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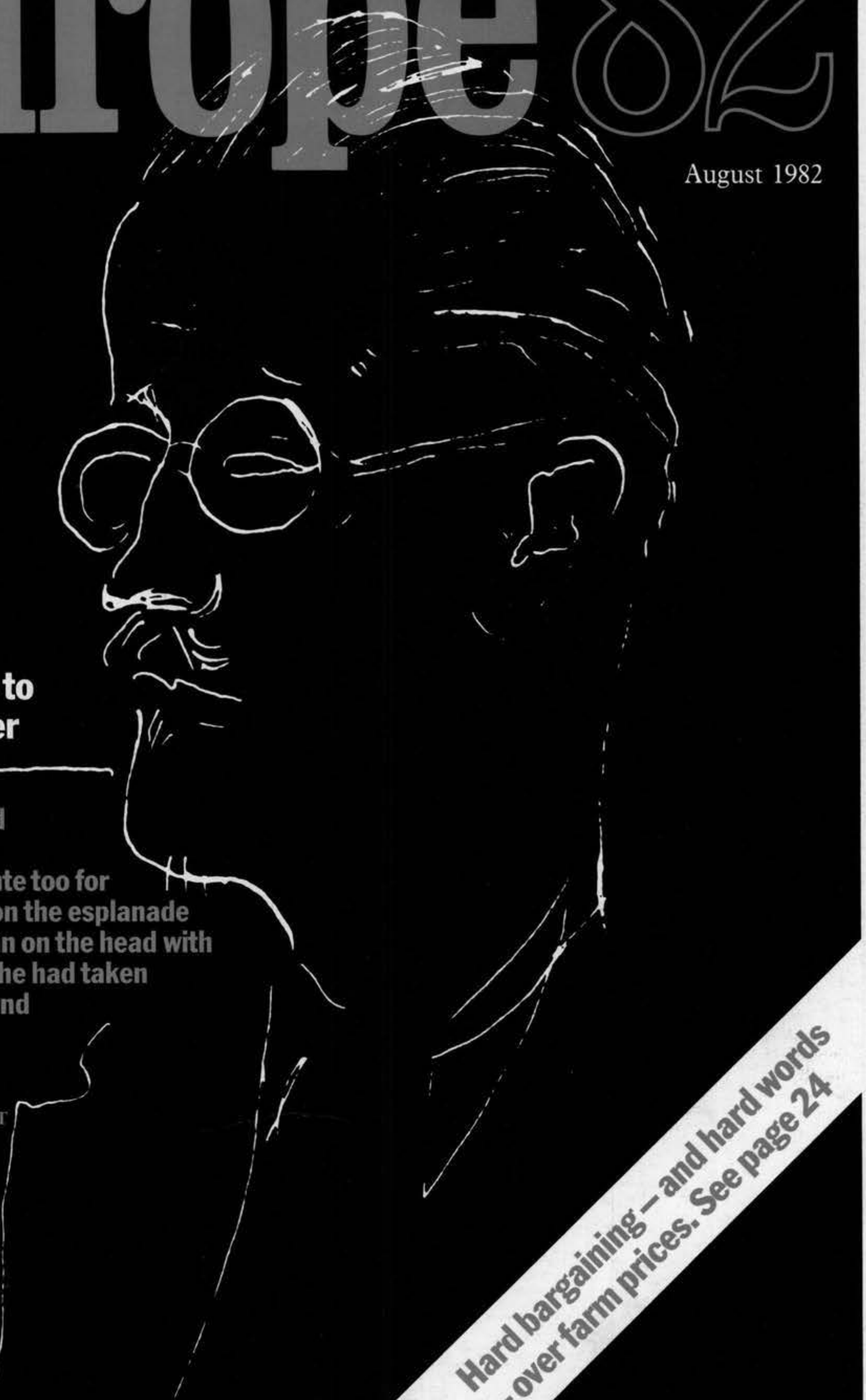

The James Joyce centenary: salute to a European master

'He was for Ireland and Parnell and so was his father: and so was Dante too for one night at the band on the esplanade she had hit a gentleman on the head with her umbrella because he had taken his hat off when the band played God Save the Queen at the end.'

– A PORTRAIT OF THE ARTIST AS A YOUNG MAN

Hard bargaining – and hard words – over farm prices. **See page 24**

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Working out a future for Europe's coal

In June 1980, the Heads of Government of the seven leading industrial nations of the West, together with representatives of the EEC, met in Venice in an attempt to reach agreement on a co-ordinated restructuring of energy demand. The aim was to free their economies from excessive dependence on oil – particularly OPEC oil – through increased energy efficiency and greater diversification of energy sources.

What emerged was a declaration – very similar to the energy-policy guidelines laid down by the Council of Energy Ministers of the Community who had met in Brussels a fortnight earlier – in which targets were set for achievement during the period up to 1990. These were:

First, to reduce oil consumption to 40 per cent of total primary energy consumption. Second, to reduce the rate of growth of energy demand, compared with that of GNP, to a figure of 0.7 or less, by means of vigorous programmes of energy conservation. Third, to cover 70 to 75 per cent of primary energy requirements for electricity production by means of solid fuels and nuclear energy. And fourth, to apply pricing principles under which consumer prices reflect representative conditions on world-markets and long-run costs.

In May, Europe's coal industry – and the NCB in particular – had an opportunity of reviewing their progress along those lines at an international conference, held at the London Press Centre, to consider new opportunities for coal in helping to meet world energy needs. The successes outlined in the conference papers – albeit tinged by the current recession, which has considerably reduced energy consumption throughout the Community – were encouraging. For the first time in years, less than half the Community's energy requirements during 1982 will depend on oil, whilst 70 per cent of electricity production will be generated by solid fuels and atomic energy, thereby reaching the lower-limit target originally set for 1990.

RON BARRY examines moves towards a common EEC coal policy, and describes the advanced techniques now being used in the Community's energy drive

Part of this success is due to the development and application of new technologies within the Community's coal industry. The electricity supply industry, for example, sees a great future for coal in electricity generation through fluidised-bed combustion. This process could multiply the industrial market for coal four-fold during the next two decades to 40 million tonnes a year in Britain alone.

The basic concept of this versatile technology is that coal is supplied to a hot bed of particles – for example, coal-ash or silica sand – and is fluidised by the upward passage of a stream of air. Because of such thorough mixing the coal is quickly distributed throughout the bed and is rapidly burnt, producing heat at ▶

In Europe's mines, old methods are giving way to new technologies.

a high rate for steam-raising, water heating or other purposes. Such a system, utilising a 4.5 megawatt boiler, has been incorporated in a district heating scheme operating in the Edmonton area of London, which supplies heat to 2,500 homes, a shopping complex, a swimming pool and local government offices.

For such general purposes, the reactor is only slightly pressurised; but the future is seen to lie in the development and use of fluidised combustion operating at pressures up to 20 atmospheres. The process makes use of the same chemical reactions between coal, oxygen, carbon-dioxide and steam as most existing gasifiers, but differs from them mainly in the way the reactants are brought together and in the operating temperature. It offers the prospect of high-efficiency electricity generation by way of a 'combined cycle' design, which would provide direct heat for steam-raising to drive a steam turbine and produce gas to drive a gas turbine.

'For the first time in years, less than half the Community's energy requirements during 1982 will depend on oil'

An example of the international importance of such a technology is the development of an experimental facility at Grimethorpe Colliery, in Yorkshire, as an International Energy Agency project jointly funded by Britain, the USA and West Germany. It will explore fluidised combustion on a large scale, and also assess the extent of cost-savings over conventional power generation systems.

Power stations are coal's biggest market, taking two-thirds of total coal output from NCB pits to generate 80 per cent of Britain's electricity. The thermal efficiency of the latest coal-fired stations has already been increased to about 38 per cent. When the new coal-fired power station being built next to an existing one at Drax in Yorkshire comes on stream it will be the biggest electricity generating site in Britain. (See Roy Stemman's report, page 6.) The prospect of fluidised combustion increasing the profitability of such an enterprise is a glittering prize indeed.

The conference also took time to consider developments within the synthetic fuel market. Three main avenues are available through which coal can replace oil by direct substitution: conversion of oil-fired burners to coal-burning; substitution of part of the oil by means of a coal/oil blend; and the use of coal/water mixtures. But additionally, virtually anything processed from oil can be

Opposite and below: construction work in progress at the giant Selby complex, Yorkshire, which is being built with the help of ECSC loans (see next report, pages 6 and 7). Left: a continuous rail service plies between pits and power stations. The purpose-built wagons can be loaded and unloaded on the move.

made from coal, and development work within the NCB is ensuring that petrol, jet and diesel fuels and chemical feedstocks can be efficiently prepared from coal in the next ten years using a liquefaction process.

Following encouraging results from the laboratory-scale plant at the NCB's Coal Research Establishment, a scaled-up pilot plant capable of processing 25 tonnes of coal per day is under construction at Point of Ayr in North Wales. Designed by the NCB and the British Petroleum Company, with support from the Department of Energy, the pilot scheme will cost some £40 million to construct and commission, £12 million of which comes jointly from the British Government and Community funds. Working experience of this North Wales pilot plant should enable the first semi-commercial plant to be commissioned in the early 1990's, with the ability to expand such 'coal refining' from then on. This direct liquefaction is more efficient than the synthesis oil-from-coal process developed from German wartime technology, making more than twice as much transport fuel from coal than its predecessors.

Current research work is also ensuring that new processes will be ready to make gas from coal when off-shore supplies of natural gas pass their peak. Already the NCB produce sufficient gas – from their coke works and by extracting mine gas – to supply the whole of Britain with gas for one full working week, equivalent to 1 million tonnes of coal energy. They are also world leaders in methane extraction techniques. The methane gas, trapped in the pores of the coal for 300 million years, varies in content from one cubic metre per tonne of Midland coal to as much as 20 cubic metres per tonne in Welsh anthracite.

But in the new systems to increase the supply of gas by a process of direct or total gasification of coal, gas is not a by-product but the sole or major output. CRE are developing a new coal gasification process based on fluidised-bed technology along similar lines to the Grimesthorpe experiment.

Such development investment in new coal technology is an area where the interests of all member states in the Community converge, whether they have a home coal industry or not – hence the EEC funding. But the willingness of investors to go for new systems of combustion and coal utilisation presupposes confidence in the longer-term availability of supplies. And here the Council of Energy Ministers are having to rely upon a crystal-ball approach in considering how coal might play a greater role in the Community's future energy balance. One of their key assumptions is that over the next 20 years GNP will increase by an average of 2.5 per cent per year. Such a rise in GNP could result in coal consumption rising from the 1980 figure of 314 million tonnes to one of 360 million tonnes in 1990, possibly peaking at 500 million by the year 2000, with most of the additional requirement – some 70 to 75 per cent – coming from electricity generation.

'New processes will be ready to make gas from coal when offshore supplies pass their peak'

The development of coal production on such a scale, with an accompanying handling and transport infrastructure, will in itself require investment on a vast scale which – in the absence of anything better than the crystal-ball predictions – could not be justified at the present.

The contribution of indigenous coal in the Community's total coal requirements has declined from 90 per cent in 1973 to 77 per cent in 1980, whilst that of imported coal increased proportionately. The bulk of Community coal, with the exception of several NCB pits, is more costly to exploit than coal from overseas, and therefore most of the projected additional requirements will have to be met by imports. However, since Community-produced coal offers advantages over imported coal in terms both of security of supply and of insurance against the risk of adverse price movements on the world market – there is no point in exchanging OPEC for COALPEC! – the Community as such intends to continue its existing activity and investment in indigenous coal production and the NCB are among its beneficiaries.

During the period 1973 to 1981, Community loans were provided to support investment in home coal industries or in coal-related investment such as coal-fired power stations to the tune of £1.4 billion. A further £400 million was made available for investment, offering new jobs for miners leaving unprofitable sectors of the coal industry and £395 million in the form of grants for coal-related activities such as demonstration projects for gasification and liquefaction of coal and research into mining technology. The lion's share of these loans and grants went to the two main coal-producing countries, Britain and the Federal Republic of Germany.

But the future of the coal industry is still not clear-cut. Given adequate and continuing coal supplies, member states will need to take all possible steps to encourage both public and private investment in the conversion or reconversion of oil-fired combustion equipment to solid fuels.

Yorkshire's giant new coalfield is looking good

In April next year the first coal from the vast new Selby coalfield in North Yorkshire is expected to be brought to the surface. It will be another four or five years before the mine is in full production; and only then will Selby begin to earn money to pay for the £900 million which the National Coal Board has sunk into the project. Part of the money which the NCB has borrowed for the Selby work – £190 million – has come from Europe in the form of European Coal and Steel Community (ECSC) loans at special low interest rates. Right now, with construction at its peak, the NCB is spending £3 million a week on what will ultimately become Western Europe's largest mining complex.

With the help of low-interest loans from Europe, the NCB is pressing ahead with a development that will provide British power-stations with some 10 million tonnes of coal a year. ROY STEMMAN reports

Coal mining has existed in the North Yorkshire area since Roman times, and pits around Wakefield, Bradford and Leeds were in the thick of the Industrial Revolution. It lies on the edge of the rich East Pennine Coalfield (which includes Nottinghamshire, North Derbyshire and West Yorkshire) which produces almost half Britain's coal output.

The NCB's North Yorkshire area is a narrow band about 10 miles wide, running west to east on a line below Leeds and Selby. In this coal corridor are 17 pits, with a yearly output of nine million tonnes. And when Selby comes on stream, North Yorkshire's coal production will double.

The discovery of Selby coalfield came in the mid-1960s, at a time when cheap oil made Europe's coal industry seem an expensive means of producing energy. By the time of the 1973 oil crisis, however, the NCB had completed its feasibility studies and it was not long before Selby was given the go-ahead. It was the first time that mining engineers were able to design a mine 'from scratch'; and it means that Selby has tremendous environmental advantages over traditional mines.

Beneath the North Yorkshire countryside is a huge seam of rock almost as large as the Isle of Wight and between six and eleven feet in depth. To get at it the NCB is having to drill some of the deepest shafts in Britain. The North Selby mineshaft descends 3,425 feet.

To make mining such a large seam manageable the NCB is establishing five mines at North Selby, Stilling fleet, Wistow, Riccall and Whitemoor. Each of these mines will work four coalfaces at a time. But no coal will be brought to the surface. All the mines will be linked underground, and their coal will be carried on conveyor belts – the biggest in Europe – to a sixth site, Gascoigne Wood drift mine. Coal from the most distant workings will travel 15 miles underground and climb 3,280 feet to Gascoigne Wood.

At peak production Selby will be providing 10 million tonnes of coal a year, most of which will go to power stations in the vicinity. Three major power stations exist within 10 miles of Gascoigne Wood. Between them, they burn 16 million tonnes of coal a year.

The NCB will be using a fleet of 'merry-go-round' trains, in which locomotives and their wagons are permanently coupled and run on a continuous circuit from pithead to power station and back again. By the late 1980s a train loaded with 1,000 tonnes of coal will leave Gascoigne Wood drift mine every half hour.

One of the power stations it will serve is Drax, six miles south of Selby. Drax A, with three 660 MW turbo-generators, came into operation in 1974. Drax B, which will also have three 660 MW turbo-generators, is now under construction and due for completion in 1986. Like the Selby coalfield, it has also qualified for an ECSC loan – of £500 million. Total cost of the project was put at £750 million in 1980.

The new power station alone will gobble up almost half of Selby's annual production, for Drax B will require between four and four-and-a-half million tonnes of coal a year.

Because of the quality of the Selby coal no waste rock is anticipated, nor will the mine need a 'washery' to remove shale and dirt. The absence of surface pitheaps, and the concentration of production from five mines to a single location, will all benefit the environment. But mining on such a scale does present problems of subsidence, in an area of low-lying farmland crossed by a major tidal river, the Ouse.

The engineers responsible for the mine will use a method which enables them to predict and control surface subsidence. A pillar of unworked coal will be left under the 900-year-old Selby Abbey to protect it, extending under a large area of the town centre and the river bend in the town.

But it has not proved possible to do the same for the London-Edinburgh railway line, which runs right across the coalfield, through Selby, on its way to York. A pillar of coal 13 miles long and a mile wide would have been needed to prevent subsidence of the railway line – and that would have upset the economics of the coalfield. Instead, the NCB is paying for a 14-mile track diversion to steer the express trains away from the area. It also has to construct 12 road bridges and three others over rivers or canals.

Because of the diversion on the East Coast, main line inter-city trains will no longer call at Selby, though it will continue to be served by the east-west Hull-Selby-Leeds main line. But that, perhaps, is a small price to pay for the 4,000 mining jobs which Selby will create.

Passengers on the London-Edinburgh route are unlikely to notice much difference. Many of them will be asleep as their high-speed trains skirt the Selby coalfield. In March this year British Rail introduced its new sleeping cars on the East Coast line, paid for by a £10 million loan from the European Investment Bank (EIB). It has also borrowed £85 million in the past for its modernisation programme on the line.

The new sleeping cars are based on the successful Inter-City 125 Mk III coach design, with its air-cushioned suspension, smooth air brake system, air-conditioning and double glazing. The sleeping cars have wall-to-wall carpeting, instant hot and cold water, and numerous other facilities, including connecting doors between adjacent pairs for family accommodation for up to four people.

Money from Europe, in the form of grants totalling almost £1 million from the European Regional Development Fund, has also been awarded to British Rail to help it improve its freight facilities in the South Yorkshire area. This is a £15 million resignalling project – one of the largest of its kind undertaken by BR – covering 180 miles of railway formerly controlled by many old signal boxes, some dating back to the 19th century.

When the project is complete, the track will come under the control of just one modern signalling installation, at Sheffield, equipped with mimic panels for the entire rail network under its supervision and TV monitors for safe remote control of level crossing barriers. Work is now well advanced on the freight lines in the Mexborough and Rotherham areas.

Another form of transport, waterways, is enjoying a revival and it is likely to have an early impact. A £10 million improvement scheme along 22 miles of the Sheffield & South Yorkshire Navigation is now nearing completion, which will boost waterway traffic from the Humberside ports through to the heart of industrial Yorkshire.

This is the first major inprovement of a commercial waterway in Britain since 1905, and the first to receive grants from the European Regional Development Fund.

The scheme involves the lengthening, improvement or reconstruction of ten locks, the widening or removal of eight bridges, and the removal of sharp bends which restricted the size of barges able to navigate the section between Rotherham and New Junction Canal at Bramwith, east of Doncaster.

When the improvement scheme is completed at the end of this year, 700-tonne barges of suitable design will be able to use the waterway, increasing the cargo it carries from the present 300,000 tonnes a year to a potential two million tonnes or more. Cargoes will include oil, steel, tar and aggregates.

'The lion's share of loans and grants went to Britain and Germany'

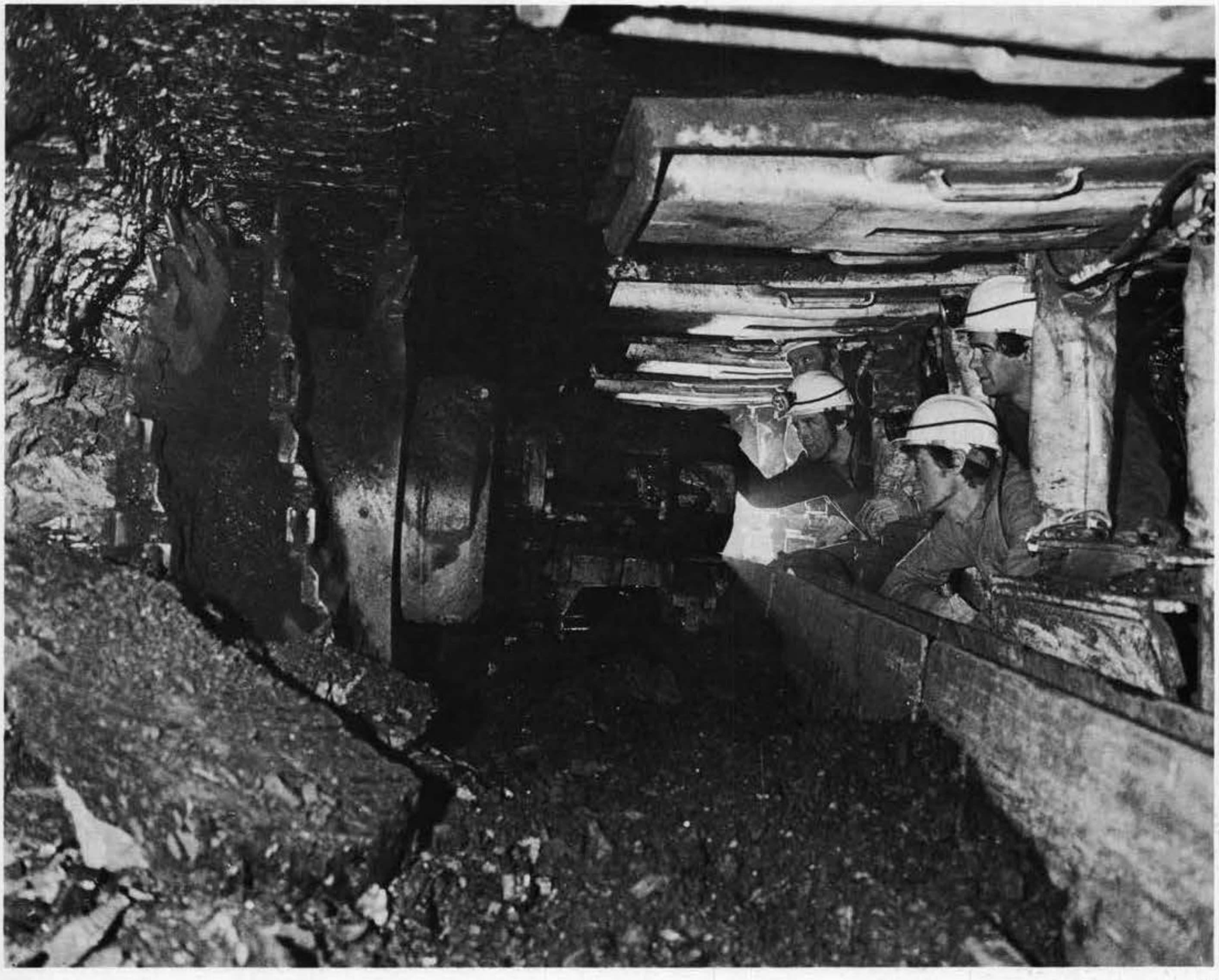
The ERDF gave a £242,000 grant in the first year of the project which represented 15 per cent of that year's costs. In 1980 a further grant, of £1,009,060, was given, which amounted to 20 per cent of the expenditure.

The South Yorkshire Canal penetrates 36 miles inland from Goole, on the River Ouse. Since the Ouse runs into the Humber Estuary it means that Yorkshire's major commercial centres of Sheffield, Rotherham and Doncaster will all be linked, by water, with the open sea 80 miles away, and the gateway ports of Hull and Immingham.

The development of the South Yorkshire Canal is a fillip for those who believe our waterways are a unique national asset that has been neglected and under-utilised. The improvements will speed up the traffic on this section of the waterway and cut down on fuel bills, making the transport of heavy cargo an attractive alternative to road haulage.

What is more, the new Transport Act allows the Government to give grants to companies willing to transfer traffic from roads to railways or waterways. Already, the Aire and Calder Navigation Canal, which can carry 700-tonne barges, is an important link between North Yorkshire and Humberside, carrying a significant tonnage of coal.

Because it is a steel-producing area, Yorkshire has also received considerable sums of money from Europe to finance measures to help steelworkers affected by closures or modernisation. Sheffield, not surprisingly, ▶



Modern coal-cutting shears of the type to be used to mine coal at Selby.

How the Midland moved to Sheffield

Operating in London presented the Midland Bank's Head Office with a number of problems. Severe staff shortage was a major headache. Lack of suitable office space at a time of expansion also created difficulties. High rates, high rents and a high turnover of staff – costly in wasted training time alone – caused the bank to look elsewhere to re-locate some of its Head Office departments.

It looked at 150 towns and cities – and chose Sheffield in Yorkshire.

The move was an expensive one, but it had paid off. Financial assistance was given to London staff who agreed to move – 700 did so – and a further 900 people were recruited locally.

The Midland Bank needed a location with a strong labour market, good road and rail communications with London, and good community facilities. It also hoped for a university town so that it could receive academic back-up. Sheffield fulfilled all these needs.

As a result its computer operations, economics, public relations, advertising, market planning, statistics and registrar departments were all uprooted and planted in Yorkshire in a splendid office block. Now, says the bank, if it were to invite its staff to return to London it would meet with tremendous resistance. The transfer to Sheffield received a £479,984 grant from the European Regional Development Fund.

To help improve freight transport in the area, British Rail has received £1 million from the European Regional Development Fund

has received a number of these ECSC readaptation grants. Aurora Steels received £905,000 for 397 workers when its Ecclesfield works closed. And Eclipse Tools were given £350,000 for 200 workers affected by the closure of its steel strip production facilities at their Hallamshire and Napier steel works.

Two British Steel Corporation plants in the area have also received ECSC grants. The most seriously affected was Rotherham Works, where 2,774 workers were affected by a cutback in 1980 and 1981. The European fund paid out over £6½ million to the employees concerned. In Sheffield, the closure of some of BSC's Grimesthorpe Works' furnaces affected 447 workers who received a total of £98,000.

At Scunthorpe, South Humberside, 917 workers affected by the closure of part of the BSC's works received £1,210,000 from the ECSC Fund. The grants apply to small companies as well as the giants: a £2,000 grant, for example, was paid to Watsons of Sheffield for 10 people affected by the closure of its electric arc furnace.

Elsewhere, closures and redundancies have affected other businesses in the region, particularly those in the textile industry. Despite the difficulties – and with hardly a week passing without the announcement of another clothing manufacturer going to the wall – textiles remain important, particularly to West Yorkshire.

It is, for example, still the major centre for the manufacture of high-grade worsted cloths and Leeds continues to be renowned for menswear clothing. Though the industry has nothing akin to the ECSC grants to cushion the blow of a declining market, many businesses have received European grants to help train their workers to handle new machinery or learn new manufacturing techniques.

One of these is Executex Clothes Ltd of Leeds, who have been making coats for Burberrys for some years. Two years ago Executex bought another manufacturer in the city, W. J. Fotherby, which had a good made-to-measure trade. However, the bottom dropped out of that particular market so Group chairman John Luper decided to change to the production of ready-made two-piece suits.

The two Executex factories continued to produce coats for Burberrys, while the Fotherby factory made 4,000 suits a week. But history repeated itself and the ready-made market also fell away. Reluctantly, John Luper issued 90-day redundancy notices to the Fotherby employees just before Christmas 1981, but he continued to search for a solution to his problem. And he found one.

It was agreed that Executex should move its Burberry production from the two existing factories into the Fotherby factory. This had advantages for Burberrys, who maintain on-the-spot quality inspection at the premises of their out-workers. With a single factory they could supervise more efficiently and less expensively. In return, they gave Executex an additional line: a trench coat.

When I visited the factory it was a fortnight away from completion, having been stripped bare and re-designed while the loyal workforce continued to produce the quality garments for which the company is so highly regarded. The move has meant that John Luper can continue to produce ready-made suits, too, but on a reduced scale which makes economic sense while the market is depressed.

A few years ago Executex received a £35,000 grant from the European Social Fund to enable it to retrain 314 workers in the production of overcoats and raincoats, using a different method.

Very shortly, the company hopes to be the recipient of another grant from Europe. John Luper's job-saving plan for the Fotherby workers was dependent on a grant from the Department of Industry for £125,000 and an ERDF grant of £168,000. He needed to put the plan into operation immediately to prevent the redundancies; but he has now been told that the Section 7 Industry Grant for which he has applied cannot be given, because the project was started before the grant was approved – even though, says John Luper, it was indicated that it would be given. The EEC grant will be given only if his appeal to the Department of Industry is successful.

'Executex hasn't had a day's short-time in five years, which is almost unheard of in the clothing industry,' John Luper told me. 'Those girls have not lost a penny's wages in that time. If we were to go down, because of the merger and refusal to give us the grant, it would be criminal. We wouldn't be in business if we had waited for the grant. Now, because we didn't wait, we are told we cannot have it.'

It is a case of a stitch in time saving more than time – it would save the jobs of 200 textile workers. The Executex workforce are now anxiously awaiting the outcome of their boss's appeal.

Grants of nearly £1 million from the European Regional Development Fund have gone towards British Rail's resignalling project (left) in the South Yorkshire area. Below: three Leeds businessmen who have profited from the European Social Fund: Executex chairman John Luper (centre), Jack Kingborn and Leo Lindemann.

Are British firms missing out on Lomé?

PEGGY CRANE looks at the extent to which UK companies are taking up contracts in parts of the world that need them most

Mowlem is a British firm constructing geothermal wells in Ethiopia. There may not appear to be anything very strange about that. But, in fact, the company is one of a rare breed. The wells are being constructed under a works contract from the European Development Fund (EDF) – the financial instrument which, through the Lomé Conventions, provides financial aid to over sixty developing countries in Africa, the Caribbean and the Pacific.

This joint co-operation venture between Community and ACP countries is designed to encourage development in accordance with the latters' own strategic plans. Britain contributes 18.7 per cent to the EDF budget. But, as the accompanying table shows, Britain fails overall to obtain contracts in proportion to her contribution.

This is a matter of concern both to the British Overseas Trade Board and to the European Commission, each of which, in the last few years, has sought to interest British business in the opportunities available.

The position varies, however, according to the type of work required. British consultants have been particularly successful in winning contracts, and are incensed that quotas imposed in this sector prevent them from obtaining more. British firms are also doing well on supply contracts. It is on *works contracts* that British companies appear to show little interest, and where the take-up is small.

In 1981, for instance, only 38 UK firms bid for two EDF tenders for works contracts of about £1.2 million each, compared with 220 bids from France, 146 from ACP companies, 69 from Italy and 64 from Germany. UK firms have the same ratio of success in winning contracts as their Community counterparts, but there are too few of them. Yet 62 per cent of EDF contracts in money terms are works contracts.

Under Lomé II, signed in 1979 and running until 1985, the fifth EDF (EDF V) provides about £2,200 million (3,700 million ECU) for aid projects in the ACP states, so that roughly £400 million worth of contracts should be available to the UK. Contractors' costs are guaranteed by the Fund so that financial risks cannot be compared with direct investment ventures. Why then, in this sector at least, are British companies so reluctant to try their luck?

A Select Committee of the House of Lords investigated the problems in 1980. It found that, at the end of 1979, comparing contributions and aggregate value of contracts won on a percentage basis, France and Italy while contributing respectively 26 per cent and 12 per cent to the EDP budget won 33 per cent and 20 per cent of contracts. Germany, contributing 26 per cent to the EDF, won 18 per cent, whereas the UK share in that year was 10 per cent.

Britain only became involved in the EDF in 1975 under Lomé I, whereas the Community's six founder members had worked a similar system under the previous Yaoundé Conventions for years. In the early days, therefore, British firms were at a disadvantage in not appreciating the opportunities available or their way around the European Commission.

After nearly ten years of UK Community membership, however, that excuse wears thin, particularly as both the BOTB and the Commission have been at great pains to remedy the situation. Yet the Select Committee could point to large companies that still knew nothing about the EDF.

Ignorance, however, was only one problem. In evidence to the Committee, firms that had tendered successfully described their experiences. The main complaints were difficulties encountered in finding the right person in the Commission in London or Brussels to clarify matters concerning documentation, insurance and other technicalities; the belief that desk officers in Brussels were not always impartial in awarding contracts; and certain problems and delays in EDF reimbursements.

One firm, unaccustomed to the Commission's ways, told their Lordships that their contract had been awarded in June, but 'we did not realise that everybody goes on holiday in July and August. And anyway the bureaucrat who was dealing with our project had broken his arm and could not sign the relevant document.'

Since the House of Lords investigation, both the Commission and the British Overseas Trade Board have acted to improve communications between British business and Brussels. Bidding procedures have been simplified* and efforts have been made to ensure that EDF repayments arrive on schedule. A Commercial First Secretary, Mr Selby Johns, attached to the UK Office of Permanent Representation (UKREP) in Brussels, has for the past two years been available to facilitate contracts between British firms and the right person in the Commission responsible for a particular project. The Projects and Export Policy Division of the Department of Trade and Industry also holds regular seminars to acquaint businessmen of the opportunities available. But as far as works contracts are concerned, the response remains disappointing.

'It is on works contracts that British companies appear to show little interest'

Some businessmen allege that there is no point in tendering for works contracts of under £20 million or so, as the effort involved is not commensurate. Yet here the Mowlem experience is instructive. The initial contract for the geothermal wells (which the firm hopes to extend) was for about £2 million, but Mowlem has had considerable experience in aid contracts with other agencies and, prior to the Ethiopian contract, had been working on a power station project in Kenya. So it already had useful contacts in East Africa, and was aware of the plan for building the wells at an early stage. Its representatives worked closely with the Commission delegation in Addis Ababa, and did not need to get directly involved with Brussels. There have been no problems over documentation or EDF repay-

UK share of contracts awarded to EC member states under EDF IV (Lomé I) by value

	To end of 1978	To end of 1980	To end of 1981
Works contracts	4.0	6.8	6.0
Supply contracts	21.2	17.8	21.6
Technical co-operation contracts (consultancies)	12.0	16.3	18.0
Total contracts	9.1	12.1	12.7

Sources: BOTB Working Group on the EDF Report, April 1981
European Commission

*The BOTB Business Guide to the European Development Fund (December 1981) is a mine of information on these matters.

ments and, according to its spokesman, the firm would have no hesitation in tendering again.

Undoubtedly, experience of working in developing countries is an asset, as conditions can often be unpredictable and difficult. Even so, according to some businessmen there is still a strong feeling in the UK that competition for EDF tenders is not always fair. They maintain that the set-up was established mainly by the French – and, as the figures show, the French appear adept at being awarded the majority of contracts. There are also allegations that some Continental firms – the Italians are most often named – are less scrupulous or meticulous in tendering than British ones.

In addition, many Community countries (as well as those outside the EC) offer their firms better guarantee and credit facilities than are obtainable in Britain, often utilising aid money to do so. Hitherto, Britain has sought to distinguish between trade and aid (a practice not normally followed elsewhere, particularly by the French), but the government has now relented to the extent that, where it can be proved that an aid element is incorporated in competitors' tenders, UK firms may also benefit from a recent Aid and Trade provision for mixed credits. Procedures have to comply with OECD rules on export subsidies, and the credits are only available as a legitimate response to uneven competition, extending of course well beyond EDF contracts.

All the same, there is no evidence that this innovation will galvanise British firms in a rush for EDF works orders. The clue to this reluctance may lie less in concern about the workings of the EDF than as a general reflection of British investment patterns in developing countries. According to OECD figures, the UK net flow of private capital to developing countries in general, representing 2.26 per cent of GNP, considerably exceeds that of any of our Community partners.

Much of this investment is a legacy from earlier days of empire. British firms such as Booker McConnell, BOC Group (formerly British Oxygen) and Turner & Newell, together with many others, had established themselves in Commonwealth countries long before independence, and most still retain a presence. But talking to representatives of some of these firms it is clear that, with the exception of Nigeria and Kenya, the ACP countries are not at present regarded as productive investment centres. Political interference or instability, ailing economies, and restrictions on shareholding and repatriation of profits, have led one or two of them to withdraw from certain countries altogether. Even in Zimbabwe, where British investments total £700 million, new investors are holding back until the political scene clarifies.

Investment without control and a prospect of profit is hardly an attractive financial venture. Though most ACP states, whatever their political orientation, are now seeking to attract more private enterprise, tax regula-

'Much UK investment is a legacy from earlier days of empire'

tions, enforced price controls, insistence on host country majority shareholdings and other factors create problems, particularly for smaller companies without considerable financial backing.

Such difficulties may explain why the Centre for Industrial Development (CID), a Lomé offshoot in Brussels, which aims to encourage joint ventures between Community and ACP enterprises, has found that few British companies are prepared to bite. True, according to businessmen who know the countries concerned, some CID offers are of doubtful viability, but the opportunities for exploration are there, with some financial help towards serious investigations. Footholds, once established, can lead to more lucrative aid projects; but the initial stages do involve a lot of travel, hard work and some financial risk.

Here, according to the CID, firms from other countries appear to be more adventurous than the British, and have been prepared to compete in the English speaking ACP countries whereas – even allowing for the fact that the French run a near-closed shop in francophone Africa – few British firms have tried to penetrate that (admittedly smaller) commercial market.

Privately, British businessmen and others admit that, whatever the legitimate excuse for English lack of interest in the EDF or joint ventures, at bottom too many UK firms are lacking an enterprising spirit: offered prospects in a strange milieu, they don't want to know.

Whether this is a true assessment of British enterprise or not could be measured by more British firms competing for EDF works contracts and showing a greater interest in joint ventures in the ACP countries. ■

WHAT NEXT FOR LOMÉ: A THIRD WORLD VIEWPOINT

'High-level preparations aimed at adapting the European Community's development policy to the very real challenges facing the Third World in the Eighties have begun in Brussels. For the first time in almost 20 years, the Community appears ready to negotiate wide-ranging changes in the Lomé Convention, its widely publicised trade and aid agreement with over 60 African, Caribbean, and Pacific (ACP) states.

Asian and Latin American countries, currently excluded from Lomé, essentially still an Anglo-French colonial enterprise, have also put in demands for closer links with the EEC. More than ever before, these are now finding an echo within the Community.

Although negotiations for a new convention are not expected to open until June, 1983, Mr Edgard Pisani, the Commissioner for Development Policy, has already initiated an internal EEC debate on the future of links with the Third World in general and ACP in particular.

He has ordered the Commission to come up with new ideas designed to improve – and change – the basic tenets of the Lomé Convention.

The change in EEC tactics is a reflection of the new mood within the ACP group. Tired of hearing EEC officials extel the virtues of an agreement which is clearly no longer the 'mode for North-South relations' that it set out to be, ACP representatives are in a fighting mood.'

☐ Third World Review

CAN WE MAKE THE EUROPEAN MONETARY SYSTEM WORK?

FERDINANDO RICCARDI reports on the slow progress towards a unified currency system that would make Europe the master of its own policies

Long ago, when he was a vice-president of the European Commission, Raymond Barre observed that no nation is truly independent unless it controls its own finances. Today, no-one would contest the claim, and many would probably point out that monetary interdependence between states is now so close that no European nation can really do anything on its own.

Is there a contradiction in terms? If one is looking for monetary independence at a national level it will almost certainly be illusory. But at a European level it is another matter. The two observations complement each other. Europe is not really independent without *monetary* independence. And no country can influence the monetary system on its own – so we have to look for the solution at a Community level.

These considerations have to be taken into account when making any judgements on existing plans to develop and reinforce the European Monetary System. Current studies are often technical to the point of obscurity, but behind the jargon one can discern the fundamental policy objective: to make Europe master of its own choices and policies and to end its overdependence on decisions taken elsewhere, on other continents, which are (logically) not made in the European interests.

Control of the money supply would enable the European Community to control and decide its own rates of inflation, its rate of economic growth, its balance between productivity and employment, new investment levels and interest rates, and a restructuring and relocation of industry and wealth. In short, almost everything that determines the lifestyle of the Community's 260 million citizens.

It would not be an exaggeration to say that, to a large degree, these are all determined by the monetary system. That is the size of the issue, and what is at stake in terms of the EMS.

Then why is progress so difficult? Why are the issues at stake insufficient to persuade the politicians and monetary authorities responsible to do something about it right away?

The answer lies in the existing economic situation. Monetary stability is not decided by politicians. No-one can decide whether or not a currency's value should remain unchanged or if parities between currencies should be fixed, by an act of Parliament. If a country's economic policy involves a budget deficit and a high rate of inflation, no technical device can stop that country's currency from declining in value.

If two neighbouring countries have inflation rates of 20 per cent and 5 per cent respectively, nothing can stop the currency of the first devaluing against that of the second. The value of a currency is nothing more than a mirror of a given economic situation.

The economic conditions prevailing in the European Community countries are, without doubt, the reason why, after three years of existence, the EMS has not yet led to monetary union. A look at the differences between inflation rates, budget deficits, gross national products and balance of payments deficits, reveals a picture. Over the past three years, governments have been unable to bring about a convergence of their economies, and in some cases an actual divergence has taken place, causing the Community to put off the planned 'institutional phase' of EMS, when shared monetary reserves would have been held and managed by a supranational authority – the European Monetary Fund.

The transfer of powers from national to supranational level was to have been put into effect initially in the course of 1981, but has now been set back indefinitely. Nobody knows when it will become a reality. There is no longer a calendar, nor a political commitment.

Does that mean that the EMS has run aground? Not at all. The EMS is an instrument, a mechanism designed to avoid changes in monetary parities resulting from changes in economic circumstances. To defend parity that has become unrealistic means wasting one's monetary reserves, before eventually having to give in anyway. The EMS does not aim to stop changes in parities, in fact, it requires them when they are absolutely necessary.

Its role is to soften their impact and to anticipate them with its 'economic indicators', making sure that crises do not occur. The great advantage of the EMS is that it stops wasteful currency fluctuations caused by psychological pressures and speculation, and not by changes in the real value of the currency.

The reciprocal support and credit mechanisms of the EMS permit currencies to escape from the influence of these artificial factors, which play such a major role in excessive international currency fluctuations. The EMS makes for stability. Its indicators immediately show divergences and its cohesion contributes considerably to the weight of Europe in the international monetary institutions. But the EMS cannot dictate economic policy on its own. It cannot make an active trading country cut back on its commercial activity, or make another impose a budget squeeze or make another put more into fighting inflation. It is an instrument of aid and co-operation, and nothing more.

The European Commission summed up the first three years of the EMS in the following way. The three years that the EMS has been in operation have shown that it has succeeded in stabilizing the exchange parities of participants' currencies, while the two main third-country currencies, the dollar and the yen, and the British pound and Greek drachma, which do not belong to the system, have been very unstable.

In all, five adjustments to the central parity were made, of which two applied to the same currency. They were made under precise market conditions with mutual agreement and according to common procedures which avoided having to resort to devaluations. Over the three years, exchange rate management used the facilities offered by the exchange rate and intervention mechanisms extensively. National monetary policies were better co-ordinated than in the past, and largely adapted to the new system.

But the EMS could not help when, between 1979 and 1981 the divergence of interest rates was made worse by the second oil crisis, a flight of dollars from Europe and insufficient austerity measures applied in the member states, resulting in inflation.

In the future the EMS will become more effective with experience, and will reinforce its capacity to improve the economic situation and resist destabilizing influences. Although the 'institutional phase' is inconceivable for the moment, improvements proposed by the European Commission fit into the existing institutional structure and cover three main areas.

The first is the creation and use of the ECU as the European currency unit. The existing situation is unsatisfactory, because ECUs currently form only part of the reserves, along with gold and dollars, and consequently their volume varies with price fluctuations. In other words, the monetary authorities do not really control the issue of ECUs at the moment. We must unlink the ECU mechanism from the elements outside our control, in such a way as to avoid its having an inflationary effect. Once the technical changes have been made, we will be able to encourage the use of ECUs in dealings between central banks, giving them all the usable and convertible characteristics of real money.

Secondly, outside official circles a private circulation of ECUs is already under way, aimed at improving the financial cohesion of the Community and the image of the ECU with the public, private banks and third countries. The Commission wants to encourage this development. But first it is necessary to define a sort of 'appelation contrôlée' ECU that would not be misused on the markets.

The financial institutions of the EEC should make ECU loans available themselves, to reinforce the role of the ECU on financial markets. Of course, this development is based on the assumption that

'We must unlink the ECU mechanism from the elements outside our control'

ECUs will become attractive, with some sort of privileged status to allow them to circulate freely in the Common Market. In this way they would gain their first free capital market, even if it was initially limited.

Thirdly, we need to strengthen EMS relations with the outside world. In the world of international money the EEC is not sufficiently organised to play a polar role in a future world monetary system (which, it is generally accepted, will be multi-polar). Its existing shortcomings have hindered Europe from reacting effectively to events beyond her control, such as the doubling of interest rates in the United States or the average 50 per cent increase in the value of the dollar.

Other technical measures, within the existing institutional framework, are also possible: to coordinate central bank interventions in dollars and to organise the use of European currencies for parity adjustments 'inside the margins'. That means interventions on the market to stop the exchange rate of a currency from dropping below the threshold permitted by the system (below which the exchange parity has to be changed). Firm action, claims the Commission, could give the EEC the margin of independence it needs to react with a single unified policy to outside threats that reflect violently on European interest rates.

At the same time, and in parallel, there is a need for regular and clearly defined monetary cooperation with the American and Japanese authorities, in the form of periodic consultations, providing possibilities for persuasion when the circumstances demand it. For example, although the EMS cannot dictate economic or monetary policy to its members, an improvement of certain mechanisms could contribute to the realisation of the fundamental objective of economic convergence. At the moment national objectives and policies in the different countries are discussed and defined together. In future it

'The EMS does not aim to stop changes in parities'

will be necessary to discuss intermediate national monetary policy objectives, and to make an inventory of measures and economic and monetary policy instruments that are incompatible with the smooth running of the EMS and which governments should avoid using.

It will also be necessary to increase the efficiency of checks on national policies; and to introduce a reciprocal information and surveillance procedure to check on member states' balance of payments and external debts.

These different courses of action were discussed during the second half of May by European Community economics and finance ministers. Some ideas have already been accepted by all (or most) of the governments, others are still contested. Either way, it is generally accepted that no single mechanism or instrument is capable of guaranteeing the stability or independence of the monetary system in Europe. It is only by radically improving economic convergence that we will progress effectively and permanently in the direction of economic and monetary union.

The governers of the central banks all agree that greater convergence is a necessary condition of any significant development of the EMS. It must relate to every aspect of economic and budgetary policy, and be achieved through a coordination of national and Community policy to correct the imbalances between various countries.

Its success, emphasised the governers, will depend more on the determination of national authorities in their own countries than on consultation procedures between the Ten. The EMS can contribute to this effort and partially ensure its success. But the technical improvements proposed are not a substitute for economic convergence. Without national efforts, it cannot help anyone.

Britain has taken Community help too much for granted

ROY JENKINS MP, in a frank appraisal of British attitudes to fellow members of the EEC, calls for more recognition of their points of view

Britain thought that the veto on agricultural prices was a secure weapon with which to force a budget settlement. But although 'linkage' is an old Community device, employed by us on the same issue in 1980, and by others on other subjects, the vital national interest point had never been explicitly used in this way before. No one had specifically resisted a vote by saying: 'Our vital national interest is involved, not in what you want to vote on, not in what is before this Council, but on something largely separate which is currently before another Council'.

We should have been more on the lookout for any signs of unreliability in its performance. We should have also been aware that the Community thought we owed them some gratitude over Argentine sanctions. This started off as a great act of Community solidarity.

It would certainly not have happened 10 years ago, when political cooperation hardly existed. We accepted it too casually, offering little consultation and little recognition in return.

'We British need a changing, and not a static, Community'

Yet we ourselves had been pretty 'despicable' over Iranian sanctions some two years ago. Mrs Thatcher refused to legislate when that turned out to be necessary. Nor did we show much understanding for the special difficulties of Italy. Were it possible to imagine a war over some Italian-held islands near to New Zealand, I do not think we would have been very keen to impose sanctions against the Wellington Government. Yet there are far more Italians in Argentina than British in New Zealand.

So long as this lopsidedness persists Britain will need special subventions to bring us near to balance. They are justified, but they are a constant irritant to both sides. They put us in the position of a suppliant always asking for something, and the fact that justice entitles us to it makes things no easier. For the others the subventions are like extras on a bill. Justified they may be, but they irritate out of measure.

The British interest is therefore overwhelmingly in changing the shape of the Community Budget. This cannot in practice be done purely by cutting down on agriculture, although that is both desirable and necessary.

We must also develop other aspects of Community activity (regional policy, the Social Fund, industrial innovation, energy saving and development of renewable resources) on which we have been far too conservative in the past.

We British above all need a changing and not a static Community. It is therefore directly against British interests to say that we will never look at raising the one per cent VAT ceiling and that we want the veto to operate on everything.

No doubt there has to be some residual right of veto, but it should if possible be restricted to subjects of major importance and not used for matters as trivial as the importation of Israeli oranges or Yugoslav 'baby beef.' Do not let us forget either that the use of the veto by others has twice cost us an acceptable, indeed, desirable, fisheries settlement.

If Britain is always for a minimalist Community it will defeat itself, because it will be embalming a Community, the shape of which does not suit us.

☐ Abridged from the Guardian

EURO FORUM

New bid for a common fisheries policy

The Community's ten Fisheries Ministers made a major effort to reach agreement on the basis of a Common Fisheries Policy (CFP) during a special two-day meeting at the end of June, coinciding with the European Summit of Government leaders in Brussels. As this issue of EUROFORUM went to press, the Fisheries Ministers had completed their first examination of the Commission's latest proposals on future fishing rights for the Community's fleet and the distribution of possible catches.

Initial reactions gave grounds for cautious optimism that an agreement might at last be in sight, despite reservations by Denmark.

The question of access – the rights for trawlers to enter another country's waters – now appears largely resolved, with a series of confidential negotiations between Britain, France and Ireland laying down the likely ground rules for a settlement.

This is expected to resemble existing practices, although changes will be made to take account of modifications in fishing patterns. Special measures are also being planned to protect the interests of Orkney and Shetland fishermen by insisting that all Community boats over 80 feet in length would need licences before being allowed to fish in their waters.

The new arrangements, which could run for as long as 20 years, would be applied from next January, once the present temporary measures expire.

The Commission, on the basis of scientific advice, is recommending that 1.25 million tonnes of the seven main species of fish – cod, haddock, saithe, whiting, plaice, redfish and mackerel – should be caught in EEC waters this year. Ministers will have to decide how these should be allocated between their fleets, in the knowledge that the settlement will provide the basis for share-outs in future years.

'A position even better than the one that existed prior to Britain's joining the Community'

Fears expressed by British fishermen that they would be penalised by an agreement under which fishermen from other member states would be allowed into the existing zones have been factors in the protracted talks between EEC Fisheries Ministers. In 1964 there was an extension of fishing limits from three to six miles, at the discretion of individual countries. There followed a further extension to 12 miles, subject to the retention of existing rights within the six-mile zone.

On Britain's accession to the Community in 1972 the EEC drew up a list of all the fishing rights that were considered to be binding on member states. These rights have been in operation ever since, and would continue in force if the present round of talks failed once again to reach an overall agreement.

As the British Minister of Agriculture and Fisheries, Peter Walker, said as talks resumed in Brussels at the end of June: 'What the Commission are now proposing is quite a considerable reduction in what other countries at present enjoy in the six to 12-mile zones. They are agreeing to a position which is even better than the one that existed prior to Britain's joining the Community.'

ON THE LINE

The manner in which adjustments were made in the central rates of currencies within European Monetary System on 12 June further enhances the stature of the system as a major factor of stabilisation in the often topsy turvy world of currency management.

The system was set up to limit the fluctuations between the member states' currencies and, by so doing, to create a zone of stability within the world monetary system.

At the same time, the advocates of EMS saw it as a means of bringing about greater convergence between member states' economies.

The latest realignment resulted from certain tensions in the exchange markets. These had a twofold origin, namely the international situation, particularly the behaviour of the dollar, and the lack of economic convergence within the Community.

In spite of these factors, which have in the past militated against monetary cooperation between the member states, they reacted on 12 June, as they have on similar occasions since the EMS was set up, in a spirit of solidarity.

The necessary adjustments were made by common agreement and within limits which should avoid the vicious circle of inflation fuelled by devaluation.

The policies which are to be implemented by France and Italy following the adjustments within the EMS should bring about a greater economic convergence within the Community.

By these actions, the member states have reaffirmed their belief in the efficacy of the system and of their determination to make it work as a major expression of Community policy.

The experience of the past few years has shown that the EMS has acquitted itself well through its initial stage.

The European Community Budget for 1983

The Commission has now adopted its Preliminary Draft Budget for 1983. It envisages a total amount of 23,960 million ECU in commitments and of 21,865 million ECU in payments. The Budget documents were delivered to the Budget Authority in all languages by mid-June, as provided for in the Budget timetable.

This Budget is the first presented by the Commission in response to the challenges and priorities identified in its Mandate report.

By comparison with the Budgets of the recent past, which were inevitably budgets of transition while the mandate exercise was in progress, the 1983 Preliminary Draft Budget represents the first step in the implementation of the new policies and orientations of the 30 May Mandate. It constitutes a significant shift in balance and emphasis.

In particular, it provides for a modest increase in agricultural expenditure and for a renewed impetus in Community policies on a broad front, one of the central themes in all of which is the fight against unemployment. The Commission, along with the Parliament and the European Council, believes this to be the first priority for common action.

Although the Budget provides for major increases in expenditure in certain priority areas, particularly the Social Fund, the Commission has taken proper account of the general constraints on public expenditure which exist throughout the Community.

The Community Budget thus remains small not only in relation to the total of gross domestic product in the Community (a mere 0.8 per cent), but also involves only a relatively modest increase in total size on the Budget of last year (11 per cent for commitments and 8 per cent for payments, the lowest proposed rates of growth for many years past). This compares with an average rate of inflation of 11 per cent over the past year.

In the fight against unemployment, the Commission seeks to deploy the whole range of available Community policy instruments so as to tackle the underlying causes: energy dependence, low rates of investment, insufficient competitivity in important sectors like steel and new high technologies. This must be matched by efforts to reduce imbalances within the Community.

In external economic policy, the Community has reaffirmed its special responsibility as the principal world trader and its commitment to the open trading system. As part of this responsibility, the Community needs to strengthen its development cooperation efforts and to extend food aid as an important contribution to combatting hunger in the world.

The 1983 Budget Proposals

The Commission's proposals strike a careful balance between a modest overall rate of increase in budgetary appropriations and significant increases in priority areas. Total commitments amount to 23,959,516,042 ECU, and payments 21,864,737,042 ECU. Total potential own resources are estimated at about 24,650 million ECU – an increase of about 8.1 per cent over 1982.

VAT rate is about 0.8 per cent, leaving a margin of unused own resources of about 3,000 million ECU within which the budgetary settlement of the mandate will have to be accommodated.

Expenditure on agricultural guarantees (EAGGF) is estimated at 14,050 million ECU, an increase of 7 per cent over the 1982 budget. This comparison thus takes account of the input of the recent prices decision, but for 1983 no allowance for the 1983/84 decision has been made. Over the period 1980-83, agricultural expenditure, taking account of the 1982/83 prices decision, is estimated to increase by about 3,000 million ECU (8 per cent a year) while own resources increase by about 5,000 million ECU (10 per cent a year). This is in line with the Commission's mandate objective. In real terms EAGGF-Guarantee expenditure is estimated to decrease by an average of 2 per cent a year. Its share of the Budget has also decreased from 70 per cent in 1980 to 65 per cent.

Substantial increases of 34 per cent in commitments and 23 per cent in payments are proposed for non compulsory expenditure in 1983, including rises in the Social Fund of 45 per cent in commitments and 32 per cent payments, and of 36 per cent in commitments and payments appropriations in the Regional Fund.

The Commission considers these warranted in view of their importance to the Community objective of combatting unemployment. With a view to providing impetus to the development of Community policies on a broad front and to making maximum impact on employment, investment and productivity, the Commission is proposing significant reinforcement of financial resources for energy policy, innovation, research and development, transport as well as in the Social and Regional policies.

For **Energy** the Commission proposes an increase in commitment appropriations from 65 million ECU to 167 million ECU and in payment appropriation from 42 million ECU to 104 million ECU. The percentage increases of 170 per cent and 120 per cent are significant although absolute figures remain modest. In line with the Parliament's guide-lines for 1983, the Commission proposes new actions for coal and interest rate subsidies for energy investment. Priority is also given to actions in the area of new sources of energy and energy-saving.

For **Transport** the Commission proposes 52 million ECU in commitments and 32 million ECU in payments for 1983 as a financial underpinning for transport infrastructure projects, and calls on the Council to take the necessary legislative action so that the money can be spent effectively.

'Measures having a direct influence on job-creation and training young people need to be extended'

In the field of Social policy, measures having a direct influence on job creation and the training of young people need to be maintained and extended.

The Community has an appropriate instrument in the **Social Fund** enabling it to make a direct contribution to efforts undertaken by Member States. Following Parliament's guidelines, the considerable increase proposed of 45 per cent in commitments and 32 per cent in payments will help in particular to fulfil the Commission's priority of tackling youth employment.

A number of important actions in fields where social aspects overlap other policy areas (e.g. innovation, environment protection), receive proposed increases of some 50 per cent.

The **Regional Fund** continues to be a major instrument for providing employment opportunities in the structually weakest parts of the Community and for reducing imbalances within the Community. The non-quota section of the Fund (set at 20 per cent, provides particular assistance to small and medium-sized enterprises to enable them to take advantage of technological innovation and to compete more effectively. The Commission is again following Parliament's guidelines in proposing increases of about 36 per cent in both commitment and payment appropriations.

The Commission believes it necessary to continue with integrated operations and is proposing expenditure increases. Appropriate proposals will be brought forward. The Commission is conscious of the serious problems facing the Community's **Mediterranean regions** and considers the increase of expenditure in favour of these regions as noteworthy.

The Commission reaffirms the Community's special responsibility towards third countries in the Mediterranean basin and payment appropriations are increased by more than 50 per cent. The Commission also proposes to strengthen cooperation with non-associated countries and a significant increase is envisaged in the Community's **Food Aid** as its contribution to the fight against hunger in the world.

Where the money comes from

European Budget funds come from three sources: first, all customs duties levied on goods imported into the EEC from non-Community countries (30 per cent); second, all agricultural levies i.e. customs duties on agricultural goods (13 per cent). And the balance is made up from a fraction of the money raised in the member states through VAT (56 per cent).

There is some popular misconception about the 1 per cent ceiling on VAT contributions. This has nothing to do with the actual VAT rate prevailing in the different member states, because this varies. Doubling the VAT rate in the UK in 1979 had no effect on our EEC contribution. The 1 per cent is levied on a notional sum worked out 'on a common assessment basis', as if there were a common VAT rate.

Having agreed on the expenditure side of the budget and estimated the likey resources accruing from customs duties and agricultural levies, the budgetary authority then works out how much of the VAT to call in. For 1982 this is 0.92 per cent – very near the 1 per cent ceiling.

Since the Treaty Agreement providing for existing own resources with a fixed ceiling was ratified by national parliaments, any increase of the VAT share to, say, 2 per cent would also have to be ratified by national parliaments. In the present economic climate this is naturally a prospect viewed with reluctance by many governments. All the options have to be exhausted for reducing, or checking the growth of Community expenditure before there can be agreement for such a move.

It follows that the balance sheet of EEC cost and benefit for each member state is conditioned as much by almost accidental factors on the revenue side as by the amounts it can claw back under the various headings of expenditure.

The UK problem arises on both sides of the Budget. With 18 per cent of Community GNP the UK received in 1980 only 10 per cent of Community expenditure, primarily because it benefits less than other member states from CAP. On the revenue side, the UK pays relatively more into the Budget (21 per cent). This is because, although its trade with the Community has increased significantly since 1973, it still imports more from outside the Community than other member states. Britain therefore raises more customs duties. Also, as a high-consumption, low-investment economy, Britain tends to pay more VAT.

Clearing up after Versailles

There is little doubt after the summit of Versailles that such affairs are worthwhile. The long preparation, by now part of the pattern of western economic and political relations, is valuable in itself. It serves to focus attention on a few select issues of common interest or contention and the summit itself imposes a timeframe for dealing with them.

The meeting of the seven heads of state and government and the representatives of the European Community at Versailles on June 4, 5 and 6 was more fruitful than some in the past. It achieved two compromise approaches to common problems and agreement on a third. One area, trade, remains difficult, not to say perilous, although the leaders repeated their commitment to resist protectionist pressures.

The first area of compromise is in economic and monetary cooperation. The problems facing the West are well known: we have disturbing and disparate rates of inflation, high and mostly increasing unemployment and slow, low growth. While this summit did not result in an attack on high United States interest rates, the joint communiqué acknowledged that interest rates are now 'unacceptably high'.

More important, however, is the agreement to intensify economic and monetary cooperation and to work towards a constructive and orderly evolution of the international monetary system.

'Europeans believe that US reliance on market forces allows disequilibrium on the exchanges'

What lies behind this is disagreement between the US and her European allies over the question of intervention on the exchanges. The US has ceased to intervene on the exchanges except in exceptional circumstances, since April 1981.

The Europeans believe that American reliance on purely market forces to affect the rate of the dollar allows disequilibrium on the exchanges affecting investment and trade patterns.

Under the compromise of Versailles the Americans would take part in a joint study of the impact of intervention on the exchanges. The Reagan Administration has already carried out its own study, concluding that past intervention policy was not affective, was costly, and contributed to disturbances on the money markets.

The new multilateral study will take a year and thus ease pressure on the Americans. US Treasury Secretary Donald Regan insists, however, that he has an open mind on the new study.

The summit also agreed to a multilateral form of surveillance of the markets through the International Monetary Fund and the five Special Drawing Rights (SDR) currencies – the dollar, yen, pound, deutschmark and French franc. This group may be shrunk or expanded from time to time.

IMF surveillance has hitherto been bilateral with one other currency. The new arrangement provides a multilateral forum to argue whether or not conditions on the exchanges have become 'disorderly', or in the French translation 'erratic'.

The Americans insist they are ready to intervene when markets conditions are disorderly as provided for in Article IV of the IMF Articles of Agreement; but views differ on what constitutes 'disorderly'. The test of this compromise remains for the future.

The Community members of the European Monetary System regard the summit undertakings as complementary to their own undertakings.

The second compromise stems from American pressure on the Europeans to restrict credits to the Soviet bloc following the clampdown in Poland; Western credits towards construction of the Soviet gas pipeline to Europe; and the Administration's conviction that cheap Western credits are being used to enhance Soviet industrial and military technology and power.

President Reagan's concern to restrict credits led, in fact, to a deal being done – agreement on credits in return

'Agreements on credits in return for agreements to work towards global negotiations on North-South issues'

for agreement to work towards the launching of global negotiations on a range of North-South issues which the EC has been anxious to start.

Three days before the Summit it became clear in discussions between the American authorities and the European .Commission that President Reagan was more ready to see these negotiations launched than he had been at either the previous summit in Ottawa or at the subsequent North-South Summit in Cancun, Mexico.

Two years ago the Carter Administration blocked the launching of these negotiations and at the last moment Britain and Germany backed the US in order not to leave the Americans isolated. This had the effect of splitting the Community at the United Nations.

Several months ago the Group of 77 developing countries at the UN in New York tabled new proposals which, by and large, the EC accepted as a good basis for launching. In the Versailles communiqué the Americans also accepted them as a good basis for discussion.

It seemed that, with several minor modifications to the G 77 paper, the Americans would end their isolation and the EC, for its part, would stick with the Americans in future consultations until the global negotiations were finally launched.

This represents a breakthrough on the North-South issue and an apparent desire by President Reagan to reduce issues of disagreement across the Atlantic. The US used the Commission as the channel to break this deadlock.

But this agreement lay under a reserve until the summit participants had agreed on wording on the future provision of credits to the Soviet bloc, when both issues were agreed. Thus the bargain was struck.

The compromise on credits to the Communists creates another multilateral forum within the OECD to carry out regular surveillance on all aspects of the Western Group's economic commercial and financial relations with the bloc.

So with the IMF surveillance group on currencies the Versailles summit created two new 'juries' where the allies can 'blow the whistle' if they feel understandings at the summit are being ignored or flouted.

The leaders agreed that they should 'limit' export credits on the basis of 'commercial prudence', a phrase which the Americans believe bankers will understand, and which the Finance Ministers of the West will note particularly in guiding the opinions and actions of their governments.

What all this will mean to the Europeans in their trade with the Soviet bloc is hard to fathom. One serious European government spokesman remarked: 'Well, it won't be business as usual, but there is no need for our government to change course.'

The subject left simmering was trade. All parties professed their continuing commitment to fight protectionism but for the EC serious problems remain.

First, the recent Japanese measures to open their market more to imports will not solve the problem of their large export surpluses and difficult markets. Japan currently imports only as much goods as Switzerland.

Secondly, American action against Community steel and agricultural exports threatens to invite retaliation and even a dislocation of the free trade system.

Sir Roy Denman, the Commission's Director-General for External Affairs, told journalists in Versailles: 'If these problems are allowed to fester and escalate they could affect the political relationship'.

The US and the Community are each other's biggest customers, with the US running a surplus of around $12-15 billion in 1981. Neither side, with millions of jobs at stake, can afford to lapse into a trade war.

MICHAEL LAKE

Men against the sea: a story of German-Danish teamwork

Denmark's economic crises of recent years have not been able to blot out the considerable advance which has been made in the Tønder area of Western Schleswig. Regional development aid has really helped here. With the active involvement of the County, Tønder has created many hundreds of jobs in modern industrial concerns. At the same time, it has given rise to concern for the strengthening of coastal defences to protect people and settlements from violent – if also enchanting – natural environment.

The storms and floods of January 1976 had a powerful psychological impact both on those affected and on the politicians at Christiansborg. Any doubts about the need for coastal defences were quickly dispelled during the flood storms which raged on 24 November last year, causing tremendous damage and destruction all along the west coast.

The Good Lord unleashes and quells storms and tempests without the slightest regard for national frontiers or county boundaries. So, if we are to have a really effective system of coastal defences, it can best be brought about through Danish-German cooperation and coordination. The newly inaugurated Danish-German offshore seadike is a good example of such cooperation.

Interest in an offshore seadike was only lukewarm at Christiansborg, until the floods of January 1976. Then the decision-making processes took on some momentum. In March 1978 the necessary agreement with the Germans was concluded. And it should be added that this was thanks in large measure to flexibility and good will in Kiel and Bonn. For the Germans do not have as much at stake in this coastal region as the Danes.

The construction of the dike went like clockwork, with a Dutch specialist firm in charge of the work and a long list of Danish and German subcontractors contributing. The finished dike stood up splendidly to the storm tide of November last year. And the joint inauguration on 10 May was a great day: a worthy tribute to an outstanding example of practical cooperation between Danes and Germans.

ANDERS TURE LINDSTROM

Torus on the glide-path

JOHN STANSELL reports on the Community scientific team that aims to show how thermo-nuclear fusion could be achieved by Man

A year from now, scientists from the JET, the EEC's joint undertaking at Culham, will be creating a plasma within the vacuum chamber of the experimental fusion 'reactor'. If they succeed, the event will be the culmination of many years of political infighting, design, development and construction – the fourth part of which has recently started.

It will also be the start of 12 years of experiments aimed at proving that the nuclei of atoms can be made to fuse – and thereby release energy that can be turned into electricity – under the control of man. Thermonuclear fusion is the source of energy driving the Sun and other stars.

By next June, the huge magnets, consuming ultimately 380 megawatts of power at 4.8 million amperes, will have been tested, the double-skinned vacuum chambers in which the fusion reaction will occur, will have been made tight, and a host of ancillary and monitoring equipment will have been put through their paces.

Only one other fusion experiment in the world approaches the aims of JET – the Tokamak Fusion Test Reactor at Princeton in New Jersey, whose designers hope to create their first plasma on 15 December this year.

The JET is also called a tokamak. It requires a toroidal or doughnut-shaped, vacuum chamber in which a gas is heated until it becomes a plasma – an electrically neutral mixture of ions and electrons all moving freely within the gas, often colliding with each other. No material yet devised can contain gas at such high temperatures so the job has to be done by magnetic fields.

JET has two sets of magnets that create the forces which will 'confine' the plasma into the shape of a ring suspended within the vacuum chamber. The coils of one set of magnets, called the toroidal windings, are wrapped around the torus and create a field that runs through the vacuum chamber in the same plane as the ring of plasma – the toroidal field.

The other set of magnets, called poloidal windings, have horizontal coils, which in JET sit below the vacuum chamber, like a saucer below a cup. These coils are in effect the primary windings of a huge transformer. The core of this transformer is the circle of horizontal and vertical limbs that can be seen in the picture. These magnets produce a helical magnetic field which, if you could see it, would look like a spiral of wire surrounding the plasma. Between them the two magnetic fields compress the plasma so that when it is heated to the optimum temperature, the nuclei within the plasma fuse, releasing particles called neutrons.

In a fusion reactor, these neutrons possess very high energies which can be converted to heat when they collide with a suitable material. The favoured fuel for fusion is a combination of deuterium and tritium – both isotopes of hydrogen – although to begin with JET will use isotopes that do not produce the same radiation hazards. The material that would convert the energy of the neutrons into heat is lithium. Deuterium can be extracted from sea water: tritium is bred by nuclear reactions in lithium. The heat would be transferred by cooling circuits to a boiler that would raise steam. The steam would be used in the normal way to drive turbine-generators.

The simplicity of the principle belies the complexity of proving that it could work. JET alone will run for 12 years, at the end of which the scientists and engineers at Culham *might* have proved that fusion is possible on Earth.

The ultimate aim of JET is to prove that the deuterium and tritium can be made to reach 'ignition', and in a real reactor produce more energy than is consumed. In JET, there is no provision being made to convert the energetic neutrons into heat, which is why the Torus Hall at Culham is built of concrete 2.8 m thick.

In May, the engineers on the JET team – working in conjunction with firms from Britain, Germany, France and Italy – began assembling the test reactor. Already in place are the poloidal coils, the base of the machine and the vertical limbs that make up the core of the transformer.

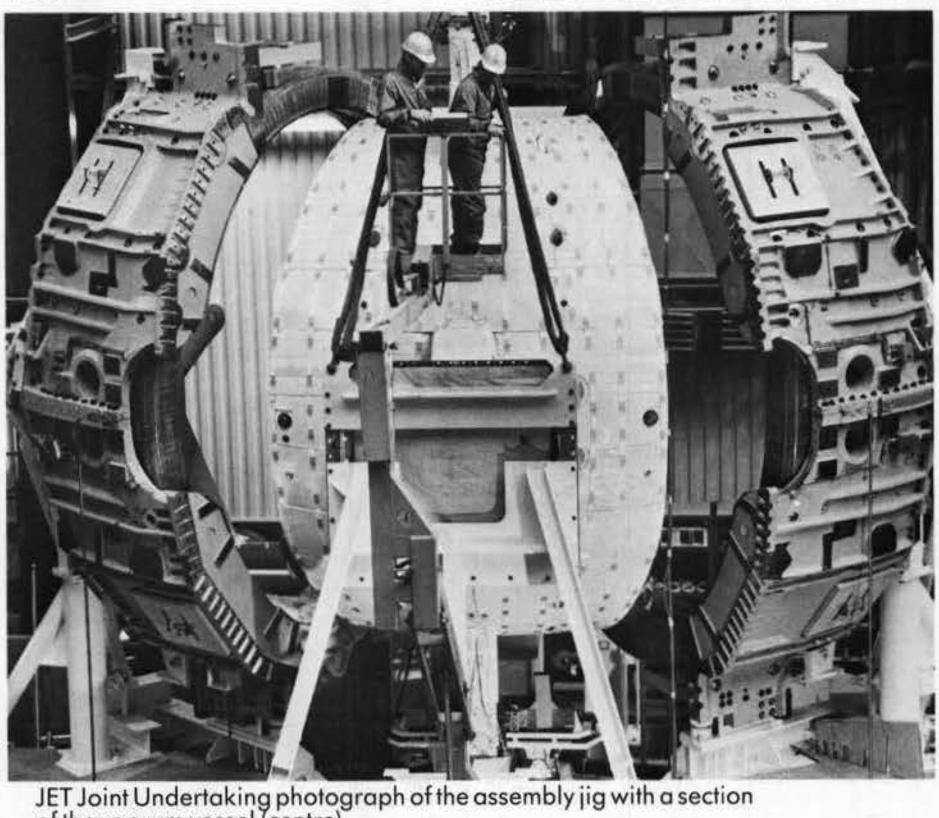
In the Assembly Hall – under the same roof as the Torus Hall, but separated by a massive concrete wall – the first components of the heart of the machine are being assembled. The vacuum chamber and its associated monitoring and control equipment – masses of cables and pipes to carry water, gases and to evacuate the chamber – are split up into eight units called octants. The first of these is now complete and will be moved into position by September.

Elsewhere in the hall are the various components – toroidal coils, vacuum chambers, the massive steel frame – from which each octant is made up. Between now and Christmas, the remaining octants will be put in position.

Early next year the engineers will start testing the field coils. By the spring they will be checking the completed vacuum chamber for 'leak tightness' and making sure that the battery of operational and test equipment works.

After that, if all goes to plan, the vacuum chamber will be painstakingly cleansed of all impurities. Only then will the scientists create their first plasma.

☐ This article was first published in the New Scientist and is reprinted with permission.



JET Joint Undertaking photograph of the assembly jig with a section of the vacuum vessel (centre).

The Commission and the multinationals

'No witch hunt' says Ivor Richard

The so-called 'Vredeling proposal' is a draft directive that would require multinational corporations to disclose considerably more information than they now do on each company's financial situation, and 'all procedures and plans liable to have a substantial effect on employees' interests.' The proposal as it now stands is causing consternation among American executives, who see in it a threat to their management control.

Ever since I became responsible for this draft directive a year ago I have been surprised at the enormous amount of controversy it has attracted. I am particularly concerned about the degree of hostility it has generated amongst the multinational companies.

It seems to be the view of some multinational companies, particularly American ones, that the prime purpose of this directive is if not to destroy, then to badly damage them. Nothing could be further from the truth.

The Commission is not in a witch hunt against multinationals. Nor, I hope, are multinationals in a witch hunt against the Commission. Those holding either belief fundamentally misread the interface between the EEC and multinational companies, and the Commission's perception of and policy towards multinational companies.

The multinational company is a focal vehicle for economic change in our Western societies, and the Commission is no exception. The factors influencing the nature and the speed of such change – be they shifts in international trade, in investment, or in technological know-how – are now essentially international in character.

Indeed, in early recognition of that, one of the initial and lasting purposes of the EEC has precisely been the creation of a common cross-frontier market encouraging corporations to operate transnationally, and American multinational companies have been prime beneficiaries of this process. The maintenance and furtherance of transnational trade and investment remains a key EEC priority, reflecting the belief that corporations should be encouraged to adopt an international framework to respond to international challenges and exploit international opportunities.

But at the same time, exploitation of new opportunities – and few in the international business community contest the benefits accruing to multinational companies from the creation of the Common Market – must be paralleled by the assumption of new responsibilities, notably to local workforces who, like the companies that employ them, are also caught up willy-nilly in this process of change. We are not simply a common market of goods and services, but also a community of peoples. Strategic decisions made by large enterprises which directly affect the welfare of large numbers of citizens cannot simply be announced after the event.

This is particularly true in times of great structural changes, instanced by rapid technological innovation and rising and massive unemployment. I feel that we in the European Community must ensure that, in seeking to foster an effective business response to such structural change, in which the multinationals have an undoubted role to play, we do not lose sight of the involvement in that change of employees of such companies. This, I think you will agree, is an even-handed approach.

The startlingly rapid changes, both in production techniques and employment structures, that technological innovation engenders, cannot simply be conceived, developed, and implemented in a social vacuum. We believe that workforces need to be consulted on these matters, informed of and involved in the decision-making process affecting their livelihood. This is not, I believe, a radical position, nor is it a position against the pursuit of technical innovation. On the contrary. We firmly believe in the process of change, but also in the need to justify it to those concerned. Otherwise the whole process of industrial transformation risks being called into question.

If we are to approach these extremely difficult problems in a constructive manner, then we have to create a sense of cooperation and partnership between both sides of industry. The issues involved are too important for us to try to settle them in the traditional manner of confrontation. I hope that we will be able to forge this new partnership; though I am bound to say that, if the conflict between the two sides of industry which has arisen over the so-called Vredeling proposal is to be duplicated, then there is not very much ground for optimism.

The concern of the Community about the activities of multinational undertakings has been long-standing and has been expressed not only in the Commission but also in the Council of Ministers and in the European Parliament. It is against this background that the Commission approved the draft directive.

'We have to create a sense of partnership between both sides of industry'

In summary, this directive aims to give workers in companies with subsidiaries the rights to information on company policy which is likely to affect the workers' livelihood or well-being. That seems to me to be a quite admirable objective. No one would deny that workers have at least the right to be informed about matters which are often literally a matter of economic life or death to them. This is particularly true in a period of recession, with mass redundancies, plant closures, and an increasing anxiety on the part of workers over their future employment.

That is not to say that I necessarily believe that the provisions of the directive as it stands at present are the best way of dealing with this matter. I appreciate the anxiety of the employers over the possibility that they might have to disclose confidential information, to their commercial detriment. I also understand their worry over the cost of implementing these proposals.

My own view is that there is need for a directive on this matter, but that we need to reduce, or at least simplify, the procedures proposed; and that we ought, if possible, to lighten the burden in administrative and financial terms which it places on employers. I am, however, convinced that if the directive, whatever its final shape might be, is to be effective, it must be statutory and open to judicial enforcement. Both, on the basis of my experience as a politician and as a lawyer, seem to me to be essential features.

The Commission and the social partners must seek a sensible solution on this draft directive. If by obstructive and uncompromising activities the employers defeat efforts to reach a sensible conclusion, then I do not believe they will have won a victory. All they will have done is to give great offence to organised labour in Europe and risk seriously worsening industrial relations. The economic and employment problems facing Europe are so grave that, without the cooperation of the social partners, they cannot be solved.

I believe that there is a problem here which somehow has to be solved, and solved by dialogue and agreement. To this end I intend continuing, at an appropriate moment, the process of consultation with both sides to see how to resolve the present impasse.

It has been suggested in some quarters that the Commission should go back to the drawing board and start afresh. I do not believe this to be either practicable or realistic. What we will do is to consider the opinions of Parliament when they have been finally promulgated. In the light of these proposals, I will then be in a position to decide what amendments may be necessary to the present text. I should like to make it clear that I am not wedded to the text as it stands. I recognize that it causes problems for multinational companies which can certainly be happier expressed and more precisely framed.

I approach this whole matter with what is, I hope, an open mind. I am quite convinced that greater clarification of the responsibilities of a multinational company to inform its workers is needed, and that need increases, not diminishes, as time passes. I am also convinced that, given good will and flexibility on all sides, it is possible to produce proposals which will clarify that responsibility without endangering the operation of multinational companies in a European context.

The Commmission hopes, at the end of the day, to be able to produce proposals which are practicable, helpful, and long-lasting, and which will make a contribution to maintaining sensible industrial relations.

STRASBOURG NOTEBOOK

By Gloria Hooper, MEP for Liverpool

Because of the variety and irregularity of our lives, the three weeks between Strasbourg Plenaries often seem longer. After all, in between there may have been one or two committee sessions in Brussels; a delegation visit to Spain; a visit to the Water Research Centre in Medenham; plus a visit to nuclear installations in France, in addition to constituency engagements and Political Group meetings.

So there is always a slight feeling of the beginning of term amongst members as they trickle into the departure lounge at Heathrow on Strasbourg Mondays. Anticipation may be tinged with sleepiness as overnight trains (rail strikes permitting), dawn connecting flights (weather conditions permitting) and motorways (road works permitting) disgorge the jet-setters of international parliamentary democracy, on the first stage of the monthly ritual.

The flight can provide a useful opportunity to catch up with colleagues, fix details of meetings, agree last-minute amendments and discover unexpected changes to the agenda as well as likely urgent motions. It also gives the opportunity to nobble some of the VIP visitors, likewise forced to use the one and only flight to Strasbourg. It may be a government minister, a visiting journalist or even a leading anti-marketeer, but the chance to keep him or her a captive audience is unique.

Five years seemed to stretch lengthily ahead at that first July plenary in 1979. Now, with the realisation that, after this one, there will be only one more July session before the next elections, causes us all to consider carefully what we have achieved. I reckon that our experiment in international democracy has worked, and is working, in making the European Parliament an important and relevant institution within the European Community.

For example, we have virtually eliminated one of the working places, so we meet in two rather than three different places. Again, the decision in the Isoglucose case enabled us to introduce a rule whereby Parliament's opinion can be withdrawn without a vote if the Commission refuses to accept our amendments. And the Council of Ministers can take no further action if Parliament does not give its opinion.

What's more – due to constant pressure – particularly from my own Environment, Public Health and Consumer Protection Committee – the Commission has committed itself to a Green Paper procedure for controversial proposals. This is a distinct step forward in opening up the preliminary procedure. The follow-through is much more effective. Each session, Parliament now questions both Commission and Council on the progress of proposals on which its opinion has been given.

Also, through an increasing use of own initiative procedures we are ensuring that the Commission takes action on the issues that our constituents are concerned about – for instance, a Community ban on the importation of seal products (about which I received over a thousand letters), measures against drug abuse, illiteracy, women's rights and world hunger.

For three years' work by a newly democratised institution that's not a bad record.

'Our experiment in international democracy has worked...'

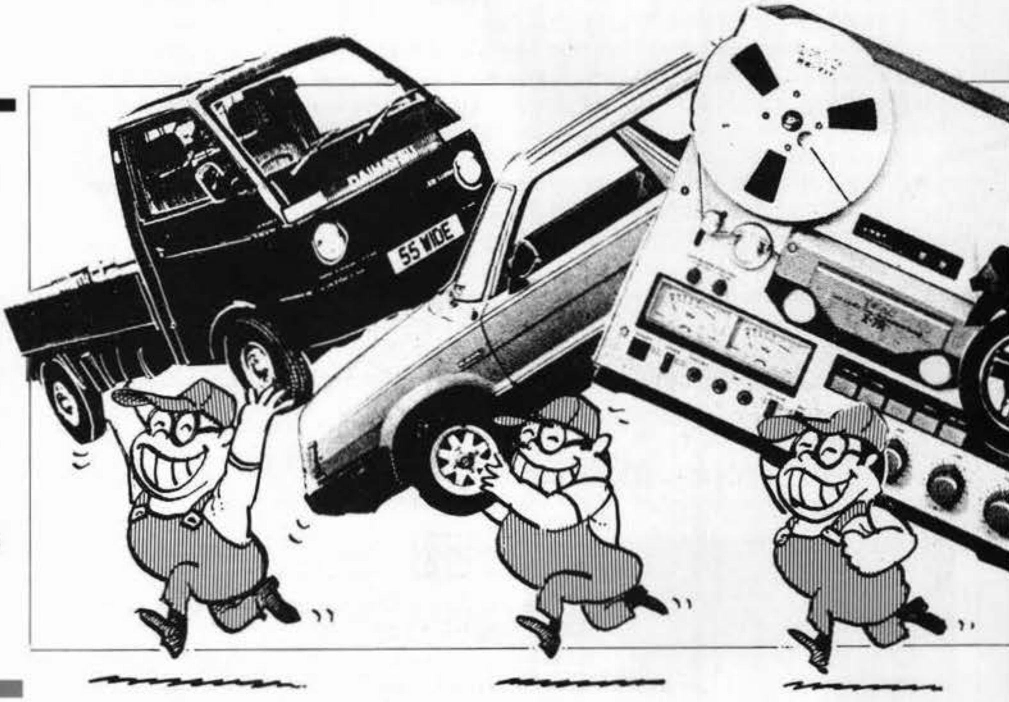
Nevertheless, the Spinelli Report finds plenty to criticise about the way in which the Community has been operating on an inter-institutional level. If all its proposed reforms are introduced, we can look forward to an even more dynamic Parliament.

But back to the bustle of Strasbourg, where the ants, having been bottled up for transit, disperse to pursue their various tasks on the anthill. Is the report which I must present to Parliament on behalf of my committee really going to come up this week? How high on the list is my oral question, and should I be lining up some colleagues to ask additional supplementaries? Will any of the debates raise a matter that concerns Liverpool? If so, should I be trying to get speaking time? What special interest groups will be meeting – on the disabled, on small businesses, on tourism? And will they all clash with a visiting party of constituents? There is so much going on all the time and often at the same time that choices can be difficult.

Each day's work starts early (by some standards): usually at 9am (8am UK time) and, irritatingly, votes and procedural matters such as changes to the agenda are often taken first thing. So it pays to be there. What with plenary debates, special interest meetings, group meetings, visitors, suddenly it's 9pm!

On Monday the possibilities seem endless. By Friday I realise that I haven't managed to achieve half the things on my check list – and especially not that point, heavily underlined, about getting out of the Palais de l'Europe and into the fresh air... Needless to say any returning visitor who happens to be on the Friday afternoon flight is left in peace.

Trading with Japan – a one-way traffic



CHRIS LOM outlines the Community's problems in combating the high performance and obstructive trading policies of the world's fastest-growing industrial power

As unemployment in Europe passes the 10 million mark, concern is growing about the massive trade imbalances that have developed between the EEC and Japan, largely since the completion of the Kennedy Round tariff cuts in 1975.

From a near-equal trading relationship in the early Sixties, Japan's exports to the European Community have risen quickly and steadily, while her imports from Europe have only grown relatively slowly.

Over the period 1970-1980 Japanese exports to the Community jumped in value from 1.9 billion dollars to 18.5 billion, in sharp contrast to European exports to Japan which only increased from 1.4 billion to 6.3 billion. By 1980 the European export-import ratio had fallen to a staggering 34 per cent compared to the 98.3 per cent recorded in 1963.

The impact on European industry of Japan's hugely successful export drive has been magnified by the fact that 90 per cent of the exports were concentrated in manufactured goods. No corresponding penetration of the Japanese market by European manufacturers took place and in 1980, while the EEC was importing about 44 per cent of its manufactures, Japan was only importing about 22 per cent of hers.

Explanations of the trade imbalance lie in a number of areas. The European Community says that the main reason for it is Japan's failure to open its markets to European goods. Japanese tariff levels on a number of imports, including processed foodstuffs, certain textiles and leather products, which are of particular interest to European exporters, are still high.

Japanese administrative import controls, such as standards testing, are also very complicated and tend to discourage importers, as do complex and time-consuming customs procedures. But the recent high-level Esaki trade mission to the Communities claimed that Japan is prepared to simplify red tape for importers, by introducing an Office of Trade Ombudsman (OTO), specifically for dealing with their complaints. The real problem, according to the Japanese (and many European officials privately agree), is that their society is simply more suited than any other to compete for exports in a free-trading world.

Japanese industry is dominated by a small number of extremely large business groupings which operate with the tacit approval of the authorities. Each group usually consists of a manufacturing company, a trading company and a bank, and a variety of links are maintained between them at all levels. Enterprises throughout Japan are vertically integrated to a far greater extent than in any other industrial country, and anti-trust law is not practiced to anywhere near the same level as in the United States or Europe. To a large extent the traditional paternalism of Japanese society rules out Western visions of the evil monopolist holding the consumer to ransom.

Whatever its social or historical justification, corporatism provides Japanese industry with all those economic advantages of scale, supply and capital implicit in such concentrations, which particularly benefit exporters, and which automatically give Japan a considerable comparative advantage over countries that subscribe to 'trust-busting.'

Other social norms in Japan also contribute to another unavoidable comparative advantage, in terms of an almost total lack of labour relations problems. Commitment to a company for life, single union companies, and sophisticated worker participation in management, coupled with what is perhaps a simple tendency towards a greater acceptance of the status quo in Japanese society – all this makes the 'them and us' of European industry a phenomenon that many Japanese visitors to Europe find baffling.

Japanese consensus, coupled with astute monetary policy, has also led to a tendency over the years for people to buy Japanese rather than imported products. A recent study shows that when the value of the yen has fallen on international markets, Japanese exports have boomed. But conversely, when it has risen there has been no comparable influx of imports.

In addition to these built-in advantages, European exporters are infuriated to note that much of Japan's industrial base still enjoys official protection granted for modernisation back in the 1950s.

When the European Community pleads its case before the GATT, it will have a shopping list of demands which take these factors into account, and will call on the Japanese to make a conscious move towards bringing their manufactured imports into line with those of other industrialised countries, in other words to roughly double them.

It wants Japanese firms and public corporations to buy more foreign goods which are comparable to Japanese products in cost, quality and reliability. It would like to see greater direct purchasing of imports (as opposed to the expensive system of consignments.) It also says that joint ventures or wholly foreign-owned subsidiaries should be allowed to a far greater degree in Japan and that there should be less Japanese insistence on 'manufacture under licence' agreements.

In addition, the Community wants greater access to Japanese markets for European banks and insurance companies, greater access to financial markets, and a more favourable climate for direct foreign investment. It

also wants voluntary restraints on a number of Japanese exports, including cars, colour TV sets and tubes and certain machine tools destined for the European market.

Japan is under very real pressure to comply with the demands and lower its tariff and administrative barriers: firstly because it is heavily dependent on European markets and cannot afford to risk retaliation, and secondly – as EEC Industry Commissioner Etienne Davignon has pointed out – because the Community's appeal to the GATT was more than a little aimed at forestalling more serious pro-

Much of Japan's industrial base still enjoys protection dating back to the 1950s

tective measures proposed by hard-pressed individual member states, notably France and Italy.

An agreement at Community level would clearly be in the Japanese interest, but would also strengthen bonds between the two trading partners in an international trading arena of growing mutual dependency.

EEC officials agree that, in the long run, Europe can – and indeed must – learn from the industrial know-how which brought about the Japanese export boom and enabled Japan this year to grant across-the-board pay increases of 6 per cent, with inflation running at 3 per cent. Corporate business practices and economic discipline have allowed Japan to respond far more effectively than Europe to the challenges of low-wage competition from the newly-industrializing countries and as a result it has been left relatively untouched by the ravages of unemployment.

Closer links which will almost certainly help European competitiveness in the future are already under way, in the form of a scheme sponsored by the European Commission to provide European executives with 'in-house training' with Japanese firms in Japan and intensive language tuition. Direct Japanese investment in the EEC is also bringing sophisticated plant, training and jobs to some of the most depressed areas of the Community. These include South Wales and the Republic of Ireland, where Japanese management practices have been almost universally regarded as a welcome innovation.

Will the Japanese buy British? Only if it's 'traditional'

What influences the Japanese to buy British consumer goods and what puts them off? A survey commissioned by the British Overseas Trade Board was conducted during a store promotion in the Mitsukoshi chain last November.

At the Mitsukoshi promotion, the most popular types of goods that the customers were interested in buying were clothing, both men's and women's, liquor – especially Scotch – and foodstuffs. The least popular were fashion accessories and hobby items.

This was borne out, the survey says, by the pattern of purchasing, where clothing, especially women's clothes, were purchased in a high percentage of the cases surveyed. In contrast, men's clothing attracted a high degree of interest but, at this particular promotion, did not sell at all well.

The survey covers the buying interest and patterns of other products such as porcelain, silver and glass products. But keeping to clothing, liquor and foodstuffs, it is of interest to look at the report's findings on why these goods were bought and, perhaps even more important, why customers, having had their interest stimulated, did not buy.

In both the men's and women's clothing sectors buyers were attracted by the material, the colour and the fact that the garments were well made.

The consideration that the clothes seemed to convey a 'traditional' British atmosphere also rated highly, the report says. But price was the most important reason for not buying. The reason 'Japanese made was better' was a very low factor for people not buying, the report says.

For liquor, especially Scotch, the fact that it was 'traditionally British' was a strong attraction to buyers but, the survey points out, brand names were almost as important. Price again was, the report says, the greatest deterrent to purchase. But many respondents in the survey seemed to feel that, particularly for the standard type Scotch, Japanese whisky was better in quality.

Help for small businesses in Wales

Local authorities in rural Wales are cooperating with the EEC in a wages subsidy scheme to help small businesses.

Contributions from local authorities in Dyfed, Gwynedd, and Powys – counties with few firms employing more than 100 or towns of 10,000 population – will be matched by an EEC Social Fund grant of £2 million.

Firms employing 25 people or less will get a 30 per cent wage subsidy for up to five new jobs. The six-month scheme will enable a typical employer to reduce his wage bill by about £3,500.

It was launched in May at Aberystwyth and will last three years. Up to 4,500 new jobs could be created.

Divvy for new co-ops

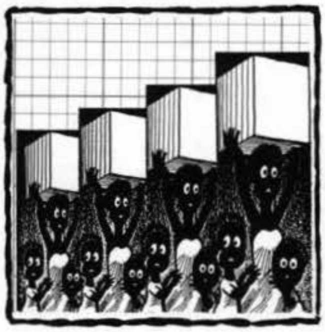
The EEC and the Manpower Services Commission are supporting a project to set up six workers' co-operatives in Hartlepool, one of Britain's employment black spots. Over the next year more than £300,000 will be pumped into the group of six businesses, which will provide 39 jobs.

The European Social Fund has ventured £133,000 on the project, a further £150,000 coming from the MSC. Local churches provided £5,000 towards the weekly wage bill.

The money was raised through jumble sales and coffee mornings. Cleveland County Council, which has set up its own cooperative development agency to help re-create some of the 14,000 jobs lost last year, gave a further £35,000.

Under the scheme, the coop workers – many with no more than a couple of CSEs – will learn business techniques and work sharing under a team of five staff.

By next year it is hoped that six businesses will be able to survive without further aid.



More aid for refugees

Racial conflicts, civil wars and foreign occupation mean that approximately 10 million people are now homeless in the Third World. The number of people who have been forced to leave everything behind and flee to escape the threat of persecution and violence has nearly tripled in recent years – from 3.2 million in 1973 to over 10 million in 1980.

These refugees are frequently forced to live in camps provided by the United Nations High Commission for Refugees (UNHCR). Almost invariably they exist in the hope that one day they will be able to return to their countries of origin.

But by no means all refugees can go home – at least in the short run. The UNHCR therefore has the job of looking for other solutions to their problems, such as integrating them into the social and political life of the countries providing them with shelter.

UNHCR also plays a crucial role in helping refugees to adjust during their early weeks of exile, by providing them with food, shelter and medicine. Without such humanitarian aid, many refugees would probably be unable to survive.

Given the increasing seriousness of the refugee problem, the UNHCR has expanded its activities in recent years. Its expenditure totalled 126 million dollars in 1978, but by 1980 had increased to $500 million. Financial contributions came chiefly from the United States, which provided 138 million dollars' worth of aid and the European Community countries which gave 114 million dollars worth.

An appeal for more aid from the EEC has been made in Brussels by UNHCR chief, Poul Hartling, who held talks with Edgard Pisani, European Commissioner for Development. Pisani told a press conference after the meeting that the Community would like to help the UNHCR more and has played an active role in its funding in the past. Total EEC aid to refugees over the period 1975 to 1980 amounted to $570 million.

Black outlook in South Africa

The plight of black women in South Africa was highlighted in Brussels recently by an international conference organised by the United Nations special committee against apartheid.

The meeting, held under the auspices of the European Parliament, was attended by women representing the different liberation movements in South Africa and Namibia, together with delegates from numerous women's groups throughout the world.

The conference stressed that black women in South Africa suffer from double discrimination – firstly because they are black in a society which condemns them to a life of servitude; and secondly because they are women and as such, forced to work more and earn less than their male or white counterparts.

Speaking at the meeting, European Social Affairs Commissioner Ivor Richard said that the condition of women in Europe, however bad it is in some aspects, 'is as nought to the normal situation that faces women in South Africa'. He went on: 'To be an African and a woman in South Africa is to suffer a double disability which is intolerable.'

Although black women constitute one-third of the workforce in South Africa, they receive only half of what black men are paid, and a mere 8 per cent of the wages of a white worker. Their chances of acquiring professional skills are remote, said African delegates to the meeting. They are forced to either work in agriculture or as domestics in white households. In both these areas they have no access to unemployment benefits, pensions, or medical and maternity facilities.

The emphasis, however, was placed on the fact that apartheid destroys black family life. While the men leave for the 'white' urban areas to look for jobs, their wives and children have to live and work in the so-called homelands, where they suffer from famine, malnutrition and a host of health problems which have disappeared from the urban centers.

The three-day meeting ended with a condemnation of apartheid and a call for the establishment of a democratic non-racial society in South Africa.

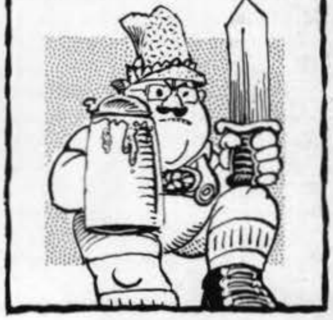
Lighting-up time

The sale of low-quality vehicle light bulbs becomes illegal from 24 September. From that date, most vehicle light bulbs on sale must be marked to show that they meet a European standard designed to secure reasonable quality and performance.

The regulations will apply only to light bulbs sold as entirely separate units and not as part of a vehicle. They have been approved by Parliament and are made under the Consumer Safety Act, 1978.

Trading Standards officers of local authorities can, when necessary, enforce these new rules in cases where traders and retailers sell vehicle light bulbs which do not carry an 'E' mark or comply with the required standard.

According to Lynda Chalker, Parliamentary Under-Secretary of State for Transport, who has particular responsibility for road safety, the regulations have been made in the interests of road safety and 'a fair deal for the consumer'. She said that large numbers of bulbs, particularly those from the Far East, are substandard. They are often significantly less bright than those meeting recognised standards. The filament in headlamp bulbs may be so inaccurately located as to cause glare or a poor quality beam with unexpected dark areas.



German pint in peril?

A recent EEC attempt to change a law dating back to 1516, which governs the composition of German beer, has met with an outraged reaction in the German press.

'Brussels wants to end nearly 500 years of chemical-free beer... Brussels wants to ban the Purity Standard... Brussels wants to reduce the quality of our beer!' screamed the papers, waxing indignant on a subject which they clearly felt would be close to the hearts of their readers.

What they omitted to mention, almost without exception, was that the Purity Standard, in addition to producing excellent beer since 1516, has also afforded German brewers excellent protection from foreign competition – by effectively excluding all imported beers from the German market, because they do not comply with the regulations.

EEC officials have reacted defensively to criticism of their move to proceed against Germany and against Greece, which observes the same standard, under Article 30 of the EEC Treaty, which bans restrictive trade practices. They say that they are acting in accordance with Article 169 of the Treaty, in response to complaints by an Alsation brewer against the German standard and by Italian brewers against the Greek standard.

The European Commission argue that it is basically unfair that German brewers can freely export their beer to the rest of Europe, while European brewers cannot export to Germany.

They go on to dismiss claims that the Purity Standard still performs its traditional function of protecting the consumer from the sort of disgusting chemicals and additives to be found in foreign beers. Export beers in Germany are exempt from the standard – which is tantamount to saying that the health of importers of German beer is not as important as that of the domestic consumer. And in this day and age it is hardly a very European sentiment to admit that you don't mind poisoning your neighbours.

Officials cap their arguments by pointing out that, even if the Purity Standard is scrapped under Article 30, there is still absolutely nothing to stop a beer drinker from buying the same pure brew that he always has done in the past. An end to the standard would simply mean that in future he would be given the choice between 'chemical' imported beer and 'pure' home beer, instead of having the government make the decision for him.

As a result, it is highly unlikely that the average Bavarian, who currently drinks more than 200 litres of beer a year, is suddenly going to become an avid drinker of British or Belgian beer. But the EEC feels that he should be given the opportunity to try it.

Jobless rate still rising

The number of people currently on unemployment benefit seems to be growing. Statistics published at the end of April 1982 indicate that there were 10.3 million unemployed in the Community – 9.3 per cent of the active population.

Unemployment rates are higher than 10 per cent in several EEC states, including Italy (10.2 per cent), the United Kingdom (11.5 per cent), Ireland (12.1 per cent) and Belgium (12.3 per cent). These figures indicate that the number of registered jobless in the EEC grew by 1 per cent between the end of March and the end of April.

Every EEC government has made the fight against unemployment a main policy objective, and the European Commission showed the importance that it attaches to the issue in the recently published draft Community budget for 1983.

In keeping with the guidelines defined by the 30 May Mandate, the European Commission is working towards achieving more balanced EEC spending. This would include a moderate increase in agricultural spending and an attempt to step up funding in areas which can generate new jobs.

The draft budget drawn up by the European Commission for 1983 earmarks about £13.41 billion in commitment credits and £12.42 billion for payment credits. This represents increases of 11 per cent and 8 per cent compared with the 1982 budget. The growth rate is moderate compared to the average inflation rate, estimated at 11 per cent for last year. The new Community budget will represent 0.8 per cent of the total gross domestic product of the Community.

Education pledge by ministers

Changes in the demographic structure of the population in Europe has led to a decline in school enrolments, causing many administrations to look for ways to trim their hard-pressed budgets by reducing the ranks of the teaching profession.

Teachers' uncertainty about their future and worries about the quality of educational systems have been eased somewhat by a recent pledge by EEC Education Ministers, to the effect that any changes in demographic trends should be used to improve the quality of teaching rather than as an excuse to cut staffs. They agreed that the number of teachers should remain the same even if the number of pupils dropped, so that further educational programmes could be developed for adults.

But ministers felt that there was little in the way of concrete joint action that could be worked out at Community level, because population and educational circumstances vary so widely from one member country to another. Opposition to spending cuts and adult education remained the policy guidelines and the meetings asked EEC officials to prepare a report on future trends for the next Ministerial session.

Ministers also studied ways of implementing policies adopted by the EEC heads of state and government at a recent summit meeting aimed at providing every young person leaving school in the Community either with adequate training for a job or with a place in a special vocational preparation programme. Many feel that the inability even of young graduates to find stable work may have a drastic impact on their lifestyles and on society as a whole.

QUESTIONS IN THE HOUSE

Hans-Joachin Seeler, German Federal Republic:
'The European Court of Justice has ruled that the German legislation which has authorised "butter trips" up to now is in breach of the Treaty and that "butter trips" are therefore illegal. Is the Commission prepared to ensure that export refunds are again paid in respect of butter sold on "butter ships" as long as the production of surpluses, particularly on the Community's market for milk and dairy products, makes it necessary to subsidise exports of butter to countries such as the USSR?'

Answer by Poul Dalsager, on behalf of the Commission:
'No. The Commission has made it clear, following the judgement of the Court on "butter trips", that no export refunds are payable in these circumstances. The Commission has reminded member states of their obligation to charge agricultural levies and customs duties on goods sold in duty-free shops in intra-Community travel, in order to conform with the Court judgement. Apart from these levies and customs duties, the Commission has taken no initiative concerning duty-free shops.

At the same time, the Commission has requested the German government to abolish completely the practice of "butter trips" and render its national legislation into conformity with EEC law'.

Mrs Vera Squarcialupi, Italy:
'In January 1982 three Italian children died from suffocation after swallowing small toys (whistles, small balls, balloons) included as gifts in packets of potato crisps. Other children have been saved from a similar fate only through timely medical intervention. Does the Commission intend to submit as a matter of urgency the directive on the safety of toys and to include among the factors placing children at risk the packaging and presentation of toys and the methods of distribution to the public?'

Answer by Karl-Heinz Narjes, on behalf of the Commission:
'The draft Directive on the safety of toys, which is at present being revised by Commission departments, includes provisions covering suffocation risks as part of the physical and mechanical standards it lays down. The level of safety required is the same for all toys regardless of where and how they are offered for sale.

The Commission does not consider it necessary to recommend that the offer of goods containing gifts be made subject to regulations.'

Protection agreed for wildlife

Legal protection for shrews, weasels, hedgehogs, adders and the most common bats was brought a step nearer in Britain on 1 June, when the European Convention on the Conservation of European Wildlife and Natural Habitats took effect.

The convention has been ratified by Britain, almost three years after it was signed at the headquarters of the Council of Europe by the EEC and 19 governments. British governments are committed, without a time limit, to introducing the convention into law.

The document covers more than a hundred varieties of plants, more than 50 animals and almost 300 birds, as well as several snakes, frogs, toads and lizards, all divided into two categories, 'protected' and 'strictly protected'.

The scope of the convention is far wider than that of the Wildlife and Countryside Act, 1981, which gave legal protection to some of the rarest wild species in Britain. If the convention is ever given full legal force in Britain, it will be an offence to damage or even disturb not only rarities like the otter and Scottish wildcat, but also many common birds.

Implementation depends on the individual wills of the 21 member governments. For example, any attempt by a British government to implement the section giving protection to all wild deer and birds of prey would not necessarily be followed by hunting and shooting organisations in other countries.

The man who remembered Dublin

James Joyce was born a hundred years ago this year. In Ireland, they have been paying tribute to the writer who immortalised his native city

'I will tell you all sorts of makeup things, strangerous. And show you every simple storyplace we pass.' Thus speaks the narrator of *Finnegans Wake*, as he emerges from his long dream in the last few pages of the book. Joyce had a gift for 'makeup things', notably a kind of prose that no-one had written before, with dual-purpose words like that 'strangerous' well to the fore.

He was also a vivid guide to his favourite 'storyplace', Dublin, where he was born. In Joyce's works, as his friend T. S. Eliot pointed out, the first thing to grasp is an appreciation of the Dublin he knew as a child and grew up in, in the way that he knew it. There are countless passages of that kind in his stories, from the early *Dubliners* to the description of the river Liffey in *Anna Livia Plurabelle*.

The Irish have been marking his centennial by laying bare Joyce's Dublin, which in a literary sense he immortalised. The novelist Anthony Burgess credits him with having turned it into a place as mythical as Dante's Inferno, Paradiso and Purgatorio rolled into one. 'When we drink Guinness in the Bailey or Davy Byrne's we are borrowing Joyce's taste-buds, and when we walk on Sandymount strand it is in Joyce's broken tennis shoes.'

In honour of the occasion, the Irish Tourist Board and the Arts Council of Ireland joined forces to mount a wide-ranging programme of commemorative events. Some of them were given Joycean names, such as a singalong called 'Haveth Music eVerywhere' (yes, that is how it was meant to be spelt) and a 'Roaratorio' based on *Finnegans Wake*.

A small army of Joyce scholars and devotees has been holding seminars, talk-ins, readings, recitals, lectures and symposiums all over Dublin, with others in Galway and Cork. Conducted walkabouts have been organised, retracing the tracks of Leopold Bloom, the hero of *Ulysses*. He must have been present in spirit at the Bloomsday Banquet held at the Burlington Hotel on 16 June, the day of Bloom's imagined wanderings round the city in the year 1904. Bloomsday was marked by a city-wide reconstruction of the 'Wandering Rocks' chapter from *Ulysses*. Molly Bloom's long, poignant soliloquy, which ends the book, was delivered nightly by Patricia Leventon at the Tailors Guild Hall. The entire work, unedited and uninterrupted, was broadcast on Bloomsday by the national radio station RTE, and lasted a full 24 hours. It was also beamed to European listeners by arrangement with the European Broadcasting Union.

What the organisers describe as the 'ethos of Dublin's pub life' is captured at the Guinness Centre (where else?). This, and some other exhibitions, will run throughout the year, including one at the Triskel Arts Centre, Cork, which explores Joyce's family background. In the Cork City Library they have been showing autographed first editions, Matisse sketches for *Ulysses*, and other treasures. A permanent collection is now established at the new Joyce Centre, in North Great George Street.

IRISH TOURIST BOARD

Bloomsday, 1982: a reincarnation of Mr Leopold Bloom and friends.

All ways round, the celebrations have established Joyce – in case anyone still has doubts about him – as an Irish national hero. But he is not just the property of the pundits and the *literati*. 'Really it is not I who am writing this crazy book,' he once said when he was working on *Finnegan's Wake*. 'It is you, and you, and you, and that man over there, and that girl at the next table.'

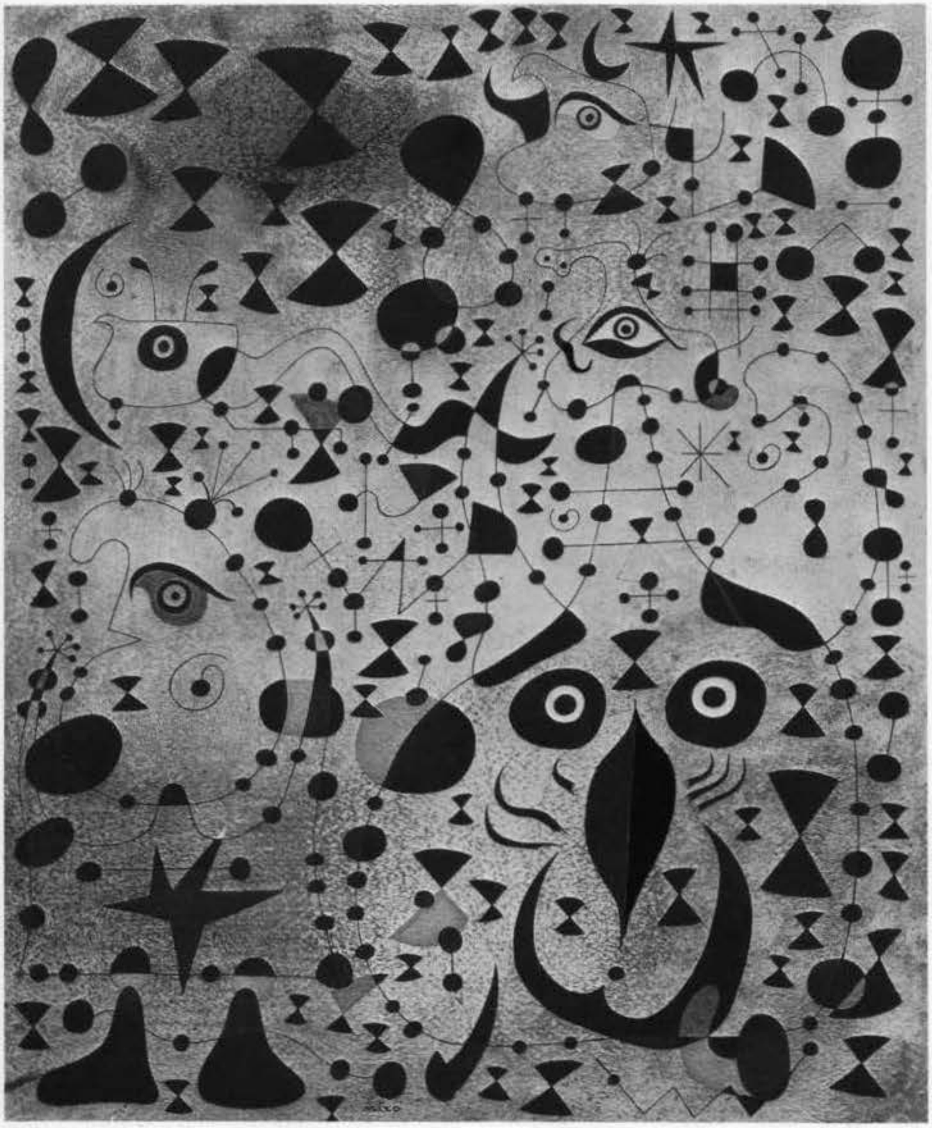
Joyce's reputation is not so much Irish as European. As a schoolboy he set himself to master languages and foreign literature, and steeped himself in the work of late 19th-century writers such as Tolstoy, Björnson, Castiglioni, Flaubert and Zola. Not content to study Ibsen only in translation, he also studied Norwegian. He learned the lyrics of Verlaine by heart, and enjoyed reciting them in female company.

In his early days as an aspiring writer he read some of his own poems to George Russell, one of the leaders of the Dublin set. Russell told him: 'You have not enough chaos in you to make a world' – a misjudgement for which Joyce cheerfully forgave him. In any event, Russell made amend by recommending the young Joyce to his Irish writer friends, notably W. B. Yeats.

The young Dubliner already had thoughts of quitting Ireland. As long as he could write, he reckoned, he could live anywhere, if necessary like Diognes, in a tub. Though he made return trips up to 1912, Dublin was never his home again. The books on which his fame rests were written abroad, in his self-imposed exile, and extensively re-worked over periods of years.

He led a complicated life, usually short of money, and his various changes of scene were attempts at a fresh start. At first his only earned income was from teaching English. He particularly enjoyed Trieste, with its babel of overlapping tongues, where he lived on £80 a year (this was in 1905) and finished *Dubliners*. For a time he took a job as a bank clerk in Rome, where he wore out his only pair of trousers on his office stool. There, too, he and his ever-loyal Nora shared an impossibly narrow bed, sleeping head to tail, as Leopold and Molly Bloom do in *Ulysses*.

His fellow professionals, such as Eliot, Ezra Pound and Wyndham Lewis, were always aware of his remarkable gifts. They knew his work long before it reached the public, and did their best to keep his spirits up. It was Pound who encouraged Joyce to publish his *Portrait of the Artist* in instalments



European drawings from New York

A superb collection of drawings by modern European masters is showing at the British Museum this summer. It comes from the Museum of Modern Art, New York, and continues until 12 September.

Drawings are often the most direct and vivid evidence of an artist's creative intentions, as well as illuminating the paintings on which, in most cases, his wider reputation rests. The New York collection begins in the 1890s, when the stirrings of a modern movement can be discerned in the post-Impressionists. These are a reminder that the startling novelties of Matisse and Picasso were not entirely self-generated, and that Cubism had its roots in the return to the painstaking principles of form which his admirers recognised in Cézanne.

The movements that followed, all well represented – such as Futurism, Constructivism, Neue Sachlichkeit, Dada and Surrealism – had a cumulative effect on the development of art in America, where immigrant European painters eventually helped to create the powerful new mode, Abstract Expressionism, that wrested leadership of the avant garde from Paris in the 1950s.

The exhibition comes up to date with the Minimalist artists, including a dashing wall drawing by Sol LeWitt, vastly enlarged from a notebook-size design, that was commissioned for the present exhibition – 'the ultimate work of flat surface illusion', as the curator, Bernice Rose, calls it in a scholarly contribution to the catalogue.

DENIS THOMAS

'The Beautiful Bird Revealing the Unknown to a Pair of Lovers' by Joan Miro, 1941.

in a literary journal of the day, and rallied supporters to protect him from charges of obscenity.

Ulysses, begun in 1907, sprawled over fifteen years of Joyce's life. On its eventual appearance in 1922, Ernest Hemingway called it 'a most goddam wonderful book.' Yeats said of it: 'It has our Irish cruelty and also our kind of strength.' Joyce's own aunt declared it unfit to read. 'If it isn't fit to read,' Joyce replied, 'life isn't fit to live.' By 1932 it had gone through eleven editions, and Joyce was famous.

It is difficult, fifty years on, to realise that *Ulysses*, now an undisputed classic, was for many years regarded as a 'dirty' book, searched for at customs posts and banned around the world, discredited by critics who never read it. For posterity's verdict on the no less controversial *Finnegans Wake* we may have to wait a while longer. Joyce referred to it as his 'monster', and even his friends seemed nervous of it. As Joyce's true stature emerges, it has a good chance of being accepted as the final testament to his genius.

JOYCE BETTS

Commissioner Richard Burke welcomes Commission Vice-President Lorenzo Natali to the Strasbourg commemoration of James Joyce's centenary.

Hard bargaining – and hard words – over the farm price accord

RORY WATSON chronicles the events in Brussels that led to agreement on the CAP – over Britain's head

In an historic eight days in the middle of May, the European Community adopted this year's farm price increases, agreed a temporary, one-year budget settlement for Britain, and departed from the unwritten rule that decisions of vital interest to any member country should be taken by unanimity.

The issues were, of course, linked. The British Government, determined to secure a long-term deal with its EEC partners reducing its annual payments to the Community budget, made no secret of its intention to refuse approval of the agricultural package until it had achieved its objective.

British ministers repeatedly argued that the outcome of the price increases for Europe's 8 million farmers were of vital interest to London, since it would have to pay most of the costs involved. They estimated the 10.5 per cent rise finally agreed would add an extra £112 million to the country's net contribution to the EEC budget this year.

Other member governments saw the matter in a different light. They argued there was no link between the budget dispute and farm prices, and pointed to the fact that, at the end of the day, Britain was able to agree to virtually all the elements of the agriculture package. They were also coming under heavy pressure from their own farmers at the six-week delay in agreeing the price rises, which under the EEC Treaty were due to come into force on April 1st.

The European Commission has never acknowledged the existence of the Luxembourg compromise, agreed in January 1966 after France had boycotted EEC meetings for the previous six months. The now-famous compromise, which has been applied by member states ever since (but has seldom been openly invoked) states: 'Where, in the case of decisions which may be taken by majority vote on a proposal of the Commission, very important interests of one or more partners are at stake, the Members of the Council will endeavour, within a reasonable time, to reach solutions which can be adopted by all the Members of the Council'. The French alone specified that in such cases discussion must be continued until 'unanimous agreement is reached.'

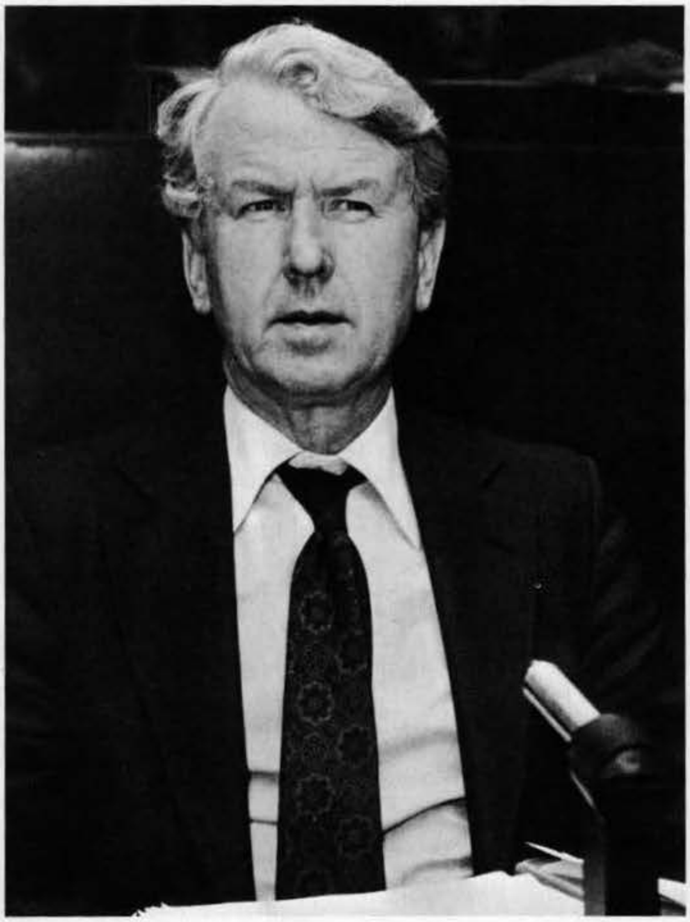
The British Government relied on this agreement to insist they had the right to veto the farm price increases. But its partners, exasperated by the continued failure to reach a solution on the budget question, agreed on 18 May to vote on the 60 or so items of legislation in the agriculture package.

The decision was violently criticised by the British Agriculture Minister, Mr Peter Walker. He described it as a violation of the terms of membership on which Britain had joined the Community and likened it to changing the rules halfway through a game. His protests were to no avail, and the package was adopted.

The French agriculture minister, Mme Edith Cresson, maintained afterwards that the Luxembourg compromise (and the ability of governments to use the veto) still stood. But, she added, the agreement 'was not, nor ever can be, intended to allow a member state to paralyse the normal running of the Community, the consequence of which would be to change fundamentally the spirit and the rules governing the Community.' The annual farm prices, she explained, were part of the day to day running of the Community.

Commenting on the majority vote, the European Commission President, Mr Gaston Thorn, expressed the wish that 'the search for unanimity in the Council will now be less of a ritual'. The procedure used in the Agriculture Ministers Council, he added, was in full conformity with the EEC Treaties. But he pointed out that majority voting would not now become automatic with the interests of small countries being accorded scant attention. As far as the Commission is concerned the fundamental rule that the basic interests of a member state should be respected still applies.

The whole question of voting in the Council was later examined by EEC Foreign Ministers, their first discussions taking place on



Agricultural ministers with a difference: the UK's Peter Walker and Edith Cresson (France).

Sunday, 20 June in Luxembourg.

Although the 10.5 per cent farm increase agreed by Agriculture Ministers was somewhat higher than the Commission's original proposal, which had to be altered twice before approval was granted, EEC Farm Commissioner Mr Poul Dalsager described it as 'a fair decision which satisfies to a very large extent the requirements of the agricultural population in each member state; at the same time, it is modest in its effects on food prices, and conforms to our guidelines on expenditure from the Community budget'.

Against an EEC inflation rate of 11-12 per cent, he considered the increases 'realistic', while including a number of special measures for producers. Among them: the payment of 120 million ECU to small dairy farmers; the extension of the calf premium from Italy to Greece, Ireland and Northern Ireland; and the alignment of certain Greek prices with those in the Community more rapidly than laid down in the Accession Treaty.

The other main innovatory feature of the package is the determination to reduce unnecessary surpluses. Production thresholds, which already exist for sugar, are to be introduced for milk, cereals, colza and processed tomatoes. Once these are passed, producers will not receive the full guaranteed EEC price.

The prices agreement will mean an extra £431 million on top of existing expenditure will be spent from the EEC budget on agriculture this year, while the cost over a full 12 months will be an extra £812 million. But this additional spending will be able to be financed from within the existing budget. The prices deal will mean an average 4.5 per cent increase in food prices for consumers in the Community.

Poul Dalsager calls it 'a fair decision'

After their bruising confrontations the previous week, EEC Governments approached their Foreign Ministers' meeting on 24 May, determined to defuse the budget dispute between Britain and the rest of the Community. In the end a temporary truce was called after nine hours of solid negotiations with Britain receiving a refund this year of £476 million. This figure will be increased or reduced depending on the accuracy of the Commission's estimate that the country will make a net contribution to the Community this year of £857 million.

The formula – which is very similar to that first produced by Mr Thorn and the Belgian Foreign Minister, Mr Leo Tindemans, two weeks earlier – did not totally satisfy Britain. 'It is not ideal from our point of view, but it is reasonably satisfactory in the circumstances,' said one senior official.

The Commission has been working out the burden each country will have to shoulder in raising the refund for Britain. Then, serious work will start on devising a longer term formula for Britain's budget contributions and for controlling expenditure on the Common Agricultural Policy. Ministers have pledged themselves to settle these negotiations by the end of November. Mr Thorn would like them ready for approval by Heads of State and Government at their Copenhagen Summit meeting in early December.

Why America and Europe do not see eye to eye over agriculture

In the United States, the Common Agricultural Policy is represented as 'an ineffective and costly defensive weapon' – and also as a convenient scapegoat for the misfortunes of American farmers. It was one of the subjects covered at the Versailles summit, and it will be discussed again in November at the next session of GATT, which is to be held in Geneva.

While industrial exports have declined into near-stagnation, the volume of trading in grain has grown fivefold in the past forty years. Trade in wheat has doubled in the last twelve years, largely due to the growing needs of developing countries with state-run economies.

Europe, harder hit than the United States by the series of petrol crises in recent years, was forced to take advantage of the new export opportunities in farm products. To judge by its agricultural trade disputes with the United States, Europe has succeeded in becoming a serious competitor.

The EEC's position, as outlined in a speech by Claude Villain, director-general for agriculture, at the end of April, is that it is determined to safeguard its independence with regard to food supplies. It has no intention of abandoning the CAP just to please its American partners. American officials certainly never weary of bringing up the question of Community farm subsidies. However, before comparing statistical data, we would do well to examine the fundamental differences which exist between agriculture in the US and in the Community.

First, the farming area of the United States is more than four times that of the Community. But there are half as many American farmers as European farmers. In 25 years, the CAP has brought about one of the most remarkable structural changes in the history of the EEC, from the point of view both of manpower and of farms.

Since the Community became a major exporter of farm products, there have been increasing protests from the United States over the CAP, which they say is unbalancing the market. The facts tell a rather different story

According to the official American documents, the amount of assistance granted to agriculture by the EEC is 40 per cent greater than that furnished by the US to its farmers. But such comparisons are virtually meaningless. As Claude Villain has stated: 'It is practically impossible to form a precise idea of the total effort of public authorities in favour of agriculture.' Farm incomes are not upheld by subsidies alone, but also by such domestic policies as the system of land tenure, production costs, tax arrangements, transport costs, etc. Direct transfers alone fall short of giving a true picture, especially as USA/EEC comparisons only take into account federal spending and ignore spending by the states.

In short, if we add budgetary farm support spending alone to the added value of agriculture, we see that in 1976, 1977 and 1978 the addition was 39.2 per cent in the Community and 37.6 per cent in the United States.

American support measures involve several important products: wheat, fodder grain, rice, soya, tobacco, cotton and dairy products. For other products, such as fruit, substantial aid can be granted either directly or indirectly through 'marketing orders'. If we compare the prices received by farmers on the markets on either side of the Atlantic, we find that, for basic products, the differences are not enormous. The American target price for dairy products is higher than that of the Community, and American support prices have risen faster than ours during the last eight years.

In the Community, an effort is under way to reduce spending in favour of farming. While the annual rate of growth of spending to support farm markets was 23 per cent between 1975 and 1979, this figure dropped to 10 per cent between 1979 and 1982. In 1981, the Community's market support payments fell, for the first time in ten years.

Thanks to technical progress, European agriculture has a high productivity rate. This is what lies at the root of the surpluses financed by the CAP. As a result, the price of European products is considerably higher than prices on the world market. In fact, higher prices stimulate farmers to produce more.

In order to break out of this cycle, and to make Community products more competitive, these gaps must now be reduced. To this end, the CAP aims to bring the markets back into balance by giving farmers more and more responsibility for the selling of surpluses. This is why EEC sugar manufacturers and sugar beet farmers have already taken on the complete financing of the price difference between the domestic market and the export market. With this in mind, the co-responsibility levy for dairy farmers will be extended to grains and colza.

'Far from being protectionist, the Community is the largest importer of agricultural products in the world'

Finally, if we use truly similar criteria, we conclude that Community spending in favour of agriculture is roughly equal to that of the United States. In fact, we could show that, until the end of 1979, the US spent more per farm worker than the Community.

No one can deny that, while pursuing the internal goals laid out for it by the Treaty of Rome, the CAP has made an important contribution to the development of world trade in agricultural products. The EEC took part in the Tokyo Round negotiations and is a signatory of GATT (General Agreement on Tariffs and Trade). The CAP has contributed to

	EEC	USA
Farm land in use (millions of hectares)	93.4 million	428.8 million
Farm workforce – in 1968 (EEC) and 1970 (USA) – in 1979	 12,069,000 7,890,000	 3,462,000 3,297,000
Difference	4,169,000	165,000
Amount spent in 1979 for income support per person employed in agriculture	$1,441.00	$1,760.00

World trade in farm products in 1979

	Imports %	Exports %
EEC	25.7	9.8
Japan	13.4	0.7
USA	11.8	18.6
Canada	2.3	4.7
Australia	0.6	4.1
New Zealand	0.2	1.6
Rest of world	46.0	60.5

international trade through agreements it has reached all over the world, including the EFTA countries and developing countries (the Lomé Convention). It often enters into arrangements which are to the benefit of its partners, such as preferential tariffs, tariff concessions, and the Generalised Preferences Scheme, which corresponds to a reduction of, or total exemption from, customs duties.

However, in order to conduct its agricultural policy successfully and regain the position it once held in the world, European agriculture had to protect itself from the erratic fluctuations of the world market. This is why it established the system of levies and refunds, whose principle has long been accepted by other countries.

Nevertheless, the United States sharply criticises the policy of export refunds (which compensates for the difference between internal prices and those of the world market). According to the US, this policy conflicts with the interests of American exporters. On the contrary, far from being protectionist the Community remains the largest importer of agricultural products in the world. In 1980 it absorbed one-fourth of world farm imports and ran up a net agricultural deficit of nearly \$29 thousand million. The EEC's agricultural deficit with the United States, which was \$5.8 thousand million in 1979, rose to \$6.8 thousand million in 1980 – an increase of 17 per cent. In the first nine months of 1981, the increase was 13 per cent. This is certainly not a satisfactory situation for the Community – the more so because European farm exports to the US grew by only 5 per cent between 1979 and 1980.

In fact, the United States also protects itself from foreign competition, despite the principles of free trade proclaimed by the present administration. Meat imports from New Zealand and Australia have been placed under quotas, and those from South America have been prohibited under the pretext of sanitary considerations. In addition, American officials have developed an impressive number of other measures, including import quotas, additional taxes, domestic price rules and measures affecting market organisation (marketing orders), etc. The United States possess a substantial arsenal for protecting their agriculture, not to mention the formidable waiver which allows them to make exceptions to certain GATT rules when they deem it necessary.

In 1980, only 14.5 per cent of farm imports into the EEC, in particular grain, were covered by the system of variable levies. As for the remaining 85.5 per cent, 51 per cent of Community farm imports from industrialised countries entered the Community duty free. This argument tends to prove that the United States has in fact benefited from the very rules it contests, and that it has taken advantage of the distortions of the CAP to lay claim to a substantial portion of the European market.

In connection with the evolution of world agricultural trade, there exists a notable stability with regard to the shares (imports and exports) in this trade held by the largest traders – the US and the EEC. The figures for 1979 correspond approximately to those for 1974. The changes occurring in other parts of the world can certainly be explained by the growth in imports by the Eastern European countries and the developing nations. Nevertheless, the United States and the Community accuse each other of carrying out expansionist policies. What is the real situation?

It is true that, over the course of the past ten years, the Community has gone out to conquer new markets. It has, for example, become the world's largest exporter of flour, barley, sugar, butter and poultry. It has achieved its success at the cost of countries such as Australia, New Zealand, Argentina and Brazil. As a result, these traditional exporters accuse Community subsidies of distorting free competition.

The US, for its part, exports products with which it can compete internationally, such as grains, animal feed, soya and citrus fruits. Its policy is relatively aggressive, if we are to judge by its behaviour on the European market and by the positions taken by its national officials.

Everyone refers to the rules of GATT, whose basic goal is growth in trade through the elimination of obstacles. In a way, it represents, at least for the signatory countries, the basic law of international trade. GATT stipulates that each nation has the right to 'a fair share of the market'. Of course, we need to determine exactly what this means.

'The goal of the Community is not to reduce imports from the US but to limit their growth'

The example of grain substitutes gives a clear illustration of the disagreement between the United States and the Community. In the past few years, the artificially high price of Community grain has encouraged the use of such animal feed substitutes as soya, manioc, bran and corn gluten feed. In 1980 the EEC imported in the form of substitutes the equivalent of 14 million tons of grain. In addition to being more favourably priced than Community products, these foodstuffs enter the EEC with reduced duties or even none.

At the present time, the grain substitute which most interests the US is corn gluten feed, Community imports of which have grown from some 700,000 tons in 1974 to more than 2.6 million tons in 1980. American industry is counting on shipments continuing to grow. It is estimated that by 1985 they will have reached a level of 4.5 million tons.

For some time the Community has expressed a desire to review with its partners, especially the Americans, the role of the entire group of grain substitute products. The aim of the Community is not to reduce imports from the United States, but rather to limit their growth and, in this way, to avoid the Community's agriculture being broken apart.

The United States, however, does not appear prepared to renegotiate the question of grain substitute products. An American official stated a few months ago that if GATT found that the EEC was in the wrong, then the latter would have to change its policy. If, however, the American interpretation was found to be incorrect, then the GATT aid code would have to be changed. In other word, heads I win, tails you lose.

Other examples could be given of statements by American officials which demonstrate the blatantly aggressive character of American policy. For its part, the Community is of the opinion that two responsible powers should aim at more constructive goals. Therefore, the EEC is suggesting that the trade disputes be resolved through cooperation and on an equal footing. E

Amendments proposed to the 1982 budget

As well as putting forward the preliminary draft budget for 1983, the Commission is also proposing to amend the 1982 budget.

It estimates that agricultural expenditure will be £275 million lower than expected, even taking account of the additional cost in 1982 of the 1982/83 agricultural price settlement.

As a consequence, refunds have turned out to be lower than could have been foreseen when the 1982 budget was drawn up.

These reductions will be devoted to boosting expenditure mainly in the Social Fund, food aid and research

The Social Fund needs more money to improve the share of Community involvement in direct measures for coping with the problem of unemployment, especially among young people. The Commission therefore proposes an increase of £118 million in this area.

The Commission urges the Council to adopt the special housing measure it has proposed for Northern Ireland. It has reinstated its original proposal for additional spending in Belfast by increasing the appropriations to a total for 1982 of £15.4 million.

WHAT'S IN THE PAPERS

Neutrality is the basic attitude of Irish foreign policy. It is a reactive rather than an active policy; one can after all only begin to be neutral after others have embarked on a conflict. And it will often be rather ignoble; in so far as merit lies on one side of the conflict, being neutral is a matter of refusing to take sides between good and evil.

Conor Cruise O'Brien
in the Observer

French turkey producers, angered by Britain's ban on poultry imports imposed since last September, announced in London yesterday that they had taken out a High Court writ against the Ministry of Agriculture.

The writ, by a French trade association formed to promote the interests of turkey producers, and six of its member companies, seeks a declaration that the ban is illegal because it is contrary to the Treaty of Rome.

– Daily Telegraph

The right way for us to promote this country's prosperity is in partnership with the other nine members of the Economic Community. We shall work with them for a stronger and better Community – for a Community which safeguards and promotes the interests of all its members. The difficulties which the Community now faces can and must be overcome.

– Foreign Secretary
Francis Pym, quoted
by Associated Press

We must get away from the unduly negative approach to Europe that we have too often adopted in the past. Let us take a leaf out of de Gaulle's book, and point out that what we want is not to preserve Britain's national interests at the Community's expense, but rather to oblige the Community to adopt a rational system of expenditure which would benefit the majority of consumers and taxpayers throughout the Community, not only Britain.

Our partners acknowledge that the common agricultural policy is rapidly becoming unworkable and consumes a much too high proportion of the Community's resources. Let us stop talking about getting our money back and talk instead about spending it more sensibly, for the benefit of all. We are not 'bad Europeans', unless we choose to present ourselves that way.

– The Times

The threatened delay in admitting Spain to the EEC arises from the insistence of the French Government that a series of problems in Spanish accession be solved first by the EEC. These include the difficulties for fruit, vegetable, and wine growers as well as problems with the free movement of labour from Spain into other EEC countries.

Spain already has pushed for a 10-year transition for its industry while wanting a rapid integration in the lucrative EEC common agricultural policy. Some EEC countries would be happy if Spain was not given the full benefits of the CAP until policies had been agreed.

– Guardian

Some of the wilder talk now flying about in reaction to the bitterly resented farm prices decision – including the recommendations that Britain ought to disrupt EEC business or withhold contributions – must, we believe, be tempered with commonsense.

There can be no unity if Britain refuses to accept the disciplines of membership, and popular support for Britain will dwindle even further if we promote a reputation as the biggest moaners in Europe.

– Sheffield Morning Telegraph

Europe's Common Market leaders yesterday gave their toughest ever economic warning to the US to stop trying to dictate what the West should do.

M. Mitterrand was so outraged at the way the Americans overturned agreements made at Versailles that he vowed never to attend another Summit with them. He and Chancellor Schmidt of West Germany were all for taking the Americans to task in public. But Mrs Thatcher talked them into keeping it private.

– Daily Mail

Pro-European sentiment is on the rise in Norway. It became so marked recently that the 'People's Movement against the EEC' came out of its self-satisfied hibernation to remind Norwegians that they had voted against joining the common market a decade ago.

No Norwegian political party today is advocating a reversal of that decision, and few Norwegians would want to revive the traumatic divisions which the membership debate caused. But there is a widespread feeling not only among the old pro-Europeans but even among left-wing anti-marketeers that Norway is being left out of things and needs to do something about it.

– Economist

Britain has asked the EEC for emergency aid to help rebuild the Falkland Islands economy. The Commission has £500,000 a year to spend on members states' overseas possessions.

– Reuter

Last week's vote on industrial democracy means that Europe could end up forcing Britain to accept a watered-down version of the ill-fated Bullock report.

The brainchild of West Germany, the directive allows member countries a choice of options for industrial democracy within a minimum legal framework: they can have single boards or two-tier structures, election of reps or co-option. But the version passed last week is much diluted from the original draft directive, which aimed at one-third worker representation on a firm's supervisory board.

It also restricts the coverage to firms with more than 1,000 employees (not many left, these days) and recommends a majority vote of all employees to 'trigger' any new scheme.

– New Society

The hard-hearted EEC may find some spare cash for Britain after all – to save our crumbling seaside piers. Tory Euro-MP Sir Jack Stewart Clark has told the Community that Britain's piers are unique and they should qualify for cash under an EEC scheme to preserve Europe's cultural heritage.

'Our piers are just as important as the Acropolis in Athens and Italian churches,' says Sir Jack.

– Daily Mirror

Should America seriously curb steel imports the EEC's reaction would probably most affect agricultural products. Restrictions could be placed on imports of American soy beans and what is called corn gluten (a by-product from the manufacture of fructose sugar substitute), both of which are cheaper feed for animals than traditional grain.

– Observer

Idealism does not rate for much when there are 10 million unemployed in Europe. Talent and commitment still do, and that is what the Community is short of.

The Common Market must change and the series of crises it is experiencing will determine whether it is capable of doing so. But flexibility will only come if there is a willingness among the 10 member states and the leadership to create a Community better equipped to deal with wildly fluctuating economic conditions.

– Western Mail

Politically, Ireland is, in practice, now far less neutral than it was when entering the EEC. Although the sphere of political co-operation is not part of Community law, the Ten now tend to make many decisions in common.

Economically Ireland is linked into the European Monetary System, which limits fluctuations between most EEC currencies. Despite a Government denial there is a growing speculation that the punt may have to devalue.

The truth of it at the moment is that Ireland, economically, cannot keep pace with its partners. The EEC is prepared to help – as evidenced by the latest farm aid packages – but there are signs that the European Commission expects Irish Governments to take much tougher measures to put our homes in order.

– Cork Examiner