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# European Community

JANUARY-FEBRUARY 1977 NO. 199



**ROY JENKINS: heir to Europe's half-built citadel**

## CONTENTS

### Economy

- 3 Europe's 1977 Prospects *a survey*

### Trade

- 9 Whatever Happened to . . . ? *Paul Kemezis*

### US-EC Relations

- 13 Carter's Foreign Policy *James O. Goldsborough*  
 16 Bureaucratic Continuity *Rose H. Fales*  
 17 The United States and a Uniting Europe *Roy Jenkins*

### Institutions

- 24 Jenkins's Team *photos of the new Commission*

### External Relations

- 26 Turkey *Marion Bywater*  
 28 Spain *Laura Ymayo*  
 31 South Africa *Alexander Boraine*

### Tourism

- 34 Crime or Aid? *an interview with Gibert Trigano*

### Around the Capitals

- 37 Rome, Dublin, Bonn, Luxembourg, Copenhagen, Paris, The Hague, London, Brussels  
 42 Community News  
 47 Recent Books  
 48 Publications Available  
 51 Subscription Prices

Cover: (front) Roy Jenkins, the new EC Commission president.

Cover (back): Jenkins interviewed by Martin Agronsky for his public television program, at the residence of Fernand Spaak, head of the Commission's Washington delegation.

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## CONSUMER PRICES

1970 = 100



0

1

2

3

4

5

6

7

8

9

10

## JOBLESS RATE

Percent of civilian labor force

10

1973

1974

1975

1976

Source: Rates calculated from EC Statistical Office. Seasonally adjusted figures.

# Europe's Economic Outlook: '77

NINE ECONOMISTS RESPONDED TO *European Community's* questions concerning economic prospects for 1977. Their analyses reveal common points as well as some divergences of opinion. However, there was one basic question on which they all agreed—that no country could resolve all its economic problems alone, each country needs its partners.

What is the EC Commission's view of the economic forecasts for 1977? It speaks of a real growth of 4 per cent, a reduction in the average rate of unemployment to 4 per cent—which, even so, regrettably means still more than 4 million people would be out of work—and an inflation rate averaging 7-to-8 per cent.

Unemployment will remain the most difficult problem. It particularly affects women and youth. If it is not brought under control, faith in Europe's economic, indeed political,

system could be shattered. EC Commission Vice President Haferkamp, when presenting the economic forecasts to the European Parliament, acknowledged: "We hardly know anything about the hard-core unemployed. Besides certain general tendencies which have been observed since the beginning of the Seventies, our knowledge about the structural aspects and development of profound causes for unemployment are rather superficial."

What solutions does the EC Commission propose for 1977? It advocates a continued dialogue on future economic policies; it is resolutely in favor of stabilization plans adopted by some member states. And, above all, it recommends better concertation among governments, employers, and workers.

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## BELGIUM

Making economic forecasts is a particularly hazardous exercise, for experience has shown that unforeseeable events may make them turn out to be entirely wrong. Subject to this proviso, Belgium's gross national product is expected to grow in 1977, though probably at a slower rate than in a number of neighboring countries, notably the Federal Republic of Germany.

Domestic demand is likely to remain vigorous. Indeed, in spite of the efforts that will be made by employers' associations and the Government to keep the growth in incomes under control and thereby curb costs and safeguard the competitiveness of domestic firms on export markets, wages will rise more rapidly than the consumer price index. Consumer purchasing power, already appreciable in Belgium, thanks to the high level of wages and salaries, will thus receive a further boost.

Wage demands and the substantial deficit in the overall budget of the public authorities will make it very difficult to conquer inflation. The inflation rate in Belgium can be expected to remain around the average for the Community.

Industry is suffering from a number of structural weaknesses: The investment outlook is gloomy, the number of foreign firms setting up in Belgium has declined significantly, and prospects are bleak for a number of industries,

notably steel, which is of considerable importance for the country's economy.

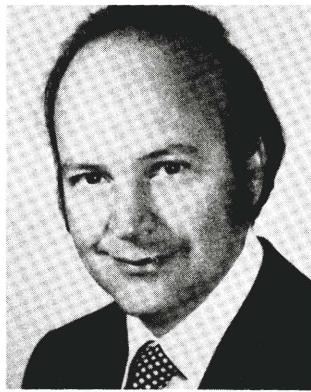
As in the past, developments in the European Community will have a major influence on the trend in Belgium. To a greater degree than in most countries, Belgium's prosperity depends on exports, the bulk of which goes to its neighbors in the European Community. Generally speaking, the forecast is for an economic upswing in Belgium's trading partners in 1977, although growth will probably not be as brisk as at the beginning of 1976. This is encouraging for the Belgian economy.

In spite of the Government's efforts, unemployment will, for structural reasons (discrepancy between the skills of female and young workers and industry's requirements) continue to give cause for concern in 1977.

R. VANDEPUTTE, *honorary governor of the Belgian National Bank*

## DENMARK

Nineteen seventy-seven will be an exceedingly difficult year for the Danish economy, with continuing high unemployment (5-6 per cent of the total labor force) and a heavy balance of payments deficit (around 3 per cent of gross national product). But the outlook is by no means entirely unfavorable.



John Williamson

Robert Vandeputte



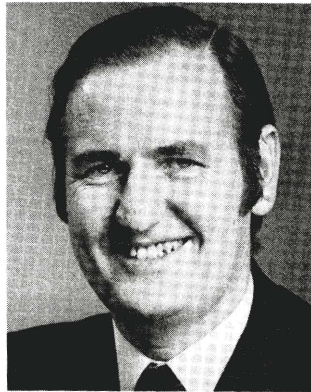
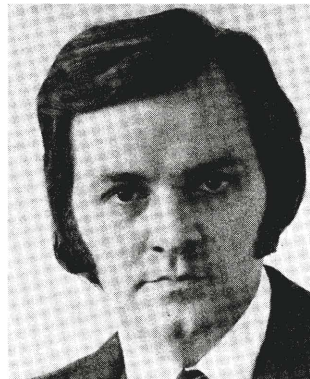
Bent Rold Andersen



Michel Albert



Hajo Hasenpflug



Kieran A. Kennedy

Giorgio Basevi



J. Wemelsfelder



Carlo Hemmer



As regards inflation, Denmark has moved from the wrong end of the table of countries which are normally taken for purposes of comparison and has now joined the better performers. Inflation was around 20 per cent a year at the time when wages increased the most in Denmark—in 1973-74 and in 1975. The rate of increase has now been reduced to around 11 per cent a year, and the aims of the "political compromise" reached in August 1976 point to a further reduction in 1977 and 1978.

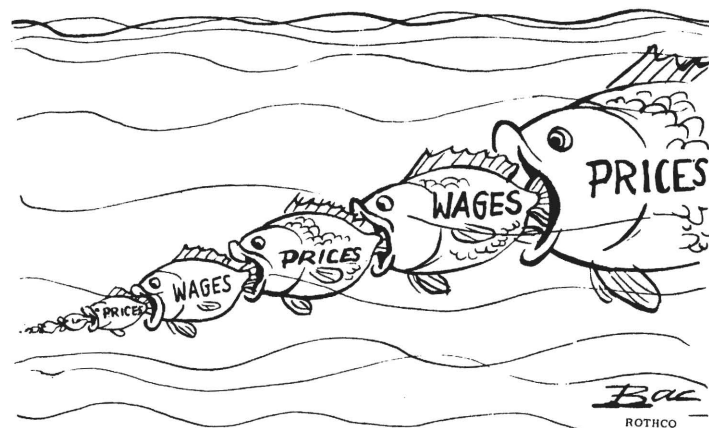
Denmark is therefore on the way toward stepping up its international competitiveness, which has definitely been too low up to now. However, it will be a long time before this results in any marked improvement in the employment and balance of payments situation, especially as the international economic recovery is building up only very slowly. Forecasts of 3-4 per cent growth in Europe are over-optimistic: in fact, there is an obvious danger that the employment situation in Europe will deteriorate.

Through EC currency arrangements, the Danish krone is shielded against the many disturbances on the foreign exchange markets, so that we have not suffered the damages that might otherwise have been caused when sterling fell sharply.

It should also be noted that the European Community will increase considerably in importance—and its image will improve correspondingly—if the member states can be encouraged to take bolder action to increase employment and stimulate demand. The European Community is not lacking in machinery needed to establish a coordinated policy of expansion. I am familiar with all the objections concerning the danger of encouraging a fresh bout of unchecked inflation and undermining the foundations for a lasting improvement in the employment situation, but I believe that these warnings are exaggerated. It could well be that our "cure" is worse than the disease: A new approach is urgently needed.

BENT ROLD ANDERSEN, *president, Danish Council of Economy*

Bac, *Heilbronner Stimme, Germany*



## FRANCE

France's Seventh Economic Plan stated: "The first two years of the plan (1976 and 1977) are particularly crucial. A slowdown in the recovery or recurring inflation will prevent us from achieving our goals." These are the two obstacles around which the French economy must steer its course in the medium term.

To this end, a certain number of anchorages have already been established in the program for combatting inflation, which was adopted last September: establishing a temporary price freeze, setting a standard for sliding prices and incomes (6.5 per cent), tightening up on liquid assets through a strict monetary policy, restoring a balance to government finances and social security. These are the principal measures which must work together forcefully in order to put an end to inflation in 1977.

The recovery should be accompanied by a quick return to normal use of productive capacity—a prerequisite for a true recovery of productive investments. Leading to a reduction in unit-costs and allowing for healthy competition, growth will particularly depend on foreign demand, which should remain steady. This recovery, already visible from the financial situation of businesses, would then be further strengthened.

Expressed in terms of a gradual increase in volume, this growth can be characterized by the following figures: An increase in exports by more than 9 per cent would be an essential element for growth in national domestic product, estimated at 5 per cent. Investments by big public companies at an increase of approximately 10 per cent will be a second factor for sustained growth, while household consumption should remain at more than 4 per cent, due to an increase in available income and less propensity to save.

It is evident that this plan, which postulates the success of the struggle against inflation and a strengthening of the recovery, could come up against many problems. Some of these problems stem from economic factors, whether they involve fixing incomes and prices or the attitude of business toward investment and hiring. Other problems could arise from factors that are partly out of our control, whether they are monetary fluctuations of prices on imported commodities or the circumstances of our trading partners.

A single figure suffices to explain the key influence of the European Community in this respect. The other EC countries take 50 per cent of our exports. The economic growth of the Community will certainly be, together with our strict domestic economic policy, the decisive element, the key for 1977.

MICHEL ALBERT, *general commissioner of the French Economic Plan*



"Make way for the Deutschmark, please." © Langdon, *Punch*, London

## GERMANY

Economic prospects in the Federal Republic of Germany can be viewed with cautious optimism. In the autumn, the five leading economic research institutes in Germany forecast a moderate upturn for 1977: Taking the average for 1977, there will be a real growth rate of 5.5 per cent, an inflation rate of 4.5 per cent, an external trade surplus of 26.5 billion marks, and 800,000 unemployed (3.5 per cent of the labor force).

However, this optimistic forecast (despite what is, by German standards, an unusually high level of unemployment) is based largely on two assumptions: first, that all will remain quiet on the wage front and business profits will again increase more rapidly than wages; and second, that the upturn in the German economy will continue to be export-led. Whereas the first condition (i.e. moderate settlements in the forthcoming wage round) will very probably be fulfilled (in view of the hitherto responsible attitude of trade unions, of the workers' weak bargaining position due to unemployment, and of the "low" 4 per cent rate of inflation), foreign trade and payments developments are subject to considerable uncertainties.

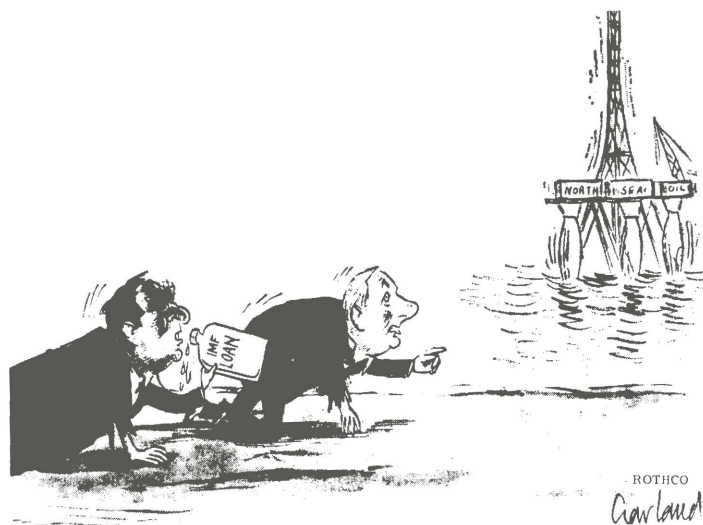
Exports to other EC countries are particularly difficult to foresee with any confidence, since the switch to more restrictive economic policies in Denmark, France, the United Kingdom, and Italy may dampen German exports. However, despite the restraining influence they may have in the short term, the measures taken by the other Community countries must be viewed favorably, as, in the medium and long term, it is only a stable economy free from inflationary excesses which will benefit both individual countries and the Community as a whole.

In addition to the developments in some Community countries, there will be the impact of the economic trend in the United States and the domestic economic and foreign trade policies of the new US Administration. In order to

meet the expectations raised, President Carter is quite likely to take measures to boost the US economy, so that the prospects for German exports to the American market in the second half of 1977 seem to be encouraging. If, however, the stimulatory measures do not have the desired effect, there will probably be increased protectionism in the United States and a consequent decline in German exports.

In spite of the difficulty of forecasting trends on some export markets, there are grounds for optimism since, quite apart from export demand, Germany's economy will also be sustained by increased demand for consumer and capital goods on the home market. Nevertheless, unemployment will only be reduced slowly and will remain both an economic and social problem.

HAJO HASENPFLUG, *director of external trade and European affairs division, Institute of Economic Research and World Economic Archives, Hamburg*



"Come on—We're nearly there!" Garland, *The Daily Telegraph*, London

## GREAT BRITAIN

The dominant factor in British economic prospects for 1977 is the 30 per cent depreciation of the sterling exchange rate that had been registered by early November as against the average level in 1975, coupled with the restrictive policies adopted in order to forestall a further decline.

The predictable consequences of this depreciation will be: (1) a further erosion in living standards; (2) the postponement of the hoped-for deceleration in the rate of inflation; (3) an improvement in the current account of the balance of payments; (4) a rebuilding of profit margins; (5) continued large payments from the European Community's common agricultural policy to subsidize British food imports for as long as the "green pound" is not devalued.

The unpredictable consequence is the effect on the level of output and unemployment. On the one hand, the ad-

ditional demand for exports and the reduction of the competitiveness of imports will tend to raise demand; but, on the other hand, the additional inflation, coupled with the new commitment to a tough monetary target, will tend to deflate demand. It is not obvious which effect will dominate, but no one is expecting 1977 to be a boom year.

There is little sign that the changes in attitude needed to raise the British growth rate to the European norm have even started to be made. Nevertheless, the prophets of doom have grossly exaggerated the plight of Britain. There are several hopeful elements in the present situation: Investment is starting to rise again; North Sea oil is coming on stream in substantial quantity; and the conditions now exist for export-led growth—if recovery in the rest of the world regathers strength.

The principal short-term way in which the rest of the European Community can further British economic recovery is by ensuring that the growth in the strong economies regains momentum. Whether such recovery proceeds very far before Britain finds itself embroiled in some new crisis is, however, overwhelmingly up to us British ourselves.

JOHN WILLIAMSON, *professor of economics, University of Warwick*

## IRELAND

At the close of 1976, Ireland showed signs of emerging from its most prolonged recession of the postwar period. Manufactured exports were rising very rapidly, industrial investment was picking up, and unemployment was falling slightly. There is some divergence of opinion about the size of the growth rate of gross national product in 1976, which has been variously estimated at between 2½ and 4 per cent. But there is no disagreement that it was insufficient to make much impression on the adverse legacy of the past few years. Thus, building activity is still depressed; recorded unemployment remains very high, at about 10 per cent of the labor force, apart from an exceptionally large amount of concealed unemployment; and price inflation is of the order of 18 per cent per annum.

The recovery begun in 1976 is likely to be sustained in 1977, but its pace depends even more than usual on expansion of world trade and on policy decisions both at the Community level and domestically. Recovery is likely to be export-led, since the scope of expansion through domestic demand management is severely limited by the present unsustainable size of the government deficit. Barring a reversal in world trade, manufactured exports are likely to continue to expand rapidly, aided outside the United Kingdom by the depreciation of sterling, to which Ireland is linked.

To take full advantage of this, the most effective domestic measure would be a voluntary freeze on employee in-

come, to allow profits to recover and stimulate new investment. Such agreement is rendered particularly difficult by fears of a further downward slide in sterling and its effect on domestic prices. But even if an outright freeze does not emerge, there is reason for optimism about restraint in pay demands. The value of agricultural exports, which constitute two-fifths of Ireland's merchandise exports, depends much on prices fixed at Community level and on "green pound" adjustments. The latter adjustments have only partially compensated for the depreciation of sterling, leaving a gap of about 25 per cent between the general exchange rate and that applicable to trade in agricultural produce—constituting a substantial loss to Ireland.

Even under favorable conditions, however, the rate of economic growth in 1977 is unlikely to make much impact on unemployment. The reason is that Ireland's current economic problems do not stem solely from the recession of the past few years. Ireland is a semi-developed country with a much shorter industrial tradition than the other EC member states. As such, it is the only country to suffer a net fall in employment arising from accession to the European Community. Further, as a result of past demographic trends, Ireland is experiencing a far higher growth in its potential labor force than any other member country.

The solution to these more deep-rooted structural problems calls for a level of investment over the next few years well above what can be financed domestically. A substantially increased allocation from an enlarged EC Regional Fund in the years 1977-80 would offer the prospect that, following a "big push," Ireland's prosperity would be self-sustaining and not dependent indefinitely on major subsidies from the European Community.

KIERAN A. KENNEDY, *director, The Economic and Social Research Institute, Dublin*



"I heard you're on the dole, Harry—I wonder if you could lend me a quid or two until I lose my job?" Mac, *The Daily Mail*, London



"Father dislikes nepotism—he never saves my place in the queue!" © Albert, *Punch*, London

## ITALY

Unfortunately, the aim of recent Government responses to the lira crisis, as of those taken in the period immediately after the oil crisis, is to absorb the trade and payments disequilibrium by a drastic squeeze on domestic private demand. Hardly any attempt is being made to cut back public consumption and to switch government spending to social and productive investment. Nor has any systematic policy yet been formulated to reduce production costs and hence to improve the trade and payments balance by expanding exports rather than cutting down on imports.

The measures introduced so far make it possible to forecast virtually no real growth at all in gross national product in 1977 (up 0.5 per cent), and the increase in indirect taxation and administered prices will certainly not help to curb inflation (consumer prices up 20.5 per cent). As a result of the slackness of domestic demand and insufficient public expenditure in this field, investment will contract by 2.5 per cent. The current account will, of course, show an improvement, but this does not mean that its potential balance (i.e. at the level of the full use of resources) will be more favorable. In other words, the solution to the structural problem of restoring equilibrium on Italy's trade and payments balances has been further deferred.

In this situation the European Community institutions could exercise a useful influence on Italy in three ways:

- By implementing a policy of trade rather than aid, i.e. by persuading the surplus member countries, and in particular Germany, to speed up their recoveries, rather than giving the deficit countries more financial aid.
- By insisting that Italy should phase out without delay the emergency measures introduced to curb the fall of the lira. These measures are a serious obstacle to the operation of the currency exchanges and to the flow of trade, and may be used to justify the revival of protectionism in Italy and other countries.
- By using the balance of payments difficulties besetting Italy and the United Kingdom as an opportunity to rethink the EC common agricultural policy in more liberal terms. For this policy is imposing increasingly heavy balance of trade burdens on Italy and the United Kingdom in the food sector, without serving the general interest in the countries which gain in terms of production.

GIORGIO BASEVI, *professor of economic science, University of Bologna*

## THE NETHERLANDS

In examining the economic situation in the Netherlands, there can be detected a number of particularly unfavorable aspects. Unemployment, for instance, from 1965-66 onward rose at a rather rapid pace compared with developments elsewhere. Since 1965, industrial employment, in particular, has steadily fallen. This is an indication of structural change.

Indeed, there is no other country in the world where the industrial labor force is shrinking at a similar rate. According to statistics compiled by the International Labor Office, the average percentage change in the industrial work force in different countries between 1965 and 1973 was as follows:

### Persons employed in industry—average annual percentage change in the period 1965-73

Yugoslavia	+2.60	France	+1.13	United Kingdom	-0.41
Japan	+2.42	Italy	+1.06	Sweden	-0.77
Spain	+1.87	Austria	+0.78	The Netherlands	-1.22
USA	+1.37	Belgium	+0.00		
Ireland	+1.36	Germany	+0.00		

The Netherlands comes at the bottom of the list. A large proportion (70 per cent) of the contraction in its industrial labor force is attributed to the decline in production and employment in industries such as clothing, textiles, and leather goods.

The key to the structural development is competition from developing countries and from certain EC countries which have taken up the production of these goods. It was fortunate that the Netherlands managed to maintain its share of world exports. This structural development is likely to persist in 1977—not a pleasing prospect.

The country now finds itself in the unfortunate economic situation that, because a large proportion of its national income goes to imports of goods and services, domestic measures have relatively little impact. The country looks chiefly for an upswing in economic activity abroad, and here the economic revival in the European Community in general (70 per cent of Dutch exports go to other EC countries), and in Germany in particular, is of major significance. With the outlook in Germany fairly favorable, we may be moderately optimistic on this score. Yet, when all the cyclical and structural factors at work are taken into consideration, the indications are that the situation in 1977 will be none-too-rosy.

J. WEMELSFELDER, *professor of economics, University of Eindhoven*

## LUXEMBOURG

The economy of Luxembourg, which exports more than 90 per cent of its industrial output and has numerous links with the world economy through its thriving banking sector, will be influenced in 1977 by three factors: (1) the

world economic trend and, more particularly, the economic trend in the European Community; (2) the growth of demand for iron and steel products, as the manufacture of rolled products is easily Luxembourg's largest industry; (3) a strengthening of its competitive position, at present weakened by inflation feeding directly into wage costs owing to the general indexation of all employment incomes.

The European Community has brought an extension of Luxembourg's internal market, which for too long was restricted to the Belgo-Luxembourg Economic Union and then to the Benelux. This is why present developments which threaten the cohesion of the Community and the unity of its internal market are viewed with concern in Luxembourg. The key factor in continuing prosperity, until 1974, this Common Market is now threatening to break up owing to the re-emergence of internal obstacles to free monetary movements such as taxes on the purchase of foreign currency or import deposits. Faced with a disastrous financial and monetary situation, some member states are contemplating restrictions on imports from other member states. Compensatory amounts are payable under the EC common agricultural policy, which in some cases reach 30 per cent higher than the protective customs duties levied before the Common Market came into existence. The Community is thus in danger of seeing integration drop to a level lower than that of a free trade area.

This deplorable development is attributed to widespread inflation. Some countries have managed to slow down the rate of inflation by adopting strict monetary and incomes policies; others are moving from devaluation to devaluation, unable to stop the slide. Any exchange rate stability that existed has disappeared. Luxembourg's industry, which is essentially geared to marketing its products outside the country but within the Community, has a vital interest in the maintenance of a common market and in a return to stable and genuine exchange rates.

In addition, Luxembourg's iron and steel industry, the main pillar of the country's economy, would like to see the EC Commission make use of its powers under the Treaty of Paris at this time of crisis. It supports the "Simonet Plan"—i.e., setting up a monitoring system to ensure market transparency and make it possible to forecast market trends, fixing indicative quotas by company (followed, if necessary, by the publication of reference prices), non-mandatory coordination of investment to prevent any ill-considered expansion of production capacity, and organizing contacts with competing iron and steel industries in non-member countries to achieve voluntary restraint on their exports to the Community and come to an arrangement on fair trading rules.

CARLO HEMMER, *director, Luxembourg Chamber of Commerce*



# Whatever Happened to ~~Protectionism~~ Free Trade?

## *Steel, Shoes, Televisions Provide Test for 1977*

PAUL KEMEZIS, *Washington-based freelance writer specializing in international economic issues, who formerly reported from Brussels for The New York Times*

THE NEW US PRESIDENT, JIMMY CARTER, HAD A LOT TO SAY during the election campaign about maintaining free trade in the interest of American consumers and good international relations. But he was also fulsome in his vows to fight unemployment and preserve American jobs. He will now be quickly challenged to come up with a trade policy that encompasses these frequently contradictory goals.

Three of Washington's most aggressive lobby groups—the steelmakers, the shoe producers, and the television industry—have recently started up new offensives for more protection. Their appeals have been churning through the federal bureaucracy and courts and were expected to land in Carter's lap soon after the January 20 inauguration ceremony.

The steelmakers had already gotten President Ford to impose quotas for special alloy steel products in June 1976; the footwear industry had failed in a similar bid last April, and television manufacturers had also filed complaints. On the whole, 1976 saw numerous bids for protection by American groups but not that much government action for protectionism. Even when disputes over car dumping and turkey exports to Europe broke out, they were contained and kept from flaring into a full-scale trade war.

But unlike last year, 1977 is shaping up as a trade policy Armageddon. Imports valued at billions of dollars could be affected by US decisions, prices of key items for American consumers could soar, and relations among the industrial world's main trading partners (something Carter has said he will pay special attention to) could be deeply disturbed.

This year will also prove a crucial test for the 1974 Trade Act, which gave the US Government the power to negotiate a trade liberalization package in the Geneva multilateral trade talks but also sharpened the instruments by which American industry gets protection. After initial fumbles, lobby groups in Washington are slowly learning how to take advantage of the new rules and procedures, under which the Presidential power to act is tempered by the International Trade Commission and the Congress.

At present, steel presents the greatest challenge. Steel

producers around the world are reeling from the 1975 recession and late 1976 relapse, which came just at the time when sales and profits were supposed to return to normal. The American industry, in need of high profits to finance major investment plans, filed a brace of trade complaints in 1976 against what it considers "unfair" practices by European and Japanese exporters. It is also seeking a global steel sector arrangement in the General Agreement on Tariffs and Trade (GATT) to curtail such activities in the future.

The European Community—its steel plants working at 60 per cent of capacity—has drawn up a crisis plan to stabilize prices and create a breathing space for restructuring the industry. It has also asked Japan to slow its exports to the Community, a move which has drawn US criticism. While European producers cut back on low-priced but unprofitable exports this year, especially to the United States, the Japanese, preferring to maintain production even if unprofitable, have continued to sell cheap steel wherever the traffic will bear. Despite the fact that Japanese competition is now the main threat to American producers, the most important trade disputes at present in the steel field are between the European Community and the United States.

*Special alloy steels:* The quotas imposed by the United States last June on specialty steel imports from Europe are beginning to bind. By this March most of the European Community's first year quotas will be filled. The Community has warned it is keeping open its reserved right to retaliate against American exports at that time if the quotas are not relaxed.

The specialty steel quota system, the first major action to restrict imports under the "escape clause" section 201 of the 1974 Trade Act, has proved an embarrassment to the United States in many ways. The quotas have been badly administered, raising howls of protest from steel importers. Also, the Japanese—because, unlike the Europeans, they "voluntarily" accepted the quotas—have gotten better treatment from the Americans.

The US President has the power to terminate the system at any time if he determines it is working against the "national interest," and key Carter advisors have already at-

tacked the quota plan. Carter's final decision on it will be highly charged politically, since labor unions which backed Carter in the election have fought strongly for quotas while, on the other hand, the steelmakers have reportedly angered Carter with recent price rises for both specialty and normal carbon steel.

*Value-added-tax rebates:* Instead of sales taxes, commerce in the European Community is taxed by an automatic levy on the value of goods at each stage of production. Since this is an internal tax, it is removed on all industrial exports, and the exporter gets a rebate of previously paid taxes. The US Steel Corporation charged this rebate is a subsidy in a complaint to the US Treasury in 1976, but was turned down. It then went to US Customs Court in New York—setting the stage for a court ruling which could totally disrupt US-EC trade relations.

The court ruling, if it upholds the US Steel charge, would mean the suspension of customs evaluation on all steel products arriving from Europe. In effect, steel importers would be told they could still sell steel but might have to tack a retroactive tariff on their prices pending court appeals—something that would make sales virtually impossible. Also, all the other US industries could use the ruling against EC import competition.

Officials in Washington say the only way to avoid such a

*Members of the United Steelworkers of America gather to salute with fists a large, lighted billboard near the Pittsburgh airport, carrying their message that jobs are endangered by imports of specialty steels.* Courtesy Allegheny Ludlum Industries, Inc., Pittsburgh

## US STEEL IMPORT-EXPORT TRENDS 1973-1976

(in millions of net tons)

	Total US Imports	of which		Total US Exports
		EEC	Japan	
1973	15.1	6.5	5.6	4.0
1974	15.9	6.4	6.1	5.8
1975	12.0	4.1	5.8	2.9
1976 *	11.3	2.2	6.5	2.2

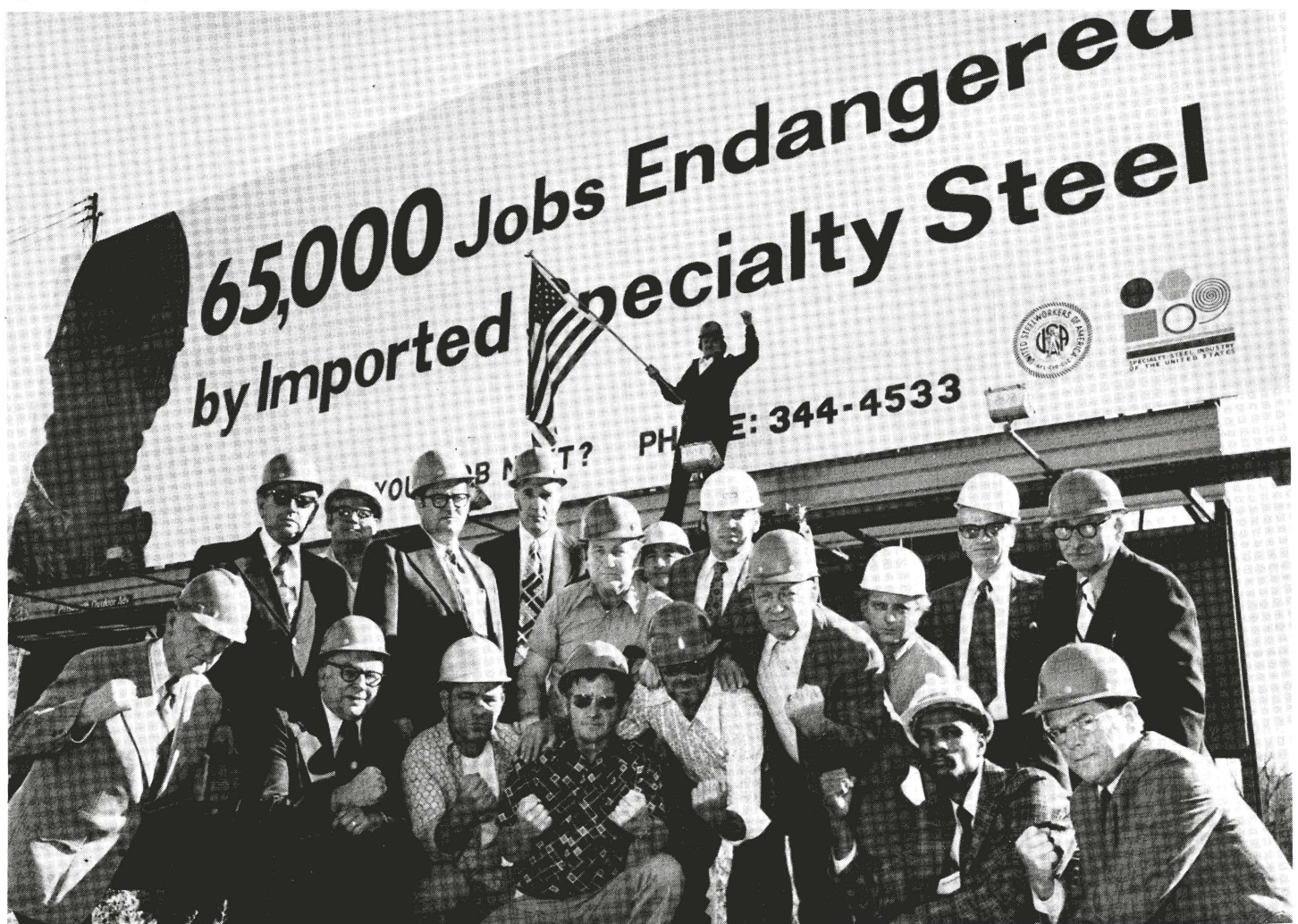
\* January through October

SOURCE: US Dept. of Commerce

catastrophe would be to change the wording of the Trade Act to say specifically that value-added tax rebates are not subsidies. EC officials are critical that the Ford Administration had not started action on this sooner.

Other US firms have complained about state subsidies to European exporters. A charge by the Armco Corporation of aid for a division of the state-owned Finsider group of Italy is now under investigation and could open the way for challenges to state-owned steel groups elsewhere in the Nine.

*The "Simonet Plan":* Because of the grave crisis in the European steel industry, the EC Commission has proposed a program to Europe's suffering steelmakers under which they would keep production and sales at moderate levels in 1977 in an effort to raise prices above the profit line. The



Commission is also trying to persuade other nations not to undercut European prices with cheap imports. This is a moderate program compared with the possible actions the Commission could take under crisis clauses in the European Coal and Steel Community Treaty, but it has nevertheless drawn fire from Americans for restricting trade.

American officials fear the program will permit EC firms to dump excess steel on foreign markets at low prices, but the Commission argues that at present EC firms can not operate at such low prices and will not dump. American industry also fears that arrangements to cut back exports from Japan to Europe are diverting Japanese steel to the United States. This latter charge is the nub of a complaint filed by the American Iron and Steel Institute in November that claimed 1.5 million tons of Japanese output were being diverted annually from Europe to the United States and called for Presidential action. During December hearings, the Japanese, whose steel exports to the United States in 1976 were up 1.7 million tons, said this was due to normal market forces and that its sales in other parts of the world had risen even more—making the charge of specific diversion to the United States hard to prove.

The US Government has shown little stomach for this complaint, especially since it is filed under the untested Trade Act article 301, which other nations say is highly questionable under GATT rules. For the European Community's part, outgoing Commission Vice President Henri Simonet, who drew up the steel plan, warned the European Parliament in December: "It is not possible to isolate steel from general trade policy. To engage in protectionist policy in this sector now will lead to a general commercial war."

The complaint about the EC-Japanese trade restraint arrangement has been the main thrust by the US steel industry against Japan so far. In addition, however, a charge of illegal pricing has been levied against Japanese stainless steel pipe exporters, and US steel industry grumbling about possible dumping of Japanese steel in West Coast and Gulf Coast ports was growing in late 1976. Besides immediate protection, the US steel industry and unions have set as a long-term goal fixing agreements with other nations on steel trading rules which would stop what they consider unfair practices such as state subsidies, cartels, and bilateral trade restraints.

European and Japanese diplomats have not been enthusiastic about initial US Government feelers along these lines. They think it should be shown that steel trade problems can not be handled by regular negotiations on tariffs and non-tariff barriers at the ongoing Geneva multilateral trade talks before a special deal on steel is needed. But under pressure from US steel producers, the United States has asked for more regular consultations among itself, the European Community, and Japan. A first series of bilateral meetings with US trade officials were held in Brussels and Tokyo in December.



IN THE FOOTWEAR SECTOR the trade issue facing the United States is clearer: expensive production at home and high consumer costs or low-wage production in developing countries and a lesser burden on domestic shoe buyers. In a complaint filed in late 1975, the US shoe industry had asked for a quota system to limit imports of low-priced shoes especially from Taiwan, Korea, and Brazil. In April 1976 President Ford turned down the request as too inflationary and offered instead financial aid to limping American shoe firms.

Claiming that since then even greater numbers of low-price shoes have come into the United States, the shoe industry revived the escape clause case last November. While admitting that the domestic US industry had actually improved its output and profitability in 1976, the shoe lobbyists argued in a December hearing that the percentage of imports in total shoe sales in the United States was continuing to rise to near the 50 per cent level.

US consumer groups pointed out that such quotas would deprive low-income Americans of cheap foreign shoes since the antiquated American industry could not produce at the very low prices. The US shoe industry said its higher costs were the price of the social advancement of American workers and that buying imports was taking advantage of badly paid workers in other countries.

#### US NON-RUBBER FOOTWEAR IMPORTS 1973-1976 (in millions of pairs)

	total US imports	of which					imports as % US sales
		Italy	EC-9	Taiwan	S. Korea	Brazil	
1973	307.3	76.8	84.3	111.7	7.1	19.5	38.7%
1974	266.4	62.6	69.0	88.2	9.2	21.3	37.3%
1975	286.4	54.4	61.3	103.4	15.9	26.4	41.2%
1976*	289.5	38.0	45.0	122.2	32.7	22.3	45.8%

\* January through September  
SOURCE: US Dept. of Commerce

EC shoe producers, whose sales in the United States have been slipping, did not argue strongly against the quota scheme proposed by the US industry, since it would preserve for them a reasonable piece of the US market. But EC officials are totally against it, fearing that if low-priced shoes are blocked from the United States, they would flow to Europe, which has few restrictions on shoe imports. Then, they say, European shoe producers would start to demand quotas of their own.

On January 6 the US International Trade Commission recommended a tariff rate quota system—much more moderate than the straight quota system demanded by the shoe producers. Under this plan, imports from each foreign supplier up to 1974 levels would come in at the normal 10 per cent duty, and anything above that would face a 40 per cent tariff that would gradually be reduced back to 10 per cent over five years. Like the straight quota system, this would hurt the low-priced imports but scarcely affect higher-priced European shoes. Under the Trade Act the President has the options of following the ITC advice or facing an override vote in Congress, where pressure for help to the industry has been growing.

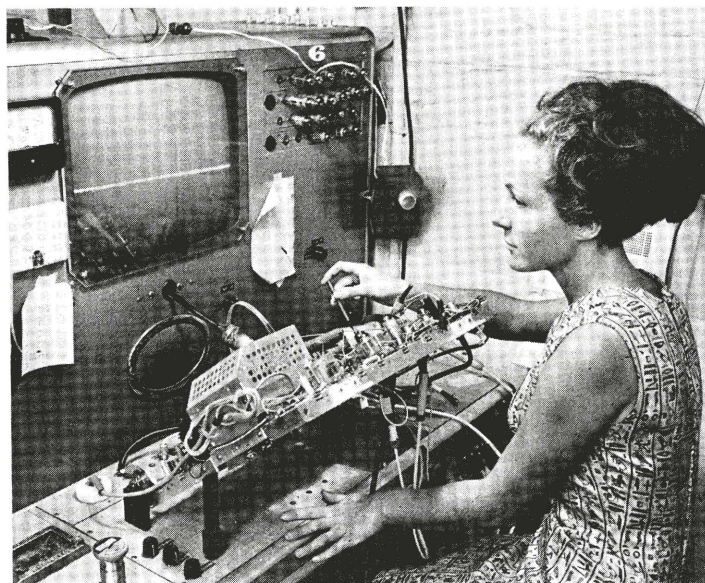
THE AMERICAN TELEVISION INDUSTRY'S FIGHT against imports is mainly a US-Japanese affair, but one with wide ramifications. American firms argue that low-priced competition from Japan has decimated the US industry, forcing some firms to move production overseas and others to sell out to Japanese companies.

The Zenith Corporation has filed a complaint about a Japanese commodity tax rebate that it claims reimburses Japanese firms approximately 15 per cent of production costs on all electronics products. The complaint, very similar to the US Steel charge against the EC value-added tax system, was turned down by the US Treasury and also landed in the New York Customs Court. A ruling favoring Zenith could start a full-scale trade war between the United States and Japan.

Another television producer, GTE-Sylvania, and a group of unions have also begun an escape clause case against Japanese televisions—saying that US firms are slowly going out of the business and between 60,000 and 100,000

American jobs have already been eliminated by Japanese competition. Another GTE-Sylvania case, alleging price manipulation by the Japanese TV-makers, is waiting in the wings. US action in these cases could result in a system of quotas for television imports or, if illegal pricing practices are found, a total ban on imports.

With all these complaints before him, the new President may find it difficult to fashion a new trade policy from whole cloth. He may instead be put on the defensive, spending most of the time trying to avoid confrontations with angry industry, labor union, and congressional groups and still cooperate with the European Community and Japan in solving world economic problems.



*A European woman assembles television parts, but the American television industry's fight against imports is mainly a US-Japanese affair.*

Carter economic advisors have said that the new Administration will seek to stimulate the lagging US economy and consult with other nations on how a new economic spurt can be achieved throughout the world. They warn, however, that efforts by nations to pump up their home economies by export drives that shift economic burdens to other countries will be opposed by America. The United States will remain a supporter of free trade, they say, within a set of well defined rules of behavior.

This does not sound very different from industry and labor complaints about unfair foreign trade practices, but also does not go as far as protectionist demands to eliminate fair import competition just because it damages US jobs and profits.

It remains to be seen how well these intentions of the new Administration can hold up, under the new barrage of protectionist complaints. Clearly a major slip could poison the international trade atmosphere and block hopes of major trade reform agreements in the Geneva talks, scheduled to end in 1980.

#### US PRODUCTION AND IMPORT OF TELEVISION RECEIVERS 1973-1976 (in millions of sets)

	black and white			color		
	US output	imports	imports as % of US sales	US output	imports	imports as % of US sales
1973	3.0	5.0	62%	7.7	1.3	15.7%
1974	2.2	4.6	68%	6.9	1.2	15.9%
1975	1.7	2.8	63%	5.6	1.2	17.9%
1976*	—	—	—	3.1	1.2	29.3%

\* January through July  
SOURCE: US Bureau of the Census

# Carter's Foreign Policy

## *A View From Europe*

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

THERE IS A TENDENCY TO DISMISS ALL FOREIGN POLICY statements made during an American Presidential election as mere campaign rhetoric, of little lasting consequence. This is a mistake. To be sure, there are excesses, exaggerations, errors. The campaign trail is long and arduous, and the candidate too often tells different groups only what they want to hear. Still, it always is possible to gain some indication of coming foreign policy during the campaign, some understanding of the candidate's view of the world and America's place in it, of his values and priorities.

President Jimmy Carter's campaign was of this sort. On foreign policy, he made several mistakes and errors of judgment that showed he had much to learn. He admitted during the now-famous *Playboy* interview that there had been difficulties, that it is not always easy for a farmer from Georgia to know all the answers about the Eritrean situation, the problem of the Kurds, the Reverend Sithole's latest position in Rhodesia, and the Croatian problem after Tito.

The important thing is that one got a very definite feel for candidate Carter's world views during the campaign. In particular, there was one theme that kept surfacing with such singular regularity that it would be foolish to dismiss it as mere campaign rhetoric: That there is the US relationship with the Soviet Union and its effect on the rest of the world.

Early in the campaign, Carter and his strategists decided that their attack on the foreign policy of President Gerald R. Ford and Secretary of State Henry A. Kissinger should be directed against the US relationship with Moscow, the so-called "condominium" directing world affairs. The vulnerability of the Republicans on this issue, in Carter's eyes, allowed him to develop several avenues of attack: that Kissinger had stripped US foreign policy of "morality;" that détente had given away too much; that the United States favored its enemies over its friends; and that, finally, Americans had overestimated the Soviet Union itself (the USSR wasn't really a superpower, just a developing nation with a mighty military force).



*President Jimmy Carter with his Secretary of State, Cyrus R. Vance.*  
UPI Photo

Bearing in mind that a President's policies frequently are different from a candidate's (Lyndon B. Johnson opposed aid to Southeast Asia as a senator; Richard M. Nixon, the architect of *détente*, was passionately anti-Communist as vice president), we must nonetheless reasonably conclude that under President Carter things are not going to be quite as before. If President Nixon, President Ford, and Secretary Kissinger focused during their eight years on stabilizing the superpower relationship, Carter questions the morality of that approach and is entering office with different priorities.

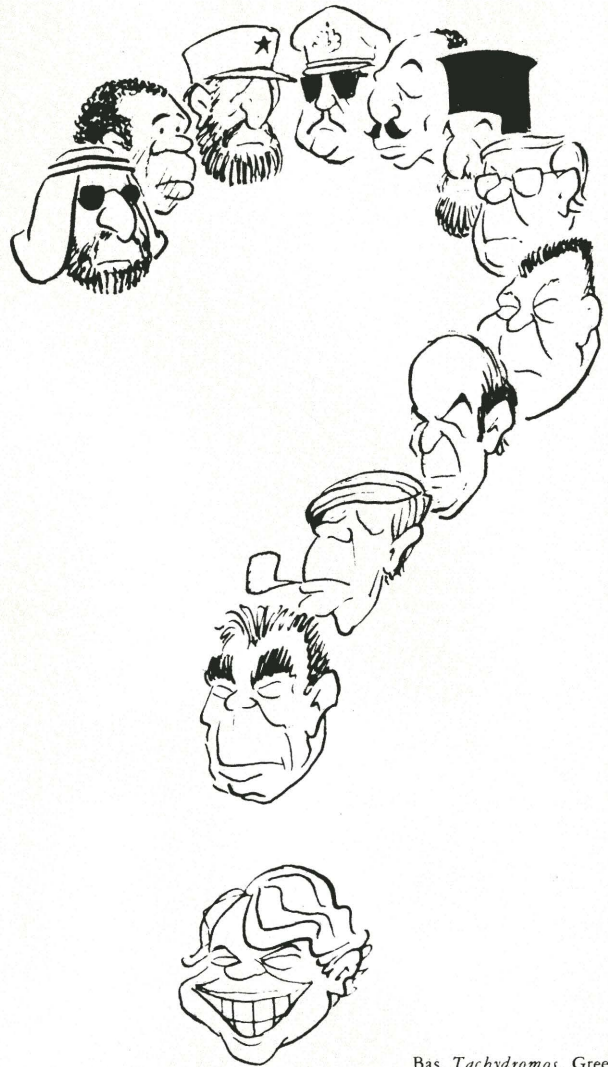
The question of morality in foreign policy is a scary one. What war hasn't been waged in the name of morality, including America's most recent one? Yet there is the word in candidate Carter's mouth, a clear accusation that the Republicans lacked morality, and that he will bring it back to the Presidency. During the television debate on foreign policy with President Ford, Carter said: "We ought to be a beacon for nations who search for peace and search for freedom, who search for individual liberty, who search for basic human rights. We have not been lately. We can be once again." It could have been President Kennedy speaking.

What does Carter mean? The candidate told us what he meant during the debate with the President, one that, according to the polls, Carter won, and took a long step toward the White House by convincing 75 million viewers that a former Georgian Governor could debate as an equal on foreign policy with the President of the United States.

Carter said he meant the following: Under the Republicans, the United States had become the "arms merchant for the world." Ford had "given in to Soviet pressure"—at Helsinki, on the grain sales, on refusing to see Nobel prize winner Alexander Solzhenitsyn, on the SALT talks. He accused Ford of abandoning Israel, favoring Saudi Arabia and Iran. He said we were selling out our traditional allies—Taiwan to China, Israel to the Arab states. He charged Ford was favoring the proliferation of nuclear equipment. Carter said the United States had "lost our character and vision of the world," and that "our country is not strong anymore, we are not respected."

Finally, the United States was turning its backs on its oldest and truest friends, the Western Europeans of the European Community and the Atlantic alliance: "Under this Administration, we have had a continuation of the so-called balance of power politics," said Carter. "Everything is looked on as a struggle between us on the one side and the Soviet Union on the other. Our allies, the smaller countries, get trampled in the rush."

ONE WOULD BE FOOLISH TO DISMISS this as less than a very sincere statement of Carter's view of the world. We must accept him at his word. To be sure, the United States, as other nations, has its immutable interests, and these do not



Bas, *Tachydromos*, Greece

change with the presidents. President Carter may not be able to do all he wants, change all he will. Yet, he remains a fundamentalist from the farmlands of the South who believes in fundamental values—work, God, family, democracy, morality, decency, self-reliance. These he will stress. That he was able to sell these values to the cynical cities of the North, to touch labor unions, suspicious blacks, the restless minorities of Boston, New York, and Chicago, is a measure of his success.

It almost did not work, for President Ford came from far back. A month before the election it was thought that this would be a landslide Democratic victory, one equalling the great victories of Franklin Roosevelt or that of Lyndon Johnson in 1964. Instead, it was one of the closest elections in history. A switch of 8,000 votes in two states would have given Ford the victory. New York, which Ford led until the final votes were counted, would have kept Ford in office. Clearly, there was something in candidate Carter that worried many Americans, and in the end made almost half of them prefer the very ordinary man that is Jerry Ford to the savior that is Carter. Clearly, the Carter victory was less than a consensus, less than a massive condemnation of Ford and Kissinger's policies. As President, Jimmy Carter must bear this in mind.

During the campaign, Carter picked up the themes of attack that had for several years been used against Kissinger by his principal foreign policy rivals, men such as Columbia University Professors Zbigniew Brzezinski and Richard Gardner. According to these views, Nixon, Ford, and Kissinger had for years ignored the true foreign policy problems facing the United States—problems such as energy, commodities, famine, economic and monetary issues, the rise of the Third World, and shifting relationships in the Middle East and Africa. It was charged that Kissinger had given too much to insure Moscow's neutrality during the final years of Vietnam. The opening to China had been spectacular, but what was obtained of lasting significance? During this time, relations with Europe and Japan had drifted. The Atlantic alliance was weakened. Carter charged during the television debate that Kissinger had tried to "separate and dominate the European countries" and proceed with his "secret, Lone Ranger-type diplomatic efforts."

It is interesting to compare Carter's appraisal with how history may judge Henry Kissinger. My own view is that Carter was being unreasonably harsh, and as President will see that the foreign policy of Kissinger was, on balance, positive. The Kissinger style may be criticized more than the substance. At one point in the debates, Carter recited his views on the principal foreign policy failure of the Republicans—"Vietnam, Cambodia, Chile, Pakistan, Angola." He might have added Cyprus to the list to be complete. Yet, leaving Vietnam aside (for there the argument is over methods, not results), the others can hardly be counted as great setbacks.

If they are setbacks, at least they must be weighted against the achievements: The Vietnamese war was ended; a dialogue and negotiations with Moscow and Peking were begun; the US influence in the Middle East replaced that of the Soviet Union; relations with Japan and Western Europe were repaired; and, belatedly, attention was turned to the Third World, to Africa, to the economic issues that now have replaced politics as the major problems. Certainly, the strength and position of the United States in the world today is considerably greater than when Nixon was elected eight years ago. That must be the ultimate criterion of successful foreign policy.

There is little doubt that Carter, with his morality, will find it more distasteful to deal with some of the realities of the world than did Kissinger. Democracies always will have a problem dealing with totalitarian states, even without being overly "moral" about it. Kissinger was, after all, a realist, a master tactician, who mixed a European heritage and a historian's understanding with an American's love of results. He was understandable to the European mind. The historical figure that influenced him most was not Metternich, as legend has it, but Bismarck, the cynical "White Revolutionary," who, despite a nearly fatal flaw,

achieved a new European order through manipulation, cajolery, and intimidation, a mixture of the carrot and stick. Like Bismarck, there was something cynical about Kissinger. The ends *did* justify the means. His strongest motivation was to achieve stability in the world, and he would sacrifice Solzhenitsyn or a few million tons of wheat to the Soviet Union if such sacrifices might influence Soviet behavior.

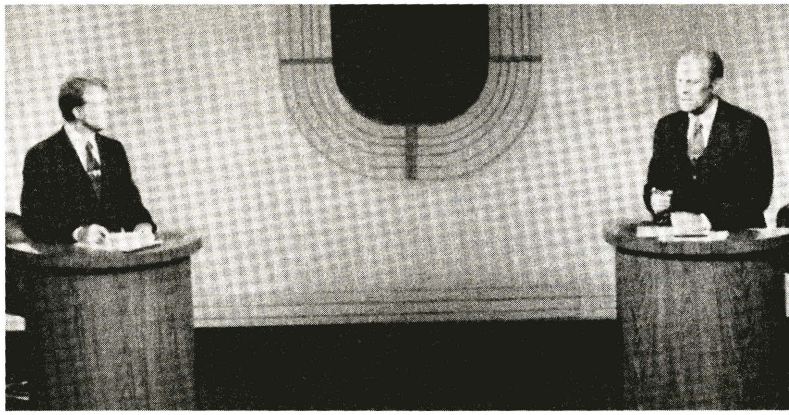
But Kissinger was easy prey for the Carter moralists. Not only did they say that it was wrong for Ford not to see Solzhenitsyn at the White House ("the symbol of human freedom around the world," Carter called him), but it was not necessary to refuse to see him. It did not change Soviet behavior in Portugal or Angola. Kissinger, said Carter, had been tricked. He gave into Soviet pressure. He gave the Russians *détente*, grain, signed away Eastern Europe at Helsinki, allowed them nuclear superiority in the SALT negotiations, and what did he get in return? Vague promises. Not even enough to keep Cuban troops out of Angola.

CARTER WILL CONCENTRATE on the democracies, on the alliances. He made it clear during the campaign he does not like selling arms to Iran or Saudi Arabia. He is ashamed that Kissinger supported the Greek colonels so long or played a role, however minor, in Chile. He thinks Kissinger "almost brought Israel to its knees." And he clearly believes that the Soviet Union is a hostile, expansionist power that must be accepted as a reality, but as an adversary, a competing power, not as a friend.

One can appreciate the appeal of such ideas during a campaign. Yet much of what Carter said was exaggerated and, if analyzed in detail, does not make sense. For this reason, while one should expect a great change in tone and emphasis during the new Administration, it would be wrong to expect any great reverses in foreign policy.

Carter's repeated criticisms of the Helsinki Security Conference as giving too much to the Soviet Union showed a misunderstanding. To begin with, Kissinger and Ford never supported those negotiations with great enthusiasm, but rallied to the conference when all of America's Western European allies, with whom Carter wants closer relations, argued that there was something to be gained. Another example of Carter's misunderstandings came over his remarks on Yugoslavia, which he was quick to modify during his first post-election press conference. It does not make sense to be a verbal defender of democracy, morality, and liberty if one is unwilling to act in defense of those ideals. It makes no sense to speak of tighter alliances and closer relations with Europe if one does not understand the importance of Yugoslavia to Europeans.

Carter's statements on the Middle East also showed an ignorance of reality. In 1973, 36 per cent of all oil consumed in the United States was imported from the Middle



*Candidate Carter and President Ford faced off in San Francisco during the television debate on foreign policy. UPI Photo*

East. By 1976, it was 42 per cent, and in 1977 it is expected to reach 46 per cent. This reality has created a new kind of relationship with Saudi Arabia and Iran which cannot be ignored. Yet Carter ran on a highly pro-Israel platform, critical of the Arabs, and skeptical of doing business with such regimes. Clearly, Saudi Arabia and Iran will mark early tests for the Carter morality.

Carter's election can't help but remind one of John Kennedy's victory 16 years ago. Then, like now, the Democrats delivered a new man, unknown and idealistic, to upset the Republicans after eight prosperous, if uninspiring, years. Kennedy, too, promised to make the world safe for democ-

racy, to "help any friend, oppose any foe." And his foreign policy was a disaster.

Kissinger, in his essay on Bismarck, wrote that, despite his achievements, Bismarck's policy had a flaw, that in a sense doomed it to ultimate failure. This flaw Kissinger called the "heritage of unassimilated greatness": Bismarck constructed a house of such magnificent complication that he alone could keep it functioning. When he was dismissed, it collapsed.

It would be wrong to think that the system Kissinger created—dealing simultaneously with Peking and Moscow, Jerusalem and Cairo, Riyadh and Teheran, Pretoria and Dar-es-Salaam, Paris, London, and Bonn—will come tumbling down without him. Carter, though he may see things in blacks and whites instead of grays, though he may lack Kissinger's gift for reconciling opposites, brings one thing to the Presidency that Ford and Kissinger lacked: He is a Democrat. With Congress solidly in the hands of the Democratic Party, Carter will be the first President since Johnson to have a legislature at least nominally loyal to him and disposed to support his foreign policy rather than set up a rival center of power.

## *Plus ça change, plus c'est la même chose*

The degree of continuity or of change in foreign policy is often determined not so much by Presidents and Secretaries of State as by the "non-political" bureaucracy. The bureaucracy's power is particularly discernable in times of Presidential transition. Lawrence S. Eagleburger, a 47-year-old career Foreign Service officer, has seen both sides of such transitions: He was Kissinger's assistant during the 1968-69 Presidential transition and, in the mirror image of that role, served as the State Department's 1976-77 transition coordinator.

Now, after assisting Secretary Kissinger out of office and himself out of government, thereby bringing to a close an effective and rare professional relationship between a career civil servant and a powerful political figure, Eagleburger reflects on the bureaucratic machinery and on the necessary symbiosis of bold political leadership with what he often refers to as "the great gray glob" of the bureaucracy in the labyrinthian corridors of both Foggy Bottom and the EC Commission's Berlaymont. Though there is no field marshal in overall command and the foot soldiers appear to be on their own, Eagleburger came as close as is possible to carrying a marshal's baton in serving as US Deputy Under Secretary for Management.

Eagleburger says that he would be sur-

prised if "another Monnet" would appear at this moment to lead and inspire a coordinated solution to the European Community's woes, which have been so exacerbated by dependence on imported energy. But he believes that we are precisely in an era where the competent bureaucrat must take over and follow up on the dramatic political moves of the past. He sees the problems today as largely economic, which lend themselves to the patient professional expertise of those whom Eagleburger refers to with a self-deprecating laugh as "the plodders."

One basic problem is that most of the "plodders" need to be prodded by their political bosses, because their innate conservatism opposes change. Drawing no parallel between the European Community and the Austro-Hungarian Empire, Eagleburger points out that the latter remains the greatest example ever of how entrenched conservatism in a bureaucracy can lead to self-destruction. For 100 years the Hofburg knew what was going on in its Empire, yet it did nothing.

The other side of the coin is the fact that political leadership is dependent on competent, in-depth studies by the civil servants before any innovative moves can be taken — those "great quantum leaps" as Eagleburger calls the Kissinger type of bold

diplomacy. Without the bureaucracy to point out the holes and the rocks, the great leap is likely "to fall as did Napoleon III in 1870."

This delicate balance in the policy-making process is most clear in the West's relations with the Third World. "Anyone who thinks at all knows that the relationship with the Third World in the year 2000 will be utterly different than it is now. The point is how to manage the process, how to keep ahead of changing circumstances . . . how to tame the tiger." Eagleburger believes that no bureaucracy can do this, no civil servant, and few leaders. He believes that Kissinger tried and succeeded amazingly well by leaving the bureaucracy behind and by leaping over it with concrete proposals.

"I have often thought how difficult it must be for an Embassy to report from Washington. . . . It is partly the process of dealing with a democracy where different signals come from different people. I remember when all the Embassies filed their telegrams day after day during the Greek-Cyprus-Congress drama. They got the facts correctly, but they never, never really understood. It is not easy. . . ."

—Rose H. Fales,  
*Washington freelance writer*



# The United States and a *Uniting* Europe

ROY JENKINS, *the new president of the Commission of the European Communities*

THE UNITED STATES IS BOTH A PRODUCT OF EUROPEAN CIVILIZATION and a reaction against European society and politics. It was created out of a revolt against one European state, although aided in that process by another one. It was populated to a large extent by those who, for reasons of poverty, persecution, or lack of opportunity, wished to shake the dust of Europe off their feet. But only in few cases was this accompanied by a desire to get their European heritage out of their minds and hearts; rather it was to keep Europe as a point of reference in the framework of their new society and cherish it while adapting and to some extent reshaping it in their minds.

It is not perhaps surprising that one of the basic principles of United States foreign policy, at least until 1917, and to some extent well after that, was a desire to avoid the entanglements and sophistries of European diplomacy and conflict. Nevertheless in this century the United States has fought two World Wars, entering them both reluctantly but ineluctably, which arose—the First wholly, the Second principally—from European causes. As a result of the Second, the position of the United States in the world was decisively changed. Then began a quarter century in which the United States had a pre-eminence in the world, of which Washington was more assuredly its center than any capital since the fall of ancient Rome. In these postwar years the United States held the political balance of the whole world and on the whole welcomed the task. American withdrawal in the Twenties had greatly damaged hopes for any long-term peace. Such a withdrawal in the Forties, Fifties, and Sixties would have been still more disastrous. It would have meant a fundamental shift in the balance of power toward the Soviet Union. It is no wonder that at that time the support of the United States became essential to the continued independence and prosperity of Western Europe, that most vulnerable peninsula at the near end of Asia.

It is likewise no wonder that the United States should have become an early, enthusiastic, and even impatient supporter of the process of European economic and political integration. Many needs and motives pushed the United States in this direction:

- First there was the understandable desire to avoid any repetition of what had happened in 1917 and 1941. Anything that the Europeans could do to put an end forever to their civil wars, which had so devastatingly involved the world in general and the United States in particular, was obviously a prime American interest.
- Secondly, the Americans had their own inner faith in the advantages of union, of federal institutions, of what could be forged from the heat engendered by the mingling of peoples, traditions, customs, and ways of life. In short, many Americans saw a union of European states on the same lines as the union they had made for themselves.
- Thirdly, there was the understandable feeling that the Europeans should organize themselves to use as cooperatively and effectively as possible the massive American economic aid which was so generously provided after the end of the last war.
- Finally, there was the strong feeling, as strong today as ever, that if the United States was to take the risk of military involvement in the defense of Europe, the Europeans should organize themselves to make the biggest and most effective contribution of their own that they could.

From 1950 or even earlier it was therefore a settled object of United States policy to encourage moves toward the integration of Western Europe. The recently published memoirs of Jean Monnet are studded with the names of distinguished Americans, and not only the most obvious ones of Presidents and Secretaries of State, but men such as Jack McCloy, George Ball, Bob Bowie, who were all closely and intensively involved in this most creative period of European development.

It is in some ways paradoxical that what was—and is—an essentially political enterprise should have been pursued by largely economic means. This has simply been because it proved easier to make the European Coal and Steel Community and then the European Economic Community than to make a European Defense Community or a European Political Community. But we should not be deceived. The European founding fathers—Robert Schuman, Adenauer, de Gasperi, Paul-Henri Spaak—were always more inter-

ested in politics than they were in products and markets. They might have echoed the sentiments of Gladstone when in his thirties he became vice president of the Board of Trade: "I wished to concern myself with the great affairs of men, and instead here I am set to look after packages."

But the Europeans made a good job of looking after packages, and soon realized that the loom of trade made a tissue which included supranationality, and itself became, as it remains today, one of the great affairs of men. This point was perhaps better understood in the United States than in Europe itself. Quite often moves toward economic integration were against the short-term trading interests of the United States, although the immense growth of wealth and stability of the European market benefited world trade in general and therefore the United States. Happily for us all, there was almost invariably in Washington a willingness not only to take a long-term economic view but also to see that the political advantages of having stable, prosperous, and united allies far outweighed any short-term economic inconveniences.

THEN THERE WAS THE PROBLEM OF BRITAIN. Was Europe to consist of the "six" or a larger number? In the Fifties and Sixties the debate in Britain was about whether British relations with the countries of the Continent should be more akin to those of the United States with them or to their own with each other. The attitude of both the Attlee Government and of the second Churchill Government, which followed, thus spanning the crucial decade 1945-1955, was firmly in favor of an American style relationship. These were the days, much more than in the Twenties and Thirties, when the British saw themselves as the meeting point of three circles: the Commonwealth, the North Atlantic, and Europe.

This view of ourselves, however understandable at the time, represented a gross overestimate of British power and British options, and turned out to be a source of misjudgment and misfortune for ourselves and our allies. It might have been expected that these illusions would have been punctured by the failure of the Suez adventure of 20 years ago, and to have led to the abandonment of the idea that we were a kind of mini-United States off the coast of Europe. But the failure of Suez affected the two countries most concerned—Britain and France—very differently. The British, chastened and a little guilty, drew the conclusion that, however unhelpful Secretary Dulles and even President Eisenhower might have been, the main lesson to be drawn was that no more enterprises were to be attempted without the assured support of Britain's principal ally. In France there was less guilt and more anger. The lesson drawn there was not to trust the Americans and probably not the British either. When General de Gaulle came to power 18 months later, this turned into an intransigent but successful pursuit of French independence, with "the



*New Commission President Roy Jenkins (left) greets former President François-Xavier Ortoli.*

Anglo-Saxons" (that curious mythical people) kept as far as possible at arms' length.

This conjunction of Gaullism in France and Macmillanism in Britain created delicate temptations for the United States. There was, of course, the temptation to play one off against the other. There was also the more subtle temptation to abandon faith in the idea of a united Europe and work bilaterally through the individual European governments. On the whole, these temptations were resisted. Of course, some bilateralism continued, as it still does, and is bound to do so long as European institutions remain imperfect. But no one doubted that the Americans wanted both the enlargement and the strengthening of the European Community. Knowledge that this was so was deeply reassuring to those who, like myself, had the same beliefs. Even those opposed had to reckon with it. This point is well illustrated by the fact that when Hugh Gaitskell, then leader of the opposition in Britain, made what I regard as the one major misjudgment of his career and opposed British entry into the Community in 1962, he thought it necessary to write in his own hand a 13-page letter of justification to John Kennedy. He did what he believed to be right, but he knew it would not be well received in Washington and thought he had better explain himself.

With those anxious and disagreeable days now done, I want to say a word about the new Community of "Nine" and its institutions, and the way in which they are evolving. Before doing so, I give a warning. It is extremely easy for Americans to see an analogy between the United States of America and the uniting states of Europe. This is a tempta-

tion which should, I believe, be resisted: not because there is nothing in it, but because it can lead, like many historical and political analogies, to misleading hopes and expectations. As much by inadvertence as by deliberate intent, and with many deep misgivings, a group of remote American colonists, united by language, custom, and the land on which they lived, threw off the authority of a mother country, which was itself divided by the constitutional issues at stake. The new country thus begun had more than a century in which to develop in relative peace, protected for the most part by the British Navy from uncomfortable involvement in the affairs of the rest of the world.

CONTRAST THIS WITH THE ORIGINS of the European Community. The original Six had one unhappy thing in common: They had all been defeated, and in many cases devastated, in war. They had also been forcibly united for four awful years under the domination of Adolf Hitler. Their first thought was to unite to prevent at all costs a third European civil war. But as their prosperity returned, they became more conscious of their historical roots, their different languages, habits of thought, and ways of life. The recovery of Europe as a whole meant a recovery in the self-confidence of the participating states. Thus what happened was in a way the reverse of what happened in America. Suppose that Massachusetts had been the only British part of America, and that New Jersey had been Dutch, Rhode Island Flemish, Virginia German, Georgia French, and Maryland Italian, and that each had proudly retained the traditions of its homeland, how difficult, if not impossible, would have been the elaboration of a federal constitution of anything like the kind which was eventually established. This very diversity is one of the riches of Europe; but it has required looser, different mechanisms which cannot readily be compared with those in the United States.

The constitution of the European Communities is the Treaties of Paris and Rome as subsequently amended. This constitution represents a balance between respect for the powers of the member states and the grant of a limited measure of supranationality in economic and judicial matters to the Communities' institutions. Four main institutions were set up—the Commission, the Council of Ministers, the European Parliament, and the Court of Justice.

Beside these four pillars of the European Communities has grown up another more flexible institution outside the scope of the Treaties. This is European political cooperation, and represents an attempt to coordinate the foreign policies of the nine member states toward the outside world. It has no permanent staff and its secretariat simply consists of national officials who change every six months with the chairmanship. Thus the caravan moves from capital to capital of the Community. Nevertheless, this is a field in which considerable progress has recently been made. As one example, unanimity among the Nine has

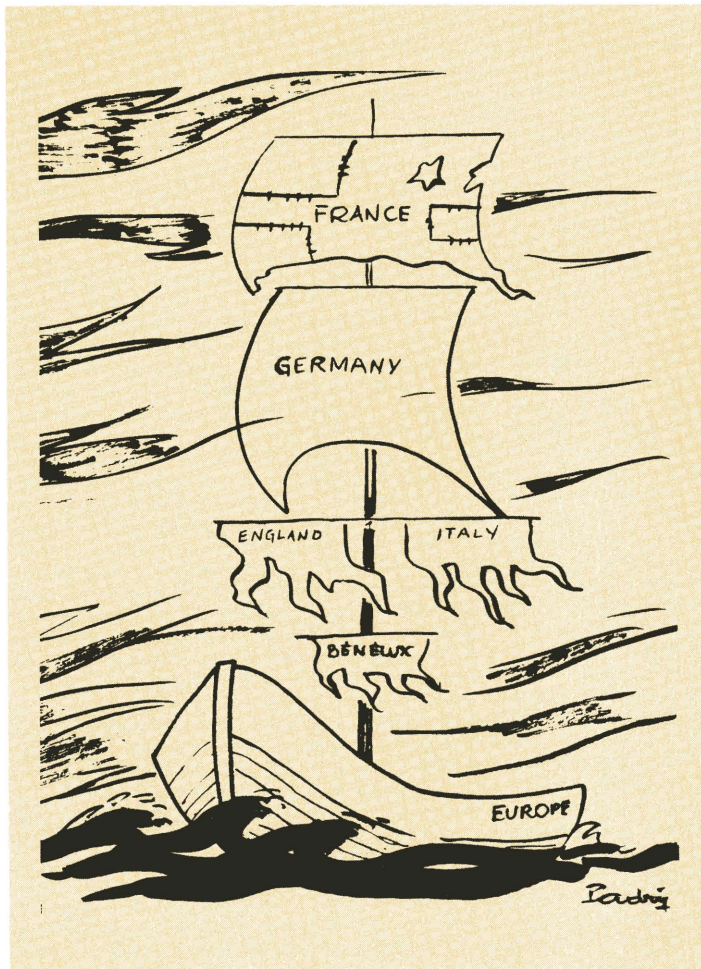
been achieved in over 80 per cent of votes at the United Nations.

The institutions have filled their functions unevenly over the years. As a bureaucracy the Commission has had its successes and its failures. What is not always understood is the extent to which it has been the protector of the weaker member states against the stronger ones. It is, in fact, the instrument of the Community and the means by which its policies are put into effect—whether, for example, the common agricultural policy, the common commercial policy, or antitrust legislation. It is likewise the manager of vast funds—those, for example, required for directing the agricultural market and the regional and social funds, both of them redistributive of wealth between the different parts of the Community in intent and effect. Finally, it provides an administrative framework for the coordination of the economic and monetary policies of the participating states. Its possibilities for growth, as common action is called for in new fields, is theoretically limitless, but it is at once the creature of the Treaty and the servant of the Council. Needless to say, it comes into conflict from time to time with the member governments, which like all governments, are jealous of their powers.

Hence the importance of the Council of Ministers, since the Commission proposes and the Council disposes. The Council meets at the level of foreign ministers, but there are specialist Councils as well, where such ministers as those of agriculture, finance, or the environment can come together.

Recently "summit" meetings of the nine heads of government have taken place on a regular basis and are known, somewhat confusingly, as European Councils. The advantages of such meetings are obvious, but the disadvantages less so. European Councils provide an all too convenient means for foreign ministers not to take the decisions themselves but to refer them to their heads of government; and so far the heads of government meetings have often been too informal to produce the real results now required of them. Whether for this reason or for others, the normal Councils of Ministers have in the last few years lost some of the impetus, the accommodating spirit, the readiness to take decisions which characterized the Councils of the first few years in the Community's life. The requirement of unanimity on all matters of importance has laid an inevitably deadening hand.

If the Commission has sometimes been too bureaucratic and the Council too mindful of national interests, the European Parliament, through no fault of its own, has not yet succeeded in achieving adequate power of democratic control. I believe that the recent agreement on direct elections by universal suffrage will eventually give the Parliament a new and different role, although direct elections will not mean any formal increase in powers. Parliaments have always been keenly interested in the problems of financial



"The phantom ship." Padry, *Le Herisson*, Paris

supply and control of the budget. The role of the European Parliament in helping us tackle the problems which now face the Community—from the size and purposes of the budget to the lack of economic balance between the member states—may prove to be crucial. But, again, it will not be easy. National parliaments are in no hurry to give up their powers; and a whole new balance of democratic power within the Community will eventually have to be established.

Regarding the European Court, there are remarkable possibilities for growth. Its powers are formidable because it is in effect, although international, a judicial organ of each member state, and its decisions are directly enforceable. The implications go very far for those used to the doctrine of absolute parliamentary sovereignty—particularly so in Britain. To take one example, an individual could invoke its decisions on equal pay for equal work if he found that British legislation on these points did not go as far as that of the Treaty of Rome. I think that even Americans, used to their own Supreme Court, would be startled by the potential powers of the European Court. The best American analogy would be to have the Equal Rights Amendment automatically becoming part of the law of the United States by virtue of a judgment of the International Court of Justice at The Hague. In due course, the European Court

may play as formative a part in the history of Europe as Marshall's Supreme Court played in the early-middle history of the United States.

IT IS CLEAR that, although the European Community in its various aspects has economic, political, and judicial reality, it is very far from complete. Moreover, the relationship between the Community and its member states is constantly shifting. It would also, I am afraid, be a mistake to think that the construction of the Community may be slow but is always advancing. I do not think that any part has yet been demolished, or that work in this area or that has been more than blocked; but the Community has faced, and now faces, very serious problems.

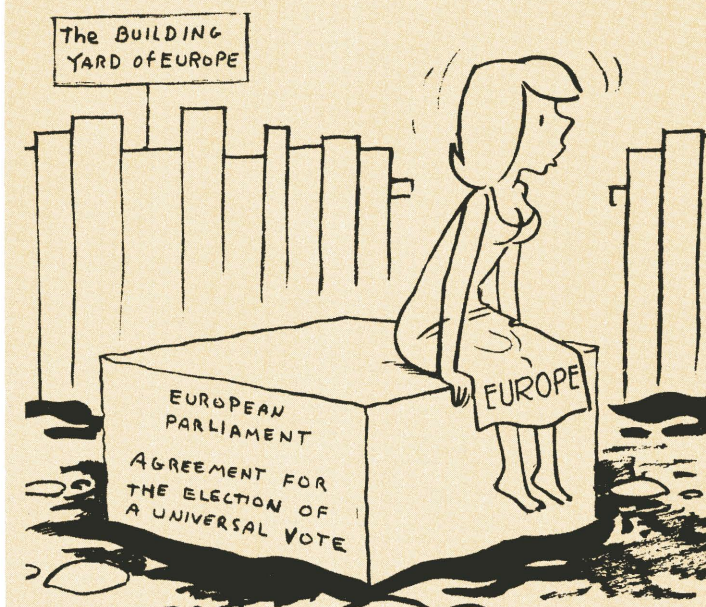
I shall mention only one of them: The economic capacities of the member states, far from reaching a rough equivalence, have recently become more markedly divergent than ever before. Four years ago the small countries feared the dominance of the four large ones—Germany, France, Britain, and Italy. Two years later there was fear of two large countries—Germany and France. Now Germany is alone in a position quite different from the others. A number of ideas are under discussion for righting a disequilibrium which no one wants, least of all the Germans. All these ideas would, if applied, require discipline and sacrifice on the part of those who have dropped behind. I do not know what will be adopted, but I do know that if this fundamental problem is not faced, the effect will be that of an earth tremor on a half-built house.

It would be tempting for the United States to think it better to leave the Europeans to put their affairs in order and deal bilaterally for the time being with the familiar governments of the member states. It is not necessarily easy to conduct business with an institution which so evidently has scaffolding still round it, when fierce argument comes from within, where parts seem half-built and others half-used, where the telephone system does not seem to be fully installed, and where sometimes even essential services do not seem to be laid on. Yet this would be a great mistake. At least most of the building is in good working order and is stronger than it sometimes looks. And the view from the top, to which men of vision occasionally mount, reveals far horizons.

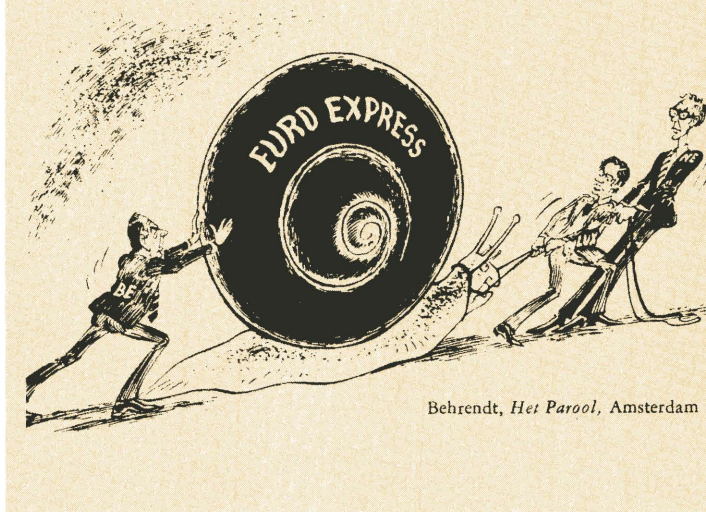
One or two statistics about the Community and the states which comprise it will give an idea of its scope and potentialities. In 1975 the total population was just short of 260 million, against 212 million for the United States and 110 million for Japan. Its gross domestic product was \$1,362 billion, against \$1,505 billion for the United States and \$491 billion for Japan. The volume of its imports (*excluding* trade among its members) was \$155 billion, against \$97 billion for the United States and \$58 billion for Japan; and the volume of its exports (*also excluding* trade among member states) was \$150 billion, against



"Europe on the move." Behrendt, *Het Parool*, Amsterdam



"Finally! The first building stone!" Padry, *Le Herisson*, Paris



Behrendt, *Het Parool*, Amsterdam

\$108 billion for the United States and \$56 billion for Japan.

No wonder President Carter recently wrote: "United States-European relations 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." He added: "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."

I much welcome these words. They represent a challenge to the institutions of the Community and the member states to rise above their various national problems and difficulties, and to negotiate with the strength which only unity can give them. The European Community is more than the sum of its parts; and it is generous as well as sensible of the new United States President to have given the Europeans the encouragement he now has.

For the Community, with all its imperfections, is gradually asserting greater weight and authority in the world. In Europe itself the Community acts as a political as well as an economic magnet. Around this central nucleus of the Nine is a web of association agreements with all the free countries of Europe. Greece is now negotiating for membership, and Portugal is not far behind. Spain may follow, and also Turkey. The Community has also drawn closer to such countries as Yugoslavia and to those on the southern and eastern shores of the Mediterranean, and through its mechanisms of political cooperation is engaged in a dialogue with the Arab world, where it has still greater economic interests than the United States. It is in the process of working out new economic relations with the countries of Eastern Europe and the Soviet Union, and of course played a major role in the Conference on Security and Cooperation in Europe, which led to that charter of hope for all Europeans on either side of the postwar dividing line—the Helsinki Declaration.

Beyond the frontiers of Europe is the network of agreements with the 49 developing countries comprised in the Lomé Convention. The Community, with this intimate institutional relationship with a large number of countries in the Third World, is the source of more trade and aid than the United States itself. The Community also has a particular relationship with the Chinese People's Republic, which was the first Communist country to accredit an ambassador to the Community in Brussels.

The very success of the Community and its members in these fields is of vital concern to the United States. It means that the Europeans have been taking on an increasingly

important part of the burden of responsibility for the maintenance and development of the democratic industrial society we have in common. It means that in the eyes of the Third World there is more than one source of Western power, and that on the international as on the national scale we practice what we preach about plurality of choice. I do not deny that in another sense the growing weight of the European Community can complicate life for the United States by adding a new dimension of difficulty and argument, and by bringing new and sometimes divergent interests into play. But I have no doubt that, when these considerations are weighed against each other, the balance is overwhelmingly positive for the United States. The world can now be a less lonely place for a country with the power and responsibilities of America.

I have not so far spoken of the problems of defense; like the Pope, the Commission has no divisions. Nevertheless, the defense of Europe can not be dissociated from the recovery of Europe and the growth of the new European institutions. Perhaps the fundamental point is that the proper unit of defense is not Western Europe or the Europe of the Community but the North Atlantic area as a whole. Western defense is at present organized in a way which respects the specifically European as well as the broadly Atlantic aspect. Thus there is our joint membership in the North Atlantic Treaty, a more restricted membership in that strictly practical European defense association the Euro-Group, and the still more restricted membership in the Western European Union, which involves its seven signatories in the most binding commitment into which any state can enter—an automatic commitment, much tighter than the North Atlantic Treaty, to mutual defense. If these perspectives are to change, and change they may in the years to come, the main agent of change will be the need for the Europeans to integrate their own defense industries, to standardize equipment among themselves and within the alliance, and to establish a more even partnership, each making its due contribution, with the United States.

THE MORE POWERFUL the European Community becomes, the greater its capacity to be a worthy partner of the United States. This is as true in the realm of defense as it is in any other. The converse is equally true. If the Community were to fall apart and the national states were to go their separate ways, the capacity of the Europeans to contribute to the common defense and play the greater role which should surely come to them over the years would be gravely prejudiced. NATO came before the Community, but I doubt very much whether it could now survive the disintegration of the Community. And the Community's relationship with countries as present outside its bounds—with Greece, Turkey, Spain, and Portugal in par-

ticular—can have considerable impact on the political orientation of those countries.

So far the partnership across the Atlantic has been unequal. In many respects it remains so. To that extent it remains an uncertain partnership, one with immense possibilities for the future but one which could still go wrong.

In the economic aspects there is a very lopsided balance of trade in favor of the United States. This is not perhaps surprising. Unlike the Community, the United States is self-sufficient in most raw materials and does much less trade with the outside world. The American consumer tends to buy American more than the European consumer buys European. And foreign competition is more deeply embedded in Europe's home market than it is in the United States. Moreover, we manage our agricultural market in a different way, and in certain cases give preference to agricultural products from the countries with which the Community has institutional links or come under the generalized preference plan.

America's enormous trade surplus with the Community (in 1975 it was over \$6 billion and in 1976 will probably run to over \$7 billion) hardly provides a picture of a trading relationship with a protectionist Europe. There has been, is, and I imagine is always likely to be, some commercial friction between such giant economic entities as the United States and the Community; but I hope some of the issues over which our negotiators contend will find their solution in the multilateral trade negotiations, which

*Then incoming Commission President Roy Jenkins met with outgoing President Jimmy Carter in Washington in December. © Tenney Mason, Gaither, Maryland*



we would like to see completed by the end of this year. Certainly if we even got near to a trade war with each other there could be only one certain result: great damage to us both; and in the present fragile state of world trade, great damage to the world as a whole. Let us have greater mutual understanding. Trading means buying as well as selling, and in a political as well as an economic perspective a grossly unequal balance of trade is not in the long run tolerable to either partner across the Atlantic.

It is sometimes said that the Community is an economic giant but a political dwarf. This is half-true, but only to the extent that the Europeans make it so. The United States, I suspect, sees no political Community in Europe in the way that it sees an economic Community. This is illustrated by the fact that the limited and strictly economic term "Common Market" is almost invariably used in the United States. You may notice that I have not used the term once. That is at once natural and purposeful for me. There is, of course, a Common Market in Europe. But there is an attempt at, and half a reality of, something much deeper, and that mixture of reality and aspiration is far better expressed by the term European Community. I hope that phrase will pass into wider use in the United States, for phrases have a power that is more than purely descriptive. And it would be ironical and perverse if leaders of American opinion, which for a generation has been attracted by the political unity of Europe, were now to discount that aspect of the enterprise. So long as the

ent Gerald R. Ford at the White House during the former's trip to



economic Community is a flourishing concern, there is a certain logic driving its members toward at least political cooperation and perhaps one day a political Community; but if the economic Community looks sick and the economics of its member states diverge, so the machinery of political cooperation looks sick too, and cooperation, let alone anything more ambitious, becomes increasingly hard to attain.

In this respect I would like to make a simple plea to Europeans and Americans alike. It is that President Carter's words to the effect that Europe would be better able to fulfill its role if it could speak with one voice and act with one will should be heeded by all. I include Americans in my plea because if the United States searches for one European voice and one European will, it will be more likely to find them than if it prefers to look for nine European voices and nine European wills. It will be interesting to see how the forthcoming economic summit meeting, recently proposed by French President Giscard d'Estaing and now widely supported, is organized on the European side of the triangle of the United States, Japan, and Western Europe.

The words of the Gettysburg Address are, I suppose, almost the most overworked in the American branch of the English language. But I am occasionally tempted to paraphrase them into a modern European context: "Two decades and a few years ago our fathers brought forth upon this continent a new Community, conceived in hope and dedicated to the proposition that all European nations depend for their strength, security, and prosperity upon each other. Now we are engaged in a great trial of will, testing whether that Community or any Community so conceived, can long endure."

We do not, of course, have the challenge of a European civil war. Those wars are, I hope, behind us. But we do have the threats of inertia, parochialism, narrow nationalism, and through misplaced and unimaginative caution, standing still when immobility is a much greater risk than moving forward. I think we can overcome these dangers. If I thought otherwise, I would have not have taken on my new assignment. But it will be a struggle. Walt Whitman asked nearly 100 years ago:

"Have the elder races faltered,  
Do they drop and end their lesson  
Over there beyond the seas?"

My answer today is "No." We are engaged in an enterprise even more difficult and complicated than your own 200 years ago. We need understanding more than help, patience more than pressure to act in ways which may not be our own. The result can be of vast benefit, not only to Europeans but to Americans. The more equal the partnership between the United States and the *uniting* states of Europe the better for both, and the longer it will endure.

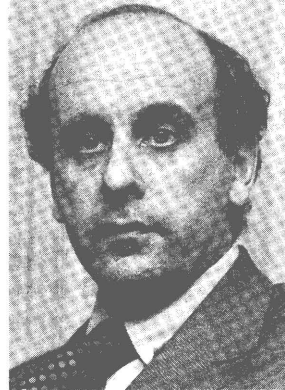
*Commission Vice President Lorenzo Natali, of Italy, responsible for enlargement questions, the environment, nuclear safety, contacts with member governments and public opinion on preparation for European parliament direct elections.*



*Commissioner Raymond Vouel, of Luxembourg, responsible for competition policy.*



*Commissioner Etienne Davignon, of Belgium, responsible for internal market and industrial affairs.*



*Commissioner Antonio Giolitti, of Italy, responsible for coordination of Community funds and regional policy.*



*Commission Vice President François-Xavier Ortoli, of France, responsible for economics, finance, credits, investments, and statistics.*



*Commission Vice President Finn Olav Gundelach, of Denmark, responsible for agriculture and fisheries.*



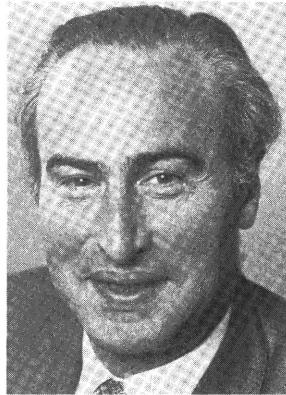
*Commissioner Claude Cheysson, of France, responsible for development aid.*

*Commissioner Richard Burke, of Ireland, responsible for taxation, consumer affairs, transport, relations with the European Parliament.*





*Commission Vice President Henk Vredeling, of the Netherlands, responsible for employment and social affairs.*



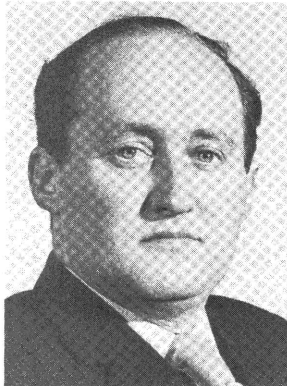
*Commission Vice President Wilhelm Haferkamp, of Germany, responsible for external relations.*



## Jenkins's Team



*Commissioner Christopher Samuel Tugendhat, of Britain, responsible for budget and financial control, taxation, and personnel administration.*



*Commissioner Guido Brunner, of Germany, responsible for energy, research, science, and education.*

# External Relations

## Turkey "A European Anomaly"

MARION BYWATER, a British freelancer for McGraw-Hill World News Service and the Brussels-based newsletter *European Report*

There are only a handful of developing countries left in Europe. There is Greece, which expects shortly to join the developed by entering the Common Market. There is Portugal, which feels it will be ready to make the same jump soon after. And there is Turkey, which does not expect to be economically ready for EC membership until 1995. To apply for membership now—out of concern for getting equitable treatment with Greece—would, says the chairman of Turkey's Senate foreign relations committee, be "childish," but if his country is not ready by 1995, it will be "economically hopeless."

Turkey is in many ways an anomaly that does not fit easily into accepted patterns: It is a European country, as testified by its association with the European Community, its membership in the North Atlantic Treaty Organization (NATO), in the Council of Europe, and in the Organization for Economic Cooperation and Development (OECD), yet it does not have the same cultural and historic ties to Europe as many other countries. Its "Europeanness" rests on the decision of Ataturk 50 years ago to give the country a European orientation and political ties. It is a developing country, a rarity in Europe. It is a democracy, a rarity among developing countries. In recognition of that fact Turkey was granted EC associate status in 1963. Only two other countries have the same privilege—Greece, the first to acquire it, and Cyprus, which negotiated an association agreement when the European Community was enlarged to include the United Kingdom.

But in Turkey there is a feeling that familiarity may have bred, if not contempt, at least forgetfulness; and on the Community side, there are admissions that the association agreement is showing signs of age. This has given rise to difficulties in arranging Councils of Association in recent months because of doubts about whether there is a satisfactory basis for talks. The

problems concern implementation of the 1970 Additional Protocol to the Association Agreement, which was designed to integrate Turkey with the European Community to prepare it for membership. In particular, the problems involve: (1) the extent of improvement of access to the Common Market for agricultural products Turkey should get; (2) gradual introduction of free movement of workers from Turkey throughout the Community and social security parity with EC workers; (3) Turkish industry's ability to face the extra competition that will be engendered if planned import duty cuts and reductions in import limitations are introduced by Turkey at the beginning of 1977; and (4) the amount of financial assistance the Community should give for development of the Turkish economy.

The reasons why the Community should be called upon to help with Turkish development are not only politically and strategically compelling but economically compelling as well. The Community is far and away Turkey's largest trading partner, accounting for 41.4 per cent of imports last year (of which more than half were from Germany alone) and for 35.7 per cent of exports (of which more than three-fifths went to Germany). Yet despite the special ties conferred by the association agreement, the importance of the Community in Turkey's trade has been falling, not growing. Where this represents diversification, it is healthy, but there is concern in Turkey that the erosion is as much because Turkey's margin of preference through the association agreement is being whittled away as the Community concludes preferential trade deals with the rest of the Mediterranean. In most cases those agreements provide the tariff and financing advantages which are the same as Turkey has—and in some cases better until new arrangements have been worked out with Turkey—but do not oblige these countries, at least not those of the

southern Mediterranean, to let in more EC goods in return, as Turkey must.

Since there is not much industrial interchange, European businessmen know Turkey less well than most other countries; and despite its rich history and scenic and climatic advantages, Turkey is virtually unknown to the European tourist. Though the tourist industry is booming—the number of foreign visitors increased by 39 per cent in 1975—it is still underdeveloped by most European countries' standards: Its 1.5 million visitors were the lowest total in Europe in 1975 (apart from Portugal, where arrivals were artificially low because of political uncertainty). More than twice as many tourists went to Greece in 1975, and 20 times as many went to Spain.

ONE AND A HALF TIMES the size of France, Turkey has a population of 40 million—which might double to 80 million by the end of the century. It is potentially very rich. It has oil (though this is fast running out if new reserves are not discovered); it has been mining coal since 1848; it has large quantities of lignite (though not of very good quality); there is iron, copper, chromium (a major export), bauxite, lead, zinc, mercury, manganese, sulphur, and uranium, but for lack of money most of these are underdeveloped so far.

The mainstay of the Turkish economy remains agriculture. In most years Turkey is self-sufficient in food. It only imports products it cannot grow itself, and these are few since its climate runs from semi-tropical to cool-temperate. One agricultural product it does have to import is coffee. Though the rest of the world associates "Turkish coffee" with Turkey, the Turks' staple drink is in fact tea; Turkish coffee was the drink of the Arab parts of the Ottoman empire. The main agricultural products are wheat and other cereals, pulses, citrus fruits, apples, tobacco, sugar, nuts, and cotton.

Ten million people still work on the land, three-fifths of the economically active population. Agriculture accounts for 22.4 per cent of the gross national product (compared to 25.7 per cent for industry). Three-quarters of the farms are less than 50 hectares in size, accounting for less than a third of total land area. More than 5 per cent of the land is accounted for by the one-tenth of 1 per cent of the holdings which are over a thousand hectares. The Turkish Government, aware of the "skewed" nature of land distribution, is trying land reform and co-operatives—some of which have been successful, others less so. Turkey's third plan, for the period 1973-1977, aims to raise the standard of living of farmers (about one-quarter that of industrial workers), to improve the distribution of income and productivity of the landless and small landholders through the distribution of land, to secure organization of the farmers, and to effect increases in their output. Turkey is running a race against population growth to remain agriculturally self-sufficient. And since all available land is cultivated, the emphasis is on mechanization and increased productivity. Productivity is still only a quarter or a fifth of what it is in Japan and Europe.

But agriculture is not just a cornerstone of the domestic economy; it is vital to Turkey's survival as a trading nation. Agricultural products were the biggest export earner in 1975, bringing in more than half the country's foreign earnings from exports—\$800 million out of a total of \$1.4 billion. Industrial exports—still heavily biased toward agricultural by-products such as textiles and processed foods—accounted for \$500 mil-



*The Turkish car industry now imports only about 5-10-10 per cent of auto parts, whereas initially almost everything had to be imported. Pictured are cars coming off the line at the Tofas automobile factory in Bursa. Turkish Embassy, Washington*



*Farm scene in Uzum Sergisi-Izmi: Agriculture is not just a cornerstone of the domestic economy; it is vital to Turkey's survival as a trading nation. Turkish Embassy, Washington*

*The European Community has allocated 500,000 units of account to the International League of Red Cross Societies in disaster relief for the recent earthquake in eastern Turkey (see page 42). Here Turkish troops set up tents for the homeless victims. UPI Photo*



lion, and minerals for \$100 million. Turkey's main export is cotton and the yarn and textiles produced from its cotton by its textile industry. Just as oil is known as "black gold" in the Mideast, the Turks know cotton as "white gold." Turkey is the world's number eight cotton producer and number nine exporter. Tobacco is another major export. Turkey is the world's second largest tobacco exporter, after the United States (which is also its largest client, ahead of Germany and France). Lemons, oranges, grapes, and salad vegetables all rank high on the export list, and so do nuts. One major British producer of nut chocolate gets virtually all its hazelnuts from Turkey. Hazelnuts, in fact, are the third largest agricultural export.

In view of the continuing importance of agricultural exports—despite a steady decrease in their share of the total in recent years—Turkey has viewed with concern

the European Community's preferential trading agreements with competitors around the Mediterranean (the countries of North Africa and Israel) and with alarm the prospect of Greece and Portugal—and perhaps Spain—becoming EC members. The Turkish Government has identified around 50 products or product groups it feels are being discriminated against compared to the treatment received by its competitors. The argument Turkey is in the process of settling with the Community is over exactly what constitutes the agricultural parity—or, indeed, preference—to which its special status as an associate entitles it.

IN INDUSTRY, TOO, THE EMPHASIS is on self-sufficiency. Import substitution is the watchword. This has already largely been achieved in consumer goods. Virtually none now need be imported. The car industry now imports only about 5-to-10 per cent of the parts, whereas initially almost everything had to be imported. But this has its pros and cons. Sometimes the cost of import substitution has been high-priced domestic goods which cannot compete internationally either as exports or with EC goods when tariff barriers are lowered on Community imports. In addition, the emphasis on Turks' eventually having complete say over the domestic market and the large government stake in industrial development (50-to-60 per cent) can discourage foreign investment.

The main manufacturing industries are paper, textile and clothing, cement, iron and steel, chemicals, rubber, glasswork and ceramics, metal products, machinery, petrochemicals, electrical machinery and equipment, cars, and agricultural machinery. The main industrial exports are wood products (even Finland is buying wood pulp from Turkey, which ranks number four in the world for forest resources), processed foods, textiles, and metals. But the industrial sector is small. Compared to the 10 million employed in agriculture, there are only 1.8 million working in industry. And even this is regarded as an inflated figure: Over-staffing—which could lead to Turkish uncompetitiveness—is prevalent because of the surplus of industrial workers. There are more unemployed industrial workers—2.5 million—than there are in work. This explains the importance of migrant workers to the Turkish economy.

At the moment there are about 750,000 Turkish workers in the European Community, most of them in Germany. At a time when the Community has 5 million unemployed and is likely to have something like this number for several years to come, the presence of so many Turks has caused resentment and reluctance to make it any easier for more Turks to come to Europe as the 1970 agreement with the Community would imply. Turkey insists that it has no intention of flooding the Common Market with migrant unemployed, but wants to im-

prove the status of those already in the Community and to see Turkish workers get priority if and when there are jobs available again for non-EC nationals.

It is not just that Turkey cannot create jobs at home—the number of school-leavers outstrips new jobs each year—but also Turkey cannot balance its economic books without the remittances from its migrant workers. In 1975 Turkey imported \$4.7 billion worth of goods; it exported \$1.4 billion worth; the trade deficit was \$3.3 billion. Workers' remittances are vital in bridging the gap and providing the foreign exchange to pay the bills. Whereas tourism only brought in \$50 million toward making up the difference, Turkish migrant workers remitted \$1.3 billion. It is worrying that these remittances seem to be falling off—they were projected to be in 1976 about three-quarters of what they were in 1975—because Turkish workers are also feeling the effects of inflation and recession and because they feel they might be better off keeping their money in German marks rather than Turkish lira. The prospect of not being able to rely on the flow of Turkish savings back to Turkey in future gives Turkish economic planners nightmares. No wonder then that on a recent visit to the Netherlands, the leader of the Turkish railwaymen's union appealed to the European Community, despite the strains on its economy, to keep the Turkish workers it already has "for the sake of Turkish economy."

## Spain Concurrency on "the EC Option"

LAURA YMAYO, freelance writer based in Geneva

In a winter warmed by strikes, arrests, and the monarchy's successful sale of the Reform Bill, the cliché "a society-in-flux" shamefully understates the Spanish situation. Spain's path from autocracy to democracy, and from autarky (1939) to economic liberalization (1959) to possible accession to the European Community (in the not-too-distant future) is paved with contrasts and contradictions.

The other day, at the Prado Museum, an old guide pointed to Goya's "Shootings by Musketry of the Third of May" and asked his listeners: "Is this what Spain should expect from the Europe it so readily trusts?" The man had previously explained Goya's "Quarrel with Cudgels" as the best portrait of the current Spanish political scene,

for in that painting the contenders—representing, according to the guide's interpretation, the Government and the opposition—were fighting fiercely while all the time slowly sinking in swampy waters. The political exegesis of both art pieces may indeed be questionable, but the increasing politicization of the Spanish people is not.

Out in the streets, pornography, political parties and publications (including, I might note, two feminist magazines) mushroom unabashedly. At the subway stations, graffiti eulogizing Mao compete with signs announcing the weekly *Mundo* as a "European effort." Not too far away, at the Plaza Mayor Office of Tourism, a mosaic proclaims Saint Francis Xavier "Patron Saint of Tourism." From third-store windows a

poster of G. A. Bécquer (a nineteenth century romantic poet) assaults passers-by by inviting them to *comprar sin dinero* . . . with Bankamericard.

One thing is certain: Franco's death did more than signal the end of an era of Spanish history; it opened a Pandora's box of unresolved problems and deep-rooted conflicts—such as the political role of the army, wealth and income distribution, agrarian reform, church-state relations, the national aspirations of Catalonians, Basques, and Galicians, and the monarchy-republic dilemma. A year after the passing away of *Tío Paco* ("Uncle Frank" as he is sardonically called by many), the Spanish Government, before trying to solve these issues, is pushing hard to legitimize its regime and



"Is this what Spain should expect from the Europe it so readily trusts?" asked the Prado guide as he pointed to Goya's "Shootings by Musketry of the Third of May."

to "rejoin" the world, via Europe.

In fact, membership in the European Community is one goal to which all contending political factions aspire. All agree that Spain is European, and EC entry, desirable. Perhaps it is not far-fetched to assert that the idealism which once underlay Spanish socialism and anarchism (it is controversial whether it still does) is now projected on Europe. The economic problems involved in Spain's apparently inevitable entry into the European Community are played down by both the Suárez Government and the opposition. The fact that they both avidly yearn for European support, for the blessing of the neighborly Nine, takes precedence. This quest consumes their time, energies, and imagination.

The opposition is, predictably, more important than ever in Spanish politics. Leftist forces have come together, since March 1976, under a broad alliance known as *Coordinación Democrática*—the *Platajunta*—to facilitate negotiating, with the Government, terms and conditions of the legislative elections scheduled for this spring.

The label "*Platajunta*" evokes the organization's history. Fear of Franco's death (following his first serious illness) had led to the founding of *Junta Democrática* during the summer of 1974. Principal participants in this coalition were the Communist Party (PCE), the Popular Socialist Party (PSP), the Federation of Democratic Independents, the Socialist Alliance of Andalucía, and the Workers' Commissions. In the meantime, in June 1975, parties that had

refused to join the *Junta* organized themselves into a second coalition which came to be known as *Plataforma de Convergencia Democrática*: the Socialist Workers' Party (PSOE), Izquierda Democrática (Christian Democrats), Social Democratic Union, the Carlist Party, and others. Logically enough, when the *Junta* and the *Plataforma* decided to coordinate their efforts, the single alliance (*Coordinación Democrática*) was fondly nicknamed "*Platajunta*."

Yet, fusions and fissures occur daily. On the one hand, the Christian Democrats have recently quit *Coordinación*. On the other, the *instancias unitarias* of Cataluña, Valencia, Galicia, Canarias, and Baleares have joined. And *Coordinación* is no longer *Coordinación*, the new official title being now *Plataforma de Organismos Democráticos* (POD). To speak of the POD simplifies matters a little. Otherwise, an exhaustive taxonomy of Spanish political groups would be an endless task. George Orwell, were he alive, could once again write that Spain is suffering from "a plague of initials."

Among groups outside the POD, *Alianza Popular* promises to play an important role in the politics of the country. Organized by Manuel Fraga Iribarne, former ambassador to Great Britain and Juan Carlos' minister of the interior till Suárez substituted Arias Navarro, the *Alianza* professes to be a "center-right" party, a watchtower of "European humanistic values and the liberal tradition." (It is amusing to note that, in Spain, Fraga is said to belong to what has been labelled "the civilized right," as if,

historically, the right had had a monopoly on "barbarism." With analogous reasoning—or, more exactly, lack thereof—radical opposition movements unwilling to negotiate, such as the Basque ETA (*Euzkadi ta Askatuna*) and the Maoist FRAP (*Frente Revolucionario Antifascista Popular*) are sometimes referred to as "the savage left."

The Government and the opposition concur in desiring EC entry. But this was not always the case. On the part of the Government, Franco's views of interstate relations, in the late Fifties, predated the later Gaullist formulation of cooperation but not integration. Moreover, the far-right was (and to some extent still is) fearful of the Common Market, of the threat it represented to Spanish "splendid isolation." The struggle, at that time, between the technocrat center-right "Opus Dei" and the more reactionary "Bunker" elements was indeed fierce: It consumed some 50 cabinet meetings. But, ultimately, a Government-sponsored opinion poll of private and public entities generally favoring integration in the long run gave the technocrats the upper hand. The Spanish Government thus applied for EC association in 1962. Today, when the link between consumerism and pluralist democracy seems undeniable, and the permanence of Francoism extremely questionable, the ultra-rightists usually refrain from expressing publicly their contempt for the democratic Nine.

As for the more progressive elements within the Government, it is fair to say that they have consistently worked for closer ties with the European Community. After all, through the stabilization policy of 1959 and the concomitant devaluation of the peseta, they were the main architects of what has been called the "Spanish economic miracle." (Recall, for example, that in a single year—1959-60—Spanish exports increased 60 per cent.) Today, these technocrats are the men closest to the King. Aware that they are protagonists in the last transitional stage of the Franco regime, they long for European endorsement of their measured steps toward democracy, which in some ways helps to justify their keeping a strong hand against extremist forces. Juan Carlos himself a year ago told author Hugh Thomas that, once a constitutional democracy is established, Spanish entry in the European Community would be one of his principal preoccupations.

The opposition, for its part, was extremely wary of the European aspirations of the Franco Government. They feared that a Spanish accord with the Common Market would reinforce the fascist regime. Throughout the Sixties they lobbied in Brus-



Juan Carlos has said that once a constitutional democracy is established, Spanish entry into the Community will be one of his principal preoccupations. Here the King speaks to friendly and supportive thousands during a week-long tour of northwest Spain. UPI Photo

sels, and far beyond, to counterpose their "reform-before-entry" thesis to the "reform-through-entry" approach held by some. The anti-Franco groups knocked on many doors, and found much sympathy in the International Confederation of Free Trade Unions, and among their Socialist and Communist homologues. Fortunately for them, European integration has as a basis a liberal democratic homogeneity to which Spain would not be the exception. It took eight years and 40 formal negotiating sessions for Spain and the European Community finally to reach agreement concerning the contents of a preferential commercial trade act (1970). The word "association" aroused strong opposition among EC members and was dropped. The political conditions put forth by the Community at that time remain unchanged: universal suffrage, non-government sponsored trade unions, freedom of the press and of association. As these conditions are met, therefore, in reference to the EC option, the political question is usually not "whether" but "when."

Economically, the Spain of 1977 is not the Spain of 1959. Today, the protected Spanish economy ranks twelfth in world steel production, seventh in cement production, and eleventh in electrical power generation. The industrialists who have achieved such a record of growth have also developed a large stake in continued protection. Moreover, the scale of Spanish agricultural exports presents a considerable threat to EC farmers. Clearly, Spain must somehow modernize its economy if it is to avoid severe economic dislocation upon entry into the European Community. At the same time, Spanish leaders must cope with

the paradox that a modern Spanish economy will pose an even greater threat to the European Community's firmly entrenched agricultural interests.

Ramón Tamames, a leading Spanish economist and possibly the next secretary-general of the Communist Party, dedicates the last section of his recent book *¿A Dónde Vas, España?* (*Where are you Going, Spain?*) to a discussion of the country's international economic relations. (It is interesting to note that for the last few months the book has been third on the best-seller list compiled across Spain by *Mundo*. Ken Kesey's *One Flew Over the Cuckoo's Nest* is number one.) Tamames is definitely optimistic about prospects for Spanish adhesion.

*Franco's death did more than signal the end of an era; it opened a Pandora's box of unresolved problems and deep-rooted conflicts. A Madrid street demonstration of university students and young activists is pictured.* UPI Photo



He argues that a transitional period of five-to-10 years would suffice in order to effect necessary economic readjustments, and lists five ways in which Spanish participation in the Community would prove beneficial to Spain, to wit:

- the agricultural sector would have to be modernized;
- Spanish workers residing throughout the Nine would profit;
- regional imbalances would tend to be corrected;
- the position of the economic oligarchy would be substantially transformed;
- problems posed by powerful multinational corporations would perhaps meet a common European response. Moreover, Ta-

mames seems thrilled by the idea of a directly-elected European Parliament in 1978. He sees it as "the embryo of a federal government, the abandonment of a series of nationalist prejudices of the worst sort." The views of Luis Casanova Fernández, the man in charge of Spanish-EC-OECD relations at the ministry of foreign affairs, coincide with those of Tamames—that is, in optimism regarding integration.

But this hopeful appraisal is not shared by all. José Ramón Lasuén, another leading economist, believes that "possible positive effects are scarce." He admits that, given geography and present commercial trends, the need for close relations between Spain and the European Community is inevitable, but underscores that only a few sectors would benefit from integration. The controversy inspired a heated discussion during the "Seventh International Economic Week" that took place in Madrid during November. There, Nicholas Kaldor, for years professor at the London School of Economics

and now at Cambridge, argued that if Spain would join the Common Market, its economy "would be rapidly destroyed by the other European economies."

This is not the first time such a theory has gained currency. The industrial sector has been apprehensive of the dangers of competition. Already at the time of the 1959 Government opinion poll, the Superior Banking Council had suggested that transition be extended from the proposed 15-year period to 20-to-25 years in the case of possible Spanish association. So did the Confederation of Savings and Loan Associations and the National Economic Council. The Bilbao Chamber of Commerce pointed out that the iron and steel industry would be particularly disadvantaged. Today, Spanish entrepreneurs still dread the establishment of an industrial free trade zone. As a matter of fact, this is one cause of the current impasse in Brussels.

It is evident that the straightforward political aspects of the matter are shielding the

more complex and subtle economic ones. France is a prime example of this paradox. While singing the praises of a better-balanced Community, the French Government remains keenly aware of the objections of the French farmers. Former French Prime Minister Jacques Chirac has referred to the "dramatic consequences" that possible Spanish adhesion would have for French agriculture. Louis Lauga, former president of the CNJA (*Centre National des Jeunes Agriculteurs*) has done the same in his report "*L'Espagne, un choc pour l'Europe*." For political reasons, France may desire the membership of a Spain whose presence it cannot afford economically. The same goes for the other Mediterranean members of the Community, especially Italy.

How much longer broad national political interests will take precedence over the economically based misgivings, remains the salient, if not sufficiently appreciated, issue, both in Spain's quest for a place in Europe and in Europe's willingness to accept Spain.

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## South Africa "The Final Knock?"

ALEXANDER BORAINÉ, *member of the South African Parliament, representing the anti-apartheid Progressive Reform Party, and fellow, Center for International Affairs, Harvard University*

In 1972 several thousand blacks gathered to erect a simple head-stone on the grave of Chief Albert Luthuli, the South African Nobel Peace Prize winner. Among the handful of whites who had been invited was the distinguished writer and long-time fighter for justice, Alan Paton. It was on this moving occasion that I first heard him utter the fateful words which have since appeared in print: "There is not a very nice picture that often comes to my mind. A man lives in a house full of his possessions. The poor and the hungry and the dispossessed keep knocking at the door. Some members of his family urge him to open the door and others tell him he must never open the door. Then comes the final imperious knock, and he knows at last that he must open. And when he opens it, it is Death who is waiting for him."

Prior to 1974 there were few in South Africa who believed that the knock at South Africa's door would come with such force and with such urgency. But the *coup d'état* in Portugal changed all that. The rapid withdrawal of Portugal from her territories brought about dramatic change in southern

Africa. Frelimo triumphed in Mozambique, and within months South Africa had not only lost a strong ally but had for a neighbor an avowedly Marxist state. After a bitter civil war the *Movimento Popular do Libertacao do Angola* (MPLA) forces, strongly supported by Russian-backed Cuban soldiers won the battle for supremacy in Angola. Rhodesia became increasingly the focus of attention from guerilla movements, and voices against South Africa's continued presence in Namibia (Southwest Africa) became more strident in their demands for her immediate withdrawal from that territory.

All these startling developments did not leave South Africa untouched. Prime Minister John Vorster accelerated his détente policy with black Africa. Further, he began to exert strong pressure on Ian Smith of Rhodesia to work toward majority rule in that country. It was the Vorster intervention that enabled Britain to introduce a new five-point peace plan and for US Secretary of State Henry Kissinger to launch his shuttle diplomacy in a joint attempt to move Rhodesia toward peaceful majority rule by

March 1978. Vorster also forsook his Bantustan policy for Southwest Africa and initiated talks that led to the Turnhalle Conference, which has set December 31, 1978, for independence.

The apparent deadlock between Rhodesian black leaders and the Ian Smith Government has caused a breakdown in the Geneva talks and can only lead to an increase in violence in and around Rhodesia. The absence of the Southwest Africa Peoples Organization (SWAPO) from the negotiating table in Namibia guarantees that no acceptable solution can be anticipated.

Blacks in South Africa have also not been untouched by all they see happening around them. Their expectations have risen, and this was a contributing fact in the violence that erupted last June. For despite the fluidity of southern Africa as a whole, it seemed to blacks that there was no significant movement within their own country, and it needed only one flash point to bring to the surface their pent-up rage which resulted in nearly 400 dead, hundreds wounded, an unknown number either arrested or detained, damage totaling millions of rands.

What of white South Africans? Predictably, there has been a considerable white backlash, with gunshops putting "sold-out" signs on their windows. Others have decided that there is no solution to the conflict and are making plans to leave the country. The majority remain complacent, and one wonders what it will take to shake the inertia of whites who for so long have had it so good. Finally, there is a small group, Afrikaan and English-speaking, which has become more urgent and bold in its demand for substantial change in the *status quo*.

OUTSIDE OBSERVERS IN EUROPE and in the United States are, on the whole, deeply pessimistic. Certainly, a long catalogue of factors would seem to offer no hope for a resolution to the conflict that has reached crisis proportions and threatens to plunge the southern Africa subcontinent into a bitter race war.

Firstly, international abhorrence of apartheid is complete. It is difficult to believe that any country in the world would come to the aid of the white minority regime in South Africa. As the conflict grows and the pressure increases, even those countries which

have had traditional links with South Africa are beginning to become impatient of what they perceive as Vorster's stubbornness and inflexibility. As a result they are re-examining their positions and it does not augur well for the South African regime. The consequences of this worldwide repugnance of apartheid are compounded by the unwillingness or inability of many South African whites to comprehend the extent of their isolation.

In the second place, the long-felt hostility by the Organization of African Unity has been sharpened by the recent far-reaching developments in the subcontinent. The success of the armed struggle in Mozambique and Angola and the capitulation of Smith to majority rule have given rise to a newfound confidence. This mood of optimism has been helped by South Africa's involvement and subsequent withdrawal from Angola. In its abortive action South Africa dealt itself a triple blow. First, it violated its own policy of non-interference. Second, its withdrawal suggested that its much vaunted military prowess may not be unbeatable. Third, South Africa's direct involvement in the Angolan civil war has, in the meantime at least, paid for Vorster's

African détente gamble. It is not yet clear how matters will develop in Rhodesia and Southwest Africa but whatever happens the forces of black Africa are coming closer and closer to South Africa itself.

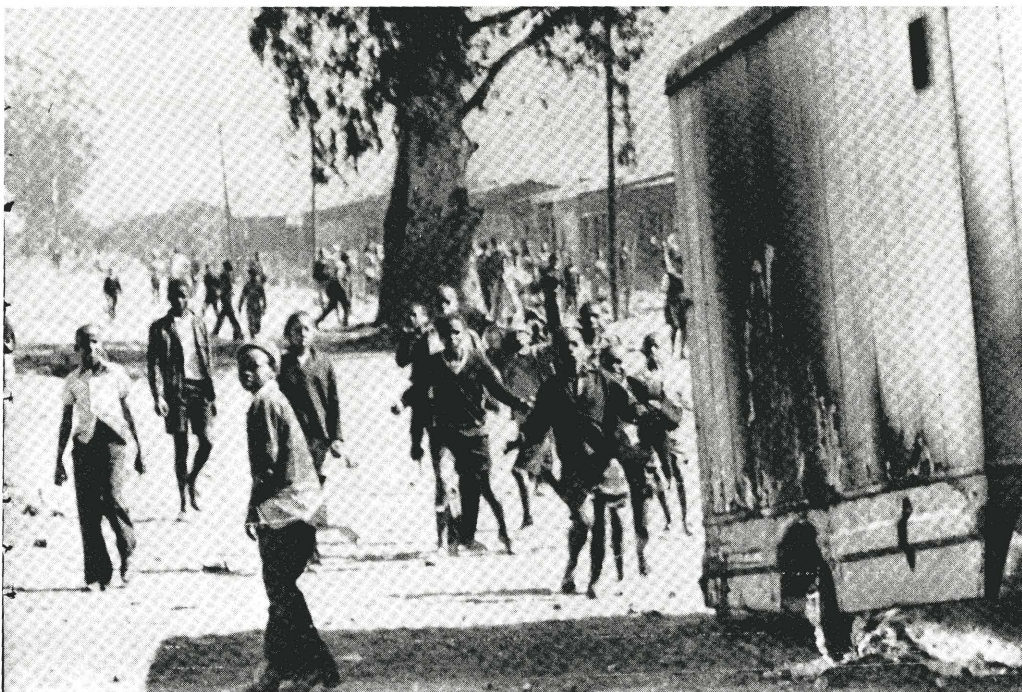
A third factor giving rise to pessimism is the intensified polarization between black and white within South Africa itself. The recent spate of demonstrations, marches, work-stoppages which led to violence, death, and destruction has caused fresh wounds in race relations which will not easily heal. There is a new mood of defiance and anger. Clearly, South Africa will never be the same

Finally, South Africa's depressed economy further exacerbates the lot of the poor and oppressed majority. The decline in the price of gold per fine ounce, raging inflation, loss of confidence by overseas investors, the high price of oil, the soaring increase in defense spending—all tell their own story. It makes it impossible for the Nationalist Government to develop the Homelands as fast as it would like to and prevents it from putting into effect those measures of reform in the areas of housing, education, and social amenities which it already agreed to do. And hanging over all this is the specter of black unemployment.

*The rising expectations of black South Africans were inevitably a contributing fact in the violence that erupted last summer. Here, in the aftermath of a police shooting, rioters burn a delivery van. UPI Photo*







*The recent violence, death, and destruction means fresh wounds in race relations, not easily healed: Youthful demonstrators surround a burning vehicle during anti-government demonstrations in which police fired into a crowd of 5,000 black students. UPI Photo*

ment, which, if it continues to rise, could bring increased instability.

All these factors and their cumulative effect bode ill for South Africa and leave little room for peaceful change. Those who have always held that a bloody race war was inevitable have simply adjusted their time scale and are now speculating in terms of three-five years rather than 10-15 years.

Must we accept then that "the final imperious knock of death" has come in all its finality to South Africa's hitherto fast-closed door? It is a question which those of us who live and work in South Africa cannot ignore. But because the world, and in particular the Western world, cannot escape the consequence of whatever transpires in southern Africa, it too must wrestle with the dilemma. The United States, because of its position in world leadership, has exerted itself in recent months.

THE EUROPEAN COMMUNITY COUNTRIES cannot remain aloof from the struggle. There is no need to detail here the strong historical links between the Netherlands and South Africa or that of Britain and South Africa or even between Germany and Southwest Africa. But there are also strong cultural, religious, and trade ties between South Africa and many of the other countries which make up the European Community. Figures show that Germany sold approximately \$896 million worth of goods to South Africa in 1974, thereby overtaking Great Britain, which had been up till then South Africa's main supplier. However, Britain's total investment is approximately \$3,910 million, as compared with that of Germany's approximately \$1,093 million and France's approximately \$690 million.

France is also South Africa's largest supplier of arms. These facts compel the European Community to have much more than a mere academic interest in the possibility of a protracted race war in southern Africa.

Is there another word which can be said to offset the picture of total gloom? I believe there is. Not in the sense that conflict can be avoided, but in the sense that "the imperious knock of death" may not yet have come. I believe there is still time because of the very nature and status of South Africa itself. It is not an illegal regime like Rhodesia, nor is its status that of a disputed ward as in the case of Southwest Africa. Rather, South Africa is a sovereign state with membership in the United Nations. Not even the Organization of African Unity disputes that. As recently as 1969, in the Lusaka Manifesto black Africa referred to South Africa as an "independent sovereign state and a member of the United Nations."

Further, South Africa is not a "colonial power" in the accepted sense of the word. The whites have been there since 1652, not since the turn of the century. This fact has shaped whites and blacks for over 300 years. The numerical ratio is also different: There are 4 million whites and two other minority groups consisting of 2.5 million coloreds and 750,000 Asians. In contrast to many other African states, South Africa is a modern industrial state with a sophisticated economy. This fact, together with a highly trained police force and a strong well-equipped army, makes it difficult to visualize the recent demonstration by blacks, with no access to arms, leading to the overthrowing of the state from within.

While it is likely that the hostility of black Africa will increase rather than di-

minish, these countries are so plagued with divisions and rivalries that they do not present a threat to South Africa at this time. Furthermore, the black countries in southern Africa are faced with domestic problems, such as unemployment, inflation, and subsequent poverty, which will absorb a great deal of their energies.

Without underestimating the polarization between blacks and whites in South Africa, I want to submit that polarization is not yet complete. It is true that there are blacks, especially young blacks, who want nothing whatsoever to do with whites. But there are blacks and whites who still talk with each other and who have not yet given up on the possibility of a non-racial country. This is particularly true of, but not confined to, the Church. Last fall I met with several groups of coloreds and blacks (many of whom had been involved in and affected by the demonstrations) who spoke in anger, sorrow, and impatience of their white countrymen. But they also stressed the desperate need, even at this late hour, to work together for a peaceful and just society. Later that week, 1,500 women of all race groups met together at a public meeting in Cape Town, and again the mood was angry but hopeful in that they committed themselves to work, not as blacks and whites, but as women, in pursuit of peace with justice. A straw in the wind, perhaps, and not even as significant as the Women's Peace Movement in Northern Ireland, but a pointer to the fact that polarization is not yet complete.

The key of course, is the Afrikaner. In this powerful group there is ferment—there is fluidity. At the present time the changes which have been made are largely cosmetic and signify, in the words of Helen Suzman, "to the outside world, nothing at all, to the blacks very little, but to the whites a hell of a lot." Thus the ferment presently in the Afrikaner camp will have to work a lot harder and a lot faster if South Africa is to stay "the imperious knock of death" when it will be too late for change, and chaos is the only alternative.

The question shifts, therefore, from "is there still time?" to, will South Africa use the remaining time creatively and wisely to bring about the substantial changes required to move from exploitation to partnership, from racism to an open society with opportunity and security for all? It is in the interests of all that the questions be answered in the affirmative—and what the Western powers, including the European Community, do to make this possible, will in no small measure contribute to how this life-or-death question is answered.

# Tourism: Crime or Aid? *"The Mistake Is to Look Upon Tourism As An Entity in Itself"*

An Interview with GILBERT TRIGANO, chairman of the Club Méditerranée

*As a specialist in individual and group tourism, how do you see this field helping the development of the Third World?*

**Trigano:** Seventy years ago, the countries we thought of as modern, like Switzerland, France, and Italy, were more or less the first to welcome tourists. The first tourists in Switzerland were a handful of eccentric millionaires—mostly English, since they were the wealthy ones at the time—and they built the first palaces in mountain resorts like St. Moritz. Whatever did the locals think when they saw these masters come to conquer their mountains? Not a lot was made of it since only a few people were involved—but the shock was nevertheless tremendous, and books have been written about the disruption caused by the contrast between the sometimes insolent luxury of the tourists and the poor standard of living of the Swiss peasants. A few years later, some wealthy old English ladies discovered the Côte d'Azur, and tiny villages like St. Tropez suddenly became the high spots of a tourist trade only accessible to a tiny minority. On the one hand, you had the fisherman earning a hard living and, on the other, nine or ten enormous properties with servants everywhere and one aged English dowager in a bath-chair. . . . This was the birth of tourism.

Things have changed. The English dowager and the wealthy industrialist of 50 years ago have become you and me. And what was good for them is good for us. Of course, St. Tropez is marvelous. Of course, St. Moritz is fantastic. Of course, the world is fabulous. So? Why the fuss all of a sudden? No one bothered when a monstrously wealthy and arrogant minority came and upset people with a completely different standard of living. Today things are more democratic, and you and I and lots of others can go abroad and admire the scenery and visit people all over the world. And that's supposed to be scandalous. Who are they kidding?

Why is it all right if you're a Niarkos or an Onassis or a Rockefeller and all wrong—maybe downright criminal—if you're called Smith, Fritz, or Alfonso? I agree there is a problem of adaptation and understanding. I agree that we must show imagination if we are to have access to world travel. But to reject the whole idea is anti-social, backward-looking, conservative, and criminal!

*The difference is, surely, that, whereas there used to be only one or two old ladies plus a few other wealthy people retiring to these resorts, you now have a hundred or a thousand. . . .*

**Trigano:** Of course. But 14 Rolls Royces in St. Tropez, where the richest man before only owned a bicycle, is infinitely worse than 2,000 small, inexpensive Citroens going somewhere where everyone owns a Citroen. What is tourism? It's the contrast between the relative poverty of the people who live there and the amazing wealth of the visitors. In my view, numbers are important—but the difference in standards is at least as important. Twenty chalets in Gstaad at 5 million Swiss francs each is just as bad as a holiday village in Agadir, Marrakech, Djerba, or anywhere else with 300 ordinary rooms which altogether cost less than the 20 chalets. We can't all expect to own a Rolls Royce and a luxury chalet, but almost all 20-year-olds today, even if they can't expect to own a holiday house, can stay in a holiday village.

We cannot, of course, deny that there is a huge difference between people in the West who can have holidays, and reasonable holidays at that, and people in the developing countries who don't even get a basic education. We are living in a world where more and more people are illiterate, more and more people go hungry, and malnutrition increases every day.

But we must keep a sense of proportion. The crime of tourism—if it is a crime—is not nearly so serious now as it was 50 years ago. It has been democratized, and this has given hope to developing nations. When you put your average French tourist with a young Moroccan, for example, and they are lucky enough to get to talk to each other, the young Moroccan realizes that there are 25 years of history between them. Now that development has been speeded up, and he can expect—I mean he can fight to get—the same standard of living. This is the positive side of the democratization of tourism.

I think it's about time people stopped their attacks on the tourist trade and learned to live with the times. It's good for tourists to be able to travel—provided they leave their superiority complexes at home. We must show that we from

the developed countries, who are lucky enough to get to go to Agadir or Djerba or the Ivory Coast or Senegal, are only two generations away from the man in the developing countries. It is up to us to provide him with the means of doing in one generation what we did in two. It's a problem of educating the tourist. It's also a political problem, since tourism is a means of education and, therefore, a means of political training.

*In absolute terms, then, tourism can speed up the development process. Do you think that tourism, in fact, is already doing so? Is it doing it well? Or not well enough? What can we do to make it more effective?*

**Trigano:** It is helping, but not enough. Take the example of Italy. Only 25 years ago, Italy was on the receiving end of the tourist trade—1 per cent of the population went on holiday, and 30 per cent worked for people who came on holiday. Today, 30 per cent of the population take holidays, and only 15 per cent cater for holiday-makers. A lot of ground has been covered in 25 years, quite a short time. And how are we going to help countries at a much earlier stage of development cover as much ground?

We are witnessing a profound change in our scale of values. Developing countries often supplied raw materials in their original state, and they didn't really make a vast profit on them. But it isn't a pipe-dream to imagine that nothing will leave these countries in its original state in 25 years time. No one will get untreated phosphates from Morocco. They will have been processed, and the value added by competent workmen will be considerable. This added value is a source of profit for the nation, and the Moroccans' income will probably be 10 times what it is now. And, with that amount of money to play with, they will obviously be able to go in for the sort of tourism that we in the more developed countries have.

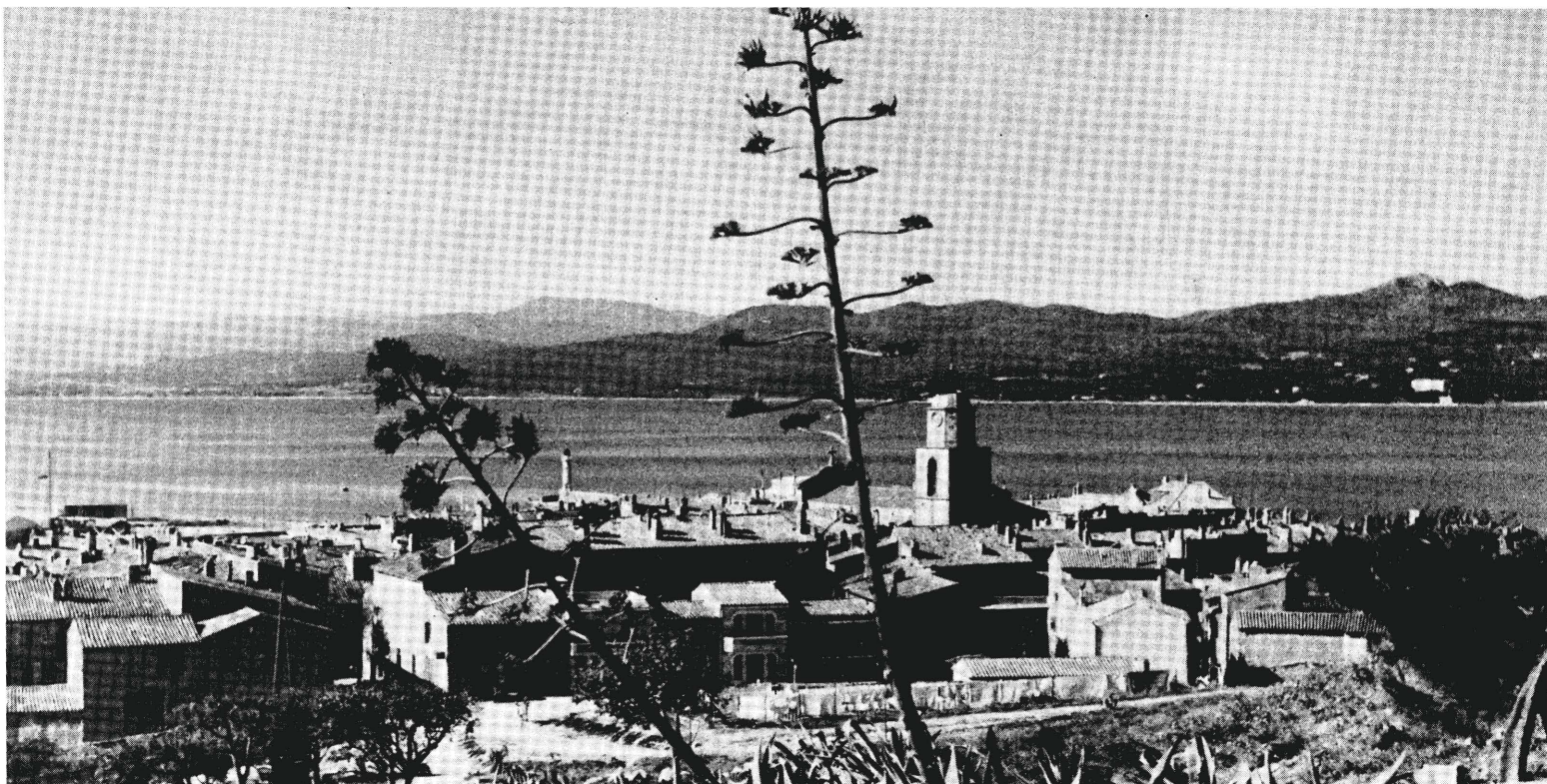
Tourism cannot be separated from the economy in general. The great mistake that even governments sometimes make is to look upon tourism as a panacea, as an end in itself. A country that is interested in its future development should not be aiming for a tourist trade that brings in 40- or 50 per cent of the national product. It was tourism that got Spain off the ground, but don't forget that Spain is now changing into an industrial country—although it is keeping its tourist trade. Look at France. France is an industrial country—but it does realize that there is profit to be made from the tourist trade. Take the example—I was going to say the classic example—of America, which is founded on trade and industry. Well, a few years ago, Americans opened their eyes to the fact that tourism could be one of the sources of their national income in the future. They are following the same course as the others, but in reverse.

We are convinced that the right figure for the tourist trade is 15- or 20 per cent of total economic activity—both as regards employment and as regards the balance of for-

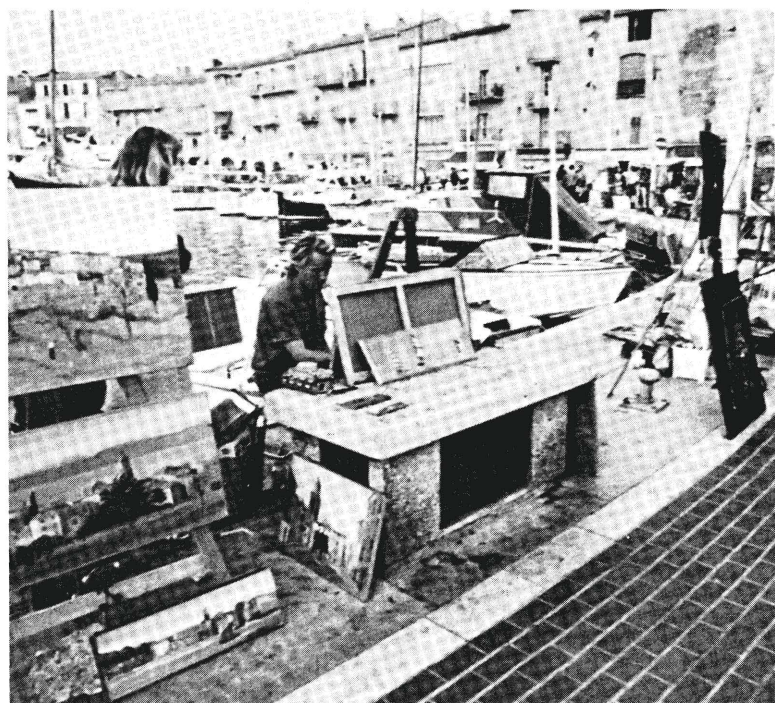


*"Long a mecca for the world's diehard serious skiers, 5,700-foot-high Val D'Isere is a charming little village in the French Alps," reads the Club Méditerranée's publicity brochure.*

eign trade, culture, and influence. Once the right people realize this, tourism will be recognized as the most noble of industries. The best for the country, because it enables its cultural influence to be felt, and the most modern and most intelligent form of export. Is it a good thing to move heaven and earth to sell Moroccan tomatoes abroad at ludicrously low prices? Wouldn't it be better to have some of them eaten in Morocco itself at reasonable market prices?



"... and tiny villages like St. Tropez suddenly became the high spots of a tourist trade only accessible to a tiny minority."  
 French Government Tourist Office



As far as tourism is concerned, I don't think you can separate developed and developing countries. It's the fundamental industry of tomorrow, it's on a human scale, it appeals to people who are responsible for what they do and you know that means something to the working man. In 10 years' time, no one will want to go and work for Volkswagen or Renault if they still have to work on the assembly line and 50,000 people have to clock in at the same time. Tourism is the antithesis of this alienated way of living. In the world that's just beginning, we will see a tourist policy emerge which will be a driving force behind cultural, economic, and social development in countries of

the Third World as well as in the developed countries.

We shall arrive at the paradoxical situation in 15 years' time where many of what are now developing countries will be rich countries. There are two main reasons for this: rational use of their raw materials by processing them before export and intelligent exploitation of their tourist potential. This will contribute enormously to the economy. Moroccan statistics prove it—and it is not just true for one country. One tourist brings in upwards of \$25 per day, and the number of tourist days evened out over the population as a whole gives a very considerable increase in gross income per capita—something that ought to be taken more into consideration.

*From your active experience with the Club Méditerranée, what can you tell us about foreign trade balance; balance of payments and influx of foreign currency; labor; new jobs and vocational training; and regional improvements?*

**Trigano:** Tourism is a recent industry, and some criminal mistakes have been made. Tourist complexes have been built where overcrowding is as bad as in the towns—as if in a pastiche of Emile Allais, we have transported the town to the country. The worst example of all is New York. Every December, the whole of New York goes off to Miami and carries on just as if it were still in New York, except there's more sun. And the Americans aren't the only ones at fault. The Spanish do it too, and France, with the Languedoc scheme, is no better. The mistake is to look upon tourism as an entity in itself and not as an integral part of the life of a people and a nation.

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# around THE capitals

## Rome

The Roman Catholic Church, long a major force in almost every aspect of life in Italy, is preparing to see its influence redimensioned. It would not be the first time; in 1929, the signing of the Concordat between ecclesiastical authorities and Fascist dictator Benito Mussolini marked the church's final renunciation of claims to the considerable temporal authority it had wielded over much of the country up to 1870 when Italy was unified. However, the 1929 Concordat conceded the church a number of privileges vis-à-vis the Italian state—beginning with granting the 108.7-acre Vatican City status as a sovereign state. Over the years, the position of privilege enjoyed by the church has prompted various political groups to press for an overhaul of the Concordat that, they say, would make it more compatible with modern-day, democratic Italy.

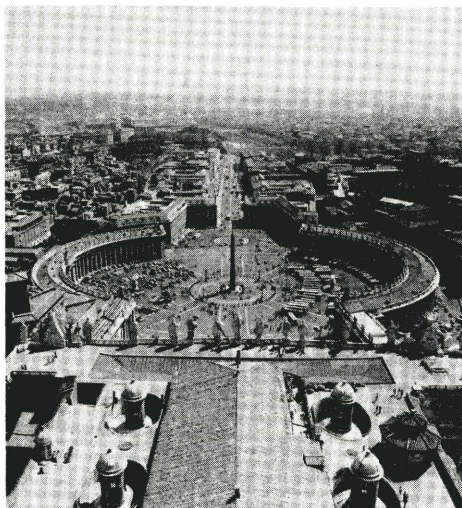
Early in December, the Italian legislature debated the draft for a new Concordat presented by Prime Minister Giulio Andreotti, a Christian Democrat known for his close links to the Vatican hierarchy. The debate formed the prelude to official negotiations which now must take place between church and state authorities. The draft was drawn up by a committee of six experts—three eminent churchmen and three Catholic political figures. It is intended, Andreotti announced when he presented it for discussion in the Chamber of Deputies, to be based on the constitutional principles of "freedom—and therefore no restriction on conscience—and equality—and therefore no privileges."

The new draft reduces the number of articles in the Concordat from 45 to 14. Some of its provisions are apparently far-reaching in their importance: Catholicism, for instance, would no longer be the official "state religion." The Roman Catholic religion, now in effect recognized by Italian civil law as being more important than other religions, would legally be equal to others. Religion would still be taught in public schools, but with a different emphasis. Where previously students had to ask to be excused from class if their parents did not want them to attend, under the new Con-

cordat pupils would have to request to take the course. Marriage would no longer be referred to as a "sacrament" by the state. In addition, state recognition of church annulments—which do not necessarily provide for alimony—would no longer be automatic, but would be subject to examination by an Italian court to ensure protection under the law of the constitutional rights of both parties.

The status of the clergy would also change. Priests would no longer enjoy privileged treatment under civil law in certain instances as they do at present; similarly, the ban on holding public office that is now imposed on priests who have incurred disciplinary measures from the church hierarchy would be lifted. Rome would no longer be referred to as a "sacred city." With this provision, some Romans are already preparing for the facilitated entry into the capital by some x-rated films that formerly had difficulty because of Vatican pressure on the grounds that such material was not suitable to be shown in the city that was the seat of Catholicism.

Despite the considerable changes contained in the draft Concordat, critics are already saying that it does not go far enough, or that it fails to really deal with the larger problem of ecclesiastical power in a democratic state. Several of the smaller political parties not linked to the Catholic Church point out that references to the status of the many church agencies and institutions which enjoy tax and other privileges are



conveniently glossed over in the draft Concordat. Other groups, including the so-called "Catholics of Dissent," protest that the very existence of a new Concordat recognizes a relationship between two temporal powers that is out of character with the church's role as a spiritual leader. They are in favor of total abrogation of the Concordat.

The Communist Party, Italy's second largest political force, has been surprisingly accommodating in its attitude toward the Concordat. Party leaders have said that total abrogation would be "utopian," and rather blandly suggested that the draft new Concordat be studied further. Such an attitude on the part of the Communists apparently fits in with the party's long-term aim of the "historical compromise"—an agreement with the dominant Christian Democrats that would lead to the participation of both parties in governing Italy. Under such circumstances, it is in the Communist Party's interest to take a soft line on the position of the Catholic Church, with which the Christian Democrats are traditionally aligned. —CHRISTINA LORD

## Dublin

One of the strongest arguments in favor of Ireland's joining the European Community in 1973 was that membership would make the country an attractive manufacturing base for multinational firms outside the Community which were anxious for direct and guaranteed access to its market of 260 million consumers. Figures produced recently by the Irish Industrial Development Authority, which has the job of wooing foreign investment to Ireland, show that this optimism was justified. Americans and Japanese in particular have been quick to spot the advantages and to capitalize on them. Community multinationals—particularly German, French, and Dutch—have also been attracted by the plentiful supply of skilled workers and a relatively stable labor situation.

The Americans, however, have been in the vanguard of this invasion, and they have shown a confidence in Ireland that has not been paralleled in the Community in gen-

eral. Last year, the largest percentage increase in US investment in manufacturing in Europe occurred in Ireland. From early 1972, when it was clear Ireland was about to join the Community, until September last year a total of 103 US firms had committed themselves to establishing manufacturing plants in Ireland, involving a fixed assets investment potential of \$440 million. When these plants are fully operational, they will have generated 22,500 new jobs. While total US direct investment in the Community in 1975 increased by 10.2 per cent, the increase in Ireland's case was 35 per cent. This faster rate meant that Ireland captured an 8.6 per cent share of the increase, raising Ireland's share of total US manufacturing investment in the Community from 1.98 per cent in 1974 to 2.45 per cent in 1975.

Clearly, Americans regard Ireland as a worthwhile investment—a conviction further borne out by the fact that, while in the Community the average adjusted earnings of US manufacturing firms fell by 10.4

development Authority (IDA) operates a system of nonrepayable cash grants as well as a plan of tax relief on export profits; it also has a system of local guarantees and interest and subsidies and can supply training grants and advance factories.

Although Ireland has one of the highest unemployment rates in the Community, the IDA is making inroads on the statistics, and there is no doubt that membership in the Community has been a major contributing factor. In the two decades before membership only 68,000 new jobs were created. Since April 1973, four months after Ireland's accession to the Community, investment projects have been approved which will result in 75,000 new jobs. (Some recent start-ups by US firms in Ireland with the number of jobs created: Becton Dickinson [1,100 jobs]; Abbot Laboratories [830]; Burlington Industries [950]; Gulf and Western [750]; Pfizer Corporation [770]; Baxter Laboratories [600]; Wilson Sporting Goods [500], and Black and Decker [1,000].)



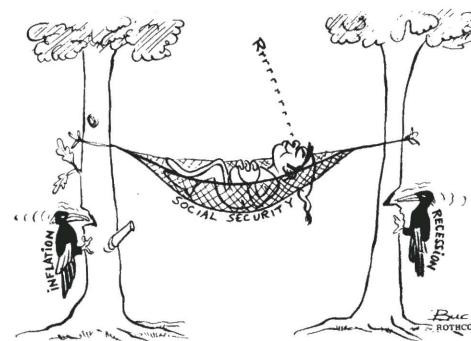
*Evidence of American direct investment in Europe.*

per cent between 1974 and 1975, Ireland, along with Germany, moved against the general trend with an increase in Ireland's case of 30.3 per cent. A further indication of this confidence is the fact that, while in the Community in general more than half of the total manufacturing profits of US companies were repatriated, 75 per cent of the profits earned in Ireland were re-invested in expansion projects. This enabled more than half of the additional US manufacturing investment in Ireland in 1975 to be funded from re-invested earnings.

Apart from the obvious benefits to be derived from locating in a Community member state, foreign firms thinking of investing in Ireland have a number of other plus-factors to consider: The country is politically and socially stable, despite the inevitable spin-off from the Northern Ireland situation. The industrial relations record is good. Labor costs, while not cheap, are relatively low compared with other Community countries. The Industrial De-

While most of the US investment has been in manufacturing, an interesting recent development was a report that Merrill Lynch, the US firm of stockbrokers, is thinking of setting up its world administrative headquarters in Ireland. Similar firms could follow this example, since the Government may shortly introduce export tax relief for service as well as manufacturing industries. The IDA is certainly looking forward to continued American investment. Its chairman, Padhraic O Slatarra said recently: "The contribution of US firms to job creation efforts in Ireland will continue to be vital. For our part, we will persist in searching out high-caliber investment projects from American firms seeking European locations. I believe that the partnership between Ireland and American enterprise is an attractive and mutually beneficial one. I am confident that this partnership can continue successfully for many years to come."

—BRIAN O'NOLAN



Bac, Heilbronner Stimme, Germany

## Bonn

The Federal Republic of Germany, a country which seems to most foreign visitors to be rich enough to afford anything it wants, is having trouble finding the money to honor obligations to its pensioners. Like counterparts in many other countries, the German pension plan depends on an actuarial balance between the working population, which pays in contributions based on earnings, and the retired population, which draws out benefits. Unlike some other countries, however, the balance has been changing at a period when contributions have been falling because of a depressed economy, while benefits paid out have been increasing. Not only that, but politicians of all parties have got themselves into a position where they are having the greatest difficulty in approaching pension reform.

Several years ago, with the laudable aim of trying to shield old people, widows, and others dependent on their pensions from inflation, the Government devised a mechanism for adjusting pension payments automatically to the rise in the general cost of living. The way this works is that in order to calculate how much pensions ought to rise in 1977, the average national wage increase in the three years 1973-75 is taken and passed on to the pensioners directly. As it happens, those were three years of still high inflation (at least by German standards), so that next July 1, an increase of almost 10 per cent is to be paid—considerably more than the average national wage is rising now. In fact, the pensioners' "catch-up" has been so great that in 1975 the average income of households dependent solely on pension income was only 5 per cent below that of households dependent on wages earned.

The German birthrate, however, is one of the world's lowest, so it comes as no surprise that the proportion of pensionable-aged people in the general population has been steadily increasing. In 1964 there were 170 people aged 65 or over per thousand. Ten years later the figure had risen to 221, in 1976 to 243, and in 1979 it will

reach a peak of 248, declining to about 220 again by the late Eighties. Put another way, in 1976 there were 11 pensioners for every 25 wage- and salary-earners.

To add to the system's woes, the retirement age was dropped to 63 for men in 1972 without any increase in contributions, and other concessions were introduced for the self-employed and those on low wages. And at the same time, unemployment is once again close to 1 million—a further shortfall in the funds the pension system needs to have coming in if it is to go on paying more out. And because pension contributions are assessed automatically at 18 per cent of an employed person's gross wage (half paid by the employee, half by his boss), the slowing down of wage rates has also cut back the income to the various big, state-run pension funds. Only a return to—by German standards—high rates of inflation could put the system temporarily back into balance.

Such a situation, which under present conditions could lead to the pension funds' 43 billion-mark reserves' being exhausted by the middle of 1978, is a nightmare for any politician. Chancellor Helmut Schmidt and his coalition partner Hans-Dietrich Genscher, spent the recent election campaign promising that pensions were "safe" and angrily attacking the Christian Democratic opposition for "making old people afraid for their livelihoods." But just before their Social Democratic-Free Democratic coalition took office formally again for four more years in mid-December, the two leaders reached a private, though unfortunately for them not secret, deal to ignore campaign promises that next year's 10 per cent pension increase would be honored.

The result, predictably, was political uproar. Schmidt did well to keep the coalition's support in the legislature from splitting asunder, but apart from that has to face four more years in office with the confidence of the public and of his own supporters badly shaken after what he has publicly admitted was "a serious mistake." Meanwhile, Germans are still wondering how the long-promised cleaning up of the pension system's money problems is going to achieve what looks like the financially impossible.

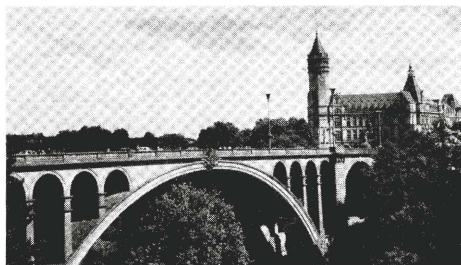
—ADRIAN DICKS

## Luxembourg

Conventional wisdom to the contrary, it can be said that there has been no "proliferation" of foreign banks in Luxembourg. New ones keep arriving; yet some others, usually smaller institutes, have left or

merged with others. Thus the overall total of both domestic and foreign banks has been around 80 for a considerable time now.

Like other international financial centers, Luxembourg underwent a traumatic shock when the Cologne-based Herstatt Bank crashed in June 1974—and not just because that bank operated a subsidiary in Luxem-



*State Savings Bank of Luxembourg*  
National Tourism Office of Luxembourg

bourg, which was promptly closed. In a way Luxembourg suddenly felt itself to be in "double jeopardy." Not only did the future of the Euromarkets, on which its financial structure rests, suddenly look very dark; to make matters much worse potentially, unlike other countries, the Grand Duchy possesses no central bank of its own that, should one or several banks have troubles, might act as a "lender of last resort."

Those were anxious weeks and months even if the authorities, fully aware of the risks and dangers then prevailing, did their best to create quickly a kind of safety network. In the event, this was never needed. Furthermore, while international markets and the banks which operate in them are unlikely to soon forget the Herstatt affair, they managed to shrug off its business effects much more rapidly than even optimists had dared hope. Less than a year later the scene was quite serene once again.

In a world characterized by sharply fluctuating foreign exchange and interest rates, by ups and downs in both national and international business activity, financial centers like Luxembourg are constantly buffeted by many winds, of course—some hostile, some friendly. In such a world evaluating prospects becomes nearly impossible. Two points are worth noting, however. First, as evidenced by the balance sheets of the four score banks established in the Grand Duchy, the past two years have been a period of impressive consolidation—advances previously made now look quite secure. Second—and this is the view of most authorities concerned—it is not just that the moment may now have come for a fresh expansion; it is very likely that, to judge by the performance of the banks throughout 1976, this already has got underway.

—WILLIAM DROZDIK

## Copenhagen

Only a few years ago a Portuguese foreign minister would disdainfully claim in the General Assembly of the United Nations that it was pure nonsense to describe the then Portuguese colonies as such. He preferred to call the colonies "overseas territories," as much a part of Portugal as any metropolitan province. And to one of his sharpest critics, Denmark, he retorted that the only really good example of a colony he could think of was Greenland, Denmark's gigantic arctic territory. Well, the Portuguese colonies have rebelled and achieved independence while Denmark remains the custodian of Greenland, as constitutionally a full-fledged legal entity within the Danish state. Legal niceties aside, there is a distinct awakening of nationalism, or at least of regionalism, in Greenland.

As yet, demands for Greenland's independence have been few and unimportant. But the process of introducing real self-government has been activated, and on a pattern which elsewhere has led, irreversibly, to full independence. Greenland already has some autonomy. A special regional council for Greenland serves as a strong base for the articulation of demands, and from next year will receive the power of taxation, albeit within narrow limits. This is part of a general policy aimed at providing the Greenland local authorities with their own financial resources.

Until 1975 there was no income tax in Greenland. The 40,000 indigenous Greenlanders are generally poor, and the lure of tax-free salaries was considered necessary to induce a sufficient number of Danes to work in Greenland. Approximately 10,000 Danes have moved to Greenland, where they, not without racial friction, perform vital functions in the economy and administration. The transfer of resources from Denmark to Greenland has also been substantial in recent years, now amounting to about \$3,000 per head per year. Danish membership in the European Community has channelled additional, not unsubstantial, funds to Greenland, and there is now EC financial support for the protection of Greenland fisheries, at the moment the responsibility of the Danish Navy.

The Greenlanders, nevertheless, want more influence. The catalyst is the prospect of finding enormous natural resources underground and offshore. Uranium has been found in commercial quantities; one area may provide 1,000 tons of uranium a year for 50 years, which could supply Danish nuclear plants well into the next



Greenland's economic life is based primarily on the sea. Danish Embassy, Washington.

century. Offshore, the search for oil is on with a fair amount of optimism.

Naturally, the question of who should reap the profits has cropped up. The new Greenland nationalist party "Sujumut" (Eskimo for "Advance!"), which includes two former Greenland members of the Danish parliament, insists that all profits should be distributed by the Greenlanders themselves. The new party is also afraid that too rapid exploitation of the resources will change the society of Greenland beyond recognition. It has a point. It is certainly difficult to imagine an indigenous population of 40,000 being able to cope with the manpower, political, and economic demands of a sudden oil or minerals boom.

The Danish Government, supported by a large majority in the Folketing, the Danish parliament, says that the profits should be fairly divided between the needs of Denmark and Greenland. But the Government is aware of the explosive political potential of the issue. And this awareness will no doubt exert a favorable influence on the suggestions of the Greenland Self-Government Commission, which were made public a few months ago.

If the suggestions are implemented, the people of Greenland would elect a much stronger legislative assembly in the spring of 1979. The assembly would choose an executive council among its members and control most policy areas except defense. The most controversial of the report's suggestions is that the new Greenland assembly would have a right to refuse further exploitation of natural resources if considered detrimental to the development of Greenland. The Danes may be prepared to accept this formula, but Greenland politicians may be tempted to ask for full, formal control.

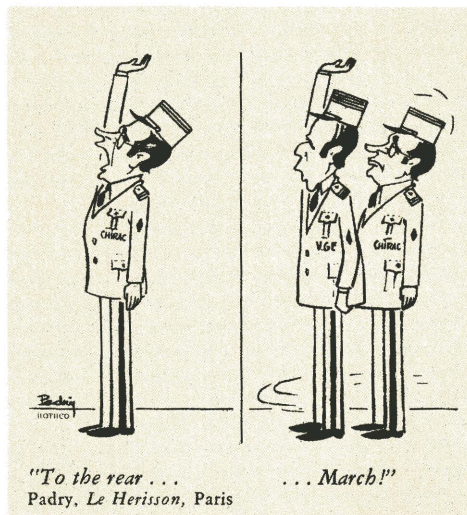
—LEIF BECK FALLESEN

## Paris

The New Year has been greeted with great relief by most Frenchmen: It certainly can't be worse than the last, with its drought, austerity plan, higher taxes, disappointing inflation rate (12 per cent), and climbing

unemployment. But the one person who does not share this sense of relief is the President himself, Valéry Giscard d'Estaing, who finds that the New Year not only threatens him with attacks from the left, but that his right flank no longer is secure. Giscard d'Estaing and his Government must now contend with the new Gaullist "Rally for the Republic," a latter-day version of General de Gaulle's "French People's Rally" set up at the height of the Cold War years to save France from world Communism. The danger today, however, is Euro-Communism, and former Prime Minister Jacques Chirac and his Rally are out to make sure that the Euro-Communists *ne passeront pas*.

All this would be fine with the Government if everybody agreed on tactics to make sure that the Communist and Socialist opposition doesn't win during this spring's municipal elections and next spring's national elections. But everybody does not, and so far the Gaullist maneuvers have had the effect of weakening the Government more than they have the opposition. In fact, for the first time since Giscard d'Estaing's election 18 months ago, the majority is more divided than the opposition. Chirac's replacement of the old UDR Gaullist party with the Rally is an undisguised attempt to woo support from other majority parties away from the President and into the Gaullist fold.



"To the rear . . .  
Padry, Le Herisson, Paris

The effect has been of setting up a kind of parallel government, one that will attempt to rally the people behind its own program and its own candidate Chirac. For the Gaullists, it is highly unusual behavior, for if de Gaulle left one durable legacy, it was the institutions, and the pillar is the President of the Republic. Unlike in the United States, with its equal branches, the French President stands alone, supreme

arbiter, directing affairs throughout his seven-year term no matter what the whims and mutations of the parliament might be.

Chirac, who resigned as Prime Minister last August when the President would not agree to calling new national elections immediately, is accusing the Government of abandoning traditional Gaullist electoral strategy. Since 1958, that has been to dramatize the situation, scare the people away from collectivist internationalism and back to healthy, French nationalism (except that the French Communists now claim they are the only nationalists left!). Since 1958, the strategy has been infallible.

Giscard d'Estaing, no Gaullist, believes in another approach. He thinks France has evolved past the stage where the nation should be divided into two mutually uncomprehending halves. With his brand of reformism, he has tried to attract support from the great amorphous French middle, which has been Socialist or Social Democratic by tradition. His theme has been that the Socialists belong with him, not with the Communists.

This newest quarrel is the most visual example yet of the deep hostility between the two principal members of the French majority. At party congresses these days, Gaullists actually boo Giscardists, and when the President's Independent Republicans meet, they give the same to the Gaullists. The Gaullists will never forgive Giscard for his lukewarm support of de Gaulle in the general's waning days of power, and the President simply never has accepted the nationalist tenets of Gaullism. The latest manifestation of their mutual discomfort does not bode well for the majority in the coming elections.

—JAMES O. GOLDSBOROUGH

## The Hague

A key gambit in the triangular power match involving the West, the oil-exporting countries, and the Third World was played by the nine EC heads of government at their latest, thrice-yearly summit, in the Hague, but not without embarrassing overtones for the Government of Dutch Premier Joop den Uyl.

Warned by German Chancellor Helmut Schmidt that offering new aid concessions to developing countries before an OPEC decision on oil price increases was reached could mean the Common Market "would get caught paying twice over," EC leaders chose to wait and see what action the Organization of Petroleum Exporting Coun-



tries would take at its winter meeting in Qatar.

The Dutch pique over stalled EC plans to come up with a conciliatory aid package for developing countries to mollify the oil producers was aggravated by a US State Department letter outlining the West's need to split the nascent political alliance between OPEC and the Third World. The letter was leaked, allegedly by the Netherlands embassy in Paris or a high official in the Dutch Development Ministry, to a British journalist who flaunted its contents at a press conference held by den Uyl and Dutch Foreign Minister Max Van der Stoel following the summit.



Ridderzaal Binnenhof in The Hague, where the European Council met.

Passing the buck assured a postponement until spring of the final ministerial conference of the North-South dialogue in Paris between rich and poor nations, a delay that will afford sufficient time for the new Carter Administration to take its own initiatives. But it also contributed to the startling fissure in OPEC unity that occurred when Saudi Arabia and the United Arab Emirates refused to join other oil exporters in demanding a 15 per cent hike in oil prices.

At the Hague meeting in late November, the Dutch argued in vain for a bold display of altruism that would pledge the Common Market to settle Third World debts on more generous terms and guarantee the purchasing power of raw material exports. Some Dutch officials remarked that if the Community did not take immediate steps toward satisfying Third World demands, their Government would consider ways of acting alone.

Some leaders in developing countries claimed the letter confirmed their suspicions about the West's lack of good faith at the Paris conference. American officials were irate over the breach of secrecy, and Van der Stoel ordered a full investigation to find the source of the leak. But when the furor

subsided a week later, den Uyl halted the search.

In the aftermath of the OPEC disagreement, Community officials still believe rapid progress must be achieved to resolve the deadlocked North-South conference. In the communique issued after their summit, EC leaders promised to succor poor countries "to the extent that developments in their own economies permit"—a veiled bid to strike a quid pro quo with OPEC. The onus of action has shifted back again to the West. Dutch Government officials feel that unless substantial help is offered to developing nations in the next six months to relieve their burdensome debts and protect their export earnings, OPEC might quickly recover its prodigal solidarity and another rise in oil prices would darken the West's economic horizon. Even Chancellor Schmidt agrees with the Dutch over that dismal scenario.

—WILLIAM DROZDIK

## London

Britons are reaching back to World War II days for some old eating habits. Soaring food prices, not nostalgia, is why. The Ministry of Agriculture says the country's food prices jumped 25-to-33 per cent during 1976. The traditional Sunday roast costs about 40 per cent more than in 1975. It means Britons are eating less meat and a lot more pasta, beans, and lentils. Potatoes? Looked upon as diamonds, luv. A pound of spuds costs at least twice the 1975 price, and a national newspaper recently featured a cartoon showing a housewife and child wrapping individual potatoes as Christmas presents.

A jitney. © London Express



Many newspaper food columnists are stressing "frugal food" recipes with the accent on using leftovers and the edible fringe bits of meat and veg that in flusher times went into the garbage pail. Agriculture Ministry officials recall that during World War II severe food shortages and rationing did not cause deprivation or malnutrition because people learned to eat alternative foods. Surprisingly, fish consumption has not increased much above 1975 levels, but even here the British lover of cod 'n chips should get a jab in the tummy. With British trawlers no longer able to sail in Icelandic waters, cod prices are expected to leap in 1977.

Britain thus far has been spared the drug problems experienced by the United States and other major nations, but the flow of so-called Chinese heroin from Southeast Asia is causing concern. The Government's Standing Conference on Drug Abuse says in its annual report that the number of British addicts is growing at a steady 10 per cent a year. It also says illicit narcotics trafficking and organized criminal involvement is on the upswing. The report says there were 926 new registered addicts in 1975, 6 per cent more than in 1974.

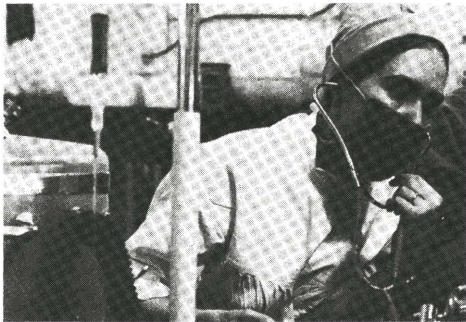
Meanwhile, the jitney may be one way of soothing the commuter's ruffled nerves as London's traffic grows more chaotic and the famous red doubledecker bus fleet falls into disrepute. The Greater London Council (GLC) is considering a proposal to spend 20 million pounds (\$34 million) on a new doubledecker bus fleet because many of the present London buses can't be kept mechanically sound, driver and conductor shortages notwithstanding. While the GLC ponders, a London newspaper (*The Evening Standard*) is sponsoring an experimental

jitney service as a possible way of making life smoother for the long-suffering bus riders who, queuing not so patiently for infrequent buses on key commuter routes, can wistfully recall the days when the printed bus schedules meant something. So far the applause is louder than the har-haring.

The jitneys, 16-seater minibuses, would ply between two fixed points but on a flexible route to evade traffic jams. They could be stopped by hailing them like taxis. The jitney idea was partly inspired by the fact that nearly 75 per cent of London's bus passengers travel in the center of the city and on journeys of less than two miles.

London Transport, which runs the capital's bus and subway services, says further investigation of jitney possibilities should be carried out, but it has some reservations. Jitney advocates argue that the minibuses, which would be driven by licensed taxi drivers, could be just the rush-hour supplement London commuters need and would make no drain on public coffers. Moreover, reliable jitney service might also encourage many drivers to leave their cars at home during weekdays.

—PETER J. SHAW



## Brussels

Beleaguered by tax authorities and, since December 20, a European Community directive that allows EC doctors to practice in any Common Market country they choose, Belgium's 17,000 physicians have called for a general strike early in the New Year.

Joining their cause will be thousands of Belgian dentists and pharmacists, all exasperated by new administrative rules that require full declaration of their fees and service charges. In the past, the medical professions in Belgium profited from lax fiscal scrutiny, a prerequisite that had kept doctors' net incomes in Belgium well above the European average. But a more serious, long-term threat to their affluence now looms with the prospect of thousands of British and Italian doctors migrating to the "promised land" of Belgium.

Aware of their vulnerability, Belgian doctors have long argued that free circulation of EC doctors would be unfair unless the various health insurance plans in the nine member states were coordinated. In contrast to the rigid nationalized health regime in Britain, Belgium has traditionally imposed few fiscal and legal restrictions on the liberties of the medical profession, preferring instead to let the national doctors' association keep its own house in order.

The new Common Market directive threatens to change all that, as European migrant physicians begin to intrude on the Belgian medical preserve. Already a London personnel office has mailed a 27-page brochure to numerous Belgian hospitals, offering the services of British professionals from neurosurgeons to orthodontists for a 10 per cent commission of their salaries. Nobody expects many Belgian doctors to set up practice in England, where medical fees and salaries are sometimes half the amount earned in Brussels.

The Belgian doctors hope their strike will focus Government attention on their plight, resulting in some form of compensation for the imminent invasion they are braced for. Lobbyists for the Belgian medical syndicate insist the doctors' aim is not to disrupt or block the free circulation directive, but rather to prod the other Community countries into establishing fairer health and social security policies. They also want to preserve local professional opportunities for the 20,000 Belgian medical students expected to graduate over the next five years.

The doctors, dentists, and pharmacists are fully aware of the serious consequences their strike plans could entail, but until the critical dilemma is resolved, they seem prepared to paraphrase the Biblical command to say: "Patient, heal thyself!"

—WILLIAM DROZDIAK

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# NEWS

## OF THE COMMUNITY

### AID

#### Turkish Forest Development

The European Investment Bank will partly finance an integrated project for forestry development and help set up an industrial complex to produce board, kraft paper, and sawn wood in the Mediterranean region of Turkey.

The bank is putting up 5 million units of account (UA) at 4.5 per cent for 30 years (with an 8-year grace period) for this project, which will enable Turkey to make better use of its vast forest resources and help save foreign exchange which would otherwise be spent on importing linerboard and kraft paper. (One UA equals one 1970 dollar.)

The forestry part of the project will be implemented by the Turkish Ministry of Forests and is intended to increase annual wood production in the Antalya, Mersin, Adana, and Maras forests to 2 million cubic meters annually. This would provide an additional 2,700 jobs.

The industrial complex will include a sawmill, a pulp mill, and a paper mill, with necessary pollution control equipment and will be built at Silifke near Mersin. With an annual production capacity of around 170,000 cubic meters of sawn wood, this subsidiary of Türkiye Selüloz ve Kâğıt Fabrikaları İletmesi, which is Turkey's largest producer of paper and board, will provide jobs for 1,200 people.

#### Disaster Relief for Turkey

The Commission has requested the Council of Ministers to give an immediate go-ahead to allocate 500,000 units of account (UA) to the International League of Red Cross Societies to purchase tents, sleeping bags, heating equipment, etc. for the victims of the recent earthquake in eastern Turkey. (One UA equals one 1970 dollar.)

Council approval was needed because the disaster relief resources in last year's budget specifically earmarked for disaster relief were exhausted.

The Commission also approved UA 14 million from European Agricultural Guidance and Guarantee Fund resources for rebuilding the Friuli region of Italy, which was devastated by earthquakes in 1976.

The money—which brings the total allocated from agricultural funds so far to over UA 28 million—will be used mainly to repair agricultural infrastructure, such as country roads, aqueducts, irrigation systems.

### Sudan Receives EC Finance

The triangle of Arabs, Africans, and Europeans has a fundamental role to play in tomorrow's new world order to demonstrate solidarity and interdependence, to promote national and regional struggles for independence, and to respect cultural identities, EC Development Commissioner Claude Cheysson affirmed at the opening ceremony of the Arab Bank for African Economic Development in Khartoum late last year.

This principle has already taken concrete shape in the form of decisions on seven projects involving six African countries, for which the Arab Bank will put up \$70 million and the European Community \$150 million from Lomé Convention funds. A further 16 projects for 10 countries are under study.

While in Khartoum, Cheysson signed two financing agreements putting 344,000 units of account (UA) at the disposal of Sudan. (One UA equals one 1970 dollar.) UA 200,000 will be used in a technical assistance and feasibility studies program for the development of the building materials industry. UA 114,000 will finance a feasibility study on the manufacture of alcohol, bakers' yeast, and animal feeding stuffs from the molasses which will be the by-products of Sudan's rapidly growing sugar industry.

### West African Project Help

The European Investment Bank (EIB) will help finance construction of a clinker production plant and limestone quarry installation at Tabligbo near Lomé in Togo by a company set up jointly by Togo, the Ivory Coast, and Ghana.

The company—Ciments de l'Afrique de l'Ouest (CIMA O)—will receive a loan equivalent to 14 million units of account (UA) from the EIB's own resources, on which 6 per cent interest will be payable after a 3 per cent rebate is deducted, which is financed by the European Development Bank. The loan is for 14½ years. (One UA equals one 1970 dollar.)

The EIB has also concluded three risk capital transactions worth UA 2 million each for each of the three countries. The money comes from the resources set aside under the Lomé Convention for risk capital. These 20-year loans at 2 per cent interest (with a 14-year grace period) are intended to help the countries concerned finance their shares in CIMA O's capital.

This is the EIB's second loan to the CIMA O plant. Earlier this year it provided a UA 5.9 million loan. The project is of special interest because it is the first one of a regional character in West Africa.

### Mauritius Gets Electric Aid

The Central Electricity Board of Mauritius has received 2 million units of account (UA) from the European Investment Bank for improving electricity supplies on the island by extending the largest power station in Mauritius, at Fort Victoria. (One UA equals one 1970 dollar.)

This 13½-year loan at 6 per cent interest—after deduction of a 3 per cent rebate subsidized by the European Development Fund (EDF)—is the second toward this project.

Last year the EDF lent UA 1.8 million for the same project, which will eventually increase the power station's generating capacity to 62.4 megawatts and enable extra demand from tourism and industry to be met.

### EC Development Cooperation

Although EC ministers late last year were unable to give more than an amber light to new initiatives in EC aid policy, the then Council President, Dutch Development Minister Jan Pronk, expressed the hope that final difficulties would soon be resolved without reference back to ministers.

This would enable the Commission to allocate 20 million units of account (UA) for rural development projects outside the Lomé Convention area for the first time. (One UA equals one 1970 dollar.) A list of projects in India, Pakistan, Bangladesh, Sri Lanka, Indonesia, and Bolivia has already been approved.

In addition, EC member states are due to start cooperating more closely in coordinating aid policies in international organizations and in the field, where they operate side by side in the same countries, providing a resolution discussed at the ministry gets final clearance by the experts.

## ECONOMY

### EC Convergence Stressed

At a meeting of EC finance ministers late last year, there was a general show of sympathy for the plight of the British pound and acknowledge-

ment that member states would be willing to step in if the IMF (International Monetary Fund) loan to the United Kingdom proves to be inadequate.

The other EC member states are keen to see Britain—and others—brought back on a course of economic convergence with the rest. The need for greater economic and monetary coherence was the main theme of the meeting, touching on the need for concerted and well defined money supply policies, target zones for all currencies' fluctuations rather than the currently more rigid "snake" of five jointly floating currencies, and control of the Eurocurrency markets.

No conclusions were reached as to how these could be achieved in the current state of monetary and economic instability, but the Community's monetary committee and the economic policy committee will continue to study ways and means and report back to the Council subsequently.

### Boosting Youth Employment

EC education ministers met in Brussels last November and agreed on a four-year finance program for pilot projects to find ways of boosting youth employment.

The 11.4 million units of account (UA) program will meet around half the cost of a score of projects which study the following priority areas (One UA equals one 1970 dollar):

- better matching of education and training skills of school drop-outs with actual on-the-job requirements;
- problems of low motivation toward school and work;
- promotion of equal opportunity for girls, better opportunities for young migrants and the handicapped;
- improving guidance and counseling processes;
- better vocational preparation in the last years of schooling;
- more emphasis in teacher training on the problems of preparing young people for working life.

Ministers also reviewed past achievements in education, which in the last year included six pilot programs on education of migrant workers' children, grants to further combined study courses in higher education institutions in different member states (a project which will be expanded this year), and preparation for publication of a 1977 handbook for students on opportunities Community-wide.

### World Shipbuilding Accord

At an OECD (Organization for Economic Cooperation and Development) meeting on the state of the world shipbuilding industry in Paris last December, the EC Commission, on behalf of the Community, called for a two-year international agreement on

distribution of world shipbuilding orders.

The proposal reflects growing alarm at the shrinking world market, which is a threat to 400,000 jobs in the Community, and at the burgeoning share of Japanese shipyards on that market, with over four-fifths of new orders currently going to Japanese yards.

The Community feels that a 50/50 split of orders between Japan and Western Europe—the two major shipbuilding zones of the world—would be a fair reflection of the current situation when sophistication of the vessels built is combined with actual tonnage.

It would also bring about a fair distribution of the burden of cutbacks for the industry, which are inevitable for every shipbuilding nation—except, in the Community view, developing countries.

The Community, contrary to some other industrial powers, believes it is unfair to demand that the developing countries, which have an up-and-coming industry, be asked to share in the cuts.

## EXTERNAL

### Ministers Settle Issues

At their regular monthly meeting in Brussels late last year, EC foreign ministers settled a number of problems outstanding in EC relations with the outside world.

They gave the go-ahead for negotiations with Iran on an economic and trade cooperation agreement, drafted a formula for closer ties with Comecon (Council on Mutual Economic Assistance), and gave the final directives for completion of negotiations on preferential trade agreements with Egypt, Jordan, Syria, and Israel—which were signed in early December in the respective countries.

Save only for Lebanon, with which negotiations will be undertaken as soon as the situation permits, this terminates work begun in 1972 with the aim of concluding a series of agreements in the Mediterranean reflecting the Community's impartial and balanced approach to the countries of the region.

Complete agreement was also reached on negotiating financial assistance for Greece—the second protocol of this kind to the EC-Greece association agreement, which makes money available for Greek industrial and agricultural development in the form of grants, soft loans, interest rebates, and straightforward loans from the European Investment Bank on market terms.

Among the other topics raised at the meeting were the broad outlines for improvements in the 1977 gen-

eralized tariff preference plan for the developing world, progress in negotiations with non-EC countries on fishing rights once the EC and non-EC countries have extended their fishing limits to 200 miles, the Community stance at the Conference on International Economic Cooperation in Paris, and the atmosphere of understanding in which last October's meeting of the co-presidents of the EC-ACP Council of Ministers took place, according to a report from EC Council President Max van der Stoep, who said appreciation had been expressed at the Community's efforts to find answers to problems these developing countries have been encountering in selling beef, veal, and sugar to the Community.

### EC-ASEAN Joint Study Group

The second meeting of the joint study group of the Commission and the members of ASEAN—the Association of Southeast Asian Nations—was held in Manila in December. (ASEAN members are Thailand, Singapore, the Philippines, Malaysia, and Indonesia).

The group's first meeting in May 1975 acknowledged the special responsibility that the European Community recognizes toward Malaysia and Singapore as Commonwealth members as well as to their ASEAN partners under the Joint Declaration of Intent. This declaration was appended to the EC Treaty of Accession, committing the Community to furthering trade relations with Commonwealth Asian countries.

At the Manila meeting, the two sides discussed tariff problems and possible projects in which the Community could provide know-how, such as development of the chemical, furniture, agricultural machinery, and pleasure boat industries.

One feasibility study is already underway as a result of the group's work, which concerns the potential for joint bulk shipping of commodities from ASEAN to the European Community.

### EC-Comecon Draft Agreement

At last year's November meeting in Brussels, EC foreign ministers drew up a draft agreement defining the forms of and procedures for relations between the European Community and the Council on Mutual Economic Assistance (Comecon).

The Community would like to exchange information on the environment, transport, and trade statistics with Comecon. However, this is considerably less than what was expected in the draft agreement that Comecon submitted last February, envisioning wide-ranging trade ties.

When it comes to trade relations, however, the Community prefers to negotiate bilaterally, and it reaffirmed

its willingness at this meeting to enter into trade negotiations with each of the Comecon member countries.

This offer was originally made in November 1974 when the Community took over responsibility for trade relations with state-trading countries such as the Comecon states and China from the individual EC countries.

The ministers also stressed that they attach importance to the development of the Community's relations not only with Comecon but also with its individual members.

### EC-Japan Talks on Deficit

Faced with a more than \$4 billion trade deficit with Japan in 1976, the Community held a flurry of trade discussions in Brussels on what to do to restore equilibrium, in view of the current rate of increase in Japanese exports to the Community that has been causing economic and social disruption.

First, a session of the Japan-European Coal and Steel Community regular consultations was held in November to discuss the general economic situation, the present depressed state of the EC steel market, and the problems EC steelmakers face because of highly competitive Japanese imports.

Discussion also focused on investment plans for the iron and steel industry, and the meeting concluded on a somewhat optimistic note when the Japanese side expressed expectations that their steel exports to the Community would not create the same difficulties in 1977.

At a following meeting in mid-November, as part of the regular EC-Japan high-level consultations on a broader front, a number of other sectors were mentioned where import penetration is reaching alarming levels and European manufacturers are finding difficulty selling in Japan. They include cars, pharmaceuticals, shipbuilding, footwear, tobacco, agricultural products, and ballbearings. (The Commission has just opened procedures against Japan to investigate charges that Japanese ballbearings are being sold on the EC market at dumping prices.)

The Japanese delegation showed a clear understanding of the social, political, as well as economic aspects of the problems and undertook to consider urgently what could be done to improve trade relations.

### Israeli Talks Completed

Negotiations completed in Brussels late last year rounded off the EC-Israel preferential trade agreement, which took effect in mid-1975, providing for a financial and an additional protocol to the original pact that enables both sides to dismantle tariffs on reciprocal trade.

The financial protocol will mean

that Israel will receive 30 million units of account (UA) in loans from the European Investment Bank. (One UA equals one 1970 dollar.) The duration of the protocol still has to be decided.

The additional protocol makes provisions for cooperation in agriculture, fisheries, social affairs, industry, encouragement to private investment, scientific research, and development. To implement all this, a special cooperation council has been set up.

### Turkey Parliamentary Meet

The EC-Turkey parliamentary committee met in Ankara late last year and called for rapid action on the critical measures which are urgently required to assure the development and complete implementation of the association agreement. The committee also called for the association council to step up political consultations.

At the meeting, the Community was asked to honor its commitments to grant access facilities to Turkish agricultural production and to grant more concessions for Turkey on the trade and economic front.

It was also hoped that there would be speedy implementation of the third financial protocol so that there would be no interruption in financial support for development of Turkey's economy.

Finally, the committee emphasized the particular importance of freedom of movement of workers as one of the bases of association and suggested implementing this goal gradually, starting with a central check on the machinery of supply and demand.

### Closer Ties with Yugoslavia

The Community and Yugoslavia agreed to strengthen, deepen, and diversify cooperation in all fields when EC Council President Max van der Stoep and Acting EC External Relations Commissioner Finn Olav Gundelach met with President Marshal Tito last December in Belgrade.

The visit took place in the context of the Community's desire to underline Yugoslavia's role as a non-aligned, Mediterranean, European state, and leading member of the group of 77 developing countries.

Among the specific areas cited in the joint communiqué were commerce, industry, agriculture, and economic policy. Emphasis was placed on the need to increase trade, especially Yugoslav exports to the Community in order to right the current trade imbalance.

The Community also hopes to supply more industrial know-how to further Yugoslav growth. Among the industrial sectors where joint studies could afford promising prospects for cooperation are transport, fisheries, iron and steel, energy, telecommuni-

cations, computers, the environment, and tourism. Scientific and technical cooperation will also be discussed by the joint committee set up under the 1973 EC-Yugoslavia trade agreement.

### Iran Negotiations Opened

The first round of negotiations for the proposed EC-Iran economic and commercial cooperation agreement opened in Brussels in late December, headed by Iranian Minister for Economic and Financial Affairs Hushang Ansary and EC Commissioner Finn Olav Gundelach.

The agreement, if successfully concluded, would ensure for Iran a unique and privileged position in the Community's relationship with third countries. At the same time, it would also open new possibilities for European involvement in Iran's developing industrial base and allow Iranian products access to the European market.

The first session of negotiations enabled each side to make clear how they saw the general outline of the agreement, its contents, principles, and duration. Both sides agreed that these negotiations would be followed carefully at ministerial level with a view to taking up and resolving any problems that may arise on a political basis.

The next round of negotiations was scheduled to be held in Brussels in February.

## COMPETITION

### EC Commissioner Dies

Albert Borschette, the former EC commissioner for competition, died in Brussels December 8.

Borschette had a cerebral hemorrhage while in Strasbourg May 11 for a session of the European Parliament and had remained in a coma since that time. He was subsequently relieved of his EC responsibilities on medical grounds and replaced by Raymond Vouel.

Borschette had held the Luxembourg seat on the Commission since 1970; prior to that he had been Luxembourg's permanent representative to the European Community from 1958.

### Restrictive Accord in Sand

Following representations made by the Commission, two major sand producers and sand quarry operators in the Community—British Industrial Sand (BIS) and Sablières et Carrières Réunies (SCR) of Belgium—dropped a restrictive agreement between them which compartmentalized the EC market.

The agreement gave BIS exclusive

rights to sale of certain kinds of sand, machinery, and operation of quarries in the United Kingdom, and BIS was also committed to buying certain quantities of sand produced by SCR. SCR had similar exclusive rights on the Continent.

The overall effect of this agreement and other clauses was to enable the two firms to indulge in concerted practices, which are forbidden in the interests of the consumer by EC anti-trust rules.

## AGRICULTURE

### Turkey/Brandy "War" Update

The long-standing dispute between the European Community and the United States on whether the Community gives fair treatment to American turkey imports under EC poultry regulations came to a head late last year when the United States increased tariffs on cognac.

The United States had dropped these tariffs, which affect about \$15 million worth of trade, in 1974 in the hope of getting EC concessions on turkey import levies which affect about \$30 million of trade.

The Commission says there was a misunderstanding on the American part to believe that such a move would lead to a change in EC policy. But, in the absence of any such policy change, the United States felt unable to maintain its concession.

In the meantime, the Commission had discovered that it has in fact been undercharging some turkey imports, and these levies were increased immediately after the US move, not in retaliation but as a result of normal arithmetical calculation, the Commission stressed.

The Commission pointed out that in some cases the levy is still below what would be justified if the rules were fully applied.

## ENVIRONMENT

### Second EC Action Program

EC environment ministers met in Brussels in December and adopted a second environmental action program to ensure continuity of projects already undertaken under the first program, adopted in November 1973, which promoted the qualitative development of EC economies and preservation of the natural environment.

The emphasis of the second program is: assessment of the effects of pollution, development of a mapping system of the various EC regions according to their characteristics, measures against atmospheric pollution and noise, measures to combat dis-

charge and waste, and environment problems of interest to developing countries.

Ministers also adopted a directive on biological screening for lead which will assess current exposure to lead of the Community's population, measured from the lead content in blood samples over a period of four years of at least 50 analyses per million inhabitants.

### ECSC Anti-pollution Loans

The European Coal and Steel Community (ECSC) has granted two loans worth 10 million pounds to the British Steel Corporation (BSC).

The first loan of 5.6 million pounds, at normal interest rates, will go toward the cost of anti-pollution equipment at BSC electric blast furnaces in Sheffield, Stocksbridge, and Tinsley Park. The other loan is for 4.2 million pounds at a reduced rate of interest and will be used to help finance new research facilities in Middlesbrough and Grangetown.

The ECSC has just raised \$150 million on the American capital market from an issue floated by a consortium headed by Kuhn, Loeb and Company, First Boston Corporation, Lazard Brothers, and Warburg-Paribas-Becker, consisting of negotiable paper at 8.25 per cent and bonds at 8.875 per cent.

A further 80 million Swiss francs is being raised on the Swiss capital market by another consortium. The bonds are at 5.875 per cent for 15 years.

### Improving UK Water Supply

The European Investment Bank (EIB) is lending a total of 10 million pounds to the British National Water Council to improve water supply in northeast and southwest England.

The Northumbrian Water Authority will receive 6 million pounds for 12 years at 8 $\frac{7}{8}$  per cent—the third EIB loan to the Kielder plan—to build a dam and reservoir with about 200 million cubic meters of storage capacity and regulate the flow of the rivers Tyne, Wear, and Tees.

The South West Water Authority is to receive 4 million pounds toward a 16 million pound project to improve supply and sewerage in Cornwall.

Both projects are intended to improve supplies to private homes and industry in the respective regions.

### Controlling Rhine Pollution

In December the EC Commission, along with Germany, Luxembourg, the Netherlands, France, and Switzerland, signed on behalf of the whole Community two international agreements designed to combat chemical pollution in the Rhine: the Convention on the Protection of the Rhine

Against Chemical Pollution and the additional protocol to the Berne Agreement of 1973.

As a result, chemical pollution of Rhine water caused by a certain number of dangerous substances will be phased out, thus making Rhine water easier to purify for human and animal consumption.

At the same time, the conventions—whose provisions are largely inspired by the Community's directive regulating dumping of dangerous substances—will conserve fauna and flora and maintain the water's own self-purifying capacity.

### Protecting Plastics Workers

The Commission wants to intensify efforts made to protect the 10,000 workers involved in producing vinyl chloride monomer (vcm) and polyvinyl chloride (pvc) (basic raw materials for the plastics industry) as well as the 350,000 workers processing plastics from vcm's toxic effects.

The Commission has therefore drafted a directive as part of its environmental action program and in line with the aims of the Community program for safety, hygiene, and health protection at work, designed to harmonize and improve the relevant laws and regulations in member states since vcm is a toxic gas which can cause a variety of diseases.

Gaseous vinyl chloride has a narcotic effect and can also give rise to disorders and diseases affecting the skin, blood circulation in the hands and feet, bone structure, the liver, and the spleen.

The directive will lay down maximum permitted levels for the atmospheric concentration of vcm in working areas, measuring and monitoring techniques necessary for this purpose, and guidelines for medical surveillance, including setting up a committee to review the directive every two years in the light of new technological developments and advances in occupational medicine.

## ENERGY

### ECSC Loan for German Coal

The European Coal and Steel Community plans to lend 36 million marks to the Eschweiler Bergwerks-Verein coal mining group in Germany, to maintain production capacity and open up new seams in their mines.

The money will be spent on three projects: opening up a promising coking coal seam in Westphalia, modernizing the production plant for low-grade coal and enlarging sanitary facilities at the Aachen mines, and replacing and expanding the coking furnaces at Castrop-Rauxel.

### Coal Causes EC Concern

The fall in Community coal production and in investment in new mining capacity is a cause of concern to the EC Commission.

The Commission has therefore reiterated its earlier warning to the Council of Ministers that the Community is falling short of its target of stabilizing production at 1973 levels, or 250 million tons, in 1985.

The Commission's production estimate for 1976 was 232 million tons. Since imports are 41.5 million tons and total consumption is only 254.6 million tons, there is also a serious problem with stocks of indigenous coal building up at the pithead.

One way out of the problem would be for more power stations to burn coal, and the Commission has now proposed a subsidy of up to 50 million units of account (UA) annually for up to 12 years, which would boost investment up to 30 gigawatts of electricity (the equivalent in output of 30 nuclear power stations) and would save 26 million tons of oil a year. (One UA equals one 1970 dollar.)

## INSTITUTIONS

### EC "Summit" at the Hague

EC heads of government met for their third European Council of 1976 in late November at the Hague, where they concentrated on three issues: the economic situation, relations with the Third World, and European union. They also nominated the next Commission members and looked at some political issues such as the fight against terrorism and tension in the near and middle east.

It was generally agreed that the economic picture is not as rosy as was hoped at their last meeting in Brussels last July. Two aspects dominated the discussion: the likely impact of oil price increases on the balance of payments and the economic situation as a whole and the continuing divergence of economic performance among member states, with only Germany and the Netherlands turning in payments surpluses.

The Community's burgeoning deficit (estimated at over \$4 billion in 1976) in exchanges with Japan was also discussed. Although the heads of government welcomed Japan's announcement of a more liberal approach in future to importing and a certain amount of self-restraint in sales to Europe to right the imbalance, a statement issued after the meeting indicated that this was seen as only a first move and that progress would be reviewed at the next European Council following contacts with Japanese officials.

Two areas of concern in relations with the Third World were raised: progress at the North/South dialogue in Paris and stabilization of commodity markets. The Community made no detailed proposals, but it did reaffirm its intention to make possible every effort to contribute to Third World development and confirmed its belief that the North/South dialogue should be pursued.

In the area of European union the Nine approved a report from their foreign ministers on the feasibility of the proposals in the report on European union drawn up a year ago by Belgian Prime Minister Leo Tindemans, and agreed that foreign ministers and the Commission should produce an annual report of progress in achieving European union.

The Council also stressed its belief in the need to build European union by strengthening the practical solidarity of the nine member states and their peoples, both internally and in their relations with the outside world, and gradually to provide the union with the instruments and institutions necessary for its operation.

### New Commission Takes Office

The members of the new European Commission—nominated by the European Council of EC heads of government at the Hague in November—took office on January 6.

The 12-member team working with Commission President Roy Jenkins, a former minister in British Labor Government are:

- Guido Brunner, of Germany, the previous Commission's research and development commissioner;
- Richard Burke, formerly Irish education minister;
- Claude Cheysson, a Frenchman and the previous Commission's development cooperation commissioner;
- Viscount Etienne Davignon, a senior Belgian diplomat;
- Antonio Giolitti, a former Italian budget minister and eminent socialist;
- Finn Olav Gundelach, the Dane who was the previous Commission's internal market commissioner;
- Wilhelm Haferkamp, a German and the previous Commission's economic and monetary affairs commissioner;
- Lorenzo Natali, a former Italian agriculture minister;
- François-Xavier Ortoli, the Frenchman who presided over the Commission for the last four years;
- Christopher Tugendhat, a British Conservative member of parliament;
- Raymond Vouel, the Luxembourgish who headed the previous Commission's competition department;
- Henk Vredeling, the former Dutch defense minister.

## MEMBER STATES

### Special Help for Friuli

The EC Commission has made a special grant of 15 million units of account (UA) for the earthquake-hit area of Friuli-Venezia Giulia in Italy. (One UA equals one 1970 dollar.) This money from regional fund resources is part of at least UA 71 million to be provided for the area.

The Commission has already made two low-interest loans from European Coal and Steel Community funds for rebuilding steel plants and steelworkers' housing and at least a further UA 45 million is to come from the agricultural fund.

The regional fund money will go toward:

- rebuilding and improving pipelines and water collecting installations of the central Friuli aqueduct;
- rebuilding, completion, and expansion of industrial estates in Medio-Tagliamento, Upper, Eastern, and Central Friuli, Spilimberghese, and Pordenone;
- rebuilding and improvement of the Cedarchis-Salino section of the di Paularo provincial road in Udine province;
- rebuilding of the val d'Arzino and val Colvera provincial roads in Pordenone province.

The grants will meet about 23 per cent of the total cost of these projects.

## EDUCATION

### Higher Business Education

A partnership agreement between the Ecole Supérieure de Commerce et d'Administration des Entreprises of Dijon and the Fachhochschule für Wirtschaft of Pforzheim was signed in Brussels late last year at the offices of the Commission's Directorate-General for Research, Science, and Education.

This is a concrete manifestation of the Community education action program to encourage increased contacts among higher education institutions and promote joint study programs.

The agreement gives formal shape to the close cooperation which has existed between the two institutions for the last decade and provides for development of a joint postgraduate program in European business administration.

There will be places for 40 students in the program initially. Subsequently, it is hoped to associate the Leeds Polytechnic and the South Bank Polytechnic in London with the program so that a tri-national, tri-lingual partnership can be built up.

## TRANSPORTATION

### EC Aid for Channel Links

Expansion of the hovercraft plying between Dover, England, and the French ports of Calais and Boulogne is to be partly financed by the European Investment Bank (EIB).

The EIB is putting up 5 million pounds in the form of a 10-year loan at an interest rate of 9 per cent toward the estimated 12.5 million pound cost of expanding two hovercraft and equipping a new hoverport at Dover.

British Rail will then be able to increase the number of cars carried from 28 to 55 and the number of passengers from 250 to 416. Power will be increased by 10 per cent, and the whole process should also improve stability and comfort.

## HARMONIZATION

### Safety Standards for Cars

The Commission has just submitted three new proposals to the member states for directives designed to make it easier to sell one car make in any EC country and at the same time to guarantee driver safety by setting standards for bad weather vision.

Uniform standards have been pro-

posed for demisting and defrosting equipment, windshield wipers and washers, and standard symbols on dashboard controls (except for failure of the braking system and the handbrake, where no satisfactory universal symbol has yet been worked out).

Together with proposals for rear fog lights, reversing lights, brake lights, heating systems, wheel guards, control pedals, tire weight and dimensions, these draft directives will complete the list for all car fittings.

Once these proposals are adopted, it would be possible to manufacture vehicles with EC-type approval for the entire car, which would automatically give it access to other EC countries' sales networks.

### Food Harmonization Dropped

The Commission has dropped its proposals for harmonized rules for beer, ice cream, sugar confectionery, bread, and mayonnaise because they are unrealistic.

The Commission had hoped to set common standards that would enable much freer trade in these products than at present, but it was discovered in practice that national tastes varied so widely that such rules could have conflicted with consumer habits.

Since the amount of trade likely to have been involved was small, Internal Market Commissioner Finn Olav Gundelach decided they should be withdrawn.

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# 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.*

**Directory of International Energy Statistics: September 1976.** By Patricia Baade. IES Publishing Company, Washington, 1976. 96 pages with reference index. \$12.50.

A compilation of international energy data sources which are grouped according to general references, oil and gas, solid fuels, electric energy and nuclear, and geothermal, solar, and oil shale, with lists of helpful addresses and international organizations.

**European Direct Mail Databook 1976: Second Edition.** Edited by Peter Found. Gower Press Limited, Epping, Essex, England. Available from UNIPUB, Box 433, Murray Hill Station, New York, New York, 10016. 344 pages with indexes. \$27.50.

A handbook designed to facilitate the choice of the best mailing list for marketing goods and services in Western Europe providing an industry review, an organization survey of mailing houses, consultancies, advertising agencies, etc., a catalogue of lists covering agriculture, business, consumers, education, and professional interests, and names of manufacturers, direct marketing and advertising associations.

**The Developing Common Market: The Structure of the EEC in Theory and in Practice.** By John Paxton. Westview Press, Boulder, Colorado, 1976. 240 pages with appendix and index. \$25.00.

A straight-forward guide to the history, aims, ideals, institutions, economic structure, and legal framework of the European Community, fully revised since Britain's decision to remain in the Community, with new chapters on trade unions, EC-Third World relations, and updated statistical material and chronologies.

**Competition Policy in the UK and EEC.** Edited by Kenneth D. George and Caroline Joll. Cambridge University Press, New York, 1975. 220 pages with notes and index. \$19.95.

A compilation of six papers presented at a social science research council conference on "Competition Policy in the EEC" in Oxford in 1974 covering competition policy in the context of Britain's national economy and of the wider Common Market, with respect to restrictive practices, monopolies, and mergers, concluding

with a review of the main economic issues that arise from the papers.

**Trade Effects of Public Subsidies to Private Enterprise.** By Geoffrey Denton, Seamus O'Cleireacain, and Sally Ash. The Macmillan Press Limited, London, 1975. 293 pages with notes, tables, appendices, bibliography, and index.

A study carried out over two years at the University of Reading under the auspices of the Trade Policy Research Centre in London on government intervention in the market place and the circumstances and conditions under which public assistance should be given to private industry, with an analysis of British public policy and policy prescriptions for satisfactory economic growth and profitable international trade.

**Europe's Economic Security: Non-Energy Issues in the International Political Economy.** By Wolfgang Hager. The Atlantic Institute for International Affairs, Paris, 1976. 78 pages with tables and summary. \$3.50.

A study of the implications of global economic interdependence with an examination of the various ways in which Europe's dependence on the world market represents a threat to economic security in the short and long term.

**Planning Law in Western Europe.** Edited by J. F. Garner. North-Holland Publishing Company, Amsterdam, 1975, distributed by American Elsevier Publishing Company, Inc., New York. 353 pages with bibliography and index. \$31.95.

A detailed account of modern town and country planning law in 13 West European countries, written by acknowledged experts on the laws of their respective countries.

**Floating Exchange Rates—The Lessons of Recent Experience.** Edited by H. Fournier and J. E. Wadsworth. A. W. Sijthoff, Leyden, the Netherlands, 1976, distributed by Academic Book Services, Reading, Massachusetts. 229 pages with tables and graphs. \$19.25.

A volume of 14 papers and reports (three in French) on the impact of floating exchange rates on international trade, flows of capital, and monetary policy, delivered at the fifth colloquium organized by the Société

Universitaire Européenne de Recherches Financières (SUERF), held in Vienna in 1974.

**Company Law in Europe.** By Dr. P. Meinhardt. Gower Press Limited, Epping, Essex, England. Available from UNIPUB, Box 433, Murray Hill Station, New York, New York 10016, 1975. Looseleaf with index and bibliographies. \$45.00.

An overview of company law in 11 European countries concentrating on the public limited company, the private limited company, and the corresponding continental types of companies with information on company formation, capital, shares, debentures or bonds, general meetings, directors, contracts, dividends, audit, subsidiary and holding companies, etc.

**Modern German Nationalism.** By Abraham Ashkenasi. John Wiley and Sons, New York, 1976. 222 pages with notes. \$13.00.

A scholarly analysis of the complexities of German nationalism in its historical and social context, public opinion toward nationalism, voting patterns, the army as a vehicle of nationalism, right-wing newspapers in an election situation, organized nationalists and their struggle for power, and the movement of Franz Josef Strauss and his Christian Social Union.

**A Short History of the International Economy Since 1850.** By William Ashworth. Longman Group Limited, London, 1975. 318 pages with index. \$8.50 (paper).

An introduction to the history of the modern world economy detailing developments in the spread of mechanization, business management and organization, labor, government, and economic life, the growth of incomes, and international economic relations since 1850.

**Documents for European Community Law and Institutions in Perspective: Text, Cases, and Readings.** By Eric Stein, Peter Hay, and Michel Waelbroeck. The Bobbs-Merrill Company, Inc., New York, 1976. 1132 pages with tables. \$22.50 (cloth); document supplement, 525 pages.

A teaching and research tool on European Community institutions and goals in terms of law and their compatibility with other international institutions, particularly in the field of trade (GATT) and in relations with American interests in the workings of the Community and in achieving mutually acceptable solutions to common problems.

The supplement contains the treaties establishing the European Communities, as well as the conventions of Lomé, the European Patent, EFTA, GATT, OECD, and others.

**Second European Congress on Information Systems and Networks.** Luxembourg, 27-30 May 1975.

Published for the Commission of the European Communities. Available from UNIPUB, Box 433, Murray Hill Station, New York, New York 10016. 231 pages. \$16.00.

Text of the Second European Congress on Information Systems and Networks held in Luxembourg from May 27-30, 1975 focusing on the establishment of intercommunication between the 30-odd information systems in existence in Europe which are aimed at providing efficient and broad information services while protecting individual rights and privacy.

**Patent Information and Documentation: An Inventory of Services Available to the Public in the European Community.** Published for the Commission of the European Communities. Available from UNIPUB, Box 433, Murray Hill Station, New York, New York 10016. 173 pages. \$16.00.

An indispensable source of patent information and documentation services within EC member and some non-member states, which are available to the EC public as of January 1, 1975, with listings of private services, journals dealing with industrial property rights, and journals of abstracts.

**The Law and Practice Relating to Pollution Control in Denmark.** By C. Haagen Jensen. Graham and Trotman Limited, London, 1976. Available from Nichols Publishing Company, 175 West 79th Street, New York, New York 10024. 208 pages with bibliography and index. \$20.00.

**The Law and Practice Relating to Pollution Control in Belgium and Luxembourg.** By J.M. Didier and associates. Graham and Trotman Limited, London, 1976. Available from Nichols Publishing Company, 175 West 79th Street, New York, New York 10024. 496 pages with bibliography and index. \$20.00.

**The Law and Practice Relating to Pollution Control in the Netherlands.** By J.J. de Graeff and J.M. Polack. Graham and Trotman Limited, London, 1976. Available from Nichols Publishing Company, 175 West 79th Street, New York, New York 10024. 184 pages with index. \$20.00.

**The Law and Practice Relating to Pollution Control in France.** By Claude-Albert Colliard. Graham and Trotman Limited, London, 1976. Available from Nichols Publishing Company, 175 West 79th Street, New York, New York 10024. 190 pages with index and bibliography. index. \$20.00.

**The Law and Practice Relating to Pollution Control in Italy.** By P. dell'Anno. Graham and Trotman Limited, London, 1976. Available from Nichols Publishing Company, 175 West 79th Street, New York, New York 10024. 342 pages with appendices, tables, bibliography, and \$20.00.

**The Law and Practice Relating to Pollution Control in Ireland.** By Yvonne Scannell. Graham and Trotman Limited, London, 1976. Available from Nichols Publishing Company, 175 West 79th Street, New York, New York 10024. 223 pages with appendices. \$20.00.

**The Law and Practice Relating to Pollution Control in the Federal Republic of Germany.** By Reinhard Steiger and Otto Kimminich. Graham and Trotman Limited, London, 1976. Available from Nichols Publishing Company, 175 West 79th Street, New York, New York 10024. 420 pages with bibliography and index. \$20.00.

**The Law and Practice Relating to Pollution Control in the United Kingdom.** By J. McLoughlin. Graham and Trotman Limited, London, 1976. Available from Nichols Publishing Company, 175 West 79th Street, New York, New York 10024. 386 pages with appendices and index. \$20.00.

**The Law and Practice Relating to Pollution Control in the Member States of the European Communities: A Comparative Survey.** By J. McLoughlin. Graham and Trotman Limited, London, 1976. Available from Nichols Publishing Company, 175 West 79th Street, New York, New York 10024. 545 pages with index. \$20.00.

A series of nine volumes instigated by the Commission of the European Communities and carried out by Environmental Resources Limited on the law and practice for pollution control in the member states of inland and coastal water, sea and air, wastes, noise, and radio-activity, and the effect of these legal and statutory controls on organizations and individuals.

**French Markets Review 1975-76: A Guide to Business Prospects and Procedures.** By Peter Douglas. Gower Press Limited, Epping, Essex, England, 1975. Available from UNIPUB, Box 433, Murray Hill Station, New York, New York 10016. 259 pages with appendix, bibliography, figures, and glossary of French and English terms. \$45.00.

A four-part study which reviews France's market profile and industry, presents necessary information for developing exports to France and establishing a company there, and

provides details on business finance, investment incentives, and regional surveys to encourage businessmen to take a serious look at the French market.

**Rural Communities: Inter-cooperation and Development.** Edited by Yehuda H. Landau *et al.* Praeger Publishers, New York, 1976. 166 pages with tables, notes, and appendices. \$15.00.

A selection of 15 papers presented and discussed at the May 13-18, 1973 French-Israeli Conference on "Rural Communities," which takes a look at rural development, agricultural co-operation, industrialization of rural areas in France and Israel, and the Kibbutzim in the Seventies.

**The International Who's Who 1976-77: Fortieth Edition.** Europa Publications Limited, London, 1976. 1908 pages. \$70.00.

An up-to-date, standard, authoritative source of concise bibliographical information about the most eminent and distinguished personalities from all different professions throughout the world today.

**The Textile Revolution: Seminar Studies in History.** By John Addy. Longman Group Limited, 1976. 122 pages with bibliography and index. \$2.75 (paper).

As part of a series on specialized aspects of British and European history, this study traces the evolution of the textile trade from its medieval origins to the eighteenth and nineteenth centuries and is based on documents selected from as many unpublished sources as possible which were found in private family collections and in local government archives.

**European Directory of Market Research Survey.** Edited by Thomas Landau. Gower Press Limited, Epping, Essex, England, 1975. 306 pages with glossaries and appendix. \$42.50.

A major reference source presenting the results of a survey conducted by the European consulting companies of Metra International on some 1500 market research reports published since January 1972, covering consumer and industrial markets across Europe and individually within 16 countries, including all EC countries.

**Nuclear Fuels Policy: Report by the Atlantic Council's Nuclear Fuels Policy Working Group.** Lexington Books, D.C. Heath and Company, Lexington, Massachusetts, 1976. 137 pages with appendices. \$13.00.

A policy paper drafted by the Atlantic Council's working group on nuclear energy demand, energy alternatives, nuclear technology in use

today, prospective nuclear supply systems, and the major unresolved issues and options in nuclear fuels supply and use, with recommendations to the United States and other non-Communist countries on what actions should be taken to assure an adequate supply of nuclear fuels to meet future energy demands.

**European Law and the Individual.** Edited by F.G. Jacobs. North-Holland Publishing Company, New York, 1976. 211 pages with notes. \$19.25.

Revised versions of 10 papers presented at the annual "workshop" sponsored by the University of London Institute of Advanced Legal Studies on European Community "social law," with regard to the protection of private individuals, provisions for the free movement of workers, European citizenship, social security, free supply of services, citizen access to judicial review of ad-

ministrative action in a transnational and a federal context, the impact of EC law on British law, and the European Social Charter.

**International Trade Credit and Management: A 22-Country Survey of Effective Credit Practices.** By G.V. Benz. Gower Press Limited, Epping, Essex, England, 1975. Available from UNIPUB, Box 433, Murray Hill Station, New York, New York 10016. 192 pages with figures, index, bibliography, and appendices. \$18.00.

An objective, theoretical and practical survey by the top credit manager for Dow Chemical Europe, who collected and synthesized information from detailed questionnaires completed by managers in 149 largely European and American companies on the whole range of credit activities and organization that companies can use when establishing or reviewing their credit operations.

## 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.*

**THE COMMISSION PROPOSES CHANGES TO THE SYSTEM OF MONETARY COMPENSATORY AMOUNTS.** *Information Memo P-84/76.* EC Commission, Brussels, October 1976, 9 pages ..... free  
*Describes the system of monetary compensatory amounts used in agricultural trade and the Commission's proposal to revise the system. Includes a discussion of the agricultural unit of account, the "green" rates, and a table showing the conversion rates for member state currencies.*

**ACTION PROGRAMME IN FAVOUR OF MIGRANT WORKERS AND THEIR FAMILIES.** *Bulletin of the European Communities, Supplement No. 3/76.* EC Commission, Brussels, 1976, 22 pages ..... free  
*Program submitted by the Commission in December 1974 and the Council resolution of February 9, 1976, on it. The program stresses measures on vocational training, social services, medical and social care, education of children, and illegal immigration.*

**AUSTRIA AND THE EUROPEAN COMMUNITY.** *Information No. 130/76.* EC Commission, Brussels, October 1976, 8 pages ..... free  
*Note on the free trade agreement between Austria and the Community, Austria's external trade, and economic relations between the Community and Austria.*

**METHODS FOR THE DETECTION OF THE VIRUSES OF CERTAIN DISEASES IN ANIMALS AND ANIMAL PRODUCTS.** *Information on Agriculture No. 16.* EC Commission, Brussels, 1976, 143 pages ..... \$4.30  
*Study on the problems of control procedures to prevent entry of animal viruses through importing of animals and animal products from countries outside the Community.*

**PERMANENT DIRECTORY OF ENERGY INFORMATION SOURCES IN THE EUROPEAN COMMUNITY: 1975 EDITION.** *EUR 5452 e.* EC Commission, Luxembourg, 1976, 183 pages ..... \$45.90  
*Directory of organizations publishing or storing information on energy. Part one lists the organizations, with particulars on purpose, publications, and documentation services. The second part is a subject index to part one by energy sector and by principal activities.*

**COAL STATISTICS 1975.** EC Statistical Office, Luxembourg, 1976, 73 pages ..... \$4.25  
*Statistical data for 1974 and 1975 for hard coal, patent fuel, hard coke, lignite, brown coal briquettes, and peat. For each type supply balance sheets and inland deliveries are given. Foreign trade, production, supply to coking plants and public power stations are given for hard coal.*



**REPORTS OF THE SCIENTIFIC COMMITTEE FOR FOOD.** EC Commission, Brussels, 1975, 35 pages ..... \$2.60  
*First series of opinions of the Scientific Committee for Food, issued between November 1974 and November 1975. Sodium methyl parahydroxybenzoate, potassium nitrite, mercury in food, rapeseed oils, coloring matters, vinyl chloride monomer, and ethoxyquin are covered.*

**COLLECTION AND REUSE OF WASTE OILS.** EUR 5625 d-e-f-i. EC Commission, Luxembourg, 1976, 369 pages ..... \$25.80  
*Proceedings of the First European Congress on Waste Oils, held in Brussels on March 18-19, 1976. The first part covers practical problems of collection and recovery techniques, re-refining waste oils, elimination of residues from re-refining, and treatment of effluents. The second part centers on legislation on waste oil elimination in European countries and the situation in the United States. It is a multilingual edition, each paper published in its original language with a summary in other languages.*

**PROBLEMS POSED BY THE GROWING USE OF CONSUMER GOODS CONTAINING RADIOACTIVE SUBSTANCES.** EUR 5601 d/e/f, Radiological Protection-7. EC Commission, Luxembourg, 1976, 161 pages ..... \$12.90  
*Papers and proceedings of a seminar held in Luxembourg November 13-14, 1975. Subjects covered were application of standards for marketing, protection methods when goods are in use, and informing the public.*

**GUIDELINES FOR EXAMINATION IN THE EUROPEAN PATENT OFFICE.** General Secretariat of the EC Council, Brussels, 401 pages in looseleaf binder ..... \$38.00  
*Draft guidelines finalized by the Interim Committee of the European Patent Organization. The first volume covers formalities examination, search, substantive examination, opposition procedure. The second volume will be published at the beginning of 1977 and will be supplied automatically. The selling price covers both parts.*

**COMMON CUSTOMS TARIFF SCHEDULE FOR 1977.** Official Journal of the European Communities, Vol. 19, L 314, November 15, 1976, Luxembourg, 370 pages ..... \$8.00  
*Schedule of customs duties to be applied as of January 1, 1977, to goods entering the original six EC members from third countries and as of July 1, 1977, to goods coming into the three new EC member states. Preferential rates applied under trade and association agreements are not included.*

**STUDY ON THE POSSIBLE PART PLAYED BY CERTAIN PRIMARY NON-EMPLOYMENT INCOMES IN THE INFLATIONARY PROCESS IN THE FEDERAL REPUBLIC OF GERMANY.** Medium-term economic policy, volume 5. EC Commission, Brussels, 1976, 101 pages ..... \$4.00  
*By Hans-Jurgen Krupp. Study on how the inflationary process in West Germany has been affected by primary non-wage income between 1962 and 1969. Analysis based on earnings of self-employed persons in 153 professional categories.*

**ETUDE SUR LE ROLE EVENTUEL DE CERTAINS REVENUS PRIMAIRES NON-SALARIAUX DANS LE DEVELOPPEMENT DE L'INFLATION EN FRANCE.** Politique économique à moyen terme-fascicule 3. EC Commission, Brussels, 1976, 243 pages ..... \$4.00  
*By J. P. Mockers. Study on non-wage incomes in France between 1958 and 1971 in relation to inflation. Covers income from agriculture, investment, service, and distribution sectors, and professional services. Discusses structural economic factors contributing to inflation and counter-inflationary policy.*

**WORLD CHANGE AND WORLD SECURITY.** Press Release No. 55/76. EC Information Service, Washington, December 16, 1976, 29 pages ..... free  
*Text of a speech delivered in Boston on December 16, 1976, by Roy Jenkins, then President-designate of the EC Commission. The lecture focuses on EC-US relations, internal Community problems, and the Community's place in the world.*

**VETERINARY VACCINES: A COMPARATIVE ANALYSIS OF REGULATIONS IN THE MEMBER STATES FOR THREE MAJOR DISEASES.** Information on Agriculture No. 17. EC Commission, Brussels, 1976, 115 pages ..... \$4.30  
*Comparative analysis of rules and regulations in the member states for vaccines against three diseases: foot-and-mouth disease, swine fever, and newcastle disease in cattle, pigs and poultry. Description of vaccine production and vaccination as well as summaries on the diseases and principal types of vaccine used.*

**LOANS AND GUARANTEES IN THE MEMBER COUNTRIES OF THE EUROPEAN ECONOMIC COMMUNITY.** European Investment Bank, Luxembourg, October 1976, 20 pages ..... free  
*Third edition of a brochure describing the projects eligible for financing, the procedures for applying for a European Investment Bank loan, the terms of the loan, and statistical tables showing the geographical distribution of EIB loans and financing by sector.*

**MARKET STRUCTURES AND CONDITIONS OF COMPETITION IN THE WHOLESALE TRADE IN THE COUNTRIES OF THE EEC.** Study Series: Commerce and Distribution No. 1. EC Commission, Brussels, 1976, 39 pages ..... \$1.30  
*Summary of study by IFO-Economic Research Institute, Munich, on the present and future role and importance of the wholesale trade in the distribution of goods. Comparisons based on number, density, development, and size of firms, principal products involved, importance of co-operation, cash and credit, and competition.*

**NATIONAL ACCOUNTS-ESAGGREGATES 1960-1975.** EC Statistical Office, Luxembourg, 1976, 99 pages ..... \$7.20  
*Aggregate data, total and per capita, for the Community members, the United States, and Japan in both units of account and national currencies at current and 1970 prices. Statistics on gross domestic product, employee compensation and net income, private and public consumption, gross fixed capital formation, goods and service imports and exports, and price indices.*

**PROCEEDING OF THE THIRD MEETING OF THE EUROPEAN WORKING GROUP ON ACOUSTIC EMISSION.** EUR 5513 e. EC Commission, Luxembourg, 1976, 174 pages ..... \$10.10  
*Proceedings of the third meeting, held at Ispra, September 25-26, 1974, on application of acoustic measurements for materials testing and in fault detection in mechanical structures, mainly reactor pressure vessels.*

**EC COMMISSION REGRETS RAISING OF US DUTIES ON IMPORTED BRANDY.** Background Note No. 52/76. EC Information Service, Washington, November 29, 1976, 2 pages ..... free  
*Official text of the statement issued by the Commission on changes in US brandy duties, and an annex with background on the issues involved.*

**MEDIUM-TERM ECONOMIC POLICY PROGRAMME 1976-80.** Information No. 135/76. EC Commission, Brussels, 1976, 8 pages ..... free  
*Note containing the text of the Commission's preface to the program putting forward its general economic policy recommendations for 1976-1980.*

**THE COMPUTER AND ALLIED INDUSTRIES.** Information Memo P-82/76. EC Commission, Brussels, October 1976, 3 pages ..... free  
*Summary of the Commission's communication for a four-year development program for data processing and the electronic components industry.*

**FORMS OF COOPERATION BETWEEN FARMS FOR PRODUCTION AND MARKETING IN THE NEW MEMBER STATES.** Information on Agriculture No. 20. EC Commission, Brussels, 1976, 316 pages ..... \$7.20  
*Study of the legal form applicable to cooperation and/or merger between farms, tax systems applied to different forms of cooperation, and the relationship between the fiscal system and other aspects of groups for farms in Britain, Denmark, and Ireland.*

**RELATIONS BETWEEN THE EUROPEAN COMMUNITY AND PORTUGAL.** Information No. 133/76. EC Commission, Brussels, 1976, 11 pages ..... free  
*Outlines the development of EC-Portugal relations, the provisions of the free trade agreement with Portugal, the new financial and additional protocols signed in June 1976, the Portuguese economy and trade with the Community.*

**THE EUROPEAN SUMMIT.** Background Note No. 53/76. EC Information Service, Washington, November 30, 1976, 6 pages ..... free  
*Summary of the results of the European Council in the Hague, November 29-30, 1976. Includes the statements issued on the Tindemans report, the economic situation in the Community, EC-Japan relations, and the Conference on International Economic Cooperation.*

**THE ENERGY SITUATION IN THE COMMUNITY: SITUATION 1975, OUTLOOK 1976.** EC Commission, Brussels, 1976, 32 pages ..... \$1.45  
*Analysis of the energy situation in the Community in 1975. Discusses the economic situation and its impact on demand and consumption of energy. Supply, prices, and demand for petroleum, natural gas, coal, electricity, and nuclear fuels are covered.*

**LABOUR COSTS IN INDUSTRY 1972-1975.** Social Statistics No. 6, 1975. EC Statistical Office, Luxembourg, 1975, 456 pages ..... \$5.00  
*Detailed results of the survey of labor costs in industry in 1972 for the original six EC members together with the results of a similar survey in 1973 for all members except Ireland. Updated costs for 1973, 1974, and 1975 for these eight members are included.*

**INVESTMENT IN THE COMMUNITY IN 1975 AND ITS FINANCING.** European Investment Bank, Luxembourg, 1976, 47 pages ..... \$25  
*Examination of the investment in Community countries by sector, financing sources of investment capital, and the role of international capital markets.*

## "Studies on Concentration Trends in Industry"

Series of detailed 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 1968 to 1973. Each study examines the organizational structure of each industry, with descriptions of major firms, their subsidiaries, takeovers, mergers, and acquisitions. Analyzes 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 FOOD INDUSTRY FOR THE UNITED KINGDOM: PRODUCT MARKET STRUCTURE.** EC Commission, Brussels, October 1975, 2 volumes, 495 pages ..... Volume I, \$7.00, and Volume II, \$6.00  
Prepared by Development Analysts Ltd. Volume I covers markets for manufactured milk products, infant foods, ice-cream, grain milling products, and biscuits. Volume II covers margarine; sugar; canned, frozen, and dehydrated foods; and dietetic and health foods.

**A STUDY OF THE EVOLUTION OF CONCENTRATION IN THE MECHANICAL ENGINEERING SECTOR FOR THE UNITED KINGDOM.** EC Commission, Brussels, October 1975, 264 pages .. \$7.00  
Prepared by J. B. Heath.

**A STUDY OF THE EVOLUTION OF CONCENTRATION IN THE UNITED KINGDOM MECHANICAL ENGINEERING INDUSTRY—CONCENTRATION TABLES.** EC Commission, Brussels, October 1975, 198 pages ..... \$5.70  
Prepared by J. B. Heath.

**ETUDE SUR L'EVOLUTION DE LA CONCENTRATION DANS L'INDUSTRIE PHARMACEUTIQUE EN BELGIQUE.** EC Commission, Brussels, November 1975, 111 pages ..... \$3.00  
Prepared by Société STUDIA, Brussels.

**STUDIO SULL'EVOLUZIONE DELLA CONCENTRAZIONE INDUSTRIALE IN ITALIA (1968-1974): PNEUMATICI, CANDELE, ACCUMULATORI.** EC Commission, Brussels, June 1976, 341 pages ..... \$7.90  
Prepared by Antonio Amaduzzi, Roberto Camagni, and Giancarlo Martelli.

**UNTERSUCHUNG ZUR KONZENTRATION/SENTWICKLUNG IN VERSCHIEDENEN UNTERSEKTOREN DER MASCHINENBAUINDUSTRIE IN DEUTSCHLAND: LANDWIRTSCHAFTLICHE MASCHINEN UND ACKERSCHLEPPER, BUROMASCHINEN, TEXTILMASCHINEN UND ZUBEHÖR, BAU- UND BAUSTOFFMACHINEN, HEBEZEUGE UND FORDERMITTEL.** EC Commission, Brussels, November 1975, 369 pages ..... \$9.00  
Prepared by Jan Muller.

**STUDIO SULL'EVOLUZIONE DELLA CONCENTRAZIONE NELL'INDUSTRIA DI CICLI, MOTOCICLI E CICLOMOTORI IN ITALIA 1970-1972.** EC Commission, Brussels, April 1975, 87 pages ..... \$3.00  
Prepared by Antonio Amaduzzi, Roberto Camagni, and Giancarlo Martelli.

**L'EVOLUTION DE CONCENTRATION DANS L'INDUSTRIE DES CHAMPAGNES ET MOUSSEUX EN FRANCE.** EC Commission, Brussels, July 1976, 127 pages ..... \$2.90  
Prepared by D. Boulet and J. P. Laporte.

**ETUDE SUR L'EVOLUTION DE LA CONCENTRATION DANS L'INDUSTRIE ALIMENTAIRE EN BELGIQUE.** EC Commission, Brussels, September 1975, 93 pages ..... \$2.70  
Prepared by Jacques Hallet.

**UNTERSUCHUNG ZUR KONZENTRATION/SENTWICKLUNG IN VERSCHIEDENEN UNTERSEKTOREN DER ELEKTROTECHNISCHEN INDUSTRIE IN DEUTSCHLAND: RUNDFUNK-, FERNSEH- UND PHONOGERÄTE, ELEKTROHAUSHALTSGERÄTE.** EC Commission, Brussels, November 1975, 106 pages ..... \$3.00  
Prepared by Hans Schedl.

**ETUDE SUR L'EVOLUTION DE LA CONCENTRATION DANS QUELQUES SOUS-SECTEURS DE L'INDUSTRIE DU TEXTILE EN BELGIQUE: LAINE (N.I.C.E. 232), COTON (N.I.C.E. 233) ET BONNETERIE (N.I.C.E. 237).** EC Commission, Brussels, November 1975, 239 pages ..... \$6.20  
Prepared by Société STUDIA, Brussels.

## Agricultural Statistics

**COMMUNITY SURVEY OF ORCHARD FRUIT TREES 1976.** EC Statistical Office, Luxembourg, 1976, 183 pages ..... \$17.20  
Results of surveys carried out in the original six EC members since 1971 and the new members since 1973 of fruit plantations for dessert apples, dessert pears and peaches (as well as oranges in France and Italy). The survey records the area for each species by variety, age, density of planting, and irrigation.

**PURCHASE PRICES FOR SEEDS, PESTICIDES AND ENERGY.** Agricultural Statistics No. 4/75. EC Statistical Office, Luxembourg, 1975, 63 pages ..... \$5.00  
Prices paid by farmers between 1969 and 1974 in national currencies and units of account.

**SELLING PRICES FOR ANIMALS AND ANIMAL PRODUCTS.** Agricultural Statistics No. 5/75. EC Statistical Office, Luxembourg, 1975, 113 pages ..... \$5.00  
Prices, in national currencies and units of account for the period 1969-1974, received by the producer for cattle, beef, pigs, pork, sheep, poultry, milk, eggs, dairy products, raw hides, raw wool, honey, and lard of pork.

**EC-INDEX OF PRODUCER PRICES OF AGRICULTURAL PRODUCTS 1976.** Annual supplement to Selling Prices of Agricultural Products. EC Statistical Office, Luxembourg, 1976, 53 pages ..... \$7.50  
Indices of producer prices of agricultural products, using a base of 100 in 1970, for the period 1968-1975.

**FEED BALANCE SHEET: RESOURCES 1976.** EC Statistical Office, Luxembourg, 1976, 69 pages ..... \$8.60  
Statistics on all animal feedstuffs actually consumed, regardless of origin or form, in the Community for the period 1970-71 to 1973-74.

**AGRICULTURAL MARKETS: PRICES FOR VEGETABLE PRODUCTS 1973-1975.** EC Commission, Brussels, June 1976, 115 pages ..... \$2.60  
Following a description of the price system for cereals, rice, fats and oils, and sugar under the common agricultural policy, tables give the evolution of target, intervention, and threshold prices, levies and export

refunds either annually or for weekly or monthly periods. When possible, internal market and world market prices are given.

**AGRICULTURAL MARKETS: PRICES FOR LIVESTOCK PRODUCTS 1973-1975.** EC Commission, Brussels, July 1976, 106 pages ..... \$2.60  
Following a description of the price system for each type of livestock product under the common agricultural policy, tables give the evolution of those prices either annually or for weekly or monthly periods. Base, guide, and target prices; intervention and threshold prices; levies and export rebates are covered. When possible, market and world market prices are included.

**PRICES RECEIVED BY FARMERS: UNIT VALUES.** Agricultural Markets special number. EC Commission, Brussels, June 1976, 61 pages ..... \$2.60  
Review of prices received by farmers, in unit values, in national currencies and units of account for the period 1959-60 through 1974-75. The principal cereals, potatoes, sugar beets, slaughtered beef and pork, milk and eggs are covered for the nine Community members along with other European countries and the United States.

**AGRICULTURAL PRICE STATISTICS 1969-1975.** EC Statistical Office, Luxembourg, 1976, 159 pages ..... \$12.00  
Specialized yearbook compiling data previously published in monthly and quarterly publications on price statistics. Covers fixed prices and standard aids under the common agricultural policy, selling prices of agricultural products, purchasing prices for feedstuffs, fertilizers and fuels, and price indices. Data is for the years 1969-1975, in national currencies and units of account. Standing orders can be entered.

**SELLING PRICES FOR VEGETABLE PRODUCTS.** Agricultural Statistics No. 6/75. EC Statistical Office, Luxembourg, 1975, 176 pages ..... \$5.00  
Prices received by producers in national currency and units of account for the period 1969 to 1974. Products covered are cereals and rice, mushrooms, wine, pulses, sugar beets, tobacco, flowers and ornamental plants, olive oil, imported tropical products, and processed vegetable products.

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**GRAPHS AND NOTES ON THE ECONOMIC SITUATION IN THE COMMUNITY.** Monthly. Surface mail: \$19.55. Air mail: \$4.50 additional.

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