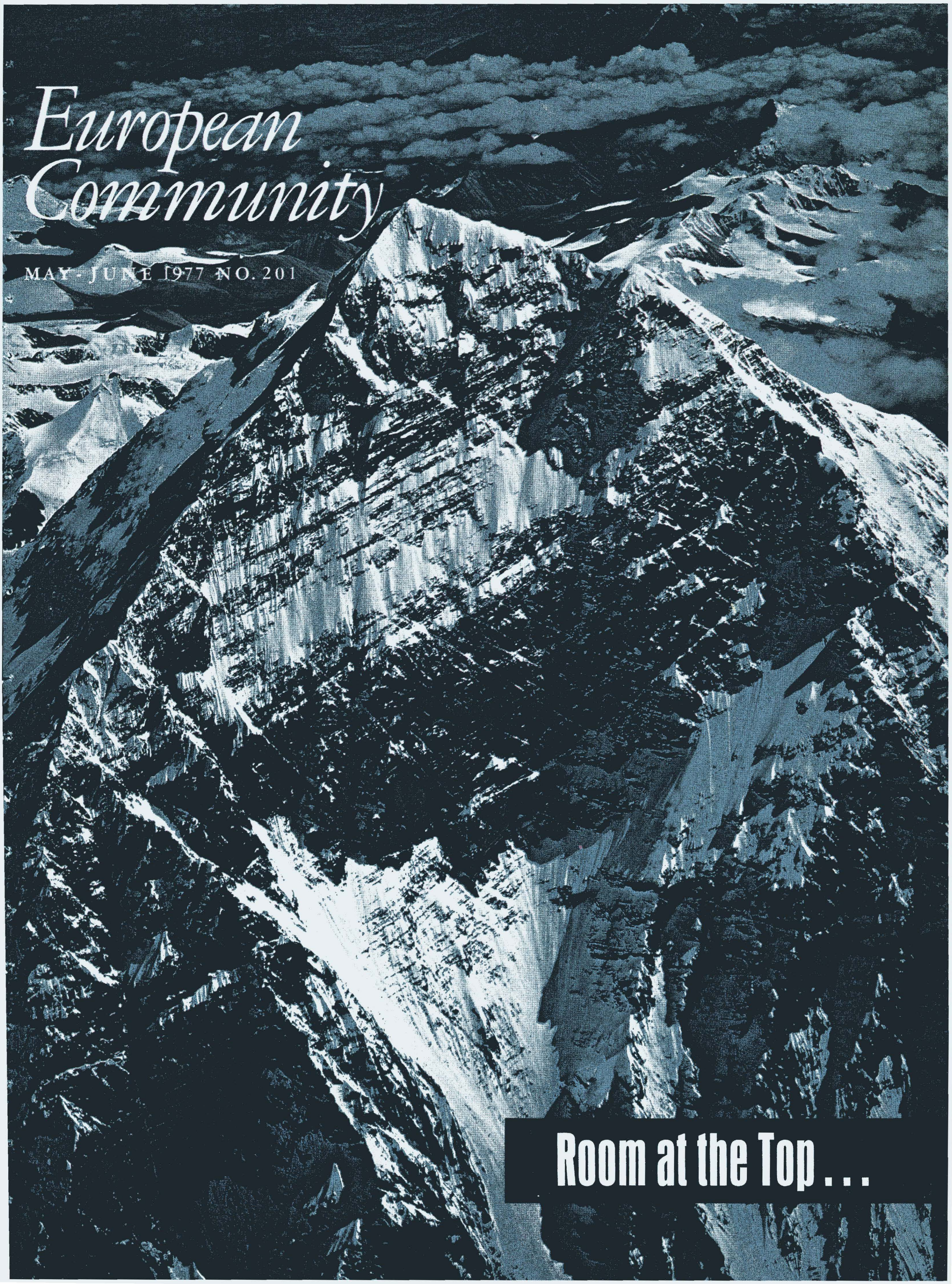
European Community
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Room at the Top . . .

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Springtime for "Summits"

Rome and London meetings predicate mutual interests

WILLIAM DROZDIAK, *Brussels-based American freelance writer*

"SUMMITS" USED TO BE PORTENTOUS SIGNPOSTS IN HISTORY: Yalta, Potsdam, and Versailles; and the mind ticks in recognition of fateful moments. But in recent years as leaders grasped the nature of inextricable ties that link their economic if not political destinies, such Olympian sessions have focused less on high politics and more on undramatic business involving mutual interests.

Industrialized economies remain infected, to varying degrees, by a stubborn global recession that grew from a common vulnerability in energy supplies. The West's foreign policies face challenges in crucial world forums—with developing nations in the "North/South Dialogue" and with Communist countries at the Belgrade follow-up meeting two years after the Helsinki Security Conference. These questions demand a concerted response from the Western world, as President Jimmy Carter acknowledged during his initial Presidential foray abroad at the London summit.

Most allied leaders readily admit, however, that frequent strategy sessions among heads of government will not generate panaceas for all their problems. They still have to return to their capitals, where disparate social troubles and political pressures clamor for attention. Unlike the United States, where a President can usually count on at least four years to carry out programs and establish an identity, the parliamentary democracies in Japan and Western Europe require constant vigilance to maintain majorities. This search to find workable coalitions has occasionally produced fatal incompatibilities and, in their wake, leaders with aborted terms in power.

When Common Market heads of government prepared to gather in Rome this March for one of their thrice-yearly summit sessions, a striking number of them confronted political tensions at home which distracted their observance of the European Community's twentieth anniversary. British Prime Minister James Callaghan had barely emerged from the shadow of early elections with a unique pact between his Labour Party and the Liberals that gave his Government a new lease on life. French President Valéry Giscard d'Estaing's prestige had been battered in municipal elections which marked a dramatic surge by the Socialist-Communist opposition, and led to a reformation in his current Government. Italian Premier Giulio Andreotti was threatened with the loss of tacit support from the Communists over the austere terms of a vital loan from the International Monetary Fund. In Belgium and the Netherlands, Leo Tindemans and Joop Den Uyl faced imminent elections after their amorphous coalitions were dissolved with the loss of key ruling partners. Even Germany's Helmut Schmidt was not immune to the extraordinary malaise, as his stock fell with the public in hostile reactions against nuclear power stations and lingering unemployment.

After a brief ceremony to commemorate the 20 years since the signing of the Rome Treaties, which founded the European Economic Community and the European Atomic Energy Community, the nine leaders trundled off to the elegant Barberini Palace. There, inside an ornate drawing room covered with frescoes depicting "the triumph of divine Providence," the EC heads of government tackled their informal agenda.

THE FIRST AND MOST CONTROVERSIAL TOPIC to be broached involved preparations for the London summit of industrialized nations in May. As expected, the Community's five smaller countries pressed their demands that Commission President Roy Jenkins be invited to the London session to represent the European Community. France had refused to approve his participation, claiming the seven chosen nations—the United States, Germany, Canada, France, Italy, Britain, and Japan—planned to discuss issues that bore no concern to the Commission. Snubbed at previous Western summits in Puerto Rico and at Rambouillet outside Paris, the five smaller members stuck to an immutable position on behalf of Community presence, and threatened a walk-out from the Rome Council unless they gained satisfaction. After gentle persuasion by Chancellor Schmidt and a sumptuous evening meal, Giscard abandoned his recalcitrance and conceded that Jenkins could partake in the Summit discussions at 10 Downing Street

Pictured at the Rome "summit" (left to right): Italian Prime Minister Giulio Andreotti; EC Commission President Roy Jenkins; Belgian Prime Minister Leo Tindemans; Irish Prime Minister Liam Cosgrave; Dutch Prime Minister Joop den Uyl; French President Valéry Giscard d'Estaing; British Prime Minister James Callaghan; German Chancellor Helmut Schmidt; Danish Prime Minister Anker Jorgensen; British Foreign Minister David Owen; Luxembourg Prime Minister Gaston Thorn, and EC Commission Vice President François-Xavier Ortoli.

on subjects like trade and energy, where the Commission held clearly defined responsibilities. With the air cleared and Jenkins' role established, the nine leaders briefly forgot their domestic troubles and savored a rare moment of conciliation. As an ebullient Callaghan, who chaired the Rome meeting, later remarked: "It just shows what an excellent dinner can do."

The following day the heads of government approved a common Community position on the protection of export earnings of developing countries—an important event obscured by the publicity surrounding the decision over Community representation at the London summit. As would be borne out during the subsequent meeting of industrialized world leaders, the European Community and its approach toward developing countries would prove the harbinger of a probably successful conclusion to the North/South Dialogue. As the troublesome United Nations Conference on Trade and Development (UNCTAD) talks on a billion dollar "common fund" to support commodity prices for Third World exports have shown, some industrialized countries are skeptical of proposals that could produce mountainous stockpiles of raw materials and thus interfere with the nature of free market forces. The alternative lies with the Community's Stabex (for "stabilization of export earnings") plan, a unique system signed into effect two years ago by the Common Market countries and 46 African, Carribean, and Pacific (ACP) nations. (The number of participating ACP countries has now grown to 52.)

The prime objective of the Stabex program involves the elimination of wild fluctuations of raw materials, so that buyers and sellers can be assured of more stable, long-term markets and make secure investment plans. Many developing countries depend on foreign exchange earnings gleaned from sales of one or two commodities, like copper or tin. In some circumstances, entire economies of Third World nations risk collapse if the prices plunge to low levels, dashing hopes to bolster growth through investment from raw material earnings.

Stabex protects 12 commodities. If the prices fall more than 7 per cent, producing countries can apply for Community grants or loans. In certain instances, the plan has already rescued some nations from potential economic catastrophe. Benin, for example, stayed solvent by getting 24 per cent of its total export earnings from Stabex, and Niger 12 per cent, in the first two years of the program. As many pundits have noted, Stabex has served as an effective insurance scheme against uncontrolled market forces at surprisingly low cost.

A growing number of experts now feel that Stabex could be extended on a world-wide basis, encompassing a greater number of raw materials protected by funds from rich countries in the industrialized world and oil-producing states. One snag, from the Third World's viewpoint, is that Stabex does not preserve their products from inflation. An unequivocal demand in the developing world's position at the North/South Dialogue was to link raw material prices to world inflation levels.

As the London summit revealed, the Community's Stabex plan can serve as a key negotiating basis for the industrialized world at the North/South Dialogue when the ministerial session is convened in late May. Its underlying thesis is clear: that the protection and prosperity of Third World economies offers incalculable benefits for the industrialized nations, which have scrambled to preserve their shares in Western markets in a vain effort to stave off recession at the ominous, and still looming, peril of global protectionism. Underwriting more buoyant economies in the developing world also nurtures new markets for products from industrialized nations, without the concomitant hazards of inflation and lost jobs that derive from erecting new barriers to trade.

LIKE ITS INTERWOVEN INTERESTS in more equitable trade with devolping countries, the Western world also shares abiding common concerns over future energy supplies. Europe and Japan, to a greater extent than the United States, depend on external sources of fuel, both in oil and the enriched uranium that churns their nuclear power plants. While they concur with President Carter's assessment of the dangers involved in the proliferation of nuclear stations around the world, European leaders did not shrink from telling Carter that nuclear energy remains their sole course of action in the next decade if they hope to reduce the heavy financial drain on European economies caused by the era of expensive oil.

The new US energy program, unveiled in April by the President and his energy advisor, Dr. James Schlesinger, places much emphasis on energy conservation. Europe is relatively advanced in this domain, though the Community also hopes to improve efficiency further by demanding greater insulation of homes, more conversion to gas and coal-powered systems, and less wasteful methods of transportation. Nevertheless, more noteworthy progress should be expected from the United States, where fuel consumption per capita is twice that of Germany, a country with similar living standards.

In spite of the term's suggestion of the ultimate, "summits" seems to preordain other summits. Just as the Rome meeting of EC heads of government paved the path toward London in early May, the two-day session at 10 Downing Street trained minds for the follow-up gathering of the Helsinki Security Conference signatories in Belgrade this summer. While Communist countries will doubtless want to explore how the Helsinki provisions for closer East-West trade and economic cooperation can be rendered more effective, Western leaders may wish to raise a few points over "Basket Three" promises of fewer constraints on human relations.

Apart from the flap over dissidents, which Soviet officials refute brusquely by citing the passage urging "no foreign interference in any country's internal affairs," some cogent questions could be posed about greater freedoms prescribed for journalists. The Helsinki agreement outlines a nine-part section that pertains to journalism, including a paragraph which says the signatories "intend to increase the opportunities for journalists of the participating states to communicate personally with their sources." It further states that "the legitimate pursuit of their professional activity will neither render journalists liable to expulsion nor otherwise penalize them."

Do lofty declarations of allied solidarity and international goodwill translate into policy changes that affect the courts of countries and peoples around the world? Maybe. Much depends on the infinite number of decisions taken outside the august chambers that are creaking this spring with the weighty authority of heads of government. Decades from now historians might trace changes in the world back to this year's solstice of diplomatic activity. Or perhaps summits will have diluted their importance with gatherings almost as frequent as corporate boardroom sessions.

Une entente atlantique?

David Haworth, Brussels correspondent for the *International Herald Tribune,* who accompanied Jenkins to Washington

Has a new chapter in EC-US relations been initiated by the Carter Administration? After the successful April 18-22 visit to the United States by EC Commission President Roy Jenkins, it is difficult to avoid the conclusion that something like an *entente atlantique* is in the making.

Of course, neither side wants to make such a claim in so many words. Memory of the ill-fated Kissinger initiative "the Year of Europe" is too recent for that, the world's economic problems too threatening for any bold label to be risked in describing the qualitatively improved atmosphere between Washington and Brussels. But that improvement is undeniable: Carter's team came to office—it is now clear—with the specific, though undeclared, intention of taking the European Community seriously.

But, it will be protested, US policy toward the European Community has always been favorable, always encouraging of Community ambitions to achieve closer economic and political unity. But what rhetoric gave with one hand, under the Ford Administration for example, was often taken away by the other in terms of niggling trade disputes and attempts by the United States to persuade the Community to negotiate key elements of its common agricultural policy.

On the evidence of Jenkins' talks in Washington, the slightly acerbic and offhand US attitude toward the Community in the past has been replaced by something altogether more constructive—perhaps also more tolerant.

The five-day visit was Jenkins' first as Commission President. On his own admission he was flattered by the timing of Carter's invitation: Jenkins was second only to British Prime Minister James Callaghan as a major European figure to meet the new President. Jenkins was also delighted by the support Carter gave for the Commission President to be present in his own right at the economic summit in London. Moreover, in personal terms, the two men hit it off immediately and both were pleased with the fact that they took up their respective offices more or less at the same time—a coincidence, but one which meant a fresh start could be made in the so-called Atlantic dialogue unclouded by the recent past.

The Carter-Jenkins talks ranged broadly over three issues of immediate concern, namely: the North/South negotiations, energy problems, and the Community's possible further enlargement to embrace (in this order) Greece, Portugal, and Spain. There was, too, discussion about the current multilateral trade negotiations—the Tokyo Round—which continue to make painful progress in Geneva.

Jenkins was in Washington the week the US President announced his energy conservation measures, so the subject was obviously uppermost in their minds. Commenting afterwards on Carter's stringent proposals, Jenkins said the European Community was pleased by the "alarmist view" the new Administration was taking about the energy crisis. "We in Europe are all in favor of the United States ringing the alarm bells loudly about the vital need to conserve energy and reduce oil imports," Jenkins told a Washington press conference.

He was also encouraged by the broad assurances the President gave that the United States was sympathetic to renewing its suspended exports to Europe of enriched uranium—recognizing that, unless this were quickly done, some of the Community's research reactors would have to be closed down for lack of the essential commodity.

The Commission President also visited Capitol Hill, had talks with State Secretary Cyrus R. Vance and Treasury Secretary W. Michael Blumenthal. Once again there was discussion about the North/South Dialogue, and with Vance there was some concentration on EC enlargement, Mediterranean problems (especially Cyprus), and the follow-up later this year in Belgrade to the Helsinki Security Conference. Jenkins expressed his strong support for Carter's stance on the human rights issue. While both agreed it would be unproductive to use the Belgrade conference for what might amount to a "tirade" against the Soviet Union, the watchwords both for the United States and the European Community will be to play the issue "firmly yet tactfully" with Moscow.

It was apparent, then, that for the moment there is no substantive difference of view between the United States and the European Community on any major problem facing the Atlantic community. Jenkins characterized his visit as "excellent" in every respect. This was not just politesse, but a straightforward assessment of the understandings reached.

Such a story of unrelieved optimism is fine as far as it goes. Problems have been discussed, only partially tackled, and certainly not resolved by the Jenkins visit to Washington. And the trip poses two interesting questions, one less important than the other. First, who in the Administration is actually responsible for such a thorough-going, even inspired, re-assessment of the Washington-Brussels relationship and has gone about the task with such zeal that it has already become a hallmark of the Carter Administration?

Second (and this is more vital), is the Community so well understood by Washington that indulgence will be given when it inevitably falls somewhat short of the confidence Carter and his colleagues apparently invest in it? The processes of the Common Market are slower and more tortured than any of its well-wishers would like. It cannot always deliver—still less often is its policy-making punctual. This is going to be more true as time goes by, as the Community's membership may increase to 12; and it is essential that the United States understands and is patient.

Jenkins' talks did not touch on these longer-range and largely theoretical considerations, but they are there and will eventually have to be tackled. The new tone of voice that the United States has adopted in its dealings with the Community is as good a start as Jenkins could have expected—and may be better than the Common Market will deserve.

Jenkins at his Washington press conference in the Blair House. Cashen/Stout, Washington

The West's Defense Debate

Are the Russians coming . . . or are they going away?

DAVID BINDER, *diplomatic correspondent in* The New York Times *Washington bureau*

THE MOOD IS ENOUGH TO CONJURE UP THAT FEAR-mongering election poster authorized by Konrad Adenauer for his Christian Democratic Union (CDU) campaign in 1953: a vicious-looking Soviet soldier with slightly slanted eyes staring straight at the beholder, and the slogan "Because of Him—CDU!"

No one is running for election at the moment in the major Western capitals. But the "Russians Are Coming" rhetoric is running strong—perhaps as strongly as at any time since the end of World War Two. Donald H. Rumsfeld, the Ford Administration's last secretary of defense indulged—albeit jestingly—in the hypothesis of Warsaw Pact armies "leaping across the German plain" in his final posture statement last January. This, in part, to justify a $13 billion hike in United States defense spending for the 1978 fiscal year. His successor, Harold Brown, struck a more cautious note. But he, too, noted the buildup of Soviet bloc ground and tactical air forces and their capacity to draw in Soviet reinforcements swiftly. These capabilities, said Brown, "dictate that we and our NATO allies prepare both for short-warning attacks by the Warsaw Pact and the heavier attacks that could follow a period of mobilization." The short-warning attack threat was amplified in a report by Senators Sam Nunn of Georgia and Dewey F. Bartlett of Oklahoma, who had toured West European defense installations in November. They spoke of "an ability to initiate a potentially devastating invasion of Europe with as little as a few days' warning." They spoke of a possibility "that the Warsaw Pact would already be on the Rhine when the NATO decision is made to use tactical nuclear weapons."

Then came a disclosure that the United States Army Field Manual posits "24 hours" for the time required to get a decision to fire the first of the 7,000 tactical nuclear warheads poised at 100 sites across West Germany. But in that time period, according to Major General George J. Keegan, Jr., who retired as the Air Force chief of intelligence on January 1, Soviet lightening war capabilities could put Warsaw Pact forces *across* the Rhine, where Adenauer's election posters once hung. "The Warsaw Pact can over-

American soldiers and German border police look at map of an area where Warsaw Pact armies, according to some Western strategists, could one day begin "their leap across the German plain." © Burt Glinn, Magnum, New York

run Western Europe in 24-to-36 hours with or without nuclear weapons," Keegan declared in a speech in March, adding: "The Soviets have developed a new kind of Blitz warfare unimagined in the West."

As if the menace of Soviet conventional forces were not enough, the tocsin ringers of the West have combined that with a perception of Soviet superiority in strategic nuclear weaponry—larger numbers of intercontinental missile launchers and nuclear submarines. The peril is intensified, they add, by current Soviet strategic doctrine, which holds that the Soviet Union should be capable of *winning* a nuclear war. Should win and—with massive construction of hardened underground shelters to protect essential military and industrial sites as well as the manpower needed to run them—could win such a hellish contest.

Changes in political moods are as difficult to predict as the onset of a protracted cold spell or drought. So it must have astounded the Soviet leadership last winter to hear the watchmen of the West suddenly crying the alarm: "The Russians Are Coming!" True, the second round of Strategic Arms Limitation Talks (SALT) had aborted in the winter-spring of 1976, and President Ford had expunged "détente" from his vocabulary. But there was still the momentum of the easing of East-West tensions inaugurated under President Nixon and his security adviser, Henry A. Kissinger.

Leonid I. Brezhnev and his associates could count with certainty on a revival of the SALT II negotiations regardless of who won the November Presidential elections. The mutual troop reduction negotiations were continuing in Vienna, however arid the discussions. Soviet trade with the West was booming. Most important, the Soviet leadership had warmly welcomed the Presidency of Jimmy Carter, who, they gratefully noted, was entering the White House as a passionate advocate of arms control and was ardently committed to curbing the spread of nuclear weapons.

"When do you start your détente diet?" Behrendt, *Het Parool*, Amsterdam

American GI's prepare for training maneuvers on a range at Grafenwohr, Germany. © Burt Glinn, Magnum, New York

Then, how sinister and perfidious the imperialists could be, to pump up the bugaboo of a Soviet military menace just at such an auspicious moment in East-West relations!

In fact, warnings of increasing Soviet strategic and conventional force capabilities had been uttered for several years and with considerable specificity by NATO commanders and defense experts. They were taking note of a steady expansion in all branches of military might, which was undoubtedly the Soviet response of the 1970's to large increases in Atlantic alliance strength of the 1960's. The difference between the previous warnings and the current warnings is one of intensity and of continuity. The earlier alarms were sporadic and were relegated to the inside pages of the major newspapers. The current alarms are running with some regularity on the front pages.

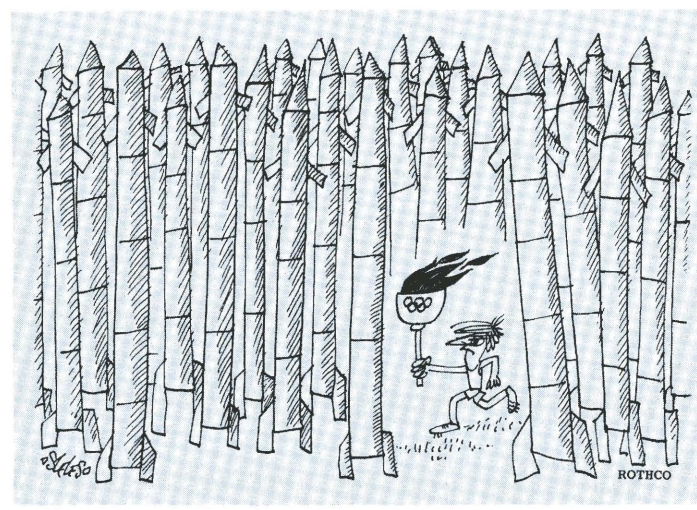
THE PUBLIC DEBATE WAS OPENED last December 26 by my article in *The New York Times,* which disclosed that the United States intelligence community—the Central Intelligence Agency (CIA), Defense Intelligence Agency, and other associated agencies—had reached the conclusion the Soviet Union was striving for strategic superiority over the United States. The vehicle was the annual intelligence "national estimate" of Soviet strategic capabilities and intentions. There were sharp disputes in the community, resulting in officially recorded dissents, about how far along the road toward superiority the Soviet forces were at the turn of the year. Some, like General Keegan, contended that the Soviet Union had attained strategic superiority in every field except the number of nuclear warheads at its disposal. Others took a much more conservative line, as they had in past estimates. The point of the estimate—soon lost in the ensuing public debate—was that the majority of the best American estimators of Soviet military achievements had come to the same somber conclusion. Retrospectively the new assessment also tended to cast doubt on previous national estimates of Soviet strength and intentions.

The disclosure of the "somber" estimate (the official CIA usage) sparked an occasionally heated public debate which some commentators attempted to explain in terms of the familiar hawk-versus-dove analogy. But these excursions and other rhetorical flights did not obscure a central trend—that a growing number of US military and civilian officials had become concerned about Soviet strategic developments. It was soberly noted that the Soviet Union had built a large number of huge missiles, was in the process of refining missile accuracy to the point where strategic American targets were becoming more and more vulnerable, possessed a growing all-ocean fleet, and was gaining in air power.

The facts, monitored by superbly efficient photographic reconnaissance and electronic devices, were indisputable. The question was, how to interpret them. The public statements of the outgoing Ford and incoming Carter Administrations were understandably cautious, even to the point of reserve. For the Ford people could not suddenly, in the last breath, ring up the curtain on a Soviet monster that had, presumably, been developing monster proportions in the previous months and years of their responsibility. In parallel, the Carter people had been talking defense budget cuts —$5-7 billion—during the campaign and were also bent on early conclusion of a new SALT pact with the Soviet Union. They didn't want a monster, either. In addition, both outgoing and incoming administrations shared a commitment to and faith in the doctrine of mutual deterrence —the touchstone of US strategic concepts for more than a decade. To acknowledge that the Soviet Union had begun to erase the mutuality of deterrence and was prepared to fight a nuclear war was tantamount to a confession of American failure.

Thus Harold Brown began his tenancy at the Pentagon by preaching the virtues of "sufficiency" in meeting the Soviet strategic force challenge and rejecting the idea of trying "to duplicate the Soviet posture." Regardless whether a new SALT agreement could be concluded, he said, "the balance can be maintained in the future without excessive effort on our part, providing that we size, select, and modernize our forces adequately."

This was the rationale for the defense budget amendments he presented February 22, containing cuts totaling $2.7 billion. (The budget authority sought for the 1978 fiscal year by the Ford Administration was for $120.5 billion. The Carter amendments would cut the authority to $117.7 billion.) The reductions contained significant signals to the Soviet Union about the earnestness of the new Administration's desire to lower the level of strategic weapons in the arsenals of the two superpowers as soon as possible. The money cut was not all that big for strategic arms —$517 million, allowing a real growth of about 2 per cent. However, the drawdowns affected some of the most treasured development programs of the Pentagon planners.



Szeles, Yugoslavia

There was a $280 million reduction in the B-1 bomber funds, lowering the annual rate of production from eight to five. There was a $160 million reduction in the development program for the new M-X (mobile) intercontinental ballistic missile—the American response to the new, mobile Soviet SS-X-20 missile. There was a $23.4 million reduction in development funds for the SRAM-B air-to-surface "cruise missile"—designed to be launched from B-1 bombers standing well off hostile targets. Finally, the proposed amendments asked termination of procurement of Minuteman III missiles—the backbone of the American land-based retaliatory force.

All of this harmonized with Jimmy Carter's declared intention to go for "deep cuts" when the SALT negotiations reopened in Moscow. They were designed purposefully as actions "in good faith" in advance of the Moscow talks, and were defended as such in arduous hours of testimony before the Senate and House Armed Services Committees by Harold Brown and his aides. This is why the sharp Russian *nyet* to both Administration arms limitation proposals stung so painfully. Afterward, at a breakfast meeting with reporters, Brown said that if President Carter reached the conclusion later on that the Soviet Union was not negotiating "in good faith," the United States would have to resort to higher defense expenditures, on the order of $2 billion more annually for strategic arms. That would put the budget pretty close to what the Ford Administration had recommended in January. (In January, Donald Rumsfeld had declared that the Ford budget was "arranged to fit" the possibility of failure of the SALT talks.)

The arms race is, among other things, a spending race. So it was something of an embarrassment to the CIA last summer to realize, by recalculation, that the Soviet Union was spending twice as much on defense as the agency had previously estimated. The current US estimate of Soviet military expenditure puts the dollar volume about 40 per cent higher than the US defense budget, even with the growth rates in American spending of the last few years. Currently the United States is spending about 5.4 per cent of the gross national product on the military—less than half the rate during the Korean War or the Vietnam conflict. Still, the outlays this year represent about one-quarter of the total federal budget.

ALMOST UNNOTICED IN THE DEBATE over Soviet strategic capabilities and intentions was the commitment of the Carter Administration to higher spending levels for NATO-related procurement items. Along with the decreases proposed by Brown were increases of $60 million for shelters and other facilities to protect forward-based American aircraft and $50 million to expand the number of facilities for prepositioned equipment, including new ammunition igloos, in Europe. "Our conventional forces capability in NATO is an item of highest urgency," Brown declared before the Senate Armed Services Committee. The Brown increases, it should be noted, went beyond the already considerable increases proposed under the Ford budget for NATO-related items.

Underscoring the fact that the somber view of Soviet capabilities was shared well beyond the borders of the United States was the increase in defense spending by a number of NATO partners. Denmark has raised its military expenditures 6 per cent; Belgium, the Netherlands, and Norway by about 3 per cent, and Germany—the biggest volume spender of all—by 1.5 per cent.

Admiral Sir Peter Hill-Norton, NATO's Military Committee chairman, said recently he thought alliance-wide increases of 2-to-3 per cent annually would suffice to balance the Soviet theater threat. However, he observed that the Soviet Union was spending $30 billion a year on research and development (R&D) in new weapons programs, compared to the $7 billion United States R & D outlays, and the modest $2.5 billion spent by the rest of the alliance partners.

General Alexander M. Haig, Jr., NATO's supreme commander, told the Congress he thought the West Europeans should ante up more for the common Western defense, al-

On the other side of the border, soldiers of East Germany's Volksarmee *(the "People's Army") patrol while the Berlin Wall is repaired.*
© Leonard Freed, Magnum, New York

though he appreciatively noted that some were already contributing larger amounts to defense. He suggested that a 5 per cent increase would be helpful.

Should the latest efforts to achieve SALT agreements founder, or drag out, one could expect the United States to move beyond mere suggestions to outright demands that the allies raise their defense budget outlays. There would be more pressure, too, to move larger numbers of allied troops onto the vulnerable German plain.

Disheartening as the spending prospect sounds in a Western world squeezed on the one side by inflation and on the other by recession, there is also the nagging NATO problem of weapons standardization—where there have been far more failures than successes of late. Currently there is the tank problem, which is directly related to the Airborne Warning and Control System (AWACS) problem—both involving billions of dollars in arms procurement, thousands of defense industry jobs, national pride, and, most importantly, weapons deemed vital to the future defense of Western Europe.

The oldest of the problems involves Germany's Leopard II main battle tank, generally rated as the best around, versus the newer American XM-1. Were Germany bigger, or the United States smaller, there could be little question that the Leopard II would prevail as *the* standard alliance tank. It is now apparent that, through subterfuge and deliberate delay, the US Army sabotaged not only the procurement of Leopards, but even the standardization of tank components agreed upon between the Bonn Defense Ministry and the Pentagon. The Germans, understandably angered, retaliated by declaring that Bonn would hold off participating in a NATO-wide purchase of 27 Boeing AWACS planes until the tank component agreement was fulfilled. The AWACS concept as a "force multiplier," giving NATO commanders a big picture view of enemy air and ground attack units, had been endorsed by everyone. Similarly, it was generally agreed that the alliance's main battle tanks needed 120-millimeter guns if they were not to remain "outgunned" by Soviet T-72 tanks, as Assistant Secretary of Defense for International Security Affairs Eugene V. McAuliffe recently admitted they were. The tank-AWACS impasse could not be resolved in a timely fashion by the Carter Administration, despite an emergency trip to Brussels by Defense Secretary Brown and a visit by German Defense Minister Georg Leber to Washington. As a result, Britain elected to go it alone in developing their own airborne early warning system called Nimrod. The prospect at the moment, therefore, is of three different air surveillance systems—the American AWACS (Boeing) and smaller E-2C (Grumman) along with Nimrod—and two or three main battle tanks using three different guns. It illustrates something about the perception of the Soviet threat in Europe at the policy-making level as opposed to the perception of that threat at the weapons-procurement level.

US General Alexander Haig (right), Supreme Allied Commander Europe, chats with a soldier in the Dutch army during a lull in NATO *maneuvers near Hoya in Germany's Lower Saxony. The Dutch army does not require short hair.* UPI Photo

With the SALT negotiations temporarily suspended and the standardization struggle in a phase of attrition, it is a time of great confusion and uncertainty both in the Western alliance itself and in the larger East-West dialogue. The constants, at the moment and in the foreseeable future, are continued growth in defense capabilities on both sides. Past agreements on strategic arms limitations did not lead to cuts in defense spending either in the West or in the Soviet bloc. So there is reason to doubt that future agreements would lead to substantive spending cuts, at least in the short run. In large part this is explainable in terms of the swift strides in weapons technology, which are not liable to legislated or negotiated curbs. Technological advance is also one of the elements that has made arms control such a frangible endeavor in the past 1,800 years, as the Eisenhower Administration once determined in a classified historical study.

Still, one may argue that efforts at arms control are worthwhile if only to provide forums for natural adversaries to get together and to discover mutual interests. Our world is a delicately balanced mechanism that requires continual readjustment. There have been no dramatic increases in East-West tensions for almost a decade and no signs of sudden new tensions at present.

However, the recent estimates of Soviet strategic capabilities and trends and the agitation in the Moscow leadership over the Carter Administration's rather radical arms cut proposals indicate that our world mechanism needs new balancing adjustments soon. Some adjustments may come in the form of arms limitation agreements. Others are sure to come in the form of gradually accelerating defense programs on both sides. The common goal of both, while mindful of the asymmetrics that dominate all East-West relationships—military, economic, political, and social—is to achieve new balances. Mindful also that the Russians aren't coming, but neither are the Russians going away.

The Nuclear Question

Different Answers from Europe and the United States

SARAH MILLER, *Washintgon editor for McGraw-Hill's* Nucleonics Week

ENERGY PLANNERS THROUGHOUT THE INDUSTRIALIZED and much of the developing world have comfortably shared an image of the future development of nuclear energy for nearly two decades. This picture foresaw the eventual phasing out of present uranium-burning reactors in favor of the nearly limitless energy producer known as the fast breeder reactor, fueled by plutonium.

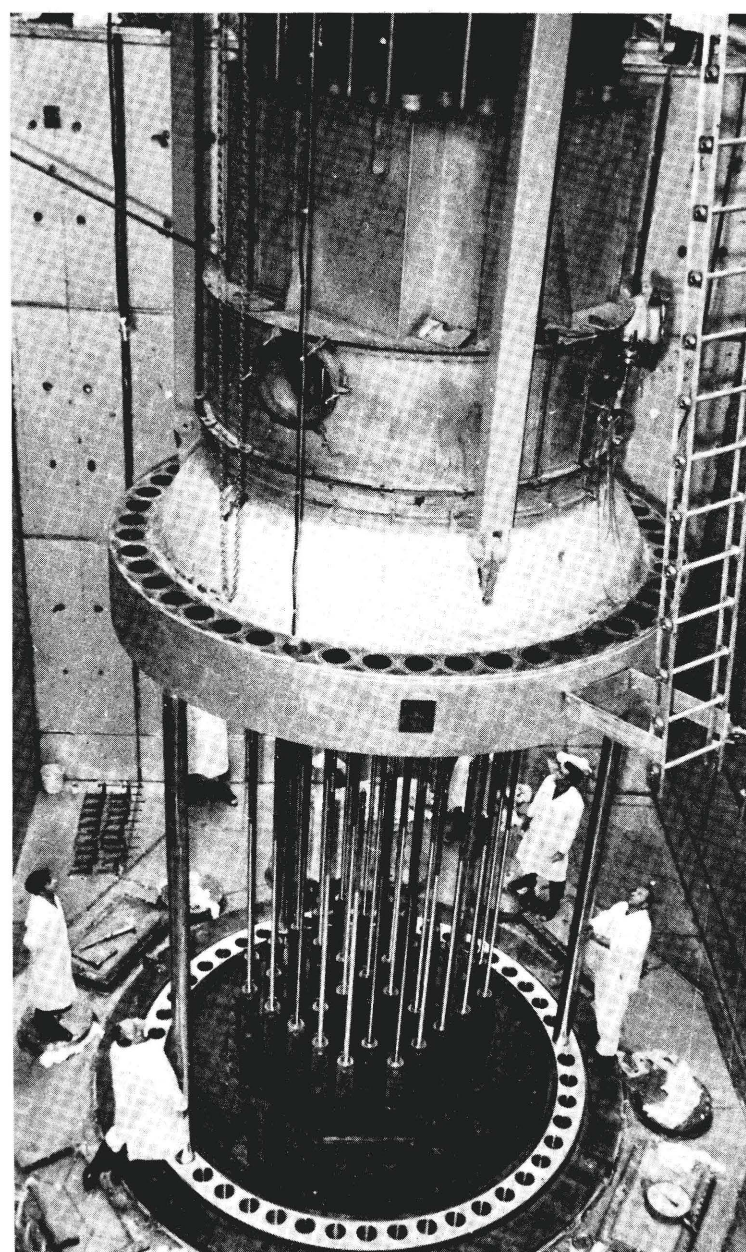
But over the last year a major fissure has been created in this solid front by an attack eminating—not from no-growth environmentalists—but from the depths of the American establishment. This attack is fixated on the centerpiece of that assumed nuclear future—plutonium—and is rooted in fears of that material's other potential by-product—bombs.

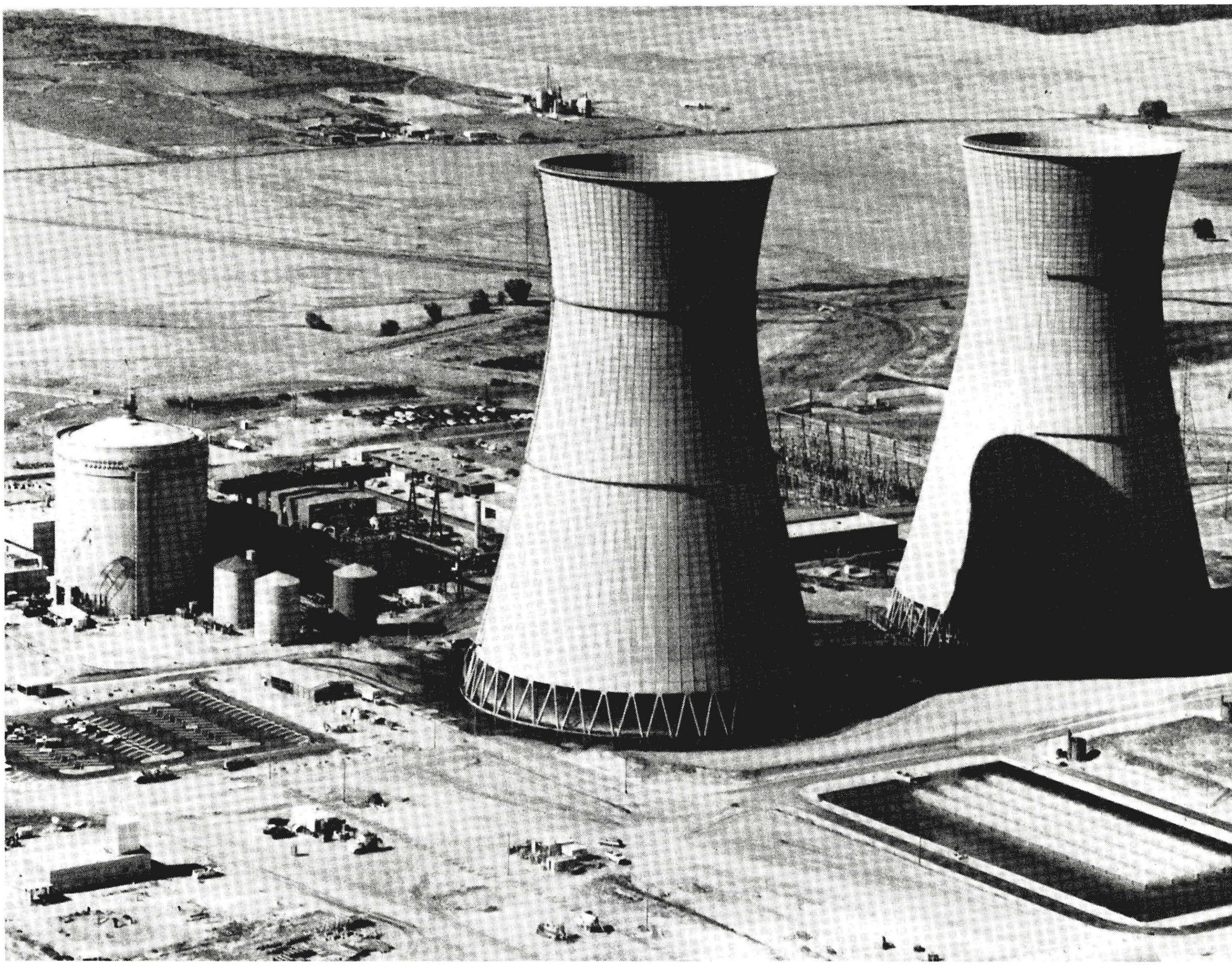
The result has been the creation within the United States of what one Washington official calls the "new nuclear orthodoxy," an orthodoxy that appears to be forming the cornerstone of Carter Administration policy and that was laid out in its most detailed form in the recently published study by the Ford Foundation entitled "Nuclear Policies and Priorities."

This alternative view, as President Jimmy Carter has expressed it, is that the current generation of nuclear power plants is basically safe and should, along with coal, form the basis for new energy production at least through the end of this century. Further—and this is where this scenario begins to diverge significantly from the earlier view—there is adequate uranium to fuel these reactors well into the next century. Conversion to a "plutonium economy" can be delayed and perhaps avoided altogether by development of alternative technologies, nuclear and non-nuclear. To prove the point, the United States has halted its own commercial plutonium reprocessing program and is reassessing its breeder research effort. In the words of Robert Fri, acting administrator of the US Energy Research and Development Administration (ERDA), present reactors "should not be burdened with the uncertain future of the plutonium economy."

If the estimates about uranium supply on which all this is based are correct, the biggest problem with the dramatic

Long before the "new nuclear orthodoxy" now emanating from Washington, this 40-ton reactor vessel head was lowered over the control rod drive shafts at a Wisconsin nuclear plant in 1970.
Wisconsin Electric Power Co., courtesy US Energy Research and Development Administration (ERDA), Washington





A pressurized water nuclear reactor generates electricity at this California station.
Sacramento Municipal Utility District, courtesy ERDA, Washington

shift in US thinking is that most other countries don't agree. France, Germany, and Japan have been particularly adamant in opposing this shift in US policy, with diplomatic debates on the subject being carried to the highest levels.

With France, the breeder clearly is the issue. France is furthest along in developing this technology, with a commercial-sized plant already under construction and plans to move into widescale use of breeders in the 1990's.

Germany, like Japan, still sees the breeder as a technology primarily for the next century. But Germany is determined to use plutonium right away in present reactors to cut down on imports of uranium and build up technical skills in working with the material.

A FEW BASIC TECHNICAL FACTS are needed if the struggle between these two positions is to be understood. First, the nuclear power plants now most widely used—light water reactors—are subject to many of the same limitations as coal, gas, and oil-fired power plants. Their fuel source, uranium, is limited and must be imported into Europe. The Untied States has substantial uranium supplies, though just how much and at what price is a major source of contention. Much of the domestic debate on reprocessing within the United States, in fact, centers on this very question.

If nuclear power is to be a near permanent energy source, these reactors will eventually have to be altered or abandoned in favor of nuclear technology using more abundant fuel. Though the United States is now beginning to look at a wide range of alternatives, time, effort, and research money worldwide have been geared toward making this technology the fast breeder reactor.

The key to this apparently miraculous machine, which frequently is described as creating more fuel than it burns, lies in the structural makeup of natural uranium, the original source of the power. Some 99.3 per cent of the atoms in natural uranium are U238, an isotope that will not fission and thus is useless for creating energy. However, the other 0.7 per cent is U235, the one naturally occuring substance that will sustain a fission reaction.

It is U235 which is burned in light water reactors. Fuel for these reactors is "low enriched uranium"—natural uranium that has undergone a process to separate U235 from U238, thus increasing concentrations of U235 in part of the uranium. Light water reactor fuel has a concentration of U235 of about 3 per cent.

This means that some 97 per cent of the atoms in such fuel is not really fuel at all but unfissionable U238. During reactor operation, some of these U238 atoms pick up stray particles released during the fission process and are converted into an entirely new element, Pu239— or plutonium. Unlike the U238 from which it came, plutonium is fissionable and, as a byproduct of the plentiful U238, a potentially tremendous addition to the meager stock of U235 as a source of reactor fuel.

Government and industry estimates are that by chemically separating plutonium along with unused U235 from unusable wastes in burned or spent reactor fuel—a procedure known as reprocessing—the energy value of the original fuel can be increased by 20-to-35 per cent by simply putting this plutonium and uranium back into light water reactors, i.e. recycling.

The United States has now deferred plutonium recycling indefinitely, despite the existence of a partially complete reprocessing facility in Barnwell, South Carolina. This plant is owned by Allied Chemical and Gulf and Shell Oil Companies. Germany, Japan, and numerous other countries are still planning to begin plutonium recycling within the next decade, however.

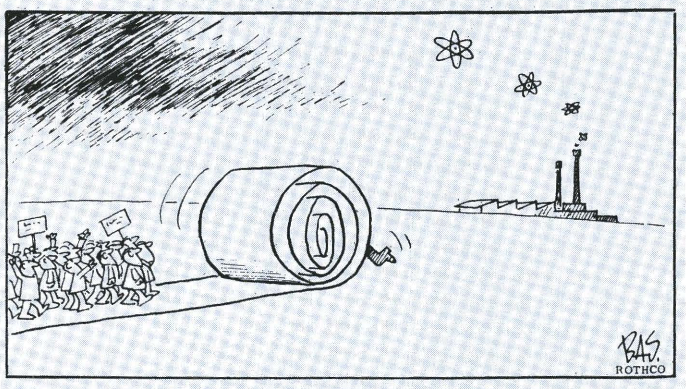
Beyond this interim measure lies the fast breeder reactor. The "fast" refers to the greater speed at which fission reactions take place, allowing for the presence of more stray particles and thus the creation of more plutonium from U238. The term "breeder" comes from the assumption that these reactors can be designed to create more plutonium than they burn, thus fueling new reactors as well as keeping themselves going indefinitely.

The appeal is obvious. With the breeder, even resource-poor countries such as those of Western Europe have an avenue to energy independence, and fears of the finite nature of resources are pushed back for centuries. Unfortunately, the fear created by these developments is equally monumental—the spread of nuclear weapons throughout the world.

Any material that will fuel a reactor will fuel a bomb, and given the right level of purity and chemical form, U235 and plutonium are equally good bomb material. But there are a number of practical factors which make it much more difficult to use the U235 in regular light water reactor fuel than the plutonium in either recycled reactor or breeder fuel for this purpose.

First, to make a bomb, you must have uranium with a concentration of U235 of 20 per cent or more. This means that with reactor fuel, a country would have to have an enrichment plant to utilize reactor fuel for bombs, and such plants are not only very expensive but also very large and easily detectable.

If a country has a reprocessing plant, on the other hand, it will almost certainly develop stockpiles of separated, accessible plutonium that can be made into a bomb within a matter of days. Even if a country did not have a major, commercial reprocessing facility, if it received fuel containing plutonium from other countries, it could extract this plutonium for use in weapons much more easily than it could the U235 in conventional reactor fuel.

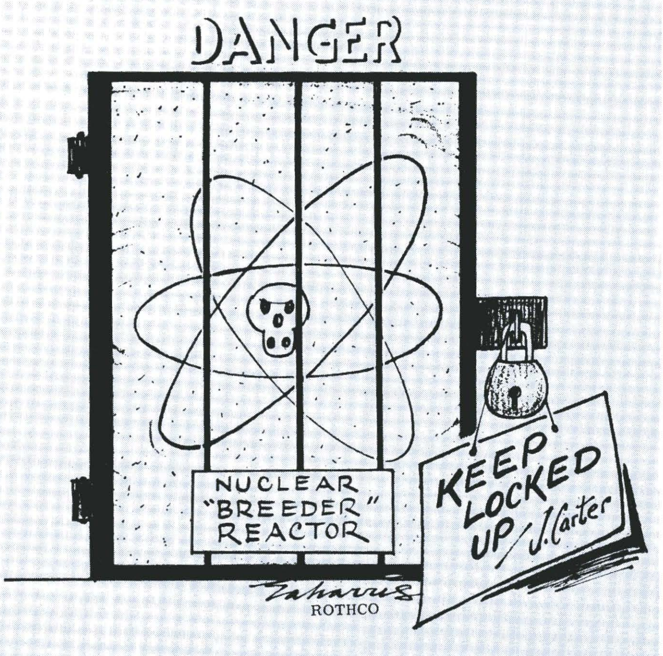


Bas, *Tachydromos*, Greece

Starting from these basic facts, the argument has developed in the United States that the presence of large quantities of plutonium in international commerce effectively negates safeguards, no matter how good, and that reprocessing therefore inherently increases proliferation risks astronomically.

PRESENT INTERNATIONAL SAFEGUARDS are not designed to physically prevent anyone from doing anything. They are supposed to provide the international community with "early warning" that a country is diverting material for construction of a bomb from its civilian nuclear program in time for international pressures to be brought to bear to

E.A. Harris, Canada



stop actual construction of a bomb. The key word is "early." With plutonium everywhere and countries only "days to hours away from the bomb," as US officials are fond of phrasing it, how can safeguards provide early warning?

Western Europe, Japan, the US nuclear industry, and much of the rest of the world still see the issue differently. Their basic argument is that plutonium is simply so valuable and probably necessary that they can neither forego its use themselves nor expect other countries to do so. The tendency here is to point to the large American oil, coal, and uranium reserves and note that while the United States may be able to afford deferring the question, resource-poor nations don't have that luxury. President Carter acknowledged this as a problem when he outlined his domestic reprocessing policy in April. Countries such as Japan, France, Britain, and Germany, he said, "have a special need that we don't have" in that their supplies of energy resources are more tenuous.

Further, this argument goes, a country which wants a nuclear weapon badly enough can get one anyway using small research facilities that can probably escape detection. It thus seems wiser to develop reprocessing under controlled, safeguarded conditions than to try to stop it altogether and probably end up with a number of countries developing it on their own with no safeguards at all.

In defending its agreement to sell reprocessing technology to Brazil, for example, Germany is quick to point to statements such as that by Brazil's Foreign Minister Antonio Azeredo de Silveira that if the German deal is cancelled, Brazil will "muster all its resources in a national effort to attain the same technology, and that would be done without any kind of safeguards whatsoever."

What advocates of this view argue for is control—for expanding and strengthening the International Atomic Energy Agency, the organization which carries out international safeguards; for increasing pressure to get countries to sign the Nuclear Non-Proliferation Treaty, foreswearing nuclear weapons (France has problems here, however, since it has not signed the treaty itself); and perhaps for establishing international centers for reprocessing.

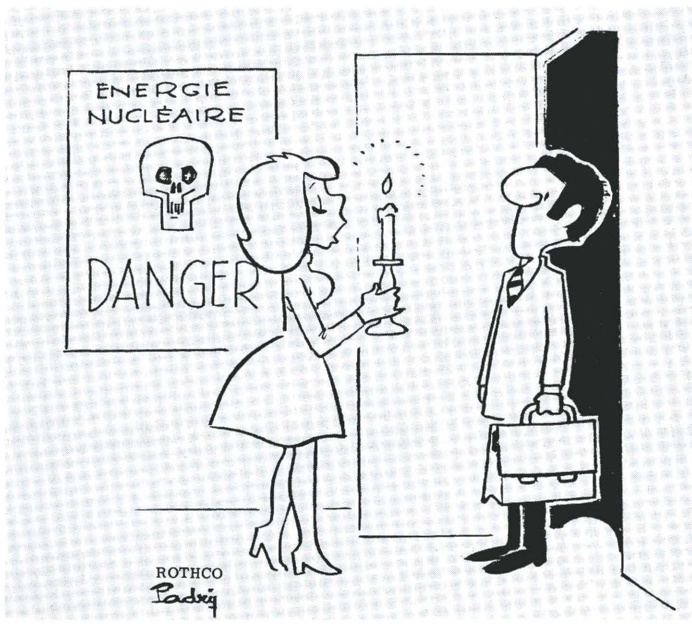
The United States has responded by bolstering its argument against reprocessing with economic analysis indicating that reprocessing will probably cost more than the fuel is worth at this time.

If, as now seems likely, neither side is able to persuade the other of the wisdom of its position, the big question mark is how much pressure the United States is willing to apply to get its way. In a policy statement April 7, President Carter indicated considerable flexibility and a strong preference for negotiation rather than strong-armed tactics.

Britain and France already have reprocessing plants in operation. Japan has a plant which is scheduled to start up in August, and Germany has one on the drawing boards. Carter said those countries have "a perfect right to go ahead and continue with their own reprocessing efforts," though he hoped they would join with the United States in discouraging further countries from developing this technology.

As Administration officials were quick to point out afterwards, however, this does not answer the question of how and when, if at all, the United States will play some major cards it still holds. In the past, the United States has been almost the sole supplier of low enriched fuel for the non-Communist world and has required that all purchasing countries give the United States a virtual veto over how, when, and where such fuel is reprocessed.

Thus, while these countries may have "a perfect right" to do whatever they want on their own sovereign territory, in the words of one Administration official, the United States can "wreak havoc" with their reprocessing programs if it refuses to allow US fuel to be reprocessed. Furthermore, the United States could cut off supplies of low enriched uranium in the future if other countries don't go along with US policies.



"I'm afraid to use the electricity. It's coming from a nuclear plant!"
Padry, *Le Herisson*, Paris

Will the United States do this? Following the Carter statement, State Department officials said the question was "under negotiation," adding that the countries involved "may not be satisfied with the way it [consultation] turns out." Significant factions in Congress would go beyond this: Representatives Jonathan Bingham and Senators Charles Percy, Abraham Ribicoff, and John Glenn have introduced legislation that would forbid reprocessing of US-origin fuel in countries that do not already have nuclear weapons.

Beyond this, the Europeans are concerned about what the United States may do to hinder breeder research efforts, since these programs require highly enriched uranium—

The nuclear control room at a steam electric plant in Hartsville, South Carolina. Tom Owen, Carolina Power & Light Co., courtesy ERDA, Washington

fuel with concentrations of U235 higher than 20 per cent—that must also be imported from the United States at this time.

FOR THE EUROPEANS, the real effect of such moves would be intense but shortlived. In the early 1980's, two European enrichment plants are scheduled to go on line—one a primarily French venture known as Eurodif and the other a British/Dutch/German project known as Urenco.

Availability of these plants will decrease US leverage significantly, and European officials say that heavy-handed tactics by the United States would encourage Europe to move toward independence in enrichment capacity that much more quickly. Between now and 1980, the US share of the European enrichment market will decrease considerably with the Soviet Union scheduled to fill the gap. Thus, paradoxically, the extent to which the United States could upset European nuclear planning depends in part on the Russians.

How the Soviets would respond to US suggestions that the two cooperate in applying pressure through enrichment supply control is another big unknown. In April, Carter said that Secretary of State Cyrus Vance during his Moscow trip had asked the Soviets "to join in with us in enhancing the non-proliferation concept" and that "their response was favorable." He did not specify what had been proposed in detail, however, and added that the whole thing required much more negotiation. There is no sign that proposals included ganging up against Western Europe.

This situation portends trouble for the European Community as a whole as well as for the individual member states. Under the Euratom treaty, nuclear materials are supposed to move unhindered throughout the Community. But the United States now is pushing for the right to say whether or not material it originally exported can be transferred from one member state to another.

For example, early this year Switzerland asked US permission to send fuel it had imported from the United States to France for reprocessing. The United States said "okay," but only under the condition that further transfers would require US approval. Since Switzerland had already sold to Germany the plutonium to be produced for use in German research programs, the integrity of the Community was brought squarely into question.

The Euratom response was to tell the United States that it assumed the Americans did not include intra-Community transfers under this condition. But it was clear this was exactly what the United States had meant, which leaves the question up in the air. As EC Commissioner for Energy Guido Brunner stressed, the whole issue of free movement may seem "a legal nicety" to the Americans, but it is crucial in Brussels.

Both Brussels and Bonn are worried about another aspect of US policy which they fear could endanger both European solidarity and German research efforts. Congressional proposals for export control legislation set up distinctions between "nuclear weapons states" and "non-weapons states," in the sense that countries which already have bombs would be allowed to reprocess US-origin fuel but countries which do not have bombs would not. This creates a double standard the Community would have difficulty living with.

A final, by no means insignificant, unknown in this equation is European public opinion. Germany has been forced to halt further nuclear expansion until the reprocessing question is settled. Great Britain has initiated a major rethink of its reprocessing plans, and anti-nuclear forces won nearly 10 per cent of the vote in recent municipal elections in France.

Brunner, among others, has emphasized that the present US stance could throw a major monkey wrench into this already volatile situation and endanger all nuclear expansion in Europe. While within the United States the distinction is clearly being drawn between light water reactors, which the Administration says are all right, and plutonium, which it says is not, Brunner is afraid this distinction may be lost in Europe and proliferation will be equated with all nuclear power.

Through all this murk, it is difficult to discern the source for eventual agreement. US pressure and/or domestic sentiment could conceivably force changes in European policy, but there are no signs of this yet, despite some minor alterations.

From the US side, Carter has shown an increasing desire to be flexible, many believe, in part because of European pressure. But if the Administration sticks to its policy of not allowing reprocessing within the United States, political pressures to concede to proliferation fears could grow in other countries. How and when it will end is anybody's guess.

A German-US Schism?

Economics, Nuclear Exports, Defense Test Allies

ADRIAN DICKS, *Bonn correspondent for* The Financial Times, *who formerly reported from Washington*

ARE THE NEWSPAPERS MAKING TOO MUCH FUSS OR IS there really cause for concern about the state of relations between the United States and its most powerful European ally, the Federal Republic of Germany? Since the Carter Administration took office, the exchange of ritual diplomatic courtesies has not concealed that the two countries are at odds over the direction of the world economy and the responsibility both carry for improving it. The United States and Germany are still more divided over the sale of "sensitive" nuclear technologies to nations which could misuse them to build atomic bombs. A specific issue is Germany's plans to make such a sale to Brazil. Then, there are the perennial problems of trying to standardize weapons of the NATO alliance with matters coming to a head over the choice of a new main battle tank and the alliance's decision on the Airborne Warning and Control System (AWACS).

None of these differences will be easy to settle because deep clashes of interest are involved in each case. Then, what of the atmosphere of the relationship? Here, too, there are uncertainties. The Germans, like other American allies, understand time is needed for a new team in Washington to settle in. But they feel the present Administration is taking longer than usual to tackle some issues, while in other matters—the German-Brazil Treaty is an obvious example—there is too much, too soon on the level of public relations. Germany appreciates the care which President Jimmy Carter and Secretary of State Cyrus Vance are taking to consult America's allies, but when it comes to substantive issues and how to deal with them, the Germans must still reserve judgment.

More important than German-American bilateral frictions is the new President's policy towards the Soviet Union. It is here that Carter's style is most puzzling to West Germans. While many no doubt privately applaud his defense of human rights in Russia, this does not necessarily mean they see it as wise diplomacy. To many others—in a country which has come to depend both on economic links and on political relaxation with the Communist bloc—Carter's tactics seem foolhardy and subject to the law of diminishing returns unless he can show results fairly soon.

Germans are likely to see the Soviet Union's stonewall rejection of Carter's first sets of strategic disarmament proposals as an immediate test of the new President's diplomacy. But they are watching just as closely to see how he responds in other areas of global tension. None is more important for the Federal Republic than the latest Soviet-East German "salami tactics" to whittle away the basis of the Four Power Agreement on Berlin, the issue that Chancellor Helmut Schmidt often describes as the touchstone of détente.

As it attempts to anticipate how President Carter will react in each of these situations, Bonn is handicapped by not having formed a full personal impression of him. No one knows whether Carter has entirely forgotten the Chancellor's indiscretion during the US Presidential election campaign when he let it be known privately that he would have preferred Gerald Ford to win—a view which inevitably found its way into print. Schmidt, in the meantime, has yet to receive an invitation to Washington. While that may reflect no more (or less) than Presidential pique, it does not promise well for the solution of the present points of strain.

Among specific matters over which Washington is now at odds with Bonn, world economic policy and defense cooperation—both too close for comfort to the heart of the two countries' real interests—call into question the degree to which each can expect the other to give on deeply rooted principles. The controversy over Germany's nuclear energy treaty with Brazil, which poses that question too, is perhaps even more dangerous—and not merely because of the proliferation aspect that has most worried Americans.

In the international economic scene, Carter and Schmidt share with the Japanese Prime Minister Takeo Fukuda the prospect of being hard pressed by other heads of government to inject enough stimulus into their own domestic economies to safeguard the faltering recovery from the 1974-75 recession and to pass on significant benefits to their fellows.

US Vice President Walter Mondale (left) is greeted by Chancellor Helmut Schmidt during Mondale's Bonn visit.
Office of the Vice President, Washington

This is a refrain the German Chancellor has been hearing for the past year and a half from British Prime Minister James Callaghan, among others. And Schmidt was treated to a first taste of the Carter Administration's views even before Vice President Walter Mondale's arrival in Bonn, when it was being said in Washington that pressure would have to be put on the Germans to do their share along with the President's own $30 billion stimulatory package.

The Administration's economic spokesmen, from Treasury Secretary Michael Blumenthal on down, repeated that the international economic situation would be the principal topic of conversation at the London summit, and declared a "general consensus" had been reached that countries with payments surpluses and strong reserves positions should rapidly increase their own economic growth this year.

The German Government paid little heed to this unsolicited advice and pointed out that Germany raised its imports from the rest of the world by over 20 per cent last year. At the same time it increased by only 16 per cent the exports on which it depends for much of its livelihood. Schmidt spelled out the heavy commitments Germany has undertaken in multilateral financial assistance to Britain, Italy and, through the International Monetary Fund and other institutions, to numerous countries in balance of payments difficulties. At the end of 1976 over 36 billion deutschemarks (DM) out of total German reserves of some DM 80 billion was pledged to credits, stand-by arrangements, guarantees, or swap agreements with foreign governments, central banks, or international organizations.

Further, according to Schmidt, with its DM 16 billion "middle-range investment program" (which Bonn does not allow to be described as a stimulatory measure), Germany is in fact doing more to underpin economic recovery than the United States. After allowing for its smaller gross national product (GNP), according to unpublished though widely circulated calculations by the Bonn Finance Ministry, the investment program plus other measures taken in the past three years amount to stimulation totaling $33 billion for a GNP of $473 billion last year. The United States, with a GNP of $1,690 billion, has spent $94 billion since early 1975. Yet the "net income effect" of the German measures was $43 billion, while that of the United States was only $56 billion.

Even if these figures were better known and understood abroad, there might still be a feeling that "the Germans should do more." Here—and no doubt in what his domestic political opponents like to refer to as his "schoolmasterish" fashion—the Chancellor would argue that were his country to try spending its way toward faster economic growth by means of higher government deficits and a higher rate of inflation, its reserves would soon run down, its currency would soften, and the good example it offers to others would be destroyed. Germans of all political parties think of their country and their economy as the one major European nation which has applied the lessons of the pre-war inflationary period and as the one island of economic rectitude in a world that has lost nerve.

While Germans can appreciate that their economy is in better shape than their European partners, they are also concerned about the direction it may take if traditional prudence is thrown to the winds. Unemployment is still over the 1 million mark and is unlikely to fall much below 850,000-900,000 this year. Inflation is still running well below 4 per cent, yet wage settlements this year have been around the 7-8.5 per cent mark in real terms. Most troubling is the reluctance of business to undertake new investment on a scale that would create significant numbers of new jobs. German businessmen don't seem to believe the world recovery will endure and have already seen a worrisome drop in orders for the exports which provide as many as one-in-four German jobs.

The heart of this export-based economy lies in high technology areas such as machinery and machine tools of all kinds, where an ever dearer deutschemark and increasingly expensive work force are offset by the advantage of "German quality"—sheer reliability of the products and experience of those who make them. If Germany cannot keep its reputation as an exporter and continue to excel in new areas of technological products, most economists believe the country will be in serious trouble. That is precisely why the Brazilian treaty is such a sensitive affair. It is not just that at least 40,000 skilled jobs depend on the $5 billion deal. The issue is a test of whether Germany can remain a reliable supplier and of whether it can continue to compete in an area where the US company Westinghouse has snapped up much of the international nuclear energy market.

Not the least of Bonn's apprehensions is that whatever it may say about the dangers of nuclear weapons proliferation, the Carter Administration is in truth acting as a shield for Westinghouse's ambitions. (This is similar to the argument used in shriller form by France over the question of Concorde landing rights in New York.) Germany is America's closest intellectual follower in its much proclaimed attachment to free market economics; it is not convinced Washington has yet made even half a case to support its attempted interference in what Germany doggedly regards as a commercial transaction between two nations independent of the United States.

Mention also needs to be made of a certain rigidity in German thinking. As Schmidt has pointed out, the German-Brazil treaty goes beyond the requirements of the Non-Proliferation Treaty (which Germany has signed though Brazil declines to) in its safeguard clauses against misuse of the planned nuclear fuel fabrication plant and spent-fuel recycling facility. But Carter's point is that should Brazil actually want to use these two plants to produce plutonium for atomic weapons, no safeguard clause or inspection mechanism would deter it. That is the real world of politics, and those who share the US President's alarm at the prospect of spreading nuclear weapons cannot be blamed for feeling a certain irritation at Bonn's contant reference to what may seem like legalisms—though Schmidt has consistently called for the extension of the scope of the Non-Proliferation Treaty and for more countries to be included as signatories.

Bas, *Tachydromos*, Greece

Meanwhile the runaway row about nuclear power within Germany has helped to make people think about whether they really want such things as the fast-breeder reactor, dependent on the highly enriched uranium that Germany buys from the United States, or a future generation of plutonium-fueled power stations. It is quite possible that against the wishes of its present generation of political leaders, Germany will turn away from nuclear energy. In the meantime it does not wish to have this decision made by the United States. There have been ominous signs that, without saying so publicly, the new US Administration may indeed have been reminding the Germans of its control over their supplies of some forms of enriched nuclear materials through the recently reported delays in granting export licences.

Finally, there is the strain placed on the relationship by the US attitude towards weapons standardization in NATO. Grandiose plans for joint US Army-Bundeswehr tank orders were scaled down to possible interchangeability of parts. Comparative evaluations of American and German tanks were postponed, then—the Germans allege—distorted by the American side in order to favor the US contender. Now it appears difficult to achieve even a few fundamental common points of design while Bonn is reluctant to buy AWACS.

None of these issues seems beyond solving, given the good will and deep sense of common interest Germany and the United States feel for one another and which were loudly stressed in public during Vance's March visit and Mondale's in January. At the same time each issue could be more corrosive than most previous irritants to US-German relations, should nothing be done.

President Carter is perhaps in the better position to take a comprehensive and well thought-out initiative, not only because it is the United States which has raised both the nuclear exports issue and the latest round of pressure on Germany to reflate. Also, he is in a stronger position domestically because the coalition of Social Democrats and Free Democrats led by Schmidt and Hans-Dietrich Genscher is beset by political problems and increasing self-doubt.

For the moment Schmidt says he sees no crisis in US-German relations. But he has not managed to convince German opinion that such a crisis has really been headed off, and for much of the press to conclude relations with Washington are the worst in a generation is a judgment the Chancellor does not relish.

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April 20, 1977.

EC Bonds on US Markets

Current success brings visions for future programs

TIM CARRINGTON, *Washington correspondent for McGraw-Hill's* Securities Week

US CAPITAL MARKETS—NOW BECOME A SOURCE OF LONG- and short-term financing for the European Community—may evolve into the centerpiece of a new loan policy for dramatically increased international bond sales. While the European Community represents something of an unknown to many US investors, major financial institutions are gearing up to accommodate the advent of an expanded role for the Community in US bond markets.

Yankee bonds, Wall Street's sobriquet for any foreign-issued debt securities, have been increasingly well received by institutional investors since the lifting of the Interest Equalization Tax in 1974. And EC issuers have not stood by the sidelines. The European Economic Community (EEC) is now reflecting on its successful maiden voyage in US capital markets late last year with a $100 million issue. It is also contemplating future borrowing schemes to tap the unmatched scale and liquidity of US markets.

The European Coal and Steel Community (ECSC) has approximately $700 million outstanding in notes purchased by US investors, and has just announced a new offering of $75 million in 20-year notes. The European Investment Bank (EIB) has outstanding notes amounting to $250 million. Also, the European Council recently gave its blessing to a loan scheme for the European Atomic Energy Community (Euratom), which includes raising approximately $560 million through a new bond issue.

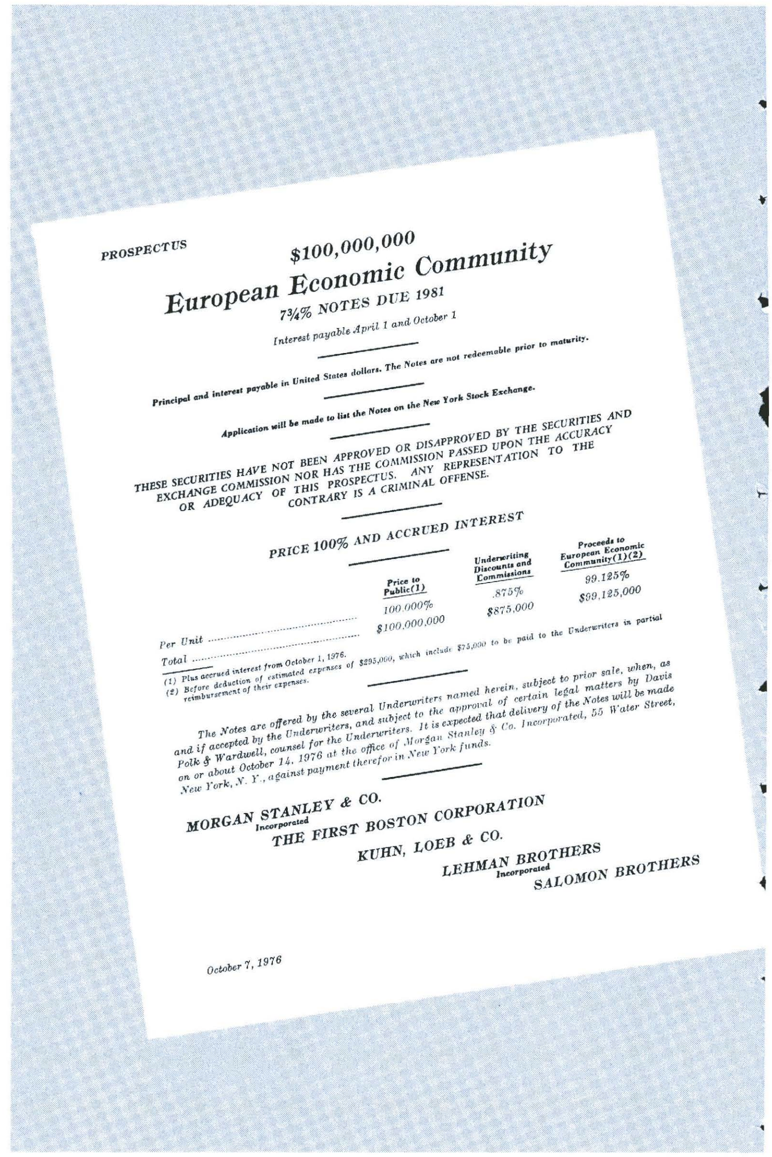
The depth and consistency of capital markets in the United States present an enormous revenue-raising opportunity to support a broad range of Community objectives. For US institutional investors, EC paper carries solid ratings and offers an alluring differential of 50-to-90 basis points above comparable bonds issued domestically. But EC bonds also present US money managers with the problems of assessing a new and seemingly volatile political climate in Europe, with the uncertainties of taking on considerable amounts of credit often backed chiefly by good faith agreements, and with the difficulties in obtaining timely information on factors impacting the value of the bonds.

The European Economic Community's debut in US markets brings to the fore many problems and potentialities. Last October a $100 million issue was distributed in 7¾ per cent notes due in 1981. Proceeds amounting to $300 million have been applied to the repayment of five-year EEC loans made by a group of banks. The bank loans in turn were used toward loans of $1 billion to Italy and $300 million to Ireland to alleviate balance-of-payment problems brought on as a result of radical increases in the price of imported petroleum. Altogether, borrowings by the EEC have been authorized up to $3 billion, including principal and interest, specifically to redress balance-of-payment deficits caused by petroleum costs.

Financing efforts to offset the ravages of 1973 price hikes by the Organization of Petroleum Exporting Countries (OPEC) was one objective of the European Economic Community's bond issue. The other goal, and one of perhaps greater long-term significance, was to establish EEC credit in US capital markets. Because of their size and the opportunity to borrow at fixed rates, US markets offered an attractive solution to future financing needs of the Common Market.

THE SELLING OF THE EEC NOTES last fall was in large part the selling of the Common Market itself, the concepts that bind it together, and the economic viability of its constituent states. One crucial barometer of creditworthiness, and a pivotal element in shoring up investor confidence in any bond issue, was the New York rating agencies. Both Moody's and Standard and Poor's gave the European Economic Community issue a Triple-A rating. (ECSC and EIB bonds have enjoyed Triple-A ratings for several years.)

But there was also the matter of investors' perceptions. EEC notes were underwritten by stalwarts of the US investment banking community—Morgan Stanley, The First Boston Corporation, Kuhn Loeb, Lehman Brothers, and Salomon Brothers. The market for the notes was with major US financial institutions. The firms forming the underwriting syndicate knew from the outset that a thorough



PROSPECTUS

$100,000,000

European Economic Community

7¾% NOTES DUE 1981

Interest payable April 1 and October 1

Principal and interest payable in United States dollars. The Notes are not redeemable prior to maturity.

Application will be made to list the Notes on the New York Stock Exchange.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

PRICE 100% AND ACCRUED INTEREST

	Price to Public(1)	Underwriting Discounts and Commissions	Proceeds to European Economic Community(1)(2)
Per Unit	100.000%	.875%	99.125%
Total	$100,000,000	$875,000	$99,125,000

(1) Plus accrued interest from October 1, 1976.
(2) Before deduction of estimated expenses of $295,000, which include $75,000 to be paid to the Underwriters in partial reimbursement of their expenses.

The Notes are offered by the several Underwriters named herein, subject to prior sale, when, as and if accepted by the Underwriters, and subject to the approval of certain legal matters by Davis Polk & Wardwell, counsel for the Underwriters. It is expected that delivery of the Notes will be made on or about October 14, 1976 at the office of Morgan Stanley & Co. Incorporated, 55 Water Street, New York, N. Y., against payment therefor in New York funds.

MORGAN STANLEY & CO.
Incorporated
THE FIRST BOSTON CORPORATION
KUHN, LOEB & CO.
LEHMAN BROTHERS
Incorporated
SALOMON BROTHERS

October 7, 1976

education process would be needed to commit $100 million of institutional monies.

The Common Market, together with Kuhn Loeb and First Boston, sponsored a European tour for officials of sizable savings and loan banks and other high-powered institutional money managers. In addition, meetings with institutional investors were held in major cities across the United States. Common Market leaders underscored the reliability of EEC obligations and the economic cohesiveness of the Community as a whole.

Looking back on last year's promotion efforts, EC officials describe American institutional investors as "a tough market to get into." Speaking from a slightly different vantage point, a First Boston official remarked that the EC bonds were "not the easiest of credits to sell." The principal difficulty was that the bonds were backed by what US investors tended to view as something of an unknown. In the event of default, how reliable would the nine-nation conglomerate be in honoring the notes? Whereas the already popular ECSC bonds had the undergirding of a substantial guarantee fund, the EEC notes were for the most backed by the moral obligation of the member countries. Moreover, the European Economic Community had no specific levying power over its members in the event of unanticipated problems in meeting the obligations.

By and large, US money managers were receptive to the EEC credits. Institutions were reassured by the Community's strengths—its status as the world's second largest steel producer, the stability of its enormous automobile industry, its overall production. And while American financial potentates were somewhat disconcerted by Europe's prevailing reliance on good faith agreements as opposed to binding contractual accords, the prospects for default on the five-year notes were perceived as minimal. That the hardy economies of Germany, Belgium, and the Netherlands could be depended upon to bolster the more tenuous financial structures among the member states seemed a certainty. Also, the point was driven home that Italy and Ireland could scarcely afford to renege on their obligations in light of future borrowing needs.

In addition to a successful selling job, EEC bond distribution was buoyed by unusual activity in the bond market generally, and by the paucity of comparable five-year debt securities on the market at the time. In any event, concluded T. Richard Fishbein, a Kuhn Loeb partner involved in bond offerings, the European Economic Community has created a niche for itself among US institutional investors. He added: "The EEC will certainly have the option of coming to the US markets again."

And regardless of residual doubts among institutional money managers, an increasingly active future in the US capital markets is all but assured for the Community as a whole. EC Commission President Roy Jenkins suggested in the March 25 meeting of the European Council in Rome that the Community capitalize on its Triple-A ratings and its foothold in US markets. Although present EEC borrowing capability is limited to raising revenues to redress the balance-of-payment problems of its members, regulations could be revised to permit the issuance of notes to finance a variety of projects, ranging from improved regional programs to restructuring the textile industry. EEC officials say that if international borrowing arrangements were fully open to them, the Community's budget, now at .6 per cent of the Nine's overall gross domestic product, could be doubled.

Similarly, it is envisioned that ECSC bond revenues could be employed in a new diversity of programs, including the restructuring of foundering steel companies. An expansion of EIB's borrowing authority would entail a raising of its current ceiling on loans to permit a broadened support for regional projects.

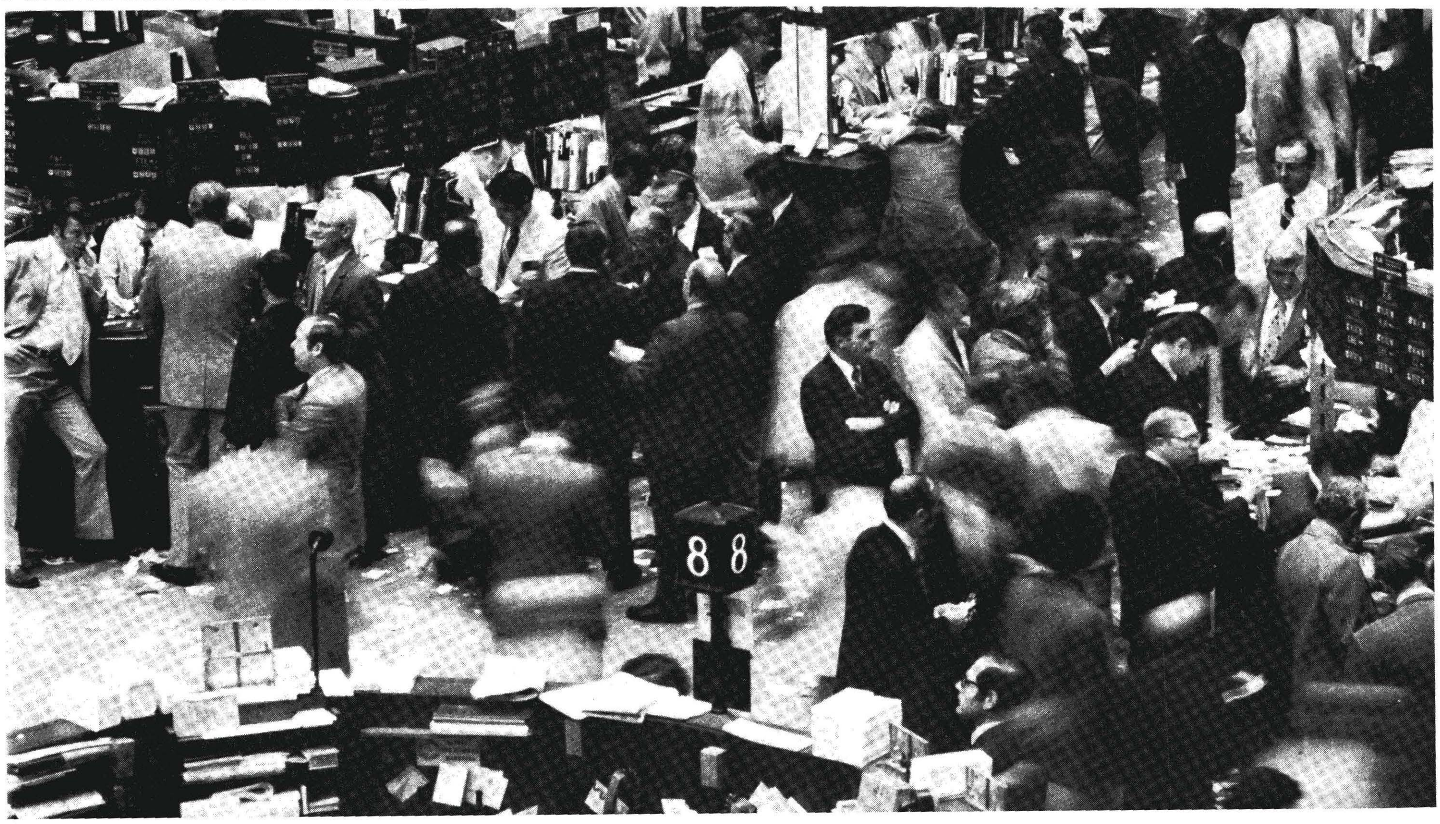
THE MAJOR PROPONENTS OF EXPANSION PLANS are EC Budget Commissioner Christopher Tugendhat, and EC Regional Commissioner Antonio Giolitti. It is argued that pending structural changes make an expanded borrowing policy a propitious step. The Community will soon have its "own resources" via authority to assess members up to 1 per cent of the assessment base for their value-added tax. With this capability, says Kuhn Loeb's Fishbein, "they could support a great deal more debt if they chose to do so." Other steps could also be taken to solidify EEC borrowing power. One possibility is that a guarantee fund could be established within the EEC budget similar to that already in the ECSC budget. Another approach would be to write the loans into the EEC budget, thus affording investors legal recourse to the general budget.

Yet institutions are anticipating an expansion with ambivalence. Joseph Fitzgerald, a Bankers Trust vice president handling investment research for approximately $18.6 billion in pension fund monies, says that because of the Community's Triple-A ratings in the United States and its favorable basis point differentials, the Bankers Trust credit department, and others like it, are taking an active interest in the Community. "It's a market that can't be ignored," he said. However, money managers are concerned with what is perceived as a fragile political balance in Europe and with the relative difficulty in obtaining timely information regarding a given bond issue. A banking official commented: "Clearly there's a political risk. The question is, how much of that political risk should you take?"

Gathering pertinent, timely information regarding EC bonds poses particular problems for credit departments geared to researching corporations. One New York money manager says that to compile research comparable to what is gathered for most debt securities issued in the United States, "you need a political analyst, you need a credit analyst, and you almost need somebody on the spot who's there to perceive what's going on." Because it seems inevitable that institutions will be able to provide less research for EC issues than for other securities, portfolio managers could tend to invest smaller amounts in EC paper than in other investment products. Another problem, and one of more serious dimensions, is that EC bonds' current Triple-A ratings could be jeopardized by making the framework of the borrowing mechanism more elastic under an expansion program.

Expansion plans also harbor considerable internal stumbling blocks. Treaty changes would be required to increase use of investor dollars for new projects. The EEC borrowing mechanism laid out in 1975 stipulates that revenues be applied to balance-of-payments problems only. The ECSC Treaty mandates that borrowings be used for investment, in viable companies presumably, rather than to refurbish financially depleted entities. Similar constraints hold true for the EIB bond plan, which operates under a statutory ceiling on loans and guarantees that would preclude a major increase in EIB projects. While some support exists for such changes, Germany represents a thundering voice of restraint that could hamper attempts to raise a loan ceiling or restructure a borrowing mechanism to permit bonds for less precisely defined projects.

Community sources say expansion will not be put to a vote for some time. In the case of EEC borrowing schemes, a number of short-term decisions need to be made first, such as whether to issue other bonds under the already authorized levels for balance-of-payments problems. Also, major policy decisions in EEC use of international capital markets will most likely await the installation of a new EC Commission director of monetary affairs, a post recently vacated by John Nash. Meanwhile, US investors await, not without some uneasiness, the arrival of future Community bond issues.



Wall Street action in New York. UPI Photo

Eurodollars

Piercing their "aura of mystique and ignorance"

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

EURODOLLARS AND TO A LESSER EXTENT OTHER EUROCURRENCIES, notably deutschemarks and Swiss francs, have been with us since the early Sixties. Their growth year after year has been unwavering: No matter what the strains and turbulences on the international monetary scene during this past decade, Euromarkets have kept expanding. The precise volume now can only be estimated at around $500 billion.

Why is it, then, that despite its enormous size, the Eurocurrency business is surrounded to this day by an aura of mystique and ignorance? Some (otherwise knowledgeable) people suspect secret and nefarious forces at work. Others merely go blank when Eurodollars are mentioned. This widespread reaction is all the more surprising and less justified because:

- these markets have been solidly entrenched for many years now;
- international trading and financing operations during the past decade, including many borrowings of the European Community and its affiliates, would have been impossible or at least gravely hampered by the absence of these markets;
- many who at one time or other were distinctly hostile, such as central banks and other national authorities, usually concede that on balance they have benefited far more than they have suffered from Euromarkets.

Actually, there never has been anything especially mysterious about Eurodollars and their origins. To begin with, they were mainly dollar holdings in the hands of European central banks which resulted from the large and successive American balance of payments deficits. Often it was more profitable to lend out those dollars in Europe and elsewhere as they could earn higher interest rates than in the United States.

Subsequently there have been other sources as well, such as temporarily available money from multinational firms and, at times of high interest rates, funds from individual investors. Most recently a prime supply has come through holdings of the oil-producing countries that have not been invested elsewhere.

What has often been behind the mistrust and apprehensions is concern over the anonymity of Euro-transactions. In what is also one of the market's major advantages, vast sums are borrowed and immediately lent out again, seemingly without any of the controls otherwise governing such deals. This chain of operations bears little resemblance to the conventional bank-customer relationship. There is always the fear that suddenly one link of the chain might break.

Yet today, when one discusses the situation with bankers of many nationalities in London (still the undisputed center of all Euro-financing), there is a strong impression that the alarms and myths of former years have receded. The Euromarkets appear to have grown up.

That, however, does not mean they have become static. They are intensely dynamic even now. New structures and patterns are developing all the time, generally in response to business needs. By all accounts the markets are performing as smoothly and quietly as a well-oiled machine. Although the possibility of some technical hitch is always there, it is no longer something which ranks foremost in the operators' thoughts.

There are a number of reasons why the markets' growing pains and childhood diseases appear to have been left behind. The accumulation of experience and expertise is one. The principal reason, however, can be summed up in one word: Herstatt.

THE CRASH IN JUNE 1974 of this Cologne bank undoubtedly gave the markets their biggest fright to date. But far more important in the long run, it also produced some highly salutary effects:

- Their ability to weather the storm eventually gave Eurotraders a degree of solid confidence they had not known previously.
- Precautions introduced after Herstatt are still operative. Bank managers maintain that they continue to monitor the information flow carefully and keep a constant watch over where deposits are placed. "We now have law and order here," said one banker.

On the floor of the stock exchange in Frankfurt, Germany—the city some bankers believe "could easily and rapidly become a major Eurocurrency trading center." German Information Center, New York

• It is now generally understood, and in some instances specifically agreed, that central banks will assume responsibility for deposits received by banks under their national control. On some occasions this rule has already been tested.

In the last couple of years because of a high degree of liquidity, the Euro-business has once again become fiercely competitive. Even so, it appears that banks have not reverted to "shaving" rates as in pre-Herstatt days. Although they may be operating a little more aggressively now than the did immediately following the Herstatt collapse, they claim to be treading warily when turning short-term deposits into longer-term commitments.

Then too, Euromarkets have not been unduly disturbed by the advent of floating exchange rates. It is possible that these, given the higher risks now implicit in currency speculations, have been a stabilizing factor.

For the moment and almost certainly for quite a few months ahead, the abundant supply of funds is assuredly the markets' chief characteristic. "Money is fairly sloshing around," bankers say. Actually this is not as unusual as it sounds. As a rule, there is never really a supply shortage. Demand might be a problem from time to time, but once it is there, it will always generate or attract adequate funds.

Despite unsatisfactory industrial investment lately, demand is far from absent. Much of it concerns national deficit financing operations, though, and things are likely to stay that way for awhile.

But the demand does not always come from the most desirable clients. Bankers in London are distinctly concerned over massive borrowing from the developing countries and also some East European nations. Some European banks are shy of such loans, for instance those to black Africa. Others, like the Swiss, will make commitments only when these are linked to bona fide commercial deals.

While the supply of funds is plentiful, it is still not entirely devoid of problems. One appears to be the "education" of the OPEC countries. They are learning that they cannot put all their funds on call or as seven days' money. Their holdings must be committed for longer periods if the banks are to lend them out usefully and profitably.

Many more technical innovations aside, the most startling new Euromarket departure of the past year has been the growing participation of European continental banks, mainly German and Swiss, in huge loan syndications. The change is termed "explosive."

In the first six weeks of 1977, German banks alone took part in such operations to the tune of more than $1 billion. These were dollar, not deutschemark, transactions. It is unimaginable that such ventures could have occurred without the tacit but full support of the German Bundesbank.

This leads some bankers to assume that—should the German Central Bank ever change from covert to overt approval—Frankfurt could easily and rapidly become a major Eurocurrency trading center. It might even be a match for London.

Most people will disagree, however. They maintain that no other place in the world, not Frankfurt, not Zurich, and certainly neither New York nor any of the exotic offshore centers (Bahrein, Bahamas, Hong Kong, and so forth) could ever take the British capital's place. For none possesses the same total freedom from government-imposed banking, tax, and similar restrictions, or from any number of political headaches. London owes its privileged position to nothing more nor less than the Bank of England's continued willingness to play the Good Fairy to the Euromarkets.

The Big Debt

East-West trade causes financial worry

SANDY FEUSTEL, *Washington-based freelance writer specializing in international topics*

PICTURES OF THE COMMUNIST BLOC DEBT TO THE WESTERN nations have been painted in flashing red recently as economists and journalists vie for alarmist projections that reach as high as $100 billion in 1980. Panic has not penetrated the Western lending institutions, however, as bankers write such predictions off as exaggerations.

What seems at stake in East-West economic relations is not whether or not Poland will default on loan payments to Western lenders, but rather, the future growth of East-West trade. This will depend on such factors as the creditworthiness of the Soviet Union and Eastern Europe, Western trade restrictions, Soviet agricultural performance, and the impact of Western inflation on the purchasing power of available Eastern foreign exchange.

Not the least of these factors is the question of how the United States and Europe interpret détente. Clearly the word has a different meaning when it comes to trade. West Europeans view East Europeans as major trading partners whereas the US Congress has injected the issue of human rights into the formula. Any common approach to the problem is thus likely to get embroiled.

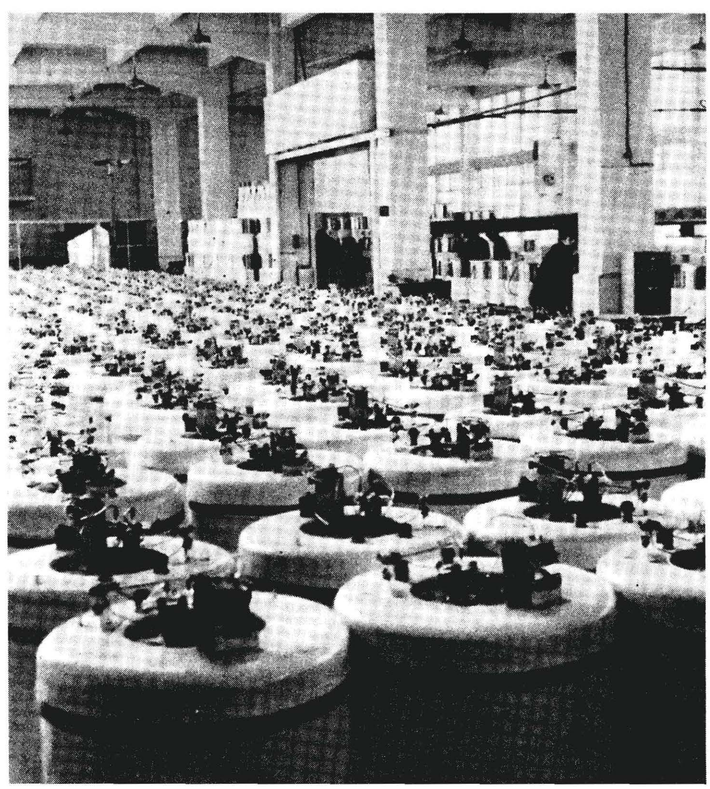
Behind the accumulated debt of the Eastern bloc, estimated at $37 billion, was a five-year development strategy by the Council for Mutual Economic Assistance (COMECON) countries aimed at increasing imports of Western technology and equipment to upgrade domestic industry and to develop untapped raw materials. However, debt figures rose higher than anticipated due to recession and inflation in the West, which reduced demand for Eastern goods and shrank the purchasing power of existing hard currency.

During the 1971-75 period there was a boom in trade with the West. By 1975, 31 per cent of USSR foreign trade was with Western countries. Part of the growth in trade volume can be explained by large grain imports in 1972-73 and 1975-76, compensating for bad harvests in the Soviet Union. But it also reflects a steady increase in imports of machinery and equipment.

The 1976-80 five-year plans of the Soviet Union and East European countries call for 30-35 per cent growth, the same foreign trade growth target as previous plans. But the growth rate is predicted to be considerably less than actually occurred during the 1971-75 period. Over the next five years COMECON will concentrate on finishing its ongoing plant and infrastructure projects with a shift in emphasis from increasing output to improving quality. This will mean continued heavy borrowing on Western markets based on existing long-term contracts and credit commitments for the next five years.

It is this demand for Western technology that worries Western economists: They fear Eastern bloc nations do not have the ability to generate enough exports to cover needed imports of machinery and equipment. They argue that there is an underlying structural problem in East-West trade; that there are not enough possible areas for Eastern export expansion, except in raw materials, and that Eastern manufactured goods will never be able to compete with Western goods on the market.

Electric boilers ready for export from the largest household appliances manufacturing plant in Bulgaria, located in the seaside town of Varna. Embassy of Bulgaria, Washington



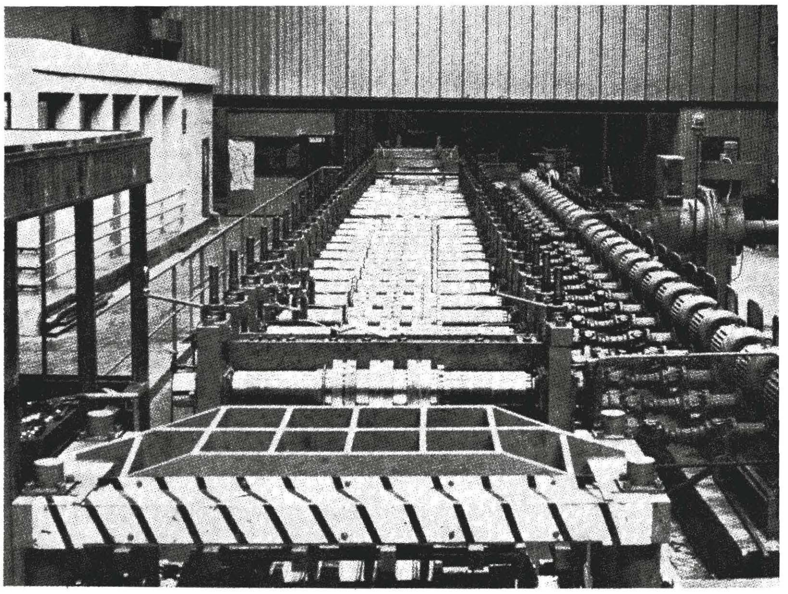
This situation is reinforced by restrictive trade legislation in the United States which denies most-favored-nation (MFN) status and restricts US Government credits to all Eastern bloc nations excluding Romania, Poland, and Yugoslavia. On top of this are European Community import quotas and the EC common agricultural policy (CAP), which cuts off potential agricultural sales from Hungary, Bulgaria, and Romania.

ALL THIS ADDS UP TO a sizeable hard currency deficit in the Eastern bloc, which can be more easily covered in the Soviet Union than in Eastern Europe. The Soviets can decrease their deficit by heavy sales of natural resources—$4 billion in oil in 1976—and partially balance their short-term trade gaps through the sale of gold—some $1 billion in both 1975 and 1976. Eastern Europe has a tougher time of it with smaller reserves of natural resources, although Poland has sizeable coal deposits. The Soviets must still, along with Eastern Europe, turn to the West for additional financing.

In the West, the German, Japanese, and French Governments have shown a willingness to finance the purchase of needed equipment with government-guaranteed, long-term, low-interest loans. This is supplemented by short- and medium-term borrowing from private Western lending institutions.

Criticism from Western quarters focuses on the unique nature of Soviet financial transactions. Western banks, it is argued, are lending on a fraction of the information and none of the collateral required on other loans. As the director of the USSR Bank for Foreign Trade recently remarked, "We do not publish debt figures for the Soviet Union." Further fuel to the fire is added in the unregulated Eurocurrency markets, in which COMECON's total debt is estimated at $16-$17 billion. If a country such as Poland—with one of the largest outstanding debts and not a member of the International Monetary Fund (IMF)—should default in 1980 or have to reschedule her loan, the IMF could not supervise corrective economic measures. Furthermore, most of the capital and technology exported to the Eastern bloc will not lead to export of goods sold outside the bloc, because Eastern production will be slated for sale inside COMECON.

Nevertheless, financial markets still give the Soviet bloc a relatively high credit rating. Bankers cite such items as the large natural resources of Russia and Poland, reduced risk in lending to sovereign governments as compared to private sector borrowers, and the ability of centrally planned economies to better regulate imports and exports to meet debt payment obligations. Behind this apparent confidence is the belief that the Soviet Union will always back any major debt problem of an Eastern bloc member. Accompanying this unwritten understanding is the criticism that financial dependence on the Soviet Union only locks Eastern Europe into a tighter relationship with that country.



Modernized to meet increased production demands, East Slovak Iron and Steel Works in Kosice, Czechoslovakia, exports to more than 40 countries in four continents—with more than 80 per cent of its exports to Western countries. Embassy of Czechoslovakia, Washington

As the size of the bloc debt increases, Western banks are likely to adopt a more cautious approach to future lending. It is also possible that US banks are approaching their legal lending limit with the Soviet Union. Western caution will be matched by Soviet concern over the debt to the West and its effect on the international prestige of the Soviet Union. This could lead to less ambitious Eastern import schemes. Seen against the backdrop of a commitment to increase the quality of technology inside the bloc, a drop in imports can only hit the traditional whipping boy of the COMECON countries—the consumer. With such depressants acting on the availability of credits to finance East-West trade, what are the prospects for future growth in East-West commercial relations?

On the horizon of East-West trade expansion is a variation of the old vodka-for-Pepsi barter theme. The new buyword is "compensation agreement." Whereas barter can be the exchange of any two items, compensation involves purchase on credit of equipment for industrial construction in Eastern countries. The loans are paid back through long-term delivery of products made at the new facility.

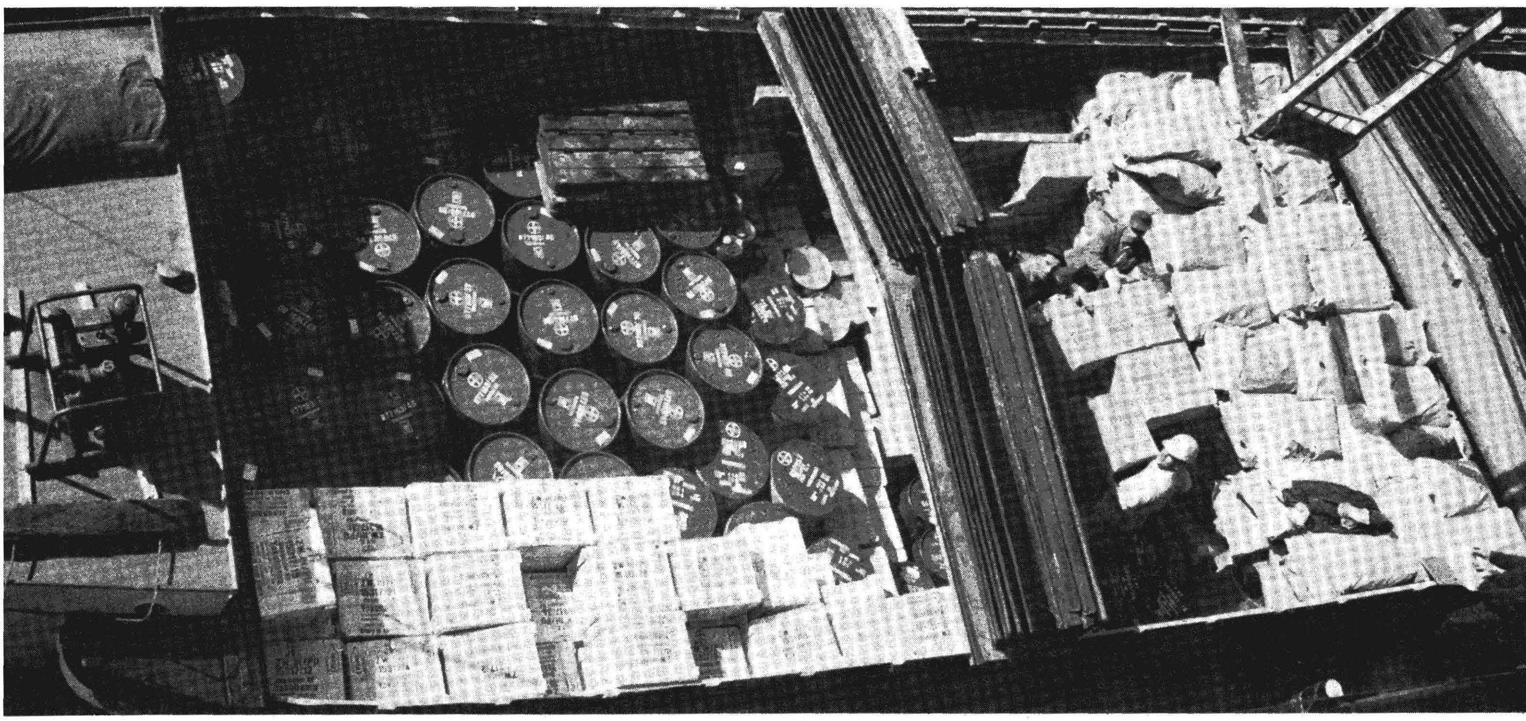
As a part of Soviet foreign economic policy since 1973, most of the new industrial cooperation agreements have involved construction of facilities for processing and extracting raw materials. One of the largest of these projects is a $20 billion fertilizer exchange between the Soviet Union and Occidental Petroleum—composed of four ammonia plants, pipeline, and port facilities in Russia, phosphate development in the United States, and tanker construction to transport the fertilizer. West Germany is the leader in compensation agreements with the Eastern bloc due to the strong presence of German chemical companies, which pick up Soviet feedstock as their compensation produce. Natural resource development projects in Siberia and the Soviet Far East receive high priority for industrial cooperation schemes in the Soviet Union. Japan is the leading actor in this area—working on joint projects in timber, pulp mills, coking coal, and oil and gas exploration. A trilateral Soviet-Japanese-American liquefied natural gas project in Yakutia has been under discussion for three years.

Other compensation projects include American-French cooperation in an aluminum smelter in Eastern Siberia and a copper smelter in Udokan. Compensation agreements with the West could amount to $4.5 billion over the next five years and could partially solve the Eastern dilemma of how to generate hard currency earnings. Such arrangements could also give the bloc long-term access to Western technology and ensure for Soviet goods a Western market which they would not otherwise have had.

COMECON EXTERNAL DEBT
(in US $ billions)

Country	*1975 Debt*	*Debt as % of 1975 GNP*	*1976 Debt*
Bulgaria	1.8	7.7	2.3
Czechoslovakia	1.5	2.7	2.1
German DR	3.8	5.4	4.8
Hungary	2.1	7.6	2.6
Poland	7.5	8.3	10.0
Romania	3.0	5.8	3.3
USSR	12.5	1.4	14.0

SOURCE: US Department of Commerce



Chemical products are loaded at the Bayer-Leverkusen docks on the Rhine. German chemical companies are leaders in "compensation agreements" with the Eastern bloc.

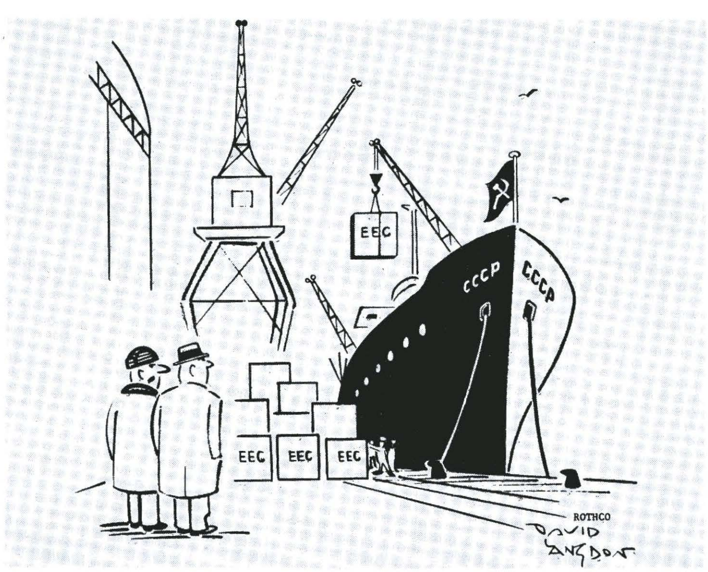
Caution on the part of Western firms to enter into compensation agreements centers around uncertainty over the quality of Eastern bloc goods, supply of spare parts, and the ability of COMECON producers to meet assigned production targets. US participation in these schemes is not as active as that of Western Europe, in part because of US Government export credit restrictions. Western European motivation behind the deals appears to be the guaranteed access to strategic raw materials, an interest that will intensify with increased shipments of Soviet natural gas to Germany, Italy, Austria, and France. Less stringent environmental requirements and abundant energy are also attracting the construction of industrial facilities in the Eastern bloc.

BILATERAL COMPENSATION AGREEMENTS will not be the cure-all for the chronic deficit ills of the Eastern bloc. There has been some discussion of third party financing of Eastern goods to the Third World. Recent studies have also brought up the possibility of a central effort by Western governments to coordinate the rates and terms of Western funding to the Eastern bloc in an attempt to slow down the growth of unregulated Euromarket transactions with the East. But such proposals are not being considered seriously in forums such as the Organization for Economic Cooperation and Development (OECD). There, Eastern debt is not viewed as a grave situation requiring joint Western policy response, but, rather, as one that will work itself out either through more cautious lending by Western banks and more cautious borrowing from the Eastern bloc, or through a slowdown in East-West trade.

In any case, a coordinated US-European approach to trade with the Eastern bloc would run into the snags of fundamentally different interests. Western European stakes in East-West trade are considerably higher than those of the United States, due at least in part to geographical proximity. Trade with the United States has fluctuated sharply with Soviet purchases of US grain, but it has remained consistently behind West Germany and, in 1974, behind Italy, France, and the United Kingdom. US Export-Import Bank (Ex-Im) credits to Poland amounting to $200 million are dwarfed by the $5 billion in West German credits to Poland. Western Europeans have long-term interests in access to supplies of oil, natural gas, and other strategic commodities that can be purchased from the East. German Finance Minister Hans Apel recently reflected on the view that East-West trade should continue to increase: "Trade and détente are two sides of the same coin. If we want peace and détente, then we must have cooperation and trade, a meeting of two different types of economic systems."

In sharp contrast to these views is legislation enacted by the US Congress designed to prevent long-term dependence on the Soviet Union for natural resources, particularly energy. Negotiations to conclude a long-term agreement for sale of Soviet oil to the United States were begun around the time of negotiations on the US supply of grain to Russia, but are now suspended as a result of the Soviet intervention in Angola. The Stevenson amendment to the 1974 Trade Act put a $40 million Ex-Im ceiling on equipment and services to be used in the Soviet Union for energy exploration.

Stronger than the national security issue concerning natural resource supply is the human rights element which has clouded US-Eastern bloc trade. In October 1972 during the budding of détente, the United States and Russia signed a comprehensive trade agreement which called for the United States to grant Soviets MFN status, special safeguards against disruptive imports, large Soviet orders for US machinery and agricultural goods, the right of third country commercial arbitration, and improved facilities for US business in Moscow. When brought before Congress for authorization, two amendments were tacked on to the 1974 Trade Act which led to Soviet rejection of the agreement. The Jackson-Vanik amendment was targeted for the human rights problem of emigration restriction of Soviet Jews. Linking emigration to trade, the amendment denied MFN status to those countries which did not adhere to free emigration. Only Poland and Romania of the Eastern bloc qualified for exemption from this penalty. The Stevenson amendment added insult to injury by putting a $300 million limit on further Ex-Im credits to the Soviet Union.



"Play down the cut-price—don't want to give the impression the decadent West is bursting with surplus production."
© Langdon, *Punch*, England

Claiming this restrictive legislation has lost the United States over $2 billion in potential sales for US firms, the Soviets also lambasted the Jackson-Vanik amendment as undue interference in Soviet internal affairs, an attack that has been renewed as Carter publicly supports the cause of Soviet dissidents in Russia. In a January statement before the Helsinki Commission on Security and Cooperation in Europe (CSCE), then Secretary of Commerce Elliot Richardson indicated the Helsinki document could provide an alternative framework in which to advance freedom of movement concerns voiced in the Jackson-Vanik amendment. Even so, there appears to be no movement by the Carter Administration in this direction. Cited frequently by Jackson supporters is a campaign letter written by Carter to Jackson expressing his support of the amendment. Europeans have expressed a sour view of linkage between human rights and other détente-related issues such as trade and strategic arms limitation.

US-European debate on the approach to East-West trade will surface in such forums as the OECD and the CSCE talks, which resume in Belgrade in June. The CSCE "Basket II" provisions on "Cooperation in the Fields of Economics, Science, Technology, and the Environment" are important to East-West trade. In its sections on business contacts, commercial information, and marketing, "Basket II" provides a framework through which to reduce obstacles to East-West trade. The CSCE talks have been criticized for overemphasizing "Basket III" provisions on human rights to the neglect of negotiations on substantive trade matters. With this imbalance in mind, Yugoslavia has mounted a diplomatic offensive designed to spread the focus evenly among all three "baskets."

In a follow-up to a suggestion made by Henry Kissinger at an OECD ministerial meeting in June 1976 that a study be made of East-West trade matters, the OECD has pursued the exercise in hopes of shedding statistical light on the problem. Basically a fact-finding study, the OECD report will explore such multilateral topics as credit and trade, shipping, energy, agriculture, and "East-South" relations. Geared for release by the time of the OECD summer ministerial meeting, the report is not expected to be alarmist in nature, but an analysis of the financial implications of the Eastern bloc debt may lead to future caution on the part of Western lenders.

Portugal Rejoins Europe

But Will It Become an EC Member?

REGINALD DALE, *European editor for* The Financial Times

FOR OVER FOUR CENTURIES PORTUGAL TURNED HER BACK on Europe: In the long era that began with the dramatic voyages of Magellan and Vasco da Gama, successive rulers saw the country's destiny as linked rather with its vast territories in Africa and its smaller scattered possessions in other parts of the globe; and while the rest of Western Europe convulsed its way into the second half of the twentieth century, Lisbon slumbered on—the Old Continent's last link with a bygone imperial era.

It has taken just three years since the armed forces overthrew the crumbling authoritarian regime of Marcello Caetano in the "Red Carnation Revolution" of April 1974 for the country to turn full circle. The overseas provinces have gone, Angola and Mozambique are important emerging nations in their own right, and the Socialist Government of Prime Minister Mario Soares wants nothing more than Portugal's full integration into the family of democratic Western nations. To complete the transformation, on March 28 this year Siqueira Freire, the Portuguese ambassador in Brussels, formally delivered his country's application for membership in the European Community.

With Greece already on the way to becoming the Community's tenth member, Portugal's aim is to be number eleven. Lisbon takes some considerable pride in having got its application in before the old rival Madrid, still a few steps behind in establishing its democratic credentials. Spain's official bid for entry will not be made until later this year at the earliest—after the June elections have finally replaced the institutions of General Franco's fascist state with a Western-style parliamentary regime. Portugal's move to democracy, by contrast, was completed last December. The municipal elections added the final tier to a new system of government that earlier in the year had already seen the free election of a parliament and a president for the first time in half a century.

But few people would claim the seething troubles of Portugal's young democracy are necessarily over. The two years of revolutionary turmoil which followed April 1974 are now history, and the threat of a takeover by the Soviet-leaning Communist Party, very real in 1975, has been

To date, "little or nothing has been done to reform Portugal's outdated farm structures," and it is estimated 15-20 years will be necessary to prepare Portuguese farmers for the Common Market.
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beaten off. But the turbulent events of the last three years have left deep scars on a country already suffering from long years of oppressive dictatorship in which nothing was done to modernize the economy, redistribute wealth, or improve basic educational and social structures.

Not even Soares would claim his minority Government's hold on power is anything other than precarious. The economy is in ruins and only massive aid from the United States and other major Western powers will save the country from bankruptcy. The delicate task Soares has to perform is to pilot through tough, unpopular economic policies without overly antagonizing either the armed forces to his right or the Communists to his left. Although the Communists received just under 15 per cent of the vote in last year's general elections (against 35 per cent for Soares' Socialists), they remain a powerful potential force for disruption—thanks to their stranglehold on the trade union movement and their ability to unleash strikes and social unrest virtually at will. At the other end of the scale, there are plenty of people who believe that the democratic experiment has already been allowed to go too far. If Soares fails to get the economy back on course, the right will be only too ready to argue that the inadequacy of his Government proves the country needs authoritarian rule.

IT IS PRECISELY FOR THESE REASONS that Soares is so keen to push ahead quickly with his bid for entry into the Community. Not only does he believe that a favorable response from the Nine would help establish his own Government's respectability both at home and abroad, he also believes the Community's democratic requirements will help to discourage those forces on the right that would like to turn the political clock back. This much is fully appreciated by governments of the Nine, which have shown they are fully aware of the political dangers of an open rebuff to the Portuguese approach.

But if the Nine are ready to accept that Portugal has a claim to EC membership at some stage in the future—the initial political gesture Soares is seeking—they are much less keen to begin the actual process of negotiating Portuguese entry. For one thing, most of the Nine are now having serious second thoughts about the speed with which they rushed into entry negotiations with Greece and are becoming increasingly alarmed about the long-term consequences for the Community of its extension to the south. For another, Portugal's enormous economic problems make early entry totally out of the question.

This latter point is fully appreciated by the Portuguese. Officials in Lisbon are not expecting entry negotiations to start before next year at the earliest and reckon that it will take three-to-five years before the country can become a full member. Given a five-year transition period for dismantling tariffs after entry, Portugal would not be exposed to the full blast of EC competition until the second half of the 1980's, by which time the country's protective barriers are in any case due to be removed under its existing free trade agreement with the Community. The Confederation of Portuguese Industry is confident that by then a number of important sectors—including textiles, wood pulp, metalworking, automobile components, foundries, and machinery—will be able to meet the challenge. They acknowledge, however, that small and medium-sized companies which have little or no experience in foreign competition will face serious problems.

Everyone in Lisbon agrees the country's backward and disrupted agriculture will cause the biggest headache. Throughout the years of dictatorship, little or nothing was done to reform the country's outdated farm structures.

After meeting with EC Commission President Roy Jenkins in Brussels, Portuguese Prime Minister Mario Soares announced that his country would apply for membership in the Community.

While the rules of inheritance subdivided small farms into ever dwindling plots in the north of the country, vast estates were maintained in the south, often by absentee landlords with no incentive to modernize production or improve working conditions.

The inevitable revolutionary backlash—in which the peasants occupied land, slaughtered or sold cattle and livestock, and made off with machinery—has compounded the problem still further. Once a major exporter of cork, sardines, and olives, Portugal has virtually overnight become an importer; food production has been crippled to the extent that beef and fresh milk are now almost unobtainable in the capital's shops. The Portuguese Confederation of Agriculture has estimated that the reforms necessary before the country's farmers are ready to face the Common Market may take 10-to-15 years.

But it is not only on the farms that productivity has plummeted. The anarchic attitudes that erupted with the overthrow of dictatorship still pervade industry and the civil service. The Soares Government is now trying to tighten up practices of the immediate post-revolutionary period when it became practically impossible to dismiss an employee or penalize workers for idleness or indiscipline. But employers must still be careful not to fall foul of the powerful Workers' Councils, and absenteeism is still running at alarmingly high levels. Cases are known of factories in which only half the labor force regularly turns up for work, despite the country's massive unemployment problem.

Swollen by returning refugees from the former African provinces, unemployment was running at an officially estimated 17 per cent of the active labor force this spring. But there were thousands more "underemployed" who do not show up in official figures. The vast majority of the refugees are on the dole, but nobody knows their real numbers: 450,000 have officially registered, but speculative figures put the total at between 700,000 and 1 million, or one-tenth of the country's 9 million population. Their arrival has helped to turn Lisbon into a major new crime, drug, and vice center.

With inflation raging and food prices soaring, the monthly welfare check of just over $100 the average refugee receives does not stretch very far. In one month alone earlier this year food prices rose by 20 per cent, and February's 15 per cent devaluation of the escudo has added to the upward pressure in view of the country's heavy dependence on imports.

The devaluation formed part of a major austerity package representing the first serious attempt by the Soares Government to bring the economy under control and satisfy Portugal's foreign creditors that tough remedial action was finally being taken. The aim now is to bring inflation down to 15 per cent by the end of the year, by which time the Government hopes to have arranged a massive $1-1.5 billion international rescue operation, to which the United States, Japan, and EC countries would be the main contributors. In February this year with foreign exchange reserves fast running out, Portugal received the first slice of a $300 million emergency loan from Washington to stave off financial disaster.

MOST WESTERN GOVERNMENTS SHARE THE VIEW that, unless Portugal is saved from economic and financial collapse, there will be a grave danger the country's fragile democracy may be swept away by extremist forces from either right or left. For his part, Soares believes that, given sufficient breathing space, a combination of austerity and the prospect of EC membership will pull the country back onto its feet. He also maintains that once a reasonably firm timetable has been set for entry, the nation will just have to get back to work and accept the sacrifices he is demanding if Portugal is to meet the challenge.

Soares claims that 85 per cent of the country's population backs his drive to join Europe. The calculation is based on the fact that all the political parties except the Communists support the entry application. Left-wingers claim, however, that the party line-up does not reflect the true strength of opposition in the country at large. It is almost certainly true that the vast majority of the Portuguese people have little real idea of what membership would mean in practice. Certainly the Communists can be counted on to do everything possible to disrupt Soares' plans. The Moscow-oriented Portuguese Communist Party, under the leadership of Alvaro Cunhal, wants no truck with the "Euro-Communists" of Italy, France, and Spain, who have accepted, and in some cases actively favor, West European economic and political integration.

For all these reasons Soares' European venture is going to be far from easy—and the more so now that the Nine are themselves paying much closer attention to the problems involved in enlarging the Community to as many as 12 nations. The smaller Community members, notably Ireland and the Benelux countries, have always had severe doubts as to the wisdom of bringing in new, poorer Mediterranean countries at the present stage of the Community's development. They fear that the original close-knit concept of the Community will be watered down into a loose, free trade area embracing countries at widely different stages of economic development. Joint decisions, already difficult with nine members, could become almost impossible with 12, and the Community's scarce central funds would have to be spread so thinly that their impact would be reduced to insignificance.

Now France, once the most enthusiastic advocate of Greek entry, is showing increasing concern about the consequences of admitting further members. President Giscard d'Estaing has publicly indicated that the Community's institutions and its agricultural policy must be adapted before the three countries now knocking at the door can be admitted. The agricultural exports of the candidate members could clearly cause severe problems for French farmers, already quick to protest the effects of current Community policies on key Mediterranean products like wine, fruit, and vegetables. Italy has two minds on the issue: In one respect, it fears the heightened competition; in another, it would like to see the voice of Mediterranean producers strengthened in the lobbies and council chambers of Brussels.

In many ways, concern over the consequences of admitting new members reflects genuine fears as to the Community's ability to cope with larger commitments. But it would be wrong to penalize the emerging democracies of southern Europe for the Community's own failings. There is still time to put the Community's house in order if the necessary political will can be summoned. It would be a tragedy of history if Europe found itself unable to welcome Portugal back now that it at last wants to come home.

African Outlook

Viewpoints from Europe and the United States

Interviews by **RICHARD DEUTSCH,** *Washington-based writer who formerly reported from Africa*

The following interviews with Ivor Richard, the United Nations Ambassador from the United Kingdom, which currently holds the Presidency-in-office of the EC Council of Ministers, and Donald McHenry, the US Deputy Ambassador to the United Nations, were conducted separately in New York City and have been condensed.

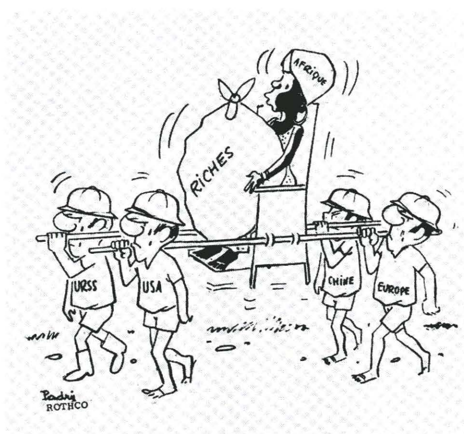
Are there any significant differences in viewpoint among the European nations with respect to current conflicts in Africa?

Richard: Broadly speaking, the Europeans find themselves generally agreed. However, I ought to make this point: Obviously southern African affairs are of more interest to some countries than to others, particularly the British. We have immediate interest in southern Africa, the French to a lesser extent, the Germans because they've got a connection with Southwest Africa. There are 20,000 Germans still living there. The Scandinavians, the Italians, and, to a certain extent, the Belgians and the Irish tend to take a more detached view. They don't have the same direct involvement in the area that we have.

In a sense, the United States has only got itself involved in Africa to any real extent in the past 18 months. They came into it in a geopolitical sense. Dr. Kissinger had a very strong view as to the importance of Africa, particularly southern Africa, in terms of East-West relations. We find now that there is a very deep interest in Africa in the United States which wasn't there a few years ago. We think it's rather a good thing.

To what do you attribute the tremendous upsurge of US interest in Africa in the last two years?

McHenry: There was great interest about Africa in the United States in the early Sixties, as there was in many countries of the world. This died down in the later Sixties, partially as we turned our attention to other things: problems at home, problems in



"Where are they taking me?"
Padry, *Le Herisson,* Paris

Vietnam. What we've seen in the last couple of years has been an acceleration of the situation in southern Africa; the coup in Portugal leading to independence in Mozambique, leading to the tightening of pressures on southern Rhodesia, leading to the increased pressures on the South Africans in Namibia. This has probably been helped along in the United States by the increasing ability of Americans to turn their attention to other issues. It's the old story: Only the middle class has time to worry about great events.

Would you say now that US policy toward Africa is more, or is it less, in line with EC policy?

Richard: I don't think there's much difference between the Europeans and the Americans. Certainly there's very little difference between the British and the new US Administration. We've had very intensive discussions with Washington. Certainly British and American policy is working on parallel tracks. There's very little strain between the European view on Africa generally and the American view.

What does the Administration perceive as the Soviet objective, the Soviet goal, in Africa?

McHenry: I don't suspect that the Soviet goals there are any different than they are any place else. They are going to try to achieve, as best they can, a relationship with the Africans, which at a minimum, is better than that which we have: a more indebtedness to them. I don't believe they are now prepared to make any great investment in Africa, perhaps with the exception of Somalia, but even there I doubt it.

What is the European viewpoint on the recent Soviet initiatives in Africa?

Richard: I think we're all worried about it. I think there's a tendency, particularly in the United States, to overplay the extent to which the Russians are likely to succeed. The Africans are very African people; they are not basically strongly ideologically committed. When I went to Mozambique and talked to the leaders of that Government, I found it remarkable not how ideological they were, but how pragmatic they were, particularly about Rhodesia and how South Africa had a part to play in that whole equation. It was a very unpolemical, moderate approach . . . a very sensible one.

If the Russians and Cubans continue to be the major or the only supplier of arms for the liberation movements in southern Africa, what will be the African response?

McHenry: Here you have a real dilemma. Western countries have decided that they don't want to supply arms to engage in the overthrow of a government. The Soviets don't mind supplying arms in that kind of situation. The irony is that, by and large, Americans believe that the cause is a just cause, but we're not willing to supply the arms to bring it about. I'm not sure that the Soviets believe that much in the cause of the Africans, but they are certainly willing to supply the arms. They don't have to supply very many arms, because a little compared to our nothing is significant. They can buy influence on the cheap.

"Almost the philosophy behind the 1975 Lomé Convention—that if countries concentrate on their economies, then they have to look to the West."

What is likely to be the effect of the Soviet initiates on the Africans?

Richard: I think the Africans welcome Russian support in terms of, as they see it, the liberation of Rhodesia and Namibia, and also their support in the argument over apartheid in South Africa. But they are also very conscious of the dangers of getting too closely in bed with the Russians. You hear them frequently say, both in Africa and around the United Nations, that they are not going to exchange one set of colonial masters for another.

Ambassador Richard said there is a tendency on the part of the United States to overplay the potential African response to the Russian penetration. Would you agree with that?

McHenry: I think there *was* a tendency on the part of the United States to overplay the effect of the Soviet activities in Africa. I don't think that's true in this Administration. That was probably largely behind Mr. Kissinger's response in Angola.

Looking at southern Africa, what is the Administration's perception of the situation there now? Do you see it as basically a racial or geopolitical conflict? Are the British somewhat responsible for the situation?

McHenry: I don't believe in the geopolitical arguments. In Southern Africa you have the fire of nationalism burning. In South Africa this is exacerbated by the issue of race. It is those two forces rather than a geopolitical confrontation.

I think history is responsible for the situation. I don't think the British are any more responsible for it than the South Africans are for finding themselves where they are. That situation grew from another time.

Would the European viewpoint be that the impending conflict in southern Africa is more racially or geopolitically motivated?

Richard: More racially. My view, and I think it probably reflects most of the European views, is that basically there is a racial conflict. I don't see it really in geopolitical terms except that it's very fertile ground for the Russians to make mischief. Regarding South Africa or Rhodesia as, to use Mr. Smith's favorite phrase, defenders of Western civilized values, is certainly not a view I would share. I don't think any of the Europeans would.

If it is fertile ground for Russian aggrandizement, what is the best Western response to this?

Richard: The only response we can make is the one we're making collectively now: as far as Rhodesia's concerned, there has to be majority rule within a relatively short time; Namibia has to be independent, the South Africans have to withdraw; on South Africa itself, they've got to do something about their internal policies. If you look at it just in terms of Russian penetration, one is confusing the symptoms for the actual cause. The whites have the power, and the blacks have none. That's not defending Western civilization against the Russian hordes.

Are there any European countries that are supplying arms on a large scale to South Africa?

Richard: There are none now, as far as I know. The French have said they won't supply any more except for the contracts they are fulfilling at the moment. The British don't supply any arms at all. We were the main supplier 10 years ago. We've stopped it.

You said the United States is not inclined to use military means to support what it considers to be a just cause. What type of moral suasion can we use? What about the idea of applying pressure through restrictions on US investment in the area?

McHenry: Investment is one of the things that people think of first. There are a number of other things. One of them is just having the President speak out on the issue; continuing some of the things we have been doing and perhaps taking them a little further, like making sure there is strict application of the arms embargo, seeing that our values are reflected in our actions and relations with South Africa, effort on the part of the Secretary of State to support those who want changes in business practices in South Africa. There are a whole range of other things which have been advocated, some of which are under consideration.

What leverage does the West have right now? What about the possibility of curtailing lending and investment in southern Africa?

Richard: There are two views on this. One view is that if you are to invest in South Africa, what you are actually doing is creating a skilled black labor force. The other view is that all you're doing is bolstering up the existing regime. I tend more to the first view for one simple reason: Having actually negotiated with Mr. Vorster, it did seem to me that if the West were to say that we will not invest anymore in South Africa, it wouldn't have one scrap of effect upon his view as far as apartheid is concerned. If you're faced with a rock, and he's a very strong man, you have to find ways around it rather than try to knock it over.

Let's look at the situation in Angola. If many European countries have already recognized the Neto Government, what prevents the United States from doing the same?

McHenry: I don't know that anything prevents us from doing so. That issue is one which the Administration will face as it comes to it. We have already undertaken discussions with Cuba and Vietnam. Angola can't be far down the line.

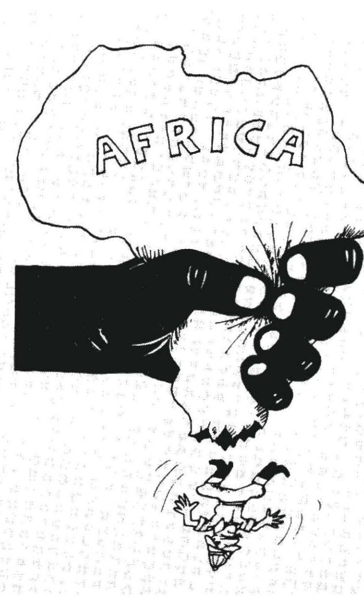
Moving now to the situation in the Horn of Africa, what is the European perception of what's happening there? What should be the Western response?

Richard: There it's much clearer. There's no doubt that the Russians have got naval facilities in Somalia and are developing them. The French have a much deeper in-

"Rhodesian Chess" Juhl, *P.I.B.*, Copenhagen

Bas, *Tachydromos*, Greece

"A matter of time. . . ."
Jusp, *Wir Bruckenbauer*, Switzerland



terest in that area than the British do. That is much more of a geopolitical conflict than what's going on in southern Africa. In the Horn you have the creation of military facilities, the only purpose of which is for the use of Russian fleets in the Indian Ocean and the Red Sea. Now that's disturbing.

It has to be approached from two levels. First you must try to demilitarize, both sides. If you can't get that at the diplomatic and political level, the West has to have comparable facilities. The development of the base at Diego Garcia, for example, has been considered for quite a long time.

How does the United States perceive what's happening in the Horn?

McHenry: The Horn is a potentially very serious question, and we've just started a major policy study on the Horn situation. It covers the whole range of our relations with the Horn countries, with Djibouti, Somalia, Ethiopia, the Sudan, the whole Red Sea area. I can't tell you at this point what conclusions we will reach.

What can the West do about the situation in Uganda?

Richard: The situation in Uganda is, to put it tactfully, suigeneris. It's a peculiar and individual situation. We have no relations with Uganda right now. We and some of our allies tried to raise the question at the Human Rights Commission in Geneva recently. Unfortunately, we didn't get as far as we hoped. We made some progress, but not really enough. It doesn't call for a combined Western response.

What about Uganda and President Amin? Is there some discussion now about policy towards Uganda that would help alleviate the situation there?

McHenry: I don't know that we have any change in policy towards Uganda. The US relations with Uganda are minimal. We have not broken off relations, but the fact is that we have no representation in Uganda at all. I'm not sure that there's anything in the way of policy towards Uganda that can be changed.

What seems to be happening in Zaire right now?

McHenry: I don't think we know, except that it looks as if its a continuation of events which go back 15 years.

Richard: It's pretty confused, actually. It's a strange situation—if they are ex-Katangan soldiers—that a left-wing Government in Angola is financing what used to be a right-wing breakaway movement. Everybody's watching as closely as possible and remembering the fact that Zaire's a country with which we've all gotten along well in the past ten years.

How do you perceive the European relations with Africa, particularly the European response to the conflicts that are going on?

McHenry: Europe's relations with Africa are much longer and more intimate than those of the United States, despite the warmth which has developed between Africans and Americans because of the education many Africans received in the United States, traditional American support for decolonization and self-determination, and the presence in the United States of a tenth of its population of African ancestry. Nevertheless, the ties which have existed between France, Britain, and Germany and Africa are substantial. Some of these are continuing, perhaps in a different form. The European Community's Lomé Convention is an example of this.

I'm under the impression that, economically, the European Community has been able to work well with all governments in Africa, regardless of ideological orientation?

Richard: That's true. Lomé has worked well and continues to work well. I think there's a strong streak of pragmatism in most African politicians. I still have a naive belief, that is actually almost the philosophy behind Lomé, that if you get countries concentrating on their economies, then, on the whole, they have to look to the West. It's inevitable. We have the markets, the aid, the capital, the technology. It tends to make them less ideological rather than more so.

It's [even] happening in Mozambique. They are terribly militant on paper. But actually when you look at the way the economy is beginning to evolve, who they're trading with, where they're trading, where their aid comes from, it's surprisingly practical.

Has President Carter's "trilateral" orientation had an effect on coordination of policy towards Africa?

Richard: I can only really answer for us here in New York. The extent of that cooperation in New York, at least with the Europeans on the Security Council, has been very great. The coordination has been automatic, right from the word go. I don't know whether this is because of the personality of Ambassador Young, or whether it represents a deliberate change of style or tilt of policy coming from the White House, but it's certainly noticeable here. The extent to which the Americans want to listen, want to produce one concerted view, is encouraging.

around THE capitals

London

One day Britain's workers may have a greater role in the running of their factories and companies. But will they ever have boardroom parity with shareholders? The unions insist they will. Industrialists firmly say they won't.

A consequence of the Labour Government's agreement with the small Liberal Party to consult on policy issues, in return for Liberal support in Parliament voting, is likely to be a slowdown in Labour's plans to introduce industrial democracy legislation this year. Politicians indicate a draft bill or a policy statement on giving British workers greater participation in the running of factories and companies which employ at least 2,000 persons won't be introduced in the current legislative session. Seven European countries already have employee representatives on company boards. There is general agreement among Britain's political parties that improved worker roles are a good and necessary thing. How to achieve this is in dispute.

Prime Minister James Callaghan's Government is committed to what Trade Secretary Edmund Dell calls "a radical extension of industrial democracy by representation of the work force on company boards and to the essential role of trade unions in this process." In late 1975 the Government appointed a committee chaired by Lord Bullock, the historian Alan Bullock, to make recommendations on industrial democracy framework. Bosses and workers are now chewing over its controversial conclusions based on a year-long investigation.

The Bullock Report, with three members dissenting, called for worker-directors on an equal basis in the boardrooms of Britain's 738 private sector companies employing more than 2,000 workers. The committee limited itself to private sector companies, but any legislative proposals would also cover companies in which the government has a share. The majority included the three trade union leaders on the committee, two academics, and Lord Bullock himself. A minority report by the

"If it'll make you feel better disposed towards them, a large block of our shares are held by their union pension fund." © Langdon, *Punch*, London

three industrialists on the panel argued worker-directors should always be in the minority.

Lord Bullock said industrial democracy would appear to future generations as equivalent to the extension of the franchise. "We are at the beginning of a change which will spread to all the countries of Western Europe and is comparable with the managerial revolution earlier in this century which transferred the effective control of companies from shareholders to those employees who manage the business," he said. "In every case legislation has been necessary to introduce the changes required, and in every case, once the changes have been made, the opposition has died away, the fears have proved to be exaggerated, and both management and unions have found advantage in the new arrangements," Lord Bullock said.

The majority report called for equal numbers of union and shareholder representatives on existing company boards, participation through union channels only, and legislation for industrial democracy that would affect more than 7 million working Britons. In their dissenting report the three industrialists took a hard line. They said the participation process should be open to all workers, not just union members. They said no workers should be allowed on the board unless employee councils for shop floor participation were in operation for at least three years.

The Liberals have warned the Government they could not accept the idea of directors elected only by union members. The Stock Exchange told the committee it could accept workers in the boardroom only if their appointment was always subject to the unassailable right of shareholders, as company owners, to sack any director at any time. From the shareholders' point of view, the majority recommendations mean they would lose their power to control all board appointments. The Confederation of British Industry (CBI) has threatened to sever its "diplomatic relations" with the Government if worker-directors are forced upon it by a new law. It argues that the trade unions already have considerable influence on management through strike action and should not have an exclusive right to appoint worker-directors. It warns of a return to "industrial trench warfare" if the Bullock majority recommendations are rammed into law. Len Murray, general secretary of the Trades Union Congress (TUC), says: "It is high time capital and labor were recognized as equal partners."

Callaghan's cabinet is divided on what to do. Most ministers think worker-directors are a necessity, but only the left-wing cabinet minority favors the pattern outlined by the Bullock majority. The others would like to see a more flexible approach giving workers a range of participation choices. To help it make up its mind, the Government has invited the TUC and the CBI to join it in detailed discussions of the Bullock recommendations.

—PETER J. SHAW

Brussels

For months Belgium's poll weary citizens yawned in anticipation of an early trip to the ballot box. The country's twentieth postwar Prime Minister, Leo Tindemans, has seen his brittle plan to grant more autonomy to Flemish and Walloon regions thwarted by growing labor unrest and nagging linguistic quarrels over constitutional reforms. When a minor coalition partner, the French-speaking *rassemblement* Walloon, bolted ranks over a budget vote in March, Tindemans expelled the party's two cabinet ministers leaving his Government two votes shy of a majority in the 212-seat Parliament. The public's hunch proved correct when Tindemans asked King Baudouin to dissolve the Chamber and set national elections for April 17, one year ahead of schedule.

Like his many predecessors, Tindemans grappled with his country's ancient linguistic dispute and lost. His emotion-charged scheme to "regionalize" the country into two distinct parts, Flemish and Walloon, required a two-thirds majority in Parliament. But Walloon parties balked at the plan which specified the revision of some 60 articles of the Belgian Constitution. The French-speaking parties are seeking a three-way split—Flemish, Walloon, and Brussels, which Flemish partisans fear would drift into the francophone camp. Tindemans rejected a last-minute compromise by opposition parties to decide on key changes in his bill. "It is impossible in 48 hours to set the course for a new Belgium," he said wearily. "Even Idi Amin does not act like that."

"Belgian Prime Minister Leo Tindemans"
Bas, *Tachydromos*, Greece

With the election over, Tindemans appears likely to remain as Prime Minister, this time at the head of a "grand coalition" Government involving his Social Christian Party and the Socialists. But as a price for their cooperation, the Socialist Party is asking for a massive job program to reduce the country's 9 per cent unemployment. So far, Tindemans has been reluctant to commit himself to such demands, fearing they would entail grave risks of aggravated inflation.

Regardless of party or linguistic affiliation, more and more Belgians believe the drift toward a federal state is inevitable. Economic disparities have exacerbated language troubles since World War II. The hard-pressed Liège region, where the jobless rate exceeds 13 per cent, desperately needs aid for its flagging coal and steel sector. The global switch from coal to oil-powered industries has bolstered the economic fortunes of the Antwerp port in Flanders, which has also lured heavy postwar investment by American enterprises. The affluent Flemish, who comprise around 55 per cent of the population, complain that they pay nearly 70 per cent of the country's taxes. Hugo Schiltz, leader of the Flemish Nationalist *Volksunie* Party, argues that a Belgium of "two nations," with Brussels as a separate neutral district, is the only rational way to govern a population whose social, cultural, and economic destinies have taken different paths.

—WILLIAM DROZDIAK

Bonn

Is Germany going to be dragged through its own version of the Watergate saga? Probably not, although the combination of legally questionable wiretapping by intelligence agencies, blurred lines of responsibility, and fumbled political responses make it tempting to draw parallels with what happened in Washington. Chancellor Helmut Schmidt and his colleagues need not yet be disturbed by the fact that some newspapers and political enemies are freely tossing the Watergate label around. There is a widespread belief, however, that the coalition Government should act more decisively, and less defensively, if a series of embarrassments is not to grow to the stature of a truly damaging scandal.

What has become known as the *Abhöraffäre*—literally, the "listening-in affair"—began in early March. The weekly news magazine *Der Spiegel* revealel that the *Verfassungsschutz*, the German counter-intelligence agency, had carried out an extremely sophisticated eavesdropping operation in 1976 against Dr. Klaus Traube, a prominent engineer in charge of building the fast breeder nuclear reactor project. Dr. Traube, in addition to holding this sensitive post, had some odd friends. Among them were a Frankfurt woman lawyer long known to be associated with extreme left-wing causes. She sometimes stayed at the scientist's weekend house, bringing acquaintances including a young man named Hans-Joachim Klein. He was one of a group of terrorists who attacked the Vienna ministerial meeting of the Organization of Petroleum Exporting Countries (OPEC) in December 1975, under the leadership of the notorious Carlos. Less than three weeks before the incident, Klein had been a house

"This seems to be the only place we can speak privately!" Juhl, *P.I.B.*, Copenhagen

guest of Dr. Traube's for several days.

No doubt the German counter-intelligence men would have been remiss, in the feverish atmosphere after the Vienna attack, if they had not acted on their suspicions. Here was an atomic scientist apparently consorting with terrorists. Could he, willingly or under duress, have led them into nuclear installations, given them access to fissionable materials, or perhaps even have helped build a home-made nuclear bomb? The *Verfassungsschutz* expected to find an answer by tapping Traube's telephones, watching him, and breaking into his house to plant bugs. Yet nothing was found "to justify police action," nor to disprove the scientist's claim that he had no idea who Klein was or what he was planning to do. Meanwhile Traube was never told he had come under suspicion: He merely lost his job and his reputation, and is now trying to win redress. Legally, he is an innocent and blameless man, if an indiscreet one.

Most Germans, horrified by the thriller-like possibilities, would probably have given the benefit of the doubt to Interior Minister Werner Maihofer when he explained the case. The minister said he had personally authorized the break-in and insisted the Traube affair was strictly an exception. It has subsequently become clear that in fact Maihofer gave his approval only after the event, and that far from being exceptional, the case may only be the tip of an iceberg. Police and intelligence men in several German states have tapped phones of suspected terrorists. And in the fortress-like Stammheim courthouse complex, where the Baader-Meinhof gang is on trial, they made a habit of bugging conversations between the defendants and their lawyers.

All the cases which have come to light so far are related to Germany's left-wing terrorist groups—people whose callous and ruthless methods have compelled a tough response. But should that response have included bending the law by those sworn to enforce it, without much clear political authorization? Theo Sommer, editor of the weekly *Die Zeit*, has argued: "We should not give the Baader-Meinhof supporters the triumph of seeing us, out of fear of them, turn our democracy into some sort of fortress-state, which is the spectre they have always painted on the wall."

The answer from the Federal Government and from the Christian Democrats, who are in power in several of the state capitals where the actual decisions were made, has been an uncomfortable silence. Chancellor Schmidt himself has almost nothing to say beyond the stiff comment that there was no occasion for any member of the Government to resign. Only three months into its new four-year term, the Social Democratic-Free Democratic coalition has shown other signs of weariness and poor judgment in domestic issues, notably the pensions row which almost torpedoed its formal inauguration. Many Germans may see Schmidt's handling of the bugging affairs as a test of whether he is still the man he used to be—and the man they thought they were re-electing only last October.

—ADRIAN DICKS

Rome

The endemic discontent among Italian students came to a head this spring in a wave of violence unprecedented since the university disturbances of 1968. A nationwide demonstration in the capital, organized to bring the Government's attention to student grievances ranging from a chronic lack of job possibilities to the killing of a student by police, degenerated without warning one rainy Saturday afternoon into a guerrilla battle with police that one newspaper later compared to "civil war."

The demonstration of thousands of students—one estimate guessed as many as 50,000—began as a peaceful march through the streets of downtown Rome. Before it was over, stores and bars had been looted and their windows smashed, buildings with political affiliations had been attacked with molotov cocktails and other missiles, city buses had been overturned and automobiles set aflame. By nighttime the battle had been reduced to a few isolated pockets of violence, but the odor of teargas from police salvos still hung in the narrow streets. Twenty persons were hospitalized and 30 students arrested.

The Rome rampage came only a few days after student riots in the northern city of Bologna had forced police intervention. In those outbursts a medical student was killed by police fire. The Bologna University was occupied by radical students for days before being "retaken" by police in armored cars.

The extent of the violence has forced Italy's political parties to take seriously the deep discontent felt by students in Italy today. Although the methods adopted in Rome and Bologna are by no means supported by the entire student movement, there is no doubt conditions which led to the demonstration are felt by the majority of the student population. A policy of open admissions to universities has resulted in intolerable overcrowding and subsequently inadequate facilities. Rome University built for 60,000 students, now has 150,000. Job expectations that once were reasonable for holders of a university degree have been eroded as the degree has become easier to obtain. The chronic problem of getting a job in Italy has been further aggravated by the recession, and Italian students now bitterly refer to their universities as "factories of unemployment."

Several weeks after the riots, there is still little knowledge of just who was behind them. While it has been common in Italy to blame mindless violence on the right, many persons including students themselves, see the recent violence as the work of the extreme left. And that is a cause of considerable worry not only to the Government—which appears as powerless to quell the violence as it is incapable of resolving the problem of the universities—but to the Italian Communist Party.

The Communists, which for several years have been cultivating an image of responsibility and reasonableness, are now indirectly supporting the present Government by abstentions in Parliament. There have been signs of internal dissent during the last few months as some Communist leaders have obliquely criticized the party's abandoning its traditional revolutionary stance to support tacitly its old foes, the Christian Democrats. After the student riots the Communists sternly condemned violence at both ends of the political spectrum. But the disorders provide fuel for the fire of the party's left wing, which sees in the protests evidence of a threat to the party from a group of some of its most traditional supporters.

—CHRISTINA LORD

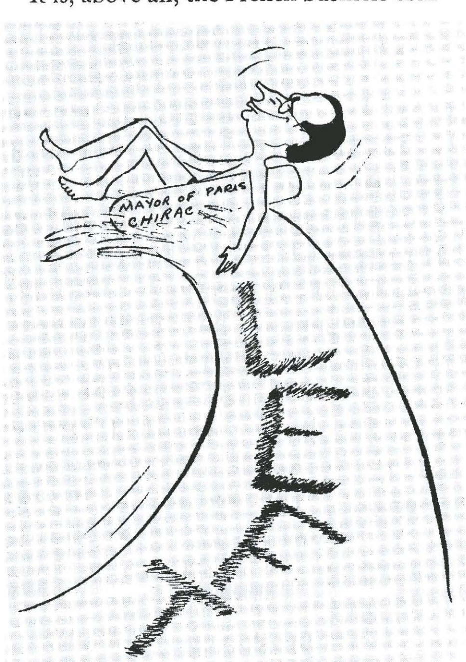
Paris

France has entered a new phase following the Government's crushing losses in the March municipal elections, a defeat worse than anyone had feared. The French people voted solidly left in favor of the Socialists and Communists, and the Government even lost Paris, where Gaullist Jacques Chirac took city hall. President Valéry Giscard d'Estaing, following a week of stunned silence, admitted the vote had been a "lesson." He should have said a "devastating lesson," for one main conclusion is that France still is not ready to be governed in Giscard d'Estaing's center. The old right-left split is stronger than ever.

The second lesson from the municipal vote is that the French are no longer afraid of the Communists, and this makes a parliamentary victory for the left next year a real possibility. Before the French Communists began their rather remarkable policy shifts in late 1975 adopting a more liberal image, the French people could generally be counted on to reject them at the polls. But the March municipal vote, with the Communists entering hundreds of new city and town halls on the basis of their alliance with the Socialists, proved the contrary.

Giscard d'Estaing immediately formed a new Government under Prime Minister Raymond Barre to prepare for the national elections next spring. But, despite Government disclaimers, there must be real doubts at this point whether the Government can last a year, and whether it might not be forced to call early elections.

It is, above all, the French business community that is in a state of confusion. Is it to go on investing, helping the Government dry up the more than 1 million official unemployed and assuring the success of the Barre Plan for economic recovery? The Government fervently hopes so. But the evidence is that in times of great doubt business does not invest. What French businessman—or what foreign potential investor—would be willing to commit important new sums of money with prospects that France is soon to have a government of the left with an extensive program of nationalization?



"No matter what, I float!" Padry, *Le Herisson*, Paris

Nobody can predict the consequences for France, the European Community, and East-West relations from a French government of the left. The language of the Socialist and Communist leadership these days is one of great moderation, and contacts between them and American representatives always stress that a government of the left will proceed with great prudence and moderation. The French Socialists, in particular, know the risks of capital flight, under-investment, inflation, austerity. Portugal was an example on a much smaller scale, yet Portugal does offer good examples of what happens when the gears are reversed overnight. Private capital in Portugal has completely dried up, and businesses have failed by the hundred; the economy has just now leveled off after three years of deep plunge. The French left hopes to avoid all that.

The left argues that it has the programs, short-run and long-run, to cope with the problems. Prices will be controlled, capital flight stringently prohibited, and, through government takeover of the remaining private French banks, credit nationalized. True, there is little the left could do in the face of curtailed foreign investment, but leftist leaders already make a strong case that France is dominated by foreign capital, and they obviously would seek to reverse that trend. The left also calls for a large national bond issue to be launched to dry up excess buying power, make up for investment gaps, and help pay for the nationalized industry.

The conclusion is that with the left now in a good position to win the 1978 elections, it claims that at least it has the programs to deal with the inevitable problems. There is no way to prejudge the issue. The left may be up to the task, or it may fail. But for the first time in many years, a victory of the left has become a real possibility in this divided country. Whether it ultimately succeeds or fails, France under the Socialists and Communists would be quite a different place than it is today.

—JAMES O. GOLDSBOROUGH

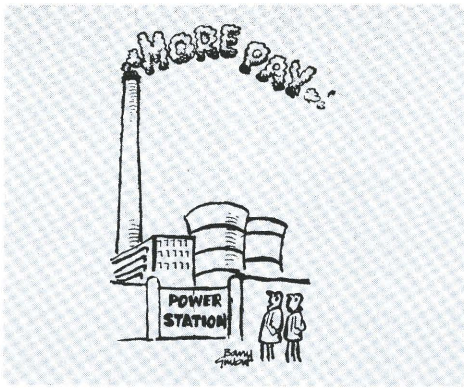
The Hague

The "ides of March" proved unkind to European rulers this year. Just like his colleague Leo Tindemans across the border in Belgium, Dutch Premier Joop Den Uyl fell victim to a plague of parties. Since he took over four years ago, Den Uyl had juggled the demands of his five-party, center-left coalition Government with uncanny skill. But when 30,000 workers went on strike for higher wages earlier this year, crippling the port of Rotterdam during a three-week stoppage of key industries, Den Uyl's days seemed numbered. The centrist partners of his coalition criticized his aloof, hands-off approach to the labor dispute. In a fit of pique following the strikes, they refused to back his proposed land reform bill, provoking the collapse of the Government only two months before national elections.

Political agitation had been brewing for some weeks prior to the labor turmoil. Den Uyl's minister of justice was impugned for "gross incompetence" when suspected Nazi war criminal Pieter Menten, a millionaire art collector, escaped the country only hours before police arrived at his house to seize him. Some critics darkly hinted that Menten had been tipped off by someone in the Justice Ministry. Dogged investigative work by two Dutch journalists tracked Menten down in Switzerland, leading to his eventual arrest and extradition, but not before trust in Den Uyl's Government had been badly undermined.

The extraordinary coincidence of government troubles in recent months throughout Europe seems to underscore an inherent fragility of parliamentary democracies today. The "golden Sixties" spawned rising expectations of better living standards. Whetted by generous welfare programs conceived in a more prosperous era, those hopes have created conflicts that can fracture coalition rule. In the Netherlands, once docile labor unions have turned truculent in demanding that wages be protected from the ravages of inflation. Employers have tried to put up stubborn resistance—claiming that growing costs are rapidly pricing Dutch goods out of world markets. But in the waning days of the long strike, employers caved in to labor's unyielding stand rather than risk total paralysis of their industries.

Thanks to rich reserves of natural gas, which have kept the country relatively immune from the era of expensive oil, the Netherlands has not incurred the full force of Europe's protracted recession. Social perquisites, like free education and medical care plus comfortable unemployment bene-



"That's what they call special skills."
Gurbutt, *Sunday Telegraph*, London

fits, are still available even though welfare budgets have been cut. "People here don't appreciate the gravity of the crisis," notes one Dutch economist. "Once natural gas reserves run out, the country is going to face severe troubles with its balance of payments." The prospect of less opulent lifestyles and of more frequent battles between labor and management portends even more troublesome times for future coalition governments.

—WILLIAM DROZDIAK

Copenhagen

Predicting trends in Danish politics is something even professional pollsters are wary about after their none too spectacular accuracy concerning the recent Danish general elections. The only predictable characteristic of the Danish voter seems to be his unpredictability.

The return of Social Democratic Prime Minister Anker Joergensen was expected, but the magnitude of his victory and the severity of the defeat of the major opposition partner, the Liberals, were not. Among the smaller parties, voters also changed loyalties to an extent that confounded political commentators. The net result of the elections was a strengthening of the socialist parties in the Danish Parliament, if the governing Social Democrats are included in this group. But the Government needs non-socialist parties to ensure a parliamentary majority for its policies, now as before the elections.

Socialism is certainly not a conspicuous part of the Government platform and is not likely to become so as long as the present economic climate persists. Left-wing critics say that the Government has deserted its ideology; many non-socialists tend to agree. In fact, the Government is close to succeeding in imposing economic policies which non-socialist parties have tried unsuccessfully to get adopted for years. The biannual pay negotiations were concluded at the end of March with wage increases of 2 per cent or less, in real terms. This is a mainstay of the Government's program to combat the economic recession.

Danish trade unions and employers have always insisted that they make their own deals without political intervention. Historically, this is a dubious argument. If the present agreement is confirmed, the employers may still say "no," despite the "yes" of their national executive; it is more or less the German formula that has been introduced. This year the Danes may even have been more successful in applying the formula than the Germans themselves. Not that the Danes are catching up with the Germans in terms of economic performance; the Germans are still way ahead and maintaining their lead. And just in case anyone had forgotten, the Swedes devalued vis-à-vis the deutschemark, prompting the Danes to follow—a minor adjustment to be sure, but a devaluation nonetheless.

And in one sector neither the election results nor the pay negotiations have been able to assure stability. The Danish press is trying to introduce new labor-saving technology, and that is considered an immediate threat to jobs by thousands of printers. The results have been almost the same as in New York and London. The flagship of the Danish press, the *Berlingske Tidende,* stopped publication at the end of January after printers refused to abide by the decisions of the Labor Court that newspapers could accept copy directly from advertisers and their agents. Also in dispute was how many of the newspaper's 1,000 printers would be redundant how soon. The publisher claims that as many as half are no longer needed.

This spring the confrontation spread nation-wide—closing down all newspapers except a few left-wing publications, the small Government daily, and some small papers which are not members of the National Union of Newspaper Publishers. A compromise was being sought by unions and employers at the national level. But the mood was pessimistic, and some kind of political intervention was contemplated. It is difficult to find a political solution, however, to a problem which is basically technological and economic.

—LEIF BECK FALLESEN

Luxembourg

Will he? Will she? Are they really? All Luxembourg has been aglow with torchy rumors that Prince Charles of Britain is poised to marry the Grand Duchy's 23-year-old Princess Marie Astrid. Despite heated disclaimers from Buckingham Palace and Luxembourg's Royal Family, gossip flared that the two youthful bluebloods will tie the knot once ecclesiastical problems are out of the way. Charles, of course, is a member of the Anglican Church, while Marie Astrid is a Catholic.

Belgian King Baudouin, elder brother of Marie Astrid's mother Josephine Charlotte, is reported to have taken a personal interest in the alleged match. Tabloids all around Europe have been whispering that the marriage was plotted during a December luncheon at Baudouin's palace in Laeken, attended by Prince Phillip, a representative of the Church of England, Belgian Primate Cardinal Joseph Suenens, as well as Charles and Marie Astrid. Cardinal Suenens denies ever having attended the session and labels the rumors "absolutely absurd." Most insiders believe Charles is simply using the purported match to cloud publicity over his real amour back in England. But the notion of a European royal marriage has proved too tantalizing for tearoom matrons in Continental society to dismiss lightly.

The marital gossip arose when Queen Elizabeth and Prince Phillip paid a state visit to the Grand Duke Jean and Duchess Josephine Charlotte back in November. It is conceivable, say society pundits, that Prince Phillip, an avid hunter, has returned sporadically in the company of Prince Charles on excursions to look for wild boar in the dense, pine forests of Luxembourg. Charles also received an invitation to Laeken late last year when the British Navy ship he commanded docked in the Belgian Port of Ostend. The rumors gained momentum when it was learned that Princess Marie Astrid was staying at the time with Uncle Baudouin while pursuing her studies in tropical medicine, and the couple apparently discovered an irresistible sense of "mutual compatibility." But, alas, to the great chagrin of Europe's Miss Lonelyhearts, it appears that England's gossip mongers have retreated from their prior enthusiasm and now find the idea of Charles marrying Marie Astrid a highly dubious proposition.

—WILLIAM DROZDIAK

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Going Metric

Is the liter really neater?

VIRGINIA ARMAT, *Washington writer who formerly reported from Paris*

"It is safe to say that after the metric system has been adopted by the United States and our people have become accustomed to its use, we would no more dream of going back to the present system of weights and measures than we would think of carrying on the process of arithmetic through the medium of the old Roman letters in place of the Arabic numerals we now employ . . . ."

—Alexander Graham Bell, 1906

AMERICAN BEAUTY QUEENS WILL MEASURE 91-58-90. ATHletes in ads for body-building equipment will be hailed as revamped 40-kilogram weaklings. Even the lowly inchworm will learn to mark off its marigolds in millimeters. In short, with US conversion to the metric system, ye olde pint will no longer be a pound the world around.

Until its Metric Conversion Act became law December 23, 1975, the United States was the last industrialized member of a tiny club of non-metric nations—along with the Sultanate of Brunei, Burma, Liberia, and the two Yemens. "An island in a metric sea," some described it, since other customary-unit nations began converting a decade ago.

Imperial-unit Britain elected to go metric in 1965, followed by New Zealand in 1969, Australia in 1970, Canada in 1971, and South Africa in 1974. Their example must be encouraging to the United States since all have experienced relatively smooth conversions—except Britain, which has seen resistance from consumers because of dualism and poor consumer education. South Africa, using fines and penalties, has achieved nearly 100 per cent conversion in two years.

While the Commonwealth conversions are slated to end by the mid-1980's, the US changeover could take from 10-35 years. American metrication means the United States will have embraced a world standard of measurement, SI *(système international)* Metric, formulated by the International Standards Organization (ISO) and adopted in 1960 by its members, including European Community nations. The ISO is developing world-acceptable norms for size, dimension, and quality of goods, which will ultimately arbitrate much of international trade.

The United States began to move toward the metric camp with the publication of a study by the National Bureau of Standards in July 1971 entitled "A Metric America: A Decision Whose Time Has Come." The study recommended that the nation go metric over the next decade. Arguments in favor of SI centered on the simplicity of the decimal-based system, the urgent need for the United States to expand its foreign trade in traditional and also developing markets, and its obligation as a world trade leader to take full part in the ongoing generation of ISO standards.

As in the Commonwealth countries, the US approach is voluntaristic. Its 1975 Metric Conversion Act officially recognized the value of metrication but declared US policy "shall be to coordinate and plan the increasing use of the metric system in the United States and to establish a US Metric Board . . . ." There is no provision for cut-off dates, such as "M" days in Australia, or punishment to enforce conversion as in South Africa.

The Metric Board's role will be to pull together the metric initiatives mushrooming across the country—the dual marking of road signs in many states, for example. It will also help companies interested in converting and inform the general public. Metric Board formation awaits the President's submission of a list of 17 appointees for Senate approval.

Metric critics find the idea of American exporters losing trade to metric countries because their products are not metric "appears to be ill-founded." They also say US traders "rank the measurement factor very low." They cite US Commerce Department figures that show since 1970 US exports have more than doubled—from $11.3 billion to $25.4 billion in 1976; imports during the same period went from $9.2 billion to $17.8 billion.

But markets have tightened, and access to them hinges more than ever on hitherto low-priority considerations, such as measurement and dimension. Companies find it increasingly more economical to keep one inventory and to reduce the number of different size and shape containers in stock, and more profitable to reckon in the single, world-acceptable SI standard.

THE EUROPEAN COMMUNITY, IN ITS DIRECTIVE ON MEASurement, set April 21, 1978, as the goal for making SI its common trading language. Dual-labeling on foreign goods will only be admitted after next year—if the labeling is not confusing to the consumer, which will be decided by member states individually. Britain and Ireland have a period of grace for phasing out their imperial measurements through the mid-1980's. But the goal of such transitional dual-labeling, or "soft conversion," is the same as the SI standard "hard conversion," where dimensions—shape and volume—are themselves transformed.

Thus, to comply with the EC directive for hard converting liquid containers, the largest American beer exporter Schlitz has already begun marketing 33-centiliter bottles. And in Nigeria, which bars the sale of goods not meeting SI specifications, Schmidt brewers of Pittsburgh now sell beer in metric packs.

Donald L. Peyton of the American National Standards Institute recently said: "Today, we must be aware of the growing impact of the Common Market, which is rapidly developing as possibly the strongest marketing and trading bloc the world has ever known. With the advent of the Common Market, there was increased demand for harmonization of standards to eliminate technical barriers to trade among the nations of Europe, both those 'in' and those 'out' of the EEC. . . . The trend today in Europe is away from national standards to the adoption of international standards."

Unsurprisingly, US metrication in the last 10 years has gained most rapidly among large companies with strong interests in foreign trade: Boeing, Caterpillar Tractor, Chrysler, Ford, General Motors, IBM, John Deere, Rockwell International, and Xerox are all in varying stages of conversion.

At home, too, Seven-Up in 1974 became the first soft drink concern to bottle metric because, the slogan goes, "a liter's neater." Levi Strauss & Co. began dual-sizing in 1970, and the US pattern industry has also soft converted. An even bigger impact is expected as a result of plans to hard convert products by the mammoth American mail-order houses Sears, Roebuck & Co. and Montgomery Ward Co.

Scattered, local boosts for metrication have cropped up around the country. California sells gasoline by the liter; North Dakota has put up metric signs in state parks, and New York will require duel speedometers on vehicles registered after September 1, 1980. Beginning with Maryland in 1973, many state school systems have announced metric education programs, which since 1974 can receive federal aid. Radio stations announce temperature in degrees Celsius, newspapers sell ad space in centimeters, and Boone, North Carolina, bills itself as the nation's only "one-kilometer-high city!"

Metric cooking is also on the way with the publication

"And you wouldn't recognise Nigel now—he's one point something metres tall!"

© *Punch*, England

of an adapted cookery book by the American Home Economics Council. But US chefs will still be able to measure ingredients by volume—however using milliliters, centiliters, and liters—rather than weighing them as in European kitchens in milligrams, grams, and kilos.

Curiously, the United States has a long history of support for the metric system and even established it as the only system of measurement formally sanctioned by federal law: An 1866 statute decreed that no state can ban metric usage. Influential Americans like John Adams and Thomas Jefferson supported metrology nearly from its 1790 birth in France. And in 1975 the United States signed, along with 16 other nations, the Treaty of the Meter, which created the International Bureau of Weights and Measures at Sevres near Paris—also the home of the ISO.

In practice, the British-bequeathed customary system has always dominated. Early American metrologist Frederick Barnard met with fierce opposition—from pyramidalists, among others, who urged returning France's gift of the Statue of Liberty on the grounds that it measured in French millimeters instead of "good, earth-commensurable, Anglo-Saxon inches." The anti-metric group fixed on the Anglo-Saxon system because, it somehow deduced, English measurements had derived from those used to build the Great Pyramid at Giza, Egypt.

At the turn of the century, isolationists and other metric-haters defeated successive bills in Congress that would have made metric parlance mandatory in government departments and federal contracts. During the Depression and for the two decades following, public debate, briefly sparked by World War One servicemen returning, subsided. Then the Soviet Union's launching of the first Sputnik in 1957 and aerospatial activity in general refueled interest in metrology. That year the Organization of American States proposed that the Western Hemisphere as a whole adopt the metric system.

Last December a US Department of Labor report stressed that consumer acceptance will constitute "the most difficult problem in converting to the metric system." Indeed, a Gallup poll in January showed that three out of four Americans do not know what the metric system is; 39 per cent of those who do know oppose its use in the United States, and only 29 per cent of those who know favor its adoption.

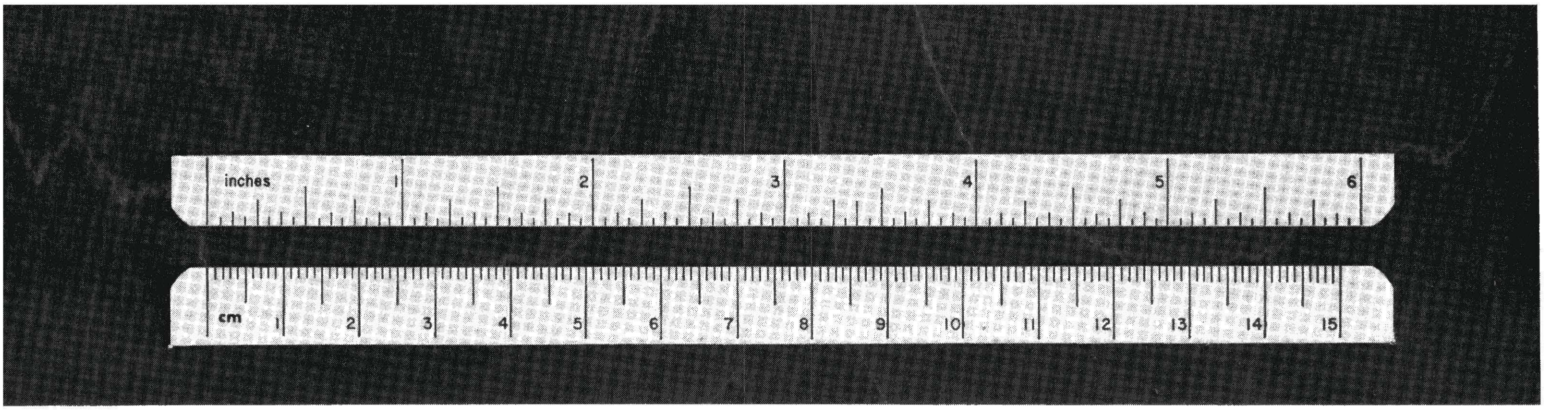
Labor unions are leading the anti-metric lobby and are worried that foreign trade will overrun an SI America with a flood of imports that sweeps away domestic jobs. Unions fear unemployment will also soar as a result of transnational companies relocating plants abroad in countries where production and labor costs may be cheaper. An AFL-CIO report published two months ago, "Realities of Metrication," argues that small and middle-size businesses could go bankrupt when prematurely obsolete equipment and tools must be refashioned, workers retrained, and costly dual inventories maintained during the transition phase.

ADVOCATES RETORT that domestic jobs and production will ultimately increase as American markets expand abroad, though generally they admit the possibility of labor difficulties in the short term. Significantly, the AFL-CIO report does not reject metrication out of hand; but rather, it calls for a much longer transition—35 years—than suggested by the 1971 US metric study, and intensive, careful planning if conversion is to be achieved without great personal hardship and disruption to workers.

In an April statement, US Secretary of Commerce Juanita M. Kreps said: "The debate is over. The United States has decided to join its major trading partners by adopting the metric system of measurement. It means that all major industrialized countries will speak the same measurement language. This should facilitate improved trade and economic relations for all nations of the world.

"US industry has played a significant role in encouraging the development of a metric commitment by the federal government," she added. "Industry sees the changeover as an opportunity to expand export markets and to simplify manufacturing processes. No longer will products have to be labeled in both customary and metric units.

Courtesy American National Metric Council, Washington



"The EC decision to make metric the common trading language among its nine members by April 1978 has been a positive 'go metric' stimulus for US firms doing business with the Common Market. It has also helped to hasten the day when metric will be the predominant measurement language for trade and commerce within the United States."

In general, businesses, feeling that the benefits will outweigh the costs in the long run, choose to go "the quicker the better" to avoid protracted double-bookkeeping and dual inventories. General Motors claims its conversion expenditures are actually running below what it projected in 1966 and that the real cost will only be 4 per cent of the original estimate.

Unquestionably, and this will be largely the job of the to-be-formed Metric Board, problems with individual consumers can arise if the system is not properly presented and promoted. The straightforward conversion of pharmaceuticals and camera equipment years ago hardly caused a murmur. But consumers have already begun to grumble about the Bureau of Alcohol, Tobacco, and Firearms decree last year of a hard conversion for distilled spirits and wine containers by the end of 1979. Consumers feel cheated because the new 1.75-liter liquor bottle has 5 ounces less than the customary half-gallon—yet prices have remained the same. Other anomalies have resulted from Beefeater's advertising its metric gin as "the Biggie," even though the new size is smaller.

Canadian metricators encountered similar suspicion when metric packets of sugar went on sale with a 12 per cent reduction in net content at the same imperial-size price. Consumers cried "rip-off," and a national furor ensued. Canadian manufacturers have now found it advisable to always go up in size, not down, and never alter prices during a product's conversion period, even though it may mean not covering the costs of conversion. Taking the hint, Coca Cola, when it began marketing the larger two-liter bottles in the United States last year, did not raise prices—nor consumer hackles.

Britain, however, shows what perhaps too much dualism can do. US metricators on tour there last fall reported practically "no outward signs of metrication" despite the already decade-long conversion. School children still go home and take a "pinta" milk from the fridge, even though they learn the metric system in the classroom. Sentimental pubsmen cling stubbornly to their pints of ale, and real estate agents continue to sell property in square yards. The situation should improve now that certain provisos in the 1963 British Weights and Measures Act, which prevented the removal of certain imperial units in trade, were repealed last year. Starting next year the government may set cut-off dates for many staples.

Americans still bemoan the thought of an English language stripped of the Biblical cubit, poetic league, farmer's furlong, and Peter Piper's peck—overlooking that these terms have survived no matter how little they were used for measurement. "It would be preposterous to tear up all railroad tracks just to relate them to some round-number metric gauge," the 1971 metric study noted. And most probably the US customary stockmarket's eighths and music's quarters and sixths will endure. American football will surely be played in yards forever.

NEWS OF THE COMMUNITY

EXTERNAL

Shoe Trade Not Restricted

The EC Commission noted with satisfaction in early April that US President Jimmy Carter had decided not to impose restrictions on shoe imports from the European Community. The Commission said the move showed "concern for preserving an open world trading order."

Carter had steered clear of the broad restrictive measures recommended by the US International Trade Commission when he instructed the Special Trade Representative to seek marketing agreements with Taiwan and Korea and to set up surveillance of imports from certain other countries.

European shoe exports, mainly expensive Italian brands, will not be affected by Carter's action.

EC Signs Loans to Greece

A second financial protocol to the EC association agreement with Greece was signed in Brussels in late February. The protocol makes UA 280 million available to Greece between now and October 1981.

The Community has promised not to be rigid in phasing spending equally over the entire period. It is therefore likely that if Greece becomes a Community member before 1981, a large part if not all of the money will have already been committed.

Of the total UA 280 million, UA 225 million comes in the form of loans on normal terms from the European Investment Bank (EIB). UA 30 million will be used to finance interest rebates on those loans, UA 10 million will be in the form of straightforward grants, and UA 15 million will be soft loans.

Meanwhile, negotiations on membership continued. The same day the protocol was signed, ambassadors met to assess progress. Talks concentrated on exchange of information and analysis of potential problem areas such as each side's trade agreements with other countries, agriculture, and regional aids.

EC-Lebanon Agreement Made

A cooperation agreement between the European Community and Lebanon was concluded mid-February in Brussels. The Lebanese agreement is along the same lines as those already concluded with the other countries of the Mashraq region—Syria, Jordan, and Egypt. It would have been negotiated at the same time had it not been for the Lebanese civil war.

The new agreement covers not only trade concessions but also economic, financial, and technical cooperation and creation of joint institutions. Under the agreement Lebanon qualifies for UA 30 million of Community financial aid in grants and loans on special terms.

The Lebanese Government told the EC Commission that it plans to introduce proposals for ways in which the Community could make a special contribution to Lebanese reconstruction after the civil war.

The new agreement replaces and extends the scope of two earlier technical cooperation and trade agreements the Community had with Lebanon.

Nine Insist on Human Rights

The Nine will not be satisfied until all the provisions, including human rights, of the Final Act of the Conference on Security and Cooperation in Europe, signed in Helsinki in 1975, are implemented by all signatories, British Parliamentary Undersecretary John Tomlinson told the European Parliament in March.

The Nine continue to attach importance to the protection of fundamental human rights in the context of the Final Act, he said, and regard the Belgrade follow-up meeting this summer as the occasion for a thorough interim assessment of implementation of all its provisions, "including those relating to human rights."

Anti-Dumping Duty Protested

Japan has protested to the anti-dumping committee of the General Agreement of Tariffs and Trade (GATT) about the 20 per cent anti-dumping duty which the European Community has imposed on almost all EC imports of Japanese ballbearings. The Commission announced the duty February 7 after an investigation that concluded the Japanese had been selling the ballbearings at below their own domestic market price. The prices implied a dumping margin of as much as 30 per cent.

Ballbearings are included in the products singled out by the Community as being responsible for the unusually high EC trade deficit with Japan last year. The Community is trying to restore balance through a series of sectoral negotiations.

Japan has taken the view in GATT that there was inadequate consultation before the duty was introduced. But the Commission affirms the first complaints were made last summer by EC industry and that its own anti-dumping procedure involved contacts with the Japanese for several months.

Fishing Agreements Made

The European Community has concluded negotiations begun in November 1976 providing framework agreements with third countries on future fishing rights.

The agreement with the United States treats access for Community vessels to American waters, and the agreement with the Faroe Islands provides for the exchange of fishing rights.

The agreement concluded March 4 with Sweden establishes the progressive phasing-out of Swedish vessels from the 200-mile zone introduced by the Community on January 1. Exceptions are allowed for coastal fishing arrangements between Sweden's neighboring EC members.

Negotiations with the Soviet Union and the German Democratic Republic (GDR) took place in Brussels the second week of March. It was the second round of talks for the Soviet Union and the first for the GDR. Neither country is happy with proposed reduction of their fishing in Community waters. Recognition of the Community, which has always been anathema to the COMECON countries in the past, also poses problems. It is regarded as a major step, however, that the countries have sent delegations to Brussels for talks.

Fishery negotiations are also going on with Norway, Portugal, Spain, Finland, Canada, and Poland.

New Zealand Pays EC Visit

Robert Muldoon, Prime Minister of New Zealand, visited the EC Commission March 28-29 to talk with Commission President Roy Jenkins and Vice Presidents Wilhelm Haferkamp and Finn Olav Gundelach. This stopover was part of a European tour during which Muldoon also visited with German, Belgian, and British Government leaders.

New Zealand is seeking to strengthen relations with Western Europe and the European Community in particular. It was decided during Sir Christopher Soames' visit to New Zealand in 1974 that annual consultations with the Commission would be held. The most recent took place March 10-11 in Wellington. Meetings are also planned between New Zealand and the European Parliament.

During his two-day stay in Brussels Muldoon brought up the budding agricultural dilemma for New Zealand exports. Great Britain has traditionally been the principal importer of New Zealand butter and cheese but her entry into the Common Market is posing problems.

The quantities of butter New Zealand is authorized to export to the United Kingdom are fixed until 1980. The question of raising the price for New Zealand butter can only be examined once the agricultural prices for 1977-78 are fixed. There are no provisions for cheese after 1977 and the Commission can only observe an attitude of extreme prudence in this market. Lamb and mutton markets must be organized before the end of 1977, and the Commission has already promised to consult New Zealand as soon as its own ideas are clear.

Ministers Review Relations

EC foreign ministers reviewed the state of relations with several Mediterranean countries at their March meeting. Portugal, which has since applied for EC membership, and Cyprus, whose association agreement must be updated mid-year, were discussed.

Spanish difficulties in aligning trade arrangements with the Community were said to be compounded by possible repercussions for agriculture in Mediterranean EC member states. The EC Commission has promised a report on the impact of Mediterranean policy on these countries.

The ministers also reviewed preparations for the EC-Yugoslavia Joint Commission to discuss the joint declaration on closer cooperation adopted last December in Belgrade. The Council agreed on a reply to a Soviet invitation to pan-European conferences on energy, transport, and communications, and expressed a constructive attitude toward the United Nations Conference on Trade and Development (UNCTAD) talks in Geneva on a common fund for commodity financing.

It also recognized the need to extend third country—particularly Eastern European—fishing quota arrangements after April 1, and to agree to a Commission negotiating mandate for renewal of the Multifibers Arrangement on Textiles.

Cypriot Ministers Visit EC

Cypriot and EC Commission representatives met in Brussels in February to discuss improving trade relations. Cyprus has an association agreement with the Community, which came into effect in June 1973 and provides for concessions on trade in a number of products. It was essentially tailored to ensure that Cyprus maintained its position in the United Kingdom market after Britain joined the Community.

Further improvements are scheduled in order to bring the trade deal in line with those concluded with other Mediterranean countries. Agreement with Algeria, Morocco, Tunisia, Malta, Israel, Jordan, Syria, and Egypt have already been concluded. Cyprus is anxious that it should not fall behind, particularly as its trade balance with the Community has showed a tendency to deteriorate since the beginning of the decade.

EC-China Trade Talk Resumes

After a hiatus of 10 months while Chinese policy-making settled down following Mao's death, Chinese diplomats in Brussels have resumed talks with the EC Commission to conclude a trade agreement. Chinese Ambassador Huan Hsiang informed EC External Relations Commission Vice President Wilhelm Haferkamp in mid-February that the Chinese were ready to continue negotiations.

The Commission had informed the Chinese in November 1974 that it was assuming responsibility for trade with state-trading countries, which was previously the job of member states. China responded favorably to the idea some months later when it also officially recognized the European Community and authorized an ambassador. Talks began shortly thereafter but were interrupted in April 1976.

EC, Japan Discuss Farm Trade

As part of the campaign to restore balance to EC-Japanese trade, the EC Commission talked about agriculture with a Japanese delegation in Brussels in February. About 30 EC agricultural products were discussed, including processed foods such as canned meats, dairy products, alcohol, and tobacco.

The Japanese have already increased quotas on certain dairy products as a measure of good will, but the Community would like to see more done. The EC Commission representative explained the importance attached to this sector in the general context of the Community's overall trade deficit with Japan, because agriculture is believed to be an area of potentially significant development.

The Community's trade deficit with Japan last year amounted to $4 billion. But the Commission reassured Japan it had no intention of interfering in Japanese policy.

Israel Gets Financial Aid

Israeli Foreign Minister Yigal Allon was in Brussels earlier this year for bilateral talks with EC foreign ministers on peace efforts in the Mideast.

The financial protocol to the Community's trade and cooperation agreement with Israel was also signed. The protocol makes UA 30 million available to Israel from the European Investment Bank (EIB) on normal EIB terms—slightly more favorable than market terms because of the bank's high credit-rating and non-profit status.

Allon was not totally satisfied with the amount because he felt it bore little relationship to the approximately $2 billion deficit Israel had with the Community last year. However, President of the EC Council Anthony Crosland stressed that the financial protocol and the technical cooperation protocol signed at the same time were a positive move by the Community toward fulfilling Israel's expectations. These will contribute to Israel's economic development and lead to harmonious development of economic relations.

Allon stressed that he would like to see more cooperation between Israel and the Community in industry, technology, science, and environmental problems via the Council of Cooperation, which has now been set up. But he said he also hoped there could be active Israeli participation in cross-frontier Mideast projects in areas such as development of arid lands or solar energy, where Israel has valuable experience to share.

Portugal Wants to Join EC

Portuguese Prime Minister Mario Soares announced in Brussels mid-March that his country would apply for membership in the European Community. (Their request was formally presented March 28.) Soares was in Brussels to sound out the EC Commission following talks in all nine member states.

The Socialist Party leader stressed that although it might be an economic strain for the Community to take in a poor nation of farmers and small businesses, the Community has a political interest in backing Portuguese democracy.

He also pointed out that Portugal has a number of mineral resources which have been underexploited in its colonialist past and important manpower resources to offer the Community. The Community's first agreement with Portugal in 1972 dealt only with the commercial aspects of gradually setting up a free trade area for industrial and some agricultural goods between January 1973 and July 1977.

Soares said he wanted to see Portugal as a fully integrated member within 10 years, which would imply entry within five. The Commission conveyed its willingness to help explore "the most suitable solutions allowing the integration of Portugal in Europe, as rapidly as possible, to the mutual benefit of both parties."

ENERGY

EC-US Cooperation in Energy

Contacts between energy policy makers in Brussels and Washington are to be intensified following a visit to the United States by EC Energy Commissioner Guido Brunner for talks with US Energy Advisor James Schlesinger. The two men agreed that energy will be a permanent feature when top EC and US officials have high-level consultations twice a year.

Brunner was in Washington March 17-18 to express EC preoccupations and the interrelationships between EC and US energy interests as the new Administration drew up its energy policy. The two sides discussed their energy-saving programs, plans for fiscal and price disincentives to energy consumption, the problems of nuclear energy and nuclear waste, US plans to boost coal production, and the international oil market.

Euratom Agreement Made

Steps necessary for enforcing the Euratom-International Atomic Energy Agency (IAEA) agreement have been completed. Under Euratom the Community has its own system of safeguards for the use of nuclear power which in some ways are stricter than IAEA's. Some adjustments were needed, however, to align them with internationally recognized rules under the Non-Proliferation Treaty (NPT).

In so doing, the Community has removed a major obstacle in its dispute with Canada over an updated nuclear cooperation agreement. The dispute has resulted in a de facto embargo on supplies of nuclear materials from Canada since the beginning of the year. Negotiations to conclude the agreement are still going on.

The United Kingdom and the Community have concluded a separate agreement with the IAEA. The difference here is that the British arrangement is voluntary whereas provisions for the other seven member states (all EC countries except France and Britain) are a legal obligation under the NPT.

The Commission said the "Seven's" agreement marks "an important step in developing cooperation between the Community and the IAEA on nuclear safeguards and controls." The Commission also hopes this step will contribute toward ensuring steady delivery of fissionable material.

EC Falls Short of Goals

The idea that the European Community might be able to cut its dependence on imported energy sources to 40 per cent by 1985 has turned out to be pie-in-the-sky. Even the 50 per cent target recognized as more plausible in 1974 now appears to be out of reach.

A communication to the Council of Ministers prepared by Energy Commissioner Guido Brunner points out that 55 per cent dependence now looks like an optimistic goal. The Community has made a commitment to oil-producing countries in the "North/South Dialogue" to keep dependence at this mark. The oil producers are worried by the rapid rate of depletion of their resources and have threatened to hold back supplies if the developed countries do not conserve.

EC crude oil imports increased 7 per cent in 1976 after dropping 17 per cent the previous year. Only Denmark, Ireland, and the United Kingdom managed to sustain the saving on imported non-EC oil, the latter because its own production increased by 750 per cent.

Acceleration of energy-saving programs is one answer. The Commission wants to reinforce the amount of statistical data available as a basis for planning rational use of energy. Residential and industrial heating, the motor industry, the electrical appliance industry, the electricity industry, and certain other energy-intensive industries have been pinpointed as priority sectors for renewed efforts at energy saving.

On the energy front as a whole, the Commission insists nuclear energy must be developed if the energy gap is to be filled. Development of alternative energy sources must be speeded up, and production and utilization of indigenous coal supplies must also be increased.

At present EC coal is losing out to imported coal, but coal imports are as much a burden on the balance of payments as oil and represent as much dependence. Imports have been rising at such an alarming level, the Commission has asked the Council for greater powers of surveillance over incoming coal to provide adequate statistical basis for making future proposals.

Energy Surpluses Reported

The drop in oil consumption since the oil crisis—and to a lesser extent the increase in refined oil imports from developing countries—has resulted in serious overcapacity in the Common Market's refining industry. Refineries are currently operating at 60 per cent capacity, whereas the Commission believes 80 per cent should be the absolute minimum.

The Commission has proposed withdrawing 140 million tons a year of distillation plant capacity (about 16.5 per cent of total existing capacity) to cope with the immediate problem. This objective would be achieved by taking marginal or less efficient plants out of service.

A standstill on new construction is advocated except in special circumstances. The Commission has also proposed a $2-3 billion investment in additional conversion capacity. This would serve to right the imbalance between refining structure geared to too much production of heavy oils and demand structure placing more emphasis on light oils.

Another surplus in the energy field is stocks of coal over 50 million tons, where 20 million tons would be considered normal. The Commission proposes a subsidy for the abnormal portion of stocks in order to free money for investment in new extraction facilities. These measures must be taken to prevent the long-term shortage which looms despite the temporary surplus caused by a slump in electricity and steel demand and by high EC coal prices.

Austrian Pipeline Financed

Italian state group Ente Nazionale Idrocarburi (ENI) has received a loan from the European Investment Bank (EIB) toward financing a project outside the Community, the Trans-Austria Gasline (TAG). This gas pipeline is destined to bring Russian natural gas from the Czech border to the Italian frontier. EIB is providing UA 4.7 million in the form of 13 million Swiss francs for seven years at 6⅜ per cent.

ENI is building the pipeline in conjunction with one of its subsidiaries, Snam, and Österreichische Mineralölverwaltung (OMV) AG of Vienna. Although the line is already in operation, the money is needed to help upgrade compressor stations at Baumgarten, Ruden, and Grafendorf. This will enable transmission of around 11,000 cubic meters per year.

ENI has already received 17,350 million lire from the EIB for construction of the TAG. Gaz de France received 110 million French francs for transit rights in a pipeline system of which TAG is a part.

ECONOMY

EC Inflation Rates Vary

Over 1976 as a whole, inflation rates in the European Community ranged from 4.5 per cent in Germany to 18 per cent in Ireland.

In between came five countries hovering near the 9 per cent mark: the Netherlands, which fell just short at 8.9 per cent thanks to a one point fall in prices in December; Denmark at 9 per cent; Belgium at 9.2 per cent; France at 9.6 per cent, and Luxembourg at 9.8 per cent.

The United Kingdom jumped up to 16.5 per cent and Italy to 16.8 per cent. Italy and the United Kingdom were also the worst performers in the last month of the year with 1.3 per cent increases.

Ministers Examine Economy

Common Market finance ministers discussed a variety of international economic issues at their March meeting in Brussels. Their talks covered topics ranging from the debt problems of developing countries to relations with the social partners within the Community.

Ministers began with their first quarterly examination of this year's economic situation and at the same time approved the fourth medium-term economic policy program providing a framework for Community economic activities for 1976-80.

Since the Commission put forward the program, it has become evident that Community economies are falling short of the targets set. The Commission was asked for suggestions for getting the Community back on economic course. The difficulty of meeting economic targets will probably be the central topic at the Tripartite Conference of EC governments, unions, and employers to be held in June. Full employment and 4-5 per cent inflation by 1980 were advocated in the medium-term economic program, but it is now difficult to see how these can be achieved.

The problem of achieving greater economic convergence as a prerequisite to meeting economic targets was touched on in the discussion of proposals for target zones for exchange rates made last year by Dutch Finance Minister Willem Duisenberg. The Council agreed that consultation on exchange rates should be intensified, and Council President Denis Healey said Duisenberg had provided a "new conceptual framework" for these consultations.

The ministers also discussed preparations for the International Monetary Fund interim committee on international liquidity and the "North/South Dialogue," which is expected to turn its attention to debt and transfer of resources from rich to poor.

Approval was also given for an agreement on a common set of export credit guidelines for the Community as a whole. These same guidelines were also agreed for the United States and Japan by EC major member states.

Steel Research Financed

UA 30 million for steel research has been approved by the EC Commission. It will put up UA 18.7 million to finance the program and disseminate resulting knowledge. Funds will come from the levy on EC steel production, which is the European Coal and Steel Community's principal resource.

The 74 projects involved should provide the data necessary to improve productivity in the manufacture and processing of steel, to reduce manufacturing and processing costs, to improve the quality of steel products, and to extend steel utilization to new applications, therefore boosting demand.

ENVIRONMENT

EC Seeks to Join Convention

The EC Commission is seeking permission from member states to join the Convention on Protection of Marine Environment in the Baltic. Germany and Denmark are already parties to the convention.

The convention regulates dumping of certain dangerous substances into the Baltic and pollution of the Baltic from the banks. It also provides for specific programs of cooperation on dumping noxious substances and sets limits on the quantities which can be disposed into the Baltic. Certain dumping is subject to prior authorization, and dumping of polluting substances by ships is restricted.

Post-Seveso Research Funded

The research needed as a basis for EC legislation on handling dangerous substances and intervention in the event of an ecological accident will be partially funded by the EC Commission.

UA 160,500 for 14 research projects in Italian and other European institutes is being made available. This amounts to 26 per cent of the funds needed for projects to research health, ecological, and decontamination problems.

Such research was deemed necessary in the wake of the release of highly toxic dioxin following an explosion at the Givaudan chemicals plant in Seveso, Italy, last July 10.

Waste Management Discussed

Old paper, packaging, toxic waste, and use of waste as fuel and in agriculture are priority areas of the Community's Waste Management Committee's attention. The committee held its first meeting in early March to define what should be the priority topics for Community and member state action.

Each year the Community produces around 1.7 billion tons of waste: 90 million tons of household waste, 115 million tons of industrial waste, 200 million tons of sewage sludge, 950 million tons of agricultural waste, and 300 million tons of waste from the mining industry. The total goes up by 5 per cent each year, and the need for Community-wide policy is clear.

Environment Commissioner Lorenzo Natali stressed at the committee's first meeting that waste management is not only important to the environment but also to the husbanding of non-renewable natural resources. The second-line priorities set by the committee were ferrous and non-ferrous waste, sewage sludge, demolition waste, textile waste, and waste from intensive breeding techniques.

AID

Cheysson Speaks On Uganda

The EC Commission must be particularly attentive to violations of human rights wherever they occur, including Uganda, European Development Commissioner Claude Cheysson told the European Parliament in March.

But the Lomé Convention, of which Uganda is a signatory, does not provide any scope for taking measures against Uganda at present. The Community, however, must fulfill Lomé obligations. It will therefore maintain its mission in Kampala.

Cheysson conceded that practical application of the Lomé Convention in Uganda is virtually impossible and no progress is being made in using the European Development Fund there. It has only been feasible to carry out two studies costing UA 15,000 out of the UA 73 million available. There is no sign that it will be possible to do more in the immediate future.

EIB Buys Tanzanian Bonds

The European Investment Bank's first intervention in Tanzania under the Lomé Convention will be to buy UA 2.5 million worth of convertible bonds issued by the Tanganyika Development Finance Company (TDFC). The operation is regarded as high-risk, and funding comes from the UA 95 million set aside for risk capital assistance under the Lomé Convention, signed in 1975 between the European Community and 46 developing states of Africa, the Caribbean, and Pacific.

The TDFC, set up in 1962, specializes in financing industrial ventures with loans, shareholdings, or both, and provides managerial and consultancy services. It has helped 57 projects to date, and nearly 18,000 jobs have been created as a result.

Its shares are owned equally by the Government-owned Tanzania Investment Bank and three development agencies of EC member states: the Commonwealth Development Corporation; the Deutsche Gesellschaft für Wirtschaftliche Zusammenarbeit (Entwicklungsgesellschaft) mbH, and the Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N. V.

Emergency Aid Needs Help

Development ministers meeting in Brussels March 22 asked the Commission to come up with proposals by July 1 for better coordination of member states' emergency aid giving. Such proposals would prevent, for example, every nation from contributing the same items so that a disaster-stricken country would not end up with all tents and no blankets.

In addition, member states with complementary resources—one the tents and another the planes to carry them—should pool their efforts to improve the "efficiency and consistency" of Community and national measures in the event of natural disasters.

There was also agreement on the criteria for giving food aid, such as to countries with a gross national product per capita below $300, and for requiring that the aid contribute to economic development and improving nutritional levels. In the food aid sector, an improved decision-taking procedure for emergency action was also agreed. However, ministers could not agree on what food aid quantities should be or on how UA 45 million to be allocated to non-associated developing countries (in Asia and Latin America) should be spent.

Seven ACP's Receive Funds

Liberia, Togo, Senegal, Mauritania, Malawi, and Burundi are the latest Atlantic, Carribean, and Pacific (ACP) countries to receive aid from the European Development Fund under the Lomé Convention. In addition, Niger has received funding from European Development Fund resources under the Yaoundé II Convention, which preceded Lomé.

Niger received UA 335,000 to develop irrigated crops in the Department of Agadez and prevent deterioration of the soil by means of reafforestation and development of cooperatives.

Liberia received two grants totaling UA 9.5 million. UA 9.1 million goes to establishing an industrial oil palm plantation and an outgrower scheme on the outskirts of the small port of Greenville about 250 kilometers southeast of Monrovia. Production will reach 19,000 tons of palm oil and 3,500 tons of kernels. The other grant for UA 410,000 goes toward increasing the capacity of the Phebe Hospital in Suakoko by extending in-patient facilities and providing attendant equipment.

Togo received UA 2.7 million for agricultural development in the Kara Valley, involving settlement of 800 families from overpopulated regions.

Mauritania received UA 1.7 million to increase the agricultural production of 14 irrigated areas, totaling 462 hectares and involving over 1,000 farmers in the valley of the Senegal River.

Malawi was granted UA 6 million for development and asphalting of the Blantyre-Chikwawa road. Burundi was given UA 862,000 to construct housing and social infrastructure and to improve the water supply in the Teza and Rwegura tea-growing centers.

Finally, Senegal received a soft loan of UA 3.75 million for 40 years at 1 per cent for a waste water drainage system in the Bay of Soumbédoune.

Trade Losses Compensated

Stabex (stabalization of export earnings) is the European Community's system for compensating associated developing nations for losses in commodity export earnings. Stabex paid out UA 72.7 million in 1976, virtually all of its UA 75 million allocation. Final payments from the 1976 credits, which compensate for earnings losses in 1975, were made in February.

The Central African Republic received UA 353,108 for losses in coffee trade, and Mali received UA 648,503 to compensate for a drop in cotton export earnings.

In addition, three overseas territories received payments under the UA 4 million allocated especially for them: Belize got UA 139,650 to offset losses in lumber earnings; the New Hebrides, UA 1,103,499 for copra; and Affars and Issas, UA 256,894 for skins. The Comores—at the time a dependency but now an independent state eligible for Lomé Convention membership—received UA 298,304 for losses in copra earnings.

SOCIAL POLICY

Social Fund to Be Improved

The Community's social fund for aid in employment retraining has grown from UA 235 million in 1973 to UA 617 million in 1977. At the same time the categories qualifying for benefits have mushroomed, but this has not all been for the good.

The Commission admits the fund's activities have been too dispersed, that the fund has adapted too slowly to changes in the employment market, and that the procedures for obtaining money are bureaucratic. The new EC Social Affairs Commissioner, Henk Vredeling, plans to make some changes.

Vredeling has proposed putting more emphasis on help for disadvantaged regions and increasing the Community contribution from 50 per cent to 65 per cent in certain regions. At the same time greater efforts will be made to help specific sectors, such as agriculture, textiles, and migrants in order to make the fund's intervention more meaningful.

The new Commissioner also wants to simplify procedures by allowing applications on estimated rather than real costs, grouping applications so they can be seen in the context of member states' overall training policy, and allocating blocks of money at the beginning of each year which would not be definitive but would give member states an idea of how much would be available. Rigid checks during programs before making complete payments and better overall checks on efficiency are also proposed. In certain cases the fund would also finance not only training but job creation or maintenance, and would put up 35 per cent of the money.

Training Center Opened

The European Center for the Development of Vocational Training was officially inaugurated March 9 in Berlin.

EC Social Affairs Commissioner Henk Vredeling stressed in his opening speech that training is not the only answer to the current economic and unemployment crises; job creation is the key. Moreover, he said, a lot still needs to be done to adapt current training facilities to actual requirements. The center can serve the need for selective quantitative and qualitative promotion of training.

Already, vocational training accounts for 90 per cent of EC social fund expenditure. Brussels' contribution to member states' training efforts varies: one-third of all Irish training expenditure comes from EC social fund finance; in Italy, almost a fifth; in Belgium and the United Kingdom, almost one-tenth; and in Germany, Denmark, France, and Luxembourg, one-twentieth.

The center's overall role is to help the Commission implement a series of operational tasks or support specific areas of activity. These activities will provide a forum for cooperation and exchange of experience among employers, workers, and training organizations.

The center held a Berlin conference in April on documentation and the presentation of information. It plans to research vocational training to keep up with technical progress, to provide equal opportunities for women and better opportunities for migrants, and to compile a glossary of vocational training terms.

Italian Housing Financed

The cost of building 404 housing units for workers at the Finsider and Italsider steel plants in Taranto, Italy, is to be subsidized from European Coal and Steel Community (ECSC) funds.

The EC Commission has made two loans to this project: 1.4 billion lire and 1.9 billion lire. One is for 20 years at 1 per cent and the other for 10 years at 9 per cent. These loans will subsidize 35 per cent of the construction cost. ECSC financing for Italy's low-cost housing for coal and steel workers has now reached a total of 16.7 billion lire.

AGRICULTURE

Fisheries Agreement Signed

Faroe Islands Prime Minister Lagmand Atli Dam signed a framework agreement on fisheries with the European Community March 15 in Brussels. The agreement was signed on behalf of the Community by John Silkin, president-in-office of the Council of Agriculture Ministers.

Each signatory agrees to operate a vessel-licensing system in its 200-mile fishing zone and to cooperate in fishery conservation matters. The provision in the agreement on consultation in cases of disagreement was invoked immediately when the Community asked for consultation on new conservation measures to be introduced by the Faroes. These would create trawler-free zones and strict quotas affecting the fishing fleets of Britain, France, and Germany.

Commission Survives Censure

The EC Commission survived a motion of censure in the European Parliament March 23, which had been proposed by the European Progressive Democrats in protest of the Commission's handling of cheap butter sales to non-EC countries. Fifteen members of the Parliament supported the resolution; 95 voted against, and one abstained.

The motion, which if adopted would have brought down the Commission, alleged that the Commission should be held responsible for the disastrous management of stocks of agricultural products. It held that the Commission had exceeded its powers in deciding to suspend certain agricultural export subsidies and should have consulted the Parliament before taking a market-regulating measure of such importance.

In asking the Parliament to reject the motion, Commission President Roy Jenkins pointed out that the Commission has a nearly impossible task in striking a balance between the internal and external markets. He asked Parliament to recognize the underlying problem: a level of production in the milk sector which is wholly out of line with the realistic possibilities of the market following rejection of Commission proposals to reduce it.

Jenkins added that the motion did indeed raise important issues, "but they are not the issues of the Commission exercising excessive power, acting beyond its legal rights, not being anxious to keep in step with Parliament. . . . The Commission looks for the support of Parliament for realistic proposals put before the Council, and the support of the Council in order to achieve results which will avoid the recurrence of this intractable problem in the future."

Wine Fraud Investigated

The EC Commission has proposed closer collaboration with authorities in member states to prevent fraud in the wine sector.

The proposals advocate intensification and acceleration in exchange of information. This could be accomplished through bypassing usual bureaucratic and diplomatic channels, for example, when exchanging copies of suspicious documents, results of analyses, or descriptions of frauds.

The Commission points out that closer cooperation and speedier fraud detection would be in the interests of consumers and of those producers and traders who are sticking to the rules. The development of the Common Market and free trade has complicated the task of fraud detectors.

Butter Subsidies Reviewed

Following the controversial sale to the Soviet Union of 36,000 tons of subsidized butter, the EC Commission altered the system for payment of prefixed export refunds.

When the first rumors of an impending sale began to circulate, the Commission acted to stop all prefixing of the refund, which guarantees the trader a set subsidy for a certain period of time. By then, however, the subsidy for 36,000 tons was already committed.

When the Commission reviewed its policy, it decided that in addition to an earlier butter sale of 5,000 tons to Poland, the Soviet deal was as much as should be sold to Eastern Europe under present market conditions. It also extended the time lapse for delivery of prefixed export certificates from 24 hours to three days. This gives the Commission itself time to assess applications for other destinations, whereas prefixing of the levy was formerly carried out by national intervention agencies on behalf of the Commission.

The Community currently has a butter "mountain" of approximately 200,000 tons. Subsidized sales to non-Community nations are the most effective and cheapest method of disposing of it. Keeping the butter in store for eventual transformation into butter oil, which sells at even lower prices, is extremely costly. And subsidized sales to Community consumers are more expensive and have proved to have little impact on overall sales as well.

The Commission must strike a balance between external and internal disposal because of the controversial nature of foreign sales. Foreign sales, however, are only possible if the Commission pays a subsidy to make up the difference between the world market price and the Community price.

There was nothing abnormal in the size of the USSR subsidy, contrary to 1973 when the Commission paid a special subsidy on 200,000 tons of butter for the Soviet Union. Nevertheless, Agriculture Commissioner Finn Olav Gundelach conceded after the latest Commission moves that current Community export policy is "inconsistent." He said he intended to review the whole policy when this year's price-fixing is out of the way. Commissioner Gundelach also stressed the need for reform of the dairy sector, which continues to turn out surpluses, and emphasized that the current "mountains" of butter and skimmed milk powder are inherited problems.

Farming, Fishing Discussed

Common Market agriculture ministers wore both agricultural and fisheries hats at their two-day meeting in Brussels March 14-15. In both cases their role was to give political impetus to experts' discussion.

Ireland agreed to further postpone enforcement of its autonomous conservation measures, which came into effect March 1. These were intended to ban Community vessels of more than 1100 horsepower and 110 feet from large areas around Irish shores.

The Commission suggested that quotas be introduced for Community fishermen in Irish waters, which would enable the Irish fleet to increase its catches by 30 per cent. Fishing activity would be carefully monitored with the help of the Commission.

Ministers also looked in detail at the Commission's farm price proposals for the coming year. At a previous meeting they considered the suggestion of an overall 3 per cent price increase. This session was devoted to a product-by-product critique as a prelude to drawing up the final compromise package.

Wine Surplus Keeps Growing

The Community's "wine lake" must be stopped from overflowing. This is the gist of recent proposals by the EC Commission for reform of the Community's wine-growing sector.

The Council of Ministers has adopted a number of emergency, short-term regulations in 1976 to deal with the growing surplus of wine. The Commission now recommends those regulations be supplemented by a long-term program.

A grubbing-up policy for certain types of vine, a ban on growing low quality vines in certain regions, and controlling vine planting in areas where there is the possibility of alternative crops are measures suggested by the Commission. A policy on the selection of suitable vine-growing areas—taking social and regional factors into account—would replace last year's total ban on new plantings.

Community wine production is growing by 2.5 per cent annually, and yields are improving steadily while consumption increases by less than 1 per cent a year. In 1975-76, 141,834 hectolitres of wine were produced. This was less than the two previous years but still represents an increase in the long run.

INSTITUTIONS

Parliament Elects President

Former Italian Prime Minister Emilio Colombo was elected President of the European Parliament in Strasbourg March 10. He succeeds Georges Spénale. Colombo, a Christian Democrat, is the third Italian President in the history of the European Parliament, after Gaetano Martino (1962-64) and Mario Scelba (1969-71).

The new President has been a member of the European Parliament since last June and has had a 31-year career in Italian politics. He was first elected to the Italian Constitutive Assembly in 1946. Apart from being a former Prime Minister, the 57-year-old Colombo was a state secretary and minister for agriculture, and a foreign, finance, industry, and trade minister.

The outgoing Parliament President received 136 votes in the elections for vice president. The other vice presidents are Geoffrey de Freitas (Socialist, United Kingdom); Adams (Socialist, Germany); Espersen (Socialist, Denmark); Zagari (Socialist, Italy); Deschamps (Christian Democrat, Belgium); Scott-Hopkins (Conservative, United Kingdom); Meintz (Liberal, Luxembourg); Lücker (Christian Democrat, Germany); Berkhouwer (Liberal, Netherlands), and Bordux (Communist, France).

Commission Wants Reforms

The EC Commission has suggested that restructuring the economy, energy independence, and development aid be given more importance in the 1978 budget. This means less spending on agriculture, which currently accounts for 68 per cent of the EC budget.

Recommendations were submitted to a joint meeting of foreign and finance ministers in April. The meeting was for the purpose of setting priorities and guidelines for the Commission in drawing up specifics for the 1978 budget.

The Commission agreed that agriculture will continue to be a mjaor budget item but hoped that reforms in the monetary compensatory amount system and structural reforms would reduce the need to subsidize surpluses and intra-Community food trade.

This would free money for boosting the EC regional and social funds' resources and for spending in industry, research, transport, and energy independence. Increasing the food aid portion of the development aid budgets and consolidating other development spending were also proposed.

The EIB's Annual Report

European Investment Bank (EIB) lending reached UA 1,086 million in 1976, compared to UA 917.5 million the previous year. Taking the bank's activities in African, Caribbean, and Pacific (ACP) and Mediterranean countries into account as well, the EIB lent a total of UA 1,273 million last year.

Lending outside the European Community of UA 187 million was more than twice the previous year's figure of UA 80 million as the pace of new activity under the Lomé Convention and under the agreement to provide financial assistance to Portugal was speeded up. Three-quarters of the lending inside the Community was spent in the backward regions.

The EIB has a statutory commitment to promote regional development, which is reflected in its lending patterns. At the same time many of the loans serve other purposes to less favored areas. These include increasing indigenous energy development or boosting cross-frontier ventures. There was an upswing in lending to industry last year partly because the economic situation picked up again and partly because of a deliberate EIB policy to try and stimulate industrial investment.

Finance for infrastructure, on the other hand, remained substantially the same. The major sectors benefiting from EIB assistance were telecommunications, energy, transport, water supplies, and irrigation. EIB estimated that around 12,000 jobs were created and 7,000 more safeguarded by the investments that it helped finance in 1976.

In addition, many of the infrastructure projects were designed to lay a basis for industrial growth in the longer term. Ireland, Italy, and the United Kingdom accounted for three-quarters of total lending—receiving UA 57.4 million, UA 382.6 million, and UA 417.6 million respectively. France received UA 60 million; the Netherlands, UA 30.4 million; Belgium, UA 17.9 million, and Denmark, UA 9.1 million.

ECSC Issues Bonds in US

The European Coal and Steel Community (ECSC) is raising a total of $60 million on capital markets through two recent bond issues. A contract was signed in Luxembourg in February between an international banking syndicate and the EC Commission for a public issue of $50 million at 7¼ per cent for five years to be issued at 9 per cent, and a private placement of $10 million at 8¼ per cent for 10 years issued at par.

The banking syndicate includes S. G. Warburg, Banque de Paris et des Pays-Bas, Amsterdam-Rotterdam Bank, Banca Commerciale Italiana, Banque International à Luxembourg, Credit Suisse White Weld, Deutsche Bank, Dresdner Bank, Société Générale de Banque, Swiss Bank Corporation (Overseas), Union Bank of Switzerland (Securities), and Warburg Paribas Becker.

The proceeds of the loan will be used to finance investment in the coal and steel industries and reconversion programs. These latest issues bring ECSC borrowing on capital markets to UA 4,122 million.

EIB Raises $175 Million

The European Investment Bank (EIB) has launched a US dollar bond issue on the international capital market designed to raise $175 million via three tranches: $75 million in seven-year bonds; $50 million in 10-year bonds, and $50 million in 15-year bonds. Rates of interest per tranche range from 8 to 8.75 per cent and the issuing price from 99.75 to 100.25 per cent of par.

The issuing consortium was headed by the Deutsche Bank in conjunction with Amsterdam-Rotterdam Bank, Banca Commerciale Italiana, Banque Arabe et Internationale d'Investissement, Banque Internationale à Luxembourg, Banque de Paris et des Pays-Bas, Crédit Suisse White Weld, Dresdner Bank, Merrill Lynch International, Salomon Brothers International, Société Générale, Société Générale de Banque, Swiss Bank Corporation, and Union Bank of Switzerland.

The yield from the bonds will be used by EIB to finance its ordinary lending operations.

HARMONIZATION

Lawyers Can Interpractice

A lawyer in one EC member country who wants to provide services in another member state can now do so, providing he observes the rules of professional conduct in the host country. EC ministers approved the necessary directive at a March meeting in Brussels—the first step to the free movement of lawyers within the Common Market.

The next step will be freedom of establishment. Under the new directive, member states may still impose certain conditions on lawyers in accordance with local rules or custom. For example, the member state may require a lawyer representing clients in legal proceedings to be introduced to the presiding judge, and, where appropriate, to the president of the relevant bar, or to work in conjunction with a lawyer who practices before the judicial authority concerned. Member states have two years in which to implement the directive.

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.

PROGRAMME OF THE COMMISSION FOR 1977. Commission, Brussels/Luxembourg, Februray 1977, 56 pages ....free
Text of the address of Roy Jenkins, President of the Commission, to the European Parliament on February 8, 1977, and annexed memorandum on the Commission's policy program for 1977.

DEVELOPMENT COOPERATION: INCREASED COOPERATION BETWEEN THE COMMISSION AND THE NONGOVERNMENTAL ORGANIZATIONS (NGO). *Information Memo P-11/77,* Commission, Brussels, January 1977, 3 pages ...free
Note on development aid projects of nongovernmental organizations funded by the Community in 1976.

ADJUSTMENT OF ECONOMIC POLICY GUIDELINES FOR 1977. *Information Memo P-20/77,* Commission, Brussels, March 1977, 4 pages ....free
Summary of the Commission's communication to the Council on the economic outlook for 1977 and general economic policy guidelines for the member states.

REVIEW OF THE SOCIAL FUND: IMPROVEMENTS PROPOSED. *Information Memo P-21/77,* Commission, Brussels, March 1977, 3 pages ....free
Outline of the Commission's proposals for revising the operations of the Social Fund.

EC COMMISSION'S AGRICULTURAL PRICE PROPOSALS FOR 1977. *Agricultural Note No. 1/1977,* Information Service, Washington, March 10, 1977, 7 pages ....free
Summary of the price increases, green rate adjustments, and special measures for the dairy sector recommended by the Commission for 1977. Includes tables giving the fixed prices, by product, for the 1976-77 marketing year and the proposed prices for 1977-78.

ANNUAL REPORT ON WINE PRODUCTION TRENDS IN THE COMMUNITY: THE COMMISSION ADVOCATES NEW STRUCTURAL MEASURES. *Information Memo P-15/77,* Commission, Brussels, February 1977, 6 pages ....free
Highlights of the report on wine production in 1975-76. Tables on production trends since 1965 and internal uses of wine since 1967.

REPORT ON THE PRINCIPLES TO BE OBSERVED BY ENTERPRISES AND GOVERNMENTS IN INTERNATIONAL ECONOMIC ACTIVITY. *Working Document No. 547/76,* European Parliament, Luxembourg, February 4, 1977, 17 pages ....free
Report prepared for the Committee on Economic and Monetary Affairs by Erwin Lange. Draft code of principles on multinational enterprises and governments, with explanatory comments, jointly prepared by the European Parliament and the US Congress.

REPORT ON ECONOMIC AND TRADE RELATIONS BETWEEN THE EUROPEAN COMMUNITY AND JAPAN. *Working Document No. 570/76,* European Parliament, Luxembourg, March 2, 1977, 32 pages ....free
Report prepared for the Committee on External Economic Relations by Jan Baas. Reviews the structure of trade between the Community and Japan in general and for specific product sectors: motor vehicles, ships, steel, and ball bearings. Examines policy options for improving the Community's trade balance with Japan.

EEC-SYRIA. *Information No. 143/77,* Commission, Brussels, 1977, 7 pages ....free
Outline of the provisions of the cooperation agreement between the Community and Syria, signed on January 18, 1977.

GRANTS AND LOANS FROM THE EUROPEAN COMMUNITY. Commission, Brussels, 1976, 24 pages ....free
Brochure on the financial assistance granted by the European Coal and Steel Community, the European Investment Bank, the European Regional Development Fund, the European Agricultural Guidance and Guarantee Fund, and the European Social Fund.

INDUSTRIAL FOOD RESEARCH IN THE COUNTRIES OF THE EUROPEAN COMMUNITY. *EUR 5181 e,* Commission, Luxembourg, October 1975, 737 pages $6.00
Results of a survey on industrial food research in the Community. Part 1 includes papers on the organizations engaged in food research in each member state, their funding and staffing, and the general outlook for the future. Part 2 contains a directory of institutes participating in the survey with notes on each institute's principal field of activity and research projects.

TENTH GENERAL REPORT ON THE ACTIVITIES OF THE EUROPEAN COMMUNITIES. Commission, Brussels, February 1977, 339 pages..$5.80
Detailed account of the activities of the European Coal and Steel, Economic and Atomic Energy Communities in 1976.

OPTIMIZATION OF CATTLE BREEDING SCHEMES. *EUR 5490 e,* Commission, Luxembourg, 1976, 354 pages $8.60
Proceedings of a seminar held in Dublin, November 26-28, 1975.

PERINATAL ILL-HEALTH IN CALVES. *EUR 5603 e,* Commission, Luxembourg, 1976, 200 pages ..$4.00
Proceedings of the first seminar on "Pathology" held at Compton, UK, September 22-24, 1975.

EEC-JORDAN. *Information No. 144/77,* Commission, Brussels, 1977, 8 pages ....free
Summary of the provisions of the cooperation agreement between the Community and Jordan, signed January 18, 1977.

EEC-EGYPT. *Information No. 142/77,* Commission, Brussels, 1977, 9 pages ....free
Summary of the provisions of the cooperation agreement between the Community and Egypt, signed January 18, 1977.

PRACTICAL COOPERATION IN SCIENCE AND TECHNOLOGY—COST. *Information: Research and Development No. 3/76,* Commission, Brussels, 1976, 7 pages ....free
Review of "European Cooperation in the field of Scientific and Technical Research" (COST) activities since 1970. Includes a brief summary of each research project.

TOWARDS A JOINT RESEARCH AND DEVELOPMENT POLICY FOR EUROPE. *Information: Research and Development No. 4/77,* Commission, Brussels, 1977, 10 pages ....free
Traces the history of the Community's scientific and technological policy and its institutional framework.

ADDRESS DELIVERED TO THE PARLIAMENTARY AND SCIENTIFIC COMMITTEE IN LONDON ON 19 OCTOBER 1976 BY DR. GUIDO BRUNNER. *Information No. 140/76,* Commission, Brussels, 1976, 11 pages ....free
Statement on the coordination of national research programs and the research conducted by the Joint Research Centre.

THE EUROPEAN SUMMIT. *Background Note No. 11/77,* Information Service, Washington, April 4, 1977, 2 pages ....free
Official texts adopted at the European Council meeting, Rome, March 25, 1977.

ISRAEL AND THE EEC. *Information No. 145/77,* Commission, Brussels, 1977, 15 pages ....free
Note reviewing agreements with Israel since 1964 and outlining the terms of the 1976 cooperation agreement and additional protocol on financial aid.

COKE OVEN TECHNIQUES. *EUR 5342 e, Parts 1 and 2,* Commission, Luxembourg, 1975, 475 pages $18.00
Proceedings of a symposium held in Luxembourg, May 6-7, 1975.

ECSC SYMPOSIUM ON STEEL. *EUR 5401 e, Parts 1 and 2,* Commission, Luxembourg, 1976, 658 pages $23.00
Proceedings of a symposium held in Luxembourg, November 18-21, 1975. Subjects covered were physical metallurgy, service properties of steel, and utilization of steel.

ELECTRON MICROSCOPY IN MATERIALS SCIENCE. *EUR 5515 e, Parts I-IV,* Commission, Luxembourg, 1975, 1,599 pages ....one volume $14.50, full set $58.00
Collection of lectures given at the 1973 School of Electron Microscopy, a NATO Advanced Study Institute, held at the "Ettore Majorana" International Centre for Scientific Culture, Erice (Trapani, Italy), April 7-21, 1973.

COMPENDIUM OF COMMUNITY MONETARY TEXTS: SUPPLEMENT. Monetary Committee, Brussels, 1976, 61 pages $2.00
The first volume of the compendium, published in 1974, reproduced the major legal texts on Community monetary affairs. This first supplement updates and revises the compendium by including those documents adopted since 1974 and by indicating those texts which are no longer in force.

FROM EDUCATION TO WORKING LIFE. *Bulletin of the European Communities, Supplement 12/76,* Commission, Brussels, 1976, 63 pages $2.10
Resolution of the Council of December 13, 1976 on measures to be taken to improve the preparation of

young people for work and the report of the Education Committee on youth unemployment in the member states and national vocational training systems.

REPORT BY THE COMMISSION ON THE BEHAVIOUR OF THE OIL COMPANIES IN THE COMMUNITY DURING THE PERIOD FROM OCTOBER 1973 TO MARCH 1974. *Competition-Approximation of Legislation No. 26,* Commission, Brussels, 168 pages $5.20
Study evaluating the problems in the oil sector. Analyzes both the structure of the industry and the changes caused by the oil embargo. Examines the relationship between the companies and the authorities during those months of threatened shortages. Describes the effects of the crisis on quantities and prices of oil products and the problems faced by independent companies.

COMMISSION REGULATION ON THE APPLICATION OF THE PROVISIONS OF EURATOM SAFEGUARDS. *Official Journal of the European Communities, Vol. 19, No. L 363, December 31, 1976.* $1.20
Text of the regulation revising the Euratom safeguards system to conform with the provisions of the verification agreement negotiated with the IAEA under the Non-Proliferation Treaty.

REPORT ON THE ECSC EXPERIMENTAL PROGRAMME OF MODERNIZATION OF HOUSING. Commission, Brussels, 1975, 368 pages $19.00
Results of an experimental program to improve productivity and the standard of work in modernization, by means of proper organization at all levels and industrialized methods, including the use of prefabricated units. Commentaries on current policies, legislative, technical, economic, sociological, and architectural aspects. Includes an annex with technical summaries of each project.

OBJECTIVATION OF THE BACTERIOLOGICAL AND ORGANOLEPTIC QUALITY OF MILK FOR CONSUMPTION. *Information on Agriculture No. 21,* Commission, Brussels, September 1976, 161 pages $5.00
Study of objective scientific tests, which are rapid and inexpensive, for determining the bacteriological and organoleptic properties of milk for human consumption at various stages of production and processing. Determination of the pyruvic acid content in particular has been examined.

GUIDANCE NOTES FOR SAFE DIVING. *EUR 5695 e,* Commission, Luxembourg, 1977, 58 pages $6.95
Summary of the findings of the European Diving Technology Committee on guidelines to increase the safety of diving, particularly in deep waters.

LE MERCURE: PRODUCTION, CONSOMMATION ET DEMANDE FUTURE DANS LE MONDE ET DANS LA COMMUNAUTE EUROPEENNE. *EUR 5654 f,* Commission, Luxembourg, 1976, 124 pages $5.40
Report on the evolution of mercury production and consumption since 1949 with projections of future demand up to 1990. Gives a detailed analysis of the sectorial consumption of mercury in the Community.

LIST OF ORGANIC CHEMICALS TOGETHER WITH THEIR CLASSIFICATION IN THE COMMON CUSTOMS TARIFF. Commission, Brussels, 1975, 1,096 pages ..Volumes I-V, $28.00
Volumes I, II, III, IV, per volume, $6.00
Single language volume plus Volume V, $12.00
This reference publication, for quick customs classification of organic chemicals, comprises five volumes. The first four are German (Vol. I), French (Vol. II), Italian (Vol. III), and Dutch (Vol. IV) language versions listing alphabetically organic chemical products covered by Chapter 29 of the European Community's common external tariff. The proper customs classification is given for each product and a cross reference to the multilingual glossary (Vol. V). Volume V lists the products in all four languages by tariff classification. Approximately 5,600 products and 1,500 synonyms are covered.

Studies on Concentration Trends in Industry

Series of detailed studies done for the Commission, according to a standard methological framework, on the structure of concentration trends in major industries. The data generally covers the years 1970-74. Each study examines the organizational structure of each industry, with descriptions of major firms, their subsidiaries, takeovers, mergers, and acquisitions. Describes the market and demand for each product, including foreign trade. Rankings and concentration ratios are based on turnover, employment, wage costs, net profits, cash flows, gross investment, equity, exports, net assets, and net cash flows.

METHODOLOGY OF CONCENTRATION ANALYSIS APPLIED TO THE STUDY OF INDUSTRIES AND MARKETS. Commission, Brussels, September 1976, 156 pages $5.20
By Remo Linda. Presents the basic definitions and methodological framework used for the individual studies.

A STUDY OF EVOLUTION OF CONCENTRATION IN THE DUTCH PAPER PRODUCTS INDUSTRY. Commission, Brussels, November 1976, 89 pages $2.60
By W. J. C. Brouwer and T. N. Steijn.

A STUDY OF THE EVOLUTION OF CONCENTRATION IN THE DUTCH BEVERAGES INDUSTRY. Commission, Brussels, November 1976, 149 pages $4.65
Covers beer, distilling, and soft drinks industries.

A STUDY OF THE EVOLUTION OF CONCENTRATION IN THE DANISH FOOD DISTRIBUTION INDUSTRY. Commission, Brussels, November 1976, 292 pages $7.00
By the Institute for Future Studies. Includes two surveys on wholesale and retail prices for food products.

A STUDY OF THE EVOLUTION OF CONCENTRATION IN THE PHARMACEUTICAL INDUSTRY FOR THE UNITED KINGDOM. Commission, Brussels, October 1975, 168 pages $6.35
By J. B. Heath.

L'EVOLUTION DE LA CONCENTRATION DANS L'INDUSTRIE DE LA BRASSERIE ET DES BOISSONS EN BELGIQUE. Commission, Brussels, October 1976, 108 pages $4.65
By Alexis Jacquemin.

ETUDE SUR L'EVOLUTION DE LA CONCENTRATION DANS LES INDUSTRIES DES BOISSONS ET DES BOISSONS NON ALCOOLISEES EN FRANCE. Commission, Brussels, December 1976, 284 pages $7.00
By D. Boulet et J. P. Laporte.

ETUDE SUR L'EVOLUTION DE LA CONCENTRATION DANS LA DISTRIBUTION DES PRODUITS ALIMENTAIRES EN FRANCE. Commission, Brussels, November 1976, 213 pages $7.00
By J. L. Rastoin and others.

ETUDE SUR L'EVOLUTION DE LA CONCENTRATION DANS L'INDUSTRIE DES SPIRITUEUX EN FRANCE. Commission, Brussels, June 1976, 163 pages $5.20
By D. Boulet and J. P. Laporte.

STUDIO SULL'EVOLUZIONE DELLA CONCENTRAZIONE INDUSTRIALE IN ITALIA (1968-1974): PNEUMATICI, CANDELE, ACCUMULATORI. Commission, Brussels, June 1976, 341 pages $7.90
By Antonio Amaduzzi and others.

STUDIO SULL'EVOLUZIONE DELLA CONCENTRAZIONE NEL SETTORE DELLA COSTRUZIONE DI MACCHINE PER UFFICIO IN ITALIA. Commission, Brussels, August 1976, 149 pages $4.65
By Piera Balliano and Filippo Mosini.

STUDIO SULL'EVOLUZIONE DELLA CONCENTRAZIONE DELL'INDUSTRIA CARTARIA IN ITALIA. Commission, Brussels, October 1976, 189 pages $5.20
By Piera Balliano and Renato Lanzetti.

STUDIO SULL'EVOLUZIONE DELLA CONCENTRAZIONE NELL'INDUSTRIA DELLE BEVANDE IN ITALIA. Commission, Brussels, December 1976, 143 pages $4.65
By Piera Balliano and Renato Lanzetti.

STUDIO SULL'EVOLUZIONE DELLA CONCENTRAZIONE NEL SETTORE DELLA COSTRUZIONE DI MACCHINE PER L'INDUSTRIA TESSILE IN ITALIA. Commission, Brussels, August 1976, 159 pages $5.20
By Piera Balliano and Renato Lanzetti.

UNTERSUCHUNG ZUR KONZENTRATIONSENTWICKLUNG IN DER GETRANKE INDUSTRIE IN DEUTSCHLAND. Commission, Brussels, November 1976, 156 pages $4.65
By Michael Breitenacher.

UNTERSUCHUNG ZUR KONZENTRATIONSENTWICKLUNG IN AUSGEWAHLTEN BRACHEN UND PRODUKTGRUPPEN DER ERNAHRUNGSINDUSTRIE IN DEUTSCHLAND. Commission, Brussels, November 1976, 331 pages $7.00
By Michael Breitenacher.

UNTERSUCHUNG DER KONZENTRATIONSENTWICKLUNG IN DER REIFENINDUSTRIE SOWIE EIN BRANCHENBILD DER KRAFTFAHZEUG-ELEKTRIK-INDUSTRIE IN DEUTSCHLAND. Commission, Brussels, October 1976, ...$4.65
By Kienbaum Unternehmensberatung GMBH.

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.

Association System of the Community. By Jacqueline D. Matthews. Praeger Publishers, New York, 1977. 167 pages with index.

A study of the relationship between the Community and its associates, their trade agreements, the impact of the Lomé Convention, the generalized preferences system, and the effect of the association system on South Africa.

The New Inflation and Monetary Policy. Edited by Mario Monti. Holmes and Mier Publishers, Inc., New York, 1976. 305 pages with tables, graphs, and index. $25.00.

Discussions by leading economists on a "new inflation" departing from previous economic models; topics include the role of monetary policy and the real or structural causes of economic change, the role of fiscal arrangements, the impact of exchange rate flexibility, and the desirability of indexing.

The Economics of the Euro-Currency System. By George W. McKenzie. A Halsted Press Book, New York, 1976. 139 pages with index and tables. $15.95.

An examination of the Euro-currency system, theories, operations, and factors that have influenced its development from 1958 through 1974.

Yea or Nay? Referenda in the United Kingdom. By Stanley Alderson. Cassell & Co. Ltd., 1975. 133 pages with index.

Analysis of the place of the referendum in the British parliamentary system, and a comparative historical study of the referendum issue and its implications and applicability to Britain.

Company Finance in Europe. By J. M. Samuels, R. E. V. Grooves, and C. S. Goddard. The Institute of Chartered Accountants in England and Wales, London, 1975. 341 pages with tables, figures, and index.

A report on research findings in European company finance revealing the contrasting means and methods by which companies in different European countries finance their investment and capital needs.

Europe and the World: The External Relations of the Common Market. Edited by Kenneth J. Twitchett. Europa Publications, London, 1976. 210 pages with index, bibliography, and tables.

Examination by six leading authorities on international relations of the Community's political and economic role with the developing countries of Africa, Asia, and the Middle East.

History of European Integration 1945-1975. By Max Jansen. University of Amsterdam, Amsterdam, 1975. 132 pages with a section on further reading.

A history of European integration beginning with the aftermath of World War II and tracing Community developments through the "not-so-sweet" Seventies.

The Referendum. By Jo Grimond and Brian Neve. Rex Collings, London, 1975. 128 pages with sources and bibliography.

Background reading on the referendum process and purpose; historical examples with the then projected results of the June 1975 referendum on the Common Market for the British electorate.

Les Réglementations nationales de prix et le droit communautaire. By Michel Waelbroeck. Editions de l'Université de Bruxelles, Brussels, 1975. 64 pages with tables and bibliography. In French.

A study of the way in which the EC member states share the competence for price regulation in the European Community, how different national pricing policies affect trade competition, as well as a discussion of sectors where EC pricing policy predominates over that of the member states.

Policy-Making in the European Communities. Edited by Helen Wallace, William Wallace, and Carole Webb. John Wiley & Sons, Ltd., New York, 1977. 341 pages with index. $21.95.

A compilation of essays evaluating policy-making in the European Communities in the fields of energy, monetary policy, and foreign affairs; the impact of Community policy on national and international political processes is also discussed.

Les Rouages de l'Europe. By Emile Noel. Fernand Nathan, Paris, 1977. 137 pages. In French.

An examination of the four institutions of the European Community: the Commission, the Council of

Ministers, the European Parliament, and the Court of Justice, as well as a chronology of events in the Community since 1950.

European Economic Issues. By John Marsh, Wolfgang Hager, Fabio Basagni, François Sauzey, and Miriam Camps. Praeger Publishers, New York, 1975. 263 pages. $20.00.

An examination of the economic issues confronting Europe and the effects on the Western European nations of the increasing interdependence between developed countries and the Third World.

The European Economy Beyond the Crisis: From Stabilization to Structural Change. Edited by G. R. Denton and J. J. N. Cooper. DeTempel, Bruges, 1977. 400 pages. Text in French and English.

A collection of essays presented as part of the College of Europe's "Bruges Week 1976," which centered on the economic situation in Western Europe; trade, unemployment, inflation, agriculture, and industry are discussed.

Sub-Saharan Africa. By W. A. Skurnik. Gale Research Co., Detroit, 1977. 130 pages with index. $18.00.

An examination of the foreign policy of Sub-Saharan African countries, focusing on major problems and questions discussed in current literature and revealed by states' behavior; includes a chapter on relations between these countries and Western Europe.

The Public Employment Service. By Brian Showler. Longman Publisher Inc., New York, 1976. 101 pages with index. $11.00 cloth, $5.50 paper.

An examination of the development and role of the Public Employment Service in Britain's labor market and its function as the main agency providing job and retraining information, special services for the disabled, professional and young workers, and Government-sponsored vocational training.

A Survey of Agricultural Economics Literature. Volume I. Edited by Lee R. Martin. University of Minnesota Press, Minneapolis, 1977. 539 pages. $25.00.

A survey of the literature in agricultural economics published since the 1940's, written by 10 leading agricultural economists; deals with farm management and production economics, agricultural price analysis, productive efficiency in agricultural marketing policy for commercial agriculture, and technical change in agriculture.

European Events

JUNE 1977

1 **Horseracing: The Derby,** Epsom, United Kingdom

1-2 **Beating the Retreat, Horseguards Parade,** London

1-9 **Isle of Wight Jubilee Exhibition,** Newport, United Kingdom

1-23 **Holland Festival,** Utrecht, Amsterdam, the Hague, Rotterdam, the Netherlands

2-5 **International Rotary Committee Meeting,** Brussels

2-7 **Photo World '77,** Birmingham, United Kingdom

2 **Wine Festival,** Wormeldange, Luxembourg

3-9 **International Laundry, Dyeing, and Dry-Cleaning Exhibition,** Paris

3-12 **International Aeronautics and Space Show,** Paris

3-16 DRUPA—International Fair Printing and Paper, Dusseldorf, Germany

3-7 **"Royal Escape" Yacht Race,** Brighton, United Kingdom

3-12 **Bath Festival,** Bath, Avon, United Kingdom

4-12 **Fifth Annual International Exhibition of Equipment for Municipalities and Public Authorities,** Brussels

4-12 **Third Annual Exhibition of Environmental Protection Techniques,** Brussels

4-12 **"Intermat"**—Third Annual Professional Civil Engineering and Construction Yards Equipment Show, Brussels

4-11 **Week of Special Events** to celebrate Silver Jubilee, Shrewsbury, United Kingdom

5-12 IFFA—International Meat Trades Fair, Frankfurt, Germany

5-12 **International Jewelry Show,** Venice, Italy

5 **Jubilee Sunday in Churches,** United Kingdom

5 **Gala Event "A Night of 100 Stars,"** Olivier Theatre, South Bank, London

5-14 **Veteran Cyclist**—1,000 miles London-Balmoral-London ride

5-12 **International Exhibit of Gold, Jewelry, and Silverwares,** Vicenza, Italy

5-10 **Twenty-eight Congress International Real Estate Federation** (FIABC), Amsterdam

6 **Grand Prix of the Frontiers,** Chimay, Belgium

6-11 **Heating, Refrigerating, and Air Conditioning Exhibition,** Paris

6-7 **Silver Jubilee Yacht Race around Britain**

6-9 **Industrial Training Aids and Audio Visual Equipment Exhibition,** Paris (in Milan, Italy, June 6-14)

6-9 **Royal Scottish Auto Club International Rally,** Aviemore, United Kingdom

7-10 **INTERHOSPITAL Fair:** International Hospital Exhibition, Hannover, Germany and Paris

7-9 EURO COMM '77: Advanced Communications Exhibition and Conference, Belba Center, Copenhagen

7 **World Premier: "The Best of British,"** Norwich, United Kingdom

7-9 **International Print Fair,** London

8-11 **International Exhibition of Equipment for the Clothing Industry,** Paris

8-Aug. 10 **Fifteenth Old Dutch Market,** Hoorn, the Netherlands

9-12 **R'77**—International Shutter and Blinds Trade Fair, Stuttgart, Germany

9 **"River Progress,"** London

9-11 **South of England Show,** Ardingly, United Kingdom

9-11 **Royal Cornwall Show,** Wadebridge, United Kingdom

9-16 **Fine Art and Antiques Fair and Festival,** London

9 **Outdoor Exhibition of Sets of Globe Theatre,** London

9-13 **Thirty-first MIPEL:** International Exhibit of Italian Leathergoods, Milano, Italy

10 **Central European Festival,** London

10-15 **River Thames Jubilee Pageant,** Windsor, United Kingdom

10-26 **Aldeburgh Festival of the Arts,** Aldeburgh, United Kingdom

12-18 **Tennis: Colgate/Palmolive Federation Cup,** Eastbourne, United Kingdom

13 **Fast Food Handling Equipment Exhibition,** London

14-16 **Three Counties Show,** Malvern, United Kingdom

14-17 **Horseracing: Royal Ascot,** Ascot, United Kingdom

14-17 **Twenty-ninth** EUROTRICOT—European Knitwear Show, Milan, Italy

14-17 **Fifth** IFAC/IFIP—International Congress on Digital Computor Applications to Process Control, the Hague, the Netherlands

15-17 **Data Congress,** Belba Center, Copenhagen

15-16 **Royal Marines Spectacular,** Portsmouth, United Kingdom

15-Aug. 15 **Twenty-fourth West Frisian Farmers Market and Dances,** Schagen, the Netherlands

17 **San Ramer Regatta,** Arno River, Pisa, Italy

17-19 **Benson and Hedges Showjumping Championships,** Cardiff, United Kingdom

18-July 15 **Royal Western Yacht Club Transatlantic Race,** USA/Britain

19 **Shrimp Festival and Procession,** Oostduinkerke, Belgium

20-25 **International Exhibition of Hydraulic, Pneumatic and Mechanical Transmissions and Components for Machine and Equipment Construction,** Paris

20-24 LASER-OPTO-ELEKTRONIK, Third International Congress and Trade Fair, Munich Germany

20-24 EUROCHEM—Chemical and Process Engineering Show, Birmingham, United Kingdom

20-July 2 **Lawn Tennis Centenary Championships,** Wimbledon, United Kingdom

21-24 **Hospital Equipment Exhibition,** Belfast, United Kingdom

21-23 **Thermal Acoustic, Vibration and Insulation Exhibition,** Wembley, United Kingdom

21-24 **Royal Highland Show,** Agricultural Society, Edinburgh, United Kingdom

22-25 **"Pig and Poultry Production"**—International Exhibition for Poultry and Pigs Improvement, Hannover, Germany

23-Sept. 25 **Faberge Exhibition, London**

23 **Luxembourg National Holiday,** Luxembourg

24-26 **24-hour Auto Rally** (one each day), Ieper, Belgium

25-26 **Silver Jubilee International Air Tattoo,** Newburg, United Kingdom

25 **International TT Motorcycle Races,** Assen, the Netherlands

26-30 **International Contract Furnishing and Interior Design Exhibition,** London

28-30 **Ultrasonics International Conference and Exhibition,** Brighton, United Kingdom

28-July 1 **International Diamond Tools Exhibition and Conference,** London

28-July 9 **International Organ Festival,** St. Albans, United Kingdom

29-30 **Royal Norfolk Agricultural Show,** Norwich, United Kingdom

30 **First "Silver Jubilee" London Tour,** London

30-July 3 **Henley Royal Regatta,** Henley-on-Thames, United Kingdom

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