

MARCH-APRIL 1980 NO. 218

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EUROPE

Magazine of the European Community

**Sweeping
Détente Under
the Afghan?**

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Andrew Mulligan presents Simone Veil with a bound copy of recent issues of *Europe*.

Publisher's Letter

Late January saw a fortnight of European Presidents in the United States capital. First, Roy Jenkins, President of the EC Commission; then the Italian President of the Council, Prime Minister Francesco Cossiga; and finally Simone Veil, President of the European Parliament, who led the first delegation of the directly elected European Parliament to the United States Congress.

The three European leaders visited the United States at one of the most testing moments for US-EC relations since the beginning of the Atlantic alliance. Wherever the three Presidents went, they were asked searching questions by senior members of the Administration and by congressmen and senators, freshly back from their grassroots constituencies, about European support for the United States in the face of the Iran and Afghanistan crises. So, in this issue David Buchan, Stephen Milligan, and the newly appointed British Ambassador, Sir Nicholas Henderson, examine the nature of that Atlantic friendship.

Simone Veil's visit to Washington was a stunning personal success, and the European Parliament's delegation endorsed the reputation preceding it as representative of an able, articulate, and highly political body that has already injected new life into Europe's institutions. Their visit is captured this issue in a photo essay.

On the eve of Saint Patrick's Day, when American thoughts traditionally turn to Ireland, we are printing John Hume's brilliantly thoughtful essay on Northern Ireland and also excerpts from the first major speech on Northern Ireland by Ireland's new "Taoiseach," Charles Haughey. Haughey's speech, which brought a standing ovation at the Fianna Fail Ard-Fheis, or party conference, expressed a new urgency about Northern Ireland.

Whether the issue is internal, as in Northern Ireland, or external, as in Southwest Asia, the European Community is increasingly called upon to play a political role—to which the response is necessarily difficult when nine sovereign nations search for consensus.

Andrew A. Mulligan
Andrew A. Mulligan

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EC PRESIDENTS VISIT U.S.

Preventing new Trade War and Cold War?

DAVID BUCHAN, *Washington correspondent for The Financial Times*

THE PRESIDENTS OF ALL THREE EUROPEAN COMMUNITY institutions — Roy Jenkins of the Commission, Francesco Cossiga, Prime Minister of Italy and current head of the EC Council of Ministers, and, last but not least, Simone Veil of the European Parliament—came to Washington in quick succession early in the new year. The visits, at a time of unusually fraught US-European relations as Washington looked long and hard to its friends and allies for concerted support in the twin crises of Iran and Afghanistan, carried the potential for both profit and pitfall.

US attention was guaranteed: Americans were all ears for the European view of and response to these foreign policy crises. But there was an equal danger that more would be expected of the EC leaders than they could deliver. The Carter Administration has, to its credit, attached greater importance to the European Community as the focal point of Europe than its predecessors did — making it more difficult for EC leaders in a foreign crisis during which the Community's nine component governments are highly inclined to go their separate ways.

In fact, the danger never materialized. True, Europe has not earned itself the spontaneous outburst of American gratitude that Canada has done by daringly helping the six American diplomats escape from Tehran. No one has been hanging "Merci, Europe" signs out of Washington buildings. But the complexities and nuances of the Europeans' position were successfully put across by the EC trio to the Administration and the Congress.

In the case of Iran, Europe's first thoughts had become the US Administration's second thoughts. Arguments from European capitals that coordinated economic sanctions against the Khomeini Government might prove counterproductive to getting the hostages out — as well as hurting oil-dependent Europe more than subsistence-level Iran — began to make sense to the Carter Administration, as the implications of the Soviet invasion of Afghanistan sunk in. Thus, Jenkins, Cossiga, and Veil found no pressure in Washington for Europe to follow the US line in blocking exports to, and financial trans-

actions with, Iran, and indeed found some questioning about the wisdom of these US moves in the first place.

The nature of the challenge flung down by the Russians in Afghanistan, and how to meet it, proved much harder to get agreement on. EC governments and the European Parliament roundly condemned the Russian action — as they had done Iran's seizure of the hostages. In concrete terms, they agreed not to undercut the US restrictions on grain and high-technology sales to the Soviet Union by selling extra to Moscow themselves. Further than that they did not then want to go.

The basic message the EC leaders brought to Washington was that Europe wants to stand up to the Russians but does not want the carefully nurtured plant of détente with Moscow cut off at the roots. The formidable Simone Veil took advantage of her White House talks to bend the ear of Zbigniew Brzezinski, President Carter's in-house hardliner, saying, "Many European countries want to adopt positions different from the United States so as not to put an end to all dialogue with the Soviet Union." And, so she said, Brzezinski quite accepted this.

Jenkins found in his earlier talks that the only area in which the US Administration wanted the Community to move further was on export credit to the Soviet Union. It has been an old gripe of the United States that some European governments subsidize their export credit interest rates below internationally agreed guidelines. (In fact, US officials say France is the only current offender here.) Now, the United States evidently wants to use the Afghan crisis to get this cleared up.

BUT THE BURNING QUESTION of the Moscow Olympic Games could not be ducked; and with both Jenkins and Cossiga assuming a fairly low public profile here, it was left to Veil to address it. She did so, most publicly, before an enthusiastic lunch gathering at the National Press Club. Noting that a majority of the European Parliament had recently urged the Games organizers to reconsider holding them in Moscow if the Russian occupation of Afghanistan continued, she reminded her audience that the Olympics and politics had always been mixed. She



"Americans were all ears for the European view. . . ." EC Commission President Roy Jenkins (center) meets with National Security Adviser Zbigniew Brzezinski (left) and Secretary of State Cyrus Vance. Photo by Vince Finnigan & Associates

recalled how Demosthenes had tried to block the Macedonians' taking part in an Olympiad because Alexander the Great had broken a truce with Athens. Reflecting perhaps what she said was the one frustration of her present job — "as President of the Parliament, one cannot be a man or woman of action" — she did not issue an outright call for a boycott of the games.

That came later at a press conference when she conceded, "I personally would today be against going to Moscow." She urged, however, procrastination on a decision until the last possible moment — in the hope that the situation in Afghanistan could change.

But what Veil said at the Press Club was quite enough for her audience, which gave her a big hand. It was also more than enough for one member of the 23-strong European Parliament delegation, Maurice Martin, a French Communist, who resigned from the delegation in a huff, citing Veil's "grave and inadmissible" behavior in straying into an area in which the Community had no established competence. As Veil, a former health minister in the Giscard Government and introduced at the Press Club as the "future Thatcher" of France, knew

well, the Olympics issue is deeply controversial in her own country.

The broad issues of East-West relations and détente with the Soviet Union were also explored more widely in the three meetings between the delegations of the Parliament and US Congress — the latter chaired jointly by Representatives Don Pease (D-Ohio), Larry Winn (R-Kansas), and Sam Gibbons (D-Florida). Other topics included the related issue of human rights (the internal exile of Andrei Sakharov was much on people's minds), the international narcotics traffic, and policies towards the Third World (which through the various Lomé Convention aid programs figures high on the EC agenda).

Although this was the sixteenth US-EC parliamentary exchange — two a year since 1972 — it was the first since last summer's direct elections to the European Parliament. Striking was the increased standing that the US Congressmen (and Senators) now accorded their European counterparts, representing 260 million Europeans. As Pease put it in his weekly newsletter to Ohio constituents, the European Parliament is now in American eyes "an increasingly important factor" in the trans-

atlantic dialogue, and its members now "have the self-confidence that comes from having been elected in their own right."

Not lost on Congress was the keen European interest in seeing the United States develop a more thorough energy conservation and alternative fuel policy. Veil bluntly reminded Americans that they used twice as much energy per head as Europeans — admittedly a refrain taken up by many EC officials passing through Washington. That the message was aimed at Congress was pertinent, however, because Congress has yet to give final approval to some of President Carter's energy projects.

The more mundane, "bread-and-butter" EC-US trade issues are always present — Iran-Afghanistan or no — and Jenkins and the US officials he conferred with (from President Carter to Reubin Askew, the US trade negotiator, and Philip Klutznick, the US commerce secretary) agreed that the free-trade impetus from last year's suc-

Italian Prime Minister Francesco Cossiga, also current head of the EC Council, was one of three Europeans to meet with President Carter in January. © UPI



Speaker of the House Thomas P. O'Neill Jr. with President of the European Parliament Simone Veil. Photo by Vince Finnigan & Associates

cessful General Agreement on Tariffs and Trade negotiations had to be continued into the difficult year of 1980, with US Presidential elections and slower growth in the international economy giving possibly freer vent to protectionism.

Important to preserving this impetus were the high-level trade talks Askew was to hold later in Brussels. Basically, each side had one big complaint. US steel companies loudly criticized their inadequate protection against what they saw as cut-price European steel imports and threatened anti-dumping suits in the courts. European artificial fiber manufacturers had, for their part, been shouting about the rise of US fiber exports to the Community, helped, they argued, by the cheaper and still controlled US domestic oil and gas prices, basic feedstocks for the industry. The Community had threatened to impose countervailing duties on US fibers.

Time will tell whether these mutual grievances are susceptible to a classic Brussels "horse trade" or not. But both Washington and Brussels need to avoid a damaging trade war when the greater issue of the West's political cohesion is at stake.

Such Good Friends?

Afghan crisis tests Atlantic alliance

STEPHEN MILLIGAN, *Brussels correspondent for The Economist*

“WILL YOU BE WITH US WHEN THE WAR STARTS?” THAT was the question an American Congressman put to astonished EC Commission President Roy Jenkins during a visit to Washington just after the Soviet invasion of Afghanistan. Jenkins was astonished because most Europeans—although shocked by the invasion—did not imagine that World War III was just around the corner. And there was not the same degree of alarm in European capitals as in Washington about the consequences of the brutal Soviet moves.

Europe's interest in relations with Russia are somewhat different from those of the United States and justify a somewhat different response. But the initial reaction in Europe was both slow and, as an editorial in *The Times* of London put it, “bloody wet.” The feeling in many European capitals that US President Jimmy Carter had exaggerated the crisis for electoral reasons blinded some policymakers to the true dimensions of the crisis.

The Community itself is not a military organization, but it has important political and economic power. And its collective reaction to the invasion was slow. The Community is run like a railway timetable, and no disaster can change its schedule of meetings. Over Christmas and the New Year, EC institutions close down and work does not usually resume until mid-January. The head of one EC delegation was holidaying in Dorset in southern England when he heard the news of the invasion. He immediately cabled Brussels to see if he should return and was told that there was no need to panic: No meeting of EC foreign ministers was planned for two weeks. So he returned to his fireside.

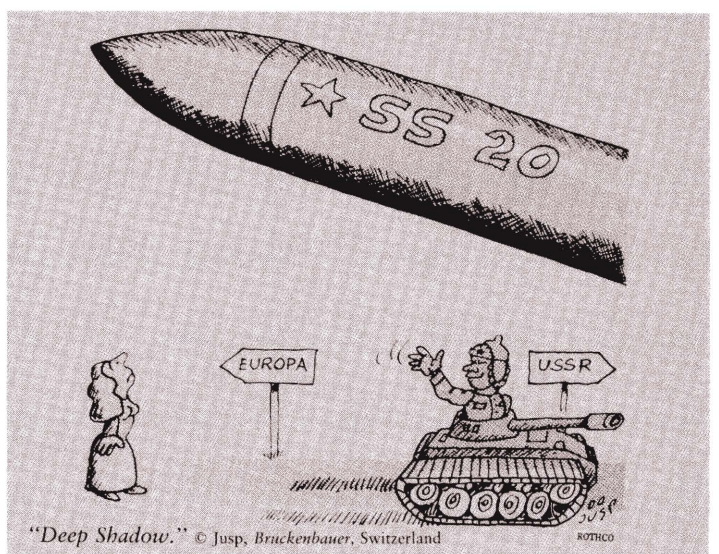
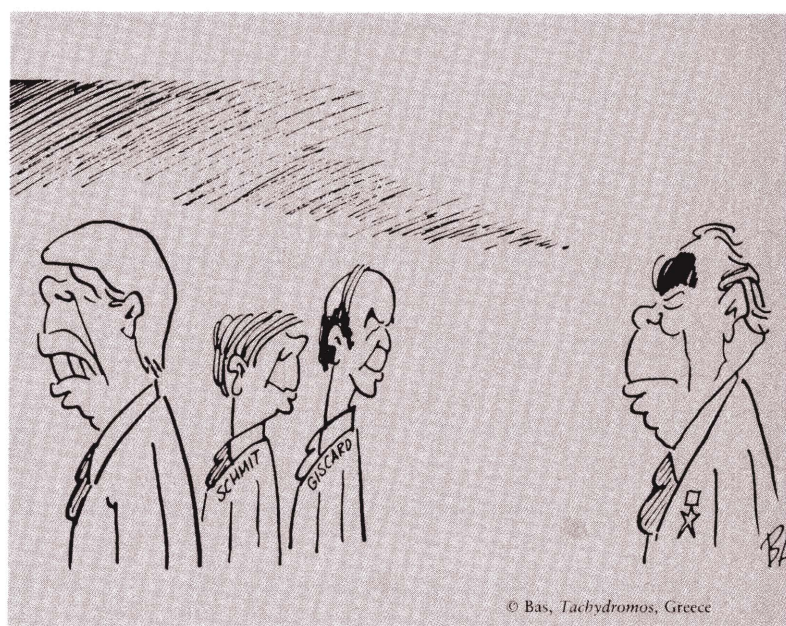
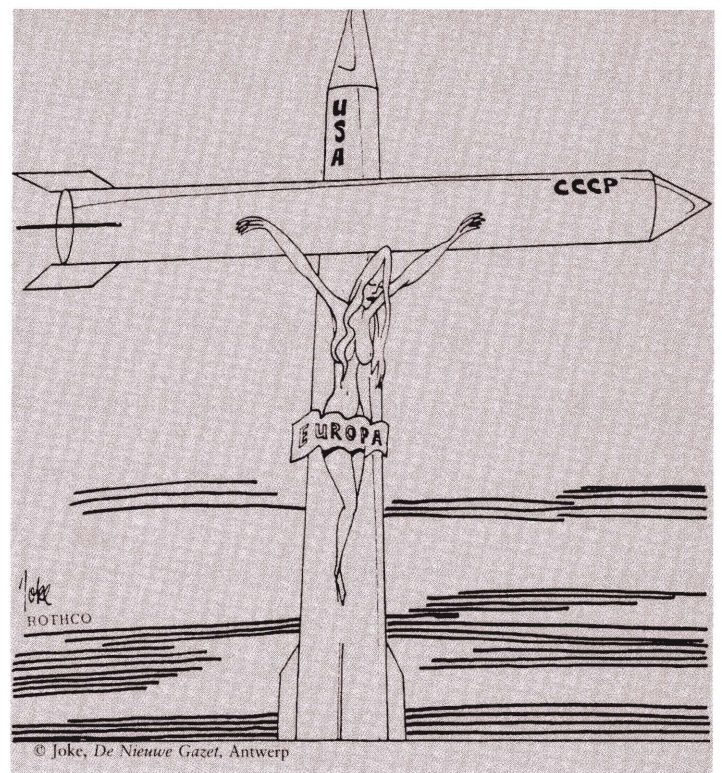
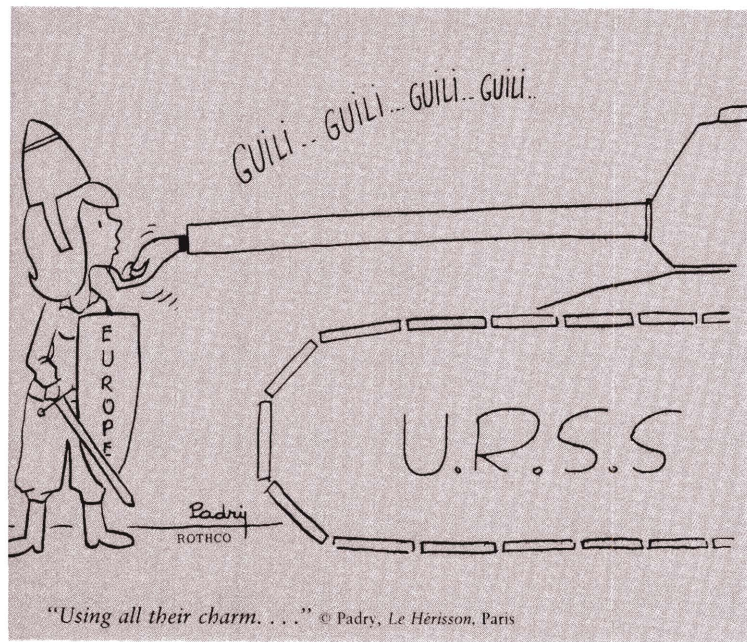
Although a political cooperation network links the EC Nine's foreign offices, no one suggested an emergency meeting of European leaders to discuss how best to react to the Soviet aggression. The result was that governments reacted in very different ways, at first. Britain's Prime Minister Margaret Thatcher gave her full backing to President Carter's policy, while French President Valéry Giscard d'Estaing and German Chancellor Helmut Schmidt, although condemning the invasion, hinted that it should not end détente.

It was not until mid-January that the EC Commission in Brussels took the initiative by proposing limits on EC food exports to the Soviet Union to ensure that EC farmers did not fill the gap left by the American grain embargo. At the same time, under the aegis of the North Atlantic Treaty Organization (NATO), the European allies began considering American suggestions for sanctions on exports of high technology and curbs on cheap loans to the Soviets.

Seen from Brussels, two depressing things about Europe's reaction were that it was so delayed and that all the debate was about how far the Community should go in supporting the Americans. The real question is not whether the Community should support the Americans, but how it should best react to a grave threat to its own security.

For the Soviet invasion is a much bigger immediate threat to Europe than to the United States. No American city is surrounded on all sides by Soviets like Berlin. And if the Soviets moved into Iran or other oil-producing states in the Gulf, Europe—with its far higher dependence on oil imports than the United States—would be the first to suffer. So Europe has every reason to get tough with the Kremlin, quite apart from its ties of loyalty with the United States.

UNFORTUNATELY THE THREE BIGGEST POWERS IN EUROPE—Britain, France, and Germany—all have rather different views of the problem. Britain sees it in almost identical terms to the United States. The new Thatcher Government was already growing skeptical about détente, and Thatcher is proud of her reputation as the “Iron Lady.” In any case, despite its entry into the Community, Britain has remained the most pro-American state of the Nine. So there was no surprise when the British followed President Carter's lead and called for tough reprisals against the Russians, including a boycott of the Olympic Games. The French Government has always pursued a more independent policy toward Russia than others. France likes to pride itself on its independence from the superpowers, especially in its dealings with Third World coun-

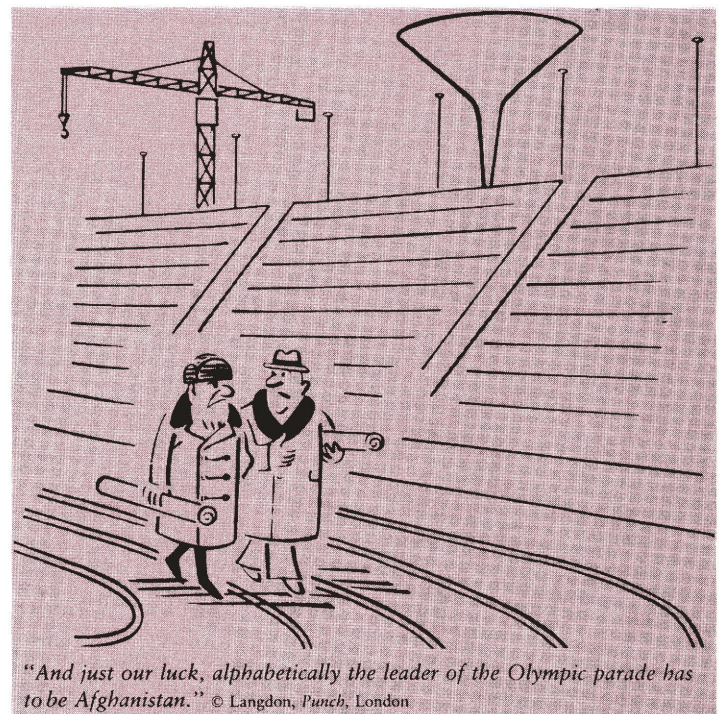
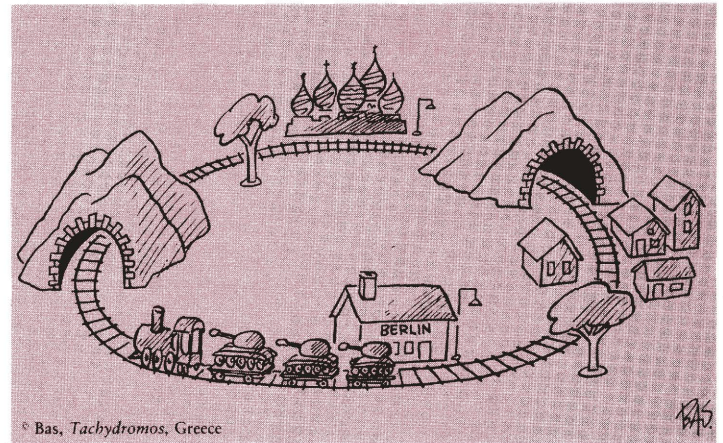


tries. And since 1966 it has not been a full member of the NATO alliance. France also does considerable trade with the Soviet Union and in late January—following the completion of a pipeline—began to import its first load of Russian gas. (Indeed, a ceremony to celebrate the first French village to be connected to the Russian gas line had to be abruptly canceled.) France, like Germany, is already importing considerable quantities of Russian oil: 6 million tons in 1979, or 5 per cent of France's total oil imports. And although the Soviet Union is only France's tenth biggest customer, taking a mere 2 per cent of French exports, trade has been expanding fast. In 1979 French exports to the Soviets rose 42 per cent—in line with the deal between President Giscard and Soviet President Leonid Brezhnev in June 1977, when they agreed to triple trade within four years. So France is naturally unenthusiastic for a trade war—not to mention any other kind of war.

Germany's Soviet trade is even bigger, and its exports to all Eastern bloc countries are six times more important, relative to gross national product, than America's exports to the same countries. But this is not the main reason for German hesitations about how to react to the new Soviet aggression. Chancellor Schmidt has strongly advocated a policy of *détente* with the East for more than 15 years—dating back to the *Ostpolitik* launched by then Chancellor Willy Brandt. Many countries have grown cynical about *détente*, because it has brought no concrete results. But Germany is one country that has seen concrete benefits. Trade between East and West Germany has become far easier, and many East Germans have been able to rejoin their families in the West. Another 200,000 ethnic Germans from elsewhere in the Eastern bloc have been allowed to return to the German Federal Republic over the past seven years. And Berlin has ceased to be a focus of international tension. So it was no wonder that Schmidt did not want to sabotage all these hard won benefits in an overly hasty reaction to events in Afghanistan.

It was for these reasons that Europe's first reactions were so confused and shaky. But uncertain governments then began to feel the pressure of European public opinion and of members of parliament, who demanded a tough reaction to the Soviets. So European opinion grew both tougher and more united. Thus:

- EC foreign ministers in mid-January launched a bitter verbal attack on the Russians. They described the Soviet intervention in Afghanistan as: "A flagrant interference in the internal affairs of a nonaligned country . . . and . . . a threat to peace, security, and stability in a region, including the Indian subcontinent, the Middle East, and the Arab world." And they urged "the immediate and unconditional withdrawal of all foreign troops from



Afghanistan.” They also confirmed a proposal from the EC Commission to control all EC cereal exports to the Russians to ensure that European farmers did not raise their exports to fill the gap caused by the American embargo. And they suspended guaranteed butter subsidies for exports to Russia.

- The European Parliament adopted a resolution at the same time condemning the Soviet action and requesting the EC Commission to review immediately all economic relations between the Soviet Union and the Community—especially in the field of high technology, agricultural products, and anti-dumping practices. It called on the international Olympic committee to reconsider whether the summer Olympic Games should take place in Moscow if the occupation of Afghanistan continued.
- Helmut Schmidt and Valéry Giscard d’Estaing held a special summit in Paris in early February and agreed to a strongly worded denunciation of the Soviets: They called for an immediate withdrawal of troops from Afghanistan and warned that if the Soviets continued an aggressive policy, détente would be destroyed.

Thus, despite the slowness in reacting, most EC countries—including the independent-minded French—took a similar position to the United States. The Europeans are reluctant to completely junk détente; for the Germans, that would be unthinkable. But as Italy’s Prime Minister Francesco Cossiga, the current president of the EC Council, put it, “We want to pursue a policy of aggressive détente”—for instance, showing up the Soviets’ failures to keep agreements while still indicating that Western Europe would prefer détente to a cold war.

Moreover, the failure of the Community to make a swifter response to the crisis inspired a British initiative by Foreign Minister Lord Carrington to seek to strengthen the Community’s political cooperation network. Lord Carrington wants to ensure that in a future crisis there would be automatic and immediate consultation among EC foreign ministers.

At the time of writing, only two EC governments—the British and the Dutch—had come out for a boycott of the Olympics. Most others were hesitating, waiting to see what everyone else was going to do. The Germans, Belgians, and Italians said they would all back a boycott if all European countries joined in. The French were against a boycott—and a *Paris Match* opinion poll showed that 65 per cent of French people thought the games should go ahead in Moscow. But even in France, opinion was changing—especially since the arrest of Andrei Sakharov, the Soviet dissident. European Parliament President Simone Veil, who is French, announced during a visit to Washington that she personally favored an Olympics boycott. Michel Rocard, the rival to François Mitterrand, leader of the French Socialists, suggested that

EC Diplomatic Initiative

The EC foreign ministers, at their February 19 “political cooperation” meeting in Rome, proposed “a neutral Afghanistan” that would “stay away from big power rivalry.”

US Secretary of State Cyrus Vance, arriving in Europe the same day for consultations, responded favorably to the EC Nine’s proposal. Earlier, at a Washington press conference, President Jimmy Carter had stated that “we would like to have a neutral Afghanistan.”

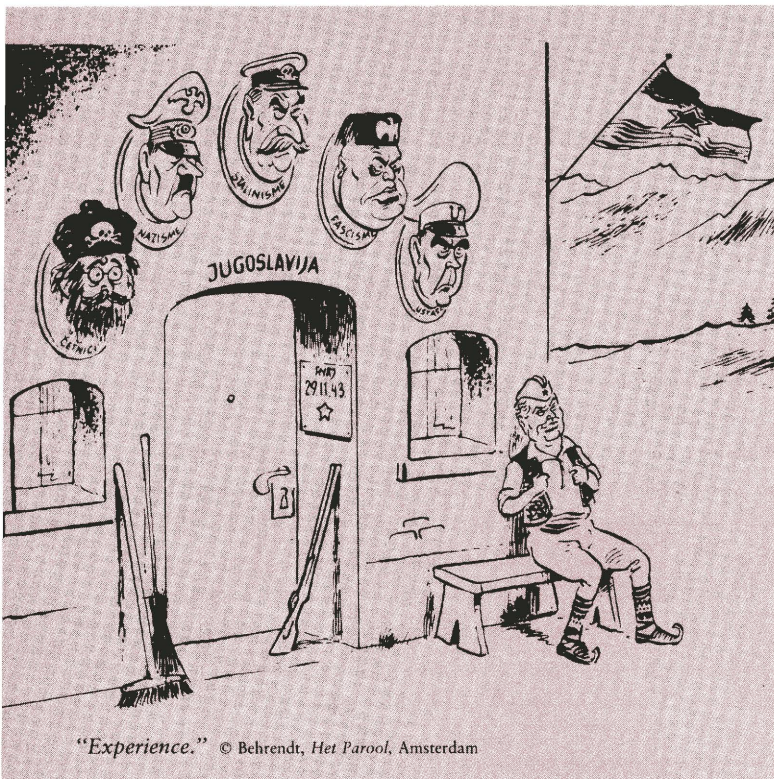
British Foreign Secretary Lord Carrington, who had suggested the EC strategy, said that guaranteeing Afghanistan’s neutrality would enable the Soviets to withdraw without losing face and that the Soviets should welcome such an opportunity if they were truthful in their claims that “they are occupying Afghanistan only to guarantee their own security.”

A proposed ministerial statement that would have favorably noted the European Parliament’s resolution to boycott the Olympics was rejected.

The Parliament’s resolution of February 15 asked not only the EC member countries to boycott the Moscow Olympics but also the EC Commission to embargo all exports of surplus commodities to the Soviet Union. A related resolution condemned measures taken against Soviet dissident Andrei Sakharov.

“We beseech the nine [EC] governments to show their disapproval in the face of Soviet oppression and aggression in Afghanistan by counseling their national Olympic committees to ask their teams and their athletes not to participate in the Moscow Olympic Games,” the Parliament’s resolution said.

Present during the parliamentary debate was Commission Vice President Wilhelm Haferkamp, who restated the Commission’s unstinting condemnation of Soviet aggression and support of basic human rights. Speaking personally and not officially (since the Olympics falls outside the Commission’s competence), Haferkamp recalled that in 1936, when the Games were held in Berlin, he was a schoolboy. In 1945, after the War, he met many Germans older than himself who had been persecuted by the Nazis. They told him that immediately after 1933 they still had hopes of support from the outside world to bring changes in the regime, but their hopes were annihilated in 1936 when the world went to Berlin.



“Experience.” © Behrendt, Het Parool, Amsterdam
 Yugoslavia as well as Turkey is receiving increased EC attention after the Afghan crisis.

the Socialists ought to rethink their decision to oppose a boycott. In Germany public opinion was moving in favor of a boycott, supported by leaders of the opposition Christian Democrat Party.

WHATEVER HAPPENS ABOUT THE OLYMPIC GAMES, many German leaders felt that there were more important ways in which the Community could act to limit Soviet power in the Middle East. The first reaction of Helmut Schmidt, on hearing the news of the Soviet invasion, was: “This means we must do more to cement our links with Third World countries in the area.”

The Germans are naturally reluctant to send troops abroad. Because of historical links with the Nazi era, no one is keen that the Germans should lead any military response to the Soviets. But the Germans are willing to provide increased economic aid to Western allies in the so-called “arc of crisis” around Afghanistan—and they may be willing to provide more troops and arms for NATO’s defense of Germany in order to let American and British troops be redeployed in the Middle East.

For the moment, the Germans are strongly urging more EC links with countries that border the Persian Gulf, such as Iran and Kuwait, and with Turkey and Yugoslavia. German Foreign Minister Hans Dietrich Genscher recently completed a tour of the Gulf states, and he has proposed a special EC-Gulf economic agreement, modeled on a recent deal between the Community and states of the Association of Southeast Asian Nations

(ASEAN). The agreement might, for example, provide for joint investment guarantees. The EC countries would promise never to freeze Gulf assets in Europe (as the United States froze Iranian assets in response to the hostages crisis). In return, the Gulf states would promise not to nationalize EC investments in their countries. In addition, the two regions would try to strengthen political ties.

The Germans are also pushing strongly for better EC links with Turkey. Back in 1963 the Turks signed an association agreement with the Community providing for trade and aid cooperation and leading to eventual membership in the Community. But the Turks felt that the agreement was getting too one-sided, as the Community piled up a huge surplus in its trade with Turkey. And EC countries—notably Germany—grew increasingly reluctant to fulfill the Community’s pledge to allow free movement of Turkish workers in the Community, when unemployment was rising fast. So for the last three years the agreement has been frozen. The Turks have refused to cut tariffs as planned, and the Community has refused to remove barriers to Turkish immigration. Now both sides are trying to mend fences. The new Turkish Government, led by Süleyman Demirel, is eager to restore relations with Europe, and the Europeans are anxious to stop Turkey from drifting into Soviet clutches after the invasion of Afghanistan.

In early February Turkish and EC leaders met in Brussels and promised to open negotiations to restore the association. The Community also indicated to the Turks that it would be willing to consult them on the Community’s political cooperation network when Balkan or Middle East policy was discussed. And following the sweeping economic reforms and the devaluation of the Turkish currency announced by the Demirel Government, EC governments promised to consider new financial aid for Turkey.

The Community is also doing its best to improve its ties with Yugoslavia. The fears about Marshal Josip Brož Tito’s health—and the speculation that if he died, the Russians might seize the chance to invade the country—have prompted the Community to move fast to sign a new trade-and-aid deal with Yugoslavia. The deal was bogged down for months because of argy-bargy over imports of beef and other trivial issues. But the political urgency to keep Yugoslavia attached to the West has now dwarfed such trade worries.

Seen through American eyes, these EC moves may seem small beer. But the Community is not a military organization—and has no troops at its command. The Community is primarily an economic grouping. But in today’s world, economics and trade can be as powerful weapons as cruise missiles—as the Organization of Petroleum Exporting Countries has already shown.

“THE ENDURING ATLANTIC FRIENDSHIP”

SIR NICHOLAS HENDERSON, *British Ambassador to the United States*

One of the fears that the European Community had when it first debated Britain's entry was that she would be little more than a “Trojan horse” for the Americans. Maybe Britain, the argument went, was too wedded culturally and historically to the United States; maybe those shared triumphs during the Second World War made it impossible, psychologically, for Britain to break that bond and force herself to turn toward an emerging Western Europe.

That fear was quickly buried. Britain is now irrevocably committed to the Community, yet at the same time has maintained her Atlantic links—to the benefit of all the Community. Far from being a Trojan horse, Britain has used her traditional relations with North America to strengthen and complement the links of the other Community countries. But then, the whole worry of an American economic domination of Europe, often voiced in the 1960's, seems an unnecessary one from the present perspective. What has happened is exactly what the founding fathers of Europe expected to happen: that Europe would make a spectacular postwar recovery and eventually begin to challenge the United States in economic strength.

There have been some voices raised in the United States about the Community becoming too strong economically, but there is a widespread recognition that an equalization of power is in the interests of both—and an awareness that cooperation is essential in a world that proves, yet again, to be perilous and unpredictable.

Americans know full well that it is impossible for them to retreat into isolationism. Their decade of introspection is over. On the one hand their international trade has increased dramatically; on the other, they are for the first time in their history dependent on outsiders for a crucial raw material. A nation that has built a society in which a car is a necessity is reminded at every visit to the gasoline pump that it now imports nearly half of all the oil it needs. Americans are having to develop a seismic sensitivity to every rumble of discontent in every nook of the globe. The clerk working for a British insurance company in Wisconsin, the machinist in Georgia



Britain's former Ambassador to Bonn and Paris and known for his “European” views, Sir Nicholas Henderson was called out of retirement by Prime Minister Margaret Thatcher to represent her new Government to Washington. Courtesy British Embassy

making zippers for a Japanese company, the engine maker involved in a contract with Airbus Industrie—all depend on foreigners for their jobs.

What Winston Churchill wrote about the United States at the turn of the century—“to remain detached from the preoccupations of others was rapidly becoming impossible”—and what Franklin D. Roosevelt was to say in 1938—“we in the Americas are no longer a faraway continent to which the eddies of controversies beyond the seas could bring no interest or no harm”—were repeated by Margaret Thatcher last year: “The Middle East and the Middle West,” she put it, “have become neighbors and will remain so, uncomfortable though they may on occasion find it.”



Europe's share of the NATO defense budget has doubled in the last 10 years. Here, NATO forces move through Homberg, Germany, during war games last September. © UPI

Even in the Middle West, that fortunate part of the nation where the inhabitants are blessed with a rich soil and a rich economy—where if you say the word “depression,” they used to joke that you must be talking about a low part on the plains—isolationism finally died with the growth of the grain trade with the Soviet Union. Individualism, certainly, is still a characteristic, but Americans show a sophisticated awareness that more and more, their incomes and their quality of life may come to depend on a curt handshake in a distant capital, gunfire at the Khyber Pass, or the second coming (or third or fourth) of the Mahdi.

In this kind of world, Americans and Europeans, together with other allies such as the Canadians and the Japanese, have to confer and cooperate, whether it be about Afghanistan and East-West relations, the world monetary system, energy, nonproliferation, or the necessity of keeping all markets nonprotectionist.

The American public *has* become more knowledgeable about the European Community, but, after the usual polite questions, it is obvious that defense is the issue that concerns them most about Western Europe. George F. Kennan wrote in 1951 that the Russians look forward to a “duel of infinite duration” and that the Americans’ response must be that of a “long-term, patient but firm, vigilant containment of Russian expansive tendencies.” Thatcher has continually emphasized that—that the military balance of power has shifted in Europe because of the increased spending by the Soviets. In October of last year she warned that the Soviet armies in Europe were organized and trained for attack, and two months later in a speech in New York warned again that the Soviets “expand their armed forces on land, sea, and

air; they and their allies outnumber us in Europe; their men, their ships, and their aircraft appear even more regularly in parts of the world where they have never been seen before.” And this was said before the invasion of Afghanistan, a supreme example of the kind of adventurism she feared, with the Soviets gambling on the inability of the West to respond effectively.

IF THE SOVIETS ARE GETTING MORE WEAPONS and using them on their neighbors, it would be folly for the West not to produce more weapons and to modernize, particularly its long-range theater nuclear weapons. There has been a large increase in defense spending by the European powers—in the last 10 years Europe’s share of the North Atlantic Treaty Organization’s (NATO) defense budget doubled from 20 per cent to 40 per cent. This, maybe, is not widely enough known yet in the United States—the fact that Europeans are doing more and more to defend themselves and that a strong Europe contributes to the security of the United States as well as Europe itself. The present British Government, while determined to cut back on government expenditure generally, has increased its spending on defense.

Britain, the one European member of NATO that commits nuclear forces to the Atlantic alliance, will maintain its strategic deterrent. It is important to Anglo-American relations that both partners are involved in making decisions when it comes to nuclear forces. It is also important to wider European-US military relations that Western Europe should remain strong industrially and technologically, and should be able to sell its military and other advanced equipment in the American market. With the increasing possibility of more Soviet expansion, it is inevitable that the United States will find herself



On NATO's geopolitical flank, armed Soviet troops repair their jeep on a Kabul street during the military invasion of Afghanistan. © UPI

even more tightly involved with the Community and other NATO members.

The gains the Community has made are appreciated in Washington. Americans are sometimes impatient with its slow-moving nature; it takes too long making decisions and often seems to spend too much time disputing the "butter mountain," the fate of sheepmeat, or the amount of money each member puts into the Community budget. We remind the Americans, gently of course, that sometimes *their* legislation takes an age before a compromise is reached, and point out that internal disagreements are inevitable—important, certainly, but they must be seen only as family arguments. It is understood that the Community is often able to forge a common approach to foreign policy, yet at the same time there is no question of Europe becoming a super-state. "Centralization has been the thing most foreign to the English temperament," wrote John Stuart Mill, and the present Conservative Government would only add "Amen."

The concept of a European Parliament is one that Americans instantly respond to—sensing that it is a movement in the direction of "real" democracy. We point out, gracefully of course, that it took the Americans 136 years before they got around to electing their senators directly, while it only took West Europeans 26 years to create a directly elected Parliament.

That the enlargement of the Community to include Spain, Portugal, and Greece, as well as being politically astute, enriches, enlivens, and adds flavor to the organization is also understood in the United States. Spain and Portugal, two nations which have historically looked westward and whose influence in the Western Hemi-

sphere was muted for so long, should, as full EC members, be able to act as sympathetic brokers to Latin America—a continent within the American sphere of influence but whose peoples are also increasingly eager for contacts with Europe. Greece, that "small rocky island at the far end of southeastern Europe," as Helen Vlachos, the Athenian publisher, calls it, which has "never belonged to any family of nations, to any ethnic group" is now prepared to take a deep breath and join one. And don't forget, she reminds us, that about 30 years ago, the United States came with arms, with money, and with moral support and "saved us from sliding into the misery of Soviet domination." (See *Europe*, November-December 1979, No. 216.)

The need for closeness between the United States and the Community is apparent at every turn. Both are vulnerable because we depend on others for raw materials. Both can at times suffer from similar social weaknesses—inflation, terrorism, public dissension that can sometimes weaken the political will. But we share the same strengths, too, that run strong and deep. Both are stable, both sturdily democratic, both are able to respond to the needs of the people and to change when necessary without revolution and convulsions. Both are strong economically. Both have journalists and broadcasters who put out "real" news as objectively as possible and who are allowed to investigate and criticize. Both are genuinely concerned to use their assets for the good of other countries and peoples. Both realize that friends may differ, but that a different approach sometimes has benefits. Both know that one of the greatest bulwarks against dangers that we share is the enduring Atlantic friendship.

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EUROPE ASTRAY: PART II

WALTER LAQUEUR

The first part of the author's essay appeared in the previous (January/February 1980) issue of Europe. Walter Laqueur divides his time between Washington, as chairman of the International Research Council of the Center for Strategic and International Studies at Georgetown University, and London, as director of the Institute of Contemporary History and Wiener Library.

WHAT MAKES EUROPE'S FOREIGN POLICY PROBLEMS SO difficult to tackle is not the enormity of the military threat, but the lack of a sense of urgency when facing a clear threat to survival. Some Americans have advised their European friends, echoing President Franklin Roosevelt, that they have little to fear but fear itself. Such reassurance has its value in international relations, as in psychotherapy, although not everything is simply a matter of perception. If, for instance, a patient happens to have a broken leg, psychological assurance alone will not make him walk. Given West European proclivities, the advice of benign neglect with regard to defense is the worst possible advice that Europe could receive at the present time—with the possible exception of the counsel not to save energy.

To select at random two of the voices against magnifying the dangers: George Kennan has admonished his European friends that "the assumptions with relation to Soviet strength are as exaggerated as are those that relate to Western European weakness. The belief that stronger powers dominate weaker ones and dictate terms to them simply by the possession of superior military force, or by demands placed under threat of the use of such force, has extremely slender support in historical experience." Another but similar message has been conveyed by others: "If you paint the Russians as 10 feet tall, you have accomplished the basic purpose of Soviet foreign policy without them having to lift a finger." It is useful, no doubt, to be reminded from time to time that the Russians are not 10 feet tall, but they still have a lot of tanks and other hardware and continue their buildup at a considerably faster rate than the North Atlantic Treaty Organization (NATO). Or, to put it differently, the core of the problem is not Soviet power, but Europe's lack of it; the Russians may be only six feet tall, but the Europeans are even shorter.

Concerning the danger of Finlandization, however, it might be argued with some justification that as long as there is NATO, and as long as the United States does not fall too far behind the Soviet Union, Western Europe will not be subjected to strong Soviet pressure, nor will it lose



Photo by Ricarda Schwerin, Jerusalem

its freedom and independence. As for the "slender historical evidence"—that stronger powers do not dominate weaker ones—it would be wise not to put it to a test. It is, of course, perfectly true that the United States has not dominated Cuba for the last 20 years. But then Cuba had a determined leadership and a reliable and powerful protector, and faced a weak, confused, and irresolute America. It is unlikely, to provide an illustration, that a Soviet minister would have welcomed European military intervention in Angola as a positive contribution to stabilizing the situation.

It could be argued, furthermore, that even a neutral Europe would remain independent, provided its neutrality is credible and based on strength rather than weakness. But this would involve much closer cooperation among the countries of Europe and also a much greater defense effort. The problem again is not the magnitude of the threat, but the mixture of lethargy and hypochondria that has afflicted Europe in the 1970's, the centrifugal pressures, the constant emphasis on national interest narrowly interpreted, which has its corollary in a lack of courage and moral fiber. In recent years whenever Europe has had to face a challenge or an external threat, there has been impotent handwriting—but little action. To put it mildly and not to use the ugly term "appeasement," there are many signs of a mood of accommodation in Europe.

It may be said that while such behavior is not very courageous, the policy of "accommodation," of taking a low profile, is applied by European governments toward the Organization of Petroleum Exporting Countries (OPEC) no less than vis-à-vis the Eastern bloc; the mo-

tive is certainly not ideological. When issues of principle facing British or French foreign policy are discussed, the argument that recurs, all too often, is that countries whose economic survival depends on the goodwill of others have to adjust their policies accordingly; they have to be morally neutral and should not wait for a threat or an ultimatum, but rather shape their policies in such a way as to prevent the occurrence of these situations. Such behavior has occurred at all times among many people, and it would perhaps be easier to accept if the fear of angering a powerful neighbor or a wealthy client did not appear behind a mask of superior political wisdom and even self-righteousness.

WHAT HAS BEEN SAID ABOUT EUROPEAN ATTITUDES vis-à-vis the Soviet Union and the danger of Finlandization also applies, of course, *mutatis mutandis* to Europe's position vis-à-vis the United States and to its dependence on the oil-producing countries. There is no good reason why European foreign policy should be made in the White House and the State Department, or why European defense policy should depend on the Pentagon. There is something profoundly unhealthy in such a relationship. Even if Europe is not able to defend itself entirely without American help, the extent of Europe's dependence could be substantially reduced.

Such dependence was, of course, inevitable in the immediate postwar period when much of Europe was in ruins. More than three decades after the end of the war, with more manpower at its disposal than the United States, and greater industrial production, there is no objective reason why Europe should be so vulnerable to pressure from outside and so dependent on America, except, of course, the belief in Europe that the Continent's constitution is not robust enough to undergo such intolerable exertions. Alternatively, it has been argued that it should not even try, for Europe's mission is not in the field of power politics, rather it is to be a great "civilian power."

If it tried to emulate the two superpowers, Europe would lose its soul; if, on the other hand, it works for peace and greater social justice, it can be a beacon of hope for all mankind. These are noble sentiments, but out of place in a sinful world in which political and military power is still decisive. For unless Europe can defend itself and regain a greater degree of independence, it will never be in a position to carry out its mission. All past experience shows that dynamic, self-confident societies are capable of coping with their domestic and foreign problems at one and the same time. Those who claim that societies would collapse under the burden, that domestic reform programs can be undertaken or expanded only if defense spending is radically cut, are either looking for an alibi for inaction or want to reduce defense spending for political

reasons. No striking social reforms, no selfless help for poor "Third World" countries should be expected them.

These manifestations of weakness, it has been argued, are unpleasant, but how dangerous are they? At the present time direct foreign interference in the domestic affairs of any European country would not be tolerated. European political parties and their leaders do not need the stamp of Soviet approval; and, seen in this light, Europe has not been Finlandized yet, nor has it been bought by the owners of the new wealth. But time does not stand still and what is true today will not necessarily be true some years hence. If Europe's decline continues, the tendency towards accommodation may turn into full-fledged appeasement, or worse.

Optimists will argue that since a military attack on Europe is highly improbable, and the imposition of direct political control not much more likely, all that can be expected is more of the same—an even lower European profile, and frequent professions of friendship toward those who threaten Europe. Such optimism rests on the assumption that the disintegration of Europe will not proceed beyond a certain point, and that, in any case, there will still be the American safety net on which to fall back. And if such a state of affairs lasts long enough, perhaps the threats may diminish or disappear altogether, for those threatening Europe from the outside are not immune to political and economic upheaval.

These suppositions may be borne out by future events, but not one of them can be taken for granted. At the very least, such speculation is dangerous. Only professional gamblers would bet on their own survival against such odds. Most human beings would make every possible exertion to reduce the risks. Yet what is true of Europeans as individuals does not apparently apply to them collectively. The laws of individual psychology are not those of crowd psychology; hence the willingness to take unacceptable risks, the willingness to let things slide instead of making the effort to reduce the risks to the survival of free institutions in Europe.

These, in brief, were the long-term prospects for Europe as the Seventies ended, and little has changed. There have been certain ups and downs, and if the rise of European currencies in comparison with the dollar were a true yardstick of Europe's ability to stand on its own feet and to defend itself if necessary, there would be much ground for self-congratulation. Unfortunately, Europe is as vulnerable as ever before in many respects—its energy supply is just one example, yet no common energy policy has emerged. The issue at stake is not, of course, Europe's survival, but survival on what level of independence and self-respect? Most of the weaknesses of Europe are self-inflicted, the problems facing it are not insurmountable, the solution does not involve rare wisdom and superhuman efforts, only common sense and political will.

*All of these securities having been sold, this announcement
appears solely for purposes of information.*

NEW ISSUES

January 10, 1980

\$250,000,000

European Investment Bank

\$150,000,000

11 $\frac{5}{8}$ % Notes Due January 1, 1987

\$100,000,000

11 $\frac{7}{8}$ % Bonds Due January 1, 2000

The First Boston Corporation

Merrill Lynch White Weld Capital Markets Group
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Salomon Brothers

Lehman Brothers Kuhn Loeb
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EXPORTING ETHICS

U.S. seeks to internationalize its Corrupt Practices Act

SANDRA FEUSTEL, *assistant editor of the New York-based newsletter Business International*

HOW MUCH GREASE MUST CROSS THE PALM OF A GOVERNMENT official before a corporate executive is called on the carpet for offering a bribe? When the brother of a Gulf sheikh demands a large commission before he okays a contract, does that constitute extortion? Does a duck à l'orange at Maxim's tempt a government official to sign on the dotted line, and will a new gold watch at today's prices persuade a sluggish bureaucrat to cut that extra length of red tape?

The issue of corporate bribery and extortion is rapidly becoming one of the most troublesome intangibles of international business. The United States views such questionable practices as criminal activities subject to prosecution, while many Europeans say that publicity and scandal are enough to deter the most flagrant wrongdoers. So sensitive is the topic that a crop of euphemisms have sprung up to describe this whole gray area. Depending on who you are and what country or international organization you represent, bribery and extortion can be termed anything from grease, questionable payments, foreign corrupt practices, secret commissions, illicit payments, and the most innocuous tag of them all, added incentives.

Public tales of corporate bribery first came to the fore with reports of International Telegraph and Telephone's (ITT) influence in Chile and Lockheed's improper dealings in Japan and Iran. But even though over 300 US companies have since admitted to taking or receiving bribes in the course of their international transactions, such revelations have not received the public attention they once did. This is because most US firms have instituted stricter internal accounting procedures to monitor these payments in response to a US law, the Foreign Corrupt Practices Act (FCPA), which makes it a criminal offense to engage in such activities.

The spotlight has since shifted across the ocean to Europe, where high-level government officials have been chastised for doling out millions of dollars in payoffs to ensure foreign contracts. One of the most prominent of these cases occurred last summer and involved the brother of King Baudouin of Belgium, Prince Albert.

Newspapers linked the Prince with a hospital project in Saudi Arabia. A Belgian firm with which he was connected, Eurosystem Hospitalier, was accused of paying a Saudi over \$200 million in order to secure the contract. More recently another European firm, the Italian state-owned *Ente Nazionale Idrocarburi* (ENI) also became embroiled in a scandal with the Saudis, and paid for it dearly. When Italian newspapers learned that an unauthorized commission had been paid by an ENI executive to a high-level official of the Saudi oil firm, Petromin, the disclosure so angered the Saudis that they canceled a sizable oil supply contract with Italy, leaving it to scramble for alternate supplies.

The US Government would like to export its brand of morality, the FCPA, to Europe — but not because it is altruistically motivated to stamp out bribery around the world. The United States has found that by standing alone on this issue, American firms are losing out competitively to European firms which are not so queasy about the fine distinctions between a bribe and a commission.

Many US companies contend that they are not as troubled with the idea of upgrading US standards on bribery — some say the FCPA has cut down the snowballing of such payments in a bidding situation — as they are with the ambiguity of the act. No one is quite clear what constitutes a foreign corrupt practice and who is accountable. For instance, it is taboo to pay a “public officer” a fee for his services as a third party, but lower-level bureaucrats are thought to be exempt. In some cases, corporate executives are accountable if they have “reason to know” of an illegal payment. Company accountants are plagued with requirements to report any gifts “of value,” which could mean anything from a \$200,000 check to a set of gold cuff links. To further compound the confusion, two different government entities, the Department of Justice and the Securities and Exchange Commission, are given equal responsibility for enforcement but interpret the law differently. Proposed legislation would attempt to clear up the act's ambiguities without watering down its con-

tents. At present the stakes for violation of the FCPA are high — up to \$1 million in fines and five years in prison.

The most bitter complaints come from the US construction and aviation industries. They claim that the act creates real problems in those countries that require the use of an agent or third party to secure a contract. In some Middle Eastern countries the only available agents are connected with the royal families — thus technically “public officials” and off-limits to US businessmen. Such complaints lump the FCPA together with a whole bundle of US export disincentives including foreign tax laws, anti-boycott legislation, and the shortage of export financing credits — which precipitated the

parent alternative open to the United States is to push other countries to adopt its same tough standards. It has thus embarked on a strategy of exporting the FCPA by promoting the drafting of an international treaty on illicit payments under the auspices of the United Nations.

Europeans who have seen this kind of missionary activity directed toward them before in the guise of anti-trust laws and environmental-impact statements have so far managed to hold such negotiations in rhetorical limbo. They see the US attempt to internationalize the FCPA as part of a growing American pattern of extra-territorial encroachment: Once the US Congress legislates some tough regulations for American companies



Treasury Secretary G. William Miller (left)—at the center of controversy regarding his former company's overseas payments—talks with Senate Banking Committee Chairman Sen. William Proxmire. © UPI

US plunge to fifth and sixth place in such lucrative markets as the Middle East and Asia. Because of the sensitive nature of these allegations, however, few companies have stepped forward to offer any concrete proof that the FCPA has actually cost them business.

US OFFICIALS ARE FACED WITH A DILEMMA. Other countries do not have the same attitude internally on the issue of foreign bribery nor the same drive to bring such payments under the heading of a criminal offense. At the same time Congress finds it politically impalatable to drop a bill banning corruption. Therefore the only ap-

and their foreign affiliates to follow, the State Department feels compelled to try to do the same so US companies are not penalized competitively.

The United States has pushed hard for a treaty for about three years. Europeans have given their tacit support but, nonetheless, have reservations about what should be included. The French proposed that the treaty be somewhat limited in its jurisdiction and follow the pattern of the aviation, hijacking, and sabotage conventions of 1970 and 1971. Such treaties stress the extradition of offenders, rather than setting standards for national



“... And these people did not accept any bribes...” © Behrendt, *Het Parool*, Amsterdam

criminal legislation. The United Kingdom felt that both sides, the company and the public official, should be held responsible for a crime, and feared that if it prosecuted on its end, some developing countries would not follow suit.

Indeed the question of who initiates the wrongdoing became sticky in the course of the United Nations (UN) negotiations. Much debate centered on the definition of a public official and who should be held responsible. The developing countries resisted the notion that anyone besides multinational corporations should be liable for an infraction and last summer employed a stalling tactic to link the illicit payments treaty with progress on a slower-moving general code of conduct governing a wide range of multinational business activities. The Europeans supported the move, and the illicit payments treaty now lies on the back burner of the UN agenda.

ITT lobbyist Dita Beard (hospital bed right) testifies before a Senate Judiciary subcommittee in Denver during 1972 investigations of ITT's "influence-peddling" in Chile. © UPI

So now the United States is trying, thus far unsuccessfully, to promote international action through the Organization for Economic Cooperation and Development (OECD). The OECD has had a voluntary set of guidelines for companies to follow in the areas of international investment and labor relations since 1976, but has so far steered clear of the issue of bribery and corruption.

Some companies feel that in the long run the controversy over illicit payments will die down and become a non-issue. In support of this view, they cite a number of new developments: On the corporate side, internal monitoring and individual corporate codes of ethics will increasingly rule out the practice of offering a bribe to get the edge on a lucrative deal. In some developing countries, particularly those where Islamic influence is on the rise, government officials will be keeping a close watch on these activities — disclosure of graft in high places can spell the demise of a national leader or his cabinet. As a result, say these optimists, companies will instead turn to innovative financing schemes and other lures to make sure they come out on top. Some already negotiated agreements call for future exploration and development of sectors that a country wishes to exploit. Others include long-term loans at concessionary rates. Since governments can naturally offer more than private firms in this area, it is now foreign governments growing support of their companies' exports that US firms consider to be the most questionable practice of all.



PACIFIC BASIN TRADE

Increasing importance raises economic and political questions

HOWARD BANKS, *West Coast correspondent for The Economist*

EVERY SECOND OR THIRD DAY, A PURPOSE-BUILT CAR transporter slips under the Golden Gate Bridge into San Francisco Bay and disgorges another load of brand new Toyotas, Datsuns, or some other Japanese car import. It happens at the same sort of rate in Los Angeles. In the first nine months of 1979, two new Japanese cars were sold in California for every three new American-made ones. Toyota sold almost as many cars in California in that time as near-broke Chrysler.

No, this is not another discussion of the wonders of the Japanese car industry. Rather, it is an illustration that from the West Coast of America, the will-o'-the-wisp concept of the Pacific Basin as a trading area has some apparent substance. It doesn't really exist, of course. There is too great a diversity in the countries involved — from the United States to Indonesia, for example — and a vast geographical spread. It is further from Wellington, New Zealand, to Anchorage, Alaska, than it is from Tokyo to Brussels. And in more ways than one.

The Pacific Basin concept is a convenient way of parceling a growing trade problem for the world's industrialized nations, however, as pointed out at a recent EC seminar by Tony Albrecht, who runs the East Asian and Pacific Bureau at the US State Department. By lumping together all the nations that are his bureau's concern, he came up with the following startling statistic: In 1978, America's total trade, imports plus exports, with the dozen nations involved exceeded for the first time America's total trade with Western Europe. The gap was tiny, but given the high growth rates — and growing populations — of many of the countries in East Asia, the gap can be expected to widen. As it does, it will begin to have a profound effect on the foreign relations between these countries and the United States and, by implication, on the relative importance of Western Europe in American policies.

What has happened between America and the polyglot of nations Albrecht handily lumped together is broadly in line with the changing pattern of trade generally. The newly industrialized countries (NIC's) and the less-de-



Bulk bales of tea are sealed and weighed before shipment from West Java.
World Bank Photo by Thomas Sennett

veloped countries (LDC's) have, since 1973 in particular, become more important traders. In 1978 each of the three big industrialized groups of countries (North America, Western Europe, and Japan) sent a greater proportion of their exports to lesser developed countries (NIC's and LDC's) than to the other big two groupings combined, according to the latest General Agreement on Tariffs and Trade (GATT) report.

What about the European Community's trade with the East Asian countries? While trade with the group of countries selected by Albrecht has been growing in absolute terms, it still does not outweigh the total EC trade with the United States. In 1978 the United States — still the Community's single most important trading partner — accounted for around 14 per cent of total external trade with the Community, while the dozen countries in the East Asian group accounted for just under 11 per cent. This share of the total EC trade with East Asia has not changed much since 1973.

But this obscures some worrying trends for the Community. Imports from the 12 countries have been increasing their share of total EC imports. But EC exports to them have been decreasing as a share of the Community's total external exports. Geography may be against Europe, but it would seem that the historic links between East Asia and European countries (such as France, the Netherlands, and Britain) are not being taken full advantage of.

There has, however, been a noticeable increase recently in the official interest being paid to East Asia by both America and the European Community. This has been particularly so for the burgeoning Association of Southeast Asian Nations (ASEAN) group. There have been high-level meetings with US Secretary of State Cyrus Vance, for example. And the Community approved in mid-December a cooperation pact with the group, having earlier also held top-level meetings of foreign ministers (all nine from the Community and all five of the

ASEAN countries). The Community also gives preferential trade status to many countries in the area as part of its general policy toward the developing world.

ONE DIFFICULTY IN SETTING A BROAD POLICY for the area is the variance in the economic and political development of the countries involved. Japan, for instance, is well-established as a global trader comparable to the Community and dominates trade in the region. Japan is the most important total trading partner of Thailand, Indonesia, Malaysia, and China; the largest supplier to Singapore, the Philippines, South Korea, and Hong Kong; the largest customer of Australia. The United States is Japan's largest single trading partner and the largest customer for the Philippines, South Korea, Taiwan, Hong Kong, and Singapore. The Community is the largest trading partner only of New Zealand.

There has been a lot of speculation about China's future role as a trading nation since it rejoined the rest of the world. But, as last summer's announcement — that its modernization plans had been slowed down — showed, that speculation was premature. China lost a generation of technically trained people in the cultural revolution. Chinese determination to do things in a Chinese fashion means that industrialization has to wait until sufficient people are trained. So in broad terms the trading pattern that occurred in 1978, where 70 per cent of the Chinese exports went to other Asian nations, seems likely to continue. There have been, however, some signs of change; for example, American exports to China have been increasing: In the first seven months of 1979, they were \$1 billion, against \$874 million for the whole of 1978.

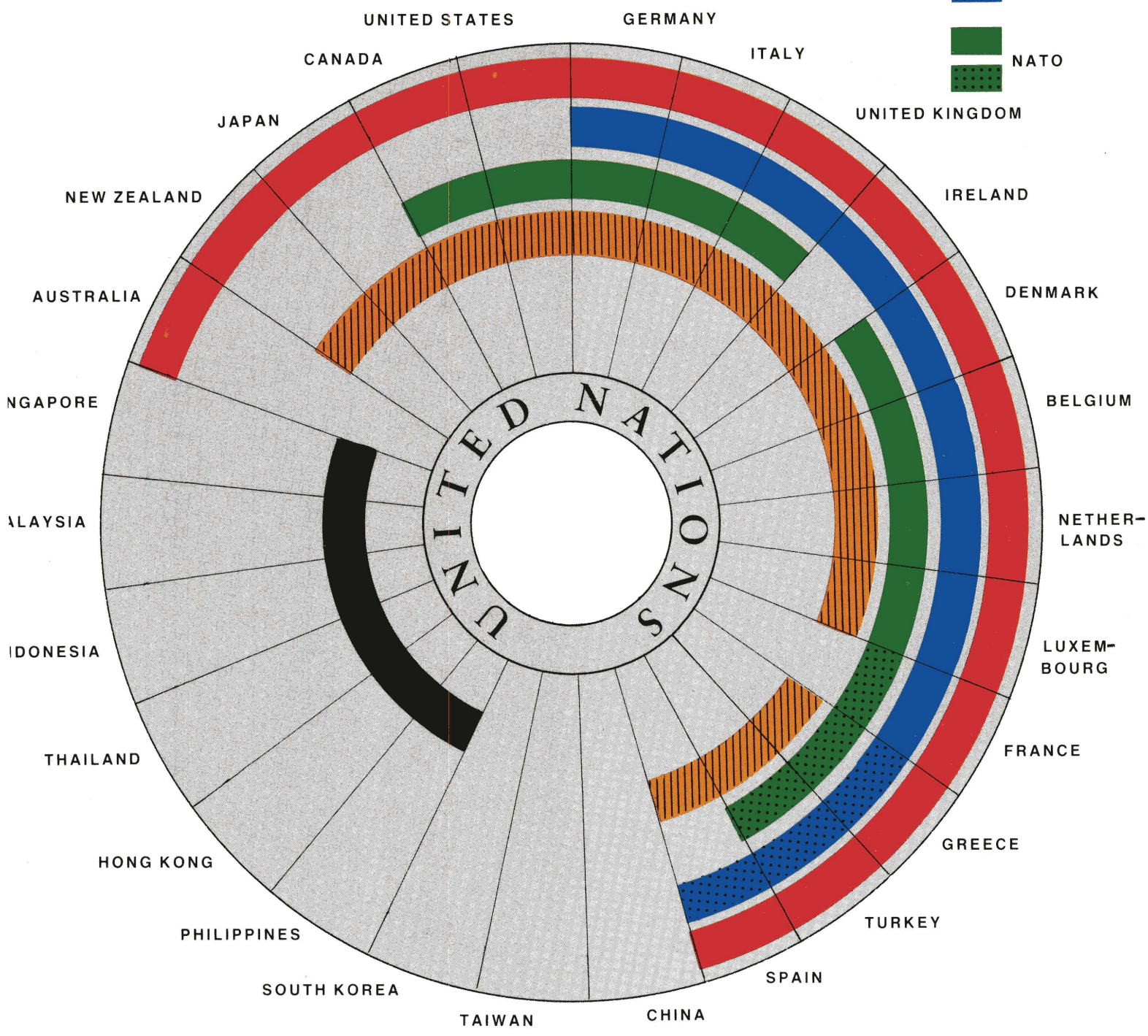
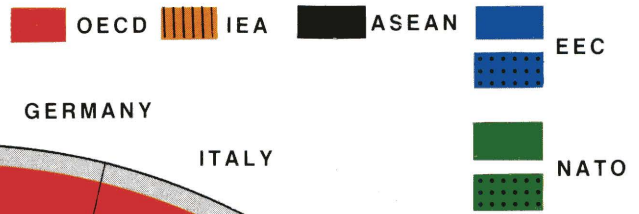
Australia and New Zealand are rapidly switching away from Europe to trading with their Pacific neighbors. In 1978 two-thirds of the exports from Australia and over half from New Zealand went to other countries in the East Asian-cum-Pacific grouping (including America and Canada). Imports from that group of countries ac-

Pacific Trade with U.S.

Exports	US Trade (in \$billions)			Imports	US Trade (in \$billions)		
	1978	1977	1977-78 percentage		1978	1977	1977-78 percentage
WORLD	143.7	121.2	18.5	172.0	147.6	16.5	
EAST ASIA	28.9	22.9	26.0	47.6	37.2	28.0	
(ASEAN)	(4.6)	(3.9)	(18.8)	(7.9)	(7.1)	(10.4)	
WESTERN EUROPE	39.9	34.8	15.0	36.5	27.7	31.9	
(EC)	(32.1)	(27.1)	(18.3)	(29.0)	(22.2)	(30.6)	

East Asia group here includes: JAPAN, AUSTRALIA, NEW ZEALAND, SOUTH KOREA, TAIWAN, HONG KONG, CHINA, and ASEAN (Singapore, Malaysia, Thailand, Indonesia, the Philippines).

PACIFIC TRADE: Barely half a wheel



The chart, an extension of an original idea by Battelle Institute Fellow James Huntley, shows that there are none of the formal links (that also allow valuable informal contacts) between most of the East Asian countries and the established industrial world.

counted for over half the total in 1978 for both countries. The newly industrialized countries of South Korea, Taiwan, and Hong Kong are steadily decreasing their dependence on trade with other East Asian nations. Only around one-third of the exports of all three now go to other states in the region. This is a function of the improving quality and sophistication of their products. This trend is, so far, less apparent for Singapore, also now classed as an NIC; 45 per cent of its exports still

go to other East Asian nations. Singapore is the most industrially developed member of the ASEAN group. Its other four member countries (Malaysia, Thailand, Indonesia, and the Philippines — all LDC's) remain heavily dependent on trade within the region. The ASEAN group has begun to find its political feet, partly as a result of a successful joint diplomatic attack on Vietnam's invasion of Kampuchea. Now the grouping is trying to promote various industrial and trading



Japanese exports to Europe and the United States wait to be loaded in Yokohama Harbor. © René Burri, Magnum

schemes, including: a privately funded company to promote industrial development; preferential tariffs on an increasing range of goods traded among ASEAN members; demanding, and likely getting, offset deals on high-technology imports like civil jet airliners.

Accommodating this regionalization is one of the trickiest tasks facing the large industrialized countries. One hurdle will be arranging formal multilateral links with the smaller countries in a way that will not look patronizing or like disguised protectionism by the bigger countries. As an example, it is still a problem for the US Administration to persuade its industrialists that trading with these fast-growing countries is good for them. A favorite case Washington uses is South Korea, where a \$600 million deficit in 1978 became a surplus of perhaps \$400 million in 1979. Most often, however, the industrialists' response is still to request greater protection from imports from these aggressive upstart exporters.

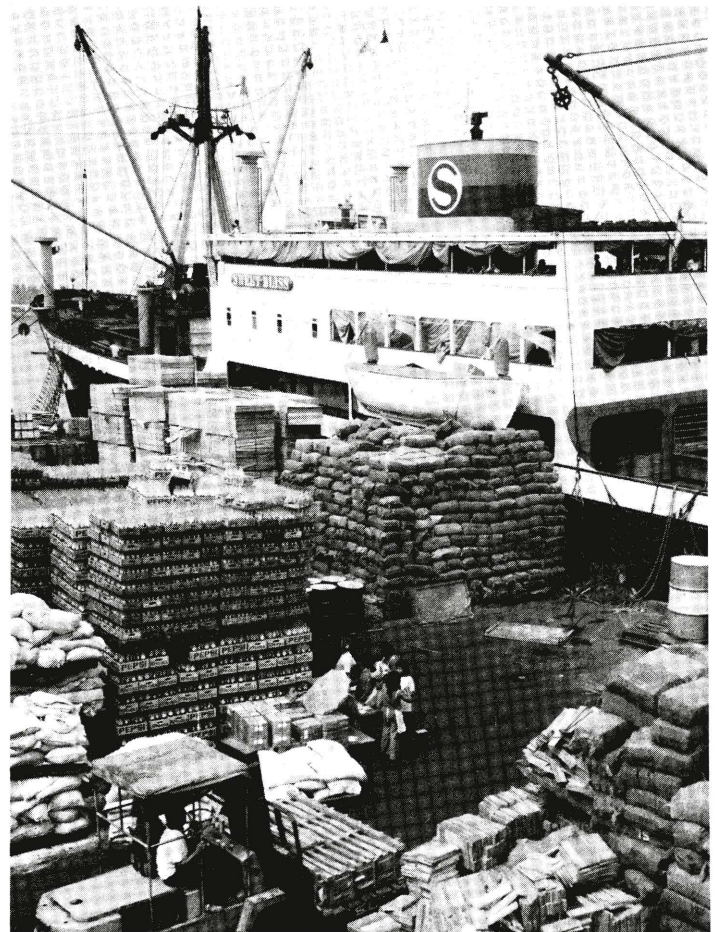
There are none of the formal links between most of the East Asian countries and the established industrial world. One suggestion has been to create an associate class of membership in the Organization for Economic

Cooperation and Development (OECD). While this seems feasible for the ASEAN as a group, or even China, it seems to be stretching things to suggest including Taiwan or South Korea.

The United States takes great comfort from the fact that the prosperous countries in East Asia are those that have adopted the free enterprise system. They are also the countries with high (6-9 per cent) growth rates, while those countries that have fallen to communism have gone into catatonic economic shock.

This raises questions about defending those nations, particularly now that there seems to be once again Cold War with Russia. America has not traditionally based its defense policies on where it trades. Might the growing importance of trade with vulnerable countries in Asia change this? Moreover, some Japanese are growing restless at what they perceive is their country's secondary importance to Europe in American defense planning. Might it be that the Europeans will have to get used to paying a larger slice of the North Atlantic Treaty Organization (NATO) bill for their own defense? And another intriguing question: Will the United States decide that China's communism is less important than its role as an ally against the Soviets when it comes to supplying high-technology defense items (like computers) that are on the banned Council for Economic Mutual Assistance (Comecon) trading list?

The United States is the Philippines' largest customer. Here, goods await shipment. © Hubertus Kanus, Photo Researchers, Inc.



TRADE FAIRS

"Battling" for export markets across aisles, under pavilions

FREDA GREENE, *freelance correspondent working out of California and London*

"THE EXTENSION OF TRADE IS A MATTER OF TARIFFS rather than of war," wrote Havelock Ellis in the 1930's. That was when the world's foreign trade aggregate yearly turnover was running about \$23 billion. But these days there is a full-scale metaphorical battle being waged at international trade fairs and exhibitions for prime shares in the foreign trade spoils. Hardly surprising with 1978 figures topping \$1,189 billion.

Flags stream above the trade fair pavilions. The belligerents' glittering ranks confront one another across the aisles. Gaily colored buses shuttle buyers from one exhibition hall to the next. From Birmingham to Baghdad, Tokyo to Tel Aviv, Warsaw to Wellington, nearly 100 cities host biannual, yearly, or biennial trade shows. Virtually every industry, trade, or craft can find an opportunity to display its products to domestic and foreign buyers.

Traditionally, fairs and exhibitions have provided the business world with economic barometers—"a given exhibition reflecting the prevailing economic climate," says Dr. Werner Eckert, of the German Chamber of Industry and Commerce in London. He sees the fairs also functioning as stimulating competition. A survey conducted at the 1976 Hanover Fair showed that 80 per cent of the participating exhibitors regard trade fairs as an integral part of their marketing mix. As for buyers, 64 per cent of those questioned felt the fairs provide a general picture of what industry offers. Additionally, the fairs prove to be a fulcrum for the export-import balance of trade.

Struggling to keep pace with the resultant demands for exhibition space, trade fair organizers are forced constantly to enlarge their arenas. At Milan's Autumn 1979 MACEF, although 1,000 additional square metres had been added to the existing 110,000-square-metre exhibition area, 500 applicants were reluctantly refused.

Defeating Hanover in a fierce drive for the favors of a centralized, permanent exhibition of German tableware, Frankfurt International Fair triumphantly displayed its prize in spring 1979. Buyers flocked to the newly constructed, multi-storied "Messehaus West" Tableware

Pavilion, where exhibitors needed only to change the decorations of their stands for the autumn show. But by fall another entire floor had to be made available to house the influx of companies anxious to share this successful shop window.

"Latecomers will have to hurry if they want to participate in ISF '80," warned organizers of Britain's International Spring Fair at Birmingham. This despite one additional exhibition hall recently opened and another to be completed by 1981.

Usually, domestic manufacturers predominate at local events. Frankfurt-based Interstoff Textile Fair, however, has foreign exhibitors outnumbering the Germans, says Michael Lehmann, managing director of the German-American Chamber of Commerce in Los Angeles. Surprisingly, many foreign exhibitors point out that the main share of their business is not conducted with domestic buyers, but with those from other countries, including their own.

THE FRENETICALLY GROWING WORLDWIDE INTEREST in trade fairs is matched by rapidly increasing audiences. Hanover's 1979 Fair drew 540,000 buyers, of whom 45,000 were from foreign countries. It was reported that one out of every 11 visitors signed an average of three contracts. Not all trade fairs are alike, nor do they carry the same economic clout. "Some are not worth our participation because they are too broad in scope, appealing to the curiosity-seeking general public rather than to the serious businessman," says US International Marketing Center (IMC) Director James W. Goodsell, based in Milan. Other so-called international trade fairs, usually in the less developed countries, are "staged more for national prestige and image." Although the US Department of Commerce avoids these two types of shows, it is increasing its participation in the worthwhile fairs, "most of them in Europe."

How are these trade fairs operated? The National Exhibition Center in Birmingham, now the site for Britain's major trade shows, is owned by the city of Birmingham. Fairgrounds at Frankfurt, home of 10 of the most important German trade shows, are owned jointly by the



The Frankfurt fairgrounds lie at the outskirts of the city. © Aero-Lux, Frankfurt

city and state of Hessen. Hanover's facilities are also state-owned, and operated by a specially created corporation. Corporate shares are issued through a national holding system, although the fairs held at Hanover are run as if they were privately controlled, on a profit-and-loss basis. A few international fairs are run as nonprofit.

It is the municipal bodies that lease their exhibition facilities to trade fair and exhibition organizers. But the responsibility for attracting exhibitors and buyers, to ensure success of the shows, rests squarely on the shoulders of the organizers. These are frequently public relations firms specializing in trade shows, with their own sales forces. They arrange with the fair owners dates for a show and press coverage; they supply visitor information and host trade delegations. They set up the advertising campaigns to reach exhibitors and buyers, allocate stand space, and provide interpreter services. Occasionally, they assist in arranging the exhibits.

Sometimes a wholesale or trade association acts as organizer for its own shows. More often, however, these associations provide advisory boards and committees to liaise with the organizers.

A number of freight-forwarding agents also act as organizers. These shipping firms have a built-in clientele for the trade shows, which fair owners appreciate. "Not only are we able to transport the exhibits for a manufacturer or agent to the fair, but also we can handle the export aspects efficiently once the exhibitor has made successful contacts at the exhibition," points out the representative of one such shipping company.

Major manufacturers can and do finance their own exhibitions. Fees for stand space vary but are not exorbitant. The largest expenditure is for building and decorating the stands and transporting goods and personnel, says Günther Reymann, press and public relations officer for Frankfurt International Fair.

For the middle-sized or small firm with insufficient funds to handle such an enterprise, there is an invaluable helping hand—the joint ventures sponsored by most governments. The UK program, for instance, is handled by the British Overseas Trade Board. The US version comes under the aegis of the Department of Commerce, and operates as International Marketing Centers in various exhibitions cities. Manufacturers in the United States can

find out these locations through 42 US-based district offices.

The IMC in Milan, for example, covers shows for Italy, Spain, Portugal, Yugoslavia, Greece, Switzerland, and France. In addition to individual exhibitions put on for manufacturers on IMC premises, for a nominal \$100 per day fee, the IMC also arranges for participation in major shows. For a "new-to-market" company, the participation fee is \$2,000; for an established company, \$3,500. This charge is in addition to the cost per square foot or metre for the stand space. The IMC designs, builds, and furnishes the stands with everything from carpets to phones. The IMC gets exhibits through customs and onto the fairgrounds, sets up the stands, if necessary, and provides photo blowups of products. At the same time, the exhibitor has access to the US agent distributor service. Three prescreened agents or distributors familiar with the exhibitor's product are provided at a small fee. Additionally, the exhibitor is given market research to verify that there are potential markets in various countries for his product.

HOW SUCCESSFUL THE EUROPEAN PROGRAM has proved for US businesses is seen from the report by IMC director Goodsell that, "of 454 US companies participating in eight major exhibitions, 176 were entering the European market for the first time with our [IMC] help. These 176 new-to-market companies had on-the-spot sales of \$27,728,770 and forecast an additional \$369 million sales during their first year in the new export market." A total of 31,275 brand new sales leads were generated by both old- and new-to-market participating companies. One old-to-market company that exhibited in the 1979 Graphic Arts Trade Show in Milan wrote to its congressman stating, "We export approximately 70 per cent of our products as compared to 5 per cent before we started attending these Commerce Department shows."

At first glance this appears to indicate that the United States is well represented in the European marketplace. Not so, say some members of the Department of Commerce: "Everyone agrees with the statement that American firms are losing opportunities in the export race, because of the previous lack of interest by our manufacturers."

These are some exceptions, however, namely those companies involved in the fields of energy and computers, in which US firms have traditionally held a strong suit. Calvin Berlin, Counselor in the US Embassy in London, says that although American companies still are not sufficiently export-conscious, "in electronics even small firms are aware of the tremendous potential of the overseas market." But he cautions those firms that are experiencing difficulties in their home markets not to expect to find a panacea for their problems, which too often are inherently managerial, from the export area.

MACEF, considered Italy's primary trade show for housewares, tableware, and hardware/tools, is a good gauge of US interest. MACEF Director Massimo Martini says, "We have only had 10 requests from US exhibitors in the past four years." Autumn 1979 MACEF hosted 94,000 visiting buyers and agents, with 2,295 manufacturers represented.

In the final analysis, do trade fairs and exhibitions really boost exports? A representative of the fairs and promotions branch of the British Overseas Trade Board says that it is difficult to evaluate. "Frequently manufacturers go to these fairs as much to see what their competition is doing as to sell. However, we can say that there has been a gradual affirmative response over the last 10 years."

The Secretary-General of Milan International Fairs says that some exhibitors are reluctant to reveal the actual amount of business transacted, which "makes it very difficult to demonstrate factually how much exports are increased. But when you consider the number of foreign participants at our 50 fairs, it is easy to realize what prompts attendance in such numbers." For instance, there were 2,420 foreign exhibitors at the 1978 Furniture Fair. There were 27,000 foreign buyers from 122 countries, out of a total of 115,000. Each year more than 200,000 foreign buyers have come to the Milan events.

In the case of trade fairs and exhibitions, it is surely possible to say that the numbers don't lie.

A view of the silver exhibition area at the Milan trade show in 1979. Photo by Freda Greene





Washington Embraces Simone Veil

*A welcoming kiss from the Speaker of the House,
Thomas P. O'Neill, Jr. Photos by Cashen/Stout*

The National Press Club shows a near record attendance for Veil's speech.



Simone Veil, President of the European Parliament, led a 23-member delegation to meet with colleagues in the US Congress January 28-31. It was the sixteenth such exchange between members of the European Parliament and the US House of Representatives since 1972—but the first since the Parliament was directly elected last June . . . and the first since Simone Veil was elected its President. The new President of the new Parliament, one of Europe's most popular public figures, became for a few days one of Washington's.



Veil at a press conference given at the EC delegation in Washington.

Simone Veil and National Press Club President Drew Von Bergen.



French Ambassador François de Laboulaye talks with fellow citizen Veil.

Chairman of the European parliamentary delegation, Eva Wilhelmsson Gredal (Socialist, Denmark), and Veil confer.





Veil with Secretary of State Cyrus Vance.

Chairman of the US Congressional delegation Donald J. Pease (D-Ohio) and Chairman of the House Foreign Affairs Committee Clement J. Zablocki (D-Wisconsin) with Simone Veil.



National Security Adviser Zbigniew Brzezinski meets with Veil.





Peggy Stanton and Rep. J. William Stanton (R-Ohio) with Mario Zagari, a vice president of the European Parliament (Socialist, Italy).



European parliamentarian Sir David Nicolson (European Democrat, Britain) and Lady Nicolson with Veil.



At a press breakfast (left to right): Martin Agronsky, Claude Moisy, Simone Veil, David Buchan, and Gregory H. Wierzynski.



Head of the Washington EC delegation, Fernand Spaak, and his wife, Anne Spaak, receive Simone Veil.

ITALY

Apparent instability belies resilience

PAUL BETTS, *Rome correspondent for The Financial Times*

TO JUDGE FROM RECENT NEWSPAPER HEADLINES AND television broadcasts, Italy appears to be in a state of permanent crisis. Political violence, kidnappings, and kneecappings of prominent industrial and political figures by extreme left-wing groups are seemingly daily events. Italian governments during the past decade have lasted on average barely a year; and as soon as a new one is formed, there is already widespread speculation that it is about to fall. The economy is equally eternally described as being in a state of near collapse, with some of the country's major industrial groups posting losses and accumulated debts that would make a pocket calculator explode.

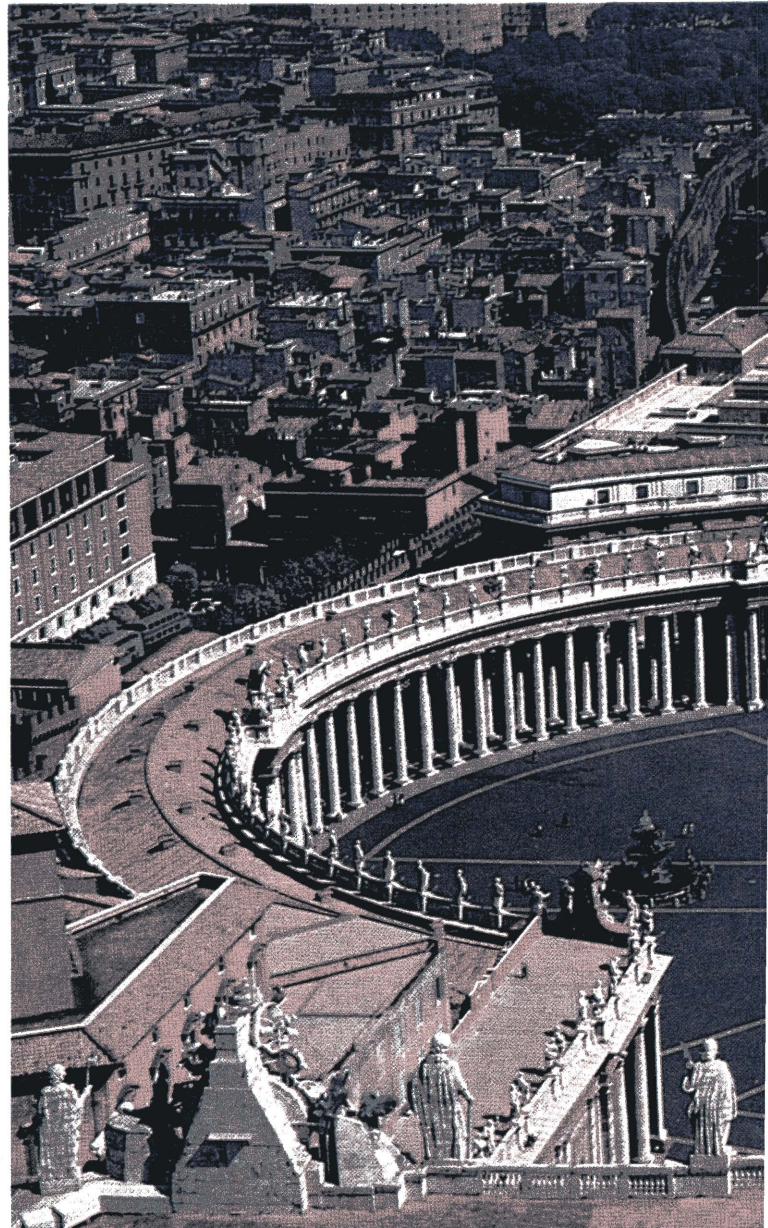
Yet foreign visitors, and indeed most Italians, are generally surprised to find that the reality they read about everyday is often very different from the reality they actually see. If the politicians and trade unions seemingly have an endless capacity for arguing, and the economy is depicted in the best Italian melodramatic tradition, *via Condotti* in Rome or *via Monte Napoleone* in Milan are nonetheless marginally more opulent than the *rue du faubourg Saint Honoré* in Paris or Bond Street in London. The standard of living is generally high in Italy, which to all intents is perhaps one of the largest consumer-oriented societies in the West.

In a sense Italy has increasingly been regarded as the "sick man of Europe," and in a sense the country's own peculiar problems, exacerbated by the worsening international outlook, are perhaps more acute than those of its EC partners. But it would be equally misleading to underestimate the real strength of a country that has shown a remarkable resilience in the face of its countless problems and an extraordinary capacity for survival.

Italy is now once again at the center of world attention. It now holds the Presidency of the European Community for a crucial six months (January-June 1980) when it will have to mediate a delicate compromise over the current dire problems splitting the Nine, including Britain's demands for cuts in its budgetary contribution to the Community and the institutional crisis between the Community and the recently elected European Parlia-

ment. Italy will further play host in Venice in June to the key summit of industrialized nations at a time when the world economic and political situation is undergoing one of its most difficult crises. As a country that is an old hand at tackling international crises, Italy could well play a decisive role in the international scene during the next six months.

© W. G. Shuster, Hatboro, Pennsylvania



But world attention is also focused on Italy because of the country's particular strategic position in the middle of the Mediterranean and as a geographical frontier with the communist world as well as a crossroads with the oil-producing countries of the Middle East. It also has the biggest Communist Party in the West, which, since Italy is a member of the Atlantic alliance, is bound to raise a whole series of complex problems.

The presence of an electorally large Communist Party, which currently accounts for as much as 30 per cent of the popular vote, is undoubtedly the main conditioning factor of the present Italian situation. The "Communist question" has dominated Italian political and social life for the past decade. It is at the root of the country's political uncertainty, as the Communist Party has increasingly insisted that Italy can only be governed stably through a broad governing alliance including the Communists.

The fact is that Italy has failed so far to produce a lasting political compromise between the right and the

left — as other democracies have had for many generations — enabling the political parties to alternate in power or to join in emergency coalitions at times of serious difficulties. Instead, Italy, since the Constitution of the Republic after the last war more than 30 years ago, has effectively had one single ruling party, the Christian Democrats. But in recent years the Christian Democrats through lack of any solid opposition have inevitably tended to abuse their position of power and have been solidly stuck at around 38 per cent of the national vote. In turn, this has forced Italy to be governed by unsatisfactory and weak Christian Democrat-led coalitions, including the country's myriad of smaller parties and excluding the Communists, the country's second largest party.

The Christian Democrats have rejected the direct participation of the Communists in government. For their part the Communists have repeatedly stated that they would only agree to support a coalition if they were directly part of it with Communist ministers in the Cab-





A Communist rally in Milan. © Marc Riboud, Magnum

inet. It is, in essence, their old idea of the “historic compromise,” or grand alliance of all the country’s democratic parties, to give Italy a stable government to enable it to tackle its increasing economic and social problems.

In the last few years the political parties have tried all kinds of formulae to get round the problem. But none has had any lasting effect, and the issue has inevitably returned to square one. The current minority Government of Christian Democrat Prime Minister Francesco Cossiga was hastily formed last summer as a temporary solution. The internal political situation has been made all the more tense by the Soviet invasion of Afghanistan and the fears over the health of the veteran President of Yugoslavia, Marshal Josip Brož Tito.

ALTHOUGH THE ITALIAN COMMUNIST PARTY has traditionally been the spearhead of the so-called Eurocommunist movement, and the Italian party has repeatedly proclaimed its independence from Moscow, its position is nonetheless still seen as ambiguous. This has given rise to what Italian political scientists refer to as the “K factor” in Italian politics — alluding to the Russian links of the Italian Communist Party.

Last December all the main Italian parties except the Communists approved the decision for the construction and site of a new generation of North Atlantic Treaty Organization (NATO) nuclear missiles to offset the apparent arms advantage of the Soviet Union. This gave rise to further debate in Italy over the Communist Party’s

continuing links with Moscow. Following the Soviet invasion of Afghanistan, the Italian Communists openly condemned the Soviet move, but at the same time criticized President Jimmy Carter’s retaliatory measures. Again, this was generally interpreted in Italy as a sign of the Communist Party’s difficulties to break altogether with Moscow — forcing an ambiguous position on key international issues.

As long as the K factor persists, it is difficult to see either the dominant Catholic party of the Christian Democrats or the smaller Italian lay parties accepting an alliance with the Communists that would make them partners of government. Pietro Longo, leader of the Italian centrist Social Democrat Party, recently said that the Communist Party’s links with Moscow made it “internationally impossible” for the party to enter the government of a NATO member country like Italy.

Yet it is quite clear that without the collaboration of the Communists, who have a key hold on the Italian trade union movement, Italy is practically ungovernable. It is equally true, as Claudio Signorile, the Socialist Party deputy secretary general, pointed out, that there would be a real risk for Italy if the Communists were increasingly isolated from the other main parties in opposition. “The Communists in Italy have repeatedly demonstrated that they have embraced a Western outlook. We must encourage them in this difficult process, or we risk seeing them gradually transformed into a Moscow poodle like the French Communist Party.” Signorile added that it was in the interest not only of Italy, but indeed of the

West at large, to encourage this “Westernization” of the Italian Communists.

In large measure this was the thesis of the late Aldo Moro, the undisputed leader of the ruling Christian Democrat Party, kidnapped and brutally assassinated by the extreme left-wing terrorist movement, the Red Brigades, almost two years ago. Moro saw the need for collaboration between the country’s two main parties — the Christian Democrats and Communists — to enable the Communists to gradually break completely with the Soviet Union. His death interrupted this process, sent the ruling party into a state of complete disarray out of which it is still struggling to emerge, and, in general, provoked more instability in Italy’s delicate political equilibrium.

The country’s difficulties in finding a political formula for stable government are in large measure behind Italy’s acute social and economic problems. The rise of political terrorism — both on the right and on the left — has coincided with the growth of the Communist Party’s electoral strength. It has coincided too with the end of Italy’s “economic miracle” of the Fifties and Sixties that led to the country’s dramatically swift industrial transformation. And political violence has inevitably been interconnected with the parallel rise in ordinary crime, especially kidnapping.

In the spring of 1978, when Red Brigades extremists

kidnapped and subsequently murdered Aldo Moro, the Christian Democrat leader, they seemingly saw Moro’s attempts to reach a lasting accord with the Communists and the Communist Party’s openness to such a dialogue as a betrayal of the Communist Party’s “revolutionary” ideologies. In the same way rightist extremist groups, particularly active in the early 1970’s, apparently sought to destabilize the country to provoke a massive anti-Communist reaction.

The peculiar success of terrorist groups is also to some extent the result of the lack of authority on the part of the state, or rather the main political parties that have been unable to reach consensus to tackle the growth of terrorist violence. While all the main parties generally agree on the need to implement effectively emergency anti-terrorist measures, when it actually comes to voting them in parliament, they are often split. In a sense this is perhaps a reflection of an obsessive attitude toward “democracy” and a still strongly felt after-effect of the Fascist rule under Mussolini.

BUT THERE ARE ALSO DEEP-ROOTED SOCIAL PROBLEMS behind the rise in political violence in Italy. The economic miracle of the Fifties and Sixties left the country with huge illusions and great expectations. But the rift between the rich industrial north and the depressed south — two poles completely apart not only geographically

On that Italian business trip

Despite Italy’s apparently insoluble political problems, the country is one of the most pleasant and hospitable in the world. The bureaucracy can be infuriating, the lack of organization can provoke minor traumas, the swindling (but always with a smile) can be at times disconcerting. If you keep your wits about you, however, and use a little authority when needed or fake stupidity on other occasions, and when called for, a little melodramatic outburst, you should get on fine in Italy.

Italy still remains perhaps one of the best deals in Western Europe. Foreigners can take full advantage of favorable exchange rates, and Rome is still cheaper than London, Paris, Frankfurt, Vienna, Brussels, New York, Geneva, Athens, and Madrid, to name but a few. Bed and breakfast in a good Rome hotel should cost around \$70; taxis charge \$3 for a five-kilometer ride; a bottle of scotch only costs \$5; and you cannot get a bad meal — unless you are extremely unlucky — in an Italian restaurant.

In the case of restaurants, stay off expensive ones, and do what Romans do and

stick to the family-run *trattorias*. Remember to tip generously at hotels, with taxis, in restaurants, and when you need a little favor. Italians do not forget someone who has a good tipping reputation, and you will save both time and hassle if you keep to the rules of the game. Italians often use bad language, but it is best to avoid entering in such discussions because you are bound to come out of it for the worst. Moreover, Italians have a deep respect for the phlegmatic Anglo-saxon.

Italy offers a vast assortment of historical monuments and artistic sites. A trip in the countryside is recommended, and you will find, when it comes to leather goods, clothes, and other fashion items, a remarkable selection. If you must, there are the famous shops like Gucci, Fendi, Valentino, and scores of others. But you can buy — if at a higher cost — their goods all over the world. Stick to the smaller shops, and you will often get as good a quality and for much more savory prices.

Civil service offices are only open in the morning and so are banks, where you can

spend hours simply to change some money or cash a check. The post office is terrible, but telephones (dial it yourself) are generally efficient. Trains are relatively cheap, but unreliable because of strikes, which can plague the country for weeks.

As for best hotels and useful restaurants, here is a brief list:

Rome

Hotels: Hassler, Excelsior, Grand, and a little further down the market but still excellent, Lord Byron, The Hotel de Londres, and The Hotel de la Ville.

Restaurants: Nino, Ranieri, Tuttli, Sabatini, Dal Bolognese, Trattoria Pantheon, Galeassi, Girarrosto, Toscano, Tavernelle, Trattoria Flavia.

Milan

Hotels: Principe Savoia, Palace, Milan et Grand Hotel, Manin, Duomo, Marino Alla Scala.

Restaurants: Try if you can afford it Savini.

Hotels in other cities worth a stay

Venice: Gritti, Danieli, Cipriani.

Florence: Excelsior, Villa Medici, San Michele (at Fiesole).

Naples: Excelsior.

Capri: Quisisana.

Taormina: San Domenico.

but also socially, culturally, and economically — has continued to grow. Mass migrations from the south to the factories of the north have brought with them problems that the northern cities were never in a position to cope with effectively.

In the same way unemployment, currently running at an annual rate of 7.5 per cent with nearly 25 per cent of the jobless young people aged under 25, has, as the chronic state of the country's university system, proved a fertile breeding ground for discontent. And this discontent, in the face of an apparently weak political establishment, has increasingly been translated into violence — sometimes criminal, often politically motivated.

Since the early 1970's Italy's economic problems have steadily grown, particularly in the depressed south of the country, with obvious social and political repercussions. Once again the lack of stable government and broad consensus among the political parties has continued to undermine the economy. At the same time, cloying political interference, especially in the state sector of the economy, has further weakened the economy at large, afflicted, among other things, by regular scandals of varying proportions.

Yet Italy in general has been much more successful in running its economy than its political system. For a country handicapped by scarce indigenous energy resources and forced to import nearly 99 per cent of its annual crude oil needs, it has so far tackled the oil crisis with considerable skill. After the last major Italian currency crisis in 1976, when the monetary authorities were forced to introduce a barrage of restrictive measures to protect the lira, there has been a spectacular turnaround.

Italy last year posted a substantial balance of payments surplus of some 1,700 billion lire; its receipts from tourism reached a record 6,500 billion lire; gross domestic product (GDP) grew by nearly 5 per cent; and the Bank of Italy's official net reserves are now standing at around \$40 billion. As for the lira, despite entry into the relatively rigid discipline of the European Monetary System, it has remained on the whole stable so far.

Against this, the outlook for coming years is increasingly gloomy. The underlying rate of inflation is now running at an annual rate of 20 per cent, or twice the average of the Organization for Economic Cooperation and Development (OECD) countries. The country's ever-expanding, enlarged public sector borrowing requirement is continuing to grow — preventing a stable process of growth and capital accumulation. The country's main state sector industries are now suffering from an acute financial crisis that could clearly have severe repercussions on an already high rate of unemployment. International factors like the dramatic rise in raw material prices and the general contraction in world trade could have a major dampening effect on Italian exports. Growth

forecasts for this year are equally worrying with an estimated GDP increase of barely 1.5 per cent in 1980.

In these circumstances it is generally regarded that Italy can no longer hope to cope with its longer-term economic problems by relying on day-to-day policies, monetary mechanisms, and the country's intricate network of small and medium-size industries, which have continued to represent one of the more profitable and dynamic ends of the Italian economy at large. Senior monetary officials claim there is now urgent need for a medium- to long-term recovery program to tackle at last the fundamental weaknesses of the economic system.

For the past two years the political parties and the trade unions have repeatedly called for the implementation of a major economic recovery program. Despite this broad consensus, however, repeated and revised economic plans have never been translated into practice. This has largely been the result of uncertainties by the political parties and the union leadership in adopting what inevitably would be unpopular measures.

But time is now clearly running out. To reduce Italy's rapidly accelerating retail price inflation, measures will have to be taken to reduce the country's huge public sector deficit and modifications made to the highly inflationary automatic wage indexation system, the so-called *scala mobile* or moving ladder. The *scala mobile* has in fact been largely responsible for the high increase in Italian labor costs which now threatens export competitiveness at a time of rising interest rates and raw material prices. But so far the unions, which have indicated they would be prepared to adopt more moderate labor policies, have nonetheless stated that the indexation mechanism was not to be touched.

Yet consensus on economic policies — including the country's recently drawn up 1980-90 energy plan envisaging the construction of five nuclear power stations — can only be achieved by agreement among the main political parties. And such agreement is dependent on the eventual clarification of the country's present confused, complex, and intricate political situation. In the end, any solution can only come from a dialogue between the Communists and the Christian Democrats.

So one has reached a full circle. At the core of Italy's problems is the country's peculiar political situation that has made Italy in the last 10 years increasingly ungovernable and conditioned the country's social, cultural, and economic life. But one should equally not underestimate the country's resilience and capacity for inventing the most ingenious devices to get itself out of seemingly impossible jams. Italians, in general, have become accustomed to live without government. And they do what the Romans have always done — if there is no government to take care of your problems, use a little fantasy and solve them yourself.

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Europe's Money, America's Interest

The first anniversary for EMS

ROBERT GERALD LIVINGSTON, *president of the German Marshall Fund in Washington and author of numerous articles on European issues*

In mid-March the European Monetary System (EMS) is one year old. Technical and complex in nature, the EMS is little understood for what it most importantly is: a political act whose chances of success are good precisely because it is grounded on political realities. Created as a direct challenge to the role of the dollar, it signals a more self-reliant European Community; may portend a stronger, more cohesive, and internationally more influential one; and at a minimum compels closer US-European cooperation in monetary and economic policies.

Economists, central bankers, and technicians greeted the EMS with much skepticism a year ago. But it has worked well so far, giving the individual European currencies a greater measure of stability than before. The timely and smooth manner in which currency rates were adjusted slightly last September against the German mark or in which the Danish krone was devalued at the end of November suggests that the EMS is designed with sufficient flexibility to enable it to survive a good deal of pressure.

From a technical point of view, the EMS is simply a three-part arrangement that links eight European currencies — those of all the Community countries except Britain — by permitting their exchange rates to fluctuate only slightly against each other (plus or minus 2.25 per cent); establishes an embryonic European Monetary Fund, which will issue reserves denominated in a new unit called the European currency unit (Ecu); and provides new credit facilities to help EMS members avoid balance of payments difficulties. It resurrects in much strengthened form the European currency “snake” of the early 1970’s, which had degenerated into a deutsche mark zone linking the minor currencies of northern Europe to the German.

It is the political elements of the EMS, however, that lift it out of the technical realm and make it a significant force for the unity of Europe. National governments have voluntarily tied their hands for non-market reasons in a key area of traditional economic policy.



The EMS is partly a function of the renewal of a strong Franco-German alignment, evidenced by the personal affinity of German Chancellor Helmut Schmidt and French President Valéry Giscard d'Estaing. © UPI

Relinquishing some control over national monetary policy initially generated opposition by most European central bankers, but the political leaders prevailed. They argued and expect that the EMS will drive governments to coordinate their policies on budgets, capital movements, taxation, regional development, and industrial and agricultural subsidization — thus promoting the larger aim of Community cohesion.

It is politics, too, that make the EMS's chance of success much greater than was the case with its abortive predecessor, the European Monetary Union of 1970-72. Creation of the new system was a response to an outside threat, always a most efficient midwife to unification efforts—the threat being viewed in Europe as Washington's irresponsibility during 1978 in monetary and energy policies and its blindness to the worldwide political consequences of the dollar's weakness. The EMS is also a function of the renewal of a strong Franco-German alignment, which has always been the core relationship of the European Community. And, finally, it grows out of very specific domestic political situations in those two countries especially.

THE CLOSE WORKING RELATIONSHIP, personal rapport, and common political ideology and approach of German Chancellor Helmut Schmidt and French President Valéry Giscard d'Estaing, self-confident former finance ministers, has lent new force to the Franco-German combination. The personal affinity reinforces a relationship that is based on intensive economic links and mutually beneficial compromises: France and Germany are each the other's biggest trading partner. Transfrontier investments, industrial cooperation, and joint ventures in all fields, including particularly high-technology fields such as weapons, aircraft, and nuclear power, have created a seamless economic web. The basic Community deal of the 1950's, whereby benefits for French agriculture were traded off for advantages for German industry, has developed into one that brings solid advantages for modern French manufacturers and for inefficient German farmers as well.

Lest these benefits wither, France and Germany have a standing interest in maintaining close ties within a cohesive Community, which is itself the embodiment of their advantageous postwar rapprochement.



The powerful German Bundesbank feared losing control over domestic money supplies through EMS intervention. Courtesy German Information Center

But Germany's surging economic power has continued to threaten to upset the French-German balance and surfaced fears of German political dominance. And the anticipated addition of new members whose economies and political systems are weak — Greece, Spain, and Portugal — have made plain the need to reinforce the Community's economic strength so it could better accommodate the burdens that the newcomers would bring with them. That Schmidt and Giscard selected the EMS as a mechanism to strengthen the Community had less to do with its economic virtues, however, than with politics in Germany and France.

Helmut Schmidt is the strongest and most popular Chancellor since Adenauer and perhaps since Otto von Bismarck. He runs well ahead of his Social Democratic Party (SPD) in all polls and, like Giscard, is utterly certain of his ability to deal with fiscal and monetary issues without having to defer to his finance or economic ministers, much less bankers or academic economists. Unlike most Western political leaders — but again like Giscard — he plans an active role in both the making and the management of economic policies.

To a greater extent than his predecessor, Willy Brandt, Schmidt maintains close links with and is generally supported by Germany's businessmen and shares their worries about appreciation of the mark. The monetarist approach typified by the EMS, rather than the Keynesian demand management that has traditionally been a favorite economic instrument of the left, is compatible with Germany's market economy orientation, congenial to Schmidt, and agreeable to the pro-business Free Democratic Party (FDP), the junior coalition party upon which the survival of his Government depends.

Selecting a "European" vehicle has brought Schmidt other advantages. The EMS initiative

in cooperation with France can preempt the opposition Christian Democratic Union/Christian Social Union's (CDU/CSU) tendency to present itself as the sole heir to the Western European orientation for Germany established by CDU Chancellor Adenauer — a claim that Schmidt's dynamic new rival, the Catholic Bavarian Franz Josef Strauss, has sought to arrogate from time to time. Within the SPD, such a *Westpolitik* is Schmidt's counterpart to Brandt's *Ostpolitik* of the early 1970's. Internationally also, the EMS fits the more traditional mold of Germany's foreign policy: a German initiative — and there is little doubt that it was Schmidt who initiated and pushed for the EMS — presented to the world as a "European" policy formulated by France.

Evidence of the depth of Schmidt's political commitment to the EMS was his willingness to confront a formidable bastion of opposition, the *Bundesbank*. Second only to the US Federal Reserve among central banks in its statutory autonomy and its power, it is second to none in its devotion to monetary stability and its capacity to control the domestic money supply. Its doughty President Otmar Emminger initially saw both endangered by an EMS whose automaticism provisions would trigger large-scale interventions on the money markets by the *Bundesbank*, thus depriving it of an element of its cherished control. Schmidt was evidently able to drag the bank along by muting previous opposition to its tight interest rate policies and by cleverly negotiating Emminger's succession last year by a *Bundesbank* vice president, Karl-Otto Pöhl, who had previously served in the SPD-run Chancellery and Finance Ministry in key positions.

Paying less and less attention to the cautious but still potentially expensive program of social reforms described in his 1976 book

Démocratie française, Giscard began emphasizing domestic monetarist and free-market economic policies similar to Schmidt's. He linked his political fortunes with an economic plan devised by Prime Minister Raymond Barre to stabilize the franc internationally, cut inflation, revitalize French industry, and increase French export competitiveness. Giscard continuously exhorted Frenchmen to make France's economic performance match Germany's. And he turned to Schmidt's EMS as a force from outside the country to compel domestic economic discipline, utilizing the unfettered authority of a French President to make and manage foreign policy in order to consummate the necessary deals with the German Chancellor.

To link the franc to the powerful and stable mark was a gamble, but one hedged politically. The hope was that business confidence resulting from the 1978 National Assembly elections victory and two years of franc stability would induce investment in a new industrial plant, keep French exports increasing, and propel the economy to new levels of prosperity that would garner both middle and working class votes for Giscard's re-election in 1981. The hedge is that should the outside discipline of the EMS fail, inflation continue, and unemployment rise excessively, Giscard remains free to fire the Prime Minister whose name the plan bears well in advance of the Presidential elections.

Utilizing a European mold for domestic economic purposes has been a frequent strategy for French presidents, allowing them to appear simultaneously as leaders of Europe and defenders of national-self-interest. Schmidt, like less prideful predecessors as Chancellor, has been content to cooperate with this strategy and give credit to Giscard.

By the nature of the French Presidential system, institutional opposition to the EMS

was weaker than in Germany. The *Banque de France* is no *Bundesbank* and fell into line. Many elements of the powerful civil service were opposed but in the end easily won over. For 20 years now the best of France's administrators have been sent to serve tours in the Community apparatus in Brussels, and this seems to have generated more pro-European attitudes among them than is commonly realized in France.

Even with a political hedge, the EMS represents a considerable risk for Giscard. The system could generate such inexorable domestic pressures that France would be compelled to withdraw — as it did twice from the European monetary arrangements of the early 1970's, at a time when Giscard was finance minister. Such a setback could damage his personal prestige and his 1981 election prospects, perhaps fatally. Jacques Chirac, his Gaullist rival within the Government coalition, has branded France's entry into the EMS as a "capital error" that will end in "catastrophe."

Throughout the often suspenseful negotiations that lasted from July 1978 until March 1979, the German-French alignment remained decisive. Britain alone among Community members refused to join the system fully. Anti-Europe currents within Callaghan's Labour Government, demands thereafter by Thatcher's Conservative Government to negotiate down Britain's share of the EC budget, and the strength and fluctuations of the pound sterling have kept the British outside. All the other EC member countries were brought in by a combination of pressures and incentives. Italy's lira was permitted a broader (6 per cent instead of 2.25 per cent) band of fluctuation. Both Italy and Ireland received pledges of assistance from the European Investment Bank. The Benelux countries — traditionally the strongest supporters of the European idea and, with Denmark, members of the mark-zone — accepted the new system easily.

THE EMS HAS WORKED WELL SO FAR, in part because the government and central bank technicians have introduced, operated, and fine-tuned the system without causing ripples in the economy that can be traced directly to the EMS as such. True enough, the system has not been severely tested yet. It faces many hazards, notably divergences in inflation rates that make it difficult for members to coordinate their economic policies. American economists notably have been pessimistic about the chances for the system's success — arguing that it looks insufficiently flexible.

Since its creation there has existed a combination of favorable factors that may be fortuitous. The dollar has been relatively stable since last summer. If it declines drastically, that could destroy the system. Absence of a

pound sterling newly buoyed by North Sea oil has also helped. A rare deficit in Germany's balance of payments last year has worked against a drastic appreciation of the mark, which constitutes the greatest inherent threat to EMS unity. Furthermore, political decisions on when to proceed to the next stage — creation of a real European Monetary Fund with permanent gold and dollar reserves, and transformation of the Ecu into a genuine reserve asset — have been deferred.

The chances of the EMS surviving these and other tests are good, however, because it is basically pragmatic, not programmatic. Conceived by politicians and a few of their courtier economists, its goals are flexible, modest, and practical rather than the lofty and declaratory ones of "union soon" that the European Monetary Union of the early 1970's set for itself. Such goals are fully in the tradition of Jean Monnet, the skilled operator who fathered and nurtured the European Community in the 1950's. Since Monnet's day, a European framework has developed, onto which the EMS has been simply grafted.

The EMS is a quintessential European institution, operated by a small corps of technicians and bankers sharing the same elitist values and little influenced by the public's views on what are in any case highly abstruse issues. Initially opposed by most bureaucrats, economists, and bankers, especially central bankers, it is ironic testimony to the adroitness of the politicians who brought it into being that the system is now being implemented so well — by the very groups of technicians who were against it originally.

In the long term the system's viability depends above all on Germany's political will. This is the first crucial factor. Germany — specifically its *Bundesbank* — has taken on the major burdens. It has assumed responsibility for fighting at least one and a half currency wars simultaneously in Europe — that is, for intervening simultaneously to support one major currency such as the French franc and one minor currency. It will also have to be willing, if the need arises, to transfer aid to the weaker economies on a large scale. In making such implicit commitments to help establish the EMS, Schmidt faced down the *Bundesbank* and assumed for his country a larger measure of obligation that might have been expected from a man who has not been reluctant to voice his displeasure at other European countries' automatic assumption that "always the Germans will pay." Cloaked as it may be in a European garb and an *entente cordiale* with France, the EMS represents a widening of Germany's influence and potential role.

In launching the EMS the Europeans posed a challenge to US economic policies. As the Community's external tariff has for 20 years

provided an instrument to influence US tariff policy, the EMS will provide greater leverage over US monetary policy. In this sense the system represents yet another example of the growing ability of foreign countries to influence the American domestic economy. At the same time the EMS cannot survive without US cooperation. Germany alone or together with France cannot make it succeed, since the dollar still accounts for about 75 per cent of the world's official currency reserves. The EMS would have died aborning had it not been for Treasury Secretary Michael Blumenthal's November 1978 dollar rescue package. It could not have taken wing in 1979 without Paul Volcker's strong commitment to a dollar stabilization policy following his accession as chairman of the Federal Reserve Board last summer.

A stable dollar helps the EMS overcome its internal pressures, but the EMS in turn drives the United States toward even more frequent and complete monetary and economic policy coordination with the Europeans. Evolution of the Ecu into a reserve currency alongside the dollar is not inconceivable and would be helpful to the world monetary system as a whole. It could lead to a sharing of responsibility between the Europeans and Americans (and perhaps the Japanese too) in jointly managing a world system with several reserve assets.

It is very much to the United States' advantage to have the EMS succeed: Not only because the economic performances of some of Europe's weaker economies, like those of Italy or the United Kingdom, would improve toward Germany's performance. And not only because Germany would remain closely tied to France and the West. But also because it embodies the Community's new confidence in ways that can be advantageous for the United States beyond the economic realm and outside Europe.

The EC member states are gradually outgrowing the "regionalist" label once pinned on them by US statesmen. They are engaging themselves economically and politically outside the Community. In the cases of the new candidates for EC membership — Greece, Spain, and Portugal — that has been evident for several years. It is now true at several African crisis points and may soon become clear in the Near East and Persian Gulf.

As long as European countries lacked the leadership and a strong sense of common purposes, US talk about "partnership," "grand designs," or "years of Europe" were rhetoric; the disparity in power was too great. The EMS is one aspect of a redressing of this disparity — an adjustment that should be welcome as a better basis for true partnership than a rhetorical patronization that has often marked US policies toward Europe.

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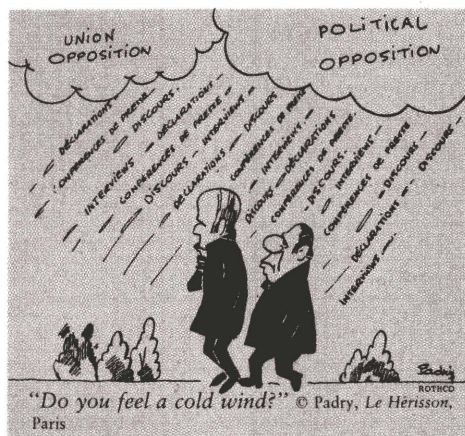
France has no respite from elections. There've been almost one a year since 1972, and 1979 was supposed to be a year off. Instead, in December a rather special portion of the electorate went to the polls. This time the vote was for the *prud'hommes*, or local labor courts which settle labor disputes and represent employers and workers equally. For the first time almost the entire work force outside the public sector, some 13 million, could vote. Participation was unusually high and the results, which came squarely out for the most moderate trade union groups, surprised everyone.

The elections were the outcome of a wide-ranging reform designed to modernize the *prud'hommes*. Old trades, which have disappeared since the last court overhaul at the turn of the century, were scratched from the list, and new ones related to high technology industries were added. The number of courts was increased to speed up rulings. Most important, the elections took place, not on a Sunday as in the past, but on a work day. Employers were required to give workers time off to vote. They also had to furnish the names of all employees to town halls, rather than making voters register individually, a deterrent to voter turnout.

Beyond modernizing the system, what made the elections unusual was that workers chose candidates who had to identify themselves with specific trade union organizations. The vote thus became a sort of popularity contest that supplied the first reading on relative trade union strength in France since the last comparable poll in 1962.

Not all of the five largest trade union confederations were enthusiastic about the opportunity. The moderate, apolitical *Force ouvrière* (FO), whose main strength is in the government administration, worried about a poor showing in an election where civil servants could not vote. FO has historically pursued a conciliatory line—insisting that negotiations produce more results for

workers than confrontation and than the one-day mass marches in Paris that have been standard fare for the Communist-dominated *Confédération générale du travail* (CGT), France's largest union group. Since the defeat of the left in the 1978 legislative elections, the Socialist-leaning *Confédération française démocratique du travail* (CFDT), long an unconditional partner of the CGT, has swung in behind the FO's position. The CFDT now wants "tangible" results, is responsible for some imaginative propositions in recent labor-management negotiations, and has taken its distance from the Socialist Party.



Force ouvrière did spectacularly well, almost doubling its percentage of the vote. The CFDT came in comfortably ahead of the share it had hoped to get, which helped silence internal criticism of the leadership's change of tactics. To most everyone's relief, the CGT dropped several points but still remains far and away France's first trade union organization. The outcome was a clear sign of worker approval for the unions which have supported dialogue and are refusing to tie their futures to a particular political party.

But anyone who thought that the results would translate into concessions at the bargaining table was bound to be disappointed. The first labor-management encounter of the new year — on the reduction of work hours — ended in failure. Discussions of the issue had been underway for 18 months, and in the January

session no plans were made for future meetings. But this time, the fault was by no means just because the divided trade union movement could not agree. Management, in the form of the National Employers Confederation, again refused to concede any important points, a fact Prime Minister Raymond Barre deplored in a speech to businessmen soon after. French business leaders have been remarkably slow to conclude that one way to reduce the power of the intransigent CGT would be to give the more moderate unions some concrete results to show their supporters as proof that dialogue pays off. —PATRICIA H. PAINTON

Bonn

Germans stand to face an explosion in the amount of television programming offered in the coming years, and even before the fact much of the country seems to be coming down with a case of media indigestion. The discussion centers around the question of whether commercial television stations should be admitted to supplement the present state-owned system. A second issue is the constantly smoldering partisan battle over whether the present stations are maintaining their commitment to represent the views of all political colorations, or have been co-opted, as conservative political leaders repeatedly claim, by left-leaning political commentators.

The demand for private television in Germany is not new, but new technology—such as cable television and direct transmission into homes via satellite (the one already available, the other on the threshold of feasibility)—has kindled the discussion once again. Within the last year two German states announced plans for private television projects. At the same time Radio Television Luxembourg (RTL) said it was leasing a channel on a planned French-German direct transmission television satellite, scheduled to go up in 1983, for German language broadcasts. After Germany reportedly got French assurances that the Luxembourg commercial venture would be stopped, RTL announced undauntedly that it was investigating the possibility of its own satellite to crack the German ether.

Last November talks between three north German states to preserve the North German Radio (NDR), one of nine regional independent television stations, broke down. One major reason for the station's impending breakup is political. The states of Schleswig-Holstein and Lower Saxony, both governed by the conservative Christian Democratic Union, canceled their

treaty with the state of Hamburg, governed by the Social Democratic Party, and accused Hamburg—where NDR headquarters are—of overly slanting programming to the left. In January Lower Saxony and Schleswig-Holstein announced they would establish their own station, independent of Hamburg, and Lower Saxony said it would admit private television stations.

Although the issue of whether private television is even legal under Germany's constitution must still be decided by the constitutional court, the north German decision launched the present debate that is sure to continue into Germany's upcoming election campaign. Those in favor of more—or private—television say it will bring much needed variety to the somewhat staid and strait-laced offerings of the present stations, whose programs are often accused of being top-heavy with ponderous educational and cultural features.

Critics of the opening of the airwaves say commercial or private stations will lead to a flood of mindless television entertainment spellbinding children, weakening family life, and gnawing at the very roots of Ger-

where private stations compete with the state-funded British Broadcasting System. Business leaders are generally in favor of more television. Network employees, on the other hand, are staunchly opposed; and when talks over the fate of the NDR broke down in December, their union voted by a large majority to stage what would have been the first strike against the television stations. The strike was called off after it was ruled illegal by a German court in a last-minute decision.

Meanwhile, German television viewers themselves, whose interests everyone in the debate claims to represent but whose views few seem to seek out, have been taking the battle in stride. They faced the prospect of their first television blackout due to the planned strike in December fairly stoically, especially after programming directors assured the general public that at least an emergency program, likely to consist of old movies, would in all events be broadcast. Given the excess of serious viewing fare that viewers often have to put up with, many of them likely greeted old movies as a welcome change. One public opinion poll taken shortly before the threatened strike pointed out that only 29 per cent of viewers said they would even miss television. Seventy-one per cent agreed that a temporary respite from the tube just before the holidays might even be a good thing.

—JOHN TAGLIABUE

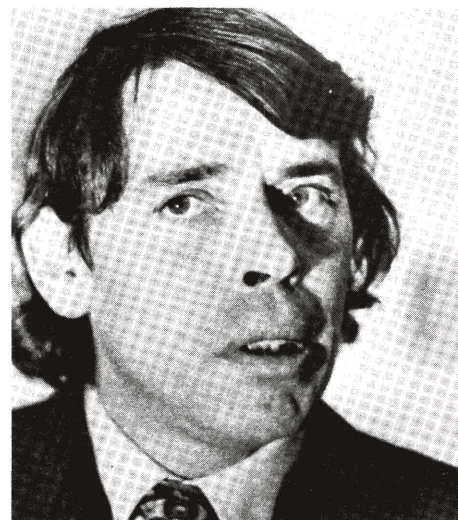
Brussels

Jacques Brel died more than a year ago, but the Brel spirit lives on in word and music. There can be few record shop windows in Brussels from which an image of his haunted minstrel's face does not stare out with pity and sadness. I counted five different books about him in one store—biographies, critiques, photographs. A show based wholly on his songs was staged in Brussels just before Christmas, and earlier this year a museum put on an exhibition of his writings and other personal works.

Brussels looks on Brel more kindly in death than in life, and even the rage directed at some of his songs in recent years seemed to acknowledge that his was a major talent. He was born into the powerful Flemish folk music tradition, but later in life turned his scorn against those of his own background. Albert-André Lheureux, producer of the show about him, saw Brel as "halfway between the gray of the north and the more extravagant Latin temperament of the south—a symbol of Belgium." Certainly a complex and unpredictable man

who astonished the musical world by repudiating his fame and fleeing to a Pacific island in 1967, where he stayed for most of his remaining life.

Brel was attacked by many for living abroad and seeming to lob his musical assaults at his Belgian targets from the safety of Paris or other foreign cities. Others revered him because his international acclaim never caused him to lose his fascination



Jacques Brel. © UPI

with things Belgian. At the peak of his fame he must have been the world's best-known living Belgian, not excepting Georges Simenon.

These thoughts have been brought on by the present number-one topic of conversation in Brussels cultural circles, namely the future of Maurice Béjart. Béjart has little in common with Brel, except perhaps a capricious artistic temperament and a specialized, narrow genius that has yet managed to command—and often divide—a huge public following. But like Brel's, Béjart's features are hugely familiar to anyone who has lived in Brussels for more than a month. And if outside of Belgium, Béjart's reputation is confined to those who follow modern ballet, there are those among them who would say he is its most imaginative practitioner in the world today.

While Brel went to Paris to win recognition and fortune, Béjart left that city to find success in Brussels. Nearly 20 years ago he founded the Twentieth Century Ballet there, and for his young dancers, mostly from abroad, he created dances of stunning originality to the music of Bach, Chopin, Mahler, Stravinsky, and others. More than once I have heard an audience gasp with astonishment at the tableaux that Béjart unfolded before them.

But Béjart's contract with the Brussels opera house runs out next year, and he has already let it be known that he intends to



© Mitro, La Nea, Greece

man society. There is a vocal minority in Germany that has long given voice to what must be deep-seated misgivings toward the electronic invader, television. In Munich, an Anti-TV Club works to help members overcome withdrawal symptoms after giving up television for good and strives generally to "publicize the harm done by television." No one less than Chancellor Helmut Schmidt has lent the group much needed ammunition. Schmidt is known to be a firm critic of an expanded television program and last year even called for one television-free day each week.

Yet, public opinion polls show an overwhelming majority of Germans are in favor of opening up the system to commercial stations, somewhat along British lines,

open a school of dance in Paris at that time. Some suspect he is not wholly serious about the Paris project but is engaging in a form of saber-rattling in order to extract bigger subsidies from the Brussels authorities for the Twentieth Century Ballet next year. But this may be wishful thinking—recent Béjart pronouncements suggest that at best he may devote only part of his time to Brussels after the current season, although apparently at least one newly choreographed work will be included and the Twentieth Century Ballet itself will stay here.

Brel and Béjart apart, what are the distinctive qualities of modern Belgian culture? Americans will have a chance to judge for themselves this April when the "Belgium Today" event takes place in Washington, New York, and San Francisco. In each city the King of the Belgians will formally open the proceedings, which are designed to commemorate the 150 years since the founding of the Belgian state. The program runs from ballet, painting, sculpture, music, and lace-making to technology and foreign relations and includes an item, which may or may not command a wide audience, called simply "An evening of Belgian television."

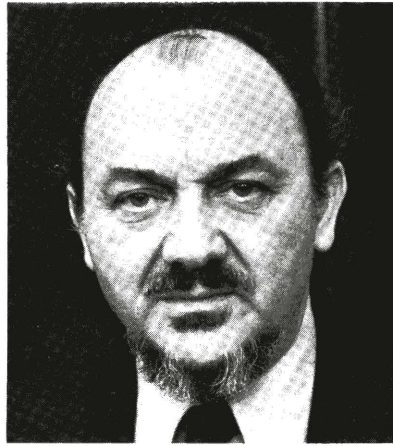
—ALAN OSBORN

Copenhagen

Finding a parliamentary majority for any kind of legislative policy that gives offense to any interest group is the everyday problem of all minority governments. But the Danish minority Government of Anker Joergensen has complicated this task by choosing not to define its policy on some issues, and defining its policy on other issues as if the Government had an undisputed majority.

The most vital issue on which Government policy lacks profile is the economy. Late last year the Government did try to impose a strict price and incomes policy, but when the trade unions refused to accept the incomes policy without "economic democracy"—involving obligatory contributions by employers to union-led trust funds—and the nonsocialist opposition refused to accept any social experiments of this kind, the Government beat a hasty retreat.

The watered-down version of the Government economic policy was sharply criticized by the governor of the National Bank of Denmark, Erik Hoffmeyer. He noted that Denmark could lose its economic sovereignty in six stages, and that the Danish economy is at present in the third stage of



Danish Prime Minister Anker Joergensen.

this process. In the ensuing public debate, Hoffmeyer admitted that Denmark can remain at this stage for some time, but the main point, that the Danish economy is rapidly deteriorating and that not enough has been done about it, was accepted by the Government. New economic measures may be expected in a few months' time.

Most observers still expect that these new measures will consist of new taxes, new attempts at cutting public expenditure, and so on. But there is now for the first time a more general feeling among professional economists that something more drastic may be in the works, such as a very large devaluation of the Danish krone, perhaps with the krone at the same time leaving the European Monetary System for a time. Needless to say, this option has not been commented on by the Government, but it is acknowledged that the last devaluation of the krone, by 5 per cent in November last year, was a major shift in Danish economic policy.

Another issue on which Government policy is without a clear profile is energy. In late January, the Government confirmed that it has strong doubts about nuclear energy, that it did not expect that Denmark would introduce nuclear energy in this century. The events in the United States at Three Mile Island seem to have been the decisive factor in this decision, although the official policy until now has been that nuclear power stations will be built as soon as the safety problems were resolved, and that a referendum next year would decide the issue.

The Government now seems intent on replacing potential nuclear energy by natural gas from the North Sea. The Norwegians have found large new deposits of natural gas, and the Danish Government hopes that the gas can be piped to Denmark at a reasonable price. The Norwegians have already said that they are interested, although prices have not yet been discussed.

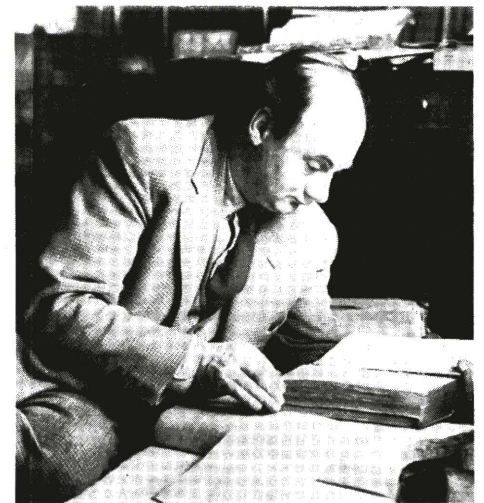
The Norwegians have said that they might be interested in a broader agreement with Denmark, covering industry and energy. No details are available yet, but a new relationship between Denmark and Norway, and by implication between the Community and Norway, is developing.

—LEIF BECK FALLESEN

London

For Britain's aristocracy it was good news and sad news. A new edition of *Debrett's Peerage and Baronetage* was published in time to find its way beneath many a stately home's Christmas tree. The sad part is that it was the last to be edited by Patrick Montague-Smith. One of the country's most respected authorities on British blood, royal and blue, he recently retired as *Debrett's* editor.

Since 1769 *Debrett's* has been one of Britain's two celebrated catalogues of the aristocracy. The other is *Burke's Peerage*. *Debrett's* is no contender for a best-seller list. It is too fat: weight-wise at five pounds and price-wise at about \$100. But it is a bible for anyone wanting or needing to know a titled person's lineage, where someone stands in precedence—genteel for peck-



Patrick Montague-Smith in 1960. © UPI

ing order—or how to correctly address someone in the nobility.

Montague-Smith rejects suggestions that *Debrett's* is simply a snob's book. It is, he says, a work of reference and an important one at that, for as long as the British Monarch gives titles, there will be the need to record them. Not everyone in *Debrett's* has a grand life style. The titles range through princes and dukes to men and women of working class origins doing very ordinary jobs and living far from splendor. Being in *Debrett's* is all many have in common.

Specialist directories like *Debrett's* and *Burke's* are not immune to the hard times that have crept up on British publishers. *Burke's* was recently sold to a former Danish pop singer, the aristocratic Baron Frederick van Pallandt. *Debrett's* was a money loser when some bankers took it over in 1976 and made an American former journalist, Harold Brooks-Baker, its managing director. Brooks-Baker saved *Debrett's* by starting a small publishing house around it that turns a nifty profit specializing in practical and nostalgic stuff. One such book, titled *Debrett's Correct Form*, has become an acclaimed reference for social and professional etiquette, precedence, and protocol. Others have dealt with Edwardian shooting parties and yachts. Some light and witty tomes about the English gentleman have also proved popular.

The expansion has not stopped there. *Debrett's* this summer begins offering 10-day tours of Britain's stately homes to Americans and Canadians. It also runs a genealogical service started by Brooks-Baker on the premise that, after all, everyone has ancestors and these days people are curious about their forebears. Interesting snippets are to be found on the fringes of aristocratic or royal trees. It seems Queen Elizabeth, for example, has distant relatives named Jones and Smith.

Strikes still are as much a part of British life as its class structure, despite efforts to reduce both. Last year Britain lost 29.1 million working days because of strikes, the highest annual figure since the General Strike in 1926. Nor was 1980 greeted with wild enthusiasm for work. Many Britons stretched their Christmas holiday over 11 days, leading one concerned citizen to inquire of official eminences whether this was just another sad example of Britain's industrial decline or an encouraging realization that the merits of work are over-rated.

The question still begs an answer. Then the Central Statistical Office announced results of a survey on British life styles now as against nearly 30 years ago. They revealed another bit of tradition has all but vanished—that badge of your proper English gentleman, the bowler hat. It is rarely seen today outside the City, London's financial district. —PETER J. SHAW



ops and Cardinal Jan Willebrands, Archbishop of Utrecht, seeking to mend the Dutch Catholic Church's internal rift. The Dutch synod is in disarray itself—with Bishop Johannes Gijzen from Roermond and Antonius Simonis from Rotterdam openly declaring themselves against abortion and advocating excommunication of those who have one or encourage it. Other bishops like Johannes Bluysen of Hertogenbosch take a more liberal line—even tolerating homosexuality on the grounds that “no human relationship can be banned from the Holy Church if it is based on serious love.”

Thirty-five priests and pastoral workers from Rotterdam expressed in a letter to Rome their dismay with “the sparse news” from the synod and protested against “the failure to be informed on the synod, which will place you, bishops, in a dangerous isolation and which makes it impossible for us in the Netherlands to participate.” Before the Rome meeting began, 18 leading Roman Catholics in the Netherlands had already urged in a message to Rome that the Dutch church province should be made more manageable; they also pointed out the error of appointments of straitlaced bishops such as Gijzen and Simonis.

So far the bishops have followed the Pope in endorsing celibacy in the priesthood. They also have set up commissions, including one outlining directives for a priest's training and one to curtail tasks of pastoral workers as well as one to examine the desirability of creating additional bishoprics to the existing seven. No mention has been made of birth control, homosexuals taking the sacraments, or women becoming priests. Presently about 40 women assist Dutch priests, but women cannot baptize or give the holy sacraments.

It was because the Vatican felt that the

Dutch Catholic Church was becoming too permissive that Paul VI appointed the conservative Johannes Gijzen in 1972 as Bishop of Roermond. But his conservatism has led to open letters by leading Catholics blaming Gijzen for driving people out of the Church. He is supported by only a minority of the Catholic clergy. Gijzen went as far as threatening to refuse Communion to Roman Catholic parliamentarians who supported more liberal abortion legislation.

About 40 per cent of the Dutch people are Catholic and 38 per cent belong to the Reformed Church, while the rest are agnostic or atheist. In 1963, 100,000 Catholic children took Holy Communion, but the number dropped to 80,000 in 1975, and it is likely to be around 50,000 in 1985, according to official statistics. One Rotterdam priest who closely follows proceedings in Rome said, “If this secrecy goes on, we may well end up with a conservative ghetto church.”

Queen Juliana will abdicate her reign of 32 years on April 30 in the Amsterdam Palace, while on the same afternoon her daughter, Beatrix, will take the Oath of the Dutch Constitution to become the new Queen.

It may take some time until the Dutch say of Beatrix, “She is one of ours,” as people used to say of Juliana, mused a friend of the Royal House. Beatrix is a woman with ready wit and quick answers; she learns quickly and will not make mistakes for the second time. She is said to be a born organizer and shows remarkable poise and control when fulfilling public functions. Beatrix has traveled with Prince Claus to China, the Soviet Union, the Far East, Africa, and the United States. She is a sportswoman and loves sailing and skiing.

Joop den Uyl, the former Socialist Premier, said, “She, in her own way and with

The Hague

Despite international politics in a whirlwindish turmoil, a large part of the Dutch population is following attentively the synod of seven Dutch clergymen that started in Rome in mid-January: six bish-

her own personality, will tread in her mother's footsteps, serving the Dutch society." The Dutch will have to wait and see whether, like Queen Juliana, Beatrix will be "one of ours." —NEL SLIS

Rome

The first of 1980 was a bad time for Roman hospitals. On one side of the capital, overworked personnel at the San Giovanni public facility staged a protest by blocking the street with the bloodied mattresses, rusting beds, and torn sheets on which patients had been lying. The hospital was built to accommodate 900 patients, but by mid-January the number had swelled to 1,450. Beds lined hallways and stairwells — every inch of free space — while basic sanitation became impossible to maintain.



Patients slept in wards with ants, cockroaches, and mice.

On the other side of town, at the Madonna di Fatima private clinic, a tank of carbon dioxide was somehow mistaken for oxygen. Two people died when they were given the poisonous gas during surgery. One was a seven-year-old boy having his tonsils removed. The troubles probably would have been lost in the shuffle of daily headlines had it not been for their timing: Only a month before, on January 1, Italy's sweeping national health care reform law had taken effect. The hospital scares provided an inauspicious inauguration.

Behind the reform lay 20 years of discussion and innumerable delays after it was officially passed in 1978. Similar to Britain's national health plan, Italian law #833 sets out to replace a complicated system of medical insurance with equal, de-

centralized, and, most important, free health care for all. An estimated 2.7 million Italians too poor to pay doctors and hospitals will no longer have to live in fear of an illness they cannot afford.

The law — called by some Italy's first true reform act since the Second World War and by others the most progressive health care system on paper in the world — places heavy emphasis on preventive medicine. Every Italian is now required to sign up with a family physician who determines whether trips to the hospital or specialists are necessary. Citizens select local doctors in one of 649 health care zones established by the law. The bill creates agencies to monitor health conditions at factories, as well as special health facilities at the work places themselves.

But something is clearly going wrong. The extreme overcrowding at San Giovanni

is not much worse than at other Rome public hospitals. Among other things, emphasis on decentralization and preventive care was supposed to ease the burden on hospitals. Instead, it was having the opposite effect. Doctors who felt overworked, or who grumbled about relatively low state salaries (between about \$26,000 and \$41,000 yearly), or who just could not be bothered, were "dumping" patients into hospitals. Old people without family care or sufficient heat at home found a warm bed, if nothing else, in the public facilities. Endless lines formed as citizens scrambled to register under the system.

Progressives charged that the conservative Christian Democrat Government was deliberately trying to thwart a socialized health plan it had never really liked. Delays in approving the crucial corollary laws to the bill seemed to justify their complaints.

In particular, the Cabinet still has not decided how to divide the tax burden to finance the program, which is estimated to cost a hefty \$19 billion a year. Government backing of advertising for private health plans brought a storm of protest from the left.

Conservatives, meanwhile, countered that the entire law was ill-conceived from the start: that in a free-enterprise system superior health care is assured by competition and can be obtained by the majority of Italians who can afford medical insurance. Before, maintained the conservative daily *Il Tempo* of Rome, both the wealthy and the insured got decent care at private clinics. "Now that insurance has been substituted by the national health system, the private clinics cure only the wealthy," it said.

It will be months before Italians know for sure whether the new plan will work or become the bureaucratized nightmare of mediocre (at best) medicine that conservatives foresee. "The new plan is like a train in motion with passengers not knowing if they can get off at the scheduled stations. But the ticket is free and the tracks are in place," Rome's left-leaning *Il Messaggero* wrote. If nothing else, 2.7 million people who never had a check-up by a general practitioner, dentist, pediatrician, obstetrician, or optometrist now have the chance to sit with the rest of Italy in the waiting rooms. —PAMELA MENDELS

Luxembourg

A fine new building designed as the seat of the European Parliament has just been opened in Luxembourg, but, alas, it will see no members of Parliament until September, and even after that they are likely to be infrequent tenants. Officially Luxembourg is still in the running to be the sole seat of the Parliament, and it is heresy to say otherwise in public.

Luxembourg, like Strasbourg, maintains rightly that the seat can only be changed (to Brussels, say) by unanimous decision of the nine EC member governments. But this is a legalistic argument that overlooks the growing clamor of the new parliamentarians for a single site with adequate accommodations and communications. A majority would probably opt for Brussels, where committee meetings are already held.

Whether or not Prime Minister Pierre Werner privately acknowledges that his country may be slipping somewhat in the contest (Strasbourg has no greater claim but it is backed by a bigger purse and more shameless wooing), the fact is that some



Luxembourg Prime Minister Pierre Werner.

Luxembourgers are now openly wondering whether the country might not be better off chasing a different rabbit—namely the headquarters of the proposed new European Monetary Fund that could in time grow into a Community central bank.

Such an institution is far off yet and even at best would hardly be a major employer or foreign-exchange earner. But the point is that a decision to locate it in Luxembourg would amount to a striking declaration of trust in the Grand Duchy with profound implications for the growth of the banking sector. Indeed it is not too fanciful to see such a move as a kind of official endorsement of Luxembourg as the financial capital of the Community with an almost automatic claim to new institutions in this area.

What is indisputable is the Government's ambition to consolidate and develop Luxembourg in the financial world by revising tax structures for banking, negotiating new and improved double taxation agreements with other countries, and promoting related businesses such as insurance, marketing research, data processing, and accountancy. Initiatives in all these areas are now official policy.

At present Luxembourg is the home of the EC Audit Court, the European Court of Justice, the European Investment Bank, and the Statistics Office, besides playing intermittent host to the Council of Ministers and of course the Parliament. If the last two are conjectural long-term propositions, there is no doubt that the others rank among the fastest growing of all EC departments.

There is a tendency among some Luxembourg bankers to disregard all this as

chicken feed. "All that ultimately matters is the level of activity in the Eurocurrency markets," one expert observer says. At present that is undoubtedly true, but the more such markets grow, then the greater the probability that the Germans or Americans will want to control them by imposing reserve requirements or to set up their own competitive free-trading zones for money dealing. Hence, according to some far-seeing observers, the need to fortify Luxembourg's standing and authority in the financial world by all means available. This may be a poor alternative to being the permanent full-time seat of the European Parliament, but were that to be a lost cause, the idea of pressing the financial capital cause could certainly bear some thinking about. —ALAN OSBORN

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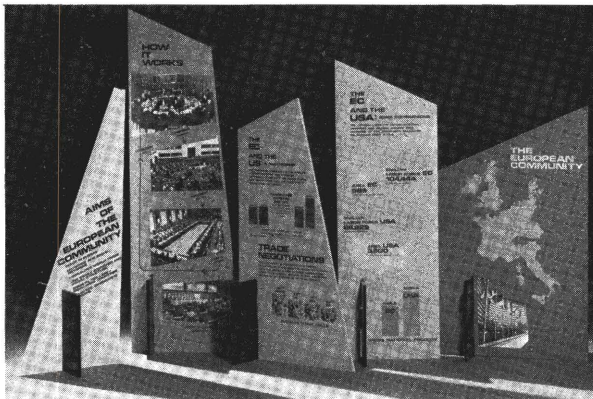
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FREE EXHIBITS AVAILABLE



Free exhibits on the European Community are available on loan to universities, schools, libraries, civic organizations, and other interested groups. Shown here is the mobile exhibit, 10-by-3 feet with headboard and lights; shown below is the tabletop exhibit.

Both exhibits can be ordered from the European Community Information Service, 2100 M Street, NW, Suite 707, Washington, DC 20037.

“Need for solution increasingly urgent. . . .”

CHARLES HAUGHEY

In his first major speech as Ireland's Taoiseach (Prime Minister), Charles Haughey addressed the Ard-Fheis (party conference) of his Fianna Fail Party in Dublin on February 17. Excerpts from the speech follow.

We must all be conscious of the fact that even as we gather here, the tragedy of the North continues. Violence, suffering, and death are a normal part of everyday life. There are whole neighborhoods that can hardly remember normal conditions and where thousands of young people have grown up knowing only tension and strife.

The need for a solution becomes increasingly urgent. Unless one can be brought forward soon, the situation could well become irretrievable. We know from history that under such stresses it is possible for society to deteriorate beyond recovery. In the view of some observers, Northern Ireland may well be on the verge of such a phase.

The picture is a depressing one. Agriculture and industry in Northern Ireland now produce less than in the early 1970's. The population has been static or has fallen. Unemployment in some places is more than 20 per cent.

In these conditions, feelings of hopelessness, isolation, and despair among individuals and families can become so deep and so widespread that the will to restore the values and relationships of a normal society may well disappear over large areas and leave behind communities that are utterly deprived in human and social terms. Surely the fine people of Northern Ireland deserve better than this.

All but a tiny minority understand that violence can never bring a solution and that it serves only to perpetuate division and hatred.

Let us make it absolutely clear that no Irish Government will tolerate any attempt by any group to put themselves above the law or to arrogate to themselves any of the functions of government.

There is one army in this state, one police force, and one judiciary, appointed under the Constitution, to uphold our laws. The Government, acting for the people, will ensure that these laws are effective and



are enforced. Democracy will be defended and the rule of law upheld. That is an essential element of national policy.

For over 60 years now, the situation in Northern Ireland has been a source of instability, real or potential, in these islands. It has been so because the very entity itself is artificial and has been artificially sustained. In these conditions, violence and repression were inevitable.

Should the present constitutional conference help to ensure civil rights and equality for all the people of Northern Ireland and to ensure also that security operates impartially, then so much the better. But the conference itself cannot provide a conclusive settlement. We must face the reality that Northern Ireland, as a political entity, has failed and that a new beginning is needed. The time has surely come for the two sovereign governments to work together to find a formula and lift the situation on to a new plane that will bring permanent peace and stability to the people of these islands. No settlement can be contemplated now that merely sows the seeds of future discord.

There are massive financial, security, and constitutional questions to be solved, guarantees to be worked out. But a start must be made. In my view, a declaration by the British Government of their interest in encouraging the unity of Ireland, by agreement and in peace, would open the way towards an entirely new situation in which peace, real and lasting, would become an attainable reality.

For our part, we gladly declare that we

have no wish to dominate or coerce. The evils of domination and coercion at the hands of others are too deeply embedded in our folk memory for us ever to start down along that reprehensible road.

Let me also say that in any discussion or negotiation that may be embarked upon, or any settlement that may be proposed, the safety and welfare of our fellow countrymen of the protestant faith in Northern Ireland would be for me, personally, a special priority. I have lived among them as a boy. I know their qualities, I admire their virtues, I understand their deeply held convictions. It would be my concern to ensure that their place in the Ireland of the future was secure, that their talents and industry were given every opportunity to flourish, that their traditions were honored and respected.

Northern Ireland casts a long, dark shadow into every corner of these islands. The effects of the violent and unstable situation there are felt in a hundred different ways.

Because of it, political life in this part of the country is a great deal less fruitful and constructive than it would otherwise be. We are forced to accept unpalatable measures, restrictions, and curtailments of freedom that are alien to our outlook and our character.

In the economic situation that confronts us, the cost of the security measures directly attributable to the Northern situation—about 70 million pounds—is becoming increasingly onerous for us to bear. It represents an allocation of scarce resources that could well be used for many urgent, desirable social purposes. Northern Ireland distorts official relations between Britain and Ireland. It hinders too the development of friendship and cooperation at every level between ordinary people in these islands who have such a great deal in common and who have such close personal ties going back over many generations.

Perhaps more than anything else however, the situation in the North prevents the coming together of all our cultural traditions in a full flowering and the harnessing of the energies of all the people of this island in a combined effort for their betterment, their welfare, and their happiness.

We look forward to some new free and open arrangement in which Irishmen and women, on their own, without a British presence but with active British good will, will manage the affairs of the whole of Ireland in a constructive partnership within the European Community.

This Government sees Northern Ireland as the major national issue and its peaceful solution as our first political priority.

The Irish Question

A British Problem



JOHN HUME leader of the Social Democratic and Labour Party in Northern Ireland and member of the European Parliament.

The current cycle of conflict in Northern Ireland began over 11 years ago. As a practicing politician in Northern Ireland throughout that period, I have taken a particular interest while traveling abroad in following the world media coverage of the problem. For the most part, this has been a chronicle of atrocities reported spasmodically from London or by “firemen” visiting from London. It has struck me that, for the outside observer, it must have been difficult during these years to avoid the impression that Northern Ireland was hopelessly sunk in incoherence and its people the victims of a particularly opaque political pathology. There have, it is true, been a few brief interludes when some measure of clarity seemed to take hold, only to be swept away in the inevitable swirling clouds of violence, intransigence and misery — in other words, the normal political climate.

The people of Northern Ireland, however divided, share a keen awareness of the bewilderment of outsiders, which occasionally finds expression in the mock-heroic couplets of the street: “To Hell with the future and long live the past/May God in His mercy look down on Belfast.”

The cynicism and dismissiveness of the Irish style (Churchill’s Dunkirk exhortation, “The situation is serious but not desperate,” is said to have evoked the somewhat bleary comment from an Irish listener, “Over here the situation is always desperate but never serious”) often conceal, as the readers of Swift and Joyce know well, a quite serious desperation. Nevertheless, in its superficial manifestation the hopeless wit of the people proved congenial to those who are currently responsible for the affairs of Northern Ireland, and who, of all “outside” observers, often seem the most puzzled and wearied by its problem, i.e., the British political establishment. This is nothing new. It was, in fact, Churchill, speaking in the House of Commons in 1922,

who most eloquently caught this feeling of his colleagues, then and since:

Then came the Great War. . . . Every institution, almost, in the world was strained. Great empires have been overturned. The whole map of Europe has been changed. . . . The mode of thought of men, the whole outlook on affairs, the grouping of parties, all have encountered violent and tremendous changes in the deluge of the world, but as the deluge subsides and the waters fall, we see the dreary steeples of Fermanagh and Tyrone emerging once again. The integrity of their quarrel is one of the few institutions that have been unaltered in the cataclysm which has swept the world.

Other cataclysms have since supervened, and are themselves now forgotten, but “their quarrel” endures, now in a more grisly form than ever. Politically motivated violence is on the increase. Northern Ireland (population 1.5 million) has two new prisons and a third under construction. The skilled and the professionally trained emigrate while the economy stagnates, and the semiskilled and unskilled swell the unemployment lines as well as the ranks of the paramilitary organizations.

It is my strong conviction, as well as that of my party, the Social Democratic and Labour Party of Northern Ireland, that the politics of Northern Ireland are not hopelessly irrational. They do have a meaning and a structure. The protagonists do act in the light of their interests as they perceive them, though their perceptions are sometimes mistaken. Events are, in fact, predictable — often, it must be admitted, depressingly so.

My conviction that there exist structure and meaning, and therefore hope, is not based simply on Henry Kissinger’s moral injunction to statesmen that they must at all costs believe in the possibility of solutions to the most intractable impasses. I believe, as the title of this paper suggests, that the perennial British view of the problem as “their quarrel” and not “ours” is fundamentally wrong: Britain is, in fact, included in the quarrel as a central protagonist, and must be centrally involved in the solution.

II

The problem, as I know from years of talking to foreign visitors, is at first sight a mass of contradictions. Some of the contradictions are real. London, for its part, exercises a reluctant sovereignty in Northern Ireland, while Dublin maintains a somewhat reluctant claim to that sovereignty. The “loyalists” are those proponents of the union with Britain who, while they are avowedly the most patriotic of all Her Majesty’s subjects, put up the most stubborn resistance to her Government’s designs. The Provisional wing of the Irish Republican Army believes Irish unity will be secured by waging war against a British establishment which clearly has no fundamental opposition to unity, while they ignore (and, in their campaign against Britain, further incite) those who must adamantly resist the imposition of unity, the one million Protestant majority. Does this mean things are hopeless?

The basis of British policy is concealed under layers of good intentions, ingenious initiatives, commissions of inquiry, attempted reforms, financial aid, and a good deal of genial bewilderment. I do not use the word “concealed” maliciously. Many sincere and concerned British politicians and observers have the impression that they have tried everything possible to get the Irish to agree together: That is a measure of the extent to which the basic assumption of their policy has become imperceptible to the British themselves.

The ground of their policy is the reiterated guarantee that Northern Ireland shall remain a part of the United Kingdom so long as a majority of the electorate of Northern Ireland so desire. That would seem, at first reading, to be an eminently democratic and responsible undertaking. The fact is, however, that it has not worked. It has not produced peace or stable government in Northern Ireland.

Northern Ireland is a divided community, divided not by theological differences but by conflicting nationalist aspirations. The Unionist majority historically favor maintenance of the union with Britain, while the one-third Catholic nationalist minority by and large favor a united Ireland. In 1921, when the overwhelmingly Catholic nationalist Free State was established in the south, the area of Northern Ireland was excluded from the arrangement because of British hesitancy (which proved to be an enduring feature of British policy) in the face of militant Protestant Unionist resistance.

“The British guarantee,” as it is called, proved to be a guarantee of permanent exclusive power to one side, the Unionists, and a guarantee of permanent exclusion from power to the other, the Catholic minority. Its existence undermined any hope of political

negotiation between the two sides in Northern Ireland. It guaranteed the integrity of "their" quarrel. While this guarantee exists, there is no incentive for Unionists to enter into genuine dialogue with those with whom they share the island of Ireland.

The many attempts at reform, in which so much British as well as Irish energy was invested, all failed. The one initiative that almost succeeded was the Sunningdale Arrangement of 1973 between the British and Irish Governments and the principal parties in Northern Ireland. This established a power-sharing government containing representatives of both sections of the community in Northern Ireland and accepted the principle of a Council of Ireland, which would provide a forum for north-south cooperation as well as a means of expression for the Irish nationalist aspiration, while Northern Ireland would continue to be a part of the United Kingdom. The establishment of power-sharing was a tribute to the political courage and imagination of the last Conservative Government in Britain. Unfortunately, the Labour Administration, which succeeded it early in 1974, showed no similar courage, and in May of that year, in what was one of the most squalid examples of government irresponsibility in our times, surrendered its policy in the face of a political strike organized by a paramilitary minority on the Unionist side. As a result, the guarantee was not alone seen to be restored, it was seen to be reinforced: extreme Unionism or loyalism was encouraged in its belief that it could henceforth resist and jettison any British policy for Northern Ireland which involved conceding power to the minority.

The politics of Northern Ireland have not yet recovered from that setback, and, because of it, the problem for the British is even greater today than it was in 1973. Will the new Conservative Government find the considerable courage it needs to face this compounded challenge? My hope is that Prime Minister Thatcher, in coming to grips with the problem, will commit all her vaunted capacity to reversing the blind momentum of British public policy, all her vaunted steadiness of nerve in the face of contrary pressure to secure and maintain a success. Failure, however, be it the failure to attempt a serious initiative or the failure to sustain an initiative under pressure, will only reinforce the difficulty, and the measure of failure will again be in the spreading field of white crosses in front of city hall in Belfast commemorating those who have died at the hand of political violence.

III

The Unionists of Northern Ireland are justly proud of their heritage and their contribution to the world. As many as eleven American

presidents came of their stock. They number field marshals, captains of industry, and colonial governors among their great men. They see themselves as a pragmatic, hardheaded, skeptical, robust people, and there is much in their history to justify their view. They have shown a corresponding tendency to regard their nationalist Catholic neighbors throughout the island as a more fanciful and less realistic race, and indeed there may be much in the history of the dispossession and enforced illiteracy of the Catholic community to give color to that view.

History has changed the face and condition of Ireland, and these opinions have been overtaken by events. The south started from a platform of no industry and relatively primitive agriculture in 1921, while the north was the only part of Ireland seriously affected at that time by the Industrial Revolution. Now the south has caught up with and will shortly overtake the north economically. Northern industry is in decline and is for the most part owned by outsiders. The North has no sovereign voice in the world, nor, significantly, in the European Community. Unionists watched with envy tinged with resentment as Dublin, for the second time, exercises the presidency of the Council of the European Community during these months. Unionists are, furthermore, dismayed at the decline of Britain's greatness to a point where, most galling of all, London must now treat Dublin as an equal in the councils of Europe. A hard-headed people should logically draw the conclusion that an arrangement with the south is in its best interest. I have no doubt that they would do so now were the problem of Northern Ireland purely economic. Of course, it is not.

The Unionists are a majority in Northern Ireland, but their political behavior there can only be understood if they are seen, as they feel themselves to be, as a threatened minority on the island of Ireland. Theirs are the politics of the besieged. Hence their stubborn refusal to share power with the minority in Northern Ireland, whom they fear as the Trojan horse of the "real" majority in Ireland, the Catholics. Hence, the similarity between their attitudes and those of the whites of southern Africa.

Can this attitude be unfrozen? There are some grounds for believing that it can. I have mentioned the Sunningdale experiment, the most promising attempt so far to solve the problem. The main Unionist political group at that time, and particularly its leader, the late Mr. Brian Faulkner, showed courage and political agility, and the response of most Unionists to the experiment was by and large benign. The pusillanimity of the Labour Government in London, in failing to resist the predictable destructiveness of the dema-

gogues and paramilitaries on the extremes of Unionism, set back the situation almost irremediably; Unionist opinion, it must be admitted, shifted further to the Right as a result, as evidenced by the growing electoral strength of Ian Paisley. Nevertheless, the reality of power-sharing did exist, however tenuously. Unionists, given the right leadership, were seen to be capable of magnanimity. The problem now is to create the conditions where magnanimity can again take hold, this time more securely.

Now is, as I have suggested, the moment when political leaders in Northern Ireland, in the Republic, and in Britain must radically reexamine their own fundamental assumptions. As I see it, the two greatest problems in Northern Ireland are the British guarantee, which inhibits such reexamination, and the Unionist dependence on it. Given economic developments in the Republic and the growing suspicion about Britain's long-term intentions on the part of many Unionists, this would seem a propitious juncture at which to take a serious initiative. Only Britain can create the conditions in which Unionists can perceive and pursue their true interests.

I believe that the true interest of Unionists depends precisely on the exercise of their traditional gifts of self-confidence and self-reliance. The time has come for them to believe in themselves as their own best guarantors in a future shared with the other people of the island of Ireland.

IV

As it is now, Unionists see themselves as a threatened minority on the island of Ireland. If you ask a Unionist how real the threat is, he or she will tell you of friends or relatives who have been murdered or injured by the Provisional IRA. What threat could be more real? That, however, is only a vivid and chilling expression of an even deeper sense of intimidation. Unionists fear that they would be culturally and racially overwhelmed by the Catholic nationalist majority if they were to join with the rest of the island. Would they? This is the challenge to Irish nationalism, to Dublin, to the nationalist minority in Northern Ireland, and to the friends of Irish nationalism around the world.

The campaign of violence of the Provisional IRA has, more than any recent development, set back and distorted the cause of Irish nationalism in the eyes of Unionists, and of British and world opinion. It is clear that a majority of the people in Ireland as a whole, including a majority of Catholics in Northern Ireland, both favor Irish unity as a solution and reject violence as a means of promoting that solution.

The Provisionals have been relatively impervious to the universal rejection of their

EC Bonds on US Markets

Current success brings visions for future programs

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

IT'S CAPITAL MARKETS—NOT BECOMING A SOURCE OF FUNDING... The European Economic Community's debut in US mar-

and short-term financing for the European Community... lets brings to the fore many problems and potentialities.

Europe's Money, America's Interest

The first anniversary for EMS

ROBERT GERALD LIVINGSTON, president of the German Marshall Fund in Washington and author of numerous articles on Europe

In mid-March the European Monetary System (EMS) turns one year old. Technical and complex in nature, the system is little understood by what is most important to a political

Realigning some central sector national monetary policy initially generated opposition by most European central bankers, but the political leaders prevailed. They argued

small support, and common political ideology and approach of German Chancellor Helmut Schmidt and French President Valéry Giscard d'Estaing, will contribute to economic recovery.

DIRECT INVESTMENT

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 what he wanted in Winterthur in Switzerland. With or- in excess of \$1.8 billion in Spartanburg, South Carolina. ders from his firm and with his encouragement, both the More than 1,500 Europeans are believed to live in this Swiss Rieter company and Sulzer Brothers of Winterthur

A NUCLEAR DIFFERENCE

At stake is Europe's energy supply and/or the future of mankind.

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

THERE IS NO SHORTAGE OF SUBJECTS ON WHICH THE US desire to promote European unity clashes with other American political or economic goals, particularly where worldwide availability of material easily made into nuclear bombs. Nearly two and a half years ago work began in the Senate on a bill to deal with this situation, with

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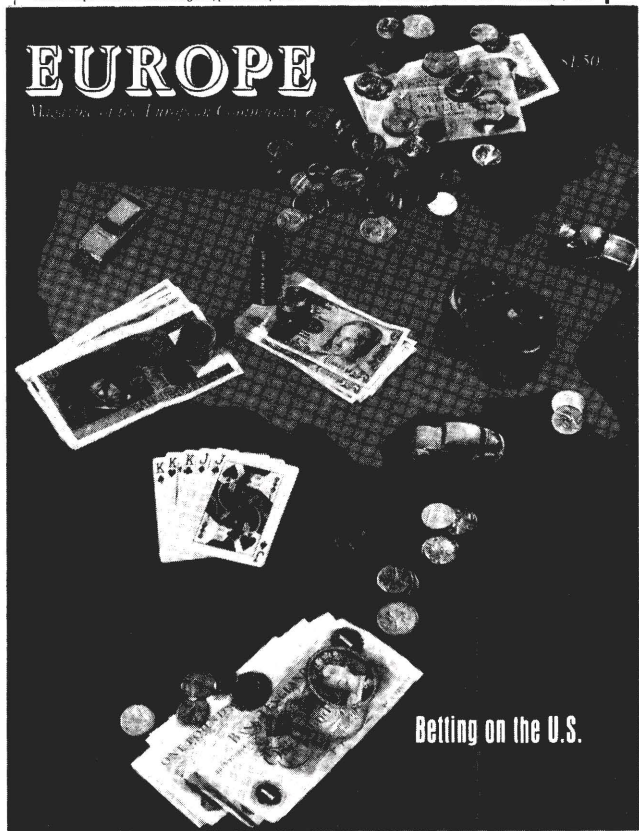
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methods for a number of reasons. First, they are sustained by an extremely simple view of the Irish problem, and in this simplicity they find strength and purpose. For the Provisionals, the Irish problem consists of the British presence in Ireland—nothing more; remove that presence, they claim, and the problem will quickly be solved by the establishment of a unified, independent Irish state. This analysis of things not only affords a simple view of a highly complex situation, but it also provides the inspiration for violent action aimed at inducing British withdrawal. The Provisional reading of the problem also gains from its clear affinities with the vision of the partially successful, and widely revered, insurgents of the 1916-22 period, who, in their determination to secure freedom for the greater part of the Irish people, were understandably distracted from the peculiar circumstances which obtained in the six north-eastern counties.

A second factor in Provisional endurance has been the encouragement which they — like the loyalist extremists — have been able to draw from British weakness and prevarication. That weakness has so shown itself not alone in the fact of loyalist intransigence but also in the intermittent British dalliance with Provisional “political spokesmen,” whose credentials have been forged by bombs and bullets.

Third, I believe that the case for Irish nationalism has not been clearly enough expounded by Irish nationalist leaders. The Provisionals have not hesitated to exploit the ambiguities of policy and the innuendoes of the public debate to seek to claim support of, or justification for, their actions.

Fourth, unjustifiable excesses by British security forces, condemned by the European Court of Human Rights as inhuman and degrading treatment, created an implacable hostility to Britain in the minds of many who were subjected to them. These excesses, together with the introduction of internment without trial in 1971 (it has since been abandoned), did more to gain recruits for the Provisionals than any exhortations to “blood sacrifice” from the patriarchs of the movement.

Fifth, the absence of political activity from the life of Northern Ireland has provided both an opportunity and an argument to the men of violence: they can with some credibility play upon the frustrations of the minority in the absence of political hope, and they can well ask, in the face of British immobilism: Who but we are doing anything about Northern Ireland?

Finally, it can be seen that the Provisionals have hardened into a ruthless terrorist force which can compensate in terms of experience and technique for what it has lost in political

support. It is a long time now since commentators invoked Mao and predicted that, as the water of popular approval dried up, the guerrilla fish would have to abandon the struggle to survive. We can now see that the fish need less water than we had thought. The Provisionals have for several years received only insignificant support from the population of either Northern Ireland or the Republic; yet they retain the ability to disrupt and terrorize.

Indeed, their activities have descended to a level of savagery which has all but numbed the capacity of the public to respond with horror to even their inhuman atrocities. Life has become cheap—and the entire community to some extent dehumanized. “Is there a life before death?” asks a piece of anonymous graffiti on a Belfast wall, with some reason. The writer might also have asked whether there is any childhood left for the battle-scarred children of the ghettos of that city, and of the rest of Northern Ireland.

Aside from the immorality of its actions, the Provisional IRA campaign has no hope of success. It is, I suppose, conceivable that it might eventually frighten a feeble British Government out of Northern Ireland before any process could begin. What would undoubtedly follow would be a serious risk of a bloodbath. This would quickly spread to the south, and after thousands of deaths, would finally resolve itself by the division of the island into two bristling, homogeneous sectarian states, neither stable, both sunk in the obscurantism of their most extreme supporters. No military victory followed by a political settlement is possible in Northern Ireland. That is true not for the Provisionals alone but for the loyalists and the British Government as well.

The Irish government and most nationalists in Ireland have repeatedly given convincing evidence of their repudiation of the violence of the Provisionals—the public by its consistent rejection at the polls of those who support violence, and the Irish Government by its active pursuit of the men of violence, its commitment of additional police and army units to the border areas, and the introduction of draconian legal measures to secure convictions in the courts, Dublin and Irish opinion generally clearly intend no threat to Unionists; on the contrary, the leaders of Irish-American opinion, which was generally seen by Unionists to be hostile to their interests and indeed supportive of violence, have in recent years repeatedly condemned support for violence from the United States. This has had the double effect of reducing material assistance for the Provisional IRA from the United States and of going some way toward assuaging one source of Unionist anxiety.

Despite these positive elements, there is an

important sense in which the principal source of Irish nationalist sentiment, i.e., Dublin, has not yet fully clarified its intentions. Unionists will not be able to bring themselves to entertain seriously the notion of Irish unity unless Dublin unambiguously spells out what it understands by unity and gives clear evidence of its commitments.

The southern state is seen by many Unionists (in varying degrees by the majority) as a lay expression of sectarian Catholic values. As such, it is unacceptable to them. The reality, as I encounter it, is that the Republic is a modern state struggling to develop its economy and society within a European framework. The partition of Ireland, 50 years ago, created a state in the south with an overwhelmingly Catholic population. Inevitably, Catholic values were enshrined in some areas of law, particularly family law, although the state is in other respects one of the least confessional in Europe, with no official church. Unionists have a right to be convinced that the south is serious when it declares its intention to embody pluralist values in the law of the United Ireland to which it aspires. So far, the evidence for these intentions is inadequate.

Even more seriously, those who avow a nationalist solution must clarify how they would implement this. Statements which contain hints of irredentism, of conquest, of compulsion, do not promote a policy of unity; moreover, they give comfort to the men of violence. The Irish Government repudiates violence and by its action is seen to do so. It should, nevertheless, in claiming the ground of nationalism, clarify, if necessary *ad nauseam*, its commitment to unity by agreement, only by agreement, and through reconciliation.

One of the difficulties about Northern Ireland which existed until recently was that the problem seemed to matter little, if at all. It mattered very little to the British. It seemed incapable of sustaining the attention of any but the most committed fanatics. Governments and serious observers, if they looked at it, had a feeling of impatience with its complexities, its anthill of competing eccentricities. There was a feeling that it ought to be like the pieces of a jigsaw, needing only to be placed in a certain arrangement for tranquility to ensue. Unfortunately, the pieces did not seem to fit, and the puzzle quickly lost its interest.

The time has come for a positive and decisive initiative. It must be taken by both Dublin and London acting together. They should first make it clear that there are no longer any unconditional guarantees for any section of the northern community. There is

only a commitment to achieving a situation in which there are guarantees for all.

Second, they should make it clear that there is in fact no pat solution as such, but only a process that will lead to a solution. They should declare themselves committed to such a process, a process designed to lead to an agreed Ireland with positive roles for all. They should invite all parties to participate in this process, the process of building a new Ireland. Some groups will undoubtedly react with an initial refusal, but the process should continue without them, leaving the door always open for their participation at any stage.

Indeed, on embarking on this process we ought to be encouraged by the example of both the United States and the European Community. In the United States, in spite of deep differences of origin and background, they have formed a constitution which is able to harness great differences for the common good. Yet the Italians remain Italian, the blacks are still black, and the Irish still parade on St. Patrick's Day. They have created a unity in diversity.

Europe itself has suffered centuries of bloody conflict. In this century alone, the peoples of Europe have been locked in the savagery of two world wars with a bitterness and slaughter that goes far beyond anything that we have experienced on this island. Yet 34 years after the Second World War, as a result of an agreed process, they have been able to create one parliament to represent them, one community—and the Germans are still Germans, the French are still French. They, too, have a unity in diversity.

Is it too much to ask that we on this small island do precisely the same thing? Is it too much to ask that these two responsible governments begin to declare themselves now in favor of such a process? Can we too build a unity in diversity?

VI

One of the few developments which has cheered those who believe that moderation and reason must prevail in Northern Ireland has been a growing interest in the problem on the part of responsible political leaders outside of Ireland and Britain. This is particularly true of the United States, and, to a significant extent, of the European Community.

I believe that the friends of Britain have been dismayed at evidence in recent years of a British retreat from a world view. Many have felt that this contraction of vision has been accompanied by, if it is not symptomatic of, a weakening of Britain's political psyche. That in itself, if true, should concern those who hope for a solution to Northern Ireland's problems which, as I have argued, will require considerable political courage on Britain's part.

Mrs. Thatcher, in recent speeches and indeed in her post-election approach to the Zimbabwe-Rhodesia problem, has shown some willingness to reverse the decline. All the more reason why she should be serious about the problem of Northern Ireland, a strategically placed area in the Atlantic approaches to northwest Europe, potentially ripe for subversion if political neglect continues. The growing serious unrest of American and European leaders reflects, I believe, an awareness of this threat.

VII

The interest of the West in the problem is not only strategic. History has made of Ireland one of the most "internationalized" communities in the world. The foundation of her relations with the two wings of the Western world lies in the emigration of the past centuries: in the seventeenth and eighteenth centuries to France and Spain; in the eighteenth, nineteenth and twentieth centuries to America; and again, more recently, to Britain. The basis is people, the Irish diaspora.

The situation today is intriguing: the earlier links with the continent have been renewed but now rest on the solid foundation of the treaties of the European Community. The links with America are founded on the old connections of blood, friendship, and heritage between the four and a half million people on the island today and upwards of 16 million people in the United States. The relationship has deepened and matured as the Republic has developed politically and economically, and as the Irish in America have prospered and built on their extraordinary political achievements of the past hundred years.

These two global relationships have played major roles in the fortunes of Ireland in recent years. From America came much of the industrial investment which created the impressive economic development of the Republic in recent years. From Europe have come the economic benefits of membership in the Community which have transformed life, particularly in the Republic, and also created a sense of political dignity and statehood, again in the Republic, which, prior to membership, had been stifled by a claustrophobic bilateral relationship with the neighboring island.

Since the great tides of Irish emigration began to flow to America in the nineteenth century, the Irish in America tried without success to interest Washington administrations in the "Irish question." Great names such as John Devoy, editor of *The Gaelic-American*, and Eamon De Valera were energetically involved in this endeavor, but in vain. This is not to fault these men: It was a function of the nature of Irish political power in America during these generations, which

was confined to the leadership of some of the great cities and states. It remained largely excluded from Washington. That situation changed dramatically in 1960 with the Kennedy Presidency.

VIII

In recent years the influence of powerful American leaders of Irish extraction in Washington, notably Senator Edward Kennedy and House Speaker Thomas P. O'Neill, has brought the issue to a point where the Carter Administration has taken a position on Northern Ireland. As a result, the support for violence from the United States has been contained and has in fact dropped. That this should have been maintained during the past years of political vacuum in Northern Ireland is an extremely extraordinary achievement. There are many men, women, and children in Northern Ireland who are alive today, I am convinced, because of the political courage and concern of these men.

President Carter has committed himself to providing economic aid in the event that a solution acceptable to both sides in Northern Ireland, and to the British and Irish governments, can be found. That was a generous, humane and unprovocative commitment. It was welcomed by the Irish and British Governments as a major incentive to reconciliation, and they were both consulted about it. The Irish question has become a legitimate and serious issue in the Atlantic relationship between London and Washington.

The responsible interest of American leaders is welcome. Less welcome is the exploitation of the issue by a few less distinguished politicians. Violent men in Ireland invoke their names as certifying their own respectability and as an indication of support for their cause. The votes of Americans should not be purchased at the expense of Irish lives.

The European Community, because of its name, because of its primary historic commitment to reconciling the enmities of generations of Europeans and averting the recurrence of armed conflict, could not stand aside from the conflict between two of its own peoples. Several European leaders have expressed concern and interest. It is my hope that the European Parliament will soon hold a full-scale debate on the issue, and that the Community will match America's generous incentive to peace.

The interest of the United States and of the European Community in Northern Ireland is historically inevitable and perfectly legitimate. This need not involve direct intervention or support for particular partisan policies. It should be taken as an encouragement by London, by Dublin, and by parties in Northern Ireland to have the courage to resolve this old quarrel that involves them all.

NEWS

OF THE COMMUNITY

US-EC RELATIONS

Council President Visits US

Italian Prime Minister Francesco Cossiga spoke with a special voice during his late January visit to the United States, since Italy currently holds the presidency of the EC Council.

While in Washington Cossiga met with US President Jimmy Carter and several other high-level officials to discuss the Afghanistan crisis, as well as the international economic and political situations. He also met with United Nations Secretary-General Kurt Waldheim in New York following the Washington talks.

Chicken, Turkey Uprisings

Veterans of chicken and turkey wars, EC and US agricultural representatives talked in January in Brussels about trade problems in poultry products between the two sides.

The United States said it felt export refunds for EC chickens were too high. There was also concern expressed about a Community decision to extend such refunds to turkey exports.

Following the meetings, the EC Commission announced that it would suspend the advance fixing of export refunds for chickens while it considered the reduction of such refunds.

EC in Support of US Boycott

Agricultural mechanisms are in place in the Community in support of the US grain boycott of the Soviet Union, said a spokesman for EC Commission President Roy Jenkins during a January visit to Washington.

Wheat, barley, poultry, and butter cannot be sold in greater than traditional quantities as a result of the agricultural mechanisms. Therefore, it would be impossible for Community products to make up for any deficiency suffered in the Soviet Union because of the US boycott. As for the question of the Olympic Games to be held in Moscow this summer, the Commission

spokesman said the Commission had taken no position up to that time.

While in Washington, Jenkins met with US President Jimmy Carter and other top officials for discussions on trade, the Afghanistan and Iranian crises, and other foreign policy questions.

Antidumping Duties Levied

A 7.2 per cent antidumping duty on imports from an American producer of acrylic fibers to the Community was announced by the EC Commission in early December. The US company is American Cyanamid Co.

Another firm involved, the American subsidiary of a German firm, will not be affected by the levy since it agreed to raise its prices to the Community.

The action follows months of concern about the possible unfair advantage of American competitors in synthetic fibers because of the low American prices on the base petroleum.

Veil Visits Washington

European Parliament President Simone Veil went to Washington in late January with a 23-member delegation from the Parliament. While the delegation held its regular inter-parliamentary talks with members of the US Congress, Veil undertook a whirlwind of visits with US officials and journalists.

The White House reported that during her visit with President Jimmy Carter, Veil discussed the evolution of the Parliament and increased prospects for its becoming a significant social and political force in Europe, now that it is directly elected.

Carter stressed his admiration for the strength and vigor with which the European Parliament addresses major issues. The two leaders agreed on the desirability of intensifying transatlantic cooperation in trade and energy.

Jenkins Meets US Leaders

The crises in Afghanistan and Iran were discussed when EC Commission President Roy Jenkins met with President Jimmy Carter in Washington during a late January visit.

A communiqué following the White House meeting said that both sides had agreed that the Soviet invasion of Afghanistan should be met with a firm and united Western response. Jenkins later told the Senate Foreign Relations Committee that the Community wanted to study the subject of sanctions against Iran more closely to avoid policies that would do more harm to Europe than to Iran.

Other topics discussed were trade and energy, EC contacts with Yugoslavia, Turkey, and the Gulf States. The international nuclear fuel security studies, the effects of Spanish entry into the Community, and relations with China were also covered.

In a speech later to the Economic Club of New York, Jenkins stressed the need to work for implementation of the new Tokyo Round agreements.

EXTERNAL

EC Condemns Soviet Action

The Community came out strongly in mid-January against the Soviet military intervention in Afghanistan. The Commission also tried to cooperate with the trade and economic actions taken by other countries.

EC foreign ministers said the Soviet action represented a "serious violation of the principles of international relations." Their statement called Soviet explanations "unacceptable" and urged "immediate and unconditional withdrawal of all foreign troops from Afghanistan." The ministers also said the Community would examine its policy on exports of high-technology equipment and export credits to the Soviet Union.

The European Parliament voted a similar resolution urging the Community to consider additional economic sanctions. The same week the Commission further tightened its export surveillance systems on trade with the Soviet Union to include most agricultural products. It had earlier acted on the cereals sector. The new move was said to cover other products such as beef, dairy products, and sugar.

Negotiations Urged On

EC foreign ministers meeting in Brussels in January agreed that negotiations with Yugoslavia on an economic accord should be speeded up. Reports of Marshal Josip Broz Tito's grave illness contributed to this urgency.

The talks had lagged because of Yugoslavia's reluctance to accept a large number of products to be included on a list of sensitive products, whose entry into the Community would be restricted.

EC-ASEAN Talks Concluded

Negotiations for a cooperation agreement between the Community and the Association of South East Asia Nations (ASEAN) were completed late last year, and signature was scheduled for early March in Kuala Lumpur, the capital of Malaysia.

The accord is a five-year nonpreferential cooperation agreement designed to promote closer trade and economic relations between the two groups, as well as development of the ASEAN countries: Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

A joint cooperation committee will be established to promote and review activities and to provide a forum for consultation between the parties.

Trade Ties With New State

EC foreign ministers approved a proposal in January that would establish a temporary relationship between the Community and the new entity of Rhodesia-Zimbabwe.

The arrangement, which will last until the state's independence after elections are conducted there, means that products from Rhodesia-Zimbabwe will have free access into the Community market.

The Community indicated that it would closely monitor the level of tobacco, one of Rhodesia's main exports, to avoid disruptive import patterns that would affect Community domestic production.

The new link follows lengthy negotiations to end 14 years of controversy in the African state over its independence from status as a British colony and internal fighting among groups seeking to lead the independent state.

After the election, the country will be able to decide whether or not it wants to become a member of the Lomé Convention.

EC, Canada Work on Energy

An agreement to collaborate on the further development of Canada's "energy bus" has been signed by the Community and Canada. The cooperative venture, signed in Brussels, was a high point of the third meeting of the EC-Canada Joint Cooperation Committee, established in 1976. The Canadian energy audit bus, which conducts on-site analysis of energy efficiency in industry, was to tour several EC member states with Canadian experts demonstrating the capabilities of the bus.

Also at the December meeting of the Joint Cooperation Committee, a work program for 1980-81 was adopted. The committee plans to concentrate on how Canada and the Community can take full advantage of the Multilateral Trade Negotiations to further the objectives of the association. Both sides will also seek to enhance cooperation in energy development and conservation issues.

Tokyo Round Rules Applied

New "Tokyo Round" rules for trade and tariffs were applied in the Community at the beginning of 1980.

The first major components to be implemented were a new set of rules governing the application of antidumping and anti-subsidies measures. This means internationally accepted remedies for EC industries and governments that feel they have been injured by imports benefiting from subsidies or artificially low prices.

Thus, a new regulation on protection against dumped or subsidized imports from countries outside the Community was adopted by the Council of Ministers effective January 1, in accordance with the Multilateral Trade Negotiations package. The main innovation of the new regulation is detailed provisions for action against subsidized as distinct from dumped imports. Secondly, existing rules concerning injury to an industry have been reformed abandoning the concept of dumping as a principle cause. Now the effects of dumping must be weighed against

other factors.

More precise rules for the definition of injury were also adopted to include the threat of injury and injury to regional markets within the Community. Procedural changes requiring that Community decisions be explained in greater detail were passed. In addition, duties may now be applied retroactively to past violations in certain cases.

In addition, a series of codes of accepted conduct in a number of areas of international trade will be applied by the Community and most of its major trading partners. Most are designed to remove nontariff barriers. These include methods of evaluating custom duties, import licensing, government purchasing practices, and civilian aircraft. Others involve a reduction of tariffs and agricultural products.

New Import Controls

The EC Commission announced in late January a new system for controlling and monitoring disruptive imports from third countries once they reach the Community market.

The new procedures involve an automatic issue of import licenses to keep track of such products. The issue will not apply across the board as in the past, but after examination of the economic situation in the country involved.

Conditions under which an application for an import restriction can be made are also covered. Applications for import restrictions increased from 110 cases in 1976 to 347 in 1979. Most were filed in the textile sector.

The new procedures were designed to retain a degree of control over imports originating in other countries once they reach EC markets. A past problem was that goods restricted in one member state might be deflected to another. However, the old system had been questioned as being in violation of the principle of free trade among EC members.

The Commission studied the problem in the wake of a 1976 ruling by the European Court of Justice and decided that some of the surveillance systems established by member states could create unnecessary trade barriers.

Haferkamp Visits Finland

The common commitment to resist pressures for protectionist measures was reaffirmed by Finnish authorities and EC Commission Vice President Wilhelm Haferkamp, in charge of external affairs, during his December visit to Finland.

It was noted that protectionism would jeopardize the restructuring of European industry without solving the problem of unemployment. Haferkamp and the Finnish authorities also agreed that the free-trade agreement between Finland and the Community had operated satisfactorily, especially in view of the difficult world economic picture. They welcomed progress made in expanding contacts between the

Community and Finland in areas of mutual interest.

Terrorism Pact Signed

A pact aimed at fighting international terrorism was signed by EC justice ministers in Dublin in December.

The new convention states that acts of violence such as kidnapping or airplane hijackings will not be treated as political offenses and specifies that member states will either prosecute or extradite persons suspected of such actions.

Its far-reaching implications eliminate the concept of political asylum or immunity from the legal systems of the signatories. The pact comes into effect three months after having been ratified by all member states, which is expected as early as 1981.

ECONOMY

Steel Plan Extended

The EC steel crisis program has been extended through 1980 by the EC Council of Ministers.

Like its predecessors, the 1980 plan includes both internal price floors for certain steel products and import understandings with major steel supplying nations. The extended plan, however, will suspend minimum prices in 1980 for a few steel products that were covered under previous plans.

In another phase of the plan, the EC Commission will initiate contacts with import steel producing nations to extend the self-limitations these countries have been applying toward shipments to the Community in recent years. Such negotiations may take place for as many as 18 countries in the coming months.

Jobless Number Six Million

Figures released in mid-November put the number of unemployed in the Community over the 6 million mark for the first time since March 1979.

The result was that unemployment as a percentage of the working population rose from 5.5 per cent in September to 5.6 per cent by the end of October. The survey found that there was a marked deterioration in four EC nations with increases above the Community average. Luxembourg showed a 13.8 per cent increase in redundancies; France rose by 3.9 per cent; German unemployment climbed by 3.4 per cent; and Italy increased 2.5 per cent.

Reductions in unemployment were registered in three countries: the Netherlands by 2.4 per cent; Belgium with a 2.1 per cent drop; and Britain with 1.9 per cent.

The percentage for male unemployed fell by .2 point while women without jobs increased by .3 per cent during the year.

INVESTMENT

Funds for the Ortoli Facility

The EC Commission recommended in late January an increase to 500 million European units of account (EUA) of funding available in 1980 for the new Community loan program known as the "Ortoli Facility"—named after Commission Vice President François-Xavier Ortoli, in charge of economic and financial affairs.

The plan approved last year is designed to channel large-scale investment financing for major projects of importance to the Community. EUA 300 million was approved in 1979 in a first series of projects. The remaining projects will be announced in coming months.

The Commission proposed that in the first year of operation, the emphasis be on energy and major infrastructure projects. The concept of infrastructure should be enlarged to include urban renovation projects, it said, with special consideration also given to prefabricated factories, plants, and housing.

Nuclear Loan Signed

Following negotiations between the EC Commission and a Luxembourg banking syndicate, a contract was signed in early December for the issue of a Euratom bond loan on the Luxembourg capital market.

Proceeds of the loan will be used to finance investment projects relating to the construction of nuclear power stations and industrial nuclear fuel cycle installations.

The loan is for 500 million Luxembourg francs for eight years at an annual interest rate of 9.75 per cent. The banking syndicate is managed by the Banque Internationale à Luxembourg S.A. Application has been made for official listing on the Luxembourg stock exchange.

Regional Fund Creates Jobs

Some 53,000 jobs were created as a result of financial grants awarded in early January by the EC Regional Fund to less prosperous regions of the European Community.

For 335 industrial or service projects and for 1,556 infrastructure projects, the total granted for the latter part of 1979 was 538 million European units of account (EUA). This aid brought the total allocated for the 1979 budget to EUA 966 million—the largest amount ever spent in one year since the creation of the fund in 1975.

Coal and Steel Investments

A report on investments in the coal and steel industries, released late last year, showed that in 1978 there was increased spending in coal but a decline in steel expenditures.

The annual survey indicated that capital investment in coal reached nearly 1 billion European units of account (EUA) and that the increase was particularly marked in the United Kingdom, but modest in the Ruhr. Despite the increase in investment, said the survey, extraction potential continues to decline and is expected to fall below projected plans.

A drop in capital expenditures for steel from EUA 3.3 billion in 1976 and EUA 2.4 billion in 1977 to EUA 2.1 billion in 1978 was reported. The survey noted, however, that substantial investments have been made to modernize and increase efficiency and output. Production potential in finished products is expected to increase in the next few years, the survey said.

ECSC Loan Floated

A contract for the issue of a \$100 million loan for 1979-86 was signed in December between the EC Commission and a banking syndicate. Proceeds of the loan will be used to finance investment in the coal and steel industrial and conversion programs.

The loan is in 10,000 bonds of \$10,000 each offering an initial interest rate of 12 per cent per annum. The interest is to drop by .25 per cent every year. The issue price was set at 98.85 per cent.

The loan is to be launched on the international capital market in the form of a private placement. It was underwritten by a banking syndicate managed by the Société Générale. An application is to be made for official listing on the Luxembourg stock exchange.

ENERGY

EC Oil Bulletin

The Community's average increase in free-on-board prices of crude oil between December 31, 1978, and January 21, 1980, was 114 per cent as a result of decisions taken by the oil-exporting countries.

The pre-tax prices of the principal oil products (crude oil and imported finished products) increased by an average of around 89 per cent over the same period. If these prices had been in line with the Rotterdam spot prices, the figure would have been 115 per cent rather than 89 per cent.

The EC Commission publishes weekly bulletins in order to make Community oil markets more transparent, particularly in regard to price information.

Energy Saving Moves Ahead

The next phase of proposals made last summer by a group headed by Jean Saint-Geours in "In Favor of an Energy-Efficient Society" have been approved by the EC Commission.

The study indicated that with existing technology and new, nondisruptive

life styles and attitudes, some 25 per cent or more of the energy now consumed could be saved. These changes, however, would require important policy and investment shifts that would have to be thoroughly planned and debated.

The next phase in the application of the recommendations, the Commission announced, would involve major public information campaigns, the organization of a commercial and trade fair based around the theme, "The World in the Post-Petroleum Era," regular reviews of energy taxation and pricing policies, and the preparation of a data bank on energy. In addition, the Commission plans to set up an expert group to study the questions of investment and employment connected with energy savings.

Other studies will concentrate on such areas as the means of transferring energy-saving technology and special problem sectors that would be seriously affected by reduced energy dependence and consumption.

Nuclear Material Protection

After two years of negotiations, the EC Commission has approved a communication to the Council of Ministers on an international convention for the physical protection of nuclear material.

The Commission negotiated on behalf of Euratom in the International Atomic Energy Agency's headquarters in Vienna. The Community can adhere to the convention either by signature or by accession the same as any sovereign state.

The convention was to open for signature in early March and would enter into force after ratification by 21 signatories. Fifty-eight other states participated in the negotiations alongside the Community.

The Commission's communication to the Council suggests that it would be appropriate for the convention to be signed by the Commission on behalf of Euratom and by the member states simultaneously. It also asks authorization for Energy Commissioner Guido Brunner to sign the convention.

Energy Pact Proposed

A major new proposal for international energy and economic cooperation was proposed by EC Energy Commissioner Guido Brunner in a speech in late January.

Brunner's plan would include an international pact originating with EC member states and open to other countries wishing to cooperate on conservation of energy and raw material supplies. Another step proposed was the introduction of an EC tax on oil imports to encourage and help finance domestic energy production.

In addition, Brunner suggested setting up a world security council for economic affairs, and he also proposed an energy conference among East and West European nations, as part of the

Helsinki accord on European security and cooperation. Brunner then recommended that Europe develop a special cooperation effort that included energy matters with Middle East countries.

Energy Bus Goes to Europe

A memorandum of understanding on collaboration in the continued development of an "energy bus" was signed between the Community and Canada when the Canadian-EC joint commission met in Brussels late last year.

Of Canadian design, the energy bus is a vehicle containing measuring equipment to gauge the efficiency of energy consumption in industrial plants, office buildings, and other facilities. Following its arrival in Europe, an energy bus will tour several countries in the Community with Canadian experts demonstrating the capabilities of the bus.

Double for Coal Projects

The EC Commission has proposed to double the funds available for demonstration projects in coal liquefaction and gasification from 50 million European units of account (EUA) to 100 million.

Justification of the increase pointed to the rise in oil prices since the amount was originally set last April, and to further rises expected. Coal technology is receiving growing attention because of the need to reduce dependence on oil.

Member states and industry had already shown great interest in the first call for tenders. Four projects in the United Kingdom, Germany, and Belgium received nearly 16 million worth of support.

ENVIRONMENT

Environment Ministers Meet

A major new Community control on the amount of sulphur dioxide in the atmosphere has been adopted by the EC environment ministers.

The proposal, hailed as an important step in public health, will require Community countries to apply new allowable minimums to harmful sulphur dioxide and other suspended particles in the air by 1983.

Another important issue covered was the Community's decision to reduce the use of fluorocarbons in aerosol sprays. Fluorocarbons are considered harmful to the earth's ozone layer, a protective shield against the sun's rays. Destruction of this layer could result in such ailments as skin cancer. The ministers set in motion a program designed to reduce the use of fluorocarbons by as much as 30 per cent, the present target in Germany.

The ministers also discussed proposed reduced levels of lead to be al-

lowed in the air; further studies on dealing with maritime oil pollution accidents, such as the Amoco Cadiz disaster; and proposed new controls and inspections to prevent major industrial pollution accidents, such as the one a few years ago in Seveso, Italy.

Dutch and French representatives also talked about the current controversy over France's failure to ratify an international convention aimed at reducing the amount of salt wastes from potash mines being dumped in the Rhine River.

COMPETITION

Journals Refuse Advertising

Two Belgian journals in common ownership who refused to accept British advertisements in March last year told the Commission they will accept advertisements from outside Belgium in the future, it was announced in early February.

The special interest publications in boating equipment had refused advertisements for boating equipment from a British supplier after Belgian competitors had claimed to be competing under significant cost and tax disadvantages.

The British supplier argued the action had endangered his Belgian sales. In addition, boating equipment customers in Belgium had been deprived of price and choice advantages available in another member state.

Competition Rules Enforced

The EC Commission announced in December a decision on cane sugar supplies and the results of a 1977 decision involving Breton vegetables as part of its enforcement of EC competition rules.

Fourteen contracts for the supply to the United Kingdom of raw cane sugar produced in 11 African, Caribbean, and Pacific countries, Belize, St. Kitts, and India were given a favorable decision. The sugar is imported by purchasers — Tate & Lyle Refineries Ltd. and Manbré Sugars Ltd. — and refined for sale within the Common Market.

Although the selling and purchasing obligations were considered similar to a reciprocal exclusivity arrangement, the Commission said the agreements have little impact on the marketing or sources of supply for third parties. Within the Community the only other major suppliers of raw cane sugar are the French overseas departments, which mainly supply French refineries.

The Commission also announced in December that groups concerned in a 1977 decision on conditions imposed by vegetable growers and dealers in Brittany had amended their regulations. The infringements concerned the marketing of cauliflower, artichokes, and early potatoes. Exclusive purchasing obligations at auctions had been

removed and dealers were no longer required to own a packing facility in the area.

The Commission also announced that it had completed its investigation into a complaint regarding the transport of cauliflower to Germany. The complaint concerned an agreement between the Comité économique régional agricole fruits et légumes and the Union des expéditeurs et exportateurs du nord Finistère, on the one hand, and the Société française de transports et entrepôts frigorifiques, on the other, requiring their members to use refrigerated railway trucks at certain times of the year.

These measures constituted restrictions on competition, said the Commission, in that dealers were deprived of freedom of choice in transportation. The required transport also made products more expensive and prevented competition. Following the Commission's intervention, the parties terminated the agreement and replaced it with a system of trade incentives.

Fertilizer Makers Fined

Three leading French fertilizer manufacturers have been fined 85,000 European units of account each for infringing competition rules.

Société Générale des Engrais SA, Compagnie Française de l'Azote SA, and Société Chimique des Charbonnages SA had concluded in 1968 cooperation agreements setting up a joint company — Floral GmbH — to distribute their compound fertilizers in Germany.

The Commission established that, although there was no exclusive agreement, all fertilizers produced by the three French firms were exported to Germany through Floral. This meant German buyers were offered the same products at identical prices and terms, the same as an export sales agency.

Fines were imposed on the grounds that the infringement was, if not deliberate, then at least negligent. The parties were aware that their activities were in breach of the Community's rules on competition, said the Commission. The French manufacturers would have faced heavier fines except their turnover in Germany was fairly low, accounted for a small proportion of their fertilizer sales, and they had relinquished their holding in Floral in October 1979.

Paint Makers' Exemption

Medium-sized marine paint manufacturers in the Community and elsewhere belonging to the Transocean Marine Paint Association got a renewal of their exemption from the EC prohibition on restrictive practices. The arrangement was continued until the end of 1986.

The association's object is to help its members remain competitive internationally on the specialized market for marine paints. This entails stocking marine paints manufactured by the same process at the largest possible number of ports. Members have agreed to make

paints of the same quality using the same formulae and to distribute them under a single Transocean trademark.

Each member is given a territory where it must concentrate its marketing efforts, but the members are not allowed to hinder parallel imports from other territories. The association holds a combined Community market share of about 10 per cent.

The Commission concluded that cooperation within Transocean is economically justified. Medium-sized firms are enabled to compete with other major suppliers of marine paints and thereby improve overall market activity.

Japanese Hi-fi Firm Fined

A total of nearly 7 million European units of account in fines were levied in mid-December against various affiliates of the Japanese multinational company Pioneer and other European firms for practices judged to be illegal by the EC Commission.

The practices reportedly involved understandings by the various firms that products made by Pioneer and sold in their markets would not be exported to other Community countries. Such a ban on parallel imports outside the company's regular sales network resulted in a wide discrepancy in prices for the same product in different EC member states.

For example, the same Pioneer hi-fi amplifier in 1975 cost 27-to-38 per cent less in Britain and Germany than in France. The companies involved had agreed not to allow the product to be bought in Britain or Germany and then be re-exported to France. This, according to the Commission, was a violation of the EC treaty provisions against restraints on trade between Community nations.

New Synthetic Fibers Accord

European manufacturers of synthetic fibers agreed to a new joint program at a meeting in Paris in late January.

An agreement signed in 1978 had been judged incompatible with EC competition rules involving production quotas and market arrangements by industrial cartels. The new agreement was an attempt by manufacturers to comply with the Commission's objections.

It aims at the orderly reduction of excess production capacity while avoiding production quotas.

Coop Arrangements Ended

The EC Commission acted in early December to end restrictions imposed on members of a Dutch cheese manufacturing cooperative.

The Cooperatieve Stremselen Kleurfabriek produces on behalf of its members — most Dutch cheese manufacturers — almost all the rennet, an enzyme used to curdle milk, and coloring agents used for cheese-making in the Netherlands. In addition, it imposed a purchase obligation on members to buy all their rennet and coloring

agents from the cooperative.

Since the cooperative accounts for over 90 per cent of the Dutch market, the purchase obligation prevented producers of rennet and coloring agents from other member states from penetrating the Dutch market. The Commission felt, in addition, that the advantages of the cooperative's joint production could still be obtained if members were allowed greater freedom of choice.

HARMONIZATION

Securities Directive Adopted

The sixth EC company law directive coordinating the listing particulars to be published when securities are admitted to official stock exchange listing has been adopted by the EC Council of Ministers in mid-December.

The directive is designed to eliminate obstacles to the listing of securities and to facilitate access to different stock exchanges in the member states. It is an important addition to an earlier directive coordinating the conditions for admission of securities to official stock exchange listing.

Greater equality in safeguards offered to investors should result from the directive. In addition, it will contribute to the establishment of a European capital market, an essential aspect of economic and monetary union.

New Tax Directive Proposed

A draft directive to eliminate tax disadvantages hindering the free movement of nonresident employed persons in the Community has been proposed by the EC Commission.

Provisions in the proposal include: taxation of frontier workers in the member state of residence, with credit given for any tax withheld at source by the member state of employment; taxation of other nonresident employed persons in the member state of employment, where the tax applied may not be less favorable than that applied to residents; tax relief, where applicable, in respect to certain payments made by an individual, whatever the member state of the recipient of such payments.

AID

Aid to Afghan Refugees

A total of \$17.7 million was proposed by the EC Commission in late January as aid for refugees from Afghanistan arriving in Pakistan.

EC aid is part of an estimated \$72 million needed this year for 500,000 Afghan refugees. The Commission proposed \$14 million in financial aid

and the rest in food aid: 12,000 tons of cereals, 300 tons of powdered milk, and 1,000 tons of sugar. This, added to earlier shipments and aid offered by individual member states, brings the total EC contribution to over \$20 million.

EIB Loans for Development

Thirteen European Investment Bank (EIB) loans were approved late last year for a variety of industrial development projects in Third World countries.

Two loans amounting to 26 million European units of account (EUA) were approved for forestry development and construction of a saw mill and paper mill on the Mediterranean coast in southern Turkey. The forestry phase should lead to the creation of 5,000 jobs, while the mills would require a work force of more than 1,200. Total cost of the project will exceed EUA 220 million.

Tourism development in Mali will get a boost of EUA 2.5 million to go toward the construction of two hotels and the purchase of transport and communications equipment needed to set up tour circuits. The hotels, scheduled to go into service in 1981, would employ 90 people. Overall investment cost of the project is estimated at EUA 5 million.

The EIB also lent EUA 15 million for small and medium-scale industrial and tourism ventures in Egypt.

A loan of EUA 25 million was granted to Mauritania for opening up iron ore deposits. The project consists of an open-cast mine to start in 1983 and the commissioning of an enrichment plant. Permanent jobs for 760 workers are expected to result.

For developing clinker and cement production, Cameroon was granted an EUA 6.6 million loan. The project is designed to raise production capacity at a clinker crushing works and a cement works.

To help expand fertilizer production in the Ivory Coast, the EIB lent EUA 5.72 million. The improvements should increase fertilizer output to 120,000 tons a year. This will promote economic cooperation between different states and help raise agricultural productivity in three countries served by the Ivory Coast fertilizer industry.

A feasibility study on iron ore deposits in Senegal will benefit from an EIB loan for nearly EUA 1 million. The loan is to be repaid only if a decision to mine the deposits is made.

Two loans totaling EUA 25 million were granted to finance agro-industrial ventures and agricultural investment in Greece.

Construction of an industrial estate near Amman, Jordan, will be helped by a loan for EUA 5 million. This amount will go toward the first phase of development covering a portion of the total acreage and including 95 standard factories, roads, water supply, drainage, electricity, telecommunications, and buildings.

More than EUA 1.6 million for in-

vestment to exploit national energy resources was approved for projects in Madagascar and Senegal. In Madagascar the loan will help finance a study on developing bituminous sandstone deposits; in Senegal, the loan will be used for constructing a factory to produce solar collectors and insulated tanks.

The EIB also lent EUA 10 million to the Lebanese Government to increase the country's electricity output. Specifically, the funds will go toward three additional generating sets at a thermal power station near Beirut.

Aid to Nonassociated States

The third 1979 installment of aid projects for nonassociated developing countries has been approved by the EC Commission.

A total of over 40 million European units of account (EUA) for 16 projects was allotted, leaving EUA 30 million still available under the 1979 budget. The projects include livestock development in Baluchistan, Pakistan; drainage and pilot crop development in two regions of Indonesia, as well as funds for irrigation studies there.

Thailand receives a grant for crop development; the Philippines was awarded aid for the Bicol river basin development program; Laos gets aid for seed propagation centers. Funds for a technical assistance program were granted the Asian Development Bank; and the Association of South East Asian Nations receives funds for rural agriculture studies. Aid for technical assistance goes to the Mekong committee, as well.

Bolivia receives grants for two projects in agriculture, and Ecuador gets aid for an irrigation program. Peru was awarded monies for a pilot afforestation project, and India receives aid for anti-hurricane and flood shelters in two regions.

Stabex Transfers to Africa

Compensation for export earnings losses in 1978 were granted to three African nations in December under the Stabex plan of the Lomé Convention.

Benin was granted over 4 million European units of account (EUA) for losses in palm oil and cotton. Also for cotton revenue losses, the Central African Republic was granted EUA 3 million and Chad, EUA 4.7 million. These transfers total EUA 12.3 million bringing the total under Stabex for 1978 to EUA 149.1 million. Of this figure, 51.3 per cent has gone to the least developed African, Caribbean, and Pacific countries in the form of grants.

Aid to Troubled Countries

The Commission decided in early January to grant 100,000 European units of account (EUA) toward helping victims of an earthquake in the Azores — in the latest in a series of EC emergency aid decisions.

Disaster aid of EUA 400,000 was granted to help victims of recent floods in south Wales and southwest Eng-

land. The Commission agreed that the aid would be distributed directly to those with no alternative source of compensation.

EUA 20 million in emergency aid was granted by the Commission to the people of Kampuchea last November, and in early December the Commission decided to allocate an EUA 2 million reserve included in the original figure. The reserve was to go to nongovernmental organizations for a medical team of 120 people to Thailand; convoys of foodstuffs, medicines, supplies to the Thailand-Kampuchea frontier; and the sending of medicines, equipment, food, and clothing to Phnom Penh.

Aid to several other troubled countries was granted in December by the EC Commission. Emergency food aid to Nicaragua consisting of 10,000 tons of cereals, 500 tons of milk powder, along with other products all worth EUA 2 million were sent as a supplement to measures already taken. The total aid to Nicaragua since July is EUA 6.25 million.

Timor was granted EUA 50,000 in emergency aid to help refugees as a result of fighting there. The aid was to supply essentials and send a medical team. Last August the Community granted 90 tons of milk powder to the same region.

Food aid in the form of cereals, milk powder, and butteroil worth EUA 1 million in all was provided in response to a request by the Honduras Government for aid for 26,000 flood victims.

The Dominican Republic was granted further emergency aid of EUA 300 for seeds, fertilizers, tools, and building materials. These supplies are in addition to allocations of EUA 300,000 since Hurricane David.

Exceptional aid of EUA 2.5 million was granted to Malawi to finance the air freighting of 9 million litres of fuel to help ease local shortages. EUA 150,000 for the supply of insecticides and logistical support for locust control was also decided for Cape Verde.

The Commission decided in late November in response to a request for emergency food aid from the United Nations to contribute a first shipment of dairy products to Botswana, Uganda, Pakistan, Somalia, and Zambia. A second shipment was also planned.

Industrial Investment Viewed

The Community is ready to intensify consultations on industrial investment in developing countries, EC Industrial Commissioner Etienne Davignon told a meeting of the United Nations Industrial Development Organization (UNIDO) in New Delhi in late January.

The Commissioner pointed out the need to address areas of mutual concern, such as developing the raw materials and mining sector. He noted that the Community imports about three-fourths of its raw material needs, largely from other industrialized nations, and that the mining investment in the Third World should be stimulated.

Davignon also rejected charges that EC trade and import policy was protectionist. He cited examples in the footwear, textile, steel, and shipbuilding sectors where the Community market had remained open to imports from developing countries, despite growing economic problems in these European sectors.

North/South Talks to Go on

A move toward resuming the interrupted "North/South Dialogue" was made in late January when the EC Commission recommended the Community participate in United Nations (UN) preparations for new talks.

A call to resume the dialogue toward improving economic relations and conditions in both the industrialized and developing countries was made by the UN General Assembly in early December. A resolution at that time forecast that world negotiations on international economic cooperation would be taken up again in 1980. Focus would be on raw materials, energy, trade, development, and finance.

The Commission recommendation was meant to formalize EC participation in the UN planning sessions.

AGRICULTURE

Lamb War Continues

The EC Commission announced in January that it had filed suit in the European Court of Justice in regard to France's failure to allow imports of sheep.

The British Government might also seek damages from France over the latter's restrictions on British lamb imports, it was reported.

Late last year, the Court had ruled that France's import restrictions conflicted with the Community's free trade provisions; however, France had not acted to remove trade barriers by mid-January.

Farm Spending to Be Cut

EC agriculture ministers, meeting in late January, agreed to begin cutting agricultural expenses at the same time the debate on new farm prices started.

There was also general agreement for policies that would reduce excess dairy and sugar production, but a variety of views on how to do it.

ENLARGEMENT

Spanish Talks Move Ahead

Leaders of the Community and Spain have pledged to aim for completion of the bulk of enlargement negotiations by the end of 1980.

This pledge took place in Brussels following a visit by Spanish Prime

Minister Adolfo Suarez to the EC Commission in December. Suarez met with EC Commission President Roy Jenkins and Vice Presidents Lorenzo Natali, François-Xavier Ortoli, Finn Olav Gundelach, and Industrial Commissioner Etienne Davignon.

EC, Portugal Sign Protocol

With the signature of a new protocol governing their relations, the Community and Portugal have entered into a phase designed to pave the way for the eventual entry of Portugal into the Community. This new arrangement, supplementing the bilateral accord of 1972, entered into force on January 1.

The protocol will also help with current economic difficulties. It allows Portugal to continue protection of some

of its industries for sufficient time to undertake restructuration, especially in the automobile sector.

Greece Renews Olympic Bid

"To preserve the Olympic idea we must rid the games of politics and commercialism," said Greek Prime Minister Konstantin Karamanlis in renewing the Greek proposal to site permanently the Olympic Games in Athens. Greece is to become an EC member in 1981.

Karamanlis spoke on the occasion of the inauguration of a new Olympic-size athletics stadium in the Greek capital in January.

The proposal is based on the belief that the return of the games to Greece would restore their former spirit of pure athleticism, free of commercial and political exploitation.

SCHOLARSHIPS, GRANTS, CONFERENCES

Marketing Seminars

The University of Michigan is sponsoring international marketing management seminars in March, June, September, and October.

Topics to be covered during the five-day sessions include developing international market strategy; intelligence; entry; distribution channels and logistics; policy and pricing; advertising.

For further information, write Mary Kenyon, Division of Management Education, The University of Michigan, 1735 Washtenaw Avenue, Ann Arbor, Michigan 48109.

Radioactive Waste Meeting

The first EC international conference on radioactive waste management and disposal has been set for May 20-23 in Luxembourg.

Papers will be presented by scientists involved in EC contract studies and members of the Commission's scientific staff. Simultaneous interpretation will be provided in English, French, and German.

For further information, contact the European Community Information Service, 2100 M St., NW, Suite 707, Washington, DC 20037.

Ispra Courses in 1980

The Ispra Establishment of the EC Joint Research Center presents a regular series of courses and seminars at its facilities in Varese, Italy.

The program for 1980 includes courses in computer science, chemical sciences and techniques, health physics, reactor safety, nuclear science, engineering.

For details write: Secretariat, Ispra Courses, Centro Comune di Ricerca, 1-21020 Ispra (Varese), Italy.

European Waste Management

The EC Commission will sponsor a conference on waste management

throughout the Community to complement the International Solid Wastes Congress in London in 1980.

The Community's conference is to be held June 17-19 in London and will focus on topics including waste paper, packaging, hazardous waste, utilization of waste in agriculture, and energy from waste. These are areas in which the Community is developing policies.

For further information write, The Conference Organizer, European Conference on Waste Management, London Conferences, 44, Kendal Steps, St. Georges Fields, London, W2 2YE, England.

International Studies

The International Studies Association's twenty-first convention was scheduled for March 19-22 in Los Angeles. This year's theme is "Guiding Hands Versus Hidden Hands: Managing Security, Welfare, and the Environment Within and Among Nations."

For more information, contact: J.A. Kuhlman, Executive Director, International Studies Association, Gambrell Hall, The University of South Carolina, Columbia, South Carolina 29208 (803/777-2933).

Integration Studies Grants

Fifteen grants for European integration research are available from the EC Commission for the 1980-81 academic year.

Awards will go to young university teachers who individually or as a team are doing research on integration. Applications must be submitted by March 31, and grants will be awarded in July. The final text must be submitted to the Commission before October 1981.

Applications may be obtained from the European Community Information Service, 2100 M St., NW, Suite 707, Washington, DC 20037.

Recent Books

Europe periodically lists books dealing with Community and Atlantic topics. Prices are also given when known. This presentation does not indicate approval or recommendation of these publications, which can be purchased or ordered from most booksellers.

The European Parliament and the National Parliaments. Edited by Valentine Herman and Rinus van Schendelen. Saxon House, Westmead, Farnborough, Hants, 1978. Available from Renouf USA, Inc., Brookfield, VT 05036. 304 pages including index. \$26.50.

Explores the relationships between the European Parliament and the national parliaments of member states; discusses changes in these relationships since the 1973 enlargement.

Basics of Antidumping and Other Import Relief Laws: Multilateral Trade Negotiations Update.

Edited by Harvey M. Applebaum and A. Paul Victor. Practising Law Institute, 810 Seventh Avenue, New York, 1979. 296 pages. \$20.00.

Updates the multilateral trade negotiations with a review of existing antidumping and countervailing duty laws and their revision under the Trade Agreements Act of 1979, as well as other import relief actions.

Household Income and Expenditure Statistics No. 3, 1968-1976. International Labour Office, Geneva, 1979. Available from ILO, Washington, DC. 489 pages. \$19.95.

Collection of statistics based on household expenditure surveys conducted between 1968 and 1976, covering 87 countries and territories throughout the world.

European Communities Yearbook 1979. Editions Delta, Brussels, 1979. Available from Unipub, New York. 607 pages. \$45.00.

Guide to the structure, operation, and activities of the European Community with information on institutions and departments, movements and associations formed within the EC context, and names and addresses for the diplomatic missions accredited to the Community.

Women at Work. International Labour Office, Geneva. Available from ILO, Washington, DC. Annual Subscription: \$7.45.

Biannual news bulletin giving information on trends and developments concerning women workers.

The Cost of Social Security. International Labour Office, Geneva, 1979. Available from ILO, Washington, DC. 113 pages. \$19.95.

The ninth of a series of international inquiries into the social security schemes of various countries; covers the years 1972-74; includes comparative tables, national accounts data, population data, and consumer price indexes.

Beef and Veal in Europe. Edited by Jean Paul Chauvet. European News Agency, Brussels, 1978. Three volumes: 321 pages, 222 pages, 157 pages. \$336.00.

Study of the beef and veal market in Europe, covering the regulation of the market by the European Community, the structure and prospects for the EC and world markets, and Europe's trade in beef and veal.

Europe's Energy (from Coal to Oil). By Jack Gleason and Stephen B. Hahn. European News Agency, Brussels, 1979. 216 pages.

Studies European energy policy to 1974, examining the gradual switch from coal to oil; reviews the history of Euratom from its beginnings; looks at nuclear power policies in separate EC countries and European cooperation in this field.

Multinational Collective Bargaining Attempts. By Herbert R. Northrup and Richard L. Rowan. University of Pennsylvania, Philadelphia, 1979. 580 pages including index. \$27.50.

Study of the role of international union federations' actions on multinational corporate activity; reviews history of this relationship, as well as prospects for the future; examines social costs and benefits and the role of national and intergovernmental agencies in multinational industrial relations.

Textiles and Clothing in Europe and the World. By Jean Paul Chauvet. European News Agency, Brussels, 1979. 156 pages.

Survey of the textile and clothing industries worldwide with separate sections on developed, developing, and Eastern bloc countries; examines trends in technology, production, and trade in this sector.

Slow Growth in Britain. Edited by Wilfred Beckerman. Oxford University Press, New York, 1979. 237 pages including index. \$23.50.

Collection of papers addressing the causes and consequences of Britain's slow growth rate; includes an opinion on the necessary application of strict import controls to strengthen the economy.

A History of Germany 1815-1945. By William Carr. St. Martin's Press, New York, 1979. 414 pages including index. \$18.95, cloth; \$8.95, paper.

Revised edition of Dr. Carr's first text on the same subject; incorporates his own findings as well as recent findings on the period previously uncovered.

To order the publications listed below, please check the desired items and fill out the order blank. Mail to the European Community Information Service, 2100 M Street, NW, Suite 707, Washington, DC 20037,

Energy Analysis. As an Economic Tool. EUR 6387 EN, Commission, Luxembourg, 1979, 64 pages. \$14.30
By M. Slesser; paper on the state of the art of energy analysis — how energy enters the economic process and can be used to supplement economic analysis.

A Study of Concentration in the Distribution of Household Electrical Appliances, Prices and Mark-ups for the United Kingdom and the Republic of Ireland. Evolution of concentration and competition series No. 28, Commission, Brussels, 1979, 238 pages\$9.20
By MLH Consultants Ltd., Dublin and London.

The European Community Response to the Afghanistan Crisis. European Community News No. 3/1980, Information Service, Washington, DC, January 18, 1980, 3 pagesfree
Summary of Community actions on trade with the Soviet Union and text of the European Parliament resolution of January 16 on Afghanistan.

Sugar, The European Community and the Lomé Convention. Europe Information No. 19/79, Commission, Brussels, 1979, 12 pagesfree
Note on the world and Community sugar markets and trade, the operation of the sugar protocol of the Lomé Convention, and the International Sugar Agreement.

The EEC and the Developing Countries: Outside the Lomé Convention and the Southern Mediterranean. Europe Information: Development, Commission, Brussels, 1979, 21 pagesfree
Outline of the Community's policies for nonassociated developing countries; covers the trading regime and assistance, food aid, financial and technical assistance, emergency aid, and member state aid efforts.

Yugoslavia and the European Community. Europe Information No. 20/79, Commission, Brussels, 1979, 6 pagesfree
Summary of developments in EC-Yugoslavia relations, the 1973 agreement, textile arrangements, scientific and technical cooperation, and the negotiation of a new cooperation agreement.

(202) 862-9540. In the New York area copies can be ordered from the European Community Information Service, 245 East 47th Street, New York, NY 10017, (212) 371-3804. Telephone orders are also welcome.

Meeting on Industrial Processes: Energy Conservation R&D. EUR 6236 DE/EN/FR, Commission, Luxembourg, 1979, 622 pages ... \$34.50
Meeting held in Brussels, November 23-24, 1978, to review the results of energy conservation projects funded by the Community; papers covered energy analysis, heat recovery techniques, heat exchangers, Organic Rankine Cycle engines, combustion, and boilers.

Chemical and Physical Valorization of Coal. EUR 6576 DE/EN/FR, Commission, Luxembourg, 1979, 154 pages \$21.60
Papers presented at a round table meeting, Brussels, November 9, 1978.

Childhood Deafness in the European Community. EUR 6413 DA/DE/EN/FR/IT/NL, Commission, Luxembourg, 1979, 260 pages. \$12.20
By J.A.M. Martin and W.J. Moore; result of an epidemiological investigation in the nine member countries to determine the prevalence of childhood deafness.

The Evaluation of Research and Development: Summary of the Recommendations and Main Contributions. EUR 6346 EN, Vols. I and II, Commission, Luxembourg, 83 pages and 456 pages \$15.80 set
Proceedings and papers of a seminar, Copenhagen, June 29-July 1, 1978, on the need to elaborate some methodology to evaluate the effectiveness and value of Community R&D programs.

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