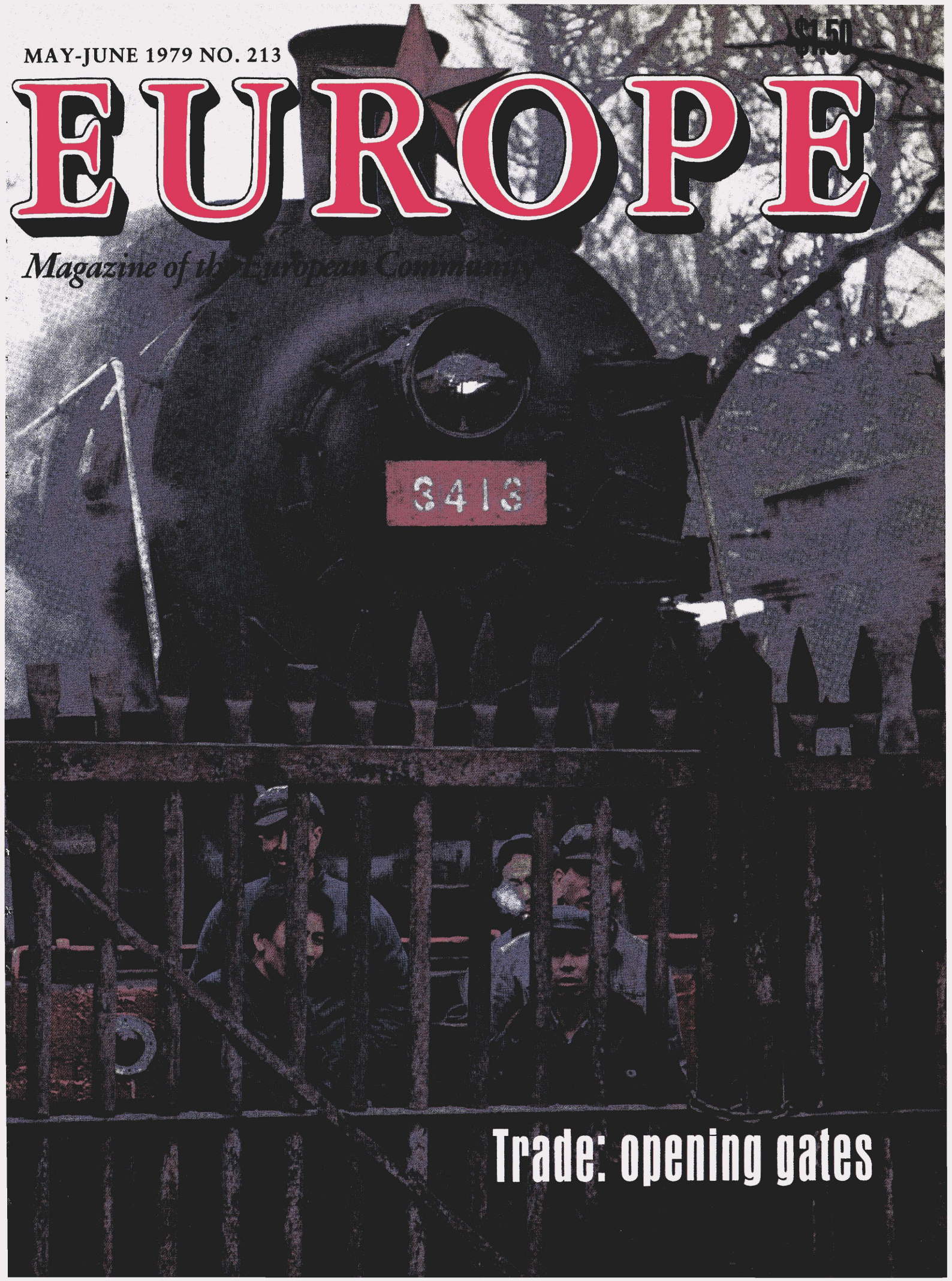


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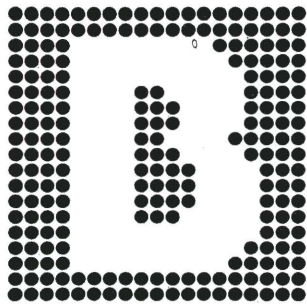
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Magazine of the European Community



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Publisher's Letter

Trade, always of special concern to the European Community as well as the United States, receives special attention in this issue of Europe. While the Multilateral Trade Negotiations among the world's major trading partners were finally initialed in Geneva, less dramatically and more quietly the West's trade with the East continues to evolve—not only with China but also with the Association of South East Asian Nations (ASEAN), a regional group that in many ways sees the European Community as an integrative model.

The "Harrisburg syndrome" knows no frontiers. In the European Community, where the nuclear component in energy dependence is already 3 per cent, the Three Mile Island incident has provided much food for thought. So in this issue we again look seriously at energy problems—not only the European response to Harrisburg, including an exclusive interview with EC Energy Commissioner Guido Brunner by the International Herald Tribune's Joseph Fitchett, but also transatlantic cooperation in coal conversion and other energy options, as well as the developing wood shortage.

At the heart of Europe—and incidentally of its energy problems—lies France, rich in resources, blessed by geography and climate, and yet poor in only one resource—fossil fuel. With the French now in the rotating Presidency of the European Community, we are devoting our "member state report" to France—with a contribution specially written for Europe magazine by the current President of the Council of Ministers, French Foreign Minister Jean François-Poncet.

The hexagon of France remains the key to Europe—a Europe that is enlarging and a Europe that is perceived at a distance as having more coherence and credibility than many Europeans themselves are prepared to concede. In the first of a series of articles on the enlarging Europe, Spain is examined as a potential EC member. And the ethnic link—the Basques—between Spain and France is viewed close up by a British writer, W. E. Armstrong, a long-time resident of Bayonne.

There is, it seems, an inexorable logic in that France should have produced two diametrically opposed visions of Europe—the vision of Charles de Gaulle and the vision of Jean Monnet. It is perhaps appropriate that Mike Mosettig, an American journalist who knows the European Community well, should compare these visions shortly after Monnet's death; and in memory of the grand old man of Europe we reprint a selection of the tributes paid to him by the American press.

Andrew A. Mulligan

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Cover (front): Steam locomotive in Peking. See page 20.

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Cover (back): Basque dance in San Sebastián, Spain. See page 53.

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“EUROPE EXISTS, PROGRESSES, INNOVATES. . . .”

JEAN FRANÇOIS-PONCET, *French Foreign Minister and current President of the EC Council of Ministers*

For the United States, Europe is the continent of origins. But the European Community of today constitutes a question mark. Perceived alternatively as an economic system and as a political structure, it is both a factor of protectionism and a symbol of liberty for the Americans.

The truth is very simple. Three facts stand out: Europe exists, progresses, and innovates.

THE COMMUNITY, OF WHICH FRANCE OCCUPIES THE Presidency this term, is a reality. Noting that it has managed to overcome all the crises it has had to face is sufficient to convince one of this.

The immediate postwar period engendered in Europe an immense movement of hope in a new community that would permit the elimination of fratricidal struggles forever, the most recent of which bloodied our continent. It is with that objective of hope that the European organization had its beginning in 1950, and developed after 1958 as the European Economic Community. By forcing this idea through the sieve of possibility, everyday realities might have postponed the ideal. Conflicting national interests could have transformed Community assets into liabilities. Routine could have extinguished the ardor. The world economic crisis could have destroyed our edifice. Yet in spite of this, Europe has come through. Community reality was preserved, and the Common Market, its commercial policy, common agricultural policy, all resisted the general tempest. If it is true that one only builds well upon solid foundations, it can now be affirmed that Europe has a future ahead.

Europe progresses. Two developments confirm this opinion: On the one hand, the creation of a European Monetary System; and on the other, the coming direct elections, June 7-10, to designate by universal suffrage the members of the future European Assembly.

Activating the European Monetary System represents a great step forward in the organization of Europe. Henceforth, the eight economies covered by this agreement will maintain among themselves stable ex-

change relations. Europe thus approaches the monetary situation of the other two poles of Western industrial power: the United States and Japan. In addition, the European Monetary System makes a substantial contribution to international monetary stability.

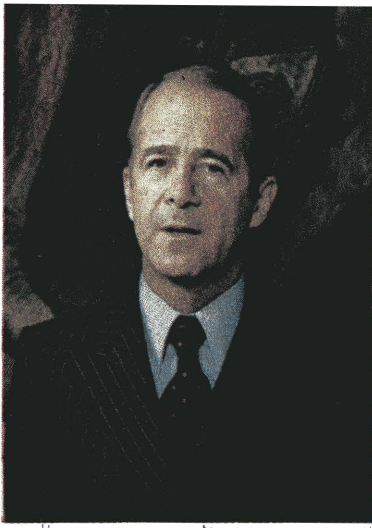
Likewise, Europe progresses by reinforcing the democratic nature of its organization; by direct universal suffrage, 180 million Europeans will elect their 410 representatives to the Assembly of the European Communities. This is a step toward the peoples' Europe that should satisfy all those who up until now have criticized Europe for being the concern of businessmen, industrialists, or technocrats. This Assembly, to which the EC Treaties ascribe precise powers of an essentially budgetary nature, will give a new impetus to the European structure without extending beyond the prerogatives of the parliaments of our nine states.

Lastly, Europe innovates. The vast scope of possibility that the Treaties contain has been thoroughly explored. New areas are being thoroughly prepared: Political cooperation, treating questions not covered by the Treaties, concentrates fully on the great problems of the world and on the principal international negotiations, and thus permits better coordination of the EC member countries' positions.

Another creation of primary interest is the European Council. It was unreasonable to conceive of the European structure's development if the principal heads of member countries did not meet directly. The European Council, bringing together heads of state or government three times a year, was established. In a short period it has shown that, on behalf of the European organization, it can be a force of impetus and innovation. It is the springboard and guarantee of future progress.

EUROPE EXISTS, BUT WHICH EUROPE? We no more want a Europe of illusions than of divisions.

I participated in the construction of Europe 20 years ago. We thought at that time that Community sentiment would overtake traditional national solidarities.



French Foreign Minister Jean
François-Poncet
courtesy French Embassy, Washington

Taking a step backwards, we see how illusory it was for us to want to build, so to speak, without foundations. Far from opposing this (the European idea and national exigencies being in agreement), the Community constitutes, in many cases, the place for conciliation of national interests, while national realities form the basis of all Community development.

But we equally reject solutions founded on national withdrawal—this temptation which is so strong and ill-fated in periods of crisis. We have not forgotten the teachings of history. The development of the Franco-German friendship, the ever stronger ties among the Nine, and the opening of the Community to three new members (Spain, Greece, and Portugal), whatever the economic challenge might be—those are the fundamental axes of our policy.

Now we are constructing a Europe of realism and of sincerity. Our political vision is proof of it.

For the long term we are shaping a European confederation that will preserve national personalities yet also will allow a coherent group of states to exist on a world scale.

EUROPE HAS A MESSAGE TO DELIVER to the world. A message of civilization, liberty, peace.

As a principle of civilization, Europe has followed humanism, except in rare instances, since Greek and Roman antiquity. With its enlargement to include new member states, the Community rediscovers the foundations of its cultural and moral heritage.

Europe is likewise a sanctuary and, as such, carries a message of liberty. Within our universe of daily violence, Europe along with the North American continent remains one of the rare islands of liberty, where democratic alternation of power is practiced, and where the holders of the most diverse convictions coexist in safety. Refugees from the whole world are assured that they will receive the most generous and unselfish welcome.

Europe is, finally, a model of peace, proving that a grand political view can be developed without hegemonic designs. It shows the world the benefits of

peaceful coexistence among states and of friendship among peoples.

But Europe does not rely solely on what it is. What it does should be emphasized. Three words define its objectives: equilibrium, cooperation, sanctuary.

Europe is above all a factor of equilibrium in the world. Between the United States and the Soviet Union, and within the perspective of the emergence of great new nations, Europe combines a group of peaceful countries aspiring to deepening *détente* and the elimination of tensions. Europe—not being able to resign itself to violence, in any local or regional conflict in any form, individual or collective, unintentional or deliberate—tries therefore to contribute to fair and durable solutions, be it in Africa, the Middle East, or in Asia.

Cooperation: Europe likewise aspires to better relations between industrialized and developing countries. To that end, it participates in the great international negotiations, specifically the United Nations Conference on Trade and Development (UNCTAD), and is fully associated with the French proposal for a North/South Dialogue. On that level through the Lomé Convention, a model of cooperation in conformity with the need for dignity on the part of Third World peoples was set up.

Europe's vocation is outlined: Europe, middle continent, crossroads of civilizations, should be the sanctuary, the geometric and political center for conciliation among states and the interests they represent. This vocation gives Europe a privileged role in the heart of the Western world. It enlightens the bonds that our continent has tied with our ally and commercial partner, the United States.

Let us be clear. Europe does not conceive of its relations with the United States in terms of a challenge or of opposition, and there is no question therefore of surrendering the system of Western solidarities. But Europe's vocation is to gradually affirm the independence it has developed of its own accord, somewhat like the United States, in its time, released itself from the European tutelage that it considered too restrictive.

Europe intends to assume the responsibilities which pertain to it, which dictate its original vocation as much as its privileged relations with certain regions of the world. The contribution affirmed therein, which it can give to the West and to world stability, is considerable and its approach merits being greeted not with suspicion, but with understanding and support.

Between partners, the will for independence is not evil. It is a sign of good health and of democratic enthusiasm.

France, as far as it is concerned, cannot separate the West from pluralism in its vision of the world. Therein lies the basis of our democracies. It is the source of our power.

FRANCE MEMBER STATE REPORT

Economic and diplomatic leadership in its EC Presidency

PATRICIA H. PAINTON, Paris-based American writer who serves as correspondent for *Business International* and formerly worked for *Fortune* magazine

IN THE YEAR SINCE LAST SPRING'S FRENCH LEGISLATIVE elections, Valéry Giscard d'Estaing has emerged as a strong president in the *Gaullien* tradition of the Fifth Republic. Like his predecessors, de Gaulle and Pompidou, he now dominates the French political scene; but unlike theirs, his own new parliamentary majority is prey to unseemly factional rivalries.

Economically, Giscard feels strong enough to impose an unpopular policy through his chosen instrument, Prime Minister Raymond Barre, the tenacious champion of a new economic liberalism. Barre's programs include mild austerity measures which have, so far, achieved balance of payments equilibrium and a solid franc and have braked, but not conquered, the spiraling upward curve of France's inflation rate.

Despite labor demonstrations, strikes, and talk of social malaise, Giscard is addressing a France that seems to be in basic agreement with his appeal to reason and the way he plays the presidential role. Neither the divided left nor on the right the increasingly strident attacks on the President by former Prime Minister Jacques Chirac appear to offer any immediate challenge to Giscard's authority.

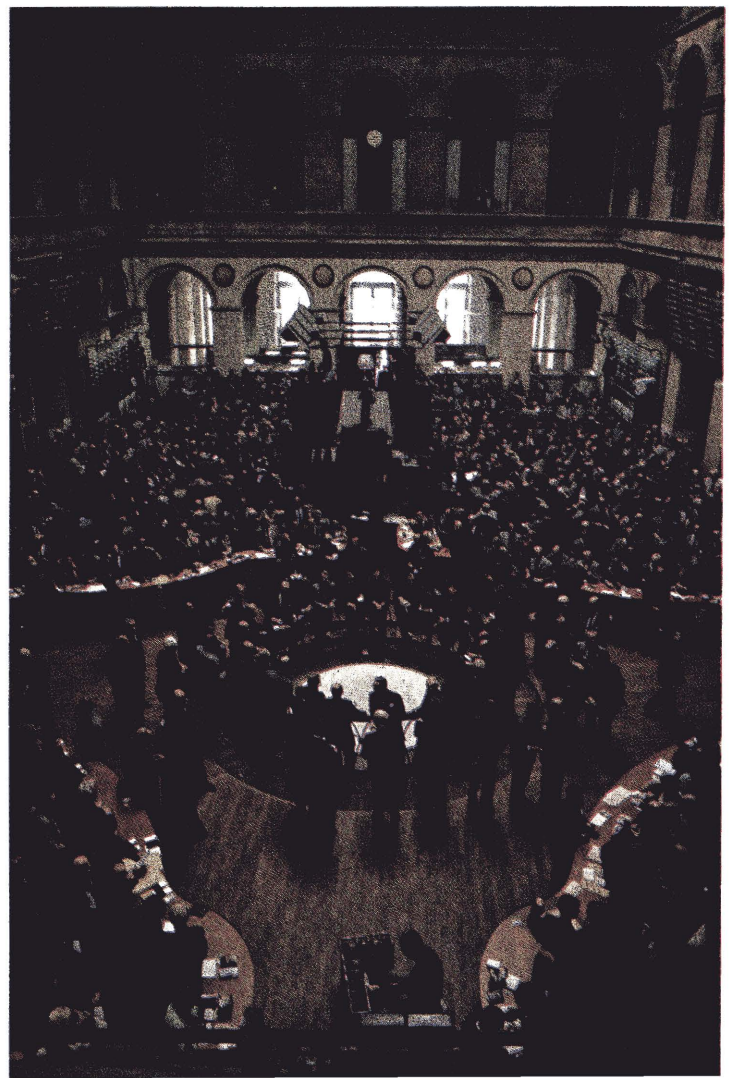
Diplomatically, Giscard is also following the *Gaullien* tradition. He has paid as much attention to the appearances of French influence as he has to the reality of French power. But, in important ways, he has made French diplomacy more believable and thus more effective. Within the Community, although Giscard has maintained the orthodox Gaullist line of a *Europe des patries*, he has been more cooperative than his predecessors in moving the Community forward. He is as acutely aware as was President Georges Pompidou of the continuing economic dominance of Germany. His conviction that France must "catch up" to balance German clout within the Community is a major reason for his Government's economic policies. But, equally, Giscard recognizes that he and German Chancellor Helmut Schmidt need each other. Germany is still unwilling and unable to take a decisive role as Europe's diplomatic leader for historical reasons. Giscard has made imaginative French diplo-

matic initiatives a balance to German industrial strength. Says one American pundit: "Giscard and Schmidt are like two one-legged men. When they act together, it works."

Their successfully combined efforts have included the renegotiation of British EC membership and the direct elections to the European Parliament taking place in June. Giscard, with Schmidt's backing, pushed for the European Council formula that has become a lively motor of the EC decision-making process. Finally, the new European Monetary System, a Schmidt initiative, was thoroughly supported by Giscard and, after some

La Bourse, the Paris stock exchange—and "the bracing winds of competition."

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French hesitation designed for domestic political consumption, got under way in March this year.

It was first predicted that the current six-month stint France is putting in as president of the EC Nine would be a period for flamboyant French moves to dramatize its influence and push for some pet projects. Such expectations were ill-founded. Says a French diplomat: "There are enough important projects already on the table to make spectacular initiatives unnecessary." In any case, "spectacular initiatives" would currently be unwise. At home the approaching European Parliament elections have become a hot political issue, and it's not the moment for Giscard to look too "European."

Instead, Giscard has limited the French role in the EC presidency to low-key efforts. France will probably push for some concrete responses to the changes in EC institutions made necessary by the proposed enlargement of the Community. The problems posed by EC expansion to 12 member countries have been the subject of a study by a committee of *trois sages*, another Giscard idea.

Beyond Community concerns, Giscard has assumed the role of spokesman for Europe to Africa and the Middle East. On several occasions this has not only suited Europe but the United States as well. The most notable

Trade unions aren't the only strikers in France today. Shown here is a women's rights demonstration at the Sorbonne. © J. Pavlovsky, Photo Researchers, Inc.



Decontrol of prices at the retail level, as in this French supermarket, is planned for the next 18 months. . . .

© D. Berretty, Photo Researchers, Inc.

example was France's intervention in Zaire to prop up the Mobutu regime. France has also played out a difficult hand in Chad, where, as one observer notes, until the French pulled out in March, their presence had "managed to keep the casualties down and permitted the negotiating chain to begin." Nonetheless, Europeans are not inevitably ready to give blanket approval to Giscard's Third World initiatives. His recent proposal for a three-cornered conference — Europe, Africa, and the Arab countries — was met with little enthusiasm at the last European Council meeting.

Giscard's assiduous cultivation of African leaders should not be dismissed as a simple bid for favorable agreements on raw material supplies. It is that, but his frequent state visits to African countries are also witness to his conviction that Europe has a vital interest in a stable Africa oriented toward the West and that France is in a unique position to provide the model for positive relations between industrial countries and the Third World. Says a US observer: "It could be, too, that Giscard is right in sensing that for these countries gestures count as much or more than signed documents and formal agreements."

Giscard may be firmly European, but he is also a convinced Gaullist when it comes to French independence. "An independent foreign policy is part of French theology," comments a foreign diplomat. "No one is going to change that." For the North Atlantic Treaty Organization (NATO), this has, of course, meant maintaining a separate, if not equal, defense program. While France's nuclear capacity is somewhat outdated, it is credible. It is what the French want — a force to be reckoned with.

"French nuclear missiles can hit Soviet cities," says one observer. "That counts because it's something the Soviets have to consider in their planning." In 1976 Giscard announced a five-year defense spending program that would increase from 14 per cent to 20 per cent the defense portion of the national budget. Despite this commitment, however, Giscard had to quiet some old-line Gaullist critics by announcing that France would move up the scheduled building of the sixth nuclear submarine in the French fleet.

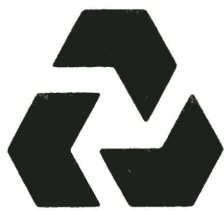
Diplomatic independence under Giscard has also meant marking France's distance from the United States on some specific issues. In the Middle East France with its European partners has insisted that, while peace between Egypt and Israel was a laudable goal, the Community supports a comprehensive agreement for the area, including a settlement of the Palestinian issue.

As for Russia, the deterioration of US relations that began with Carter's stand on human rights gave France another chance to define a position for Europe different from the United States. Since the more recent US-China initiatives, both Giscard and Schmidt have felt it necessary to demonstrate that they would not play China against the Soviet Union and that for Europe *détente*

remained a first priority. This winter Giscard kept his Eastern fences mended with a trip to Rumania.

As Schmidt's annoyance with Carter has flared, French relations with the United States have been more circumspect. "France's attitude toward the United States under Giscard is changing," says a foreign observer. "While de Gaulle looked for ways to be different from the United States on all issues, Giscard is willing to accept the US position when it parallels French interests and frankly oppose it when he feels it does not. . . . French relations with the United States are the best they've been for 20 years." Antagonism between the two countries had diminished to the point where Giscard thought a pre-election meeting with Carter in January 1978 might even be a political plus. It was a move that probably did not unduly disturb French public opinion, which, in a recent poll, sees the United States as one of France's closest friends diplomatically.

The foreign policy side of Giscard's job provides him with a chance to keep his distance from the political hurly-burly at home while focusing public attention on the lofty institution of the presidency. It is also in keeping with his view, shared by his countrymen and de Gaulle, that France has a historic world mission.



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THE ECONOMY

Prime Minister Raymond Barre is a dedicated economic liberal. He is convinced that, to survive, the French economy and its industry must be subjected to the bracing winds of competition at home and abroad. He also wants to limit the governmental role in the economy. By reappointing Barre last year to form the post-election Government, Giscard confirmed that he supported an all-out attack on the structural problems Barre believes need solving in France if economic stability, once achieved, is to last. It's a daring shift in direction for the French, which since Colbert 300 years ago have been frankly committed to *dirigisme*, a policy that has thoroughly involved the state in the minutiae of economic activity at all levels.

Barre began his changes with price rises in the public sector designed to put the heavily subsidized state monopolies on a more pay-as-you-go basis. He followed this with the announcement that the Government would gradually begin freeing industrial prices, controlled since the end of World War II. Price freedom involved the considerable risk that the inflation rate would surge again into the two-digit figures of the previous three-year period. "But," says a Government official, "the timing was just right. Raw material prices were stable and competition on export markets and at home was intense." The gamble was that competition would limit price increases, and so far it has paid off. The effect of decontrol on the cost-of-living index in 1978 was negligible.

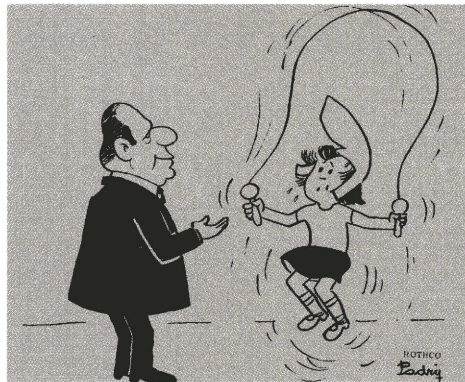
What may be less successful will be the decontrol of prices, promised for the next 18 months, at the retail level and in the antiquated distribution sector. The Government has, however, buttressed its price freedom efforts with stiffer antitrust laws and far closer surveillance of price-fixing agreements.

Finally, Barre announced that, in the future, the state would no longer unconditionally aid "sick" companies showing no intention or ability to adapt, pare down their structures, or diversify. The case of the ailing textile empire, Boussac, gave Barre a perfect chance to make good his threat. Boussac's request for massive aid to fend off bankruptcy was summarily turned down (though the firm had had no trouble in getting substantial doses of job-saving financial help before the 1978 legislative elections), and the company was sold off to a competitor for a bargain basement price.

Compared to steel, Boussac was easy. With the announcement in December of a radical plan to "save" French steel, the Government touched on an exposed national nerve. Over

the years, while the rest of Europe's steel industry painfully rationalized, French steel, prodded by government technocrats, increased capacity at a time when Third World plants were coming on stream with low-cost steel. The result was an industry that was over-manned, undiversified, and burdened with out-moded capacity. By December, the industry's debt was running annually at 38 billion francs on sales of 34 billion francs.

The December plan ordered some 2,400 lay-offs for the next two-year period—adding to the 16,000 announced the year before. The plan spelled the death of many of the gray, one-industry towns in the steel basins of northern France where generations of workers had passed their jobs on from father to son.

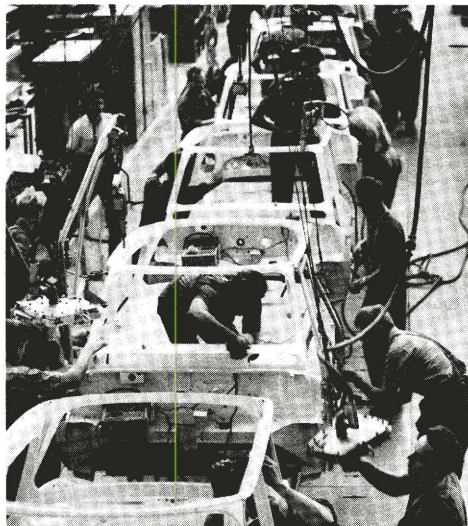


"See, it is possible to keep warm without using any scarce fuels." © Padry, Le Herisson, Paris

Not surprisingly, worker response was bitter and became, throughout the early spring, increasingly violent. It took at least two months of marches, shootings, and finally police intervention before the Government got around to inviting the metal-worker trade unions in to talk about what might be done to diffuse the tense situation. In its handling of the steel "solution" the Government had lost a rare social "opportunity."

Steel aside, the overall thrust of Barre's program has been greeted with enthusiasm by businessmen at home and bankers abroad.

French business surveys report an increase in orders, and the industrial production index has been moving up for several months. © René Burri, Magnum



Enlargement of the Community to include three agrarian countries poses a threat to the competitiveness of French farm products. Artichokes are being harvested here. © Guy Le Querrec, Magnum

Nonetheless, Barre's good intentions may amount to slightly less than he had hoped. His margins of maneuver are hemmed in by slow world growth that could depress exports, internal demand, and new business investment. High unemployment levels will provide critics with a built-in political issue that will intensify as elections approach. Inflation remains an intractable component in the French economic equation, and its mastery won't be helped by this year's higher oil prices or the increased food costs, which could result from the proposed liberalization of EC agricultural prices.

The French traditionally prefer complaining to optimism, and gloomy forecasts have filled the press these past months. They give a somewhat distorted view of the economic upturn. Business surveys report an increase in orders that began in the late fall; the industrial production index has been moving up for a number of months, and even job creation figures have improved. Also, France fields some technologically advanced industries such as armaments, aeronautics, and telecommunications which make healthy contributions to exports. At home, the national market is homogeneous, and real purchasing power continues to run some 2 per cent ahead of the inflation rate.

Finally, the Government may be able to count on another less measurable factor. For the public is probably able to assess the poverty of alternatives offered by Government critics. Barre believes that what he calls *le français de bon sens* will have the patience to see his policies out. Despite his lack of personal popularity, Barre has established a valuable credibility of his own. The public believes him when he says he has no political aspirations, that he serves at the whim of the President, and that he will be happy to return to private life should that whim change. At the moment, he is a formidable asset just because of this. He will take the blame if his plans fail; he will pass on the credit when they succeed.

LABOR

"Trade unionism is in crisis in France." So says a top level official at the French Labor Ministry and he is readily echoed by the spokesman of France's second largest trade union confederation. The statistics bear out the statement. Of all the EC countries, France has the lowest number of trade union members in percentage to salaried workers; and, apart from Luxembourg, France is the only EC country where trade union membership is on the decline.

It probably depends what side of the bargaining table you're on whether you believe that the weak trade union movement in France is a blessing or a curse. The unions are most certainly worried by their lack of appeal. But labor's weakness also clearly concerns the Government, which believes that industrial peace and a sense of social responsibility result from negotiations between relatively equal social partners who can guarantee the behavior of their followings.

For the unions the situation is likely to get worse before it gets better. The French labor union movement is burdened with a history that has traditionally given more importance to ideology and political party ties than on the results obtained from down-to-earth bargaining on bread-and-butter issues. In the recent electoral contest, the commitment to politics first meant that the two most radical confederations—the *Confédération Générale du Travail* (CGT) and the *Confédération Française Démocratique du Travail* (CFDT)—supported the Socialist-Communist alliance and banked their hopes on a victory that they assumed would make possible some of the social reforms spelled out in the coalition's platform, the "Common Program." Now, with electoral defeat, "workers have had it with politics," says a Paris-based labor observer. "The CGT and CFDT have lost credibility."

Regaining credibility will not be easy. But, a first step was taken by Edmond Maire, head of the CFDT, when he proposed a meeting with Giscard and announced that his group was going to concentrate on obtaining "tangible" results: no more day-long marches through Paris and one-day national work stoppages that made headlines but rarely raised wage levels or changed working conditions. In so stating, he put an end to his union's long, virtually unconditional association with the Communist-dominated CGT, France's largest most disciplined labor confederation.

Maire's move has been called *recentrage*, or "recentering." At the center Maire's group will be jockeying for position with the moder-

ate Force Ouvrière (FO), whose union's commitment to negotiating agreements and its disassociation with politics has made it the only trade union group currently adding to its membership lists. The competition with the CFDT does not trouble the FO leader, André Bergeron, who says that his group has managed to work with the CFDT in the past. "We could probably do so again," he says.

The unions are clearly confused by what their response to the Government's economic program should be. "The Barre Plan," admits a CFDT spokesman, "has a certain logic." Unions recognize that the industrial restructuring of certain sectors is long overdue. As for substantial wage increases, hard-nosed bargaining is out. The Government is insisting that salary levels stay in line with the cost of living, and the unions are aware that the economic recovery currently underway is fragile at best and that companies are still strapped by debt and limited financial means.

Nonetheless, unemployment, lay-off announcements, and labor unrest have dominated the headlines in France since the first of this year. The number of jobless has risen by over 21 per cent since early 1978. Until last year's elections, at least, it was generally believed that a jobless level of over 1 million would be politically untenable, but the current number of unemployed is about 1.3 million and the figure could reach 1.5 million by the end of the year.

The crucial question for the short term is whether the spate of violent incidents, largely confined to the steel areas of the north, could spread to Paris and other parts of France in a sort of spontaneous outburst like those that paralyzed France during the *événements de mai* of 1968. Any similar occurrence would

The trade union movement in France is probably weaker than it appears during this May Day march through Paris. © Bruno Barbey, Magnum



require a sort of mass frustration, profound ideological questioning and a disrespect for the Giscard Government which simply doesn't exist at present. In strict geographical terms, the steel industry drama is being played out in the isolated northern valleys far from Paris and other major centers. In addition, as top Government officials point out, no other French industry with the same weight and numbers of employees will have to undergo such radical surgery as has been necessary for steel. Finally, the divergence of interest between jobless and employed is deep and makes concerted action both difficult and unlikely.

For the longer term the country will have to learn to live with high unemployment. Current government studies suggest that given a continuation of slow growth rates, the number of jobless could reach 1.7 million by 1983. Like other European countries, France is discovering that, rapid growth apart, there is no one single means of attacking unemployment. In the next months the Government will propose a number of projects including incentives for mobility and hiring the young,



Traditional balayeurs in modern Paris. © Henri Cartier-Bresson, Magnum

subsidies for companies creating jobs, and special credits for the creating of new small businesses.

The most controversial debate is taking place over the reduction in work hours that some claim would create new jobs. The Government has indicated that it is not opposed to reducing hours provided such a move would be done in concert with its EC partners in order to ensure the competitiveness of French industry within the Community. Meanwhile, much later than many of its northern neighbors, France has begun to explore ways to make conditions for those who hold jobs safer, more democratic, and more satisfying. Giscard, again following a Gaullist tradition, has encouraged legislative proposals that will widen worker participation in the financial and decision-making process of company life. So far, employer groups and the unions are unenthusiastic, but Giscard is known to believe that broader employee involvement with management at the industrial level is one way to reduce the left-right political split in France.

After the climactic confrontation of last year's legislative elections when it seemed that a frustrated French electorate might have brought the left to power, France's political parties on left and right slipped into a state of quarrelsome disarray. Defeat accelerated the collapse of the "Union of the Left." The profound disagreements between Socialists and Communists made a mockery of their five-year-long coalition. Since then, the Socialists' fragile unity has fragmented into ideological arguments and a destructive leadership struggle. On the right, former Prime Minister Jacques Chirac, who heads the neo-gaullist *Rassemblement pour la République* (RPR), has intensified his strident attacks on President Valéry Giscard d'Estaing and Prime Minister Raymond Barre.

In strictly personal terms, Giscard was about the only political leader to emerge from the bitter election struggle unscathed. Though he was not up for reelection himself, the French President's policies were nonetheless being judged. On the eve of the vote, Giscard hastily organized the parties supporting him in parliament into a loose coalition group, the *Union pour la Démocratie Française* (UDF), to provide the voters with an alternative to the RPR. The electorate liked the idea, and the UDF grouping returned to parliament with a healthy increase in seats. Thus, on the surface at least it looked as if, with the Government's solid majority, France might be blessed with a period of relative political peace.

Giscard moved quickly to capitalize on the post-election euphoria by taking the first small steps toward what he called *concertation*. He immediately called in the leaders of the opposition to discuss the future. He promised them further consultations as well as some representation on committees in the National Assembly. He also consulted with business and labor leaders, urging them to begin a more realistic social dialogue. It was a breath of fresh air that smacked of procedures more familiar to the parliamentary governments of Northern Europe. The public and the press approved.

But the Government began to face sharply mounting unemployment and spreading social malaise. Given the worsening economic climate and the divisions among Socialists as to what their response should be to the Government's policies, the Socialist Party could hardly be expected to bite the bait of *concertation*. Unlike the Gaullists and Communists, the Socialists fight noisily and in public. They take pride that their differences—and there

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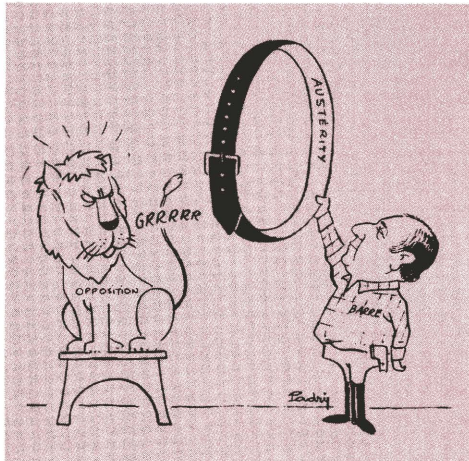
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are many—are given a democratic hearing even if this means exposing innumerable “tendencies” and endless arguing arcane points. The current dispute being aired, however, is no rarefied ideological effort to rationalize the party’s past behavior with its future strategic needs. Instead, it is a cover for a challenge to the leadership of the party’s first secretary, François Mitterrand, who is correctly credited with being the architect of Socialist strength in the country and the party’s position as the second largest group in the National Assembly.

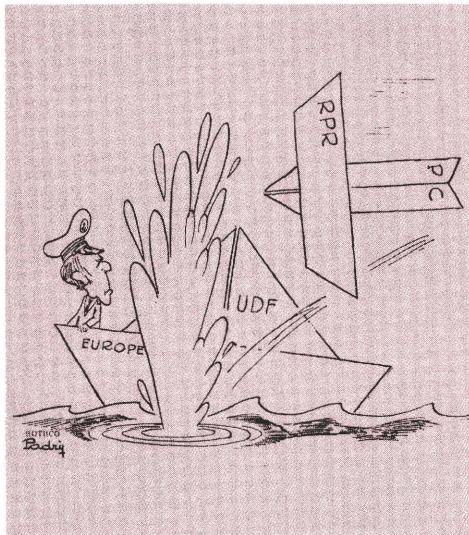
Mitterrand is being criticized for his handling of the campaign and the autocratic imposition, since then, of his views on how the Socialists should approach the 1981 presidential elections. The threat to him comes from Michel Rocard, a brilliant, charismatic economist and newcomer to the party who is clearly making a bid to become the party’s presidential candidate. He is supported by Pierre Mauroy, who as mayor of Lille is head of the party’s most powerful political machine.

No matter what the outcome of the Socialists’ present struggle, Mitterrand’s



© Padry, Le Herisson, Paris

“The great maneuvers.” © Padry, Le Herisson, Paris



“Which rose bush should I cultivate?” © Padry, Le Herisson, Paris

power as party chief is already compromised. The decision to end the quarrel and settle the leadership question will be, as it has all along, up to him. But so far Mitterrand has shown few signs that he will be willing to handle the delicate transition period with grace. Meanwhile, it’s unlikely that the public, preoccupied with unemployment and inflation, finds the spectacle appealing.

For the Communist Party as well, last year’s defeat created serious divisions in the ranks. In an effort to assuage discontent, the party’s leadership permitted both the militants and the base and a small band of intellectuals the unusual opportunity to air their views publicly and more or less without reprisal. But the effect on the leadership was minimal. The party has chosen, instead, to return to its fortress mentality. At the cell level, this will mean an insistence on silence and an iron-fisted discipline from the hardcore membership. Nationally, the party will concentrate its efforts on improving its image with the working-class portion of the electorate. Whether a return to splendid isolation will make inroads on the seemingly immutable 20 per cent of the vote the party continues to receive will not be tested before the 1981 elections. Then, the party has announced, it will field its own presidential candidate. Barring acts of God, that person will undoubtedly be the abrasively combative party chief, Georges Marchais.

If the left’s difficulties were predictable in defeat, so were the majority’s problems with victory. Chirac began a series of guerilla-type attacks against the Barre Government designed to give the RPR a separate identity within the majority. But Giscard’s electoral successes have substantially reduced Chirac’s margin for maneuver. Chirac can no longer run against the menace of the left and, with the improved UDF showing, has been forced to move toward more nationalistic positions that seem to situate the Gaullists uncomfortably on the right. What genuinely troubles many of his party’s members is his evident recklessness in pursuit of his unabashed presidential ambitions.

In an intemperate pre-Christmas attack on Giscard’s support for the upcoming European Parliament elections, Chirac referred to *le parti de l’étranger* in what many observers took to be a not-too-veiled attack on Giscard himself. Chirac professes to see the elections as a danger to French independence—suggesting that in a supranational Europe, France may become the victim of American and German economic domination. Nationally, his persistent criticism of Barre’s economic policy is clearly playing what the French call the “crisis card.” His most flamboyant move, earlier this year, was an attempt to make the Barre Government the scapegoat for France’s high unemployment by forcing a special parliamentary session on Giscard. It was the first extraordinary session of the National Assembly called by a political party since the Fifth Republic began. It was stormy and unproductive and Chirac had to take responsibility for an undignified parliamentary display that was reminiscent of the Fourth Republic.

Chirac’s insistence on the parliamentary session was felt by many to have reached the limits of responsible political harassment. By most evidence, the public is not attracted to Chirac’s kind of extremist approach. Recent polls indicate that Frenchmen are convinced “Europeans” and that they consider Germany France’s best international friend. Since his tactics have intensified, Chirac’s popularity has dropped dramatically and, so far, his manipulation of the issues has lessened his chances to become a viable alternative to Giscard in the presidential race.

In partisan political terms, Giscard has some special problems of his own. Unlike his predecessors, he has never had a parliamentary majority that was clearly his to lead. While the UDF did better than expected in local elections this spring, it remains an unreliable amalgam of three centrist groups. After four years in power, Giscard has finally become “presidential,” but still has before him the task of forging a genuine political base of his own.

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Two Frenchmen, Two Visions of Europe

The Western Europe of today, to the extent it has slowly and grudgingly adopted supranational institutions, is a monument to the persistence and vision of Jean Monnet. To the extent that Europe and its component parts are still seeking a national identity in a superpower world, it is a monument to the drama and the vision of Charles de Gaulle.

From the destruction of two world wars, two Frenchmen drew exactly opposite conclusions. They offered to Europe the two conflicting visions of supranationalism and nationalism. Almost every major political decision made in postwar Europe turned on those alternatives.

Monnet and de Gaulle were an unlikely set of conceptual adversaries. Monnet never sought or held elective office. He preferred to wield influence by promoting his ideas in private with influential statesmen. He was determined that Europe had to find an alternative to nationalism. De Gaulle wielded the power of the Presidency of France, or when out of office, of the keeper of French nationhood. He saw France preeminent in a loose confederation of European states.

Yet, as much as their ideas shaped postwar European politics and diplomacy, Monnet and de Gaulle lived as if they were in two different worlds. They did not debate in parliaments nor campaign against each other in elections. Monnet sought to influence the statesmen and leaders of Europe with the simplicity of logic. De Gaulle, when in office, forced the great issues of Europe with the power of the French state.

The influence of Monnet's ideas and de Gaulle's power hit Europe in successive waves rather than in a great confrontation. Monnet's influence reached its peak in the years de Gaulle was out of power, in the early and mid-1950's. That was the time of the Schuman Plan, the European Defense Community, and finally the Common Market. The pendulum swung the other way with de Gaulle's return to power in 1958. By the mid-1960's, he had brought the momentum of European unification almost to a halt.



Charles de Gaulle Courtesy French Embassy Press and Information, New York

De Gaulle asked in his memoirs: "What depths of illusion or prejudice would have to be plumbed in order to believe that European nations forged through long centuries by endless exertion and suffering, each with its own geography, history, language, traditions, and institutions, could cease to be themselves and form a single entity?"

But the question that de Gaulle could never adequately answer was how Europe could gain the strength to act as a powerful and independent force in the world, which he ardently desired, unless it pooled the limited strengths of its individual nations.

When de Gaulle left office a decade ago, the European unification movement seemed dead in its tracks. Britain was still outside the Community, and there were no initiatives toward political or economic union. Now a Community of Nine is on its way to becoming Twelve. Some momentum toward unification has been revived, especially in



Jean Monnet

monetary affairs, and the prospects seem at once both more optimistic and more realistic.

Monnet, in his memoirs, wrote an epitaph of sorts for de Gaulle: "If he had failed to build the Europe that he sought, he had at least not managed to prevent the development of a Europe in which he did not believe."

And Monnet wrote his own epilogue, comparing the building of Europe with the journey of the raft *Kon Tiki*: "We, too, are heading for our objective, the United States of Europe; and for us there is no going back."

Yet, the two remarkable lives of Monnet and de Gaulle were above all a reminder that there is little that is inevitable in history.

—Michael D. Mosettig is an NBC News field producer and former UPI correspondent in Brussels.

IN MEMORIAM

JEAN MONNET (1888-1979)

THE SUN

It is not only Don Quixote who dreams the impossible dream, who tilts myopically at all too solid windmills and is brought back cruelly into the real world. Others have visions. They know all about the real world – but they think it can be changed. They think they can bring their fellow-participants in the real world to see their vision as a new order. . . . In his most recurring phrase, “it’s all so simple.” That’s the way it is with men of vision; they oversimplify things.”
DUDLEY DIGGES

WINSTON-SALEM JOURNAL

He was a stocky French brandy salesman with a vision. Despite his profession, his vision went far beyond matters of profit margins and increased sales. Jean Monnet’s vision involved the creation of a Europe freed from the destructive nationalisms which caused war twice in his lifetime.

Daily News Tribune

A Scripps-Howard Newspaper

When the history of the Twentieth Century finally is written the relatively unknown name of Jean Monnet may well shine brighter than those of many celebrated generals and politicians.

THE ASHEVILLE CITIZEN

Democratic peoples across the globe should always remember his contribution of sanity during a century of insanity. History will remember him when it has forgotten those who during their times were better known than Jean Monnet.

The New York Times

. . . . to use Albert Camus’s definition, Monnet loved his country too much to be a nationalist. . . . And Monnet was a doer. His father relieved him of the confusions and ambiguities of university life by sending him to Britain and Canada to learn the English language and sell the family’s brandy. He learned simplicity and concentration from the start. . . . His effectiveness depended not only on a clear view of his objectives but on personal modesty and discipline. It used to be popular in Washington to talk about powerful public servants who had a “passion for anonymity.” Monnet had it. He was so anonymous that even his fellow countrymen had almost forgotten his contributions to the unity of Europe by the time that he died. JAMES RESTON

The Sacramento Union

“The idea was all so simple,” Jean Monnet used to say about European economic integration. And it was, too, but it very likely never would have happened without the unbounded idealism and pragmatism that Monnet brought to his goal. . . . He was a friend and confidante of Winston Churchill, Charles de Gaulle, and Franklin Roosevelt, for whom he coined the phrase: “We must be the great arsenal of democracy.”

The Economist

He was not a utopian, although he had an impregnable long-term optimism. He never doubted the rightness of his own views. He believed that logic, of course, but more important history was on his side. In this inner sense he was not modest. Had he been so,

had he been afflicted by self-doubt, he would never had played the part he did in changing the face of Europe.

But his pride was all devoted to achievement and not to self-aggrandizement. Perhaps his favorite dictum was one of Dwight Morrow's: "There are two kinds of people: those who want to be someone, and those who want to do something." There is no doubt about the category to which he belonged. He did so much that it is difficult to imagine Europe without him. But what he would regard as much more important is that it should go on without him.

ROY JENKINS

NEWSWEEK

He did things. He never held elective office, but he often exerted as much influence as any national leader. He was a self-described political economist, counselor to presidents. . . .

ST. LOUIS POST-DISPATCH

To the pragmatists, the cynics, the so-called "realists" and all those unable to see beyond the intellectual confinement of traditional European nationalism, Monnet's dedication to his impossible dream may have seemed bizarre and slightly foolish. And yet at his death at 90 his view of European political organization was beginning to take shape. . . . But there was more. Even the evolving European Community ought not to be an end in itself, he emphasized, but "only a stage of the way to the organized world of tomorrow." Impossible? Perhaps so. But so are all such visions.

Associated Press

A short, dapper, and dynamic man, he was never a member of a government and during his long career shunned the limelight, preferring to use quiet persuasion and personal influence to achieve his ends. Henry Kissinger called him "the most brilliant negotiator I have ever known."

The Providence Journal

Trying to think of an American analogue to Jean Monnet is an exercise in futility: His sweep of vision and his influence were not only unique, but were di-



rected to the vastly complex task of leading Western Europe toward a measure of unity that would endure. He succeeded in this endeavor to a remarkable degree, and for this stunning achievement his memory will be honored in the pantheon of those who shaped the brighter prospects emerging from the Twentieth Century.

Chicago Tribune

Few are privileged to live 90 years, and no man ever filled that long life-span with more rich achievement than Jean Monnet. His transcendent purpose was to transform Europe and he quite literally succeeded. GEORGE W. BALL

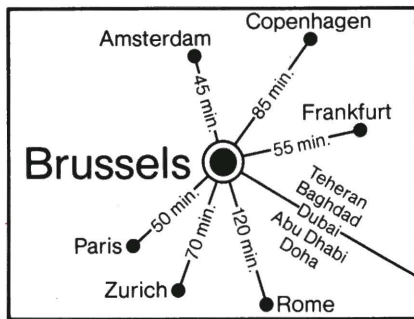
The Washington Post

The life of Jean Monnet teaches a lesson in leadership that like everything else he ever did is immensely in season. Monnet's special distinction was to achieve high goals in national and international affairs without ever holding public office. His method was to prepare the way among civil servants, corporations, unions, universities, and in the media for ideas and institutions which circumstances eventually forced upon political leaders. That is an art of special value now, particularly in the United States, where conditions hobble leadership from the top. . . . More important still, unlike most mere technocrats, he had a vision—a vision of constructive action for a united Europe.

JOSEPH KRAFT, syndicated columnist

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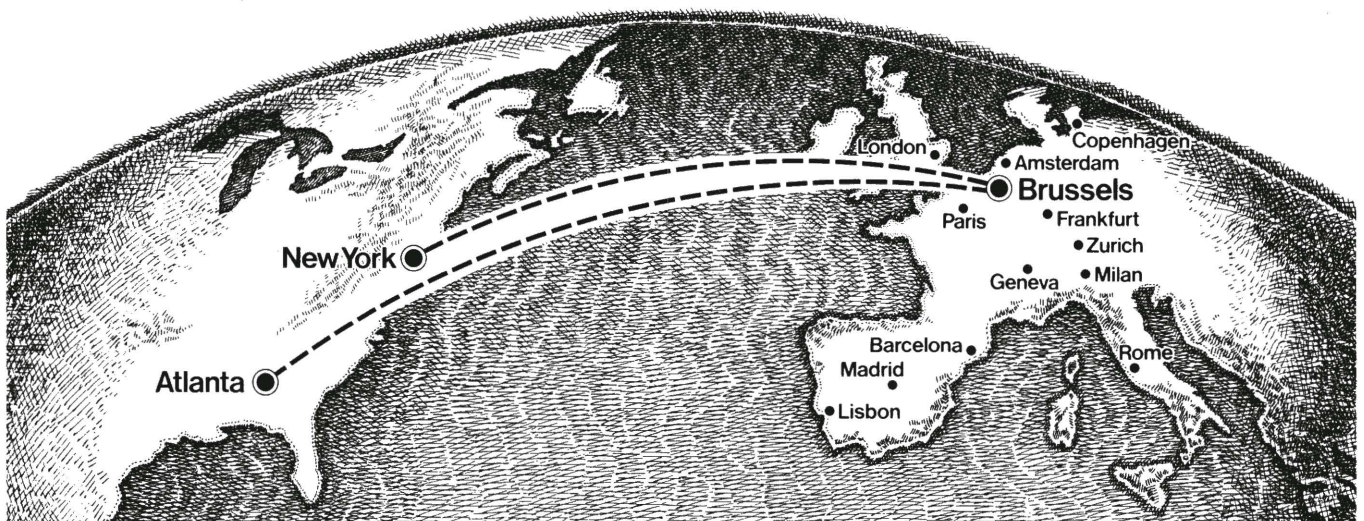
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MTN's Initialed

The main features of the new trade agreement

Five-and-a-half years after the "Tokyo Round" of multilateral trade negotiations (MTN) began, the major trading nations initialed the final agreements in Geneva on April 12. Representing the EC Commission was Sir Roy Denman, director-general for external relations. Signing for the US Administration was Ambassador Alonzo L. McDonald, the top US negotiator who described the MTN agreements as "the most comprehensive and significant result produced by any trade negotiations up to this time."

The MTN agreements mean, according to the Secretariat of the General Agreement on Tariffs and Trade (GATT), that the world level of industrial tariffs will be reduced over eight years by one-third—affecting about \$140 billion in world trade. The most important reductions were concentrated in non-electrical machinery, wood products, chemicals, and transport equipment, while less than average reductions were made in the textile and leather sectors. Tariff concessions in agriculture will affect more than \$12 billion worth of trade, according to GATT estimates.

It is hoped the MTN agreements will be fully ratified by the initialing parties by the autumn, and will go into effect January 1. In the meantime, they were heralded by EC Commission President Roy Jenkins as "the biggest and the most ambitious of all postwar trade negotiations—the biggest trade negotiations the world has ever seen. . . . It comprises a major reduction in industrial tariffs and a substantial agricultural settlement, and a major strengthening of the GATT—the rule of law in world trade—by a whole series of new nontariff barrier codes governing areas of real importance to businessmen and trading issues such as standards, customs valuations, government purchasing, and countervailing duties. . . . We have a real chance of fairer and more free world trade in the 1980's and the avoidance of a wave of protectionism leading us, I believe, into a major recession which would certainly have come if these negotiations had failed."

INDUSTRIAL TARIFFS

The main aim of the Community in this sector was to reduce large disparities between existing low and high customs tariffs between different countries. The final outcome will be a one-third reduction in United States industrial tariffs, a one-quarter cut in Japanese tariffs, and a reduction of about a fifth in Community tariffs. In order to enable manufacturers to plan for the future, the reciprocal tariff reduction program will be implemented in eight annual steps beginning in 1980. The first five steps will be obligatory, but the final three reductions will be conditional on the future development of the world economic situation. In the case of particularly sensitive products like textiles and steel ceramics, the tariff reduction program will begin later, in 1982.

AGRICULTURE

The Community had four main aims during the negotiations on agriculture:

- to establish an international framework and greater international discipline over nontariff measures;
- to conclude international agreements on the three main categories of farm commodities—cereals, meat, and dairy products—in order to stabilize markets and promote international trade in such products;
- to liberalize access to agricultural markets by lowering tariffs and eliminating ad hoc nontariff measures;
- to preserve the main features of the Community's common agricultural policy (CAP).

EC Commission Vice President Finn Olav Gundelach, in charge of agriculture, said the Community's trading partners by accepting the principles and mechanisms of the CAP had put an end to "the trench warfare" and "holy wars" that had so often characterized earlier GATT discussions on agriculture. New procedures and consultation mechanisms would be introduced to head off disputes and limit possible differences of opinion to the technical level. Trade in beef and dairy products would be regulated by international agreements under the aegis of GATT, but, through no fault

of the Community, it had not been possible to reach an international agreement in the cereal sector, Gundelach said. The Community had secured improved access for exporters of particular commodities to the United States, Canada, and New Zealand, like cheeses, cognac whisky, and biscuits.

TECHNICAL BARRIERS TO TRADE

The main aims of a new code to ease technical barriers to trade are to prevent unnecessary obstacles to trade, to impose international standards whenever they are appropriate, and to keep GATT members informed as fully as possible on new standards and technical regulations under preparation by notifying them to the GATT secretariat and consulting about them. Special temporary exceptions will be made where questions of public safety, health, environmental protection, or national security are involved.

GOVERNMENT PROCUREMENT

A code on government procurement opens up government procurement contracts to international competition through agreed, nondiscriminatory, and transparent procedures under international surveillance. The code will come into operation at the beginning of 1981, and further negotiations will take place three years later to try to broaden its scope further.

IMPORT LICENSING PROCEDURES

An agreement on import licensing brings simplicity and transparency to the various import licensing procedures. The agreement outlines procedures applicable to both *automatic* licensing, where approval of the application is freely granted, and *non-automatic* licensing, involving the administration of quotas and other import restrictions. The restrictive effects of licensing are limited by the agreement.

CUSTOMS VALUATION

Customs valuation is the procedure under which the value of imported goods is determined for the purpose of levying *ad valorem*

customs duties. The customs valuation code is designed to ensure a more uniform application of the general principles set out in Article VII of the GATT. It aims at the establishment of a "fair, uniform, and neutral system for the valuation of goods for customs purposes that precludes the use of arbitrary or fictitious customs values."

SUBSIDIES AND COUNTERVAILING MEASURES

Covering subsidies for industrial and primary products, including agricultural fisheries and forestry, this code improves procedures for notification, information, and consultation on subsidies for its signatories. The criteria for the determination of "material injury" has been clarified. Settlement of a dispute would be based on GATT procedures for consultation and conciliation.

OTHER PROVISIONS

Other parts of the MTN agreement include an improved legal framework for the conduct of world trade and a sectoral agreement on civil aircraft, and special provisions have been made in various sections of the agreement to take into account the special problems of developing countries.

"... and we hope to capture the home market by producing our own foreign cars!" © Cookson, London Evening News



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The China Trade

Jenkins visit highlights one-year-old commercial accord

DAVID FOUQUET, *American freelance writer based in Brussels*

EC Commission President Roy Jenkins with Chinese Vice Premier Deng Xiaoping.



WHEN WESTERN VISITORS VENTURE TO THE NEW CHINA these days, they are struck by the enthusiastic curiosity of the citizens of that formerly cloistered country about every aspect of modern life in the outside world. EC Commission President Roy Jenkins, who visited China in late February, ran into the same phenomena in the streets and in private discussions with the country's leaders.

Jenkins summed up his feelings during an address to the Peking Institute of Foreign Relations: "The inventiveness, discipline, and dedication of your people are legendary. I can think of no better partner for the Community and other industrial nations than China, which has so much to give the rest of the world as well as to receive from it. Indeed," he continued, "if the progress of industrial society is in some places and respects faltering, it may well be in China, with a fifth of the world's population, where we discover that historic impulse of demand which could enable us to continue and extend the rise in living standards throughout the world which has fueled the world economy since the end of the last world war."

Such a partnership between China and the Community has been part of official Chinese policy since the 1978 decisions committing the country to a drive for modernization and industrialization. An historic five-year commercial treaty between China and the Community was signed last April. When China signed a long-term trade agreement with Japan in February 1978, it called for an increase in trade between the two of about \$20.8 billion over the next eight years. Chinese officials have told their counterparts from the Community since then that commerce between China and the EC Nine would reach the same level as that of Japan.

The European Community is already China's largest trading partner, after Japan. In 1976 two-way trade totaled nearly \$2.5 billion, with Chinese exports to the Community amounting to \$882 million and imports from the Nine totaling over \$1.6 billion. In 1977 China imported 40 per cent less from the Community, down to \$944 million, and its exports to the Community increased slightly to \$894 million. But in the first nine months of 1978 the Community increased its exports by 88 per cent to almost \$1.4 billion, and imports from China went up 8 per cent to \$963 million.

EC Commission Vice President Wilhelm Haferkamp, in charge of external relations, recently forecast that China would become one of the Community's most important trading partners in the next 20 years. He noted that at the moment China was still a limited partner for the Nine—buying about as much as Kuwait and less than Israel. But he and President Jenkins both underlined the belief that China's economic modernization plans up to the year 2000 offered European industry spectacular possibilities. Following his February visit Jenkins predicted:

"There are great opportunities for increasing our exports to China . . . a market which will probably amount to about \$25-to-\$30 billion by 1985."

Some of these prospects have already been translated into concrete orders for European contracts—ranging from oil-drilling equipment to coal-mining technology. Expert observers have suggested that China might turn to Japan for the major part of its supply of complete plants, but that the Community could become an important source for advanced types of machinery.

But trade is a two-way street, and China is anxious to cut down its traditional balance of trade deficit with the Community by exporting greater quantities of Chinese goods. This could come in the form of not only raw materials, such as minerals and eventually petroleum, but also processed and industrial goods that might compete with Community production.

Already Community textile producers, which have seen increasing competition from developing countries, fear that textiles from China might make further inroads on the EC market. This was one of the areas discussed by Commission officials during the Jenkins visit. It was also one of the points pursued during the first meeting of the joint EC-China commission set up by the 1978 trade agreement framework, held in early May in Peking.

China might be added in 1980 to the list of beneficiaries of the Community system of generalized preferences for industrial goods from developing countries, Jenkins announced. The two countries also agreed to a "China trade week" in Brussels in 1980, and the Chinese announced plans for a Peking trade center, where Jenkins said, "we will be given equal treatment with the Japanese."

But what about the impact of China's political and military policies. China's open hostilities with neighboring Vietnam occurred just as Jenkins was on his way to China; and although it was not a main aspect of his conversations there, he said the subject was raised. He urged caution in his talks with top Chinese officials and added that Vietnam had been a troubled country for many years. He said he came away with the feeling that Chinese leaders had very carefully and soberly calculated the risk involved in their Vietnam policy.

Jenkins added that these same officials placed a high priority on the future development of economic and political relations with Europe. As for his evaluation of the importance of the Chinese emergence from isolation, Jenkins said: "I have frequently stated that I feel the world economy needs a new historic impulse to growth on the scale of the postwar reconstruction in Europe, or the spread to the mass of the population higher living standards in the 1950's and 1960's. The Chinese program of the 'four modernizations' could make a major contribution to this strategy and to our relationship on the basis of mutual interest."

EC-ASEAN CONFERENCE

European business looks to Southeast Asia

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

IT WAS WITHOUT DOUBT THE BIGGEST "EXPEDITIONARY force" of European industry ever to move into another continent. Well over 200 industrialists from the nine EC countries (plus some from Austria and Spain) had come to Jakarta, Indonesia, to attend there in late February a three-day industrial cooperation meeting co-sponsored by the EC Commission and leading European banks. They were also to meet with ministers, high government officials, technical experts, private business enterprises, and bankers from the five Association of South East Asian Nations (ASEAN) countries: Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

If among the industrialists some of the most familiar names of European corporate life were represented, the array of bankers encountered in Jakarta was more impressive still. It was not just that Europe's four principal banking groups—Abecor, Ebic, Europartners, and Interalpha, a grand total of 27 giant and big banks with combined assets of \$500 billion—had banded together and sent about 100 of their executives. Much more important, the men who came were not one or two rungs down the hierarchical ladder, but in nearly every instance included the very top bank management.

In this respect the conference was way ahead of the first such meeting, held in Brussels in April 1977. That event, sponsored by only one banking group, Ebic, may have been a useful stepping stone to the Jakarta meeting, but in other ways it was somewhat disappointing, setting at best some signposts for future development, but producing little more.

The basic objectives of the Jakarta meeting were spelled out ahead of time: The ASEAN countries had prepared and submitted some 200 projects that they believed would lend themselves to some type of joint operation and/or implementation by European and ASEAN interests.

For European businessmen this corner of the globe could well be an area of particular attraction. It possesses immense natural resources, a huge manpower potential, and in recent years has been growing at a rate double or better than that witnessed in Europe itself. In fact, with the possible exception of Latin America, there is probably



Thai Foreign Minister Upadit Pachariyangkun and EC Commission President Roy Jenkins signed an agreement last November for the opening of an EC delegation in Bangkok.

no other region in the world that holds out so much promise and so many opportunities for the long run.

There are some matching considerations on the other side. A recent creation, still far behind the Community in economic integration terms, ASEAN has had strong political motivations from its very inception. This grouping of five states, which in many ways are very different from one another and whose internal relationships often have been severely troubled, is seeking an identity and independent posture of its own in one of the world's most critical areas. In this context the "European connection" appears to be especially valuable.

It is an area, of course, in which European and other Western businesses—plus inevitably Japanese—have been active for long years. Many of the firms which came to Jakarta already have extensive investments in the region, or have considered it as a quite important market for some time past. Yet there were others, and not necessarily smaller Western companies, which literally "discovered" the region and its scope during the conference.

While some of the Europeans who came to Jakarta returned home right after the meeting ended, probably just as many or perhaps even more extended their trips

either to some other ASEAN country (in some instances presumably to scrutinize more carefully projects discussed at Jakarta) or to other business locations in that part of the world. Significantly, the Interalpha group of banks organized a special meeting in Singapore, undoubtedly the region's financial and communications center, two days after the Jakarta conference closed.

MANY IMPONDERABLES MUST BE CONSIDERED WHEN TRYING to appraise the outcome of the EC-ASEAN event. What was achieved? Was it worth the quite considerable energy and the money which in one way or another were invested in it? Did the evident euphoria characterizing all the closing speeches have any bearing on reality?

The answer naturally must be that right in the wake of the conference nobody knows. For the deals discussed there, whether in the realm of exploiting resources, setting up production facilities, licensing agreements, or infrastructure operations, were all such that they require a large number of prior financial, commercial, engineering, legal, and other decisions before they could be fully agreed on. In optimal circumstances this would require months; yet it would be nothing out of the usual if a seed sown at this meeting were to blossom only years hence. Well over 200 individual meetings took place between European and ASEAN delegates, but in itself this implies no assurance that 10 or 5 or even 1 per cent of them

actually will produce results.

Some of the high-powered bankers who came were not perhaps entirely happy, seeing themselves as a shade redundant. They had come, as several of them said, to be on hand if their clients required their advice and assistance (and others conceivably just because their domestic competitors were there and they could hardly afford to stay away). But in the circumstances the calls from their clients never came, possibly because no deal reached that discussion stage where modalities of financing needed to be weighed.

Yet such diffidence was by no means unanimous. The leader of the team sent by one of the "Big Three" of German banking, for instance, declared that "we have already earned what this journey has cost us." Admitting that his original level of expectations had been low, he said that some of the talks were such that they were bound ultimately to produce results.

And it is to the banks that one must look to obtain the first factual analysis of the conference. For whatever happens will be channeled through them. They have indicated that they will attempt in perhaps two or three months to come up with a preliminary listing of such results that by then should have materialized. Until then it must suffice that the goodwill yielded by the EC-ASEAN conference certainly was substantial and probably will be durable.

Not falling dominoes, but "regional influentials"

Some South East Asian dominoes stubbornly refuse to fall. Instead, South Korea and Taiwan have emulated Japan's mercurial rise to prosperity by riding the crest of high technology. Singapore, Thailand, Malaysia, Indonesia, and the Philippines have gleaned lessons in economic cooperation from the European Community and forged a new axis of stability known as the Association of South East Asian Nations (ASEAN). Meantime, China, Vietnam, and Cambodia have rekindled their ancient animosities through a flurry of border wars, thus shattering the myth of a cancerous communist monolith.

The buoyant fortunes of the West's Asian allies depict a tale of exquisite irony. For centuries the United States and European nations have become deeply embroiled in several of the Orient's intractable conflicts; as a consequence, they served as an unwitting source of unified hatred for a continent distracted from local disputes by the larger specter of foreign imperialism. Today's Asian alignment reflects, in a sense, the dividends of benign neglect. Just a few short years after the debacle of Vietnam, Washington now enjoys decidedly better relations with Asia's three major



Singapore is Southeast Asia's financial and communications center. © Paul Fusco, Magnum

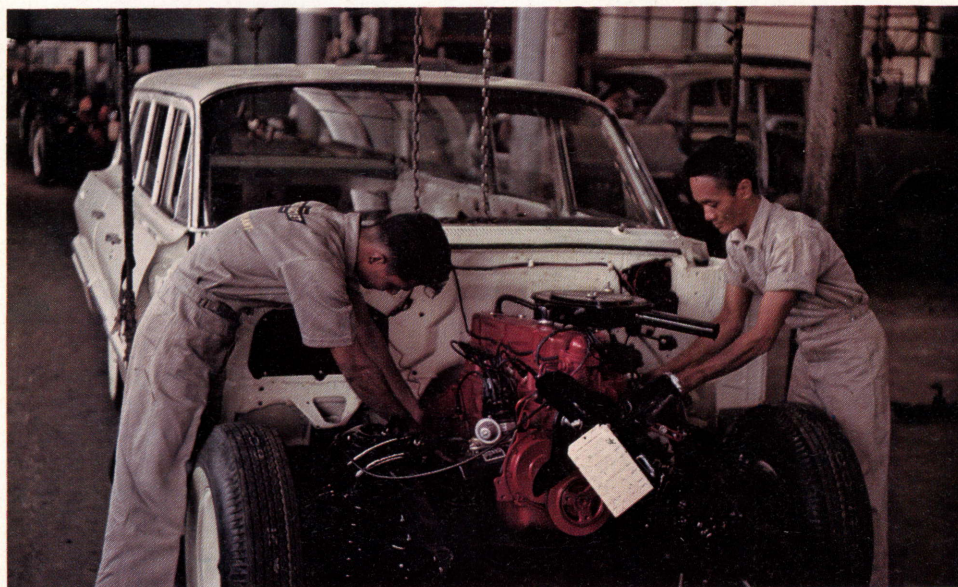


The natural resources, manpower potential, and growth rate of Southeast Asia attract European investment. Shown here are Indonesian women hand-working fabric. © Constantine Manos, Magnum

Jute harvest in Thailand. © Judy Porter, Photo Researchers, Inc.



Foreign-owned automobile factory in Malaysia. © J. Cooke, Photo Researchers, Inc.



powers—China, Japan, and India—than does Moscow. And the European Community has developed flourishing trade relationships throughout Asia that have greatly enhanced the standard of living on both continents.

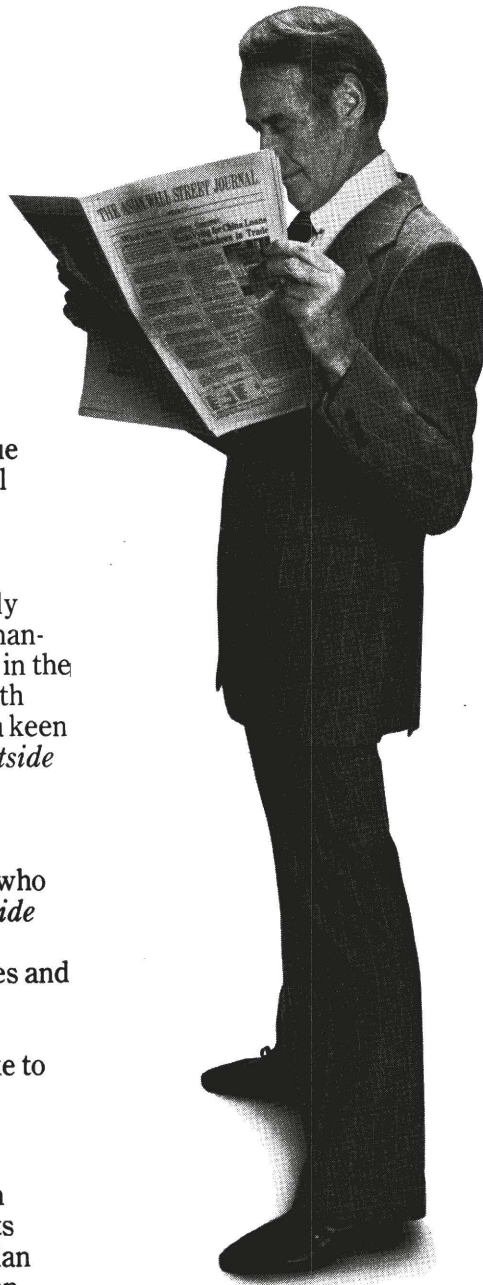
ASEAN's rapid economic growth and march toward maturity in recent years stemmed in part from the traumatic recognition that security must derive from a strong base of self-sufficiency. The chastening US experience in Southeast Asia jolted these nations out of a client-state mentality; soon they perceived the benefits that would accrue if they applied the rudiments of comparative advantage within a cluster of nations, as the EC countries had discovered decades before.

While ASEAN's cooperation plans do not yet extend beyond the economic realm, this group of nations is already viewed as part of a phalanx of potent regional forces playing an important role in world events. Both the European Community and the United States share common interests in buttressing such "regional influentials," as national security adviser Zbigniew Brzezinski describes them. As the most ambitious paradigm of regional integration, the Community has shown how such instruments as a common market and political consultations can engender peace and prosperity. For the United States, a self-reliant collection of regional forces, with power diffused among a greater number of nations, can evolve into a more stable global balance and thus can reduce the risks of a superpower confrontation.

But the encouragement of such regional groupings as ASEAN can also help fulfill more selfish motives for the United States and Europe. The assurance of local stability enhances the long-term security of raw materials—a point frequently underscored in the continuing effort to formulate a new world economic order through the "North/South Dialogue." The recent United Nations Conference on Trade and Development (UNCTAD) agreement to establish a common fund to stabilize prices for basic commodities represents a major step toward the goal of eliminating wild gyrations in the price of raw materials; such an achievement would help harness a chief cause of inflation as well as permit the developing world to undertake long-term planning without fear of sudden economic disruptions. The stable development of the Third World remains of paramount importance to the West—not least for its vast potential market represents the last untapped frontier for US and European business.

—William Drozdiak, *State Department correspondent for Time magazine*

A QUICK GUIDE TO THE INAUGURAL ISSUE OF THE ASIAN WALL STREET JOURNAL WEEKLY.



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THE ASIAN WALL STREET JOURNAL WEEKLY.

The news from Asia. About Asia. Written and edited for the reader with an interest in Asia.

THE SPARTANBURG EXAMPLE

How an old Southern town became "Euroville"

FRANK VOGL, *US economics correspondent for The Times of London*

MORE THAN 40 EUROPEAN COMPANIES HAVE INVESTED in excess of \$1.8 billion in Spartanburg, South Carolina. More than 1,500 Europeans are believed to live in this small city with its total population of about 46,000. These Europeans employ roughly 4,000 local "Spartans" in the northwestern corner of the state, not far from the Blue Ridge Mountains.

"The key reason why we are here is that Spartanburg is at the very heart of the US textile business," says Dr. Paul Förster, head of the local Hoechst fiber plant. This German company has invested close to \$300 million in a facility that now employs more than 2,000 people. Förster believes that roughly 80 per cent of all US textile mills are within a 200-to-250 mile radius of Spartanburg.

The city sits on the crossroads of two major interstate highways; it has good rail communications and excellent airports. Further strengthening its international business position is the recent establishment of a foreign trade zone with its own customs facilities.

When Roger Milliken, the US textiles magnate, looked for new textile machinery in the late 1950's, he found

what he wanted in Winterthur in Switzerland. With orders from his firm and with his encouragement, both the Swiss Rieter company and Sulzer Brothers of Winterthur established operations in Spartanburg. In the mid-1960's the American Hercules company opened a plant and a joint venture with Hoechst, which Hoechst later made all its own.

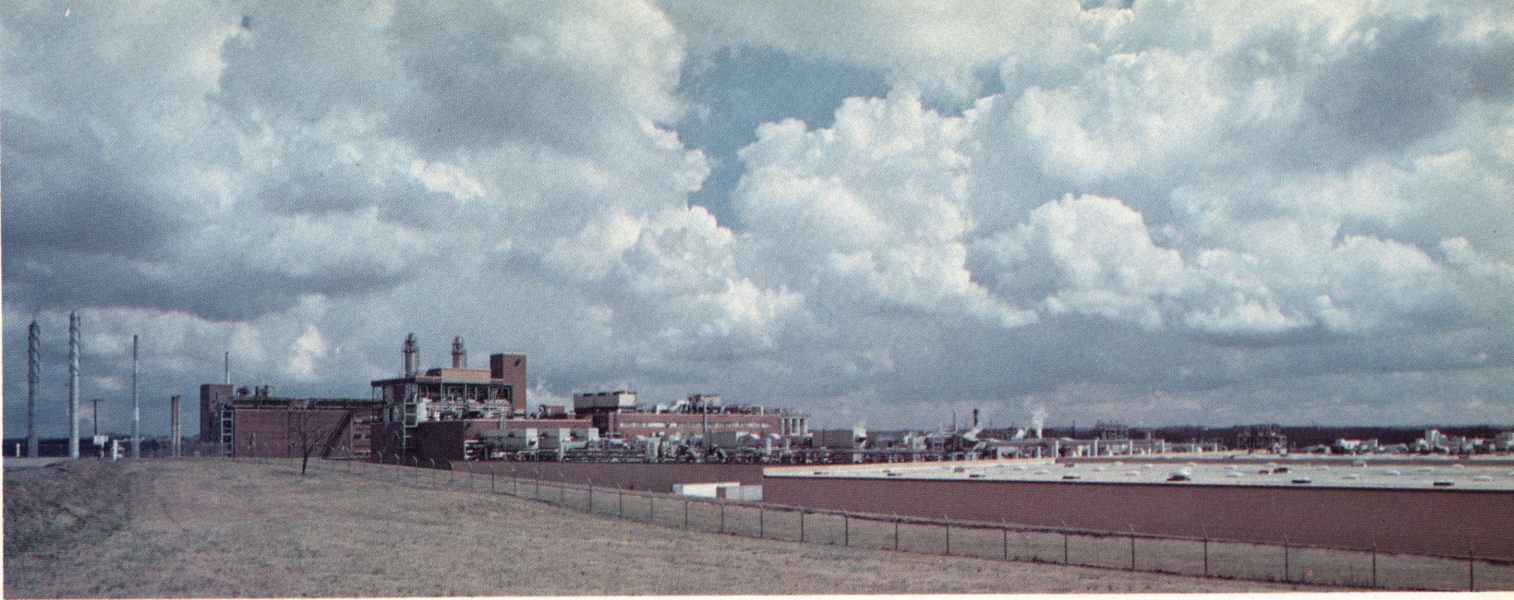
In 1965 the Karl Menzel Maschinenfabrik became the first German company to start manufacturing in Spartanburg. It saw the opportunities for textile machines, and it grabbed them, with Rudolf Mueller of Neckarsulm in Germany opening the local plant on rented premises.

Today, Mueller, who still runs the Menzel interests in Spartanburg, controls a new factory employing 60 people, a local lumber company, 1,100 acres of investment property, and the Sheraton Motor Inn—a mini-conglomerate with annual turnover in excess of \$8.5 million.

Word spread quickly through the world of textiles that machinery sales opportunities existed in Spartanburg, and many companies from all parts of Europe started

Jane McCullough





Hoechst Fibers Industries located in Spartanburg. Photos by Tommy Thompson

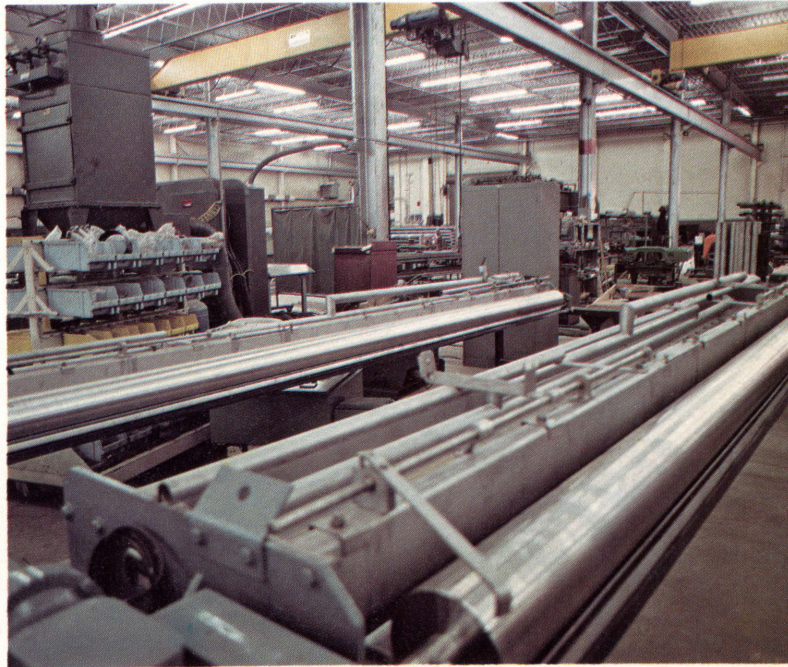
local sales and servicing operations. Bryan Little of England started in the town in this way 20 years ago as the representative for one British group. Today he owns his own company with about 30 agencies. He says that his own firm was worth about \$16,000 only 15 years ago and today is worth around \$1.25 million.

Spartanburg seems a typical small American city, littered with billboards advertising motels and fast-food restaurants, catering to the automobile and neglecting the original downtown center. Henry Kissinger was based there during World War II. Lindbergh flew his Spirit of St. Louis plane to the local airport once. Frederick Dent, the US commerce secretary in the Nixon Administration and the Ford Administration's special trade representative, lives there today.

Some magazines have sought to romanticize the foreign investments there—suggesting that Spartanburg should be renamed “Euroville” or “Europeville.” The truth is that, apart from a few European flags in front of some factories dotted along the main highway near the city, there is no obvious indication of European influence in Spartanburg at all. The old white establishment, with its formal bastions, such as the Piedmont Club and the Country Club of Spartanburg (waiting period for a membership is currently eight years) have digested the Europeans without changing their ways. The Europeans have no evident influence in the constant political feuds between the city and Spartanburg County (population almost 200,000) authorities.

AS ONE TOURS SPARTANBURG and talks with local people, one wonders why so many Europeans have come here in the last 20 years. Why have so many Europeans decided to make Spartanburg their permanent home? Why are increasing numbers of Europeans investing here?

The answers to these questions show, above all, that Spartanburg is home to a broad range of Europeans, who have sharply differing investment ideas and plans, and



Inside Kusters Corporation, a textile machinery manufacturer.

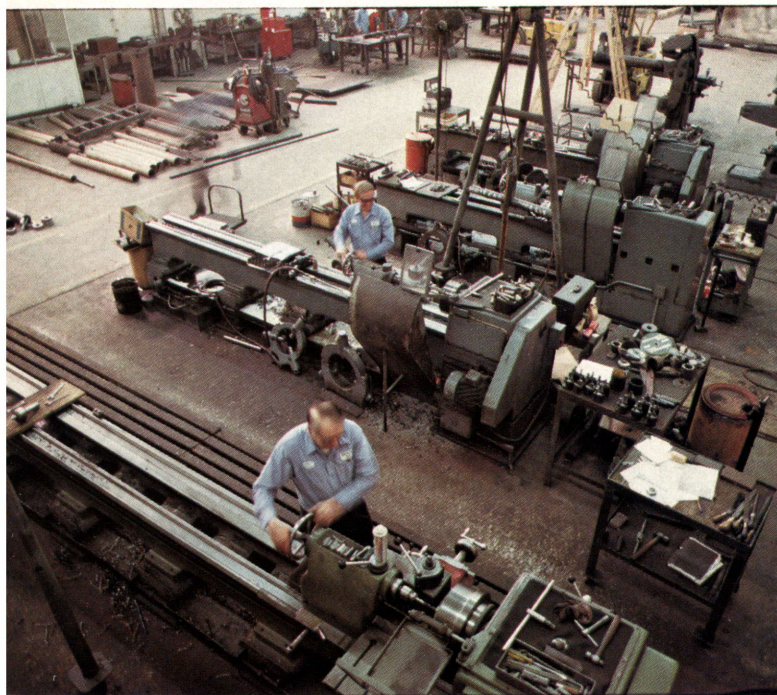
that the stories told by these Europeans represent, when taken together, a fascinating insight into European investment in America in general these days.

Spartanburg was first settled before the American Revolutionary War by Scottish and Irish families from Pennsylvania. It gets its name from a division of soldiers once based in South Carolina, known as the Spartans. It is the largest peach-growing area in the United States; but textiles are its prime business, and it is this industrial sector that has provided both the prime foreign investment impetus and the region's volatile history of times of great prosperity and times of severe depression.

Local authorities sought to encourage the foreign investment, while at the same time actively seeking investors from other parts of the United States. About 20 years ago Spartanburg was as sleepy and backward as most southern towns of similar size, say local businessmen,



Hoechst Fibers Industries shown here produces polyester fibers.



Metal lathes at Menzel, Inc., a machine manufacturer.

and there were deep fears that cheap textile imports, especially from Japan, were going to ruin the city's economy.

A technical college was established to train people for specific jobs in specific plants. Some tax incentives were offered to new investors. Spartanburg's geographical location was an asset, as were relatively low tax rates, low wage levels, and the lack of trade unions. "People are conservative and independent here," says Bryan Little.

The executive vice president of the local Chamber of Commerce, Richard Tukey, can take much of the credit for enticing investors to the area. He stresses that every effort has been made to welcome foreign executives, their

wives, and children and to ensure that foreigners swiftly feel at home in the community.

The local white establishment has probably been more open to foreigners than one might at first expect. Men like Milliken, Walter Montgomery of Spartan Mills, M.L. Cates of Arkwright Mills, and Frederick Dent, president of Mayfair Mills, as well as others, probably realized that their firms would benefit if foreign investment in the area increased.

As the first foreign investors prospered, so the Chamber's Richard Tukey was swift to publicize the success stories. He certainly has done nothing to openly counter the image of Spartanburg as a center of European business and cultural activity. More and more corporate heads have come to look at Spartanburg. A number of big American firms, fed up with unions and high costs of production in the Northeast, have built local facilities. Firms like Michelin have moved in—aware, in particular, that other foreign investors have made good profits in the area.

Some foreign companies have, of course, found themselves in Spartanburg largely as a result of coincidences and luck. For example, Britain's Rentokil company decided some years ago to buy a number of American firms, one of which owned Taco Wood of Spartanburg. This wood-preserving company is located where it is solely because its local president, W.R. Cantrell, was born there and likes it. He and a colleague use the city as their sales base for customers throughout the Southeast. They could do just as well from many other locations.

"I like Spartanburg," says Cantrell. "I like the mild winters and the generally good climate. The chance to go to the mountains for weekends. You can get to the beaches in four hours from here. It's a good place to live."

About 22 per cent of the local population is black, and



Michelin Tire Corporation also has a location in Spartanburg.

INTERNATIONAL FIRMS IN SPARTANBURG, S.C.

Germany	Hoechst Fibers Industries Menzel, Inc. Mahlo-America, Inc. Erhardt and Leimer, Inc. Bruckner Machinery Corp. Hergeth, Inc. INA Corporation Tubingen Chemical Works USA, Inc. Menschner America, Inc. Kusters Corporation Arbter America, Inc. Paul Leistner, Inc. Schultheis Systems of North America, Inc. Strassacker Bronze, Inc.
Switzerland	Sulzer Bros., Inc. American Rieter Company, Inc. Scharer Textile Machine Works, Inc. Schweiter Corp. Graf Metallic of America, Inc. Buser-America, Inc. Peyer Corporation Chas. S. Tanner Company Panalpina Freight Forwarding, Ltd. Gherzi, Inc.
France	Michelin Tire Corporation Liquid Air, Inc. S.A.C.M., Inc.
Austria	Peterzimmer-America, Inc. Johannes Zimmer
Canada	American Fast Print
Japan	Toyo America, Inc.
Italy	Pignone Textile Machinery, Inc.
Netherlands	Interbero USA, Inc.
United Kingdom	Tietex Corporation MagnaVac Air System, Inc. Taco Wood Preserving Division Zima Corporation H. J. Theiler Corporation Bolliger Corporation Brian, Lyttle, Inc. Otto Zollinger, Inc.

racial integration has gone well. New and quite expensive housing projects are being developed, indicating considerable prosperity, and lavish mansions are to be found in the plush residential areas on the fringes of city limits.

IF THE FOREIGNERS IN SPARTANBURG are big fish in a small pond, they like it that way. Bryan Little evidently enjoys his self-assumed role as unofficial British consul. Local French and Swiss businessmen take pride in being the official consuls of their countries in this city.

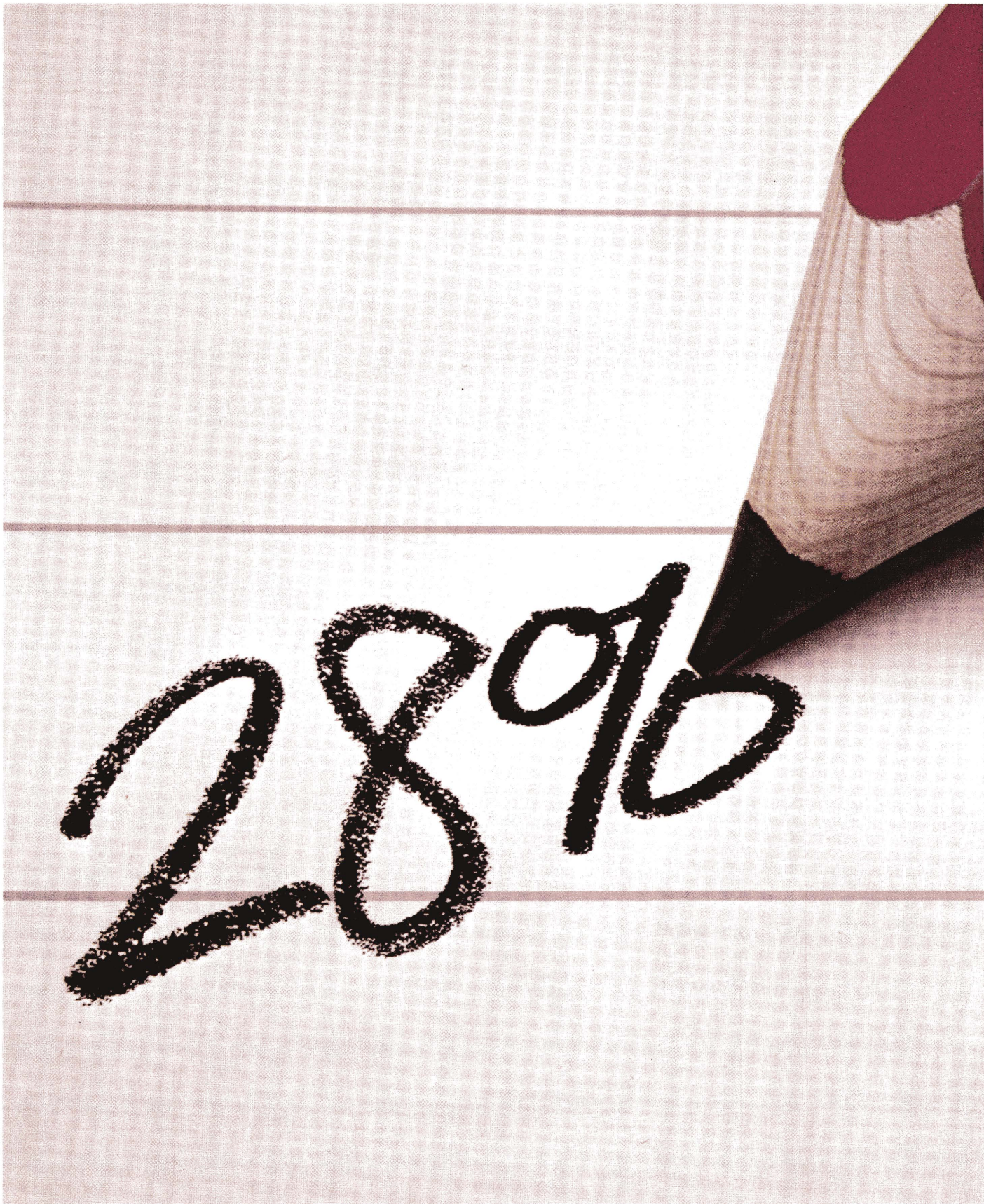
The Germans have made an annual Oktoberfest into a big cultural success with the local community. They have also had a tiny influence on eating habits. A rather mediocre delicatessen, known as Ankiess, seems to thrive, and Rudolf Mueller, having developed the Sheraton into a well-known restaurant in just three months, can now boast to be the man responsible for the best Wiener schnitzel in the South.

The European influence in Spartanburg has, all the same, been modest. The Spartanburg influence on the Europeans who have invested locally has been tremendous. Richard Tukey reports that an increasing number of Europeans, especially Germans, are showing interest. This is confirmed by local businessmen. Asians have not moved into Spartanburg, and no efforts seem to have been made to encourage them.

Mueller believes that his operations will continue to "grind out profits." Förster believes that Hoechst's local output will double or treble in the next decade. Optimism seems to be widespread, despite the ailment of the textile industry in general. The industrial base is becoming more diverse and therefore stronger; and the conservative politics of the area, combined with the profit potential and the rather unhurried pace of life, has, according to *Money* magazine, made Spartanburg one of the top 10 business growth cities in the United States.

The developments in Spartanburg today seem to point unmistakably to the fact that Europeans can make money in America by many different routes: on a huge direct manufacturing investment scale like Hoechst and Michelin; on a somewhat more modest, but still substantial, corporate manufacturing basis, like Sulzer of Switzerland or Eduard Kuesters Maschinenfabrik of Germany; or on a more individualistic basis like the operations run by Rudolf Mueller and Bryan Little; or just by buying a local firm and leaving it in the hands of competent local people, as Rentokil has done.

Spartanburg isn't a fun place, or a city lacking local social and political problems. It isn't a very attractive place, even though the countryside seems quite pleasant. But here Europeans have found social status and prosperity, and their example is bound to be influential on investors in Europe today as they look for opportunities on this side of the Atlantic.





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A US-EUROPEAN COALITION

Developing energy alternatives

PAUL KEMEZIS, *Washington editor for McGraw-Hill's Oilgram, who formerly reported from Brussels*

EVER SINCE THE GERMANS PROVED IT COULD BE DONE IN World War II, scientists in the United States, Europe, and Japan have been studying ways to convert coal into synthetic oil and gas fuels. But in most countries relatively cheap oil and the promise of nuclear energy have blocked development of commercial plants.

In the last few months, however, many things have changed. The latest round of oil price rises has brought the world price up to the \$20 per barrel level where coal-based fuels can start to be competitive. Nuclear energy appears to be losing ground around the world in the wake of the Three Mile Island accident. Years of research in the main coal-producing countries—the United States, Germany, and Britain—appear to be paying off in modern, practical techniques for gasification and liquefaction. Also the Western nations are finding synthetic fuels are a fertile area for large joint cooperation efforts and a number of major accords have been reached recently. German and US officials signed an accord on October 27 for joint funding of a \$700 million demonstration module plant that will produce fuel oil from coal using the American-developed solvent refined coal process, also known as "SRC II." A month later, Japan reached a similar accord with the United States, making the project one of the largest international fossil fuel research efforts ever staged.

The plant will be built in Morgantown, West Virginia, by the Gulf Oil Corporation, which has developed the technology over the past two decades with US Government financial backing. When in full operation in the mid-1980's, the demonstration module will take 6,000 tons of coal per day and produce from it about 20,000 barrels of fuel oil and pipeline-quality gas. These products will be sold to East Coast power companies to replace petroleum-based fuels now burned to generate electricity. The initial price for the coal liquid will be about \$26 per barrel, compared to the expected fuel oil price of \$20 by then. But backers say the production price would drop later. German and Japanese company experts will work with Gulf at Morgantown and will receive the right to market the process in their own countries. The two

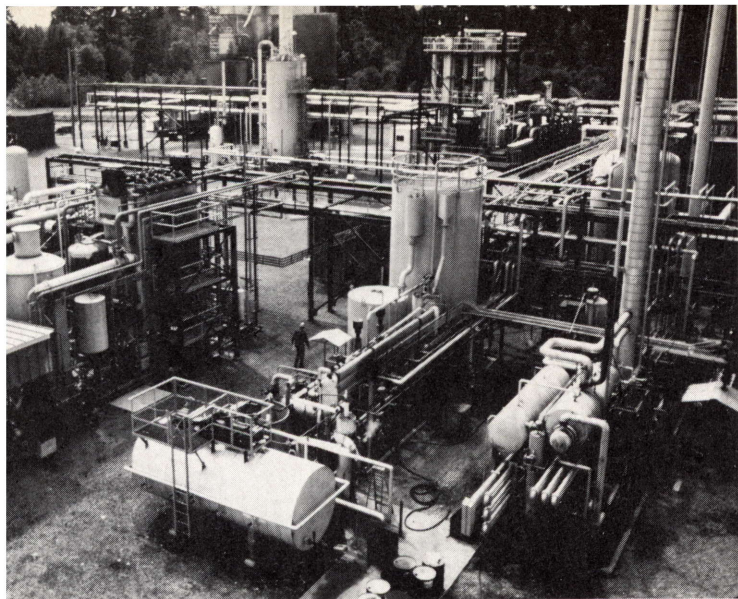
countries will each contribute 25 per cent of the government funding and the United States 50 per cent.

Because of Federal budget restraints, the Americans announced in January that they were taking a second look at the SRC II plant and a similar SRC I plant, which produces a clean burning solid, and that they would choose one to develop later in the year. This caused no small consternation on the part of the Germans and Japanese as well as US Congressional backers of the plan. President Carter was forced to reconsider and decided that money from his proposed new tax on crude oil revenues would be allotted to the projects—making it likely both will go ahead.

In a second major international cooperation effort, the EC Council of Energy Ministers decided on March 28 to go ahead with joint funding for four synthetic fuels research projects. These include a German coal dust gasification plan, Belgian and French proposals for underground coal gasification, and a British project for extraction of liquids from coal using supercritical gases. The total cost of the four projects is about \$120 million, and the Community would bear 40 per cent of the first phase costs, or about \$20 million.

The effort stems from a decision made last June by the nine members that gave the EC Commission the go-ahead to set up such a funding plan and seek bids for projects. Twelve proposals were made, and in December the Commission chose these four for initial funding. Accord was held up by British insistence that another coal gasification project be added. Now this will be included in a second set of projects.

The concept of making liquid and gas fuels from coal is not new. It was successfully developed in Germany in the 1930's and used during World War II to replace scarce oil supplies. The basic chemistry, which involves breaking coal down into carbon, oxygen, and hydrogen and then building up the new fuel forms, is simple enough for high school students to grasp in a few minutes. After the war a number of coal converters were built, using the two main German commercial processes—the Lurgi system, which produces a high-quality gas, and the Fischer-Tropsch



Coal-refining pilot plant in Tacoma, Washington. courtesy of Gulf Oil Corporation

system, which produces a range of gas and liquid products. The main markets were in parts of Europe, where coal was abundant, and South Africa, which sought a domestic fuel production capacity.

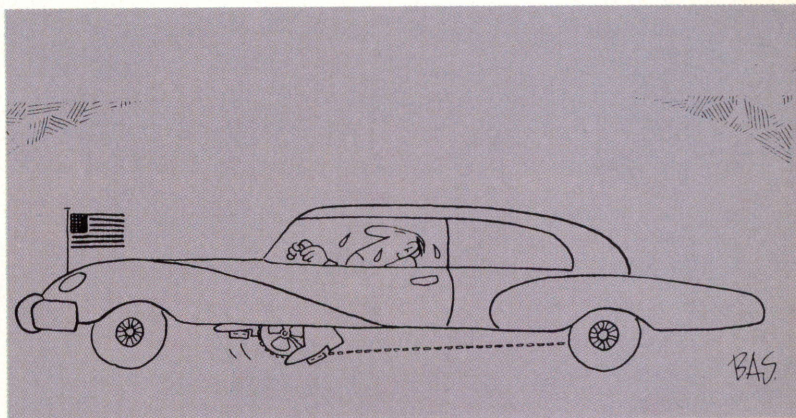
But new major petroleum and natural gas discoveries in the postwar period and the low oil prices that prevailed up to 1973 prevented the industry from growing. In the United States no major commercial coal gasification or liquefaction plant has been built to date. With the revolution in oil prices in 1973, the commercial prospects for coal conversion began to improve but the high cost of the new plants, which can run up to \$2 billion, remained a barrier. Also the higher oil price brought a rise in coal prices even though world coal reserves are much greater than oil reserves.

As a result of these factors, the final cost of coal-derived gas and liquids still remained higher than normal petroleum and gas products. Most governments have taken the approach, however, that even with the higher cost now, it is worthwhile to encourage the technologies so that they will be ready "on the shelf" in 10 or 20 years, when oil prices may be much higher. Besides the problem of replacing scarce oil, the United States and other governments see an added attractiveness in the technologies since the raw material, coal, would not have to be imported and high oil imports could be cut. Also coal in its converted form could be put to many more transportation and industrial uses than are possible with raw coal.

But many questions remain. If large new oil finds are made, the price of the coal fuel could remain perpetually under the commercial level. Although gas produced from coal is generally cheaper than liquids, world natural gas supplies seem in better shape than oil, especially since the technology for Organization of Petroleum Exporting Countries (OPEC) to export gas overseas in the form of liquid natural gas (LNG) has been perfected. Also there are major environmental problems. In particular there are fears that liquids produced from coal will contain a haz-

ardous level of polynuclear aromatic hydrocarbons that are a suspected cancer-causing agent. Thus coal conversion still presents a major risk, and the government and industry research efforts are by no means beyond doubt.

Since coal gasification technology is capable of producing a fuel that can virtually compete economically with natural gas, one of the main priorities of the US Government has been getting a major commercial project started that can lead the way for others. The focus of this effort is a plant in North Dakota, proposed by a group of five American gas pipeline companies led by American Natural Resources, Inc. The plant would use the basic Lurgi technology and produce 158 million cubic feet of



© Bas, Tachydromos, Greece

gas per day for use in homes and industry. Since the project is in a new energy field, the backers have been unable to get a conventional bank loan for the \$1 billion construction cost and, with the help of the Department of Energy (DOE), are seeking a special gas sales permit under which consumers would bear a large part of the loss if the project failed. Getting this has proven a long, difficult procedure, and design work on the project was halted in November 1978 while the case continued to churn through the Federal Energy Regulatory Commission. If this approach fails, DOE has the power to extend aid to projects through a loan guarantee, but any such backing would have to be approved by Congress, which would take time.

DOE is also supporting similar demonstrations of currently available technology to produce lower grades of fuel for industrial heating and power. One major plan being studied by Exxon would be a privately funded \$2 billion plant in Texas that would provide chemical feed stocks and boiler fuel for Exxon plants along the Gulf Coast.

AT THE SAME TIME major efforts are underway in numerous countries to upgrade the so-called "first generation" coal gasification technology. The aim is to find a cheaper, more efficient way to use the same processes and, if possible, find a new system that would bring spectacular savings. So far many of these have reached the pilot plant

stage and could be ready for commercial application within 10 years. These include:

- The Saarberg Otto gasifier, being built in Völklingen, Germany under IEA auspices with German and US funding, uses a process which applies the Fischer-Tropsch technology with higher pressures to produce a low-grade industrial gas.
- The Continental Oil Company, with a group of nine other firms, has developed an advanced version of the Lurgi gasifier that uses a slagging bed principle to increase efficiency. The process has been tested with the cooperation of the British Gas Corporation at the research center in Westfield, Scotland. The US Department of Energy will decide next year whether to support a larger demonstration project in Ohio. At the same time British and EC officials are studying going ahead with a larger "composite system," based on the slagging Lurgi, which could handle both rough and finely ground coal.
- A group of five Illinois utilities has developed the so-called COGAS process that produces a high-quality gas through a pyrolysis technique. A pilot plant is being operated at the British National Coal Board site in Leatherhead, England. The US Government may back a larger plant in Southwestern, Illinois.
- German, Swedish, and British groups are carrying out further studies of pyrolysis under an IEA program, testing both gas and liquid production. The first stage work is taking place at the Bergbau Forschung facility in Essen, Germany, and a larger plant may be built. The US Institute of Gas Technology (IGT) has developed the HYGAS process, which uses a separate hydrogen supply, and a pilot plant is being operated at IGT laboratories in Chicago.
- A group sponsored by Shell Oil and Krupp Steel has almost completed work on a plant to demonstrate a coal dust gasification process. Operation of the 150 ton/day plant will begin in 1979 and receive an initial \$5 million EC subsidy.
- In addition, US and European researchers are looking at means to gasify coal or extract natural methane in rich coal beds that lie too deep to mine. So far in the United States coal companies have shown little interest, but in Europe test borings are underway in France and Belgium by state research groups. The European Community has pledged an initial \$8 million for this work.
- With the number of potential new technologies growing, not diminishing, one plan that is forming in the United States is to build a single, large multiple-test facility that could demonstrate many new technologies at the same time with a saving on total plant costs.

IN THE COAL LIQUID FIELD, the main attention is now being given to extraction of fuels from coal by use of a solvent that breaks down the coal chemically and sepa-



French miners in the 1950's, when the European Coal and Steel Community helped revive the coal and steel market. Perhaps SRC II will renew the coal industry again by making coal-based fuels competitive.

rates the useful materials for reaction with hydrogen. This is considered a major advance over the older pre-war systems that heated the coal and synthesized both gas and liquids. The SRC II technology is seen to have the best chance of technical success, even though it produces a relatively low-grade or utility boiler fuel. Many other efforts are underway along similar lines including:

- The H-Coal process is being developed by the Ashland Oil Company. A pilot plant is now being built in Catlettsburg, Kentucky, and a \$1 billion demonstration plant is in the design stage.
- The Exxon Donor Solvent process, which like H-Coal uses a catalyst to speed the reaction, is also just entering the pilot plant stage with a facility being built at Baytown, Texas.
- The British National Coal Board (NCB) has developed a liquid solvent extraction process that produces a broad range of high-grade fuels for vehicle and air transportation. Plans are now underway for a 13-ton-per-day pilot plant with possible EC aid.
- The British NCB has also developed a supercritical gas solvent extraction process that uses gas instead of liquids to extract a fuel suitable as a petrochemical feedstock or vehicle fuel. A pilot plant which would process 1 ton/hour of coal has been proposed by the NCB for construction beginning in 1980. The Community has pledged \$6 million toward the \$13 million cost.

In the United States the success of the coal liquifaction development will depend on either the world oil price rising sharply in the next decade or a government decision to subsidize synthetic fuel production. Industry sources calculate that if Gulf, Exxon, and Ashland projects go ahead to completion they could be producing

close to 1 million barrels per day of fuel by 1995. The German industry at its wartime height produced only 100,000 barrels per day.

In Europe, where current research is less advanced, the main problem is funding. The EC Commission has made clear that its first set of grants covers only the initial phases of the projects selected but that more could be forthcoming. At the same time the Commission was careful to select projects that it believed would have significant practical results and enlarge the applications of gasification and liquefaction. Under the terms of the funding, projects which reach the successful commercial stage would be expected to pay back 50 per cent of their EC grants.

A final problem facing the development of these technologies is the coal supply itself. While the supplies seem almost inexhaustible, efficient systems must be built

up for production, transportation, and environmental protection. In the United States, where the coal industry has long been overshadowed by oil, quickly reviving production has proven to be a major stumbling block.

Another problem is free trade. An IEA committee has recently drawn up a major report on Western World coal supplies and is now attempting to arrange a commitment among IEA members to allow all members access to coal at reasonable prices. A key stumbling block so far is countries, such as Britain and Germany, where coal is kept at a higher than world market price by government intervention to enable the local coal industries to stay in business. Bringing in cheaper coals from the United States or Australia could pose a threat to these industries. At the same time, during a future crisis, countries with plentiful coal supplies might not be willing to export. The eventual IEA accord would eliminate these uncertainties.

Europe's Fallout from Three Mile Island

EDWARD FLATTAU, *Washington-based writer of a syndicated column on the environment*

Edward Goldsmith, a publisher and member of the tiny Ecology Party in Britain, was on Washington's Capitol Hill the other day—telling US lawmaker friends how the Three Mile Island mishap would rally the anti-nuclear movement in his country. Editor and founder of *Ecologist Magazine*, Goldsmith remarked that he and others in England would now wage with renewed hope what has so far been a losing battle to block the establishment of a giant British nuclear waste disposal facility.

Actually, the Three Mile Island reactor breakdown has already sparked a flurry of protests by anti-nuclear groups in Europe, just as it has done in the United States. The Europeans, after all, have more cause for concern than even Americans do. Although they receive only 9 per cent of their electricity from the atom compared to 13 per cent for Americans, nuclear plants have been multiplying faster in Western Europe than in the United States. There are 84 plants currently operating in the Old World and 150 under construction or planned, compared to 72 functioning in the United States and 129 being built or on order.

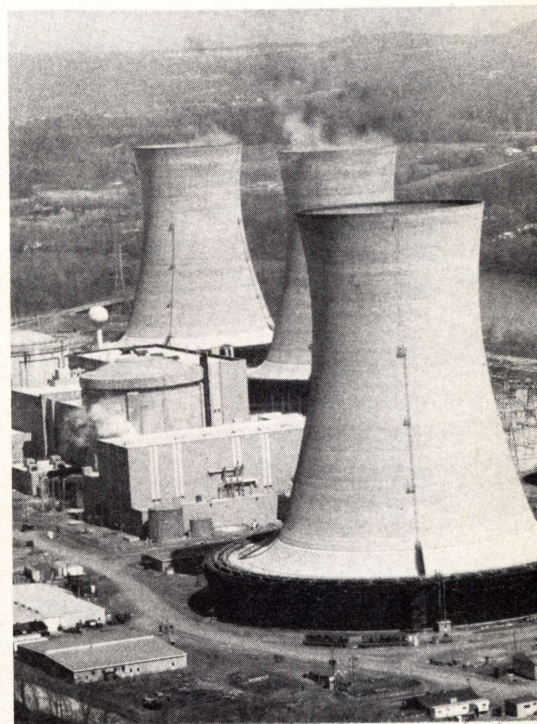
Secondly, Europeans would be more vulnerable to a nuclear accident than Americans because they have greater population densities, smaller land areas, and less open space. Finally, Western Europe lacks the substantial domestic oil, gas, and coal backup reserves that could tide the United States over, at least in the short term, if nuclear energy proves unfeasible. As a result, many European leaders claim they have no ready alternative to

the nuclear option and refuse to even review their heavy commitment to it despite events at Three Mile Island.

Having staked its future on nuclear power (a quadrupling of its current supply by the year 2000, more than any other European nation, France has been particularly adamant in assuring its citizens that a Harrisburg scenario could never occur on French soil. Goldsmith, who was born in France, responds: "Anyone who tells you that he can make a machine that does not break down is a liar." The French people, who are as much aware of human imperfection as anyone, must certainly share Goldsmith's skepticism, even if France's nuclear facilities should indeed be structurally safer than those of the Americans.

Yet were the radiation poisoning potential or economics ever to dim the European prospects of the nuclear option, some of the characteristics that make Europe so vulnerable to an atomic plant malfunction could work in its favor. The compact and concentrated populations within a relatively small land mass would enable Europeans to practice substantial energy conservation much more easily than Americans, especially in regard to transportation. In some of the smaller countries, bicycles are even suitable for inter-city as well as intra-city travel. Europe's smaller houses and cars also help to give it a big conservation head-start over the United States, particularly if energy consumption has to be cut to offset reductions or phase-outs of nuclear power generation.

Western Europe doesn't possess the rich



Three Mile Island power plant in Harrisburg, Pennsylvania. UPI

fossil fuel deposits of Appalachia or the Powder River Basin, but it does have North Sea oil and sizable coal fields in Germany and Britain. Much of the region's northern coast is swept by winds that new technologies would be able to convert into more energy than was produced by the windmills of the past.

The entire continent has the potential to derive energy from sunlight, and some of the most advanced research on that score is occurring in laboratories there. Although laden with sacrifice, alternatives exist for Europeans if they determine the risks are too great to live in the never-never land of nuclear infallibility.

Guido Brunner "On Record"

EC Energy Commissioner predicts nuclear slowdown, emphasizes conservation, seeks OPEC dialogue, supports President Carter. . . .

Interviewed by JOSEPH FITCHETT, *of the* International Herald Tribune

What impact will the Harrisburg nuclear accident have in Western Europe?

Brunner: It is bound to slow down our nuclear energy programs. Nuclear power plants under construction here undoubtedly will have to undergo reexamination with respect to their security systems and management, and most European governments will be slower about authorizing new plants, at least for a year.

France is an exception: It intends to proceed with its plans to accelerate nuclear development. But I assume that it is the only EC country which can continue moving ahead so fast. In other European countries, where public opinion is more highly developed on this issue, governments will need more time to reassure people.

EC countries already were losing ground on their nuclear programs: The latest target is 75,000 megawatts by 1985—just over half the original objective. Will there be more slippage? Some sources say that Germany and the Benelux countries will account for only a third of targeted output.

Brunner: It may be possible to make up for lost time in 1981 and still reach our target for 1985. Nuclear power currently supplies 10.3 per cent of the Common Market countries' electricity needs. Right now, nuclear sources represent only about 3 per cent of our energy supply. In comparison, the United States' 72 nuclear power plants already produce 13 per cent of US electricity supplies, and the 1978 energy plan called for doubling the number of reactors to produce 20 per cent of US electricity.

How will European nuclear managers react to the accident?

Brunner: We have to step up considerably our research on nuclear safety. The Community already spends 28 per cent of its nuclear research budget on it, and we have been planning, for example, to use the EC reactor at Ispra in Italy for an experiment simulating the kind of accident which finally occurred in Harrisburg—to



US Energy Secretary James Schlesinger (left) and EC Energy Commissioner Guido Brunner in Washington recently. © Vince Finnigan & Associates

study how nuclear fuel behaves when a reactor loses its coolant fluids.

We are also working on nuclear waste disposal, which was the issue until this accident eclipsed it.

Is there a risk of governments' losing public support for nuclear programs?

Brunner: Despite Europe's good record of nuclear safety, it does not seem to be sufficient to convince the general public, much less a strong minority which is critical of nuclear power as a whole.

Governments must have popular support for nuclear power programs. It is not enough to have the police, you need a majority of the public.

Paradoxically, the current outcry is concentrated on civilian nuclear energy. Yet there are obviously similar risks of the same scale with weapons. Governments would be well advised to double-check nuclear handling on the military domain and avoid a mishap

there—before the public mind turns to this area, which was very sensitive in the 1960's.

What can European governments do to reassure public opinion?

Brunner: No experts' debate about the remaining degree of risk ever will be settled conclusively. To get public support, we have to describe frankly what the scientists think. National parliaments should get greater say in laws governing the establishment and operation of nuclear power plants.

Doesn't a national referendum—like the one announced in Sweden—do it better?

Brunner: Referendums on nuclear power are a lottery, not a solution. They usually get mixed up with other issues: Austria and Switzerland both held referendums at a few months' interval, and one verdict was negative, one positive—both by narrow margins. A referendum reduces the complex nuclear issue to a simple yes or no. A "yes" contributes nothing to public safety; a "no" throws out the baby with the bathwater.

What are Europe's options in the nuclear energy debate?

Brunner: Given Europe's resource situation, I can see little alternative to expanded nuclear energy if Europe wants to trigger a modest amount of economic growth in future. If we can slowly recover a reasonable confidence about nuclear power, I think that it becomes a more acceptable risk than the political uncertainties surrounding oil.

You sound very somber.

Brunner: The Harrisburg accident fortunately caused no fatalities, but it occurred at an awkward time psychologically and politically. We are in a bad fix. The Iranian crisis has highlighted the growing uncertainties about Europe's supply of imported energy, and now we have this new question mark. These developments occurred just when we were emerging from the 1973 crisis and starting to enter an economic upswing.

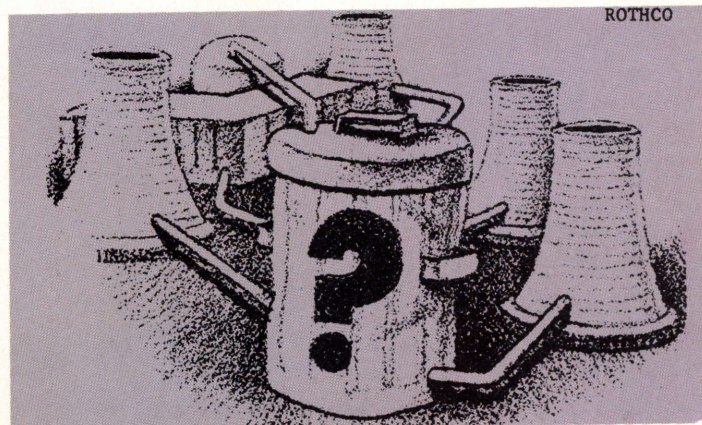
Now we have an effective oil price rise of 20 per cent since January 1. It means that Europe's oil bill has risen \$10 billion. It means a growth loss of 1 per cent. A year's delay in economic recovery. A setback in our chance to cut massive unemployment, much of it among young people. Plus an inflationary pressure of 1 per cent.

Is there new concern among European leaders about energy?

Brunner: Now everybody knows that we cannot expect a recurrence of the situation early last year when an oil glut appeared to be developing. Everybody knows that we would have to discover a Kuwait every three years



Rising gasoline prices are not necessarily bad news for auto-makers and their ad agencies. Shown here is the first-prize winner of "AdConcepts 79," created by Robert H. Levenson and Charles Piccirillo, of Doyle Dane Bernbach.



©Huffaker, Time

and a Texas every six months to keep up with oil demand. We misjudged the 1973 price hike as a freak. In reality, it ushered in an era in which oil eventually will be used for petrochemicals, not for burning. At its peak in 1985-87, North Sea oil will make up 25 per cent of European consumption, but then our oil supply problem will be worse than it is now.

But does the Common Market have an energy policy? The member countries' circumstances are so different. Britain, for instance, has North Sea oil, while France, at the other extreme, is a very energy-dependent country. For opposite motives, neither government wants to agree to any very binding EC constraints.

Brunner: We can't have an energy policy run from Brussels, but the Common Market is making a collective effort which adds up to something more than the sum of national policies. The recent European "sum-



"Still think I prefer the Daimler, Mr. Jenkins." © Waite, London Daily Mirror

mit" tackled the energy crisis by agreeing to cut back oil imports by 5 per cent.

The Common Market cut its oil demand previously by 7 per cent—but only 1 per cent represented energy saving.

Brunner: Yes, North Sea oil made the whole difference, but we have to do better now, and we can. The 5 per cent will be cut in Europe by energy saving, not increased production—and without hurting the economy. We can save in public institutions like the army and the railroads, by lowering office temperatures, by better handling of household appliances. Domestic devices consume 5 per cent of Europe's energy, and we can economize 1 per cent there. EC energy ministers have just approved \$230 million for demonstration projects in energy saving: improving heating pumps and insulation materials, developing more efficient cars and appliances.

What is the Community doing about other energy sources?

Brunner: At the EC Commission, we are trying to get member governments to approve a plan to spend nearly \$300 million a year for three years to subsidize European coal. It would bring British coal and German coking coal closer to the world price, which is lower.

Are European leaders satisfied with the degree of US cooperation on energy?

Brunner: The Carter Administration has had the political will to cope with the problem, but Congress and

public opinion have resisted it. Now the Congressional mood is changing with awareness of the gravity of the situation.

My reaction is very positive to President Carter's package of measures. Deregulation will raise gasoline prices, and it is the only way to drive home the Government's message to the public.

President Carter will be able to go to the Western economic summit in Tokyo in June and say that he has implemented his commitments on oil.

Does Europe see its interests separate from US policy?

Brunner: Objectively, our energy interests have converged on both sides of the Atlantic since 1973. Even if the Carter Administration doesn't stick to the letter of every pledge, it is moving in the right direction. Of course, Congressional pressures and domestic considerations make it increasingly difficult for any US President to meet his European partners halfway. But, since the Western economic summit in Bonn last year, everybody is pulling in the same direction.

What are the Community's plans for a dialogue with OPEC? President Valéry Giscard d'Estaing of France apparently envisages contacts at ministerial level, perhaps even involving heads of government.

Brunner: I think that it should be at the level of top experts, not cabinet ministers. We should not be over-ambitious or overpolitical, and it should be an exchange of information, not a negotiation.

Our intention is to furnish OPEC information about our economic situation and unemployment to make sure it understands these factors in working out its price policy. It is a quiet exercise of confidence building.

We had a good exploratory meeting with OPEC's "strategy group," and EC energy ministers are to decide how to initiate the dialogue.

What will be at stake in the dialogue? Who will participate?

Brunner: We should not discuss oil prices. We don't want to give OPEC the impression of interfering with its countries' rights. OPEC, on the other hand, cannot expect us to discuss their investments in Europe.

The Community can only be the catalyst of these discussions, which would be widened to include the United States and Japan, and the developing countries' representative.

How does the United States view this idea?

Brunner: I met [US Energy Secretary] James Schlesinger in Washington recently, and we see eye to eye on it, including the ban on price talks.

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OUT OF THE WOODS

Europe faces lumber, paper, and maybe even fuel and food shortage

JAMES HANSEN, *American freelance writer based in Rome*

REMEMBER OIL? IT USED TO SEEM LIKE THERE WAS A lot around and now it's hard to find even a few million barrels. Well, it looks like we're going to run out of something else just as basic to our daily lives: wood. We build with it, sculpt it, write on it, and carry our groceries home in it. Many authorities, including the Swedish Government and the British Forestry Commission, now expect shortages around or just after the turn of the century.

Actually, the list of "authorities" goes on. The Central Intelligence Agency has apparently reached similar conclusions, and the international oil companies certainly have. Occidental Petroleum is trying to buy Mead Corporation, an American forest products firm, and Mobil Oil has picked up Container Corporation, a pulp and paper producer with its own logging operation. In July of last year, Texas Eastern bought Olinkraft, which has 700,000 acres of timberland in North America and Brazil.

But are we really going to run out of wood? The Food and Agricultural Organization (FAO) of the United Nations predicts that European consumption of wood is going to increase by around 80 per cent between now and the year 2000. There is no way Europe can come up with that wood; there just isn't that much timberland. And the FAO study warns that, even if we were to begin planting trees right now, "it is not going to have a significant impact on wood supply in the Twentieth Century; such additional supplies would become available only in the Twenty-first Century."

It's an over-simplification to limit the question just to Europe. If it were only a European problem, it could probably be solved simply enough, though expensively, by importation. Europe already imports a great deal of its wood from the Soviet Union and North America. The clincher is this: Wood consumption is going to be climbing at a high rate all over the world, and probably at a rate higher than that in Europe. Third World countries, in particular, as they begin to acquire a little wealth consume a great deal more paper and other wood products. And anyone who's ever had a take-out meal from MacDonald's knows how North Americans like to use paper.

According to the US Forest Service, American consumption of softwoods alone will climb 47 per cent by the year 2000.

A few years ago an eventual wood shortage didn't seem like much of a problem. It was generally assumed that in most of the common uses for wood—in paper and building products, say—it would be largely replaced by plastics. All of the economics seemed right, and where wood is already scarce, in Europe, shopping bags, for instance, are almost universally made of plastic. But most modern plastics are based on petroleum. The Arab oil boycott and the subsequent price increases have reshuffled the cards. The expansion of synthetic materials into traditional wood markets has sharply slowed.

HOW SERIOUS WILL IT BE? Are we heading toward \$10 toothpicks? Probably not, but it won't be possible to pay the paper boy with change off the dresser. The most serious shortages will fall in the pulpwood field, and newsprint prices are already climbing sharply. For pulpwood, the FAO report says, "even the highest forecast of supply falls short of the lowest forecast of consumption by 75 million cubic meters." So, according to the most optimistic estimates, there will be a shortfall of at least 13 per cent in the year 2000. That's the European picture, but it's largely reflected in the rest of the world.

Obviously, such forecasts are based on a very imperfect knowledge of the future. Unforeseen technological developments could change everything (oil, for example, was not much more than an interesting mineral anomaly until people started building, buying, and driving automobiles). Unfortunately, the most probable kinds of technological change would hurt rather than help; and authorities worry that projections, based on how forest products are used today, could be thrown off by three relatively unknown possibilities increasing use of wood as an energy source, as a chemical feedstock, or as food for animals and human beings.

It is sometimes hard to remember that wood already is an important energy source. Something like 47 per cent of the world harvest is burned to produce heat for cooking



"Brazil is already tooling up to become a major wood exporter in the next century." The Brazilian Amazon Basin, pictured here, is part of the largest virgin forest region in the world. Photos courtesy of the Food and Agricultural Organization, Rome

and comfort. In the West a fireplace is a luxury. In the Third World, and most of the world is "Third," wood fires for heating and cooking are a necessity. The gradual transformation of these barbecuing habits by petroleum products like kerosene has been slowed by prices too high for the poor. This has led to a kind of firewood crisis in much of the underdeveloped world; and, if consumption drops there, it is only because there are no more trees within a day's walk of the hearth.

The importance of firewood as an energy source in simpler times and economies is illustrated by a dramatic example from ancient Ethiopia: It was the custom to move the capital from one site to another as the available firewood in the area was used up. The habit was finally brought to a halt by King Menelik. When his capital, Addis Ababa, was threatened by a wood shortage, he imported fast-growing eucalyptus trees from Australia, saving the day and, not incidentally, Addis Ababa.

As a chemical feedstock, wood has already been in use for some time but has been slowly surpassed by oil. Rayon and certain other synthetic fibers are based on manipulations of wood cellulose. The newest "miracle fibers," however, are made from petroleum hydrocarbons. Once again, the scarcity and high price of oil could change all this.

So far we have not been reduced to eating trees, apart from a little maple syrup. The technology already exists, however, to transform wood cellulose into synthetic proteins. It is literally possible to make a satisfactory imitation of a beef steak out of a tree, although, perhaps fortunately, it is not yet profitable to do so. Firms like General Mills, Pillsbury, and Carnation Foods already have strings of patents with menacing names like "simulated meat" and "extracting proteins from vegetable materials." One of the possible vegetable materials in question is leaves.

There are steps to be taken to lessen the shock of an eventual wood shortage. In the first place, unexploited regions of virgin forest still remain in the world. The largest is probably the Amazon Basin, and the Brazilian Government is already tooling up to become a major wood exporter in the next century—hoping to repeat its relatively happy experience with coffee in recent years.

Aside from finding new forests to cut, most recommendations turn on making better use of what we already have. New processes for paper making can get nearly twice as much paper out of the same amount of pulp. The timber industry is being advised to harvest the entire tree—branches, stumps, and roots included—and not just the trunk. In addition, with more careful management, existing forests can yield substantially more trees.

BUT THERE ARE OTHER PRESSURES ON FOREST land aside from the simple need for ever increasing quantities of wood. Modern societies require growing amounts of



A log store in Turkey.

forest for parks and wilderness recreation areas. Everywhere more people have a greater need to escape once and a while to something that doesn't resemble a city. And these people eat more. Farmland is often nothing more than forest with all the trees cut off. The competition of all these needs will become sharper as the amount of timberland left continues to decrease.

The problem is real and governments, particularly in Europe and North America, have begun seriously measuring their timber resources and planning long-term programs to stimulate wood production. Since problems like forest fires and plant diseases are not respecters of political boundaries, much of this planning is international in scope. It concerns groups like the FAO and the Organization of Economic Cooperation and Development (OECD) as well as exchanges between individual governments, as in the swapping of information between the British Forestry Commission and the US Forest Service.

Specific action on the part of the EC Commission has taken the form of a proposal for a common European forestry policy, submitted to the Council of Ministers in December 1978. The proposal offers a series of recommendations about the objectives the EC Nine want to

reach with a unified forestry policy. It warns that it is necessary to "realize that the long-term nature of timber production makes unexpected and sharp changes of policy unwise." The resolution also recognizes that the rights of the owners of forest property, along with the right of the public to wilderness recreation areas, must be wisely balanced against the growing hunger for wood.

At the technical level the Commission proposals stress advances in harvesting and processing technology, including machinery that "plucks" a tree rather the way we might pull a radish from the ground. That permits utilization of the stump and roots as well as the above-ground parts of the tree. The Commission also notes the necessity of expanding the recycling of waste paper, which already accounts for about a quarter of European paper production.

All of these steps—finding new sources of wood and more efficient ways to use them—will help ease the upcoming crunch. But so far there doesn't seem to be any way to completely avoid future shortages. We may just have to get used to much higher prices for much less wood and paper. Not a very bright picture for say, paper-consumptive journalists who thought they could fall back on wood-intensive carpentry.

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On his way home to Cairo from signing the peace treaty with Israel in Washington, Egyptian President Anwar Sadat broke his journey only once—to spend 48 hours in Germany. German Chancellor Helmut Schmidt thus became the first head of government other than Sadat, US President Jimmy Carter, and Israeli Prime Minister Menahem Begin themselves to be fully briefed on the treaty's contents.

Sadat's conversations with his host remained confidential, but it was no secret that he wanted money. Massive aid for Egypt and Israel alike is the essential means whereby the rest of the world community must now reward the political courage of the Washington treaty—by coming out publicly in its favor and by aiding Egypt's and Israel's new commitment to peace. Such is believed to have been the thrust of Sadat's case, and he seemed to have a good deal of sympathy from the media and from German public opinion.

Bonn's response to Sadat was, however, cautious. Yes, the Federal Republic fully recognized the historic chance of this first step toward a broader settlement of the Middle East problem. And, yes, it also fully recognized that Western Europe had a direct interest in peace and hence a duty to help underpin it through the mechanisms of financial support. But, on the other hand, it would be unwise to alienate the rest of the Arab world any further by too obviously playing favorites with aid, or to overestimate the Washington treaty's chances of bringing about a broader settlement so long as opposition to it remains implacable.

Above all, Sadat was told, Germany could not contemplate taking action alone. If Europe was going to help, then it would have to do so as the Community. And sums of money could not be discussed until the Community as a whole had collected its thoughts. Judging by the very guarded tone of the Nine's official statement following the treaty's signature, that could be a slow response indeed.

For if it seems only natural to many

Americans that Germany, as the foremost economic power in Western Europe, should thus be drawn immediately into the historic opportunity offered by the treaty, it is still a relatively new experience for Germans themselves to be so far out in front. No matter how often it is predicted that Bonn will eventually exert a political weight in world diplomacy appropriate for its economic power, the process continues to be a slow and sometimes even alarming one.

Yet it has been during Schmidt's Government that Bonn has come furthest toward full participation in grappling with multilateral problems—serving on the United Nations (UN) Security Council, taking its place among the leading Western powers which are attempting to underwrite a peaceful transition to independence to Namibia, and much besides. German Air Force cargo planes and unarmed military support personnel have been involved in several of the major international rescue operations of recent years.

Schmidt is on record as believing that German troops might even take part in future UN peace-keeping forces, although he was quick to point out that so far as the Middle East is concerned, it would not be conceivable that they should be asked to serve on Israeli soil. In the not-so-distant past, all the same, politicians of all parties have tended to gulp and talk about constitutional obstacles whenever the notion of the Bundeswehr serving abroad has been so much as mentioned.

—ADRIAN DICKS

Brussels

After 100 days of nail-biting, the Belgians have got a Government. Whether it will last is another question. The signs are moderately promising in fact.

But first the background. This crisis began last October when the then Prime Minister, Leo Tindemans, resigned over the attitudes of some of his coalition partners to legislation designed to solve Belgium's perennial and monumentally frustrating "language war."

Parliament was dissolved, and an election was held just before Christmas. But the voters seemed no better able than their elected leaders to produce a viable new power grouping. All the familiar old faces were back; and apart from some minor slippage on the left and in support of the militant Dutch-speakers party, the Volksunie, the composition of Parliament had scarcely changed.

A succession of well-known politicians

Egyptian President Anwar Sadat and German Chancellor Helmut Schmidt. UPI



took their turn at trying to form an administration only to founder on the perverse arithmetic of the parliamentary situation. Ideally the problem would be solved through a so-called "Rome-Red" coalition of the Social Christians and Socialists—each split into Dutch- and French-speaking parties. But as luck would have it, such an alliance falls a hairsbreadth short of the two-thirds majority necessary to approve the constitutional changes arising from the "language war" legislation.

In short, either or both of the tough-talking regionalist parties—the Volksunie and the Democratic Front of French Speakers (FDF)—need wooing. Under Tindemans they had participated in the six-party coalition that ruled Belgium for 18 months until last October. But the price of their support has risen this year.

The Egmont Pact, the scheme over which the Tindemans Government fell last year, is the most ambitious attempt to date to legitimize the aspirations of both regional groups. It virtually amounts to a prescription for a Belgian federation. There had been fears it might die along with the Government last year, but miraculously it has survived and indeed has become a kind of touchstone, so that Belgian politicians today are assessed not so much by their economic and social thinking as by their ability to devise a parliamentary coalition capable of enacting Egmont Pact legislation.



The man in charge now is a 42-year-old newcomer to ministerial office, Wilfried Martens, president of the Flemish Social Christians. He leads a coalition of Social Christians and Socialists with the pledged parliamentary support of the FDF—an achievement immensely more complicated and arduous than it sounds.

Marten's program is purposely vague on the language issue but rather more precise about economic policy, including a cut to 36 hours in the working week. The Belgians are not wildly excited, but one suspects the new team is doomed to succeed—at least for a while—since public patience at the impasse has clearly reached the end of its tether. Even so, most visitors to Brussels would

have found it remarkably hard to detect any change in Belgian life during the four months or so the country was without a Government. —ALAN OSBORN

London

One of Britain's annual rites of spring has again raised the hackles of animal lovers. Two horses died in the 1979 Grand National, considered the world's most difficult and dangerous steeplechase, including the race favorite. Only seven of 34 starters completed the 4.5-mile Aintree course at Liverpool.

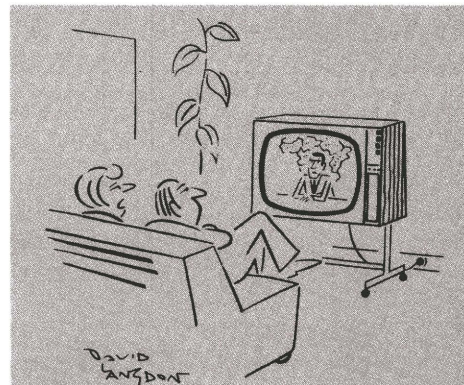
The Grand National is 140 years old and a national institution. Just about everybody puts a wager, sometimes as little as 20 cents, on the outcome. The bookies this year grossed an estimated \$50 million. But this year's two deaths brought to five the number in the past three Grand Nationals, and the outcry for safer course conditions is getting louder. Calls for the race to be scrapped find little support, but the Royal Society for the Prevention of Cruelty to Animals has made proposals which bear investigation. It wants fewer horses in the race and less precarious fences. Advocates of the Grand National as it stands argue the high risks to horse and jockey are part of its character and must remain.

Loose horses—early fallers carrying on riderless—were obstructive in this year's race. One veered into the path of several top contenders just before one hedge and brought them down. Another actually flashed across the finish line ahead of the winner. The spirited final sprint reflected its good training, though not much consolation for the dumped jockey.

The British continue to be more accent-conscious than other Europeans. Social scientists trying to assess the present state of the enduring British class system found a consensus that the way one speaks remains a paramount measure of social standing. They also noted that over the past quarter century incomes have risen for almost everyone—meaning the relative position of the low paid to the high paid has not changed much: The rich have, in relative terms, stayed rich, and the poor have stayed poor. The Inland Revenue recently estimated the richest 5 per cent of Britons own nearly half the country's total personal wealth, with the bottom 80 per cent owning less than a quarter. The social scientists further suggested that since World War II there has emerged a shrinking working class and an expanding middle class. The latter is being fed by both sons and daughters of working class parents and by what used to be labeled the upper

class—including the old landed gentry and the aristocracy. Now they have frequently merged with the uppermost middle class.

The British Broadcasting Corporation's (BBC) noncommercial television programming in general is often ranked among the world's best. The reputation is coveted, and BBC executives keep an eagle eye on standards. One thing BBC viewers won't see on their telly boxes as a result is the "Three Stooges." Since the Stooges spent a lot of time whacking each other over the head, the vintage American comedy series has been ruled out of bounds by the latest update of the BBC's code for program makers on the



"There's always something somewhere."

© Langdon, Punch, England

use of violence. It warns producers they should avoid scenes of violence which could be easily imitated by children—"the impression should not be given that a man can be struck on the head without danger."

The new code lists four guidelines: Is violent action essential to the story? If essential, how much detail is necessary for the sake of clarity? Is a violent act being shown in a way that may encourage dangerous imitation by the young and immature? Is violent action included just to create excitement and to hold attention?

The revised rule book says that violence is sometimes essential in news and dramatic programming but that "gratuitous violence must be sedulously avoided." It stresses that research suggests some people, especially the immature and mentally unstable, might imitate what they see or be stimulated to behave violently after watching violence on television. "Television may be a window on the world," it says, "but there are few real windows out of which one sees an execution or a wife being beaten." —PETER J. SHAW

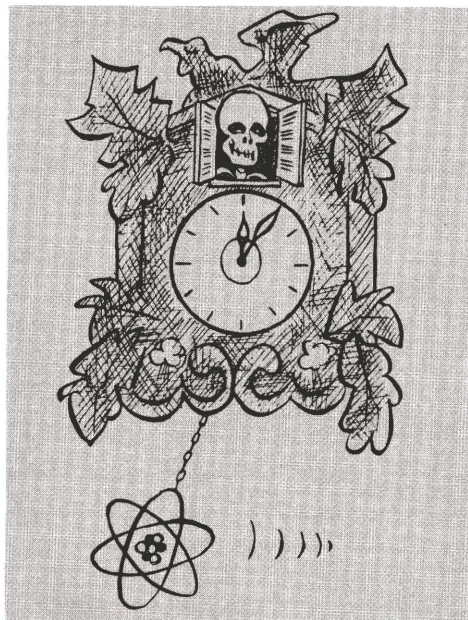
Copenhagen

The Pennsylvania atomic reactor accident has almost certainly given Danish opponents of atomic energy the decisive card to play. News coverage of the accident was very in-

tense, and popular interest was extremely visible, especially in Copenhagen, less than 15 miles from the nearest atomic reactor, in neighboring Sweden. Until now Denmark has delayed the decision on atomic energy, although pressure has been strong, both from the semi-public electricity companies and from the EC institutions, which pointed out that Denmark is the Community's largest net importer of energy.

Even before the US reactor accident reignited the volatile safety issue, the opponents of atomic energy had won a major battle. Denmark has decided to land its North Sea gas in Esbjerg on the west coast of Jutland (continental Denmark), and to build a pipeline to Copenhagen, at the same time making the use of natural gas obligatory. Economists seriously questioned the cost-benefit ratio of this investment, but new evaluations of the reserves in the North Sea are far more optimistic than earlier estimates, and have thus eroded the arguments of the atomic energy supporters. The final decision must be made by Parliament, which is in this matter very conscious of swings in public opinion.

Just before the Pennsylvania accident, the biannual pay negotiations in Denmark were concluded by Government decree, forestalling a nationwide lock-out by employers.



© Bubec Heilbronner Stimme, Germany

The Government almost split on the issue: the Liberals demanding stringent adherence to economic austerity, the Social Democrats insisting on a solution acceptable to the trade unions, or at least a majority of their members.

Most independent observers here think that the Liberals were out-manuevered. Certainly the expected rise in wage costs—8-to-10 per cent per annum—will leave Danish industry with little competitive edge.

It also leaves little room for an improvement in the balance of payments, and will fuel private consumption to such an extent that a tightening of fiscal policy in the autumn is regarded as inevitable.

New measures involving US investors are also being considered. In February the export of government bonds was stopped, and the Government has been examining the possibilities of stopping the sale of ordinary mortgage bonds—which, like government bonds carry an interest rate of up to 18 per cent per annum but which have a longer maturity than government bonds. Apart from unwillingness to pay upwards of 18 per cent to finance the Danish balance of payments (7 per cent more than the Eurodollar rate), the Danish National Bank fears that the next currency crisis will become far more serious if billions of kroner worth of bonds suddenly return home.

—LEIF BECK FALLESEN

Luxembourg

The *Kueb*—or “Crow”—does not signify a bird to Luxembourg newspaper readers so much as a rather frightening building that the Government wanted to put up for the European Parliament. It got its name from the angular, faintly menacing look, but it could just as easily have been nicknamed “The Bionic Snail” or “The Kirschberg Ski Jump.”

None of that really matters much now because the project has been dropped—or put into cold storage. It will be a small miracle if it is ever thawed out. The project commanded attention for its audacity, both visual and financial, but these were inevitably its undoing.

The blunt truth is that the Crow would have cost Luxembourg \$100 million to put up with no guarantee that the European Parliament would have ever used it. That is no sort of gamble for any country, let alone one which takes such pride in its financial rectitude as Luxembourg.

But the factors that led to the conception of the Crow are just as potent as ever. Briefly they go like this: Luxembourg is the present home of the European Parliament secretariat and the joint seat of the assembly. This is rewarding both financially and for prestige. That will be even more true when the Parliament is doubled in size and authority by direct elections this year. But the present building on the Kirschberg plateau will not be big enough to cope.

In short, Luxembourg needs to do some rapid construction work if it is not to lose out increasingly to Strasbourg in the contest

to house the directly elected Parliament. It is all very well to quote Treaty language to the effect that you have a legal right to host the Parliament but pretty useless if the facilities simply do not exist.

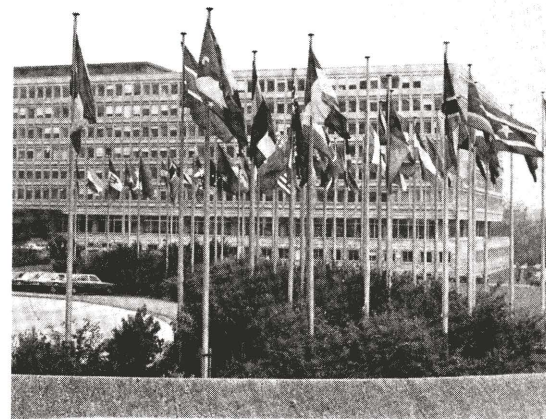
The Crow was felled by pressure from members of Parliament, city councilors, environmentalists, and public opinion. In its place has materialized the “Bohler project,” which might lack its predecessor's architectural daring but has the saving grace of costing a tenth as much. If there has been any opposition to the Bohler project, it has been swiftly dealt with since the twin supports of the building are already up, and completion is scheduled for November.

Basically the new plan is for an enlarged chamber to be built on to the existing EC Council skyscraper block, freeing other offices for the coming hordes of parliamentarians and their retinues. When finished, it will put Luxembourg roughly on a par with Strasbourg as regards office accommodation. But every month by which it fails to make the deadline means another plenary session going to the French city by default. Small wonder the Luxembourgers have been toiling away throughout the winter blizzards!

The contest is really taken very seriously. “Pflimlin [the Strasbourg mayor] is digging up the municipal swimming pool to make more offices,” recently said a Luxembourg man who didn't seem quite sure whether to be alarmed or amused by the development.

Both cities are determined; and while Strasbourg at present has the edge in offices, Luxembourg certainly wins in hotel accommodation. Of course they could both lose out. Brussels would like the Parliament and has powerful claims, not least being that it already provides a home for the Commission and the Parliament's committees among other things. The rules protect Luxembourg at the moment, but the city knows this will be small consolation if its accommodations are found deficient when the time comes.

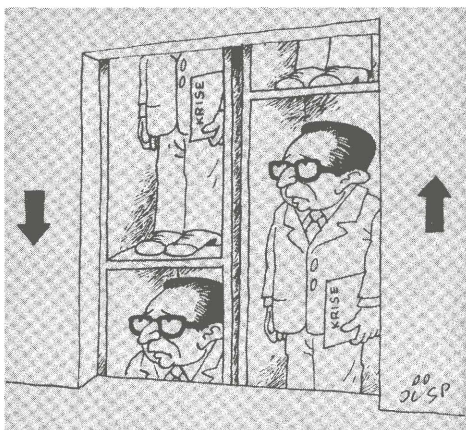
—ALAN OSBORN



Rome

Government crises in Italy are hardly a novelty, and the fall of the thirty-first government since 1943 would have gone practically unnoticed under normal circumstances, but circumstances were not quite normal.

The Government, Giulio Andreotti's fifth, was defeated in a vote of confidence only 11 days after it had been announced on March 20. Labeled by Bettino Craxi, the Socialist leader, "a Government begging to be defeated," it was comprised of a reshuffled Christian Democratic old guard garnished with a few token representatives of smaller parties. Since these representatives entered at



"Italy." © Jusp, Wir Bruckenbauer, Switzerland

the expense of two professional heads of important ministries (foreign trade and industry), the overall effect of the new Government was one of stunning mediocrity.

The new Government's fall was hastened by the death of the one person who had lent it credibility. Ugo La Malfa, the leader of the tiny but influential Republican Party, had been chosen as vice premier in the lackluster new cabinet just weeks after he himself had failed to form a government. The death of La Malfa of a stroke at the age of 75 on March 26 removed from the Italian political scene one of the figures who, though challenged by many, retained an image as the conscience of his country.

Not that Andreotti's Government would necessarily have passed a vote of confidence even with La Malfa. The maneuvers that have surrounded Italian politics since the Communists withdrew their support and went into the opposition at the beginning of the year have been complex even by the standards of this land of Machiavelli. The Communists, who have suffered in recent local elections for their policy of tacit and, later, active support of successive Christian Democratic governments, apparently hoped that the possibility of general elections two years prematurely would be delayed long enough to give them time to win back credi-

bility with their own left wing as an opposition party. On the other hand, with elections to the European Parliament due on June 10 and with the Italian Socialists expected to gain in prestige borrowed from the bigger, more successful Socialist parties in the rest of the Community, it was not in the Communists' interest to wait too long for national elections.

The Christian Democrats had a similar problem in reverse: On the one hand, they could stand to gain by holding elections as early as possible, before the Communists had time to mount an effective campaign as opposition party. But if the elections were to be delayed until after June 10, the Christian Democrats could hope to gain indirectly by the loss of votes to the Communists that presumably would be siphoned off by the Socialists.

The outcome, perhaps typically, was a middle road; it is now almost certain that Italian elections will be held concurrently with the European Parliament elections, on June 10.

In this atmosphere of a political labyrinth, the Communists held their fifteenth national congress in Rome from March 30 to April 3. The "historical compromise" stood up through another congress as official party policy, but party leaders also made clear that after the elections they expect to take active part in a "government of national emergency" or else expect to pass into "constructive opposition." —CHRISTINA LORD

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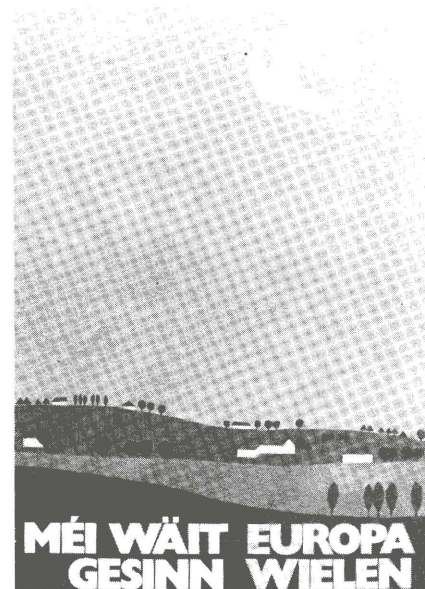
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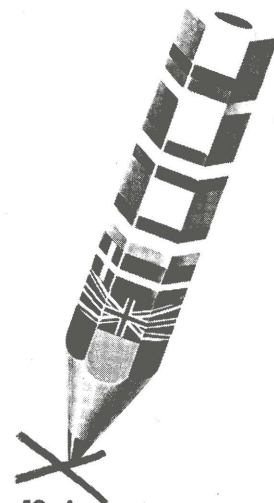
European Parliament Elections

June 7-10 marks the first ever European-wide elections and the next issue of EUROPE will be devoted to election coverage.



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MEMBERSHIP “INEVITABLE”?

Spain is confident

MIGUEL ACOCA, *Madrid-based correspondent who writes for Newsweek*

SPAIN IS TAKING A HARD-NOSED POSTURE IN CURRENT negotiations with the “Nine” for formal admission to the European Community. The Spanish Government, in fact, is convinced it holds a far stronger hand than either Greece or Portugal, which also want EC membership. Madrid’s present assertiveness is part of an overall revision of relations with the rest of the world—Western Europe, the United States, Latin America, the Soviet Union, China, Africa, and the Arab world.

Now that it has become a democracy and emerged from the isolation endured under its late dictator, Francisco Franco, Spain is flexing its muscles and is promoting its interests as a medium power in a strategic position in the Western Mediterranean. The basic tilt of its initiatives—orchestrated by King Juan Carlos I and Premier Adolfo Suarez, who won a new four-year mandate in the March 1 general elections—has been aimed at Latin America. Premier Suarez even went to Cuba last year for a meeting with President Fidel Castro. The visit not only was an assertion of independence but also was intended to demonstrate to Latin America, Europe, and even the United States that Spain can be a funnel to its former colonies.

The concept that EC membership is essential for Spain’s economic and political health is still held by top Spanish Government officials and economic planners. But they no longer feel in an inferior position and will be tough bargainers. Leopoldo Calvo Sotelo, the minister in charge of EC relations who was handpicked by Suarez to negotiate the terms of entry with the Nine, says, “It’s like looking for an apartment. The Community appears the only one available, but we have to work out a price.” Jose Luis Leal, one of Spain’s top economic policy planners, does not express enthusiasm but admits that Spain has no real choice: “It’s not going to be a marriage of love. It will be a marriage of reason—or convenience, if you want.”

Spanish officials consider EC membership inevitable because of the country’s position in Europe. Spain applied for membership in 1977, and last February it began talks for formal entry. Their idea is that Spain will be formally admitted by 1982-83. Still, they are prepared to drive a hard bargain. “EC membership is no longer the

panacea we used to think,” says Manuel Rueno, a government spokesman.

Since the death of Franco in 1975, Spain has undergone a steady transition to democracy marked by intermittent eruptions of violence. But the killings by Basque separatists, the anger by rightist military officers nostalgic for the Franco era, growing unemployment, and a host of other political and economic problems have failed to stop the momentum of political renovation set in motion by the King and Suarez. To be sure, the establishment of a parliamentary democracy could not have taken place without the backing of the strong Socialist Workers Party, led by Felipe Gonzalez, and of the Communist Party, headed by Eurocommunist Santiago Carillo. After 40 years underground, they had to show moderation and support Suarez so long as he stood for giving them a share in the shaping of the new Spain. They obtained this, in effect, in the writing of the complex but progressive democratic constitution approved by consensus in the parliament elected in 1977. The charter, which took months to write, was adopted by the Spanish people in a referendum last December. Shortly afterward, Suarez called general elections for a new chamber and senate. He could have stayed on until 1981, but he chose to go to the people to strengthen his position and to show the Spanish people and the world that Spain was indeed a parliamentary democracy.

THE ANNOUNCEMENT FOLLOWED THE BREAKDOWN OF talks to renew the social and economic agreement with Socialists and Communists, known as the Moncloa Pact, which had helped to reduce inflation from 26.5 per cent to 16.5 per cent and had limited pay increases to 21 per cent. But Socialists and Communists, who have a large labor following, wanted elections. They would have preferred city elections first, but Suarez, a shrewd political operator, turned the tables on them. He used his prerogatives and set the voting for a new parliament—*Cortes*—for March 1.

Just before the election campaign began, Spain was hit by a wave of strikes. They were neither crippling nor



Main fish market in Barcelona. © Bernard Pierre Wolff, Photo Researchers, Inc.



Wine taster in Madeira. © Lily Solmssen, Photo Researchers, Inc.

Miners in Mieres, northwest Spain. © Wilhelm Braga, Photo Researchers, Inc.



violent, and the country took them in stride. There were no cries of doom as in England, no clashes as in France. Communists kept the Workers Commissions Unions, which they control, under a tight rein. The Socialists kept their labor affiliate, the General Workers Union, in harness too. The walkouts ended in new contracts with wage increases ranging between 13.5 per cent and 16 per cent — above the Government's 11.5 per cent guideline maximum. But it was clear that the strikes and settlements were part of Socialist and Communist election strategy. They had to show their clients that they were for "the workers."

The election campaign itself was rather dull. Cold weather deprived Communists and Socialists of the chance to stage large rallies. Suarez, who dominated the state-controlled television network, gave up going on the road to press the flesh of voters after hecklers disrupted tours of Andalusia and Extremadura, where unemployment plagues these two southern regions. He made a brief, and almost secret, foray into the Basque city of Bilbao for security reasons. His advisors did not want him to become a target for assassination in the restive region where ETA, the Basque separatist underground, is active, and where extreme rightists dislike Suarez for what they consider his "betrayal" of the Franco "system."

Wherever the Premier went, he took the lofty road, stressing that his party, the Center Democratic Union, "delivers." Other CDU candidates, however, were not so vague. They told voters that a vote for Felipe Gonzalez and the Socialists was a "vote for the Marxist model of society," while the CDU stood for "the Western model."

Still, the polls showed that the Socialists were either running neck and neck with the CDU or ahead. The figures frightened the Premier and his followers, and in the last week they pulled all stops to brand the Socialists as dangerous "Marxists" parading as "moderates." The attack no doubt had an effect on Spaniards who still recall the horrors of the 1936-39 Civil War and the decades of Franco's proscription of and persecution of all leftist parties. When the votes were all in on March 2, Premier Suarez had won 167 seats in the *Cortes*; the Socialists, 121; the center-right Democratic Coalition, nine. The Communists went up from 20 to 23, a good gain. While Suarez fell nine seats short of an absolute majority, he will have no trouble ruling for the next four years. He will get the votes of the Democratic Coalition and be able to pick up other votes on specific issues.

The election had one dark aspect, however. This was the show of strength by ETA-supported separatist parties in the Basque region. They won four seats with nearly 20 per cent of the total vote. Their performance will force moderate Basques in the bigger Basque Nationalist Party to press for a strong autonomy — or self-rule — statute in the new legislature.



Opening of the EC Spanish accession negotiations in February; seated from left: French Foreign Minister Jean François-Poncet; the Spanish minister in charge of negotiations with the Community, Leopoldo Calvo-Sotelo; Spanish Foreign Minister Marcelino Oreja Aguirre; the Spanish Ambassador to the Community, Raimundo Bassols.



A heavy turnout in June 1977 for the first free Spanish election in 41 years. © Leonard Freed, Magnum

January march in Barcelona: "Just before the election campaign began, Spain was hit by a wave of strikes." UPI



This will put in the limelight Spain's most difficult problem — the question of national unity. If Suarez gives the Basques what they ask for, the military will try to upset him. If he doesn't yield to the Basques, violence is bound to resume. "The Basques could turn Spain into battleground," says a Western diplomat. The French are especially worried that unrest among Spanish Basques could spill over into the French Basque region.

The Premier and his party suffered a setback in the April 3 municipal elections—the first nationwide vote for city governments since 1931. Even though the Government party ran candidates in every Spanish city and spent a great deal of money in the campaign, the Socialists, who presented lists in a smaller number of municipalities, took nearly half of the 52 provincial capitals, including Madrid, Barcelona, and Valencia. The much smaller Communist party did well too.

The two leftist forces are likely to set their differences aside and collaborate in city governments. Whether this will lead to a closer relationship in parliament depends on whether Suarez tilts to the right on legislation required to make the new constitution work and what kind of labor-management law the Government will pursue.

At any rate, the left now has an opportunity to use the cities as a political forum and to wind up Franco laws that still govern local rule. So will Basque nationalists, who humiliated the national parties throughout the restive region. The Basque show of strength will no doubt stiffen demands for a strong autonomy statute.

ECONOMICALLY SPAIN HAS STAGED A REMARKABLE performance since 1977, when there seemed to be no bottom. Its current account balance of payments was in surplus by \$1.1 billion by the end of 1978. Exports to the rest of the world were up. Reserves, down to \$6.1 billion in 1977, increased to \$10.1 billion and continue an upward trend. Tourists were returning to Spain in record numbers despite increased prices. The peseta, devalued to 82 per \$1 in 1977, strengthened so that by the end of 1978, it was at 69 per \$1. The Government took full credit for the performance, and repaid loans to the International Monetary Fund.

There is no question, however, that Spain needs some drastic economic reforms. The Government apparently is prepared to take them — and take the risk of higher unemployment, which now stands at 1.1 million, or 8 per cent of the labor force. "We've got to take the scissors and cut," says Valentin Perez de Heredia, a government economist. "We must modernize. If we follow through, we can become a dynamic economy within four years."

Spanish confidence in its dealings with the European Community is partly based on the Government's political and economic accomplishments in the past 18 months. "We're in a good position with respect to the EC coun-

tries, and we have proved that we can accomplish a political and an economic reform at the same time. Now we have to talk, and the Nine can't treat us as a junior partner."

For Leal, who is very close to the King, any arrangement with the Community must take into account Spain's agriculture — a point that worries the French and Italians. "The industrial integration is easy," says Leal. "But our agriculture can't be sacrificed."

Now that Spain is a democracy, Premier Suarez worries about farmer votes too. This is a fact of political life he has learned. The Socialists and the Communists may have the industrial workers, but the Premier has the farmers, and they are a large and strong part of the Spanish population.

Communists meet in Bilbao for the return of Dolores Ibarruri, "La Passionaria," in May 1977 after 38 years of exile. © Leonard Freed, Magnum



A neo-fascist rally in Madrid before the June 1977 elections. © Leonard Freed, Magnum

But in a wider scope, it's more than Spanish onions and pears and wine that concern Spain. The King and the Premier believe that they can bring Latin America closer to the Community, and that this is one of the strongest bargaining cards.

"It's not just our language and our culture," says Manuel Prado de Colon y Carvajal, a descendent of Christopher Columbus who is in charge of the Ibero-American Center of Cooperation. "It's that we are in a stage of development similar to that of the more advanced Latin American countries, and we can help them and Europe with our experience. We can bring Latin America closer to Europe on a rational basis. This means that we can give the Community better trade and political relations with a vast and diversified market rich in natural resources."

Latin American Connection

Problems parallel those of EC applicant countries

For a long time Latin America has wavered between two images—El Dorado, a vast continent of immense wealth and promise, and a forgotten region of unstable governments, repression, ineffable poverty, incredible opulence among a few, underdevelopment, corruption, fast industrialization, inflation, raging nationalism, and an obsession against "foreign intervention." Both visions form part of the rich and fascinating spectrum of Latin American reality. But they are based on a fundamental misconception.

There is no such entity as Latin America. The concept is a facile shorthand that leads diplomats, investors, businessmen, editors, journalists, and even historians and scholars astray time and time again. Politicians, revolutionary leaders, bishops, missionaries, and

liberators have fallen into the same trap over the years.

The United States, the European Community, and Spain and Portugal, which hope to join the EC Nine, seem to regard Latin America as a unit, too—making distinctions only on degree of development. The basic precept, to put it simply, is that the hemisphere is a great market. It has 350 million people and a gross product of \$250 billion. The figures are bound to quadruple in the next decade. No doubt the region is rich in natural resources, and it is obvious that Latin America's petroleum potential is still unknown. Mexico, because of its recent oil discoveries, is suddenly being wooed by everybody. But the Community, Spain, and Portugal have neglected Latin America, even though many hemisphere lead-

ers look to Western Europe as a way to offset the predominance of US influence—and for the basis to resolve common problems because of the success of the Community.

There is no doubt that it will be a long time before plans for regional markets will become a viable reality. It took a while to form the EC Nine, and they had the will and meshing of political and economic structures. Now Spain, Portugal, and Greece—which have lagged behind the rest of Western Europe—are on the Community's waiting list. Their entry will test the strength of the Community, because the three applicants have problems similar to those of Latin America.

The Organization of American States and the Pan American Union have attempted to deal with the common problems, but neither

has flourished. One reason is the utopian character of many of their projects—such as massive aid. Another is their tip-toeing around major political problems that affect US interests.

The despairing words of Simon Bolivar, who dreamed of a Latin American confederation and a union that could grow rich and strong trading with Europe, should be recalled by everybody trying to deal with the American republics: “I have ploughed the seas.”

Any discerning traveler, who has spent time in Latin America, is at once dazzled by the vastness, by the potential, by the diversity, by the layers of cultural antecedents, by the mixture of races, by the primitive and the modern. The variety—even within a small Caribbean country—is such that the idea must be discarded that the continent is a bloc of like countries with similar aims, or even like people with similar cultures. Probably more than any other region of the world, it is a melting pot of people and ideas—many of them European.

What binds the American nations are shreds of Spanish culture and their own version of Spanish. Brazil, of course, is an exception. The giant country's coherence goes back to Portugal, but the influence of Africa is so great that Makumba and Candoble rites brought over by the black slaves remain a part of daily life. But the mix goes beyond Spanish, Portugese, and African origins. Add Italians, Dutch, French, Germans, Japanese, English, Arabs, Jews, and others. At the base of this racial and cultural concatenation are the Indian survivors of the great indigenous empires conquered by Spain, and other natives who still live unconquered and isolated in jungles.

On the Andean Altiplano, where descendants of the Incas survive in dismal poverty, they speak in Quechua and Aymara, and they still remember the myths of their vanquished ancestors. I once heard a wizened old Indian explain the avalanches that intermittently destroyed the town of Yungay in terms of an ancient myth told by word of mouth for hundreds of years: Once there was a god called

Huascaran and a goddess called Huascar. They played together above the clouds and watched mortals make love and propagate. They decided to imitate the humans and they were punished by being entombed in two snow-capped peaks bearing their names. Every now and then the lovers try to break their bonds and try to come together. “Their passion makes the avalanches,” said the old sage.

In the Caribbean islands—once called the Sugar Islands—Spanish mixes with English, French with Dutch, and there is even a lingua franca, called Papiamentu. Many in the Caribbean, but most of all the Cubans, are finding a new ethnic dimension, Africa, and creating a background based on the slaves brought over by colonial overlords. The search for identity is prevalent, as illustrated by the Cuban writer Alejo Carpentier in his search for roots in his books. The same is found in the music and lyrics of the continent. They constitute a nostalgia for origin and purpose.

From the time of the Spanish conquest, the region has reflected rivalries between European nations and the birth and spread of new political ideas. The French Revolution, for instance, sparked movements for independence from Spain. The region has felt the impact of European upheavals and world conflicts. Latin American leaders, who derived their ideas from Europe, the source of their varied culture, often took sides and gained from the sale of their products and from the strategic position of the continent.

As the United States became the world's leading power, its hemispheric influence grew to the point of dominance. But even the United States could not change the ideas, trade patterns, and social and political trends that have flowed to and from Europe for more than four centuries. It is significant that Castro and most of his original band of rebels were first generation Cubans—most of them either the sons of immigrants, like Castro, or the sons of exiled Spanish Republicans who went to Cuba after the 1936-1939 Civil War. It is also significant

that the chief ideologue of Castro's “July 26 movement” was Ernesto Guevara, an Argentine doctor imbued with European culture.

The rise of Castro and his alliance with the Soviet Union rushed Latin America headlong into the Cold War. Policymakers in Washington assumed that Castro's revolution would infect the continent that would then become Marxist and pro-Soviet. The fear was unfounded, but it is true that Latin American populists tend to seek the backing of the strongest enemy of the United States on the world scene. This is an axiom of Latin American history that had its start when the liberators sought European support against Spain—first in France and then in England.



Spanish Prime Minister Adolfo Suarez (left) visited Cuban Premier Fidel Castro last November; the two signed several bilateral agreements. UPI

The first Europeans on the continent, the Spaniards, brought with them a religious fervor and greed for booty inspired largely by the ouster of the Moors from Spain by King Ferdinand and Queen Isabella's forces. Spain's imperial aims included not only the conquest of the Americas but the propagation of its version of Roman Catholicism. At the same time, the Spanish monarchy became Western Europe's dominant power. The wealth of “the Indies,” as its overseas colonies were called, financed Spain's imperial and religious designs. While Spaniards built the empire, the narrow religious view of the Spanish Church was such that it kept new ideas not only out of Spain but out of its American colonies. This exclusion of “heresy” had a lasting effect on Latin America, because the colonials did not have access to the intellectual ferment of Europe at a crucial moment. Until late in the Eighteenth Century, Latin American universities concentrated on the thought of St. Thomas Aquinas, the “Divine Doctor.”

Roman Catholic clergy, in fact, have had a tremendous influence on Latin American history and culture. The first priest who had a lasting effect was Father Bartolome Las Casas, who accompanied Columbus. He was so shocked by the killing and abuse of the Indians

Spain's “special relationship” with Latin America is grounded in history—including conquest and colonialization. © The Bettmann Archive, Inc.



that he wrote a highly critical book and started a crucial struggle for the rights of the indigenous population. Through his campaign he won a dispensation for the Indians—they were to be converted and educated as Christians but they were not to be enslaved and forced to work. This left the colonies without labor, but there was a ready substitute—African blacks. They were tough and did not perish when forced to work on plantations. A committee of lawyers and theologians got together and decreed that blacks had no souls and could be captured, enslaved, and shipped to the New World to work on plantations. Still, Indians were not spared from exploitation. In Mexico, Guatemala, Ecuador, Peru, and Bolivia, they were made slaves. In most of these countries their condition remains appalling to this day—even in Mexico, despite its revolution and avowed championing of the Indians and their plight.

The Roman Catholic Church, whose role in Latin America has been changing radically in the past 20 years, is now trying to create a common policy for the continent. The endeavor was sparked by two principal developments—a dearth of priests in the region and the emergence of a “liberation theology” inspired by Pope John XXIII. Pope John Paul II was hard put to express a coherent view during his recent trip to Mexico to talk to the Latin American bishops conference. It was notable, however, that the Latin American bishops chose Mexico, where the Church has no official standing, for the meeting. The country is neutral ground politically, but Mexico still has some of the most zealous believers in the world among its poor Indians. They crawl on their knees by the thousands to pay their respect to the Virgin of Guadalupe—a sight which is impressive.

But the Church has no moral power in Latin America—except among Indians and among the rightist military. It is this lack of base that has led many priests and bishops, influenced by France’s worker priests, to side with the exploited and demand social justice. Many priests and nuns have worked with guerrillas, and more than 800 have paid with their lives for those who are not allowed to speak for themselves. The controversy is important. After all, it was a priest, Father Miguel Hidalgo y Costilla, who proclaimed Mexico’s independence from Spain. He was captured and shot by the Spaniards, but he started a movement that could not be stopped.

Many of Latin America’s problems over the years can be traced to the fact that priests and soldiers have received the education others have been denied. They too often comprise an elite, and too often have been a conduit for either repression or revolution. Many Chilean priests sided with Marxist President Salvador

Allende, but few soldiers took his side. The United States and the CIA have been blamed for the uprising, but lost in the debate is the fact that the Chilean military were only too willing to rise up and crush Allende, his regime, and his followers.

The liberation course adopted by many priests, nuns, and Catholic organizations can worry the Vatican and multinational companies, but the actual power of the Catholic liberation movement—and of the Church itself—is limited nowadays. A Papal peacemaker can mediate between Chile and Argentina on the Beagle Channel dispute, but neither the Pope nor any priest can do much to stop a rightist or leftist revolution—not in Chile and not in Nicaragua. The Church was unable to stop *la violencia* in Colombia, and is helpless in Guatemala, where thousands have been killed in political clashes.

In 13 years the world will celebrate the five hundredth anniversary of the discovery of America—that changed the course of history and led to the creation of new nations with roots in Western Europe, nations which, in effect, are European offspring.

Spain, the first colonizer, is trying to reestablish trade and political links with Latin America. It has abandoned the concept of *la patria madre*—the mother country which is both teacher and provider of ideas. Latin Americans, unlike North Americans, don’t admire their European roots, Spanish and British respectively. Still, Latin Americans gave refuge to more than 1.5 million of the Civil

War’s Republican refugees, among them some of Spain’s most distinguished scholars, lawyers, professors, and physicians. They, and their ideas, have contributed greatly to Latin American thought in the last 40 years. Others helped to create small businesses in countries like Mexico, Venezuela, and Argentina. A Spanish Republican general, in effect, was Castro’s and Guevara’s teacher in guerrilla tactics. The point is that Spain, which is seeking to enter the European Community, is looking to Latin America to bolster and strengthen its position with the Community.

The EC Nine, of course, have historic, cultural, and trade ties with specific countries. Britain remains influential in Argentina, Chile, Uruguay, and Brazil. Germany has large interests in Brazil. France has a cultural following which extends from Mexico to Tierra del Fuego. Italy has set its mark on Buenos Aires and São Paulo. The Dutch have Caribbean enclaves, as do the French, and England has remnants of influence.

The upheavals in the Middle East and Africa give Latin America a new importance. Existing trade patterns don’t have to be upset, but there is no question that Latin America needs European assistance in developing regional identities, in creating common markets, in formulating policies to stimulate intra-Latin American trade as well as imports and exports with the rest of the world—and help to forge a concert of nations aware of similarities and differences and willing to embark on projects of mutual help.

Regional Trends

There are a number of basic trends in the region, where politicians, military radicals, economists, Roman Catholic rebel priests, and guerrilla movements have been searching for social, political, and economic models that will level inequities, create jobs, and bring a degree of social justice. But the aim, too often, is nationalization of major enterprises and multinationals.

The trends can be identified as follows:

- migration to the cities where the landless and the downtrodden can demand social justice as a group, and where they become a virulent factor in politics;
- complicated social and economic legislation that weighs heavily on the private sector;
- Roman Catholic clergymen dedicated to the concept that Christ and Marx are not antithetical;
- stop-go economic growth which is creating a growing consumer class;
- increased trade between Latin American countries;
- a resurgence of conflicts between nations over disputed territories—Argentina versus

Chile, Chile versus Peru, Costa Rica versus Nicaragua;

- a return to repressive military dictatorships in the southern cone, and a strengthening of representative democracy in a select number of countries;
- the rejection of Fidel Castro’s Cuba as a model because of dependence on the Soviet Union, but a realization that Castro is seeking to balance this relationship with overtures to the United States, the Arab world, Europe, Latin America, and Japan despite his African intervention;
- a sense that Latin American raw materials give the region muscle;
- illiteracy so high that radio and television have a tremendous influence that can be used to manipulate the masses.

All these factors have created an interest in the European Community among thoughtful leaders and have inspired groping attempts to break old regional rivalries and form regional groups to deal with present and future development. Some students of Latin American are pessimistic. MIGUEL ACOCA

FUNNY THINGS, FRONTIERS

A view from the Pyrenees

W. E. ARMSTRONG, *British writer living in Bayonne, France*

THE FRENCH ARE PROBABLY NO MORE XENOPHOBIC than other nationals, but they do have seven frontiers across which, down the centuries, not all intrusions have been friendly. Hence, perhaps, when they talk or write about contingent countries, the frequency of two small but potent prepositions, *outré* and *trans*, that can make their neighbors out to be not so many Swiss, Luxembourgers, or Spaniards as “people over there,” beyond this river, these mountains, that sea. Thus Italians become *transalpines*, Belgians and British live respectively *outré Quiévrain* and *Manche*. Such usage can be a convenient ploy when diplomatic relations are not all they might be. Germans, somehow, are different, more Germanic, and farther away when called “our friends beyond the Rhine.”

The Basque enclave north of the western Pyrenees in the south of France is no exception, only more so. Compared to the Rhine, the river Bidassoa is an insignificant dribble to be waded—the Duke of Wellington’s army of 74,000 men did just that in 1813—even jumped in dry weather. But it is a frontier and the people on its far bank are *outré*. “*Nouvelles d’outré Bidassoa*,” a local paper announces, in reporting news from Irún, a short mile away in Spain. Spain? Or *Euskadi Sud*, as the militant Basque nationalists on the northern side of the river insist on calling the country of their fellows to the south. (You choose your words carefully here, according to the loyalties—or lack of them—of those you are talking to.)

“Funny things, frontiers,” says Antxon Mendizabal, director of the Franco-Iberian Economic Center at Bayonne. One of his jobs is to drain what prejudice he can from the word. A Spanish Basque by origin, he understands the *outré* syndrome. The problems, for him, posed by the entry of Spain into the Community, are primarily historical, racial, and psychological. Musing on the mysterious dichotomy of all frontiers, he knows that a signature in Brussels—no more than Louis XIV’s marriage to the daughter of the King of Spain in 1660—will not abolish the Pyrenees. On the hither side of them, all 500,000 Basques are *méridionaux*, southerners, and as such indolent, unambitious, not mad about money, and



The mountainous Basque country is challenged by a Spanish farmer. © J.K., Magnum

apt to be happy with their lot. But over there, *outré*, their near 2 million ethnic brothers form, not excluding the Catalans, the most nervously truculent, enterprising, and independent people in Spain.

“Brothers?” Jean-Baptiste S----, who runs a transportation business in Hendaye, has to agree but adds a testy rider: “Yes, racially, that is.” Blood, he admits, should be thicker than the measly waters of the Bidassoa, but he asks, unanswerably, if someone had a rich, lucky, industrious, and arrogant brother, would he inevitably love him? Without reserve? He *would*?

This local unease about yonder brothers is compounded at a national level by the inescapable fact that the Spaniard is not exactly the Frenchman’s favorite foreigner, and vice versa. Until lately the mutual exchange of goods and persons bleakly reflected these na-



"The fishing industry is bedeviled more than any other by the dualist nature of the Basques." A Spanish fisherman caulks his boat. © Michal Heron, Photo Researchers, Inc.

tive attitudes. "We thought them good for fighting bulls and cheap maidservants; they thought us good for tourists and cognac," is how a hotelier at Behobie sums it up. "Gambling and blue movies, that's what they came for," recalls, perhaps wistfully, a Biarritz taxi driver.

It was nobody's fault. Pinched between centralized France and Spain, the region was always peripheral, a dead end, and hardly conscious of being in Europe at all. "Nobody," says Mendizabal, "ever looked to the south, here or anywhere else. Everything stopped at the Pyrenees, as if at a wall. And that went for the Spaniards, too."

With the prospect, on paper at least, that the wall will eventually come down and this particular south become Europe, each side is taking a hard, appraising look across the river. The brave bulls still come, but the now too-costly maidservants do not; the Spaniards have reopened their casinos, and "Deep Throat" is shown in Madrid. Only the flow of French tourists—9 million last year—conforms to the old pattern.

Manizabal and his colleagues are realistic about their options, and suspicious of such official pies-in-the-sky as massive Spanish investment, state aid, and regional development. The zone will always be one of transit but, they hope, of exploitable transit. There are schemes for plants to process bulk produce and assemble machinery, bringing labor and light industry to an area of high unemployment and shrinking population, where ancient

crafts—those for example of rope sandals and the celebrated berets—are dying. Basques go on wearing berets and walking in espadrilles but these come increasingly and more cheaply from Hong Kong and Taipan.

THE EUROCRATS OFTEN THINK in terms of structural changes and macroeconomic equilibrium; currently other and more earthy problems press, such as wine, dairy produce, and fish.

The French Basques grow no avowable wine, but drink mightily of that produced *outré*: the rich, muscular vintages of up to 17 degrees of alcohol, from Navarre and the Rioja uplands. Mightily, but illicitly. The owner in Bayonne, a man named Marmande, of the region's most important wine business, brings in annually and legally 3,000 hectoliters of this lusty stuff but reckons that at least half a million come in illegally through the nine regular frontier posts and the countless irregular frontier tracks. "Every weekend hundreds of people nip over and return with a dozen bottles in the boot of the family car. It's the done thing, the *douaniers* wink them through." The rest comes over more romantically in demijohns on muleback or husky Basque shoulders.

Spain's entry into the Common Market would not change all this, but Marmande is not worried. Once it is tidied up, he plans to import 40,000 hectoliters yearly—which would be "cut" in his cellars with the weaker French output from the Midi. The bottle born of this union is by law to be labeled, explicitly if in somewhat smallish print, *Vin de différents pays de la communauté européenne*, which gives Marmande a wide bracket. Like most mongrels, it will be a robust, durable wine. But what if Spain, some fear, decides to flood the Community with "plonk?" That might be a headache, he concedes, adding with more hope than confidence that the Spanish are proud people and the French discriminating drinkers. And if he is wrong on both counts, it will not cost him a night's sleep. For Marmande, as for all middlemen, the consumer is always right.

Others who are not worried, who are in fact listening for the countdown, are the Basque dairy people. For want of it, Spaniards drink little milk, a fact that rejoices the hearts of the four Driolet brothers, who run the region's only considerable *laiterie*. Their staff of 95, dealing daily with 50,000 liters of milk supplied by peasant farms, turns out 13 products—ranging from Bulgarian yogurt through various cheeses and flams to an exotic concoction called *Iduki*, a mixture of corn juice and sugar seasoned with semolina, rice, and vanilla, all prepared as "only Grandma knew how." Can anyone say as much? Not, certainly, the sweet-toothed Spaniards who, claim the Driolets, regularly and specially cross the border to purchase their products. Already three refrigerated lorries carry milk and these goodies *outré* Bidassoa and as



Members of the Basque extremist group ETA wearing black hoods at a secret news conference in France. UPI

far as Barcelona. When, as is hoped, the prohibitive tariffs are reduced, the three Driole trucks will grow into a convoy. Smaller enterprises share the big one's optimism. So far as dairy produce is concerned, Spain can't join the Community too soon.

Things are far from being so clear in the region's oldest industry, fishing, which is bedeviled more than any other by the dualist nature of the Basques. Those of Spain, with their 70 miles of coast and a dozen ports, work a modern fleet, including 40 factory ships, of near 900 units—one of the world's biggest. Their French brothers have a mini-fleet of ageing trawlers and a single port, St. Jean-de-Luz. The Spanish fish adventurously for tuna off West Africa, Venezuela, and Peru, and for cod on the Newfoundland banks and along the coasts of Iceland and Norway: the French, meanwhile, putter round the Bay of Biscay for sea bream and hake. There they are too often joined, usually in illegal strength, by the avid and efficient Spaniards—a collision that sometimes turns these rich and famous waters into a battle zone of boardings, net-slashings, near-sinkings, and armed intervention by coast guard patrols.

The cause of this fratricidal mayhem is, the Spaniards insist, the European Community, whose quotas on licenses granted and tonnage of fish allowed grossly discriminate against them and their potential. The French, playing the little fellow bullied, gratefully creep under Mother Community's skirts. Each side, when not severing the other's nets, declares that fishing here is far too

serious a matter to be tinkered with at Brussels—asking if there was not once a Treaty of Bermeo that let all Basques fish peacefully in the Mar Cantábrico, their very own sea? There was and it did, but it was signed in 1353.

THE BISCAY HAKE-AND-BREAM WAR IS AN EXCEPTION. Elsewhere, in the hinterland where most Basques live, away from the polyglot coastal towns, the earnest Eurocrats and the Bidassoa with its undertones of *outré*, the Treaty of Rome, and the prospect of Spanish membership are resounding non-events.

"They don't know what it could do for them," laments a Basque senator, Michel Labeugerie, who speaks for his people in Paris, "and if they did, they wouldn't like it."

At Sare, a mountain village straddling Spain, frontier is a dirty word, and the free passage of goods and persons has never needed warranty from Brussels or elsewhere. "Europe?" says its mayor, Paul Detournier. "But we invented it. Basques were the pioneers of federation, the first Europeans." The fact that every able-bodied man in his fief is reputed to be a smuggler maybe helps him make the point.

Any assessment of what Europe could mean to the Basques cannot now exclude politics. Basque nationalism, so long considered amiable folklore, has become, with the bitter, Ulster-like campaign of the ETA (*Euzkadi ta Askatuna*, meaning "Basque Land and Liberty") militants, a real and menacing issue. True to form, the talking is done on the French side, while the brothers on the other side do the dirty work. The nationalist theory is that the making of Europe can only favor the erosion of the inhibiting centralized power (both economic and institutional) of Paris and Madrid and help bring about the reunification of the seven border-riven Basque provinces into an autonomous nation already called Euskadi.

But it is an old and heady dream, this "terrible beauty" being born, and there is doubt about the midwife. Will not, it is asked, a successful Europe demand concessions, certain surrenders? Basques are by nature hostile to mingling and sharing, fearful that conformity might threaten the matrix of their identity, which is their language.

Maïte H---, an *abertzale* (meaning patriot or subversive element, take your choice) who teaches that language in a village school images the doubt: "You know those automatic doors they have in airports and shops that slide open, then shut as you pass? Well, we Basques are and have to be like that."

Suppose, though, it is suggested, something—Europe it might be—jammed the mechanism or put a foot in the door. That could be a good thing? Maïte is uncertain. But, good thing or bad, it would be over her dead body.

Funny things, frontiers.

NEWS

OF THE COMMUNITY

US-EC RELATIONS

EC Reacts to Carter Speech

EC Commissioner Guido Brunner, in charge of energy, said that US President Jimmy Carter's April statement on energy was a "great step forward."

Brunner said he believed the measures announced would help the United States reduce its balance of payments deficit and stabilize the dollar. "All this is very welcome from the European point of view," Brunner added. A reduction of US oil imports will help diminish the impact of the squeeze on oil supplies caused by events in Iran.

The US measures were carefully balanced, noted Brunner, who said he believed they would be received positively by both the public and Congress. The Carter speech lived up to promises made at the Bonn summit last June.

Speaking to newsmen in Washington in mid-March Brunner had said: "I feel an effort in the United States is required now. This can be phased in over a period of time to reduce its inflationary impact, but initial steps are needed right away. The present price situation in the United States is not real." Brunner had met with US Energy Secretary James Schlesinger for a general discussion on energy during his March visit.

Gallup Poll Positive

A Gallup poll taken on behalf of the EC Information Service in Washington showed in January that more Americans have heard of the Community now than when the same question was asked in 1973.

A total of 63 per cent of the 1,912 respondents had heard of or read about the Community. Just about one-third said ties with Europe were closer than 10 years ago; but then equally, nearly one-third said ties were not as close.

More than 85 per cent believed the Community's impact on the United States had been "helpful," compared to less than 5 per cent who felt it had been "harmful."

The survey covered a representative

sample of over 1,500 persons from the general public and 366 "national leaders." Nearly 70 per cent of the leadership group thought the impact of the European Parliament on trans-Atlantic relations was "good"; nearly 70 per cent of the same group predicted the new European Monetary System would have a "good" effect on the US currency position.

A surprising finding was the belief among all those interviewed that the fall of the dollar is the most important reason for declining US influence in the world. Only 18 per cent believed the decline in American power is due to growing military strength of the Soviet Union.

Some 92 per cent of American leaders would support the commitment of American troops if Soviet armies invaded Western Europe. Among the general public, such support would come from 54 per cent, up 15 per cent since the last pool.

EXTERNAL

EFTA Official Visits EC

Secretary General of the European Free Trade Association (EFTA) Charles Muller visited the EC Commission in late March to discuss ways of enlarging the cooperation and relations between the two organizations. The two economic groups have been linked by a free trade accord in industrial products since mid-1977.

It was agreed that the trade between the two groups, already extensive, should be intensified. Half of the exports of EFTA countries and about one-quarter of Community exports are involved in this EC-EFTA commerce. Now that the dismantling of tariffs between the two is nearly complete, the elimination of nontariff barriers looms as an important next phase in relations between the two.

EC-Japanese Consultations

EC-Japanese talks in mid-March focused on the aftermath of the Tokyo Round of trade and tariff negotiations, which have left some bilateral problems unresolved.

Community officials were still worried about the continuing Community trade deficit with Japan and were particularly anxious to seek relaxation of standards and tests that have to be repeated by European manufacturers before their products enter Japan, therefore constituting a trade barrier.

The head of the Japanese delegation said his Government expected European imports to expand and would take steps to encourage this trend. He invited European exporters to make an effort to penetrate the Japanese market and noted that a major new international trade mart would open in Tokyo to spur this pattern. He also pointed out that in recent months Japanese ex-

ports had gone down while imports had increased.

In a press conference following his late March visit to Tokyo, EC Commission Vice President Wilhelm Haferkamp, in charge of external relations, said the Community would like to see "some more concrete evidence that the (Japanese) economy is becoming more import-oriented." He added that the Community does not want to come to Japan every year with the same list of complaints about trade, but would like to broaden the dialogue.

Haferkamp also announced that the Community had recently launched a scholarship program for young European executives to learn Japanese and how to operate in the business world of Japan.

Romanian Negotiations Open

Negotiations on a more extensive commercial agreement between the Community and Romania began in late February. It would be the first such accord between the Community and a member of Comecon.

Currently the two countries are linked by separate accords on textiles and steel and by the fact that Romania benefits from EC tariff concessions for developing countries.

Relations With Turkey

The Community should support Turkey by all the means at its disposal, said a communication to the EC Council of Ministers in February on the development of relations with Turkey. The document noted specific trade measures and special medium-term financial commitments, in response to a Turkish request last October.

The Community's contribution would cover four areas: industrial trade, agriculture, financial aid, and social problems. The dismantling of industrial tariffs by Turkey, as foreseen in its bilateral association agreement with the Community, should be frozen for five years, said the Commission paper. It also asked for similar relaxation of the Turkish commitment to end quotas.

In the social field the Commission proposed to provide supplementary vocational training for Turkish workers in the Community to prepare them for reentry into the Turkish economy.

Greek entry into the Community would leave Turkey as the only country with an association agreement looking toward membership.

AID

Some Issues Reach Accord

Ministers from the Community and from member countries of the Lomé Convention reached an agreement on some issues during a meeting in the Bahamas in late March.

An improvement of the EC Stabex

system, management of financial cooperation, and intensified agricultural cooperation were issues resolved. A number of areas were left for continued talks scheduled for Brussels the end of May.

Other areas to be discussed in the meantime included the enlargement of the Stabex system to include copper and other minerals, commercial and industrial cooperation, and topics such as human rights and encouragement of mining and other investment in developing countries.

Solar Energy for Third World

The main topic of the Varese, Italy, conference in late March was the development of solar energy in the developing world; an important side issue became the growing scarcity of firewood.

In many countries wood and brush are the most widely used source of heat and energy. Spreading desertification in many regions is also creating acute pressure on the supply of wood.

Replacing some of the wood use by other combustible materials or by solar energy was discussed at the conference. In addition, new solar power technologies such as plastic hot houses, solar batteries, and solar powered pumps were examined.

Representatives from both industrialized and developing nations attended the solar meeting, which was preceded by regional talks in Nairobi, Bamako, Amman, Caracas, and New Delhi.

Food Aid Program

An international food aid program amounting to 540 million European units of account for 1979 was sent to the Council of Ministers in March.

The proposal covers an increase in the demand for such foodstuffs as cereals and butteroil to meet the needs of developing countries. The suggested allocations of cereals, skimmed milk powder, and butteroil are based on three criteria: level of food requirements, level of per capita income, and balance of payments deficit of the recipient countries.

In the cereal aid program 140,000 tons would be allocated to international organizations or programs and 524,300 tons would be sent to specific countries, with most going to Southeast Asia and Egypt. International Organizations and nongovernmental organizations would receive 66,800 tons of the milk powder total and individual countries would get 78,500 tons, with nearly half going to India.

The largest segment of the butteroil total would be designated for Southeast Asia and Middle Eastern countries, which would receive 31,300 tons, with the international organizations receiving 13,200 tons.

In a speech in early March EC Commissioner Claude Cheysson, in charge of relations with developing countries, said that the world food situation is

deteriorating in spite of recent good harvests. The self-sufficiency of the Third World in food fell from 95 per cent to 73 per cent between 1972 and 1977, Cheysson reported.

Commission Aids Refugees

A contribution of 5 million European units of account was decided in late February by the Commission for aid to refugees in Southeast Asia.

This amount goes to the United Nations program, expected to cost \$47 million, to provide emergency shelter and supplies for refugees until they can be transferred to host countries.

Investment in Third World

Investment in developing countries to head off a future crisis in supplies of energy and raw materials was encouraged in the form of a proposal in mid-March by EC Commissioner Claude Cheysson, in charge of relations with the Third World.

Cheysson said that the level of new European investment in energy and mining activities in the developing countries had slumped badly in recent years. The decline had occurred, he said, in spite of the fact that the Community is more dependent on imported energy and raw materials than the United States. The United States and Japan were cited as more active in these areas.

The proposal would activate certain funds and programs as part of the current Lomé Convention renegotiations. As recommended to the Council of Ministers, the proposal calls for the use of the European Investment Bank, the European Development Fund, and other sources to guarantee investment against risk and to provide financing.

ENERGY

Plutonium Cycle Research

A research program on the plutonium cycle and its safety aspects was adopted in March by the EC Commission. The program will cost 20 million European units of account over the period 1980 to 1984.

The primary aim of this program is the safety aspect of plutonium used as nuclear fuel. A project on the use of plutonium was begun in 1975.

The new program includes studies on the radiological impact of the plutonium cycle; research on safety in fabricating and transporting plutonium compounds; and the safety of light-water reactors.

Safety Research Projects

Two research programs aimed at nuclear power plant safety were adopted by the Council of Ministers in late March.

A five-year plan focusing on the safety of thermal water reactors covers

three main areas of concern: accidents resulting from the loss of cooling fluid, protection of installations against explosive clouds from nearby conventional facilities, and the possible leakage of radioactivity from plants.

The second program covers development of methods and techniques in connection with the closure of nuclear power plants. The Commission proposal noted that some facilities were now in the early phases of shutting down and that some 50 plants would be closed by the year 2000. The methods that could be involved include sealing and constant surveillance, partial or complete demolition.

New JRC Program

A new four-year program (1980-83) for the Joint Research Center (JRC) was adopted in March by the EC Commission and transmitted to the Council of Ministers for approval.

Nuclear safety has always been a major focus of JRC and the new program intensifies efforts in this sector, concentrating on a few major experiments intended to back up the work of the licensing authorities. Research will also continue into the safety aspects of the plutonium fuel cycle.

The new program centers on this and five other areas of research. They are future forms of energy; study and protection of the environment; nuclear measurements; specific support for the Commission's sectoral activities, including work on advanced applications of computers; and operation of large-scale installations.

An estimated 542 million European units of account and a staff of 2,260 will be required for the new program.

Energy Council Meets

Energy ministers meeting in late March examined ways of putting into effect the decision taken at the Paris summit two weeks earlier: to set a limit on oil consumption this year at 500 million tons, a reduction of 5 per cent.

EC Commissioner Guido Brunner, responsible for energy policy, said the latest price movements were disquieting. Average crude oil rises over 1978 were 8.8 per cent. The results of the Organization of Petroleum Exporting Countries meeting, which took place at the same time in Geneva, were not then known.

However, Brunner said that every extra dollar on a barrel of oil would increase the oil import bill by \$3.6 billion and worsen the balance of payments by \$3 billion. Inflation would rise by 0.3 per cent, and growth would decrease by 0.4 per cent.

The Community's dependence on oil imports between 1973 and 1978 had fallen from 60 per cent to 50 per cent, Brunner reported, and the dependence on energy imports generally in the same period had gone from 63 per cent to 55 per cent. He said he hoped to see this trend continue.

Uranium Prospecting Aid

The Commission has approved allocating 5 million European units of account (EUA) for uranium prospecting programs in the Community. The aim is to improve the energy supply situation.

This amount is shown in the 1979 budget for aid to programs due to be carried out between 1979 and 1981 and complies with the Euratom Treaty. Interested parties were invited to submit applications; this was the fourth such invitation issued by the Commission.

The appropriation for the first program, launched in 1976, was EUA 1 million. Seven projects have been financed, including one for Kvanefjeld, Greenland, where deposits have been discovered.

Under the second program, EUA 5 million covering the period 1977-79 was allocated to finance 13 projects in Ireland, the United Kingdom, Belgium, Germany, Italy, and Greenland.

EUA 5 million was also allocated for the period 1978-80 to finance nine projects in Belgium, Ireland, the United Kingdom, Germany, and the Netherlands.

ENVIRONMENT

Environmental Cooperation

The EC Commission has recommended that the Community participate in Council of Europe negotiations on protection of wildlife and the environment.

These cover the control and regulation of activities and substances that could be dangerous to the environment and wildlife and protection of representative habitat faced with changes. The Commission recommendation also said that the inventory of endangered species and habitat should be coordinated at the European level.

It added that it was in the interest of the Community to eventually sign an international convention being negotiated in the Council of Europe, because it would have impact on free trade in certain products that could be harmful. It also noted that the EC Council of Ministers had enacted a directive on the protection of birds in 1978.

Radioactive Waste Program

A second five-year program, for 1980-84, on radioactive waste management and storage was approved by the Commission in March. The program is to be financed by 53 million European units of account from the Community budget and is a sequel to the 1975-79 program.

The program, to be carried out under contract in the member states, has four sections: the treatment and conditioning of radioactive waste; radioactive waste storage and disposal; evaluation of the processes, criteria, and strategies

in waste management; studies relating to the legal, administrative, and financial aspects of waste management.

AGRICULTURE

Aid to Combat Disease

A subsidy of 700,000 European units of account (EUA) has been proposed by the EC Commission for financing measures to combat hoof-and-mouth disease.

The aid, earmarked for the United Nations Food and Agricultural Organization (FAO), will enable it to continue its work in southeastern Europe. A barrier along the borders between Greece and Turkey and Bulgaria and Turkey has been set up to check the spread of the disease.

Since 1962 all animals susceptible to hoof-and-mouth disease have been vaccinated in these regions. It is of particular importance to the Community, where animals are not vaccinated, to maintain buffer zones along Community frontiers.

Aid of EUA 5 million was also proposed in late February by the Commission to assist in eradicating African swine fever in Malta over the period 1979-1981. A grant of EUA 10 million had earlier been suggested for similar measures in Spain.

Such measures would consist of systematic slaughtering of all pigs and their replacement by new stocks. No effective vaccine has been found for African swine fever, therefore eradicating the disease in neighboring countries is the best protection for Community stocks.

Wine MCA's to Change

To encourage exports of French and Italian wine to other member states and non-EC countries, the Commission has proposed simplifying the monetary compensatory amounts (MCA's) system on wine.

The proposal suggests total suspension of the French amounts and reduction of the Italian amount to the rate necessary for maintaining competitiveness between French and Italian wines.

The system of MCA's on wine has already been simplified. At the moment it is applied only on French and Italian table wines and certain German wines. The Commission's proposal, if adopted by the Council of Ministers, will mean that only the German MCA's and the reduced Italian ones will remain.

In both France and Italy the MCA's constitute export charges and import subsidies intended to compensate for the depreciation of the franc and the lira against the theoretical rate used in the common agricultural policy. As both countries export table wines in large quantities, the simplification proposed will yield a tangible benefit to them.

EP Against Farm Freeze

After a spirited debate on agricultural policy in mid-March, the European Parliament adopted a resolution favoring an increase in farm prices for the coming year.

The Commission had said in February that current guaranteed prices, expressed in units of account, must be frozen in view of the persistent surpluses of some products such as milk and sugar. It also proposed measures for restoring balance to the market in milk and milk products, agri-monetary measures consisting of adjustments to certain "green rates," and an automatic procedure for dismantling new monetary compensatory amounts.

While the Commission had claimed farmer incomes had risen at least as fast as other sectors of the economy, the European Parliament argued that the gap had continued to widen between farm and other incomes. It added that the common agricultural policy risked being ruined by monetary instability.

Farm Refurbishing

A modernization program for problem areas in the Community's farmland has been proposed by the EC Commission.

The plan would cost 570-to-682 million European units of account and would go for either improving the productivity of certain farms; the incorporation of some into larger, more efficient holdings; or the transformation of these operations to other activities, such as tourism or wood processing. This step would be an enlargement of the 1972 policy to encourage smaller, older farmers to make changes.

Key areas singled out by the Commission include the hilly regions of Italy, the west of Ireland, Greenland, the Western Isles of Scotland, the Lozère region of France, southeast Belgium, and parts of Great Britain and France.

The proposal would involve several directives aimed at different aspects of the farm problem. One would lower the income level beyond which aid could not be given; another would provide new aids and incentives for older farmers to retire. A third would enlarge the training of managers of cooperatives or processing operations, and another would aid mountainous regions.

More Reduced Butter

In an effort to eat away at Community's butter surplus, the EC Commission has taken action to increase sales of butter at reduced prices.

More than 630,000 tons of butter were sold at lower prices in 1978. The Commission decided this year to make reduced-price butter available for a wider range of product: to manufacturers of semi-finished pastry products, as well as finished pastry, meaning products such as raw dough used by housewives and powder preparations

used by bakers. Estimates on the additional butter to be sold are around 10,000 tons.

The disposal of skimmed milk powder for use as animal feed has proved effective in the face of the persistent milk surplus. The Commission is now proposing a group of measures aimed at curbing production and stimulating consumption of milk products.

Farm Prices Extended

Confronted by a number of political differences and difficulties in agreeing on 1979 farm prices, EC agricultural ministers meeting in Brussels in late March decided to extend existing prices until their May meeting.

In addition to the normal difficulties in getting a price accord, the ministers felt that it would be impossible to get a policy decision from the British Government, which was in the midst of an election campaign.

The British Government had insisted that prices be frozen to ease the pressure on consumers and to reduce farm surpluses. While this view concords with the Commission policy on farm prices, most other member countries have been arguing for at least a 2 per cent average increase.

The Council of Ministers did reach agreement, however, on the application of the new European currency unit to agricultural prices for the currencies of France, Italy, Great Britain, and Ireland.

Export Restriction Lifted

Following investigation by the EC Commission of complaints by British seed firms, the Plant Royalty Bureau Ltd. (PRB) agreed in March to lift all restrictions on exports to France of certain second-generation cereal seeds—spring barley, oats, and wheat.

The urgent need for such exports arose as a result of extreme weather conditions in France, where frost and excessive rain have destroyed large areas of winter sown cereals.

The PRB, which acts as head licensee for about a dozen important breeders of cereals seeds in the United Kingdom, sought to control exports by invoking bans in sub-license agreements and breeders' rights. The Commission pointed out that breeders' rights cannot be used to prevent exports of genuine seeds within the Community.

The PRB has also agreed to inform the Commission if it has occasion to refuse consent for exports of first generation seed during the current sowing season. Such refusals could be justified on the ground of safeguarding stocks for the production of second generation seed in the United Kingdom.

Dairy Herd Conversion

Nonmarketing premiums and premiums for converting dairy herds to beef production has had a poor impact on Community farmers, reported the EC Commission in March.

A total of 638,500 cows were withdrawn from milk production between July 1977 and December 1978. The premiums were introduced as part of a program to reduce dairy surpluses and a target of 1.3 million cows was set when the program began.

Among the reasons for poor response to the premiums was a plentiful supply of cheap fodder and feedstuffs and the large proportions of the premiums lost by farmers in tax. Farmers were advised by dairies and the dairy industry not to participate.

The Commission proposed that the premiums be made available for another year in its 1979-80 agricultural price proposals now before the Council. Despite the withdrawal of the large number of cows, milk deliveries to creameries went up by 5 per cent in 1978 and the Community's dairy herd remains at about 25 million cows. Therefore, the premium system stopped numbers from increasing, but did not reduce them. Germany withdrew the largest number of cows from production of all EC countries.

INSTITUTIONS

Colombo Re-elected

The European Parliament re-elected Emilio Colombo as its president in mid-March until the new elected membership takes its seats this summer.

Colombo told the Parliament he hopes the political parties confronting each other in the elections give the public an objective and lively idea of the Community. He also said he hopes the Commission develops a closer relationship with the Parliament.

EMS Goes Into Force

French President Valéry Giscard d'Estaing announced in early March that his Government had lifted its reserve on the European Monetary System (EMS).

The new system had been agreed in December with the objective of maintaining stability between participating currencies. France withheld its approval because of objections to the farm pricing arrangements, insisting that the monetary compensatory amount scheme be dismantled.

In a speech in mid-February EC Commission Vice President François-Xavier Ortoli said success of the EMS depends in part on the relationship between European currencies and that "the forging of this relationship depends in turn on a sweeping move towards integration in Europe. . . ." He said success also depended on the relationship between EMS and the international monetary system, particularly the dollar.

EC Commission President Roy Jenkins said in mid-March that even with the delay, EMS is "a considerable achievement."

European Court of Justice

The European Court of Justice handed down two important decisions in late March affecting agricultural organization in the Community and concerning a challenge by Japanese firms of an anti-dumping levy.

The first decision confirmed the position of a Dutch potato exporter and the EC Commission against the UK Government. (In this case the French Government had also intervened in support of the British authorities.) The issue arose over an import ban on potatoes, which the Dutch exporter and the Commission felt was against EC Treaty competition rules. The Court decided against the British Government.

In the other case the Court ruled in favor of a number of European subsidiaries of Japanese firms upholding their appeals of an anti-dumping levy; it did not rule on the anti-dumping charges themselves. The charges were reported in 1976 by the European ball bearing industry against low priced imports from four main Japanese producers. The Japanese firms agreed to raise their prices but the Commission and Council had decided on a temporary levy until an examination could be carried out.

ECYO Begins Second Year

Members of the European Community Youth Orchestra (ECYO) played at a reception at EC Commission headquarters in mid-February to announce the beginning of its second season.

The ECYO is a group of 135 young musicians in the Community selected each year through competition. The orchestra's performances in member state cities last year was met with tumultuous ovations.

Started by the International Festival of Youth Orchestras Foundation of Great Britain, the aims of ECYO are to give young Europeans the opportunity to live and work together and to perform with some of the world's finest conductors. ECYO President Edward Heath said in February that the Community cannot exist solely as an economic and political force, but should be linked by cultural bonds.

The orchestra's budget is made up of a grant of scholarships from the EC Commission—totaling 25,000 European units of account this year—plus support from member states and a donation from IBM Europe.

ENLARGEMENT

Greek Accession Talks Close

Negotiations leading up to Greek membership in the Community officially ended in early April.

Signature of the accession treaty was foreseen for late May, and entry of Greece into the European Community would be effective January 1, 1981.

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.*

Forecasting of Crop Yields from Meteorological Data in the EC Countries. *Agricultural statistical studies no. 21*, Statistical Office, Luxembourg, 1978, 58 pages .\$.95.00
Study by H. Hanus; investigates the relationship between meteorological conditions and yields of certain field crops, particularly wheat, using forecasting method developed by author.

Hydrogen as an Energy Vector: Its Production, Use and Transportation. EUR 6085 DE/EN/FR/IT, Commission, Luxembourg, 1978, 592 pages\$38.50
Papers and proceedings of a seminar held at Brussels, October 3-4, 1978.

Study Day on the Development of Heat Pumps in the Community for Heating and Air-conditioning. EUR 6161 EN, Commission, Luxembourg, 1979, 142 pages\$26.00
Proceedings of a round table held at Brussels, December 8, 1977 to discuss existing and future technology of heat pumps.

Ninth Report of the Steel Industry Safety and Health Commission (1977). Commission, Luxembourg, 1978, 64 pages\$4.70
Rundown on the activities of this Commission and its working parties in 1977; statistics on industrial accidents in the steel sector for 1960-76.

Microbiology and Shelf-life of Chilled Poultry Carcasses. *Information on Agriculture No. 61*, Commission, Brussels, 1978, 52 pages\$2.00
Results of investigation on shelf-life, measured organoleptically, and microbiology of chickens and turkeys stored at +2°C.

A Dynamic Energy Model for the Countries of the European Communities: Simulation as an Instrument for Energy Planning. EUR 5953 EN, Commission, Luxembourg, 1978, 260 pages\$25.00
Description of a comprehensive dynamic energy model for energy planning that is capable of simulating new energy supply technologies and different conservation strategies.

The Community's R&D Programme on Radioactive Waste Management and Storage (Second Annual Progress Report). EUR 6128 EN, Commission, Luxembourg, 1978, 228 pages,\$14.50
Report covers processing of solid waste from reactors; intermediate and terminal storage of high activity and alpha wastes; and advanced waste management methods; surveys legal, administrative, and financial problems encountered in rad waste management.

Analysis of Vocational Preparation in the Member States of the European Community. Commission, Brussels, 1978, 58 pages\$3.65
Assesses the present needs and provisions of vocational training in the member states for young people between the end of compulsory school and age 20, who are unemployed or threatened with unemployment.

Nouveaux modèles d'enseignement supérieur et égalité des chances: perspectives internationales. *Collection études: Série éducation no. 6*, Commission, Brussels, 1974, 134 pages\$3.90
Study by Guy Neave on the development of new structures in higher education in Europe to promote equality in access to education.

Le développement européen de l'éducation permanente. *Collection études: Série éducation no. 3*, Commission, Brussels, 1978, 92 pages\$3.20
Study on the problems of continuing education for adults; includes a special section on youth and the need to combine working with vocational and professional training.

Le droit d'auteur dans la Communauté européenne: Analyse comparative des législations nationales relatives au droit d'auteur face aux dispositions du traité instituant la Communauté économique européenne. *Collection études: Séries Secteur culturel no. 2*, Commission, Brussels, 1978, 242 pages\$23.00
Comparative survey on copyright law in the member states; the relationship of those laws to the EC Treaty; discusses problems caused by technological developments in reproduction equipment; includes an extensive bibliography.

Forest Statistics 1970-1975. Statistical Office, Luxembourg, 1978, 138 pages\$11.30
Yearbook 1977; data on forest structure, removals, raw wood balance sheets, major wood products, consumption of pulpwood, and forest fires.

Agricultural Price Statistics 1969-1977. Statistical Office, Luxembourg, 1978, 220 pages\$15.50
Yearbook 1978; data on producer and wholesale prices for agricultural products and purchase prices for the means of production.

Yearbook of Agricultural Statistics 1974-1977. Statistical Office, Luxembourg, 1978, 294 pages\$13.00
Data on agricultural structure, production, supply balance sheets, economic and forestry accounts, prices and price indexes.

Agricultural Structure 1950-1976. Statistical Office, Luxembourg, 1978, 142 pages\$11.50
Yearbook 1977; data on size of agricultural holdings, manpower, traction power, farm machinery, and consumption of chemical fertilizers.

Petroleum Statistics 1977. Statistical Office, Luxembourg, 1979, 64 pages\$4.90
Yearbook 1978; balance sheets for crude oil and petroleum products for 1976 and 1977.

Labour Force Sample Survey 1977. Statistical Office, Luxembourg, 1979, 72 pages\$6.50
Results of the labor force survey carried out in the spring of 1977; data on the labor force and unemployed by sex and age group, occupational status and sector, and weekly working hours.

Labour Force Sample Survey: Methods and Definitions, 1977. Statistical Office, Luxembourg, 1978, 100 pages\$11.30
Description of the principal technical and methodological aspects of the conduct and organization of the survey.

Financing the Community Budget: The Way Ahead. *Bulletin of the European Communities, Supplement No. 8/78*, Commission, Brussels, 1979, 22 pagesfree
Report on alternative sources of funds for the Community when its own resources become inadequate.

The Consumer in the European Community. *European Documentation No. 3/1978*, Commission Brussels, 1978, 30 pagesfree
Pamphlet on the Community's general consumer policy and specific achievements in consumer protection.

Significant Increase in American Perception of the European Community. *European Community News No. 10/1979*, EC Press and Information, Washington, DC, March 13, 1979, 6 pagesfree
Excerpts on Europe from a poll conducted by Gallup for the Chicago Council on Foreign Relations on "American Public Opinion and US Foreign Policy 1979."

European Monetary System to Go into Force: France Lifts Reserve on System. *European Community News No. 7/1979*, EC Press and Information, Washington, DC, March 7, 1979, 10 pagesfree
Speech by François-Xavier Ortoli, EC Commission Vice President, in Frankfurt, February 14; outlines reasons for setting up the European Monetary System and how it will work.

Opinion on Spain's Application for Membership. *Bulletin of the European Communities, Supplement No. 9/78*, Commission, Brussels, 1979, 87 pagesfree
Discusses the main issues to be dealt with in the negotiations with Spain for its accession; includes a statistical annex on the Spanish economy.

Eurocommunism and Détente

Edited by RUDOLF L. TOKES. A Council on Foreign Relations Book. "A distinguished international faculty here examines the 'new political reality of European politics and East-West relations in the late 1970's.' The topic is current and relevant since it points the way to tomorrow's European situation . . . A well-done analysis."—*Library Journal*

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