Opera Mundi EUROPE

A WEEKLY REPORT ON THE ECONOMY OF THE COMMON MARKET

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THE WEEK IN THE COMMUNITY

May 26 - June 1, 1969

AFRICAN ASSOCIATES

Yaounde Renewal in 1970

Last week saw further negotiations, if they can be called that, between the six countries of the Community and their 18 African partners in the Yaounde Convention, signed in 1964, which was due for renewal by May 31. However, because of differences in their approach to this problem by EEC member countries, no final solution was reached, saving agreement that there should be a "transitional" period extending up to June 30, 1970. During this time it is hoped that a new convention can be worked out and finalised.

The convention, which provides financial assistance and commercial preferences for the 18 African associates of the Community, has been criticised on various grounds within the Six. Obviously developments in the third world and changes in the attitude taken by the richer countries to their poorer brethren have played their part. There are also suspicions that certain member states benefit unduly from the system as it stands at present. Most of the African countries involved are former French colonies and French influence has remained considerable; in many cases this has meant that French firms seem to win rather more than their fair share of contracts for development projects financed by the Community as a whole. It has even been suggested that because these countries have kept close ties with Paris - and this is unlikely to change greatly with the departure of General de Gaulle - the Community has been subsidising French foreign policy. All of these factors have helped to produce the not-so-edifying picture, which has gradually emerged during the last few months, of squabbles between the Six as to how much and what sort of help they should give to the eighteen states who continue to require financial and technical assistance.

Before meeting the Eighteen last Thursday, the Six had a final session amongst themselves in an effort to hammer out concrete terms for an renewed agreement which they could then offer to the African states. However they had little success, so when the meeting started the next day, the climate was far from promising. Despite this, there was still a sense of urgency in the air, inspired by both the efforts of the Luxembourg President of the Council of Ministers, M. Gaston Thorn and those of M. Diori Hamani, President of the Niger Republic and spokesman for the Eighteen. He called for the Six to ensure that the Convention was renewed on terms which took into account the changed circumstances of the past five years, whilst maintaining the main principles of the original agreement. For the African states, their association with the Community involved a political commitment which went beyond mere economic or trade links, and it would be regrettable if the Association lost its basic character since it remained "the best example

AGRICULTURE

French Election Promises

The future development of the Common Market as well as the agricultural problems have become important themes in the French presidential election campaign. Both the favourites M. Georges Pompidou and M. Alain Poher, have tried to outdo each other in protestations of pro-European sentiment and sympathy with the demands of the French farmers' union FNSEA. Both repeatedly stated that further development of the EEC was in the interests of French agriculture. While the former Gaullist minister blames difficulties in the EEC on "international technocrats" and involves the European Commission by implication, M. Poher does not spare the former government. On television he said that he could not deny that the somewhat haughty and otherworldly attitude of some ministers towards France's partners in Europe had often created an unfavourable atmosphere. Mutual trust could only be re-established if France's attitude in Brussels were altered. M. Poher warned the country against allowing the next few months to be wasted. He went on to point out that agreements now existing among the partners in the Common Market to permit the financing of French agricultural exports to third countries were due to expire on December 31 of this year, after which France could find herself in an impasse, unable to dispose of surpluses and faced with falling prices, or paying greatly increased taxes in order to cover all the costs which had so far been shared by other EEC partners.

The favourable reception which these views received from many Frenchmen was not missed by the Gaullist candidate. In an interview with Agra Europe (Paris) M. Pompidou also stressed the importance of a less haughty attitude in Brussels, saying that in order to retain the advantages of the Common Market and at the same time follow social and economic policies that would meet the needs of French agriculture, France required a government with a sound majority that could speak for the country with authority in Brussels, but without exaggerated complacency. M. Pompidou stated that he attached especial importance to the continuation and further development of the Common Market and was convinced that only the EEC could advance the interests of French agriculture. The views of FNSEA generally coincided with his own. The development of French agriculture must guarantee the farm family a reasonable standard of living. As would be recalled one of his last acts as Prime Minister in June 1968 had been to propose specific subsidies and grants for farmers with low incomes. He recognised that farmers modernising their farms undertook an almost intolerable financial burden endangering their standard of living and income. Consequently in the event of his election he would absolve farmers from the liabilities of the added value tax as from next January. He would further rural education facilities, both general and technical. Children in the country should enjoy the same opportunities as those in the towns.

On the question of an extension of the Common Market both candidates were equally intent on introducing new elements. With no period of duty in the government to compromise him, M. Poher was free to arouse new hope. M. Pompidou has been more constrained, merely saying he was prepared to call an EEC summit conference to discuss

Britain's entry, since a start must be made and talks were urgently needed. The time would come, he claimed, when the separate European states would find a way through one or other form of organisation to meet each other, to exchange opinions and if possible to create a common policy and a common political attitude. This could never be fully achieved and would never be completely successful as long as Britain were outside, declared M. Pompidou, but it would depend primarily on Britain. He thought that agreement with Britain would be possible when she showed that she had really become European and her interests ceased to be wholly orientated outside the continent of Europe.

When they appeared on television the two main candidates both attempted to create the impression that agriculture had always been their prime interest. Speaking to the "six million farmers and their families" M. Poher declared that agriculture must not be allowed to be the Cinderella in the economy because it was of vital importance for the life of the nation. M. Pompidou went even further, saying that the farmer had always provided an element of stability. Farmers had a greater right than any other sector of the economy to state help in the establishment of a viable enterprise. Neither of the favourites tired of promising rural families the same educational opportunities as existed in the cities or of warning them of the dangers of a too liberal economic policy. They were also united in rejecting any plans which did not have at their centre the traditional family farm. On television M. Pompidou declared the family farm was necessary for social balance in France. If he were elected president his government would help the farmer in his battle with international technocrats against whom he had so often protested. His government would protect farmers by rejecting anything in plans, such as recently proposed by Dr. Mansholt and the Commission, which might threaten the French family farms or ruin French milk production.

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COMMISSION

Integration Call from Von der Groeben

Recent events in France seem to have given Europe a fresh opportunity to make positive progress in the quest for integration, and this, which can only be tackled in the context of British entry into the Community, presupposes the strengthening of EEC institutions, the creation of new ones and the democratisation of the same. The unifying of economic and monetary policies, which became essential once the customs union came into being, should also attract the Community into the harmonisation of foreign, defence and arms procurement policies.

This was the gist of proposals put forward by EEC Commissioner Herr Hans von der Groeben at a one-day town-planning conference in Mannheim. These were directed towards a programme for "relaunching" European integration, a vital feature of which would be the supplementation of the fulfilment of the aims of the three existing treaties by the drafting of a new treaty dealing with the objectives, institutions and practices needed to pursue future political and economic integration in Europe. Under such a system, the Council would have to change its way of working, and become more of a cabinet body than an international ministerial forum, its present de facto role. The European Parliament - which should be elected, wholly or partially, by universal suffrage - would receive further assets, chiefly in the form of budget appropriations and European legislative machinery, the hallmark of which would be its power of veto over Council decisions.

In addition, complementary treaties would be needed, and in particular one concerning the merger of the three Communities, which would also state the aims, usages to be followed and the timetable required for monetary and economic policy, scientific and technical cooperation, future activities in the nuclear sector, and regional and structural policies.

A second supplementary treaty would deal with foreign policy as such, and in particular would cover the formulation of common standpoints on primary political issues such as the creation of a European security system, relations between the Community and the East, ending the division of Germany, relations with African countries and liaison with other international organisations.

There would need to be a third treaty also, for the purpose of bringing in close cooperation in defence and arms procurement. In particular, Herr von der Groeben visualised the creation of a European armaments authority, the main terms of reference of which would be the formulation of proposals for harmonising logistic systems and drafting the concepts of Community strategy.

Time is at a premium, and government leaders will have to decide this autumn to organise an inter-governmental conference to draft the texts of the overall treaty and its supplements. Since the process of adoption of these treaties and their ratification must needs take months or even years, no effort should be spared in the meantime to pursue exhaustively all avenues towards integration opened up within the confines of the existing treaties.

* * *

ASSOCIATION

Turkish Transition Not So Smooth

While delegates of both sides were saying at last month's ministerial meetings in Luxembourg that it would be desirable for the EEC-Turkey association to move into its twelve-year transitional period on October 1 next (see No 492), there still seem to be so many problems outstanding that the original deadline of December 1 seems the more likely date. The issues arising fall into five main categories:

1) The Financial Protocol: This annex to the Ankara Agreement is certain to be renewed,

but the question of conditions is somewhat charged. The Turks are pushing for an increase in the overall sum of development loans, better conditions of repayment, and faster progress on the negotiation of the next protocol, which should be ready to operate for December 1. At this time, the Six are trying to pin the amount at its present level, and to provide "favourable" terms (though there is nothing to show that these need even be as favourable as they are at present) and generally keep the protocol as it is.

2) Labour: This is a vital question for the Turks, who hope to secure a preferential regime with the Community for the labour market, as 90% of expatriot Turkish workers are employed in the EEC. The chief point at issue is that Ankara wants there to be complete freedom of circulation for Turkish workers from the start of the transitional period, and not seven years later, as suggested by the Community in what it feels to be a very fair interpretation of those particulars in which the Ankara Agreement is analogous with the Athens Association Agreement with Greece. Ankara further wants for its migrant workers on EEC soil the privelege of "second priority", placing them after EEC nationals in order of preference for employment, but before workers from third countries. Also sought are specific provisions concerning equality of treatment and social security, plus EEC assistance with training programmes instituted by Turkey. The Community has already expressed its rejection of the "second priority" concept, and has let it be known that as yet it has no plans for training such migrant workers within the Community. The possibility of an agreement covering the free circulation of Turkish labour inside the Six, however, could well come to something, although the Six feel that if this happens some sort of action should also be included concerning freedom of establishment and freedom to supply services in the interests of the Community.

3) Agriculture: To reach agreement in this sector will be quite a challenge: whereas Turkey is demanding complete harmonisation of agricultural policies (as was the case with Greek association), the Six, albeit drawing their inferences from rather vague experience, are proposing ad hoc measures on products of obvious importance to the Turkish economy, the effect of which (hopefully) would be to set up currents that would automatically induce Turkey to take steps to approximate her agricultural policy to that of the Community.

The issue becomes no less difficult if we turn to the specific provisions embodied in the Agreement concerning agriculture as from the start of the transitional period: Ankara is seeking a special regime to cover all produce cited in Annex II of the Rome Treaty (those for which community market organisations shall be created), one which will contain no quantitative restrictions at all. The Community will have none of such a system, and proposes instead specific solutions for those products that are of particular interest to Turkey (and carrying quota restrictions). The Six thus hope to be "able to sort something out" for unrefined olive oil, but rule out completely such products as sugar, cereals, certain dairy products and preserved fruit and vegetables.

4) Tariff-Cutting by Turkey: There is at least agreement between the two delegations that for the most part tariff removal should cover the transitional phase of twelve years, and that for certain sensitive items this should be extended to twenty-two years. Where Turkey refuses to go along with the Six, however, is in their attempt to get an "acceleration" of the process for their exports to Turkey of capital goods and raw materials.

There also arises the question of what timetable should be established for the removal of Turkish quota restrictions on Community imports. What the Six seek is the complete disappearance of all such quantitative restrictions, as of customs duties, and that a full and precise schedule be formulated to that effect (although susceptible of modification if this subsequently proved necessary). The Turks have been very chary about this to date, and have conceded only that some sort of timetable might be agreed, but only for the initial part of the transitional period. It would then be up to the Council of Association to agree fresh provisions as these became necessary, lest the country's internal development plans be prejudiced. Not surprisingly, the Six found this far too loose a way of dealing with the matter.

5) Tariff-Cutting by the Six: The Community suggests that it should launch the transitional period with an all-round cut of 60% in customs duties, the remainder to be removed by a further cut of 20% after three years, and the final 20% after six (although with certain exceptions, in particular for textiles). Pleading the vast discrepancies between the economic power of the Community and that of Turkey, Ankara finds this offer altogether inadequate, demanding no less than complete intra-Community status right from the start, with total abolition of both duties and quotas by the Community. (for Turkish economy, see No 479).

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YUGOSLAVIA

In a recent interview given by M. Jean Rey, the President of the European Commission on Yugoslav TV, he stated that a favourable outcome seemed likely to the talks being held between the Community and the Yugoslav government with the aim of establishing a trade agreement. A similar view was put forward by the director-general of external trade in the Commission, M. Edmund Wellenstein.

The main problems between the EEC and Yugoslavia in reaching agreement lie in the rules the Community has adopted with regard to imports of agricultural products from non-member countries, as beef is one of the main Yugoslav exports to the Common Market, in particular Italy (see No 487).

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TRANSPORT

European Conference Meets Next Week

The Council of Ministers of the European Conference of Transport

Ministers, the E.C.M.T. are to meet in Stockholm on Wednesday June 11 under the chairmanship of the Swedish Communications Minister, Mr. Lundkvist. They will discuss problems involved in general transport policy and a number of other matters. These include: studies on the financial situation of railways with particular reference to closer tariff and cost alignment and the effects of containerisation; progress on work on automatic couplings; working conditions and the rest-periods for coach and commercial vehicle drivers; liberalisation measures in the international road transport sector; problems raised by the advent of container transport systems; improving first aid for road casualties; and preparing a European Agreement on road traffic and road signs and signals supplementing the World Convention signed in Vienna in November, 1968.

The E.C.M.T. which was established during 1953 attracts as members Transport Ministers from eighteen European countries.

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SOCIAL

Medical expenses during temporary residence in EEC member states

Under EEC regulations on social security for migrant workers, paid or pensioned insured workers and the members of their families on holiday in a Community country, other than their own, may claim sick benefit if their condition necessitates urgent treatment.

Before leaving for their holiday, the insured persons must apply to the office of the insurance scheme to which they are affiliated for a form certifying that they are entitled to sick benefit. In case of sickness or accident during their stay in the other Community country, they must apply to the nearest health insurance office, presenting the form in question.

Medical expenses which include treatment, medicines, hospital expenses, will be paid or refunded by the office in the place of temporary residence according to the arrangements in force in that country. Normally medical treatment in Germany, Italy and the Netherlands is given free of charge by doctors approved under the insurance scheme; medicines are also free in the Netherlands, but in the other two countries the persons concerned must pay a small charge (Dm 1,00 per prescription in Germany; the charge varies in Italy according to the medicine prescribed). In Belgium, France and Luxembourg, however, the insured person must normally pay directly and then obtain reimbursement from the insurance office at specified rates.

Where the sickness or accident during temporary residence is such as to cause incapacity for work, the daily compensation provided for by the regulations of the country in which the worker is insured can be paid. The worker must advise the office in the place of temporary residence, submit a doctor's note certifying his inability to return to work and be prepared to be examined by the office's medical consultant. The latter will then fill out an application for cash benefits to the office insuring the worker, which if he is entitled to them, will pay these benefits by international money order or through the office in the place of temporary residence.

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E.C.S.C.

Steel Orders Lower in April

Total additions to the order books of ECSC steel companies in April came to 7,171,000 metric tons, compared with 8,156,000 in March and 6,306,000 in April 1968 (figures for steel products - for crude, see Nos 509, 512). The drop from the March figure, which was a record, was of 12.1%, but this does not mean that demand as such is necessarily slackening yet, only that companies with already bulging order books may be fighting shy of booking orders too far ahead, or of too great a volume. The decline since March was particularly marked in non-Community markets.

The following tabulation gives the breakdown: Community/extra-Community orders for the steelworks of the ECSC last month (roll, coil and sheet, ingots, semi-manufactures and strip, except where this is for re-rolling inside the country; and excluding special steels):

	E.C.S.C.	Third Countries	Total
April 1969	5,988	1,183	7,171
March 1969	6,721	1,435	8,156
April 1968	5,081	1,225	6,306

Compared with April of last year, there was a marked increase in orders accepted, and this may be attributed solely to the upsurge in internal demand in the Six, as orders from outside countries in fact fell off.

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CUSTOMS & TARIFFS

Yet Another Court Action Against Italy - Textiles

It was announced on May 30 that the EEC Commission was taking the Italian Government before the Court of Justice of the European Communities, with regard to its failure to rescind its system of turnover tax on cotton and other textiles, whereby imports from other member states suffer higher levels of taxation than those produced on Italian soil. These are charges similar to those made last February with regard to Italian taxes on combed and carded wool (see No 499).

Also criticised by the Commission, which in cases like these acts under Article 95 and 96 of the Rome Treaty, is the "excessively high" level of export rebate that the Italian Government offers on the products in question.

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E.D.F.

Another $ 10 million Granted

The Commission recently decided to approve seven new grants totalling $ 10,501,000. The projects covered by these grants are as follows:

Cameroon: $ 481,000 to pay for the development of small crafts, businesses and farms and to provide instructors in four Cameroon regions centred on Douala, Yaounde, Nkongsamba and Bafoussam.

Chad: $ 243,000 to improve the central hospital in Fort Lamy

Madagascar: $ 445,000 to finance a feasibility study on the construction of a polder on Lake Alaotra for industrial dairy farming and breeding for slaughter, an agricultural improvement study in the Lower Mangoky area, to map the zone still to be improved and make a land utilisation plan and the continuation of guidance services to render the Andapa Basin profitable.

Mali: $ 537,000 to introduce over a period of time the growing of Maryland tobacco in the Haute Vallee area of the Niger.

Niger: $ 640,000 to extend the National College of Administration at Niamey to help with the training of office staff and medium-grade civil engineering cadres.

Senegal: $ 7,041,000 to cover the fifth instalment of production aid, including price support for production of groundnuts and structural improvements for their cultivation.

Surinam: $ 1,114,000 to finance the building of a secondary boardingschool in Paramaribo for children whose parents live in rural areas.

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TECHNOLOGY

Dassault-Dornier Jet Trainer Link

Negotiations having taken place last year (see Euroflash, No 492), the French aircraft concern Ste des Avions Marcel Dassault Sarl, Saint-Cloud (see EF No 512) and the German Dornier GmbH group of Ludwigshafen (see No 509) have now agreed to join in the development and production of a twin-jet trainer, to be called the "Alpha-Jet". In its trainer version, this will replace, as from 1974, the Fouga Magister and the T-33, which at present are used for second-stage pilot training (after initial training in prop. aircraft). For training schemes, it will be used by pilots before they graduate to the Franco-British Jaguar for final instruction and practice. The Alpha-Jet will also appear in a tactical support version, in which form it will be equipped with cannon and one ton of armaments. It is designed for a take-off weight of 5 metric tons, and will be powered by two "Larzac" units produced by Snecma, each giving 1,054 kilos of thrust, and combining for a two-hour range.

In charge of the project will be a joint subsidiary, to be formed in Paris by the two participating companies, and which will take the name Alpha-Jet SA. This will coordinate the assembly programme (estimated requirement for France and Germany is 500 craft, at unit cost of F 5 million), which will actually be carried out by Dassault's subsidiary, Breguet Aviation SA, Paris, taken over (80% stake) in June 1967 (see EF No 416). The latter is currently carrying out the major reorganisation occasioned by the Dassault takeover (its chairman, M. Vallieres, is also managing director of Dassault) and is concentrating in Colomiers, Toulouse, where its payroll will now rise to 5,000. It has a 30-acre complex there, and is now building a 35,000 square metre general aircraft assembly hangar on this site.

The Alpha-Jet project is somewhat clouded by the fact that a group comprising Messerschmitt-Bölkow-Blöhm GmbH and Nord and Sud Aviation have announced the start of feasibility studies on the design and construction of a rival aircraft, which would be powered by the same Snecma unit.

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INTEGRATION

Despite suggestions that it might be delayed to allow the new French government time to decide on its policy towards the organisation, the Ministerial Council of the Western European Union will meet in The Hague on June 5 - 6. The boycott of the WEU by the French government, which started in February, continued last week, when the Permanent Council met in London to discuss the agenda for the meeting in The Hague. This was the tenth time that no French representative had taken part, and one effect of the boycott has been to prevent the EEC Commission presenting its economic report to the Ministers. The Commission's invitation to attend is sent in the names of the Foreign Ministers of the Six, but since France will not take part, her argument that the invitation cannot be sent has carried the day. As the next meeting of the WEU Ministers will take place after the summer break, it is hoped that by then the new French government will have adopted the main principles of its foreign policy and will decide to take part again. If M. Poher is elected, and this seems doubtful, France would again be represented, as last week he said that he did not believe in an "empty chair policy". Because of the need to await the new French government, it is unlikely that any major decisions will be taken in The Hague, which will therefore provide a further opportunity for an exchange of views between the Ministers of the Five and Britain.

In spite of French pressure, West Germany has continued to attend the WEU meetings, as Bonn considers that the organisation provides a suitable framework for political consultations between European countries. As in other countries, the official attitude in West Germany is to await the outcome of the presidential election, although in private the now unlikely victory of M. Poher as the more convincing European would be welcomed. One aspect of events in France has been causing doubts in West Germany and that is the attacks launched on M. Poher for being too pro-German. A leaflet put out by the Gaullist organisation, the Centre nationale d'information has on it "Bonn votes for Poher. Paris votes for Pompidou". Nevertheless there is a feeling that the new government will be more amenable to persuasion than its predecessor, and it is hoped that European integration will take a further step forward before the end of the year. As in other countries, it is also felt that if France were to make a gesture to this end, it could help to restore confidence in her European policy, and improve Franco-British relations, a vital element for a successful Europe.

Last Saturday Chancellor Kiesinger, in a speech at Ueberlingen, said that a "fresh major attempt should be made after the French presidential elections to unify Europe". He suggested a political union should be established on a parallel basis with a wider economic community. The political union would involve only those states who were interested in such an aim, whilst the economic union could include all the countries who had applied for membership as well as neutral states. In the long run, the Chancellor felt that a European Federal State would emerge "set up by those countries who dared to leap over their own shadows". It is uncertain whether this view will find an immediate response in Britain, as recent British statements as to the future of European political unity are far from clear.

Furthermore Dr. Kiesinger maintained that there could be no "new Europe" unless West Germany was included, but this did not mean that Germany wanted to establish her hegemony over other states, and he warned his audience against listening to those who held such views.

Whatever the Chancellor thinks with regard to a wider Community, it is certain that West Germany does not want any weakening of the Common Market brought about by its enlargement. In a Brussels speech last week, the West German ambassador to the Communities made this clear and also stressed that the candidate countries should accept the aims and obligations of the Rome Treaty. The fear that an enlarged Community might dilute the achievements made to date is no doubt present in the minds of those who have been suggesting the widening of the EEC to be limited to Britain as a first step. with the other countries who have applied becoming members at a later stage. It is open to argument whether this partial approach is necessarily the best one, as it could prolong the difficulties faced by absorbing new states into the existing structures, and might also serve as an excuse for those who oppose the introduction of majority voting in the Council to maintain their positions. If all four countries joined the Community, majority voting would be a virtual necessity, although in the period before they became full members the organisation of the Common Market would present some difficulties. The length of time needed for Britain to become a full member is likely to be long rather than short. M. Poher has suggested that between ten and twelve years might pass before she could become fully integrated, even if legally she was a full member at an earlier date.

The difficulties to be overcome if Britain is to join, especially those in the monetary and agricultural sectors, should not be underestimated. Although modifications have taken place since 1967, the grounds for opposition still exist and it should not be imagined that the new French president, whatever his colours, will lightly allow French interests to suffer, even if he is willing to start talks. If Britain was going to join, it would make planning for companies easier and might provide an economic and political stimulus for the country. Doubts still exist amongst the Six as to the strength of her European conversion so that if the British government wants to hasten the process, a renewed and clear statement of its views and intentions would help. In any case, European integration and British entry into the Common Market depend largely for their pace upon the political desire to progress in this direction.

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STUDIES AND TRENDS

"Commercial Clairvoyance" in Europe

Part 111 - Ten Years Hence, What Do We Make?

Having, in the two previous parts of this article (see Nos 511 and 512), looked at the forms of "research into research" that are designed to enable companies to prepare themselves for the market conditions likely to be obtaining ten or fifteen years hence, we are now left with the $64,000 question. Whether we are using the relevance tree of the PATTERN method, or the supporting graph of the C.P.E. system, we cannot escape the fact that the whole construction rests entirely on certain hypotheses. By definition, these are susceptible of proving ill-grounded in the long run, when unforeseen conditions arise. In that event, any forecasts that might have been made would become nonsense, no matter how meticulously they had been pieced together.

However, it is never claimed for any of these systems that the base hypotheses used are anything more than the most plausible at any given time, and indeed neither the PATTERN nor the C.P.E. methods claims for the projections established, even though strict logic and maths are applied, that there is anything absolute or unassailable about them. The essence indeed is flexibility, such that if the major objectives are altered, or the priorities pertaining to them re-appraised, there is always scope to refer back to the relevance tree, re-arrange its format, and reconstruct the logical sequences from there, down through every level of decision-making to the research operations as such.

Moreover, experience seems to demonstrate that even if a modification is made well "up" the tree, the consequent rearrangement of the graphical representation is less arduous than we might at first think. More often than not there are many features that remain common to both the old graph and the redesigned one. After all, whether a radar installation is a ground emplacement, airborne or on board ship, it remains in all circumstances and from any point of view a key means of detection. In other words, there is no reason why the graph in practice should not be revised and updated periodically, and reconciled with the development of the context in which it is formulated and used.

This brings us to another question: does the projection we establish by these means call upon the use of computer techniques? Not in principle, as all we are dealing with are logical methods of reasoning and analysis: indeed, the C.P.E. itself got by for two whole years before EDP was installed, and it was only the sheer complexity and volume of the graphs and relevance trees arising that made its use necessary.

A third question: do these systems of research into research in fact provide those who apply them with the wherewithal for decision-making? This is rather beside the point, in fact, as the purpose behind these systems is merely to elucidate and explain factors that might otherwise remain obscure or only implicit. As such, what they do is furnish the decision-makers with more concise data and background considerations, also bringing into relief the weak points in any given programme, and drawing attention to those areas where the research effort needs to be extended or accelerated.

When they embarked upon the venture, the teams at Honeywells who did the development work on the PATTERN system set out, taking account of the national and international situation, to forecast what supplies and types of material would best answer the U.S. Government's needs ten or fifteen years later. The object of the exercise was, when governmental policy decisions were taken, for the company to be better placed than its competitors to supply the needs arising therefrom, in particular in the defence sector. The aim, as ever in business was therefore to build wider markets, clinch more important contracts, and of course glean greater profits.

The American A.L. Jestice (see part 1), whose contribution to the devising of the PATTERN system was invaluable, in company with the heads of the SINCRO company, which launched the system in France, have explained how its application logically led Honeywell to the conclusion that the Pentagon would, at some future date, requisition a particular type of bomb. This was how the process worked: with steady improvements in guidance systems, it would become increasingly possible to reduce the degree of blast dispersal of a bomb, and thus to reduce the number of sorties required to accomplish a given mission. It would follow that the cost appropriation per sortie would be raised, as fewer attacks would have to be mounted. If one assumed this, however, and only took one's thinking as far as that, improvements in the bomb itself, as far as cost was concerned, would be of no account, for any increase in its effectiveness would provide no real savings. Likewise if the cost of the bomb itself were reduced, albeit with loss of precision in its delivery, there would again be no economising on the overall cost of the operation, as more bombs would be needed to achieve the same result. This meant that the company could safely assume that unit cost savings would be a matter of indifference to the Pentagon.

However, there remained the possibility of unit costs being reduced appreciably, together with improvements in the precision of the bomb, and in this case alone would real savings be made possible in the overall cost of bombing sorties: in this, the Pentagon could not fail to be interested. Now, if the company capable of designing and producing this new bomb was equally able to cut its production costs below a certain critical level, it would obviously win out all down the line: not only would it be in the very best position to secure the Pentagon contract, it would also be geared to maximising its profits from the work accruing from it.

By way of demonstrating the validity of this projection, Jestice threw in some sample figures - all theoretical ones, of course: "If all cost reduction factors and technical improvement opportunities are brought into play, the Pentagon is likely to purchase at least 300,000 bombs, and so to save $185 million, while the company could be called upon to supply 200,000 bombs, and thus achieve new sales of $90 million": this would give