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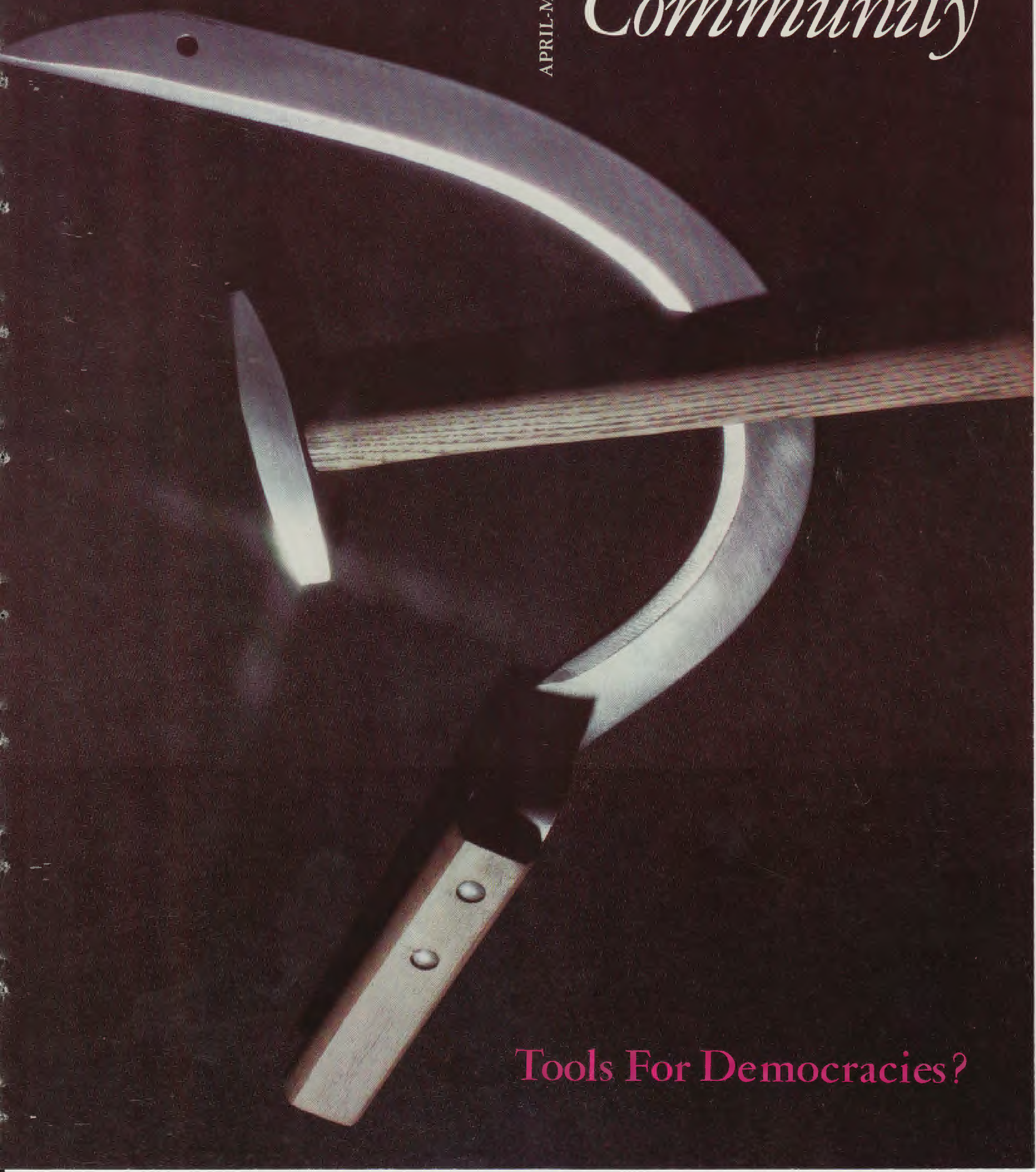
European Community



Tools For Democracies?

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Right: Communist rally in Portugal.
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COMMUNISM IN WESTERN EUROPE:

JAMES O. GOLDSBOROUGH, *Paris-based correspondent for the* International Herald Tribune

MANY EUROPEANS BELIEVE IT WILL NOT BE LONG BEFORE Communists in France or Italy join their comrades in Portugal in participating in their governments. US Secretary of State Henry Kissinger has warned of the danger, and the message to the Europeans from Washington these days is to keep the Communists out.

The message does not come from Washington alone. France and Italy's European Community partners share Kissinger's views, and none of Europe's Social Democratic parties, whether of London, Bonn, Copenhagen, or the Hague, approve the French and Italian Socialists' flirtation with the Communists. There is no doubt that the Communists' arrival would not bode well for the Community.

But it is not likely to be the pressure from Bonn or Washington that changes the inevitable. The Communist Party in Italy has progressed steadily since the war, reaching 27.2 per cent in the last national elections and 33 per cent in the last municipal vote. The party's relative moderation, coupled with Italy's dire economic situation today, gives it a real chance at power, either with the Christian Democrats, as part of the "historical compromise" the Communists favor, or in alliance with the Socialists, if those two parties can put together 50 per cent in the next election.

The French party, much more radical than the Italian despite its recent changes in public posture, also smells success. Though the French Communists do not share the Italian party's position as the dominant force on the left, its alliance with the strong French Socialist party gives it powerful leverage. A March poll in France showed that if the 1978 legislative elections were held today, the left would win 54 per cent of the vote, meaning that for the first time under the Fifth Republic constitution, a moderate president would have to work with a leftist parliament.

Since the constitution makes no provision for this, a leftist victory would set off an immediate constitutional crisis. President Valéry Giscard d'Estaing would have four choices: call new elections; resign and hold a presidential election; appoint his own government and watch it refused investiture; name a leftist premier, certainly Socialist François Mitterrand, who would invite his Communist allies into the government.

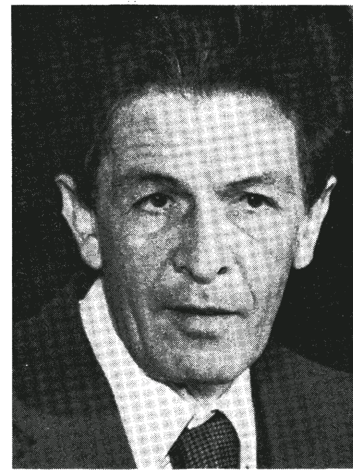
All this means that the wishful thinking of the past is over. There is a Communist reality in Europe today, and it is not "pollyanish" thoughts from a writer such as Jean-François Revel that "the Communists in France will always lack that 1 per cent to bring them to power" that will keep them out. In a much publicized book, *La Tentation Totalitaire*, Revel recently maintained that the Western European Communists had not "changed" as they claim they have, and were really no different from their Soviet comrades. But the truth is that there is a perception of change, and that alone may be enough to bring them success.

Curiously, the phenomenon appears confined for now to France and Italy. The Communists—even the Socialists—of Northern Europe have suffered setbacks during the recession as people came to believe that more hard work and less welfare statism was necessary to set things right. In Denmark and Britain, Social Democratic governments have curtailed welfare plans that had seen national budgets in both nations push to over 50 per cent of gross national product.

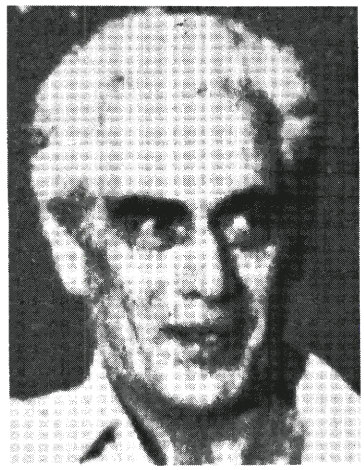
The West German Social Democrats, after running a $50 billion deficit over 1974-75, have trimmed back spending enormously, angering the left-wing of the party. Even the Dutch are slowing down their race toward the welfare state.

The Communists of Spain and Portugal are doing less well than the French and Italians. In Portugal, the party of Alvaro Cunhal has faded in importance. It scored only 12 per cent in the 1975 elections and lost much of its influence when its supporters in the military junta were thrown out last fall. In Spain, where the party still is illegal, Communist strength is usually estimated at about 15 per cent. Spanish leader Santiago Carrillo, a former Socialist, is regarded as the most moderate of all Western party leaders, but his party remains confined, for the moment, to clandestinity. Many observers think the Spanish Communists pose more of a long-run threat by remaining underground, controlling the secret workers' unions and exploiting their position as martyrs, than if their weakness was exposed, as in Portugal, through free elections.

Georges Marchais, secretary general of the French Communist Party.

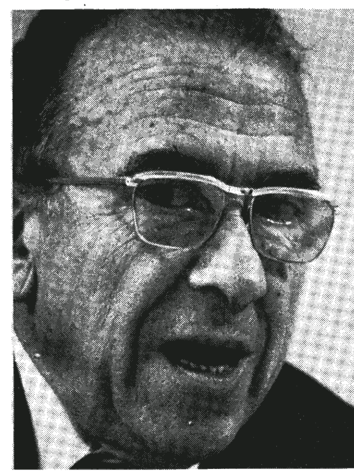


Enrico Berlinguer, leader of Italy's Communist Party.



Alvaro Cunhal, the Portuguese Party leader. UPI Photos

Santiago Carrillo, former Socialist and now Spain's Communist leader.



WHY SHOULD THE SITUATION BE DIFFERENT in France and Italy, where the Communists appear to be bucking the widespread anti-left currents now sweeping Europe? The answer is different for each country and requires not just an analysis of party tactics, but some knowledge of each party's position in national society.

In Italy, the Communist Party is something of a phenomenon. Clandestine throughout the Thirties, when Mussolini was strutting his proudest, the party never developed the close contacts with Moscow of the French party, legal throughout the Thirties. From the beginning, the Italian party was national, anti-Stalinist, and in many ways little different from traditional Socialist parties. Its leaders down through the years, including present chief Enrico Berlinguer, have rarely come from the working class, but have been intellectuals striving more for social justice than dictatorship of the proletariat.

The Italian party's moderate posture in the postwar years kept it constantly ahead of the rival Socialist party, and as the Christian Democrats faltered in the Seventies, the Communist claim that the nation could not forever exclude a third of its population from responsibility became more credible. Berlinguer's proposal in 1974 for an historic compromise with the Christian Democrats was based on the Allende experience in Chile. Berlinguer reasoned that Western parties no longer could simply hope for the magic 50.1 per cent. That wasn't enough. To carry out the reforms, a wider "institutional majority" was needed, meaning Communists and Christian Democrats, the nation's two largest parties.

"The compromise is inevitable," says Luciano Lama, head of the *Confederazione Generale Italiana del Lavaro,* the largest labor union. "There is no possibility for progress without such an understanding." Lama, a pipe-smoking, university-educated labor leader, laughs at charges of his party's unorthodoxy. "It's true," he says, "our party may seem a little strange to others, but there are historical reasons for that."

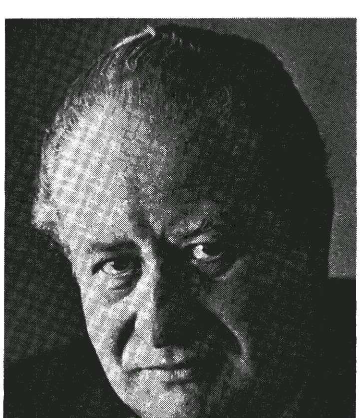
Prior to the unprecedented meeting last fall of Berlinguer and French party leader George Marchais, the two parties almost never agreed publicly on anything. The French party openly accused the Italians of being "opportunists," and the Italians accused the French of "Stalinism." The Italians won that battle, and in a joint communique last November, it became clear that Marchais had rallied to "opportunism." One difference still outstanding, however, is nationalizations. The French party, practically alone in the Western world today, believes in extensive nationalization as a panacea. All French heavy industry would be taken over. Thirteen of France's largest companies are singled out by name in the French left's common program for government.

The Italians will have little of it. Luciano Barca, the Italian party's top economist, a talkative former journalist, says: "We don't believe in nationalizations, permissive credit policies, or anything like that. We, too, are against inflation. But the time of Keynesian macroeconomics is past. You've got to take into account individuals. This means planning and guaranteeing demand. The government must control the swings of the cycle."

Compared to the Italians, the French remain fire-eating Stalinists. The French party's recent changes in policies have left many people sceptical because, unlike the gradual evolution of the Italians, the French changed overnight. From calls to class warfare, the French party switched to a cry of the "union of French people," a none-too-disguised appeal to the Gaullists to join with them to oppose what they regard as the pro-Atlantic, pro-European, supranational policies of Giscard d'Estaing. Curiously, the French party's change in tactics appears to have helped the French Socialists more than themselves. In the March cantonal elections, the Socialists doubled their score, while the Communists barely equalled their 1970 mark.

Implicit in both the French and Italian party message is the idea—"trust us." Both parties are perfectly aware that what they are proposing hasn't been tried in an industrialized country before, and that the proposition that Communists could be voted into power in a democracy must seem absurd to some people. The only similar experiences have been in relatively underdeveloped nations, like Chile, and neither can be called a success from the left's point of view. The European parties know that many Westerners doubt that the Communists will respect democratic rules. Will political plurality be respected? Will free labor unions, free press, free speech be maintained? Will the parties retire peacefully when, at some future time, they are voted out of power? These are tremendous if's and many people are sceptical.

The dilemma that both the French and the Italian people face, desiring change yet wary of the Communists, was summed up in March by a no less astute observer than Austrian Chancellor Bruno Kreisky at the 23rd Congress of Austria's ruling Socialist party. Kreisky—one of those European Socialists (Olaf Palme of Sweden is another) who disapproves of Socialist alliances with Communists—expressed satisfaction that the French and Italian parties seemed to be "throwing their Leninist heritage overboard and presenting themselves as partners in the democratic game." But, Kreisky warned, only history will tell if it is all a "monumental trick," or if the Western parties' new posture actually stands for greater polycentrism in the Communist movement, in other words, independence from Moscow.



"Greater polycentrism or a monumental trick?" asks Austrian Chancellor and Socialist Bruno Kreisky.
Austrian Embassy, Washington.

IF IT HAPPENS, IF THE REDS come to power or to share power in Paris or Rome, what are likely to be the consequences? The answer is that they would indeed be serious, but if the situation, in Italy at least, wasn't already serious, they would not be knocking at the door.

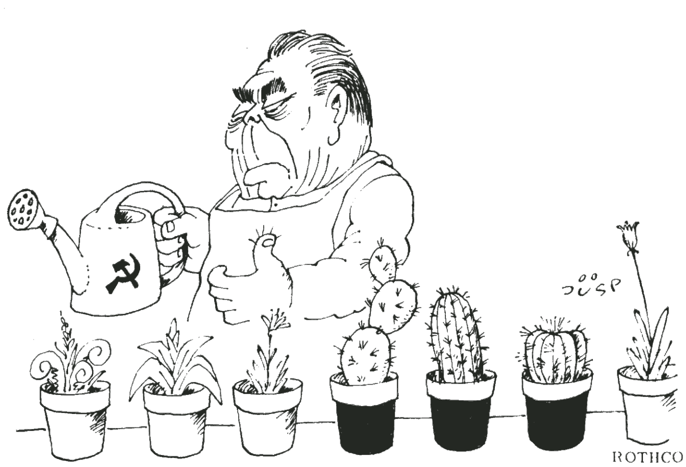
For NATO, for the European Community, for Atlantic relations, Communist power-sharing would have inestimable consequences. The French and Italian views on NATO are basically similar: no unilateral changes, but early negotiations with the Warsaw Pact nations with a view to dissolving both military blocks. This long has been proposed by Moscow, since the Soviets have bilateral military pacts with all their Socialist neighbors and could easily do without the Warsaw Pact. Such a move would isolate the United States and put an early end to NATO's integrated military command.

On Atlantic relations, the two parties also hold similar views. Both believe that the United States occupies a too-favored position in Europe. If neither favors a Soviet presence in Western Europe, neither wants the US presence maintained. In other words, Communists in Paris and Rome would give strong push to the neutralization of Western Europe, leading to an inevitable Finlandization. Such moves would bring out strong internal pressures, for they would certainly be resisted by pro-Western elements in both countries, which could lead to new tensions, more government instability, new elections, and strong reaction.

On the European Community, the two parties differ, at least publicly. The Italian party believes in the Community to a greater degree than does the French. Italian Communists, for example, long have represented their legislature in the European Parliament in Strasbourg, and the Italian party supports the recent decision by the European Council to hold the first direct elections to the European Parliament in 1978. The Italian party recognizes the role that the Community played in the Italian "miracle" of the Sixties; and if it condemns the Italian economic structures today, it is not for the role the Community played but for the policies of the Christian Democrats.

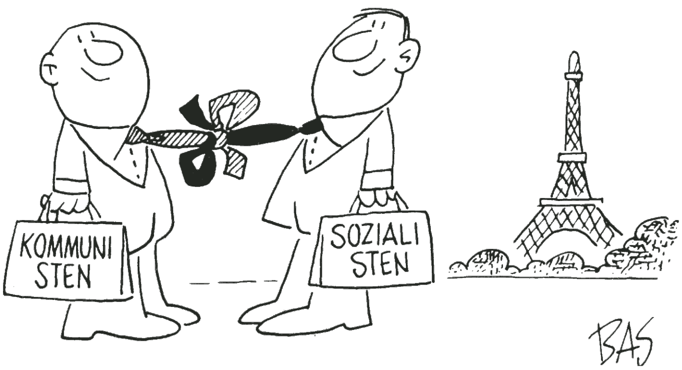
The French party, on the other hand, always has been hostile to the Community—accusing it of supranationalism and US and multinational corporation domination and opposing the Community's more ambitious projects. (Certainly the recent stories of corporate bribes, kickbacks, and payoffs by Lockheed and others to members of Europe's ruling establishments have done little to hurt the Communists' case.) To be sure, part of the French party's new posture is to "accept" the Community, but it certainly is without enthusiasm. The French party has bitterly denounced direct elections to the European Parliament in tones that fall barely short of accusing the Government of treason for selling out French national interests.

One of the more curious twists in the current story has been the French party's emergence as what it calls France's

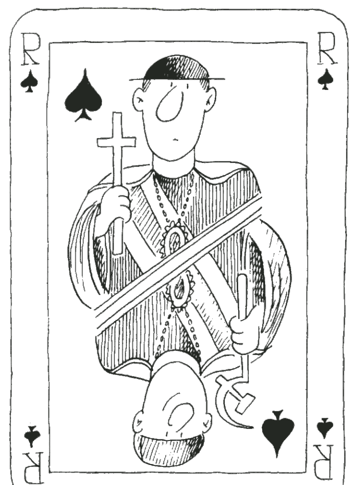


ROTHCO

"Some are thorny . . ." Jusp, *Wir Bruckenbauer*, Switzerland.



"Fifty-six per cent." Bas, *Tachydromos*, Greece.



"Rome."
Bas, *Tachydromos*, Greece.

"Aren't you getting too near the water?"
E. A. Harris, Canada.

only "national party." Thus from once being denounced by republicans as "internationalists," French Communists now claim they are the only ones, along with some old Gaullists, who can legitimately hoist the blue, white, and red colors of France. The French party has called for a union with the Gaullists to block the European Parliament plan, and there are rumors that Giscard d'Estaing might have to give in to such a coalition.

If the Communists came to power in France it would most surely be as minority members of a Socialist-dominated coalition, so they would not immediately be calling all the shots. The French Communists and Socialists differ greatly on attitudes toward the Community, with the Socialists being much more positive. French Socialists favor the Strasbourg elections, for example. But it should be remembered that the French Socialists are avid partisans of nationalizations, and any widespread nationalization program would automatically raise problems with the generally free-enterprise-minded Community.

The arrival to power of Communists in France or Italy would be pregnant with consequences, no matter how much the two parties may protest they are really good democrats like the others. The risks would be tremendous, and nobody can see the outcome. There is no way, really, that any comparison can be made with Portugal or Chile. There are indications that the US Government never was that concerned about events in Portugal, that the judgment was that what mattered was not so much Lisbon as the Azores and that in any case Portugal was more likely to be Europe's "vaccination" against Communism than the first victim of the disease. France and Italy, as major pillars of the democratic world today, are different matters, and even if one is tempted to say that if the people want change that much, let them try it, one cannot ignore the tremendous consequences the Communist arrival would have.

A final point: All the evidence suggests that the Soviet Union, while doing all it could to help Cunhal and the Portuguese party, has many more reserves about both the French and Italian parties. Moscow has done nothing recently to help either of these two. There are even those who believe that Moscow's stake in détente today gives priority to maintaining stability in the West, and that while the Soviets will risk overshooting in Lisbon or Luanda they take a much more prudent approach where things really count.

Much of the evidence about Soviet thinking also suggests that they shy from notions such as polycentrism; that they never have gotten over Mao and Tito, and they certainly don't want new rivals in the West who just might make Soviet society look even more autocratic than it is. In reality, the Communist experience in Western Europe is opposed by both the superpowers: Washington for the obvious reasons; and Moscow, because if the Western parties try and don't succeed it could be disastrous for Moscow, and if they do it could be as well.

low at the summit

DAVID HAWORTH *Brussels correspondent for* The [*London*] Observer, *the* International Herald Tribune, *and* The Irish Independent

No one really expected the EC "summit," held in Luxembourg on April 1 and 2, to be a milestone on the route toward European integration and the reform of the Community's institutions. And it wasn't. West German Chancellor Helmut Schmidt summed up the meeting in his characteristically blunt way by saying, "Those who were expecting nothing had every reason to be satisfied." This sentiment was echoed by Luxembourg Premier Gaston Thorn, who was unlucky enough to have presided over the discussions, when he confessed at their close that the European leaders "had given a bad impression."

At the same time, no one had imagined this fourth European Council would be as disappointing as it was. Indeed, some of the participants admitted that the public had a right to have seen a sharper, more optimistic outcome than the muffled embarrassment of the conclusion.

In essence what the European Council was searching for was the political will to make decisions—and it is certainly evident that this is lacking for the moment. The meeting discussed the Nine's economic, monetary, and social situation, also direct elections to the European Parliament and the Tindemans report on European union. No decisions were made on a single item—except for unanimous support for the British Government's Rhodesian policy—and the meeting broke up earlier than expected.

Although none of the premiers or heads of government would admit that their failure to agree means that it's most unlikely direct elections to the European Parliament can be held in the spring of 1978 (as was agreed at the Rome summit last December), there is little prospect of meeting deadline. The imbroglio on seat apportionment among the larger and smaller Community members remains, and the matter has now been sent back to nine foreign affairs ministers to sort out.

Putting aside for a moment details of the arguments involved in the direct elections issues, the larger question posed by the non-events in Luxembourg is whether the holding of thrice-yearly summit meetings raises unreasonable expectations about what they might achieve. In other words, it seems implausible that the Community can take a great leap forward every four months. Broad strategy can be agreed—or not—but detailed decisions by the heads of government are unlikely if only because they do not have the expertise and background possessed by foreign affairs ministers or finance ministers, and there is a limit, given the brief negotiating sessions, to the consensus which can be reached.

If there is no political will—as was manifested, for example, in the Dublin summit just before the British referendum on continuing EC membership—meaningful agreement seems impossible. The disagreements between member states

EC heads of government or state and their foreign ministers together for a "European family photograph" prior to the April 1-2 summit.

are, therefore, heightened by the spotlight which is inevitably trained on a summit meeting and disappointment is the greater.

To be fair, the timing of the Luxembourg meeting was unfortunate, coming as it did almost immediately after the recent currency turmoils and the French withdrawal from the EC currency "snake." With the value of the British pound and the Italian lira still falling against the dollar and the harder European currencies like the Deutschemark and Dutch guilder, and with the unexpected defeat of the French franc, it was impossible for the summit to reach any accord about the monetary items on the agenda.

The EC Commission had suggested there should be some sanctions imposed on member countries which do not fulfill the economic "norms" laid down by the Council of Finance Ministers. It had invited the summit to agree that Community aid should only be given in return for observance of economic guidelines. "Non-respect" of such guidelines would result in the suppression or reduction of aid—from the EC social or regional funds, for instance. In other words, a system of stick and carrot to keep the member countries in line and obedient to their responsibilities. The idea particularly commended itself to Germany. Not surprisingly, this was opposed by the British and Italians, who argued, probably correctly, that such treatment of some member countries by others would be politically unacceptable in the long term. The fact that the Commission proposed the idea is, however, a mark of its frustration with the present state of the Community and, if nothing else, served notice on the member governments of the Commission's deep concern about the continuing danger of the European Community's disintegration as a political force. It was a warning that unless the governments achieve greater discipline in such fields as budget deficit financing, money supply and credit, and prices and incomes, there is little point in trying to reach the political goals set out in the Tindemans report.

And on that report, Thorn told his colleagues it was essential to avoid a "chain reaction" of such reports—with ministers deferring rather than deciding "questions which we have been skirting round for the past 10 years." But again, there were no decisions out of Luxembourg. Instead it was agreed that the Nine's foreign ministers should review the Tindemans proposals and produce their own report on them by the end of the year—report on a report. This is not to say that the summit shelved the Tindemans report, because there is every expectation when the Dutch take over the EC presidency at the end of the year some modest progress will be made in getting some of its more modest proposals adopted.

Moreover, there was one firm decision taken: The premiers were unanimous that the next Commission president, to be named at the next EC summit scheduled for July, should be given much more influence than in the past over the choice of the other commissioners. Tindemans suggested that the Commission should become more "political" by having at its head a seasoned politician who has distinguished himself in his own country and who is capable of holding his own in meetings with Community heads of government. It was also agreed that a man of their weight should be given a free hand to reorganize the Commission's internal arrangements. Although the Commission is a small bureaucracy by comparison with those found in the member capitals, its officials are frequently hog-tied with red tape, and the burden of the work falls unfairly on a minority of the staff, leaving too little work for the others to do.

By any standards, this was a tiny consequence of such a high-powered meeting. But optimists in the Common Market capital—and there are still a few left—at least take comfort from the fact that there were no major rows at the summit. There were disagreements, certainly, but no one was hurt. There were none of the bruising confrontations which used to be a feature of Community crisis in the past. Perhaps the very fact of having regular summits prevents relations between members from going too sour. Perhaps the steady realism which marked the Luxembourg discussions is preferable to the more dramatic clashes of previous years when performance had fallen far short of ambition.

This kind of assessment can only be made in the coming months—so much depends on ministerial meetings between now and July and, of course, on the behavior of the international monetary markets. Equally, it can be argued that Luxembourg showed all passion spent about the Community's development. Member governments failed to invest the occasion with any political clout because the issues could either be deferred or—like monetary union—were so intractable that during the foreseeable future nothing can be done about them except to hope for the best and an improved economic climate by the fall.

Such considerations come full circle. Does the political will exist at the moment for taking measures which will improve EC integration? Or has the Community reached a dismal watershed in its affairs where deterioration seems more probable than progress? These questions are vital. By autumn the European Community will have started negotiations with Greece eventually leading to that country's becoming the Community's tenth member. While, for their own political and economic reasons, the Greeks are absolutely determined to see that these negotiations will be successful, the implications of the European Community's further enlargement could have the most profound consequences for a Community whose present parlous state was so cruelly exposed in Luxembourg. One can only hope that the experience of the latest summit has a jolting effect on the member governments and that they will resolve to do better next time. But the summits are showpiece occasions, unfortunately. It is much more likely that the example of the last one will be imitated by the routine ministerial meetings which take place every week.

EUROPE'S ENDLESS CRISIS

DANIEL YERGIN

research fellow at Harvard's Center for International Affairs and contributing editor to The Atlantic Monthly

WHEN WAS THE EUROPEAN COMMUNITY NOT IN CRISIS? For crisis is the inevitable companion for a venture of such unclear boundaries—the attempt to create a new political and economic system on the back of six or nine old ones, to do so without the sanction of force or disaster, but rather by concensus and conscious will, all in the direction of a goal that is uncertain in outline and legitimacy.

Still, just as the current world recession is deeper and different from other post-Thirties recessions, so the present crisis in the Community is more intense, and unlike previous crises. Indeed, Gaston Thorn, the new president of its Council, recently announced that the Community's only achievement in 1975 was that it did not fall apart. The Nine are like kin, arguing ever more sharply about how they are related, and what obligations they bear to each other and to the entire family, and whether they should do anything about any of it, in any event.

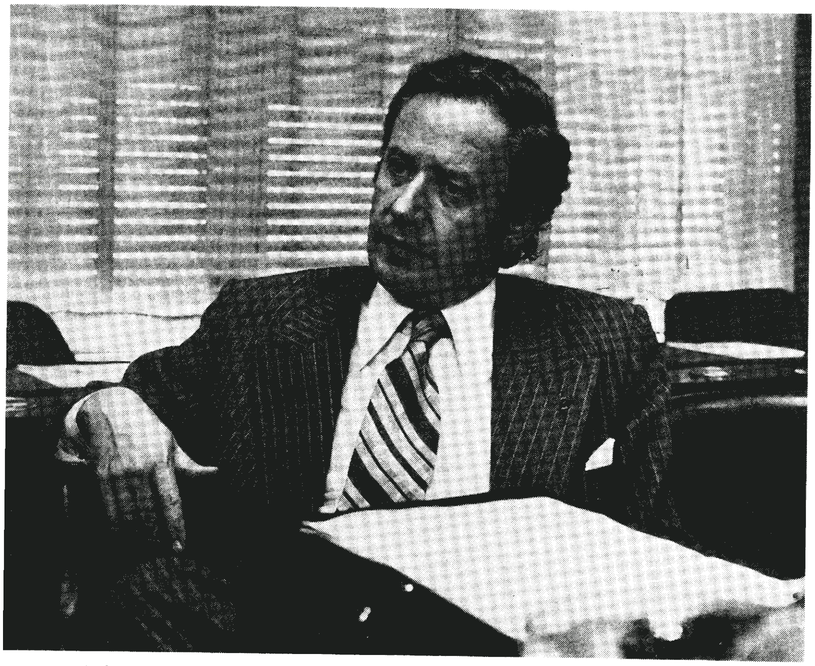
One senses around the Berlaymont, the triangular glass skyscraper in Brussels that is the Community's headquarters, the frustrations of those who want to feel themselves a part of a government, but realize they are not, and begin to feel they may never be. The resulting discouragement only makes matters worse, for the fuel of European integration is political will.

To help sort out the mess, the Communty more than a year ago commissioned Belgian Prime Minister Leo Tindemans to undertake a vast survey of the state of the Community. Early this year he produced his report. Considering that it is supposed to be a landmark, it was greeted with muted fanfare, but then it is a muted report, concentrating on procedural matters, leaving the grand vision for another day—if there is still a grand vision.

The refrain of those committed to the European idea is that there is no choice; integration must proceed; the will must be found. But there are three alternatives. One, not very palatable to the "Europeans," is for the Community to remain what it is today—essentially a common market with agricultural policy and some antitrust procedures. The second alternative involves a change of character, with a redirection away from the creation of an "automatic" community, to a less-reassuring voluntary community, a bloc, a confederation, an affiliation of like-minded states that continue to insist upon the trappings of sovereignty. The third is for the Community to fall apart, an occurrence that, despite all the discouragement, must be discounted, in the face of 19 years of association and institutional interweaving.

Whatever the course, it will be shaped by the European response to a number of pressing problems.

COPING WITH CONTRACTION. The first decade and a half of the Community's lifetime was also a period of prosperity and rapid growth. In the early Seventies, instability began to interfere with economic processes, culminating in the present slump of unprecedented severity in postwar experience. This slump has placed considerable pressure on the Community, which has been bereft of effective cooperation. Each nation is waiting for another's recovery. There is a lack of common prescriptions, a lack of common outlook among the Nine as to what is tolerable in inflation and unemployment. In some ways the countries have been working against each other. Contraction eliminates the margins that normally exist in government budgets and in sectors of the economy that can cushion painful readjustments; it increases the sensitivity of pressure groups, reduces the time horizons of governments, and thus puts them in a position of having to choose between their communitarian values and constituent interests. They can no longer calm those interests by promising that integration will promote overall growth. It gets increasingly difficult to resist demands of domestic groups,



That the Community has not fallen apart is an achievement, says Gaston Thorn, Luxembourg foreign ministers and current president of the EC Council of Ministers.

even demands that run counter to the concept of a free-trade Community: France slaps a border tax on Italian wines, Britain institutes selective import controls, and it gets harder for other countries to say no to their constituents.

Germany, whose wealth has put it in the position of Community paymaster but which in the face of rising budget deficits is trying to practice austerity at home, has become critical of the growth of the Community's budget, especially that of the common agricultural policy. Discord feeds upon itself. "What we feel in the German attitude is a kind of intolerance of everybody else," observed one senior Italian official. "They feel they can do everything better by themselves. Of course, they are wealthy, they export, they have a strong balance of payments and low inflation, they are well organized. But they underestimate the advantages of one European market—they benefit almost as much as French agriculture."

Contraction also causes the Community international complications. Reduction of trade barriers, or even the maintenance of present barriers, depends upon a certain finessing, again, on that margin to cushion shock. The margin has shrunk between the United States and the Community, resulting, since the middle of 1975, in a trade skirmish, principally over automobiles and steel.

The best solution to this challenge would, of course, be economic recovery. Prospects for recovery, unfortunately, remain uncertain. A good deal of the power to affect it is not in European hands, although the Germans could do more. The Nine are left with the less than satisfying program of merely coping—realizing that such pressures will mount, working to minimize them, and remembering that they do not mean that dissolution is imminent.

ESTABLISHING LEGITIMACY. The European Community involves nine democratic countries but is itself only indirectly democratic. In recent years, it has come to resemble more and more a confederation of associated states, an entente with a secretariat, rather than an entirely new political entity. The Commission, the civil service in Brussels, has suffered a relative loss of independent authority since the mid-Sixties, and it has become more clearly subordinated to national governments, rather than an alternative to them. The Council of Ministers, the forum for the individual governments, has become more visible and active; the heads of government meet at least three times a year. The foreign ministers are expanding their supervisory role. Such a development, of course, satisfies the desire of the national governments to maintain their own positions. The French have seen this as an alternative to economic integration. The reconfirmation of British membership has contributed to this direction.

European purists object to this "nationalization" of the Community. They remain attracted by the concept of "spill-over," in which—according to theory—the extension of supranational authority in one area automatically creates other problems, which in turn demand a further extension of authority. Such, so the theory goes, would inevitably bring about the desired goal, the withering away of the national state.

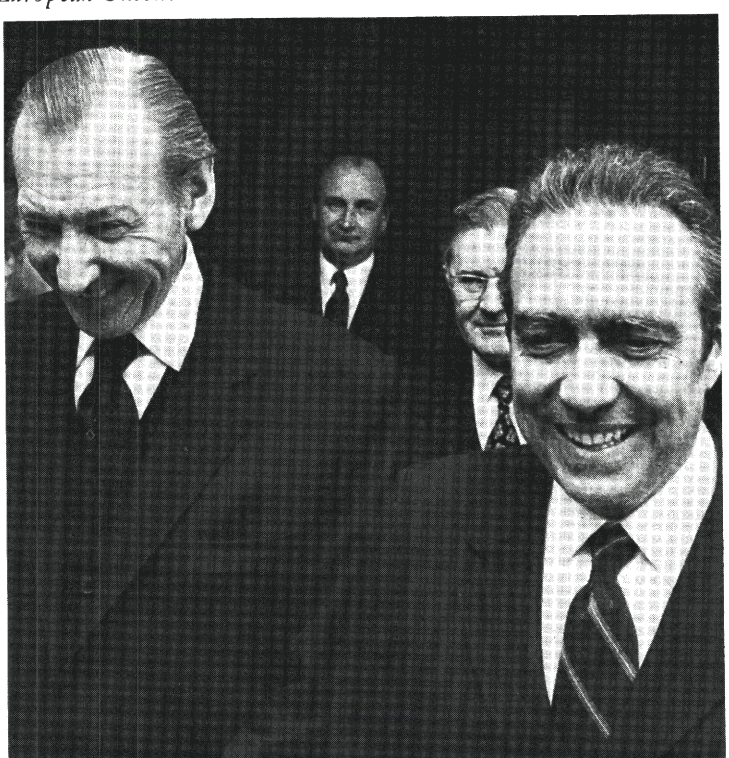
Developments have not followed theory; and, in fact, there is much to recommend the alternative of nationalization. After all, here is where habit does change reality; this very orientation indicates a commitment of the nine governments to act together in a Community, and it promotes continuously close contacts at functional levels among the countries' political leaders and foreign and civil services. Bureaucracies move closer in such a confederal process. But at the same time, it does tend to freeze the Community at a certain level and emphasizes the consensual rather than "organic" character of the Community. It is also a potentially reversible process, especially if one of the three major countries should be led by a would-be De Gaulle.

This last possibility points up the importance of further development of the European Parliament. Now that the United Nations has turned into a confrontation between "producers" and "consumers" (as though the consumers were not also producers), interrupted only occasionally by dialogues between producers and consumers and by efforts of dictatorships to denounce or expel democracies, the European Parliament may well have become the most interesting multinational assembly in the world. Despite the awkward and somewhat playful names of the parties (e.g. European Progressive Democrats, European Conservatives), it is a far more serious organization than one might think. Many of the 198 legislators, who are selected from the membership of their national parliaments, easily spend 150 days a year in the sessions (in Luxembourg and Strasbourg) and committee meetings (in Brussels) of the European Parliament. It has limited but growing budget powers, the right to force the Commission and the Council to reconsider matters, and the influence to spotlight positions and issues.

Today the Parliament is an assembly of Europeans, not Europe's parliament. Its real importance is that it can become the latter and thus gain legitimacy for itself and for the Community. The current proposals provide for direct elections to be held in May 1978 to an enlarged parliament of 355 people. These elections raise a number of problems with important consequences. For instance, can candidates continue to be members of national parliaments as well? If not, will participation in the European Parliament, as one German official put it, "be worthwhile not just for third-rate experts on milk prices?" Low voter turnout and lack of attention would certainly diminish the "will" toward integration. But if elections are taken seriously, then there will be opposing candidates, and they will have to find issues to separate them from their opponents, and the Community's affairs will become politicized, a subject of contention at mass levels, and not merely that of elites and specific interest groups at specific times.

The national governments have endorsed direct elections with varying degrees of reservation, for as H.R. Nord, the secretary-general of the European Parliament, pointed out, "You cannot have a Community without stepping on the toes of national sovereignty." Direct elections will increase the power of the European Parliament vis-à-vis national parliaments, and some interesting constitutional clashes are inevitable. But the fact cannot be escaped: The Community makes decisions affecting people's lives, and that is the stuff of politics and elections.

EC Commission President François-Xavier Ortoli (right) and Belgian Prime Minister Leo Tindemans, author of the report on European Union.



SPEAKING WITH ONE VOICE. At the end of 1969, the year De Gaulle left power, the heads of government began to move toward a political role for the Community in world affairs, that Europe start "to speak with one voice." There were a number of reasons for this effort: Economics was indeed becoming high politics, and the Community itself, as primarily an economic institution, would be involved in more controversial issues. The very existence of the Community, with the magnetic attraction of its economic power, made it a factor in international politics. Enlargement, by involving Britain, the third major state of Western Europe, would automatically add an extra foreign policy dimension; and the Nine could certainly have more influence speaking in one voice in world affairs than in nine voices. "In foreign affairs, sovereignty is the ability to influence the external world," explained one Italian official. "If you can't do that, what does sovereignty mean? If we Europeans want to establish a presence in foreign affairs, the way to do it is to unite."

The political cooperation effort is essentially intergovernmental, without legal treaty foundation, running parallel to the Commission's work. It works on consensus, and any one government can wield a veto, but knowing that a veto threatens the whole effort. All the governments currently seem to find an interest in maintaining the momentum. The effort involves a coordination of viewpoints through regular consultations, three times a year for the heads of government, more frequently for foreign ministers, and even more frequently for political directors and specialists from the various foreign offices.

Its most notable achievement to date has been the coordination of policy on Portugal (belatedly) and in the European Security Conference, where the Nine worked out, in the first instance, the Western policy positions. They also worked up a European position at the seventh special session of the United Nations General Assembly last September. Though not political cooperation strictly speaking, the Europeans managed to establish a foreign policy presence through the so-called Lomé Convention, which provides tariff advantages and export income stabilization to 46 developing nations. Less promising is the Euro-Arab dialogue, stalled because of the all-consuming Arab interest in pushing the Europeans to an anti-Israel position.

This political cooperation effort is going to face even more challenging tests in framing a specifically European effort, which is what is necessary, to deal with the new Spain and also with the succession crisis that is near in Yugoslavia. The United States has not welcomed the development of this cooperation, which is a pity since it does add a strong force committed to common values; but that opposition is likely to be temporary, the product of the now receding monopoly over policy enjoyed by a virtuoso secretary of state.

STRUCTURE. With what kind of structure shall the Community seek unity? There is still some question as to whether

Trying to make "Europe" work are the Community's institutions (left to right): the Commission, with headquarters in the Brussels Berlaymont; a Council of Ministers meeting in Brussels; a plenary session of the European Parliament in Strasbourg; the Court of Justice in Luxembourg.

Britain is committed to further integration; no doubt it will take at least another year or two to know whether Britain's membership is serious. Even before Britain is completely digested, more nations are trying to serve themselves up. The most eager is Greece, an associate member since 1961, which applied for full membership in June 1975. The Nine have formally approved. The reasons for agreement on both sides are the same—participation in the Community will help underwrite continued democracy in Greece. Yet Greek participation would raise many problems. There is reason to question whether Greek industry and agriculture and its civil service could cope with the pressures of membership. Greek membership would dilute the political force of the Community, and add another economic "sick man" to the list that currently includes Britain, Italy, and Ireland, putting further strains on the agricultural and regional funds. Similar considerations would be involved with future applications from Turkey, Portugal, and Spain. Such a prospect certainly makes the integration process more difficult and runs the risk instead of turning the Community into a more neutral, extended free-trade area. The answer may be a new intermediate status between full and associate membership.

It is ironic that European leaders should be talking about integrating nations into a larger polity when the nation-states themselves are under pressure, not merely from the new forces of transnationalism, but also from a revival of old forces, nationalism, or, more properly, subnationalism. If the Community is eroding national sovereignty on one side, then these subnationalisms—reflecting a renewal of old conflicts that, as so often is the case, are tied to language—are doing much the same on the other, most noticeably in the United Kingdom, France, Beligum, and perhaps Italy. The sanction of force cannot be easily applied, as it can be in Eastern Europe. The separatist movements in turn see the European Community as their ally and talk about a "Europe of Regions." That may be a possibility in the longer term, but it is hard to see how it can be achieved, for if the national governments perceive the Community as an ally of the separatists, then they will step back from participation in it.

INTEGRATION. The heart of the effort to create not merely an affiliation of nine sovereign countries, a kinship community, but a supranational entity is the process of integration—of economies, laws, and institutions. The work still goes on, chipping away at non-tariff barriers, harmonizing company laws and taxes, making it possible for a lawyer in one country to practice in another. But it is a slow process, and the very slowness causes despair. A small example. The largest Dutch brewer, Heineken, has for years included in its home division not merely the Netherlands but also the rest of the EC countries. But the company has recently concluded that EC harmonization of duties, laws, and standards is still so far away that it is reorganizing; now the other eight countries will become part of the company's international division. The explanation of the managing director might sound like an epitaph: "The problem of managing our interests in the EC countries apart from Holland are much more similar to those of territories outside Europe than the problems we meet in the Netherlands." The integration process has one success to its recent credit, the establishment of the regional development fund, which is intended to help modernize backward and retarded areas (primarily Ireland, southern Italy, and the north of Britain) as a counterweight to the Community's tendency to accentuate differences between rich and poor regions.

Against this achievement must be matched two large and

prominent failures. The energy crisis has emphasized differences in outlooks and problems of the members, and promoted fragmentation rather than concert. European energy policy means primarily parallel, but still individual, policies of individual countries, while coordination goes on within the 18-nation International Energy Agency, in which the United States plays a leading role. Finally, at the December 1975 summit, the leaders of the Nine did, belatedly, agree in principle to an emergency oil-sharing scheme and to a floor price for oil. But, in terms both of Community action, and of strengthening the Community, this is still little and late.

The great failure has been on the question of fundamental forward movement—toward what has been called economic and monetary union. As outlined in the years 1969-71, it was to be achieved in three steps by 1980. What was to be achieved beyond the first step of monetary unification was never clearly delineated. And that's just as well, for that first step of monetary unification collapsed quickly enough. Inflation and slump provided a bad era for attempting to mate currencies. Moreover, currency is both a symbolic and practical demonstration of sovereignty. The governments were unwilling to surrender it, especially when other aspects of economic life remain unintegrated. This failure has resulted in a widespread feeling that future integration is impossible. On the contrary, small steps toward integration, though with realistic expectations of their overall impact, remain an important part of the process toward the European goal. There remains the task of identifying areas in which the Community's competence can be extended. Terrorism, for example, provides room for Commission action, for coordination among interior ministries, and for the Community to take a foreign policy position toward countries that on the one hand want preferred access to Europe but on the other provide succor and support for groups carrying out terrorist activities in Europe.

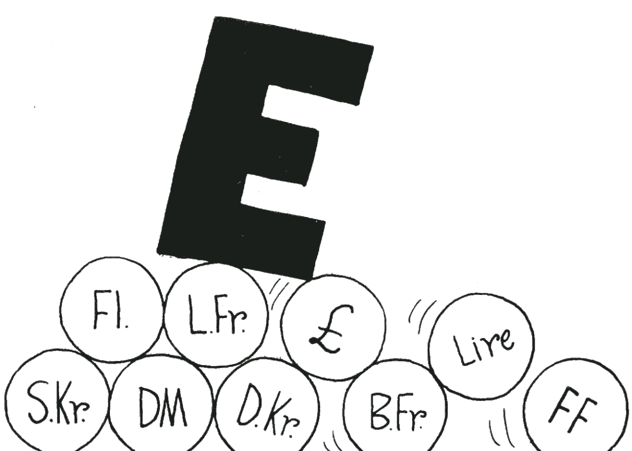
IN HIS YEAR OF PEREGRINATING from city to city in Europe, in effect taking depositions, Belgian Prime Minister Leo Tindemans had ample opportunity to hear the complaints that arise from all these problems, and his proposals are meant as a response. Instead of a grand blueprint for Europe United, decorated with dates and pious declarations, he has offered up a series of smaller, but still significant goals, of a practical and procedural nature: closer integration of foreign policies, including the removal of the veto; Community responsibility for crises in the "region" of Europe; expanded powers for the European Parliament; the appointment of one spokesman to deal with the United States in a "dialogue based on equality;" joint weapons buying; closer links among all Community currencies.

His most controversial proposal is for a kind of two-tier Community, in which those with stronger economies like France and Germany march quickly toward further integration, while countries with weaker economies like Britain and Italy are left behind, to catch up when and as best they can. Such a proposal could be ultimately self-defeating; for it could create an Inner Market very much different from an Outer Market, the latter in effect nothing more than a customs union adjunct.

But whether this report actually leads to a stronger Community depends upon another factor, to which Tindemans alluded when he criticized the "lack of political will" on the part of Europe's leaders. For finally it is only conscious political will that can bridge problems. "Will" means a commitment to the ideology of unity, of the European Idea, and

Joke, *De Nieuwe Gazet*, Antwerp.

"Europe of Nine." Horst Haitzinger, Germany.



Bas, *Tachydromos*, Greece.

Padry, *Le Herisson*, Paris.

that in turn raises the fundamental problem—that the European Idea may be exhausted, in part by its own successes.

The impetus behind this idea was a desire to reform Europe, in particular to resolve the conflict between France and Germany. Here the Community succeeded. The other reasons? To create a counterweight against Soviet power in the East—another goal achieved. And the economic reasons? That an expanded market would promote prosperity and prevent return to the autarkic economic policies of the Thirties. Another success, the current recession notwithstanding. All three reasons are still valid, though less clearly obvious.

Another strong impetus was the fact that the United States wanted a united Europe. Indeed, the best "Europeans" were the Americans, and European integration was a major policy goal, vigorously pursued from the first post-World War Two days.

In the past several years, however, it has no longer been clear that current US leaders still want a united Europe that could become an unmanageable ally and a new rival. Certainly such suspicion is rife in Europe. "The basic problem is that the United States did good work after the war to help establish a kind of community in Europe," observed a German diplomat. "But the Europeans now feel that the Americans are astounded by the result and are saying 'we didn't mean it this way.' They had a love affair with the idea, but they won't acknowledge the child. Now we're grown up, nearly an equal."

Hard as it may be for some Americans and even Europeans to believe, the United States is far less central to the entire enterprise, and its wishes will increasingly count for less, especially now that Britain is part of the Community and the "special relationship" fades into the past. "I often think," speculated a British official assigned to Brussels, "that the best way to get the Nine to agree on a position today is for the United States to oppose it."

The European generations that, from their own adult experience, were deeply committed to the European Idea are passing from the scene; the gains from further integration are not altogether obvious to their successors. But there are cogent new arguments. The range and scale of emerging problems like energy can best be met in a European framework. Acting in concert, Europeans can establish a foreign policy presence of major benefit to the individual countries.

"I keep thinking we did take on quite a lot, trying to change course from a thousand years of history," observed H. R. Nord, of the European Parliament, whose own conversion to the European Idea occurred during World War Two. "I'm not too frustrated after 19 years." But it should also be said that the easier things were done first, in easier times. It does no good to predict on the basis of logic or trends that there will be a united Europe. If there is any rule, it is otherwise: Whether Europe is ready for unity, whatever the methods, depends upon only one factor—whether the Europeans want it.

BUSINESS

Direct Investment in United States

The Arabs are not the only ones

PAUL LEWIS, *economics correspondent for the* National Journal

FOR THE FIRST TIME IN THEIR HISTORY, AMERICANS ARE CONcerned about the foreign stake in their economy. It is an ironic development. For, in the past, it has been the Europeans, Canadians, and Japanese who have feared that predatory American companies would buy up all their industry and felt obliged to take protective action. But today the boot is firmly on the other foot—foreign investment in the United States has become a domestic political issue. There are three principal reasons for this:

1. Simply because foreign investment has increased sharply in the last few years, it has acquired a visibility it lacked before. There was widespread resentment in Hawaii, for example, when Japanese interests bought up much of the tourist industry there in 1972 and 1973. More recently, local interests actively opposed the takeover bid by the French company Société Imétal for the Cooperwelt Corporation, a specialty steel manufacturer with plants in Ohio and Pennsylvania.

2. Widespread fear gripped the United States, after the oil price explosion that the Arab oil-exporting nations would use their vastly increased wealth to buy up large segments of American industry.

3. There was the belated recognition by those looking into the matter that not only does the United States have far fewer controls on incoming foreign investment than any other industrialized country, but also that the US Administration has no accurate means of knowing just how big the foreign stake in the American economy really is.

So far, no less than 15 bills have been introduced into the 94th Congress to impose new restrictions of one kind or another on the foreign investor—or at least to enable the authorities to keep closer tabs on what he is up to. The Ford Administration has tended to be hostile toward all this legislation, arguing that there is no real justification for it.

The Administration believes foreigners own an insignificant amount of the American economy in overall terms, but that they do perform a useful service by creating new jobs, helping the balance of payments, and galvanizing existing companies that they buy into improved performance. Moreover, new restrictions on incoming foreign investment would undercut the US Government's own efforts to secure a more open world economic system and set a precedent that could prove damaging for the large and expanding stake American companies already own in other countries.

So far, the Ford Administration has succeeded in pigeonholing the more restrictive measures proposed—such as those requiring prior screening of incoming investment in sensitive areas of the economy or empowering the President to veto foreign investments he deemed contrary to the national interest. It has thus, to a large extent, succeeded in preserving America's traditional "open door" policy on foreign investment that treats the foreign businessman little differently from its own.

All the same, the Administration has been obliged over the past year or so to make a number of concessions to those in Congress worried about the rising tide of foreign investment in the United States, which will at least allow a closer watch on developments in the future. Firstly, the Administration has agreed to make a mammoth new study of virtually every aspect of foreign investment in the United States and to present the final results to Congress by the end of this April.

Second, a new, high-level Foreign Investment Committee has been created to coordinate Administrative policy and review controversial projects—though it has no power to stop them. A third concession involves a pledge from other governments to consult with Washington before making any major investments in the United States. This is chiefly a protection against oil-exporting countries buying up large American companies.

Finally, the Ford Administration has given its blessing to a couple of new pieces of legislation that are likely to pass into law this year. The first empowers it to monitor the growth of foreign investment more accurately in the future and requires a full-scale survey at least every 10 years. The second imposes stricter reporting requirements on foreign investors, making it harder for them to conceal their identity and their nationality behind trusts, nominee holdings, and other legal devices.

All these moves have contributed to the more relaxed attitude that Congress is now taking toward the whole subject of foreign investment in the United States. But they are not its only explanation. More important probably than any of the concessions that the Administration has made to legislative concern is the simple fact that the much heralded Arab "take-over" of American industry has not occurred.

While the Middle East oil exporters have made a number of spectacular investments in Europe—the Iranian stake in Krupp is an example—they have kept a very low profile in the United States. The Kuwaiti Government, it is true, is developing a luxury resort on Kiawah Island off the South Carolina coast, and Saudi Arabian interests have purchased some smallish banks. But by and large, the oil exporters have preferred the anonymity of bank deposits, treasury bills, and small packages of bonds and equity shares.

Nonetheless, the debate about foreign investment in the United States is likely to be resumed this spring when the Administration publishes its new study, which will be the first comprehensive investigation since the end of World War Two. For all the indications are that this will confirm the main findings of the preliminary version published last October and which showed that the foreign stake in the American economy was larger than previously thought and increasing at a rapid rate.

After rising at an annual rate of 7 per cent a year between 1950 and 1972, the value of new foreign direct investment —that is to say, foreign ownership of 25 per cent or more of a company, which is deemed to give managerial control—spurted 23 per cent in 1973 and then rose a further 19 per cent the following year to reach a total of $21.7 billion. The final version's figures will almost certainly be higher than this, since they are to be based on a wider sampling and include companies with foreign ownership of 10 per cent and more.

THE CHIEF INVESTORS IN THE UNITED STATES are the industrial nations of Western Europe, Canada, and Japan. The United Kingdom continually heads the list and the book value of its investments has risen from $4 billion in 1960 to $6 billion in 1974. Canada occupies second place, with current investments worth $4.8 billion, followed by the Netherlands ($2.7 billion), Switzerland ($2.1 billion), West Germany ($1.1 billion), and France ($750 million). Total Japanese investments stood at only $480 million in 1974, but they have been growing well above the average rate.

Over the years, foreign investment has tended to center on manufacturing and the petroleum sector, which increased their share of total foreign investment from 18 per cent and 37 per cent respectively in 1960 to 26 per cent and 47 per cent by 1974. At the same time, the share of foreign investment going into insurance and the financial sector has declined from about 26 per cent to 13 per cent.

Among major foreign owned corporations in the United States today are: Shell, Joseph E. Seagram and Sons Inc., Lever Brothers, Libby McNeill and Libby Texasgulf Inc., and Standard Oil of Ohio. Big American companies falling under foreign control in the last year or so include Indian Head Inc. (Holland), Signal Oil and Gas (Britain), Magnavox TV (Holland), Funk Seeds (Switzerland), Bantam Books (Italy), Foster Grant (Germany), Keebler Corp. (Britain).

In addition to these direct investments, which are being monitored by the Commerce Department, the US Treasury is looking into foreign portfolio investment—that is, holdings of under 10 per cent of a company which are made for income and capital appreciation, but not with an eye to managerial control. Such investments are regarded as less sensitive politically than direct investment and at the end of 1974, the Treasury's preliminary findings showed foreigners held some $60 billion worth of American stocks and bonds in their portfolios.

The Commerce Department points out that at $21.7 billion, foreign direct investment in the United States is much less than the $121 billion worth of assets that American corporations own abroad and quite insignificant when compared with a gross national product of $1.4 trillion in 1974. Moreover, the big jump in foreign investment during 1973 and 1974 (with increases of 23 per cent and 19 per cent respectively) partly reflected a number of special factors, including the dollar devaluation and the fall in Wall Street prices, that combined to make American assets look cheap, as well as the fact that Saudi Arabia's takeover of Aramco was counted as a foreign investment—although all of the company's assets were outside the United States.

Nor is the United States bereft of safeguards against foreign penetration into sensitive areas of its economy. Existing law restricts foreign ownership of domestic airlines and communications systems, atomic energy, hydroelectric power, coastal and fresh water fishing, and mining on federal lands. The Defense Department also monitors foreign ownership of firms engaged in classified defense work and usually objects if this goes over 6 per cent.

The Commerce Department's preliminary report also is sanguine about the increasing foreign interest in American raw materials, including oil, coal, lumber, and even fish. It insists that the scale of such investment is still small, and Administration officials are quick to point out that in an emergency the President can always stop scarce raw materials leaving the country, no matter who owns them. After all, President Nixon briefly embargoed soybean and scrap iron exports, and both he and President Ford restricted the sale of American grain overseas.

But what of the future? Is the recent upsurge in foreign investment in the United States a financial flash in the pan; or could it mark the beginning of a new trend? These are clearly important questions. For, if recent increases are sustained, the gap between American investments overseas and foreign investment in the United States will narrow quickly and attitudes could change as a result. Not unnaturally

FORM BE-605
(1-29-73)

U.S. DEPARTMENT OF COMMERCE
SOCIAL AND ECONOMIC STATISTICS ADMINISTRATION
BUREAU OF ECONOMIC ANALYSIS

CONFIDENTIAL QUARTERLY REPORT

TRANSACTIONS WITH FOREIGN PARENTS

Please see Instructions on Reverse Side Before Completing Form

TO: Bureau of Economic Analysis, BE-50(II)
U.S. Department of Commerce,
Washington, D.C. 20230

Identification | DO NOT USE

Quarter ended

Name and address of U.S. reporter

FOREIGN DIRECT INVESTMENT IN THE UNITED STATES 1974

Name of foreign parent

Distribution of Position: $21.7 billion

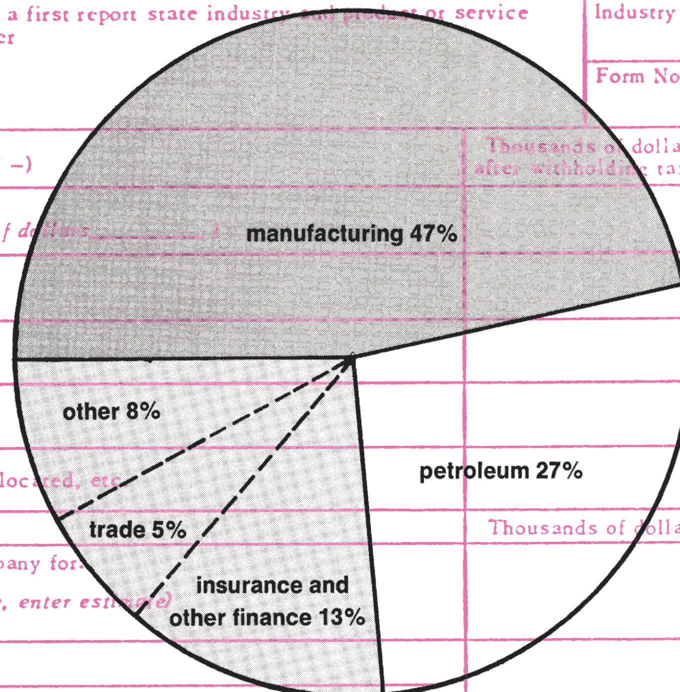
Country of foreign parent

BY INDUSTRY AFFILIATE

If this is a first report state industry and product or service of reporter

Industry

Form No.



Thousands of dollars (after withholding taxes)

ITEMS PAID OR CREDITED TO FOREIGN PARENT (DEBIT –)

1. Dividends
(a) On common stock *(Tax withheld in thousands of dollars ________)*

(b) On preferred stock

2. Interest on bonds, notes, advances, etc.

3. Royalties, license fees, and rentals

4. Charges for management, services, head-office expenses allocated, etc.

NET INCOME AND RETAINED EARNINGS | Thousands of dollars

5. Foreign parent's equity in net income (or loss) of U.S. company for:
(a) Quarter ended as shown at top of report *(If not available, enter estimate)*

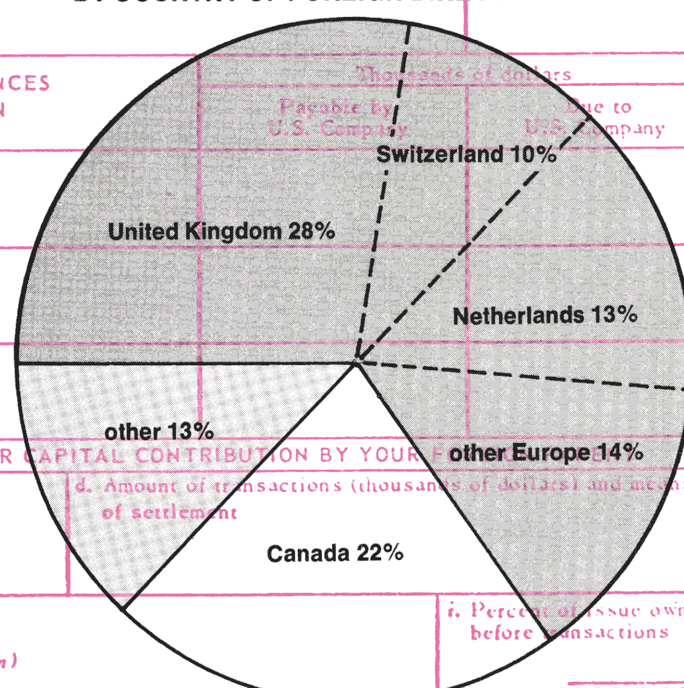
(b) Year ended *(enter once a year and give ending date)* ________

6. Foreign parent's equity in the retained earnings *(deficit)* account of the U.S. company *(enter once a year as of ending date for 5(b))*

BY COUNTRY OF FOREIGN DIRECT INVESTOR

INTERCOMPANY ACCOUNTS, BONDS, NOTES, AND ADVANCES OUTSTANDING WITH FOREIGN PARENT AND ITS FOREIGN AFFILIATES

Thousands of dollars: Payable by U.S. Company | Due to U.S. Company



7. (a) Beginning of quarter

(b) End of quarter

(c) Net change *(Do Not Fill In)*

CHANGES IN HOLDINGS OF YOUR CAPITAL STOCK AND OR CAPITAL CONTRIBUTION BY YOUR FOREIGN PARENT

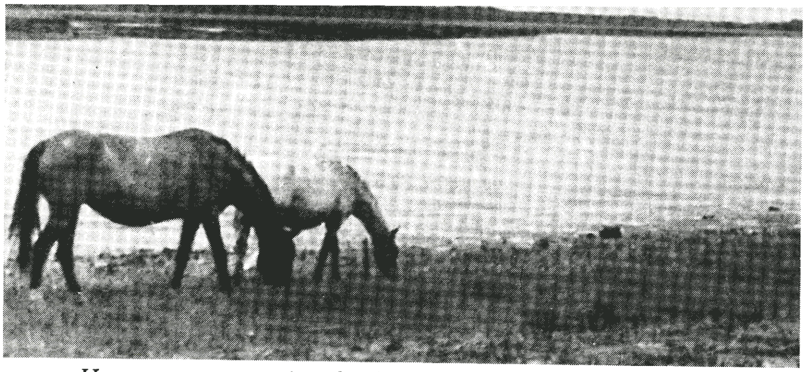
8. a. ☐ Increase ☐ Decrease | b. Type of security | c. No. of units | d. Amount of transactions (thousands of dollars) and means of settlement

e. Other parties to transactions *(Check one)*

☐ U.S. ☐ Foreign *(Give name and address if foreign)*

i. Percent of issue owned before transactions ________ %
after transactions ________ %

U.S. Department of Commerce, Bureau of Economic Analysis



Horses graze on a Kiawah Island, South Carolina, site where the Kuwait Investment Company plans to build a marina . . . "but for the most part Arab investors have kept a very low profile in the United States." UPI Photo

therefore, they have been attracting a good deal of attention from academics and the authors of the Administration's own new investment study.

There seems widespread agreement that in the immediate future the pace of foreign investment is likely to slow down. American assets are no longer as spectacularly cheap as they were two years ago now that the dollar has strengthened and Wall Street has emerged from the doldrums. Futhermore, the recession has forced many companies in Europe and Japan to cut back their investment plans. Already the Conference Board—a New York-based economic research organization—reports that foreign companies reduced the number of their new American investments by 35 per cent in 1975.

Some experts go further, however, and speculate that the crest of the wave may be past. Werner Gundlach, a vice president of Chase Manhattan, thinks European investment in the United States will soon reach a plateau very much as American investment in Europe seems to have done. He expects total foreign investment in the United States, after exceeding $3 billion in 1973 and 1974, to slip back to between $1 billion and $2 billion annually during the remainder of this decade.

OTHERS WONDER WHETHER A PERMANENT CHANGE in attitudes may not be taking place. Professor John D. Daniels, of Pennsylvania State University, believes that the size of the American market has now become a constant attraction to foreign companies. This argument has been carried a stage further by Robert E. Morrow, of the Georgia State University School of International Business, who suggests foreign companies are less frightened of entering the American market than they were in the past. He ascribes this to the emergence of bigger companies in Europe, greater familiarity with large markets as a result of European integration, and the increasingly global reach of Japanese companies.

The Commerce Department's preliminary report on foreign direct investment also adds some support to the view that a permanent change in attitudes may be underway. On the basis of a series of interviews with foreign businessmen, it finds they now believe that the American market offers better long-term growth prospects than their own national markets and that they feel increasingly self-confident about entering it.

In many cases, they report that the sky-high inflation of the last few years in Europe and Japan has meant that American production costs are no longer high in relation to their own—and that rather than exporting to the United States, they now find it economical to consider local manufacture. Interestingly enough, they also complain about the leftward drift of European politics and the growth of anti-business feeling. By contrast, the United States seems a "last bastion of capitalism and free enterprise."

Of course, there are still pitfalls in the way of the foreign investor. The Justice Department sometimes tries to increase competition by encouraging foreign companies to enter the US market on their own rather then by taking-over an existing firm—and this often looks like discrimination against the outsider. Furthermore, a successful outcome to the current Geneva trade-freeing negotiations could reduce the case for investing in the United States in order to get behind high American tariffs.

Nevertheless, both economically and politically, America seems to be looking more attractive to foreign businessmen than their native lands; and if this continues, so may the upward trend of foreign investment. But how will American opinion react? In all probability not very dramatically. For the country's own investments abroad, the increasing importance of trade to its economy, and the obvious hunger of many regions for new industrial investment from any source suggest that an open economic order remains very much in the national interest. Certainly, many individual states actively solicit foreign investment and maintain spespecial offices for this purpose in Europe and Japan.

All the same, foreign investors in the United States may well find the atmosphere changing in subtle ways in the future. For one thing, they seem certain to be more closely monitored by the Administration than in the past, and reporting requirements are likely to grow more rigorous. They may also find that while new job-creating investments remain popular, there is increasing opposition to the takeover of existing companies, just as there was in Europe a decade ago, now that the public is becoming more aware of the extent of the foreign stake in the American economy. Massive purchases of American raw materials are also likely to prove sensitive in an increasingly resource-conscious world —already many foreign companies investing in this area prefer an American partner for the political protection it gives.

Finally, there is the question of the oil-exporting countries' future investment strategy. While many are spending all their earnings already, a small group of Middle East Arab nations— Saudi Arabia, Kuwait, and the Gulf Emirates —are likely to remain in semi-permanent surplus, piling up some $300 billion in reserves by the end of the decade. Clearly, American attitudes toward foreign investment in the United States could change abruptly if these countries were to start buying up US companies in a conspicuous manner.

MEDIA Business Reporting: *It's Bad and Not Getting Better*

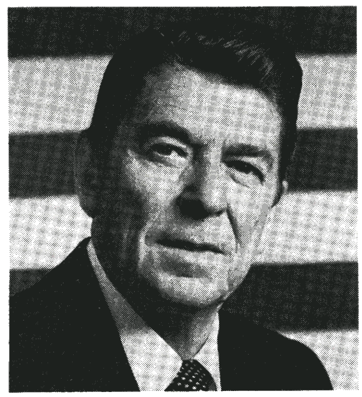
TONY THOMAS *New York-based American business editor for* The Economist

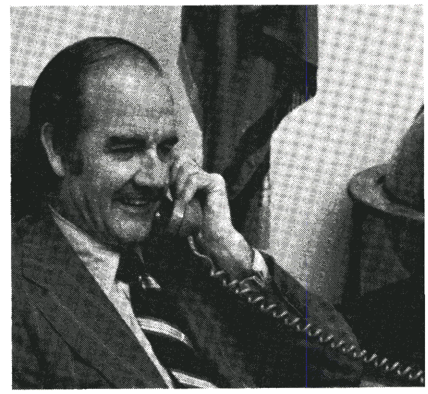
THEY PRETEND OTHERWISE TO THEMSELVES, BUT DAILY journalists are probably even more conformist in their thinking than most of their readers. Few things frighten them quite so much as what seems to be a new idea. In America the above-ground press was as startled, and as hostile, to Senator George McGovern's plan for a $1,000 "demogrant" as by former Governor Ronald Reagan's imprecise suggestion that social security funds could be invested in equities. The European press is no bolder. A republic is as unthinkable to newspapers in Britain as a monarchy is to newspapers in Germany or pro-Americanism is to newspapers in France. Business journalism on both sides of the Atlantic is also conventional. The financial pages of newspapers, and the people who write for them, rarely stray far from consensus thinking.

In the United States only radicals question the free enterprise system. The debate on business in the political primaries, and in the press, is not on whether the free enterprise system is best. That is taken as a revealed truth, as uncontroversial as motherhood used to be. Each political candidate seeks to persuade the voters that he is best qualified to lead America back to the old Jerusalem of honest but aggressive competition between business enterprises.

On the right of American politics, the Fords and the Reagans campaign for reform of the regulatory agencies, which, it is asserted, now distort the free enterprise system by permitting bureaucrats who have never met a payroll too much influence on decisions that ought to be left primarily to the marketplace. On the left, even former Senator Fred Harris, the Oklahoma populist, is not in the business of politics to win greater participation in the decision-making of firms by workers they employ. Instead, he wants to make the firms serve customers better by trustbusting the industries he and his supporters identify as monopolistic or oligopolistic.

Both the right-wing Republicans and the left-wing Democrats represent a mainstream American political tradition. On the right it is the tradition so succinctly summarized by President Calvin Coolidge: "The business of America is business." On the left a single definition is harder. President Franklin Roosevelt probably came closest when he said:





"The above-ground American press was as startled, and as hostile, to Sen. George McGovern's (right) plan for a $1,000 'demogrant' as by former Gov. Ronald Reagan's (left) suggestion that social security funds could be invested in equities."

"The true conservative seeks to protect the system of private property and free enterprise by correcting such injustices and inequalities that arise from it. The most serious threat to our institutions comes from those who refuse to face the need for change. Liberalism becomes the protection for the far-sighted conservative."

Organized labor conforms. For a business reporter from Britain it comes as a surprise the way American workers and their union leaders are persuaded they have a vested interest in the survival of the profit incentive and of the prosperity of the firms that pay their wages.

I first encountered this when I spent several days talking at their homes to workers from the General Motors plant in Lordstown, Ohio, during the 1972 Presidential election campaign. The dollar was still overvalued, and to be as cheap as Japanese and European imports the small Vega car made at Lordstown had to be built so fast that production was at a "modern times" pace. Workers striving to keep up with the schedule were hit in the bottom by the next car coming along the assembly line. They detested General Motors.

Yet those same workers were miffed by proposals outlined by Senator McGovern for big increases in taxes on the rich. They perceived this as un-American. If a man risked his money and worked hard, he deserved to keep the rewards. Most of them were resigned to remaining wage-earners for the rest of their working lives, but there were others (ambi-

"European companies are not answerable to any investigator as robust as the Congressional committees" . . . such as the Senate subcommittee on multinationals shown above in February hearings with Lockheed Aircraft Corporation President A. C. Kotchian (left). UPI Photo

tious hillbillies from West Virginia as well as graduates from Kent State University doing blue-collar work for a while) who wanted eventually to go into business for themselves. They talked of a car dealership, of a dry cleaning business, of opening a hamburger joint. Though for the Lordstown workers, like workers in many European countries, the economy was divided into a "them" and an "us," the divide was not, as it is in most of Western Europe, between the employers and the employees. It was between big business and the little man, a definition that stretches to embrace small businessmen and entrepreneurs as well as the working Joe.

THIS PERCEPTION, THIS CONVICTION, is reflected in the American press. There is not much that Mr. John and Ms. Joan Citizen seem to enjoy more than reading over the morning Wheaties a report of a big firm caught with its greedy fingers stuck in the cookie jar or ending up with egg all over its face after making a silly mistake. So regulatory agencies in Washington are sure of public applause when they order an auto company to recall a car, a food conglomerate not to use a dye that just may cause a stomach upset, or a chemical giant to spend millions to clean up the smelly air or a dirty river. A congressman, too, wins easy brownie points when he criticizes the "unconscionable profits" of the oil industry or the "usurious interest rates" charged by the big money center banks.

Consequently, though the term "muckraker" is an insult to a European reporter, it is just about the nicest thing that can be said about an American business reporter. Even *The Wall Street Journal* (though not *Barron's,* which is more fundamentalist in its capitalism) often has front-page stories about the way this or that corporation has cut corners, bribed public officials, or fixed prices. Businessmen do not cancel their subscriptions. The average big American company is proud of being an "aggressive competitor." It will leak quickly to the press a story that discomforts another firm in the same industry.

Peer group pressure, the willingness of business to do dirty on their rivals, and the investigative work of the regulatory agencies and the congressional committees make American business reports the best in the world on "exposure stories." Their editors are eager to print—and their subscribers eager to read—the kinds of detailed reports of corporate wrong-doing published recently about Lockheed, Exxon, Gulf, and others.

The American journalistic failing is that the muckrakers are often as illiterate as cannibal islanders when confronted with a balance sheet. *The Washington Post* especially is criticized in corporate boardrooms, and on Wall Street, for its apparent inability to understand properly even the simpler business stories. A much cited example in its recent scoop on "problem lists" of banks kept by regulatory agencies. This was a superb exclusive, but it would have been better if it had not given the incorrect impression that the banks listed were close to bankruptcy.

Indeed, *The Washington Post,* though deservedly high on any league table of the world's best newspapers, has a financial section so thin and banal it would embarrass the influential newspapers of Europe. The financial pages of *The New York Times* are not as reliant on agency copy as those of *The Washington Post,* and most of the financial reporters employed by *The New York Times* have at least a rough grasp of the subjects they write about, but even so the financial reporting of this newspaper is not as authoritative as that of such leading European newspapers as *The Times* of London or the *Frankfurter Allgemeine. The Wall Street Journal* in the coverage of its own domestic economy is without equal, but in international business reporting is out classed by *The Financial Times* of London.

Alternatives to the free enterprise system are discussed, if at all, very superficially in the American press and often include a gibe about how socialism has contributed to the sad collapse of the British pound or losses in the British steel industry or low productivity in the British auto industry. The achievements of nationalized industries in more economically successful France and Sweden in Western Europe is an unmentionable. The European reform of industry through the election of worker representatives to the management board of companies, a system pioneered in West Germany and now supported by the EC Commission, is also vastly under-reported.

ESSENTIALLY THE AMERICAN PRESS is happy, even smug, about the design and broad superstructure of the American business system. The architecture is rarely criticized. Instead, there are grouses about the opaqueness of the windows, the use of whitewash to hide faults, and, especially in this environmentally conscious period, the quality of the plumbing.

The European press performs against a very different backdrop. The free enterprise system is not uncontroversial, and the political debate is influenced by the socialist alternative. Class divisions are stronger, and clearer, than in the United States. A consequence is that employers and employees, white-collar and blue-collar workers, often do not read the same newspaper. So comparing the business coverage of the best American newspapers and the best European newspapers is not comparing like with like.

The Washington Post, The Baltimore Sun, The Chicago Tribune, The New York Times, and other great American

Keeping an eye on Wall Street are the Securities and Exchange Commission and the American investigative reporter.

newspapers aim at a general readership. Such great European newspapers as *The Guardian, Le Monde*, and the *International Herald Tribune* do not.

It is a distinction often unrecognized by Americans until they visit Europe. They arrive with the illusion that all Europeans read "serious" newspapers and tune into such highbrow television programs as the foreign films and documentaries shown on American public television. So they are astonished by the triviality of such newspapers as *The Sun* (known in the trade as a "tits and bums" rag) and of the soap operas on BBC and the French broadcasting system.

The popular press in Europe covers business as superficially as the poorest of the American dailies. The quality press, especially in France and Britain, where the division between highbrow and lowbrow newspapers is most marked, is technically very competent. The reporters write more learnedly than their American counterparts about company balance sheets, the outlook for various industries, movements in foreign exchange rates, and the way changes in the terms of trade will affect a country's external accounts.

But criticism in European papers of individual business firms is very muted. In part this is attributable to stern libel laws. Writs fly around like confetti if businessmen feel their interests have been hurt. So even when a company has cooked its books most scandalously, the most an editor will usually dare to print is a mealy-mouthed phrase suggesting that the company has perhaps not been altogether frank. Libel laws, too, make investigative business reporting very risky. Reports of business corruption—such as reports of the payments made by Lockheed and Exxon to European princes, politicians, and public officials—carry an American dateline when printed in Europe. This gives the impression that American business is somehow more wicked than European business. That may be misleading. European companies are not answerable to any investigator as robust as the Congressional committees, the Securities and Exchange Commission, or the American investigative reporter.

Fleet Street, London, home of almost all Britain's newspapers, from the titilating tabloids to the prestige papers. UPI Photo

Though reform of the libel laws would make a difference, the European press would probably still remain comparatively deferential. In most Western European countries (Britain is the big exception), share ownership by the general public is not widespread; disclosure laws are not strict; and to report competently on a company, a business journalist has to become an insider who lunches with corporate managers and commercial bankers. To get along he or she has to go along.

More important, there is the political divide. The most formidable critics of business in America do not want to change the system. They want American business to act even more competitively than it does now and suspect American businessmen are often guilty of humbug when they swear allegiance to the free market system. Ideally these critics would like the Exxons, the IBMs, and the Fords broken up into smaller more combative companies. Socialism is not part of the political mainstream.

In most of Western Europe the big debate is between those who think the present balance between public and private ownership in generally mixed economies is just about right and those who seek the extension of public ownership into more, or all, important sectors of the economy.

In business journalism the difference is reflected clearest in the way the European and American press report labor disputes. In America strikes are seen as a trial of strength between employer and employees in full accord with the country's free enterprise traditions. Thus a lengthy strike against a major company (like that against General Motors from September 15 to November 11 in 1970) is covered in most of the press as a relatively routine event.

In Europe strikes (like the periodic strikes in Italy and the coal-miners' strike that helped bring down the last Conservative Government in Britain) often have strong political overtones. They are reported, correctly, by the press not merely as an industrial dispute but as a part of a political struggle.

This reality is seen most starkly in strikes, but it colors all business reporting in Europe. The quality press, which by and large is committed to a defense of the status quo, is inhibited from criticizing business as stridently as the American press lest this provide powerful ammunition for the political left.

CANCER

A EUROPEAN CONQUEST?

PETRA KARIN KELLY

IN AACHEN, GERMANY, AND ENVIRONS, MANY CHILDREN have been found to have an unusually high lead content in their blood and hair. The amount of lead in the children tested has risen above the amount found in workers in heavy-metal industries. The general public is no longer surprised that the lead has been traced to Stolberg, near Aachen: Stolberg is surrounded by brass foundries and slag heaps which supply building materials to construct schoolyards and sports halls.

This is but one example. In today's Europe, cancer-stricken children outnumber adults with the disease. And in the United States cancer kills more children between the ages of one and four than any other disease.

When Dr. John W. Gofman, professor of medical physics at the University of California and a leading nuclear critic, speaks of "ecocide" in his adversary view of nuclear technology, he means the following: A large nuclear plant like that in Kalkar, the Netherlands, would produce about 200 pounds of plutonium each year. One pound, released into the atmosphere, could cause 9 billion cases of lung cancer. This waste product must be stored for 500,000 years before it is of no further danger to man. In the anticipated reactor economy, it is estimated that there will be 10,000 tons of this material in Western Europe, of which one tablespoonful of plutonium-239 represents the official maximum permissible body burden for 200,000 people. Rather than being biodegradable, plutonium detroys biological properties.

In 1972 the US Occupational Safety and Health Administration ruled that the asbestos level in the work place should be lowered to 2 fibers per cubic centimenter of air, but the effective date of the ruling has been delayed until now. The International Federation of Chemical and General Workers' Unions reports that the 2 fiber standard was based primarily on one study of 290 men at a British asbestos factory. But when the workers at the British factory had been reexamined by another physician, 40-70 per cent had X-ray evidence of lung abnormalities. According to present medical information at the factory in question, out of a total of 29 deaths thus far, seven were caused by lung cancer and three by mesothelima, a cancer of the lining of the chest-abdomen. An average European or American worker comes into contact with six million fibers a day. And when this man returns home at night, samples of this fireproof product are on his clothes, in his hair, in his lunchpail. "We are now, in fact, finding cancer deaths within the family of the asbestos worker," states Dr. Irving Salikoff, of the Mount Sinai Medical School in New York.

It is now also clear that vinyl chloride, a gas from which the most widely-used plastics are made, causes a fatal cancer of the bloodvessel cells of the liver. However, the history of the research on vinyl chloride is, in some ways, more disturbing than the "Watergate cover-up." "There has been evidence of potentially serious disease among polyvinyl chloride workers for 25 years that has been incompletely appreciated and inadequately approached by medical scientists and by regulatory authorities," summed up Dr. Salikoff in the June 13, 1974, *New Scientist.* At least 17 workers have been killed by vinyl chloride because research over the past 25 years was not followed up. And for over 10 years, workers have been exposed to concentrations of vinyl chloride 10 times the "safe limit" imposed by Dow Chemical Company. In the United Kingdom, a threshold limit value was set after the discovery of the casual link with osteolysis, but the limit was still higher than that set by Dow Chemical. The Germans set

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PETRA KARIN KELLY, *who grew up in Newport News, Virginia, now works for the EC Economic and Social Committee. Her sister Grace died of cancer. In her memory, the author has set up an association for the support of cancer research for children.*

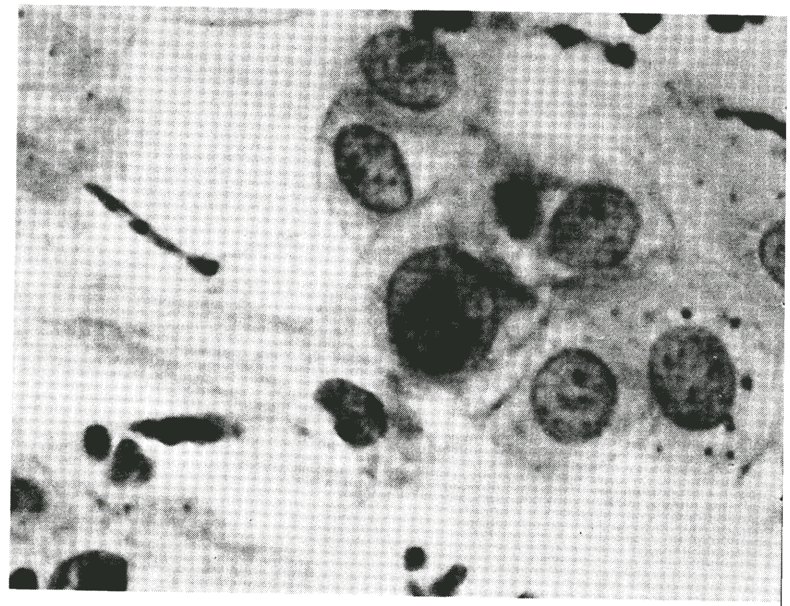
a new maximum level in 1970, but also higher than that set by Dow. No other section of US or European industry has followed Dow's lead.

CANCER AS AN OCCUPATIONAL HAZARD was observed as long ago as 1775, when doctors noted an undue incidence of cancer of the scrotum in chimney sweeps. But we are now living in what might be called the "carcinogenic century." It is the way we live our lives that explains it. It is one of the prices of a "growth-at-any-cost" economy. And cancer knows no national boundaries. Despite the fact that the Soviet rate of 129.6 deaths per 100,000 population in 1971-72 was described recently as the lowest among the industrially developed countries, a steady increase in the rate of deaths from cancer over the last 12 months has now taken place in the Soviet Union. The US rate rose from 161.4 in 1971 to 167.5 in 1972, according to the National Center for Health Statistics. And in Western Europe, one person in five dies of cancer.

The battle against cancer is at its all-time peak in the United States, which leads the way on the national level because of increased government support of a unified cancer research program. The National Cancer Act of 1971 began the fulfilling of a commitment by Congress to launch an all-out attack on the disease. Prior to that, in 1969, the US Government was allocating $410 for defense and $19 for space research for every 89 cents spent on cancer research. Now, however, federal expenditure on cancer research could reach $1.7 billion by 1982. Seventy-five million dollars have been earmarked annually to establish 15 new centers for clinical research, training, and demonstration of advanced diagnostic methods relating to cancer. The "Conquest of Cancer" plan is, in fact, the first nationally organized plan in biomedical research and was the product of 40 planning sessions involving more than 250 scientists. The plan has the objective of identifying and arresting the cancer-causing agents in the environment, including chemicals, viruses, and radiation. It also hopes to learn to detect cancer early, especially in high-risk groups. The United States has agreed to exchange cancer experts and information within bilateral agreements and offers construction and research grants to foreign cancer foundations and cancer centers.

In Europe, the International Labor Organization (ILO) and the International Union Against Cancer, both based in Geneva, are working against cancer. But what is the European Community doing? Where is the European Cancer Plan? The European Cancer Databank? A Cancer Hazard Information Market?

In the last four years, European Parliament questions have been put to the EC Commission about the relatively unsuccessful attempts by the European Organization for Research on Treatment of Cancer (EORTC) to make a joint European contribution to the intensified American

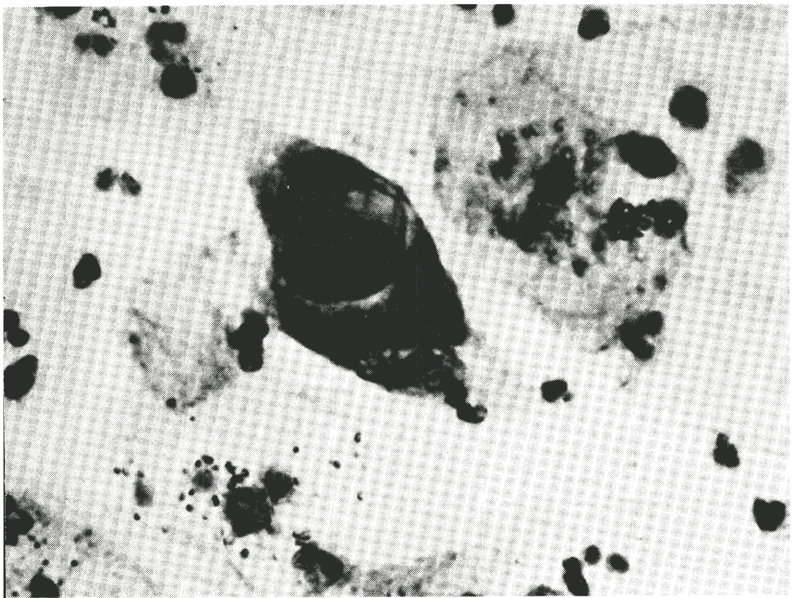


Normal (left) and cancer cells. The cluster of normal intermediate cells have a relatively large amount of cytoplasm, clear nuclear stain, fine chromatin granules in nucleus, small nucleolus, smooth nuclear border, and stain artifact in one cell where another small white blood

research program, and about the fear that cancer research would "lag increasingly behind" projects in the area of technology. The Commission's disappointing answer was that present budget and program constraints ruled out any increase of support for cancer research. The nine EC member states, however, do have state-initiated or state-aided programs for combating cancer—but the nature and extent of the programs vary from country to country.

Currently the most usual sequence in detecting cancer starts with the presence of a group of cases in a particular industry which arouses the suspicions of a doctor, who then initiates systematic investigations. Here, information pooling could be the first stage in a European conquest of cancer. Research into the causes of cancer in one country requires easy access to records of investigations in others. Beyond that, the research must be coordinated and priorities worked out. If avoiding cancer risks means abandoning certain work processes, or replacing certain products or methods of production, action on a European-wide scale would facilitate implementation of these procedures in one country when others are going to do the same. Clearly, political choices would be needed—expressed in European Community directives—leading to coordinated national measures.

A European cancer campaign on the scale of the American one still seems very far off. A "European Cancer Society" does not yet exist, though there have been isolated attempts at ones on a smaller scale. But the European Community could sponsor a "European Cancer Databank" on the Swedish model, bringing together all data on the living and working conditions of people with cancer, thereby remedying the dramatic lack of cancer statistics in Europe. Use of computers could ensure optimum exploita-



cell overlaps. The cancer cell has a large nucleus compared to total cell size, dark staining of nucleus, large chromatin clumps in nucleus, large nucleolus, and irregular nuclear border.
National Institutes of Health, Bethesda, Maryland.

tion of the data, though it might be 25 years before results are obtained that could mean the prevention of occupational cancer. Since there is now a "three-year data storage plan," proposed by the Commission to the Council of Ministers, occupational cancer could be included as a priority area.

ON A NATIONAL LEVEL, the picture of Germany's fight against cancer is just one example and a typically sad one. There are already several small cancer centers—in Kiel (lymph cancers), Heidelberg (bone tumors), and Saarbrucken (prostate cancers). In a recent comparative study of the progress in the various cancer centers around the world, the Japanese author S. Honda examined the participation of the European countries in the five leading cancer journals: *Cancer* (Philadelphia), *Cancer Research* (Baltimore), *European Journal of Cancer* (Oxford), *International Journal of Cancer* (Geneva), *Journal of the National Cancer Institute* (Bethesda). Germany's participation has only measured 0.64 per cent since 1966. Honda's survey showed that the United States took first place (70 per cent), followed by England (5.7 per cent), Canada (3.7 per cent), France (2.6 per cent), Japan (2.5 per cent), and Sweden (2.2 per cent). On a comparative basis, the work of the cancer centers was also evaluated, and again American centers held all leading positions.

All cancer research in Germany is channeled to the Heidelberg Cancer Research Institute, which plans to pool efforts with its own computerized installations and experimental facilities. But of the approximately $15 million needed to start, only about $9 million could be allocated. Although there are laboratories with a capacity for 80,000 test animals, the Heidelberg Institute lacks any oncological (tumor) center, leaving little hope for practical clinical application. Patients continue to be treated and observed in unsatisfactory, dingy, old-fashioned university clinics, such as that in Baden-Württemberg. Cancer planning on a long-term basis, cancer management, and unified cancer centers for research and clinical observation remain far in the future. The German Federal Cancer Associaton, which recently devoted a whole year to a nationwide campaign aimed at collecting one mark from every German, ended up, not with DM 60 million, but with DM 1 million. This lack of public interest brought an initiative from Mildred Scheel, wife of President Walter Scheel, for a "German Cancer Assistance Program." Yet as long as such initiatives remain isolated and purely national, European efforts lack credibility.

European efforts must be strengthened: The European Organization for Research on Treatment of Cancer, in Lyon, which works with a management group on efficiency testing of certain cancer projects underway. The International Union Against Cancer, in Geneva, which advances scientific and medical knowledge through internationally established channels, although with little funding and less reverberation. The Committee to Advance the Worldwide Fight Against Cancer, which attempts to make contact with cancer societies in other countries. And the Rome-based International Research Center of Pre-Cancer Conditions, which has made a large number of geographical case studies—such as in the areas of Luttich, London, and Pittsburgh, where pulmonary cancer is especially high.

The European Community as such has acted but, for the most part, only indirectly. The Commission's anti-pollution program will certainly and inevitably lessen cancer risks. The EC recognition of the "polluter pays" principle represents a step forward in responsibility for one's actions, instead of passing the buck to society as a whole. The Commission has made proposals for establishing a general committee for industrial safety and for extending the competence of the EC Mines Safety and Health Commission. The Community's Economic and Social Committee believes that "industrial physicians and safety technicians should be employed in adequate numbers in undertakings and administrations. These physicians and technicians must be professionally independent." But, in energy policy, the Community still seems to give priority to megawatt goals instead of a long-range research-safety program. Commission Vice President Carlo Scarascia Mugnozza recently stressed that Europe's main asset is its people, its only real wealth. This fits well with the thought of Dr. Francis J. C. Roe, of the Royal Cancer Hospital in London: "A proper assessment of the human problem is a first requirement in any approach to the prevention of cancer."

EAST-WEST RELATIONS

The Community's "silent member"

JOHN STARRELS, *assistant professor of political science at George Washington University, Washington*

On February 16 the Council for Mutual Economic Assistance (CMEA, or Comecon) proposed an agreement between Comecon and its member states and the European Community and its member states. The proposal was transmitted to Luxembourg Foreign Minister Gaston Thorn, president in office of the EC Council of Ministers, by CMEA Executive Committee President Gerhard Weiss during the latter's visit to Luxembourg. The CMEA memorandum outlined possible future foundations for relations between Eastern and Western Europe and included a draft of the proposed EC-CMEA agreement. Comecon wishes negotiations to begin as soon as possible, either in Brussels or Moscow. EC and member state authorities are studying the Comecon message.

Relations between the European Community and Eastern Europe have substantively changed since the 1957 Rome Treaty which brought the Common Market into legal existence. In the beginning Moscow voiced strong disapproval. Yet, by the early Sixties, a subtle shift away from this initially hostile stand began to emerge, in line not only with the evolution of détente policies in Washington and Moscow but also with a growing realization within Eastern Europe and the Soviet Union that their plans for economic modernization would have to be supplemented with the massive infusion of Western European captial and technological expertise. This shift in thinking was given verbal expression in early 1972 by Leonid Brezhnev. Not only did the supreme Party chief make public reference to the Community, but he also signaled his guarded intention of improving bilateral relations between Brussels and the Soviet-directed CMEA. By 1975, the evolution in thinking about the European Community had reached the point where Radio Prague was able to observe that "the motives that lead CMEA and EC countries to cooperate are and will be different, but despite the differences there are vast areas where cooperation is mutually advantageous, for instance in large-scale projects of all-European importance."

Indeed, the differences separating the two economic blocs are substantive, a consideration touched upon by EC Commission Vice President Christopher Soames, while addressing a group of Romanian academicians in January. Noting that differences of opinion separating the Community from the CMEA could be laid to the existence of competing economic and social systems within the two parts of Europe, he went on to call cautiously for a negotiated solution "to the problems that arise." For the CMEA, this consideration involves the assertion that the European Community continues to restrict the import of their goods into the Community. From the EC side, such allegations are normally answered by the counter-charge that unless, and until, the state-trading systems introduce market-like mechanisms into their economies, it will be difficult for the Community to determine a "realistic" relationship between domestic production and subsequent export price. As if these disagreements were not sufficient, the two economic orders continue to disagree about the eventual framework within which future bilateral trade agreements will take place: On the Comecon side, its members will not reply separately to the invitation extended to them by the EC Commission to individually negotiate a long-term nonpreferential agreement with the Community; on the EC side, Comecon is not viewed, or accepted, as a legitimate international counterpart in trade negotiations.

Despite disagreement between the Community and the CMEA, there is little question that trade between them has registered impressive gains when viewed from the limited economic/financial perspectives of the late Fifties. For the year 1974, the CMEA imported $12 billion worth of investment and consumption goods, while the European Community purchased approximately $9 billion worth of raw materials, energy products, and an increasing number of partially-manufactured goods. *The Economist,* of London, was moved to observe that trade between the two blocs had "done very nicely," when one examined figures for a 12-year period: For the European Community, exports to the state-trading system of Eastern Europe had increased 385 per cent between 1958 and 1970; its imports from CMEA countries had likewise grown by 300 per cent over the same period.

A VARIETY OF CONSIDERATIONS surrounds predicitions about the future evolution of EC-CMEA trade. The European Community is not dependent upon trade with the state-systems of Eastern Europe in the manner in which various CMEA countries are upon the Community. At the same time, however, the Community's raw materials position has increasingly forced it to rely upon Eastern Europe, and particularly the Soviet Union, for the maintenance of long-term supplies. The Soviet Union's ability to export large quantities of oil is of special significance to the energy-dependent economies of Western Europe. Further, within the two economic systems, certain national differences should not be ignored when the future of EC-CMEA trade relationships is seriously discussed. On the Community side, the Federal Republic of Germany (FRG) clearly has an important stake in an extension of economic contacts, given that 8 per cent of its total exports now go to Eastern Europe. Likewise on the CMEA side, the membership of Hungary, Poland, Czechoslovakia, and most recently, Romania, within the General Agreement on Tariffs and Trade (GATT) suggests an increasing level of interest and commitment to the broadening of contacts between themselves and the Community.

Eventually, the differences separating Europe's two competitive economic orders will be hammered out.

The East-West German handshake continues to find expression in trade. Here the then foreign ministers of both German states, Walter Scheel (right) and Otto Winzer (left), at the start of the General Assembly session that was to accept both East and West Germany as United Nations members. UPI Photo

Though a long-term trade agreement cannot be divorced from other aspects of East-West relations, such as the evolution of the arms limitation and the force reduction talks, a "common" momentum now characterizes discussions between the Community and the CMEA. Both sides, though in varying degree, need the other as the evolution of a trans-European economic and technological order becomes increasingly clear. This generalization is strongly qualified by the existence of one significant issue which continues to evade an immediate resolution. The "silent membership," as some observers refer to it, of the East Germans in the European Community appears to have been bypassed by the broader currents of thinking which now characterize relations between the two economic blocs of Europe.

West Germany's initial pledge to the Treaty of Rome was conditioned by the proviso that trade with East Germany be classified as "internal" commerce, and hence not subject to the Community's common external tariff. West Germany's position on maintaining a special trade relationship with its other part rests on two points. In the first place, Bonn called upon Brussels to recognize the validity of the September 20, 1951, Berlin Treaty, which specified that the two halves of Germany would remain within one unified monetary area. Secondly, and more broadly, the West Germans argued that their membership within the European Community should not accentuate the division of Germany. Hence, the "Protocol on German Internal Trade," an organic part of the 1957 Rome Treaty, became the legal and political vehicle which allowed Bonn to move simultaneously toward long-run economic engagement within the Community and keep the reunification option open for the future.

The German Democratic Republic (GDR) has never objected to this special arrangement, despite the fact that its ruling Communist Party, the SED, now contends (in contrast with the past) that relations between the GDR and the Federal Republic can only evolve within the framework of international, in contrast with domestic, law. For them, the "contradiction" between present membership within a unified monetary system and assertions of independence from the all-German past is resolved by the triumph of economic pragmatism. Clearly, the GDR has gained important economic and financial advantages through its de facto sponsorship into the Community by the Federal Republic. What are these advantages?

The essential advantage gained by East Germany in its de facto relationship with the Common Market involves the right of its agricultural and consumer-oriented manufactured goods to enter duty-free into the West German market. Trade between the two countries is not conducted through the use of currencies, since the East German currency is artificially valued within the non-competitive price mechanism of the CMEA. Negotiations and sales of industrial and agricultural products are subsequently carried out via a system of counter-balancing trade accounts (*Verrechnungseinheiten*). In circumstances—and they have been increasingly frequent—when the East Germans compile a trade deficit in their dealings with the Federal Republic, Bonn agrees to cover it with the extension of special, interest-free credit grants, called somewhat euphemistically the "German swing." In 1975, these special one-way credit agreements netted the East Germans approximately $253 million. This particular arrangement has now been extended to include an increment of roughly $87 million beginning in 1976 and extending up through the early 1980's. Selected aggregate trade data for the years 1965-74 provide a general picture of the export-import dimension of East Germany's relationship within the special intra-German arrangement: GDR exports to the FRG, $7.3 billion; GDR imports from the FRG, $7.8 billion; deficit on the East German side, $322 million.

WHILE VARIOUS COMMUNITY MEMBERS have voiced some criticism of this special trade relationship, there seems little reason to assume that the remaining EC Eight would become very concerned over the existence of an agreement which has been in legal force since 1957, although one cannot ignore the possibility that other members harbor some understandable envy against the West Germans for this exceptionalism. The crucial issue which has occasionally erupted within the Community has to do with the covert transport of East German goods duty-free into the remaining Eight via the border of the Federal Republic. In this instance, the EC Commission has attempted to distinguish between the preferential trade relations covering intra-German trade and the simultaneous requirement that, since the GDR is now a recognized member of the international order, it will be treated as a "third country." "Consequently," so the Commission further observed, "not only the duties of the common customs tariff are applicable . . . but also the provisions of the agricultural policy and trade policy procedures. The Commission considers that previous exceptions to the application of the 'third countries' system were based on the argument that the European Community could not entertain normal relations with the GDR; now this argument has subsided."

Commission opinions are one thing; the ability and readiness of the West German Government to "distinguish" between goods produced within its internationally de jure territory from those produced within the legally-recognized borders of the GDR has yet to be resolved. Up to this point, the Commission has publicly discussed this problem in terms of two interrelated concerns: 1) the "illegal" free entry of East German agricultural products and industrial goods into the markets of the other eight EC members; and 2) no less disturbing, the possibility that products from other CMEA countries are also entering the European Community duty-free via transport through the GDR, from there through West Germany and into the other EC Eight. In terms of both problems, the Commission has made the general recommendation that the Federal Republic should make every attempt to "establish methods of control of origin," not only to protect the West German domestic market from a cheap invasion of CMEA goods, but also in equal measure to protect the domestic economies of the Eight from de facto "dumping" of products from the GDR and the other CMEA members.

There is little question that East Germany's trade relations with the European Community will continue to develop even in the event that some of its alleged "covert" (and duty-free) trade with the European Community is gradually diminished by a more vigilant customs policy within the FRG. Because of its acknowledged economic and technological importance, especially in the areas of applied optics and chemical manufacturers, the GDR has become an important trading partner with the Community. Indeed, operating outside the intra-German monetary and customs accords, the East Germans have become increasingly active on the trade front with the EC Eight. Aggregate trade data for 1965-74 supplies the following profile: exports, $4.9 billion; imports, $6.2 billion; deficit on the East German side, $1.3 billion.

It is thus becoming increasingly clear that the East German evolution within and outside the Community may eventually bring about some revision of its traditional status within the framework of the 1957 Rome Treaty. On the one hand, because West Germany has become increasingly assertive within the Community, commensurate with the perception that it contributes the bulk of financial support to Community-wide projects, there is little prospect that a scrapping of the special intra-German trade accord is in sight. Indeed, Bonn gives no indication that it is prepared to sacrifice the long-run pursuit of political reunification in order to please the other eight members of the Community. If anything, the launching of *Ostpolitik* under Willy Brandt, combined with Helmut Schmidt's increasingly sharp emphasis on West German economic self-interest within the European Community, has brought about a subtle shift from the earlier devotion to European integration. At the same time, the various difficulties resulting from the intra-German arrangement will eventually have to be addressed by West Germany, if only because the long-term evolution of trans-European economic interdependence demands it. Indeed, the special problem posed by East Germany in its relations with the European Community is only another example of the fact that Europe, as a "whole," both East and West, is becoming increasingly united upon the concept of long-run cooperation and constructive interdependence.

around THE capitals

Bonn

Many Germans, as they glumly contemplate the vast piles of other countries' currencies once again accumulating in the Bundesbank, must be at a loss to understand why everyone else still seems convinced that the Federal Republic of Germany is better off. A record 1.3 million people are out of work, and there is little chance that the number will drop below 1 million before the end of the year. Businessmen's confidence in the economic recovery remains cautious, and could be further dampened if a dearer Deutschemark makes it harder for them to regain the 10 per cent of their exports lost in the 1975 slump.

Yet most people still feel the economy has underlying resilience. Chancellor Helmut Schmidt, for one, explains this—and the irresistable attraction of the Deutschemark—as being due in large part to the extraordinary sense of restraint shown in recent months by the trade unions. He has one eye, of course, on the October 3 Bundstag elections: If the Social Democrat-Free Democrat coalition is to hold together and win the day, trade union support is vital.

The signs are that the close relationship Schmidt has sought with the top union leaders is beginning to pay him political dividends. Most important to date is this year's metal industry wage settlement, traditionally the pacesetter for the rest of the private sector. Long and hard-fought region-by-region negotiations, now an annual event here, had by mid-March seen the mighty Industriegewerkschaft-Metall settle for an average rise of only 5.4 per cent, plus a modest sum in back-pay.

This compares with the union's original demand for 7.5-8.5 per cent, and with an official Government forecast for wage growth of about 5.5-6 per cent. Herr Schmidt and his coalition colleagues have been calling for wage restraint in order to allow companies to rebuild their eroded profit base and to invest more this year in new job creating plants. The unions have been publicly sceptical of this argument. But the metalworkers' settlements hint that in private, the Government is well on the way to winning its point.

Helmut Schmidt.
Bac, Regensburger Umschau, Germany. ROTHCO

For his part, the Chancellor has been able to keep an old promise with the final passage of the *Mitbestimmung* bill, which takes the Federal Republic of Germany further than any other Western country in giving workers greater influence over the running of their employers' companies. Over a two-year period, workers will be chosen to fill half the seats on the supervisory boards of large companies (the boards are part-time, non-executive bodies that appoint top management and set long-range investment policy).

Yet the bill stops short of giving workers the equal say that trade unionists and socialist politicians have been pursuing ever since the Twenties in Germany. After much wrangling over what would happen in a deadlock, and whether the federal constitution's articles protecting the right to property would then be infringed, it was decided to give the chairman of the supervisory board a second, tie-breaking vote. Since he will be chosen by the shareholders' side, there seems little practical likelihood of the "worker control" warned of in the opposition Christian Democrats' party polemics.

In any case, German union leaders have been for 25 years sitting on the boards of coal and steel companies, with excellent results for labor relations. More recently, they've joined many other boards too, and have helped to cement the common sense of purpose between managment and labor that does, indeed, make the labor movement here such a striking contrast to most of the rest of Europe.

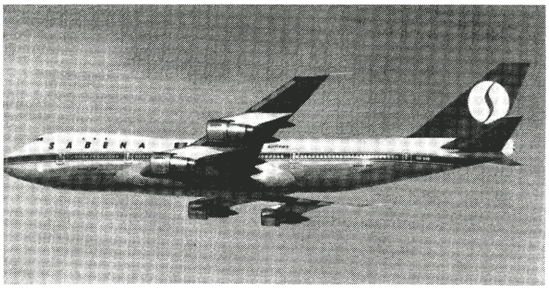
—ADRIAN DICKS

Brussels

During World War Two, when London was the government-in-exile capital of the world, Paul-Henri Spaak, the rotund, sharp-minded Belgian foreign minister, was impressed by ideas of Frenchman Jean Monnet about postwar international cooperation. Spaak began to pester his Dutch colleagues and, despite their suspicions, soon convinced them of the soundness of plans for a Benelux union. By 1952, the Belgians, Dutch, and Luxembourgers had eliminated tariffs and formed a customs union which served as a model for cooperation on a wider scale in Europe, leading to the Common Market as we know it today. But once the Common Market came into existence, Benelux cooperation efforts failed to go much further ahead and, instead, became immersed in the European Community. Passport controls were eliminated between the three countries, but there was little progress in harmonizing taxes, and especially in one key field, transport, decisions lagged.

For example, the two great northern European ports, Rotterdam in Holland and Antwerp in Belgium, long remained rivals, and it was not until 1971 that a modern highway was completed between them. An oil pipeline and a barge canal were also built in the early Seventies, but a project to dig a new canal through Dutch territory to help Antwerp harbor expand and take bigger ships still remains blocked. The Dutch have demanded that Belgium first curb water pollution in rivers that flow into Dutch territory.

With this background, recent Belgian efforts to convince the Dutch and Luxembourgers to merge their three national airlines into one large-scale operation seem a bit quixotic. The Belgian reasons for seeking a merger were made crystal clear in a recent report drawn up for the three governments by the McKinsey consultant firm of New York. Belgium's Sabena airline, the report said, is a virtually hopeless money-losing proposition, and the only way to stop the major outflow of subsidies for it from the Belgium Treasury would be full merger with Royal Dutch airlines (KLM) and the small Luxembourg carrier, Luxair. The report said that Sabena's losses could be



diminished through looser forms of cooperation with the two others, such as route swapping, but the losses would remain substantial. A full merger would create a large, healthy airline with a good chance of profit. KLM and Luxair, the report said, will probably return to black ink in the coming years operating independently, but if they joined with Sabena in cooperation or a merger they could earn substantially higher profits.

The Dutch, who plan to decide on the issue along with the Belgians and Luxembourgers by the end of the year, will certainly find the promised extra earnings attractive. But this is weighed against the perils of linking their proud, well-managed airline with Sabena, in which Belgium's langauge politics can lead to situations that are totally absurd from the business point of view. Overstaffing to meet language quotas is, in fact, one of the major problems with Sabena as it now stands. Beyond that are the already announced suspicions of the French-speaking politicians in Belgium about any new airline which would be dominated by Dutch speakers from the Netherlands and Flanders.

If indeed the Benelux airline came into existence, it would be the first such cross-border airline merger in Europe since the highly successful Scandinavian airlines system was set up in the Fifties. In SAS, Swedish, Norwegian, and Danish companies maintain a degree of independence on paper but the airline is run as a consolidated unit. Attempts in the Fifties to create a single Common Market airline failed since countries like the Netherlands, which are small but nevertheless have major trading interests, feared subordinating themselves to bigger countries. The prospect, however, is still inviting for the Europeans.

It would simplify joint aircraft purchasing, which could help the European aviation industry and also give the Europeans a stronger hand in ongoing fights with the United States over landing rights and the ever scanty traffic on the North Atlantic route. The Benelux is once more in a position to form a core upon which others can agree. But whether they can remains far from certain.

—PAUL KEMEZIS

Copenhagen

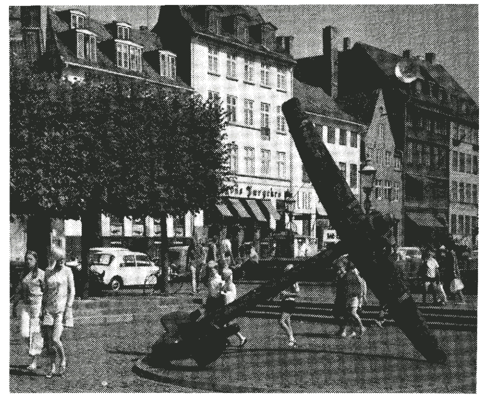
The Danes have coined a special phrase for the previous decade—"the happy Sixties"—evoking memories of carefree, prosperous days now bygone. Like most memories, this one has been somewhat sweetened by the passing of time. But it is true that many things have changed for the worse.

Denmark is still a welfare state, which cares for all its citizens, almost whether they like it or not. Something most Danes, with their customary self-admiration, regard as an example to the world. But there is a growing minority group, the young and the unemployed, ready to dispute the practical value of the welfare state. And there is an even larger group of working people unwilling to pay the bill.

Full employment keeps slipping out of sight. The opinion polls testify that political polarization in the electorate remains strong. There is remarkable stability of support both for the fairly weak extreme left and for the much stronger—15-to-16 per cent—populist, right-wing party of Mogens Glistrup. He is the man who made a fortune and a political career out of his acknowledged ability to find his way through loopholes in the tax laws. Some say that he actually invented the loopholes, and the courts are now trying to determine how far this is true. In the meantime, the Socialist minority Government of Anker Joergensen remains in power, largely because nobody else wants it. The price Joergensen pays is a middle-of-the-road approach to solving the economic problems besetting the country. Socialist experiments are definitely out.

But history sometimes reaches into the present. In this case it is the show-piece product of the welfare state, the new comprehensive social support law, which came into operation on April 1. Conceived in the Sixties, this law introduces the concept of the supermarket to the social security system. Before April 1, the general rule was that you had to ask for help when you needed it. And you had to find your own way to the different aid agencies. Now you merely contact your nearest local social security office. Everything is under one roof, but unlike the supermarket this office calls together a group of experts to help you convert your need into demands to the social security system, and help you identify those needs you may have overlooked. In principle, the officials of the social security office are also expected to track down needs in families and groups that do not solicit help.

All very progressive, or very frightening,



depending on your own views on the blessings of the welfare state. But the acid test is still to come. As leading Danish economists have pointed out, the scheme was concocted in an age of plenty and is now implemented in a time of economic crisis. Actual changes in the designated level of support are few, but more discretionary power to the administration and a far more effective exploitation of the legal possibilities may generate a lot of new expenditure. The government already pays 80 per cent of the 4500 krone (slightly above $750) paid out every month to everyone out of work, provided they have worked before and have paid a nominal insurance premium. The first count excludes many of the young, the second almost nobody.

To the Government, the membership in the European Community is a kind of insurance premium, giving Denmark freedom of action not otherwise available. In the currency turmoil in the wake of the withdrawal of the French franc from the EC monetary snake, the Germans propped up the Danish krone. Thus giving the Danes, at least in the first instance, the freedom not to do anything. And sometimes non-decisions are as important as decisions.

—LIEF BECK FALLESEN

Dublin

The final chapter in one of the most bizarre sagas in recent Irish history was written in a Dublin courtroom the other day when two of the heaviest sentences ever passed by an Irish judge were handed out to two extremist Republican kidnappers. The special criminal court in Dublin, which was set up to try members of the IRA and other subversive groups, sentenced bearded Eddie Gallagher to 20 years in jail and his pretty brunette accomplice Marion Coyle to 15 years for their part in the kidnapping of a Dutch industrialist, Dr. Tiede Herrema, who was managing a Dutch-owned factory in Ireland.

They were arrested following an 18-day siege of a house in the small village of Monasterevan, where they held Herrema prisoner in a bedroom. Journalists from all over the world who had camped outside the house throughout the siege were on hand to witness the surrender following a bitter war of attrition between the army and the police and the kidnappers. Finally, it was Herrema, a former prisoner-of-war and a keep-fit enthusiast, who outlasted his kidnappers. He was able to fly back to Holland within hours of his release to rejoin his family, while Gallagher and Coyle, both still in their twenties, were very much the worse for wear.

The implications of the saga, however, go far beyond the courtroom confines. The kidnapping, which was carried out in a bid to free from jail an IRA leader and a British heiress who is serving a jail sentence for her part in the biggest art robbery in history, was the third in a list which has done irreparable harm to Ireland's name abroad. Yet they are just a minute part of a series of events arising from the Northern Ireland conflict that have done untold damage to Irish industry and tourism by frightening off potential foreign industrialists and visitors to a land which was once both a safe place to invest in and to visit.

Irish Minister for Industry and Commerce Justin Keating, in a speech in Bonn recently, tried to quantify the damage that the present wave of violence has cost in pure money terms. He put the figure at between 500 million pounds and 600 million pounds, which he stressed was only a guesstimate for the Republic of Ireland. It does not, of course, include Northern Ireland. Keating pointed out that this figure took into account the extra money the Government has had to spend on security, the loss on expected foreign investment in the country's growing and increasingly vital industrial base, and the equivalent of the loss of a whole year's tourist revenue since the current troubles began in 1969.

While the political problems in Northern Ireland may appear to be intractable, the Irish Government is doing all it can to contain the violence within its own borders and to cooperate with the British Government to defeat the bombers and the gunmen in Northern Ireland. The IRA is outlawed in the Republic, and many of its members are in jail, having been been convicted by the special criminal court. However, the maximum sentence to date has been two years for proven membership in the IRA, and Minister of Justice Patrick Cooney is currently preparing new legislation which would greatly lengthen sentences.

A further weapon against the extremists has just been passed by the Irish Parliament. Alongside similar British legislation, it

"Forget the terrorists, sergeant, we're here for the potatoes." Jon, *Daily Mail*, London.

would have the effect of converting the whole island into a single jurisdiction for certain terrorist-type offenses and would help combat the problem of crimes being committed by gunmen and bombers on one side of the border who then retreat across it to what at present amounts to sanctuary. The Irish and British Prime Ministers recently had another in their series of meetings in London during which they discussed further security measures. This type of cooperation, which is an essential ingredient in the eventual defeat of the politics of the bomb and the bullet, has been greatly facilitated by the shared status of both Ireland and the United Kingdom (including Northern Ireland) as member states of the European Community.

—PETER DOYLE

London

Harold Wilson's resignation as British Prime Minister took Britain, and Europe, by surprise. He has been at the center of British politics for so long that his skillful balancing act, which kept the Labour Party together and in power for so much of the time, will inevitably be missed, even if it is not mourned.

But despite Wilson's protestations that things are getting better in Britain, his successor faces a set of daunting problems both in terms of the Labour Party, and more important, in terms of the country as a whole. Wilson's great achievement was to paper over the enormous cracks within the party that he led for more than 15 years. His successor is going to have to demonstrate very rapidly that he has some of the same skill in the face of the challenge to the party from the left and from Scotland, where dissident Labour MP's are talking of starting their own party.

For this reason the man who had been tipped most strongly for the post of Prime Minister was James Callaghan, the 64-year-old foreign secretary, who has carefully kept his links with all sections of the party in good order and whose center-left positions are broadly acceptable to all sections of the party. Over the EC referendum, for instance, he showed almost as much dexterity as Wilson in sitting publicly on the fence for as long as he could even though privately he was a supporter of the Market.

Wilson has repeatedly been attacked for putting party unity before all else, and Callaghan would almost certainly follow his example. Michael Foot, who emerged as his most formidable challenger, is much more clearly identified with the left of the party, although he has grudgingly come to concede the need for an incomes policy during the last two years of ruinous British inflation. Foot was passionately opposed to British entry into the Common Market and would have a very difficult time keeping the party intact because he is distrusted by the right-wing of the party.

Chancellor of the Exchequer Denis Healey also put his hat in the ring. Once a favorite of the party's left, he has recently alienated it by his program of massive public spending cuts that nearly brought the Government down. He is a very able man, with a clear idea of the problems facing Britain, but could be seen as too abrasive to lead a party which knows that it needs a leader who is not too clearly identified with one faction.

There was a time when another of the challengers, Roy Jenkins, was tipped as the natural successor to Wilson. A passionate European with center-right Social Democratic views that are attractive to the large center of the British electorate, he has become something of a "bogey" for the left of the party. He is widely held to be too elitist and too much "of the establishment" to manage to keep the party together.

Besides these four there were two others in the contest. One was Anthony Wedgwood Benn, the left-wing oil minister, who is younger than the other candidates and was almost certainly staking out a claim for

Donato, *Toronto Sun*, Canada.

a future election rather than this one. The other was Anthony Crosland, who shares many of Jenkins' views but lacks the wide party appeal of a man like Callaghan.

The next Prime Minister's major task will be to persuade Britain's powerful unions to continue to accept wage restraint while not alienating either wing of the party. With Britain in serious economic difficulties, it may be argued that more fundamental reforms are needed than merely keeping the party together, but as long as it remains in power its own internal politics will inevitably dominate the thinking of the Government and its leader.

—DAVID BELL

Luxembourg

For leaders of developing nations seeking the path to widespread wealth, full employment, and stable government through the exploitation of a key natural resource, the latest one hundred years of Luxembourg provide an inspiring example.

During most of the nineteenth century, Luxembourg was a beaten, impoverished land, buffeted by the diplomatic whims of France's Napoleon III, Germany's Bismarck, and the kings of Prussia and Holland. The country was known to be rich in iron ore, but the high phosphorus content made the stuff useless at the time in producing steel. In 1876, however, a brilliant English engineer named Gilchrist Thomas discovered how to extract the phosphorus from the ore through the smelting process, thus permitting full exploitation of Luxembourg's mineral largesse.

In the decades that followed, Luxembourg experienced the classic pattern of rapid industrial growth. The fast developing steel industry led to the birth of small manufacturing firms. Farmland came under more intensive cultivation to feed the growing number of industrial workers in urban areas.

Since the Second World War, the country's economy has expanded beyond the steel sector as several American chemical companies and banks established European branches in Luxembourg. Dupont de Nemours and Monsanto, which began production there only 12 years ago, now account for one-fifth of the country's gross national product, while the number of banks has grown from 13 in 1955 to 75 in 1976.

Unlike most of its partners in the European Community, Luxembourg could never count on cheap, plentiful raw materials from colonies abroad to fuel its development. The economic base grew from the shrewd use of a local mineral, then expanded later through infusions of foreign capital. In many respects, resource-rich developing countries, such as Iran with its oil and Zaire with its copper, are trying to emulate that pattern.

—WILLIAM DROZDIAK

Paris

The semi-annual summit meetings between French and West German leaders have taken on a significance under Giscard d'Estaing and Helmut Schmidt that they haven't had since the de Gaulle and Adenauer meetings in the early Sixties. This was seen during the recent meeting in Nice, when the two men made a common commitment to defend the parities of their currencies and maintain the European joint float, only to see this undone later by heavy speculation in Europe's money markets.

If de Gaulle and Adenauer, with their "mystical communion," created Franco-German entente, it was not to last long. Only months after the Franco-German treaty was signed in January 1963, Adenauer had retired, and there began the long period of estrangement to which many individuals contributed—Erhard, Schroeder, de Gaulle, Debré, Kiesinger, Brandt, Schiller, Pompidou, Jobert, and Kissinger. With the simultaneous arrivals to power of Schmidt and Giscard d'Estaing in the spring of 1974, the Paris-Bonn entente was brought out again and dusted off. The two former finance ministers became the first to put what de Gaulle had called the "complementarity of the two nations" to work positively.

For the French leader, Franco-German cooperation is the centerpiece of foreign policy. He is committed to making France an economic equal with the redoubtable Germans. Bringing France back into the European joint float last summer was a risky decision, but one Giscard felt he had to take if France was to become as strong and stable as her partners.


Valéry Giscard d'Estaing.
Pierotti, Rothco Cartoons.

For Bonn, true cooperation with France became possible when Paris dropped the tactics perfected under Pompidou and Jobert of forcing West Germany to choose between Paris and Washington. Says a German official: "Under Giscard, French relations with Washington have improved so they no longer pose a problem for us." Under Giscard, Atlantic relations and European relations have improved at the same time, which Jobert argued was impossible.

Another key to French foreign policy is the avoidance of disputes with Washington. This has been seen on recent occasions when it appeared that Washington was trying to force a quarrel upon Paris. There was direct, blunt criticism of French policies on nuclear plant sales, trade and monetary policy, and the recognition of Angola. There were some highly unappreciated and probably counter-productive anti-Communist remarks by General Alexander Haig, and each time the French kept a discrete silence or replied with polite, well-padded jabs.

This has facilitated the Paris-Bonn relationship, and this could be seen at Nice. For two days the two leaders sequestered themselves in the foothills above the Mediterranean, practiced their English, played their first game of chess (having agreed that the winner would not be revealed), and discussed Europe. On the essential, there was little disagreement. They will go ahead with plans for direct election of the European Parliament, common passports, and streamlining of Community decision-making. Bonn agreed to help Paris defend the franc and stay in the joint float. The US Federal

Reserve would also intervene, which wouldn't have been possible without the Franco-American monetary accord at Rambouillet.

Paris and Bonn also announced at Nice that they would begin the joint development of fast-breeder and high-temperature nuclear reactors, a field in which the United States has been having considerable trouble. For the moment, the Adenauer-de Gaulle train is back on the rails. If it is successful enough, there is no reason that successive governments and leaders should want to slow it down.

—JAMES O. GOLDSBOROUGH

Rome

The Eternal City appears almost certain to be Communist-run by summer. The bigger question is whether a leftist administration, if it wins the dubious honor, can grapple significantly better with the mountain of urban problems afflicting the capital of Italy and seat of world Catholicism. The last elections in 1971 gave Christian Democratic Mayor Clelio Darida's coalition of Christian Democrats, Socialists, Social Democrats, and Republicans a bare two-seat majority on the 80-member city council. Since then the Socialists have increasingly argued that the West's largest Communist Party should have a say in running what is now sometimes called the "infernal" city.

Polls in Italy are not without risk, but the first election canvass of 2,100 Romans by a national magazine indicated the Christian Democrats will get the bounce and be forced into opposition for the first time. Asked how they'd vote more than two months before the still unset spring election date, 27 per cent opted for the Communists, 14 per cent for the Christian Democrats, and 12 per cent for the Socialists. Many—28 per cent—were undecided. But the Communist-Socialist alliance, likely to get another 6 per cent support from small minority parties, would need to win only 20 per cent of the undecided votes to secure a majority. Perhaps more telling, 49 per cent of those queried said they wanted some kind of left-wing administration with the Christian Democrats relegated to opposition. Only 11 per cent wanted a Christian Democratic-only leadership, and only between 15 and 20 per cent were for a center-left coalition embracing Christian Democrats, Republicans, Socialists and giving the opposition Communists a non-governing consultative role. Only 5.6 per cent thought Rome was being governed "well." "Rather badly" was the judgment of 32 per

cent, and 57 per cent opined city hall's performance was "awful."

Communist-Socialist coalitions already run Milan, Naples, and Turin, the three largest cities outside Rome, and the latter two have Communist mayors. Similar coalitions run 37 provincial capitals, including Bologna, Florence, Genoa, and Venice. The Communist Party won 2.5 million new votes in last June's regional elections nationwide and polled 33.5 per cent in the Lazio region (whose capital is Rome), where it is the strongest party. So the red flag is likely to fly, figuratively, atop the Capitoline Hill unless there are major surprises that few politicians expect. Says a cleaning woman for one foreign family: "I'm a fascist and will never live under a red flag in Italy. But yet I'd like to see a Communist mayor here because things would be run better like in Bologna."

What's wrong with Rome? Just about everything from an administrative viewpoint. It is 4.3 trillion lire ($5.4 billion) in debt—one-fifth of the entire debt of Italy's 8,000 communities. It breaks down to 1.5 billion lire (nearly $2 million) for every Roman. The city pays 1 billion lire ($1.3 million) each day in loan interest to the banks which are its only saviour from default. Rome hasn't had a balanced budget since 1959, and this year's budget alone is 706 billion lire ($917 million) in the red. The fiscal problems are manifold and include widespread tax evasion, the city's inability or unwillingness to enforce heavy fines prescribed by law for multi-billion-dollar illegal construction, and irrational transportation charges. A bus ticket to anywhere in Rome still costs only 50 lire (six cents), one of the lowest fares in the world, although the municipal bus system is 178 billion lire ($131 million) in the red.

Rising administrative costs have not been matched by state assistance, and since 1945 more than one million newcomers, many from Italy's impoverished south, have poured into Rome seeking nonexistent jobs, straining housing, schooling, and public services to their limits and beyond. Nationwide unemployment is running at 7 per cent but left-wing organizations say it is close to 20 per cent in Rome. The election poll asked what problem should be tackled first. Unemployment rated only 14.3 per cent, well behind hospital service reforms, schools, transportation and housing, and was fractionally behind the 14.6 per cent who wanted more green areas in Rome—the city with less park space than any other major European city.

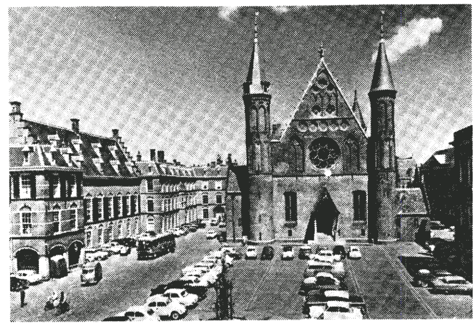
—PETER J. SHAW

The Hague

They are only half hour apart on the highway, but Amsterdam and the Hague are light years distant in pace and style. Amsterdam is a glittering financial and artistic center which makes no attempt to mute its claim to being the spiritual capital of the country. The pulse is fast, the politics anarchical, and the old dialect only vaguely decipherable to outsiders. The Hague is a sleepy, conservative town which prides itself on speaking the most correct Dutch in existence. It houses the Dutch parliament, Government ministries, and diplomatic corps and manages to imbue them all with its thorough-going dullness.

These mutually suspicious worlds collided spectacularly in February when the gray bureaucrats in the cultural ministry in the Hague discharged Emile Meijers, the headstrong director of the two-year-old Vincent Van Gogh Museum on Amsterdam's museum square. Meijers had charmed the fickle Amsterdam public by developing the new museum, built mainly to house the Van Gogh family painting collection, into a center for art experiments of all kinds. He brought electronic musicians, photographers, and amatuer artists from the neighborhood in to exhibit their talents in the large ground floor of his box-like museum. The ministry in the Hague was shocked not only by Meijers' freewheeling style in what they had conceived as a sort of temple for the great Van Gogh, but also by the bills he was running up that far outran his meager budget allotment.

The cultural ministry sent Meijers on indefinite leave of absence, forbidding him to set foot in the museum which he had



developed from the blueprint stage during the last 10 years. The national director of castle preservation was installed in his place with orders to cut back on experiments and straighten out the museum books. At the same time petitions and letters of support for Meijers poured in from the Amsterdam artistic community.

Meijers' argument for his spending spree was the need for a new museum to build up an image and following early, just like a new firm has to establish a brand name. He said he took the experimental path to get the most people possible participating in the museum and thus giving it a life of its own. A December exhibit called "sanctuary" was a perfect example of his concept.One hundred forty amateur artists, many of whom take lessons in the museum's own studio, were invited to exhibit their view of the neighborhood around the museum, along with about 20 professional artists.

Under Meijers' direction, the museums visitors' total has climbed steadily, approaching the 700,000 level in 1975, which is second in the Netherlands only to the fabulous Rijksmuseum on the other side of the museum square. More importantly, a growing percentage of these visitors were Amsterdamers, drawn by Meijers' happenings, and not the waves of foreign tourists, attracted by the Van Goghs.

But the cultural ministry, which has the final say, has remained unmoved. In the current recession period, cultural budgets throughout Europe have been pared to the bone and they have been forced to cut back museum activity throughout the country. For them, Meijers is one of 20 museum directors battling for the shrinking pie of subsidies. "He thinks everything is possible," grumbled one ministry official in the Hague recently, "but we know different."

—PAUL KEMEZIS

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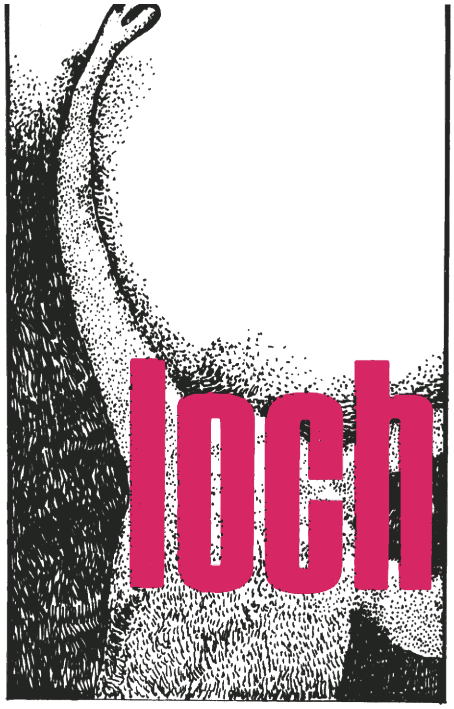

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loch ness m

WALTER STURDIVANT *Washington-based*
the novel The Trip Back.

Deep in the liquid night on the silt-layered floor of the loch, it awakes. A flipper of sorts stirs the rot of centuries into momentary whorls as its great shape begins to rise lazily through the opaque, peat-stained water. For the first hundred feet or so it remains unperturbed, sensing only a subtle warming of the water's temperature. Then something begins to flicker within its cretaceous brain, and a head—a mere extension of a serpentine neck—moves dreamily in the dark before dubious eyes quiver and open: Jellied ovals of strange perception pierce the gloom, the intermittant drifts of slime sheets, and begin to track upon a movement somewhere above. A bed of anguilla eels disburse into random crevices of stone as fearfully they watch their foe gather speed toward a serene, obsidian-like surface reflecting still pictures of solemn pines, birch groves, escarpment and summitry, here and there interspersed with the rising mist of dawn.

The water lightens to the color of dark tea. Black trout and pike scatter and dive as though to warn migrating schools of Atlantic salmon—which have come from the North Sea through the locks and weirs of the River Ness—that an "uncommon beste" of prey is upon them. A frenzied boil builds beneath the surface, causing the serene pictures of toppling greenery and spare cliffs to disassociate and upheave in a flurry of foam. A hump of appreciable height appears and throws off a V-shaped spray as it gathers speed across the loch, then only to submerge suddenly with hardly a ripple. The reflections once more become perfect, the mist dissipates, and the sure morning light invades the Great Glen. . . .

Here in the highlands of northern Scotland the legend of a "water-kelpie" or "water-horse" rising from the depths of a vast freshwater lake, even advancing upon shore for brief periods, has become so entangled with absurdity and alleged documentation that further comment on the "Loch Ness Monster" seems ill-advised. As man needs fantasy upon which to thrive, fantasy itself must remain inviolate to the continuous probes of curiosity. Yet since 1933, with the construction of highway A-82 around Loch Ness, interest in the creature has risen, peaked, subsided, and now risen again. The efforts of 43 years have currently and temporarily consummated in three obscure underwater photographs taken in June 1975 by Dr. Robert Rines, lawyer and president of the Academy of Applied Sciences, Boston. The pictures were viewed with initial interest by magazine editors and scientists from the Smithsonian Institution. Rines scheduled a December meeting of august scientists in Edinburgh, Scotland, sponsored by the Sir Peter Scott Symposium and the Royal Society of Edinburgh. However, it collapsed beneath heavy publicity unsuited for scientific study and, more importantly, by the lack of support from the British Museum, whose members contended the pictures did not prove the monster's credibility.

The photographs, originally valued by its owner at $50,000, according to Joseph Judge, senior assistant editor of the *National Geographic,* are now available for modest fees without fanfare. "I am not saying that the material is a fake," Judge said in a recent interview, "but the picture of the head and neck looked just what a monster

onster

riter whose most recently published book is

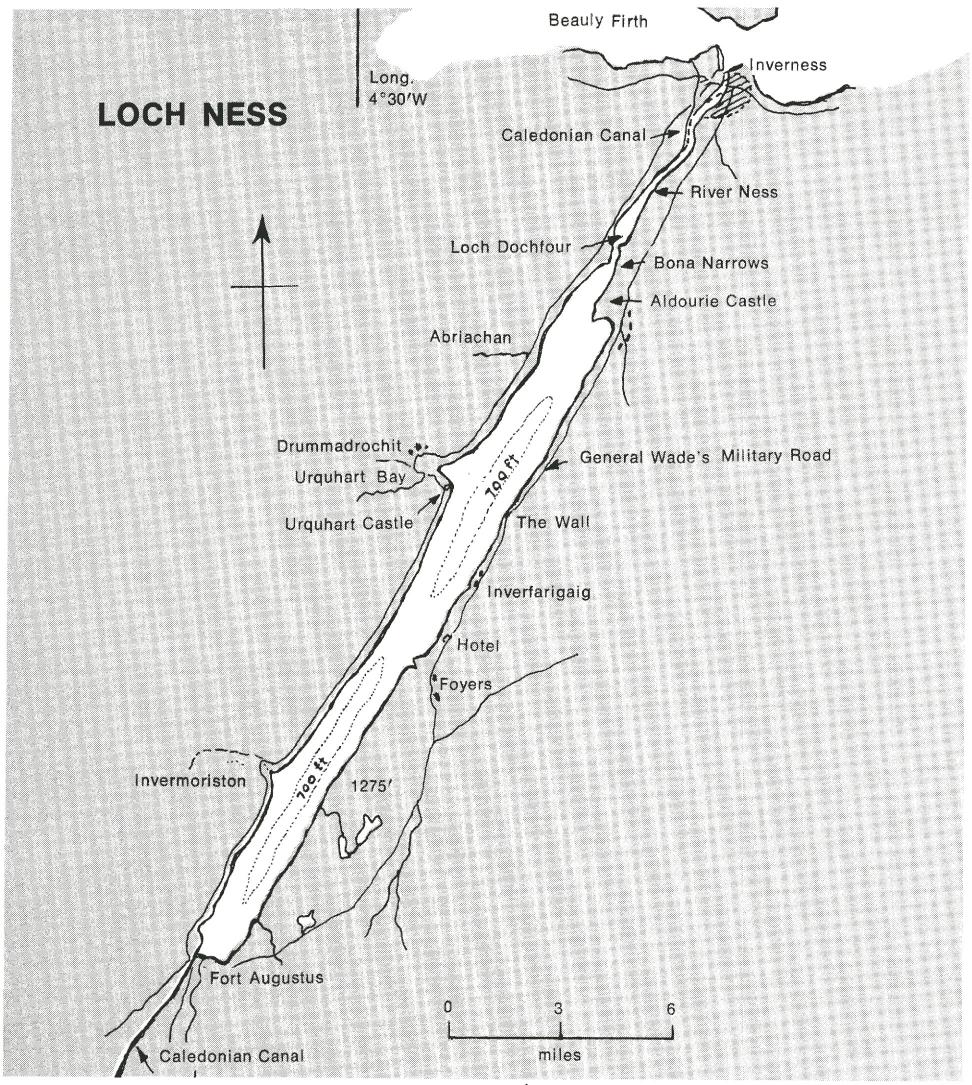
of the deep should look like. The gaping mouth, that long bony ridge running down the center of its face, the oval eyes with frilly ridges around them . . . like Puff the Magic Dragon."

On that September 6 viewing at the Applied Photo Sciences in Needham Heights, Boston, Judge was accompanied by editor Gilbert Grosvenor and senior assistant editor Bill Garrett, both of whom were impressed but also skeptical. However, they agreed that the *Geographic* would be in a position to publish if certain criteria were met. The grainy texture of the photographs needed to be lightened so they would show "unequivocably an animal of sorts," and it was necessary for Dr. George Zug, head of the reptiles and amphibians department at the Smithsonian, to "make an identification of the beast which would bear scientific approval and scrutiny."

The photographs were sent to Jet Propulsion Laboratory, Los Angeles, where technicians asserted that they had not been altered in any way (such as an air brush treatment) and that some sort of animal was definitely apparent. But when they were returned a month later and examined by the same *Geographic* editors and Doctors Zug and Rines in Washington, the clarity had not been sufficiently improved, and Zug made no significant comment (he was later to make a statement that gave impetus to the December publicity). Nicholas Witchell, in his book *The Loch Ness Story,* says that Zug "noticed details which only the trained zoological eye would see; for instance on the underbelly picture they had been particularly interested by the parasites, and there had been speculation that a dark area toward the left end could be the creature's anal fold."

With insufficient evidence at hand, the *Geographic* staff proposed to Rines that he delay the announcement of his findings until they could send their own camera crews to the lake and verify the animal. But Rines would have none of this, thus terminating further discussions. "At one point I blandly suggested that the pictures were possibly a fraud," Judge said, chuckling, "and Rines really blew up." While Judge maintains an open mind to the possibilities of some rare creature gamboling about in the loch, his desire to pursue the beast is somewhat apathetic. "I suppose we will get around to it one of these days, and when we do we'll send the two best underwater photographers in the world, Bill Curtsinger and Dave Doubilet. If there is something in there they'll get it . . . and I don't care how long it takes." What especially bothers Judge about the creature's existence is that not a single bone, much less a skeleton, has washed ashore since the monster was allegedly seen by St. Columba of Ireland in the sixth century.

Up from deep canyons below Urquhart Castle, the alleged monster rises to feed on migrating salmon. Most sightings have happened here.



Drawing based on illustrations appearing in The Loch Ness Monster, *Tim Dinsdale, Routledge & Paul, Oxon, England.*

It is toward this aim as well as attaining clearer pictures of the animal that Rines has invited Dr. Christopher McGowan, a palentologist with the Royal Ontario Museum, Toronto, and Dr. Zug on another two-or-three-week expedition tentatively scheduled for late June or early July. The Academy's 20-foot outboard motorboat, *Hunter,* will be equipped with a side-scan sonar, a more sophisticated device than previously used and which provides a better "resolution" to objects beneath the surface. It supposedly is able to penetrate the Stygian gloom of the loch and report back in "pictures" of reasonable clarity. If bones are identified, they would likely be obtained by a mini-submarine equipped with pincers. Photography will also be more sensitive with an improved 35 mm Edgerton underwater still camera. It will have a higher exposure, cover a larger area, and take pictures at a two-second time lapse. Undoubtedly more pieces of delicate equipment shall accompany the camera eye, which has perhaps winked at the monster once in nearly half a century. The chance of a second and clearer rendezvous is remote, but the search continues for something like a giant eel or snail—uproarious as a power boat, evanescent as mist.

THE GREAT GLEN is a 100-mile-long rift valley stretching across the Scottish Highlands from the Moray Firth in the northeast to the Firth of Lorne in the southwest, thus forming a natural link between the North Sea and the Atlantic Ocean. It is the result of a side-ways slippage of the earth, a northeast-southwest trending fault of the Caledonian mountain system. During the Ice Age, Scotland was literally shoved down into the earth, and when the ice melted, the sea rose for a time, then ceased. But the land kept on rising, some 50 feet above sea level, sealing off bodies of water from the oceans and leaving bizarre, white beaches about the edges of medieval forestry.

Loch Ness, the largest freshwater lake in the British Isles and the third largest in Europe, is the principal basin of the Great Glen. It receives a quantum runoff from neighboring glens—Glen Affric, Glen Cannich, Glen Moriston, Glen Farrar, Glen Urquhart—so that the water level may rise as much as 24 inches in an hour. Any possible underground passage from the loch to the North Sea has long ago been damned by some two miles of river-brought silt, thus changing the original sea loch into a freshwater lake. It has no curving outlines made by an indented shore or shallow bays; but, instead, its riparian walls slice straight down, giving the appearance of an enormous ditch widening to 1.5 miles and extending approximately 23 miles from Inverness in the north to Fort Augustus at the southern end, where the Caledonian Canal continues on into the Atlantic. Its depth exceeds 700 feet over much of its length, with the deepest point so far discovered of 975 feet. The loch never freezes and acts like an inland Gulf Stream on its immediate environs, giving off in winter a vast amount of heat collected in the summer months. The coldest water remains at a fairly constant 42 degrees, warm enough to provide a home for literally millions of migrating eels, which, according to ichthyologists, have made their home here instead of going to the sea. Along the rocky shoreline a reddish brown algae adheres to the stones, and in the shallows around the mouths of tributary rivers and burns is an abundance of freshwater weeds and organic detritus—all a possible food source for eels, brown trout, salmon, and sticklebacks. Hence, the biomass of the loch is thought sufficient to support a population of large animals.

The loch inherits its name from the Greek water goddess Nesa, whose spirit was thought to cause the many "unnatural" occurrences in the area. If "Ness" is given a feminine diminutive ending, it becomes "Nessie"—the sobriquet for the Loch Ness Monster. The scientific name of *Nessiteras rhombopteryx* has been applied to Nessie by Rines and his supporter Sir Peter Scott, head of the World Wildlife Foundation and chancellor of Birmingham University. The word *Nessiteras* combines the name of the loch with the Greek word *teras,* genitive of *teratos,* which means a "marvel or wonder . . . arousing awe, amazement, and often fear." The word *rhombopteryx* is a combination of the Greek *rhombos,* meaning a diamond or romboid shape, and the Greek *pteryx,* meaning fin or wing. The name does not link the species to any animal or group of animals known to science but applies specifically to the creature first recorded by St. Columba in 565 AD. From a zoological point of view, to base a name on photographs rather than the remains of an animal is quite unsatisfactory, however justified by the urgency to protect an endangered species and therefore permitted by the International Code of Zoological Nomenclature.

In 1933 dynamite charges shook the loch-side, tumbling boulders, tree limbs, earth, and scree into the lake. For a year the blasting intermittantly continued as steam shovels chuffed and gnawed their way through the forest, gradually surrounding the once tranquil shoreline with the fresh macadam of a scenic highway. Such violent activity sent reverberations down through the waters beneath Fort Augustus, down into the deep holes off Urquhart Bay, and down into the shallows around Dores, Foyers, and Invermoriston. After the day's work a quietude descended, but only for an uncertain time. Then something that looked like a hump of sorts, perhaps only a wave or floating log (surely one that had been blasted that morning) or an upturned boat, would appear, drift, and disappear beneath a gibbous moon.

In May of 1933 a well-known Inverness businessman and his wife told Alexander Campbell, a reporter for the *Inverness Courier,* that "when motoring along the loch we were startled to see a tremendous upheaval in the loch . . . the creature disported itself for fully a minute, its body resembling a simmering cauldron. . . ." After reading the story, Dr. Evan Barron, publisher of the *Courier,* was said to have remarked: "We can't go on calling this thing a creature. If it is as big as you say it is, then it must be a real monster." Hence, the word "monster" became more frequently applied to Nessie, especially during the period 1933-34, when some 44 sightings were reported though the majority were that of a single witness. Other more dramatic episodes quickly followed.

That same summer of 1933 the MacLennan family took an outing near Urquhart Castle. Mrs. MacLennan said that she was walking barefoot up a grassy knoll and "came on Nessie unawares, stretched out full length in the summer sun and a more ugly sight you never saw. It had short, thick, clumsy legs with a kind of hoof very like a pig's but much larger." Her startled cry awoke the beast, and "it lurched itself upon two forelegs, it had four legs, then slithered hoofs forward over the cliff. It did not stand up like, say, a cow. It kept the hindlegs on the ground seal-wise. It seemed to be too heavy in the body for its own legs. It went down quietly with a great splash. The rings [in the water] were all my boys saw, thanks to me and my yell."

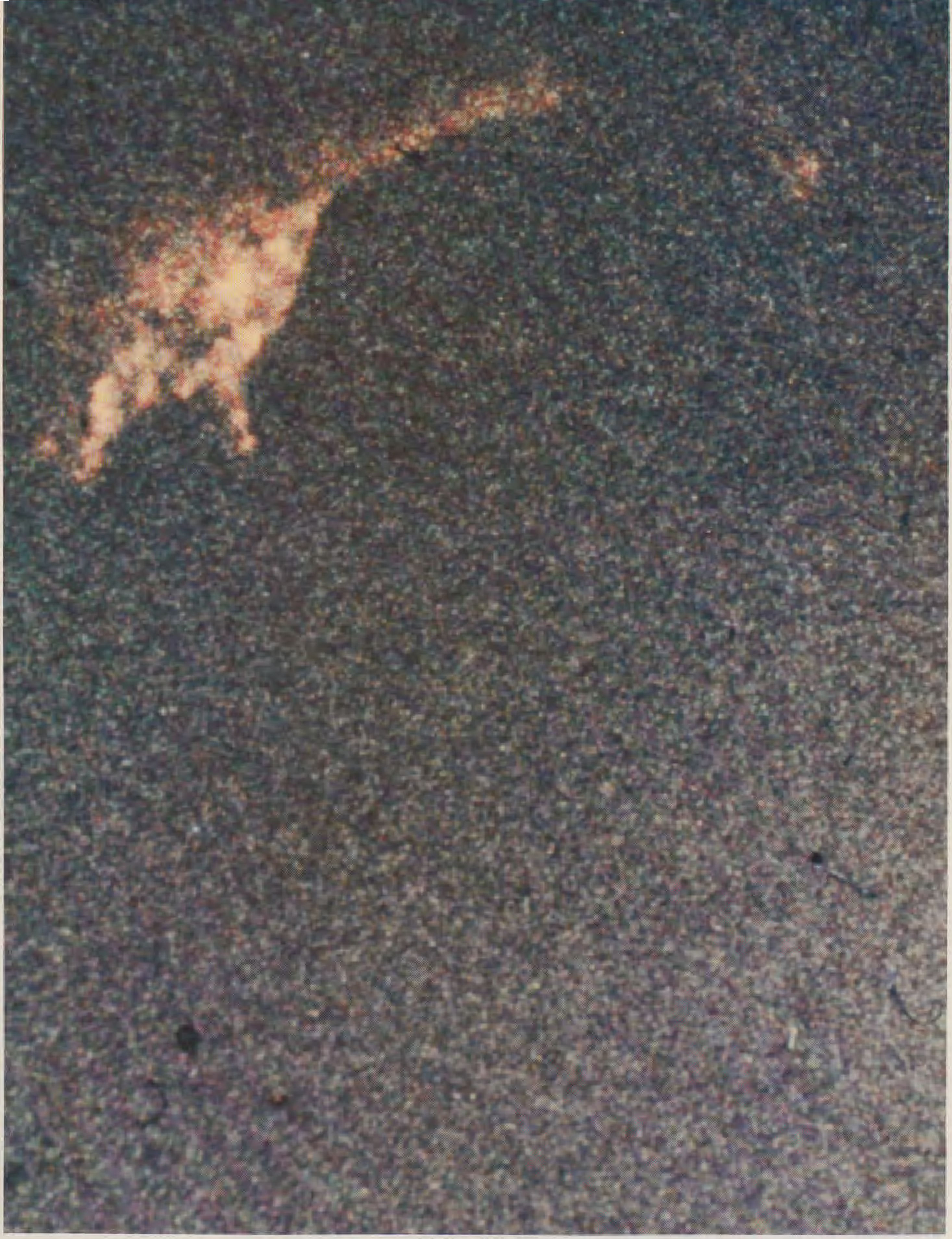
In July of the same summer Mr. and Mrs. Spicer, of London, were traveling leisurely from Dores to Inverfarigaig. As they approached a slight rise in the road, they saw at the crest the upper portion of "the most extraordinary animal" whose "undulating" neck led its "ponderous" body across the road in a "series of jerks." They saw no limbs but believed to see a tail curled around the side of its body. "It was terrible, a dark elephant gray of a loathsome texture, reminiscent of a snail."

The Spicer account, strengthened by other sightings that year, broadened Nessie's reputation. A circus offered 20,000 pounds for a live capture. Schemes for netting the beast were pursued. Even methods of electrifying or draining the loch were seriously studied. But these activities came to nothing and Nessie remained as elusive as ever, except for the questionable reports from lone witnesses such as the following excerpts:

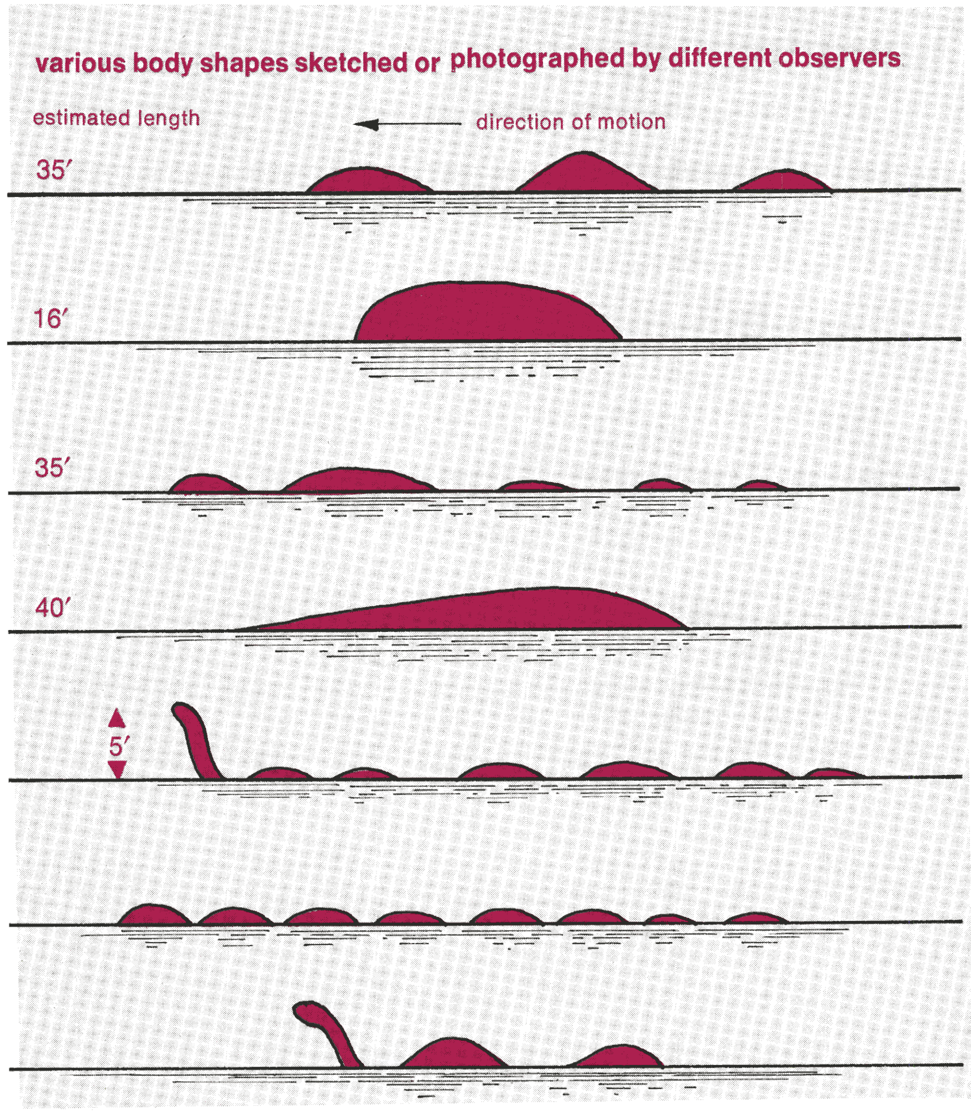
- ". . . a violent splashing, then a big brown thing rose in the center of the disturbance. . . ."
- ". . . moved slowly toward the observer with a violent and continual splashing on each side of the hump."
- "A V-shaped wash coming straight at the observer."
- ". . . moving across the loch in zig-zags of 25-30 yards each."
- "Waves being sent out very much like those caused by a steamer, yet the loch was calm, there was no steamer in sight."

Before the end of the year the monster was captured on film for the first time. Hugh Gray, a fitter with the British Aluminum Company, was taking pictures of the loch along a promontory near the River Foyers when he suddenly saw "an object of considerable dimensions rising out of the water with much upheaval and wash. It was of very great size with glistening, dark grayish skin that appeared fairly smooth." The

The view north from Inverness: Loch Ness cuts a deep, broad swath through the Scottish Highlands.



The Loch Ness Monster, according to Dr. Robert Rines, who took the photograph in Urquhart Bay last June. This and two other Rines photographs of the alleged Nessie are the cause for the revived interest and controversy. © Academy of Applied Sciences, Boston. /Photo Trends



Drawing based on illustrations appearing in The Loch Ness Monster, *Tim Dinsdale, Routledge & Paul, Oxon, England.*

Inverness *Daily Record* carried his photograph showing some amorphous shape with the suggestion of a neck churning the waters. The skeptics doubted, the believers believed, and Nessie continued to titillate, startle, and horrify those who thought they sighted her in the lake or on the shore.

On the night of January 5, 1934, W. Arthur Grant, a 21-year-old veterinary student, was returning from Inverness to Glen Urquhart on a motorcycle. As he approached a curve he noticed a dark object rising up from the side of the road some 40 yards ahead. "I was almost on it when it turned what I thought was a small head on a long neck in my direction. The creature apparently took fright and made two great bounds across the road and then went faster down to the loch, which it entered with a huge splash. I jumped off my cycle and followed it, but from the disturbance on the surface it had evidently made away before I reached the shore. I had a splendid view of the object. In fact, I almost struck it with my motorcycle. The body was very hefty. I distinctly saw two front flippers, and there seemed to be two other flippers which were behind and which it used to spring from." Grant later described the creature in more vivid detail to the Veterinary Society in Edinburgh: "Knowing something of natural history, I can say that I have never seen anything in my life like the animal I saw. It looked like a hybrid . . . with a head rather like a snake or an eel, flat at the top with a large oval eye, longish neck and somewhat longer tail. The body was much thicker towards the tail than was the front portion. In color it was black or dark brown and had skin rather like that of a whale."

ALL OF THESE SIGHTINGS and the others to follow (present count about 4,000) may well be honestly, accurately related, but the thread which binds them is a fragile one, spun from the old maxim that *people believe what they want to believe*. Mrs. MacLennan might well have seen an otter or a seal, and it is difficult to accept Grant's impressively detailed account, especially since he viewed the creature in the moonlight for for a matter of seconds. Yet it is easier to believe that the loch contains some type of unusual animal than to discredit totally such abundant testimony and a few impressive photographs like the one taken by Col. R. K. Wilson, a London gynecologist, in April 1934 near Ivermoriston. The photograph shows a swan-like creature floating on the surface, perhaps the head and neck of the animal. The picture was later computer-enhanced so that whiskers became visible, hanging from the creature's lower jaw.

In all the photographs and testimony, the monster has assumed such a variety of physical characteristics that, if each one is accurate, *Nessisteras rhombopteryx* is a preposterous freak of nature. It has the head of a goat with stubby horns like that of a sheep, a wispy beard, a wide mouth cluttered with sharp teeth, nostrils, oval yet slit-like eyes, a long supple neck sprouting a mane, a sprawling globular body, diamond-shaped flippers, a round tail, and humps varying from one to as many as nine.

What baffles zoologists most about Nessie are these humps. Witnesses say they have seen the humps moving rapidly up and down, yet this vertical movement is supposedly impossible in a vertebrate structure, which the animal must surely have it if is to maneuver on land. The humps should logically be fixed like that of a camel's. Possibly they are folds of integument giving the illusion of movement as the animal swims or submerges. And possibly they are air-filled cavities under a vertically flexed backbone. This latter theory is advanced by Tim Dinsdale, leading British monster-hunter and author of *The Loch Ness Monster*. Dinsdale says he has seen (through binoculars) the domed-shaped back of the monster recede into two or more triangular humps. This movement suggests the presence of a large air sac or auxiliary lung running along the entire length of the creature's back. The sac may be inflated in stages, surmounting the fixed humps and causing the entire back to appear as a "puffed up rise" or an "upturned boat." The air sacs could well enable the creature to control its specific gravity, float for long periods, and sink "without a ripple."

If Nessie exists, she is obviously some sort of amphibian equipped with a unique breathing system and with a body temperature compatible with waters too cold for reptiles. Thus one premise gaining support by zoologists is that the creature is a descendent of the Pleisosaurs, specifically an Elasmosaurus, which became extinct about 70 million years ago. These animals—first appearing in the Rhaetic and last seen in the upper Cretaceous period—were completely adapted for marine existence in the open sea. They had flippers, a long slender neck, a small head, a sizeable mouth, and sharp teeth. They were to have fed on quick-moving prey like salmon and eels. The 1938 capture of a Coelacanth (presumed to be extinct some 50 million years) off East London, South Africa, sustains the theory that species of this age can still be alive. Other, less scientific speculations are that Nessie is an enormous newt, a giant slug, a long-neck variety of a giant seal, even some variety of a giant sturgeon or turtle. Then there is the final theory that the creature is nothing more than masses of rotting vegetation which periodically rise from the loch floor by the force of trapped gasses. Such "mats" have been seen in Norwegian lakes, rising to the surface with great velocity and then darting about in irregular directions from the propulsion of gradually escaping gas. When the gas is expended, the vegetation may float for a time or simply sink. Rotten logs and limbs of trees have been sighted in Loch Ness, but there is no recorded testimony of debris behaving so dramtically.

ON THE AFTERNOON OF JUNE 19, 1975, Robert Rines and his crew from the Academy of Applied Sciences piloted the *Hunter* and a secondary craft into Urquhart Bay—the area which has accounted for the most surface sightings of the monster. The bay is composed of two canyons of about 400 feet deep, out of which Nessie allegedly rises to feed upon the salmon migrating up the rivers which flow into the bay. At about 3 p.m. they anchored and began preparing their camera rigs—a main one to be lowered by a diver to a canyon shelf 80 feet below and the back-up camera to remain suspended from the boat in 45 feet of water. The main rig contained two 35 mm Edgertons, each facing away from the other with a strobe light positioned between. This effort seemed plagued from the beginning, since one of the cameras was found containing water and completely inoperative (the account varies as to whether it had been accidentally dropped overboard or carelessly neglected). It would take too much time to disengage it from the assembly, so down it went, settling harmlessly in a bed of silt. The operative camera was loaded with Eastman Kodak black-and-white, high-speed negative 2475, and so synchronized with sonar sensors that pictures would be taken every 10 seconds as long as the sonar field remained triggered. It was marked by a buoy and left undisturbed for about a week. The 16 mm back-up camera, loaded with high-speed Ektachrome color reversal film, not affixed to sonar, was timed to take pictures freely every 72-75 seconds. It was tilted slightly upward so that the camera window would intersect the strobe light positioned along the horizontal at about a 10 degree angle. The camera was lashed to the stern of the boat by a rope and the crew departed for shore in the auxiliary craft.

Between 2 and 3 p.m. on June 20, the back-up camera was raised and found still to contain film and was promptly lowered again, where it remained until the following morning and then raised again. About six days later it was lowered once again, and on June 29 both assemblies were raised. The counter attached to the lower camera indicated 92 exposures; the back-up camera had taken 2,000 pictures. The film was then sent to Charles Wyckoff, president of Applied Photo Sciences, for developing. The exposures in the main camera were completely opaque. "It didn't make any sense," Wyckoff said, "until the diver told me that he had found silt covering the camera window and the strobe light." Apparently whatever creature that came within range of viewing had stirred up a cloud of silt which permanently settled over the equipment. From the back-up camera six frames are thought to contain certain features of the Loch Ness Monster, of which two have been released for publication.

Editor Judge feels the venture was handled amateurishly, especially since the equipment was left unmonitored for 24 hours or more. "That summer someone was to have been dragging a fake monster around the lake. A diver could have easily placed the dummy monster near the shallow camera while the crew was ashore . . . or," Judge says, cryptically, "it could be Rines himself staging the whole thing." This final and most intriguing reason why the *Geographic* staff was suspicious of the photographs involves the personality of Rines. Rines is a patent attorney and dean of law at Franklin Pierce Law Center, Concord, New Hampshire, who (according to Judge) continually stresses to his students the importance of examining rules of evidence. Yet this is the same man who becomes enraged if his own evidence concerning the Loch Ness Monster is questioned. For some six years Rines has fought the distrust of the scientific establishment concerning his findings, and in early January of this year he spoke out against the reaction from London's Natural History Museum: "They've been hoaxed in the past and they have to be careful . . . but their hostile and emotional attack is unwarranted." Judge considers Rines a confident and well-informed man who "sounds like a textbook on sonar equipment and expertise." However, Judge suggests that Rines may well be playing a "serious" joke in deliberately duping the public and thus dramatizing in real life his classroom lecture of *caveat emptor.* This joke theory amused Judge even more when he learned that Rines has some connection with the Big Foot Museum in northern California.

Before Judge concluded the interview, he spelt out the words: *Nessiteras rhombopteryx* and with an impish smile began crossing out each letter with a pencil and rearranging them so that the following message emerged: *Monster Hoax By Sir Peter S.* "I know a guy in London who's hobby is anagrams and he sent me this in the mail. . . . That the monster's name could be reworked to read this way by *chance* is, well, one in a million."

This summer the *Hunter* will again probe the waters of Urquhart Bay, again the cameras will descend and wait for the elusive Nessie to swirl by typically in a cloud of silt like a capricious Grand Dame flounting her charms just beyond reach of true detection. Or perhaps she misjudges the pulsating strobe lights for the flash of finny prey and ventures too close, allowing a piece of her image to grace the lens. And again we mere humans will jabber at some odd-looking shape that claims to unlock the secrets of 70 million years. Call it a venture vital to scientific education, mere high adventure, or even vanity: Whatever the purpose and methods used, Nessie no doubt will continue to remain secure, drifting across the floor of silent seas, enrapped in manmade myths.

Colonel Wilson's famous 1934 photograph allegedly shows "Nessie" floating tranquilly on the surface of the Loch. Some scientists view this as the only genuine picture of the animal's head and neck. Wide World Photos

LEISURE

Sport:

American B-Ball Comes to Europe

WILLIAM DROZDIAK, *a former University of Oregon star who now plays for a Belgian professional team when not filing news dispatches for* The New York Times

As you trot out on the gleaming hardwood court, 10,000 voices explode into roars, the slight nausea in the pit of your stomach metabolizes into adrenalin, and your body begins to jolt through warm-up drills. That's when you feel the joys of basketball in America. When you are pelted by 50-lira coins as you grab a loose ball and drive around a swarthy Italian for a lay-up just before he knocks you to the concrete floor, you feel basketball in Europe.

For most of the 300 or so Americans who earn their living by playing basketball in Europe, such visions of the sublime to ridiculous occur early during their stay as privileged migrant workers. In the beginning there are language problems. One former star for a top California university, playing his first game for a Spanish team, was told in the pre-game talk that his main tasks were "to take rebounds, throw passes, and make breakfast." Minutes later he realized that he would not have to act as team cook at all, but only start the fast break.

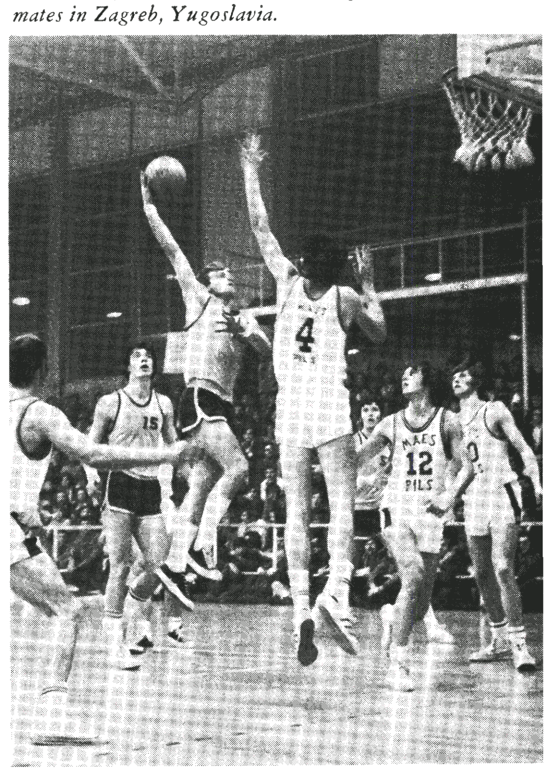
Some clubs have no access to a gym and must play their games outside. Inevitably, weather becomes a determining factor. "It adds a new dimension to the game when you have to alter your shot to account for the wind," remarks one veteran Yank ruefully. The cultural shocks, however, have their charm and also help deflate the puffed importance most players attached to the game in the United States. Long accustomed to the commercial pressures of his sport, the American player arriving in Europe begins to relax once he comprehends the low profile that basketball, as a secondary interest after soccer, carries in the eyes of European sports fans.

The sport came to Europe during World War Two, when American soldiers started teaching the game to their allies in drafty RAF hangars. Later the game's appeal spread to Eastern European countries, and basketball diplomacy became one of the few avenues of public contact between Russians and Americans during the Cold War of the Fifties. Though no Americans have ever played for Russian teams, US teams have frequently been invited to make tours of the Soviet Union. Over the years, Russian players have eagerly copied the various methods of American play, culminating with the Soviet victory over the United States in the 1972 Olympics. A Russian player attributed his team's success to a specially designed defense that had been popularized by former teams of the US coach Henry Iba.

American players started appearing in European uniforms in the mid-Sixties, when some of the more well-heeled clubs recruited American Army men to play for them on weekends. Eventually some US pro teams started sending over rookies who needed a year or two to mature before calling them back to the States. The quality of play improved, as the Europeans absorbed the American style and technique. Crowds became larger, especially in Mediterranean countries like Italy, Yugoslavia, and Spain, and European Cup matches (a season-long tournament involving the champions of each country) soon attracted a continental audience.

The trickle of American players who first played in Europe has now turned into a flood, as more and more collegiate stars bypass the rigorous pace of pro ball in America for a chance to see Europe, learn languages, pursue graduate studies abroad, or even launch an international business venture. How well the American player adapts to the circumstances of living and playing sports abroad usually depends on his willingness to put his cherished mem-

The author, number 12, with his Belgian teammates in Zagreb, Yugoslavia.



ories of big-time basketball behind him and seek new interests.

In Europe the sport retains a social flavor, if only because most European players practice in their spare time from regular jobs. Workouts are held two or three evenings a week with matches scheduled for Saturdays or Sundays. In such a context, it is difficult to treat the sport as an enterprise or a profession. Several American players, however, find the relaxed approach to be an effective antidote to the sports world mania they lived through in the United States.

Bob Morse, formerly of the University of Pennsylvania and now playing for the defending European champions of Varese, Italy, rises each morning at 7 am to catch an hour-long train ride into Milan. There he follows courses at the local university's faculty of veterinary medicine. One reason why basketball does not conflict with his study schedule is the frequency with which his fellow students decide to call general strikes, as he readily admits. The exam program also helps. He is required to take oral exams only at the end of each academic year, so preparing for them can be done at his own leisure. "I love the game, that's why I'm still playing it," he says. "But you need something more later on in life than a thick set of newspaper clippings."

Oregon's Bill More acquired a taste for fine wines while playing basketball for a team in Paris three years ago. He dropped the sport last year, having earned enough to bankroll a wine export business with friends in the United States. More still plays an occasional pick-up game in a "left bank" playground with some French-American friends. He is grateful for the maturity his playing stint in Europe brought him. "Growing up with basketball in the States absorbs so much time and energy that you leave school without time to adjust back to being a normal person. Playing over here helped me 'de-pressurize' from the whole competition thing back home and rediscover the simple fun of playing the game."

An American scores in Milan, Italy.

Film:

Europe's Women Directors

MARINA GAZZO, *Italian freelance writer based in Paris and Brussels*

With the recent release in the United States of *Swept Away, All Screwed Up,* and *Seven Beauties,* Lina Wertmüller has exploded on the American film scene. But this Italian director isn't the only one. Wertmüller is simply one of the most flamboyant, original, and imaginative of the lot. There are many other women directors now, not only in Italy but throughout Europe, many preferring "underground" movies in a more experimental and militant kind of expression than Wertmüller's.

Women started directing films over 40 years ago, but they were then the exception, generally trying to make everyone forget that they were women. In the Thirties, Germany had Leontine Sagan, famous for her *Mädchen in Uniform* (the first who dared to speak about homosexuality), and Leni Riefenstahl, who, before her propaganda films on Nazi Germany, wrote and directed sentimental stories in the typical "mountain-movie" style. In the Forties, the United States had Ida Lupino for drama and Dorothy Arzner for comedy; though clearly dated, their films are skillfully built. And there was also Maya Deren, whose movies —surrealistic, full of symbols, poetry, and dance—strongly influenced today's "New Cinema." In France, women directors appeared later, in the Fifties: The most successful was perhaps Jacqueline Audry, with "actor films" like *L'école des cocottes,* where, under the superficial brio of a traditional comedy, a very tame hint of feminism started to show.

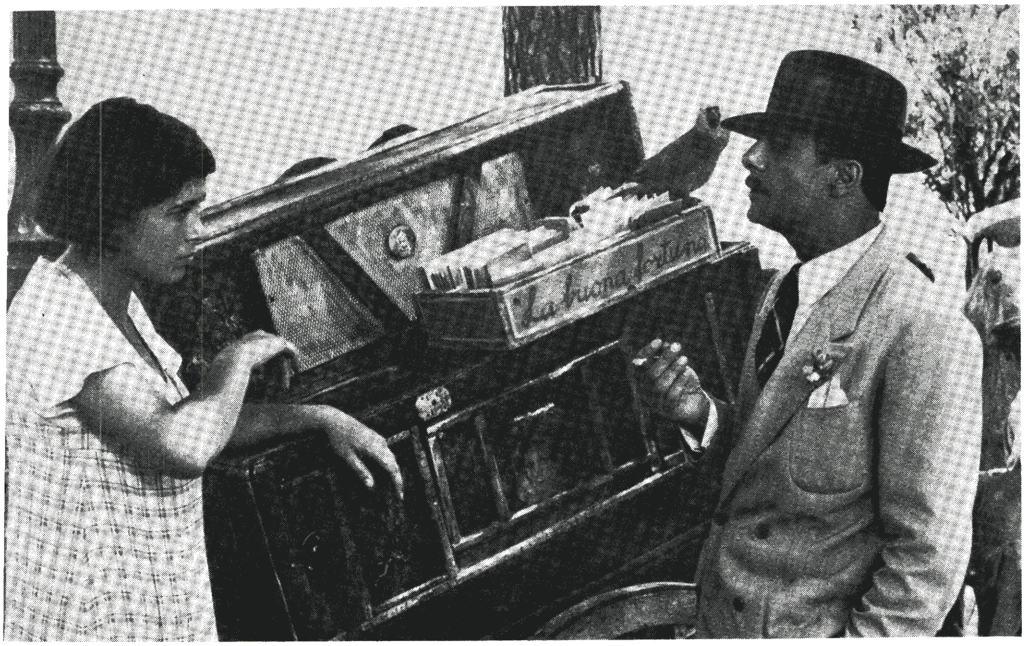
Now, more and more women are making films. They have more to say, they dare to say it, they are better organized, and it is easier for them to get the money they need. Actresses want to direct their own films, like Jeanne Moreau, who is now finishing her first, *Lumière.* Or like Sweden's Maj Zetterling, who chose to speak about women and their attitude on all the basic problems of life—their love, sex, and family life in the somewhat confused (and influenced by Bergman) *Alskand Par,* and about their striving for identity and independence in the more mature and biting (and also more daringly filmed) *Flickorna.* There are artists too, like Niki de Saint Phalle; her *Daddy,* colorful, excessive, violent, often obscene, and sometimes moving, resembles her paintings and sculptures—and it very much resembles an awaited "hour of reckoning" with the father.

Writers also, like Marguerite Duras, who, after many novels (some became films made by others), wrote several plays before discovering her own talent as a film director. Duras is a truly great director when she stops being cerebral and cryptic (as, for instance, in her political fable *Beau, le soleil*). Real emotions speak in her beautifully slow and deep *Nathalie Granger,* where two women and a little girl, and their house, are observed as if from within. And old obsessions take form in her haunting, poetic, and desperate *India Song,* where a bit of a dark garden in Paris, music, and a salon full of mirrors are all Duras needs to represent a distant, exotic place.

Not all women directors have such a personal style as Duras. Some of them seem to have opted for honest craftsmanship—like Nadino Trintignant (the wife of actor Jean-Louis Trintignant, whom she directed in several films). She usually builds her movies (with the exception of the more ambitious *Mon amour, mon amour*) on one very dramatic event—a kidnaping, the death of a child. Her *Ca n'arrive qu'aux autres,* with the famous Deneuve-Mastroianni pair, faced a lot of criticism from those who accused her of making a commercial hit out of a personal tragedy (the loss of her own child), but also received praise from those who admired the courage of her introspection. Another rather "commercial" director, in a lighter vein, is Nina Companez: *Faustine ou le bel été* is a pretty, maybe too pretty, and maudlin movie; *Raphaël ou le débauché* is more forceful, but too convulsively romantic; with *Colinot trousse-chemise* (the last film done by Brigitte Bardot), Companez seems to have definitely chosen "libertinage," frills, and prettiness.

But Companez is an exception among French women directors. Most of them care about what they want to say just as much as about how to say it. Take Nelly Kaplan's *La fiancée du pirate,* which shows that women are not always solemn when they fight against a man's world. In short, Kaplan has a very sharp sense of humor. So does the Czech Vera Chytilova, whose *Sedmikrasky* is a feast of wild visual invention and irony.

Agnes Verda, who is maybe at her best in *cinéma-vérité* movies, like *Opéra Mouffe,* certainly is a less "feminine" director than her husband Jacques Démy (*The Umbrellas of Cherbourg*). Her *Lion's Love* is a bitter-sweet, amoral picture of Warhol superstar Viva and her crowd; *Le Bonheur* is an even bitterer, yet earthy and sunny, study on how far a man and a woman can go in



Scene from Lina Wertmuller's "Seven Beauties," starring Giancarlo Giannini.

mutual concession without destroying the essence of their relationship. Another French director, Yannick Bellon, is very good at describing tenuous emotions, things that happen without words. Her big success was *La femme de Jean*—the rather too simplistic story of Jean's wife becoming her true, strong self, while the man becomes a caricature of himself, hesitant, selfish, and weak. But her best film so far is her last, *Jamais plus toujours,* where her ability at making things speak of time past—objects, faces, and places—literally explodes.

After a few films, Yannick Bellon has an unmistakable style. So does Liliane de Kermadec—in the very strong *Aloïse* (the story of a madness gently but relentlessly imposed on a woman), or in the light, magical *Qui a donc rêvé?* (a brief trip through Alice's looking-glass). In her shorter films, Liliane de Kermadec experiments with a new kind of language. Belgian director Chantal Ackerman is more influenced by Andy Warhol's underground movies, especially in their perception of time. In *Jeanne Dielmann* she tries to convey the hopeless emptiness of a woman's life and, she succeeds almost too well. For over three hours we see the routine of this woman's monotonous day: Everything is painfully and heavily repeated during three days, until the tragic, poignant end, that lets us imagine how good Ackerman could be.

Some militant and committed women directors have made their "message" speak for itself, convincingly, soberly, without being pretentious or dull. Sarah Maldoror, for example, describing in *Sambizanga* the fight of a woman in Angola's liberation movement. Or Helma Sanders, studying in *Unter dem Pflaster ist der Strand* the delicate balance between two demanding, vulnerable people. Her film could look like a happy improvisation, but it is the result of the careful definition of a frame in which the actors can then act freely. Here, as in many films made by women today, we finally have the picture of a real, not cardboard, woman, together with all her fastidiousness, her courage (and her lack of courage), her sincerity and her naiveté. We find the same portrait of woman, disenchanted but warm, compassionate but without self-indulgence, in *Strohfeuer,* directed by Margarethe von Trotta together with her husband Volker Schlöndorff.

Other films' representation of woman has incensed and infuriated feminists, for example: Liliana Cavani's *The Night Porter,* an ambiguous and on the whole unsatisfying film, for the confusion of themes, and for the grotesque unwillingly slipping into the most dramatic scenes. But Cavani is a very serious director, and her more sober, linear films (*Galileo, I Cannibali,* inspired by Sophocles' Antigone) are more consistent, stronger, and better controlled. Still in *The Night Porter,* Cavani had the courage to explore a theme which was until now taboo for women; (and because she is a woman) her film was therefore more of a scandal.

This new confidence of women in films will certainly widen the range of their work: Films that are "feminist" without being only that and without needing to be "underground;" films that carry no feminist message but have something to say; films daring new techniques. All kinds of films. And why not a western?

Food: Transatlantic Taste

LIZ REILLY, *Washington-based freelance writer*

"As American as apple pie" goes the popular saying. Yet apple pie, like so many dishes considered typically American today, was first introduced in this country by European settlers—in this case, the British who brought over the apple seedlings along with the recipe for apple pie. Perhaps a more appropriate expression would be "as American as pumpkin pie," for pumpkin is truly indigenous to America. As is the pie.

In the early settlement period most Europeans brought with them seeds and other raw materials for planting (or transplanting) in the New World. Columbus himself carried vegetable seeds, chickpeas, and sugarcane to the Caribbean on later voyages. English settlers introduced the same foods in North America years later, along with bananas, rice, and citrus fruits—all native to Asia. Domesticated animals, especially pigs, were also introduced as soon as possible.

But by no means was the traffic in foodstuffs one-way. True, the New World produced none of the traditional spices that sparked many of the early voyages of discovery, but tomatoes, green and red peppers came from Central and South America, turkeys from Mexico, potatoes from Peru, chocolate, vanilla, and peanuts from the Caribbean. Spain's victories in the New World brought two new foods which soon became fully integrated into its cuisine—the tomato and the capsicum (pimento). North America in the early days provided mainly furs, fish, and lumber, but also of course corn.

On his early visits to Cuba, Columbus noted that "maize was most tasty, boiled, roasted, or ground into flour." Maize quickly became a staple food in northern Spain, Portugal, and Italy. However, it soon lost much of its initial popularity due to a disease known as pellegra, or the "disease of the mealies," which was caused by overreliance on corn in the diet and a lack of other vitamins.

Tomatoes were considered poisonous by many Europeans; and the potato, which was readily accepted in Britain, found little popularity elsewhere. In France and Germany, the potato was believed to cause leprosy. It was not until 1806 when Antoine

Viard published *Le Cuisinier Impérial*, in which there were several potato recipes, that the vegetable became acceptable in France. In his cookbook published eight years later, Antoine Beauvilliers even included a recipe for the British delicacy *machpotesse* (mashed potatoes).

Despite these transatlantic exchanges in foodstuffs, no international cuisine developed. In fact, an opposite trend ensued. The European pursuit of empire nourished an awareness of national identities, and by the eighteenth century most countries had established national cuisines with distinctive styles of cooking which immediately struck the foreign visitor as characterstic of that particular country. Formerly the pattern of eating in Europe had been divided horizontally according to class—the food of the rich like that of the poor, had a great deal in common regardless of country. When travel became fashionable in the eighteenth century, the European travel writer made a point to note that no country had such splendid food as his own. The descriptions of foreign food were not only critical, but also funny.

From about 1660 on, the French had become convinced of their superiority in all matters of food. There were occasional exceptions to the rule, such as meat cooked *à l'Anglaise,* but for the most part they could find little to admire in foreign cuisine. But, ironically, their classic French cooking owed much of its art to Catherine de Medici, who introduced Italian style cooking to France in 1533. In what was later to become Germany, pork and sausage, cabbage, lentils, rye bread, and beer were the staples of the diet. In the Low Countries much of the food was heavy and fatty, but the Dutch, inspired by the East India Company, began to cultivate as many exotic fruits as possible. Even before their colonial enterprises, the Flemish were noted for vegetables and at on time they supplied much of Europe with salad materials. The English were best known for overcooking food, and the only dishes considered of merit were roast beef and plum pudding.

American cuisine in the eighteenth century defied definition. It comprised a huge melange of foreign dishes which had been adapted to American tastes. But Americans also learned much about cooking in the New World from the Indians, who taught them how to use corn, squash, berries, seafood, and game. All the cookbooks in America were European or American editions of European cookbooks. Unfortunately these cookbooks were written by authors who had no concept of American food resources or conditions, so it's hard to tell how they reflect on American cooking at the time. The books sold well in America, so possibly many of the foodstuffs available in Europe were also available here.

Then, in 1796, the first truly American cookbook was published in Hartford by Amelia Simmons. Her book, *American Cookery,* marked the appearance of several distinctively American dishes such as cranberry sauce, pumpkin pie, pickled watermelon rind, and johnnycakes, (also known as "journey cakes," because travelers often put several in their pockets to eat en route). Many Europeans who had not visited America were under the impression that the American diet consisted of a monotonous fare of corn and pork. But what impressed visitors most strongly was the variety of cuisines. In the backwoods, well until the nineteenth centry, the visitor still found himself eating possums, racoons, and other unexpected animals, but in Philadelphia he found sauerbraten and sauerkraut and in New Orleans a whole range of French specialties.

As the country grew in size so did the number of foreign dishes that became fully integrated into the American cuisine. Italian pizza and spaghetti; English roast beef; German Sauerkraut and frankfurters; Belgian waffles; and Dutch doughnuts—all became American favorites. Today their origins have been all but forgotten, due in large part to the gradual alteration of the original recipes to conform to American tastes. Now these "American" dishes bear little resemblance to their European counterparts. It is not surprising then to hear an American visiter in Italy remark that he prefers Italian food in Chicago to that of Rome. What he is referring to, of course, is not authentic Italian food, but Italian-American food.

In the end, the greatest distinction between European and American cuisines is based on our different attitudes toward food. The average American seems indifferent about what he eats as long as it satisfies his hunger. He consumes more snack (that is to say, junk) foods than his European counterpart and tends to finish his meals faster. Not that he doesn't enjoy good food, which he does, but food is not as important in his daily life. In Europe there is much more ritual surrounding meals. Businesses close at lunchtime in most cities. And most Europeans still rely upon fresh vegetables and meats, not their frozen or canned versions. Food is prepared with care, and its presentation on the table is almost as important as the actual taste. Europeans simply spend more time preparing and enjoying their food. I say all this as an American who enjoys eating.

NEWS OF THE COMMUNITY

EXTERNAL

EC Reacts to Steel Ruling

Citing failure to prove that imports were injuring the US specialty steel industry, the EC Commission in conjunction with the individual EC member states on March 22 expressed regrets about President Gerald R. Ford's decision to grant import relief to the US specialty steel industry.

In an aide-memoire delivered to the Department of State, the Commission said that there was "no justification whatsoever" for US safeguard action against the Community. Worldwide recession, now receding, was the cause of difficulties in the US specialty steel industry, according to the Commission.

The Commission noted that if the US Government fails to conclude orderly marketing agreements with key suppliers, import quotas could be opened at overall levels comparable to those recommended by the US International Trade Commission. In that case, the Community said, it would exercise its rights under the General Agreement on Tariffs and Trade (GATT).

Canada Negotiations Begin

The first bilateral, nonpreferential trade agreement between the European Community and an industrialized country is in sight, following the March 11 opening in Brussels of negotiations with Canada.

The agreement will contain provisions covering commercial and economic cooperation and consultation procedures, as well as an evolutionary clause for possible extensions. The accord will set up a joint EC-Canada cooperation committee to make sure its provisions are carried out. Cooperation activities under the proposed agreement would complement and supplement those taking place between Canada and the individual EC member states.

To date, the Community has concluded bilateral agreements only with European or developing countries. Relations with the industrialized world are settled by the general international trade provisions under the General Agreement on Tariffs and Trade (GATT) and by collaboration developed within the Organization on Economic Cooperation and Development (OECD).

The European Community is Canada's second largest trading partner, after the United States.

Forest-based Industries

Foundations for cooperation between European and Canadian forest-based industries were laid during a February 23-March 4 visit to Europe of Canadian Government officials and senior representatives of those industries.

With a view to the forthcoming EC-Canada economic and commercial cooperation agreement, the mission stressed its desire for increased contacts between EC and Canadian forest-based industries in talks with the Commission, government and industry in Britain, France, Italy, and Germany, as well as with European industrial federations.

The European participants stressed their interest in the stable supply of raw materials and semi-finished products, while the Canadians confirmed their intention to continue to be a long-term supplier of these products to the Community. Cooperation in the form of long-term contracts, joint ventures and other forms of investment, technological cooperation, and exchange of statistics were discussed in depth.

Ortoli Visits Portugal

EC-Portuguese relations were discussed in depth during the March 5-7 official visit of EC Commission President François-Xavier Ortoli to Lisbon.

Meetings between EC and Portuguese officials, including Portuguese President Francisco Costa-Gomes and Prime Minister Jose Pinheiro Azevedo, centered on a review of the progress of negotiations begun in Brussels in February on expanding Portugal's current industrial free trade agreement with the Community.

The expanded agreement would cover a wider range of products, mainly processed agricultural goods, provide more protection for Portuguese infant industries, offer better status for Portuguese migrant workers in the Community, and increase financial, industrial, and technological cooperation.

EC-Israeli Talks Held

The implementation of the EC-Israel trade agreement, signed last May 20, and of a financial protocol, headed the list of topics discussed between EC Commission President François-Xavier Ortoli and Israeli officials during Ortoli's March 13-17 visit to Israel.

A guest of the Israeli Government, Ortoli met with Prime Minister Yitzhak Rabin, Foreign Affairs Minister Yigai Allon, and Finance Minister Yoshua Rabinowitz, as well as with industry, trade, and union representatives.

The Community is Israel's foremost trading partner and currently absorbs 40 per cent of all Israeli exports and supplies Israel with more than 50 per cent of its imports.

Morocco and Tunisia Pacts

Trade and cooperation agreements between the European Community and Morocco and Tunisia were initialled in Brussels on March 1.

Negotiations to conclude these agreements were completed at the beginning of January, but the two Mediterranean countries had some last-minute second thoughts as to whether they had received a fair deal compared to other countries in the region, and the EC Commission had to make some minor adjustments to allay these fears.

The agreements provide for duty-free access to the EC market for industrial products from these countries, and concessional access for agricultural products. The Community will also provide financial and technical assistance to Morocco and Tunisia.

The agreement is similar in scope to that already initialled with Algeria. Further agreements of the same type were in the process of negotiation with Lebanon, Syria, Jordan, and Egypt, in line with the EC "overall" approach to the Mediterranean.

Soames Visits Pakistan

Commission Vice President Christopher Soames, responsible for EC external relations, visited Pakistan March 14-19.

In his meetings with Prime Minister Zulfikar Ali Bhutto, Minister for Defense and Foreign Affairs Aziz Ahmed, Finance Minister Mohammad Hanif Khan, and Commerce Minister Afzal Khan, the North-South dialogue at which both the European Community and Pakistan are represented, headed the agenda.

The Soames visit also saw the initialing of a bilateral commercial cooperation agreement between Pakistan and the Community, as well as progress toward an understanding on the problems of textile products not covered by the EC-Pakistan textile agreement, concluded last July within the framework of the General Agreement on Tariffs and Trade (GATT) multifibers arrangement.

Iran-EC Trade Talks Urged

The opening of negotiations for an EC-Iran trade agreement was urged in a March 11 Commission communication to the Council of Ministers.

The agreement would provide for the mutual granting of most-favored-nation status and economic cooperation complementing existing bilateral relations between EC member states and Iran.

Iran and the European Community concluded a nonpreferential trade agreement in 1963, which was allowed to expire on November 30, 1973, since it no longer corresponded to Iran's changed economic situation. Exploratory talks for a new agreement have been underway since January 1974, and on the basis of these discussions the stage is now set to move into formal negotiations, the Commission feels.

Is Brazil Dumping Wood?

Following accusations by the European Wood Fiber Board Federation that Brazilian exporters have been selling building board of wood pulp and vegetable fibers in Europe at prices 40 per cent below Brazilian prices, the EC Commission has officially opened anti-dumping proceedings.

This allows 30 days for an amicable settlement to be reached; otherwise, countervailing duties could be introduced to offset the price differential, which is alleged to be distorting competition in the European Community.

Brazilian producers' share of the Community market rose from 10 per cent in 1973 to 20 per cent in 1975, in part it is alleged because the prices charged have been falling steadily.

India-EC Coir Trade

Indian Minister for Industries and Civil Supplies A.P. Sharma had talks with EC Commissioners in late February on industrial cooperation and transfer of technology.

The emphasis was on cooperation in the field of coir development. Sharma was accompanied by representatives of India's coir board, and India is due shortly to renegotiate its agreement with the European Community on coir trade. Sharma urged the Community to bring down coir tariffs as quickly as possible.

Ministers Discuss Angola

A return to peace in Angola on the basis of self-determination was called for by EC foreign ministers in Luxembourg on February 23; they condemned all external military intervention.

This statement was made just a few days after EC member states had failed to agree on coordinated recognition of the MPLA regime in Angola, though all were agreed that the regime should be recognized.

Ministers discussed Angola in the context of the overall situation and issued a statement on the Community's readiness to develop cooperation where African states desire it, to respect the independence of all African states, to support Organization of African Unity measures to promote African cooperation and the right of the Rhodesian and Namibian peoples to self-determination and independence. They also condemned apartheid in South Africa.

At the same meeting ministers had a brief discussion of Euro-Arab relations, détente, Cyprus, and terrorism.

Turkish Talks in Brussels

Turkish Foreign Minister Ihsan Sabri Caglayangil was in Brussels March 1-2 for an EC-Turkey association meeting with EC foreign ministers.

The European Community promised Turkey that it will do all it can to make access to the Common Market for Turkish agricultural products easier, taking into account the EC concessions made in recent agreements with the Maghreb countries and Israel and ensuring that Turkey gets fair treatment in comparisan.

The two sides also discussed more financial aid for Turkey and the status of Turkish immigrant workers.

Papaligouras in Brussels

Panayotis Papaligouras, the Greek minister for planning and coordination and the number two in the Greek Government, had talks February 26 with most members of the EC Commission.

These were described as a working session on how Greece's membership negotiations should be tackled.

Papaligouras also informed the Commission members of his Government's plans for economic expansion, which it hopes will accelerate development toward EC income levels, and for bringing Greek legislation in line with Community law and introducing value-added tax.

Cyprus Agreement Aligned

Extension of the agricultural concessions in the EC-Cyprus association agreement and financial and technical cooperation with Cyprus were proposed by the EC Commission in late February.

These are part of its policy of aligning all earlier Mediterranean agreements with the first pacts concluded under its so-called overall approach, i.e. the agreements with Israel and the Maghreb countries.

Malta's agreement has already been aligned. Negotiations have begun with Egypt and are scheduled with Lebanon and Turkey. Brand new agreements with Jordan and Syria are also in the pipeline.

MONETARY

Largest EC Loans Ever

The European Community is making the largest loans in its history after signing contracts with issuing banks on March 22 for $1.3 billion in loans.

Ireland will receive $300 million and Italy $1 billion to help finance balance-of-payments deficits aggravated by petroleum price increases. In exchange, both countries agreed to economic adjustments at home. EC Commission Vice President Wilhelm Haferkamp welcomed this move as "an important practical expression of the concept of Community solidarity."

Three international banking consortia, managed by the Deutsche Bank of Frankfurt, will make the equivalent of US $1 billion available to the Community at fixed interest rates. The terms match the best market conditions and the average duration of five years. Another international banking consortium — the European Banking Company, Ltd., of London — will grant a five-year bank loan of $300 million.

The banks and the Commission signed contracts on March 22 covering the following transactions:

- a public loan with a fixed duration of six years for US $300 million;
- a public loan with a fixed duration of seven years for 500 million German marks;
- a five-year loan at variable interest rates for US $300 million.

The rest of the money will be raised by a $500 million private placement of dollar notes with a duration of up to four years. This placement was to be made in April.

French Franc Leaves Snake

On March 15, after several days of renewed turmoil in European currency markets, the French Government announced its decision to retire the French franc from the "snake," a joint float of strong Common Market currencies that moves within prescribed limits (2.25 per cent up or down) against the dollar.

The move was not unexpected. Heavy speculation had forced France's Central Bank to spend over $3 billion this year—$1 billion alone in the two days prior to the announcement—to keep the franc on a par with the mighty German mark. With inflation running at 10 per cent, twice the German rate, few people believed that the franc could maintain what seemed to be an artificially high exchange level. In the days following the decision, the franc dropped 4.5 per cent in value.

Meanwhile, two non-snake currencies of the European Community, the British pound and the Itàlian lira, continued their vertiginous plunge. Against the dollar, the pound sterling settled around $1.92, while the lira, having fallen 28 per cent in value over the last two months, was listed for the time being at 880 lire to the dollar.

The departure of the French franc brought the snake's very existence into question once again. Other "snake" currencies came under immediate fire from speculators. Despite an inflation rate that lingers around 11 per cent, Belgium appeared to handle the run on its own franc and kept it within the snake. Though large amounts of reserves were depleted, news that 1976 will bring a sizeable trade surplus to the Belgian economy helped ease speculative pressures.

The Dutch guilder remained steady, despite worries that the trade balance may soon fall into deficit once Holland's exports of natural gas begin to dwindle in the coming years. The Danish krone was also a source of concern, for while Denmark has the lowest inflation rate (4 to 5 per cent) in the Community, the trade balance has been hurt badly by the oil crisis and is not expected to recover for several years.

Some observers claimed that Germany, the most ardent supporter of the "snake," could have rescued the situation with a 3-to-5 per cent revaluation of the mark. But the West German Government, unwilling to arouse the wrath of exporting industries during a crucial election year, refused any revaluation scheme above 2 per cent.

In hoping that a devalued franc will quickly boost export sales and employment, the French Government left the door open for an eventual return of the franc to the snake, perhaps by September. That rosy possibility appears premature. In January 1974, the franc left the snake ostensibly for six months, but remained outside until President Valery Giscard d'Estaing ordered its re-entry in July 1975, in a gesture of European solidarity.

As a system intended to prod gently all member states toward greater economic integration, "the snake" once again has demonstrated its shortcomings. The EC Commission believes that bolder steps requiring the political will to "make" Europe, are needed if true progress toward economic and monetary union is to be accomplished.

Canadian Dollars Borrowed

The European Coal and Steel Community (ECSC) broke new financial ground in early March with the first public borrowing in Canadian dollars by a European borrower.

The ECSC raised 50 million Canadian dollars with a seven-year issue at 9 per cent interest per annum and priced at 100.5 per cent. The issue is for seven years; it was managed by Morgan Stanley International, Banca Commerciale Italiana, Banque de Paris et des Pays-Bas, Deutsche Bank AG, and the Swiss Bank Corporation.

The issue brought ECSC borrowing since it was set up to 3,259 million units of account. The money is used to finance coal and steel industry investment in the Community.

European Export Bank

Financing on an EC scale for multinational consortia seeking major export orders abroad is the proposed goal of a Commission plan for a European Export Bank.

The bank would have initial capital of 100 million units of account (UA), which would come from the Community's budget. (One UA equals one 1970 dollar.) However, the major part of its resources would come from international financial markets. Borrowing on these markets would be guaranteed by the Community.

ECONOMY

EC Inflation Unchecked

The encouraging signs of a few months ago that inflation might be under control again are apparently receding.

In January inflation topped 1 per cent in four countries: Italy (1.1 per cent), Belgium (1 per cent), Luxembourg (1.5 per cent), and the United Kingdom (1.3 per cent), the worst record for some months. In Ireland the figure was 2.7 per cent, but this was a quarterly increase. Two countries kept the increase down to 0.5 per cent (the Netherlands and Denmark), and two to 0.8 per cent (Germany and France).

The current annual rate of increase is 4.7 per cent in Denmark; 5.3 per cent in Germany; 1.8 per cent in the Netherlands; 9.6 per cent in France; 10.9 per cent in Belgium; 11 per cent in Italy; 11.8 per cent in Luxembourg; 16.8 per cent in Ireland, and 23.4 per cent in the United Kingdom.

Unemployment Leveling

Although unemployment continued to rise throughout the Community in January, the EC Commission believes that the increase is largely seasonal and that the trend is flattening out.

There are now 5.8 million unemployed in the Community. In Northern Ireland 11.1 per cent of the population is unemployed, in Ireland 10.1 per cent.

Everywhere else unemployment has kept to single digits, and in Luxembourg it is still only half a per cent. In Belgium it is 8.7 per cent; in Denmark, 7.7 per cent; in the Netherlands, 6.1 per cent; in the United Kingdom, Italy, and France, 6 per cent; and in Germany, 5.9 per cent.

Not unnaturally, the cost of unemployment to society is also soaring. Meaningful statistics are hard to obtain, but cautious estimates by the Commission indicate that unemployment benefits amounted to between 0.1 per cent of the year's gross national product in Luxembourg in 1975 and 2.2 per cent in Denmark. In between were France and Italy, at 0.6 per cent; Germany, 0.9 per cent; the United Kingdom, 1 per cent; Ireland, 1.3 per cent; the Netherlands, 1.6 per cent; and Belgium, 1.7 per cent. A year previously the range had been zero (Luxembourg) to 1 per cent (Belgium).

Taxes Rise With Prices

Inflation may be raging, but taxation has it beat. The rate of tax and social security contributions outstripped the price increase in the Community in 1974, according to recent figures from the EC Statistical Office.

Between 1969 and 1974 tax and social contributions as a percentage of gross national product increased from 35.4 per cent to 37.3 per cent in the Community as a whole. In absolute terms the Netherlands has the highest level—46.2 per cent. At the other end of the scale is Ireland—33.4 per cent.

The rate of increase over the last five years has been most marked in Denmark, with an increase of more than 10 percentage points. In France the proportion actually dropped by 0.2 per cent.

AGRICULTURE

Agreement on Farm Prices

After four long days and one night of debate, EC agricultural ministers reached agreement in the early hours of March 6 on farm price increases and related measures for this year.

The average increase is 7.5 per cent but varies for each individual product; moreover, since the increases are in levels of guarantee, there is no immediate effect where market prices are above the level of the guarantee already. The impact is also differentiated by member states this year because changes in the system of border taxes, which offset the effects of currency fluctuations, will reduce the amount of increase in a number of countries.

The two most difficult problems the ministers had to wrestle with were milk and wine. Because of overproduction in the milk sector, the Community has over 1 million tons of skimmed milk powder in store for which there are no takers. Although a generous price increase was decided, producers were given advance notice that they will have to bear some of the financial burden of surplus production as of next year and that they will not be able to sell the excess to the skimmed milk store in future.

In order to reduce the amount currently in store, the ministers agreed to its being used in cattle-feed. The soybeans which are normally the main source of protein and which are to be replaced by milk powder will go toward making a Community protein stockpile; nevertheless, the main soybean supplier—the United States—has said the system will violate international trade rules.

On wine, total reform of the common organization of the wine market was agreed after months of debate. An immediate distillation operation will be carried out to cream off the current surplus, and from now on new planting and vine and wine standards will be much more carefully controlled in the hope of keeping production more in line with consumption.

AID

Lebanon to Get EC Help

Emergency aid to help with Lebanon's reconstruction program following the civil war has been agreed by the EC Commission.

The Commission will allocate 100,000 units of account (UA) to buy medicine and surgical equipment via the International Red Cross and provide 3,600 tons of cereals, 200 tons of butteroil, and 250 tons of milk powder at a total cost of UA 1 million. (One UA equals one 1970 dollar.)

Skimmed Milk Powder Gift

The EC Commission has proposed that 55,000 tons of skimmed milk powder be made available to developing countries as food aid at Community expense.

Some — 22,900 tons — would be channelled directly to applicant countries, 27,700 tons to international organizations, and 4,500 tons would be held in reserve for emergencies.

EDF Help for Schools

The latest decision on financing for development projects from European Development Fund (EDF) resources involves:

- Improvements to the Ahmed Mangue High School at Sahr in Chad, which will receive 797,000 units of account (UA) for building four general purpose classrooms, two classrooms for science subjects, and an administrative block.
- The secondary technical school on Aruba in the Netherlands Antilles, which will receive UA 500,000 to supplement earlier financing and enable construction work on the school to be completed.

These two financing decisions bring EDF commitments to UA 858,366,000 for 325 projects since January 1, 1971. (One UA equals one 1970 dollar.)

Agricultural Aid Studies

The EC Commission has agreed to spend about $120,000 on feasibility studies for four agricultural projects in Sudan, Syria, and Somalia.

This marks the first concrete cooperative venture within the framework of the Euro-Arab dialogue begun in Cairo last June and followed up with meetings in Rome in July and Abu Dhabi in November.

The projects involve integrated rural development in the Dar Four region of Sudan, development of meat production in the Blue Nile region of Sudan, rationalization of Syrian agriculture, and irrigation of the Quadi Nahr Jouba region of Somalia.

Funds for Non-Associates

The EC Commission has informed the Council of Ministers that it intends to concentrate spending of development funds for non-associate countries in Asia and Latin America on livestock and food production and rural development.

The Commission has 20 million units of account (UA) at its disposal in 1976 following the insistence of the European Parliament that some allocation be left in the budget even though the Council of Ministers has not agreed to its inclusion. (One UA equals one 1970 dollar.)

The money will be allocated by the European Development Fund committee meeting as an ad hoc body and will be spent in the poorest countries, which is likely to mean mainly countries in Asia.

ENVIRONMENT

Mediterranean Pollution

The European Community has signed a new convention on controlling pollution in the Mediterranean, which deals with pollution from land-based sources, hydrocarbons, and the dumping of waste from ships and aircraft.

The convention was negotiated in Barcelona under United Nations auspices at the beginning of February by 16 countries which border the Mediterranean, including two EC member states, France and Italy. The European Community has signed in addition because in some areas it has sole jurisdiction over member states' environmental policy.

The need for better pollution control in the Mediterranean is undisputed. Pollution from hydrocarbons has been described by the Organization for Economic Cooperation and Development (OECD) as "pervasive," amounting to as much as 10 per cent of the oil shipped through the Mediterranean.

The same OECD study described the Mediterranean as "a sink for both biodegradable and nonbiodegradable wastes." It stresses that while overall the Mediterranean is not a particularly vulnerable semi-enclosed area, compared to, say, the Black Sea, there is no room for complacency.

Cleaner EC Atmosphere

Health protection standards designed to restrict the level of sulphur dioxide and the number of suspended particles in the urban atmosphere have recently been put forward by the EC Commission in the context of the Community's environmental action program.

Member states would have until 1982 to phase in the standards and would also have to introduce a system for monitoring pollutants in all urban areas and for keeping the Commission informed of the results.

In order to ensure that the pollution is not merely spread more thinly over a wider area, the Commission insists in the proposal that there should be no deterioration of air quality in regions which are currently "clean."

ENERGY

Coal Production Down

Despite the resurgent popularity of coal following the rise in oil prices, Community production continues to decline. The average drop in production of hard coal between January 1975 and 1976 was 11.2 per cent.

Only four Community countries still produce coal—Germany, France, the United Kingdom, and Belgium, whereas three years ago Italy, the Netherlands, and Ireland were still coal producers. The biggest producer is the United Kingdom, which produced 127,800,000 tons in 1975, compared to Germany's 99,161,000 tons, France's 22,414,000 tons, and Belgium's 7,479,000 tons.

Production is falling most slowly in France; it was down only 2.6 per cent in January of this year compared to last January. The corresponding figures for the other countries were: Germany, 15.6 per cent; Belgium, 12.4 per cent; and the United Kingdom, 8.8 per cent.

SOCIAL POLICY

Colloquium on Women in EC

"Our society has an enormous amount to gain from all the talent, imagination, and energy of women which up to the present has not been allowed to develop," said EC Commission Vice President Patrick J. Hillery, addressing a colloquium on "Women in the European Community," on March 12 in Brussels.

Though the Community's competence in women's rights is limited to the employment problems of women working outside the home, EC achievements in this area influence public and government opinion on broader issues, said Hillery, responsible for EC social policy. The Commission vice president cited two recent directives and a memorandum which more closely define member states' obligations regarding the EEC Treaty's equal pay for equal work provision. Commission action also covers the lack of promotion prospects for women,childcare facilities, flexible working hours, and the problems of mothers returning to work.

Commission plans this year in the area of women's rights include the distribution of films on equality between men and women, improved vocational training and vocational guidance through Social Fund applications, studies on women in agriculture, social security, and conditions of women working in the EC Commission.

Italian Workers' Housing

A 1.4 billion lire boost to Italian steelworkers' housing has been agreed by the EC Commission.

The money will come from European Coal and Steel Community funds: 562,000,000 lire will be made available at a special low rate of 1 per cent over a period of 20 years; the remaining 900,000,000 lire is for 13 years at a normal rate of 9 per cent.

Belgian Workers' Housing

Two loans for housing Belgian coal and steel industry workers have been approved by the EC Commission.

The 2 million units of account (UA) involved comes out of European Coal and Steel Community finance and will go toward the cost of around 450 houses. (One UA equals one 1970 dollar.) The loans are for 20 years at 1 per cent.

The funding is part of the Community's eighth financial program for coal and steel workers' housing.

Pilot Employment Projects

A sum of 346,000 units of account (UA) has been allocated by the EC Commission to four pilot projects to combat unemployment and find new forms of training. (One UA equals one 1970 dollar.)

The Commission hopes the results will help it allocate Social Fund resources more effectively.

The projects which will receive money are: an experimental training program for community development officers in rural Ireland; a project for training workers in the use of industrial lasers in Belgium; training for teachers in Germany; training for young workers in France.

HARMONIZATION

Common Consumer Policy

Leading government officials from all EC countries except France met in Brussels under EC Commission auspices February 25 to discuss EC consumer policy.

They examined four proposals which the Commission hopes to finalize shortly:

- doorstep selling, for which the legislation was to be ready for submission to the Council of Ministers by Easter;
- labelling, for which legislation is also in the final stages;
- unit pricing;
- product liability.

The officials expressed the view that the Commission could usefully turn its attention next to after-sales service, guarantees, travel sales, price-quality ratios, and the causes for price differences within the Community for identical products.

Conditions for Trucking

Changes have been proposed by the EC Commission in regulating working conditions for truck drivers.

The original regulations, adopted in 1969, have proved impractical to apply or have not kept up with current technology. For example, there is no real need to limit driving distance to 450 kilometers a day on modern highways.

In the future, if the Commission's proposals are adopted by the Council of Ministers, drivers would not be allowed to let more than 12 hours elapse between starting and finishing work, nor could the cumulative total of hours worked in the week exceed 60. Actual driving time would be restricted to 10 hours a day at most two days a week and eight hours a day otherwise; total time spent at the wheel in one week could not be more than 48 hours until the end of 1978 and would be limited to 46 hours thereafter.

Where a tachograph—a machine to measure hours and distance covered—was fitted in the driver's cab, the limit of 450 kilometers could be exceeded.

RESEARCH

Council Adopts Programs

Four research programs were adopted by EC research ministers at a Council meeting in Brussels on February 24:

- A biology and health program, which will cost 39 million units of account (UA) over the next five years, will look into the effects of radioactive contamination on man and the environment and the effects of radiation on living matter.
- An environment program, costing UA 16 million over the next five years, will provide the technical backup for the standards laid down by the Community's environmental action program.
- A reference materials and methods program, costing UA 2.7 million over the next three years, is designed to strengthen, coordinate, harmonize, and supplement national efforts in this field.
- A thermonuclear fusion program, with a budget of UA 124 million for the next five years, will finance research into technological problems of fusion, plasma physics, fusion by use of lasers and Tokamaks and their alternatives.

Ministers failed to agree, however, on the complement to the thermonuclear fusion program—construction of a Joint European Torus to test the theories. They were unable to agree where it should be built, although the EC Commission has suggested the Community's Joint Research Center at Ispra. Ministers will meet again June 18 to try to reach a decision on this part of the program and to prevent the Community from losing the lead it has in this field over the United States and Japan.

Assessing Dragon Project

The EC Commission has asked the Council of Ministers for permission to spend 2.86 million units of account (UA), which the Commission says it can find out of existing resources, on assessing and disseminating the research results of the Dragon project.

This 15-year cooperation project between the United Kingdom, Sweden, Switzerland, Austria, and the European Community (first of Six and then of Nine) was ended last year for lack of finance, and the Winfrith helium-cooled high-temperature experimental reactor in the United Kingdom, the focus of the research program, was closed down.

The money the Commission wants allocated will enable the best use to be made of the research results. There is no question, however, of the program being restarted.

COMPETITION

Scrap Iron Merger Okayed

Acting as the High Authority of the European Coal and Steel Community, the EC Commission has given the go-ahead for a merger in the French scrap iron sector.

Since the merger will only increase the market share of the new group by 1 percentage point from 17 per cent to 18 per cent, the conditions of competition—the criteria on which the Commission judges—will not be markedly affected.

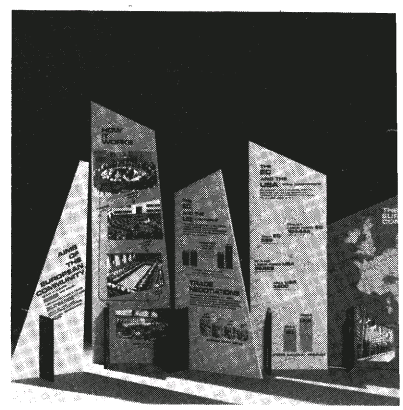
The merger will bring two scrap wholesalers, Deblaye and Soyes et Fils, into the orbit of France's number two scrap firm, Sicaworms.

BBC Complies With EC Rules

The British Broadcasting Corporation (BBC) has agreed to comply with EC competition rules and stop preventing exports of toys and other articles protected by copyright from Britain to other EC countries.

Up till now the Netherlands has been particularly affected by the ban. Valley Printing, of the United Kingdom, which produces toys based on a puppet program, under license from the BBC, wanted to export its products to the Netherlands where the program is screened under the name "Barbe à Papa."

The BBC attempted to prevent this, but the Commission intervened to point out that this was contrary to EC competition rules, and the practice was stopped.



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Publications Available

Publications listed may be obtained from the European Community Information Service, Suite 707, 2100 M Street, NW, Washington DC 20037. Persons in the New York area can order copies from the European Community Information Service, 277 Park Avenue, New York City 10017.

NINTH GENERAL REPORT ON THE ACTIVITIES OF THE EUROPEAN COMMUNITIES. Commission of the European Communities, Brussels, February 1976, 341 pages $5.80
Detailed account of the activities of the European Coal and Steel, Economic, and Atomic Energy Communities in 1975.

BALANCES OF PAYMENTS: GLOBAL DATA 1975. Statistical Office of the European Communities, Luxembourg, 1976, 39 pages $3.00
From 1975, annual balance of payments data will be published in two volumes. This is the first of the two volumes and gives data on the global balances of payments and external position of the monetary authorities for each Community member state, for the U.S. and Japan for 1961-1974.

NATIONAL ACCOUNTS AGGREGATES 1960-1974. Statistical Office of the European Communities, Luxembourg, 1976, 99 pages $4.00
Aggregate data, total and per capita, for the Community members, the United States, and Japan in both units of account and national currencies at current and 1970 prices.

INDUSTRIAL STATISTICS YEARBOOK 1974/1975. Statistical Office of the European Communities, Luxembourg, 1976, 170 pages ..$6.00
Contains data, in physical units, on the production of approximately 500 products in the nine member states in 1958 and the years 1967 through 1974.

EUROPEAN UNION: REPORT BY MR. LEO TINDEMANS TO THE EUROPEAN COUNCIL. *Bulletin of the European Communities, Supplement No. 1/76,* Commission of the European Communities, Brussels, 1976, 36 pages ....free
Report presented to the European Council of December 29, 1975. Defines an overall approach for member state action to create a European union and practical measures in the areas of foreign policy, economic and monetary union, and institutional development of the Community.

EUROPEAN MEN AND WOMEN: COMPARATIVE ATTITUDES TO A NUMBER OF PROBLEMS OF OUR SOCIETY. Commission of the European Communities, Brussels, 1975, 215 pages. .... free
Results and analyses of a Gallup Poll survey conducted in the member states in May 1975. Survey stressed attitudes towards women's status, employment, social reform, politics and forms of social participation, general feelings of satisfaction as well as attitudes on the Community and European unification.

HARMONIZATION OF SYSTEMS OF COMPANY TAXATION. *Bulletin of the European Communities, Supplement No. 10/75,* Commission of the European Communities, Brussels, 1975, 24 pages ....$.50
Proposed directive transmitted to the Council on August 1, 1975. The directive will lay down a Community system of company taxation based on a common imputation system affording partial relief of double taxation of dividends and narrowing the differences in rates of taxes on profits and of tax credit.

COOPERATION AGREEMENTS BETWEEN THE EUROPEAN COMMUNITY, ALGERIA, MOROCCO AND TUNISIA. *Information Memo P-14/76,* Commission of the European Communities, Brussels, March 1976, 10 pages ....free
Outlines the relations between the Community and the Maghreb countries since 1958. Describes the content of the new agreements, including economic, technical and financial cooperation, industrial trade, agricultural concessions, and labor movement. Contains a statistical annex on the Maghreb countries.

THE 200-MILE ECONOMIC ZONES POSE FISHING PROBLEMS FOR THE COMMUNITY. *Information Memo P-18/76,* Commission of the European Communities, Brussels, February 1976, 5 pages free
Summary of a Commision communication to the Council on managing the Community's fish stocks, the negotiations with non-members on catch quotas, and the U.N. Conference on the Law of the Sea. Contains statistical annexes on fish catches.

THE COMMUNITY'S FINANCIAL PARTICIPATION IN INVESTMENTS. *Regional Statistics 1973,* Statistical Office of the European Communities, Luxembourg, 1975, 125 pages $3.00
Updates data previously published in Regional Statistics 1972, Chapter VII. Gives Community financial contributions under the European Coal and Steel Treaty, the European Agricultural Guidance and Guarantee Fund, and the European Investment Bank for investment projects. Data is broken down by type of project and by region for each member state for the years 1971-1973.

ADDRESS BY MR. FRANCOIS-XAVIER ORTOLI, PRESIDENT OF THE COMMISSION, TO THE EUROPEAN PARLIAMENT ON 10 FEBRUARY 1976. Commission of the European Communities, Brussels, February 1976, 58 pages ......free
Speech presenting the 9th General Report for 1975 and the program of the Commission for 1976, to the European Parliament.

REGIONAL POLICY. *European Studies No. 23,* European Community Information Service, London, 1975, 14 pages + maps ....free
Outlines the problems involved in the Community's regional policy and the Regional Development Fund. Contains studies of regional problems and national policies for Italy, Ireland, France and Germany.

THE EUROPEAN UNIT OF ACCOUNT (E.U.A.). *Information No. 114/76,* Commission of the European Communities, Brussels, January 1976, 4 pages ....free
Description of the "basket" unit of account adopted for use by the European Development Fund, the European Investment Bank, and the European Coal and Steel Community.

EEC AGREEMENTS WITH NON-MEMBER COUNTRIES. *Information No. 115/76,* Commission of the European Communities, Brussels, January 1976, 7 pages ....free
List of association and trade agreements concluded by the Community with a brief description of the legal status and purpose of each agreement.

THE LOME CONVENTION: THE STABILIZATION OF EXPORT EARNINGS. *Information No. 94/75,* Commission of the European Communities, Brussels, May 1975, 23 pages ....free
Analyzes the problem of unstable export earnings of developing countries and various approaches for dealing with it. Explains the mechanism and financial system provided for in the Lome Convention for the stabilization of export earnings (STABEX) as well as the special protocol for sugar. Contains statistical annexes on products covered by STABEX and trade between the Community and the ACP countries.

REPORT ON THE PRIMACY OF COMMUNITY LAW AND THE PROTECTION OF FUNDAMENTAL RIGHTS. *Working Documents No. 390/75,* European Parliament, Luxembourg, November 26, 1975, 52 pages $1.00
Report by H. Rivierez on behalf of the Legal Affairs Committee. Analysis of the decision of the Federal Constitutional Court of the Federal Republic of Germany of May 29, 1974, which challenged two basic principles of Community law: the uniformity of Community law and the primacy of Community law over all national legislation. Reproduces the text of the Federal Court's decision.

REPORT ON RECENT DEVELOPMENTS IN THE COMMUNITY'S MEDITERRANEAN POLICY. *Working Document No. 385/75,* European Parliament, Luxembourg, November 21, 1975, 39 pages $1.00
Report by J. F. Pintat on behalf of the Committee on External Economic Relations. Analysis of the problems encountered in implementing an overall Community approach in the Mediterranean. Summary of the negotiations as of the fall of 1975.

REPORT ON THE PRESENT STATE OF ECONOMIC RELATIONS BETWEEN THE EUROPEAN COMMUNITY AND LATIN AMERICA. *Working Document No. 469/75/rev.,* European Parliament, Luxembourg, February 3, 1976, 45 pages $1.00
Report by Giovanni Boano on behalf of the Committee on External Economic Relations. Outlines the economic situation in Latin America, its international trade and balance of payments position as well as Community policy.

TRADE TRENDS: THE EUROPEAN COMMUNITY AND THE UNITED STATES. *Background Note No. 10/76,* European Community Information Service, Washington, D.C. February 20, 1976, 6 pages ..free
Note on the U.S. and Community trade positions for 1975 based on preliminary statistics. Includes a 3-page statistical annex.

THE EUROPEAN COMMUNITY AND NUCLEAR SAFETY. *European Documentation No. 5/75,* Commission of the European Communities, Brussels, 1975, 26 pages .... free
Brochure describing the Community's nuclear power policy and its activity in the area of nuclear plant safety, health protection, transport and supervision of radioactive materials.

THE EUROPEAN COMMUNITY AND THE GENERAL AGREEMENT ON TARIFFS AND TRADE. European Community Information Service, Washington, D.C., 1975, 30 pages .... free
Pamphlet written by Stephen D. Cohen. Reviews the Dillon and Kennedy tariff negotiations. Presents the major issues in the current Tokyo Round: tariffs, non-tariff measures, agriculture, tropical products, and safeguards. Outlines the Community and U.S. positions in the negotiations. Contains a glossary of terms and selected bibliography.

TREATY AMENDING CERTAIN FINANCIAL PROVISIONS OF THE TREATIES ESTABLISHING THE EUROPEAN COMMUNITIES. TREATY AMENDING CERTAIN PROVISIONS OF THE PROTOCOL ON THE STATUTE OF THE EUROPEAN INVESTMENT BANK. Council of the European Communities, Brussels, 1975, 64 pages $1.00
Text of the treaty signed July 22, 1975, increasing the budgetary power of the European Parliament and establishing a Court of Auditors. Text of the treaty, signed July 10, 1975, that would permit the Board of Governors of the EIB to adopt a new definition of the unit of account for the Bank's operations.

FREEDOM OF MOVEMENT FOR WORKERS WITHIN THE COMMUNITY: OFFICIAL TEXTS. Commission of the European Communities, Brussels, 1975, 26 pages. $2.00
Official texts of Council decisions, regulations and directives on the right of Community nationals to live and work in any member state.

EMPLOYEE PARTICIPATION AND COMPANY STRUCTURE. *Bulletin of the European Communities, Supplement No. 8/75,* Commission of the European Communities, Brussels, 1975, 107 pages. .... free
Discussion document, issued as a "green paper" by the Commission. Gives an account of the principal positions and trends in the Community on employee participation and decision-making structures of companies and their relationship to Community proposals.

EUROPEAN COMMUNITY FILLS OUT ENERGY POLICY. *Background Note No. 5/1976,* European Community Information Service, Washington, D.C., January 29, 1976, 4 pages + annex. .... free
Reviews the documents on energy submitted to the Council in January, the pending proposals of the Commission, additional measures for Council consideration. Compares EC and US energy policy measures.

THE ECONOMIC AND SOCIAL COMMITTEE. Economic and Social Committee, Brussels, 1975, 16 pages. .... free
Pamphlet describing the institutional role of the Economic and Social Committee, its working procedures, and the organization of the general secretariat.

THE COURT OF JUSTICE OF THE EUROPEAN COMMUNITIES. Court of Justice of the European Communities, Luxembourg, 1975, 27 pages .... free
Brochure on the characteristics, composition, organization, jurisdiction, procedure of the Court. Also contains a section on Community case-law and principal decisions of the Court.

INVESTMENT IN THE COMMUNITY IN 1974 AND ITS FINANCING. European Investment Bank, Luxembourg, 1975, 44 pages. .... $.25
Report examining investment in 1974 in light of general economic conditions, by sector (business, housing and construction, and public) and investment financing on the domestic and international capital markets.

FREE EXHIBITS

This new mobile exhibit is available from the European Community Information Service on loan to universities, schools, libraries, civic organizations, and other interested groups.

Recent Books

European Community periodically lists books dealing with Community and Atlantic topics. Prices are also given when known. This presentation does not indicate approval or recommendation of these publications, which can be purchased or ordered from most booksellers.

Taxes on Direct Investment Income in the EEC: A Legal and Economic Analysis. By Bernard Snoy. Praeger Publishers, New York, 1975. 349 pages with notes, tables, appendix, and bibliography. $21.50.

An interdisciplinary and comparative study primarily concerned with direct investment, as opposed to portfolio investment, examining the fiscal legislations of the nine EC countries and their impact on direct investment flows and allocations of resources in the Community.

Oil: The Making of a New Economic Order: Venezuelan Oil and OPEC. By Luis Vallenilla. McGraw-Hill Book Company, New York, 1975. 302 pages with appendices and index. $16.95.

A case study of the petroleum industry in Venezuela, also dealing with the North-South relationship, international trade, and the aspirations of the Third World in general and the petroleum countries in particular.

Dilemmas of the Atlantic Alliance: Two Germanys, Scandinavia, Canada, NATO, and the EEC. By Peter Christian Ludz, H. Peter Dreyer, Charles Pentland, and Lother Ruhl. Praeger Publishers, New York, 1975. 255 pages with footnotes and notes on contributors.

An examination of Scandinavia's place in and vision of Europe; Canada's basic dilemma between gradual absorption by the United States or a retreat to nationalistic isolation; the impact of two German states on their respective alliances; and the complex relationship between the European Community and NATO.

Industrial Policies in Western Europe. Edited by Steven J. Warnecke and Ezra N. Suleiman. Praeger Publishers, New York, 1975. 249 pages with index and notes on contributors. $18.50.

An analysis of national industrial policies and the problems of specific sectors, as well as the implications of public and private policies on employers, trade unions, and government efforts to develop active manpower policies.

Basic Problems of the European Community. Edited and introduced by P.D. Dagtoglow. Basil Blackwell, Oxford, 1975. 286 pages with notes and index. $22.50.

Addressed are such questions as: Which factors promote and which impede European unification? When is integration desirable or necessary and when is it neither? How (if at all) is it possible to achieve a balance within the Community's institutions between efficiency and democracy? What of the political, legal, economic, and social implications? How indisoluble is the European Community?

The Complete Bond Book: A Guide to All Types of Fixed-income Securities. By David M. Darst. McGraw-Hill Book Company, New York, 1975. 336 pages with tables and index.

Detailed information on how to analyze, purchase, and sell US government and federal agency securities, corporate bonds and preferred stocks, tax-exempt securities, short-term money market instruments, and all other types of fixed-income securities.

The Granting of European Patents. By M. Van Empil. A.W. Sijthoff, Leyden, the Netherlands, 1975. 435 pages with a complete text of the European Patent Convention, bibliography, and index.

A commentary, useful for patent law practitioners, on the Convention on the Granting of European Patents of October 5, 1973, and where appropriate, reference is made to precedents of national law.

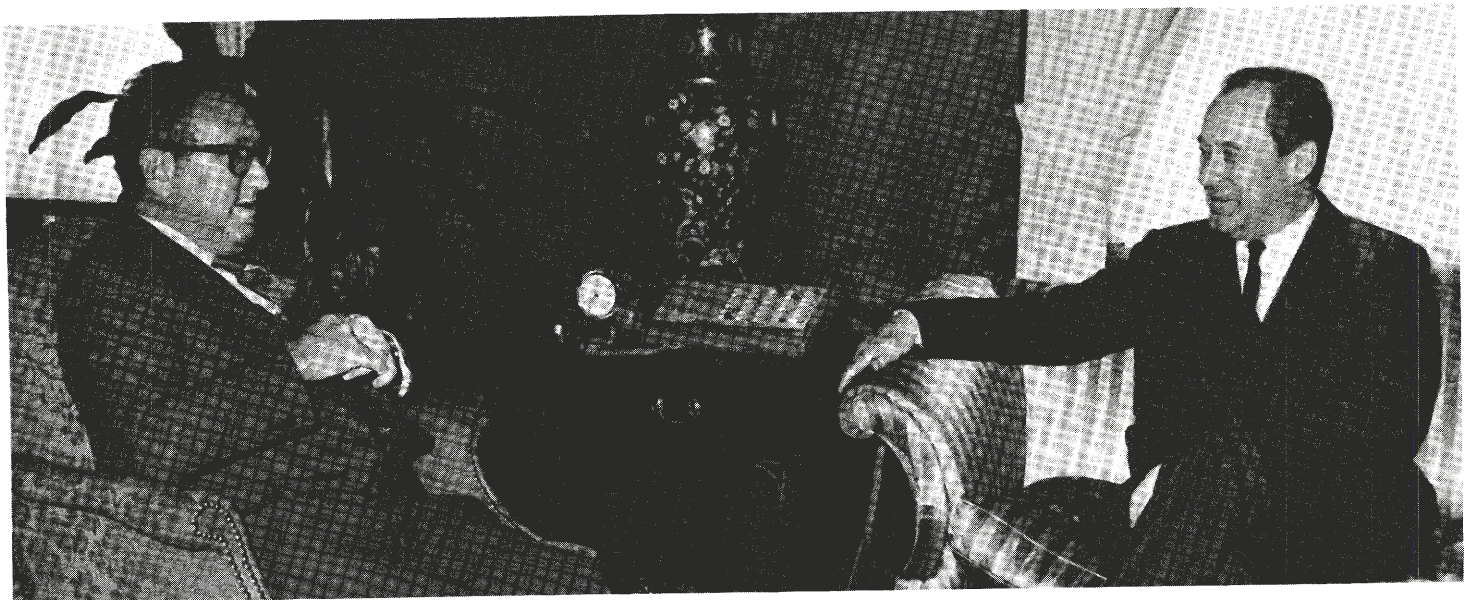
The European Convention on Human Rights. By Francis G. Jacobs. Oxford University Press, Ely House, London, 1975. 286 pages with bibliography and index. $19.00.

An analysis of the substantive law of human rights under the Convention and the novel system of international supervision operated by the EC Commission, the Court of Human Rights, and the Council of Europe.

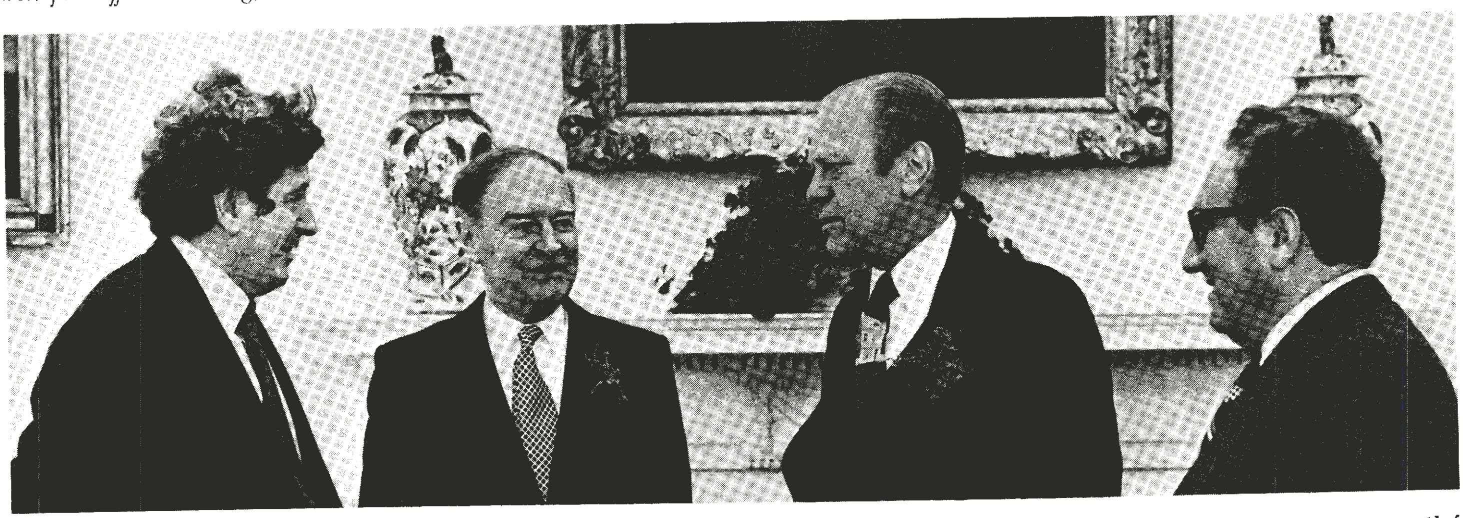
The Protection of the Environment and International Law. The 1973 Colloquium of the Hague Academy of International Law. Edited by Alexander-Charles Kiss. A.W. Sijthoff, Leyden, the Netherlands, 1975. 650 pages with tables and index. French/English text.

A comprehensive view of international environmental law and the judicial problems of air, sea, and river pollution on an international level.

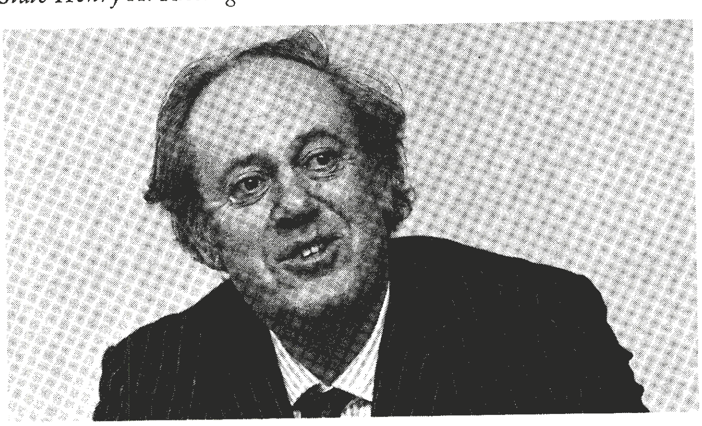
People



Fernand Spaak (right), the new head of the EC Commission Washington delegation, and Secretary of State Henry A. Kissinger during their first official meeting, March 12 in Washington. Department of State Photograph.



The Republic of Ireland and the United States saw their heads of governments and foreign ministers together March 17 in Washington (left to right): Irish Foreign Minister Garret FitzGerald, Irish Prime Minister Liam Cosgrave, US President Gerald R. Ford, and US Secretary of State Henry A. Kissinger. White House Photograph.



"All achievement in politics is essentially a cooperative effort," said EC Commission Vice President Christopher Soames on receiving the Robert Schuman Prize, March 8 in Bonn, for his service to Europe.

Willy Brandt, the former West German Chancellor, has declared himself a candidate for the first directly-elected European Parliament, scheduled for 1978.

Communist demonstration in Milan, Italy.

European Community Information Service

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