business to the detriment of those that are competitive.

As well as these harmful consequences of a general nature, which may deter or prevent the solution of economic problems, there are also other damaging effects, from a Community point of view, of aid which distorts trade between member states.

The Greek Government has proposed to the European Commission the consolidation of all Greek taxes and duties, imposed to protect local production from Community competition, into a single tax that would be eliminated gradually until the end of the period of grace.

This was the main demand in response to the Commission's position paper on the Greek request for preferential treatment. The Greek reply, consisting of 15 points, was delivered to M. Gaston Thorn.

— The Times

Spaghetti has become the latest weapon in the Cold War over trade between the US and the EEC. Difficult to handle on a dining table at the best of times, it has now developed explosive political properties.

A group of pasta makers in the northern US — not so far from New York — has persuaded the government to lodge a formal complaint with the General Agreement on Tariffs and Trade (Gatt) about Italian-style imports.

— Financial Times

The Community has now produced a directive which will significantly change the content of public company accounts as opposed to their form and presentation.

It requires that all companies operating in the Community, if they have a turnover of more than \$8m, assets in excess of \$4m and more than 250 employees, should produce consolidated accounts.

The new legislation does not recognize the right of private companies to remain silent, opting instead for size as the qualifying factor in reporting, which means that a great many US companies will have to make public details which have until now been jealously guarded secrets.

— The Times

Free-trading Eurocrats are now an endangered species.

— Economist

France's hard-up socialist government borrowed £2,400 million from the EEC yesterday. The loan — the biggest the EEC has granted — was approved after France promised to try to put its economy in order.

— Daily Mail

The Common Market is giving 'sympathetic consideration' to a request from Grenada for £1 million in further financial assistance for the construction of a new airport, the EEC Commission said yesterday.

The Community has already granted £200,000 for the project, mainly in the forms of help for staff training.

A final decision may rest with ministers of the EEC governments. One consideration is that, if refused EEC aid, Grenada may turn to the Soviet Union.

— Daily Telegraph

Officials at the European Commission in Brussels hope to receive approval next month for an ambitious programme to breathe new life into conventional industries using new technology. The project is part of a four-year plan to double the amount that the European Community spends on research and development.

The officials want to promote innovation in traditional industries, such as steel-making and clothing, to the tune of £210 million over four years.

The cash would pay for research into technologies such as lasers and fund demonstration projects in factories. The aim is to fight off competition from developing nations like Brazil and South Korea.

— New Scientist

Why is form M.391 still required? Is it really necessary for visitors to Italy from the European Community to fill in such a complicated customs form before leaving the country — particularly as it is not necessary if you leave by air?

— Kangaroo News

The latest Common Market mountain will take some licking. For EEC officials have been inundated with envelopes.

Eurocrat Barrie Wilson complained: 'I have just counted a number of brown envelopes of various sizes in my office. I have 388.'

Now Labour Euro MP Alf Lomas is pressing EEC chiefs to stamp out the excess of envelopes. He said: 'Tighter rules are needed before this new mountain, like the well-known beef and butter mountains, grows out of control.'

'The envelope mountain is yet another example of the EEC's frivolous waste of money. This is money that ordinary working people in Common Market countries have to find.'

— Daily Express

A prediction by Conservative Euro-MPs that 2,500,000 jobs could be put at risk if Britain leaves the EEC was cautiously confirmed by Common Market officials yesterday.

They said that the Commission estimated that between two million and 2,500,000 jobs in Britain depended on trade with other EEC countries. If Britain left the Community, the survival of these jobs would be threatened by the reconstruction of trade barriers.

But the Brussels official said it was impossible to forecast exactly how many of these jobs would be destroyed or how quickly.

— Daily Telegraph

The Common Market is being pressed to help women who want to get back to work because their husbands are out of work.

Kent county council is asking the European Social Fund for more than £80,000 to organise courses for women in the Medway towns and Ashford.

Many women also want something more stable than seasonal jobs in agriculture, usually the only ones open to them because they are unskilled.

The scheme would be the first of its kind in Europe, Kent believes.

— Standard

WHAT'S IN THE PAPERS

Seventy-two new jobs will be created with the help of an £88,000 Common Market grant for a factory at Neath.

The grant, announced yesterday, is towards plant and equipment at the Hotspur Armoured Products factory, which manufactures protective armour for motor vehicles.

While the EEC grant will not go directly to the firm, it will compensate the Government for aid already provided towards the project.

Often Government grants are made in anticipation of reimbursement from the EEC regional fund, which is allocated to member States on a quota basis.

Despite criticism that this does not finance additional projects, the Government says that resources for investment would be reduced but for the knowledge that some part of the industrial grants can be covered by the EEC.

— Western Mail

British Farmers have not enjoyed an incomes bonanza since EEC entry and consumers are not much worse off than they would have been outside the Community, according to Mr Christopher Johnson, group economic adviser to Lloyds Bank.

In the latest edition of the bank's Economic Bulletin, Mr Johnson says last year's widely publicised 45 per cent rise in UK farming income represented 'no more than a moderate offset to falls in income in earlier years.'

In real terms, farmers' broad cash flow rose by only 6½ per cent in 1982, he says. This figure, which gives a better indication of the true financial position, had only just returned to the 1978 level, which was also that of 1972.

— Financial Times