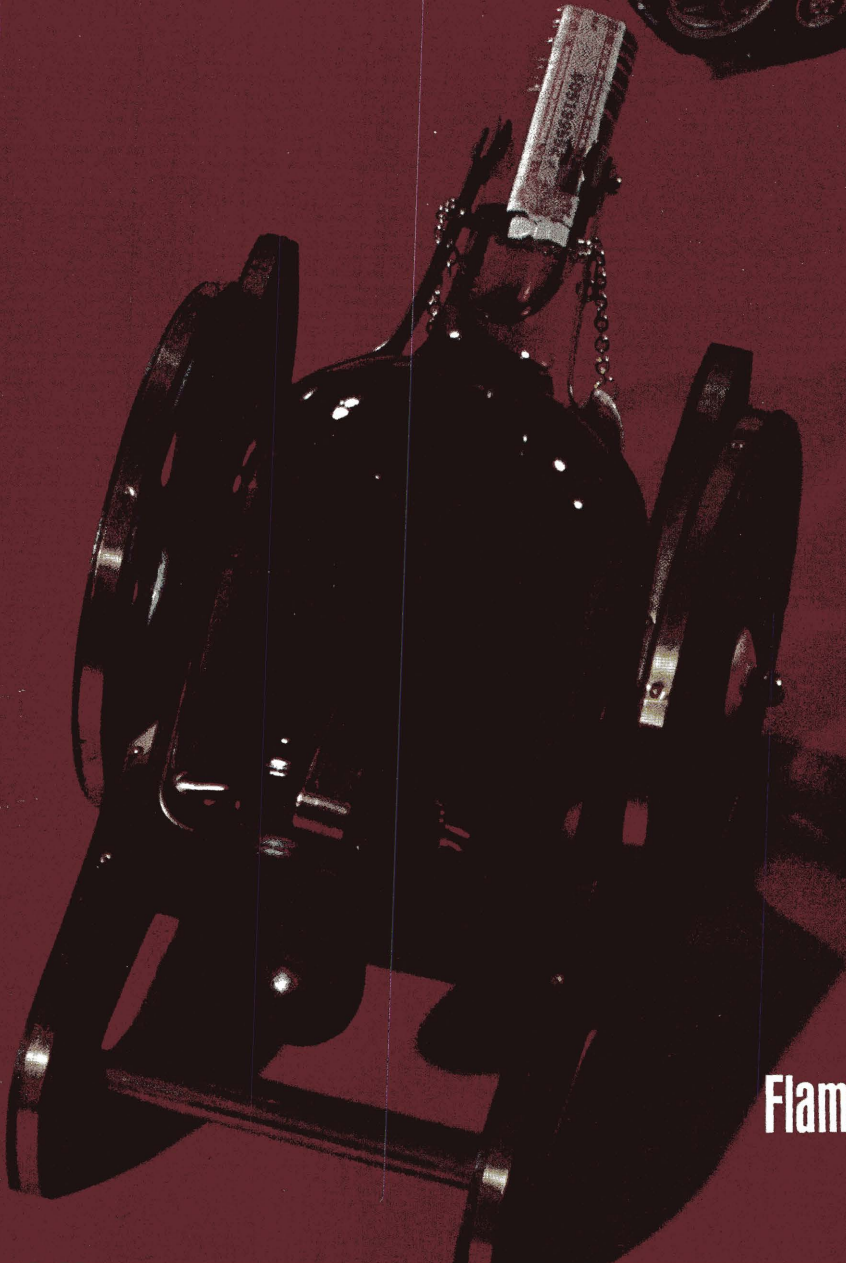


European Community

OCTOBER 1976 No. 197



Flambé on the Trade Front

CONTENTS

Agriculture

- 3 The Drought *Naomi Schwiesow and
Adrian Dicks*
- 6 Such Good Farm Friends *Axel Krause*

Industry

- 11 Whatever Happened to Protectionism?
Paul Kemezis

US-EC Relations

- 16 The Future President's Views *Gerald R.
Ford and Jimmy Carter*

Environment

- 20 A Byronic Pilgrimage *Christopher
Redman*

Monetary

- 25 Converging Currencies *H. Peter Dreyer*

Around the Capitals

- 27 Paris, Bonn, Dublin, Rome, Luxembourg,
The Hague, London, Brussels, Copen-
hagen

Institutions

- 32 Parliamentarians in Washington

Member State Reports

- 34 Anglo-French Relations *Michael Charlton*
- 36 Dutch "Survival" *L. Metzemaekers*
- 39 Luxembourg's "Challenge of Smallness"
Pierre Werner

- 41 Community News

- 46 Recent Books

- 47 Publications Available

- 49 US-EC Seminar

Cover (front): *US poultry exports and EC
brandy exports symbolize recent melodrama in
agricultural trade: see page 6.*

© Tenney Mason, Gaither, Maryland

Cover (back): *Burnt fields in Yorkshire, England.*

© Ian Berry, Magnum

Publisher Andrew A. Mulligan

Editor Walter Nicklin

European Community is published by the
Delegation of the Commission of the European
Communities, 2100 M Street, N.W., Suite
707, Washington, D.C. 20037. © The Com-
mission of the European Communities, 1976.
The magazine encourages but accepts no re-
sponsibility for unsolicited manuscripts or
artwork. The magazine also encourages repro-
duction of its contents, but any such reproduc-
tion without permission is prohibited. Edito-
rial, permissions, and circulation offices: 2100
M Street, N.W., Suite 707, Washington, D.C.
20037; telephone 202-872-8350; telex 248455
COME UR.



The Drought

Affects Farm Reform, Trade, the Economy

NAOMI SCHWIESOW, *assistant professor of political science, University of Maryland, Baltimore County*

EUROPE'S WORST DROUGHT FOR DECADES—AND IN SOME areas for centuries—has profoundly disrupted agriculture, industry, and political life. Appearing just as many European countries began to climb out of a long economic recession, the extraordinary spell of hot, dry weather has reinforced Europeans' awareness that their economic well-being is extremely vulnerable to uncontrollable external events.

Among the nine members of the European Community, France and Britain have suffered most extensively from this summer's shortfall of rain, but it has wrecked havoc for farmers as far north as Denmark and as far south as the Po Valley in Italy.

In Britain, the most visible effects of the drought are the dust and dried grass in parks, gardens, and sports fields that usually flourish with thick, green foliage. The British grain crop, especially, is so small that this year's farm income may fall 40 per cent short of last year's. For Britain's consumers, food prices have already begun to rise, particularly for vegetables, and they may rise further if the Government decides to aid farmers by lowering the value of the "green pound" used to buy food from other EC countries, so that Britain's own products would face less competition from food imports.

But higher food prices mean that Britain's wage-earners must chafe against wage controls. These agreements between Government and the unions, critical in Britain's struggle against inflation, have been accepted with an impressive degree of restraint by labor but are under serious pressure now because inflation persists and unemployment still grows: The Trades Union Congress says current wage controls must end by next summer, and one union—the National Union of Seamen—has challenged the "social contract" by calling a strike.

Britain's water shortage, especially severe in parts of Wales where household water supplies have been rationed, has also threatened industry directly. Large plants use enormous amounts of water and, failing that, would have to close down or operate on a short schedule, further fueling unemployment and undermining Britain's still pre-

carious path toward economic recovery. For now this specter seems to have receded but not without offering a glimpse of disaster.

Across the Channel in France, drought has stricken with equal harshness and equally far-reaching effects. The northwestern regions of Normandy and Brittany have been especially hard-hit by the loss of almost all forage for cattle. Both French farm income as a whole and French agricultural exports now seem likely to fall as much as 20 per cent below last year.

These losses multiply as they reinforce a rate of inflation already running at about 10 per cent annually and as they undercut a French franc already declining in world currency markets. Both of these movements are linked to a heavy deficit in the French balance of trade, which is exacerbated by the constriction of farm exports. The spiralling effect of farm losses is dramatic especially because the Government had been trying to compensate for rising oil imports by increasing its sales of farm products to other countries. But it now finds that those sales are shrinking and, at the same time, that oil imports must grow in order to replace hydroelectric power supplies diminished by the shortage of rainfall.

French farmers are pressing for financial relief. The Government of President Valéry Giscard d'Estaing has proposed raising \$500 million through a surtax on the most well-to-do, in order to try to maintain farm incomes near last year's level. But the farmers argue that last year's income was unusually low and that the standard ought to be the higher level of the early 1970's when French farm production was at its height. On the other side, consumers, facing widespread inflation and higher food prices in particular, resist paying yet more in special aids to farmers. Moreover, consumers in their role as workers confront Prime Minister Raymond Barre's strict program for containing inflation by holding down wages, among other measures. This means that a surtax would be even more burdensome and even more provocative. The Government is already under heavy pressure from the Left, whose demands have been compounded by the economic recession



The drought did bring "benefits": Here a dried-up Epping Forest pond offers British treasure-hunters Victorian bottles, antique pot lids, and other relics. UPI Photo

and slow pace of recovery. Balancing between the competing claims of consumers and farmers as the 1978 legislative elections approach will be a tense exercise indeed.

For the stricken agricultural sector, drought relief measures similar to those proposed in Britain and France are underway in other EC countries as well. In Belgium, for example, where insufficient water has meant strong conservation laws forbidding nonessential uses of water like car washing, the Government is offering loans to cattle farms. In Germany, too, more than 50,000 farms that have suffered most from this summer's weather will benefit from federal and state governmental loans in a three-year aid program.

UNDER THE TREATY OF ROME, EC countries are permitted to institute certain national aid programs to damaged sectors of the economy in emergencies. But on the Community level, too, drought aid has begun. Because of the extreme shortage of fodder, export levies have been instituted to discourage sales of fodder outside the Community. With a likely fruit production shortfall of 1 million tons and with much larger shortages in prospect for vegetables, the Community has begun to reduce and even suspend import tariffs on many of these products.

Partly because of these measures, because of the patterns of drought in Europe, and because world grain supplies are quite plentiful this year, EC countries are not likely to suffer severe shortages in available food products or intolerable increases in food prices. The EC grain crop is expected to be only about 5 per cent less than last year's, nor does a beef shortage exist—although early slaughter of cattle that could no longer be fed may mean that less beef will be available in 1977. The production of dairy products, too, will be about the same as last year's, and the EC dairy surplus will continue to grow.

But if this is good news for Europe's dinner tables, it is less fortunate for EC ambitions to reform the common agricultural policy (CAP). EC ministers had planned to

review the CAP this autumn, especially with a view to solving the problem of huge dairy and beef surpluses. These have arisen because high prices maintain an incentive for farmers to produce as much as possible. One way to reduce the surpluses (now over 1 million tons for powdered skim milk and over 300,000 tons for beef) would be to penalize farmers for overproduction and to cut special aids to farms. But, instead, the drought has created political pressures on EC governments to increase those aids.

In the long run, the Community will also find its production of fruits, vegetables, and wine increasing if Mediterranean countries like Spain, Portugal, and Greece become members. Trade agreements with these countries and with other EC associates around the Mediterranean already have created occasional gluts. What to do with all this food, and

We thrive on adversity...



for this scepter'd isle...



this precious stone set in the silver sea...



...this bloody dump.



Yardley Jones, Montreal Star, Canada

with all the farmers who produce it enthusiastically but not always efficiently and therefore at too high a cost, is a dilemma that continues to bedevil the Community, drought or none. And a thorough-going resolution of Europe's agricultural system is not promoted by disequilibrating weather crises with ripple effects throughout the social and political context of any reform decisions.

Europe's experience this summer raises the question of whether other droughts will follow, whether the northeast movement of the Azores high-pressure front that brought this year's dry weather will recur, whether other and perhaps more fundamental changes in global climate patterns will emerge. Many climatologists argue that the world is slowly becoming cooler, and that therefore food production will diminish especially in the Soviet Union, in Canada, and in northern Europe. Indeed, in certain areas the growing season has slightly shortened—only by a day or two but that is enough to disturb those farmers who depend on double plantings of crops like sugar beets.

Other climatologists claim that increasing air pollution means the earth's temperature will rise, perhaps melting polar ice and transforming normal wind and rainfall patterns. The frequency of sunspots and the solar system's encounter with thick clouds of dust in space are other phenomena that many scientists expect may lead to profound climatic changes. Despite sometimes conflicting analyses and speculations, many experts concur that the world climate is likely to become much more irregular, much less dependable for long-term food production.

If this is so, then this year's drought may be only the first of a series of weather and farm crises that Europe will

face. EC efforts to streamline agriculture and at the same time to harmonize economic policies among the member states on a broader level could be seriously disrupted if it becomes increasingly difficult to predict rainfall and therefore also production and trade levels. Not only the internal relations of the Community but its external relations as well, especially those centered on global farm trade and food distribution issues, could present more frequent conflicts and crises if climatological disturbances intensify just as both industrialized and developing countries begin an attempt to regularize and institutionalize the distribution of food and other farm commodities.

A Personal View

Being a farmer in the Rouergue, the ancient province that covers parts of the Aveyron, Lot, and Tarn Departments of France on the southwestern edge of the Massif Central, is what many modern city-dwellers might be tempted to see as the ideal life. You would live in one of the most beautiful parts of Europe, far enough south for the wine to be good most years, yet far enough north for the prevailing trees on the plateaux and in the deep river valleys to be oaks and chestnuts rather than the scrub found further south in the drier parts of the Midi.

You would be your own master in a way that commands respect in a region that is by no means untouched by modern technology, yet is still centered around complex family relationships that spread all over the countryside, so that when friends or relatives come to lunch, sitting down perhaps at noon and rising at 4:30, you can offer the dozen people round the table a magnificent nine-course meal with smoked ham, sausage, pâté, chicken, vegetables, fruit, cheese and wine, all from the farm.

And you can afford to be a little patronizing towards anyone dependent for his livelihood on a weekly wage: In the last resort, he is someone who can be kicked around by a boss. Your holding might be uneconomically small in the eyes of the agricultural bureaucrats of Brussels, but the political clout of the French farming community is generally great enough to ensure that EC support-prices stay high. And the results are plain enough. Beside the log-fire in the kitchen of your stone farmhouse would stand a television or a large cooker, while wine barrels probably share the basement with a big deep-freeze. Thanks to the easy

terms offered by the Crédit Agricole, you are likely to have outside in the barn a couple of tractors, a combine, and an array of power tools. In the cowshed is a bewildering array of modern milking machinery. Parked by the front door is a small but sturdy, late-model Renault or Peugeot.

Romantics inclined to fall for the attractions of this way of life should have seen what this year's drought did to the Rouergue. Consider the valley of the Viaur, one of many rivers that flow westwards from the Massif Central to end up in the Gironde. Along the stretch where the Viaur separates the Aveyron and Tarn Departments, it has carved a valley some 600 feet deep and a couple of miles across. Some of the land is too steep to farm, and much that was once painstakingly terraced has now become overgrown. But there are several normally prosperous farmers, as well as smaller holdings that provide little more than subsistence for older people.

There has been a shortage of water in parts of the valley for several years, with springs that used to be plentiful dwindling away to a trickle—the result of below-average winter rains and of the absence of the heavy snowfalls that fill up the underground water table. This year, a dry spring followed a dry winter. Between the end of May and the third week of July, no rain fell at all. Winter wheat was not too badly affected. But later-planted crops, such as corn, sugarbeets, potatoes, and barley, were parched. Only the vines, mostly old plants that have rooted deeply into the rocky soil, thrived on weeks of hot sunshine.

When the drought broke in late July, it was in the form of a storm that smashed down hailstones as big as a bartender's ice cubes to flatten much of what had survived. Roads were washed away, several sheep and cattle killed by lightning or drowned, houses flooded, and a cemetery wall washed away.

What had looked like an exceptionally good vintage had to be reassessed: The quality would still be high, but the storm had torn up to a third of the grapes off many vines. As for cereals, the hard-baked earth simply could not absorb enough water to do the plants any good. Tons of good top soil were washed right out of the fields, turning the Viaur far below into an evil-colored, swollen torrent.

Two or three storms later, farmers had little more to do in 1976 than to shrug their shoulders and wait to see what the new Government in Paris would do for them with its long-promised package of relief measures. As any one of them would readily admit, though, it could have been worse. No one had to sell off cattle for early slaughter. There were good stocks of corn until mid-summer, and there had been time for most farmers to cut and dry hay once or twice. Given the normal autumn rain pattern that seemed in mid-September to have returned to most of Europe, it should be possible to put cattle back to pasture for a month or two longer, by which time feed may be more plentiful and prices may have recovered from the slump.

For a few, there should be insurance payments for the failed crops. But premiums are high, and most farmers do not bother with it. Higher prices are fine in principle, but yields of cereals and field crops are likely to be so small that many families' cash income will not be maintained. In addition to whatever the Government eventually provides, it will need all the traditional Rouergue virtues of patience, good humor, and hard work in order to push through to next year.

—ADRIAN DICKS, Bonn correspondent for the *Financial Times*, lives in the Viaur Valley whenever he can.

US-EC Agricultural Conflict

Such Good Farm Friends

AXEL KRAUSE, *Washington-based correspondent for Business Week magazine, who formerly reported from Europe*

THE NERVOUS CONFLICT BETWEEN THE UNITED STATES AND the European Community over agriculture reminds one of two old, stubborn friends haggling over fences separating their adjoining properties. While affirming their long-time friendship, both resort to repeated threats, pressures, retaliation, and even hints of compromise without ever giving in. Each proudly considers his domain sacrosanct.

Describing things another way, a senior US diplomat in Brussels recently mused: "It is no coincidence that when scratching any major economic issue around here—European drought, price stabilization schemes, regionalism, or trade liberalization—we always get down to agriculture fast." And he predicted: "We and the Europeans will be moving from one big, small or minicrisis to another in this field until something gives."

Right now the prospects of anything important giving are remote. In recent weeks, prominent government figures from each camp drew battlelines that provide some indication of the way things are going. In a speech that caught Washington by surprise for its provocative, threatening tone, Petrus Lardinois, the EC Commissioner in charge of agriculture, told a California audience on August 24 that because of agriculture, an element of tension and mistrust was creeping into US-EC trade relations. Moreover, he warned, if this was not faced squarely it could lead to what he described as "some sort of rupture."

The outspoken Dutchman made his comments with the approval of Brussels, specifically ticking off present grievances—US restrictions on European imports ranging from dairy products, notably cheese, canned ham and beef to brandy. Moreover, Lardinois gloomily predicted that partly because of the drought and of disillusionment with America by European exporters, EC farm exports to the United States would fall in 1976.

The purpose of the speech was nothing less than a firm, pointed reminder that Europe still was not only profoundly dismayed by US agriculture, described by Lardinois as "the most protected farm market in the world." But it also was aimed at reiterating a well-known EC maxim that "order" and "stability" are desperately needed, particularly in pricing



Former US Secretary of Agriculture Earl L. Butz (left) and EC Commissioner

of agricultural products and for protecting farmers' incomes. Indeed, it was by deliberate choice that Lardinois made his speech to members of the National Soybean Processors Association, whose product is one of the European Community's largest single US agricultural imports and recently has been the object of both intense, mostly-upward price fluctuations and heated controversy within the European Community.

Privately, some US and European officials felt the speech was ill-timed, unnecessary, and with precious little new to say. "Frankly, we couldn't understand the motivation," said a long-time admirer of Lardinois and a highly-placed US official in Washington, wondering whether "he made the speech mainly for European consumption."

Within a month, however, Europe had its answer: In equally blunt and even more specifically threatening terms, Frederick Dent, President Ford's chief negotiator at the Geneva multilateral trade negotiations, told a seminar at Airlie House near Washington that Europe should bring its own agricultural house in order first. Seeking to dispell a widely held belief, particularly among French officials,



For Agriculture Petrus J. Lardinois in better times.

that the United States is seeking to dismantle the Community's common agricultural policy (CAP), Dent declared, "we have no belief that the CAP can or will be eliminated," noting it was a "domestic European policy." But Dent, clearly reflecting the Ford Administration's views, quickly went on to say that the United States was seeking outright liberalization of US-EC trading relationships through negotiated compromise.

Of course, Dent may well have been trying to stir up interest in the languishing Geneva trade negotiations, known as the Tokyo Round, and which are slated for conclusion in 1980. He even went so far as to warn that if the talks were not concluded in 1977, participants from both developed and developing countries would be "bitterly disappointed and our leadership will be questioned."

Whatever Dent's political motivation, his repeated linking of agriculture and industry in the context of trade liberalization only pinpointed the obvious, continuing impasse over agriculture, since the European Community has repeatedly rejected Washington's view on linkage.

Insisting that the United States is a relatively open agricultural market with a few exceptions, due to "closed markets elsewhere," the US official went on to suggest that Europe would do well to follow the American example. Government aid to sectors injured by foreign competition should be considered, for example, Dent declared. He cited adjustment assistance offered by Washington to the New England shoe industry recently hit by imports from Great Britain, Italy, Spain, and France. "The whole question of adjustment is involved in trade, whether it is agricultural or industrial."

More important, Dent warned his audience, consisting of Americans and Europeans, that a new wave of protectionism might be triggered on both sides of the Atlantic by those seeking "to forego the opportunity for expansion," unless as he put it "we can overcome the inertia."

THERE IS FAR MORE to the Lardinois/Dent statements than diplomatic skirmishing, which quickly becomes apparent in making comparisons between their respective agricultural economies:

- The size of the average US farm is around 381 acres, compared to 33 acres in the European Community.
- Total arable land in the United States tops 472 million acres, versus 115 million acres in the European Community.
- There are now roughly 2.8 million farms in the United States, compared to 5.4 million farms in the European Community.
- The proportion of the US population in agriculture averages 4 per cent, compared to just over 9 per cent in the European Community.
- As a proportion of total national income, agriculture represents 3 per cent in the United States, 7 per cent in the European Community.

Relatively speaking, the more efficient and overpowering agricultural base in the United States becomes even more striking when considering the trade picture. Last year US agricultural exports to the European Community reached a record \$5.6 billion, up from \$2 billion as recently as 1970, while EC exports to the United States last year were just under \$1.2 billion. This, as EC officials regularly remind Washington, gave the United States a \$4.5 billion

trade surplus in agriculture last year, equal to roughly three quarters of the total US trade surplus with the European Community.

Unfortunately for the Europeans, the combination of the recent drought and improved economic conditions in the United States will substantially boost US exports—possibly to over \$7.5 billion in the fiscal year that began October 1—while EC agricultural exports to the United States are expected to fall to \$900 million this year.

Equally important, US policy in recent years has been aimed at full production under conditions of "market orientation," characterized by gradual withdrawal of the government from farm support programs. As Dent puts it, summing up the prevailing view of the Ford Administration, "the best regulator of supply, demand, and production without question is a free market that goes up and down."

This couldn't be farther removed from today's politically controversial, highly complicated mechanism and bureaucracy that comprises the CAP. The EC view oversimplified is that: 1) Washington's recipe isn't by any means enough to ensure supply or increase world trade in agricultural products, and 2) EC farm support programs are indispensable for Europe. "It is the only common policy we have in the Common Market and is fragile only because we are still lacking common policies in other areas," says former French Agriculture Minister and Gaullist Deputy Michel Cointat, who is also a member of the European Parliament. "The reality of the CAP is incontestable."

Such often heard views may reflect the deep-rooted political determination by Paris and Brussels to defend EC farm policy, but cloak the heated in-fighting touched off when powerful interests become caught in the middle. Consider the EC plan to dispose of some 1.2 million tons of skimmed milk powder accumulated under the Community's dairy support program and which is the largest surplus of its kind ever amassed by man.

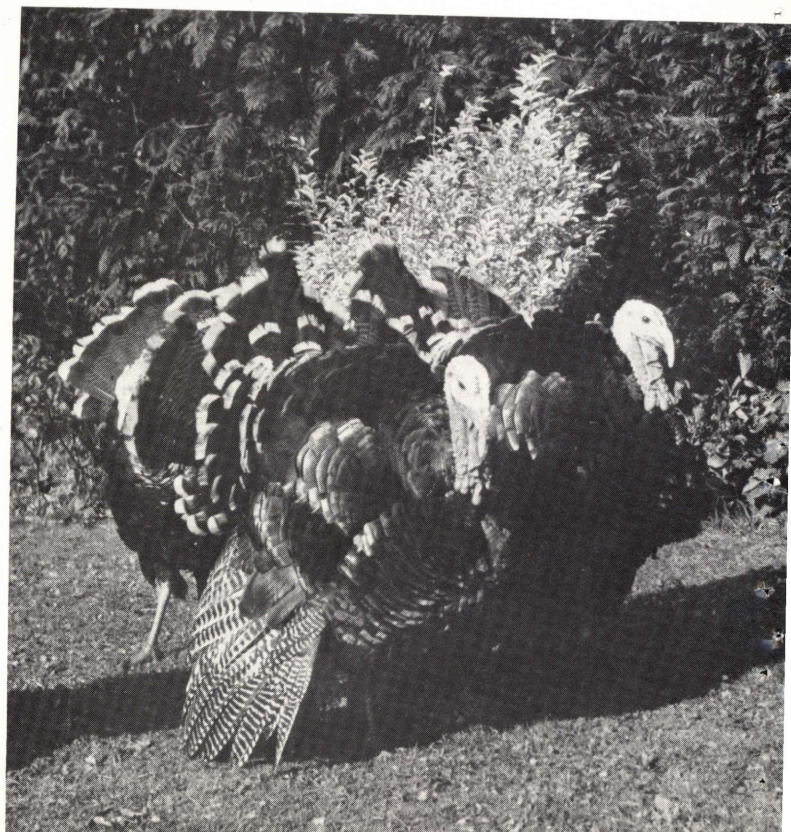
Since its inception last March, the skimmed milk powder disposal plan has not only touched off vociferous opposition from industry and farm groups within the European Community, along with Washington's, but triggered a motion of censure against the EC Commission at the European Parliament in Strasbourg last June, the first time in the Common Market's 18-year history that such a move reached the voting stage. While the motion was soundly defeated by the 198-member assembly, it brought the "milk powder mountain" issue to a critical boiling point, because had the motion passed, it would have forced the Commission to resign.

Among those caught in the middle were Europe-based feed compounders, including multinationals Unilever and Ralston Purina, which are being forced to absorb in animal feed some 400,000 tons of dry milk from the EC stock by



Ohio farmer examines newly threshed soybeans—one of the Community's largest single US agricultural imports and recently the object of both intense, mostly upward price fluctuations and heated controversy within the Community. USDA Photo by Roy Clark

Too much to gobble? Along with EC brandy exports, US poultry exports—in particular, turkey thighs—have come to symbolize the latest US-EC agricultural trade difficulties. © Department of External Affairs, Dublin



October 31 whether they want to or not. "This disposal plan not only is costing our industry substantial, unnecessary expenditures of money, paperwork, and time," complained an official of the Brussels-based European Feed Manufacturers Federation, "but it is illegal under the Rome Treaty."

The complicated specifics of the program work this way: For every ton of soybean meal imported or used, EC-based compounders must put up a deposit equal to around \$33. To get a refund, compounders must buy 50 kilos of EC-stocked milk powder for every ton of soybean actually used. The catch is that the European Community not only has required the powder be purchased at prices well below the price at which the Community bought it from Europe's several million dairy farmers in the first place, but the price is considerably higher than competing US soybeans and soya products, which compounders generally prefer. EC officials vehemently insist the plan is temporary, suggesting it will end by the end of the year.

Washington is deeply skeptical. "This may be a one-shot affair and if so there is little we can do, but what if it goes further?" worries a senior US trade official, noting that Brussels is presently contemplating a consumption tax on vegetable oils that would directly hit US soya exports.

Admittedly the plan is being linked to a proposed tax on all milk delivered to EC dairies in an effort to reduce supplies, but the plan raises the hackles of Americans, nevertheless. "We simply refuse to go backwards," explains a US trade official, noting that US soybean feed products have traditionally entered the European Community duty-free. "Europeans are consuming less dairy products and producing more at high, subsidized prices and frankly, we won't be caught in the middle."

With equal vehemence, EC officials counter that, despite earlier alarmist predictions, US soya exports haven't fallen and to the contrary are rising at steadily rising prices. "There is no evidence here of an attack on your interests," Lardinois told the US soybean processors. Meantime, his staff aides estimate that the price for US soybeans could easily reach a near record \$8 per bushel level by the end of the year, up from the current roughly \$7.25 per bushel price. "We are highly nervous about the continuing price climb," worries a senior, Washington-based EC official.

IT IS NOT AN EASY TASK fathoming what the European Community is actually proposing right now or seeking—specifically. Indeed, there is a widely held line of thinking among senior US and European officials that neither side expects any significant action on the EC-US agricultural and trade front until after next January, at the earliest. Cited as reasons are the impending reorganization of the EC Commission, including the expected departure of Lardinois, who is planning to become chairman of a Dutch banking group. And then there is the even earlier US Presidential



Current European grievances, according to EC Commissioner Lardinois in his California speech, include US restrictions on European dairy imports—notably cheese. Pictured Dutch cheese-making.

The United States, with over 472 million arable acres (compared to 115 million acres in the European Community), has grain enough at least for part of the rest of the world, such as the wheat being loaded on this supertanker. USDA Photo





Farm scene in Dorset, England. The European Community has 5.4 million farms and 9 per cent of its population in farming, while the United States has 2.8 million farms and 4 per cent of its population in agriculture. © Erich Hartman, Magnum

election in November.

To hear some highly enlightened Europeans tell it, the only answer to the strains in EC-US relations is a Jimmy Carter victory. "Carter, we think, would be more open and willing at least to talk about stabilization and related plans in the interests of more equitable market order," says a seasoned West European diplomat based in Washington. "He seems heavily domestic-oriented, but at least with Carter there is hope for negotiation," echos a colleague, noting that old-time Democrats friendly to Europe are in the Carter camp.

If the Democratic Presidential candidate is holding out promise of stable prices, or what he terms "a fair profit to our farmers and a fair price to consumers," it may not necessarily spell good news for the European Community. To be sure, there are plenty of enticing hints to the contrary, such as a recent policy guideline issued by the National Carter-Mondale Committee for Food and Agriculture: "A cornerstone of the Carter Administration will be a new, clear, and cohesive national policy of food and agriculture that can deal with the problems of shortage as well as surplus."

By the same token, Carter is backing worldwide expan-

sion of US farm exports, while expressing caution about allowing expansion of subsidized imports, such as meat and dairy products, which compete directly with American products. This is virtually identical to the views of the Ford Administration and parallels closely present policies.

Nevertheless, there will be important changes in the event that Carter wins, particularly the naming of a new team to run the Department of Agriculture, starting with the top job of Secretary. "Earl Butz [former Agriculture Secretary] has developed an absence of policy insofar as we are concerned," cracks a Washington-based European trade official. "Given the growing tendency towards world food shortages, and our belief that supply access must be assured, there is at least hope with Carter."

What if Ford wins? Washington observers are almost unanimous in their conviction that present policies would be continued and that Butz himself might stay on in the early months of the new administration to help in shaping farm legislation that is due to be voted by Congress next year. And senior advisers to Butz show little sympathy for European allegations—reiterated by Lardinois in his recent speech—that EC exports, such as cheese, brandy, and canned ham, have been gradually and unfairly shut off the American market. "We are ready to take on competition, but not subsidized competition, that might allow the United States to become a dumping ground for agricultural surpluses generated elsewhere," grumbles a Butz adviser.

The Department of Agriculture isn't the only agency in Washington with clout when it comes to foreign agriculture policy, however, although under Butz it certainly has shaped the pattern. Right now, for example, there is growing talk within and outside the Ford Administration for compromising key trade issues with the European Community that would directly affect agriculture. One scenario being discussed would allow US products greater entry into the European Community in return for Washington's easing restrictions on exports of certain EC commodities, such as beef. Another proposal would guarantee subsidization of exports to third countries. Neither are at the negotiation stage yet, but feelers have already gone out to the capitals of Europe.

Straws in the wind? New, emerging breakthroughs? Cosmetics dressed up as diplomatic fence-mending? More than likely there are elements of all these in the present, fluid situation, and it will undoubtedly be several months before positions harden and possibly be put on the table, assuming that on both sides of the Atlantic there is sincere desire to move toward what Dent describes as "reasonable compromise."

In the meantime, these two interdependent neighbors can be expected to go on guarding their farm fences as before, but perhaps from now on with a new and uneasy sense that something will have to give.

Whatever Happened to Protectionism?

PAUL KEMEZIS, *Washington correspondent for the Brussels-based European Report, who formerly reported from Brussels for The New York Times*

THE MAJOR RECESSION OF 1974-75 SHOULD HAVE DRIVEN the industrialized world into a protectionist free-for-all. But like Sherlock Holmes' dog that didn't bark, the great trade war never materialized. The stage was certainly set as the recession began to bite in late 1974. The US Congress passed a trade act which substantially broadened the ability of American industries and labor to seek protection for themselves against imports. In Europe the economic divergence among the nine countries locked in the EC customs union became wider than ever before, threatening the basic free trade character of the system. On both sides of the Atlantic hard-pressed industries such as steel, autos, shoes, and textiles made pitches for some sort of aid as factories turned at 60 per cent of capacity and trade in industrial goods dropped 6 per cent by volume in 1975.

Yet despite these potential dangers here's what happened:

- The protectionist surge in American industry and labor never reached tidal wave proportions and did not make effective use of the trade act levers to get new protection measures.
- The Republican Administration in Washington rejected or watered down what few protectionist actions it was forced to consider under the trade act, deciding that fighting inflation took greater priority than raising tariffs.
- The nine Common Market nations were able to hold together and find solutions when countries such as Italy and Britain, facing critical economic problems, sought to put temporary restrictions on imports or allowed sharp devaluations of their currencies.
- The European Community and the United States, despite the bitterness left over from the "Year of Europe" and the "24/6" trade talks of the early Seventies, were able to contain and defuse industrial trade problems one by one as they arose, preventing the fights from snowballing into a major conflict. They also made new use of economic summits and the ministerial meetings of the Organization of Economic Cooperation and Development (OECD) to elevate these consultations to top government levels and

maintain a flow of joint declarations against restrictions.

- The United States, the European Community, and many other industrialized countries started up or enlarged generalized preference systems to allow more industrial goods from developing countries to enter their borders duty-free.

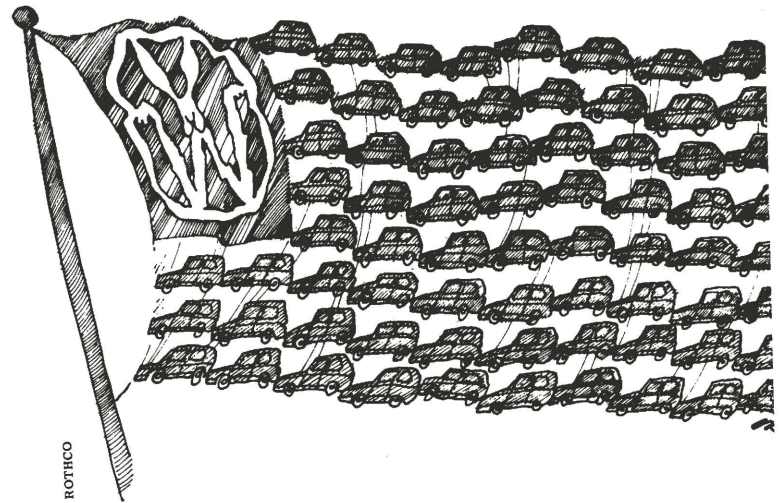
As the major economic indicators, except unemployment, began to show positive results in early 1976, all was not in perfect harmony. A potentially dangerous agricultural trade fight covering soybeans, chicken, and wine began growing between Washington and Brussels; the tone at the multilateral trade negotiations in Geneva toughened up as the 1979 deadline for agreement loomed, and major differences emerged from the early preparatory rounds; and the problem of low-cost Japanese exports fueled by an undervalued yen kept bothering the other trading nations. But aware of what might have been if events had gotten out of hand during the last two years, trade officials seemed pleased at the "normal" situation. A report by the International Monetary Fund, published in the summer of 1976, found that although there were some new protectionist actions in 1975 and early 1976, on the whole the industrialized countries had little recourse to new import control measures. They had kept their cool despite the declining world trade and general payments imbalances.

When the new American trade act was adopted in December 1974, many Europeans considered it *de facto* more protectionist and the first sign of a major new shift by America toward an isolated, drawn-in stance on trade issues. The American trade officials, who had extracted the bill from Congress in order to participate in the Tokyo Round in trade liberalization talks, felt differently, but it took time to prove this. Their view was that under the rules of the previous US trade legislation, which had kicked off the Kennedy Round in 1963, American industries had very little means to bring complaints about import competition and unfair practices to the attention of authorities and get a fair hearing. Under the rules they would have a chance of relief only in the most extreme cases. The Administration felt this was only creating pressures under the surface

which would lead to an unstoppable protectionist wave later on. So in the new trade act they went along with Congress on half-way measures to let some of the steam off. The rules under which firms could get relief from imports were loosened. Previously a company had to prove a flood of imports was due to a specific trade concession to get help. Now he need only show that imports had caused major damage to his business. Government agencies were given strict deadlines to handle complaints about dumping, unfair import practices, and import damage. The key agency in this work, the International Trade Commission, was beefed up, and finally Congress gave itself a legislative veto over various actions of the President in trade restriction cases.

THE TEST OF THE SYSTEM came in the first half of 1976 when the key cases which had been filed by anxious industries came up for final decision. The stakes were high since the cases involved steel, high-grade specialty steels, shoes, foreign autos, plus numerous less important items, ranging from mushrooms and shrimp to plant hangers and knitted baby booties. Rumbblings from Brussels and other European capitals made clear a harsh decision in any of the major cases could lead to retaliation and a bitter escalation of protection. The first point that emerged was that the new International Trade Commission, made up of three Democrats and three Republicans, was a neutral group, judging the cases strictly on merit and had no visible protectionist axe to grind. Of the 14 import damage complaints it had ruled on by mid-1976, for example, it found substantial damage in seven cases and frequently split in its recommendations, seldom calling for major new tariffs or quotas. Their record on injury rulings in anti-dumping cases was even more liberal. In the two big cases where the Commission found injury, specialty steels covering \$200 million of trade, and shoes covering \$1.1 billion, the ball was placed in President Ford's hands and in each case he took the least protectionist route possible.

In perhaps the most crucial decision, Ford announced on April 16 that he would give shoe firms a chance to get special adjustment loans from the government but he would order no tariff or quotas against foreign shoes, which make up 40 per cent of US domestic consumption. Ford argued that most big shoe firms were in good financial shape and that an increased shoe tariff would "result in higher shoe prices for American consumers at a time when lowering the rate of inflation is essential." The shoe industry was livid with anger but could do nothing further. By a fluke the International Trade Commission had split their own recommendations on injury so an appeal to Congress on the President's decision was impossible. In the specialty steel case, the International Trade Commission had supported a single remedy, import quotas, so the President did

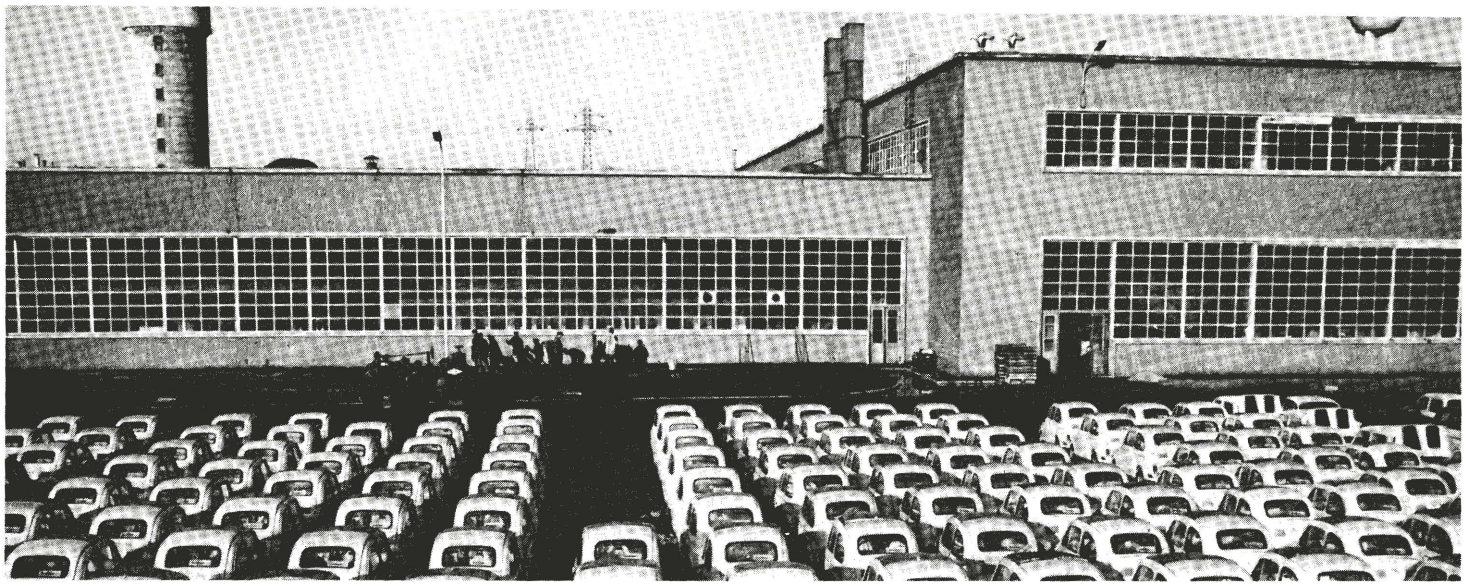


Urs, Germany

face a veto fight in Congress if he didn't take some action. After two months of talks he won an agreement from the Japanese to restrict voluntarily their special steel exports and he finally slapped a quota on the European Community when it refused a similar agreement. But despite much surface griping in Brussels, the quotas were negotiated calmly and wound up above actual trade amounts. The European Community eventually announced it would study the measure but took no counteraction.

In a third critical case, the US Treasury terminated consideration of a massive anti-dumping case against the major foreign car manufacturers in June after some of the firms involved said they would raise car prices voluntarily. In all, despite a major step up of anti-dumping investigations since the trade act, the Americans have so far taken restricting action in two small cases. Finally in another potentially dangerous case the US steel industry asked for countervailing duties against EC steel exports which it claimed were subsidized by value-added tax rebates paid to manufacturers once the steel left Europe. The Treasury, following GATT rules, determined that this indirect tax was not a subsidy. The issue is not totally dead, however, since the US steelmakers have taken the complaint to customs court.

On the whole, therefore, the amount of restraint shown by the United States has been remarkable. At the Special Trade Representative's office, occupied by Frederick Dent, much of this restraint seems aimed at maintaining credibility vis-à-vis the trading partners in order to keep the Geneva talks moving. But for Ford himself, locked in a tough political campaign, the need to emphasize inflation fighting (a Republican issue) over unemployment (a Democratic issue) plays a key role. Even more remarkable has been the shyness of the US Congress to take a vigorous stance supporting more protection. After the shoe case was decided, for example, a motion in Congress to re-examine it was easily voted down. Also a move this year in Congress to reform the International Trade Commission procedures to ensure more clear-cut decisions seems to be a neutral effort



In June the US Treasury terminated consideration of a massive anti-dumping case against major foreign auto manufacturers after some of the firms said they would raise car prices voluntarily.

to make the machinery work better instead of a bitter protectionist fight. In fact, free trade forces in Congress have knocked some possibly protectionist edges off the reform move. The main reason the winds of protection are not so strong on Capitol Hill is that the old protectionist forces are either no longer there or are bitterly waiting for a new President to try their luck.

On the side of industry there is less stridency, in large part because the steady devaluation of the dollar since 1971 has been an effective trade barrier in itself and also allowed many firms to consider exporting again. Also many US firms with large multinational operations oppose US trade restrictions which would make it harder to export goods they make abroad into the United States. Ford Motors, for example, plans to import its European-made Fiesta car in coming years and was not eager to push the car anti-dumping case, which was a union initiative. Labor remains unreconciled, as unemployment remains high despite an upturn in business activity. "We are offering them carrots while they sharpen their sticks," said steel union chief I. W. Abel to a Senate panel this year, complaining about US trade negotiation policy toward the European Community and Japan. But even among unions the emphasis has shifted, with the dangers of multinational companies exporting jobs taking top billing over imports. In all, only one major import damage complaint remains on the agenda in the wake of the trade act—Japanese televisions—and there the problem is classical price-fixing.

For the Europeans the main danger from the recession has been at home. The economically weaker members of the Community found existence with the stronger EC partners in a free trade zone difficult, and for the first time cracks appeared in the EC structure. The first crisis came in May 1974 when Italy with a massive balance of payments problem set up an import deposit plan under which the Government required a six-month deposit of 25-to-50 per cent of value of most imports from EC as well as non-EC countries. The German and French exporters were hurt

but the EC authorities accepted the plan, which lasted until March 1975. In a much smaller but highly politicized case, the French imposed special tariffs on Italian wine in the summer of 1975 and were faced down by the Brussels Commission. But renewed danger came at the end of 1975 when the recession hit rock bottom. The British Government, under intense labor union pressure, considered a plan to limit selected imports to save jobs. But strong counterpressure was exerted by the other EC leaders and also President Ford at the Rambouillet summit of November to block this. The British protection package which emerged in December did not touch EC goods, merely setting quotas on some Mediterranean textiles and surveillance of other products. Finally in Italy in March 1976 a new economic crisis hit and the Italians were forced to stanch the flow of imports with a repeat of the deposit plan. But this time, with excellent communications among EC finance ministers, a plan was worked out which was much less burdensome and won general support.

BY THIS TIME, HOWEVER, a new ghost was haunting the EC economic structure, competitive devaluations. In early 1976 the pound sterling and the lira fell steeply as monetary officials in London and Rome stood by none too disturbed. The devaluations, more effective than any tariff wall, would for example make it much harder to sell German Volkswagens in either country. By the middle of the year the Nine had started to confront this problem by rethinking their whole joint float system and finding means to control such major fluctuations as well as lesser strains which pushed the French from the joint float in March.

But the monetary problem would have further consequences with major trade implications, since they made the EC farm support system much more expensive to operate with the added cost coming from the common budget. The new expense brought dire warnings both from the Commission, which had to manage the growing monster and the Germans, who had to pay for much of it. This

pressure led by mid-1976 to the formulation of plans to attack the most costly part of the common agricultural policy (CAP), the dairy sector. These in turn had adverse effects on one of the greatest sacred cows in Atlantic trade, the duty-free American soybean. An EC plan announced in the spring to force European farmers to use a small amount of skimmed milk powder in animal feed instead of soy meal angered the United States. A second plan, to tax vegetable oils so that butter would remain competitive with cheap margarine, brought angry threats of massive retaliation from the United States in mid-July when it was first proposed. The hard won peace on the industrial trade front seemed threatened since the Americans would clearly hit European goods such as cars and machine tools to protect their duty-free soybeans. It was this fight, complicated by the revival of an ancient dispute over US chicken exports to Europe, which once more clouded the horizon in late 1976 after the general relaxation of tensions in the spring.

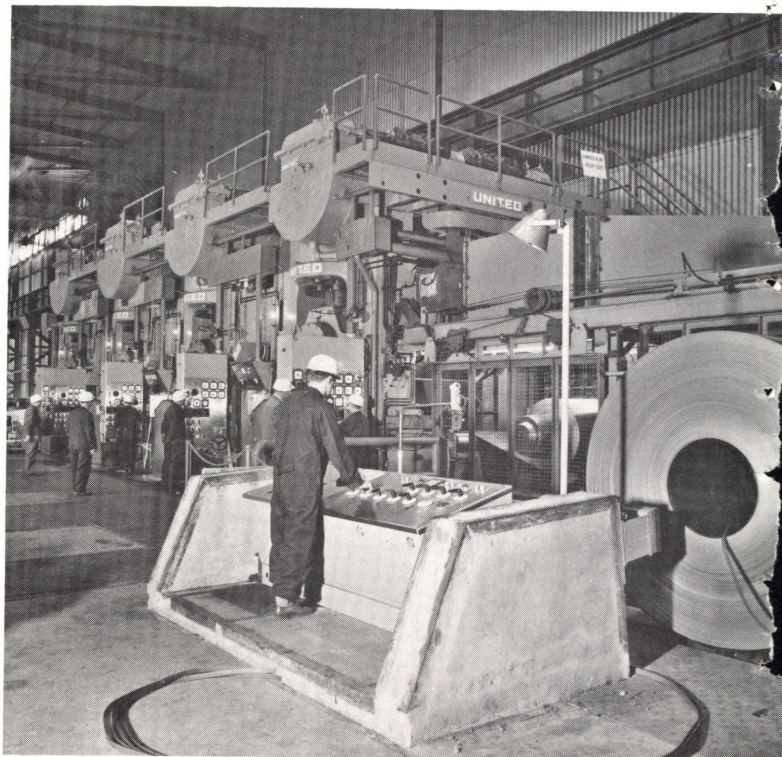
On the whole the European approach to the Americans during the recession was to wait and see what the major cases pending under the new trade act would bring. Europeans import fewer industrial goods from America than vice-versa so there was little hue and cry about keeping out US imports. A call by EC steelmakers for a minimum import price system was successfully resisted by Brussels. But another trade problem arose that could also portend ill for the future: export subsidies. Many EC members are both strongly dependent on industrial exports for economic health and less accustomed to keeping a careful distinction between private and public sectors than Americans. The result has been new government efforts to encourage exports which make the US Domestic International Sales Corporations (DISC) system of fiscal export subsidies pale by comparison. In 1975 for example export credit ceilings rose in Belgium, France, Italy, and the Netherlands. Britain has also lessened its financial system to encourage exports. Also Denmark, Britain, Germany, and France have taken steps to lessen the monetary risk exporters face in the world of floating currencies.

Grumbling about this and other sorts of subsidies such as regional aids has increased markedly in the United States where the new trade act gave industry wider powers to complain about such practices. The potential danger of this issue is great because the social democratic and regional conscious societies of Western Europe are more inclined to use these sort of aids than the Americans and do not see why they should be penalized for them. The issue has in fact become a key focus of the multilateral trade negotiations in Geneva, where the original discussion on non-tariff barriers quickly coalesced on this point under the broader title "non-tariff measures." The Americans have called for codes of conduct to control these types of state aids and arrangements, but the Europeans so far have dis-



In another potentially dangerous case the US steel industry had asked for countervailing duties against EC steel exports. The Treasury, however, ruled, that European value-added-tax rebates were not subsidies. Théo Mey, Luxemburg

A British steel factory: "For the Europeans the main danger from the recession has been at home." British Steel Corporation



agreed with this legalistic approach. For them such aids should not be outlawed as such but should only be prohibited where they result in imports which injure a foreign industry.

One further contribution towards keeping protectionism at bay has been the willingness of the key world exporter Japan to enter voluntary marketing arrangements when its exports raise complaints elsewhere. The Japanese entered a major private arrangement with the European Community in late 1975 limiting steel. They have also accepted orderly marketing plans with the United States and various European countries concerning specialty steels, textiles, and electrical appliances. The American ability to deal with the Japanese in this fashion was made more difficult by a US court ruling banning private-industry-to-industry deals under antitrust laws, but government-to-government orderly marketing arrangements are not subject to this. The main problem with Japan now, however, stems from the continued value of the yen, which many American officials and businessmen believe has been purposely kept under its normal level. The US trade deficit with Japan is expected to skyrocket once more this year, possibly touching off a new confrontation.

The final question remaining as the recession winds down is how the Geneva trade liberalization talks will finally turn out. Officials already give them credit for keeping the protectionist pressure cool during the difficult period of 1975, since it meant that the major world traders were continually around a table and had to show the type of diplomatic manners which were conspicuously absent in the early Seventies before the talks began. But this itself has sown some seeds of discontent which may endanger the talks at a later stage. Under the rules of the 1974 trade act, the US Administration was able to waive certain countervailing duties against subsidized imports if it believed the move would further progress at the Geneva talks in 1975. This was done for EC cheese and ham in an effort to ease the atmosphere. But under the law such exceptions must be ended by January 3, 1979, since by then it should be clear if the agreement at Geneva is in the bag or not. The Americans, who are seeking to keep the Geneva talks moving this fall have begun to remind Europeans of this deadline. The European Community however, which is waiting in Geneva to see who wins the US presidential election in November, is in no hurry. It is already ill at ease about the amount of veto power the US Congress will have over the final Geneva package and do not want to be threatened by removal of the ham and cheese concessions. The coming US elections may affect timing and tactics at Geneva in another way if Democrat Carter wins. The United States will, in that case, probably change its negotiating team and rethink its position, making the deadlines imposed by the US trade act even more difficult to meet.

As for the issues in the talks, the United States and the European Community have revived their traditional dispute over the technicalities of tariff cutting, each defending a system which would give it more benefit. But a compromise here could be possible, especially since tariffs have become much less important in a trade world bristling with new non-tariff measures and lightning currency fluctuations. The real battle in Geneva seems to be getting down, in fact, to the new issues which will dominate Atlantic trade in coming years: the non-tariff measures mentioned above and the basic approach to agricultural trade. As with non-tariff measures, the Europeans are considerably less attached than the Americans to the free trade spirit in the farm sector. They feel their internal common agricultural policy has brought them into the new period of scarce world food supplies with a strong independent farming base of their own. They also dislike the normal free trade price fluctuations for commodities where they remain dependent—such as US maize and soybeans—and would like a more regulated system. The American Administration, with farm constituents who oppose any controls, has given scarce ground on this point in Geneva. The United States so far has accepted merely to discuss agriculture separately from other trade issues. While old-fashioned protectionism, of the type which failed to gain the upper hand during the recession, may indeed be a thing of the past, these new issues based not on the short-term economic considerations, but on much deeper differences over social organization and economic philosophy are clearly here to stay.

Is protectionism as an answer to domestic economic woes now on the scrapheap of international trade? Despite recent trends, it still seems an open question.



The United States and Europe:

GERALD R. FORD

America's greatest international strength lies in its close ties (of friendship and alliance) with the great industrial democracies of Western Europe, Canada, and Japan, and its close ties with friends in the developing world. Each tie is an asset to our security and prosperity.

The military strength and cohesion of our alliances maintain the global balance of power and enhance the security and freedom of all nations. America and its major industrial partners account for 65 per cent of the world's production and 70 per cent of its trade. The international trading and monetary system depends on our performance and cooperation. Together we have led the global effort to assist developing countries and to win the struggle against hunger and disease.

We, as great democracies, hold in trust the heritage of freedom. These values are challenged today. But they may be held even more dear by people who yearn for them than they are by those of us who take them for granted. And so the democracies have a common obligation to stand together, to preserve what we believe in and remain the masters of our own destiny.

In the Atlantic community our solidarity is more impressive than at any time in the last two decades. Little more than an hour after I took the Presidential oath of office on August 9, 1974, I asked the Ambassadors of the North Atlantic Treaty Organization (NATO) nations to meet with me at the White House. In that meeting, I emphasized that the Atlantic alliance is the cornerstone of US foreign policy and that I looked forward to working closely with the nations of Western Europe to ensure a strong and prosperous trans-Atlantic relationship. Since that meeting, I have met at least once with each of the leaders of every member of the alliance. The NATO summit in Brussels on May 29-30, 1975, and the Conference on Security and Cooperation in late July 1975 provided productive opportunities for intensive consultations.

I have welcomed meetings with successive presidents of the European Council to review trans-Atlantic issues and to



emphasize my support for US-European cooperation and for European unity. I met with President François-Xavier Ortoli of the EC Commission in Brussels in May 1975 and again in Washington in February 1976 to continue consultations on US-EC trade issues as well as a broad range of economic and political questions. I have urged regular wide-ranging consultations between senior American and

continued on page 18

The Future President's Views

At the invitation of EUROPEAN COMMUNITY, the major Presidential candidates—President Gerald R. Ford and Governor Jimmy Carter—wrote about US relations with Western Europe for this magazine's pre-election issue.

JIMMY CARTER

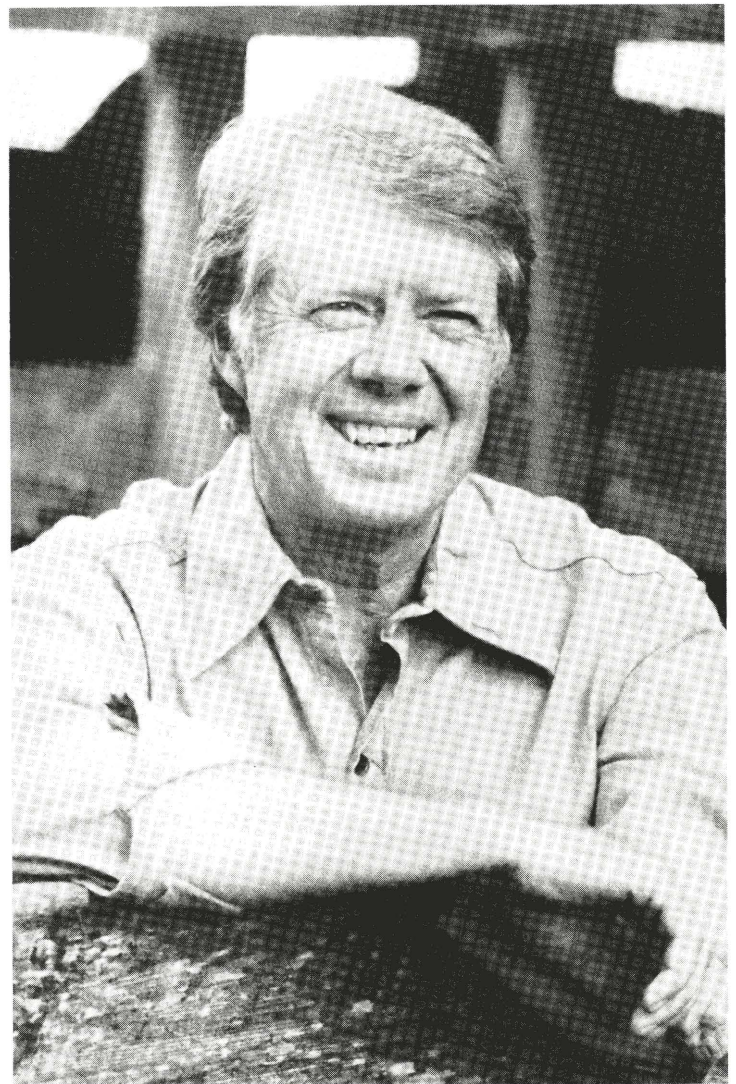
The United States-European relation is at the heart of US foreign policy. In economic policy, their cooperation with each other and with Japan is necessary both to their prosperity and to the progress of developing countries; growing European unity can help to fulfill this promise. In defense, the ties between Europe and the United States are essential to the maintenance of peace. In recent years, these essential truths have been overlooked. In the future, they should be remembered.

The main economic problems facing the developed world are inflation and unemployment. Each of our countries must attack these problems through policies of its own choosing. These policies will be more effective, however, if they are devised in close consultation among the main industrial countries.

The industrial countries must also cooperate in reducing trade barriers that limit their efforts to achieve growth and restrain inflation. They must act in concert in developing sources of energy supply and in conserving energy consumption so as to reduce the danger of costly new oil shocks. They must join in developing food policies that will assure farmers and consumers alike ample and assured supplies at fair and stable prices.

Europe will be better able to fulfill its role in US-European-Japanese cooperation in the degree that it can speak with one voice and act with one will. The United States has sometimes seemed to encourage European unification with words, while preferring to deal with national governments in practice. I believe that we should deal with Brussels on economic issues to the extent that the Europeans themselves make Brussels the focus of their decisions.

The purpose of economic cooperation is not merely to enhance the prosperity of the industrial countries. It is also to hasten the developing countries' progress. This means turning away from the rhetoric of North-South confrontation, which often focuses on false issues, to address those areas in which genuine progress can be made. In so doing, we need to distinguish between the differing needs of vari-



ous categories of developing countries.

Some of these countries are making good progress. They need access to the import markets of the industrial countries; tariff reductions in the Tokyo Round of multilateral trade negotiations will be conducive to this end. They also need access to loans on commercial terms. The industrial countries should make it possible for the World Bank and

continued on page 19

EC officials. These periodic consultations are the outgrowth of our recognition of the need and value of working together to meet common challenges in such areas as finance, energy, and North-South issues and to exchange views on broader questions as well.

In the Atlantic alliance, our cooperation on defense matters is strong. We are moving forward on equipment standardization and interoperability—on which I made a comprehensive proposal at the NATO summit in May 1975—and on modernizing forces and improving their effectiveness.

In my address to the 1975 NATO summit, I pledged the United States' dedication to six primary tasks confronting the alliance:

- maintenance of a strong and credible defense,
- preservation of the quality and integrity of the alliance,
- improvement in the process of political consultation,
- further development of a productive and realistic agenda for negotiations with the Soviet Union and its allies,
- strengthening of the alliance's democratic institutions, and
- rededication of alliance members to following a common approach to shared aspirations on the broad range of challenges and opportunities confronting each of our nations.

We are making progress in each of these fields, and my meeting at the White House on September 15, 1976, with the Permanent Representatives to the North Atlantic Council provides another opportunity to consult on the priority issues currently on the NATO agenda.

In the last few years, the United States and Europe have been severely challenged in the economic and energy fields as well as in defense. We have met these challenges with a combination of determination and imagination. The results have been remarkable. We and our friends in the industrial world have reached agreement on:

- an International Energy Agency to coordinate efforts to reduce our dependence and our vulnerability;
- a long-term program of conservation and development of new energy sources;
- a financial solidarity fund to protect against financial disruptions;
- an oil sharing program to safeguard us from supply interruptions.

The international aspects of our energy strategy are now largely in place. But we must continue to work closely with consuming and producing countries, to reduce our dependence on imported energy, to find ways of ensuring mutual understanding of our interdependence, and to avoid harm-

ful new price increases or supply reductions.

On basic economic policies, the United States and Europe have taken unprecedented bilateral and multilateral steps to reinforce one another's recovery efforts. Our meetings at the economic summits at Rambouillet last November and Puerto Rico this June were demonstrations of our unity of purpose as well as practical steps toward effective cooperation. Rambouillet resulted in:

- Strengthened confidence among the peoples of the industrialized democracies in the economic outlook, supporting efforts in this country and abroad to achieve economic recovery.
- Agreement between the United States and France on international monetary issues that contribute substantially to the international monetary system.
- Agreement to avoid protectionist measures that contribute to the collective ability of industrialized democracies to maintain an open trading order even during the depths of a recession.
- Agreement to conclude the multilateral trade negotiations in Geneva by the end of 1977.

At Puerto Rico, agreement was reached on:

- The importance of achieving sustainable rates of growth that will reduce unemployment without creating new inflation.
- The need for each nation to manage its economic affairs so as to correct or avoid persistent or structural payments imbalances.
- The importance of coupling financial support to developed countries in special need with a firm program by the recipient to restore equilibrium.
- The need for a cooperative rather than a competitive approach by the developed countries to the problems of the developing nations.
- The need to ensure that economic ties with the Communist nations make a contribution to overall East-West relations.

Events of the past two years have clearly demonstrated the capacity of the West to deal with common problems. As the United States enters its third century, we look forward to building on this progress, to mastering the challenges before us, to contributing to greater peace and stability throughout the world, and to prosperity and well-being for our peoples. We do so with the confidence that the spirit of friendship and candor and the increasingly close cooperation between the United States and Europe will enable us to succeed.

—GERALD R. FORD

the regional development banks to step up their loans on business-like terms to these countries. This is sound economics and involves little budgetary cost.

In other developing countries, notably in southern Asia and Africa, hundreds of millions of people live in abject poverty. These countries do not have the credit to borrow on private markets. They need concessional aid to get their economies on the move. International negotiations are now underway for replenishment of the International Development Association (IDA), the soft loan affiliate of the World Bank. In recent years the United States has been lagging in its support of this essential program. I hope that the United States will play a constructive role in the current negotiations, so that agreement can be reached next spring on a replenishment of IDA large enough to bring hope to the poorest countries and to make a difference in their economic prospects.

There are, of course, other issues in North-South relations about which the United States, Europe, and Japan will need to act in concert. A selective approach to commodity agreements, where these can be useful in stabilizing prices, makes sense. By contrast, any attempt at across-the-board indexing or otherwise inflating commodity prices artificially is bound to fail. Nor will a debt moratorium or other across-the-board approaches to debt problems in developing countries help. Most developing countries neither need or seek rescheduling; they fear it would impair their continued ability to borrow on international markets. For the poorest countries, debt rescheduling should be considered sympathetically as and where it is needed.

In all of this the European Community has a large role to play. Its founders envisioned that it would be outward-looking; it has already done a great deal to help some developing countries. Much remains to be done; it can only be done if the United States, Japan, and the Community work together on this range of economic problems.

We have become so used to peace in Europe during the past 30 years that we tend to overlook how readily it could be threatened. Peace has been preserved, in good part, because the North Atlantic Treaty Organization's (NATO) exertions have maintained a stable balance of military power in central Europe. That balance is now endangered by the steady build-up of Soviet conventional ground and tactical air forces which has been underway in Europe.

Against a background of increasingly evident nuclear parity, the balance of conventional forces is of growing importance. We cannot be indifferent to a threatened shift in that balance.

To avert that shift, we need to re-examine the military problem that NATO faces. Soviet forces appear to be configured for brief, intense all-out offensive operations. Effective deterrence requires that NATO have a clear capability to withstand that initial attack. We need units in place with a high degree of readiness and reserve forces that can come quickly to their support. High priority should go to meeting these needs.

To this end, we need to improve armored and close support air capabilities; for at least the next decade those arms will be of decisive importance. We also need to exploit new technology—precision guided anti-tank and anti-aircraft munitions which promise a steady growth in future defensive capabilities.

Only if all NATO members on the Central Front agree on these improvements, can they be carried out with any prospect of success. A thorough review of NATO's strategy and force posture, to ensure that it is adapted to a changing environment, should be mounted as a matter of urgency. Increasing coordination of NATO procurement activities—including standardization of major weapons components—is also of the essence. Growing defense concert among the Western European members of NATO would contribute to these goals, as well as to a continuing vigorous effort to reach agreement with the Warsaw Pact on mutual balanced force reductions in Europe.

Defense and economic policy are key areas of cooperation. The tendency, evident in recent years, to allow a preoccupation with East-West relations to overshadow the need for this cooperation, must be resisted. We will only make progress in our dealings with the Soviet Union and other Communist countries if we do so against a background of solid progress by the industrial countries in jointly addressing their common problems. Increasing Western European unity will facilitate this task, and should be welcomed by the United States.

The period that lies ahead can be as exciting and challenging as the period after World War Two, in which the European Communities, NATO, the Organization for Economic Cooperation and Development (OECD), and the other great institutions of our day were fashioned. The opportunity is there. Working closely together, Europe and the United States can seize it—for their good and that of mankind.

—JIMMY CARTER

A Byronic Pilgrimage

Saving Europe's Environment

CHRISTOPHER REDMAN, *editor of the Brussels-based newsletters Europe Energy and Europe Environment*

EUROPE'S INDUSTRIAL REVOLUTION HAD MORE THAN AN economic, social, and political influence: It also had a profound environmental impact, the effects of which Europeans are only just beginning to face up to.

In 1816 Lord Byron, the English romantic poet, exiled himself from Britain and set out on a European journey which inspired his famous "Childe Harold's Pilgrimage"—a poem which recorded Harold's (or rather Byron's) travels through the Continent and the thoughts and emotions conjured up by the places he visited. To the modern reader, Byron's picture of pre-industrial revolution Europe—even allowing for his poet's eye—provides a striking contrast to the present post-industrial state of Europe.

Byron landed in what was later to become Belgium and proceeded to Brussels, where his thoughts turned to the recently fought battle of Waterloo. His flowing Spenserian stanzas caught the frantic gaiety of the eve-of-battle ball at the Duchess of Richmond's:

*There was a sound of revelry by night,
And Belgium's capital had gathered then
Her beauty and her chivalry, and bright
The lamps shone o'er fair women and brave men.*



The old Brussels buildings Byron knew have been replaced by glass-and-steel office towers or buried under urban motorways.



The Rhine, while retaining much of its charm, has become one of the most polluted international watercourses in the world.

© René Burri, Magnum

If Byron could come to Brussels now he would have trouble finding inspiration in the new, self-styled "capital of Europe." Brussels, headquarters of the European Community, is rapidly being "developed" into one of the ugliest cities in Europe: the old buildings Byron knew replaced by glass-and-steel office towers or buried under urban motorways—those ubiquitous offerings to the god of the motorcar.

Byron moved inland through the forested Ardennes to Germany, where he gazed at the "majestic Rhine":

*. . . . a work divine,
A blending of all beauties: streams and dells,
Fruit, foliage, crag, wood, cornfield, mountain, vine. . . .*

In Byron's time the Rhine was unspoiled, yet the poet sensed the danger of future disfigurement:

*But thou, exulting and abounding river:
 Making thy waves a blessing as they flow
 Through banks whose beauty would endure for ever
 Could man but leave thy bright creation so. . . .*

Unfortunately man has not been able to do so. The Rhine has become one of the most polluted international watercourses in the world: a vast river of diluted effluent, flowing through the heart of Europe and dumping its contents into the North Sea at Rotterdam. The same water that serves as a convenient sewer for the most undesirable industrial wastes of the German Ruhr and French Lorraine is also the main source of drinking water for the unfortunate Dutch downstream. No wonder that water in the Netherlands tastes like an alchemist's brew.

Continuing down the Rhine valley through Coblenz, Byron reached Switzerland and those "matchless heights" of the Alps. They are still matchless, but their beauty is threatened by the indiscriminate proliferation of hastily-developed ski resorts. Inadequate planning in the wake of a winter sports boom has left many Alpine valleys and slopes scarred by *pistes*, which have disrupted local ecological systems, and ski resorts, which have failed to respect local traditions of style and construction.

Byron then made his way to Lake Geneva (Lac Léman) to visit the places where Voltaire and Rousseau lived and worked. Here he was at his lyrical best:

*Lake Léman woos me with its crystal face,
 The mirror where the stars and mountains view
 The stillness of their aspect in each trace
 Its clear depth yields of their far height and hue.*

The lake is still mirror-like, but if you go swimming don't swallow too much water: Mercury concentrations are at dangerous levels in some parts, and overall pollution is steadily reducing the variety of aquatic life found in the lake.

From Geneva Byron took the "Hannibal trail" into Italy, passing through Milan on his way to Venice. Had he taken the same route today he might have had the misfortune to be involved in the Seveso disaster—the worst environmental accident in Italy to date and one which has thrown into relief the often inadequate safety precautions applied to the production of highly toxic chemicals.

After Milan Byron continued to Venice, which appeared to the poet as:

*. . . . a sea Cybele, fresh from ocean,
 Rising with her tiara of proud towers
 At airy distance, with majestic motion,
 A ruler of the waters and their powers.*

Venice had, in fact, ceased to rule the waters by the time Byron got there, but even though the days of greatness had

gone, the poet still saw in the city a lingering beauty and greatness:

*. . . . beauty still is here.
 States fall, arts fade—but nature doth not die,
 Nor yet forget how Venice once was dear,
 The pleasant place of all festivity,
 The revel of the earth, the masque of Italy.*

Now, despite an international rescue operation, Venice is in danger of sinking beneath the waves. Why? One theory is that excessive pumping by industry of water from deposits deep in the strata under the city has led to compression of the earth and sinking of the city above. It may



Beauty and greatness linger in Venice despite its need for an international rescue operation. © George Rodger, Magnum

seem convenient to blame industry, but in fact experts point out that the city has been sinking three times as fast since the arrival of industry in this region.

From Venice Byron travelled down to Rome through Ferrar, Ravenna, and Florence. Arriving at the ancient and ruined capital of the Roman Empire he noted that:

*The Goth, the Christian, time, war, flood, and fire,
 Have dealt upon the seven-hill'd city's pride.*

Today he could have added pollution in all its forms to the list of ills which have befallen the capital. As with the Parthenon in Greece, atmospheric pollution in Rome has done more damage to works of art and ancient buildings than all the normal weathering inflicted over the centuries.

In Rome Byron visited the valley and fountain of Egeria

near the southern gate of the city and penned this description:

*... the green hills
Are clothed with early blossoms, through the grass
The quick-eyed lizard rustles, and the bills
Of summer-birds sing welcome as ye pass.*

Rome's sprawling suburbs have long since overrun the green hills, and the summer birds don't sing too loudly in case they attract the attention of Italy's happy huntsmen.

Readers who can't stand Byron's verse will be pleased to know that Harold's pilgrimage ended in Rome and Byron himself continued his travels without returning to Britain. A pity, for it would have been convenient for the purposes of this article if there had been another two or three cantos of the poem devoted to a return trip through Spain, France, and the Netherlands. Suffice it to say that a similar picture of environmental deterioration to that depicted above would have emerged from a tour of all European countries—including Byron's native land.

mental protection seriously. The politicians aren't entirely to blame for this state of affairs. People usually get the government they deserve, and until recently environmental issues haven't figured prominently enough in the day-to-day preoccupations of the voting public to warrant close attention at government level. Accordingly, election platforms, which invariably set out what parties believe the voters want to hear rather than what the parties feel they themselves ought to be doing, have been sadly devoid of environmental content, and government programs have tended to reflect this. Most government budgets are devoted to defense, education, health, and welfare, so pollution control usually comes a long way down the list of priorities (table below).

Now, however, the existence of an environmental crisis in Europe is beginning to sink in, and ecological issues are no longer confined to academic journals in which environmentalists and economists exchange fire on the feasibility of no-growth policies. The man in the street is beginning to realize that there is too much noise, that the next chemical



Rome's sprawling suburbs have long since overrun the green hills . . . © Costa Manos, Magnum

THE SAD FACTS are that Europe was once a beautiful and unspoiled continent and although, like the curate's egg, some parts of it are still excellent, a mammoth cleaning-up operation will have to be carried out before conditions similar to those experienced by Byron are attained once again. The trouble is it may be too late.

European governments woke up to the need for environmental policies extremely late in the day, and though most have now climbed onto the "quality of life" bandwagon since the 1972 Stockholm conference on the environment, there are still few European politicians who take environ-

Private and Public Expenditures as a Percentage of GNP

	Pollution Control Average 1971-1975	Defense 1970	Residential Building Average 1967-1969	Education	Health
United States	0.8	8.2	3.5	7.5 (1970)	7.0 (1970)
Germany	0.8	2.9	5.4	7.8 (1968)	3.9 (1969)
Italy	0.4	3.6	6.6	5.5 (1970)	5.2 (1970)
Sweden	0.5-0.9	3.8 (1969)	6.1	5.2 (1969)	6.3 (1969)
Japan	3.0-5.5	NA	6.9	5.9 (1965)	2.0 (1970)*
Netherlands	0.4	3.5	5.5	5.5 (1970)	4.6 (1970)**

* Government Only ** Private Sector Only Source: OECD

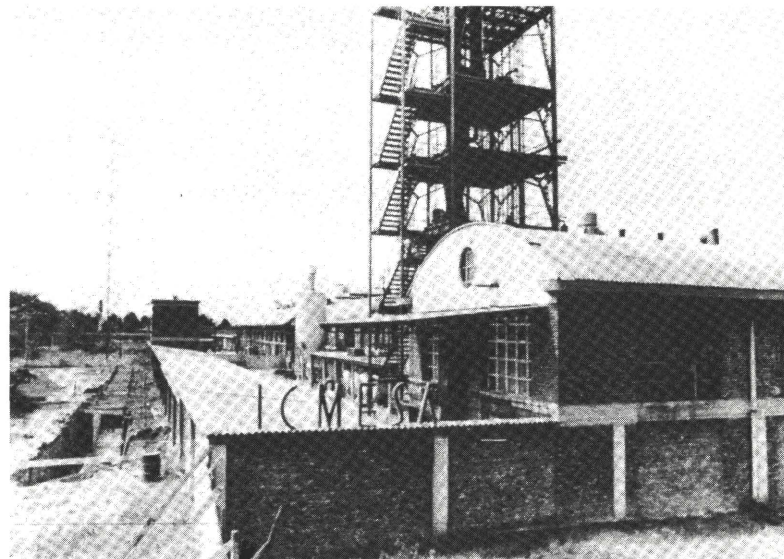
factory to explode may be the one just down the road, that the colorant in his ketchup is perhaps dangerous, and that the aerosol he uses to spray his armpits may be destroying the earth's protective ozone shield.

With a bit of luck this growing environmental awareness should percolate through to the governments themselves and result in a stepping-up of environmental policies. In the meantime, assuming that popular concern for the environment doesn't go the same way as the hula-hoop and yoyo, the task in Europe is to ensure that everything possible is done to avert the impending eco-apocalypse. This is where the European Community comes in.

It would perhaps be over-dramatizing the role of the European Community in the environmental protection scene to describe it as a *deus ex machina* come to save Europe from ecological chaos, but the European Community has, and will continue to have, a highly important part to play in ensuring that environmental protection is given the same kind of priority in Europe as other issues such as inflation, unemployment, and economic stability. The EC institutional set-up, with the presence in particular of the Commission as an independent policy-making body at European level, is of considerable importance as far as environmental protection is concerned.

To begin with, the Commission is able to initiate long-term policies without the need to take into account short-term political imperatives. Most national governments, on the other hand, operate with one eye on the opinion polls and the date of the next general election, and this means that they are unable or unwilling to take decisions in fields such as pollution control that might jeopardize their popularity with the electorate. The Commission, however, can propose EC-wide legislation (for example, lower lead levels in gasoline) which might have long-term environmental benefits but be unpopular in the short-term (because, to take the same example, they push up motoring costs). Whether or not the EC member states accept and implement such legislation is another matter, but very often governments find it politically convenient to push through unpopular legislation which would be difficult to initiate at national level by passing it off as "Brussels-inspired."

The EC Commission also has an important conciliatory role to play. In a common market of nine member states, one of the major preoccupations is distortion of competition—the situation that arises, for example, when one state introduces non-tariff trade barriers (NTB's) under the guise of product specifications or health requirements with which importers have to comply. These requirements force up production costs and make imports less competitive on the national markets in question. Environmental legislation provides a fertile field for such NTB's, and one of the Commission's tasks is to ensure that the member countries coordinate their environmental policies so as to avoid trade



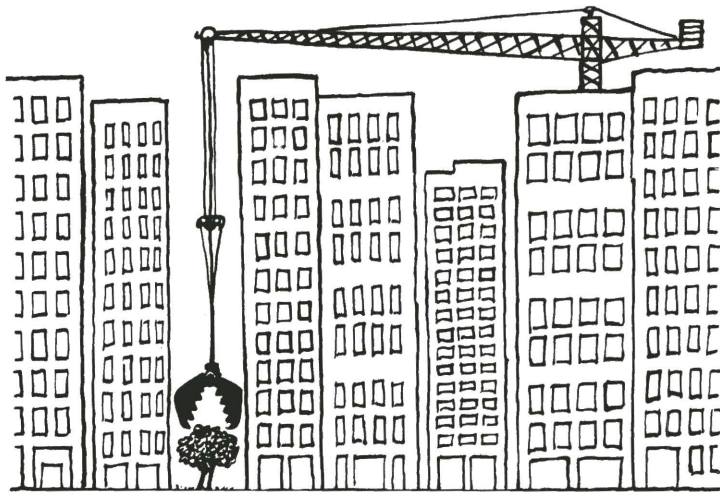
Seveso, Italy: Partial view of the chemical plant where a July industrial accident brought a poison gas cloud to surrounding areas. UPI Photos



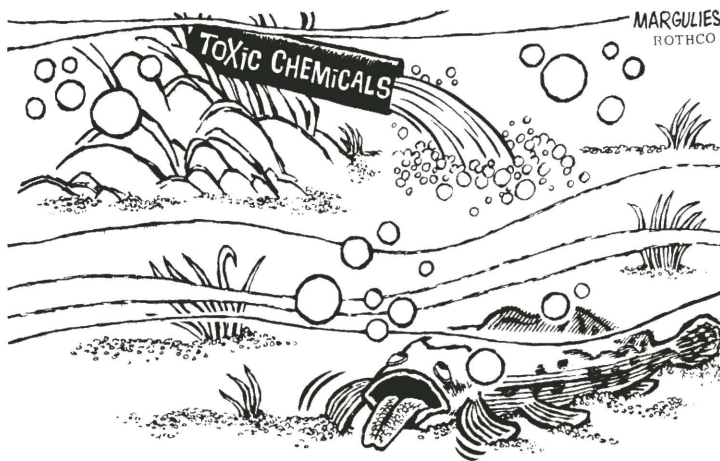
Pregnant women, accompanied by husbands and children, await examinations to determine whether unborn children have been affected by the poison.

Wearing special decontamination clothing, public health scientists gather plastic bags containing animals killed by the poison gas.





Mitropoulos, Greece



MARGULIES
ROTHCO

Margulies, Rothco Cartoons

distortions of this kind.

Of course, the European Community also has its own environmental action program backed by a research and development program, and this provides for the introduction of EC-wide legislation in a number of sectors. The current environment program (1973-76) has produced a fairly comprehensive set of proposals, many of which have been adopted and implemented in the member states. In the field of waste disposal, proposals covering toxic and dangerous substances are in the pipeline, and specific legislation covering such substances as polychlorinated biphenyls (PCB's), polychlorinated triphenyls (PCT's), and waste oil is now on the Community statute books.

High-pollution industries such as pulp and paper manufacture and titanium dioxide production have already received attention, and the Commission has a number of other sectors (iron and steel, chemicals, the leather industry, etc.) in its sights. Action has also been taken to improve water quality standards throughout the European Community (specific standards have been set for bathing and drinking water, and proposals now cover water for fish breeding) and to reduce atmospheric pollution. In addition, the Nine have turned their attention to environmental problems posed by energy production, and research

is underway in the fields of radioactive waste management, cooling systems, and siting of power stations. Proposals should follow in due course.

On the industrial side, Brussels has introduced EC legislation covering an immense variety of products ranging from cosmetics and pesticides to motorcycle exhaust systems and anti-noise devices on construction equipment. Following proposals from Brussels, the EC countries (with the exception of Britain) have also agreed to reduce discharges of dangerous substances into Community waters by applying a system of emission controls. This approach, which seeks to limit the amount of pollution entering the environment, rather than the traditional approach still supported by the United Kingdom of discharging pollution until the environment has absorbed as much as quality standards will allow, should go a long way toward improving the quality of European rivers and lakes.

So far, progress on the environmental front at European Community level has been encouraging, and the next EC action program (1977-81) now being studied should extend legislation into new and important sectors, including the working environment and land use planning. The next few years should also see Europe following the US lead by requiring industries to check out the environmental implications of their projects.

The European Community as such is not, however, in a position to solve Europe's environmental problems single-handed. It can act as a catalyst and an initiator of policy, but what it cannot do in the final analysis is make the member states act to safeguard their heritage. This task is up to the citizens themselves, and they are only just waking up to the fact. Corrective measures can be taken in time. Let's hope so, for those readers who haven't yet taken their grand tour—or Byronic pilgrimage.

Padry, Le Herisson, Paris



Padry
ROTHCO

"Target Zones" and Other "Coined" Phrases

Converging Currencies

H. PETER DREYER, *Brussels-based European news editor for The Journal of Commerce*

THE ATTENTIVE NEWSPAPER READER WHO TRIES TO FOLLOW monetary affairs—as, after all, they hit the front pages quite often in our privileged age—has made the acquaintance of many new expressions in recent years. "Cross rates" and "crawling pegs" have come his way; so have "special drawing rights" and "dirty floating," to say nothing of "tunnels" and "snakes." More recently, too, something called "target zones" (and at first blush associated perhaps more with the world of artillery than of money) has appeared on his reading horizon. Chances are that, if he is the citizen of a European Community country, he will come across this term rather more frequently in the months ahead.

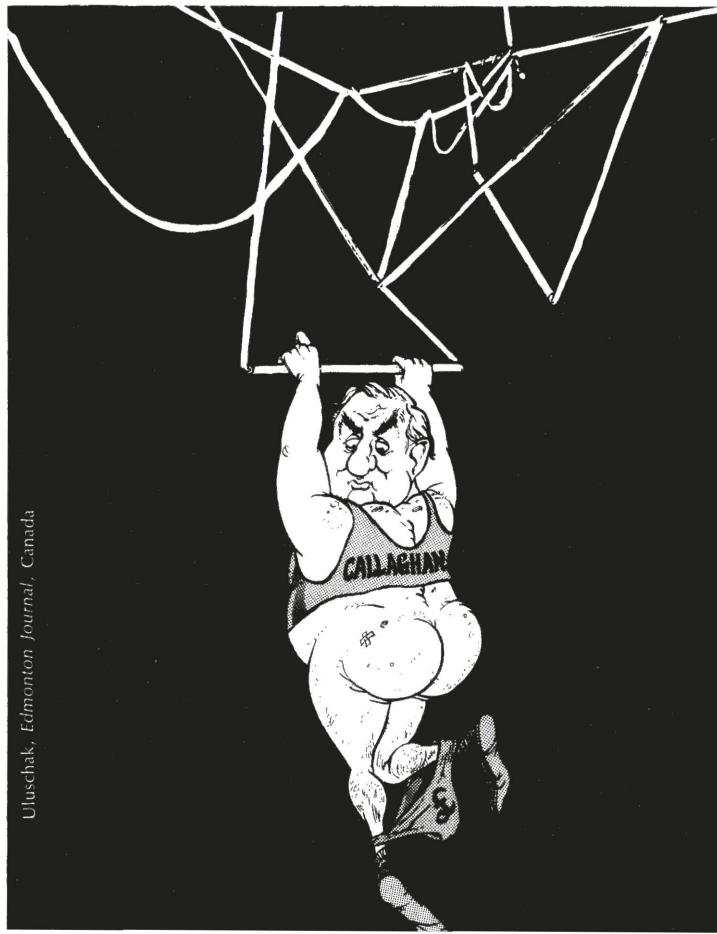
For while it first surfaced two, three years ago in the monetary reform discussions sponsored by the International Monetary Fund (IMF) in Washington, it is now zeroing in on the Community itself. Introduced together with some other proposals by the Netherlands, and occasionally referred to a shade too grandiloquently as the "Duisenberg plan" (after Dutch Finance Minister Willem Duisenberg), it came up at the July meeting of EC finance ministers and, as expected, was passed on by them to the monetary committee for discussion in depth.

The rationale of this move is simple enough. For quite some time now there has been a good deal of anxiety about the existing monetary setup in the European Community which permits the various currencies to draw further apart. With this, it is feared, the gap between member country economies might also widen—perhaps to the point of total break. As matters stand, the currencies of five (German, Denmark, and the three Benelux) are in the "snake." This means that they may not fluctuate vis-à-vis one another by more than 2.25 per cent up or down from a stated central rate. But the moneys of the United Kingdom, Ireland, Italy, and (since March 1976 once again) France are outside and floating freely. In fact, compared with those of the snake, all of them have lost in value quite considerably since the beginning of 1976.

Essentially, the aim of the "target zone" concept is to provide a kind of outer ring around the EC monetary space.



"Floating is fine—if you don't sink." Padry, Le Herisson, Paris



Uluschak, Edmonton Journal, Canada

Though elastic rather than rigid, this would still see to it that the distance between member nations' currencies is not getting bigger indefinitely.

How would this be achieved? As envisaged by the IMF, there are three basic rules:

- A country should smooth out the fluctuations in the value of its currency. Normally, it ought not to act "aggressively." That is to say, it must not depress the rate when it is falling nor push it up when it is rising.
- It is free to act aggressively, however, if thereby the rate is brought closer to a "target zone of rates" that it established previously in conjunction with the IMF.
- The latter will consult with a member, and challenge its policies, if and when the rate has moved outside what the IMF considers a reasonable range, and has done so in a way which the IMF views as potentially harmful to the interests of other members. But a member will not be required to cling to any particular rate in the face of strong market pressure.

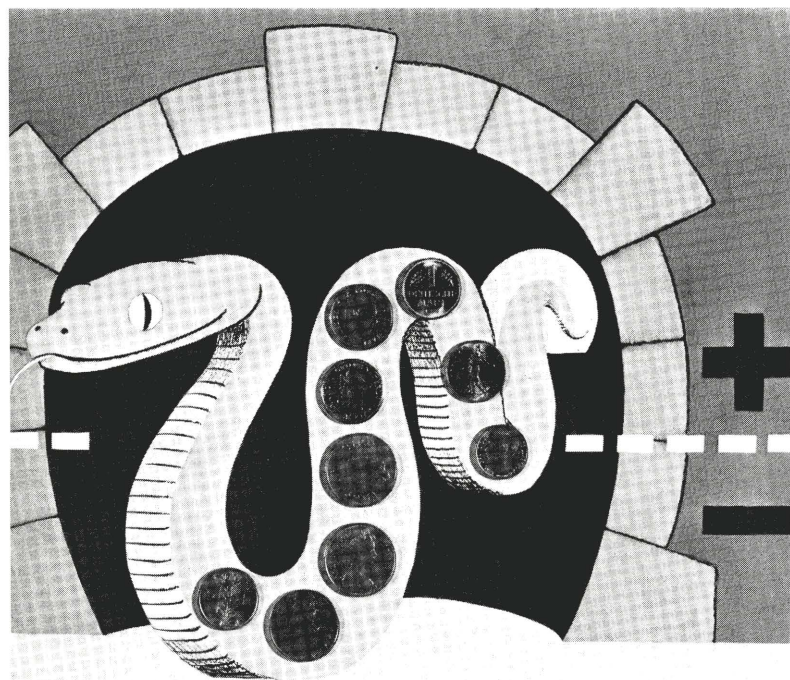
THIS WILL CERTAINLY NOT BE EASY. In the first place, under such a system member countries are bound to accept fresh commitments. Members whose currencies now are floating would have to seek agreement on target zones for their exchange rates. Very probably they are not all ready for this right now.

Secondly, a host of details would have to be settled. Without excessive strain on one's imagination it can be assumed that many of them will provoke extensive controversy, as national interests are likely to conflict. It would have to be decided, for instance, how the target zones would be denominated. Would this be in dollars, special drawing rights, European units of account, or trade-weighted average rates? Another question is whether each country would be permitted to set its own target zone, and whether and at what intervals a revision would be called for. Then, too, (in what is distinctly not an exhaustive list of problems) who would act as the central governing body in the way the IMF is supposed to in the original plan?

Hovering in the background, but hardly very far, there is the thought also that such an arrangement might endanger, or even destroy, the snake. The Dutch insist that this is not the case: As they judge it, the snake could and would fit satisfactorily into the target zone plan. The Germans, on the other hand, are less sure. They appear troubled by the possibility that snake members might exchange that creature's tough discipline for the distinctly greater flexibility inherent in target zones, once they have been created.

Nor is this all. As matters stand, it is primarily the German monetary authorities which give the snake its needed financial "backbone." By and large, the cost of doing so is measurable. Furthermore, especially now that the French franc is out again and only the currencies of the smaller countries are in, the cost is also quite reasonable and presumably well within the Germans' means. It is obviously much too early to guess, let alone to estimate more precisely the money implications of the target zones. Without a moments hesitation it can be said, though, that potential outlays will be considerably larger. The Germans feel—probably rightly—that the lion's share thereof would devolve on them.

There remains one other, and in fact overriding, aspect. The present "apartheid" of EC currencies is due in large measure to differences between national economic policies and policy objectives. Optimists may anticipate a greater convergence there, once target zones have come into being. Yet it is very likely far more realistic to assume that a substantial stabilization of the underlying economic factors throughout the European Community must first be achieved before target zones not only become possible, but could also exist and be defended successfully.



J. - L. Debaize, Brussels

These rules represent an interesting compound of positive and negative obligations. As is apparent, they bestow limited powers on the IMF, while not depriving national governments of their ultimate rights of decision. However, as far as the IMF is concerned, they have not yet been put into practice. Indeed, there are doubts whether they will be soon. The question now is if they can be made to work in the much smaller realm of the nine EC countries.

around THE capitals

Paris

Traditionalists were properly shocked by President Valéry Giscard d'Estaing's overhaul of the Government. What he did violated practically every rule under which France has been run as a republic for almost 200 years, and it is a rare Frenchman today who doesn't think the Socialists and Communists have become odds-on favorites to win the next elections, with France nosing out Italy in the race to see where the left comes to power first.

In appointing an apolitical prime minister and loading the cabinet up with amorphous bureaucrats loyal to him only, Giscard cut himself free from all the major currents of French political power. Socialists, Communists, radicals, Gaullists—all are now either in open or ill-concealed opposition. Even the center appeared forgotten in this new French Government, with one of their spokesmen lamenting after the August shakeout that "Giscard seems to want to govern from the center without centrists."

Giscard d'Estaing's flouting of the rules of the political game was no accident. He clearly was out to show that, as de Gaulle had done it, France was to be run by the president and not by parliament or party leaders, whom de Gaulle classified not so affectionately as *politiciens*, or political dogs. By depriving the Gaullists of the prime ministership two years after he deprived them of the presidency, Giscard was demonstrating that he was elected on a platform of change, and if the Gaullist partners did not cotton to his brand of change, he would find his own men who did.

The Gaullists interpreted the latest moves as open defiance, and many are clearly set on making trouble, especially in the Gaullist-dominated National Assembly. But few persons think that Gaullism, though a waning force, has reached the stage of *auto da fé*, where the die-hards would bring down the Government to vent their bitterness.

The naming of the first non-Gaullist prime minister—Raymond Barre—in the history of the Fifth Republic was surely a watershed, though it might not be the end of the Fifth Republic as *le Monde* has suggested. It is rather that, two years following



Raymond Barre, France's new Prime Minister.

his election, Giscard d'Estaing was offered a choice of either going it alone, as he will now, or redefining his objectives to avoid future clashes with the Gaullists similar to the one in July over the capital gains tax. Outgoing Prime Minister Jacques Chirac precipitated the test of wills with Giscard d'Estaing—clearly expecting to win it and show the president that he needed the Gaullists more than they needed him. Giscard's rejection of Chirac's ultimatum at least has had the virtue of clearing things up considerably.

For now the world can watch to see if France is willing to let herself be changed as Giscard has set out to change her. The strong currents of French political philosophy that Giscard is flouting do not meander in total aimlessness. They presumably are formed from the mainstems of political thinking and are reflected in the various parties that Giscard will now govern largely without. In effect, Giscard is labeling the parties as parochial and anachronistic. If he is right, the people will rally to him, and what he calls his "presidential majority." If he is wrong, he is opening the gates to crushing political defeat, first in the spring municipal elections and a year later in the first legislative elections since he took over. Then, instead of having simply Chirac's skepticism to worry about, he will have the Socialists and Communists with their "common program for government."

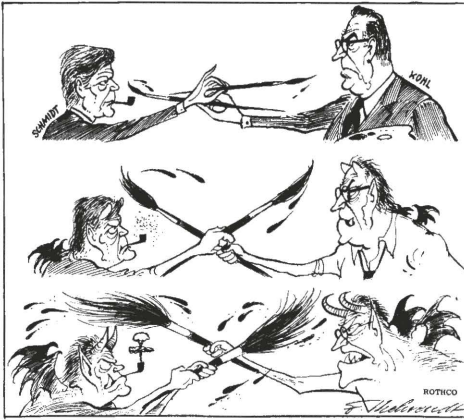
—JAMES O. GOLDSBOROUGH

Bonn

Just four weeks before polling day on October 3, West German party leaders served notice on a long-suffering public that their campaign efforts had moved into the "hot phase." For the politicians themselves, that seemed to mean stepping up still further the pace of frenetic traveling and speech-making in the four corners of the Federal Republic, which led Chancellor Helmut Schmidt to fall back on the time-honored, whistle-stop campaign train as a comfortable way to spread his message. Announcement of the hot phase also seemed to be a signal for party leaders to lift their remaining inhibitions on personal attacks and cheap shots. The "battle of the two Helmut's," as Schmidt's attempt to fight off his challenger, Christian Democratic leader Helmut Kohl, was quickly dubbed—descended to the point where the towering Kohl was quoted as saying about his stocky adversary, "at least I don't need to wear platform shoes."

In the face of a campaign conducted on this shaming level, the sense of involvement of many German voters increased at most from cool to tepid. Although the Chancellor's personal reputation seemed to remain strong, the broader approach of his Social Democratic-Free Democratic coalition in this entire campaign was curiously defensive, relying more on repetitious chest-thumping over past achievements than on any clear vision of a further four years in office. And the coalition attacked Kohl as a man without any experience in national government. His career has been mainly spent in his native Rhineland-Palatinate state government, of which he has been an effective premier for the past seven years. It has also been a feature of the coalition campaign to portray the Christian Democrat leader as putty in the hands of the forceful Franz-Josef Strauss, chairman of the Bavarian wing of the party, the Christian Social Union, and the man who would become finance minister in a Kohl cabinet.

Two important questions remained as of this writing: Would Germans react to such an unedifying and—in terms of the fundamental issues—superficial election campaign



"The German elections."

Behrendt, *Het Parool*, Amsterdam

by staying away from the polling booths in large numbers, as Americans are reported to be threatening to do? And secondly, would it much matter which Helmut won?

On the first point, it is necessary to distinguish between the lack of enthusiasm many Germans seemed to feel for the campaign and the interest they certainly did attach to the outcome. In the last Bundestag election, in 1972, voter turnout had reached the astonishingly high 91.2 per cent. Now, however, a larger proportion than ever before of the electorate had not made up its mind a month before the election, according to the opinion polls. Hence, the frantic efforts of the parties' media specialists to strike a note to catch these floating voters' attention. But there was little to suggest that significantly more people than before would neglect entirely what is taken seriously as the democratic duty of voting.

In terms of policy, however, Germans were aware that a change of government would make very little difference in most of the major areas. It would be hard for the conservatively-inclined to have spoken any louder than the nominally socialist Schmidt in favor of bigger corporate profits as the best means of restoring economic health and reducing unemployment. And that apart, other domestic issues also offered little room for fundamental disagreement. The cornerstones of West German foreign policy, whether under the Christian Democrats or under the coalition, would remain active membership in NATO and, like it or not, a role more and more of leadership within the European Community. Right-wing Christian Democrat politicians—not Kohl—may rail against the effects of the coalition's *Ostpolitik*, but nobody seriously believes the four-power agreements on Berlin and other accommodations with the Communist countries could be unscrambled now. So, Germany remains always finely balanced between its two major political groupings.

—ADRIAN DICKS

Dublin

An exciting mixture of scholarship, gaiety of all kinds, porter (dark beer) drinking, and good Irish music, at the Merriman Summer School in Ennis, County Clare, western Ireland, for 10 days in late summer, highlighted the Irish-American "special relationship" during this US Bicentennial year. The quiet little market town of Ennis, lapped by the winding river Fergus, with its narrow streets and ancient monastic ruins, will hardly see or hear the likes again, at least until the Tricentennial year. Most of the words spoken at Ennis on the theme "Ireland-America 1776-1976" will appear in a book to be published later this year.

Dr. Conor Cruise O'Brien, the Irish minister for posts and telegraphs and internationally known writer and lecturer, caused some raised eyebrows when he declared that he was against the great Irish Revolution of 1916, and warned that the celebration of the American Revolution should not be used to justify the present activities of the Provisional IRA. Nobody present would have dreamt of making such a justification, but the sacred revolution of 1916, which eventually led to the establishment of the present independent Irish state, was another question entirely, in the view of many of those present. As O'Brien sat down after his declaration, Sean MacReamoinn, one of Ireland's leading broadcast journalists, went immediately to the rostrum and said he wished to place his disagreement with the minister (his boss) on record. Then Alistair MacIntyre, of the Boston University, pointed out what he felt was the essential conflict of the "American Idea": "It is the contradiction between a profound commitment to the principles of equal rights and liberty on the one hand, and an equally profound commitment to individualistic practices which generate inequality and unfreedom on the other.

American history is the tragic working out of this internationalized contradiction." But MacIntyre, like all the other lecturers, in the end was optimistic about the future of American society.

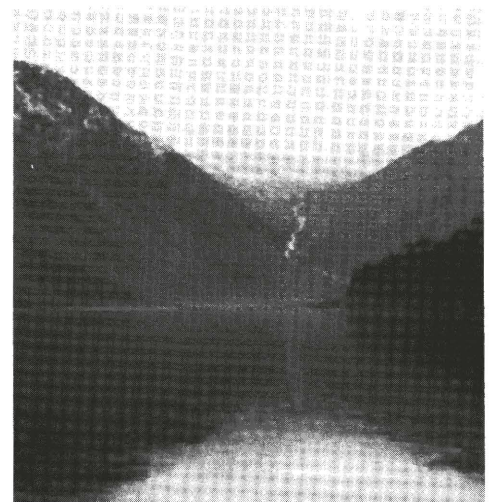
David Doyle, a young lecturer from University College, Dublin, questioned the overemphasis on the contribution to American Christianity made by Irish immigrant Catholics. He pointed out that Ulster immigrant contribution, largely Protestant, was also crucial in building Christianity in America. There were striking parallels between the Ulster Protestant and later Catholic Irish experiences. Both groups were religiously traditional and devoted. Both,

paradoxically, combined faith of European horizons and strongly learned traditions with laities who were tribal country folk, often harrassed. Both came from strongly authoritative and centralized structures, and both regarded their religious affiliation as an extension of their political identity and their mutual antagonism.

Father Andrew Greeley, a Roman Catholic professor from Chicago, put forward the unusual theory that the Irish in America were more likely than any other American ethnic groups to have frequent sexual intercourse: "I don't know whether to believe this or not, and I'll refrain from all judgments about how much they might enjoy it."

The chairman of the Abbey Theatre, Michael O hAdoha, in his lecture in the Irish language which dealt with the contribution of the Irish to the American theater, said that all Irish people had something of the stage in their personalities. "We are always playing a role," he frankly told his audience of long-haired, teenage students of both sexes, nuns, clerics, and local politicians. He instanced Eugene O'Neill, the Irish American playwright, and Brendan Behan, the Dublin playwright, as being of that "stage Irish" tradition. He thought that the Irish were altogether too sensitive about the stage Irish. An ironic statement perhaps, in view of the work done by the Abbey to kill off that concept of that particular style Irishman.

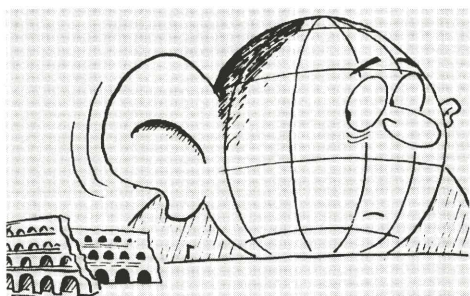
There were departures from the lecture halls to go on tours of County Clare, an area extremely rich in scenic attractions. The students heard a lecture by Sean MacReamoinn from a rock underneath famous O'Brien Castle and a stately home called Leamanagh Castle. He told the students about Brian Merriman, the Rabelaisian poet after whom the school is named. This poet wrote only one poem in Irish, "The Midnight Court," an epic-style poem, a protest against the



Irish country scene

prevailing puritanism of Ireland in the eighteenth century. It was banned for many years by a prurient Irish censor. Today, however, it is widely read and appreciated by Irish people everywhere, and the name of the author has been rescued from the obscurity to which he seemed condemned. The Merriman Summer School plans to keep his memory green for many generations, by their unique form of scholarship. The Rabalaisian poet in his grave at Feckle, County Clare, would surely approve.

—DONAL FOLEY



Rome

Eleven months after the Vatican's vicar of Rome, Ugo Cardinal Poletti, warned Romans against voting Communist in forthcoming elections, the capital has its first Communist mayor. Cardinal Poletti was at the center of a controversy last November when he stated publicly that local support of the Italian Communist Party would represent a betrayal of the heritage of "the eternal city," Rome Catholicism's seat. The "city of God," the cardinal suggested, would risk being transformed into a "city without God."

Despite the prelate's admonition, Rome city elections last June voted into power a municipal council in which the Communist Party, together with Socialists and Social Democrats, became the largest bloc and outnumbered the traditionally dominant Christian Democrats. It was this council that determined in August that the new mayor of Rome would be an independent candidate on the Communist list, an art historian by the name of Giulio Carlo Argan.

The notorious indifference of Romans to religion—in part a result of their proximity to it—could have been reason why the cardinal's warning went unheeded. On the other hand, even the most religious Romans would have been hard pressed to call theirs a "city of God." The municipal deficit is \$229 million for the last four months of this year alone. The horrors of Roman traffic are familiar to any tourist who has ever

tried to drive through the city's center, and the difficulties of public transport in narrow, old streets are exacerbated by the lack of a functioning subway system.

It is to these problems that the new mayor is planning to address himself first. He and his city commissioners have already asked the treasury ministry for the funds necessary to balance Rome's books, and have already objected to Government counter-proposals that the money, needed for current expenses, should come from funds already earmarked for investments. The new city government has outlined a policy of drastic cuts in spending and reorganization of personnel—and condemned as "intolerable" a recent case in which seven managers of the municipal electricity and water company went into retirement to the tune of \$1.4 million total.

Argan is also giving high priority to the multiple problems of Rome's historic center and its urban development. In part through new laws, and in part by simply applying those that already exist but have been ignored, his administration aims among other things at halting the rampant building speculation that is considered one of the capital's chief ills.

As for his relations with the Catholic Church, Argan asserts that his city government "has and must have" rapport with the Vatican. He has not yet paid the customary visit by Rome mayors to the Pope. But on September 8 he attended a special mass said each year on the Campidoglio in memory of Romans who fell defending their city in 1943. The memorial mass was nothing new, but its celebrant this year—Cardinal Poletti—was. Argan cautions, however, that such gestures of cooperation should not be misunderstood as condoning positions of privilege the Church has frequently held in the capital. The correct relationship between church and city hall, he said recently, should simply be that of "two institutions that have numerous problems in common."

—CHRISTINA LORD

Luxembourg

Just a few years ago, zero population growth (ZPG) was hailed as a movement that had to succeed if the world was going to avert imminent apocalypse. In Luxembourg, ZPG has succeeded all too admirably and, in the view of many local politicians and businessmen, threatens to alter the nature of society in the Grand Duchy.

Despite its tiny parcel of land (only 2,500 square kilometers), the country has a lesser

population density than the European Community as a whole. Its 357,000 inhabitants, on a per capita basis, enjoy a higher income (except for Switzerland, Denmark, and West Germany), own more cars and homes, and benefit from hospital service better than the rest of Europe. But as sociologists have noted, opulence tends to diminish the desire to have children, and the evolution of Luxembourg fits into the classic pattern.

In 1974 the Grand Duchy's population dropped by 1,500, magnifying the local need for immigrant labor. Latest estimations, based on investment, population, and employment figures, put the current need for imported labor in Luxembourg at 2,500 persons yearly. And as the Grand Duchy's economy recovers from the long recession and local families continue to shrink in size, the need for immigrants is expected to become more acute.

Unquestionably, foreigners have responded to the call. The number of foreign workers in Luxembourg has doubled since 1948, and today stands at 83,000, or nearly a quarter of the total population. By the year 2000, the proportion is expected to surpass one-third of the country's entire population.

The figures are beginning to alarm many Luxembourgers, who notice with each new Greek, Italian, or Turkish restaurant that crops up in the neighborhood a certain loss of local identity. Others feel the change is welcome, that the Grand Duchy should no longer jealously guard its quaint social traditions that best find expression in smarmy operettas. Whether the changes already being wrought by the influx of foreign labor and the drop in local birth rate will produce a xenophobic backlash, as Switzerland has begun to experience, is too early to tell, but the seeds of future social turbulence have been sown.

—WILLIAM DROZDIK

The Hague

When Dutch Prime Minister Joop Den Uyl released to the public late in August the findings of a three-man commission's inquiry into Prince Bernhard's dealings with Lockheed, the palpable national shock of learning that the German-born Bernhard had solicited bribes quickly dissipated into curious speculation over the shaky future of the House of Orange, which has held sway over the Netherlands since William the Silent founded the Union of Utrecht in the sixteenth century.

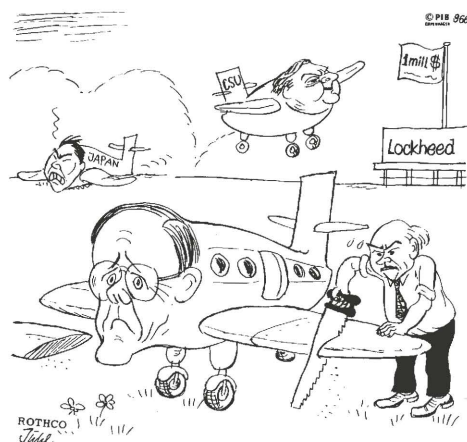
The Royal House of Holland lost all viable political powers to parliament in 1848,

but has still remained the bedrock of national unity in a country divided by rigid Calvinist, Catholic, and nonsectarian traditions. Since assuming the throne in 1948, the homely but widely revered Queen Juliana, in her unpretentious way, gave the Dutch monarchy renewed national appeal during an epoch when other monarchies were toppled or stripped of political influence. As a mark of their esteem and sympathy for Juliana at the hour of Bernhard's reckoning, the Dutch showered the royal estate with flowers and telegrams urging Juliana not to abdicate.

Her decision to remain on the throne had been taken a few days before, when in private consultations with Den Uyl she agreed to stay provided Bernhard would not be prosecuted. In announcing his Government's refusal to put Bernhard on trial, Den Uyl admitted frankly that a prolonged courtroom battle "could have serious consequences for the position of the head of state," a hazardous fate that few people wished to tempt. Princess Beatrix, Juliana's 38-year-old daughter next in line for the throne, was said to reject succession to the monarchy while the Lockheed furor still surrounded Bernhard. That would bring nine-year-old Crown Prince Willem Alexander into the picture, but would also mean a nine-year interregnum until Willem attained the legal age to rule. In the meantime, the Dutch people might become accustomed to getting along without a monarch—in a well-entrenched parliamentary democracy, an all-too-tangible scenario.

Juliana's valiant choice to remain as head of state throughout Bernhard's ordeal will soothe the transition, which she originally planned to carry out when she reaches the age of 70 in 1979. It now appears certain that she will step down in favor of Beatrix late next spring—by that time, the country should have consigned the Lockheed affair

"Clipping the wings off the Flying Dutchman."
Juhl, P.I.B., Copenhagen



to the oblivion of bad memories and shifted the political focus to national elections. Beatrix seems amenable to such a timetable, as does her husband, a taciturn German-born prince named Claus, who has wisely eschewed the global commercial activities of the House of Orange's other crown prince.

—WILLIAM DROZDIAK

Brussels

The growing world traffic in conventional arms sales is expected to become a major topic for debate in the United Nations during the coming months, but in Belgium the arms trade has already crystallized into yet another dispute splitting the Flemish and French-speaking Walloons.

Citizen groups in the Flemish part of the country have banded together to protest what they feel is Government acquiescence in the rising amount of small arms shipped by Belgium to more than 60 countries, primarily in Africa and the Middle East. Anti-arms trade committees around Bruges have been agitating for boycotts by Zeebrugge dockers against the loading of suspected arms exports.

But people in the region of Liège have a different view. With the coal mines rapidly depleting and the steel mills still languishing during a protracted slump of the world steel market, the arms industry has become a vital cog in the local economy. Last month the Fabrique Nationale factory signed a lucrative contract with the General Dynamics Corporation to produce more than 1,000 engines for the F-16 fighter planes purchased last year by the US Air Force and NATO countries.

In addition, Fabrique Nationale is boosting production runs for its increasingly popular MAG-58 machine guns and FAL automatic rifles. The US Army has finally opted to buy 20,000 Belgian machineguns, which impartial experts claim is the most effective small arm on the market. The net result of this jump in orders, both in small arms and aviation technology, should be at least 2,000 new jobs for the hard-pressed Liège region, say officials at Fabrique Nationale (FN).

Protesting Flemish anti-arms groups can afford "the luxury of conscience," say French-speaking commentators, since no major arms factories exist in Flanders. FN officials, distraught over what they feel are overblown charges about "death exports," cite the fact that Belgium's exports of arms amount to no more than 1 per cent of the country's total annual exports. Besides, they

add, the Belgian foreign ministry must approve all licenses to export arms and issues "user certificates" which, if abused by purchasers who might send the guns into areas of war, can be revoked.

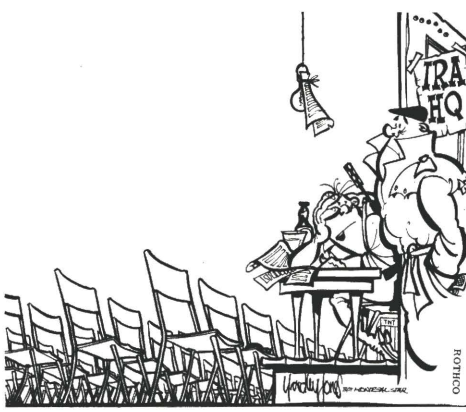
The true answer in regulating arms sales, say diplomats in Brussels, lies in establishing a "rigorously harmonized" international arms policy that groups all suppliers and monitors the traffic in guns. Such a task, at first glance, appears impossible given the fierce competition engaged in by top arms-producing countries which wish to maintain their standing in the profitable industry and ensure jobs for the local population. But apart from the Soviet Union, the key arms suppliers are close allies—the United States, France, West Germany, Britain, Belgium. Partitioning the market to satisfy everyone would be a delicate exercise in transatlantic diplomacy, but one well worth the effort. Belgian foreign ministry officials think so, and have already begun informal discussions with their neighbors in search of a feasible solution that might not only defuse a dangerous global trend, but ease political pressures at home.

—WILLIAM DROZDIAK

London

In London people are asking, "Is the IRA losing?" After eight years of unending killing, it's a question people had gotten out of the habit asking. To do so privately tended simply to deepen the inevitable gloom following some especially nasty atrocity, and to say so publicly was like waving a red flag in front of the bull—in this case the Provisionals, who depend a lot on their public image and cannot afford to resist a challenge assuming that they would wish to. But there is a crumb of hope—two crumbs to be precise—for those incurably optimistic observers of the Irish scene who believe that a solution to the Ulster crisis is possible.

First, there is the apparent determination of the Irish Government to stamp out the activities of the Provisionals in the South where the terrorists have found a safe haven from the pursuing British army north of the Irish border. The tough new measures introduced by Irish Prime Minister Liam Cosgrave against, as the bill which went before the Dail (parliament) put it, "the armed conspiracy against lives and democratic government" were accompanied by a state of emergency. Labeled a propaganda exercise by the Provisionals and indeed by the opposition Fianna Fail Party, it nevertheless signals Cosgrave's intention to take the war to



"They all had to take their wives to the peace rally." Jones, Montreal Star, Canada

the terrorists. Cosgrave, whose father was head of Ireland's first independent Government, has a deep-rooted conviction that the Provisionals' war in the North poses a threat to the security of his own country. Cosgrave has no love for Britain, but he believes that, whether defeated or victorious in the eviction of British troops in the North, the increasingly militant Provos will inevitably turn their attentions to Dublin.

The other crumb of comfort for the optimists is the growing strength of the so-called peace movement in the North. Peace movements have come and gone in the past, and the Provos are always careful not to attack them physically or indeed—since the terrorists have a refined sense of public relations when they want to—by word of mouth when these mainly spontaneous demonstrations against the killing are on the wane. But since this movement's inception in July following the death of the three Maguire children when a gunman's getaway car crashed into them, it seems to have caught on, and by the start of September peace marches were attracting up to 25,000 people while Provisional counter-demonstrations attracted barely 100 marchers.

Officials in Whitehall and Ulster are privately beginning to prick up their ears. Some are even talking of the beginning of the end. But despite the euphoria in Ulster and the guarded optimism in London, the doubts about whether anything has fundamentally changed remain. Brian Faulkner, one of the few moderate Protestant politicians in the North and Ulster's last Prime Minister, has quit politics. Unless he expects to be recalled at some later date by a repentant nation, this suggests that his hopes of a moderate solution in Ulster—which in the final analysis is the only way to avoid massive blood-letting—are pretty low.

And the questions remain: Will the peace movement fizzle out once it gets off the front pages? Will people really turn in their next-door neighbors—the sort of unpleasant act of courage required? Will the Protestant majority moderate its stand sufficiently to encourage the middle-of-the-road Catholics

to abandon the IRA or even actively oppose it after years of living under the threat and often the reality of the bomb and the gun? Can Westminster find a political framework flexible yet strong enough to exploit the IRA's present political bankruptcy and its relatively low military standing? The cynic would unhesitatingly say "no," the optimist "maybe"—which is the most cheerful analysis of the view of Ulster's festering crisis for a long time.

—ALAIN CASS

Copenhagen

The Danes are among the richest people in the world, per capita the richest in the European Community—a fact which has had no small influence on the Danes' perception of themselves and the world around them. Most Danes are proud of their welfare state, and many still expect most civilized nations to copy the system when they realize its advantage. Expensive? Yes, but until a few years ago this argument had little political leverage in Denmark.

Full employment and an impressive rate of economic growth had convinced politicians of all major parties that the Danish voters were prepared to accept an almost unlimited escalation of the welfare state. The politicians were wrong. The voters reacted strongly in 1973, and even today almost every fifth Dane supports the virulently anti-tax party of Mogens Glistrup. The politics of the welfare state has become crisis politics. For the economics of the welfare state have been shown to be not so simple and sound as its uncritical proponents claimed. Almost 100 per cent dependent on imported energy, the Danish economy inevitably was very badly hurt by the quadrupling of oil prices. But this no longer serves as an adequate explanation of the feeble health of the Danish economy.

The worldwide economic recovery has not bypassed Denmark. Production is rising and employment is improving, but more slowly than in other European countries. Perhaps more to the point, the Danish share of important markets is shrinking as demand rises, indicating that Danish industry is not so competitive as it should be. At the same time imports are running far ahead of exports, creating a need for finance that is becoming an increasingly unacceptable mortgage on future earnings. The Danish foreign debt now equals \$1,000 per capita, and unless something drastic is done, it may continue to grow until creditors decide that it is time to start worrying about the collateral.

The Socialist minority Government of Anker Joergensen is trying to be drastic in two ways. First, it has introduced new purchase taxes on a number of consumer products—an additional 30¢ on cigarettes, boosting the price of 20 cigarettes to \$2. The Danes have tried this before, and most economists agree that the curb on total demand is limited, and that any positive spill-over on the balance of payments is purely temporary. The Danes are notoriously insensitive to price changes of consumer products.

Secondly, the Government wants to limit growth in labor costs to 6 per cent in the coming year, leaving only 2 per cent for the semi-annual general pay negotiations in the spring. The Government has promised the non-Socialist parties that supported it in the August political crisis over nuclear power that legislation will be introduced if necessary to ensure that these percentages will in fact be adhered to. But this seems too optimistic.

The Danish labor movement, highly centralized and the traditional backer of the Socialist Party, has more or less revolted against the economic policy of the Socialist Government. Some union leaders openly predict unrest, perhaps even a general strike, in the spring. Others say that the Government's policy is a simple application of the basest of capitalistic instruments—cutting down the real wage of the worker to facilitate a higher profit for the capitalist.

If the Government pay policy survives the turbulence of the spring negotiations, social democracy—and, indeed, socialism Scandinavian-style—will never be the same. Trade unions living under mandatory wage restraints for longer periods of time—the unions reluctantly accepted some restraints two years ago, but purely as a temporary measure—may lose the support of their members and their political influence. Which, of course, is why union leaders may opt for confrontation instead of cooperation.

—LEIF BECK FALLESEN

ALAIN CASS is foreign news editor for *The Financial Times*, of London.

ADRIAN DICKS is Bonn correspondent for *The Financial Times*.

WILLIAM DROZDIK, an American, works out of Brussels for *Time* magazine.

LEIF BECK FALLESEN is European correspondent for the *Aarhus Stiftstidende*.

DONAL FOLEY is deputy editor for *The Irish Times*.

JAMES O. GOLDSBOROUGH is Paris-based correspondent for *The International Herald Tribune*.

CHRISTINA LORD works for *The New York Times* in Rome.

Parliamentarians in Washington

Visit Coincides With Convention Signing

THE SEPTEMBER 20 SIGNATURE of the Convention for a directly elected European Parliament auspiciously coincided with the tenth US-EC parliamentary exchange. Fourteen members of the European Parliament had arrived in Washington the day before for their second round of meetings this year with 30 US Congressmen. European Parliament President Georges Spenale, on hand for the Convention ceremonies in Brussels, arrived in Washington on September 21 to head, for the first time, the European Delegation.

Spenale, a French member of the Parliament's Socialist group, hailed the EC foreign ministers' signing of the legal instrument required for election of the European Parliament by direct universal suffrage "as an historic chapter in the construction of Europe: The way is henceforth open to the citizens' Europe beside the Europe of member states. Thus . . . European law will no longer be imposed on citizens without their participation in its formulation through their elected representatives. That is an important part of the peoples' sovereignty which has finally been restored 20 years after the Paris and Rome Treaties said that it should be.

"Now, every committed European, no matter where—in government, in parliaments, in political parties, in trade unions, in the streets, in the fields, at factories, at home—everywhere—every committed European must organize so that ratification [of the Act of Convention] will be achieved, so that the national electoral laws are ready on time, so that citizens feel concerned and motivated, so that in the spring of 1978, without any new delays, they will be allowed to speak. This signing shows the determination of our peoples to build the Europe of democracy, solidarity, and hope."

During the following three days the European Parliament members and their American counterparts held plenary sessions to discuss the political and economic aspects of US-EC relations. The first meeting opened with a question hour in which the Europeans inquired into US proposals for further development of the international monetary system and into the North-South dialogue, while the

Americans brought up agricultural issues. Rep. Sam Gibbons (D-Fla.) presented a "draft code of principles on multilateral enterprises and governments," an outgrowth of previous US-EC parliamentary exchanges, to which Rep. Bill Archer (D-Tex.) and Roger Houdet (Liberal-France) raised objections to the document's "generality and repetitiveness."

The second and third sessions focused upon democratic development and respect for human rights. The theme was discussed politically—through an examination of past US and EC foreign policies and a debate over the principle of non-interference in other nations' internal affairs—and economically—through a review of assistance programs, trade relations, and monetary problems.

On the American side, the visit was organized by Rep. Donald M. Fraser (D-Minn.), chairman of the House

European Parliament President Georges Spenale (right, standing) at the





One of the first US Congress-European Parliament exchanges took place in Strasbourg, France, in May 1973; it is now a semiannual institution. Europ-Flash, Strasbourg

Subcommittee on International Organizations, subcommittee members Rep. Benjamin S. Rosenthal (D-NY), Rep. Paul Findley (R-Ill.), and Rep. Gibbons, member of the Ways and Means Committee.

The Europeans also met with Speaker of the House

Carl Albert (D-Okla.), President of the American Federation of Labor and Congress of Industrial Organization George Meany, President of the US Chamber of Commerce Richard Leshner, Secretary of Commerce Elliot L. Richardson, Deputy Secretary of the Treasury George H. Dixon, Treasury Under Secretary for Monetary Affairs Edwin Yeo, Treasury Assistant Secretary for International Affairs Gerald Parsky, Chairman of the President's Council of Economic Advisers Alan Greenspan, and Ambassador Clayton Yeutter, Deputy Special Representative for Trade Negotiations.

On September 23, upon the invitation of Rep. Findley, members of the EC delegation flew to Springfield, Illinois, where they attended a reception given by Governor Daniel Walker. On September 24, the Europeans attended a banquet, addressed by President Gerald R. Ford, given by the Illinois Press Association. On September 25, the delegation returned to Europe.

The first official US-EC parliamentary exchange took place in January 1972, when Congressmen went to Luxembourg, site of the European Parliament's Secretariat. The exchange now occurs twice a year, with one meeting on each side of the Atlantic.

Taking into account Ernest Glinne's (Socialist-Belgium) statement that the European Parliament's influence should rapidly increase with direct elections, future US-EC parliamentary exchanges should prove even more interesting than the ones to date.

—JANET SULLIVAN, *European Community* staff

September 20 signing of the Convention for a directly elected European Parliament. The next day he came to Washington.



Member State Reports

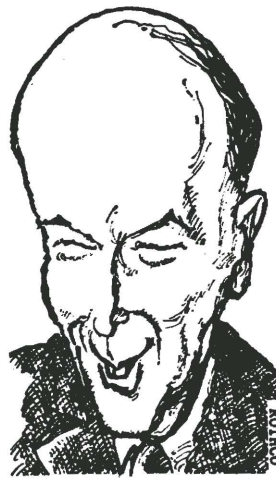
ANGLO-FRENCH RELATIONS

MICHAEL CHARLTON, *senior political commentator for British Broadcasting Corporation (BBC) television*

President Valéry Giscard d'Estaing's summer visit to London has been widely judged as an important success. Both sides made it apparent before it began that success was what they wished it to be. In the warmth of the public response to the French President one might well deduce that the two governments have been lagging behind their public opinion when it came to a desire to put an end to the disruptive petulance and studied aloofness which has so often characterized their postwar relations.

Following the brief period of common purpose and understanding achieved by Edward Heath and Georges Pompidou which brought about the fundamental change of taking Britain into the European Community, the old antagonisms broke out again, over "renegotiation" of the terms of entry. "Renegotiation" was a word the French never accepted. If there were any residual doubts that Britain was firmly inside the European Community, this London meeting must have finally removed them. Now Callaghan and Giscard have agreed to make a fresh start.

It's a bit hard to point to many practical results, of course, beyond the announcement that the French and British governments are going to hold top-level, yearly meetings. But the first warmth of the new entente is already being felt. Since the London visit Callaghan and Giscard have begun to ring each other up regularly on the phone. This is an unheard of intimacy, formerly reserved for contacts between the French President and the German Chancellor. No official lips in London yet frame the word "directoire," but it seems obvious that this new equality in contacts between Paris, Bonn, and now London is the beginning of a triangular relationship which, if it develops, will make Giscard's London visit one of lasting consequence and significance.



Valéry Giscard d'Estaing
Jensen, Sunday Telegraph, London



James Callaghan
Pierotti, Rothco Cartoons

As far as British public opinion is concerned, a good deal of this new climate can be attributed to the impression made by Giscard himself. His public appearances were relaxed, his utterances congenial, and he showed himself willing to stoop to conquer by speaking a fluent and comprehen-

sive English. Just as there are one or two occasions in the average Englishman's lifetime when he feels "impelled," as P. G. Wodehouse put it, "to break reluctantly into French with a hang dog expression," one knows the reverse to be also true. Giscard's gesture at once put him on firm ground with his British audiences. At any rate, they turned out to greet him in large and friendly crowds.

This by itself is of course not the stuff from which a new entente is made. One is reminded of what Charles de Gaulle said on his departure from London for North Africa in 1943 under the then vigilant restraints imposed on him by his Anglo-American sponsors. He told Anthony Eden: *Je conserverai le meilleur souvenir du peuple Britannique*. Eden understood this to mean, correctly, that the General's genial memory did not extend to the British Government! All too often, and heartily reciprocated, that has continued to be the case years after the departure of de Gaulle.

Giscard himself showed a long reach and a sure grasp of the character of this traditional rivalry by going all the way back to the Elizabethan era. He quoted in his address to the British Parliament at Westminster words from Sir Philip Sidney's sonnet "that sweet enemy France . . ." In this limp line is perhaps the fairest description of a centuries-old relationship and its endowment of mutual antagonisms.

France suffered her humiliations during the Second World War at the time when British pride and purpose were at their zenith. Today it is the British turn to be demoralized, and it is they who have suffered a sharp decline in their national morale. It makes them, no doubt, frustrated and irritable partners. But only now are the British beginning to acknowledge and take a closer interest in the remarkable regenera-

tion of France—the results of the years of what de Gaulle called “renewal and endeavor.” This is one factor leading to Britain’s reappraisal of the old antagonisms and the disposition to agree that the two countries—once proud imperial powers—really do face common difficulties.

A great deal in Anglo-French relations still depends, it seems, on personal relations at the top. The French Constitution, framed for de Gaulle, gives the President a direct hand in policy; and, more than that, it is he who shapes and influences the whole context in which it is conducted. So half the diplomatic battle must be to hit it off with him.

The departure from office of Sir Harold Wilson has, for that reason, assisted in reaching a new accommodation. The former Prime Minister’s tactical agility brought Britain safely through the referendum on the Common Market. But what they saw as his ambiguity over Britain’s European commitment always grated on his European partners and particularly the French. It is no secret that they simply did not get on. Giscard let it be known that he considers the new Prime Minister to be “serious.” Giscard has no reason to suspect Callaghan of profound European enthusiasms, but he is a “European” convert who is demonstrating an increasing mastery as Prime Minister.

So what evidently matters now is how far the two sides will put the goodwill they’ve made manifest to practical purposes, and how far they will start to learn the habit of agreement. On the British side the present Government does not go as far in relations with France as former Prime Minister Edward Heath was prepared to do. In delicate areas like nuclear cooperation and particularly that “Anglo-French component to be held in trust for Europe,” the examination of the possibilities begun by Heath and Pompidou seems very unlikely to be taken further. The British nuclear deterrent seems eventually to be headed for a dead end from which the present Government does not appear disposed to retrieve it. But at the very least what is expected now is that there will be an improvement in the manner in which France and Britain handle their differences. Because in a number of important areas, notably agriculture and energy, their purely national interests still diverge.

The news that Giscard and Callaghan had spent a good part of a morning discussing fish was greeted with brow clenching disbelief by some. As a Community principle the French see themselves entitled to catch fish in British waters. But the new British Foreign Secretary, Anthony Crosland—who

represents a fishing constituency himself and has negotiated a defeat for British fishing interest off Iceland—is thought to be preparing the most vigorous opposition to the notion of little fleets from France coming too close.

So it seems likely this is going to be an early, searching examination of how smoothly the new understanding with France will work. It is also as useful example as any of the difference in the way both countries approach Community questions. The French have a creative imagination but insist on a more doctrinal path in their design for Europe, while the British insist on pragmatism and making a stand on prosaic matters like fish. It is code too, of course, for the old issues of national sovereignty. But these are the sort of differences the French President said he’d come to London in order better to comprehend (if not appreciate.)

For their part, the British seemed principally at pains to make it clear to the French President (and former finance minister) that, despite Britain’s very grave economic problems it is not a nation in irredeemable decline or bogged down in mindless satire.

Britain has applauded Giscard’s new spirit of cooperation with the Americans and all the intriguing new emphases he is giving to defense despite the opposition from Gaullist politicians in the majority. But the British have been a little startled to find that the French have been exploring cooperation with the Americans in advanced technological projects and by implication throwing doubt on Britain’s vigor

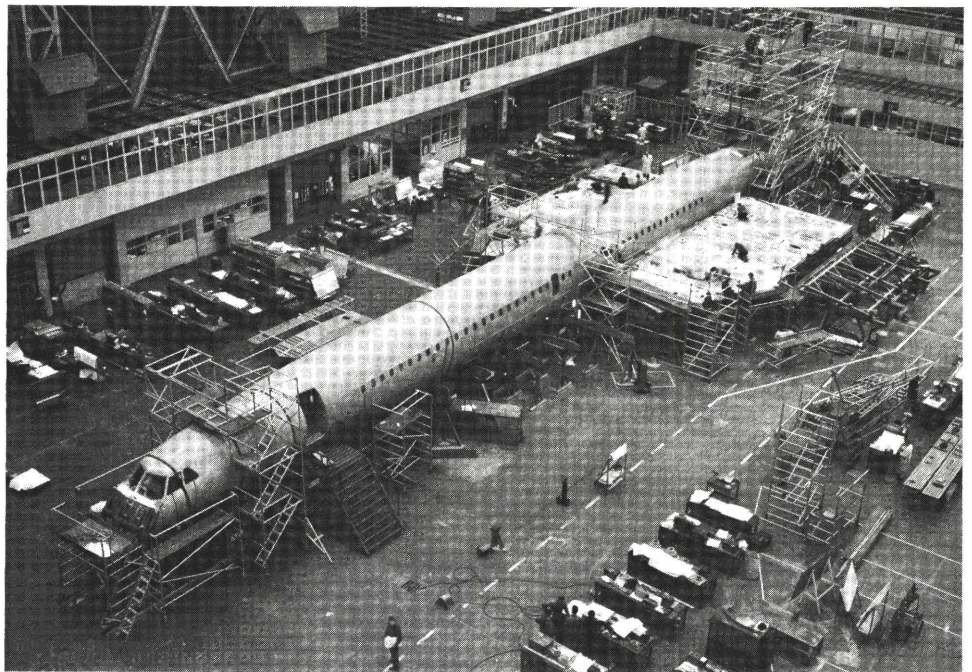
as a partner. “We want vigorous partners,” Giscard said in London. It is thought likely that the London meeting resulted in some postponement of possible French decisions to go ahead with the Americans without making a joint approach with Britain.

This was another reason for the British to seek to make urgent repairs to Anglo-French relations. There is not much doubt that the French are increasingly concerned about the growing relative strength of the West Germany economy, and this has increased their willingness to find more time for the British. While not so openly expressed as it is in France, this is also a concern, thought a latent one, of the British. But the British reaction was unanimous that the new entente should not become an attempt by Britain and France to confront the growing power of Germany.

Indeed, the main impulsion behind the new rapprochement between London and Paris would seem to have come from the Germans themselves. They are above all anxious to see the Community work more smoothly and have become weary of acting as post bag between Paris and London and being accused by both of malfeasance when things went wrong.

But overall in the success of the visit is the increasing recognition that the broad and fundamental interests of Britain and France coincide, for the British see in the French President the end of Gaullist “idiosyncrasy.” The general optimism is that the European Community will now begin to look a more attractive place to the British than it has in the past.

The Concorde—concrete symbol of Anglo-French cooperation—under construction at the Bristol works of the British Aircraft Corporation. British Information Service



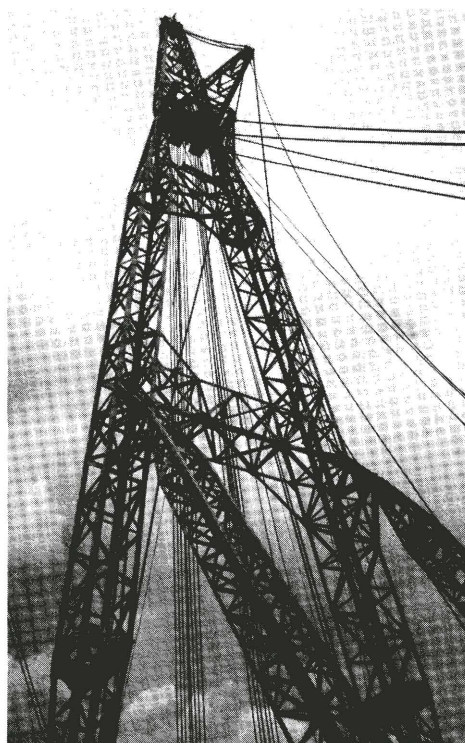
DUTCH "SURVIVAL"

L. METZEMAEKERS, *editor-in-chief*, Het Financieele Dagblad, Amsterdam

All countries of the Western world are interdependent, but some are more interdependent than others. This is certainly true for a small country like the Netherlands. More than 60 per cent of its gross national product comes from foreign trade, more than 80 per cent of it with the other EC member countries. The European Community is vital for Holland's economic existence.

During its first 15 years of existence, the European Community, therefore, was taken by public opinion as one of the cornerstones of Holland's prosperity, the more so because of its good influence on one of the most sensitive sectors, agriculture. Every government, from 1958 on, eagerly supported economic integration within the Community and fostered further integration in the fields of economic, financial, monetary, and social policy. The further integration of Europe was constantly a main foreign policy objective of governments and right-wing as well as left-wing political parties, except for the Communists.

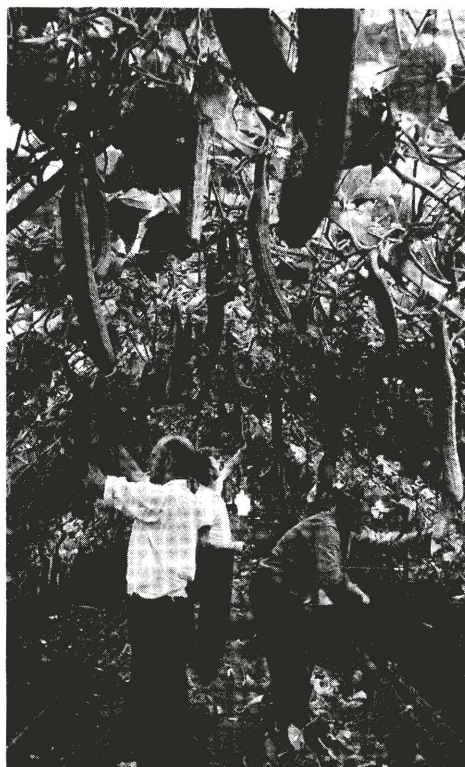
This changed in the early Seventies. Politicians became more critical or lost interest. World problems of peace and of relations between developed and underdeveloped areas in the world came to the foreground of political discussion, and the results of European integration were either taken for granted or reconsidered as not so great after all. The turning point came in 1973 when the present Socialist-dominated Government took office and Prime Minister Joop den Uyl told the Dutch European Movement in a public speech that the time was ripe for a critical scrutiny of the results of integration. "The quality of the European Community's future policy is much more important than the speed of its realization," he said. He was pressing for reconsideration of the content of a European policy and told his audience that in his opinion a national policy, acceptable for the Socialists, was preferable to a European policy which runs counter to Socialist convictions. A policy is not good because it is European; it has to be acceptable to a left-wing government, and if at the same time it is European, it will be the more successful.



Like functional sculpture, crane rise in the port of Rotterdam.

More than tulips: hothouse with cucumbers.

© Meijer, The Hague



In spite of some of its ideologically biased views on economic policy, the present Dutch Government cannot detach the far-reaching dependence of Holland's economy from its European setting. Early in the present economic recession, Dutch Finance Minister Willem Duisenberg pleaded for common reflationary policies at Community level. The Government decided on an extensive reflation program in September 1974, but it remained ineffective because Holland's European partners refused to follow the Dutch example. Only a year later the German and French Governments finally decided to introduce similar programs. Since the German program is much more modest than the Dutch one, it is doubtful whether it will have the expected stimulating effect on the Dutch economy.

The present Dutch Government constantly exerts pressure in Brussels for a Community policy toward multinationals, including Community-wide control on their tax and competition behavior. Three of the world's biggest companies are headquartered in the Netherlands: Unilever, Royal-Dutch-Shell, and Philips. In 1974, these companies' sales totaled \$56.4 billion, a figure nearly two and a half times bigger than the government budget (\$23 billion) that year. The economic weight of these companies partly explains the strong Dutch interest in multinationals.

Dutch labor unions, for their part, are trying to put collective bargaining with multinationals on a European scale to equalize bargaining might and to obtain protection for workers in countries that do not have strict laws to cushion the impact of mass firings. Recently, for instance, the Dutch chemical multinational AKZO (whose annual sales amounted to nearly \$5 billion in 1974) had to close some of its fiber plants. The company easily obtained the necessary government authorizations to fire 10,000 workers in Germany and Belgium. The German unions, however, refused to accept these dismissals unless the Dutch unions agreed that a proportionate number of workers in Holland would be fired as well, thus cushioning the impact of the closures in

Germany. The EC Commission has long encouraged labor unions to organize on a Europe-wide basis.

When it comes to international companies' industrial and investment policies, however, the Dutch Government, like most governments, turns schizophrenic to insist on strict compliance with national policy. Rules for investment conditions remain strictly national, and there is little enthusiasm for transferring powers in investment policy and related subjects to Brussels. The EC common rules on freedom of investment and disinvestments thus remain purely academic questions.

NATIONALISM, WHICH PITS a French company against Italian, Dutch against British, is the main reason for Europe's competitive disadvantage with the United States in international sales of advanced technology products. Two recent examples are proof of this: the choice of the American F-16 to replace the *Starfighter* military aircraft by European NATO members and the Philips decision to get out of the large computer business.

To avoid being outbid in the next NATO procurement, the Netherlands called a conference of European nations to discuss strategy. As for the computer industry, the French decision to join Honeywell killed the joint production plans of Philips, German Siemens, and French CII and made it impossible for Philips to go it alone. A real European solution, with the help of the EC Commission in one form or another, was never seriously considered either by the Dutch or by any other European government.

Sufficient experience in the nuclear industry can hardly be collected by the Dutch on their own. But a real European-wide development in this field, although recommended by the EC Commission, does not have much of a chance because the governments of the bigger member states stick to nationalistic attitudes and behavior. If absolutely inevitable, as in the case of computers, they make bilateral deals with American multinationals and forget about possible European solutions. For a small country like Holland the long-range consequence will be exclusion from technological know-how and development. European solutions are, therefore, much more urgent for small countries than for the bigger European nations.

European progress demands closer integration of policy, a far more difficult process than ending customs duties and trade restrictions and forming the common agricultural policy (CAP). The CAP—based on

free farm trade between EC members on the basis of unified prices, protection against farm imports, and subsidized exports when world prices fell below EC prices—was good for Holland. Accustomed to farming for foreign markets, especially Germany, the Netherlands had a lead on other EC members when the Common Market started. This was especially true for products like fruit, vegetables, meat, and dairy products.

Commission is far too tolerant toward all sorts of national subsidies that are not allowed according to the rules.

In the monetary field, Holland has always wanted closer European integration. The Dutch currency is as strong as the German mark, which is not always an advantage, because it makes exports relatively expensive. Competition with British, Italian, and French products has become more difficult



Rotterdam's subway system began operation in 1968; traffic congestion has never been same since. © Bart Hofmeester, Rotterdam

Near Alkmaar, cabbage en route to market. © Cas Oorthuys, Amsterdam



But high internal prices boosted production in other member countries so that the Dutch advantages over other producers gradually disappeared. Still, the Netherlands sells more than 85 per cent of its farm exports to other EC members. Since Holland receives more from the Community's farm fund than it contributes, the common policy has been good for the Dutch treasury as well as for farmers.

In the last few years, however, dissatisfaction in Dutch farmers' circles about the CAP has grown—mainly because the yearly fixed prices lag behind the rate of inflation. Furthermore, the Dutch complain that the EC

since the oil crisis of 1973. Nevertheless, due to the alignment of natural gas prices with the price of oil, Holland has the advantage of high export earnings on its gas exports to Germany, Belgium, France, and Italy. This is why Holland runs a large balance-of-payments surplus despite the high oil import prices.

THE NETHERLANDS' ENERGY BALANCE is positive and will remain so at least until 1990 on the basis of the present production. It has only one small disadvantage: The internal price is just as high as the export price for gas, because EC rules forbid double pricing.

An EC common energy policy remains a strong wish of the Dutch. It has an obvious interest in a common energy market because about 25 per cent of Europe's crude oil imports pass through the port of Rotterdam. The Rotterdam area has the biggest refining capacity in Europe, a luxury Holland can afford only if one big European market is formed with free trade in oil products. Looking ahead to this market, and not at the small Dutch home market, the international oil companies chose Rotterdam and Amsterdam as locations for their European refineries and petrochemical industries. Without the Common Market, Holland would never have attracted these industries.

So far the situation has not changed as a result of the embargo on oil shipments to Holland by the Arab countries in the beginning of 1974. The international oil companies managed to switch oil deliveries from non-Arab Organization of Petroleum Exporting Countries (OPEC) to Rotterdam. The supply was never in real danger but the Dutch public was upset when countries like France and Britain refused to guarantee Holland's oil supply by an oil-sharing arrangement in 1973. Edward Heath, who was then the British Prime Minister, denied even at the EC summit meeting in Copenhagen that there was any danger for Holland. Not the slightest sign of solidarity was shown at that conference.

During the continuous discussions on a common energy policy the Dutch keep asking for a regulation by which oil and oil products are completely free in movement once they arrive in a European port and for an oil-sharing agreement to guarantee equal distribution in case of shortages. Much of the urgency of an EC regulation on oil-sharing has been taken away, however, as a result of the International Energy Agency which came into being very much to the satisfaction of the Dutch, in particular because the United States takes part in it. The oil crisis has taught the Dutch that EC solidarity is nice, but that good relations with the United States are of vital importance. Yet there is, however, not the slightest doubt in Holland that EC membership was and is necessary for Holland's economic existence and future.

According to foreign trade experts, Dutch exports would have been at least 80 per cent less in volume without the EC customs union. Trade diversion as a result of the customs union was, according to the same experts, much less than originally expected and below the EC average. Holland has gained relatively more from the customs union and the common agricultural policy than have other EC members.

The problems ahead are far from negligible. Under the pressures of the worldwide economic crisis and high unemployment, there is a great danger that individual governments may try to settle their internal problems at the expense of the Community as a whole. Last year, Italy closed its borders for EC products as an emergency measure due to its critical balance-of-payments situation. By acting quickly the EC Commission succeeded in cutting short the trade-ban period, and a loan by the German Government enabled Italy to end its trade restrictions in about four months. An extensive mutual monetary support system was worked out so that governments do not have to take similar measures in the future.

But state intervention and subsidies to private industries are becoming a common means to save companies in trouble and to save jobs. Many of these measures violate the letter and the spirit of the EEC Treaty and they often conflict with the Community rules of competition. Dutch Government participation in private companies, now planned to help save jobs, may result in restricting public supplies to those companies to the exclusion of foreign EC suppliers.

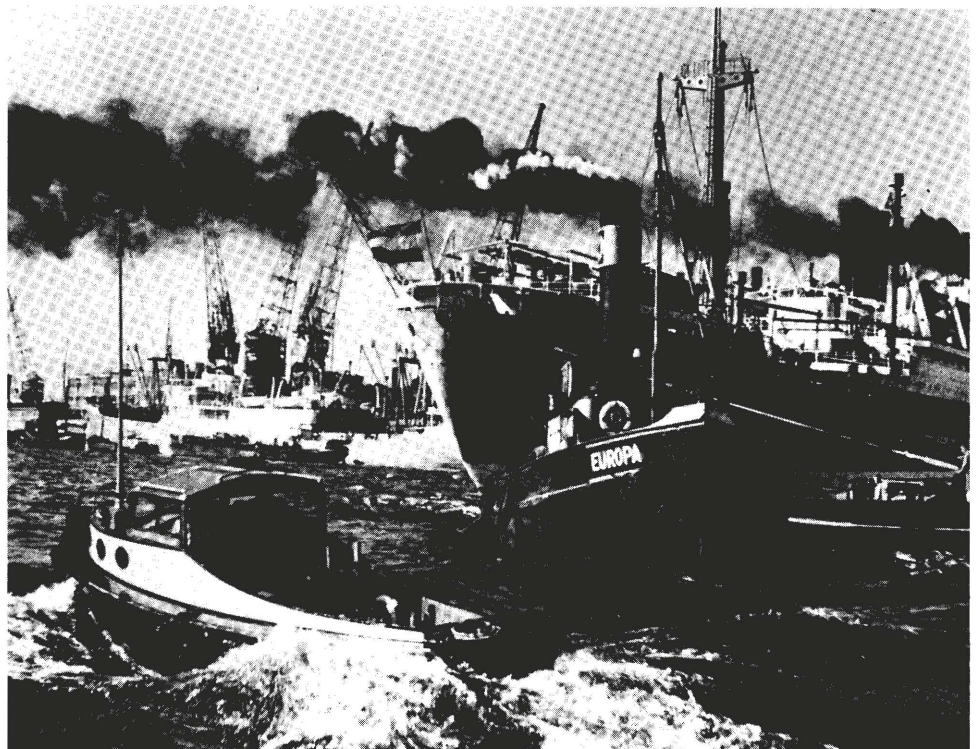
If the recession had continued much longer, it could have worn away or seriously weakened the Common Market. EC institutions are still too weak to forestall national attempts to cope with unemployment and to work out integrated action on a European scale. The Dutch Government often insists

on the principle of economic policy integration but in practice the various governments and politicians' concepts of the specific remedies are widely different. That is why unanimous decisions are rarely reached.

Toward the end of this year, the EC Council of Ministers will have to make decisions about steps toward further integration. Belgian Prime Minister Leo Tindemans has reported on what is desirable and possible in this respect. Holland has told him that achieving a real European union depends on forming monetary and economic union between now and 1980, including a system of fixed exchange rates between all the EC member countries' currencies and a common monetary policy toward the dollar. This will take a far greater harmonization or integration of the member governments' economic and budgetary policies and an increase of the powers of the EC Commission in this field. It further presupposes, according to the Dutch Government, direct elections to the European Parliament (scheduled for 1978) and enlargement of its powers of control over the main EC institutions.

It is far from certain that such integration will be possible any time soon. One certainty for a country like the Netherlands is that its survival as a modern industrial nation depends on its membership in a European union. But with only 4 per cent of the Community's total population, its influence on the decisions about Europe's future is modest.

Tug "Europa" draws another freighter into the stream of international commerce at the port of Rotterdam.



LUXEMBOURG'S CHALLENGE OF SMALLNESS

PIERRE WERNER, *The Grand Duchy's Honorary Prime Minister*

The nations of Western Europe have been differently shaped by their history, culture, traditions, power, and size, but nine of them are bound together in the European Community. The term "community" involves a touch of equal consideration, mutual assistance, and shared responsibility by otherwise differentiated partners. These are the premises of common planning and action by free nations living up to the challenge of European unification.

The Grand Duchy of Luxembourg, sovereign state like the others, is the "baby partner" of the Common Market, by the size of its territory (1,000 square miles), by the number of its population (360,000 inhabitants), by its material power. Yet, right from the beginning, Luxembourg's presence in the Community has had a meaning, not only for the Grand Duchy itself, but also for the Community. Luxembourg has had a surprising impact on the life of the union.

This position derives largely from the practical experience of economic integration which this country had undergone for more than a century. It derives also from its historical background as cradle of the medieval dynasty of the counts and dukes of Luxembourg, which gave emperors to the Holy Roman Empire and kings to central Europe, as disputed and war-torn territory between the great European powers, as a cultural community sitting on the fence between the Latin and Germanic worlds. To some degree, its own economic achievements may also explain its being accepted as a full partner.

Luxembourg early recognized its need to join other countries in a wider market. In 1842, Luxembourg became a member of the *Zollverein* (the customs union of the German states) but kept a clear distance from the political unification of German states under Prussian pressure. After World War I, in 1921, Luxembourg turned to Belgium and created with its western neighbor an economic union, which is still alive and working. In 1943, Luxembourg planned, together with Belgium and the Netherlands, the so-called Benelux economic union. Due to this experience in the field of economic integration and the exigencies of modern

international trade, Luxembourg contemplates less reluctantly than other European countries new plans for close international cooperation and solidarity.

Thus, the Grand Ducal Government was immediately aware of the historical scope of the proposal made on May 9, 1950, by French Foreign Minister Robert Schuman, to start a common European market for coal and steel, the European Coal and Steel Community (ECSC). On June 3, 1950, the Luxembourg Government announced its decision to adhere to the new pace, which would seal the reconciliation of France and Germany by pooling coal and steel resources, the two chief instruments of power politics in former years. Nevertheless, this quick political action raised problems and fears for the future of our main industry.

When the Coal and Steel Community started in 1952, Luxembourg's steel production amounted to 7.2 per cent of the original six member states' total steel output. Steel accounted for 75 per cent of Luxembourg's industrial output. Sixty per cent of its production went to countries outside the Community and played a noticeable role on the world market.

Fears were voiced that the future action of our steel industrialists might be unduly restricted by the common approach to the markets. Luxembourg's steel companies responded to the challenge by a constant modernization of their equipment and by adjusting their trade policies to the new market structure. As a result, the orientation of exports was reversed: Now about 70 per cent go to the Community market, and only about 30 per cent to the more fickle world market. This experience shows that up-to-date equipment and managerial flexibility can overcome any risks of integration. While Luxembourg's steel production capacity has not grown as fast as that of our partners, we have still consolidated our long-run position.

With steel production, Luxembourg had brought into the European venture the major part of its economic capacity, at that time 90 per cent of its exports.

THIS DID NOT MEAN, HOWEVER, that the

next stage of European unification, the formation of the European Economic Community (EEC) and the European Atomic Energy Community (Euratom), would not pose problems for our nation. It had been recognized that the non-discriminatory, unified market had to be extended to the entire economy, for political reasons as well as to forestall economic fragmentation by limiting integration to just a few areas.

Luxembourg then had to face two main problems. One was to weigh the risks and opportunities for small and medium-sized industries in a free and open market. Obviously, some industries could not survive the pressures of new market conditions. Luxembourg's once important leather industry, for instance, disappeared.

The Government then launched a program to diversify the monolithic structure of the Luxembourg economy, based mainly on steel. A board of industrial development was set up around 1960 which led to a prospection and information campaign, especially in the United States. Since that time, new industries have been created and have now invested more than half a billion dollars in Luxembourg. These new industries account for about 20 per cent of our exports and employ more than 10,000 people. We were forced to diversify by the pressure of competition with the outside world. Luxembourg's geographical position in the heart of the Common Market helped our efforts.

Another restructuring of policy became necessary for agriculture. We had intended to develop and protect our own production to assure our self-sufficiency and to keep some people on the land to protect the sociological balance.

The Community decided to forge a unified agricultural market, with a common production and price policy. The plan was ambitious and meant considerable shifts in most countries' policies. Previously, our policy had consisted in maintaining moderate consumer prices by paying high price subsidies to producers. According to the common agricultural policy these subsidies had to be gradually phased out, and they were, but not without harm to consumer prices.



At the same time, farm consolidation was accelerated. To allow its farming community to survive, Luxembourg began an investment program to improve productivity and to encourage joint ventures toward better processing and commercializing of farm produce. On the other hand, Luxembourg got easier access to the hitherto severely protected markets of other member states. Here again, integration acts two ways.

It must be said, however, that the common agricultural market has had its ups and downs. Inflation and monetary instability periodically shattered the agreed price policy. Luxembourg farmers from time to time have grounds to complain about the trend of their income and the often surprising reversals of market positions. Nevertheless, no one voice condemns the unified market as such, and everybody feels that re-nationalization of farm policies would cause more disorder in the markets as a whole and probably reduce most farmers' incomes.

Before World War II, the militarily neutralized Grand Duchy's foreign policy was limited in scope and passive in approach. Now, cooperation within the Community gives Luxembourg the possibility of initiative and brings attention to the trumps which the nation's smallness affords and which stem from the country's composite cultural influences. This policy of active presence is favored by the fact that most Luxembourgers involved in Community affairs speak or understand at least three of the Community's seven official languages.

All these circumstances, together with the statutory position of full membership, explain the proper role and position of the Grand Duchy in the Community. Luxembourg's leaders are fully conscious of the discrepancy between the means and weight of their country compared to those of its considerably larger and more powerful part-

ners. Also, their main contribution to the affairs of the Community has always been one of good will, of sympathetic understanding of divergent viewpoints, of attempts to reconcile them and to defend the provisions of the treaties. Luxembourg's ministers act in this mind especially when, according to the statutory rotation, they assumed the six-month presidency of the Community's Council of Ministers last January 1. In the Sixties, the Luxembourg presidency had to face two or three especially dangerous threats to the Community's cohesion.

Politicians as well as private organizations in Luxembourg have given much thought to the possibilities and methods of new progress in the Community. Personally, I had the privilege of heading a committee set up by the Council of Ministers in 1970 to draft a plan for a Community economic and monetary union. The Luxembourg Government had long advocated the need for monetary integration among the EC countries. The report was forwarded to the Council in October 1970.

THE GRAND DUCHY'S SPECIAL SIZE AND POSITION produced still another important development. The city of Luxembourg has become one of the provisional headquarters of the EC institutions. This position flows from an early decision taken by the member governments, according to which the Coal and Steel Community was asked to start its operations in our capital. Until 1965, the ECSC High Authority (since absorbed into the EC Commission) held office exclusively in Luxembourg. At that time the merger of the three Communities' executive bodies raised a problem, which was solved by a compromise. The new Commission settled down in Brussels, and Luxembourg got the Community's judicial and financial institu-

tions. Four months of the year, the Council of Ministers meets in Luxembourg, and the city is the headquarters of the European Parliament, which usually holds its plenary sessions in Strasbourg, France.

If this threefold seat arrangement causes some inconveniences, it nevertheless has great political meaning, especially for the smaller countries which consider this limited decentralization consistent with the Community's own balance between compact power and equal partnership.

Together with the striking development in recent years of Luxembourg as an international banking center, the implantation of European institutions has brought a further diversification to employment patterns, originally centered in industry and agriculture. The service sector has thus been considerably extended.

Summing up, I might say that, while Luxembourg's integration in the Common Market has not always been easy, difficulties have been overcome by sticking to the philosophy of the treaties. Neither did we give up during crises. From our own history, we have learned that all economic unions suffer drawbacks, periods of lack of understanding, and shifts in public opinion. We also know that falling back from the Community goal would result in disaster for all of us.

The state of the Community has reached a point where some of the institutional requirements have to be answered and where the identity of the Community has to become more conspicuous and efficient in foreign policy.

After all, the European Community is going to be a political construction of its own, gradually and continuously developed, pooling sovereign rights where it is most useful for all to exercise them in common, retaining in the national field those which basically shape the personality of European states with their long and rich traditions.

Luxembourg has accepted the challenge of being the smallest partner in the Community. I have often been asked by politicians of medium-sized or smaller countries interested in joining the Community or associating themselves with it, whether the interests of a tiny community like ours were not threatened to be overlooked or overrun by our powerful partners. So far this has not been the case, because everybody has the feeling that pure *Realpolitik* would ruin the spirit of the Community.

If the Community succeeds, it also might prove that beyond coercion and force so often used in international affairs, the Community-type of approach is able to be a humane promoter of unification and peace.

NEWS

OF THE COMMUNITY

EXTERNAL

Fertilizer, Chicken, Brandy

The Commission has approached the US Administration for an exchange of information on the pricing practices of US phosphate fertilizer manufacturers, which the Commission says look as if they amount to a cartel which is driving EC firms out of business.

The complaint about the phosphate fertilizer market arose from a protest by EC manufacturers—which the Commission appears to regard as justified—that US producers (who are vertically integrated, so that the whole production process from phosphate rock mining to the fertilizer end-product are produced by the same firms) are selling their phosphate rock to European producers at more than twice what they charge their own fertilizer-producer subsidiaries. This enables US fertilizers to undercut European producers' prices in the Community.

In addition, US sales to the European Community jumped 150 per cent between 1974 and 1975. The Commission believes that there might possibly be a case for a joint intervention by its antitrust department and the US Department of Justice.

At the same time, the Commission let it be known that it looks with disfavor on the US Administration's plans to hold hearings to see whether to revoke tariff improvements on brandy, granted a couple of years ago in the hope that the Community would make a counter-gesture on poultry.

The move to review the brandy tariff is viewed by the Commission experts as a step on the path to liberalization of trade. According to the Commission, there was never any commitment to improve access for US poultry—a bone of contention since the "chicken war" of the early Sixties,

when the brandy tariff was quadrupled by the United States in retaliation. The tariff was improved as a gesture in 1974, but the United States appears to have regarded it as a temporary gesture dependent on a quid pro quo, which the Commission says it never indicated it would make.

EC-Bangladesh Jute Agreement

A new agreement regulating trade between the European Community and Bangladesh in jute products was concluded in Brussels this summer.

The four-year agreement continues the process of tariff dismantling on jute product imports within the framework of the Community's generalized preferences plan, bringing tariffs down to 20 per cent of their normal level and abolishing them altogether on jute yarns at the beginning of 1977. All tariffs will be removed 18 months later.

Community imports of Bangladesh jute products (like India's, which are subject to virtually identical provisions under a new agreement concluded in June) will still be subject to quantitative restrictions, but the quota levels have been substantially increased, and removed altogether on jute yarn.

Export Credit Jurisdiction

The Commission has begun proceedings against four member states—the United Kingdom, Germany, France, and Italy—on the grounds that the Commission has exclusive jurisdiction over export credits.

According to the Commission, these four member states have infringed the EC Treaties by reaching a gentlemen's agreement with the United States and Japan on interest rates, duration, and minimum deposits for export credits.

Although each state announced its new export credit conditions—which took effect on July 1—individually, the Commission believes this attempt to bypass Community competence does not hold water—however desirable it feels such an agreement is in principle.

If the member states concerned cannot come up with a satisfactory explanation for their conduct, they could end up in the Court of Justice, which has already supported the Commission's case by providing an unequivocal interpretation of the Treaties in favor of the Commission in a case brought last autumn.

Greek Accession Discussed

Negotiations with Greece on its EC membership formally opened in Brussels this summer, to be followed by detailed negotiations this fall.

Greek Planning Minister Panayotis Papiiouras, Commission President

François-Xavier Ortoli, and Council President Max van der Stoep presented speeches to mark the formal opening of negotiations.

Van der Stoep, in welcoming the Greek application, pointed out that Greece is a country whose loyalty to the European idea has proved "unshakeable." He did not, however, underestimate Greece's difficulties in becoming a member.

This means that Greece will have to take on the commitments of the customs union, the common agricultural and commercial policies, the "own resources" system, regional policy, harmonization of industrial legislation, social policy, and the attempts at economic and monetary convergence. At the same time, Greece will have to shoulder the burden of external commitments such as the free trade agreements with the European Free Trade Association (EFTA) countries, the trade and aid provisions of the Lomé Convention, the generalized preference plan, etc.

Papiiouras emphasized that Greece is well aware of these implications and is fully prepared to take them on, given time for adjustment. He warned, however, that Greece would probably have to avail itself, to a considerable extent, of Community resources, such as the social and regional funds, in order to be able to adapt smoothly, and that special consideration would need to be given to the problems of Greek agriculture and to the fact that Greece has many infant industries which need special nurturing.

But he also emphasized that Greece is committed to being an element of further cohesion and development of the European Community, in order to bring about a closer union of the peoples and governments of the ten countries.

AGRICULTURE

US-EC Farm Trade Hit

In a speech to US National Soyabean Processors in California on August 24, EC Agriculture Commissioner Petrus Lardinois expressed concern over the state of EC-US agricultural relations: "An element of tension, of mistrust even," is creeping in, he said, which if not squarely faced "could lead to some sort of rupture."

Lardinois also noted the "fresh rumblings" in the "chicken war" in recent months, the unfair treatment EC farmers are getting from the US phosphate "cartel" problems with canned hams and beef, and US complaints about Commission proposal for a deposit plan for vegetable protein and a consumption tax on vegetable oils.

Lardinois stressed the importance of EC-US partnership in trading with each other—for example, last year the United States had a \$4.5 billion surplus on farm trade with the Nine—and partnership in supplying the world with foodstuffs.

Lardinois accused the United States of preaching free trade when it comes to other people's internal markets, but practicing rigid protection at home. He appealed for "greater caution and greater understanding" in all EC-US dealings.

Drought Deters Dairy Tax

EC agricultural ministers have taken a first look at a package of measures proposed by the Commission. One such measure is a tax on dairy production, designed to cut herds and avoid butter and skimmed milk powder "mountains" such as the Community is experiencing at the moment.

However, in view of this summer's drought which is causing additional slaughterings for lack of fodder—resulting in downward pressure on the price farmers receive for their beef and higher costs to farmers who keep their cows alive when fodder is scarce—ministers felt the time was not ripe to discuss the tax. They were to take the subject up again this autumn when a better assessment of the drought could be made.

Before this meeting, however, there was to be a "mini summit" of ministers from Britain, Ireland, and France to try and pave the way for a common sheepmeat regulation which will allow freer trade in mutton and lamb throughout the Community. Thus, they hope to reconcile Britain's desire to keep low consumer prices and imports from New Zealand, France's need for high prices to protect its high quality market, Ireland's wish to be able to export small quantities to France, and an EC Court of Justice decision implying that decision on a common market on sheepmeat is imperative.

Vegetable Duties Suspended

In a move to alleviate the coming vegetable shortage due to this year's unprecedented drought in the European Community and to make imports as cheap as possible, the European Community has suspended import duties on cauliflower, cabbages, red cabbages, carrots, peas, and celery.

Only Ireland and Denmark appeared to have been spared the effects of the drought on vegetable production. In the United Kingdom yields are low and quality poor; in Belgium and Luxembourg, salad vegetables have been particularly badly hit; Dutch and French production is down across the board; Italy's vegetable production is badly affected except for peppers and peas (its tomato crop, for example, is down 24 per cent);

Germany's pea yields are down 15 per cent and the bean crop will be 26 per cent less than last year's.

The picture is more uneven when it comes to fruits. The plum crop is up 81 per cent, the peach crop by 51 per cent, and the apricot crop by 43 per cent. But there has been a 2 per cent drop in the production of cherries, a 3 per cent drop in pears, a 4 per cent drop in strawberries, and there will be one-fifth fewer apples this year than last (which was a bumper year).

Farm Modernization Aid

The first groups of grants from the guidance resources of the EC agricultural fund for 1976 totals 73.3 million units of account (UA). (One UA equals one 1970 dollar.)

Two hundred and one projects will benefit: one in Luxembourg, seven in Denmark, 10 in Ireland, 20 in the Netherlands, 24 in Belgium, 25 in France, 26 in the United Kingdom, 41 in Italy, and 47 in Germany.

In absolute terms the most money goes to Italy with UA 18 million, followed by Germany with UA 17.2 million, France with UA 12.8 million, the United Kingdom with UA 6.7 million, the Netherlands with UA 5.7 million, Belgium with UA 5.1 million, Ireland with UA 4.1 million, Denmark with UA 3.4 million, and Luxembourg with UA 15,205.

The money generally meets up to one quarter of the cost of farm modernization, improvements to infrastructure, or construction of processing plants.

AID

Coordinating Development

In order to increase the effectiveness of the development aid policies of the nine EC member states, the Commission has proposed a program of greater coordination as a first step toward a single EC development policy.

The Commission believes that this policy can be achieved by:

- intensifying coordination of positions at international conferences, such as UNCTAD (United Nations Conference on Trade and Development) or UNIDO (United Nations Industrial Development Organization);
- holding common positions where possible, as is the case at CIEC (Conference on International Economic Cooperation);
- jointly examining certain promising sectors such as criteria for technical assistance against payment, but leaving aside areas, such as untying of aid, where agreement is currently so far away that in-depth discussion would probably be fruitless;

- coordinating help given to developing countries' scientific research, with coordination by country, regional group, or project where two or more member states are involved in the same place or program;

- bringing food aid increasingly under the Community umbrella;

- reviewing sectoral aspects of aid policies;

- coordinating sectoral policies in bodies such as the International Fund for Agricultural Development, and with non-governmental aid bodies.

The Commission plans to publish an annual report describing national aid policies and assessing progress.

Seven EDF Projects Okayed

The Commission has allocated 36 million units of account from the European Development Fund to finance projects in African, Caribbean, and Pacific (ACP) signatories to the Lomé Convention. This brings the amount of money made available under the Lomé Convention, since it took effect on April 1, to 241 million units of account (UA), or approximately \$265 million. (One UA equals one 1970 dollar.)

The latest projects to receive assistance are: construction of the Selingue dam in Mali (a grant of UA 19.2 million); extension to the port of Douala in Cameroon (UA 4.2 million); eradication of cattle peripneumonia in Niger (UA 1.4 million); an interim project under the integrated program for cotton production in Chad (UA 3.3 million); extension of the Teza tea factory in Burundi (UA 197,000); improvement and asphaltting of the Kante-Mango road in Togo (UA 10.4 million); improvement of the Vohehar-Sambava road in Madagascar (UA 970,770).

ECONOMY

Looking on the Bright Side

With the exception of Denmark, where gloom still prevails about economic prospects, consumers throughout the Community were considerably more optimistic about the outlook when they were surveyed this spring compared to previously.

In six member countries, consumers felt that the economic situation is now better than a year ago; Danish, Irish, and Italian consumers dissented. As to what will happen in the year ahead, Denmark's consumers on the whole thought things will get somewhat worse. At the other end of the spectrum was Britain, where in the course of a year the number of households predicting an improvement has jumped from 17 per cent to 47 per cent. German consumers were also markedly optimistic. Elsewhere peo-

ple were also looking on the bright side, but cautiously.

The view of the economic situation appears generally to be colored by the assessment of what is going to happen to unemployment. Fears of unemployment have receded considerably in Germany and somewhat in the United Kingdom, France, and Belgium. Italy, Ireland, and the Netherlands were less sanguine, and in Denmark things are expected to get worse.

Denmark broke its pessimistic pattern only on the question of inflation, where it joined with Germany, France, and Belgium in taking a slightly more optimistic view than the rest on the prospect of inflation slowing.

Coal and Steel Statistics

Even though coal production is falling regularly each year and is expected to continue and despite the fact that the steel industry has been experiencing a serious depression, the EC industries' investment has remained high.

The coal industry increased its investment from 326 million units of account (UA) to UA 562 million in 1975 compared to 1974. (One UA equals one 1970 dollar.) The emphasis was on rationalization and restructuring rather than expansion.

However, if the 1985 production target of 250 million tons of coal is to be met, production and spending on new mines will need to be stepped up in the next couple of years. (There could be similar problems in the case of coke.)

In the iron and steel industry total capital expenditure last year was UA 3,100 million—only slightly less than in 1974 in real terms. The United Kingdom was the major investor, accounting for nearly a quarter of total new spending. Here, too, emphasis last year was on replacement and modernization rather than expansion. In the iron and steel industry production forecasts are now slightly under target as well.

EC Fund Aid for Ireland

The EC Commission is expected to come up with some proposals on how Community funds could be used to help relieve Ireland's economic situation, which is among the worst in the Community with 17 per cent inflation and only 2.25 per cent growth expected this year.

The Commission has been reviewing the situation for several months after Ireland applied for financial help for industries having trouble meeting the Community's rules on implementing equal pay—which the Commission insisted in February must be introduced despite Ireland's request for a special exemption.

Since none of the firms were eli-

gible for grants from standard EC funds, the Commission started looking at other ways of helping, possibly by providing more money to help create new jobs. However, the money will have to be diverted from other existing resources. Any idea of an addition to this year's budget has been ruled out.

Planning to Avoid Recession

The rules laid down in the Paris Treaty about what the European Coal and Steel Community (ECSC) can do in the event of a recession (like the one from which Europe's steel industry is beginning to emerge) are felt to have been too rigid and impractical when it came to the crunch.

Therefore, the Commission—which is the ECSC High Authority—has come up with some ideas on better ways to handle the situation in the future, so that the sort of radical drop in capacity utilization by as much as a third, in output by a fifth, and prices by a third—which happened last time—can be avoided in the future.

What the Commission is looking for is a halfway house between the extremes of cooperation and coercion currently open to it. The backbone of its proposals are better statistics all round, so that there will be a much more efficient early warning system for a future crisis. This means that the Commission would be in a better position to analyze market trends.

The Commission would also like its investment advice to be listened to more and to see a stronger commitment from firms to stick to the Commission's quarterly production recommendations.

The Commission is also considering measures to shore up employment in the industry or to soften the blow of redundancies. Finally, it envisages much more international cooperation with non-EC countries on mitigating the impact of recessions in the steel industry.

Youth Unemployment Tackled

With 1.5 million persons under 25-years-of-age unemployed in the Common Market—and the situation likely to get worse before it gets better—the Commission has asked the Council of Ministers to turn its attention to the problem.

The Commission has drafted a recommendation for the ministers to adopt at a forthcoming meeting on integrated guidance, training, and placement services of the labor force under 25-years-old.

Also included in the Commission's recommendation are greater opportunities for vocational training and guidance, reinforcement of basic skills, information on how society works—including social security and unemployment benefit systems, prac-

tical basic training, and on-the-job experience.

The Commission emphasizes the need for days off to attend training courses, backed by financial help, such as payment of fees, to make attendance at such courses possible.

Budget Guidelines Discussed

EC finance ministers held a special summer session in Brussels—at the suggestion of the heads of government, to discuss national budgetary policies.

They had before them the Commission's ideas on guidelines for each country's budgetary management in the coming year, which in most cases involved tight monetary policy and public spending and keeping budget deficits to a minimum.

The Commission's views were generally endorsed, and some countries were able to report that since the Commission had drawn up its forecasts, new data had been gathered which indicated that the situation might be less serious than had initially been thought.

Ministers also discussed ideas presented by the Dutch Council president and the Netherlands' finance minister on how to strengthen economic policy coordination and monetary relationships within the Community by closer reviews of national programs and establishing a system of target zones for currency fluctuations. This would make it possible for those EC currencies which are not part of the joint float—or snake—in which the Benelux currencies, the deutschmark, and the Danish crown participate, to be integrated more closely with the movements of these currencies. Various specialized committees were to look at these proposals and report back.

SOCIAL POLICY

Common Consumer Credit

By the end of this year the Commission hopes to have finalized proposals on a common set of standards for consumer credit in the nine EC member states.

The rules will cover all forms of credit—hire purchase, installment credit, leasing agreements with option to purchase, credit cards, and installment repayment loans. These rules will not only help put all Community consumers on an equal footing but will also mean that the same kinds of credit are to be regulated everywhere.

The scope of the regulations are to be made as wide as possible in order to counter the effects of a shift from regulated to unregulated credit,

which is presently occurring and which can be detrimental to the consumer by affording him less protection.

In Belgium, for example, the number of installment sales (a regulated category) is falling, while personal loans, which are comparatively unregulated, have doubled in the last couple of years. And credit as a whole is a burgeoning sector: The number of credit cards in circulation in Belgium increased by around 15 per cent in one six-month period in 1973, and in the United Kingdom more than 1.5 billion pounds of credit was advanced in the first eight months of 1974.

Consequently, it is all the more urgent in the Commission's view to see that consumers can be sure of being informed of the effective rate of charge that they pay for credit, who they are doing business with, and maximum and minimum limits of amount and duration, for example.

To Improve Worker Welfare

The Commission has recently approved a number of allocations from European Coal and Steel Community funds to improve the welfare of workers in the Community's coal and steel industries.

Loans totaling 1,364,000 pounds have been made available to the British coal and steel industry for subsidized housing projects; a 801,500 florin loan has gone to the Dutch steel industry for housing; and Luxembourg will receive 22.7 million Luxembourg francs for housing its steel workers. At the same time the Belgian steel industry is to receive 5,150,000 Belgian francs for workers affected by redundancies in the Belgian steel industry.

The Commission is also financing research into mine health and pollution in the steel industry. Nineteen research projects on improving mine health in Germany, Belgium, France, and the United Kingdom will receive 1,941,525 units of account (UA), and 11 research projects into combating pollution in the steel industry in Italy, Belgium, Germany, and the United Kingdom are to receive UA 2,079,000 in subsidies. (One UA equals one 1970 dollar.)

The Commission has further plans for financing a UA 7,500,000 mine safety research program but does not yet have final approval for this.

Retraining Steelworkers

Half the cost of retraining German steelworkers made redundant by the closure of part of the Stahlwerke Rochling Burbach's Volklingen steel plant is to be met by the European Community out of the Coal and Steel Community's (ECSC) funds.

The project will cost the Community 100,000 deutschmarks.

Grants from Social Fund

A second batch of retraining projects qualifying for subsidies under the EC Social Fund budget for 1976 was selected this summer, and around 100 million units of account (UA) was committed from the total budget of UA 440 million. (One UA equals one 1970 dollar.)

The Commission puts up half the money for government-financed projects and one-third for industry-backed projects. Grants are supplied either for retraining workers who are leaving the land or textiles industry or acquiring new skills in the textiles sector, or for migrant workers, the handicapped, or young people under 25-years-old who are unemployed. In this category, UA 70 million was made available.

Assistance is also offered to workers threatened with unemployment in the poorest areas of the Community or in sectors which have been overtaken by technical progress or rationalization. In this category, UA 29 million was made available this summer.

Great emphasis was placed on unemployment among young people, and UA 40 million went to programs such as the Belgian national employment office's training program for 2,000 young people and the British Training Service Agency's accelerated training program for 3,000 young people.

National allocations this time were: 66.4 million Belgian francs, 4.3 million Danish krone, 218.5 million French francs, 54 million Deutsche marks, 1.6 million Irish pounds, 15 billion Italian lire, 900,000 Luxembourg francs, 3.2 million Dutch florin, and 5.2 million British pounds.

ENERGY

Thermonuclear Research

Even though there is still no decision on a site for construction of the Joint European Torus (JET)—which is the cornerstone of the next stage of the EC thermonuclear fusion research program—the Commission is now in a position to place non-site related orders for the vacuum vessel, magnetic coils, etc. This was decided following a declaration from foreign ministers last July that the project would go ahead as a Community project.

There are four potential sites—the Community's Joint Research Center in Ispra, Italy, Culham in the United Kingdom, Cadarache in France, and Garching in Germany. It is the research ministers' third attempt to decide on a site. Previous attempts were made last October and February, and a Council meeting scheduled this summer was cancelled casting doubt

on the future of the whole program.

Research Commissioner Guido Brunner welcomed the decision as removing the uncertainty about the project and giving encouragement to the JET design team in Culham. He expressed the hope that this excellent team would now stick together despite tempting offers from elsewhere.

Financing North Sea Oil

Development of the Beryl oil field in the British sector of the North Sea is to be partly financed by the European Investment Bank (EIB).

The EIB will loan \$30 million to a US company, North Sea Inc.—a wholly owned subsidiary of Texas Eastern Transmission Corporation—which has a 20 per cent interest in the field alongside Mobil Oil, Amerada Hess, and British Gas. The loan is for seven years at 9 per cent.

This loan will represent one quarter of North Sea Inc.'s share of the \$600 million development costs involving installation of a Condeep production and treatment platform. The Beryl field is expected to be meeting something less than 5 per cent of British oil consumption and 1 per cent of Community requirements by 1980.

The EIB puts special emphasis in lending to projects which will help make the Community more independent of energy imports. In the oil and gas sector the EIB has already given assistance to production installations in the Frigg gas field, the Danfelt, and Ekofisk fields as well as to construction of a petroleum harbor in the Shetlands.

Toward Energy Independence

Toward greater energy independence in the European Community, the Commission has authorized an additional 1 million units of account (UA) to finance energy research projects in five priority sectors: energy conservation, production and utilization of hydrogen, solar energy, geothermal energy systems, and energy systems analysis. (One UA equals one 1970 dollar.)

The Commission normally provides about half the cost of these projects which are carried out in national research laboratories. This brings this year's total subsidies to about UA 3.3 million, out of UA 11 million that the Commission has for this purpose in this year's budget.

Among the larger projects are: the creation of a dynamic energy model at Julich laboratory in Germany, for which the Commission will put up UA 90,000; a reference energy system being developed by Systems Europe in Brussels, which will receive UA 130,000; studies of new methods of producing electric energy from hydrogen being carried out by Oronzio de Nora

in Milan, which is to get UA 220 million; development and parametric testing of production of hydrogen by electrolysis by the Mol Nuclear Studies center in Belgium (UA 190 million); high-temperature electrolysis of steam by the French Atomic Energy Commission and the University of Grenoble, whose grant is UA 130,000.

At the other end of the price spectrum are UA 3,000 and UA 4,000 grants, respectively, for inventory and analysis of temperature data from deep wells, research on the feasibility of geoelectrical surveys at great depth in Delft, and the use of hydrogen as a reducing agent in the iron and steel industry at Metz University in France. Seventy-eight projects in all nine EC countries are covered by these grants.

UK-Euratom-IAEA Agreement

Under an agreement signed in Vienna in early September between Euratom, the British Government, and the International Atomic Energy Authority (IAEA), peaceful nuclear activities in the United Kingdom have been brought under the control of the IAEA. Verification that Britain is respecting IAEA rules will be made by Euratom inspectors.

Seven other Euratom member states—those without military nuclear capability—are already subject to a trilateral agreement of this sort.

As a nuclear power (as defined by the non-proliferation treaty (NPT) on nuclear weapons), the United Kingdom was under no obligation to submit to IAEA control but chose to do so voluntarily as a concrete manifestation that it has no intention of benefiting industrially or economically from the immunity.

Of the nine EC countries, only France (which is a nuclear power but not a signatory to the NPT) now has no verification agreement of this sort.

Uranium Exploration Funds

Applications are being sought for grants from EC funds to subsidize exploration for uranium in the Community.

The Community is liable to be short of natural uranium to meet its needs for nuclear power generation by the end of the decade and is therefore eager to encourage development of deposits inside the Community. There are a number of promising geological structures—in areas such as Ireland, Greenland, the Black Forest, France, northern Italy, southwestern England, and northern Scotland—but they have not yet appeared as commercially attractive as prospective deposits in other parts of the world.

The Commission is prepared to meet 30-to-70 per cent of the cost of any plan submitted to it up to the total available in this year's budget of 1.2 million units of account (UA).

(One UA equals one 1970 dollar.) Beneficiaries of grants will have to share the information received in their research with the Commission.

Welsh Hydroelectric Project

The European Investment Bank is putting up 26 million pounds to help finance a hydroelectric project in Wales—the largest of its kind in Europe.

The money has been provided in the form of two loans, one to the Electricity Council and one to the Central Electricity Generating Board. Both are for 12 years at 9½ per cent.

Using off-peak power produced during night-time, water will be pumped from a lake at Dinorwic near Mount Snowdon to another lake at a higher altitude. From there it will be released to fall down again to drive turbines and general electricity at periods of maximum demand, supplementing supplies from other power stations.

The total cost of the project is about 280 million pounds, and the hydroelectric plant should start generating electricity by early 1980.

Parliament Defends Coal

The European Parliament has called for more attention to be paid to the Community's coal resources.

Debates on June 17 demonstrated the Parliament's concern that the EC energy policy is not moving ahead as fast as it should—as witnessed by the cancellation of the Council of Energy Ministers originally scheduled for early June and the failure to implement the guidelines on energy-sharing and minimum import prices laid down by heads of government in Rome in December 1975.

The Parliament also feels that nuclear energy is not going to live up to its promise, and that therefore the Community must not neglect its main indigenous resource—coal. Consequently, the Parliament called for every effort to be made to maintain coal production at least at current levels and for an extension of EC support measures.

ENVIRONMENT

EC Aid, Expertise to Seveso

When news broke of the accident at the chemical plant in Seveso in Italy, which released clouds of poisonous dioxin into the atmosphere, the EC Commission immediately dispatched environmental experts to see what help could be offered from EC resources.

Facilities of the Community's Joint

Research Center at Ispra were also made available for special assistance. Since Ispra has the only mobile meteorological tower in Europe operating by ultrasonic radar, it was able to take on-the-spot measurements of meteorological conditions, air turbulence, atmospheric inversion strata to help determine the extent of the damage.

The network of consultants who participate in the Environmental Chemicals Data Information Network—instituted as part of the EC environment policy—were alerted to provide information about the effects of dioxin. At the same time, the Commission is watching events closely to see what lessons are to be learnt for Community environmental policy-making.

To Prevent Dust Pollution

The European Coal and Steel Community has granted a loan of 5 million florins for a project which will reduce the dust which flies when raw materials are unloaded at Ijmuiden, Holland for the iron and coal stores of the Hoogovens steel concern. Part of the loan will qualify for an interest rate subsidy because the project will improve environmental protection.

The dust level will be reduced by a spraying installation, highly complex and computer controlled. When ore is unloaded, it will be sprayed in accordance with a computer program which takes account of the characteristics of the material, rainfall, force, and direction of winds and the proximity of private housing.

Centralized Waste System

The EC Commission has proposed a system of permits for disposal of toxic waste—everything from arsenic to cyanide, from mercury to lead.

This system will make it possible to keep a close watch on who is handling such waste, the technical standards of waste disposal facilities, the quantities, origin, and location of waste.

The Commission also wants to encourage centralization of waste treatment plants because larger plants are more economic and easier to control.

Water Standards for Fish

As part of its campaign to have pollution-free waters in the Community—which has already resulted in adoption of directives on standards for drinking and bathing water—the EC Commission has put forward proposals on the standards of water needed to sustain healthy life of indigenous species of fish or species which are considered desirable from the point of view of water management.

The proposals include suggested standards for the quality of the wa-

ter, sampling procedures to guarantee the quality, and a standstill of current water standards where they are better than proposed standards.

This draft directive does not apply to water used for intensive fish-breeding, which will be the subject of another proposal later.

INSTITUTIONS

International Criminal Law

A development in international law not provided for in many countries' legislation is the existence of international organizations like the Common Market and, in particular, the possibility that someone might want to defraud one of the EC funds or that an EC official might be caught with his hand in the till or betraying information that elsewhere would be regarded as an official government secret.

Consequently, the Commission has proposed to member states that an additional clause be added to the Treaties and that protocols on penal law be negotiated so that people found guilty of these crimes could be booked either in their own country or in their country of residence.

In another move against illegal use of EC funds, the Commission wants to keep a closer eye on how the agricultural fund is used by asking member states to intensify checks on the commercial records of firms receiving money. Such checks have been the most successful way of detecting misuse of funds in the past. Unfortunately, not all member states currently carry them out, so that the Commission suspects that there is still some undetected abuse about.

First EIB Issue in Japan

The European Investment Bank (EIB) has made its first bond issue on the Japanese market with a 10,000 million yen contract concluded this summer with a syndicate headed by Nikko Securities and a group of commissioned companies headed by the Industrial Bank of Japan.

The EIB's first sortie into the Far East was just before last Christmas with an issue in Singapore. The latest issue is for 12 years at an interest rate of 8.9 per cent.

The bonds were issued at par, and application has been made to list the bonds on the Tokyo Stock Exchange. The proceeds from the sale of the bonds will help finance the EIB's ordinary lending operations.

1977 Budget Bookkeeping

EC budget ministers gave a first reading of the Commission's proposals for the 1977 budget in Brussels this summer.

The ministers cut around 600,000 units of account (UA) from the draft, thus truncating most new initiatives. (One UA equals one 1970 dollar.) The draft that they then forwarded to the European Parliament amounted to UA 8,659 million.

The Commission — whose Budget Commissioner Claude Cheysson described the budget as banal and mediocre when he submitted it to the Council—condemned the Council for its bookkeeping approach to the budget when heads of government in Rome last year had agreed that it should be a tool for political forecasting.

The budget is now being reviewed by the European Parliament.

MEMBER STATES

New French Prime Minister

Former EC Commissioner and Commission Vice President Raymond Barre became French Prime Minister on August 26. He is the first former Commissioner to rise so high on his return to national politics.

Barre was in charge of the economic and monetary affairs portfolio in Brussels from 1967-1972. Since then he has been a professor of political economy at the Sorbonne and was made French foreign trade minister at the beginning of this year.

EC Popularity Is Down

The popularity of the Common Market is falling: Although more than half the Community's citizens—as extrapolated from a representative poll of 9,000 people—still believe it is a good thing, the percentages holding this view fell by 10 percentage points from 63 per cent to 53 per cent between last autumn and early summer.

Only 40 per cent favor a speeding up of the process of unification, although 57 per cent support the idea of European union and 62 per cent the principle of direct elections to the European Parliament.

The change in mood about the Community has been most marked in Ireland, Germany, and Italy. Support for projects like European union and the European Parliament is consistently strongest in Italy, the Netherlands, and Luxembourg and weakest in the United Kingdom and Denmark.

The issues that people would really like to see the Community tackle are not the abstract political ideas but concrete problems such as unemployment, rising prices, and environmental and consumer protection.

Even though most people will provide an opinion of the Common Market if it is solicited, their spontaneous interest is low. Only just under two people out of ten "nearly always"

take an interest in information in the media on the Community; three out of ten never do. Most interest is shown in Luxembourg, the Netherlands, and Denmark; interest is lowest in Italy and Belgium.

The information which is disseminated is generally felt to be useful but complicated, interesting but too scanty and to be rather pessimistic—a judgment which the pollsters feel was influenced by gloomy reporting of the April European Council in Luxembourg.

COMPETITION

Proposed Steel Merger

According to a ruling from the EC Commission, based on EC steel market monopoly rules, there is no objection to Guest, Keen, and Nettlefolds—Britain's thirteenth largest industrial firm—acquiring a 75 per cent stake in Sachs of Germany.

The Commission was asked to look into the proposed merger of the two firms because both have iron and steel interests which make regroupings of this sort subject to a priori control by the Commission under European Coal and Steel Community rules.

In theory the Commission cannot look at the wider implications of such a move under the EEC Treaty's more general antitrust rules until after it has taken place, but based on the facts known to the Commission, there does not seem to be any case for opposing the proposed transaction. However, since the German Federal Cartel Office has raised objections to the concentration which would result on the clutch market, the deal is not expected to go ahead in this form.

Armagnac Sales Ban Opposed

The Commission has told France's *Bureau national interprofessionnel de l'Armagnac* (BNIA, the armagnac producers' association) that under no circumstances can it stop sales to other Community countries on the pretext that it is carrying out a government job.

The Commission received a complaint from a German armagnac importer, Pabst and Richarz, that it could not obtain certain types of armagnac (depending on the vintage).

When the Commission investigated the matter, it found that the BNIA's argument was that it was carrying out a state-imposed quality control function by banning export of certain categories and that this was in the public interest. The Commission felt instead that this was a private, collective measure which had little to do with quality control.

Although there has been an im-

provement in the quality control since, the Commission felt it had other causes—such as stricter controls via sampling—and therefore made it quite clear that the fact of having been given a job to do by the government is not per se a reason to close one's eyes to EC rules on free competition.

HARMONIZATION

Uniform Rules for Products

Strict and uniform rules throughout the Community on the manufacture of products used to improve plant health—weed-killers, pesticides, etc.—have been proposed in a draft directive by the Commission.

The purpose of the Commission proposal is to remove the artificial barriers to trade which can distort free movement of goods in the Common Market because of varying standards and to provide common controls on use of products which may ultimately end up in the food chain.

The proposal envisages a single system of EC registration. A manufacturer who only wants to market his product on a single market could go on applying for national registration as before, but if he could prove to the national authorities that his products meet all the criteria laid down by the Community, he could get the right to use an "EC approved" stamp which would entitle him to market his product anywhere in the Community.

The Commission would allow a list of authorized products to be published once a year. At the same time, the Commission has suggested aligning national rules on certain products which are harmful to man and his environment, starting with certain mercury substances and organochlorides, which are already banned or severely limited in a number of countries.

Standardizing Pleasure Craft

The Commission has submitted proposals for a directive which would provide the legal basis for Community standards for recreational boats.

The proposals concentrate on procedures for licensing pleasure craft. Once these have been adopted, the Commission will draft specific standards for equipment and safety measures.

The proposals are along the lines of earlier EC legislation on cars and tractors.

Technical Barriers Cut

The Council of Ministers has adopted 18 more directives on the elimination of technical barriers to trade. These

directives, once approved by the EC institutions, are binding on the member states, which must incorporate them into their national law. Although customs duties have been abolished within the Common Market, varying national standards can be just as much of a barrier to free trade as tariffs.

The directives make it easier for producers to do business, since product standards covered by directives apply to a unified market of 260 million people throughout the Community, and not just to national markets, each subject to different and often conflicting laws. Harmonization of standards means advances in safety and quality for the European consumer.

The latest package, approved June 28, contains seven directives on automobiles, two on tractors, four on measuring instruments, two on radio interference, one on pressurized vessels, one on cosmetics, and one on dangerous substances. This brings the total number of directives to 80.

REGIONS

EC Fund Awards Grants

The third installment of grants under the EC Regional Development Fund in 1976 amounted to 109 million units of account (UA), which has been made available to 471 investment projects in five countries—Denmark, Germany, Ireland, Italy, and the United Kingdom. (One UA equals one 1970 dollar.)

Generally the bulk of the money will be spent on infrastructure projects, such as the modernization of the port of Cagliari in Sardinia. This UA 258 million project has been awarded UA 36.6 million—the fund's biggest grant to date.

The fund is also supporting improved water supply for industrial use in the Agrigento, Caltanissetta, and Palermo regions of Sicily, a new power station at Godthab in Greenland, a new reservoir and water treatment works at Glendevon in Scotland, and development of a new industrial estate at Ebbw Vale in Wales.

Wales and Scotland are the regions receiving most of this allocation in Britain, although Northern Ireland and northern England are the UK regions which generally benefit most from regional fund appropriations. In Germany, Bavaria has received the lion's share so far (40 per cent of allocations this year and last). In Italy, Sardinia, Sicily, and Campania are the most frequent recipients of grants. In Ireland the emphasis has been on grants to the West, Midlands, Southwest, and Donegal. Greenland has received six-sevenths of the money awarded in Denmark to date.

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.

Regional Management of the Rhine: Papers of a Chatham House Study Group. Collated by Janet Unwin, rapporteur. Chatham House, PEP, London, 1975. *European Series No. 26.* 102 pages. (Available in the US from the Committee for Economic Development, New York.)

A study of the problems of efficient collective management of the Rhine Basin as an example of a developed international region, with particular emphasis on the Rhine's geographical profile, water supply regulation, transport, navigation and flood prevention, recreation and amenities, and the effect of human activities on the ecology.

The Court of Justice of the European Communities. *Vanderbilt Journal of Transnational Law*, Volume 8, Number 3, Summer 1975. 279 pages with bibliography. \$3.50.

A special issue devoted to the Court of Justice, its jurisdiction, procedure, and decisions, including an article on the Court's publications by J. S. Stoll of the Court's Press and Information Service, an annotated bibliography on the Court and Community law, and several articles on EC antitrust rules.

The Mandarins of Western Europe: The Political Role of Top Civil Servants. Edited by Mattei Dogan. Sage Publications, Halsted Press, John Wiley & Sons, New York, 1975. 314 pages with notes and tables. \$17.50.

A comprehensive, empirical study of top-level civil servants in central public administration and an analysis of their role in modern government with specific exploration of elite circulation, the role of the bureaucracy in preparing budgets, politicization of top civil servants, government office-holding, and social and psychological characteristics of civil servants.

US-European Economic Cooperation in Military and Civil Technology. By Thomas A. Callaghan Jr. The Center for Strategic and International Studies, Georgetown University, Washington, revised edition 1975. 126 pages. \$4.25.

A presentation for strengthening NATO by increasing conventional weapons development and procurement expenditures without raising present budgets, calling for weapon and equipment standardization, Allied cooperation in civil technology, especially in the energy

field, and the gradual removal of "buy national" barriers to US-European trade in civil and military goods and services.

The European Company: A Comparative Study with English and Maltese Company Law. By Dr. J. Micallef. Rotterdam University Press, Rotterdam, 1975. 765 pages with appendices, tables, and index.

An analysis of the 1970 draft statute for a European Company in comparison to similar provisions in English and Maltese company laws, covering the evolution and character of company law, formation, capital, debentures, administrative structure, co-determination accounts and audits.

Energy in the European Communities. Edited by Frans A. M. Alting von Geusau. A. W. Sijthoff, Leyden, the Netherlands, 1975. 213 pages with tables, figures, appendices, and index.

A collection of papers prepared for a colloquium at the John F. Kennedy Institute, Tilburg, the Netherlands, in 1974, on the changing European energy situation following the 1973 crisis European alternatives to oil imported from OPEC countries, and the problems of policy-making in the European Communities.

European Perspectives on World Order. By Frans A.M. Alting von Geusau. A. W. Sijthoff, Leyden, the Netherlands, 1975. 341 pages with tables, maps, and index.

An analysis of European approaches and policies to world order, focusing on the historical and postwar approaches of both East and West Europe and East and West European responses to bipolar confrontation, integration, détente, world organization, and conflict management.

Physics of High-Temperature Reactors. By Luigi Massimo. Pergamon Press, New York, 1976. 220 pages with figures and index. \$20.00.

A description of the theory and methods of calculation of the physics of high-temperature reactors, based on experimental work in the framework of the OECD High-Temperature Reactor Project (DRAGON), a cooperative European program. The author, who participated in the DRAGON project, is currently first secretary for scientific affairs at the Delegation of the Commission of the European Communities in Washington.

Marketing Management in Multinational Firms: The Consumer Packaged Goods Industry. By Ulrich E. Wiechmann. Praeger Publishers, New York, 1976. 103 pages with notes, tables, and bibliography. \$15.00.

A study of the organization and marketing practices of non-durable consumer products, based on field research conducted in 22 American and five European based multinational firms, with a particular emphasis on the roles of executives at headquarters and in subsidiaries in managing the marketing function and the importance of standardized marketing programs.

Europe's Rules of Competition. Prepared by *Business International*, Geneva, 1976. 251 pages with appendices. \$150.00.

A survey of antitrust laws and practices in the European Community, Germany, and Great Britain, with shorter sections on national rules in 12 other European countries, covering horizontal cartels, abuse of dominant position, distributor arrangements, monopolies, licensing, and merger control.

Spain in the 1970s: Economics, Social Structure, Foreign Policy. Edited by William T. Salisbury and James D. Theberge. Praeger Publishers, New York, 1976. 187 pages with tables, figures, and index.

A volume of essays originating from the conference "Spain in the Seventies: Problems of Change and Transition," held at the Center for Strategic and International Studies, Georgetown University, Washington, June 13-14, 1973, which examine recent political, economic, and social changes in Spain, Spain's relations with Europe and the Americas and the changing urban and rural structure of Spanish society.

Emerging Data Protection in Europe. By Frits W. Hondius. North-Holland Publishing Company, Amsterdam, 1975. 282 pages with tables, bibliography, appendices, and index.

A detailed look at the new corpus of law in Europe called "data protection" designed to protect the individual's privacy and freedom by checking possible unlawful intrusions and abuses of "Orwellian" mass communication and information systems.

Interdependence. By Gerhard Mally. D. C. Heath and Company, Lexington, Massachusetts, 1976. 229 pages with figures, tables, notes, index, and appendix.

A study of the "phenomenon of interdependence" in the domains of security, economics, politics, and the environment, with particular emphasis on the management of economic interdependence in the Atlantic area and the inherent conflicts between the designs for intra-European and trans-Atlantic integration.

Technology and Economic Interdependence. By Harry G. Johnson. St. Martin's Press, New York, 1975. 187 pages with notes, tables, bibliography, and index. \$16.95.

A study of the economics of technology in the context of international trade, investment, and competition, including the economic difficulties of science policy, the problems involved in subsidizing new technology, the potential role of multinationals in economic development, the economics of the "brain drain," and the issues arising from the conflict between technology and the environment.

Value Added Tax in the United Kingdom. By Alan Schenk, Commercial Clearing House, Inc., Chicago, 1976. 300 pages with index and appendices.

Anything and everything you could want to know about the Common Market-style VAT in the United Kingdom with particular emphasis on statutory interpretation.

Worker Militancy and Its Consequences, 1965-75: New Directions in Western Industrial Relations. Edited by Solomon Barkin. Praeger Publishers, Inc., New York, 1975. 408 pages with notes, tables, and index. \$25.00 (cloth), \$6.95 (paper).

A collection of case studies of trade unions and industrial relations in seven West European countries, as well as in the United States and Canada.

"Managed Floating" As An Interim International Exchange Rate Regime, 1973-75. By Samuel I. Katz. *The Bulletin*, 75-3, New York University, New York. 87 pages with tables, bibliography, and appendices. \$3.00.

A report on the demise of the Bretton Woods system and an explanation of the current system of floating exchange rates.

International Economic Indicators and Competitive Trends, November 1975. US Department of Commerce, US-GPO Volume 1, Number 4. 97 pages with graphs and tables. Annual subscription, \$12.65; single, \$3.20.

A quarterly report of comparative data on foreign trade, the domestic economy, prices, and industrial performance for the United States and its five principal competitors—France, West Germany, the United Kingdom, Japan, and Canada—with a brief review of the latest economic trends.

Development Without Dependence. By Pierre Uri. Praeger Publishers, New York, 1976. 166 pages with tables, figures, and index. \$16.50 (cloth), \$4.95 (paper).

An examination of new approaches to aid the Third World, with suggestions for integrating production plans with population prospects; expanding narrow national markets into the international sphere; regulating and

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, 245 East 47th Street, New York, New York 10017.

restructuring multinational corporations, and developing aid programs to promote regional integration.

Compendium of Case Law Relating to the European Communities, 1974. By H. J. Everson and H. Sperl; English edition prepared by J. A. Usher. North-Holland Publishing Company, Amsterdam, 1976. 347 pages with index. \$33.95.

An English version of the 1974 French and German editions, containing both extracts from the judgments of the EC Court of Justice delivered during 1974 and summarized decisions of national courts.

International Politics of Energy Interdependence: The Case of Petroleum. By Nazli Choucri, D. C. Heath and Company, Lexington, Massachusetts, 1976. 250 pages with figures, tables, bibliography, and index.

An examination of the energy problem from a primarily political point of view, focusing on "petroleum politics" over the past 25 years, the economic implications of the post-1973 increases in oil prices, and the structure of interdependence among producers and consumers for alternate sources of energy.

International Principles and Guidelines on Social Policy for Multinational Enterprises: Their Usefulness and Feasibility. International Labour Office (ILO), Geneva, 1976. 25 pages. \$4.95.

Wages and Working Conditions in Multinational Enterprises. ILO, Geneva, 1976. 50 pages with tables. \$5.95.

Social and Labour Practices of Some European-based Multinationals in the Metal Trades. ILO, Geneva, 1976. 143 pages with tables. \$9.95.

Multinationals in Western Europe: The Industrial Relations Experience. ILO, Geneva, 1976. 72 pages. \$6.95.

Four ILO reports that provide up-to-date facts and figures with regard to current developments in Western Europe's multinationals, with particular emphasis on labor-management relations and transnational trends.

The Monetary Muddle. Compiled by Thomas G. Evans. Dow Jones & Company, Inc., New York, 1973 & 1974. 189 pages with glossary and appendices. \$2.95.

A collection of current articles from *The Wall Street Journal* dealing with the 1973 world monetary crisis with emphasis upon the emergence of gold as a highly sought after commodity on the global money market.

Petroleum Economics and Engineering: An Introduction. By Hussein K. Abdel-Aal and Robert Schmelzlee. Marcel Dekker, Inc., New York and Basel, 1976. 421 pages with notes,

tables, graphs, appendices, bibliography, and index. \$29.50.

A comprehensive introductory text on the economics of oil engineering, providing an overall picture of specific procedures and techniques of the oil industry and an analysis of oil marketing and investment.

The Common Market. By J. Warren Nystrom and George W. Hoffman. D. Van Nostrand Company. New York, 1976. 147 pages with tables, figures, and index. \$3.95.

An up-to-date analysis of the European Community in its role as promoter of European unity.

Economics of the World Today: Their Organization, Development, and Performance. By Clair Wilcox, Willis D. Weatherford, Jr., Holland Hunter, and Morton S. Baratz. Harcourt Brace Jovanovich, Inc., 1976. 180 pages with tables, illustrations, and suggested readings. \$4.95.

A comparative survey of the economies of three low-income countries (China, India, and Mexico) and three high-income areas (the Soviet Union, the European Community, and the United States), with special attention given to how economies are organized, the process of economic development, and the quality of each economy's performance.

Case Studies on Human Rights and Fundamental Freedoms: A World Study. Edited by William A. Veenhoven. Martinus Nijhoff, the Hague, the Netherlands, 1975. Two volumes (582 and 554 pages) with notes and tables.

A compendium of case studies on discrimination and violation of fundamental human rights throughout the world, based on sex, culture, religion, language, race, and nationality.

The Major Companies in Western Europe. Compiled by Commerzbank, Dusseldorf, 1975. 68 pages of tables and index.

A well-organized compilation of the vital statistics of the top Western European industrial, transport, trading, and insurance companies and banks, written in German with English translation.

The Politics of Global Economic Relations. By David H. Blake and Robert S. Walters. Prentice-Hall, Inc. Englewood, New Jersey, 1976. 240 pages with index, tables, and figures.

An introduction to the analysis of international political economy focusing on Western states and less developed countries, with chapters on world trade and politics, the global monetary order, multinational corporations, aid relations between rich and poor nations, technology and ecology, the United States as a dominant state in the global economy, and a look at the current problems and future needs of the international political economy.

MODERNISATION DES LOGEMENTS. EC Commission, Brussels, 1975, 332 pages \$19.00
Report on the results of the experimental program on housing modernization financed by the European Coal and Steel Community.

THE JET PROJECT: DESIGN PROPOSAL FOR THE JOINT EUROPEAN TORUS. EUR 5516 e. EC Commission, Luxembourg, 615 pages \$22.90
Describes the objectives of research with JET, the apparatus, cost and construction schedules, proposed experimental program, and possible modes of operation. Detailed account of the project including engineering design, staff, and cost estimates.

BESOINS DES UTILISATEURS D'INFORMATION PEDAGOGIQUE: PREMIERE APPROXIMATION EN DIVERS PAYS MEMBERS DES COMMUNAUTES EUROPEENNES. EUR 5413 f. EC Commission, Luxembourg, 1975, 52 pages \$4.20
Study on the requirements of users of educational information to give a practical slant to the development of information systems.

EUROPEAN INVESTMENT BANK ANNUAL REPORT 1975. European Investment Bank, Luxembourg, 1976, 79 pages free
Describes the bank's loans, guarantees, and equity in 1975. Includes the balance sheet and profit and loss account. Covers the bank's activities under associations with Greece, Turkey, 19 African countries, and certain overseas territories.

THE CONVENTION OF LOME: EUROPE/AFRICA-CARIBBEAN-PACIFIC. Information No. 129/76. EC Commission, Brussels, July 1976, 88 pages free
Summary of the main provisions of the Lomé Convention. Detailed discussion of the financial aspects of the convention, covering presentation and appraisal of projects, bidding procedures, financing methods and payments. Contains a table indicating which products, listed by tariff position, are subject to duties.

EUROPEAN REGIONAL DEVELOPMENT FUND: FIRST ANNUAL REPORT 1975. Bulletin of the European Communities, Supplement No. 7/76. EC Commission, Brussels, 38 pages free
Report on the financial management

of the fund. Lists projects financed by type and region. Discusses problems of regional development in the Community and includes conclusions on the supervision of the fund's operations.

THE PROTECTION OF FUNDAMENTAL RIGHTS IN THE EUROPEAN COMMUNITY. Bulletin of the European Communities, Supplement No. 5/76. EC Commission, Brussels, 1976, 69 pages free
Report of the Commission of February 4, 1976, to the European Parliament and the Council. Discusses the existing standard of fundamental rights as determined by the Treaties and case law of the Court of Justice. A paper is attached on the problems involved in drawing up a catalogue of fundamental rights for the Communities, prepared by Professor R. Bernhardt at the request of the Commission.

GROUP ACCOUNTS: PROPOSAL FOR A SEVENTH DIRECTIVE. Bulletin of the European Communities, Supplement No. 9/76. EC Commission, Brussels, 1976, 32 pages free
Submitted to the Council on May 4, 1976, the proposal would require limited liability companies belonging to a group to file annual accounting reports covering the entire group.

THE ELIMINATION OF NON-TARIFF BARRIERS TO INTRA-COMMUNITY TRADE. European Documentation No. 2/76. EC Commission, Brussels, 1976, 32 pages free
Brochure on the policy, procedures, and legal instruments for setting Community product standards. Gives specific examples such as motor vehicles, crystal glass, cosmetics, honey, and prepacked products.

A FRANK LOOK AT US-EUROPEAN COMMUNITY RELATIONS IN THE FIELD OF AGRICULTURAL TRADE. Press Release No. 15/76. EC Information Service, Washington, August 20, 1976, 11 pages free
Summary and text of a speech by EC Commissioner Pierre Lardinois at Delmonico Lodge, Monterey, California, to the National Soybean Processors Association, August 24, 1976.

COMMISSION POLICY VIS-A-VIS THE IRON AND STEEL INDUSTRY. Information Memo P-67/76. EC Commission, Brussels, July 1976, 7 pages free
Summary of the guidelines adopted

by the Commission under the ECSC Treaty to increase its powers to regulate the steel market. Covers monitoring of the market and investments, crisis measures to control production and prices, international trade, and social and regional measures. Includes an analysis of the current situation in the steel industry.

SEVENTEEN ACP STATES TO BENEFIT FROM FINANCIAL TRANSFERS FOR THE FIRST YEAR OF APPLICATION OF THE EXPORT EARNINGS STABILIZATION SYSTEM. *Information Memo P-53/76.* EC Commission, Brussels, July 1976, 5 pages free
Description of the first operations of STABEX. Lists for each benefiting country the products covered and amounts transferred.

RESTORING BALANCE ON THE MILK MARKET: ACTION PROGRAMME 1977-80. *Bulletin of the European Communities, Supplement No. 10/76.* EC Commission, Brussels, 1976, 18 pages free
Program to eliminate structural surpluses in the Community milk market, presented to the Council by the Commission on July 9, 1976.

BASIC STATISTICS OF THE COMMUNITY 1975-1976. EC Statistical Office, Luxembourg, 1976, 216 pages \$2.40
14th edition. 1974 statistical comparison of 19 European countries, Canada, the United States, and Japan. Includes population, labor force, national accounts, agriculture, energy, industry, transport, trade, social security, standard of living, and finance. Additional data for the Nine are given for education, agriculture, regional product, earnings and hours of work, and the iron and steel industry.

EUROPEAN COMMUNITY TEXTILE AGREEMENTS UNDER THE INTERNATIONAL ARRANGEMENT FOR TRADE IN TEXTILES. *Information No. 131/76.* EC Commission, Brussels, July 1976, 13 pages free
Brief summary of the bilateral agreements negotiated by the Community with textile exporting countries under Article 4 of the Multifibers Agreement. Statistical annex on the world textile industry.

ACP-EEC CONVENTION OF LOME. *Official Journal of the European Communities, vol. 19, L 25, January 30, 1976, 177 pages \$3.60*
Complete text of the convention, the agreement covering trade in coal and steel products, the internal agreement on the measures and procedures required for implementation of the convention, and the internal agreement on the financing and administration of Community aid.

INTERIM AGREEMENTS BETWEEN THE EUROPEAN ECONOMIC COMMUNITY AND ALGERIA, MOROCCO, AND TUNISIA. *Official Journal of the European Communities, vol. 19, L 141, May 28, 1976, 291 pages \$5.40*
Texts of the agreements putting into force the trade provisions of the co-operation agreements between the Community and each of the Maghreb countries signed in April 1976. Includes the protocols on the definition of originating products.

SELECTED INSTRUMENTS RELATING TO THE ORGANIZATION, JURISDICTION AND PROCEDURE OF THE COURT. Court of Justice, Luxembourg, 1975, 348 pages \$5.00
Compilation of provisions on the Court of Justice in the Treaties establishing the European Communities, the protocols and conventions annexed thereto, and in the implementing regulations made under those Treaties. Includes the rules of procedure adopted by the Court in 1974 and an index.

PAKISTAN AND THE EUROPEAN COMMUNITY. *Information No. 123/76.* EC Commission, Brussels, June 1976, 12 pages free
Note on the commercial relations and agreements between the Community and Pakistan. Section on Pakistan's economy.

MORE HELP FOR DEVELOPING NATIONS. *Background Note No. 38/76.* EC Information Service, Washington, July 29, 1976, 5 pages free
Outline of the Commission's proposed 1977 generalized preferences for developing countries. Gives a brief history of the system and explanation of its operation.

MEMORANDUM ON THE CREATION OF AN EEC TRADE MARK. *Bulletin of the European Communities Supplement No. 8/76.* EC Commission, Brussels, 1976, 37 pages \$1.40
Adopted by the Commission on July 6, 1976. Presents the Commission views on the legal and economic reasons for creating a Community trademark law.

REPORT ON THE INTER-INSTITUTIONAL DIALOGUE ON CERTAIN BUDGETARY QUESTIONS. *Working Document No. 97/76.* European Parliament, Luxembourg, May 19, 1976, 79 pages ..\$1.00
Prepared by Michel Cointat for the Committee on Budgets. Papers of an ad hoc working party on technical aspects of the budget, preparatory to consultations with the Council on budgetary problems. Papers cover Parliament's budgetary powers, budgetary resources, procedure, and technique.

DIRECT ELECTIONS. European Parliament, Luxembourg, 1976, 15 pages free
Note on the development of the convention for direct election of the Parliament through the Council of Ministers meeting of July 27, 1976. Discusses problems of the electoral system, particularly for the United Kingdom.

EARNINGS IN AGRICULTURE 1974. *Social Statistics No. 5/75.* EC Statistical Office, Luxembourg, 1976, 108 pages \$5.00
Results of a sample survey on the level of earnings of permanent workers in agriculture broken down by sex, age, qualifications, type of work, and number of employees per holding.

Studies on Concentration Trends in Industry

Series of detailed statistical studies done for the Commission, according to a standard methodological framework, on the structure of concentration trends in major industries. The data generally covers the years 1970 to 1974. Each study examines the organizational structure of each industry, with descriptions of major firms, their subsidiaries, takeovers, mergers, and acquisitions. Describes the market and demand for each product, including foreign trade. Rankings and concentration ratios are based on turnover, employment, wage costs, net profits, cash flows, gross investment, equity, exports, net assets, and net cash flows.

A STUDY OF THE EVOLUTION OF CONCENTRATION IN THE PHARMACEUTICAL INDUSTRY IN THE NETHERLANDS. EC Commission, Brussels, November 1975, 115 pages \$3.30
By H. W. de Jong and R. de Lange.

ETUDE SUR L'EVOLUTION DE LA CONCENTRATION DANS L'INDUSTRIE PHARMACEUTIQUE EN FRANCE. EC Commission, Brussels, November 1975, 126 pages \$4.70
By Katherine Blunden.

A STUDY OF THE EVOLUTION OF CONCENTRATION IN THE UNITED KINGDOM TEXTILE INDUSTRY. EC Commission, Brussels, October 1975, 226 pages \$5.60
By F. Fishwick and R. B. Cornu.

ETUDE SUR L'EVOLUTION DE LA CONCENTRATION DANS L'INDUSTRIE DU TEXTILE EN FRANCE. EC Commission, Brussels, November 1975, 201 pages \$4.40
By Guirec Delanoe.

STUDIO SULL 'EVOLUZIONE DELLA CONCENTRAZIONE NELL 'INDUSTRIA COTONIERA ITALIANA (N.I.C.E. 233). EC Commission, Brussels, November 1975, 149 \$4.00
By di Piera Balliano, Giovanni Bertone, Filippo Mosini.

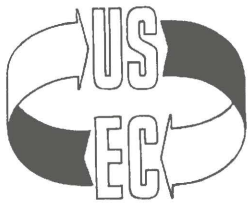
L'EVOLUTION DE LA CONCENTRATION DANS L'INDUSTRIE DE LA BRASSERIE EN FRANCE. EC Commission, Brussels, October 1975, 99 pages \$3.00
By D. Boulet and J. P. La Porte

ETUDE SUR L'EVOLUTION DE LA CONCENTRATION DANS L'INDUSTRIE ALIMENTAIRE EN FRANCE. EC Commission, Brussels, March 1975, 283 pages \$4.50
By J. L. Rastoin, G. Gherzi, M. Castagnos.

ETUDE SUR L'EVOLUTION DE LA CONCENTRATION DANS L'INDUSTRIE ALIMENTAIRE EN FRANCE—TABLEAUX DE CONCENTRATION. EC Commission, Brussels, October 1975, 307 pages \$7.50
By J. L. Rastoin, G. Gherzi, M. Castagnos.

STUDIO SULL 'EVOLUZIONE DELLA CONCENTRAZIONE NELL'INDUSTRIA DELLA COSTRUZIONE ELETTRICA IN ITALIA (1970-1974). EC Commission, Brussels, October 1975, 236 pages \$5.50
By Antonio Amaduzzi, Roberto Camagni, Giancarlo Martelli.

UNTERSUCHUNG ZUR KONZENTRATIONSENTWICKLUNG IN EINEM UNTERSEKTOR DES FAHRZEUBAUES IN DEUTSCHLAND. EC Commission, Brussels, December 1975, 79 pages \$2.90
By Kienbaum Unternehmensberatung GMBH.



A SEMINAR *on Relations Between the US and the European Community*

The state of Atlantic relations occupied the major part of a sunny Virginia weekend in September as two dozen prominent European and American journalists, along with some 50 interested observers, gathered at a country retreat to debate current issues.

The seminar was sponsored jointly by the Delegation of the Commission of the European Communities in Washington and the US Mission to the European Communities in Brussels. In addition to the participating newsmen, observers from the State Department, academic circles, congressional staffs, and various other groups watched the September 11-12 proceedings and occasionally intervened.

The two-day seminar at Airlie House, near Washington, was divided into four sessions, each with its own topic: American economic prospects and European recovery, European integration, US-EC foreign policy coordination, and the future of the transatlantic partnership. These sessions were introduced by keynote speakers, respectively: Burton Malkiel, of President Ford's Council of Economic Advisors; Fernand Spaak, head of the EC Commission's Washington delegation; Berndt von Staden, the Federal Republic of Germany's Ambassador to the United States; and, in a joint introduction to the final session, US Assistant Secretary for European Affairs Arthur Hartman and Andrew Knight,

editor of *The Economist*.

At lunch on Saturday, participants and observers heard a speech on US-European interdependence, particularly in trade matters, by US Special Representative for Trade Negotiations Frederick Dent. On Sunday, UK Secretary of State for Education Shirley Williams followed lunch with a talk on social democratic strength in Europe.

Saturday night was a different affair as journalists Edward Behr and Arrigo Levi shared the podium, leaving behind weighty political and economic considerations to trade light-hearted stories about the European Community. Their remarks were directed at a much larger audience of dinner guests than had attended the conference proper.

Journalists participating in the seminar were:

European Journalists present were:

Edward Behr, *Newsweek International*
Erling Bjoel, *Politiken*
Frans Bletz, *Het Parool*
Erich Hauser, *Frankfurter Rundschau*
Carola Kaps, *Frankfurter Allgemeine Zeitung*
Andrew Knight, *The Economist*
Arrigo Levi, *La Stampa*
Guido Naets, *Agra-Europe and BRT*
Henri Pierre, *Le Monde*
Fergus Pyle, *Irish Times*
David Spanier, *The Times*
David Watt, *The Financial Times*

Philippe de Bausset, *Radio Luxembourg*
Alberto Ronchey, *Corriere della Sera*

On the American side:

Scott Aiken, *Cincinnati Enquirer*
John Anderson, *The Washington Post*
Charles Bartlett, *Chicago Daily News*
Boyd France, *Business Week*
James Hoge, *Chicago Sun-Times*
Stanley Karnow, *Newsweek International*
Paul Kemezis, *European Report*
Robert Kleiman, *The New York Times*
George Mair, *CBS*

Cocktails in the Airlie House gardens give participants time to socialize a bit between working sessions. Photos by Terrey Mason, Gaithersburg, Maryland





Participating journalists are seated around the hollow square as observers fill the rest of the conference room.

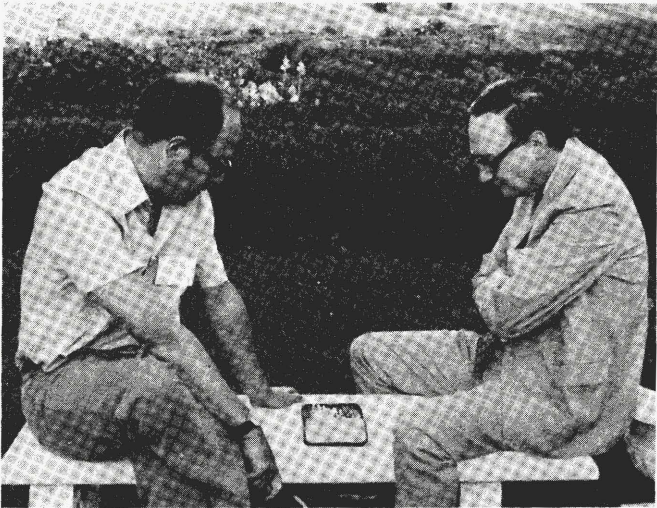
Berndt von Staden (right), Ambassador of the Federal Republic of Germany, Fernand Spaak, Head of the EC Washington Delegation, and Shirley Williams, Secretary of State for Education of the United Kingdom, trade remarks.

Ambassador Frederick Dent, US Special Representative for Trade Negotiations, makes a point during luncheon address.





Fergus Pyle (right), of The Irish Times, contributes to the discussion, as Boyd France, of Business Week, takes note of some salient point.



The Times of London and The Financial Times face off as David Spanier (left) and David Watt take advantage of a lull in official proceedings for a little outdoor chess.

Robert Pfaltzgraff (right), chairman and moderator of the seminar, looks on as Andrew Knight of The Economist and Burton Malkiel of President Ford's Council of Economic Advisers, exchange views.



Arthur Hartman (right), US Assistant Secretary of State for European Affairs, and Jean-Pierre Leng, Trade Affairs Counselor at the EC Washington Delegation.

Guido Naets (above), correspondent for Agra-Europe and Belgian-Radio-Television, and Andries Ekker, press counselor at the Dutch Embassy in Washington, carry on the tradition established at recent summit conferences of poolside discussions of weighty problems.





European Community Information Service

2100 M Street, N.W., Suite 707
Washington, D.C. 20037 USA

Return Requested

