changed the attitudes of the industrialized countries; this is clear for France, Germany, Italy, all of Europe and possibly Japan. There is now a much greater concern on the economic order of the world tomorrow.

Q: Why is Europe so concerned about this?
A: One reason is that during the past three years the Arab world has become the European Community's No. 1 customer. It now represents 13 per cent of our exports. The United States only about 11 per cent. But the rate of growth has multiplied by four with the Arab world, while it is declining with the United States. And what is happening with the Arab world could happen in other developing countries if only they had the financial means to make the purchases from us....

Q: How can this interdependence develop when much of the world has not completely recovered from the recession?
A: I am convinced that the least deflationary method of recovery, with the least inflation, is in the Third World markets....

Q: But how rapidly does this transfer of resources have an effect on our own economies?
A: Very rapidly. When the oil prices first went up three years ago, the EEC made a gesture, little appreciated in Washington at the time. We offered to put $500 million in a pot, provided that other industrialized countries and the oil producers would put the balance to make up a $3-billion fund. Washington never followed, but the others did and the $3 billion was made. But what is interesting is that this money, pumped into the developing countries worst hurt by the oil-price increases, resulted in purchases from us of much more than $3 billion. It was an almost immediate return, just as fast as if you had pumped the money into our own economies. But without inflation.

Q: It is a rather new approach to try to get out of a recession through investing in another country, isn't it?
A: That's right. The problem is that it is still being done in the old style, through export credits, which is nonsense. Those developing countries with their potentially huge markets already have passed their indebtedness capacity. It is sheer hypocrisy to increase export credits to India and such countries when we know they can't be repaid. Why pretend it is credit when it will turn out to be grants? I prefer to call it grants, and link it to economic recovery.

Q: What about linking the Communist nations to this exchange?
A: ...Many Third World nations with nationalist movements, in the first stages of independence in particular, are convinced they can rely on Eastern Europe for support, not only in their liberation, but in their development. But participation from Eastern Europe also follows from détente. If there is detente it means that East and West are going to work together on these important problems...It could be done in the North-South talks, but it could also be done bilaterally...In any event, Western Europe should be part of a new world economic order.

Q: What of the U.S. role?
A: The United States must accept that capital development is essential in the Third World. The record of the U.S. over the last few years has been very poor...Europe needs to enter into the kind of integrated cooperation with the Third World which the U.S. is not ready to accept....

EXCLUSIVE

The Bullock Report: 'For The Health Of The British Industry'

BRITAIN

The determination of British Prime Minister James Callaghan's government to bring before Parliament major legislation providing for worker democracy in industry by this summer has provoked one of the most important debates on post-war British economic policy. The apparent source of the debate is the Bullock Committee report on industrial democracy, released last week, which calls for a revolution in the structure of industrial management as the only sound basis for the growth in production and technological expansion that British industry must now undertake.

The report specifies equal representation of employee and stockholder interests on boards of directors of all British companies with at least 2,000 employees as the necessary prerequisite for development of industrial investment and modernization programs to boost output and productivity in British industry. The report dismisses as "sham and token" worker coparticipation programs of the Swedish and West German variety which induce trade unions to impose austerity on their membership. The report stresses that "trade union involvement is fundamental to the industrial strategy, not simply because such involvement is necessary to forestall negative resistance to change, but also because employees, through their trade unions, have a positive role to play in combating industrial stagnation and in stimulating much-needed change in industrial structure and performance."

Prime Minister Callaghan has been adamant in his intention to carry out the basic strategy outlined in the Bullock report since the Labour Party annual conference in Blackpool last October when he exhorted delegates to "carry into the workplace" the government's essential policy of industrial growth. During one of his frequent visits to industrial centers across the country, last week Callaghan warned opponents of worker participation that the government would tolerate no "stranglehold or veto" over its legislation, since it is "important for the health of British industry in the last part of the twentieth century." When implemented, the proposals will effect a basic change in the lives of the British people comparable to the enactment of universal suffrage in the last century. Trade Minister Edmund Dell, introducing the report into Parliament Jan. 26, predicted that "Just as political democracy has been accepted by all our people, so we believe industrial democracy... will come to be regarded as a part of the accepted fabric of our national life and open a new chapter in industrial relations and a continuing improvement in our industrial performance."

The Trades Union Congress (TUC) is working closely with the government to implement the report's proposals, stressing that their support is possible only because the report is placed firmly within the government's overall strategy of industrial growth. Leading left-wing Labour Party MP Eric Heffer stressed the importance of such TUC support " to avoid the creation of bureaucratic structures which could take us further along the path to a corporate state... "

Not surprisingly, the report has provoked vociferous opposition from organizations throughout Britain purporting to represent "industrial interests." However, much of the so-called opposition is no more than honest questions about how the Bullock proposals would work in practice — questions which Callaghan himself is encouraging as part of the necessary public debate of the critical issues involved. With the Confederation of British Industries, the leading employers' organization in Britain, threatening to launch an "investment strike" if the proposals go through, opposition to the Bullock report is coalescing around the "Minority Report" filed by three members of the Bullock Committee itself. Their report focuses entirely on the bogus issue of trade union power, rather than how to best promote industrial growth, the core of the government's entire strategy. The Opposition Conservative Party led by Margaret Thatcher has spearheaded the hue and cry in Parliament about "threats to democracy" from the trade union menace, while staunchly continuing to advocate Friedmanite economic policies for Britain, of the kind that they themselves admit have only been proven "successful" under Chile's military dictatorship.

To avoid open warfare along "class lines," the Callaghan government, with the active support of the TUC, is drawing up plans to implement the Bullock proposals first in the nationalized and government-controlled industries, whose experiences will then be used as prototypes for broader application of the plan in the private sector. Trade union representation on the boards of directors is near implementation in the Post Office and British Steel Corporation; plans are now being drawn up for similar representation on the National Coal Board, British Rail, and all other companies in the public sector.

Equal Employee Representation: The Key to Industrial Expansion

Following are key extracts from the 120,000 word Bullock report on industrial democracy published Jan. 26 . Committee members involved in the preparation of this report included: Lord Bullock, Master of St. Catherine's College, Oxford (Chairman); Professor George Bain, director SSRC Industrial Relations Research Unit, Warwick University; Mr. N. P. Biggs, chairman Williams and Glyns Bank; Sir Jack Callard, chairman British Home Stores; Mr. Barrie Heath, chairman Guest, Keen and Nettlefolds; Mr. Clive Jenkins, general secretary, Association of Scientific, Technical and Managerial Staffs; Mr. Jack Jones, general secretary, Transport and General Workers Union; Mr. David Lea, secretary of the economic department, TUC; Mr. John Methven, director general of the CBI; Professor K. W. Wedderburn, London School of Economics; Mr. N. S. Wilson, solicitor:

The last 20 years have seen the growth of the giant industrial enterprise, and the concentration of economic power in the hands of fewer and fewer such companies. The power and complexity of the industrial enterprise and the remoteness of decision-making have led to demands for large companies to be more responsive to the needs of society in general and to their employees in particular. Industry has come under pressure to consider the wider effects of the decisions it takes in pursuit of profitability, and companies now explicitly or implicitly accept that they have responsibilities not just to shareholders, but also to employees, customers, creditors, suppliers, the local community and to society at large.

The committee says it does not see why a board comprising employee as well as shareholder representatives should be unable to strike an adequate balance between short-term and long-term interests. To put it no higher, there does not seem any reason to believe that employee representatives will not have as clear a perception of where their constituents' best interests lie, or that the stake held by employees in the long-term health of the company is less than that of the shareholders.

We believe therefore that our twin aims of effective employee participation and efficient management can best be met in this country by introducing employee representatives on to the present company boards. The role and function of those boards, however, will need clear definition in the law, if we are to ensure that they carry the ultimate responsibility for decisions in important areas of strategic policy. It is of the greatest importance that employees should be represented on a board with a real opportunity to influence decision-making. A board would not have such influence if final decisions on major questions were taken outside the board level but could always be over-ruled by the shareholders' meeting.

We believe that the main benefits of representation at board level in terms of improved industrial relations and greater efficiency will result from the greater acceptability to employees and trade unions of board decisions in which employee representatives have been fully included and for which they have taken equal responsibility. In our view these benefits may never be realized if employees are not equally represented on the board: first, because a minority group of employee representatives will be less willing to become involved in the formulation of policy, if at the end of the process they know they can always be over-ruled by the shareholder majority; second, because the credibility of employee representatives in the eyes of their constituents will be reduced, if those constituents conclude from the proportions on the board, that their representatives are powerless.

We propose that in companies where all conditions for the introduction of employee representation are met by the boards should be reconstituted to be composed of three elements — an equal number of employee and shareholder representatives plus a third group of coopted directors. These additional directors should: (a) be coopted with the agreement of a majority of each of the other two groups — the employee and the shareholder representatives; (b) be an uneven number greater than one; (c) form less than one third of the total board.

We have come to call this formula for board composition 2x plus y, where x represents the number of employee representatives and also represents the number of shareholder representatives, and y is the number of coopted directors.

Many of those submitting evidence suggested that employee representation on the board should be based, not on trade union machinery, but on works councils or consultative committees which are separate from collective bargaining and which represent all employees, whether union members or not. Such councils and committees, it has often been argued, are an essential preliminary to representation on the board, encouraging participation below the board level and providing the machinery through which employee representatives are appointed and can report back.

The dangers of proceeding with industrial relations legislation without trade union support have been amply demonstrated and we think it is impractical to contemplate a system of representation on the board which does not have the support of the trade union movement. There are also other reasons why employee representatives on the board should be based on a single channel of representation through trade union machinery. Such machinery would provide the expertise and independent strength necessary to support employee representatives and to enable them to play an effective role in decision-making on the board. It would also provide an established and trusted channel of communication to and from the shop floor through which employee representatives could keep in touch with their constituents. Perhaps most important, integrating employee representatives into a wider system of representation based on trade union machinery would be the most effective way of ensuring that board level representation did not conflict with collective bargaining but that the two processes operated in a mutually supportive way.

The view has been expressed that there is a fundamental and irreconcilable incompatibility between board level representation and collective bargaining. We agree with the EEPTU (Electrical, Electronic, Telecommunication and Plumbing Union) that trade unions must retain their independence. But we do not see why this independence need be comprised by representation on the board. If, as we proposed, the employee representatives on the board are equal in number to the shareholder representatives, and if the former are backed by the strength of the trade unions in the company, they will carry both weight and influence on the board. Indeed, they will be able where necessary to oppose a policy not only on the board but also in collective bargaining.

We therefore believe that our proposals would apply both to the board of the holding company in a group where the aggregate workforce employed in the United Kingdom by all companies in the group is 2,000 or more, and also to any subsidiary company in the group which by itself employs 2,000 or more fulltime employees in the United Kingdom.

We do not seek to minimize the fundamental nature of the changes which this will entail, if they are to be successful, particularly in the traditional attitudes of many on both sides of industry. Nor do we claim that such changes will act as a panacea in eliminating conflict from industrial relations. What we do believe is that, if such requirements as we have proposed are carried through, they will release energies and abilities at present frustrated or not used and thereby create a framework which will allow conflict of interest to be resolved with greater mutual advantage.

Sooner or later, we believe, this is a decision which will have to be taken, whatever government is in power. Postponing it will not make it easier, may well make it more difficult, to take. We belive that the change in attitude of the TUC and its willingness to accept a share of responsibility for the increased efficiency and prosperity of British companies offer an opportunity to create a new basis for relations in industry which should not be allowed to pass.