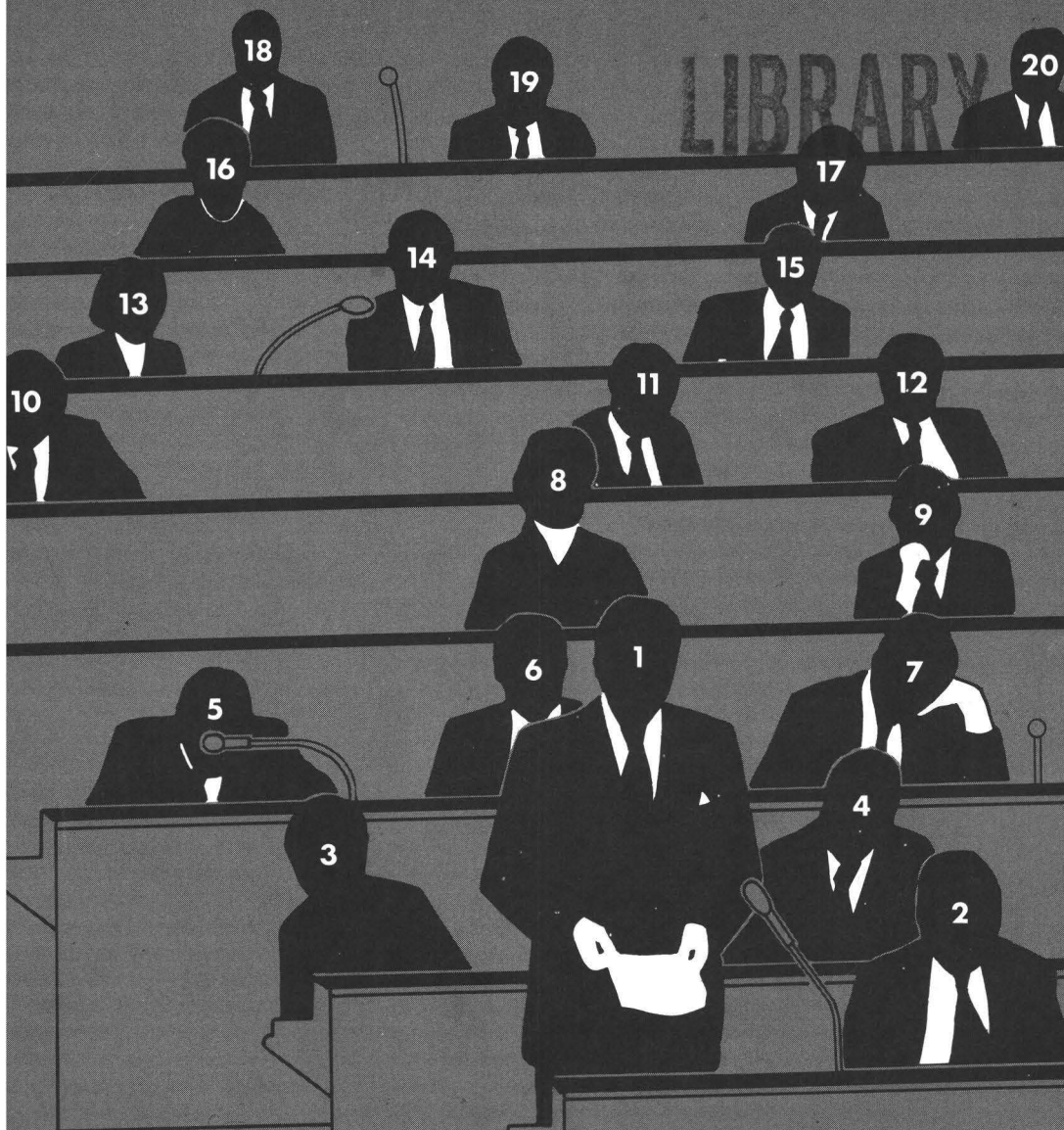


# European Community

No.10

October 1979



Britons in  
Strasbourg



## Contents

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## The Community in October

October 22	Research Council
October 23	Development Council
October 22-26	European Parliament
October 29-30	Fisheries Council
October 29-30	Foreign Affairs Council

## North Sea Oil and EEC membership protect living standards

by Christopher Johnson, Economic Adviser, Lloyds Bank Limited

It is widely assumed, even by supporters of British membership of the EEC, that the main arguments in favour are political, and that the economic effects of membership are either adverse, or at best disappointingly short of the hopes of the early 1970s.

It is difficult to assess the impact of membership on the economy, because of the worsening of the economic climate in both Britain and the EEC as a whole at the end of 1973 — the first year of the enlarged nine-nation Community. It is easier to calculate the costs of the Common Agricultural Policy and the EEC Budget than the benefits of other policies.

The 'dynamic' effect of membership was supposed to result in a permanent rise in the UK's rate of economic growth to something nearer the level in the rest of the EEC. In its White Paper on the case for membership in 1971, the Government said: 'If a rate of growth of national income a ½ per cent higher were to be achieved as a result of membership, by the end of a period of five years our national income would be some £1,100 million higher in the fifth year'. (Equivalent to £3bn at 1977 prices, or 2½ per cent of national income in 1977.)

### ANNUAL GDP GROWTH PER HEAD

	1	2	3
	EEC 9	UK	2 as % of 1
1962-72	3.69%	2.38%	64%
1972-78	2.33%	1.96%	84%

Figures are based on GDP in \$US at 1975 prices and exchange rates

As the above table shows, economic growth has slowed down in the EEC as a

whole since the UK became a member, and the gap between the growth rates of the EEC and the UK has narrowed. It is difficult to know how much of this closing of the gap is due to North Sea Oil, and how much to EEC membership. If, in the absence of both factors, the UK had continued to grow at 64 per cent of the EEC rate, her rate of growth would have sunk to 1.5 per cent in 1972-78 — a difference of 0.5 per cent below the actual outcome.

It could be argued that North Sea Oil, averaged out over the six years, had raised the UK's growth rate by 0.3 per cent — it came to 1.8 per cent of GDP in 1978. But the rise in the exchange rate due to North Sea Oil may have caused some loss of output elsewhere in the UK. If the net addition to the growth rate due to North Sea Oil is reduced from 0.3 to 0.2 per cent, then 0.3 per cent of the UK's extra growth might be due to EEC membership.

This looks modest enough compared with expectations. But it amounts to 1.8 per cent of GDP by 1978 — about £2.5bn, and should continue to rise cumulatively, making GDP in 2000 8½ per cent higher than it would otherwise have been.

As table A on page 15 shows, in the six years before joining, Britain did not in any year come more than four-fifths of the way to equalling the EEC growth rate, while she actually had a higher growth rate in three of the six years since joining. In 1973, the first year of membership, the UK economy expanded at 6½ per cent, and even the modest 3 per cent growth of 1978 was higher than in any EEC country save Ireland.

## Export-led growth

If membership has indeed raised Britain's growth rate, it has done so mainly through the stimulus given to exports by the abolition of tariffs and access to a wider market. Since exports to most areas tend to rise faster than GDP, it is the relative growth rates of exports to EEC and to the world as a whole which are significant.

Table B on page 15 reveals that UK exports to the original EEC doubled as a proportion of GDP to over 8 per cent in the first six years of membership. They were already rising faster than UK exports as a whole even before 1973, because the EEC market was expanding faster than other markets. But exclusion from the club caused Britain's share of the EEC market to fall. Between 1972 and 1977, the UK's share of the enlarged EEC import market for manufactures rose from 7.4 to 8.4 per cent, even after allowing for some loss of share in Ireland and Denmark as they lowered their tariffs towards the Six.

British membership thus created extra trade between the UK and the Six, while diverting a relatively small amount of trade between the UK and her former EFTA partners towards the Six. There does not appear to have been much, if any, diversion of Britain's pre-1973 trade away from the rest of the world as a result of membership. Commonwealth Preferences were in any case withering away, and the 'Kennedy Round' of GATT tariff cuts, followed by the rise in OPEC demand, caused British exports to the rest of the world to rise faster after she joined the EEC than before.

In the six years after entry, the UK's exports to the Six rose 46 per cent faster than her other exports, compared with 27 per cent in the six years before entry. Had the extra growth factor continued to be only 27 per cent, UK exports to the EEC would have multiplied only 1¾ times, not twice, between 1972 and 1978, reaching 7.1 instead of 8.2 per cent of GDP. The gain to exports from membership can thus be put at 1.1 per cent of GDP, or £1.5bn, in 1978. This fits in remarkably well with the £2.5bn increase in 1978 estimated by

an entirely different method. The extra income from exports could well be expected to have 'multiplier' effects of about 1.7 times the original figure as it is respend in the UK economy.

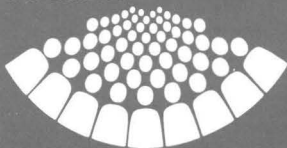
Although manufactures account for two-thirds of British exports to the Six, they have been rising less rapidly than exports of food, drink, chemicals, and fuels (see table C on page 15). The relative efficiency of these sectors — and the export of North Sea Oil — have made up for the backwardness of some parts of British manufacturing industry. The deficit in UK visible trade with the other eight EEC members as depicted in the chart (table D) on page 15 was 86 per cent, in terms of the proportion of imports covered by exports, in 1978, a small improvement on the 83 per cent of 1972, but with no clear trend in between. Only in 1970 did the UK have a surplus in trade with the EEC, due to the combined effects of devaluation and domestic restraint. Comparisons with 1970 are thus particularly misleading.

Another picture of the UK's deficit with the EEC is obtained by comparing it with the UK's deficit with the world as a whole on visible trade. This gives an index of relative performance. Coverage of imports from EEC by exports to EEC was 89 per cent of the coverage of total imports by total exports, in both 1972 and 1978.

Britain's deficit with the EEC has been held in check in relative terms, even though it has increased in amount. Just as the extra exports have contributed to output, so the corresponding extra imports have represented a gain to input, in some cases directly to consumption. The advantage of lower import prices has more than offset the loss of the British Government's tariff revenue that used to be paid on imports from the Six.

The increase in trade has meant more international division of labour as between Britain and the Six, and an improvement in industrial efficiency as resources have been shifted from less to more competitive sectors. Other advantages even more difficult to estimate

*Continued on page 14*



# New term in Strasbourg

**Ben Patterson, until May Deputy Head of the European Parliament's London Information Office, now European Democrat Member for Kent West, reports on the new Parliament's first months of work.**

## Gentlemen and Players

'Vous l'avez voulu, George Dandin, vous l'avez voulu!' I thought to myself at four o'clock on the morning of Friday 20 July. Signor Panella and Signorina Bonino — two Italian Radicals who had read their Rules of Procedure only too well — had just tabled some 100 tactical amendments, in Italian, to our business for the night. That meant several hours in the hands of the translators, then a possible 100 hours more of roll-call voting. We would all be there non-stop until lunch on the following Tuesday!

Was it for this I had given up a good job in the Parliament's press gallery (by then, of course, long empty) and come down into the Chamber as an elected Member?

In retrospect, something of the kind was bound to have occurred. Our predecessors in the non-elected Parliament were very good at ceremonial sittings (Lord Ardwick wrote in his May/June article about 'symposia of the highest class'). They also had a very relaxed attitude towards such things as who was to be chairman of this or vice-president of that. Everything was arranged in advance, through gentleman's agreement, by those who had the time to spare. No-one — except, on occasion, Winnie Ewing — rocked the boat.

But if they could be gentlemen, we are obliged to be players. It was no good our complaining, for example, that Ian Paisley destroyed the solemnity and captured the headlines during the first week; he has constituents back home who

expect it of him. The Danish anti-marketeers who helped to ruin our carefully prepared agenda were elected to do just that. A sign of the new, ungentlemanly times came on the Wednesday evening when Members were obliged to leave a ceremonial concert by the bus-load during the first movement of Beethoven's 9th symphony in order to go back and vote for the Parliament's 12th Vice-President. I was comforted the next day by the perceptive headline in one French newspaper: 'Déjà les vices d'un vrai parlement'.

The week did have its lighter aspects, too. The Members' Bar in the Palace of Europe now has its own 'terrace', with plastic grass underfoot, and four-meter-high glass cooling towers with water, apparently, continuously flowing down inside them. It became quite a game for the journalists to see which freshly-elected Member on his dignity would next lean negligently against a column and be completely drenched (the water, you see, actually flows down the outside). Our wives had a marvellous time.

## European Erskine May

Now, with summer holidays over, Parliament is getting down to the real work in its specialised standing committees. Fifteen of these have been established — three more than in the old Parliament. Regional policy and Transport are covered separately; and the Budget sub-committee which dealt with the Community's accounts now stands in its own right: a memorial to those of our British predecessors who fought for a Public Accounts Committee on House of Commons lines. There is also a new committee on 'Youth, Culture, Education, Information and Sport' (its title seemed to increase by a word a day during the July sitting).



*James Scott-Hopkins, leader of the European Democratic Group, largely made up from British Conservatives, and some other members of the Group at the first session of the newly elected European Parliament, Strasbourg, July 1979.*

*See front cover for key*

*1 James Scott-Hopkins, Hereford & Worcester*

*2 Paul Møller (Denmark)*

*3 Baroness Elles, Thames Valley*

*4 Sir John Stewart-Clark, Sussex East*

*5 Lord O'Hagan, Devon*

*6 Edward Kellett-Bowman, Lancashire East*

*7 Neil Balfour, Yorkshire North*

*8 Beata Brooks, North Wales*

*9 Sir Fred Catherwood, Cambridgeshire*

*10 David Curry, Essex North East*

*11 The Marquess of Douro, Surrey*

*12 Adam Ferguson, Strathclyde West*

*13 Gloria Hooper, Liverpool*

*14 William Hopper, Greater Manchester West*

*15 Brian Hord, London West*

*16 Elaine Kellett-Bowman, Cumbria*

*17 John Marshall, London North*

*18 Ben Patterson, Kent West*

*19 Andrew Pearce, Cheshire West*

*20 Derek Prag, Hertfordshire*

One of the first jobs has been to act on the lessons of July: quite clearly, our Rules of Procedure leave a great deal to be desired. Any ten or more Members, for example, provided they come from at least three different countries, can form themselves into a 'political group'. This gives them a seat on Parliament's managing body (the 'enlarged Bureau'), privileges in debate — and access to considerable quantities of Community money for staff.

This was the cause of the trouble in July. With Parliament now twice the size, it seemed logical to double the minimum size of groups as well; and our predecessors had thoughtfully bequeathed

us a draft amendment to that effect. Unfortunately, they failed to bequeath us, as well, any sure means of getting the amendment through. A dozen or so independent Members led by Panella and Bonino astutely formed themselves into a 'Group for the Technical Coordination and Defence of Groups and Non-attached Members', and defied Parliament to disband them.

We quickly discovered that any ten Members can also block all Parliamentary business if they wish. So, fortunately for our health, if not our prestige, Parliament capitulated later on that morning of Friday 20 July, referring the whole matter to the Rules Committee. That committee

(of which I find myself a member) now has a frantic programme of work putting together a European Erskine May.

All the other Committees are also now busy in the field where Parliament has its main powers: the Community Budget. It was unfortunate, in July, that Commissioner Tugendhat was not able to introduce the 1980 Budget until just before lunch on the Friday, by which time Parliament was exhausted. It was interesting that, of the fourteen or so back benchers who spoke, half were British. This would seem to be a repetition of the pattern in the old Parliament, when Fridays were dominated by Brits waiting for their charter plane. But perhaps it reflected, instead, the remarkably low average age of the new U.K. Members.

## A new sharpness

In committee, though, I suspect that Commission officials are already beginning to feel a new sharpness in the air. Traditionally, the Commission's spending plans have been expansionary; the Council of Ministers has pruned them with fierce Gladstonian rectitude, except on agriculture of course where it is the Commission which is worried by high costs; and Parliament has tried to restore as many of the cuts as its powers allowed. Now the debate will be as much within Parliament itself as between the institutions, and, in any case, Parliament is likely to get ideas of its own.

There are other signs that the elected

Parliament is not merely content to carry on quietly where the old left off. During the first cycle of committee meetings in Brussels in the week of 3 September, a battle raged in the Legal Affairs Committee as to whether it should look again at the Fifth Directive on Company Law (the one about two-tier boards, worker-directors and so on). In vain Commissioner Davignon argued that the old Parliament had already done the work, and that there should be no more delay. After a night of energetic lobbying the Committee voted to bring it back.

What does all this mean for the future? During the European Elections most candidates, including myself, took a cautious attitude towards Parliament's future powers. First, we said, let's put our own House in order and make effective use of the powers Parliament already has. Then we can see where the gaps are.

The position we now find ourselves in is both worse and better than I thought it would be. In one sense, we are actually less able to work effectively than our predecessors: July proved that. There is a great deal of preliminary deck-clearing to be done.

On the other hand, there is an undeniable will to succeed — almost a crusading spirit — that was not there before. We are all acutely conscious of constituents, party workers, executive Councils back home, who have a right to expect action — even if a lot of them



*Part of the Socialist Group, the largest political grouping in the new Parliament: (7) Barbara Castle, Greater Manchester North, leader of the British Labour delegation, (49) Ann Clwyd, Mid & West Wales, (52) Gordon Adam, Northumbria, (79) Richard Balfe, London South Inner, (80) Roland Boyes, Durham, (83) Richard Caborn, Sheffield. Also in the picture are former West German Chancellor (81) Willy Brandt and (4) Ernest Glinne, President of the Socialist Group.*

didn't vote in May and the next election isn't until 1984.

The Commission is going to find life more uncomfortable, an experience to which President Jenkins says he looks forward. Possibly less to the Commission's liking will be our efforts to get to closer quarters with the Council, perhaps through an expansion of 'conciliation'.

The party system is developing in a way that was never possible in the old Parliament, but which elections made inevitable. Already one can speak of 'la majorité' on French lines: the formal

alliance between the European People's Party, the European Democrats and the Liberals and Democrats which was one of July's most significant achievements.

We are still a very long way from being the 'great forum of Europe', the dream of the old federalists. There are the Brandts and Tindemans, the Chiracs and Berlinguers, it is true; but most Members, especially the British, were sent there to do a (for the moment) limited, professional job of detailed control.

This we are likely to do quite well. The rest, we hope, will gradually be added unto us.

## Proportional Representation

Unlike MEPs (Members of the European Parliament) from the other member States, the new British MEPs were elected in this summer's first direct elections under the traditional first-past-the-post system. All the other countries used some form of proportional representation (PR). PR was also used in Northern Ireland. There will certainly be strong pressure for the UK to move over to PR for the next European elections in 5 years' time when a common system must be used in all countries. The first-past-the-post system hit the British Liberals hard in the first direct elections — they won 13 per cent of the vote but not a single seat.

The Irish STV (single transferable vote) system is an attractive form of PR. The comments below come from the Electoral Reform Society of Great Britain and Ireland who feel that STV is particularly suitable for Community elections.

### Irish electoral system

Those who are unfamiliar with the Irish electoral system may have been puzzled by parts of the report on that country's elections to the European Parliament (*European Community* No 7, July 1979).

Mr Dempsey points out that the Irish Labour Party 'with only 14.4 per cent of the vote achieved 26 per cent of the 15 seats' — which looks inconsistent with a proportional system. It is not really so, for the 14.4 was the percentage of *first*

*preference* votes obtained by Labour candidates and to those must be added votes obtained by transfer. If an Irish voter fails to contribute to the election of the candidate he most wants, he can direct that the vote be transferred to his second-choice candidate (and if necessary to his third and so on) and by these transfers the Labour Party benefited far more than any other. By the end of the counting it had 20.1 per cent of the votes, which makes the result as nearly proportional as one can expect with small constituencies electing only three, four or five MEPs each. The single transferable vote secured the fair representation of the Left in spite of many of its votes being initially spread over little parties that had no chance of winning seats on their own.

STV is a highly personal system, which not only facilitates the election of highly-regarded individuals as Independents or as party candidates but also causes the result to reflect the voters' opinions on matters other than party. For instance, Miss Sile de Valera owed her election partly to the prestige of her name and partly to the transfer to her of many votes from a defeated Labour woman. This feature of STV makes it particularly suitable for Community elections, in which it is important for the voter to be able to express his opinion on European questions which cut across the party lines.





# A second Renaissance?

## How science can help an ailing Europe

**Daily political turmoil makes it difficult for governments to take a cool look at the future. Yet perhaps never before has this been so necessary for the countries of the Community as Western Europe steadily loses pre-eminence in economic and political power. In a penetrating book<sup>1</sup>, André Danzin, has sought to take just such a cool look. André Danzin is the head of the French computer research institute IRIA, a member of the Club of Rome and chairman of CERD, the European Research and Development Committee, the 18 'wise men' who advise the EEC Commission on its policy for science and technology.**

### Capacity for innovation

In a world increasingly dominated by mass production, Europe's only chance, he says, lies in being able to provide quality. This is why the ability to innovate is so important. Back in the 1950s, a typical European physicist would have felt justly proud of Europe's contribution to science and technology. It has only taken 25 years to destroy this fine self-confidence. And although Europe is still fairly sure of its inventiveness, it is already uneasy about its ability to translate the results of laboratory research into industrial and commercial products.

In pure research the general impression is one of anxiety although there is no lack of up-to-date knowledge.

As for applied research and development and industrial innovation, the impression varies very much from field to field.

In what might be called the 'power' field, that is the areas associated with

political or military power, arms, space, aeronautics and nuclear energy, the Community countries are remarkably well placed because of the quality of European technicians and, at the same time, in a disquieting situation because of the small extent to which their successes have been exploited commercially.

The UK and France have developed advanced arms with no outside help. Their electronic equipment is as good as the Americans'. Concorde is the first commercial supersonic plane and the Symphonie satellite shows the member States' ability to solve problems of spatial telecommunications. Europe is ahead as far as the techniques of using breeder reactors to produce electricity are concerned. But, in spite of all this, Europe still only occupies a very modest place in the world league.

In commercial aeronautics, European planes are low down in the table and Concorde has shown just how many obstacles there are to achieving technical superiority in this sensitive field.

As far as quantity (and not quality) of nuclear arms is concerned, Europe's inferiority is well known, as is the fact that it lags behind on conventional arms.

Europe is poorly placed in the space race. It has made no significant contributions to the prestigious adventures of manned satellites, moon landings or planet probes. We have little capability for independent action where space satellites are needed, i.e. with telecommunications, data transmission, broadcasting and television, meteorology, teledetection, vehicle tracing and military

<sup>1</sup> *Science and the Second Renaissance of Europe* by A. Danzin; published for the European Commission by the Pergamon Press, price £8.

information. Yet the ability is there, as the success of the contributions to scientific space programmes shows.

The exploration and development of the oceans (harvesting of nodules, deep drilling, etc.) are also crucial. It is not clear how these will be put to Europe's advantage in the future, in spite of the fact that Europe has been a successful pioneer in this field. During the 21st century, the oceans could well play a similar part in the economy of primary resources to that played by the discovery of new lands in the 16th century, but it will require human means and capital that are manifestly beyond the scope of any member State on its own.

## Computers

In this very complex field, Europe has not got off to a good start as compared to the USA and Japan is also making its presence felt. With semiconductors, integrated circuits and software Europe is dealing, for the first time for several centuries, with techniques that are not primarily of its own devising. But innovations in this particularly unstable field can produce surprises and the Community can still take the initiative. The facts today are nevertheless eloquent. As far as the distribution of computers is concerned, Western Europe is in second place in value, a long way behind the USA. And as far as the commercial penetration for the supply of computers is concerned, there is a big difference between the situation of Europe (which is very much open to American imports) and of Japan (which tends to favour national suppliers for the domestic market).

As for microprocessors (microchips) they can be economically mass-produced and involve delicate assembly operations for which Asian women are particularly gifted. In the international division of labour currently being effected, Europe's chances seem to be threatened by American and Japanese firms which subcontract certain final operations to the various countries of south-east Asia that are open to free competition.

## Traditional industries

Transforming an innovation into a commercial success is less of a problem in traditional industries.

One example is the car industry, which has adapted very well to the internal demands of the market. The size of European cars, their comfort and their petrol consumption are very much in line with the small distances they have to cover and with the need for energy saving. Such conditions are also found in many other countries, too, so the Community is a major exporter here.

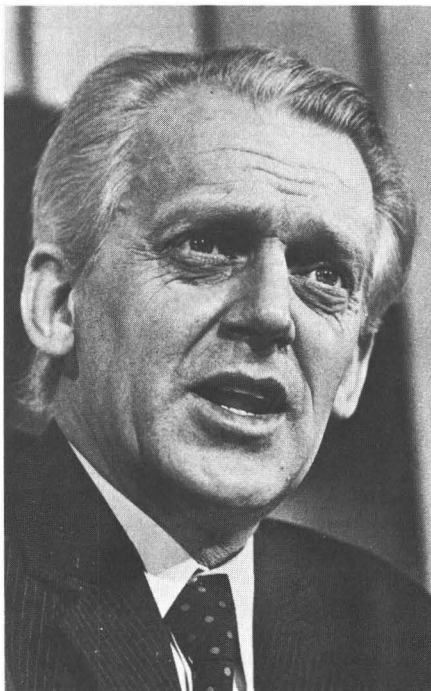
The need to be constantly more inventive, particularly with the automatization of mass production, is also of great importance in the textile industry, in plastics processing and in certain sectors of food and agriculture, where work carried out by conventional means in countries with low labour costs can ruin our industries.

If there were no considerations of political independence to bear in mind, the basic industries (such as cement works, paper factories, sugar factories, oil refineries, chemical plants, plastics factories, artificial textile mills, fertilizer production units and aluminium works) would be better off in regions where there is cheap energy, high-grade ore or a low population density that reduces the risks of pollution. So it is not obvious that they would stay in Europe in an international division of labour that resulted from total freedom of movement of products made in the most economic localities. The only thing that will keep them competitive is innovation to reduce the effect of pollution, use of low-grade ore or saving energy. And this is a battle that is far from being won.

To sum up then, Europe, which has not shown up well in the 'power' field and is lagging behind in information processing, also finds its ability to innovate in traditional industry being undermined. Yet the talent and the know-how of its specialists (who have met all the scientific targets assigned them) are apparently still as strong as they ever were.



## A flexible policy is better than trench warfare



**European Commissioner for Agriculture, Finn Olav Gundelach, explained at a recent symposium at Bruges in Belgium the Commission's mobile strategy aimed at reconciling a number of conflicting objectives.**

### Price policy

We have tried over the past two years to pursue an entirely different price policy. This has had effects on the stability of a number of markets, such as beef, which posed great problems at the beginning of this decade, but which is now in balance. There are no wine lakes any longer. One might mention a number of other commodities as well as cereals which are

not really in any immediate difficulty. But as far as dairy products are concerned, the figures do not lie. This year will be a moderate year compared with last year, when production increased between 4 per cent and 5 per cent for all milk products, but milk production this year will increase by about 3 per cent, which is higher than the trend prevalent until the year before last, namely 1.7 per cent. That increase could be accelerated even further due to untapped productivity reserves.

Consumption will probably continue to fall at a steady  $\frac{1}{2}$  per cent or a little more, month by month; here we are evidently confronted with a situation where we have to prop up consumption by being extremely prudent with our price policy, and perhaps take additional measures, as was done in the past in order to maintain a reasonable level of consumption of dairy products. We are already taking considerable steps as regards milk powder, skimmed milk powder, and skimmed milk; stocks of skimmed milk powder have been kept down to a reasonable level, but at high cost.

The situation looks far grimmer for butter. We may conceivably prevent consumption of dairy products from falling even more dramatically by promoting consumption of cheese, yoghurts and other products, but these do not weigh sufficiently to outbalance the fall in the consumption of butter. Production has to be stopped. There must be no further increases, but rather a decrease very soon if the common agricultural policy is not to lose its credibility. If that happens, possibilities of developing other urgently needed Community policies will almost certainly collapse.

## New orientation

It has been said many times that the price policy cannot alone offer solutions to Europe's agricultural problems. The Commission has never said that it could. I have simply insisted that it is a key element of the common agricultural policy in accordance with the Treaty, as well as on the basis of the ordinary laws of economics, and it should be implemented in consequence. But in order for this to be achieved other more flexible measures must be used. An absolute priority must be the tackling of certain grave structural problems related to the market situation, and in particular problems of regional agricultural development, because the real income problem in Community agriculture does not emerge from average figures, but only from a comparison between those in our richest and poorest regions.

In this context I cannot conclude without some reference to what is generally referred to as the 'Mediterranean Policy'. The Council's adoption last year of the first — but nevertheless far-reaching — measures proposed by the Commission within this framework really marked a new departure. The Mediterranean policy — which in fact also concerns other parts of the Community with special needs such as Western Ireland — has been designed to be flexible, to deal with marketing as well as structural problems, and to promote proper and well-directed use of land. It is indeed true, as is often advanced as an argument for stepping up the most profitable types of agricultural production regardless of whether or not a market exists for the production in question, that the land must be used. It is in this light, and with the real development needs of the regions concerned in mind, that in the case of the 'Mediterranean package', much of the effort is directed towards re-afforestation of the regions in question (drainage in the case of Irish areas). These are the sort of measures we need if the Common Agricultural Policy is to emerge from its present difficulties. Further structural proposals will be discussed by the Council in the autumn which will follow up what

has been begun. This part of the policy is vital. It cannot be seen as an alternative to a sensible prudent price policy, but as a necessary complement. Article 39 of the Rome Treaty says that we should improve farmers' incomes by increasing their productivity, thereby also making commodities available to consumers at more reasonable prices. To me that Article seems unequivocal, and the policies we are trying to pursue will increase, in spite of great political difficulties, the impetus which we have begun; it is in accordance with the Treaty, and we shall continue to implement it.

I shall not at this stage refer to the final complication, the agro-monetary arrangements, which occupy our minds very largely at the moment. Let me say in that connection that it must be the policy of the Community to bring about unity of prices. It may be forgotten, in fact, that we have already made remarkable progress. A little more than a year ago, the distance between the highest and the lowest prices was about 40 per cent. Today it is less than 20 per cent. No-one two years ago would have believed that this was possible. This achievement was of course facilitated by the introduction of the new European Monetary System. I mention that, together with the GATT negotiations, together with the satisfactory meat market situation, and the Mediterranean policy, in order to underline that we are not fighting trench warfare, but pursuing a flexible policy. We are not 'patching-up' as we go along, but developing a mobile strategy to deal with our problems in such a way that we can keep our land populated. This is an ecological and social necessity. It is also necessary to maintain agriculture for social and balance of payments reasons. But it must be done in such a way as to avoid misuse of resources, and to enable us to live in constructive collaboration with those of our trading partners on whose capacity to import our own industrial goods our whole well-being is dependent.



## Sell to Europe

*Doing Business in the European Community* by John Drew (Butterworths, 288 pages, £9.95).

The author is Head of International Affairs, Rank Xerox, and a former Director of Marketing at the London Business School and specialist adviser to the House of Lords EEC scrutiny committee on trade. This book meets a need felt by managers and businessmen for a short and readable introduction to the European Community.

To understand the Community's impact on business one needs to know first how it works, and this is covered by section 1, which describes the major institutions and their relationships. Section 2, 'Business in the European Community', deals with export and investment strategies in a Community context, how to influence the Community, how to develop a greater awareness of the way the Community impinges on *your* company, and how to monitor Community developments efficiently. Section 3 contains much detailed information about the major internal Community policies which affect businessmen, amongst them competition, industrial, sectoral, commercial, social and energy policies. Section 4 places the Community in an international setting, and deals with Europe's relations with key trading partners: the United States, Japan, and the developing world. Relations with the Soviet bloc and with China are also discussed. The final section provides a guide to sources of further information, and includes a list of ten key contact addresses and telephone numbers, with notes which direct the businessman to the right source for his query.

As Commission President Roy Jenkins

says in the introduction: 'I am sure that the potential of British membership of the European Community has been neither fulfilled nor exhausted. There is still a great deal of misunderstanding about how the Community affects business, and how British exporters, indeed all those who do business in the EEC, can make the most of opportunities provided by the Common Market of the European Community.'

## European Studies

The Society of Company and Commercial Accountants has just launched a post-graduate Diploma in European Studies (Dip. E.S.) to be awarded after an examination. A suitable textbook written by Mr Dennis Evans, member of the Council of the Society, will shortly be published by Macdonald and Evans.

## Data protection

The advent of the computer has heightened the conflict of interests between those who keep records and those about whom records are kept. A special issue of 'Computer Networks' deals with this crucial aspect of international human rights law. Copies are obtainable from North-Holland Publishing Company, P.O. Box 103, 1000 AC Amsterdam, Netherlands.

## Trading standards

A 'Comparative Directory of EC Legislation as enacted in England and Wales' has just been published by the Institute of Trading Standards Administration (ITSA). It lists all EEC legislation affecting trading standards and gives the reference and state of the implementing or equivalent legislation in England and Wales. It is available from the ITSA c/o PO Box 5, County Hall, St Anne's Crescent, Lewes, E. Sussex BN7 1SW. Price £2.00.

*Continued from page 4*

can be expected in future as the British economy responds to further measures of economic integration, such as possible UK membership of the new European Monetary System.

## **Balance of payments**

Trade is only one of a number of items in the balance of payments between Britain and the EEC. Private sector invisibles are disappointing. The surplus with the EEC has declined both in real terms, and as a proportion of the world total. Even in financial services, the EEC still accounted for only 18 per cent of the total UK surplus, in 1977 as in 1973.

The Government has, as expected, incurred an increasing deficit with the EEC institutions, mainly on account of the Budget. The UK is already the largest net contributor, and will continue to lose from the fact that about 70 per cent of the EEC Budget is spent on agriculture. The gains to UK economic growth and exports do not justify the unfairness of the Budget to the UK, since the exports of the EEC Six to the UK have also gained by the enlargement of the Community.

Since entry, the British Government has paid far more across the exchanges to EEC countries in military costs in Germany, and in debt interest, than to the EEC institutions for the Budget. These costs would have been incurred even if the UK had not joined. The flow of private investment has been high in both directions, and has worked slightly to the UK's advantage since entry, mainly because of the increase in European companies' participation in North Sea Oil. The net result is a 'basic' balance of payments deficit averaging 2 per cent of GDP, compared with perhaps 1½ per cent if Britain had not joined.

The Common Agricultural Policy has raised food prices in the UK by about 13 per cent since entry, or by about 2 per cent a year. This has contributed about ½ per cent a year to a rise in the Retail Price Index averaging 15 per cent a year from 1972 to 1978. Food prices have been prevented from rising further in the UK by the complex system of special 'green' exchange rates for farm products, and

subsidies paid by the EEC to agricultural exporters to the UK.

## **Conclusions**

1. The UK's rate of economic growth may have risen by 0.3 per cent a year as a result of EEC membership, increasing 1978 GDP by 1.8 per cent, or £2.5bn. The British economy has fared less badly inside the EEC than it would have done outside. As a result of EEC membership and North Sea Oil, the UK may for the next few years achieve the same annual increase in living standards as the rest of the EEC.

2. The EEC's 0.3 per cent contributions to the UK growth rate is less than that of North Sea Oil during the current phase of rapid increase of oil production, but it is likely to be more permanent, and may increase as time goes on.

3. The UK's contributions to the EEC Budget are running at about 0.5 per cent of GDP a year. This could increase, but it is likely to remain less than the gains of membership to British exports and economic growth, which are cumulative. The increase in consumer prices caused by the Common Agricultural Policy of the EEC has been about ½ per cent a year.

4. The UK has increased her share of EEC imports of manufactures by 1 per cent as a result of membership, and her relative trade performance has remained about the same as between the EEC and the world as a whole. But British exports of food, chemicals and oil have done slightly better in the EEC than exports of manufactures. □

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## **Mailing questionnaire**

The mailing lists for 'European Community' are now being updated. Subscribers will shortly be sent a two-page questionnaire which we hope they will complete and return in the pre-paid envelope as quickly as possible so that their name and address and particular areas of interest can be included on the new mailing lists, which will supersede our existing lists. This should help us to provide a more thorough and efficient service.

Table A

**Growth of real gross domestic product  
(at 1975 market prices)**

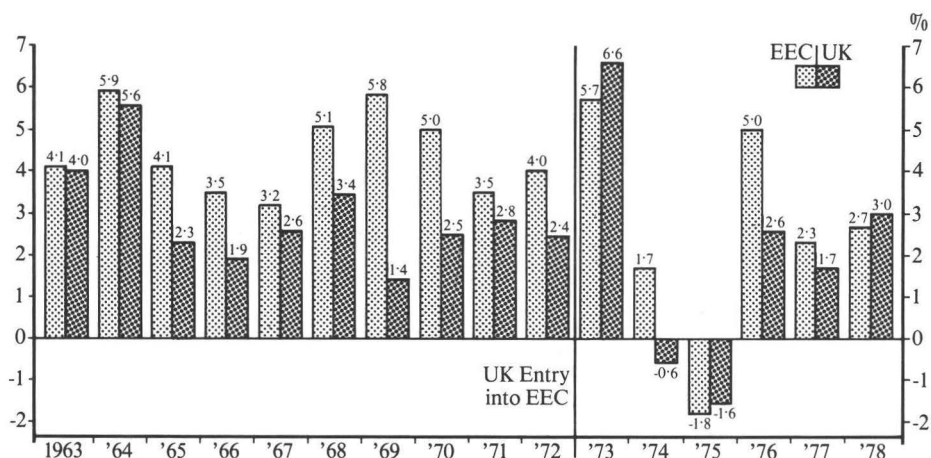


Table B

**UK Export Growth**

Visible Exports as % of GDP	1966	1972	1978
To EEC 6	2.9	4.1	8.2
To Rest of World	12.5	13.9	19.0
To World	15.9	18.0	27.2

Exports to EEC 6 as % of total exports	1966	1972	1978
	18	23	30

Growth of exports as % of GDP over six years	1966-72	1972-78
1. To EEC 6	× 1.41	× 2.00
2. To Rest of World	× 1.11	× 1.37
3. Relative growth of exports to EEC (1 ÷ 2)	× 1.27	× 1.46

Table C

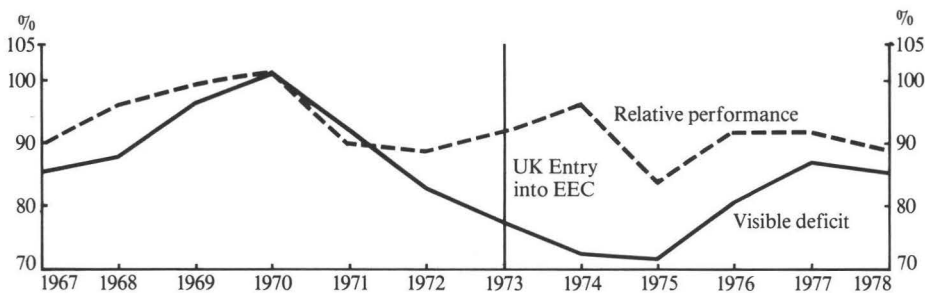
**UK — EEC 6 Trade Analysis**

	1972		1978	
	UK exports to EEC 6	Percentages Of Imports Of from EEC 6	UK exports to EEC 6	Percentages Of Imports Of from EEC 6
Food, drink, raw materials	0.6	66	1.2	83
Fuels	0.1	24	0.7	107
Chemicals	0.4	78	1.0	82
Manufactures	3.0	93	5.3	77
<b>Total</b>	<b>4.1</b>	<b>80</b>	<b>8.2</b>	<b>80</b>

Deficits are exaggerated, since imports include transport costs.

Table D

**UK Trade with EEC 8**



UK visible deficit = Exports as % of imports. Relative performance = UK deficit with EEC as % of UK deficit with all countries.



# Commission man in UK



*George Scott, new Head of the European Commission's UK offices*

George Scott, the journalist, author and broadcaster, has taken up his new post as Head of the European Commission's UK offices. He succeeds Dr Richard Mayne who has been appointed Special Adviser to the President of the Commission, Roy Jenkins.

Mr Scott, who is 54, was educated at Middlesborough High School and New College, Oxford. After working on the *Yorkshire Post* and *Northern Echo* he served in the Royal Naval Volunteer Reserve during the War.

After leaving the Navy and three years at Oxford he returned to journalism, working on the *Daily Express* from 1948 to 1953 and as Editor of *Truth* from 1954 to 1957. Until recently, Mr Scott has been Editor of the *Listener*.

He has considerable experience of television and radio. He has been a member of the BBC *Panorama* team and a Chairman/Interviewer for TWW, Rediffusion and Tyne Tees Television.

Since 1976 he has presented the BBC TV programme *The Editors*.

As well as contributions to various newspapers and journals Mr Scott has published: 'Time and Place', 'The RCs', 'Reporter Anonymous', 'Rise and Fall of the League of Nations'.

He has stood three times as a Liberal Parliamentary Candidate, contesting both divisions of Middlesborough in by-elections in 1962.

George Scott is married with two sons and a daughter.

## UK Offices

The Commission has offices in London, Cardiff and Edinburgh and a new one is shortly to be opened in Belfast.

Gwyn Morgan has completed his tour of duty in Wales and has taken up his new appointment in the Commission's Ottawa Delegation. His successor has yet to be announced. Stanley Budd heads the Edinburgh office.

## Euroforum

Euroforum is a fortnightly news magazine published by the European Commission's information service in Brussels. It is designed to help keep the non-specialist reader up-to-date with a digest of the most important Community developments presented in a readable, jargon-free style. Euroforum is available to selected readers free of charge. Applications, stating profession, should be made to:

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