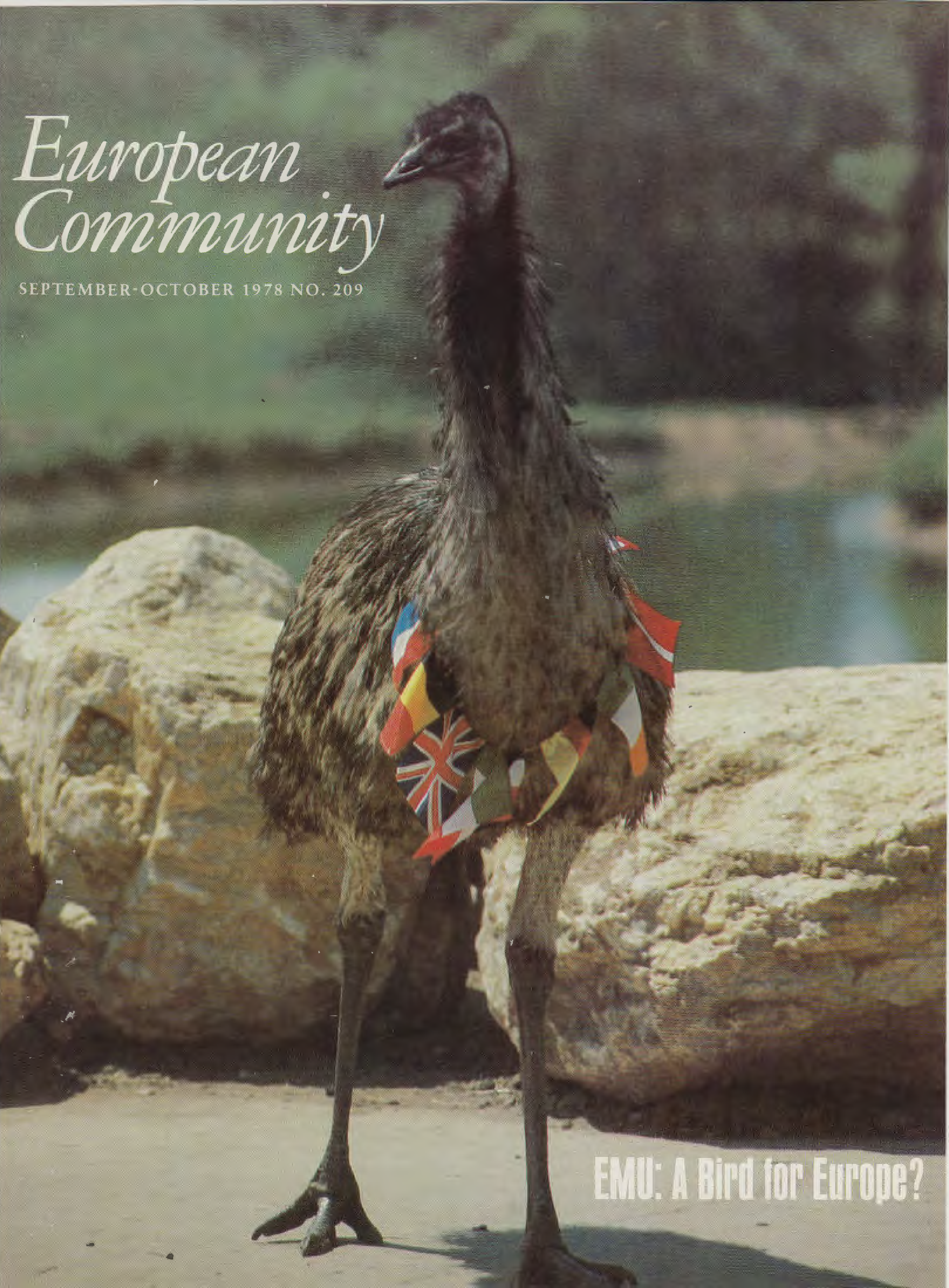
European Community

SEPTEMBER-OCTOBER 1978 NO. 209



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SEPTEMBER-OCTOBER 1978 NO. 209

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Publisher's Letter

To many Europeans the EMU *is a genus of birds peculiar to the Australian Continent. But there is another meaning to the word* EMU*—Economic and Monetary Union—among the nine members of the European Community, an idea loftily promoted at the Paris Summit of 1972, and thought by many, even its ardent proponents, to be as elusive as the ornithological version.*

Happily, through the courageous efforts of EC Commission President Roy Jenkins, who in the face of great skepticism relaunched the idea in Florence last fall, and with the political weight of France's Valéry Giscard d'Estaing and Germany's Helmut Schmidt, the EMU *is far from foreign, and it is even trying to lay a few European eggs—which, if hatched, will be of immense consequence to the whole world and to America in particular, where the perplexing problems of the dollar, as the world's primary reserve currency, plague economic life.*

Accordingly, European Community *commissioned Norman Macrae, deputy editor of* The Economist *and author of a brilliant and much quoted Bicentennial survey of America, to assess the chances of the EC zone of currency stability, and what the consequences may be not just for Europe, but for the entire world.*

Commissioning the cover photograph was another story. Freelance photographer Tenney Mason found the emu, the bird that is, elusive indeed. The emu on location at Washington's National Zoo, normally a friendly bird, turned aloof. Nor did the emu at the nearby Pet-a-Pet Farm, in Reston, Virginia, like the idea of a necklace of the nine EC member country flags draped about its neck, which in a very short time it plucked off. What that may say about the prospects for the other EMU *we won't guess.*

Andrew A. Mulligan

Andrew A. Mulligan

TOWARD MONETARY STABILITY. . . .

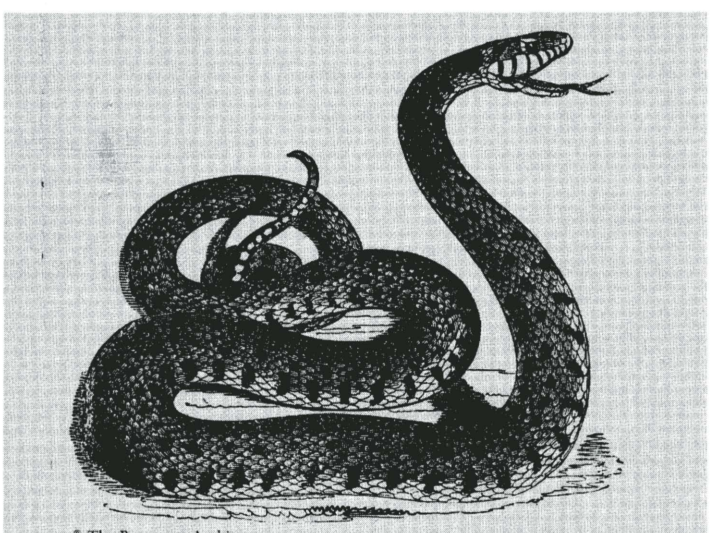
An evolutionary tale of a snake and an emu

NORMAN MACRAE, *deputy editor of* The Economist

THERE IS LIVELY INTEREST IN HOW THE "EC ZONE of monetary stability," proposed at the Bremen summit meeting of the EC Council, will work. The short answer is that, in its first version, it probably won't. But my guess is that the third or fourth version, as amended by experience rather than committees of ministers, will be immensely important for the whole world. A major European initiative is on the march.

As in a cinema with a continuous performance, it is fair to admit to those members of the audience wearing a glazed look that we have been at this particular stage of this particular film before. In 1969 the Community proclaimed that it was going to march to European monetary union (EMU) in three stages. The first stage (1970-71) and the second stage (1972-75) were to see the exchange rates of EC currencies tied a bit more closely together and a beginning made on the harmonization of taxes. It was believed in those days that in EMU's third stage (1976-78) EC currencies would be so firmly locked as to be virtually one currency.

The movement to greater exchange stability in the first two stages was attempted via the plan known as the "snake," whereby EC currencies were supposed to be kept within 2.5 per cent of a central rate between each pair. Originally the idea was to keep each within 2.5 per cent of a central rate against the dollar, too (the "snake in the tunnel").



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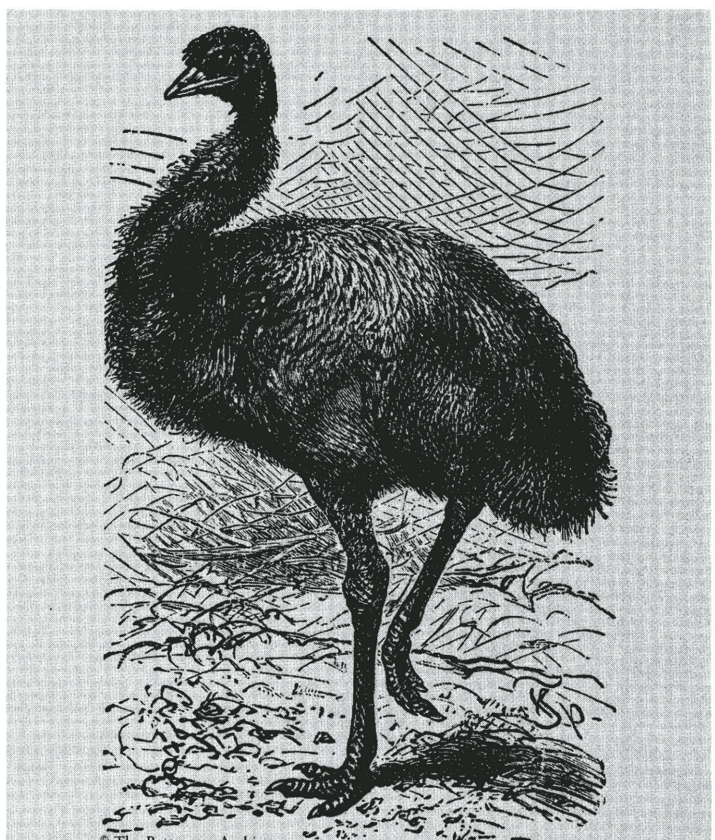
The snake, alas, was very soon skinned. France, Britain, and Italy had to come out of it, as their currencies in successive crises fell below the bottom rate allowed by the snake. They could not afford to have their exchange rates tied to the soaring deutschemark (which is what staying with the snake meant). Today the snake is really just a D-mark satellite zone: The countries in it are Germany, Belgium, the Netherlands, Luxembourg, and Denmark (with Norway associated). These are countries that either can afford to see their exchange rates go up with the D-mark or (in the case of Denmark) are subsidized by the Germans to do so.

Conventional German economists say that it would be easy for the errant countries (France, Britain, Italy) to



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EC member state leaders are pictured here at the Hôtel de Ville de Brême (left to right): Irish Prime Minister Liam Cosgrave; Dutch Prime Minister Andries Van Agt; Italian Prime Minister Guilio Andreotti; EC Commission President Roy Jenkins; British Prime Minister James Callaghan; French President Valéry Giscard d'Estaing; German Chancellor Helmut Schmidt; Luxembourger Prime Minister Gaston Thorn; Belgian Prime Minister Leo Tindemans; and Danish Prime Minister Anker Joergensen. In the background are Belgian Foreign Minister Henri Simonet and EC Commission Vice President François-Xavier Ortoli.

stay within the snake if only they harmonized their economic policies and operated them as sensibly and soberly as the Germans do. This view seems optimistic; and it is overoptimism that may be the main danger to the revived snake, as it was to the old snake.

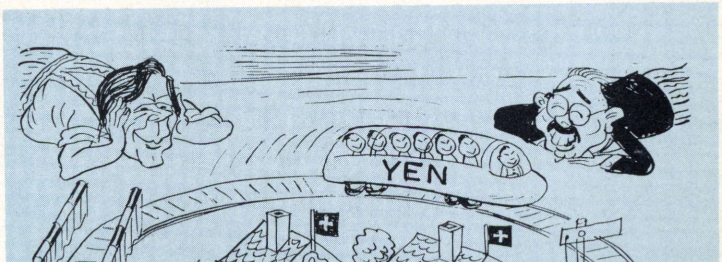
It is not easy to ensure that exchange rates march closely together in countries having differently nerve-wracking political alternatives (the prospects of a Eurocommunist government in Italy or France, or a Bennite one in Britain, can always send frightened capitalists' money across the exchanges and thus push lira, franc, and sterling down), different degrees of vulnerability to trade union power, different income elasticities of demand for imports at different stages of slightly differing trade cycles, and lots of other differences that will not be immediately dissipated by devising schemes that are called snakes or boa constrictors or emus or great auks.

WHY THEN HAS THE EMU BEEN REVIVED? It has been hatched by three men: German Chancellor Helmut Schmidt, French President Valéry Giscard d'Estaing, and EC Commission President Roy Jenkins.

Chancellor Schmidt does not want Germany's exchange rate to rise any further; the rise is making German exports unprofitable and is now threatening Germans' jobs (not just guest workers' jobs). The Germans, who believe that they are suffering from undue dollar weakness and not overweening deutschemark strength, say that fleeing dollars are always apt to dash for the D-mark. Lock the other Eurocurrencies to the mark in a common European currency unit (ECU), they say, and excessive upward pressure on the mark will be reduced.

Some external critics have rather cruelly called this part of Schmidt's plan "a dotty belief that he can anchor down his soaring D-mark by tying weaker European currencies by chains of paper to it." Internal German critics have called it "a device to give Germany's reserve to more profligate European countries and to ask them kindly to use them to debauch our currency for us." Both these criticisms are unfair, and fail to recognize (as well as Schmidt does recognize) the international urgencies of the hour.

There is a danger when flights out of the weakest currency (at present the dollar) go right on over to the strongest currency (recently the mark or yen). One-way options are then offered to all speculators. At present some 7 per cent of world currency reserves are held in deutschemarks, and Schmidt does not want the mark to take over more of the dollar's reserve currency role than that. His view is sensible economically, and very sensible politically.

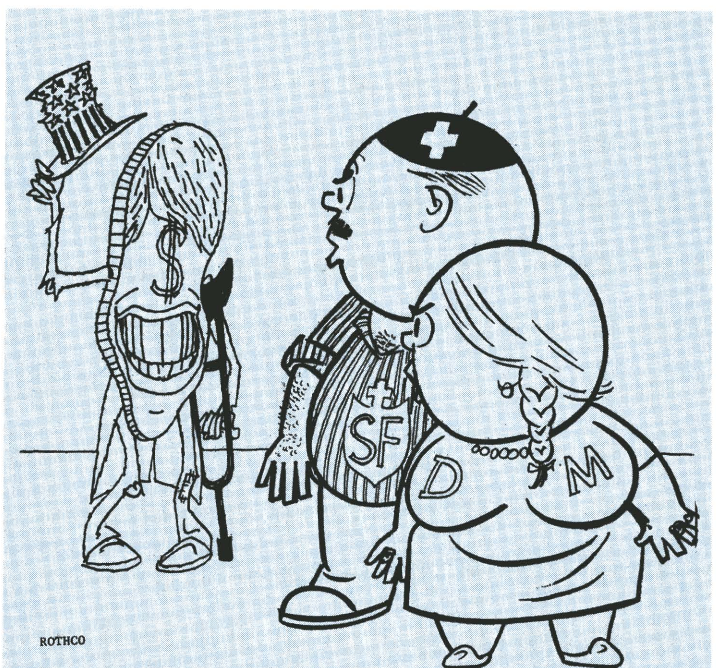


"Jimmy: 'Of course! You don't have to tow anyone!'" ©Juhl, *PIB*, Copenhagen

It is difficult to say how far excessive political influence in the world rests on the country whose currency becomes the world's main reserve asset: How far this has been a "dollar world" in the past 30 years, just as it was a "pound sterling world" in the days of the British Empire. But it is sophisticated for Germany and Japan not to want to have sudden undue world political influence (and jealous resentment) piled on them as speculators move out of the dollar into their particular currencies. A broad-based European currency unit, as an alternative (or rather joint) world reserve asset to the dollar, makes much greater long-term political sense.

As regards the second criticism, German ministers, when away from their home audiences, agree that their provision of extra credit within the proposed agreement would indeed be expansionary. The idea is that EC countries should (within two years of the plan getting underway, which with luck will be within two years of next January) create a new European monetary fund. EC countries would put one-fifth of their reserves into a common pool, and this would be used, among other things, to grant credit to members much in the way of the International Monetary Fund (IMF)—with successive *tranches* of loans subject to increasingly tough conditions. This seems an admirable way forward to greater harmonization of European economic policies, with both carrots and sticks.

In Paris, President Giscard d'Estaing is feeling his oats. He thinks that France has basically as strong and sensible an economy as Germany. France found it difficult to live with fixed exchange rates so long as everybody feared a French left-wing Government that would include Communists. With March's election won, the French President feels his term of office can be one of great initiatives—incidentally, in Africa as well as Europe. He much prefers the economic future to be planned on the basis of fixed exchange rates rather than floating exchange rates. Since France has at the present the weakest balance of payments in Europe, there are some doubts among the economists in his administration (including Prime Minister Raymond Barre). But the President's answer is: "That is exactly why the credit proposals in EMU will be so helpful."



"Hello there. I'm the Carter Dollar!"
©Koehler, *Frankfurter Allgemeine Zeitung*, Germany

In Brussels, Roy Jenkins is delighted. Critics say: "The Commission always seems to feel there is a new European momentum when it is given a cartel job in trying to maintain unmaintainable prices: first of agricultural products, then of EC Industrial Commissioner Etienne Davignon's steel and other slump-surplus goods (though, to be fair, Davignon's crisis cartels are not going to be extended), and now of exchange rate." One answer is that a new European momentum is an important and desirable world force, and the Schmidt-Giscard initiative can be turned into a very beneficial one.

The other EMU enthusiasts are Belgium, Luxembourg, and Denmark (which like being in the existing snake, and want it to be extended); plus Ireland (which dislikes having had its currency tied for so long to weak Britain's, and regards a wider European unit with sudden enthusiasm). An interesting doubter is the Netherlands. Some Dutch officials see the proposal as an arrangement to bring the French and other weaker partners into "their" German-Benelux snake; they fear that the present snake may be damaged and that the new arrangement won't work.

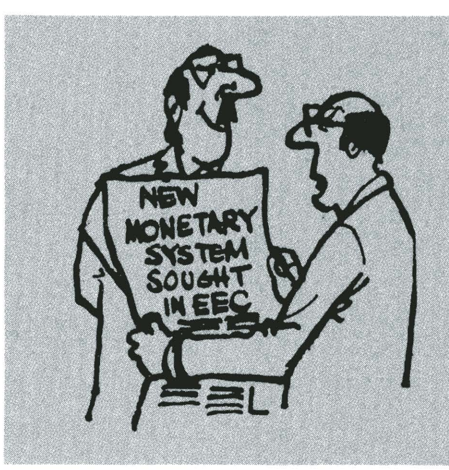
The British and Italian Governments are frightened that their unemployment may increase if their weak currencies are forced to appreciate with the soaring D-mark. They also fear that the "IMF-type" rules of the new European monetary fund mean other EC members might start dictating rules of constraint to them. Some individual Italians and Britons (like me), who think that the IMF gave Britain and Italy its best government for years, see this as a positive advantage of the proposal.

For the British and Italian Governments, the main pressure to join will spring from the fears of a "two-tier Europe." Some version of EMU is going to be hatched, and management of it will be a main item on every EC agenda for years to come.

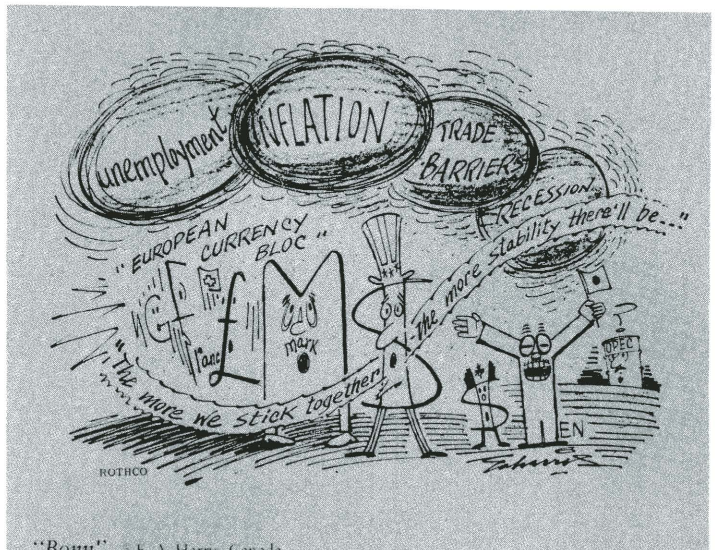
If Germany, France, the Benelux, Denmark, and Ireland go into EMU alone, they will become a sort of top tier of the Community. They have a combined gross national product (currently about $1.2 trillion a year) that is nearly twice that of the second-tier EC countries (Britain, Italy—later joined by Greece, Spain, and Portugal). The second-tier countries would then not be a real common market. Greece, Spain, and Portugal would be allowed to preserve protection during a long transition period. Britain and Italy have already excluded themselves from a genuine free market in capital flows. If there is a two-tier Europe, the top-tier countries would have little reason to heed British pleas for a large volume of intra-European credit (anyway, the new second-tier countries would have a stronger claim.) The top-tier countries would soon see the attractions of embarking on further European integration without the tiresome British.

IT IS THEREFORE CRUCIALLY IMPORTANT to make the EMU a productive and 12-nation bird. This will depend on three factors. The first is whether the system of trying to "fix" exchange rates makes sense. Within the snake as it has operated since the early 1970's, rates were fixed in terms of nominal exchange rates (1 pound was at one time supposed to keep within 2.5 per cent of equaling 4 D-marks). This sort of system is a speculator's dream. The speculator has merely to pick out the currency nearest the bottom of the range, and then the currency nearest the top of the range; if he moves out of the first into the second, he has a one-way option bet. He makes a lot of money if the bottom currency falls out or the top currency bursts out, and loses only a little money if the top one drops or the bottom one spurts within the skin of the snake. The mere announcement by finance ministers of the reestablishment of this sort of "zone of stability" would not aid stability; by giving speculators a one-way option it would do the opposite.

It is hoped, therefore, that exchange rates within the new Schmidt-Giscard snake would instead be fixed in terms of the European currency unit. This would be less onerous for weaker currencies (because their own value helps to determine the ECU value); and it would put more of the burden of adjustment on the stronger currencies (if the D-mark rises against the ECU because people are fleeing out of dollars specifically into D-marks, the burden is not put on weaker currencies—instead, the Germans themselves then have to take steps to keep the mark within its ECU limit). This system would, by definition, give speculators less of a one-way option.



"We could finish up with a money mountain."
©London Sunday Telegraph



"Bonn" © E. A. Harris, Canada

In return for it, the French and Germans are talking of the need to keep the system "at least as strict" as the existing snake—a margin of less than 2.5 per cent around central rates. The Italians' unofficial answer to this is that such a system might be all right if it "were tolerably quick and easy to change the central rates (e.g., by telephone calls between central bankers, not by full ministerial consultation)." Most American economists are in favor of floating exchange rates. Many European economists are not. I tend to side with American economists on this general issue, but my guess is that a new snake of this modified kind would work.

The second issue is the evolution of the European currency unit as an international reserve asset. Americans underestimate other countries' worry about this. There is real reason to be scared about how a world recession could snowball if the value of every country's reserves plummeted because everybody started to flee out of the dollar into God knows what. It is important to set up an alternative reserve asset. The new ECU should be allowed to become the basis for an expanding range of private banking activities like the Eurodollar has become.

The third issue will be the extension of the "IMF-type rules" in the new European monetary fund. The really important economic development of the next few decades is that manufacturing industry is going to move out of the old industrial countries to the "advanced developing countries" (like the South Koreas, which are becoming the new Japans) and then to the poorer developing countries (like the Indias behind them).

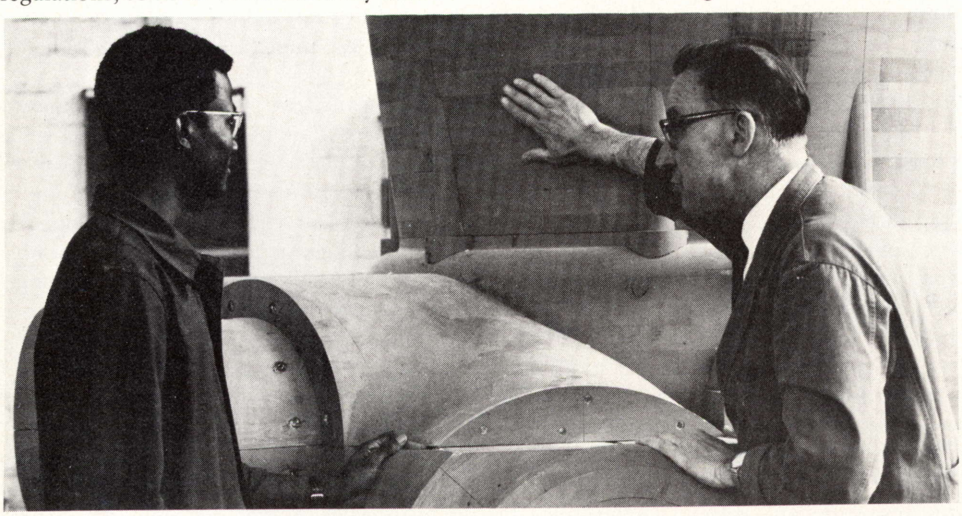
If groups like the European Community have their trade policies fixed by the weakest members—those most fearful of higher unemployment—then groups like the Community are liable to become protectionist. If they can move into systems that allow resources to be transferred smoothly to high unemployment areas—not by votes of national parliaments each time, but by some continuing mechanism like regional IMF's—then the painful change from yesterday's to tomorrow's industries is likely to be effected much more liberally. This is another reason why the Schmidt-Giscard initiative may have come just in time. ■

The Human Factor

Like most things involving money, the Bremen EMU proposals have their "human" side. For the creation of a new European monetary system may well increase capital flows among the EC countries—which, in turn, may ultimately yield the totally free flow of labor that the Community has sought since its founding.

If the mobility of investment capital increases, the factors of production—such as labor—should accompany it to achieve the most cost-effective combination. The European Community's aims fit those of an "optimal currency area"—that is, a region of perfect intraregional resource mobility, as defined by Columbia University Professor Robert Mundell—which makes migrant workers and worker mobility important issues.

Articles 48 and 49 of the Treaty of Rome establishing the Common Market provide for worker mobility so as "to facilitate the achievement of a balance between supply and demand in the employment market." To achieve this, the EC Commission and Council of Ministers have enacted many directives and regulations, some of which currently enable:



"... Immigrants from EC nations comprise a minority of foreign workers in almost every member state."

- free access for nationals of any EC country to any other EC nation for purposes of employment;
- equality of treatment for migrants in matters of employment, wages, dismissal, and vocational retraining;
- equality with the country's national workers regarding social security benefits, and cumulation of such benefits acquired from work in other EC countries;
- freedom to draw pension from one EC nation when retired in any other EC nation.

Other than civil service positions, Europeans have the legal right to equal consideration for all jobs anywhere in the Community. But making legal allowances for migration does not guarantee that these cleared paths will be used. Community actions have undoubtedly had a positive effect on migration by the unimpeded access given the unemployed, and yet immigrants from EC nations comprise a minority of foreign workers in almost every member state. Only in Luxembourg and Belgium—countries known for their high intra-Community activity—do EC nationals constitute more than 50 per cent of the imported labor force.

One of the problems of transnational employment lies in providing information to the unemployed. A common language system to exchange information on job vacancies is currently being prepared by the Commission, but does not yet exist.

Yet even when workers know of job opportunities abroad, monetary reward is not the sole influence affecting the decision to migrate. Unquantifiable factors such as family ties, cultural preferences, and linguistic abilities influence migration flows. While "reception classes" have been organized for migrant children in some countries, few of the other social policies outlined in the Council of Ministers' Resolution on Migrant Families (February 9, 1976) have actually been implemented.

Workers from Spain, Portugal, Turkey, Greece, and Yugoslavia raise the total number of migrants in the EC nations, and play an increasingly important part in the intra-Community economy. Their role and importance (100,000 third country migrants entered the Community and found work last year) may increase: A Commission statement published last June anticipates a reduction of growth rates of both population and labor force during the second half of the 1980's, yet it stresses the need for a mobile and readaptive labor force.

These non-EC workers often hold jobs the indigenous population has forsaken for occupations of higher education or social esteem. And because third country migrants often send substantial portions of their paychecks to relatives back in the home country, less developed Europe benefits from—and depends upon—EC prosperity. Community statistics show that Greece, Spain, and Portugal together received over 1,675 million European units of account in private transfers from the Community nations in 1976. If the European optimal currency area includes their labor, it of course makes sense for their home countries to be included in the Community.

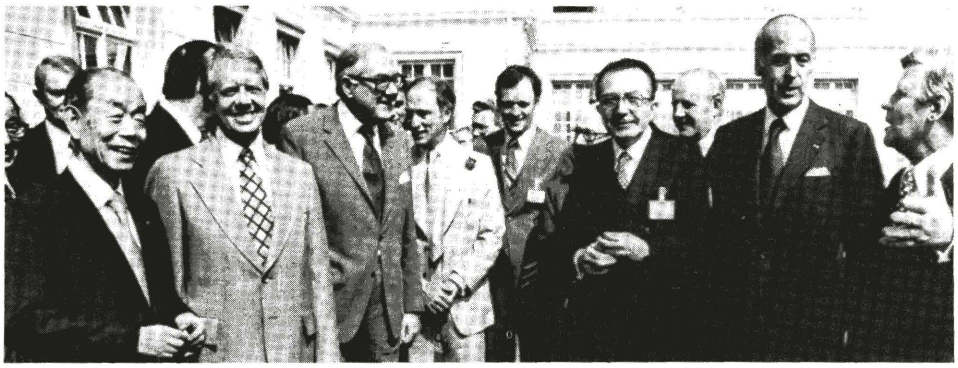
The Community's enlargement will not be easy or immediate. Problems stem from the vastly different levels of industrialization in the worker-exporting countries compared to the labor-importing Community. This disparity will require large amounts of Community aid for underdeveloped regions. EC regional aid has in the past been pre-allocated by country quotas, yet now an increasing percentage (currently 5 per cent) is classified as unallocated, to be distributed on a most-in-need basis. But one EC source noted that "comparison is difficult if not totally impossible" among regional development needs. The Commission estimated in mid-June that Greek membership in the Community beginning in 1981 would add 400 million European units of account to normal budget costs.

The transfer of resources between richer and poorer regions is the sine qua non of any monetary union, however. The optimal currency area must allow constant fluidity of resources, just as the United States Government redistributes to poorer regions (through government investment and welfare) the revenues collected from more prosperous areas. While Virginia can have no trade deficit with Pennsylvania, neither could Portugal have a payments deficit with Germany if an enlarged Community were to function with a common currency and economic policy. The Bremen agreement is a step toward such a currency and policy. But the social realities will have to keep pace with the economic plans. ■

Paul Rohrlich, *staff assistant for* EUROPEAN COMMUNITY

A Trinity of "Happenings"

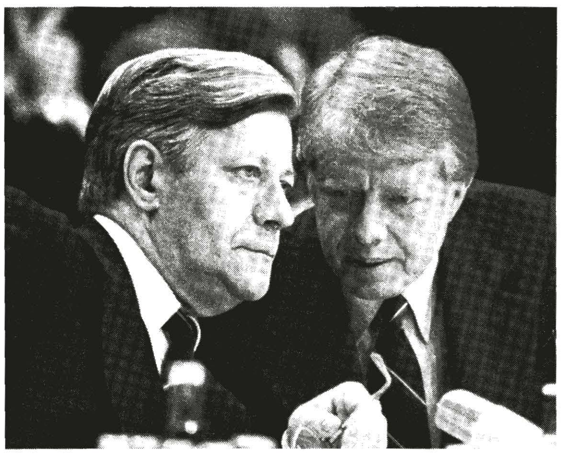
The Bremen meeting of the nine EC countries was followed 10 days later by the (fourth) Western economic summit meeting that brought together the chiefs of government or state of the four big EC powers (as well as the EC Commission) with those of the United States, Canada, and Japan. Completing a phase of the Tokyo Round of the General Agreement on Tariffs and Trade (GATT) between those two summits may have resembled crossing a pass rather than scaling the heights; still, in Geneva one is never quite that far from the world of mountains either.



Leaders of the West's seven wealthiest nations just before the Bonn summit (left to right): Japanese Prime Minister Takeo Fukuda; US President Jimmy Carter; British Prime Minister James Callaghan; Canadian Prime Minister Pierre Trudeau; Italian Prime Minister Guilio Andreotti; French President Valéry Giscard d'Estaing; and German Chancellor Helmut Schmidt. UPI

Even without the much cited interdependence of the international economy, even if the countries participating in the meetings had not been largely identical, it would still be obvious that these three July "happenings" were closely related. Although their ultimate success rating need not be the same, it seems useful to appraise them together.

It was certainly much more than the mere coincidence of time that linked them. For what occurred, or failed to occur, along the banks of the Weser, the Rhone, and the Rhine rivers has more features in common than otherwise. First and foremost, all three events took place against a backdrop of the very halting and insufficient recovery of Western economies from the recession that had first hit them earlier in the 1970's. Inflation, unemployment, and hesitant growth have been the principle worries for some years now, and are still with us. To them must be added the disturbances in foreign exchange markets, fears of sliding back into protectionism, and doubts about future energy supplies.



German Chancellor Helmut Schmidt and US President Jimmy Carter confer during the Bonn summit where a "package" of unprecedented measures was devised. UPI

To be sure, none of this is precisely new. In fact, one characteristic aspect of the current situation is that, however displeasing it might be, people everywhere often appear to be getting used to it. At the beginning of the recession, when in the European Community alone the jobless numbered 5 million, this was considered altogether intolerable. Now, three to four years later, the figure is closer to 6 million. Yet there has been no social upheaval. Instead, it is widely accepted that in the next 12-to-18 months at least there can be no drastic improvement. For those not directly affected, life continues quite normally.

Governments, of course, cannot afford to be indifferent to such a state of affairs. A large part of the remedial action, though, which they pondered at the various July encounters is not novel either. Thus, greater currency stability within the European Community has been a principal topic since the start of the current decade, only made more acute of late by the dollar's depreciation since mid-1977. The same is true of the energy economy efforts on either side of the Atlantic and of the search for fresh stimulants with which to revive flagging economies.

Will all the efforts—launched, advanced, or refined in July—produce success? Nobody can know as of today. If for no other reasons, a guaranty is clearly impossible because:

- It remains to be seen how far the intentions voiced and pledges made will be implemented and honored: In many instances they require approval by individual legislatures.
- Innumerable controversies and conflict situations must be disposed of, including quite a few that have not yielded to treatment before.
- Much of what is being attempted now is genuinely experimental so that the outcome would be uncertain in any case.

It should be added, too, that once the first flush of excitement had died down and the ink of some highly laudatory newspaper editorials had dried, public reaction, and notably that of the markets, turned more skeptical. This is not surprising. The world has had its fill of promises and fine resolutions for some time now. Nothing less than deeds will satisfy at this point.

Meanwhile, two comments would appear to be appropriate. First, it is entirely possible that there might be success on some of the many "fronts" involved, but not on others. That would still be welcome and useful, even if for the longer pull it is naturally desirable that the advance encompass the entire range. Failing that, whatever is achieved would be in jeopardy.

Second, if nothing definite can be said about results right now, and if obviously they cannot materialize from one day to the next as many of the plans conceived could not become operative until 1979 at the earliest, distinct indications of progress (or otherwise) should be available within six to nine months.

It is not only that some of the ideas ventilated at present will have assumed more concrete shape by then, or failed to do so. More to the point, it will then be evident whether Bremen, Geneva, and Bonn have been able to meet their primary objective of bringing about a better international business climate and finally chasing away the clouds of recession psychology. Thus, the patience of public opinion need not be subjected to too long and strenuous a test. ■

H. Peter Dreyer, *Brussels-based European news editor of the* Journal of Commerce

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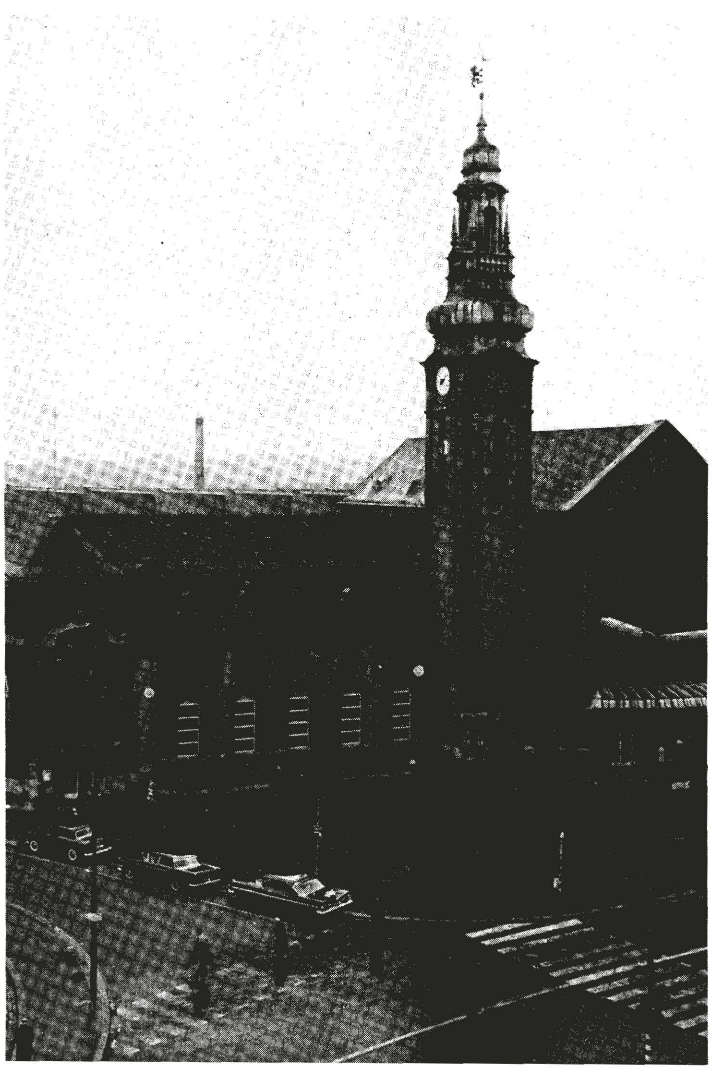
Luxembourg MEMBER STATE REPORT

ALAN OSBORN, *Benelux correspondent for* The Daily Telegraph

IT IS SIMPLY NOT TRUE THAT THERE ARE MORE BANKS than people in Luxembourg, though it can be an easy mistake to make. The city has a definite banker-like look about—prosperous, respectable, and perhaps a little smug. You would come here to conduct honest business, eat well, and generally behave yourself afterwards.

The Luxembourgers have learned that their options, if they are to survive as a nation, are not numerous. A country of less than half a million inhabitants, surrounded by three industrial giants on which it is almost entirely dependent for its trade and economic well-being, is frankly in no position to conduct daring political or social experiments.

"The city of Luxembourg has a definite banker-like look about it — prosperous, respectable. . . ."



But Luxembourgers are not much animated by doctrinaire politics. The few demonstrations one encounters in the streets are usually over some rather arcane issue—European federalism, for instance, or the pension rights of former prisoners-of-war. It is a curiosity that Luxembourg has no university and hence no real student class. That may partly explain its political passivity, but the more likely reason is the smallness of the electorate and the club-like intimacy among leading politicians and many of the country's opinion-makers.

The next elections are in 1979, and since there are no public opinion polls, there is no guessing the outcome. But with no major political issues dividing the country, it is difficult to think that any result, other than an unprecedented runaway victory for one of the three main parties, would lead to any noticeable changes in the ordered life of Luxembourg.

Prime Minister Gaston Thorn, a Liberal Democrat, has become a well-known European statesman. His small, constantly gesticulating figure is frequently seen on television in Belgium, France, and Germany as well as in his own country. Although some non-Luxembourgers might consider his declamations on Community, and indeed world, issues to be somewhat presumptuous, it is doubtful this is a liability for him in Luxembourg. But no politician, however shrewd, can overcome an adverse tide of economic events without a lot of luck, and this may be Thorn's undoing.

The actual figures fail to tell the full story. Luxembourg's economic growth over the past few years has been negligible. Until very recently, however, there has been virtually no unemployment to speak of, while inflation—helped by the membership of the Luxembourg franc in the EC currencies' "snake" arrangement—has been kept to strikingly modest levels. The country has not had a major strike in more than a generation.

Moreover, government revenues, thanks to the recent sharp rise in banking activity, have increased remarkably so that the Government has been able to avoid any real

Vianden, a town of little more than 3,000 in the country of Luxembourg. ©Michael Philip Manheim, Photo Researchers

austerity in its budget policies. Unfortunately for Thorn, all this is rapidly changing as the recession in the vital steel industry moves closer and closer and the threatened unemployment becomes more and more of a reality. He cannot be sanguine about the next 12 months.

There has been criticism of Thorn's anti-recession policies and his apparent early indifference to the crisis. But if he acted late, he did so with some enthusiasm. And it must be said that a lot of the credit for the steel industry's resilience goes to the main company, ARBED (Aciéries réunies de Burbach-Eich-Dudelange), and to its imaginative chairman, Emmanual Tesch, in particular.

On energy there is little to divide the main parties. Luxembourg has no fuel resources of its own and is considering going into nuclear power construction. The socialist partners in the Thorn coalition are holding back commitments because of unease within their own ranks. But this is all being debated in quite cool and unemotional terms. Similarly the issue of foreign workers produces no great party splits. All three main groups, like most of the native Luxembourg population, would like to find some way of arresting the inflow of foreign workers—who now hold over 1 in 3 of all jobs in the Grand Duchy—without destroying the country's vital international reputation for openness and liberalism.

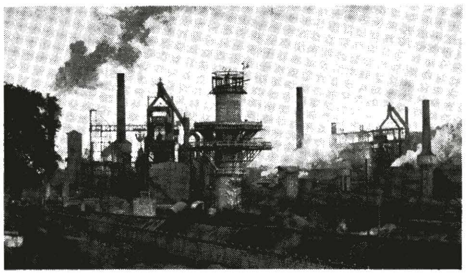
The main differences are probably over abortion and divorce, where the Liberal-Social coalition is as determined to reform Luxembourg's antique legislation as the Catholic opposition is to preserve it.

One thing all politicians in Luxembourg seem agreed on—with the possible exception of the small Communist Party—is the absolute indispensibility of EC membership to the country. The Community is vital both as a source of foreign exchange earnings from the presence of EC institutions in the country and as a means of maintaining Luxembourg's prestige and international reputation. "If it were not for the Common Market, we would be known only for our radio station and as a stopover for cheap flights to the United States," a Luxembourg politician said recently. "Perhaps the European Parliament makes us seem more important than we are. But we shan't complain."

Economy

It takes some effort to feel much sympathy for a country whose total unemployed at the moment could probably crowd into a single decent-sized conference room. The Luxembourgers will cheerfully admit this. They will also readily agree that for various reasons they have been spared other disagreeable consequences of the recession like rapid inflation, unbalanced budgets, and higher taxes. What they do not accept is that their prospects for recovery over both short and medium terms are any better than anyone else's. Indeed many of the country's economic pundits think Luxembourg faces structural challenges relatively greater than those of any other EC country.

To understand the economic peculiarities of



"One worker in every five is dependent on the steel industry for his job, and over half the country's GNP is in the form of steel industry turnover."

Luxembourg, you must appreciate that it is a country whose total population is probably not much larger than that, say, of Albuquerque, surrounded by industrial giants 100 or more times bigger. The country long ago realized that it would survive only by linking itself intimately to one or more of its neighbors and exploiting the few assets its locaton and natural resources provide. In short, Luxembourg is joined in a full customs and currency union with Belgium, does the massive share of its trade with Germany and Belgium, and specializes in two economic activities itself—steel and banking.

The enormous dependence on Belgium and Germany has kept Luxembourg's currency strong, its inflation down, and its foreign trade stable—all achievements that many larger countries could have envied in recent years. The thriving banking sector has done wonders for government revenues, enabling public spending to stay at high levels without the need for heavy borrowing or increased taxes. The only big problem—and it is indeed a monumental one—is in the steel industry.

The brutal truth is that Luxembourg is far too heavily involved in an industry which is in a serious and—so far as Europe seems to be concerned—irreversible decline. One worker in every five in Luxembourg is dependent on the steel industry for his job, and over half the country's gross national product is in the form of steel industry turnover. The main company—ARBED—has missed dividends for three years, and its losses last year were as large as in the two previous years combined.

Government economists grimly accept that the steel industry is probably carrying about 4,000 surplus workers at the moment. Since that figure alone is nearly 3 per cent of the total national work force and would result in an immediate quadrupling of unemployment, the tremendous efforts being made by government and industry to develop new jobs can be readily imagined. Much of this effort is being made in the United States, where the hope is to woo American industrial investors to Luxembourg, but the falling dollar has made this an uphill struggle.

Luxembourg, in short, is in the unenviable position of having a constant overhang of potential unemployed lasting perhaps well into the 1980's. The handsome revenues from financial services, notably banking, mean that this should not create any sudden major social problems. Temporary jobs in the public sector present no funding headaches. But the medium-term outlook is—like the past—stable rather than exciting. One is not quite sure whether to envy the Luxembourgers for the way they have exploited banking to soften the rigors of the steel recession or pity them for the way their banking monies seem perennially mortgaged to the steel sector.

European Parliament

A giant plastic snail, a futuristic throne, or a ski jump? The model of the proposed new European Parliament building on the Kirschberg Plateau just outside the city of Luxembourg has most people groping for a way to describe it. What can be said, though, is that if the Luxembourg Government goes ahead and orders it built, it will be taking just as spectacular a risk in its way as the architect has done.

The painful dilemma has its roots in the 1965 decision by the then six EC Governments that the Community's official places of work should be Brussels, Luxembourg, and Strasbourg. The Commission would sit in Brussels, the Council of Ministers in both Brussels and Luxembourg, and the European Parliament in Luxembourg (where it would have its secretariat) and Strasbourg. Parliamentary committee meetings would, however, be in Brussels. This is cumbersome and expensive, but just about tolerable. It may not be much longer though. What has brought

Luxembourg has plans for a $100 million building to house the new directly elected European Parliament. Shown here is a political group in Brussels campaigning for direct elections.

matters to a head is the prospect of direct elections to the European Parliament starting next June.

The first point is the sheer physical problem of accommodating 410 members of Parliament with all their retinues next year, compared to the present 198. They could all get into the new assembly building the French have put up in Strasbourg (though not without a squeeze), but there is simply no way of stretching the present quarters in Luxembourg.

The second, and related, point is that directly elected members of Parliament are likely to be a good deal more aggressive in determining their place of work than the part-time, appointed assembly. And, on grounds of proximity, efficiency, communications, and overall cost, their choice would almost certainly be Brussels.

All this has presented the Thorn Government with a real headache. It desperately wants to keep the Parliament in Luxembourg, partly for the foreign exchange its delegates bring in every month, but also for prestige reasons. It has sought, and got, an assurance that the 1965 agreement cannot be changed except by unanimous agreement of the EC Council of Ministers—in short, it can veto any move to change the site. Yet however compelling its legal position, it is lost if it cannot provide adequate premises.

Hence the plans for the remarkable structure released to the public earlier this year. It is a $100 million project, capable of providing all conceivable facilities for any forseeable number of European members of Parliament. It would be financed by banks, and the State of Luxembourg would guarantee the rent.

But to do this, the Government will need assurances that the Parliament's site will not be moved. And that, even with the best of wills, is impossible to give. The present members of Parliament themselves are bound by the 1965 agreement the same as everybody else; and even if they weren't, they could hardly commit their directly elected successors on such a vital matter. The latter point applies just as forcibly to EC ministers themselves, the only people with clear legal authority to decide on the site.

So the Luxembourgers will presumably have to go ahead and put up their building in the hope that the directly elected members will like it enough to want to stay there, or at worst to settle for a minimum number of five-year terms. It is quite a gamble for a country that takes such pride in its financial rectitude.

Financial Center

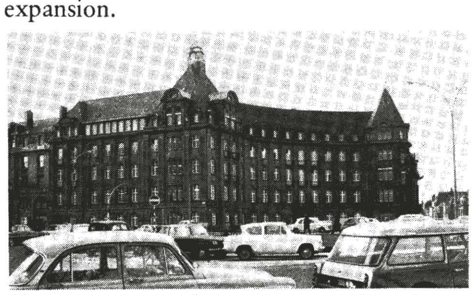
To call Luxembourg the present financial center of the European Community is to be strictly accurate, though without actually saying very much. Compared to what the national central banks spend in the currency markets, the sums handled by the European Monetary Cooperation Fund in Luxembourg are negligible. Compared to what each member country invests in industry and infrastructure, the operations of the European Investment Bank (EIB) likewise in the Grand Duchy, are seemingly small. The same can be said of the financial section of the European Coal and Steel Community (ECSC).

It may not always be so. If the Community does succeed in launching its ambitious European monetary system (see page 3), from the beginning of next year it will have to have a secretariat and a location. Luxembourg's claims to them will be powerful. And that may give it the ultimate right to take one of the really glittering EC institutional prizes in the move toward economic and monetary union—the Community's own central bank.

Luxembourg became the *de facto* financial center of the Community in 1965 when the EIB moved there from Brussels in exchange for the departure of the ECSC headquarters in the opposite direction. The Grand Duchy was allowed to keep the ECSC's financial and investment side and given the right to any new financial institutions. There have been basically two: the European Monetary Cooperation Fund, established in 1973 to provide short-term credit on a Community basis to countries in balance of payments difficulties, and, more recently, the Audit Court, which is to monitor all EC spending.

The European Investment Bank, the lending arm of the Community, borrows on the markets, backed by the security of the nine EC Governments, and also gets direct subscriptions from member countries. The proceeds are lent to industry and local authorities under the broad heading of regional development. It also lends to poorer countries outside the Community. Its interest rates are usually a little below the market rate though its insistence on lending, and being repaid, in foreign currencies has reduced its appeal for weak currency countries. Last year it lent about $2 billion.

But the European Investment Bank is on the verge of bigger things. It is to be the agent for the $1.2 billion that the EC Commission has been authorized to raise on the international markets for promoting internal development of the Community. Its precise role is still unclear and the subject of some controversy. EC finance ministers would like the EIB (of which they are the governors) to have sweeping powers of decision over projects. The Commission, strongly supported by the European Parliament, believes this would mean too conservative and narrow an approach and that Brussels should have the greater say. But either way, the Bank's role is set for major expansion.



The EIB is presently located here at 2 Place de Metz awaiting relocation in a new building on the Plateau du Kirchberg, close to offices of other Community institutions in Luxembourg.

So too is the European Monetary Cooperation Fund, if the German-French plan for currencies drawn up at the Bremen EC summit is any guide. The Fund would clearly have to be the focus for any pooling of reserves, and if the suggested figures of $50 billion prove anywhere near correct, then its size and importance should skyrocket.

Banking

If Luxembourg Prime Minister Gaston Thorn ever needs cheering up, all he need do is sit down in a quiet corner and count his banks. That cynical comment was made by an American businessman, and the implicit point of the remark is a good one.

Put simply, Luxembourg depends on banking for its prosperity more than any other country in the world outside of the recognized tax havens. Last year the banks paid $150 million in taxes, which was three-quarters of the government's entire yield from corporate taxes. In most recent years taxes from the financial sector have contributed over a tenth of the national budget—and more with the slump in the steel industry.

This has been a relatively recent development, beginning in the Sixties with the creation of the Eurocurrencies market and gathering pace since 1973. There are now over 90 separate banks in Luxembourg—four times the number 10 years ago—and among them they have deposits of some $40 billion.

Oddly, Luxembourg did not really plan this development but rather was swept along by events. The United States banks helped start it, trebling the number of banks in the Grand Duchy in three years during the early Seventies. No one knows exactly why they were so enthusiastic, since the country's banking laws were not especially advantageous, and Luxembourg lacked the expertise and international contacts of London.

The Americans, in fact, soon discovered for themselves that London was a better bet, and they have been progressively unwinding their Luxembourg banking operations for some years now. But their initial presence created a momentum that has survived them, thanks largely to the Germans and, more recently, the Scandinavians.

Today the Germans account for about half of the banking activity in Luxembourg, and about a third of all international D-mark lending on the Euromarkets is conducted in the city. Both the banks and the Luxembourg financial authorities have become somewhat uneasy over this imbalance, and this is at least partly why the country recently announced a set of proposals to relieve some tax burdens on banking.

The hope is to attract banks from other countries and to diversify the character of banking operations in Luxembourg. It is too early to say what effect they will have on potential customers, though some of Luxembourg's neighbors have been heard to complain that the Grand Duchy is trying to set itself up as a tax haven and buy banking business away from other financial centers.

This is an unkind charge, since the new rules would merely put Luxembourg in the same position as London or Zurich. But it does beg the question of how much further Luxembourg could go in granting concessions without inviting retaliation. It also makes one wonder what exactly is the secret of Luxembourg's charm for bankers at present.

The city authorities themselves will tell you it is the proliferation of banks already there. It is, in short, already a recognized financial center. Others may point to attractive technical regulations covering lending and liquidity. But there is more than a suspicion that the chief merit of the city for the German banks is its discretion—or secrecy if you want to be blunt. And this could be worrying since the German banking authorities have recently called for detailed, audited reports on all Luxembourg activities of German banks by the end of the year.

The European Investment Bank

The first 20 years, 1958-78

Situated in Luxembourg is a unique EC institution—the European Investment Bank (EIB). *There follow excerpts from the Bank's twentieth anniversary report, complete copies of which are available free from the European Community Information Service, Suite 707, 2100 M Street, NW, Washington, DC 20037.*

In the 20 years since the European Economic Community came into being, the European Investment Bank, created under the Treaty of Rome and motivated by the same ideals of drawing together the states and peoples of Europe in economic and social progress, has pursued a steady development of its activities.

In the last five years alone its financing operations have exceeded 5.5 billion units of account (UA); geographically its activities have spread from the original six member countries to the "Nine," and also further afield under terms of association or cooperation agreements, involving development finance, which the Community has signed with nearly 70 other countries, the majority of them in the so-called "Third World."

The EIB has no direct political function, nor does it issue directives or rulings. It is a practical and operational body whose work is principally concerned with some of the realities of welding together different economies and with promoting a smooth and balanced development of the Community.

Some of the problems which this poses were clearly foreseen during the negotiations leading to the Treaty of Rome. One of the major concerns was to reduce the wide gulf between the more industrialized and prosperous regions of Europe and those areas which had lagged behind in their economic development. In each of the original "Six," disparities in regional development existed to a greater or lesser extent. But if the Common Market were to be established encouraging growth, would this growth in itself be unbalanced? Would investment be drawn to the already successful, dynamic regions leaving those which had not so far industrialized to slip further behind?

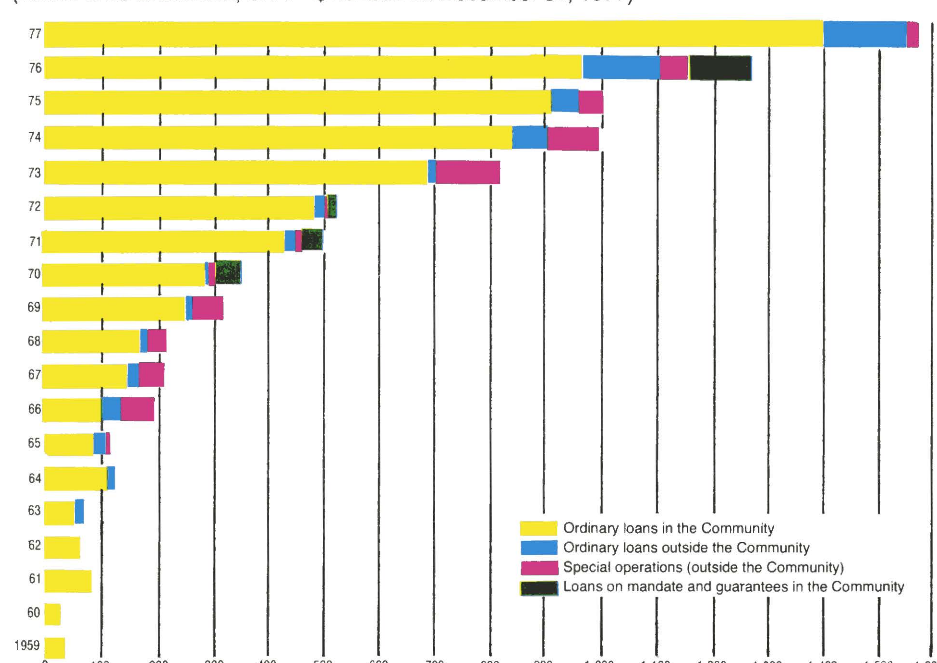
It was also foreseen that, while the creation of a huge home market for European industry would open up new opportunities which could not exist on a national scale, the dismantling of tariff walls and institutions of free competition could exacerbate the problems of certain areas of old, outworn industry and increase the pressure to modernize or convert.

These were points of fundamental importance: Any idea of a Europe left to fragment into rich and poor, advanced and underdeveloped or declining zones runs counter to the very concept of integration. Another concern was that the welding together of a Community would in itself call for certain investments of common interest to several member states, if not the entire Community,—smooth cross-frontier communications, for example.

To tackle these problems called for substantial additional investment and made it essential to have some mechanism to facilitate the mobilization and transfer of capital from richer to poorer regions within the Community and to bring capital into the Community from outside. It was a fundamental part of the idea that capital should be raised in the markets, not come from budgets, and should, moreover, be on-lent according to sound economic, financial, and technical criteria.

The decision therefore was taken to create a project-financing body, a bank endowed with a capital base subscribed by the member states, capable of financing the bulk of its loans out of the proceeds of borrowings. It was to work on a non-profit-making basis and to cooperate closely with the banking system, since its function would be to provide complementary financing and not to displace existing sources of capital.

DEVELOPMENT OF THE BANK'S ACTIVITIES
(million units of account; UA 1= $1.22506 on December 31, 1977)



The creation of the European Investment Bank was thus part of the decision to establish the European Economic Community itself; the Bank's statute is legally a protocol annexed to, and forming an integral part of, the Treaty of Rome.

The Treaty, in Article 129, establishes the Bank with a legal personality distinct from that of the Community and lays down the composition of its membership (the EC member states); Article 130 defines the fields for the Bank's action—regional development, modernization and conversion of industry, and facilities of common interest; a point of significance is that the investment priorities were not limited in terms of individual sectors, as have been those of the European Coal and Steel Community, but were geared to the contribution that each project would make to meeting the above objectives, so leaving the way open for the Bank to support a very wide variety of industrial and infrastructural development.

Thus the EIB is part of the Community, committed to pursuing Community objectives in the public interest, yet it is also a Bank that is financially and administratively autonomous in order that it can exercise independent banking judgment in the selection of the investment projects to be assisted and in the determination of the conditions of its finance.

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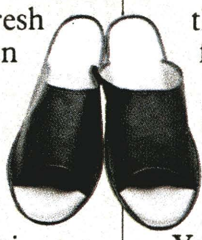

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THE AIRLINE WHERE ALL OF EUROPE BEGINS.

More regional development financing has been poured into southern Italy than any other part of the Community for projects such as this dam in Sardinia.

THIS DISTINCT POSITION OF THE EIB within the Community framework has proved both realistic and efficient in practice. After the first years of building the necessary foundations, and establishing a firm position on the capital markets, the EIB has grown rapidly. Its annual financing operations have almost doubled since 1973—the year Denmark, Ireland, and the United Kingdom acceded to the Community—and more than quadrupled since 1970 to reach almost 1.6 billion units of account (UA) in 1977. Inflation has played a part in this, but even in terms of real purchasing power the Bank's operations have grown by some 12 per cent per year since 1970.

The total of all loans and guarantees since 1958 within the Community stood, at end 1977, at UA 7.4 billion, and three-quarters of this sum has been channeled to investments in disadvantaged areas, helping to raise or safeguard the living standards of their populations.

It can be estimated that close to a quarter of a million jobs have been directly created or safeguarded by the investments which the Bank has helped to finance. This figure does not include employment furnished indirectly by the provision of supplies or services. Nor does it take into account the long-term impact of infrastructure development (road and rail links, telecommunications, energy and water supplies, etc.), which may create relatively little permanent employment but which may form the base for economic growth. Against a background of high unemployment, a valuable consideration is that the carrying out of these infrastructure projects gives rise to a very substantial amount of work of a temporary nature, although often for lengthy periods.

Equally crucial is the need to reduce Europe's costly and precarious dependence upon energy imports. Since the oil price increases and embargo of 1973-1974, the EIB has provided considerable sums for the development of energy resources within Europe, such as oil and gas fields in the North Sea and Mediterranean, hydroelectric systems, and construction of nuclear power stations—all on the grounds of clear common interest—but progress is slow; at present the Community depends upon oil imports for over 50 per cent of its energy supplies.

In response to the Community's present economic problems, the EIB has expanded its operations even further. The Bank's lending within the Community in 1977 totaled UA 1.4 billion, a growth of 29 per cent (22 per cent in real purchasing power) compared to the previous year. The EIB has also been called upon to widen its cooperation—particularly in the past few years—to include many countries outside the Community.

IN ASSUMING THESE FUNCTIONS, which were not among those prescribed in the Treaty of Rome, it has made an important contribution to what may be considered one of the major successes of the Community since its inception, the formation of a wide-ranging and liberal development policy. As a result, the Community and its members states are the world's biggest source of official aid to the less developed countries.

This extension of the EIB's activities has been undertaken within the framework of cooperation and association agreements which provide for the Bank to lend up to specified amounts from its own resources and also, as agent of the Community or the member states, to handle certain budgetary funds. Current agreements are concluded by the Community with more than 50 African, Caribbean, Pacific, and Indian Ocean countries (the Lomé Convention) and 14 countries in the Mediterranean region.

The solidarity with the Lomé countries is obviously partly shaped by the deep historical ties which certain members of the Community formed during the colonial past. The firm belief that the developing countries must be helped to advance, their economies should strengthen, and their peoples prosper has been reinforced by events of recent years that have shown clearly how interdependent are their fortunes and those of the industrial countries.

Smooth and stable progress in the Mediterranean region, Europe's meeting point with two other continents, is of clear significance. Two EC members, France and Italy, are themselves Mediterranean countries, but the Community as a whole places a natural importance on relations with its southern neighbors, certain of which have asked formally for admission as members of the Community.

However, in authorizing the Bank to accept this broadening of its horizons, the Governors of the EIB have made it clear that growth in lending outside the Community must be conditional upon continued development of the Bank's work within member countries. To direct an increasingly important flow of funds into priority investments within the Community and in countries which are linked to it has demanded that the EIB be acknowledged as an impeccable borrower. This it is: Universally recognized credit ratings award the Bank the highest classification, "AAA."

The reasons are clear. Not only are the "shareholders" of the EIB the nine member states of the Community, but also the Bank's portfolio of financing covers wealth-creating, sound investments in all sectors of the economy, backed in every case by solid security. In line with the growth in activities, the member states have several times increased the strength of the Bank's capital base.

Today the EIB is one of the best known and most respected names in the world's financial markets. In only the last five years it has raised more than UA 4.1 billion, mostly through public and private bond issues on the international markets and national markets of certain countries outside the Community, and a deliberate effort has been made to broaden the geographical spread of its borrowing operations.

The future pattern of Bank activity can at this stage be traced only with a broad brush. That further steps along the path to Europe's economic integration and the wider and deeper unity of the Community will involve massive investment, there can be no doubt. Structural transformation occasioned by the changing world economic climate and the pursuit of financial cooperation in support of nonmember countries will only serve to increase the scale of the undertaking. It falls to the European Investment Bank to ease the burden by making good its credit on the capital markets and raising the necessary funds. ■

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"POLITICAL COOPERATION"

Toward a common EC foreign policy

GARRET FITZGERALD, *former Foreign Minister of Ireland and current leader of the Fine Gael opposition party*

A RELATIVELY LITTLE KNOWN ASPECT OF EC MEMBERship is the parallel activity of the nine member states in the sphere of what is technically known as "political cooperation"—which in layman's language means an attempt to coordinate foreign policy. This activity is not part of the EC institutional structure; it is not covered by or provided for in the Treaties of Paris and Rome, which established the European Communities; it has grown up separately from, but parallel to, the Community institutions.

Political cooperation is overseen by the current Presidency of the EC Council of Ministers—the country which for a six-month period takes responsibility for chairing meetings of the European Council of Heads of Government, the Council of Ministers in its various formats (foreign affairs, agriculture, finance, etc.), and almost 200 committee and working groups at civil service level. There is thus no permanent secretariat for political cooperation, whose headquarters shifts at six-month intervals among the capitals of the Nine.

This may seem an awkward arrangement, and it may be wondered why no permanent provision has been made for the organization of this potentially important activity. One of the reasons is that the present system seems to work well. Every country is equally "clued in," through monthly meetings of the political directors (heads of the political sections of the Foreign Offices of the nine member countries), the political correspondents (deputies of political directors), and almost a dozen working groups drawn from the "desk" officers who handle specific regional problems in each of the nine Foreign Ministries. Apart from these meetings (100 take place at civil service level, for example, each year), there is the constant flow of communications through a special telex system known as the "Coreu" network.

(An interesting feature of all this activity is that except at the foreign minister level, where simultaneous translation facilities are available, it is in principle carried on through French, though English is also used in practice to a growing extent. The use of French was maintained in the enlarged Community first by Ireland, which had the Presidency in the first half of 1975, and to an extent two years later by the United Kingdom. Ireland's decision to maintain the Francophone character of political cooperation was appreciated by France and other members of the Community who feared the predominance of the English language.)

How effective has political cooperation proved in securing a genuine coordination of the foreign policies of the Nine? There has been a tendency to exaggerate success in this area, partly to divert attention from deficiencies in the working of the Community institutions, and partly because some member states, such as Britain, which are not very enthusiastic about the further development of the Community, find it opportune to lay greater emphasis in the political cooperation aspect of the relationship among the Nine.

In fact the potential for coordination of foreign policy is to some degree limited by the requirement to achieve unanimity in any initiative or policy line adopted, and by the very different historical experience of these EC states which makes them look at international problems from different points of view. Thus several member states—most noticeably Britain and France—are former colonial powers retaining considerable interests in, and involvement with, many of their former colonies. At the other extreme is Ireland, itself a colony until little more than half a century ago, which tends to view colonial issues from a somewhat different perspective.

There have been divergences among the Nine on tactics to be adopted toward resolution of the Middle East problem. While all member states share the same concern for a peaceful resolution, there was the tendency among some north European countries in early years to underestimate the significance of the Palestinian problem, while Italy, France, and Ireland always saw this as a crucial roadblock to a peaceful settlement. Since 1973, however, the north European countries' movement toward the Italian-French-Irish position has been evident in the changed wording of the Nine's statements on this issue. On matters involving colonial issues or relations with developing countries or disarmament, Ireland, Denmark, and the Netherlands tend to have similar viewpoints, as may be seen from the voting pattern on these issues at the United Nations over the years.

HOW WORTHWHILE IS THE EXERCISE of trying to coordinate, through a system involving decisions by unanimity, the foreign policies of countries with such divergent outlooks? The very process of discussing these problems tends over time to lead to a certain harmonization of viewpoints—notably on the Middle East question, for example. Also notably on the Conference on Security and Cooperation in Europe (CSCE), the Nine were successful not merely in establishing a common position and in pursuing common tactics, but also in working with other West European countries, including neutrals, especially in relation to human rights issues contained in what has been called "Basket Three" of the agreement, both at Helsinki and at the subsequent Belgrade review meeting. In about 60 per cent of the issues arising at the United Nations, the nine member countries have tended to adopt common positions.

In the early period of political cooperation a clear distinction was drawn between it and the work of the Community. France was insistent on this distinction—to the extent that during the Danish Presidency of the Community in the second half of 1973, the foreign ministers were required to meet in the morning in Copenhagen to discuss political cooperation and then fly to Brussels for a meeting of the Council of Ministers in the afternoon. French rigidity was modified shortly thereafter, partly in response to the ridicule this maneuver evoked and also as a reflection of a shift in French policy concerning the Community.

While a distinction between the two formats for decision-making has been maintained ever since, and while foreign ministers still meet twice during each Presidency to discuss political cooperation matters, there has been an increasing tendency to narrow the gap between the two. Thus during a meeting in Dublin on political cooperation in 1975, the Community aspects of one foreign policy problem were discussed even though up to that time—with the exception of a meeting of the Council of Ministers in Tokyo to coordinate positions for the initiation of the General Agreement on Tariffs and Trade (GATT) negotiations—no meetings of the Council had taken place outside the Community capitals of Brussels and Luxembourg. By 1977 a point had been reached where a political cooperation matter was raised at a Council of Ministers meeting without notice.

Garret Fitzgerald

Issues such as Portugal and Cyprus have tended to help the blurring of distinctions. The Community's attitude toward the association agreement with Cyprus has important foreign policy implications. In the case of Portugal, the Nine's foreign policy interests in 1975, in seeking to encourage the development of pluralist democracy

"The Community's attitude toward the association agreement with Cyprus has important foreign policy implications." Here Turkish-Cypriot prisoners queue for food in a Greek prison camp on Cyprus during the 1974 conflict. UPI

there, required Community emergency aid decisions to be made.

My visit to Portugal—in June 1975 as President of the EC Council of Ministers—provided an interesting illustration of the value of the differentiation between the European Community on the one hand and the North Atlantic Treaty Organization (NATO) on the other. Ireland, of course, is not a NATO member. At the time of my visit, left-wing elements, then very much in the ascendancy in Portugal, had been spreading a scare about possible NATO intervention, and I had the impression that it was helpful that the EC Council of Ministers President visiting Portugal at that time was a member of a non-NATO country. Ireland's position as a former colony, and as a nonmember of a military alliance, has also at times been helpful to the Community's relationship with developing countries. It proved, I believe, of assistance also in relation to securing acceptance by the Arabs of the EC-Israel agreement, signed in April of that year, and may also have been of assistance in the final stages of the negotiation of the Lomé Convention in January 1975.

From the American viewpoint, the distinction between the European Community, the Nine acting in political cooperation on foreign policy issues, and NATO may at times be confusing—all the more so because the stage reached in political cooperation is only an interim one, at which each country is still carrying responsibility for its own foreign policy, the common element being only that which is unanimously agreed by all nine countries. It was clear during the "Year of Europe" that then Secretary of State Henry Kissinger found it difficult to cope with a grouping at once so complex and so amorphous. I had the impression that when he sought to deal on certain matters with individual member states, he found them inhibited by their desire to reach a common position, and that when he sought to deal with them jointly he found the Nine somewhat incoherent and disjointed as a unit of decision-making. At the same time this misplaced initiative, just because it caused considerable concern and confusion in Europe, helped to consolidate the process of political cooperation by forcing the European countries to agree on a "declaration of European identity" as a basis for their relationship with outside countries such as the United States. However vague this declaration of European identity may have been, it represented a step forward and provided the impetus for more practical harmonization of foreign policies in the years that followed.

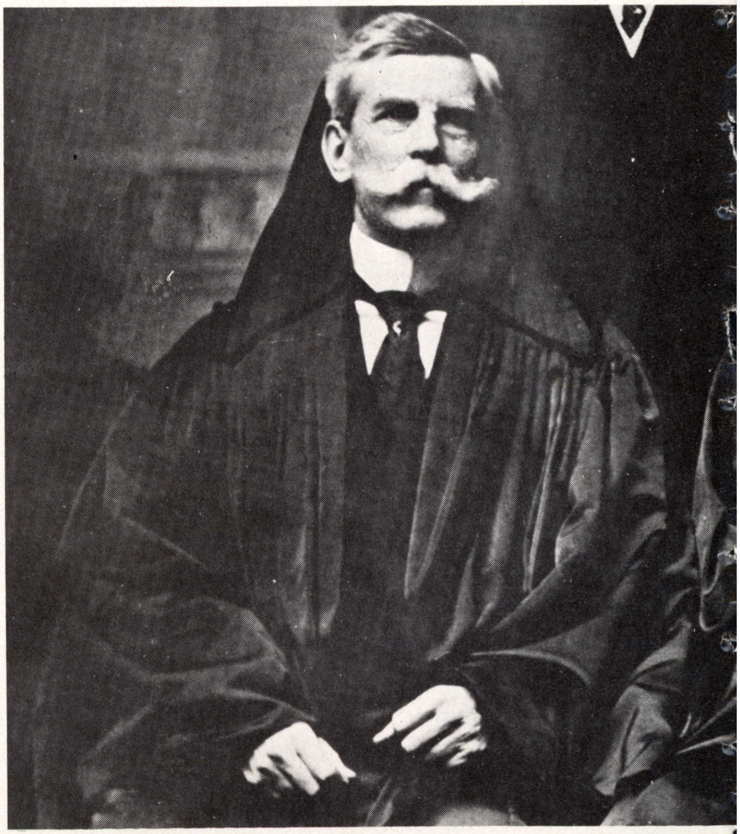
Nonetheless, the process of foreign policy harmonization among the Nine—soon, perhaps, to be Twelve—has a long way to go before this group of countries can act consistently in a coherent manner in its relationship with other nations. The differences among traditions and divergent historical experiences cannot rapidly be erased; and among the larger member countries there is the continuing temptation to pursue individual interests through independent foreign policy initiatives or attitudes, in competition with their partners. This has been particularly a feature of French foreign policy, which at times has given rise to considerable irritation among other member states, as when, in May, France intervened in Zaire by lending aircraft to bring Moroccan troops to that country—acting in the words of the French President, "in the name of Europe," though without consultation with France's European partners, some of whom dissented from the action.

The process of "growing together" will be a long one involving considerable heart-searching in all nine member countries, and may cause problems for third countries with whom the Nine are dealing, both separately and, at least in some degree, corporately. Yet the work of political cooperation is important because it is only through this pragmatic process of seeking on a piece-meal basis to harmonize foreign policy that the foundation can be laid for a European Community that can eventually develop into a genuine federation or confederation. ■

EUROPE

A Lawyer's View

DAVID EDWARD, *president of the Consultative Commi[...] the American Bar Association.*



Justice Oliver Wendell Holmes

When we are dealing with words that are also a constituent act, like the Constitution of the United States, we must realize that they have called into life a being the development of which could not have been foreseen completely by the most gifted of its begetters. It was enough for them to realize or to hope that they had created an organism; it has taken a century, and has cost their successors much sweat and blood, to prove that they created a nation.

Justice Oliver Wendell Holmes

CITIZENS OF THE COMMUNITY OFTEN FORGET HOW uncertain the future of the American nation once was. Americans too, when they read of the Community's political difficulties, should remember these are much the same disputes and arguments that once threatened to prevent the emergence of an American nation at all.

The parallels between Europe and America are not

& AMERICA:

e of the Bars and Law Societies of the European Community, who recently visited the United States at the invitation of

exact and are often carried too far. It is misleading to talk about the "United States of Europe" since the Community is neither a federation nor a nation in any traditional sense. On the other hand, the Treaty of Rome is more than an international treaty. It is a constituent act, and a lawyer cannot ignore two features of the American system that have proved to be of vital importance: the Supreme Court and the development of the commerce clause as "the mechanism by which the Court strives to maintain a working federalism."

Britain's best export to America, Alistair Cooke, when he looked at the methods by which the "Founding Fathers" invented a nation, identified the Supreme Court as "the one absolutely new thing in government" that they invented. He went on to say, "to be accurate, the 'absolutely new thing' was a function this body claimed 16 years after its invention"—the function of judicial review, asserted by Chief Justice John Marshall in *Marbury versus Madison.* Some students of America would go further and say that the federation did not really become effective until 1824, when the Court relied on the commerce clause to strike down an act of the New York legislature purporting to grant a monopoly right of steamboat navigation in New York waters.

It is easy to put words in a constitution or a treaty, but it is difficult to give those words a shape having meaning for ordinary people. The free movement of commerce across old frontiers has been as important to the vitality of the American nation as the structure and working of its institutions. So if the Community's activities have so far been limited to matters as unspectacular as the price of butter and standardizing automobile headlamps, this may only prove that the lesson of history has been learned—it is better to start by developing the commerce clause. Furthermore—and here the parallel with America is exact—the European Court of Justice at Luxembourg, by giving life to the Treaty, has done as much as any other institution to cement the foundations of the Community.

This can be seen in a field where unity of purpose and community of outlook might least have been expected—the legal profession. For centuries the alliances within

Chief Justice John Marshall courtesy of the US Supreme Court Historical Society

Europe have changed and frontiers have moved, but one great gulf has remained unbridged and apparently unbridgeable—the gulf among the autonomous legal systems of the nation states.

The Treaty of Rome provided for the free movement of goods, persons, services, and capital, but it was by no means obvious that these provisions applied to the free movement of lawyers or of lawyers' services. One appendix is very much like any other appendix, so there was not much difficulty in saying that doctors and surgeons must be free to practice in other countries. But law and legal procedure are essentially "national." Surely, it was argued, the Treaty did not and could not apply to lawyers.

This problem was debated to and fro with much learning and not a little hot air, until a Dutchman called Reyners persisted in his claim to be admitted to the Belgian bar. His application had been rejected on the ground that, under Belgian law, members of the bar must be Belgian nationals. Reyners took his case to the Court at Luxembourg and won—thus, coincidentally, achieving

The author, David Edward (third from right), with US lawyers at a meeting in Washington last April. © Luigi de Turro

in Europe what a person called Griffiths had achieved in America only one year earlier.

The Court said that the provisions of the Treaty must apply as much to the activities of lawyers as to those of other professions. Soon afterwards it went further in saying freedom to provide legal services must not be obstructed by rules of procedure that are not "objectively justified." By these and later decisions the Court has forced lawyers in the Community to modify long-held and cherished beliefs about the "national" character of their profession and its activities.

THESE DECISIONS WERE NOT INEVITABLE. The Court could have found good reasons for reaching a different conclusion. The Treaty required the Council of Ministers in the first years of the Community to prepare the way for freedom of movement by harmonizing the national laws and regulations governing admission to, and the practice of, the professions. The Council failed to do this within the time specified. But, instead of leaving freedom of movement to politicians and administrators, the Court asserted that the rights given by the Treaty to individuals could not be delayed by political inaction and that, since the time limit had expired, the only remaining purpose of action by the Council was to make it easier to exercise rights already in existence. In short, the intention of the Treaty was more important than its machinery.

Such sweeping decisions do not, of course, dispose of all difficulties. The Court has only provided the solution and left others, including the legal profession itself, with the problems. It remains a fact that French court procedure is fundamentally different from English court procedure; that under one system it is professional misconduct if a lawyer interviews an independent witness before a trial, while under the other it is professional incompetence or worse if he fails to do so; and that 99 per cent of French and English lawyers know as much about the law of Denmark as the man in the moon. On the other hand, it is also true that the services of lawyers are exportable because in fact they are being exported to an increasing extent, not least by the large American law firms.

One consequence of the Court's decisions has been that the lawyers of the Community have been forced to treat the practical problems as real and immediate. If a lawyer has the right to provide legal services in another member state—a right that state cannot take away—how does one ensure that his activities are subject to professional rules and discipline in the same way as in his own country? Which rules must he obey: the rule that says he must not interview witnesses, or one saying he may? If he wishes to settle permanently in another member state, must he become a member of the local bar? If not, how can he be said to be practicing on the same terms as nationals of the host state, since equality of treatment is another principle of the Treaty? On the other hand if he is required to join the local bar, how does one apply the principle of equality to the fact that he is already qualified as a lawyer in his own country? Must the rules be uniform, or can one take account of existing similarities between, for example, Irish and English law on the one hand, and French and Belgian law on the other?

These problems are not new. America has been faced with them for years and has still not given a clear answer to them. In Europe a partial answer was provided in a Community directive of March 1977, which must be implemented by member states within two years. Starting from the proposition that a lawyer is free to provide legal services in another member state, this directive provides the framework for doing so. He must state what his national qualifications are and provide proof of them if necessary. If he undertakes work in court, he must obey all the rules of the host state and, if required, work in conjunction with a lawyer entitled to practice before the court in question. Otherwise, he must obey the rules of the state from which he comes, but he must also respect the basic rules of the host state. All this is subject to a system of professional discipline in which the authorities of both states have a part to play.

Unfortunately, the directive is long on generalities but short on specifics. It remains for the legal profession itself to fill the gaps and this, in turn, has led to Community action at another level. The Consultative Committee of the Bars of the European Community (CCBE), which began as a forum for discussion, has started to acquire an institutional character of its own. Its nine national delegations now represent the governing bodies of the profession in all the member states, and they have recently agreed on the form of a professional identity card in six languages to enable a lawyer to establish his credentials without difficulty or administrative obstruction.

In spite of the many differences in national rules, it was possible for the CCBE to establish fairly quickly that these differences derive from the application of common principles: The rule and its formulation may be different; the

The EC Court Justices ruled that freedom of movement must apply to lawyers as well as other professionals and that freedom to practice "must not be obstructed by rules of procedure . . ." in the host country.

reason for the rule is the same. For example, the rules protecting information given in confidence by a client to his lawyer are different since they reflect the history and legal systems of the different member states. But the reason for the rule in every country is that, in a free society, the citizen should feel free to tell his lawyer everything on a basis of mutual trust. (One of the best tests of a free society is whether and in what circumstances a lawyer can be forced to disclose what his client has told him in confidence.)

Having established the principles, it should now be easier to apply the rules to lawyers of different countries, and the CCBE has established an Arbitration Tribunal to settle disputes where the national bars cannot agree. Moreover, the search for common principles has shed new light on old rules: Attention has been focused on their substance rather than their form. The day when there is a single legal profession in the Community, with one set of rules and one governing body, may be far off and may never arrive; the day when there is some unity of purpose and community of outlook among the bars of the Community has already come.

THE CONSEQUENCES FOR FUTURE RELATIONS between Europe and the United States may be good or bad, depending on how the cards are played. In many respects the problems are the same on both sides of the Atlantic and, as Jean Monnet said, "When the problem becomes the same for everyone and they all have the same concern to solve it, then differences and suspicions disappear and friendship very often takes its place."

But it would equally be dishonest to suggest that differences and suspicions do not exist. The expansion of American law firms is watched with as much concern in Europe as in America. This reaction may be written off as being due to the small man's fear of competition, but the problem goes deeper than that. Justice Lewis Powell, a former president of the American Bar Association, said in a recent case concerning the legal profession in America: "In view of the sheer size of the profession, the existence of a multiplicity of jurisdictions, and the problems inherent in the maintenance of ethical standards even of a profession with established traditions, the problem of disciplinary enforcement in this country has proven to be extremely difficult."

If the problem is difficult within the United States, it cannot be easier elsewhere; and it is ironic that a European lawyer would not be allowed to do in most states of America what an American lawyer is free at the moment to do in most states of the Community.

The problem of bringing clients and lawyers together on a mutually fair basis consistent with the public interest is, as Justice Powell said in the same case, as old as the profession itself. If lawyers in the Community are to be subject to an effective system of discipline across frontiers, it is inevitable and necessary that American lawyers, together with lawyers from other third countries, should be subject to at least the same degree of regulation and discipline. This is not a reflection on their personal ethics, which, in most cases, are extremely high. It is simply that regulation and discipline are essential to the competence and integrity offered by organized professions to the public.

The legal profession is only one of many professions whose activities are developing on an international scale, and the activities of the professions are only one facet of human activity. The international enforcement of antitrust law is another topical example of the problems that existing structures, based on the autonomy of the nation-state, are inadequate to solve. The parallels and the differences between the Community and America are therefore worth studying, not for academic interest, but because they may suggest new solutions to problems that refuse to recognize old frontiers.

If the Community continues to be one in which the rule of law is strong in defending and promoting the free movement of people and ideas, then it may yet fulfill the hopes of the most gifted of its begetters.■

LAW OF THE SEA

The Conference goes on

KATHLEEN S. JOHNSTON, *Washington-based freelance writer specializing in marine topics*

WHEN DELEGATES FROM SOME 150 NATIONS TOOK the unusual step on August 21 of convening the Third United Nations (UN) Law of the Sea (LOS) Conference for the second time in one year, they were riding a tenuous momentum of informal compromises engineered during six weeks of hard work in Geneva last May and have tackled once again the most difficult questions of the negotiations—who will exploit the deep seabed, for whom, under what conditions. This time around the delegates face for the first time the near certainty that these questions will be answered. But not by them.

For four years treaty drafts on the deep seabed have see-sawed between language skewed toward the interests of the major industrialized nations and language skewed toward the interests of the developing nations. And every time the draft text seemed particularly unacceptable to the US mining industry, key members of the US Congress threatened to legitimize, with national law, unilateral claims by the industry's deep seabed ventures, and the less developed "Group of 77" reacted in the conference, more or less, by stalling or rejecting moderating proposals.

Now US legislation is no longer a mere threat. Both houses of Congress are poised to polish and possibly enact, as early as next year, bills drafted with the assistance of the US LOS negotiating team and American deep seabed mining representatives. Although all the interested parties don't see eye-to-eye on certain provisions of the bills, there's a very good chance President Jimmy Carter will sign whatever is enacted. Furthermore, the draft US legislation is already serving as a model for similar proposals in other countries, and could eventually result in a web of ad hoc, if not formal, reciprocal agreements between US, West European, Japanese, and Canadian Governments.

Some internationalists say this is creation of a de facto multilateral deep seabed mining regime outside the LOS negotiations and that the impact on the conference could be tragic—foreclosing forever any chance for a comprehensive treaty on all ocean issues. Most of the multinational companies with considerable research and development investment in deep seabed mining technology say the negotiations are doomed to fail of their own weight anyway and that their large investments will be lost unless some type of alternative system is developed very soon.

The nations whose companies are ready to exploit—primarily the United States, Germany, France, Canada, Japan, and Belgium—say that development of an alternative system through reciprocating legislation is not creation of a de facto regime outside the conference. Their delegations have repeatedly acknowledged the internationalist view that substantial treaty progress on issues of great importance to them, such as commercial and military navigation, would be jeopardized by splitting deep seabed mining issues from the conference. Yet they also say reciprocating legislation should proceed outside the conference lest the conference fail—not only a hedge against but perhaps a gamble with conference failure.

From the conference's beginning 10 years ago, most participants, from developing and developed countries alike, have taken the position that any eventual treaty would have to be a "package deal." The belief that trade-offs of national and international interests are possible has acted to commit the conference to negotiating a comprehensive treaty and to resisting splitting particularly difficult issues into mini-treaty negotiations.

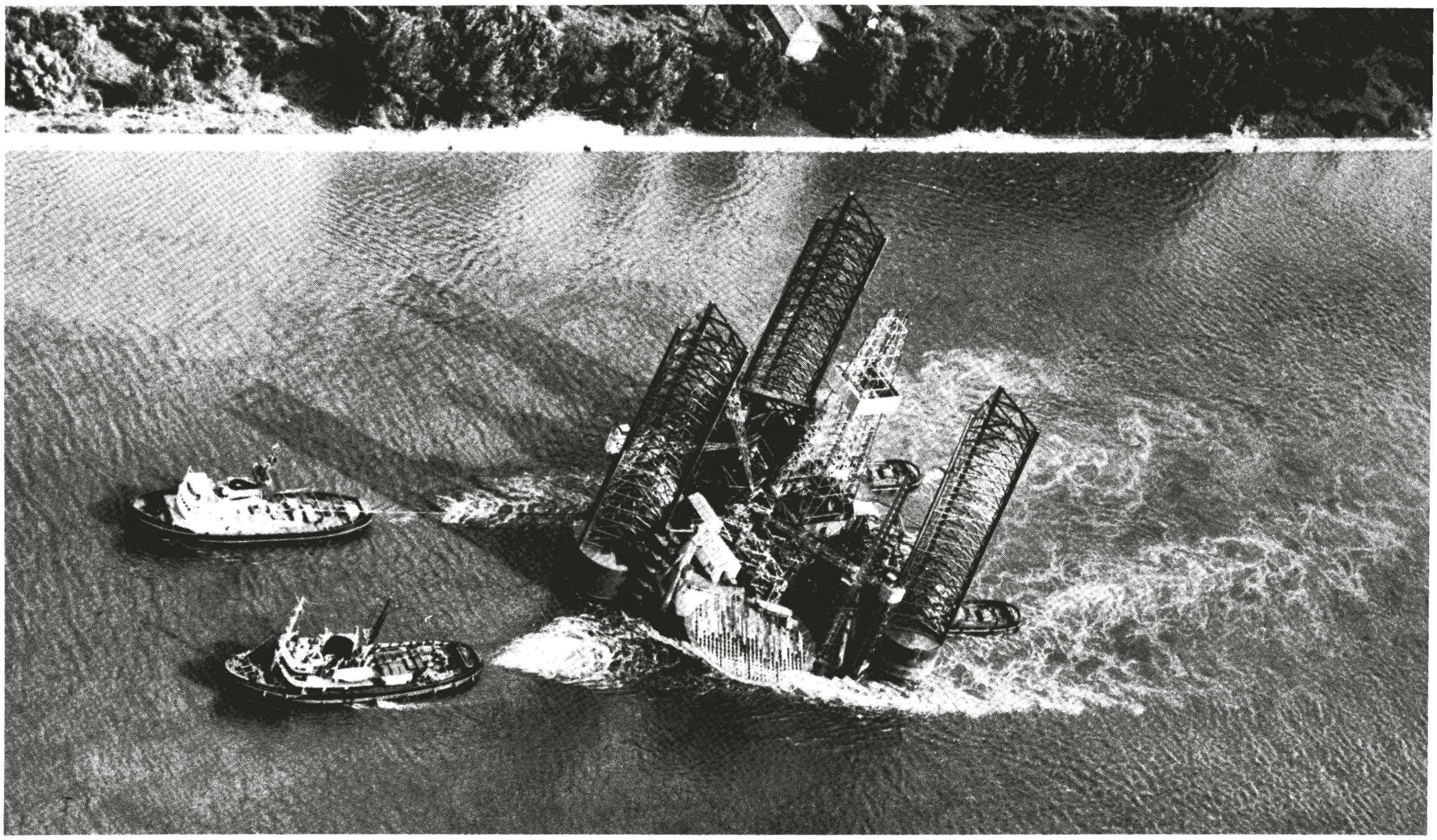
At the beginning trade-offs basically meant that in exchange for communal sharing of extra-national ocean resources, coastal developing countries would halt growing seaward claims that threatened the traditional navigational freedoms of the maritime powers. But then the EC countries, Canada, and the United States joined the ranks of countries which had extended their resource rights 200 miles seaward, and efforts to construct a communal resource-sharing system between those limits and the deep ocean broke down. With much of the oceans now carved into sovereign jurisdictions, the deep seabed has become a last frontier for establishment of a common resources area.

THE LOS NEGOTIATING TEXT, as now written, creates an international deep seabed regime, ruled by the majority of participating nations, to: operate a mining arm, the "Enterprise"; condition private company access to the deep seabed in part on technological transfer to the "Enterprise" and revenue-sharing; and set deep seabed minerals production limits to prevent destabilization of land-based minerals markets. Compromise text provisions authored by the US delegation and others—to preserve industrialized nations' voting power, to soften conditions for private access, and to limit production controls—were stripped from the negotiating text last year. The substantive work at Geneva was aimed at moving the negotiations back to the lost compromises.

Conference observers and some delegations feel the Geneva session created some momentum to bring the conference closer to agreement on a treaty, possibly next year, by avoiding "ideological" posturing and by exposing delegates to a realistic view of the economic, as opposed to the political, value of the nickel, copper, cobalt, and manganese resources to be found in the deep seabed. The session noted that unless companies interested in the high-risk, high-cost business of seabed mineral extraction are given a reasonable chance to make a profit under international controls, they would shortly opt to terminate their technological development or mine without national or international constraints—options spelling loss of revenue to the developing countries. New numbers were also discussed—projections of deep seabed mineral production and revenue—which indicate there won't be much shared for some time.

The US delegation introduced the new projections to end the "misconception that there is a bonanza at the bottom of the sea . . . that if the authority demands a lot, it will simply deter mining." However, the projection that there isn't a bonanza could have an undesired effect: If developing countries can't anticipate sizeable revenues from the activities of private companies, political considerations, such as control in the international authority, could take on increased importance.

The conference has, for the most part, avoided hard bargaining on the composition and voting structure of the international seabed authority. The issue is of tantamount importance to those countries on the "North" side of the "North/South Dialogue": Although the United States, for one, faces no immediate shortage of those minerals found in the deep seabed, some time in the future, perhaps by the turn of the century, land-based sources could be depleted, and "if seabed sources were then controlled by a supranational organization in turn controlled by countries unfriendly to the United States, the possibility of supply restrictions could arise," a US National Security Council report states. And in the Council's view this makes it "imperative that we preserve our right to access in perpetuity." For the developing nations, voting and composition in the authority speaks

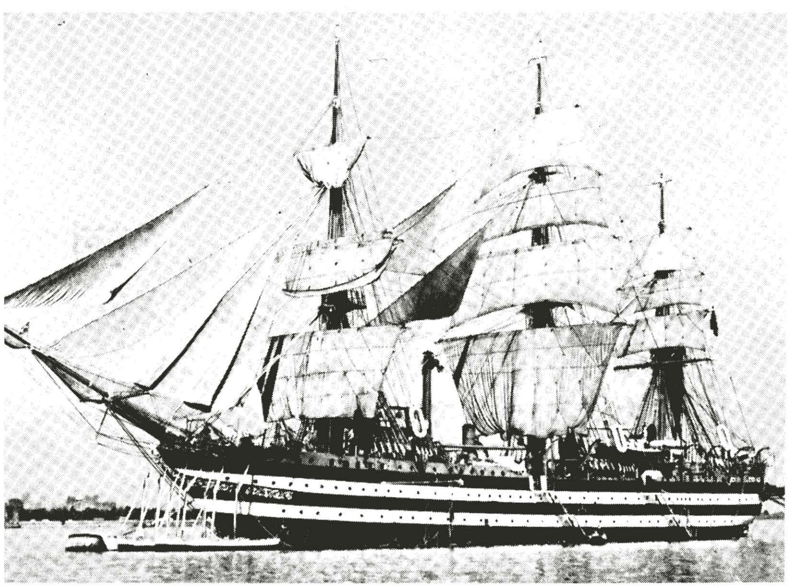


Who has the right to drill or mine or fish in the sea—and where—are questions being debated at the Law of the Sea conference. courtesy of Standard Oil, New Jersey to the heart of their demands that the developed world relinquish its status quo hold on international rule-making structures.

Even if the conference's chances were good to negotiate a treaty acceptable to all delegations, some US sources question whether such a treaty could be ratified. "What's acceptable to the US Senate isn't negotiable in the conference," one knowledgeable Senate aide says, adding that arguments for why such a treaty is in the national interest—that it would provide security of navigational freedom for US military and commercial vessels—still wouldn't be enough to get a Senate stamp of approval on what would be perceived as the most onerous part of the treaty—regulation of seabed minerals access by an international authority.

In addition, the deep seabed mining bill recently passed in the House by a vote of 312 to 80 places specific limitations on the type of treaty the United States would ultimately consider. The bill states in part that the treaty at a minimum must provide US citizens assured and nondiscriminatory access to deep seabed sites and not impose any restriction that would impair investments already made. Although the actual impact of these clauses on a possible ratification is unclear, they do seem to be representative of Congressional feeling.

In the final analysis, formal multilateral agreement or ad hoc reciprocal legislation among the technologically capable nations aren't without problems either. European fears that the United States could dominate seabed minerals production first surfaced two years ago, when it became apparent that some US deep seabed mining companies were approaching the commercialization stage of their technology. The EC countries supported insertion in the negotiating text of an anti-monopoly clause "to prevent dominant positions from being formed" in the deep seabed. The United States has opposed the clause, but it is still considered essential by other governments, including the Soviet Union, and non-US companies fearful of being squeezed out of a direct share of seabed minerals.



An exhibition on sea life sponsored by the EC Commission and organized by the World Wildlife Fund made its way to 15 Mediterranean ports aboard the Amerigo Vespucci *last spring.* courtesy of Marine Museums, Paris

European, Canadian, and Japanese companies meeting in Geneva during the LOS session drew up two nearly unanimous position papers for distribution to LOS delegations. The first paper expresses fear that non-US companies could be placed at a commercial disadvantage by US law which, while providing reciprocity of mining rights, might also contain US protectionist provisions such as requirements for minerals carriage on American-flag vessels and minerals processing on US shores. The second paper calls for immediate adoption of reciprocal legislation by all like-minded nations to permit near-term mining activity—saying that without legislation, non-US companies would be in a "difficult position to continue their investments" and thus in a difficult position to ensure a mineral share for their governments.

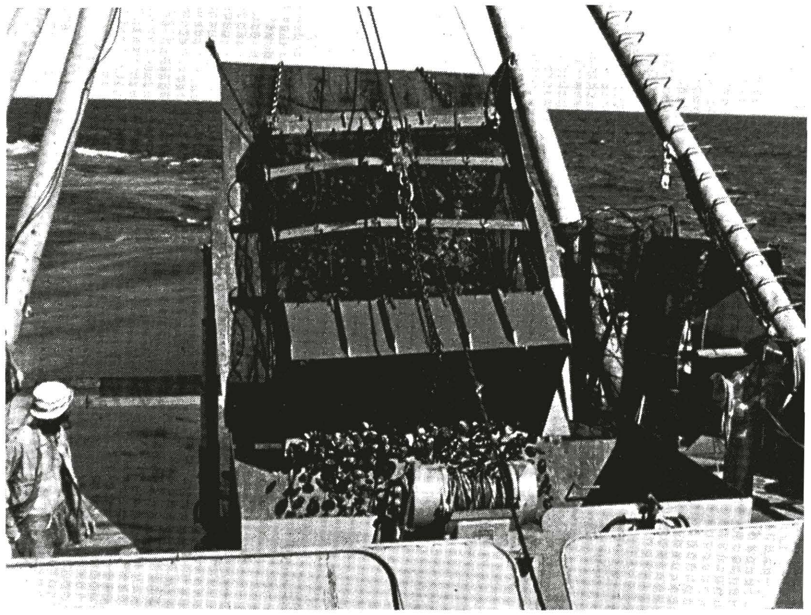
As for US legislation, Senate passage of a bill similar to the one passed by the House is considered more difficult and might not follow until spring. To soften the impact of legislation on the treaty negotiations, the White House has succeeded in getting certain provisions in the bills: Both now stipulate that the mining activities they permit would be superseded by any eventual treaty agreement, and the House bill provides for international sharing of seabed revenues, but only if a treaty is signed within 10 years. The shared percentage agreed to by the House is 3.75 per cent of the minerals' value. Efforts to increase this to 10 per cent were rebuffed on the House floor.

Despite these provisions, several sea law experts and conference observers feel enactment of the bills could scuttle any remaining chance for a treaty by eliminating much of the political moderation achieved during the last session. Others feel that despite the "likely" creation of a de facto alternative system for deep seabed mining, the negotiations will continue, eventually incorporating the major provisions of national laws. Still others, and they are in the minority, are slightly optimistic that a provisional treaty will be negotiated by next summer, delaying if not defeating completion of legislative action already well in motion.

If one thing is certain, it is that after years of prediction of its imminent failure and charges of uselessness, the Law of the Sea negotiations are coming to an end. Highly uncertain is whether they will result in a comprehensive agreement for oceans use and resources managements, a series of mini-treaties, or continuation of unilateral actions by countries bold or big or brave enough to defend their national ocean interests.■

Seabed Mining:

Another Economic / Environmental Conflict?



Manganese nodules dredged from deep in the Pacific Ocean are emptied into the recovery ship.
courtesy of Kennecott Copper Corporation, New York

More than 100 years ago the British Challenger Expedition of 1870-1873 first discovered curious apple-size nuggets of minerals clustered on the deep ocean floor. Basically nodules of manganese, the nuggets also contain high concentrations of copper and nickel. The Law of the Seas Conference recently reconvened is negotiating the future of these huge fields of nuggets waiting to be harvested three miles beneath the ocean surface.

What makes these seabeds the subject of lengthy and hard-headed debate is the predicted mineral shortage. By the year 2000 the United States will be running short of 31 commodities including aluminum, cobalt, copper, nickel, and tin. The rest of the world will be deficient in 17 of the 31; and the other 14, while available, will be so scarce and expensive they may no longer be considered "commodities."

According to the US National Research Council, "Copper resources in manganese nodules on the floors of the deep seas are apparently as large as developed reserves in conventional deposits on land." Thus the ocean might yield enough copper and nickel to supply most of the world's projected needs for the foreseeable future. In addition to the much needed copper and nickel, the nodules would also supply appreciable amounts of manganese and cobalt.

The size of nodule patches seems to vary with the size of the nodule. That is, when nodules as large as nine inches across are found, there are not very many together. When one inch or smaller are found, there are a lot of them. Thus, from a harvesting standpoint, the yield of minerals should be about equal from the sparser, bigger nuggets or from the more plentiful, smaller ones.

One of the most commercially interesting nodule fields lies between Hawaii and Mexico. Commercial mining interests are actively investigating and sampling the nodules in this area for potential large-scale mining. Scientists at the University of Hawaii's Department of Oceanography have been looking for some answers to the chemical content and growth of various nodules. And why is this field different from others? The answers may lie in tiny, microscopic sea animals.

Dr. Brent K. Dugolinsky explains: "Until recently, the possible influence of organisms on the growth and chemistry of nodules received little attention. A few scientists have presented evidence that bacteria may play a role in affecting the chemical composition of nodules and others have noticed that a few types of microscopic shelter building organisms affect their physical construction simply by having their remains incorporated into the nodule during the nodule's growth."

That is, some microscopic animals use bottom sediments to build individual shelters on the nodules, which adds to the growth of the nodule. In studying a number of nodules, Dugolinsky found that although the microscopic animals themselves did not survive the pressure change from the sea floor to surface, their dwellings did. And, from these dwellings, scientists can deduce much about the organisms that built them. Dugolinsky found evidence of entire living communities on the nodules. He identified more than 20 different species and found at least as many unidentified ones. "Every time I look at a nodule, I find a new one," he says.

The nodules are partially buried in the bottom sediment, and the majority of the living organisms were found at or very near this interface between the bottom sediments of the ocean and the water. This excess of biological activity may account for the rapid growth and variety of chemicals present on the nodule at the ocean-sediment interface.

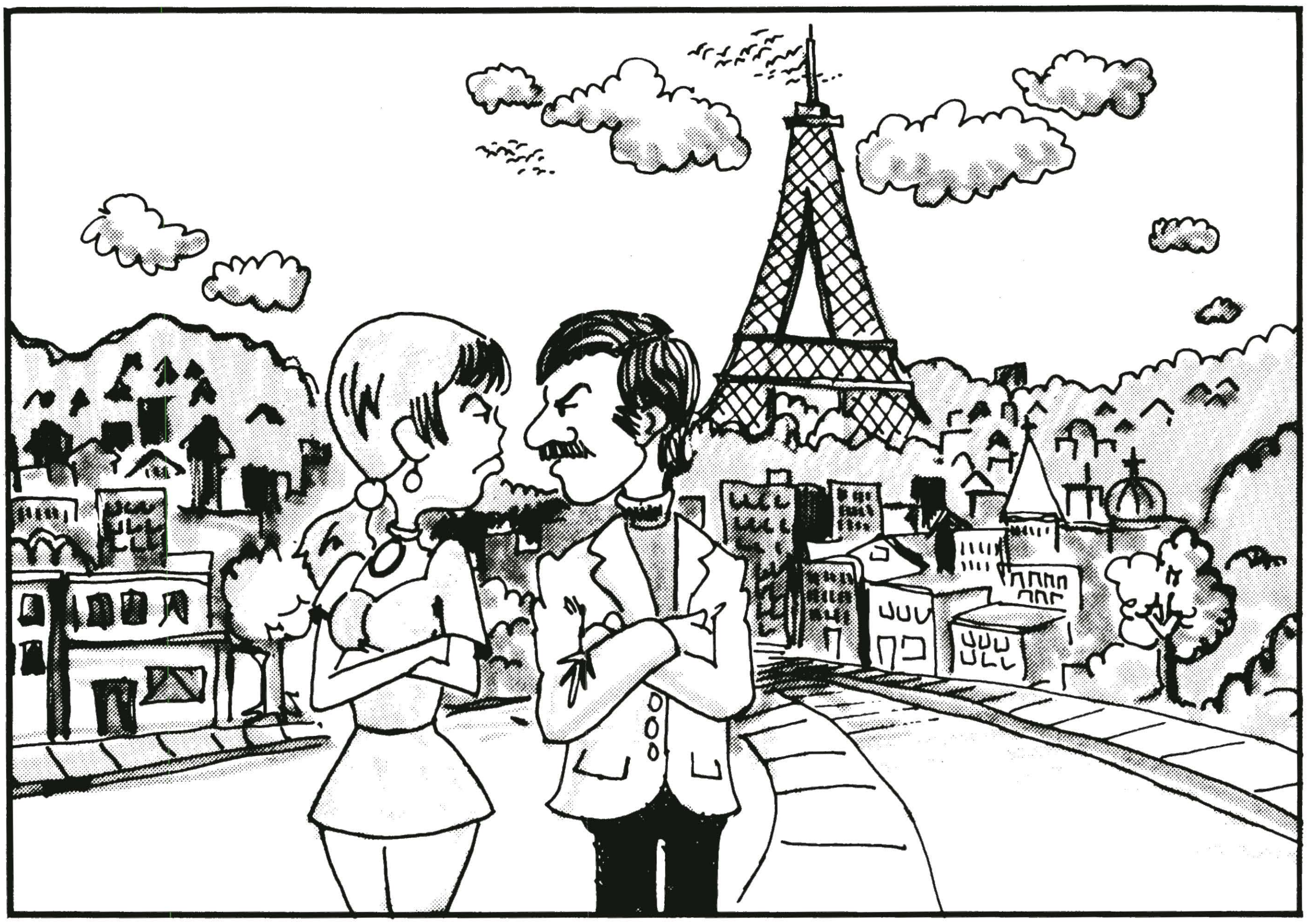
Several groups of these one-celled animals can cement their variously shaped shelters from a variety of particles in the sediment. Using both electron microscopy and an X-ray analytical technique, Dugolinsky shows that the organisms concentrate some elements in this building process. Nodule concentrations of iron, silicon, calcium, and barium are definitely increased this way. Whether the organisms actively precipitate some of these elements or whether they use materials already present is not yet known. However, Dugolinsky says: "Regardless of the mechanism, it is evident that these organisms do act to influence the chemical nature of the manganese nodule by concentrating some elements in the nodule. Similarly, by being incorporated into the nodule during its growth, the organisms are affecting the physical growth characteristics of the nodules."

Understanding the exact role of these organisms is important because the deep sea floor is a very stable environment that changes little over thousands of years. Mining the deep ocean will probably be done in one of two ways, both destructive. The first involves scooping the nodules from the ocean floor with a series of dredge buckets. The second uses suction to pull the minerals from the ocean floor through a pipe to the surface. Pulling ocean floor sediment to the surface will pollute the water, disturb the ocean bottom, and perhaps bury plants and animals in resettling sediment. Either mining operation will necessarily disrupt the sea floor environment and perhaps wipe out nodule-building communities of microscopic organisms.

Mining estimates call for 5,400 tons of nodules to be mined each day. This would cut a swath 50 feet wide, four inches deep, and 19 miles long in the ocean floor daily. It is rather like the Mississippi River running three miles deep through the ocean. A river with such a soil-moving capability is certainly a significant disturbance of an ocean floor that usually sees little change from century to century.

While industry makes mining plans, scientists are working hard to learn more about the sea floor environment. Dugolinsky concludes: "More time should be allocated for studies involving the ecology and significance of micro-organisms and their role in the oceanic food chain as well as in the physical and chemical growth of manganese nodules before large-scale mining operations modify the deep ocean floor environment."

Joann Temple Dennett, freelance writer based in Colorado, formerly with the National Oceanic and Atmospheric Administration



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Source: Corporate Advertising in France, 1976.

NUCLEAR DEFENSE DEBATE

SALT spillover into Europe?

MICHAEL D. MOSETTIG, *NBC News field producer in Washington and former Brussels correspondent*

THE RAPID DEVELOPMENT OF NEW WEAPONS AND THE less successful effort to control them are reviving the long dormant debate over Western Europe's nuclear defenses, some 15 years after the last debate ripped at the fabric of European unity. In the early 1960's disputes over missiles helped sink both the British entry negotiations into the European Community and President John F. Kennedy's "grand design" for an Atlantic partnership.

The debate of the late 1970's, which will extend into the next decade, has not yet produced a crisis of that dimension, but parallels are beginning to emerge. While the weapons have changed in the last 15 years, the fundamentals remain the same: trust in the American nuclear commitment to Western Europe and the coupling of European and American nuclear defenses.

The bitter arguments that followed the Carter Administration's public indecisiveness on deployment of the neutron bomb in Europe were a reminder that weapons have provoked some of the worst fights in the history of the postwar Western alliance. Doubts created by the neutron bomb dispute were more than a one-shot affair because the Strategic Arms Limitation Talks (SALT) are raising basic questions about the direction of European defense in the next decade. The questions are not so much between the Soviets and Americans negotiating SALT as they are between the Americans and Europeans and even among the Europeans themselves.

Many of the arguments go back to the ill-fated Nassau conference between President Kennedy and Prime Minister Harold Macmillan in December 1962. The meeting was hastily called to undo the political damage caused by the abrupt American decision to cancel the Skybolt missile, which was to be the next delivery system for Britain's independent nuclear deterrent. The Skybolt cancellation intensified an already lively debate on the existence of independent nuclear forces in Europe—made real that October by the Cuban missile crisis and the prospect of European involvement in a nuclear confrontation beyond both its borders and direct political interests.

Macmillan did manage to extract from Kennedy some American Polaris missiles as a substitute delivery system for the British deterrent. They came with the condition they be assigned to the North Atlantic Treaty Organization (NATO) except in extreme national emergencies. A similar offer was made to the French, who had neither the warheads to fit the missile nor the submarines to launch it.

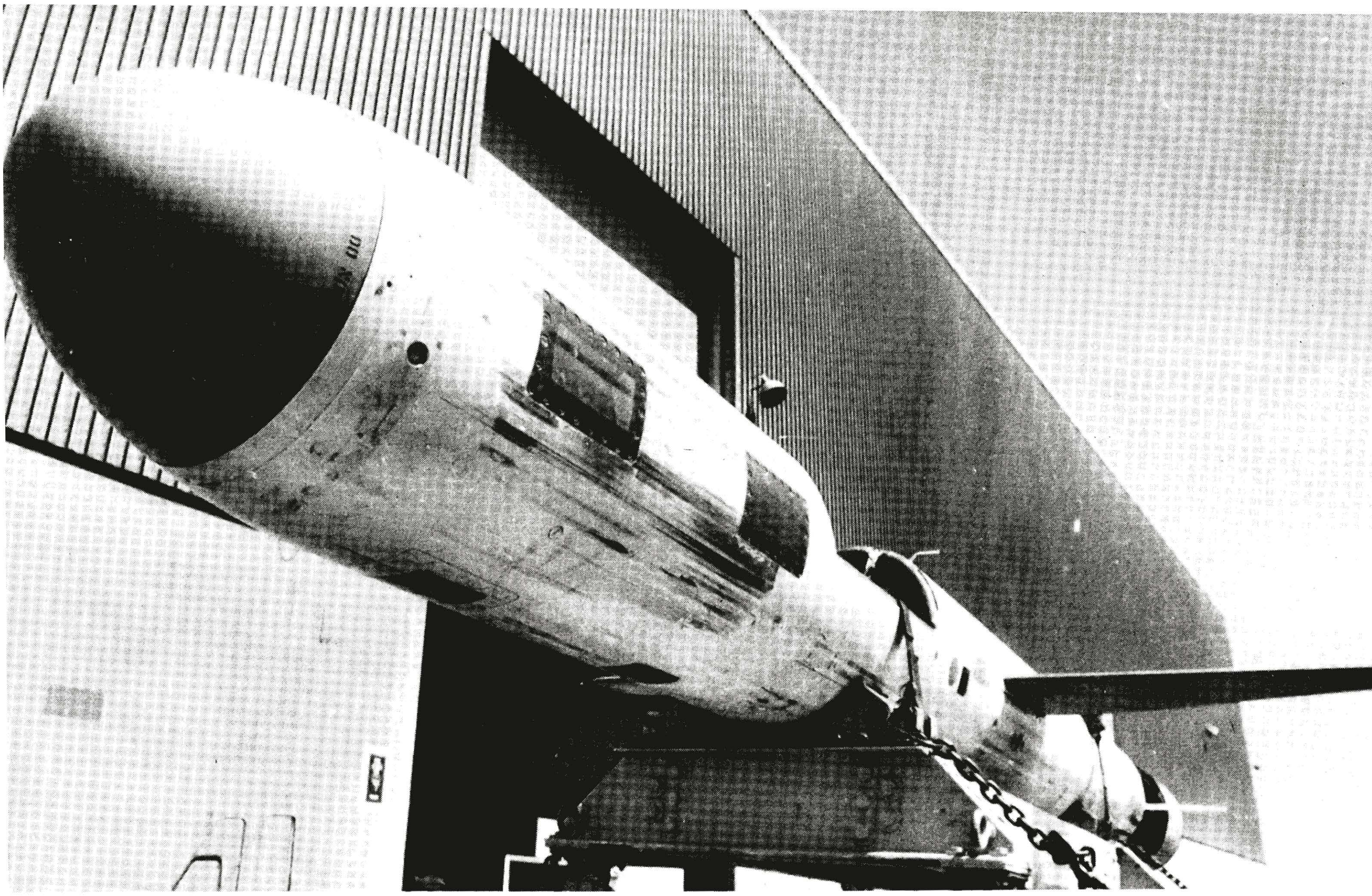
French President Charles de Gaulle, who had been trying to persuade the British to create a joint Anglo-French deterrent, drew his own conclusions from Nassau, just as he had from Cuba. He turned down the American Polaris offer and pushed ahead with an independent French nuclear force. And armed with what he regarded as compelling evidence that Britain would be an American "Trojan horse" in Europe, he vetoed the British application to join the Community within weeks after Nassau.

The Nassau agreement also represented an attempt to square the circles of European armament and arms control. It called for the creation of a multilateral force (MLF) of nuclear-armed ships and submarines with mixmanned crews from the NATO nations. That offered the form of European involvement in a nuclear force, especially for the Germans, while still leaving the Americans controlling the buttons.

The idea eventually died after two years of diplomatic wheel spinning, leaving behind the implicit assumption in Europe that it was neither politically nor financially feasible to match Soviet and Warsaw Pact nuclear forces from within Europe. The vast imbalance inside Europe would continue to be righted by the American arsenal outside Europe.

AFTER 15 YEARS the question raised by Nassau and the MLF imbroglio are coming back, especially the basic one of how far Western Europe can go by armament or disarmament to right the continental arms imbalance without uncoupling American and European strategic forces. New developments in weapons technology rather than politics are reviving the questions, and the Europeans are far from united on the answers.

The British Polaris force is beginning to wear out.



Europeans thought the Cruise Missile, shown here, "appeared to be the perfect counter to the growing build-up of Soviet intermediate-range missiles . . . but doubts are beginning to creep in." UPI

Either a Callaghan or Thatcher Government will have to decide within two years whether and how to replace it. France continues to modernize its nuclear forces within economic and political limits. Germany becomes increasingly anxious to counter diplomatically or militarily the rapid build-up and modernization of Warsaw Pact missiles in Central Europe.

Running concurrently, if sometimes fitfully, are the SALT negotiations. Initially covering strategic systems between the superpowers, these talks are beginning to impinge more directly on issues and weapons of possible value to the West Europeans, especially the American Cruise missile.

The issue in SALT for the Europeans is what, if anything, these talks do to the so-called Euro-strategic systems—missiles and aircraft on both sides that can deliver nuclear warheads to European targets. The vast imbalance of these forces is growing worse as the Soviets modernize and replace some 600 intermediate-range missiles and push ahead with their Backfire bomber force. Arrayed against this in Europe are four British and four French submarines with nuclear warhead missiles, French intermediate-range missiles and Mirage bombers, and the American FB-111A and F-111E and F bomber squadrons based in England.

The West Europeans have never wanted to place those weapons on the SALT bargaining table. What is worrying them now is a perceived drift of the negotiations toward limiting new weapons, such as Cruise, which might help them, while not limiting the Soviet SS20 intermediate range missiles and Backfire bombers, which are aimed at them.

The Cruise missile is becoming the centerpiece of the emerging European nuclear debate, just as Polaris was in the 1960's. Capable of launching nuclear warheads by air, sea, and ground, it initially looked like a bargain at a

"Many of the current defense arguments go back to the ill-fated Nassau conference between President John F. Kennedy and British Prime Minister Harold Macmillan." UPI

quarter of a million dollars a copy. It appeared to be a logical replacement for the British Polaris forces and for the French submarine forces and as a possible ground missile system under dual key with the Americans in Germany. It appeared to be the perfect counter to the growing build-up of Soviet intermediate-range missiles, and perhaps of more value to the Europeans than to the Americans, who latched on to it as a substitute for the B-1 bomber.

As one British defense expert remarked, "Europe really didn't know what Cruise was, but it knew it wanted it."

Doubts are just beginning to creep in. Already its price tag has quadrupled. British defense experts are increasingly wondering if Cruise can be the replacement system for Polaris, especially as its costs keep rising. It lacks the speed and reliability of a ballistic missile such as Polaris. More submarines would be required to deliver the same number of warheads. Cruise will be of limited value to the French without the satellite maps of Warsaw Pact targets for the missile's computer guidance system. And there is considerable question in Washington and Europe whether ground-launched Cruise missiles much beyond battlefield range could be deployed in Germany.

Whatever their reservations, the West Europeans are most concerned that the Americans will bargain away Cruise with nothing in return. These fears reached a peak this spring, and the Carter Administration's fumbles on the neutron bomb only raised the anxiety level.

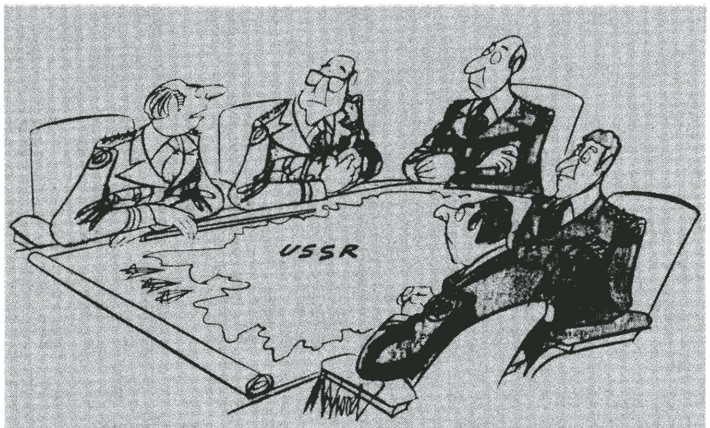
The debate has since been temporarily pre-empted by the tentative agreement between the Soviet and American SALT negotiators. The Americans rejected a Soviet demand to bar the transfer of any Cruise missile technology to the West Europeans. They agreed to a three-year protocol limiting deployment of sea- and ground-launched Cruise missiles to 600 kilometers and development to 2,500 kilometers.

The Carter Administration has reassured its allies that protocol limiting deployment of longer-range Cruises is not permanent, and the entire issue will be open again in three years. As one European defense expert commented, "Somehow, one just doesn't believe that." The Soviets presumably feel the same way.

WHATEVER BECOMES OF CRUISE, the West Europeans are being pushed closer to the SALT arena. The final item in the SALT II treaty will be the SALT III agenda. It will provide direction to efforts to impose future limits on Cruise and other Euro-strategic, or foreward-based, or "gray area" systems.

There is considerable division in Western Europe over getting involved in such negotiations, and no one has figured out how to create a manageable SALT negotiation that would include the Europeans.

The Germans, with the most to gain and least to lose,



"What really gets me is having to plan mass destruction on a tight budget!" ©Mahood, Punch

are pushing strongest for such talks. Chancellor Helmut Schmidt raised the issue last year in a speech to the International Institute for Strategic Studies in London. He argued that a SALT agreement creating a balance of forces between the superpowers exacerbates the imbalance of forces within Europe.

President Carter, on his visit to Poland, suggested a European negotiation on nuclear forces. The British are officially in favor, but there are many skeptics. The French are strongly opposed.

On a practical level there is considerable doubt in Washington and in Europe whether a genuine balance could be achieved between forces so presently imbalanced. And there is considerable fear among American and European defense experts that such a negotiation would offer the Soviets a great opportunity for mischief-making and alliance-busting. Some experts feel that even placing the Euro-strategic forces on the bargaining table offers the prospect of uncoupling.

Whatever their reservations about superpower negotiating over their heads in SALT, the West Europeans found it preferable to the acrimony of a debate about their own nuclear forces. They may, by one diplomatic device or another, continue to avoid it, but their involvement in SALT III looks increasingly likely. It will offer as many problems as it does the promise of European arms control. And if the past is a guide, there may be spillover of a nuclear debate into other European issues, especially as more European politicians call for a more active Community role in security affairs.

Debates over missiles and nuclear forces wrecked the momentum of European and Atlantic unity 15 years ago. The question of the coming years is whether the same debate must provoke the same consequences.

As one official at NATO summed it up, "To get into the SALT III European areas would take exceptional leadership and vastly more consultation than we have now." That prognosis was offered as much in hope as in expectation. ■

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"CULTURAL TOURISM"

Something different from just visiting resorts

ROBERT S. RUDNEY, *assistant editor of* Friday Review of Defense Literature

TOURISM OUGHT TO BE AN EDUCATIVE EXPERIENCE AS well as a relaxing pastime: People on vacation are looking for new places, new experiences, new perspectives. Unfortunately they face many barriers, especially in international travel. First, the obstacle of language severely limits their appreciation of a country's culture and lifestyles; second, the problem of mores inhibits them from immersing themselves in a foreign land; third, there is the problem of prejudices, the sum total of the cultural and psychological preconceptions tourists carry with them.

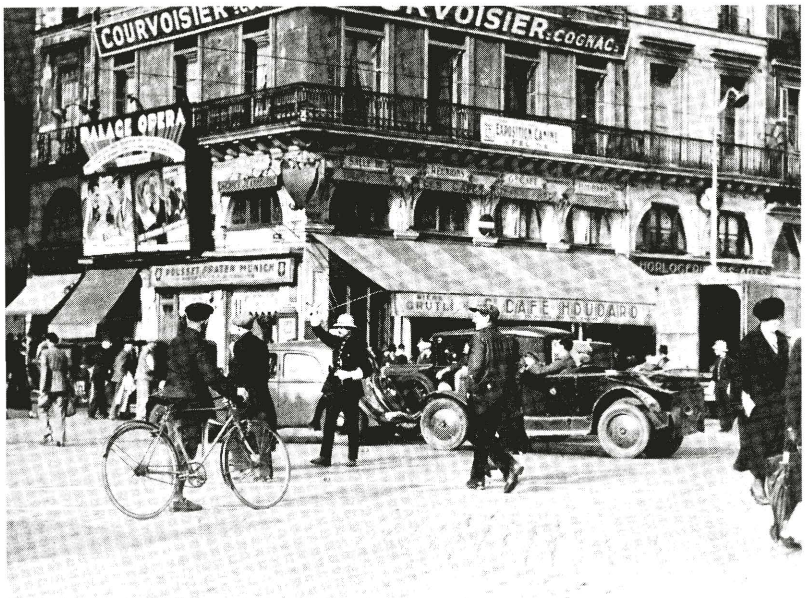
International tourists also face difficulties with an indigenous population that may be resentful of or antagonistic toward the affluent, ostensibly indolent intruders. For the tourist phenomenon might be regarded as a form of external colonization and exploitation. A case in point is the French Côte d'Azur, arguably the oldest and richest tourist region in Europe. In Nice and the other resorts, outside capital financed most of the business infrastructure and today dominates the local economy.

Migrations—both temporary and permanent—profoundly alter the social composition and character of any region and the resort area begins to lose some of the uniqueness that first attracted tourists there. The local population becomes dependent on tourism for employment (mostly unskilled or semi-skilled jobs), and this dependency relationship inevitably causes friction.

Furthermore, tourism disrupts traditional patterns of land ownership: New, absentee owners replace the old, established families thereby undermining traditional social ties and responsibilities. As in any industrial revolution the fabric of social relationships in a tourist area undergoes tremendous strain during the expansion process. Tourism often leads to unrestrained development, well illustrated in the case of the Côte d'Azur, and visitors make extraordinary demands on the resort in terms of transport and accommodations, sanitation and utilities, food and recreation. Nice, as early as 1914, had to provide facilities for twice the number of its resident population.

It is not surprising that resorts suffer from overspecula-

"Tourism took advantage of resources—such as sun and sand—no other business could, and a relatively poor region like the Mediterranean coast of France could even attain a semblance of prosperity," as shown earlier in this century. ©The Bettmann Archive, New York



The French Riviera then and now . . . photos ©The Bettmann Archive, New York

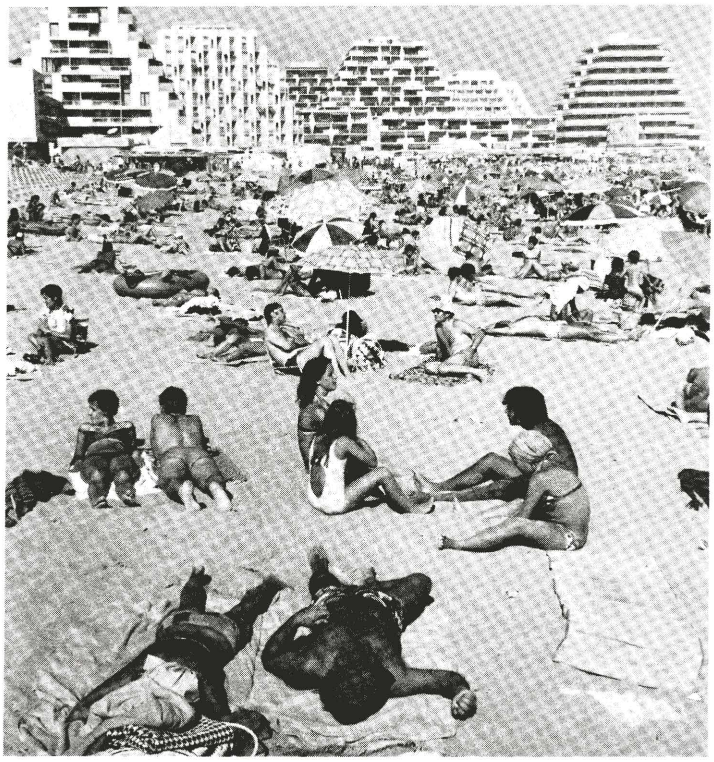
tion, poor planning, seasonal fluctuations, pollution, and "boom-bust" cycles. In an area relying on one industry, the entire economy is highly susceptible to shifts in a very elastic demand curve, and the general feeling within the resort is that it is losing its independence—economically, politically, even socially. From Jamaica to the Seychelles, this tourist colonization has resulted in widespread unrest and even violence.

On the other hand, tourism takes advantage of resources no other business can use: A seaside resort can sell its sun and sand; a mountain resort can sell its snow and rock; a poor region like the Mediterranean coast of France can even attain a semblance of prosperity. Yet once an area undertakes to attract tourists, it implicitly concedes the right to be exploited. The deleterious side of tourist migrations can, however, be controlled and regulated. Accordingly, the social and ecological costs of tourism must be balanced by the benefits of economic prosperity for the region and the tourist industry as well as the benefits, often psychological, to the visitors.

The achievement of this equilibrium entails a number of political decisions. The economist, the ecologist, and the engineer can only present the problem, analyze the alternatives, and make recommendations. It is up to elected and delegated officials to take the required action; and in so doing, they must set the interests of the tourist industry against the well-being of the community as a whole. These officials are also influenced by short-run political considerations that often conflict with long-run planning for effective utilization of tourist resources. As a further complication, patterns in tourist movements are notoriously difficult to predict; for example, very few residents of the Côte d'Azur in 1914 envisioned the summer vogue of the 1920's and 1930's, and nearly everyone operated on the assumption of a continuing winter "high" season. Because of the ever changing nature of the tourist business, it is tempting for officials to build for today and let tomorrow take care of itself.

THE TOURIST PHENOMENON, at its most elementary social level, is an interaction between two people: the external visitor and the native inhabitant. Ideally the relationship should be symbiotic, but in reality this is not always the case. Tourists are often confronted with snags and delays and angered by slow or discourteous service. They are constantly fearful of being short-changed or otherwise cheated. At the same time, the inhabitants may be offended by the tourists' imperious attitude and insensitivity to local customs and traditions. The poorly paid, low-quality jobs offered to the inhabitants (busboys, maids, etc.) reinforce a perception of subservience and a feeling of antagonism. Foreign ownership of hotels, casinos, and other enterprises also breeds xenophobia. Thus, paradoxically, an activity that is ostensibly designed to encourage understanding and friendship among peoples may only produce misunderstanding and conflict.

For planners, the major challenge then is, first, to break through what sociologist Erik Cohen calls the "environmental bubble" of the tourists and, second, to preserve the integrity and self-respect of the resort inhabitants. Tourists, in Cohen's view, require comfortable and familiar surroundings in their travels. They seek new situations and experiences, but within a framework comprehensible to them. Tourism becomes essentially self-sustaining through "the transformation of attractions" and "the standardization of facilities." Local festivals (like Nice's Carnaval) are cleansed of any unseemly practices and garnished with floats and "flower battles" appealing to



©Henri Cartier-Bresson, Magnum

outside visitors. The old quarters of towns (like those of Nice and Menton) are turned into "living museums." Tourism has transformed the Côte d'Azur from a coastal region of great scenic beauty to a glorified amusement park bearing little relationship to the natural life cycle of the Mediterranean.

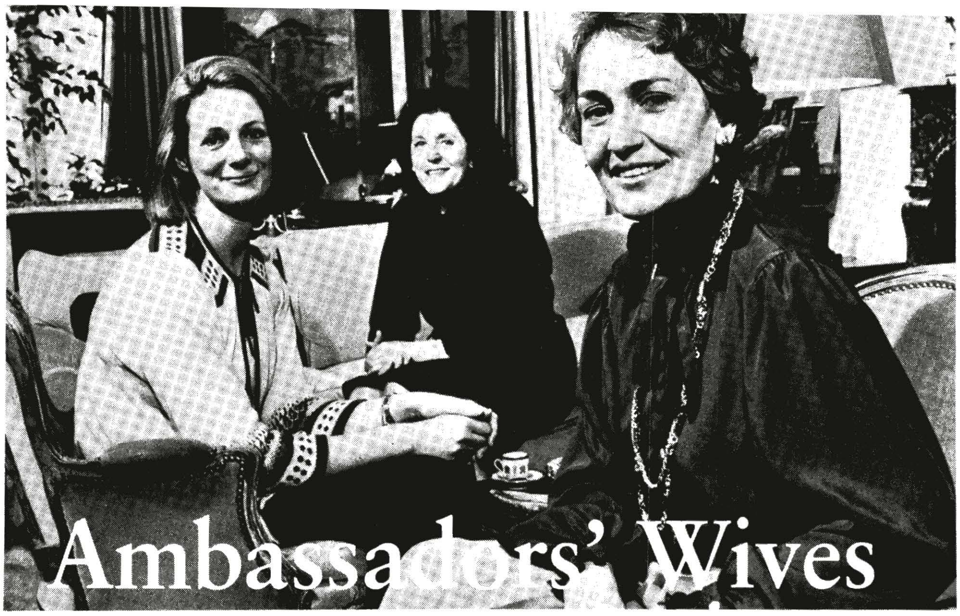
Besides relaxing, tourists want to learn and consequently buy guide books and sign up for organized tours. But what is needed is some sort of intercessor to break down the barriers separating the visitor from the land he is visiting. Cultural tourism, as opposed to resort tourism, should be encouraged because it has educative value and because it exerts a more enduring or transcendent attraction than a beach or mountain slope, and too, it is not regarded as a degradation by the local inhabitants. This intercessory function can best be carried out by the establishment of an officially sanctioned cultural tourism center in the resort area. Through lectures, demonstrations, and slide shows, tourists gain a better understanding of the life styles and a more refined curiosity about the sights of a country. The idea behind a cultural tourism center is to encourage the tourist to discover for himself the differentiation among the peoples that makes travel so rewarding.

Strict attention should be paid to preserving authenticity. In the Côte d'Azur region, for instance, a cultural tourism center could arrange lectures on the history of the Mediterranean, the flora and fauna of the littoral, and modern painters on the Riviera—Picasso, Matisse, Léger, Chagall—as well as demonstrations of olivewood carving, Vallauris pottery, specialties of Niçois cuisine, and wine tasting. Visitors should be made aware of sights outside the major resorts: the quaint *villages perchés,* the nearby Alpine passes and valleys, the Roman ruins, the churches and monasteries, the art museums, even the magnificent villas of the Nineteenth Century aristocracy.

This introduction to the culture of a region could induce tourists to stay longer and see more of what the area has to offer; they would also be more inclined to return in future years. Furthermore, this type of tourism is not directly dependent on variables like beach conditions, pollution, and weather; it is the perfect long-term complement to resort tourism. Historically the Côte d'Azur has served as a model—for better or for worse—to resort areas all over the world. Cultural tourism centers in other countries could operate in much the same way as on the Côte d'Azur.

In addition, the development of the Riviera resorts should be examined in historical context to find clues to the evolving patterns of tourist frequentation. Until the 1860's the French Mediterranean coast was an economically backward region resembling many of the less developed countries today. With the arrival of the railroad, it became the first region to rely primarily on seasonal tourism for its livelihood.

Cultural tourism also mitigates local feelings of exploitation and colonization. In one sense it acts to restore the rationale behind tourism, the enhancement of understanding among peoples. In another sense it involves a different stratum of local inhabitants—teachers, students, artisans, and others—as participants in the education of tourists. This person-to-person contact should do much to alleviate the tensions and conflicts that build up in a resort area. Tourists should not leave a country believing that all its inhabitants hold menial service jobs. By breaking down the tourists' "environmental bubble," the cultural tourism center could promote an interchange of ideas and a respect for the host country. Cultural tourism is not a panacea, but it represents possibilities and potentialities that have yet to be realized.■



Ambassadors' Wives

Three ambassadors' wives (left to right): Margaret Jay, Anne Spaak, and Wendelgard Von Staden.
©George Tames, *The New York Times*

BARBARA GAMAREKIAN *works in the Washington bureau of* The New York Times

"In a funny kind of way, it's a little like the tortoise and the hare—we took our lead from you, but we have overtaken you in a sense," said Margaret Jay, wife of the young British Ambassador, Peter Jay. She was referring to some of the questions that are raised about the proposed Equal Rights Amendment and its British equivalent as she tours the United States.

"We learned a great deal about the women's movement initially from your country, and we passed two pieces of legislation in 1975—an Equal Pay Act and a Sex Discrimination Act," she explained, "but since we don't have a federal system, the measures didn't have to be ratified and they are already in place."

Mrs. Jay is one of a small number of ambassadorial wives who are departing from the more traditional role of Washington hostess and helpmate by striking out on their own with independent travel and speaking schedules around the United States.

Ambassadors based in Washington have long made it a point to travel widely in the United States. When wives travel with them, they are usually relegated to the small talk of reception lines or an obligatory bow at the luncheon table.

But Wendelgard Von Staden, wife of the German Ambassador; Anne Spaak, wife of Fernand Spaak, a Belgian who holds the rank of Ambassador and heads the delegation of the Commission of European Communities, and Margaret Jay have broken out of the mode and are taking their own bows.

When Wendelgard Von Staden married, she was forced by regulations at the time to give up her own career in the German foreign service. During her husband's first assignment to Washington in 1963, well before the feminist movement, she was struck by the mobility and activity of American women: "American women are much more active and interested in public affairs. . . . It is coming slowly in Germany, but there is a different mentality, women are much more complacent—they still feel it is more important that you have the house in order."

Her first experience with public speaking was an invitation last year from the University of Maryland to talk on the status of women in Germany. Since then she has participated in a number of forums around the country speaking on a variety of subjects—the changing German society and women, the history of German immigration into the United States, and the German economy.

Margaret Jay is no stranger to the United States. As producer of the BBC's "Panorama," she traveled in more than 30 states covering American political campaigns. "But," she said, "you just get a glimmer of life when you visit here. What is fascinating, I find, about living in Washington and traveling about the country now, is the opportunity to become involved and learn again about the American scene."

Since arriving in the capital last summer, she has traveled to Detroit, Pittsburgh, Cleveland, Philadelphia, Atlanta, New Orleans, Dallas, and New York. Her husband has been busy checking in with the 12 British consulates about the country, and Mrs. Jay often travels ahead of him, making side trips to other cities for speaking engagements, joining him along the way.

The daughter of Britain's Prime Minister James Callaghan, Mrs. Jay is very much at home with political and economic issues, and, she said, "I make basically the same kind of talk that Peter makes—about the economic outlook and prospects for Britain." She limits her travels to one week a month, for she and her husband have three young children. Back in Washington their favorite way of entertaining, she said, is the small dinner party for 12 or 14 where they can "talk politics." She laughed and said, "I know they say that Washington is a company town—but it is so nice—we always have said we couldn't understand people who didn't want to talk about politics at dinner."

Anne Spaak had "never in my life" made a speech before last spring. She is relaxed, warm, and witty, and one suspects that she is very good at it. She sat in the study of the Common Market's comfortable Washington residence and talked about her arrival in Washington two years ago.

"My first impression was that in this country everyone did something—I didn't meet a woman who wasn't involved in a job or some kind of volunteer work," she recalled. "Also, it struck me how well you are organized. In Europe, we are much slower and much less enthusiastic; here every woman feels concerned that she has a role to play in society."

Mrs. Spaak has a theory that the influence and strength of American women are directly related to the role they played in settling this country, in sharing the loneliness of the plains, the terrors of the unknown. "It think they created the community," she said. "They were the heart of it."

Her husband spends half his time traveling around the United States spreading the word about the European Community, and Anne Spaak now frequently travels with him with a separate speaking schedule. She has visited more than 32 states and finds that although people know that the Common Market has something to do with trade, "they don't know there is a European Parliament and a Court of Justice—that we have a common farm policy and there is free movement of labor across the borders."

Her dedication to a united Europe dates back to her work at the age of 18 with a sabotage group in the Belgian Resistance, for which she was awarded the Belgian Croix de Guerre with Palm. The late Paul Henri Spaak, a legendary figure in the formation of the European Community, was her father-in-law, and when her husband joined the fledgling European Coal and Steel Community in 1953, "our friends thought we were crazy—but we thought we were building a new world," she said. "You have to be part of the dream and the hope. I want to tell people what we have achieved and hope to achieve."

Mrs. Spaak said that in an almost mystical way she had found her roots in this country. "When we flew to the West Coast for the first time, and I saw the whole of the United States—the prairies, the plains, the rivers—and then the mountains, I said to my husband, 'I feel as though I had always lived here'—I felt so extraordinarily close to it." ■

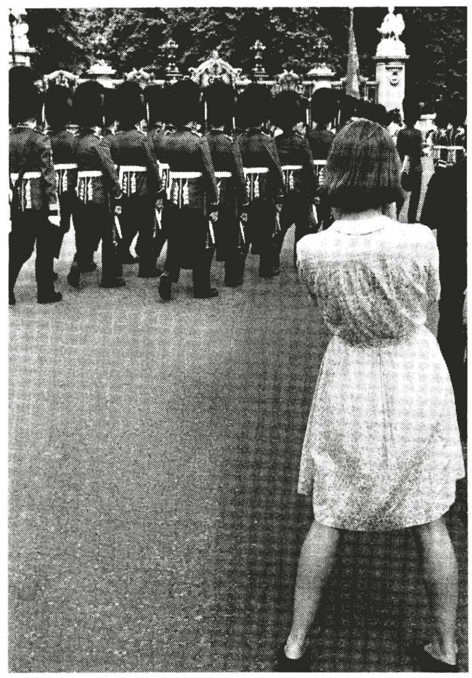
around the capitals

London

This sounds apocryphal, but it's not. An old-school-tie Englishman became increasingly vexed as he plied his shopping cart through the crowded aisles of a London supermarket. From the frozen meat to the special-offer grapefruit he encountered only non-Britons. Rounding a corner he almost collided with a young man, to whom he sighed: "Thank God, you're English, aren't you?" "No," the young man replied, "American." Grimacing, the Englishman fled to the nearest check-out line, muttering "bloody foreigners, taken over London, the country. . . ."

It was a ripe sample of the annual summer lament of many a Londoner who thinks the British capital has gone too far in accomodating tourists and should, well, do something about it. This summer's crush led one prominent British newspaper to suggest to a tourist tax at airports or hotels might be in order. This brought quick rejoinders from tourism officials that visitors annually prop up the British economy, which needs all the support it can get. Tourism remains Britain's fastest growing industry, and by 1985 the nation is expected to earn as much from it as it will from North Sea oil. Britain earned an estimated 3 billion pounds in foreign exchange from tourism in 1977, and tourists pay more than 200 million pounds annually in indirect taxes. Tourism sustains a wide range of trades and industries, which employ nearly 1.8 million people whose jobs depend, directly or indirectly, on looking after tourists.

Be kind to our tourists, the advice should go. A dissenting voice is playwright John Osborne's. He fled the country to escape them and has suggested tourists are merely "human garbage" best dealt with by insulting them—hopefully they may go away. Happily for international relations, not to mention Britain's balance of payments, Osborne's jibes are ignored by most Londoners, although the temptation to snarl rises in proportion to the percentage of outsiders who daily jam your infrequent bus, take all



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the seats in your favorite neighborhood bistro, or blissfully walk in the path of your speeding car—coming from what for them is the wrong direction.

Another of Britain's fastest growing industries is legal gambling, with an annual turnover of 8 billion pounds and profits of 900 million pounds. In Britain 94 per cent of the adults gamble, 39 per cent regularly. This includes everything from the housewife's 10 pence each way bet on her Grand National steeplechase hunch to the 10,000 pounds an inveterate gambler can drop in an evening around a roulette wheel in one of London's many plush casinos. Horses, dogs, and the gaming tables draw the most money, but soccer pools draw the most gamblers.

A Royal Commission on Gambling report, the first since 1951, noted illegal betting is enjoying a revival. This is probably because of Britain's 8.5 per cent tax on winnings. Since a skilled better isn't likely to turn more than a 5 per cent profit on his stake over the course of a year, the tax on his winnings turns his profit into a loss.

One of the report's unusual features was its argument that those who gamble should have the right to know what is or may be going to happen to their money. It brought together statisticians, accountants, engineers, and computer specialists to work out, as comprehensively as possible, the true odds. Roughly, they concluded casinos and bingo were the best value for the money, based on the percentage of stakes returned to the individual gambler over a long period. Last came the soccer pools, where the big prize is 250,000 pounds. The odds against winning it? Only 2.8 million to one.

—PETER J. SHAW

Copenhagen

The Danes are working harder than ever, if the Organization for Economic Cooperation and Development (OECD) is to be believed. In the latest semi-annual report from the prestigious organization, Denmark is named as one of the countries with the highest gains in labor productivity in recent years, higher than in the United States, Germany, and Japan.

The report has already led to a fierce controversy among Danish economists, and is certain to be used by trade unions in the annual pay negotiations which start this autumn. Wages have only risen slowly in the past two years, party due to political intervention, party because the recession has eroded the power bases of some of the largest unions.

The critics of the OECD report claim that it is mere statistics and that it does not reflect a general trend toward higher individual job effectiveness. They point out that the recession has forced many employers to fire workers, and as a group these workers were less efficient than those that remain, either because the former were younger and inexperienced, or older and less physically able. Statistically, lower industrial output will be accompanied by higher productivity, whether or not those remaining employees work harder, critics claim.

Supporters of the trade unions say that individual productivity has gone up, and cite fear of unemployment as a major motive, and a drastic decline in absenteeism as proof. Though reliable statistics are hard to come by, it is certainly the impression of most impartial observers that absenteeism, for all reasons, is less preponderant now than just a few years ago.

One traditional explanation of higher productivity can at any rate be excluded, namely investment in better machines. Industrial investment has stagnated in Denmark in the last years, as expectations of higher profits, or even a modern return, have proven unjustified time and again.

At the same time as labor productivity is being discussed, economists and politicians are making a critical reappraisal of the nature of the unemployment problem. Denmark has one of the highest rates of unemployment in Europe, but simultaneously more than every fourth employer reports that it is impossible to hire necessary labor. To some extent it is a question of not having the right people for the right jobs, and as elsewhere in Europe there is especially a shortage of skilled workers. But it is also a question of not having the right people at

the right place, and employers state that it is the sizeable unemployment allowance that discourages workers from moving to where the jobs are.

There is almost certainly some truth in this. The unemployment allowance is at the present time about $900 a month, with an unskilled worker typically earning $1,100 a month. If the unemployed worker owns a house or has a large personal debt, he is entitled to public assistance in addition to his allowance, and his personal disposable income may in some cases exceed what he had when he was working.

For skilled workers this argument does not hold, and there are also other factors inhibiting labor mobility. Most Danes own their houses, and it is expensive to sell and resettle elsewhere. Most Danish women work—the proportion is the highest in Europe—and finding work for an unemployed husband may thus mean bumping a wife from the payroll. As women get more and better education, this trade-off becomes more and more important.

—LEIF BECK FALLESEN

Paris

A recent issue of the left-wing French weekly, *Le Nouvel Observateur,* headlined that President Valéry Giscard d'Estaing "had racked up more points in the past four months than he had in the first four years of his seven-year term." It is true. Giscard has taken up the cudgels and embarked on a wide-ranging offensive as if his slim mandate in last spring's elections were, in fact, a landslide. But, his successful initiatives abroad—at Bremen, in Spain, and in Portugal—and his behind-the-scenes tinkering with his new political formation at home are minor compared to what he's up to on the social and economic front.

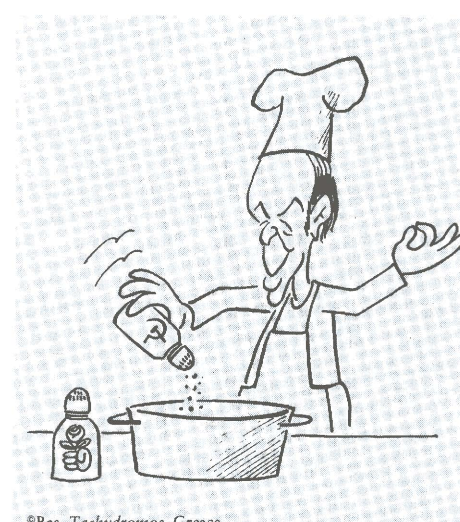
Giscard and his Prime Minister, Raymond Barre, have deliberately set out to transform France into a free market economy. They are pushing for profound modifications on the way the government and the economy interact. They intend to cut France loose from some 300 years of Colbertian *dirigisme.* As a policy their plan is directly opposed to trends currently rampant in most other industrialized countries.

Until the elections were past, Giscard did not dare to show his colors. Over the past four years, he did no more than come up with ad hoc responses to France's severe economic problems. As a result, he was accused of being essentially a technocrat with none of the philosophical underpinnings needed to formulate broad general policies. Since March he appears determined to prove the contrary.

The sharp shift in direction began with the announcement that between June this year and the end of 1979, all prices, regulated since 1946, would be decontrolled. In the process the massive subsidies to state-run companies, running at 30 billion francs a year, would be reduced, and tariffs in the public sector would be raised to reflect costs more accurately. Then the Government decreed the end of carte blanche assistance to France's inefficiently run, noncompetitive "sick" industries. From now on companies in trouble (and there are thousands; the bankruptcy rate is up 17.2 per cent this year over last) would have to earn the right to government funds with proof of a willingness to restructure, modernize, and introduce adequate internal accounting procedures. In the first flamboyant application of this policy, the Government kept its hands on the till and forced the grand (and stubborn) old man of French textiles, Marcel Boussac, to turn his newspapers and racing stables to cash in an attempt to save his tottering empire.

The scope of the Government's broad policy is already being expressed by a series of related but unheralded measures. Among them: four unexpectedly tough rulings by the newly strengthened Commission on Competition that define the limits to restrictive market practices; tax exemptions that may encourage the flow of private savings through the stock exchange to private industry; a more aggressive quest for foreign investment; and introduction of "contracts" between government and the companies it controls that for the first time set production and growth goals making relations between the state and management more predictable. Add to this the Government's pressure on labor and management to establish a continuing dialogue at the bargaining table that may permit the Government to get out of its historical role as the arbiter and pace-setter in French industrial relations. For four months it's an impressive effort to break old patterns.

On the surface, however, this seemingly utopian pursuit of change appears doomed to failure. The French growth rate for the next 24 months is unlikely to reach 4 per cent a year—hardly the margin for maneuver needed to transform society. Then, uncontrolled inflation remains an ever present danger. Already increased costs in the public sector have upped the consumer price index three points above the annual rate registered in March. Decontrolling prices could contribute another 1 per cent to the index this year.



©Bas, *Tachydromos,* Greece

But the greatest problem is rising unemployment. Lay-offs will be the inevitable result of the Government's insistance that French industry stand on its own two feet. Even Government sources are predicting 1.2 million out of work by the year's end. More are sure to come. There is no way of predicting the implications of such unprecedented numbers of jobless Frenchmen. What is sure is that the new unemployed will come from

France's dying industries — textiles, steel, shipbuilding. They will be concentrated geographically and, thanks to their unions, familiar with organized protest. They will be highly visible and therefore politically worrisome.

But Giscard and Barre have decided that, for France, it's now or never. Despite the obvious odds against them, they are convinced that what they have in mind might work. And they might be right. There are indications that the risks are not as great as they seem at first glance. The current high inflation, Barre insists, is the result of one-shot price rises for such things as metro tickets, railway fares, and gas and electricity. Once they work their way through the system their inflationary effect will cease. Barre also thinks that freeing prices will have a minimal effect on the index and that by December inflation will be down to 8 per cent on an annual basis.

Then there's only an outside chance for severe social unrest. So far high unemployment levels have proved manageable, and well before increasing unemployment becomes a liability the Government will have to come up with job-creating programs to accompany the hiring incentives already in force. Meanwhile, fear of loss of income or even jobs remains a powerful deterrent to widespread strike movements. After the spring defeat of the left, workers are turned off by politics. They are looking for concrete results in bread-and-butter issues. The unprecedented number of wage agreements recently signed by the two most militant unions—the Communist-led CGT and the Socialist-leaning CFDT—suggest that they have heard the message. Their post-electoral change of tactics could give Giscard a period of relative labor peace.

The opposition's disarray and his own strengthened electoral base have given Giscard political elbow room. With no elections scheduled before 1981, he also has time. Now with a bit of economic luck, Giscard and Barre may be able to put their show on the road. If they succeed, the elections of 1978 could prove to be a watershed in recent French history.

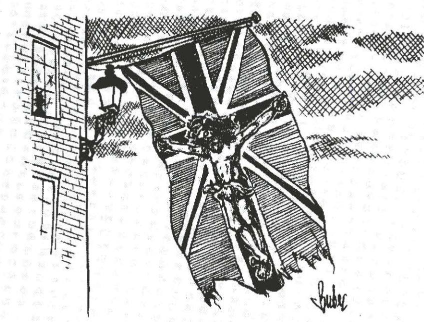
—PATRICIA H. PAINTON

Dublin

In the wicked month of August, when journalism is generally grubbing for stories, a Dublin reporter, Vincent Browne, published in the Irish monthly *Magill* an extended interview with an unnamed Provisional Irish Republican Army (IRA) spokesman. The interview was authorized by the organization and represented its first extended statement in well over a year.

It made ominous reading. In summary, the Provisional IRA claimed that its reduced terrorist activity during 1977 was the result of reorganization, that this was now almost complete, and that a new offensive, started in January of this year, would now accelerate. There would be no talks with the British. There would be no future ceasefire. Bombing and terrorist attacks would resume in Britain after a lapse since January 1977. And there would be absolute opposition to any proposal for a negotiated independence for Northern Ireland.

There are further hard words to add. The reorganization of the Provisional IRA has been one of "kind"; there has been a determined move away from localized involvement to the more conventional "cell structure" of terrorist movements, mainly as a result of British success at infiltration. There is emphasis placed on "solidarity" with the Palestine Liberation Organization (PLO)—the source of recent arms shipments through Europe to the Provisional IRA that failed to get through. And this "solidarity" is coupled with greater emphasis on "socialist republic objectives" including the appropriation of "society's wealth and resources."



"Northern Ireland" ©Bubec, *Heilbronner Stimme*, Germany

According to the unnamed spokesman, the divisions between Republican factions, which reached a peak in the mid-Seventies and resulted in a number of murderous encounters, have been resolved. At the same time the rather tenuous lines of communication between Republican groups and Loyalists groups in Belfast are being kept open. These two claims, taken together, emphasize the general message of the interview, which is of a tougher, more narrowly defined direction of terrorist activity against the British.

Within the Provisional IRA the hard-line elements have clearly taken over. They have redefined their politics and given them a sharper left-wing coloring. This is underlined by the solidarity with the PLO. They have organized themselves accordingly, ruling out in advance any possibility of compromise or even negotiation. They claim to have an abundance of supplies and resources, including explosives, and to be ready for a new British offensive as well as continued bombing of strategic targets in Northern Ireland.

All of this emerges as we approach the tenth anniversary of the Northern Ireland troubles. It was in 1968 that violence erupted. It was the rioting and deaths of 1969 and 1970 that gave birth to the Provisional IRA, and in 10 years 1,800 lives have been lost. And it is precisely because of this, according to the Provisional IRA, that they must go on with their campaign, and make it even harder and more rigorous. They freely admit that "virtually nothing has been achieved," but quickly add: "We can't give up now and admit that the men and women we sent to their graves died for nothing."

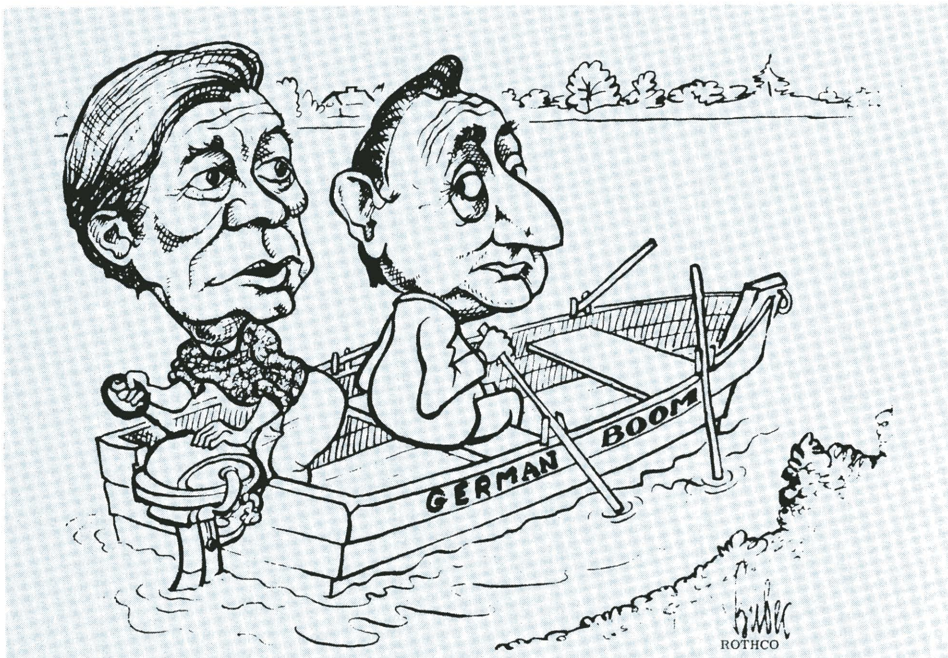
However much one may share the aspirations expressed by John Hume, political advisor to Commissioner Richard Burke, in charge of EC consumer affairs, when Hume wrote in the last issue of *European Community* about the opportunities for Europe to help solve the Northern Ireland question, the reality simply is that we remain a very long way from such an achievement. And no word coming from the Provisional IRA ameliorates that gloomy situation.

—BRUCE ARNOLD

Bonn

The German capital had one of those summer weekends that tend to linger on in the memory of small towns everywhere. In playing host first to President Jimmy Carter and his family and then to the world economic summit meeting, ordinary citizens of Bonn could, for once, believe that great events might be in the making in what often still seems an improbable setting. And for a few, there was the chance to shake hands or to glimpse a statesman through the bullet-proof glass of a limousine.

No such excitement surrounds the Bonn summit's outcome for Germany itself. Chancellor Helmut Schmidt, most people admit, proved a good host and chairman for the meeting, but so far as domestic politics are concerned, it is his talent for stage management that has left the strongest impression. With a great flourish at the end of July, the Chancellor and his Social Democratic-Free Democratic (SPD/FDP) coalition cabinet produced the measures that had been promised—to spend up to 1 per cent of gross national product in an attempt to "achieve a significant strengthening of demand and a higher rate of growth."



"If the engine still doesn't start up, we'll have to row again." ©Bubec, *Die Glocke*, Germany

Yet reaction to the package from most Germans was sceptical that it would do any such thing. True, about 11 billion D-marks, in the form of tax cuts will be handed back to individuals in 1979, while child allowances are also to be substantially increased and some families' situations will be greatly helped by the trebling of maternity leave from two to six months. The Bonn Government, however, is proposing to take away with the right hand much of what the left will pay out. In an attempt to control the rapid growth of debt financing (a record 35.8 billion marks is forecast for next year), the standard rate of value-added tax (VAT) will go up from 12 to 13 percent. As a result, a German newspaper has calculated that a family earning around 20,000 marks a year will be exactly 48 marks a year better off from the tax cut proposals.

That is not only disappointing to the people concerned, but has seriously annoyed a good many members of Schmidt's own SPD group in the Bundestag. What they especially dislike is the fact that people in higher income groups stand to do much better from the cuts; for anyone earning 36,000 marks, for instance, the net relief after allowing for the VAT increase is likely to be 691 marks a year, while at 50,000 marks the figure rises to 819 marks.

Everyone agrees that the package would do away with a vicious "trap" in the tax system, caused by the general rise in incomes since 1974, whereby above a level of 16,000 marks a year for a single person (twice that for a couple) the rate of income tax jumps sharply from 22 per cent to 30.8 per cent. But what the SPD left object to is the way in which the reform of this shortcoming has been tailored to suit the needs of the white-collar and skilled blue-collar workers who are the favorite constituency of the FDP, the junior coalition party in Bonn.

Once again, it looks like a case of the FDP tail wagging the coalition dog. The Free Democrats, and notably Economics Minister Otto Lambsdorff, seized onto the cause of tax reform immediately after their humiliation at the polls in Hamburg and Lower Saxony in June—plainly hoping to turn to their advantage at the Hessen and Bavaria state elections in October an issue that had diverted a crucial number of middle-class votes to protest groups. Yet Schmidt and Finance Minister Hans Matthoefer were up until early July dismissing the easing of the tax burden as technically impossible to achieve by next Janury 1 and, in the Chancellor's scornful phrase, as a *Schnapsidee*—a notion born out of liquor.

The SPD left are not the only people who dislike the package. The SPD moderates in power in the most populous German state, North Rhine-Westphalia, are worried about the shortfall in state and city tax revenues that would result from proposed reductions in the payroll and turnover taxes levied on business. More serious, the opposition Christian Democrats (CDU), who have a majority in the Bundesrat, the upper house of the Bonn parliament, are unlikely to agree to the rush job of legislative enactment that the Chancellor wants. They, too, oppose the business tax provisions, but most of all, they are angry that the coalition has stolen (as the CDU sees it) opposition ideas for more fundamental tax reform and simplification, yet without suggesting cuts in government spending to match.

All this suggests a politically interesting autumn in Bonn. Should the FDP be swept out of the state coalition government and the state legislature in Hessen, as it was in Hamburg and Lower Saxony, the Bonn coalition itself would be severely undermined, and the CDU sorely tempted to use its power in the Bundesrat to try for a *coup de grace* that might open the way to office.

Even if the FDP holds on, it is going to be no easy matter for Schmidt to enact his "summit" package. In the past the Chancellor has been fond of reminding other world leaders, and especially President Carter, of their obligations toward the international economy's good health. This time, he may think twice before wagging a reproachful finger in the direction of Washington.

—ADRIAN DICKS

Rome

An Italian saying goes: "There's never two without three." With the death on August 6 of Pope Paul VI, Italy suffered its third collective blow this year, after the kidnapping and murder of Aldo Moro by left-wing extremists and the resignation of President Giovanni Leone.

The death of the 80-year-old Pontiff was certainly the least unexpected of the three events: Pope Paul, who was known to suffer from a form of arthritis, had himself in the past two years referred repeatedly to his own declining state of health. Yet in the torpor of August, with half the country literally closed down for the holidays, no one had really been prepared for the Pontiff's end to come so swiftly.

"This has been a terrifying year," observed Communist Party Secretary Enrico Berlinguer in an interview even before the Pope's death. He was referring to the two previous political events that had left Italians shocked and bewildered, uncommonly without their habitual cynicism regarding political matters.

The murder of Moro, president of the Christian Democratic Party, in May, which culminated seven weeks of political and personal tensions as police attempted to break the terrorists' operation while the Government steadfastly refused to negotiate for Moro's life, was traumatic even in this country of Machiavelli. The terrorists' ruthlessness was emphasized by the daring with which they delivered the politician's dead body in an automobile in downtown Rome; their skill and professionalism has become evident from the fact that police even now have uncovered only scattered clues in the operation but seem to have no real leads.

No sooner had Italy begun to get back to normal business than a new jolt came: Giovanni Leone resigned just six months before his seven-year term as President of Italy was to end. The resignation came after a news weekly reported irregularities in Leone's tax returns, with the focal point on a sumptuous villa called "Le Rughe," the Leone family's private residence. Since "Le Rughe" means "wrinkles," named for the rough surrounding terrain, press wags lost no time labeling the scandal "wrinklegate."

Whether Leone would have resigned on his own is an open question. Many political analysts think not. But pressure was on from the powerful Communist Party, which had to answer to its own rank and file, and publicly called for Leone to step down. Since the Government depends on the support of the Communists in Parliament, Leone never really had a choice. His departure was followed by a quick Government reshuffle, and in July the popular Sandro Pertini, a former speaker of the Chamber of Deputies, was

Pope Paul VI UPI

elected President of the Republic—the first Socialist to fill the post.

The recent death of Pope Paul VI means yet another change for Italy. Despite a draft under study that would revise Italy's standing accord with the Holy See, the relationship between Church and State continues to be a special one because of geographical and cultural factors. The worldwide speculation on the possibility of a non-Italian Pope that preceded the Papal election, and what that would mean for traditional Vatican status in Italy, illustrated that the importance of choices at Church level are not likely to diminish in the near future. —CHRISTINA LORD

The Hague

Wim Kok, head of the Netherlands' million-strong national trade union federation, is not everyone's idea of a labor leader. He does not shout, bang on tables, or lead political protest marches. His background—business school and international trade—is more that of young executive than factory hand. Indeed, to hear him talk of wage restraint and foreign investment, you could at times easily imagine him sitting on management's side of the negotiating table.

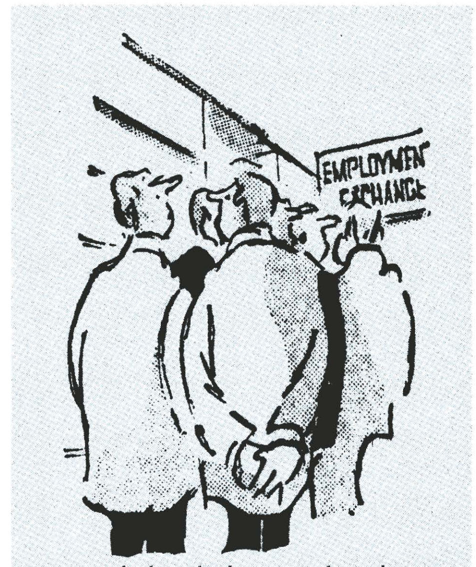
Kok is no bosses' man, though. Far from it. He is a tough and shrewd negotiator who can talk management's language and use it against them. But he is more. Kok did not invent the concept of worker participation in management, but he has become its leading spokesman in the Netherlands, and the quiet revolution that he preaches is sending shivers through the business community here—American as well as Dutch.

The basic concept is simple. The Netherlands, like Europe in general, is entering a phase in which the traditional methods of securing workers' living standards will no longer apply. To fight for higher wages is not enough and may even be counter-productive: Dutch goods become more expensive, markets are lost to the "Third World," and jobs inevitably suffer. The message is already brutally clear. Over 200,000 Dutch workers have lost their jobs in the past four years, and the position is steadily worsening, especially in the shipbuilding and heavy engineering industries. "Nobody is certain of what the future holds. But we can see that job security is becoming an ever more powerful issue," Kok said recently.

In its simplest form this means agreement among companies, unions, and government over the level of redundancies in a set period, and there is nothing unfamiliar about that. But the reforms that Kok is pressing for would go much further by giving workers a clear voice in the affairs of their companies and a share in the profits.

The Netherlands is already further down the path toward such "industrial democracy" than most other countries. At present all firms employing more than 100 people must establish works councils composed of management and employees and given rights of consultation over major decisions such as mergers, closures, new investments, and social conditions. These are, however, less powerful than they look, since they are chaired by the chief executive of the company and their powers to actually halt or change policy are strictly limited. In fact, they are often ignored.

But to the surprise of many in Holland, Prime Minister Andries Van Agt's center-right Government has taken up the ideas of its socialist predecessor for strengthening the role of the councils, notably by raising the union and nonmanagement representation, by reducing the "let-out" clauses, and possibly by extending the councils to other companies. At the same time — and even more provocatively — the Government is planning to cream off 24 per cent of companies' "excess" profits, with half the proceeds going to support pensions and half to the actual work force.



"First we find work, then we seek worker-directorships." ©Holland, *London Sunday Telegraph*

Quite how these proposals will eventually emerge is anybody's guess. They are, predictably, too tame for the unions and too punitive for business. Van Agt has been warned that they could lead to a move of foreign capital out of the country—yet he is also told that any significant watering down of them could mean a bitter confrontation with the unions. For Kok the situation is delicate too. He has yet to convince most rank-and-file members that moderation in wage claims is an acceptable trade-off for a stronger voice in management. But every day that passes with its toll of new closures makes his task, at least, easier.

—ALAN OSBORN

Luxembourg

Driving into Luxembourg past the European Parliament you could easily mistake the elegant modern building on your right for an art museum or posh hotel. In fact it is the seat of the least known and most authoritative of the EC institutions, the European Court of Justice. Its relative anonymity may not last much longer.

The Court's job is to provide precise legal interpretations of the EC treaties. That means two things in practice: It pronounces on disputes between Community institutions and member countries, and clarifies EC law for the benefit of national courts. These are powerful mandates, and they have been seized on by judges in recent years to imprint a distinctly federalist pattern on the issues before them.

Put another way, the Court may be said to have become a consistent upholder of the *communautaire* approach over the national approach. This may be an oversimplification, but it is a fact that in only a mere handful of cases has the Court ever found in favor of a country in a dispute initiated by the Commission, and that no member state has ever brought a successful action against the Commission.

It is another striking fact that no ruling by the Court has ever been flatly disregarded, however painful the consequences. This can be politically useful at times, even for countries that find themselves on the wrong side of the judgment. For instance, if the Court eventually rules, as is expected, that Britain is violating EC regulations by not enforcing the installation of tachographs—or "the spy in the cab" monitoring devices in lorries—then the British Government will be able to tell its hostile transport unions that it then had no alternative but to comply. Such an argument would be impossible to present when it is merely the EC Commission issuing the order.

Taking countries to the Court is clearly not something the Commission considers lightly. Only five cases are under scrutiny in Luxembourg at the moment. The procedure can take nine months or longer. Yet given its string of legal successes and its mounting difficulties with governments, the Commission is understandably thinking about using this route more and more. The Court has recently complained about being overworked and has demanded more judges; it says the situation will get worse after EC enlargement. Such additional work could thrust the Court into a new authority and a fierce blaze of publicity, about which it might well have mixed feelings. —ALAN OSBORN

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NEWS OF THE COMMUNITY

EXTERNAL

Political Cooperation

EC foreign ministers meeting in Copenhagen in mid-June decided on a mechanism to involve Greece and Turkey in their political cooperation process.

The ministers agreed to keep Greece informed of their political discussions before the entry negotiations are completed. After those are finished and the treaty of accession is signed, regular consultations on the subject will be held leading up to full participation when Greece enters the Community. Turkey will be kept fully informed of political matters by a team representing the Council of Ministers. Such an arrangement was necessary because Turkey has chosen to remain an associate.

Turning to other issues, the ministers discussed the economic and political situation in Zaire and in South Africa. The EC mechanism was considered flexible enough to ensure a European response to Zairian emergency needs.

One other subject briefly discussed was the pace of the national acceptance of involving the European Parliament in these political cooperation discussions.

Deficits Discussed

Meetings between the Community and members of the European Free Trade Association (EFTA) were held in Brussels during June as part of the system established last year when the free trade zone in industrial products was set up. Switzerland, Iceland, Sweden, and Austria participated.

Austrian Foreign Minister Willibald Pahr told EC officials of his country's concern over its growing trade deficit with the EC countries. The deficit went from $3.3 billion in 1976 to $4.4 billion in 1977. He also pointed out that proportionally the Austrian deficit with the Community was much higher than the Community's with Japan. He nevertheless indicated satisfaction with the increasing cooperation between Community and EFTA countries.

The trade situation was also at the heart of the discussions with Swiss officials, who brought up their trade deficit with the Community. They mentioned falling exports to Italy and the Community countries' surveillance of imports as among the main problems.

Visit to Israel

EC Commissioner Raymond Vouel characterized the connection between the Community and Israel, during his summer visit there, as a "special relationship" that must be re-examined in view of the forthcoming enlargement of the Community.

Speaking before a "Modern Living" fair in Tel Aviv, the Commissioner said that accords the Community had concluded with Israel and some of its Arab Mediterranean neighbors would have to be adjusted. He promised the Mediterranean problems that arose because of enlargement would be solved to the mutual satisfaction of the two sides.

Vouel was accompanied by Michel Carpentier, head of the Environment and Consumer Protection Service, and Heinz Andresen, division chief in the directorate-general for development.

Human Rights Statement

The European Community, in a joint declaration released this summer, expressed concern over the "repressive measures" recently undertaken in the Soviet Union and other countries.

The statement came as a reply to the USSR trials of leaders of the movement to monitor that country's compliance with the accords signed by over 30 European countries at the Helsinki Conference on Security and Cooperation in Europe (CSCE). The statement said that the Community countries regretted "the repressive measures taken by the USSR involving people seeking to make use of their legitimate rights; these measures contradict the agreements and are incompatible with détente."

The Community countries had expressed concern earlier this year after the conviction of scientist Yuri Orlov on similar charges.

Fukuda Visits Commission

Takeo Fukuda became the first Japanese Prime Minister to visit the EC Commission when he passed through Brussels July 18 on his return home from the Bonn summit.

In a press conference with Commission President Roy Jenkins, Fukuda said, "I am proud to be the first Japanese leader to introduce the concept of the European Community to the Japanese people." Sources close to the talks said they were designed to continue the EC-Japan dialogue and give it a political push rather than deal with specific details of bilateral relations.

Fukuda emphasized that EC imports into Japan had recently increased by 36 per cent, while Japanese shipments to the Community had only increased by 19 per cent. He also stressed the pledges he made during the Bonn summit that Japan would maintain a steady growth rate designed to stimulate demand for imports and increase its overseas financial assistance and foreign investment. He added that special emphasis would be placed on the purchase of civilian aircraft, enriched uranium, and petroleum to absorb the large Japanese current accounts surplus, which he called his "biggest headache."

Fukuda also welcomed the recent EC accords in Bremen to tighten up the Community monetary system as a "worthy concept" because it stabilizes the monetary situation, bringing greater stability to other economies as well.

Desai Visits Commission

Indian Prime Minister Moraji Desai visited the Commission in Brussels in June for broad-ranging talks.

The 82-year-old Prime Minister visited EC Commission President Roy Jenkins and Vice President Wilhelm Haferkamp on part of his four-nation world tour. Jenkins noted the Community's responsibility toward developing regions of the world and commented on the progress India had made in industrialization, health, agriculture, and technology. India has recorded a positive trade balance with the Community for the past two years, and Jenkins said the Community would seek enlarged trade, industrial, and aid relations with India.

Desai said that talks toward renewing the EC-India commercial cooperation agreement, due to expire in April 1979, would begin soon, and indicated that India hoped for increased access to the EC market for such products as textiles. Improvement of the EC System of generalized preferences would also be sought, he said, of which India is currently the third largest beneficiary.

Progress is also being made on opening trade centers and trade and industrial cooperation, including the possible development of solar energy in India.

Australian Trade Discussed

Australian Minister for Special Trade Representation Vic Garland criticized the Community last summer for not moving faster in negotiations between the two. He was in Brussels for continued talks in what has been a difficult series of discussions.

For the past two years Australia has complained about reduction of EC markets for agricultural products and has sought to correct the situation. Community negotiators believe that many of the difficulties could be discussed in the Tokyo Round of trade and tariff talks underway in Geneva.

EC institutions are considering shipping uranium from Australia, if shipping safeguards can be agreed. Australia is believed to possess from one-fourth to one-fifth of the world's uranium reserves.

EC Talks Held in Iran

Commission officials this summer in Teheran submitted the first EC propositions on a nonpreferential commercial accord with Iran.

While these were unlikely to satisfy the long-standing Iranian desire for preferential access to the EC market, Community officials noted that Iran could obtain preferential entry for its goods through existing EC generalized preferences.

Iranian officials were to have submitted a list of products they wanted to receive preferential treatment, which were said to include petrochemical refined products, aluminum ingots, and traditional handicraft and agricultural products.

The Community acquires a large part of its oil from Iran, and about 36 per cent of Iran's nonmilitary imports are of Community origin. The two sides have been discussing the possibility of concluding a commercial accord for years but have stumbled on Iranian insistence on a preferential pact, and the Community's unwillingness to grant such treatment.

Offer to LDC's Improved

Paul Luyten, head of the EC delegation at the Tokyo Round of trade and tariff talks, announced in early July that EC ministers had recently approved a significantly better offer to the less developed countries (LDC's) despite generally poor economic conditions in the Community.

The announcement was made at a special meeting of the full Trade Negotiating Committee called by the less developed countries to complain that they were having little say in the negotiations.

Luyten noted that the list of improvements involved more than $1 billion in the Community's System of generalized preferences alone. He added that not only was the Community willing to improve the offer to less developed countries but that special treatment would be granted the least developed nations.

Trade Framework Agreement

Top trade negotiators for the Community and other leading industrial nations put the final touches on a joint declaration in mid-July aimed at setting the stage for the conclusion of the five-year-old Tokyo Round of trade and tariff negotiations.

The statement, which touched on most of the major issues involved in the negotiations, was signed by EC Commission Vice President Wilhelm Haferkamp and his counterparts from the United States, Japan, Canada, and other countries.

Commenting on the statement later in Brussels Director-General for External Relations Roy Denman said he was "very content with the document that was hammered out." He added that "while we still have some very difficult problems to solve ... it represents a substantial step forward."

Denman noted progress had been made concerning the Community policy that international safeguard measures against disruptive imports be more selective. He said the United States had generally agreed to incorporate into its laws the need to prove material injury by imports before countervailing duties are adopted. Much remained to be done on a code against subsidies, said Denman, adding that the Community was not satisfied with Japanese concessions offered in the talks.

At a meeting in Washington in mid-June, EC Commission Vice President Wilhelm Haferkamp, Japanese Foreign Trade Minister Ushiba, and US Special Trade Representative Robert Strauss had told the press that the lengthy negotiations were perhaps 85 per cent concluded but that the remaining 15 per cent included the hardest issues to solve. Another theme sounded at the Washington meeting was the need for more involvement by the world's developing countries in the trade talks.

Anti-dumping Duty Leveled

Following a complaint by the German Government, the EC Commission has decided to levy a temporary anti-dumping duty on ferrochromium products from South Africa and Sweden.

The levy will amount to the difference between the fair market price in the countries of origin and the price charged in the European Community for these products. The measure will last only three months, until the Council of Ministers either enacts a definitive measure or extends the provisional one.

European industry in this sector has been hard hit in recent years, experiencing a 17 per cent drop in production from 1974 to 1977. During the same period imports of ferrochromium from the two countries in question increased from 94,000 tons in 1974 to 204,000 tons in 1977, and their market share in the Community increased also, from 19 per cent to 45 per cent.

Latin American Meeting

Latin American national ambassadors posted in Brussels met in late June with EC officials in the first round of talks that are to culminate with a major conference before the end of the year.

The two sides took note of the preliminary report of a special task force established to examine the patterns of the trading relationship between the Community and Latin American countries. Latin America's declining share of the EC market was the target of considerable discussion.

The EC system of generalized preferences was singled out as needing improvement, and the Latin American envoys also expressed concern about what they saw as growing EC protection in the field of textiles.

The experts had agreed that if the 20 Latin American nations participating in the dialogue want to increase their share of the EC market, they must diversify into industrial production and lessen their dependence on the export market of raw materials. It was noted that Latin America's share of the EC market had already dropped from 11 per cent in 1968 to 5.5 per cent recently.

ASEAN Meeting Planned

Ambassadors of the five countries of the Association of Southeast Asian Nations (ASEAN) met with Community officials in July to prepare a meeting of their ministers scheduled for November in Brussels.

Among the topics discussed that are likely to be on the agenda were a general survey of international relations, specific topics dealing with regional integration, and improvement of contacts between the EC and the ASEAN countries.

In the latter category talks will probably be held on commercial ties involving raw materials, access to markets, investments, financial and development assistance, transfer to technology, and education and training.

Contacts between the two regional economic groupings have intensified in recent years, involving visits by EC officials and special meetings on industrial cooperation.

Greek Textile Quotas

After repeated attempts to obtain voluntary curtailment of a number of textile products shipped from Greece to the Community, the Commission decided in early July to apply quotas on some of these products.

The measure, which applies to T-shirts and other items manufactured in Greece, has to be confirmed by a decision of the Council of Ministers. The quotas will only be applicable to EC countries that have experienced significant trade disruption from Greek textile imports.

In late 1977 and early 1978 the EC Commission negotiated a series of self-limitation accords with major textile supplier countries after sudden surges in imports in recent years had seriously damaged the domestic European industry. Such accords were a requirement for EC participation in renewal of the world Multifibre Accord.

The Commission had negotiated an accord with Greek textile industry groups, but in recent months imports coming from Greece have surpassed the agreed limits.

AID

New Lomé Member

Just a week after it had made its mid-July request for membership to the Lomé Convention, the world's newest independent country, the Solomon Islands, was approved for membership.

The small former British territory in the Pacific has become the fifty-fourth member of the accords that link the Community with developing countries throughout the world. The formal entry can take place after the approval of the Lomé Convention Ministerial Council and formal adoption by the Government of the Solomon Islands.

In the meantime, the Solomons will continue in their former status as overseas territory of an EC member country so that their financial involvement will not be interrupted while awaiting formal entry.

Brandt Promotes "Dialogue"

Former German Chancellor Willy Brandt, who is head of a newly founded private group known as the Independent Commission on International Development Issues, met with Belgian Prime Minister Leo Tindemans, EC Commission President Roy Jenkins, and Commission Vice President Wilhelm Haferkamp, and Commissioner Guido Brunner in mid-July to discuss expanding North-South cooperation.

Brandt said he was particularly interested in exploring ideas about how the developed countries could reduce energy consumption while promoting production in the underdeveloped countries.

He also discussed the possible involvement of the Soviet Union in the "North-South Dialogue," and said contacts had taken place at the expert level but that the Soviet Union would probably only participate when its interests were at stake.

Development Decisions

Three major EC decisions concerning developing countries participating in the Lomé Conventions were announced in mid-July.

The first development involved 27 financing agreements worth 90 million European units of account (EUA) from the European Development Fund for several integrated rural development operations—including an industrial cooperation project for Sierra Leone and Liberia, a regional communications project in the Pacific, and a study of tourism in the Caribbean. Also included was a decision on emergency aid for Botswana to help it combat hoof-and-mouth disease.

The first Stabex reimbursements for 1977 were also announced. They involved six countries of the Lomé Convention—Benin, the Comoro Islands, Djibouti Guinea-Bissau, Upper Volta, and Niger. The transfers were for the loss in export earnings for 10 products—groundnuts, groundnut oil, palm oil, palm-kernel oil, cotton, timber, hides and skins, copra, cloves, and ilang-ilang. The Commission also has approved EUA 848,400 for Mali for a drop in export earnings of gum arabic.

In addition, the Commission approved an advance transfer to cover losses in estimated earnings for the current year to Senegal for a catastrophic harvest in groundnuts. The advance payment of EUA 19 million is also the largest ever approved under the Stabex program. Of that total EUA 16 million is for losses from goundnut oil and 3 million for groundnut cake.

A few days earlier Commissioner Claude Cheysson had discussed the possibility of former Portugese colonies participating in the new Lomé Convention and the possibility of enlarging the Stabex plan for bolstering export earnings in the developing countries. These comments came during a press conference following his trip to Angola, Guinea, and the Sudan. It was the first contact with Angola by a Community official since that country became independent.

Cheysson Discusses Africa

The major political and economic problems of Africa were the topic of a press conference by EC Commissioner Claude Cheysson upon his return from visiting a dozen African nations early this summer.

The Soviet Union was not a good partner for development in "Third World" countries, observed the Commissioner in charge of EC development aid. He noted that a number of African countries had loosened their USSR ties in the past few years.

Cheysson said the new Ethiopian leader, Lt. Col. Mengistu Haile Mariam, would limit himself in following guidance of the Soviets. The Commissioner had visited Community representatives stationed in Ethiopia and observed the vast improvement in Ethiopian agriculture in the past few years.

Regarding Somalia, Cheysson noted that in six months the Community had been able to supply Somalia with all the technical aid it needed after its decision to expel Soviet advisors.

On Zaire, Cheysson said he regretted that hug sums of money and aid received from the Community had remained unused. He emphasized international efforts to start the Zairian economy moving again.

Citing the Lomé accord between the Community and the 53 developing nations as a world example, he stated that exports of the signatories to Europe had increased by 20 per cent in a year and had resumed their pre-oil crisis growth.

ENVIRONMENT

Environment Ministers Meet

EC environment ministers adopted a number of long-pending directives during an early summer meeting in Brussels.

Adopted in principle was an action program to further research and cooperation on maritime pollution and toxic substances control. They also authorized the Commission to undertake negotiations with the United States on application of the new US Toxic Control Act to EC chemical imports.

A directive enabling member states to designate rivers and bodies of water as "fishlife sites," thereby requiring new water quality standards, was also adopted. In addition, they called for national governments to lower the lead level in gasoline sold in their countries.

A study program was adopted to determine the effect of chlorofluorocarbons in aerosol cans on the ozone layer. In the meantime, the EC governments pledged to press for industrial limitation of use of these substances.

Steel Pollution Research

The EC Commission approved financial grants in late June for 11 research projects in five different member states into various aspects of pollution in the steel industry.

The financial aid, totaling 1.9 million European units of account, amounts to 60 per cent of the total cost of each project to be conducted by research institutions. These grants were awarded under the regulations of the European Coal and Steel Community.

The studies will delve into various aspects of the environment and pollution in the steel industry. They include purification of waste waters, the use and stocking of other wastes, the reduction of atmospheric pollution, the collection of such air pollutants, and the measurement of noise pollution.

ENERGY

Funds for Domestic Uranium

The EC Commission announced in mid-July the allocation of 5 million European units of account to assist projects aimed at prospecting for uranium deposits in the EC countries.

The allocations, which will not cover all the expenses for the nine projects involved, is part of the long-term effort by the Community to lessen its dependence on outside energy sources. This involves not only increased use of nuclear energy to lessen dependence on imported oil, but also the exploration for uranium sources inside the Community to decrease EC dependence on outside mines.

US Uranium Embargo Ends

On behalf of Euratom, the EC Commission has agreed to the US request for a renegotiation of terms of accords on nuclear shipments to Europe, which were embargoed last spring. The communication was sent by EC Energy Commissioner Guido Brunner to US Ambassador to the Community Deane Hinton in early July.

The US embargo resulted from passage of the US Nuclear Nonproliferation Act, which blocked deliveries to purchasers of US uranium that had not signaled their readiness to renegotiate the terms of their cooperation agreements with the United States in compliance with the new law. Although most EC member states were willing to enter into talks with US authorities, a Community declaration to this effect had been temporarily blocked by the French Government's opposition.

The situation was considered extremely serious since the Community depends on the United States for about 50 per cent of its lowly enriched uranium and nearly 100 per cent of its highly enriched uranium requirements. This dependency is expected to be reduced substantially by 1985, when European enrichment plants increase their operation.

Energy Research Projects

The EC Commission is requesting formal proposals for financing of demonstration projects aimed at conserving energy or developing new sources of energy.

Requests for applications for these funds is part of a campaign launched by the Community to reduce its dependence on imported petroleum. Some 10 million European units of account (EUA) were allocated in the 1978 budget to help finance such new demonstration projects.

In all cases the financing made available by the Commission would be reimbursed if the process developed with the assistance of the funds proved to be industrially or commercially viable.

The funds could cover anywhere from 25 per cent to about 40 per cent of the undertaking depending on the individual project. Information and application blanks were inserted in the EC Official Journal of July 4 and applications must be submitted by September 30.

HARMONIZATION

Harmful Packaging Standards

A proposed directive that would establish standards for potentially harmful packaging of foodstuffs sold in EC nations was announced by the Commission this summer.

The measure aims at protecting the consumer and removing trade barriers that have developed among the member states as national authorities moved independently on the same issues, enacting divergent controls.

Virtually all consumer and industrial interests consulted backed the directive, and the European Parliament and EC Economic and Social Committee have urged speedy action on the proposal.

Commerce in processed foodstuffs within the Community amounts to approximately 9 billion European units of account annually, much of which is packaged or wrapped. Tests indicate a number of substances contained in plastic packaging are potentially harmful or carcinogenic. The directive would set standards for substances used in packaging and take into consideration the freshness and taste of the foodstuffs.

Trade Barrier Tumbles

Eleven years after the adoption of the first EC directive against technical trade barriers between member states, the Council of Ministers adopted the one-hundredth measure in late June—aimed at the labeling of pesticides.

While most of these technical measures have dealt with industrial products, it was a coincidence that the latest directive was on pesticides just as the first one was in 1967.

The latest measure is designed to establish a common system of labeling and packaging for pesticides on the market to inform purchasers of the ingredients, especially hazardous ones.

Many previous measures have dealt with eliminating the backlog of minute regulations within member states on features such as the type of windscreens or headrests on automobiles. These had tended to vary from country to country, impeding the free flow of industrial goods within the Community.

A large number of such measures still remain to be adopted, including some that are highly controversial, such as one to harmonize the standards for truck sizes and weights. This latter measure has been stalled for years for fear that it will mean the introduction of larger vehicles into countries that have not heretofore allowed them, resulting in damage to roads and environment.

Tax Aid for Small Investor

A draft directive aimed at eliminating double taxation for investors in unit trusts and other collective investment institutions was adopted by the EC Commission and sent to the Council in July.

Basically, the proposal would extend to dividends from collective investment institutions the tax credit advantages already proposed for general company dividends. In some EC countries such dividends are taxed twice, first in the form of corporate taxes and then from the individual investors. Some countries, however, already grant complete or partial tax credit.

The new proposal is aimed at benefitting mainly small investors, since they tend to be the ones who take advantage of the collective investment institution or unit trust. Commission officials indicated that the proposed directive was an adjunct to a previous one sent to the Council in 1975 proposing the same type of treatment for corporate taxation. That measure has yet to obtain the approval of the European Parliament.

The officials pointed out, however, that a renewed push for adoption of both directives would be made in light of the recent Bremen summit meeting commitments. These measures are deemed necessary to a harmonized tax and capital market system in the Community.

EC to Enter the Classroom

The study of the European Community in schools throughout the member states has been proposed by the Commission.

The proposal is an outgrowth of a 1976 Council of Education Ministers meeting that decided to encourage study of the "European dimension" in secondary schools. The program would be aimed at pupils up to 18 years old, and would cost just over 5 million European units of account (EUA) for four years starting in 1980.

Three main ideas would be covered: the historical development of the European idea, the Community system at work, and the Community and the world. Curriculum materials would have to be developed and teachers trained.

The Commission also accepted a proposal to promote the study of Community languages costing EUA 6.5 million in 1980 and rising to EUA 8.2 million by 1982.

Both proposals were to go to the Council of Education Ministers in the fall.

Patent Office Opens

The new European Patent Office, which began its operations in Munich on June 1, has begun to receive applications. The first product registered was a drug designed to reduce high blood pressure. There is another main center for patent searches in the Hague, and applicants may also file for the time being in national patent offices.

The new system is the result of the European Patent Convention, signed by 16 countries and ratified by eight. This accord, signed in 1973, says that with a single patent application an inventor will be able to secure a patent valid in as many signatory countries as he wishes.

This new international instrument is to be supplemented by the application of a Community Patent Convention, signed in Luxembourg in 1975. This latter document, involving EC member countries only, is designed to establish uniform national laws within the Community under which the European patent will be processed.

Transport Ministers Meet

EC transport ministers agreed this summer to set up a monitoring system for shipping rates from the Eastern European communist countries. The meeting also produced an accord on a common system of cost accounting in Community railways.

For several months Community freight shipping lines have faced increasing competition from communist countries and have complained about the artificially low rates these non-commercial lines can charge. While certain member states wanted to begin a Community system of at least monitoring Eastern shipping and rates, others were opposed to singling out these countries. In the end, it was agreed to monitor all shipping that enters Community harbors.

In another major item the ministers agreed to a recommendation that national parliaments ratify three international maritime conventions for combatting pollution resulting from tanker accidents. They also agreed to seek joint Community positions in the International Maritime Consultative Organization meetings on safety at sea.

Summer time standardization, which has always eluded the Community, again failed to gain acceptance. But the ministers did consider a major new program for air transport problems and cooperation.

AGRICULTURE

Sugar Disputes

Sugar-producing Lomé associated nations accepted a Community offer in late June of a 2 per cent increase in the price for sugar during the marketing year beginning July 1.

A previous round of negotiations had ended a month earlier when the Community refused to offer producers from developing countries an increase that was higher than the one granted domestic Community sugar producers.

In another dispute over sugar pricing, the Commission told the press in late July that a US Treasury Department countervailing duty of 10.8 cents per pound of imported sugar from the Community was considered unjustified.

EC sugar exports to the United States represented a negligible share of that market, said the EC Commission, and for that reason could not have resulted in any material injury for domestic procedures—as required by the General Agreement on Tariffs and Trade. The United States imports around 4 million tons of sugar annually, and Community exports to the United States have been below 100,000 tons in recent years and often under 10,000 tons.

The Commission pointed out that export rebates granted to Community exporters are fixed by the difference between Community and world market prices, and thus the sugar offered on the US market was not inferior to the average world market price.

Unilateral Fishing Actions

Difficulty in reaching agreement on a joint EC fisheries policy became even more controversial in early July, when Britain went ahead with unilateral fisheries conservation measures off its coast.

The action, followed by Irish restrictions a day later, was studied by the EC Commission for compliance with Community regulations. The Commission then asked the British Government for additional information on its moves to ban herring and other types of fishing and restrict the size of fishing nets used for certain species.

Community regulations include requirements that such measures be temporary, nondiscriminatory, necessary, and legal.

CAP Risks Outlined

Agricultural surpluses and instability of national currencies were characterized as the two main risks for the common agricultural policy (CAP) by EC Commission President Roy Jenkins in early July.

Addressing the Royal Agricultural Show at Stoneleigh, England, the Commission head said that although the EC farm policy had achieved major accomplishments by securing a stable food supply for the consumer and stable prices for the producer, it was facing a time bomb.

He recognized that surpluses were not always a bad thing—"it is better for the consumer to have a small surplus than a small shortage"—but said that the Community's taxpayers would not be willing to continue to bear the burden for continuing milk overproduction while consumption was declining. "We must find a way of checking the surplus through prices and the market mechanisms," he said or face what Commission Vice President Finn Olav Gundelach has referred to as the "time bomb under the CAP." Jenkins said that the fuse keeps getting shorter with each passing month.

He also attacked the system of green currencies and compensatory amounts that falsified true prices and competition between EC countries—noting that there was as much as a 40 per cent difference in prices among member states.

Jenkins also touched on the fact that the Community would be expected to dismantle some of its agricultural protective measures during the Tokyo Round of international trade negotiations, and added that the same would be expected of EC trading partners.

COMPETITION

Steel Combine Approved

Luxembourg ARBED's (Aciéries réunies de Burbach-Eich-Dudelange) acquisition of two other steel companies in Belgium and Luxembourg was approved in June by the Commission.

The firm had asked the Commission to rule on whether the operation would be compatible with the Community steel competition rules. The Commission, after studying the impact of the new combine on the Community steel market, said it had no objection.

The new group, composed of ARBED, the German Neunkirkcher Eisenwerk AG, and the S.A. Métallurgique et Minière de Rodange-Athus in Belgium, will produce 10.5 million tons of crude steel—about 7.8 per cent of the total EC output. The plan also had approval from the Luxembourg, German, and Belgian Governments.

EC Against Market Accord

An accord between French and British high-technology companies leading to a partitioning of their respective markets has been judged as a potential infraction of EC regulations by the Commission.

The ruling by competition authorities is aimed at an agreement by the Société nationale des poudres et explosifs (SNPE) of Paris and Leafields Engineering Limited of Wiltshire, England. The two firms had decided to cooperate in the development, manufacture, and marketing of a number of products meant primarily for submarine or maritime use.

The Commission's preliminary ruling indicated that such an arrangement would run counter to Article 85 of the Treaty of Rome on restriction of competition and that an exemption is not justified.

Synthetic Fiber Cartel

The 11 most important manufacturers of synthetic fibers from six EC nations have agreed to create a joint organization aimed at reducing production in the crisis-ridden sector in a controversial move backed by some Commission officials.

The aim of this so-called "crisis cartel" is to reduce the collective output because of overproduction in recent years. Some member countries, however, were unsure whether such a cartel would be legal under national and EC competition laws. The Commission in recent weeks has sought to head off this controversy by drafting and getting Council approval on a legal text that would have approved such actions in time of crisis. However, in the absence of such a text, experts in the Commission and in national governments indicated the move was not legal.

Even the Commission officials who supported the actions made clear that, for approval, the move would have to be aimed at reducing overcapacity and would have to take unemployment into consideration.

Decision Against Commission

The European Court of Justice in Luxembourg ruled in late June against EC Commission charges that three Dutch affiliates of British Petroleum (BP) had violated the EC rules of competition against abuse of dominant power during the 1973-1974 oil crisis.

The Court ruled that in this particular case BP failure to maintain oil supply deliveries to a client did not constitute a breach of law because the complaining client had not been a regular customer. The Commission had not sought a fine of the company.

The Court decision did not rule on a point the Commission felt was essential: that producers or suppliers of a rare commodity, such as oil was during the embargo, should be considered to have a dominant position. Since the elements of the case, in the Court's eyes, did not warrant the charge of abuse, it did not feel obliged to rule on the question.

ECONOMY

Steel Targets Down

The Community's steel production targets for the third quarter of 1978 will be reduced by about 6 per cent below the same period for last year, the Commission announced in June.

The measure, approved by the Coal and Steel Community Consultative Committee in Luxembourg, is designed to counteract the surplus production of some 4 million tons during the second quarter. The third quarter is also traditionally a period when activity is reduced.

The steel crisis program also set import targets and started the new price increases scheduled to go into effect July 1. The increases were estimated at 5.5 per cent on some products.

Plan for Steel Industry

The EC Commission, noting that the employment situation in the steel sector had deteriorated badly in recent years, forwarded to the Coal and Steel Consultative Committee a preliminary document in mid-July on possible ways of helping relieve anticipated reductions in employment.

From 1975 employment of 760,000, the industry is now down to 720,000, and the layoff rate has accelerated since September 1977. The Commission also estimates that between 1973 and 1980 some 100,000 to 140,000 jobs will have been lost.

Commission Vice President Henk Vredeling told the press in Brussels that ways must be found to assist workers affected by the decline. Among proposals the Commission wants to examine are early retirement, work-sharing, the addition of extra workshifts, a reduction in working hours, and limitations on overtime.

Vredeling hesitated to estimate how much the plan would cost, but he said that 44 million European units of account (EUA) were in the budget for that purpose this year and that the expenditure would rise to EUA 100 million. He added that similar plans must be formulated for other crisis industries, such as shipbuilding and synthetic fibers.

Textile Industry Program

The broad outlines of a program to improve the competitiveness of the European textile and clothing industry were forwarded by the Commission to the Council of Ministers in July.

The Commission also indicated that between now and the end of the year it would consult with industry trade union leaders to formulate a specific plan for dealing with the crisis-ridden sector.

As a first step the Commission said it would institute a regular system of data collection on production employment, trade figures, and projections for the future. The Commission also said that salvaging the industry would mean increasing research in trade and new products.

The problem of foreign competition from developing countries, the Commission document said, should be under control until 1982, when the agreements controlling shipments by major suppliers are to expire. The paper also pointed, however, to the impact that EC enlargement might have on this market.

Consumer Confidence Levels

Attitudes expressed by consumers surveyed recently in eight EC countries showed a higher level of confidence in the economic future than during the oil crisis period 1974-76. The results, issued by the Community in late July, showed some stability since the previous survey in January of some 20,000 respondents in all the EC countries except Luxembourg.

A continued upswing in Germany and Italy, a decline in the Netherlands, and a slight dip from a high peak in Britain and Ireland could be seen. In the previous poll the latter two countries had shown a staggering 30 per cent improvement in consumer confidence over the last consumer survey. France, Denmark, and Belgium were shown to be holding steady.

Armaments Production

Commission and European Parliament officials concerned with the possible development of a Community armament production policy met in Brussels in late June following a Parliament report on the subject.

EC Commissioner Etienne Davignon told the press that such a policy of cooperation would not exclude cooperation with other countries, such as the United States. But he said any formulation of such a policy would require consultation by the Commission, the member states, the industries involved, and the Parliament.

The author of the Parliament report, Egon Kleps, said that a full Community industrial policy would not be complete without inclusion of the important segment involving defense production. He pointed out that the production of modern weaponry involved high-technology, such as aviation, electronics, and data processing.

The Parliament debate resulted in a request that the Commission study the possibility of a joint Community policy in this field. However, defense and military affairs are excluded from the realm of Community activities, and some member countries oppose such involvement.

Spring Production Up

Uneven performances registered in EC industrial production during April were nevertheless a slight improvement over the previous months, according to figures released in late June by the EC Statistical Office.

After adjustment for seasonal conditions, the Community's index of industrial output was 119.1, only a gradual improvement over the base 1970 period and a rise of .5 per cent over the figure in March 1978.

The trend in industrial production indicated improved performance in Denmark, Luxembourg, Belgium, and the Netherlands, but an actual decline from the 1977 average in Italy and marginal gains in the other EC members.

DIRECT ELECTIONS

Eurobarometer on Elections

Less than a year before the first direct elections to the European Parliament, public opinion in the Community still varies widely, according to figures released in July.

The poll, conducted with over 9,000 persons in all the EC countries between May and June, showed that while support for the elections had not increased since the previous measurement a few months earlier, there had been an increase in the number of persons undecided about the vote.

Public support was still the highest in Luxembourg, the Netherlands, and Italy, and the lowest in Denmark and the United Kingdom. Persons in higher socio-economic positions tended to be more supportive of the elections.

About half of the respondents felt that this would be an important event and that it would reinforce the feeling of identity with other citizens in the Community.

The survey also revealed that in virtually all EC countries those persons who felt the Community to be a "good thing" declined from a high point in the autumn of 1975—the only exception

Auto Update

Two new, spectacular examples of the growing *défi français* to the US and world motor vehicle market have been added to those reported in the last issue of *European Community* (Number 208, page 10).

By far the most important calls for Chrysler Corporation selling its automotive subsidiaries in Britain, France, and Spain to France's Peugeot-Citroën for roughly $450 million in cash and stock. The year-long negotiations were so secretive that on at least one occasion they reportedly took place aboard a transatlantic flight of the Concorde supersonic airliner.

The smallest of the US auto industry's "Big Three" suddenly became, in the words of *Time* magazine, "an ex-multinational" by virtue of its apparently determined retreat from Western Europe. But the agreement announced in early August also provides Chrysler—a beleaguered company that is strapped for cash—a new source of funds. The most important consequence, however, is that the deal makes the Peugeot group Europe's largest automaker and the fourth largest in the world.

Although a French company spokesman previously denied plans for a tie-up with Chrysler in the United States, industry sources on both sides of the Atlantic are not ruling out this possibility—assuming the initial agreement is approved.

The French Government has tentatively cleared the agreement, and most of the other European countries are expected to follow suit, despite looming problems. Chrysler is supposed to provide assistance in managing the three European operations through 1980. But Chrysler Ltd. in Great Britain—the main trouble point—is plagued by chronic labor unrest and low productivity. And the British Government, deeply concerned over the possible loss of jobs, may try to torpedo or modify the outcome of the deal.

The second deal announced in late July involves another major stab at the US market by giant, state-controlled automaker Renault, only this time it is aimed at trucks and possibly buses. The company's subsidiary, Renault Vehicles Industrial (RVI), and Mack Trucks, Inc., a major US maker of heavy-duty diesel trucks, plan to develop jointly a new truck for the North American market. The agreement also gives Mack the exclusive rights to market RVI Saviem trucks in the United States and Canada. Industry insiders expect that the accord will eventually be extended to cover Berliet buses made by the French company.

Meantime, Renault's negotiations for framing an agreement in the automobile field with American Motors Corporation were progressing in late August but reportedly at a slower pace than was previously expected. American executives said that, nevertheless, there still was a possibility that a Renault model will be in AMC dealer showrooms in the autumn.

Axel Krause, *a senior correspondent for* Business Week being the Netherlands, where the figure increased. The percentage of positive response also tended to be higher in the original six member countries and was lowest in Denmark and the United Kingdom.

European Politics Discussed

Leaders of European Socialist and Social Democratic parties met in Brussels in late June to discuss the European Parliament direct elections.

Attending the meeting were such leaders as France's François Mitterrand, Germany's Willy Brandt, Denmark's Anker Joergensen, and Britain's Ron Hayward. After some intense debate the gathering emerged with a statement and a symbol for their candidates to the European election—an arrow pointing upward.

A few days later it was the turn of the European People's Party to meet and discuss its strategy. The meeting was led by Belgian Prime Minister Leo Tindemans and German Parliamentarian Egon Klepsch. The group, representing EC Christian Democratic parties, insisted that it was the only truly European political party and had no connection with other conservative or far-right groups recently formed.

Colombo Meets Commission

European Parliament President Emilio Colombo participated in a meeting of the EC Commission in Brussels in late June and discussed the elections to the European Parliament.

There was a difference of opinion over the issue of the double mandate—whether a politician can sit in both the European Parliament and his national parliament as well. Colombo indicated he was in favor of the double mandate to allow experienced political figures, including the major leaders of the political parties, to stand for the elections and enliven the debate in the Parliament. Jenkins, however, was of the opinion that candidates and members of the European Parliament should devote their entire time to the work of that body.

The two leaders agreed that the Parliament should actively help prepare for the elections in June 1979 rather than leaving it to the political parties. Colombo said that the Parliament would present its views on the difficult issue of level of pay for the parliamentarians but that the Council of Ministers would make the final decision.

SOCIAL POLICY

Youth Package Fails

A disagreement among EC social ministers in late June over the plan for incentives to create youth employment in the public sector blocked an accord on the whole package, which also contained programs for private companies to hire youths.

The main stumbling block was insistence by the French delegation that jobs should only be created in enterprises and not in the already overfilled service sector.

Before the meeting broke up in discord, it reached agreement on a major plan to improve health and safety conditions at the place of employment. Research will be conducted on the statistical incidence of various diseases and their causes, standards for some dangerous substances will be set, and better programs of inspection will be sought.

The Council of Ministers also adopted a statement recalling that the free movement of workers within the Community was not intended to facilitate their use in labor disputes. The statement was in response to a Danish request for action following the import of workers by a multinational company from its other EC country affiliates to replace the striking Danish workers.

Social Side of Economics

Two sessions of the EC Economic and Social Committee held in late May and June considered issues ranging from the economy to maritime pollution.

During the June session the Committee adopted several opinions concerning the general economic situation, noting the failure to achieve the 4-to-4.5 per cent economic growth rate forecast by the Commission for the year. The Committee went on record as favoring an expansion of the resources and responsibility of the European Monetary Cooperation Fund.

Both sessions dealt with water pollution—covering areas of maritime pollution, underground water, and costs of pollution control. Ways of improving competitiveness and output in the shipbuilding industry and safety measures needed in light of the Amoco Cadiz disaster off Brittany were discussed in the May meeting.

Social programs and the individual rights of migrant workers, including the use of part-time employment as a means of work-sharing, various proposals on the value-added tax system, and the marketing of potentially dangerous substances were also covered in the May session.

Product Liability Debated

The EC Economic and Social Committee, during its session in mid-July, gave careful consideration to a pending draft directive on product liability and on the forthcoming renewal of the Lomé Convention.

The panel, which is composed of representatives from industry, labor, and consumer associations in the Community, was divided over contents of the proposed directive on the liability of producers for defective products. It did agree that the measure should reduce the number of defective products sold, not distort competition, spread the financial burden of damage equitably, permit faster recourse, and follow trends in international law. EC Commissioner Etienne Davignon participated in the debate.

The panel agreed to favor no-fault producer liability but could not decide whether normal risks in new scientific or technological development should include liability for damages. Nor could it reach an agreement on other aspects of the definition of damage and on the financial limit of liability.

In discussing the Lomé Convention, the panel suggested that the industrial cooperation aspect of the accord had not yet begun to function adequately. It approved the Commission orientation to help promote and protect investment in the 53 developing countries. But the Committee indicated a diversified industrial base should be sought that would stimulate employment rather than aim at joint ventures. It also suggested an enlargement of the Stabex system.

Institute Management Set

Signing ceremonies were held the first week of June between representatives of the EC Commission and the European Trade Union Confederation on the accord for management of the European Free Trade Institute.

The new institute will promote better training and information for European workers and will improve living and working conditions. The convention sets financial assistance from the Commission at 500,000 European units of account for the Institute for 1978.

INSTITUTIONS

Work Goals Outlined

German Foreign Minister Hans-Dietrich Genscher, on behalf of the Presidency of the Council of Ministers, emphasized external relations in talking about work facing the Community in the second half of 1978.

Although he also touched on the need for a concerted EC stand on economic, monetary, and energy issues, his speech before the European Parliament in early July was mostly devoted to foreign policy. Genscher said he was pleased that one of his first experiences in office dealt with the fact that all EC parliaments had completed ratification of the instruments for the direct elections to the European Parliament in 1979.

He placed particular emphasis in the field of foreign relations on the "North/South Dialogue," the renewal of the Lomé Convention, and completing the Tokyo Round of trade and tariff negotiations.

Other areas of significance, he said, would be relations with the Comecon countries, the Euro-Arab dialogue, and relations with Africa and Southeast Asia.

Council Reduces Budget

The Council of Ministers has begun discussing and acting on Commission proposals for the 1979 budget.

The Commission had requested some 14.6 billion European units of account (EUA) in commitment appropriations, and the Council reduced that amount by some EUA 840 million down to a total of EUA 13 billion.

Council President Manfred Lahnstein emphasized that the cuts had been mostly in programs which had not yet received specific spending approval. Budget Commissioner Christopher Tugendhat, however, expressed disappointment at the sizeable reductions made in the request for additional personnel at the Commission.

The British delegation strongly criticized the volume of spending for agricultural programs—saying that they contributed to production surpluses and higher prices. While this view was opposed by other delegations, the Commission committed itself to a major review of farm spending to be presented to the Council later this year.

The discussions, including a delegation from the European Parliament, will continue, with the Parliament and Council probably exchanging amendments throughout the autumn.

In its last session before the summer break in early July, the Parliament had spent much of its time debating the budget. Although the Commission's proposed budget was an increase of 15.5 per cent over this year, the nearly unanimous opinion of Parliament was that it was not enough. Tugendhat pointed out, however, that further spending would probably not be met within the 1 per cent value-added tax share collected by EC Governments for the budget.

Council Clears Decks

The decks were cleared for summer in late June by the Council of Ministers acting on a number of issues.

In one major decision the ministers reached agreement on technical points that had held up development of the Regional Fund for months. As a result the Fund will have at its disposal some 1.8 billion European units of account for the 1978-1980 period.

Directives on the free circulation of dentists, labeling of pesticides, and the fourth company law directive on corporate accounting standards were adopted. On the subject of maritime pollution, the ministers could not agree on all the recommendations for ratification of the international maritime conventions. However, they did accept a program for research and cooperation to prevent oil spills at sea.

The Council noted that the ratification process was completed in the member states for direct elections to the European Parliament to take place June 7-10 next summer. It was decided to ask the Parliament itself to make recommendations concerning salaries for the elected parliamentarians.

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.

Domestic Political Realities and European Unification: A Study of Mass Publics and Elites in the European Community Countries. By Werner J. Feld and John K. Wildgen. Westview Press, Boulder, Colorado, 1976. 117 pages with appendexes. $16.50.

A study of difficulties in moving Western Europe toward political unity; attempts to identify and interpret factors explaining support for political unification with particular attention to implications for domestic and regional politics present and future.

Bibliography on European Integration. By Karl Kujath. Europa Union Verlag, Bonn, 1977. 777 pages with index.

Considers international and supranational European organizations and all aspect of European integration; bibliography in three languages, introduction, explanatory notes, and classification.

International Environmental Reporter. Bureau of National Affairs, Inc., Washington, DC. Three looseleaf binders. $350.00 for annual subscription before August 1, 1978; otherwise $425.00.

A guide to international environmental activities; monthly reports on current legislative and regulatory developments, enforcement, and litigation; discussions of political, economic, and social factors effecting environmental programs; full texts of proposals, draft legislation, and other important documents; a calendar of upcoming events.

Two-binder *Reference File* contains information on European Community environmental programs and directives and English language texts of national environmental laws in EC member states, Japan, Canada, and the United States. Texts of treaties, bilateral agreements, and specialized European conventions, and directories, policies, and programs of the United Nations and other international organizations are reproduced.

The Permanent Alliance: The European-American Partnership 1945-1984. By Geoffrey Williams. A. W. Sijthoff International Publishing Company, Leyden, the Netherlands, 1977. 407 pages.

Detailed study and analysis of the postwar European-American relationship: its origins, development, decline, and possible future.

European Patents at the Crossroads. Edited by Robert R. Pennington. Matthew Bender and Co., New York, 1976. 251 pages with index. $28.50.

Papers delivered at a conference held in Munich in January 1976 (Oyez IBC Conference) on the question of patents in Europe; discusses issues in the context of the European Patent Convention and the Community Patent Convention (the text of the latter is included as an appendix).

Who Speaks for Europe? By Lois Pattison de Ménil. St. Martin's Press, New York, 1977. 232 pages including index. $12.50.

Foreign policy of Charles de Gaulle is explored with emphasis on the conflict between the United States and France concerning the question of responsibility for the destiny of Europe after World War II.

Managing the External Relations of Multinational Corporations. By David H. Blake. Fund for Multinational Management Education, New York. Available from Unipub, New York, 1977. 100 pages. $7.50.

A study of corporate ideas and practices in managing multinational corporations' interactions with host countries, combined with academic theory on the subject; intended as an introduction to management of relationships with corporate environment; includes organizational chart illustrating suggested allocation of responsibility for such management.

Political Parties and Elections in the French Fifth Republic. By. J. R. Frears. St. Martin's Press, Inc., New York, 1978. 264 pages with appendixes. $17.95.

A full-length study in English of the French system of political parties and elections: The first part traces the transition from weak multiparty coalitions to a majority-opposition polarization and the impact of Gaullism; the second part discusses elections in the Fifth Republic and explains the electoral system and how to analyze French election results and voting behavior.

Bretton Woods: Birth of a Monetary System. By Armand Van Dormael. Holmes & Meier Publishers, Inc., New York, 1978. 322 pages including index. $21.00.

Development of the Bretton Woods monetary system retraced in detail from plans originating in 1941 to the inaugural meeting of the International Monetary Fund in 1946; main theme shows ideological conflicts between John Maynard Keynes and Harry White; includes previously unpublished documents.

The Growth of British Industry. By A. E. Musson. Holmes & Meier Publishers, Inc., New York, 1978. 396 pages including index. $29.50.

Traces industrial development in Britain from 1500 up to World War II; includes examination of country's growth within the world economy, as well as more detailed accounts of individual industries.

Legal Problems of Multinational Corporations. Edited by Kenneth R. Simmonds. The British Institute of International and Comparative Law, London, 1977. Available from Oceana Publishers, Dobbs Ferry, New York. 232 pages including index. $15.00.

Collection of discussions and documents reflecting an analytical approach to problems of multinational enterprises; subjects specifically presented are: multinationals in the Third World; role of the United Nations; group liability of multinationals.

The Resurgence of Class Conflict in Western Europe Since 1968, (Volumes I and II). Edited by Colin Crouch and Alessandro Pizzorno. Holmes & Meier Publishers, Inc., New York, 1978. 349 and 334 pages respectively, including indexes. $33.75 each.

Examination and evaluation of social and political unrest in Europe since the late 1960's; Volume I sets forth the facts, problems, and statistics; Volume II presents comparative analyses of the major themes.

Published for the Commission

The following are studies and conference proceedings published for the EC Commission by private publishers. Copies can be purchased only from the publisher or US distributor and are not available from the European Community Information Service or the Central Sales Office of the Community.

Casting and Solidification of Steel, Volume I. IPC Science and Technology Press, Ltd., Guildford, Surrey, England, 1977. 364 pages. *EUR 5903.* Published in German, English, and French.

A collection of technical papers prepared for the Information Symposium on the Casting and Solidification of Steel, held in Luxembourg, November 29—December 1, 1977.

Organophosphorus Pesticides. Pergamon Press, Elmsford, New York, 1977. 199 pages with index. *EUR 5696.* $21.50.

Report of a working group of experts prepared for the EC Commission assessing the hazards to man and his environment caused by organophosphorus pesticides used in the member states.

Data Documentation: Some Principles and Applications in Science and Industry. Edited by Wilhelm Gans and Rolf Henzler. Verlag Dokumentation, Munich, 1977. 189 pages with bibliography, index, and list of authors. Available from Unipub, New York. $15.00.

Proceedings of a workshop on data documentation organized by the School for Medical Documentation of the University of Elm, Reisenburg Castle, Germany, July 1975; attempt to identify, formulate, and solve as far as possible the widespread problems of data documentation.

Pollution by the Food Processing Industries in the EEC. By the Institute National de Recherche Chimique Appliquée. Published by Graham & Trotman, Ltd., London, 1977. 193 pages.

A comparative technological survey of pollution by certain food-processing industries in the EC "Nine," covering law and regulations, technical aspects, and economic and financial aspects; discusses canning, beet sugar, potato starch, and grain starch.

Principles and Methods for Determining Ecological Criteria on Hydrobiocenosis. Edited by R. Amavis and J. Smeets. Pergamon Press, Elmsford, New York, 1976. 531 pages with annexes. $35.00.

Proceedings of the 1975 European Scientific Colloquium held in Luxembourg; defines the scientific basis for assessing the results of pollution on hydrobiocenosis and biological methods used in assessing the extent of such pollution; synthesis of all scientific contributions presented and summary of discussions.

Materials Flows in the Post Consumer Waste Stream of the EEC. By Henri-Claude Bailly and Charles Tayart de Borms. Graham & Trotman, Ltd., London, 1977. 96 pages.

Study of solid wastes as a potential source of energy and raw materials based on an input-output analysis of paper, iron and steel, aluminum, glass, textiles, and rubber tires; includes summaries of member state legislation and of facilities for reprocessing solid wastes.

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.

Enlargement of the Community: General Considerations. *Bulletin of the European Communities, Supplement No. 1/78,* Commission, Brussels, 1978, 18 pages ....free
Commission communication of April 20, 1978 to the Council on the problems of Greek, Spanish, and Portugese accession to the Community.

Spain and the European Community. *Europe Information No. 5/78,* Commission, Brussels, May 1978, 7 pages ....free
Outline of EC-Spain bilateral trade relations, the Spanish application for membership, and sectoral problems including fishing, textiles, footwear, and steel.

Turkey and the European Community. *Europe Information No. 9/78,* Commission, Brussels, June 1978, 7 pages ....free
Note on the EC-Turkey Association Agreement and implementing protocols; includes an economic profile on Turkey.

Bananas: Essential Elements of the World and Community Markets. *Europe Information No. 4/78,* Commission, Brussels, April 1978, 11 pages ....free
Note on world banana production, an international banana agreement, the protocol to the Lomé Convention on bananas, and the market situation in each member state.

List of Main EEC Agreements with other Countries. *Europe Information No. 6/78,* Commission, Brussels, 1978, 10 pages ....free
List of main EC trade, fisheries, textile, and scientific agreements; information is given on date of entry into force, duration, Official Journal citation, and the type of agreement.

European Investment Bank 1958-1978. European Investment Bank, Luxembourg, 1978, 84 pages ....free
Brochure on the first 20 years of the Bank's operations in the Community members states and activities in nonmembers carried out under the Community's association agreements.

European Investment Bank Annual Report 1977. European Investment Bank, Luxembourg, 1978, 80 pages ....free
Describes the Bank's loans, guarantees and equity in 1977; includes the balance sheet and profit and loss account; covers the Bank's activities under the Community's association agreements.

The European Council Progresses Towards Monetary Union. *Background Note No. 14/1978,* EC Information Service, Washington, D.C., July 11, 1978, 6 pages ....free
Text of the conclusions of the European Council held at Bremen, Germany, July 6-7, 1978.

Changes in the International Economic Scene: The Challenge for the Eighties. *Background Information No. 13/1978,* EC Information Service, Washington, D.C., June 19, 1978, 5 pages ....free
Address by Wilhelm Haferkamp, Commission Vice President, at the International Conference on Trade and Investment, Washington, D.C., June 19, 1978.

1978-1979 Agricultural Program Approved for European Community. *Background Note No. 10/1978,* EC Information Service, Washington, D.C., May 30, 1978, 6 pages ....free
Summary of the 1978-1979 agricultural price decisions and the special structural and marketing measures approved for Mediterranean agriculture areas.

Report on the State of Relations Between the EEC and East European State-Trading Countries and Comecon. *Working Document No. 89/78,* European Parliament, Luxembourg, May 11, 1978, 47 pages ....free
Report by Manfred Schmidt for the Committee on External Economic Relations; discussion of trade relations with East Europe including Comecon debt, barter, and dumping; describes institutional relations between the Community and Comecon; includes statistical annexes on trade.

Report on European Armaments Procurement Cooperation. *Working Document No. 83/78,* European Parliament, Luxembourg, May 8, 1978, 69 pages ....free
Report by Egon Klepsch for the Political Affairs Committee; reviews existing European and Atlantic procurement cooperation and proposes the establishment of a European Armaments Procurement Agency.

Bibliography on Women's Work. *Documentation Bulletin B/4,* Commission, Brussels, 1978, 40 pages $1.15
Bibliography of official Community legislation and publications and non-Community sources on the legal, economic, and social aspects of working women.

The Aspects of Establishment, Planning and Control of Urban Retail Outlets in Europe. *Series Commerce and Distribution No. 4,* Commission, Brussels, 1978, 48 pages $1.60
Quantitative and qualitative analysis of factors affecting the development of urban retail outlets and prospects for development of various types of trading facilities; summarizes the laws on retailing and includes a statistical annex on the retail sector.

The Children of Migrant Workers. *Education Series No. 1,* Commission, Brussels, 1977, 53 pages $2.20
Examines the linguistic, cultural, and social problems posed by the education of migrant workers' children in the EC member states.

Guidance and Orientation in Secondary Schools. *Education Series No. 2,* Commission, Brussels, 1977, 60 pages $2.20
Report on guidance counseling in secondary schools as it exists in the Community; analyzes common problems; attempts to indicate methods to improve provision and quality of guidance and orientation programs.

The Energy Situation in the Community: Situation 1977; Outlook 1978. Commission, Brussels, 1978, 16 pages ....$.65
Brief overview of the supply, demand, and consumption of petroleum, natural gas, coal, electricity, and nuclear fuels in 1977 and the expected situation in 1978.

Apprenticeships in the Grand Duchy of Luxembourg. *Social Policy Series No. 31,* Commission, Brussels, 1978, 154 pages $4.60
Survey of the legal provisions and systems for apprenticeships, the types of apprenticeship contracts, and the structure of training schemes including vocational training; by Nicolas Estgen.

L'Apprentissage en Belgique. *Série politique sociale No. 27,* Commission, 1976, 79 pages $2.95
Examination of the contract system for apprenticeships in Belgium and the 1976 draft law on the apprenticeship system; by R. Blanpain.

L'Apprentissage en France. *Série politique sociale No. 29,* Commission, Brussels, 1976, 108 pages $3.00
Report on the legal provisions for apprenticeships in France and the structure of industrial and educational training schemes; by Bernard Boubli.

European Biomedical Engineering Research Inventory. *EUR 5818 EN,* Commission, Luxembourg, 1977, 226 pages $13.50
Inventory and description of biomedical research projects requiring a substantial input of engineering knowledge with the aim of immediate or early implementation for practical medical purposes; by H. Lorino.

Bibliography on Fiscal Matters. *Documentation Bulletin B/5,* Commission, Brussels, 1978, 108 pages $1.15
Bibliography of official Community legislation and publications and non-Community sources on taxation.

European Treaties Vocabulary. Commission, Brussels, 1977, 652 pages $18.25
Semi-phraseological vocabulary of the expressions used in the European Communities Treaties; the main text, in six languages, has individual alphabetical indexes.

Levels of Pollution of the Environment by the Principal Pollutants. *EUR 5730 e,* Commission, Luxembourg, 1977, 120 pages $9.35
Synthesis of information in the Community on the levels of contamination of the environment by pollutants listed in the first EC action program on the environment; classifies some 200,000 to 300,000 measurements made between 1968 and 1974.

EC-Index of Producer Prices of Agricultural Products 1970-1977. Yearbook 1978. EC Statistical Office, Luxembourg, 1978, 62 pages $6.20

ACP: Yearbook of Foreign Trade Statistics 1968-1976. Yearbook 1977. EC Statistical Office, Luxembourg, 1978, 980 pages $18.60
Data on the position of the ACP countries in world trade, trends and structure of ACP trade, and trade between the Community and ACP countries; trade is analyzed by major products (four-digit SITC) and product groups (one-digit SITC) and destination and origin.

ACP: Statistical Yearbook 1970-1976. Yearbook 1977. EC Statistical Office, Luxembourg, 1978, 624 pages $8.25
Contains data on demographic and social indicators, national accounts, agricultural and industrial production, food supply, external trade, balance of payments, financial statistics, and development assistance for the ACP countries; presents demographic, economic, and development aid data for all developing countries.

Bacteriological Analyses of Drinking Water. *EUR 5694 e,* Commission, Luxembourg, 1977, 106 pages ..$7.35
Lyons Technical Seminar, June 16-20, 1975. Comparative results of microbiological analysis of the same samples of drinking water using different techniques and different culture media.

Economic Accounts: Agriculture, Forestry, Unit Values. Yearbook 1977. EC Statistical Office, Luxembourg, 1978, 182 pages $15.30

Land Use and Production 1974-1976. Yearbook 1977. EC Statistical Office, Luxembourg, 1978, 122 pages $12.25

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