MAY-JUNE 1980 NO. 219

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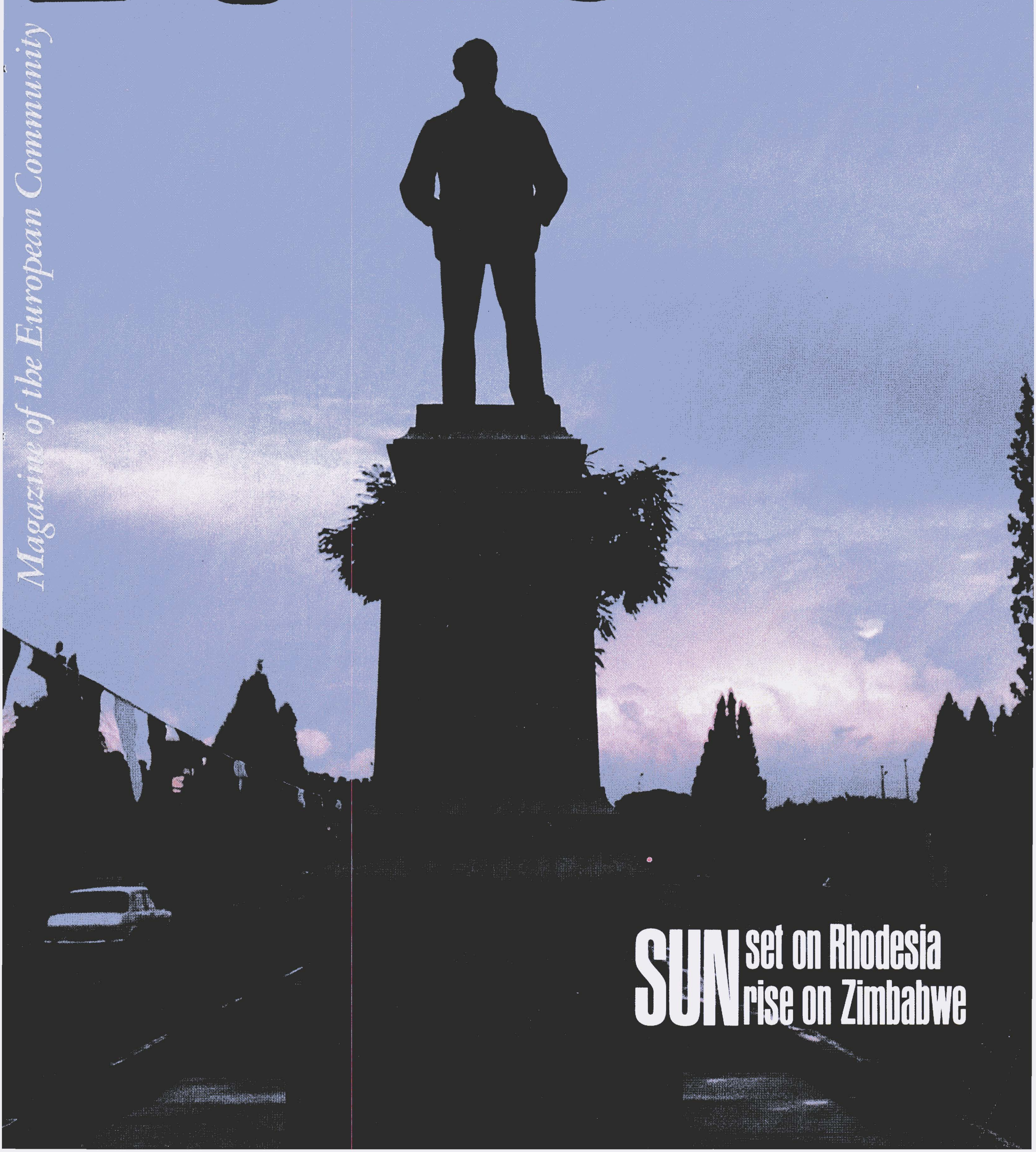
EUROPE

Magazine of the European Community



SUNset on Rhodesia
SUNrise on Zimbabwe

EUROPE

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MAY-JUNE 1980 NO. 219

Publisher Andrew A. Mulligan
Editor-in-Chief Walter Nicklin
Assistant Editor Candace Denning
Advertising/Circulation Director Webster Martin
General Manager Sarah H. Trott
Assistant John Webb
Designer Leckie/Lehmann

Contents

Cover (front): Statue of Cecil Rhodes in Salisbury, see page 3. © Simon McBride, Salisbury, Zimbabwe.

Cover (back): Scene from Zimbabwe's independence ceremonies. © Simon McBride.

Europe is published by the Delegation of the Commission of the European Communities, 2100 M Street, NW, Suite 707, Washington, DC 20037. *Europe,* published bimonthly, is available by subscription for $9 per year; $15 per two years; $20 per three years.

Editorial, permissions, advertising, and circulation offices: 2100 M Street, NW, Suite 707, Washington, DC 20037; telephone (202) 862-9500; telex 248455 COME UR.

Publisher's Letter

This month's cover story is one of those all too rare successes in foreign policy in a troubled world. The peaceful transition of Rhodesia to Zimbabwe through the ballot box adds yet another chapter to the British genius for diplomacy and compromise.

Europe, too, seemed almost predestined to play a role. Lord Soames, who presided over the last colony in Africa, was a former vice president for external relations of the EC Commission, while his collêague Claude Cheysson had assiduously kept lines of communication open with Robert Mugabe of Rhodesia-Zimbabwe, Samora Moises Machel of Mozambique, and José Eduardo dos Santos of Angola. The ink was hardly dry on the Lancaster House agreement before the European Community had acted to ensure that Zimbabwe could join the Lomé Convention. Robert Jackson, former member of Lord Soames's cabinet in the Commission and himself a Rhodesian, now a member of the European Parliament, talks about the Zimbabwe solution.

The EC delegation in Washington has been fortunate to have in Fernand Spaak, the Commission's Ambassador to the United States, an outstanding and knowledgeable representative of the European Community. He has established a formidable reputation during his extensive travels in the United States as a diplomat and spokesman on Community affairs. His eloquent valedictory speech to the Mid-Atlantic Club, printed in this issue, reminds us in these difficult times of the delicate and diverse nature of the relationship between the New Continent and the Old. We have also included a portrait of the Community's new ambassador to the United States, Roland de Kergorlay.

The European Community has been much in the news lately. The decision by member states to make a joint EC response to the US call for solidarity in the face of the hostage crisis in Iran has done much to put the Community on the "front burner" in the American media. As Fernand Spaak said, "What we share with the United States is the same basic set of beliefs and values, more so than with any other country. We also depend on one another for our future, prosperity, and survival."

Andrew A. Mulligan

Andrew A. Mulligan

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THE ZIMBABWE SOLUTION

Britain's triumph, Europe's opportunity

ROBERT JACKSON, *who grew up in Rhodesia, has just returned from service as special adviser to the Governor, Sir Christopher Soames, and is a member of the European Parliament*

THE CIRCUMSTANCES OF THE RHODESIAN ELECTION were a triumph for Britain. And they have given Europe—and the West—an opportunity it would be folly to miss. Britain's purpose in Rhodesia was to obtain agreement on an independence constitution; to bring about a ceasefire and to separate the warring armies; to preside impartially over an election in which all the parties could seek and test their popular support; and to transfer power to an elected government in conditions of reconciliation, peace, and stability. The triumph lies in the successful accomplishment against great odds of each objective as it came into view. The opportunity lies in the scope this fact gives the West to influence Robert Mugabe's new Government as it takes over the reins of power in Zimbabwe.

That Mugabe might be the victor was always inherent in the concept of an open election in Rhodesia, but there was never any peaceful alternative to such an election. Certainly a unilateral British recognition of the Smith-Muzorewa internal settlement—in which Britain would not have been accompanied either by the Europeans or the Americans or the Commonwealth—could not have brought about an end to the war. And if the war had continued, a point would soon have been reached where white support for it would have cracked. They would have left; and guerrilla leaders—by that time hardened in their revolutionary zeal and Communist commitment—would have inherited the vacuum.

Instead, the election did what it alone could do: It brought about a political solution to the war. The "armed struggle" was halted in its tracks, and the gathering force of revolutionary ideas were at least partially deflected into a constitutional process. The new Zimbabwe is born, not out of a Maoist protracted war, but out of an orderly devolution of power from the British Crown.

Already the fruits of this radical shift in perspective are to be seen: Deep antagonisms have been reduced and former enemies brought together. There are two whites in the Cabinet; the crucial agriculture portfolio is held by the leader of the white National Farmers' Union. Even more important, Joshua Nkomo and his party are represented in a broadly based government. White civil servants and black ministers, who only four months ago were fighting in the bush, are working constructively together amid discussions about how to keep the whites in the service of the new state.

On the military side, the Rhodesian army and police are cooperating with the ZANLA (Mugabe) and ZIPRA (Nkomo) armies in the guerrilla assembly places. Elements of the guerrilla forces are training with Rhodesian weapons, so that together with the Rhodesians they can constitute a new Zimbabwean army. On Independence Day—April 17, with Prince Charles in attendance—only four months after the ceasefire, these forces paraded as one. And General Peter Walls, the leader of the Rhodesian resistance to the guerrilla war, now presides over the amalgamation of the armies at the suggestion of the chief guerrilla leader.

"Lord Soames, I presume. . . ." EC Commissioner Claude Cheysson greets former EC Commission Vice President Christopher Soames, who as the last British Governor presided over the peaceful transition of Rhodesia to Zimbabwe. © Alan Cowell, Salisbury, Zimbabwe

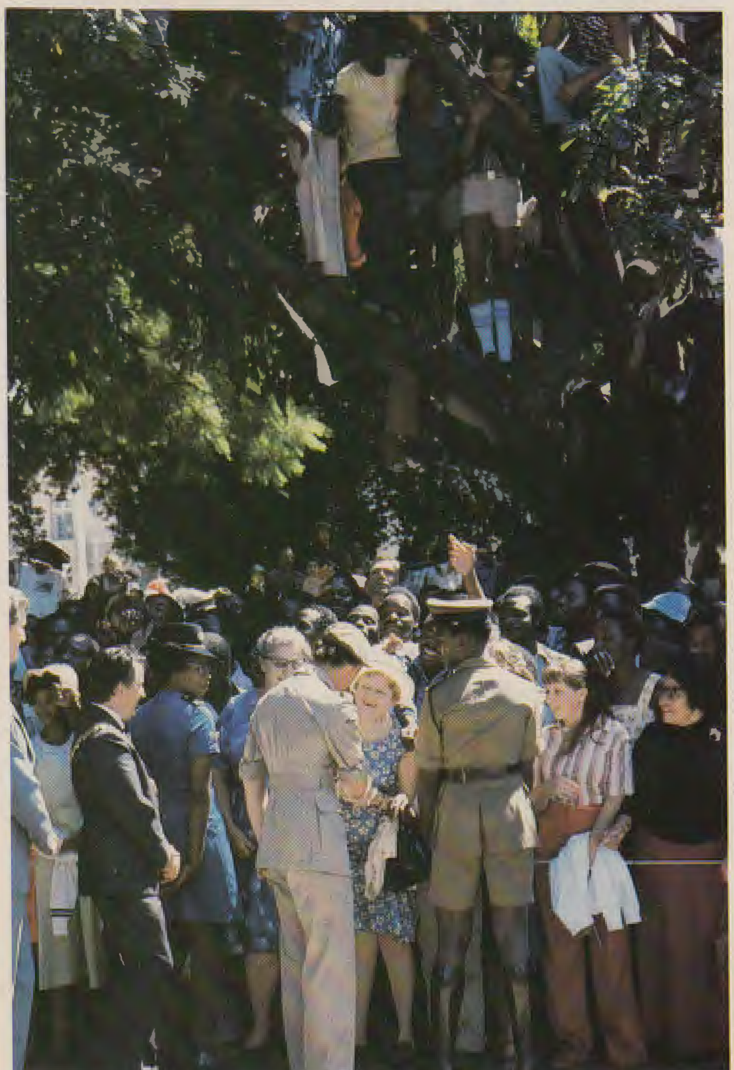
At the independence ceremony (from left): British Foreign Secretary Lord Carrington, Lord Soames, Prince Charles, and Zimbabwe's first Prime Minister, Robert Mugabe. © Simon McBride

IN SOME EXTRAORDINARY WAY, by venturing onto the battlefield equipped only with a referee's whistle, Britain was able to transform the nature of the game in Rhodesia. Certainly, the British presence was extremely modest, and there was a real risk in taking responsibility without power. On the ground there were no more than 1,200 British and Commonwealth (Australia, New Zealand, Fiji, and Kenya) forces in liaison with the Rhodesian Security Forces and the guerrilla armies. At Government House there were never more than 40 people—the Governor, his political staff, and military and police advisers. Spread about the country were just over 100 British election supervisors, reinforced over the three-day election period by some 600 British bobbies—police constables whisked straight from their beats in towns and villages all over Britain and told to keep an eye on the polling stations in tribal Zimbabwe.

That the presence of a British referee made such a difference is not only the result of the balance of forces that had emerged in the region by the middle of 1979—the stalemate on the battlefield, the growing disenchantment of Mozambique, Zambia, and South Africa with the war—but is also the consequence of British traditions that go deep in Rhodesia. Beneath the hard line on both sides, there has been a hankering for constitutionalism for a statehood brought about by lawful process.

The guerrilla war in Rhodesia differed fundamentally from that in Portuguese Africa and, indeed, from that in Vietnam or Algeria. The Rhodesian struggle was never, as in Mozambique, a conflict between incompatible

Prince Charles receives warm welcome from white and black alike as they prepare for independence. © Simon McBride



ideologies—African nationalism against integration with the European metropolis, Fascism against Marxism. Rather, the war in Rhodesia began after the parliamentary road to African political advance was blocked by the white settlers' Unilateral Declaration of Independence (UDI) in 1965. And all along the war was generally regarded by the Africans themselves as a means of unblocking that road—by forcing Britain back on the stage. The war was thus a means to a constitutional end, not an alternative to it. The armed struggle was not directed against the system; it was a struggle to make a basically liberal system deliver self-rule and citizenship for all.

This is the context in which Mugabe's Marxism and that of his followers must be viewed. It is not the Marxism of men who have known no alternative to the revolution, although it might have become so. It is not the philosophy of men hardened and drilled behind the Iron Curtain. For most of them it has been, as for Mugabe himself, more a matter of London University external degrees studied in prison than of years passed at the Whampoa Military Academy or in KGB training schools. Allowing for the fact that Zimbabwe's path to independence has been a longer and more difficult one, the flavor is not very different from that of the ruling philosophies in Britain's other former African colonies.

Nevertheless, Zimbabwe is different. As it comes to independence, peace and stability are poised on a knife edge. The need to satisfy black expectations has to be balanced against both the need and Mugabe's genuine desire to accommodate white interests. On the land and in the townships, there are pent-up feelings that the new Government may neglect at its peril. Over the whole scene looms the shadow of the recent war and the extreme difficulty of constructing a unified military power that will neither seem threatening to any of the three sections of the community with armed force—the whites, the Shona, the Matabele—nor be capable of taking the reins into its own hands.

THIS IS WHERE THE WEST'S—and in particular, Europe's—opportunity in Zimbabwe lies. Through Britain's efforts the West enjoys a large measure of goodwill, and the principles for which the West stood in Rhodesia for 15 years since UDI have been powerfully vindicated. Its services and ideas are in demand. There is no doubt that the West can play a decisive part in helping the new Government keep its balance during the formative period of the new state. By so doing, the West can not only complete the honorable discharge of the West's responsibilities but also ensure that the new Zimbabwe carries on with a system orientated toward Western values.

African governments crave national freedom from external control. And they are prepared to be highly pragmatic in their pursuit of this purpose. The new Government of Zimbabwe will be no different in this respect. For the present Mugabe's main objective is to get himself securely in the saddle while seeing to it that—by accommodating the whites—he retains a horse worth riding. He has thus not only to conciliate white opinion within Rhodesia but also to allow South Africa time to adjust to the shock of seeing the "radicals" installed in Salisbury. So much is pure pragmatism; and it is to be expected that, when he feels able, Mugabe will begin to work toward the reduction of Zimbabwe's ties of dependence on the outside world.

But pragmatism means working with facts. And the facts are that Zimbabwe has to live in the world and its own region as it exists. While the new Government will doubtless try to reduce dependence by diversifying it—Eastern missions will burgeon in Zimbabwe's capital, as in other African countries—nevertheless Zimbabwe must continue to look to the West. In part this will be because it is the natural orientation of the economically predominant white element in the new society. And in part it will be because of the proximity of South Africa.

The only effective international counterweight to South Africa from Zimbabwe's point of view must be the West—and especially Europe. This is of course true in a political sense. But perhaps more important, it is also true in the economic sphere. Zimbabwe has the second strongest economy in Black Africa, after Nigeria. At present it is essentially dependent on the South African economy, and unless there is to be severe disruption, it will remain in this position for some time to come. However, the country does have the potential to develop a new role as the focal point of a new economic organization of the south-central African black states, joined together in a close association with the European Community. Europe offers Zimbabwe its only feasible alternative to economic dependence on South Africa.

If the South Africans themselves are wise, they will not seek to resist this trend, even though it must mean a reduction of their economic scope in central Africa. They cannot impose a continuing economic hegemony by force; and if they try to do so they will run the risk of driving the Zimbabweans to more radical courses.

The ball is in the European Community's court. Europeans have the opportunity to influence the future development of the pivotal country in a region of fundamental importance for the Western economy. The Community must hasten to welcome the new Zimbabwe into the Lomé Convention, in spite of any trading problems this might pose in certain sectors (e.g., Zimbabwean flue-cured tobacco is competitive with Italy's). And Europe must set a generous aid program for reconstruction and development. In a world where so many Western positions are in flux, Europe thus has the chance to show that it has its own distinctive part to play in securing the strength of the West.

CHEYSSON "ON RECORD"

Prime Minister Robert Mugabe and EC Commissioner Claude Cheysson in Salisbury. © Alan Cowell

EC Commissioner Claude Cheysson, responsible for the Community's relations with the developing world, was in Washington during April for meetings with the US Government, the World Bank, the Inter-American Bank, and other organizations. Among the topics discussed were the Third World's balance of payments difficulties, the North/South Dialogue, the growing international refugee problem, and the recent Brandt Commission Report. From the United States, Cheysson went to southern Africa, where he met with Robert Mugabe, who indicated his country's desire to join the Community's Lomé Convention. There follow excerpts from Cheysson's Washington press conference

With respect to Zimbabwe particularly, and Africa as a whole, and the development which will follow there as a result of Rhodesian independence, what relationship will Zimbabwe enjoy toward the Community, and could you tell me something about your trip there?

Cheysson: I've been going to southern Africa quite often in the last few years, of course. As you may know, a number of independent developing states in southern Africa are members of the Community's Lomé Convention. And I was invited by the authorities in Salisbury to pay a visit there as soon as possible. The relations we've had in the past bore on rather painful problems; for example, we gave assistance to their refugees in Zambia, Botswana, and other places. We made special contributions in order to airlift a number of Zimbabwians, in order that they should be back home from Botswana, Zambia, and other places in time for the elections. I happen to have met the leaders of the Patriotic Front several times both in Lusaka and Brussels.

Of course, Zimbabwe's entry into the Lomé Convention would make a lot of sense technically as they have very substantial exports ready to go to Europe, and it would therefore be good for them to have access to duty-free customs guaranteed by the convention. In addition, development aid from the regional fund of the Lomé Convention would be of great interest to the whole region. Ten per cent of the money under the Lomé Convention—on the order of $7 billion over five years—is marked for regional development action.

There are a number of issues that should be dealt with regionally. I'll give you an example. There is a very bad outbreak of foot-and-mouth disease that prevents any export of meat from Botswana or Zimbabwe. That foot-and-mouth disease can be controlled only on a regional basis. Communication is also a problem of direct impact on these countries.

Beira in Mozambique was a harbor through which part of Rhodesian exports formerly passed, and it is hoped that this line of communication will be re-established soon, for the greatest benefit for the Zimbabwians but also for the Mozambicans.

To have Zimbabwe working with its neighbors and brothers in close relations with Europe, makes a lot of sense. After all, there is a privileged relationship between Europe and Africa, in particular Black Africa. Why should Zimbabwe be different from the others? Stabilization in that region is essential. When you think of what happened in Rhodesia before elections, it is almost miraculous that we've come to the present situation. Who a year ago would have thought that there would be elections, that elections would take place in such conditions that the returns could not be disputed by anyone? Oh, there may have been irregularities here or there, but they don't bear on the kind of margin through which Mugabe and his people won the battle. Who would have thought that after such elections, after such a remarkable victory of the resistance movement, of the freedom fighters, the situation could have been kept in control as it is now to the point where the white settlers, now the white Zimbabwians, feel it could be a new start. It's a rather remarkable development, and anything must be done to try and help stabilize the situation. We Europeans are probably better placed than anyone to do so.

What was the aim of your coming to Washington this time?

Cheysson: It's one of those visits which European Commissioners now make regularly to Washington. We are very pleased with this common life into which we have entered with the US Government. There are many occasions when US officials come to Brussels. There are now more opportunities for Commissioners to come here. It has now become a normal procedure. I hadn't come here for a long time, too long a time—18 months is much too long—and we have so much in common in terms of interests, and sometimes differences of mind between the Europeans and the Americans, and therefore my visit now.

Could you give some analysis or appraisal of the new World Bank structural loan facility that is apparently in a state of preparation now, how you view it, and whether this will take money away from normal lending procedures at the World Bank?

Cheysson: I would like to make a more general comment. There is a great problem for the external balances of a number of developing countries—mostly the middle-income ones which have reached the level of development where they consume much oil and pay more for their oil than they did in the past. They have grown very deep in debt, and it can go much deeper. The economic take-off, which for some of them was close at hand, will become impossible. If so, we industrialized countries are going to suffer, in particular, we in Europe. Exports to the developing world now represent almost 40 per cent of the total exports of the Community, as compared to 13 per cent of our exports to the United States.

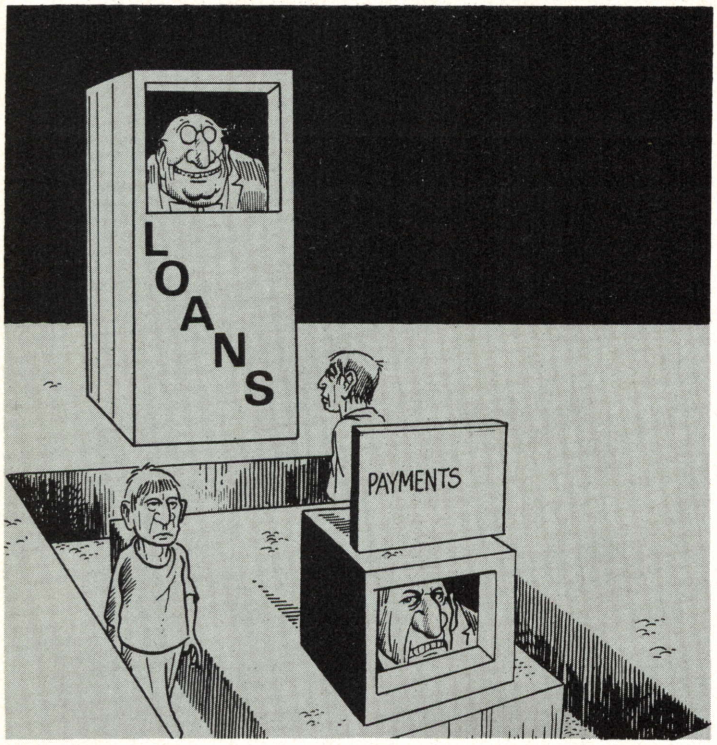
Twenty-two per cent of our exports go to the non-oil producing countries of the Third World. Should they run short of resources to meet their equipment needs, this will result in very, very serious additional crises in Europe that will affect those industrial sectors which until now have been safeguarded in the economic crisis—electrical equipment, railroad equipment, and so on.

Just now, in the Sudan, they can't even use their tractors, because they haven't got the money to pay for the hydrocarbons. In Turkey, their total exports are not enough to pay for their oil imports. It's essential that very large financing be made available to meet these balance of payments problems. To permit structural adjustment, to maintain a certain rate of development, the International Monetary Fund does what it can in terms of structural adjustment and so forth, but the IMF is not meant to work on development problems. It's very important therefore that the World Bank and the regional banks should be given every facility to borrow on the market. Don't forget that the surplus of the balance of payments of the main oil producers will be on the order of $120 billion this year. It's very important that these banks be in the position to borrow on this market and relend for development or structural adjustment.

So any new facility under the World Bank is to be welcomed, provided of course that the main contributors to the World Bank and the regional banks should keep up their commitments. In that respect it is with grave concern that we in Europe follow present debates in the US Congress and the threats of very substantial cuts in the actual payments which the US Government has promised to the regional banks and the World Bank.

You say the $120 billion in petrodollars has to be recycled somewhere and the banks should have access to borrowing. Are you thinking of the extension of credit?

Cheysson: We have no proposals, no ideas, for any new fund, any new organization. The Monetary Fund has quite a number of different facilities. Why haven't they been used more? That's one first subject to address. Too, the World Bank still has great opportuni-



"The poor nations." © Vadillo, *El Sol de Mexico*

ties. The commercial banks have played an important role over the last seven or eight years, in particular in the middle-income countries. They should be supported, in order that they can maintain their present rate of lending. They will not be in a position to do so on their own if they are not supported by substantial additional action through the various international banks.

Investment is, of course, one normal access to the financial market by the developing countries. This means more and more discussions with them in order that they understand that investment could be made available in larger amounts. Security is a problem for us. We should see that trade relations should be as predictable as possible, as secure as possible.

The heart of the European Community's Lomé Convention is the search for security. It's a contract with these countries, a firm contract. What has been negotiated and committed in the contract is due, whatever happens, whatever the political circumstances, whatever the political regime, whatever their statements and actions. For investors, it's very important to know that over a number of years, the years of the contract, relations will not change, access to the market will not be affected. We believe in this contractual approach between regions. It can be done at world level through commodity agreements or whatever. Everything that can build up security for investors will be a direct incentive to investment, which is one aspect of financing on top of everything else.

You mentioned the question of why the IMF doesn't lend more. For example, Jamaica seems to be typical of the problems which many developing countries have with the IMF. That is, they can't get enough facilities from the IMF because the IMF's basis of conditionality is so strict that it causes them internal difficulties. Could you comment on this general situation, and anything that could be done about it?

Cheysson: First, one should agree on what is the role of the IMF. The IMF has been given no responsibility in terms of development. When the IMF deals with structural adjustments, it is part of its function to see that adjustment policies be entered into. Therefore it is quite normal that it should put conditions, as part of the IMF's responsibility as the "motor" or "heart" of the monetary order at world level. So conditionality belongs to the IMF's normal approach.

But because the IMF goes to countries that are in crisis, it comes at the worst possible psychological moment, just as a doctor whom you call for the first time when you are really sick: He doesn't know you, you don't know him. The style of relationship is not what it is with the World Bank, which has worked there previously, which has worked for development in more attractive sectors or more attractive ways than trying to cure disease. There is a contradiction, which never should have appeared, between that conditionality, which belongs to the function of IMF, and sovereignty, which of course is respected by everyone. But the fact that anyone can say, "Our sovereign rights do not enable us to accept such conditions," proves that the style of relations between the IMF and some developing countries is not what it should be.

Secondly, I'm not sure that the IMF's approach is specific enough in every country. There are no two countries that have exactly the same problems, and developing countries have socio-economic structures quite different from those in industrialized countries. Conditionality should not be expressed in the same manner when the IMF deals with Britain as when it deals with Zaire. For a very simple example, when a country has a serious deficit in its trade balance, the normal device by the IMF is to devaluate, in order to boost exports. That makes no sense for a country that exports only one commodity, a commodity that has a price at world level, a price expressed in US dollars or in sterling. Immediately the price in the local currency increases proportionately and there is no boost for exports. In other words, conditionality belongs to the IMF approach, but this conditionality should be expressed in a slightly better adapted fashion, taking into account the idiosyncrasies of the country concerned, and it should be adjusted to the particular socio-economic situation.

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Robert Leigh-Pemberton, Chairman

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Figures taken from the Group Accounts 1979

	£m	US$m
Ordinary share capital	234	520
Reserves	1,306	2,903
Current, deposit and other accounts	26,542	58,990
Advances	18,115	40,261
Total Assets	28,947	64,335
Group profit after allocation to staff profit-sharing	442	982
Tax	112	249
Retained profit	289	642

Rates operative at 31 December 1979

Copies of the Report and Accounts, which include the Chairman's Statement, may be obtained from The Secretary's Office, National Westminster Bank Limited, 41 Lothbury, London EC2P 2BP, England.

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AFTER TITO

European Community helps provide a "safety net"

DAVID BINDER, *news editor for* The New York Times *Washington bureau who formerly reported from Eastern and Western Europe*

YUGOSLAVIA AFTER TITO: TO BE SURE, BRITISH AND French diplomats, scholars, and journalists pondered the destiny of the United States of America after George Washington, the Father of that country. But they never matched the post-Tito industry of a whole generation of professional Yugoslavia-watchers who made part of their careers on the strength of their predictions about internal South Slav tensions or the threat from the East. One should tread warily in this rusty minefield, for Josip Brož Tito by his very longevity has made obsolete the actuarial approach to his life and times.

Yet the parallel to Washington is worth considering in several respects, although Yugoslavs would probably be modest enough not to indulge in it. For instance, George Washington was the founder of American nonalignment policy with his "steer clear of permanent alliances" dictum, just as Tito was the creator of Yugoslavia's bloc-free policy. For both Washington and Tito, their roles as victorious military commanders were significant in carrying through their respective revolutions. More elemental, however, is the parallel as founders of their countries.

While it is true that Yugoslavia was born out of the collapse of the Central Powers in World War I, it is also historical fact that the South Slav kingdom carried a fatal birth defect—domination of the other ethnic groups by Serbia—which practically condemned it to the civil war that tore it to pieces between 1941 and 1945. By contrast, Tito's Yugoslavia has proven to be the first viable Yugoslavia, combining the Orthodox Christian Serbs and Montenegrins with the Roman Catholic Croats and Slovenes, inventing Macedonia and giving mountainous Bosnia-Hercegovina something to live for. Tito was the first to make political room for Moslem, Albanian, and Hungarian minorities, however restricted they may remain.

In terms of succession, however, the parallel between Tito and Washington ends in an interesting fashion. Tito assumed power in Yugoslavia in 1944 at age 52; Washington became President at age 57. But Washington wound up after two terms at age 66, while Tito stayed on more than two decades beyond that age. In Washington's terms that would have put him through the administrations of John Adams, Thomas Jefferson, James

Marshall Josip Brož Tito and aides in 1944, the year he assumed power in Yugoslavia. © The Bettmann Archive

Madison, and into that of James Monroe. In Tito's terms it has meant the expiration of the chances of a whole generation of juniors—regardless of whether they would have matched the qualities of their counterparts from the American Revolution—and the devolution of power to a group of relative unknowns. A Balkanist scholar, Dennison Rusinow, when asked to consider the Washington parallel, said he was inclined on the question of Tito's prospective successors to jump ahead to the uninspiring administration of Millard Fillmore. This is not to denigrate Tito's nominal successors of the moment—Lazar Kolisevski, Stevan Doronjski, or Stane Dolanc—but to observe that they lack the stature, reputation, or even public identity of his earlier lieutenants, Djilas, Kardelj, or Rankovic.

The ordinariness of Tito's immediate successors is bound to have an effect on Yugoslavia's influence in international affairs, diminishing the volume of its voice relative to that of the grand old man. Insofar as a fair measure of Yugoslavia's influence has derived from its genius in public relations, the loss of Tito is a heavy one. He gave the country a global prominence greatly disproportionate to its small size, and the successor leadership will be extremely hard put to match it.

But Yugoslavia's security has much more concrete and presumably more durable roots in a series of relationships Tito and his aides were able to develop over the decades since World War II. There is above all the set of relationships Yugoslavia has built up with the two main superpowers, the United States and the Soviet Union, involving fairly regular top-level political visits between Belgrade and Moscow on the one hand and Belgrade and Washington on the other. These exchanges have been greatly enhanced in recent years by Yugoslavia's sizable trade with both countries. The pattern of the 1950's and 1960's in which Belgrade seemed to tilt first to the Americans and then to the Russians, sometimes with irritated haste, appears to have been largely eliminated, fixed as it often was in those decades on swings from one side to the other for military assistance.

In the last decade Yugoslavia has developed a domestic arms industry that supplies perhaps 80 per cent of the Peoples Army's needs, though lacking sophistication in electronics and other advanced technology. For the present Belgrade has determined not to be beholden to either great power for military requirements. American willingness to supply modern anti-tank and anti-submarine weapons and new generation missiles, renewed in offers soon after Tito's health worsened in January, has not been taken up in Belgrade. It is somewhat reminiscent of late August 1968, following the Soviet Bloc invasion of Czechoslovakia, when Tito asked US Ambassador C. Burke Elbrick what American policy toward Yugoslavia was. Elbrick responded with a reiteration of support for Yugoslav independence and then asked if Tito wanted substantive aid. "Not now," was Tito's reply.

Yugoslavia is now facing the same problems as its European neighbors. Here, the city of Sarajevo converts to natural gas in order to fight air pollution. World Bank photo by Yosef Hadar

In the wake of the Soviet military advance into "socialist" Afghanistan, the Yugoslav leadership, as Tito dictated letters from his sick bed to Leonid Brezhnev and Jimmy Carter, was understandably expressing sharp concern about the deterioration of the Moscow-Washington connection. The health of that relationship bears strongly on Yugoslav security.

CROSSWOVEN WITH THE OVERARCHING Moscow-Belgrade, Washington-Belgrade strands are other Yugoslav

"Yugoslavs have already fought for Yugoslavia; Afghanistan's welter of tribes have only begun to fight for Afghanistan." © H. Cartier-Bresson, Magnum

relationships, some "intensive" and some "extensive." Together they form a safety net for Yugoslavia's security.

On the "extensive" side there is the nonaligned movement of some 100 countries, including a handful of other Communist governments—Cuba, North Korea, Romania, Angola, Vietnam. True, one could hardly expect friends like Egypt or Romania to rush to Yugoslavia's defense in the event of a substantive military threat. But short of that, the Belgrade Government has come to enjoy great prestige and considerable moral support in the grouping Tito helped to found in the late 1950's together with India's Nehru, Indonesia's Sukarno, and Egypt's Nasser. A cynic might remark that the Soviet Union had few qualms about lurching into nonaligned Afghanistan in December 1979, but for the most part in recent years Moscow has become acutely sensitive to the opinions of the nonaligned.

In the "intensive" category is Tito Yugoslavia's success in creating rather good relations with most of its seven neighbors, the outstanding exception being Bulgaria. With Italy the perennial Trieste issue has been settled by treaty. With Austria the perennial Carinthia issue involving the Slovene minority has been reduced to a very low flame. With Greece the wounds of Tito's support for the Greek Communist guerrilla army have been healed. With Romania and Hungary wartime grievances and the hostility engendered after Yugoslavia's 1948 break with the Cominform have been buried, and there are elements of genuine friendship in that region now. It might be recalled parenthetically that Romania was the first to spurn the Stalinist anathema against Tito in the late 1950's and since has become all but an ally of Yugoslavia in world affairs as well as bilateral ties.

Bulgaria, lusting trancelike for "Greater Bulgaria" at the expense of Yugoslav Macedonia, will presumably continue to play catspaw for Russian provocations against Belgrade for the foreseeable future, but this is something with which the Yugoslavs have become very familiar. That leaves truculent little Albania ruled by that onetime Yugoslav creation, Enver Hoxha, who continues to resent his political origins even as a septuagenarian. But Tirana itself was emboldened to declare in the wake of the Afghanistan intervention that it would side with Yugoslavia in the event of a Russian lunge to the Adriatic.

The sense of neighborhood Yugoslavia has developed since 1945 had antecedents in the abortive postwar discussions of a Balkan federation between Bulgaria and Yugoslavia, which boiled down in the end to a provocation by Stalin himself. There have also been sporadic suggestions of reviving the Danubian federation once espoused by Hungarian nationalists when Austria still dominated the northern half of the region, and indeed there have been concrete expressions of Danube coop-

Yugoslavia's new trade agreement with the Community permits tariff-free Yugoslav exports of beef, wine, industrial products, and textiles. Cultivation of a vineyard is pictured here. World Bank photo by Yosef Hadar

Yugoslav women in a woodworking factory. World Bank photo by Hilda Bijur

eration in joint hydroelectric projects involving Yugoslavia and Romania as well as Romania and Bulgaria. But the first political expression of tentative unity was the now moribund Balkan Pact signed in 1953 by Greece, Turkey, and Yugoslavia. This has since been superseded by bilateral summitry, equally tentative but not to be utterly discounted.

A third network of relationships has evolved over the last decade with the European Community and its member states. Most recently, after three years of negotiation, the Community and Yugoslavia signed a new and more complex agreement on April 2 that permits tariff-free Yugoslav exports of large quantities of beef, wine, a variety of industrial products and textiles. It also provides for close to $250 million in Community loans until 1985 and regulates Yugoslavia's considerable exports of laborers to Western Europe. In many respects it allows Yugoslavia to enjoy the benefits of the Community without paying the dues. In the larger security sense, it also strengthens bonds between Yugoslavia and its Western neighbors that began nearly three decades ago with a trickle of tourists from the Northern European climes.

It remains a hypothetical question how resiliant these secondary safety nets would be in the event of a new era of real confrontation between Moscow and Washington. Suffice to say for the present it does not seem that they have frayed sequentially as a result of the Soviet-American deterioration. In any event, Yugoslavia's stake in Western Europe has become very substantial and vice versa.

PERHAPS IT IS BY NOW AN INSTINCTIVE URGE to worry about Yugoslavia's future every dozen years. There was the concern in 1956 that Soviet tanks would spill across the frontiers after crushing the revolution in Hungary, although Tito had received private assurances from Khrushchev that nothing of the kind would happen. Twelve years later there were similar ricochet fears following the invasion of Czechoslovakia—an act that prompted Tito to organize territorial defense units in addition to the regular army. Now, 12 years after that event, there is Afghanistan, and one may be certain the duodecimal Yugoslav question would have been raised again by politicians, diplomats, and journalists around the world even if Tito were in zesty good health.

As tempting as it has proven for quick strategic thinkers to draw analogies between "tribal" Yugoslavia and "tribal" Afghanistan, the comparison limps badly. In the first place, Yugoslavia has a well-trained army; Afghanistan didn't and doesn't. Yugoslavs have already fought for Yugoslavia; Afghanistan's welter of tribes have only begun to fight for Afghanistan. Yugoslavia came out of a civil war; Afghanistan has just begun one. Yugoslavia's socialist system penetrates every sector of society; Afghanistan's socialism is confined to a few amateurs and opportunists in five more or less urban areas.

Besides, some of us who have followed Yugoslav affairs for a number of years frankly doubt that the Soviet Union really has in mind the same Czarist designs of the last century, an opening on the Adriatic. Not in the era of intercontinental weaponry and nuclear-powered vessels. Rather, Russia's patriarchial attraction to Yugoslavia has in the last four decades been articulated in ideological-missionary categories—that what is proclaimed as Marxist is ultimately a province of Russian interest, since the Soviet Union still considers itself in its heart to be the "vanguard of the world Communist movement" as in Stalin's day. Russians continue to give the impression of being really insecure at the mere thought of countries being Communist but opposed to Moscow; *vide* China, which has recently repaired its relations with Yugoslavia.

But to do more than merely cast attentive looks at Yugoslavia, the Soviet Union would need what it never got in 1948, a substantial corps of pro-Soviet Yugoslavs willing to take the risk of "calling for help" from the "true" Marxist-Leninists in Moscow. There may still be a handful of Yugoslav Cominformists hanging around in Kiev ready to do the Kremlin's work (there were less than 300 of them in 1956), and there may be several hundred Moscow sympathizers in Yugoslavia itself today. But none has any political standing or any following, and it seems highly unlikely that any of them could ever become a real factor in the affairs of the country, even if they disguised themselves as Croatian separatists or Serbian nationalists. To be sure, we can expect heightened agitation by ethnic separatists and nationalists, some of them perhaps funded by Moscow, in the immediate post-Tito era. It has already begun in terms of Croatian exile propaganda and terrorist bombings in the United States. But this should not distract us from the larger matters of Yugoslav security and viability.

The likelihood is not that Yugoslavia will be endangered by political or military threats from abroad, but rather by the debilitating effects of a streaking inflation rate, which the Yugoslavs put at 23 per cent for 1979 and which some Western economists believe was closer to 30 per cent. That is a weighty burden for Tito's successors to shoulder, lacking as they do the charismatic authority of the old man. It could almost immediately manifest itself in political rivalries among the various republics and economic sectors as they vie for a decreasing investment pie. The arena to watch after Tito, therefore, is whether the precarious economy puts strains on either of his twin legacies—"brotherhood and unity" of the country's 22 million and the self-managing socialist system. Or both.

MEMBER STATE REPORT

BELGIUM

STEPHEN MILLIGAN, *Brussels correspondent for* The Economist

Politics

How was the country of Belgium ever created? Mainly by accident. Originally, Holland and Belgium were given independence as one country: the United Kingdom of the Netherlands. But the Belgians grew increasingly resentful of Holland, and in 1830 a revolution began outside the Brussels opera house. Many Walloons wanted to merge with France. But the British were keen to maintain a strong independent state to the north of post-Napoleonic France and managed to prevent any such merger. An Englishman was even found to be Belgium's first king.

At first Belgium was dominated by the French language. Even in Flanders the ruling class spoke French, and Dutch was banned in courts and universities. So it was little wonder that the Flemish grew resentful. In the First World War most Belgian officers spoke French while their troops spoke Flemish. It was an absurd situation that could not last. For most of the Twentieth Century, the Flemings have fought to establish equal rights for their language.

Today that battle is over. The country has been divided up into language zones, and in national institutions there is complete equality between the two languages (the cabinet, for example, has by law to contain 50 per cent French speakers and 50 per cent Dutch speakers). However, thanks to a higher birthrate, the Flemings now outnumber the Walloons by 56 to 44—and the Walloons fear that they will be exploited by the Flemings.

The real problem now is not so much linguistic as economic. Wallonia used to be rich, Flanders poor. Wallonia was the center of the industrial revolution in the Nineteenth Century when Flanders was just a poor rural region. But in recent years, the tables have turned. Flanders has attracted the lion's share of American investment while Wallonia has been plagued by the problems of declining industries—coal, steel, textiles. The result is that today, income per head is 18 per cent higher in Flanders than in Wallonia, and unemployment is half as high again as it is in Flanders. This causes both regions to blame each other. The Flemish resent having to "prop up" Wallonia (two economists recently calculated that Flanders transfers $3 billion a year to Wallonia). The Walloons complain that they have not been getting a fair share of public and private investment.

The Grand Place in Brussels. ©Pierre Berger, Photo Researchers, Inc.

This argument has increasingly divided the country. It complicates every decision, however small. Recently, for example, politicians insisted that an order for new policemen's uniforms should be divided equally between Flemish and Walloon tailors. And it has become evident that it is impossible to run the country with a centralized Government in Brussels. All the political parties have now split into a Flemish and a Walloon party (the last to do so were the Socialists in 1978).

The solution to the problem is rather obvious: Public decision-making should be decentralized from Brussels to the two regions—leaving only a few policies, like defense and foreign policy, in the hands of the national Government. Since 1970 most politicians have agreed that this is the only way to end the bickering. However, it has proved hard to reach an agreement on how to split the country up. The main problem is Brussels itself. The Walloons suggest that Brussels should be a third semi-independent region together with Wallonia and Flanders. The Flemings say this is unfair because it would mean that the French speakers controlled two regions out of three, although they are a minority of the country.

After the 1977 general election, a Flemish Christian Democrat, Leo Tindemans, formed a broad coalition government designed to produce a once-and-for-all plan to end the conflict by a deal on devolution. However, by late 1978 Tindemans himself had second thoughts about his own plan, which he feared was too generous to the Walloons. His Government collapsed and—after an indecisive general election and four months of negotiation—was replaced by a government led by Wilfried Martens, a 43-year-old Flemish Christian Democrat who had never even been a cabinet minister before. Martens struggled bravely to get an agreement on devolution, hoping for a three-phase plan that would allow Wallonia and Flanders to be run by powerful regional councils. Opposition to this plan led to Martens's resignation in early April after only 12 months as Prime Minister.

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Economy

The political problems of running Belgium's two warring regions tend to obscure the country's extraordinary economic success. Between 1970 and 1979 Belgium's industrial productivity rose by 81 per cent—faster than any other country in Europe. Its inflation rate is currently only 4.6 per cent. Exports per head from Belgium—$5,000 in 1978—are higher than any other country in the world. And Belgium is already producing more of its electricity from nuclear power (25 per cent) than any other country.

In a country that has no natural resources, where 70 per cent of the workers belong to a trade union, and where governments are usually weak and indecisive, this is not bad going. Belgium has based its economic policy on keeping its currency—the Belgian franc—firmly tied to the German mark. This was done after 1972 by keeping the franc in the "snake" and is now done within the European Monetary System, created in March 1979.

At first sight this policy looks mad. Belgium, after all, has an unemployment rate of nearly 9 per cent, the highest in the Community. Would it not have been better to devalue the franc—to give Belgium a competitive edge and boost exports and jobs? Probably not.

Belgium is a very open economy: Imports are worth 51 per cent of its national product, and wages are totally indexed (if retail prices rise by 1 per cent, so do wages). So any change in the exchange rate is rapidly translated into self-defeating inflation.

In fact, the strong franc policy has acted as a kind of external monetarism to discipline unions, bosses, and politicians. Excess wage demands simply mean fewer jobs. Inefficient management simply means bankruptcy. Free-spending governments simply mean whopping interest rates. The result of this policy has been indeed to produce fewer jobs, some bankruptcies, and whopping interest rates. But it has also produced low inflation and fast-rising productivity.

Companies complain that the combination of the strong franc, wage indexation, and high social costs (which add 50 per cent to a typical company's wage bill) has hit profits. A sample of firms analyzed by the Kredietbank shows that the yield on stockholders' equity has fallen from an average 7.9 per cent in 1969-74 to 4.2 per cent for 1975-78. Still, this fall in profits has not stopped productivity from rising (although sometimes this has been achieved by employing fewer men rather than by producing more). One example is a major multinational chemical company in Antwerp that exports 93 per cent of its output: Between 1972 and 1978 this company increased productivity by 72 per cent while its main American-based rival increased productivity by only 21 per cent.

In economics no picture is without blemish, and Belgium does have some reasons to worry. The biggest concern at the moment is the public spending budget deficit—worth $8 billion in 1979—or 7 per cent of Belgian gross national product. This deficit has been rocketing in recent years because of high unemployment pay, rising interest rates, and the inability of successive governments to agree to cuts on public spending. In 1979 the Government was forced to borrow abroad for the first time in years to meet the rising deficit. Belgium's public sector is now eating up 52 per cent of the country's gross national product (against only 30 per cent in 1960). The cost of social security has multiplied 12 times since 1960. But the Martens Government's modest attempts to cut public spending met with bitter hostility from the unions, which launched a series of strikes at the end of 1979 to protest the policies.

A shopping arcade in Brussels. © Margot Granitsas, Photo Researchers, Inc.

Another worry for Belgium is shrinking American investment. In the 1960's 80 per cent of all new factories in Belgium were built by foreigners (two-thirds were American companies). Today foreign multinationals provide a third of all manufacturing jobs, a quarter of exports, and 45 per cent of total industrial assets. The investment boom in the 1960's and early 1970's (plus the freeing of trade within the Community as tariff barriers fell) doubled Belgium's growth rate to over 5 per cent a year.

But then came the oil-price hike, the slump, and the collapse of the dollar. Between 1969 and 1977, new foreign investment in Belgian manufacturing plunged by 86 per cent. And by 1977 American companies were only providing 28 per cent of the reduced total of foreign investment. A survey carried out by the American Chamber of Commerce in Brussels expects the decline to continue until 1981. For a country that depends so heavily on foreign investment, Belgium can ill afford this slowdown. Still, even though American companies may find Belgian wages high (measured in dollars), they would be well-advised not to write off Belgium for future investment. Inflation is low, and Belgians are prepared to work hard—as the rising productivity trends show.

Foreigners

Belgians are used to foreigners—not only American businessmen and European civil servants—but large numbers of migrant Italian, Spanish, and Moroccan workers. A quarter of the population of Brussels is now non-Belgian.

Foreigners often find Belgium a frustrating place. The bureaucracy can be maddening, drivers are awful (Belgium has the worst car accident rate in Europe), and the complications of a two-language country are irritating.

But there are plenty of compensations. Restaurants are first class, golf courses are empty, the road system is superb, and in the evenings there is a choice of 13 television channels from five countries on cable television (75 per cent of households are plugged in). Which is why many foreigners tend to stay in Belgium much longer than they expected.

Art Nouveau poster "La Libre Esthétique," by Gisbert Combaz, 1897.

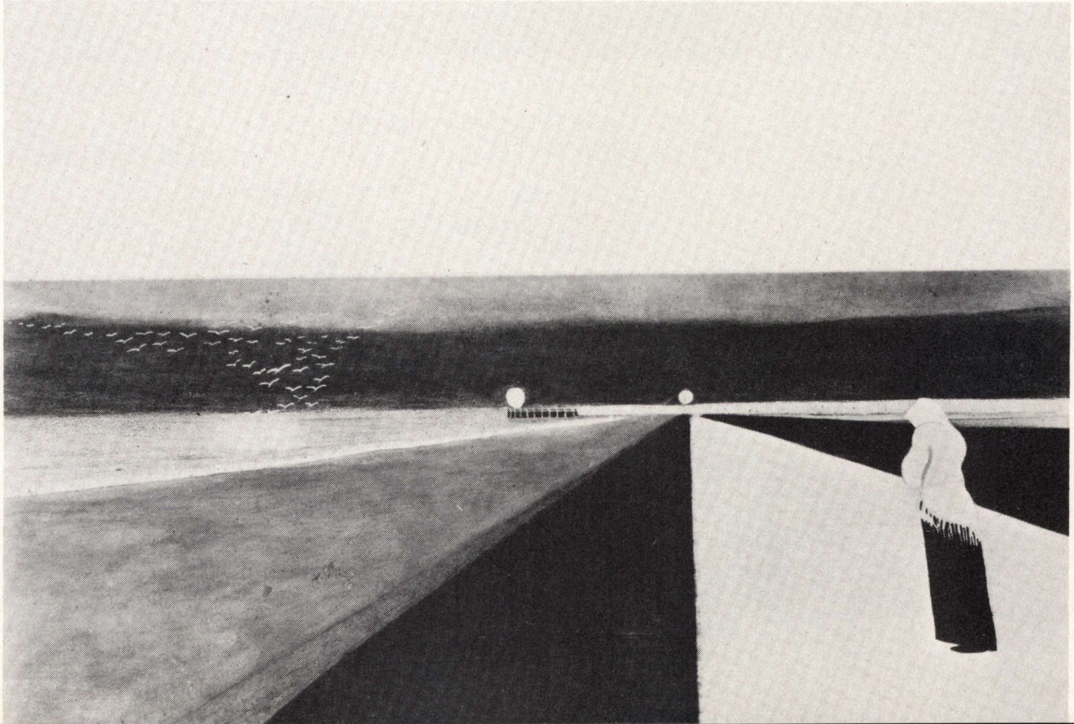
Puppets from Théâtre Houbiers-Bisscheroux, representing Charlemagne, Roland vieux, Duc Aymon, and Chevalier.

Bronze "Plan et Espace," by Georges Vantongerloo, 1945.

BELGIUM 1830-1980

Belgium's one-hundred-and-fiftieth anniversary of national independence is commemorated in the United States through a series of cultural exhibitions and programs entitled "Belgium Today," organized in cooperation with the Belgian Government. The film festivals, art exhibits, symposia, and dramatic performances, scheduled for many American cities, were keynoted in Washington on April 25 by His Majesty King Baudouin I. Pictured are samples from "Belgium Today."

Watercolor and pencil "Woman on the Dike," by Leon Spilliaert, 1908.



AEROSPACE

EUROPE'S AIRLINERS

Subcontractors for the U.S. or an integrated independent?

ADRIAN DICKS, *deputy foreign news editor of the* Financial Times *in London*

AEROSPACE IS FOR MOST EUROPEANS AN INDUSTRY unlike any other. Besides just making products, it has come to assume importance as a symbol of Western Europe's scientific, economic, and military independence—almost a proof of its right to sit with the United States and the Soviet Union at the top table among nations. In the Twenty-first Century it may turn out to be more important that countries should have a solid base in such sectors as microelectronics than that they should be able to build their own aircraft. Yet for better or worse, the preservation of its own aerospace industry has for many years been one of Western Europe's keenest concerns as it seeks to judge its own chances of remaining in the vanguard of industrial progress and of one day beginning to close the technological gap that still separates it from the United States.

In the pioneer days of flight early this century, and up until the end of the Second World War, there was little to suggest that the United States would one day outdistance the rest of the world to the extent that it has in recent years. French, British, Italian, German, and other European inventors and pilots contributed an enormous amount to the development of aeronautics and its related sciences. One need mention no more than the inventions of radar, the jet engine, and the rocket motor to recall that Americans have held no monopoly on pushing back the frontiers of knowledge in the field. Given this tradition, well-founded in each of the major West European countries, it may seem surprising that one should have to speak of "preservation" of the industry as a goal for European governments. Yet there have been real fears that it might cease to exist, or be put out of business by the far greater US aerospace sector. Even now, it is not clear that it has won the battle to stay alive.

There are several reasons why the American aerospace industry has grown to dominate the world market for civil aircraft. It benefited from the huge amounts of money poured into the space program in terms of spin-off from basic research and in management skill. It has gained perhaps even more from a high level of spending on military programs, which has strengthened the financial and industrial basis of many individual companies as well as leading to spin-off of its own—for example, in the early development of the Boeing 707 airliner from the early KC-135 military tanker version. But perhaps most important of all, US airliner manufacturers have been forced to compete with one another in a large domestic market, where they have been faced with the need to sell aggressively to a large number of airline customers with widely differing route structures and needs.

In Europe, there has been no equivalent to the US space program, while spending on military projects has never since the war years reached volumes anything like the resources made available by the Pentagon. The industry has remained fragmented, operating much of the time on a national scale rather than a European scale. Aircraft have too many times been produced with little regard for foreign airline customers' requirements, but in the knowledge that national flag carriers would sooner or later be coaxed, induced, or forced to buy them.

Technically European manufacturers have produced aircraft that have fully justified the claim to break through new engineering frontiers; the most obvious example has been the Anglo-French Concorde, which remains the world's only supersonic airliner in regular service. Yet at a $1.8 billion cost to Britain and France, the Concorde has been a costly way of learning the simple truth that there is little point in building aircraft, however technically superb and pioneering, that do not correspond to what the market wants to buy. US airlines were in some cases tempted by the Concorde and feared they might lose business to Air France and to British Airways on the north Atlantic route when it was introduced four years ago. However, the real growth area in transatlantic traffic has been at the opposite end of the market from the premium-priced Concorde to among the low-cost, standby, and special-booking deals that most private travelers use nowadays if they can. Neither the British or French Governments nor the Concorde manufacturers any longer profess to see any further prospective buyers. Only nine Concordes out of the 16 built have been sold, to the state-owned Air France and British Airways companies—which understandably insisted on special financial subsidies from their sponsoring governments in order to indemnify them against the daunting economics of the plane.

WHILE THE CONCORDE HAS BEEN AN EXTREME CASE, European taxpayers have had to pick up the bills for several other airliner projects that have failed to win orders on any large scale outside their own countries—Britain's VC-10, France's Mercure, and Germany's VFW-614. A handful of European planes such as the British Trident and BAC-1-11, the French Caravelle, and the Dutch F-28, have done moderately well in world markets and have shown profits on the capital invested. Yet only one European-made civil airliner, the small Dutch F-27 turboprop, has reached sales (around 700) that can be compared with the major successes of the US plane makers, such as Boeing's 727, 707, or 737, and McDonnell Douglas's DC-8 or DC-9.

Above all, European-made planes have with limited exceptions failed to make much impact in the US market. European politicians and aerospace companies have often pointed to protectionist attitudes in the United States as one reason for this disappointing performance, and indeed the "Buy American" rule and the long-standing US import tariff on aircraft (not reciprocated by the European Community) have clearly had some effect. Yet far more telling against most of the airliners that Europeans have tried selling to Americans have been simple business factors—unattractive prices, unsuitable operational characteristics, and inadequate spares and servicing networks. The greater expertise of the big US manufacturers in building and selling planes (backed up by the resources of the Export-Import Bank in deals outside the United States) has not only kept the Europeans out of the American market for most of the postwar period but also has consistently beaten them in the world market and very often even in their own domestic markets.

As a result, Europe's role as a supplier of large civil aircraft shrunk steadily to the point where, according to the EC Commission's calculations, European manufacturers were by late 1976 supplying less than 8 per cent even of the European market and only about 12 per cent of the world market. In the category of long-range airliners alone, the European industry was supplying no more than 2.4 per cent.

The European Airbus program is the development that, contrary to many predictions made when it was launched in the early 1970's, has turned the situation around. With over 400 firm orders and options placed on the A-300 and A-310 types at the beginning of April, it is now clear to the big American companies no less than to the airline customers round the world that Europe has an extremely attractive product to offer and that it is setting about marketing it the right way.

Whether the success of Airbus will be enough to ensure the future of Europe as a builder of civil aircraft is still uncertain. In the decade or so of its existence, the Airbus Industrie consortium—which designed the plane, coordinates its production at plants scattered all over Europe, and has successfully marketed it so far—has proved

Lockheed's TriStar and the DC-10 by McDonnell Douglas compete in the market for longer-range, wide-bodied aircraft. courtesy of Lockheed Aircraft Corporation

a smooth-running operation. It has been matched in the military field by the Anglo-German-Italian Panavia consortium, which has developed the Tornado multi-role combat aircraft for the three countries' air forces; by the Franco-German Euromissile group, making a selection of sophisticated battlefield tactical weapons; and by an emerging (though still unnamed) Franco-Anglo-German helicopter group.

Some senior figures in the European aerospace industry, including Ludwig Bölkow, founder of Germany's largest company in the sector, Messerschmitt-Bölkow-Blohm (MBB), believe that the future depends on further development of these collaborative ventures. They argue that because no individual European country can any longer afford to undertake a major civil or military program on its own, the consortia will one day harden into truly international companies and tend to eclipse the national aerospace groups from which they originated.

In economic and industrial terms, such a vision has much to commend it. According to EC Commission figures, the average size of European aerospace companies is only a little over one-third of the average size of their US counterparts. Seen rather simplistically, a merger of, say, Aerospatiale of France, British Aerospace, and MBB of Germany might produce an entity with sales totaling about the same as those of Boeing or McDonnell Douglas, and probably a good deal greater than those of Lockheed or General Dynamics.

YET POLITICAL REALITIES appear to rule out any such merger for many years to come. In each of the major European countries, the aerospace industry remains firmly under the government's thumb: In France, for example, the state owns outright Aerospatiale, the larger of the two airframe and missile builders, as well as Snecma, the main aero-engine group, and is planning to merge fully into Aerospatiale the hitherto privately owned Dassault-Breguet company, builder of the Mirage series of military aircraft. In Britain, the Government in 1977 merged the two largest airframe builders, Hawker Siddeley and British Aircraft Corporation, into a state-owned group, British Aerospace, having already bought the leading engine manufacturer, Rolls-Royce, from its liquidators in 1971. The German Government, although it shrinks from taking equity in MBB or in the Vereinigte Flugtechnische Werke (VFW) group, has for several years been using its financial muscle to push the two airframe companies into a merger that will give Germany a "single voice" comparable to its British or French counterparts. The Italian Government, through its industrial holding organization Instituto per la rico struzione industriale (IRI), has a decisive say in the running of Aeritalia, the largest aerospace company in the country. Among major European companies only Fokker of Holland is relatively independent from governmental pressures although like MBB in Germany, it is heavily dependent for work on military aircraft contracts placed by the defense ministry. Moreover, the first and much-trumpeted international merger in the industry, between Fokker of Holland and VFW of Germany, is still being slowly and painfully unscrambled, several years after it had become clear that it could not be made to work because of national rivalries.

What haunts European governments even more than considerations of national prestige or the fear of missing out on advanced technology is the fear of unemployment in their aerospace industries, perhaps even more than in other sectors of the economy. At the moment the Airbus and several major military programs have seen to it that order books are well filled, with the prospect of a high level of employment in the industry for at least the first half of the 1980's in most of Europe. Indeed, in several major aerospace manufacturing centers, there are growing shortages of the skilled people the industry needs.

But none of the major European aerospace nations seem willing to sacrifice what all regard as the vital goal of safeguarding employment for the elusive objective of achieving a more firmly integrated structure for the industry. All the evidence is that the reverse may happen as soon as decisions need to be taken on the next large-scale programs. The first of these will probably be in the military sphere, where the German, British, and French defense ministries have been holding so far inconclusive discussions about the tactical fighter aircraft that will be needed to replace the Tornado in the 1990's. France is expected eventually to choose to go it alone with its Mirage-derived designs. Between Britain and Germany, however, a classic battle of interests is shaping up, partly over differences in the service chiefs' requirements, but far more over who will get design leadership and the lion's share of the development work and subsequent manufacturing.

No less hard fought will be the negotiations among the present members of the Airbus consortium about follow-up designs—perhaps for a range of short-to-medium distance, narrow-bodied aircraft, if early soundings confirm that the world's airlines would be interested in these. Britain, for example, seems firmly to believe that design leadership in some such project is due it in return for its decision finally to join the Airbus consortium as a full member in late 1978.

Those who advocate more permanent integration of the industry argue that, as in any international negotiation, there must be give and take over future aerospace projects. Yet others point out that political compromise does not always lead to the aircraft being developed that the market wants. And there is always an alternative:

cooperation with one of the big American manufacturers.

People in European aerospace tend to have mixed feelings about the US industry—frequently combining admiration for its engineering and managerial sophistication with defiance toward its hard-nosed business methods and resentment of its near monopoly of airliner sales. Yet the offer of joint ventures by one of the big American manufacturers is naturally flattering to European companies, and past deals have almost always taught the European partner valuable lessons. There can be little question that the Italians, left out of Airbus, were right to take up Boeing's offer of collaboration on the rival 767 project—made after British Aerospace had declined in order to join the Airbus group. And as ideas about the future European fighter project are clarified, several of the prospective European participants are already involved in possible alternative plans with US partners. Italy, again, has kept alive a helicopter industry as a result of many years' fruitful collaboration between the state-controlled Agusta company and Bell of the United States.

Given the Americans' experience and strength, doesn't this form of transatlantic cooperation make more sense than the cumbersome process of getting the Europeans to set aside their political differences and work together? For most European governments, the answer is a qualified no. They fear that to accept inevitably unequal deals from the US giants would be to turn European industries into mere subcontractors. The example of the Airbus has shown that the alternative is difficult, but can be done.

The A-300 Airbus captured the gap in the market for medium-to-long-range, wide-bodied aircraft. courtesy Aérospatiale

The Selling of the Airbus

The European Airbus project has all the ingredients of a classic business success story. A small, purposeful company with a clear idea of where it wants to go spots a narrow gap in a seemingly well-supplied market, steers straight for it, and bursts through to make sales at a pace that confounds all the experts who said it couldn't be done.

Faced at the beginning of the 1970's with a world market in civil airliners of which the big three US manufacturers—Boeing, McDonnell Douglas, and Lockheed—held well over 90 per cent, the consortium of European aerospace companies that produces the Airbus were the first to find that no one was building a medium-to-long range, wide-bodied aircraft with a capacity of 250-270 passengers. Nor was any of the big three American manufacturers even planning such a plane, despite much mulling over designs for one. Boeing, busy at the time with its 747, 727, and 737 programs, stood aside to let Lockheed and McDonnell Douglas fight it out in the market for longer-range, wide-bodied types in the shape of the L-1011 TriStar and DC-10 respectively.

The A-300 Airbus, after uncertain political beginnings, was on the drawing boards of its backers by 1971-72 as an aircraft that would not challenge either of these types directly, but would be intended for slightly shorter yet heavily traveled routes. It would have only two engines instead of the three planned for the L-1011 and DC-10 and would be designed for quietness and fuel economy as well as for rapid turnaround at airports and simple maintenance. It would also improve passenger comfort from the rather cramped condition of the existing, narrow-bodied types used on short-to-medium hauls, and not least, it would have plenty of room for freight under the floor of the wide, eight-seat-abreast cabin.

When the A-300 first came into service with Air France in 1974, it was well-received in Europe, and a few dozen orders from other European airlines followed. The Airbus Industrie consortium—made up of the French state-owned group Aerospatiale, Messerschmitt-Bölkow-Blohm and Vereinigte Flugtechnische Werke-Fokker of Germany (grouped together as Deutsche Airbus), and a small Spanish partner—was meanwhile putting together an industrial organization of unprecedented complexity. Parts of the aircraft were made all over Europe, many of them on non-risk-bearing subcontracts such as that given to Hawker Siddeley of Britain for the wings—about 20 per cent of the total value. This came after the British Government had turned its back on the project in 1971 largely out of pique that no provision could be made for Rolls-Royce engines to be offered as an optional alternative to the A-300's US-built General Electric units. Production was scheduled at no more than one to two aircraft a month from Aerospatiale's production line at Toulouse in southwest France.

Business for the A-300 was steady, but it was also slow for several years. The manufacturers began to look for additional projects and to start discreetly lobbying their principal financial backers, the French and German Governments, for funds to launch some of these. Slowly the world's airlines themselves started to recover from the financial doldrums of the mid-1970's and to realize that costlier fuel, together with the challenge of ever lower fare-discounting and, not least, the sheer aging of their existing fleets of first-generation jet airliners, would make massive re-equipment necessary by the early 1980's.

Intensive discussions with the airlines convinced Airbus Industrie that a second gap in the world market existed, this time for a short-to-medium range, wide-bodied airliner in the 200-passenger class. The consortium crystallized its thinking around a variant of the A-300, then known as the A-300 B-10 and later renamed the A-310. In mid-1978 the consortium crossed a major hurdle when a group of European airlines, including Swissair and Lufthansa, both renowned for their hard-headed appraisal of aircraft economies and for their previous inclination to buy American planes, placed handsome launching orders for the A-310. A few months later German diplomacy succeeded in closing a long and divisive wrangle between the British and the French when agreement was reached on terms for Britain to join Airbus Industrie as a full, risk-sharing partner for the A-310 program, although Britain refused to pay any part of the so-called "historic costs" incurred by Germany in France on the A-300.

IT APPEARS TO HAVE BEEN SOMETHING OF A turning point in European aerospace history. For some months Britain had been agonizing over whether to join the Airbus group, by then plainly a tremendous commercial success, or to take up an offer from Boeing to share in development of the 767, an aircraft conceived as a direct challenge to the A-310, in which Rolls-Royce would have been guaranteed the monopoly to provide engines. By choosing to throw its lot with France and Germany, Britain assured the Airbus consortium of financial backing and industrial capacity that will certainly be needed as the program builds up its rate of output. The British Government did not, however, bring with it the hoped-for order for the A-310 from British Airways, which has opted for Boeings. With the largest national industry of the three partners, Britain is undertaking the completely redesigned, super-critical wings for the A-310 through the former Hawker Siddeley company, now part of the state-owned British Aerospace group.

The British decision has been followed by renewed interest in the Airbus from other European aerospace manufacturers, including Fokker of Holland (now all but totally separated from VFW of Germany after a decade's unsuccessful marriage); Aeritalia of Italy; and Spanish, Swedish, and Belgian companies. Airbus Industrie can afford to pick up and choose among its would-be partners now that the programs for the A-300 and A-310 are plainly going ahead at full steam. It appears likely that future partners will need to buy their way in and that the price may be high.

As it looks ahead, the Airbus consortium can be reasonably confident that its present total of well over 400 aircraft delivered, ordered, or booked on option by airlines will be at least doubled. The consortium years ago set itself the objective of winning 15-20 per cent of the world market for airliners, and this looks quite probable. Boeing has been obliged to abandon its Olympian disregard of its rapidly growing rival from across the Atlantic and to fight hard to sell its 767. Airbus Industrie has already passed McDonnell Douglas and Lockheed to take second place in the world league among manufacturers of current wide-bodied types. Should sales reach the levels predicted, the Airbus partners should be able to pay a return on investment to their sponsor governments.

There are problems on the horizon, too. The consortium's chairman and chief executive, Bernard Lathière, predicted recently that the peak rate of output of eight aircraft a month will be reached by 1983, the year that the first A-310's will come into service. Yet if sales are not to be lost to Boeing, with its far greater production capacity, there will be an increasing temptation for Airbus Industrie to open a second production line. It would be no easy matter to persuade the three sponsoring governments to agree to such a costly move, and still harder to decide where it should be set up.

Airbus Industrie has also found it hard to push any further into the US market than it managed to do two years ago with its bravura capture of a larger order from Eastern Airlines, which is already operating the A-300 successfully on its New York-Florida routes. Airbus has worked hard to improve product support and after-sales service in North America as a prelude to other orders, yet so far these have not followed. Some European aerospace executives blame an instinctive, protectionist closing of ranks by American airlines and manufacturers, coupled with a battery of allegations that Airbus Industrie is playing dirty pool in its business dealings. Others, more philosophically, blame the sheer size and strength of the US manufacturers as the reason why such hoped-for plums as Air Canada, Trans World Airlines, and Western Airlines have slipped from the Europeans' grasp.

But although orders from the rest of the world will enable the A-300 and A-310 programs to thrive even if they do not win a single extra order from North America, it may be much harder for Airbus Industrie to pull the same trick with whatever aircraft it decides to build after the two Airbuses. Other gaps in the market do exist, as the airlines become increasingly demanding in matching planes to their varying yet specific traffic needs. One is for a new long-range airliner that would serve routes on which too few people travel to justify using a 747. A second is on short-to-medium range routes requiring capacity of about 130-170 passengers. It is in this area, in particular, that Airbus Industrie is examining a range of possible designs, variously referred to as the joint European transport (JET) series and the SA (single aisle) series. Meanwhile Fokker, still outside the Airbus group but seemingly more interested in joining than in the past, has already done detailed work on its so-called F-29 project, designed to fit this part of the market. The Dutch hope their plane might become the consortium's joint design for one of the new members of the Airbus family.

It will require careful analysis of the market, close liaison with prospective customer airlines, and strong indications of success before the British, German, and French Governments give the green light for the massive new expenditures that would be needed to help launch into such a program. While all three have been guilty of throwing away taxpayers' money in the past on white elephant projects, all now insist they will only contemplate funding aircraft that the market demonstrably wants to buy. That stiff criterion, in a complex and highly sensitive industry, has been met twice by the Airbus Industrie consortium. If it can reach the point (as it hopes) of declaring by the end of this year that it has a third major project ready to go, the world aerospace community as well as the European governments will sit up and take notice.

—Adrian Dicks

MILITARY SALES

More cooperation but a lot more competition

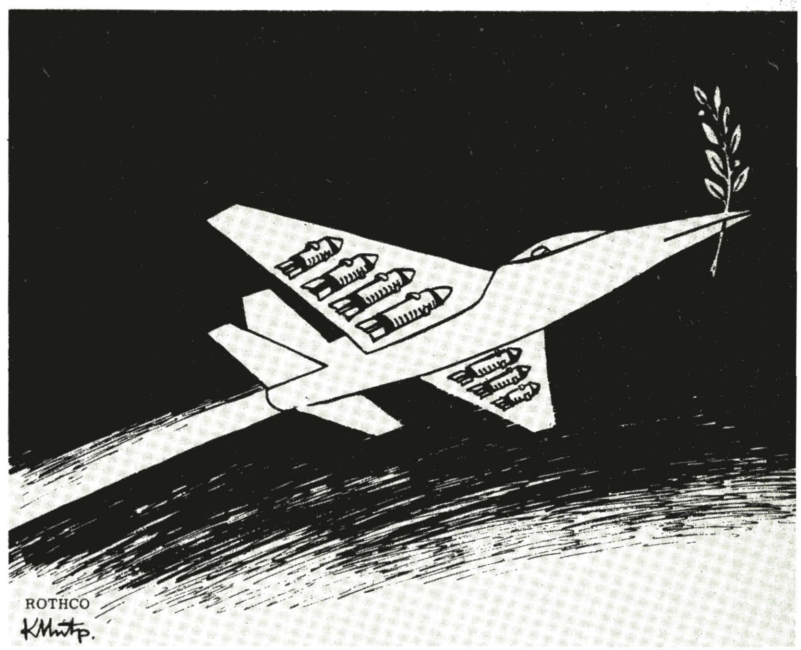
MICHAEL D. MOSETTIG, *New York freelance writer who formerly reported from Europe for UPI and NBC*

FOR BOTH AMERICAN AND EUROPEAN MANUFACTURERS of military aircraft, the 1980's promise a bit more cooperation and a lot more competition for lucrative sales around the world. The need to export grows more vital as inflation and technology drive up costs. Buyers and sellers alike are trying to diversify their product lines, and new sellers from the Third World will soon be joining the market. As tensions increase from Southwest Asia to North Africa, government efforts to restrain the global arms trade, most notably the Carter Administration's attempts at self-denial, fade under political and competitive pressures.

Some US Government officials have privately expressed concern that intensified competition for military sales could exacerbate the diplomatic strains now so evident among Atlantic alliance governments. For example, American diplomats were already muttering that the Persian Gulf expedition of French President Valéry Giscard d'Estaing could undermine the Camp David accords. Their suspicions were intensified by a *Business Week* report, after the Giscard trip, that the French had wrapped up a $10 billion deal to sell hundreds of Mirage 2000 fighter jets to the Gulf states. (The report was vigorously denied by the French Foreign Ministry, primarily on the grounds that the head of state was not engaging in commercial transactions on a public visit.)

Most officials, however, still think that the competition for military sales, including jet aircraft, will remain essentially commercial with only occasional diplomatic fallout. But even the commercial implications are immense. As *Business Week* magazine asserted, 1980 may be known in the annals of world trade as "the Year of the Gun." The magazine estimated that sales of all armament, with aircraft representing a hefty chunk, could reach a record $25 billion this year. *Aviation Week,* the bible of the aerospace industry, predicted last year, before the latest surge in international tensions, that the sales of lightweight fighter aircraft alone could total $60 billion in the next 15 years.

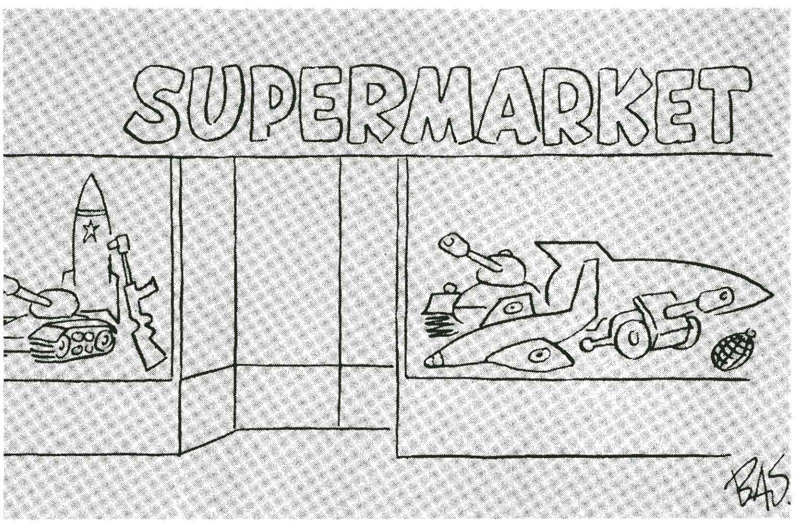
While the potential for such sales fuels the competition, there are other factors encouraging more cooperation, especially among the Europeans. The defense and aerospace industry base in Europe has shrunk to a few major companies or groups. With encouragement from their governments, which are often major stockholders or owners, these companies are looking for co-production deals to help absorb rapidly rising costs. A jet fighter cost $3 million to build in the 1960's; the early 1980's models will run from $16 million to $24 million each. The aircraft also have a much faster rate of technological obsolescence, which means much shorter, and therefore more expensive, production lines. Aircraft originally produced in the 1960's, such as the McDonnell Douglas F-4's, the Northrop F-5's, and the Mirage F-1's of Avions Marcel Dassault-Breguet, are still the backbone of many air forces. They are only now being replaced by new generations of American and European combat craft. But the Mirage 2000, its name originally suggesting its terminal date, could be supplanted by the Mirage 4000 in the 1990's.



© Mitro, *Ta Nea*, Greece

A variety of cooperative European military aircraft are coming off the assembly line. Most prominent are the Anglo-French Jaguar attack plane (British Aerospace-Dassault), the Franco-German Alphajet trainer and attack plane (Dassault-Dornier), and the Anglo-Italian-German Tornado (this multirole combat aircraft is produced by the Panavia consortium of British Aerospace, Aeritalia, and Messerschmitt-Bölkow-Blohm).

Transatlantic cooperation has been much more hesitant, largely because of the reluctance of US defense firms to become involved. If they can cover costs without co-production, they are just as happy not to share technology. These private corporations also fear that joint ventures with foreign companies would mean more government interference and control. But General Dynamics agreed to co-production to help sell its nearly 700 F-16's to the Netherlands, Belgium, Denmark, and Norway. McDonnell Douglas is now co-producing with Hawker-Siddeley the AV-8B—the second generation of Harrier jump jets that the US Marine Corps is determined to obtain despite resistance from the Navy, Secretary of Defense, and the White House. And almost every single-nation plane is likely to include either engines or avionics or fire-control devices from other countries.



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EVEN AIRCRAFT THAT ARE PRODUCTS OF COOPERATION can end up in a competition. This is especially true of the Jaguar and Tornado, which are competing against a variety of Mirages and American national aircraft to become the new generation of fighters in the world's air forces. Some US officials think this European cooperation is actually encouraging more intense global sales competition, occasionally to the detriment of the Americans.

"Competition and cooperation feed each other," said one US official. "Among other things, it helps reinvigorate high-technology industries. Now, the manufacturers of these planes are looking for outlets."

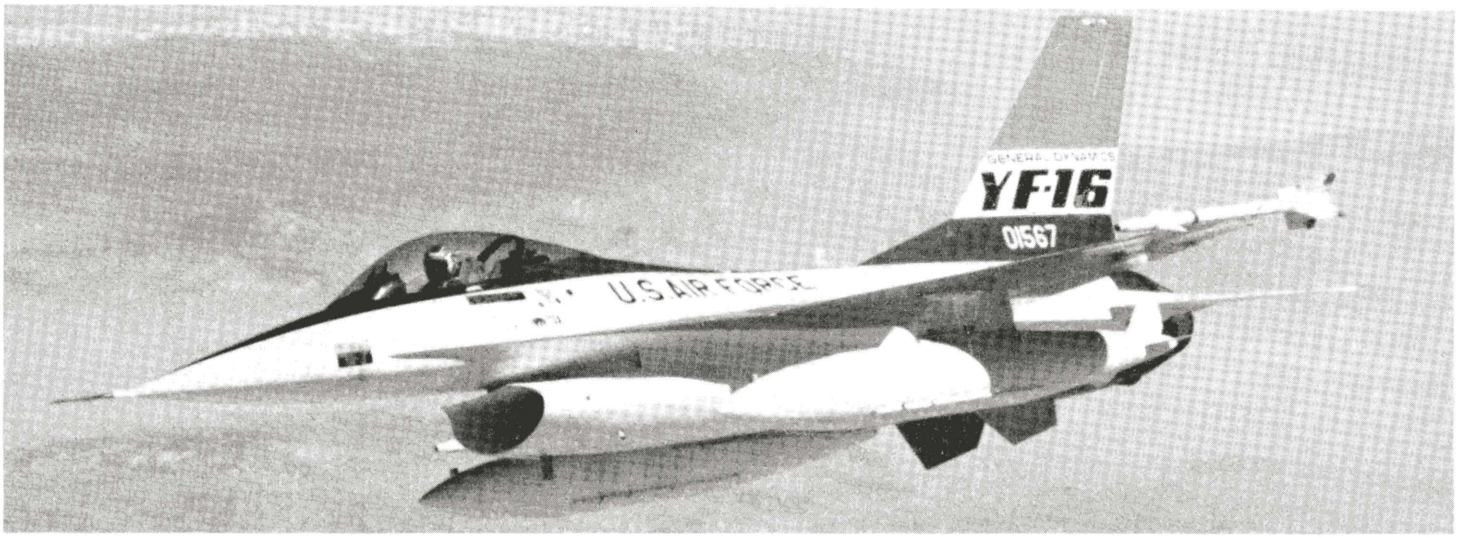
Last year a US Senate Foreign Relations Committee staff report raised another objection to European co-productions. The report said such agreements "have on occasion resulted in a joint arms transfer policy which reflects the lowest common denominator in arms export restraint." The report cited several examples of co-productions involving Germany, whose laws bar certain foreign weapons sales. But when the Tornado or Alphajet is sold to the Middle East, the German Government can say the sales were made under looser Italian or French laws, the Senate report complained.

The multi-billion dollar sales of F-16's or Mirages to the Middle East attract publicity, but less-noticed encounters elsewhere can have long-lasting and sometimes unpleasant diplomatic ramifications. One key example is the Indian subcontinent. During the Ford Administration, Henry Kissinger promised Pakistan the A-7 (Vought) attack plane. But the incoming Carter Administration, anxious to avoid a new round of arms competition in the region, pulled that offer and suggested the shorter range F-5E, which the Pakistanis rejected. At the same time India was shopping for new aircraft and also wanted to diversity from its traditional Russian suppliers.

There were three principal bidders for the Indian sale: the Anglo-French Jaguar, the French Mirage, and the Swedish (Saab) Viggen. The French, in effect, were competing with themselves, especially after the Carter Administration forced the Swedes out of the competition. The Viggen had modified American engines, and US approval was required for a third-country transfer. The United States also tried to persuade the French and British not to sell to India. According to the Senate committee report, those countries "never seriously considered the US request." The Anglo-French plane eventually won the competition with the proviso that most of them would be built under license in India. The Pakistanis turned to the French for Mirages. Three years later, after the Soviet invasion of Afghanistan, the Americans tried to make a new arms deal with Pakistan, only to have it rejected again. There are reports that the Pakistanis will buy more French Mirages, financed by Saudi Arabia.

The Pakistani-Indian arms imbroglio is often cited by defense industry and political critics of the Carter Administration's efforts to curb the global arms trade. According to *Aviation Week*, France, Britain, and Germany have received $5 billion worth of aerospace hardware orders from countries rejected under the tougher American guidelines.

President Carter came to office determined to fulfill a campaign pledge that "the United States cannot be both the world's leading champion of peace and the world's leading supplier of the weapons of war." A program to limit weapons sales was announced in May



"General Dynamics agreed to co-production to help sell its nearly 700 F-16's to the Netherlands, Belgium, Denmark, and Norway." courtesy General Dynamics

1977. Its principal features were that the United States would not be the first nation to introduce new arms technology to a region, that it would not produce aircraft solely for export, and that it would maintain a gradually lowered ceiling on exports while bringing sales under tighter government control. It also embarked on negotiations with the Soviets for a conventional arms limitation treaty that the allies might later join. As with many of the Administration's initial efforts, it was heavy in symbolism. To reduce the image of Uncle Sam as an arms peddler, the Government strictly limited the displays of hardware at the 1978 Farnborough Air Show.

Much of the program is now in tatters, although the US Government, through the State Department, still exercises much tigher control than previous administrations over arms sales. The conventional arms talks with the Soviets collapsed at the end of 1978. (Together, the United States and Soviets control at least three-quarters of the world arms trade.) The Europeans were skeptical throughout and kept on selling. Increasingly, exceptions have been made to the original policy, first with the introduction of the McDonnell Douglas super-fighter jet, the F-15, to Saudi Arabia and most recently with the reversal in January of the ban on production of an export-only fighter jet to replace the F-5.

Arms control experts in and out of government assert the Carter program is still in place but acknowledge that its fundamental and rhetorical principle has been set aside. Originally, arms sales were to be used only as an "exceptional" instrument of foreign policy when US national security was involved. Under that policy, the United States turned down requests from such countries as Pakistan and Morocco. Now, the United States is unsuccessfully pushing an arms package on Pakistan and has sold advanced F-5E and OV-10 Broncos to help the Moroccans in their counter-insurgency war in the Sahara.

WHILE THE UNITED STATES AND SOVIET UNION STILL dominate the overall arms trade as they have since World War II, the Europeans are cutting into their lead, especially in aircraft. The US-European competition began soaring after the 1973 Middle East War as vast new markets opened. The Europeans did not bear the competitive burden of being Israel's principal supplier, and they were anxious to make either military or civilian technology transfer deals that would help secure their oil supplies.

Statistics, especially from Europe, are slippery, but some reasonably reliable numbers show how the competition is growing. According to the Stockholm International Peace Research Institute, the United States placed 195 military aviation export orders between 1976 and 1978. But the French were second with 71. Then came the Soviets with 52, Britain with 44, Italy with 36, and Germany with 11.

The sales figures seem to be also growing competitive. The top four European arms exporters were Dassault with a reported $1.1 billion in sales, Messerschmitt-Bölkow-Blohm with $765 million, British Aerospace with $730 million, and Aerospatiale with $650 million. The top four American performers were Lockheed at $1.4 billion, McDonnell Douglas at $638 million, General Dynamics at $518 million, and Northrop at $456 million.

A crucial distinction between US and European competitors is that the American firms can do a healthy business with the Pentagon alone while the European defense companies need exports to survive. As aircraft have grown in cost and sophistication, some experts have suggested this European export dependence might be reaching dangerous levels with the companies gearing their business more to foreigners than to local defense needs. For example, Dassault is going ahead with the Mirage 4000, reportedly with Saudi Arabia ready to pick up more than $1 billion in manufacturing costs, even though the French Air Force has yet to order any. According to one report, only 44 of the 162 fighter aircraft produced by Dassault in 1977 were used by French forces. The other 118 were exported.

Aircraft sales are frequently part of a package, sometimes with other military equipment such as tanks and often with accompanying missiles and electronic warfare equipment. Logistics support is also a big factor in a major aircraft sale. Along with F-15's to the Saudis, for example, American companies will build $1 billion worth of bases to house the aircraft.

The French and British Governments play an active role in promoting their countries' aviation sales, much in the manner that Robert McNamara's Pentagon did in the 1960's. The German, Dutch, and Italian Governments leave most of the selling to their companies. There are French armaments missions in major capitals—in Washington occupying a townhouse next to the Cosmos Club. In Paris, the same government agency is responsible both for regulating exports and for promoting sales. The British Government splits those two functions, but its embassies house the civilian and military employees of the Defense Sales Organization, which promotes company sales.

Despite the projections of a multi-billion dollar market, some experts think the overseas aircraft business may be leveling off. One US official said that in the 1980's "there will be nothing like the massive absorption by Saudi Arabia and Iran of new aircraft." One former official said the big buyers are now "sated" and predicted the global arms market would not grow much beyond its present $20 billion level.

If so, the competition will become even more intense between the Americans and the Europeans, especially as the US Government continues to ease export restrictions. And the United States, Europe, and Soviet Union will no longer have the military aircraft market to themselves. Within the next few years they will be joined by Brazil, Israel, and perhaps even other exporters.

US-European cooperation launches "Spacelab"

Jonathan Katzenellenbogen, *freelance writer and member of the Fletcher Space Politics Project*

When Europe's manned space laboratory first flies aboard the US shuttle Orbiter in late 1982, an era of new, versatile research capabilities begins. "Ready access to space for a broad spectrum of experimenters in many fields and from many nations" is Spacelab's purpose, says its developer, the European Space Agency (ESA). Moreover, for the distant future this European-US project, the largest international space venture ever, provides a stepping stone to permanently manned space stations.

Spacelab, developed as part of the US Space Transportation System, will penetrate the frontier opened by Apollo-Soyuz and Skylab. (The only laboratory in orbit today that can be manned is the Soviet Union's space station Salyut-6.) Unlike its predecessors, each Spacelab is reusable and enables scientists and engineers, rather than professional astronauts, to conduct experiments in space. Each laboratory is designed to be flown as many as 50 times over a 10-year period in the Orbiter's cargo bay, where it remains throughout the mission. The National Aeronautics and Space Administration (NASA), which will control Spacelab operations, expects it as a payload on about three of the first 20 shuttle missions.

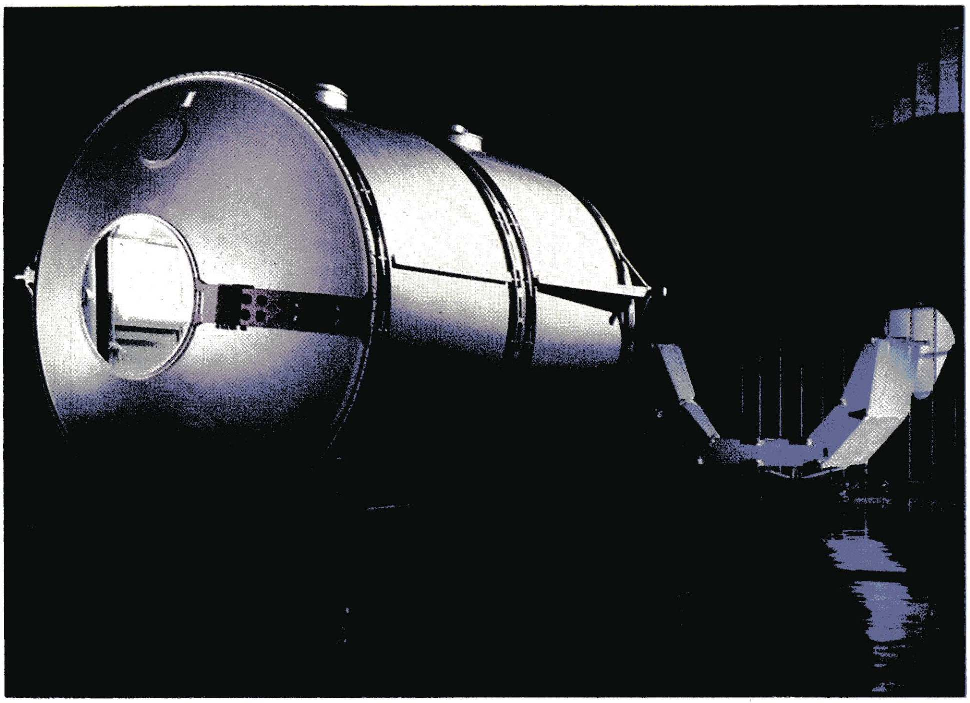
The first European in space and an American will be the first Spacelab crew members, or "payload specialists." A team of up to three can ride to orbit in the shuttle's crew cabin. When the mission begins, they crawl through a tunnel into a pressurized module that has a "shirt-sleeves" environment. The module may be composed of one or two identical cylindrical shells 2.7 meters long and 4.1 meters in diameter, enclosed by end cones. Removable racks attached to the floor on either side house the experiments. At a later stage a "biorack" with incubators and freezers as well as housing for small mammals, reptiles, and fish may be added.

Experiments that require exposure to space will be secured to Spacelab's U-shaped pallets (2.9 meters long and 4.35 meters wide) along with telescopes and instruments for studying space plasma and the atmosphere. A long module and two pallets will fly on the first Spacelab mission, and three pallets with an "igloo" to control subsystems, on the second.

"Mission flexibility" is enhanced by the Orbiter's ability to fly inverted and orbit at a range of inclinations and altitudes (200-900 kilometers). This allows Spacelab's instruments to be turned earthward for observation of a selected ground area. Orbiter computer and communication facilities permit experiments to be controlled from the crew cabin, the module, and from earth via a satellite system. Weightlessness, a high-vacuum environment, a wide spectrum of radiation, and extreme temperatures are some of the space "resources" that the laboratory will tap. These are available on earth at great expense and for short periods only.

Increased access to zero-g (force of gravity) opens up possibilities for the development of new drugs, materials, and processes. In a gravity-free environment, ultra-pure metals, semiconductors, and glass can be processed free of contact with containers for applications in electronics, laser technology, and optical products. New, improved-strength composite materials and large, perfect crystals may also be processed on Spacelab.

"Don't expect commercial processing on Spacelab," says an ESA official who insists it will be processing on earth that will derive the most immediate benefits from material science experiments on board. A large portion of the work on Spacelab will be devoted to studies of the physiological effects of zero-g as part of an attempt to prolong man's en-



Model of Spacelab by the prime contractor, ERNO, in Bremen, Germany. courtesy ESA

durance in space.

Assembly of Spacelab in Bremen, Germany, by the prime contractor ERNO has involved the integration of parts supplied by over 30 firms in 12 countries. Cost to completion of the first flight article stands at $865.9 million—40 per cent above the original estimate. About $170 million, 20 per cent of ESA's budget, will be spent this year to complete Spacelab, which is Europe's second largest space project next to the Ariane Launcher. Germany will meet 65 per cent of the project's budget this year; France, 12 per cent; Britain, 7.6 per cent; and ESA members Belgium, Denmark, Spain, Italy, the Netherlands, Switzerland, as well as nonmember Austria, will finance the rest.

Under the 1973 Spacelab agreement between the United States and certain members of ESA's predecessor, the European Space Research Organization (ESRO), NASA will have full control over the laboratory upon delivery, expected early next year. NASA and ESA will share the first Spacelab mission, and experiments from Europe, the United States, and Japan will be on board. In January NASA signed a $183.9 million contract for construction of a second Spacelab after a barter arrangement, whereby ESA and Germany were each to receive two free missions in return for another laboratory, fell through.

Follow-up programs will concentrate on extending the basic seven-day mission, shortage of electrical power for experiments, and new pallet concepts. British Aerospace, which manufactures the pallets, has proposed a reusable satellite with subsystems in a free-flying pallet. These would be carried by the shuttle, released, and then later retrieved for replacement of instruments on the pallets and another mission.

Who owns outer space?

At the peak of US and Soviet space flight activity in the 1960's, Argentina proposed a treaty that would acknowledge the resources of outer space as the "common heritage of mankind." Everything would belong to everybody and would be shared by everyone.

This proposed "Draft Agreement Governing the Activities of States on the Moon and Other Celestial Bodies" floated in the backwaters of the United Nations (UN) for nearly a decade before passing the General Assembly in December 1979. The agreement was then opened for signature by UN member states, but only France and Chile have officially signed. Signature by five nations is required to enter the so-called Moon Treaty into international law, and then only the signatory countries will come under the treaty's jurisdiction.

The treaty calls for sharing the benefits of space exploitation. It also mandates the forced transfer of space resource technology owned by private enterprise to both an "international regime"—an OPEC-like controlling organization—and Third World countries.

Debate over the futuristic document is setting space enthusiasts and Carter Administration officials at odds in the United States. The US State Department and the National Aeronautics and Space Administration (NASA) have supported the Moon Treaty for nearly 10 years. However, domestic opposition is currently running so strong that President Carter has sought recommendations from an interagency committee appointed by the President to study the document. State Department attorneys maintain the treaty is needed to clarify outer space activities. They argue it is the first step in an attempt to provide international law well in advance of the time when competition for space resources becomes a worldwide controversy.

Opponents in the US debate say the Moon Treaty will place an unbearable strangle-hold on free enterprise initiative in space. A growing number of Congressmen are citing the "common heritage" and "equitable sharing" provisions as proof that the treaty is a giveaway of hard-earned US technological superiority.

In the European sphere the decision by France to sign the Moon Treaty may set a precedent. But Yves Demerliac, secretary general of Eurospace (*Groupement industriel européen d'études spatiales*), wrote in *Business Week,* "The heaviest responsibility for the European space decision-makers in the coming years will be to act in such a way that whenever the possibility is established for a European company to make a profit from manufacturing in space, that firm be given access to space."

The European Space Agency's (ESA) desire to obtain US assurances for European use of the Space Shuttle emphasizes the indirect but tangible reliance of Europe on the success of the Shuttle program. US private corporations will presumably keep the Shuttle alive because their returns on investment show a healthy profit. Europe cannot help but consider the Moon Treaty in this light.

Some reports say that the Soviets are bitterly opposed to declaring the resources of space "common heritage." Other reports point out that the real benefactors of the treaty are Third World nations and that some are in the orbit of the Soviet Union. The role of these developing countries in the arena of outer space cannot be ignored. The "common heritage" doctrine is favored by them because it ultimately aims at equalizing the "have's" and "have-not's" of the world.

—**Lee Wiemann,** *a California-based aerospace publications editor*

THE "CHUNNEL" LIVES

Not out of European idealism but from national need

DAVID HENCKE, *London-based correspondent for* The Guardian

CYNICAL OBSERVERS OF ENGLISH CUSTOMS SAY YOU CAN always tell when spring has arrived. The winter snows usually come with the daffodils; correspondents of *The Times* compete to announce the arrival of the first cuckoo; and the annual plans for the Channel Tunnel are revived. This year, however, it didn't snow in London, the first cuckoo was difficult to spot, and the plans for the "Chunnel" appear for the first time in many years to be more than just wishful thinking.

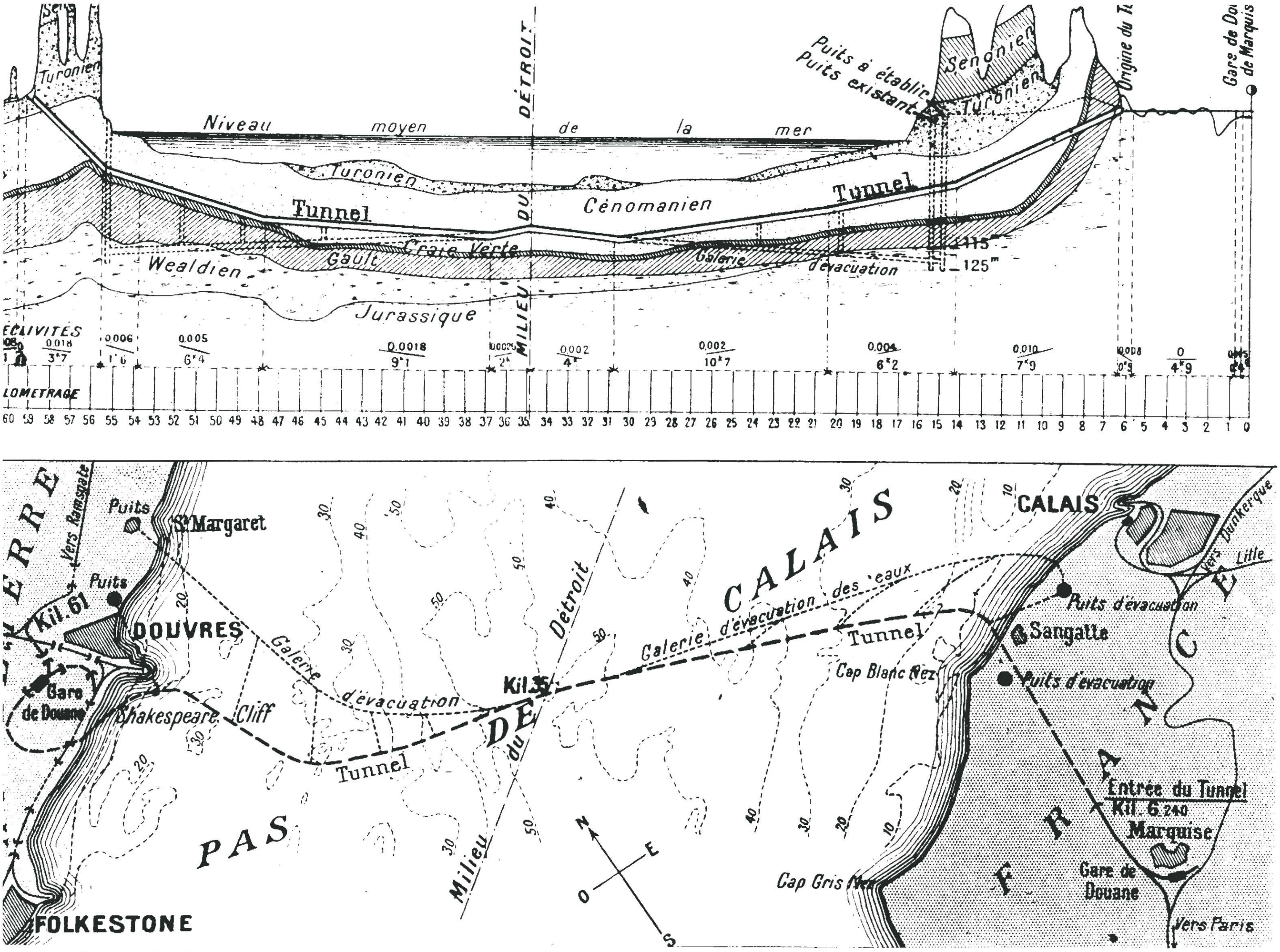
British Transport Minister Norman Fowler told Parliament in March that while the Government was not prepared to put taxpayers' money into the project, it would examine detailed proposals to revive the link. He also made it clear that the Government—which under Harold Wilson had vetoed the project in 1974—was now no longer opposed to the idea. The Government's statement and the rash of speculation in Whitehall and among the media caught the Chunnel's opponents by surprise. A move to build a cross-Channel link had been the last thing observers expected from the Government committed to slashing public expenditure. Relations with Europe were also going from bad to worse, and nobody expected either the British or French Governments even to look at a project to bring London any nearer to Paris or Brussels.

History was also not on the side of a new link. Ever since it was suggested by Napoleon in 1802, the scheme has been bedeviled by false starts and false hopes. Plans were proposed in 1856 and 1866, and work actually started briefly in 1883 only to a halt within a few months. The effect of two World Wars was enough to make Britain cautious of building any link that would aid potential invaders. It was not until 1963 with a Government White Paper, "Proposals for a Fixed Channel Link," that the project was seriously revived.

Further discussions between both the French and British Governments took another decade before trial borings began again and the first part of the tunnel was started in both England and France. Then in 1974 the return of a Labour Government saw the scheme scuttled to save cash, and any idea of a Channel link disappeared into oblivion. Today, thanks to three separate events that have come together fortuitously, the Chunnel is back with a vengeance and will require decisions from both the French and British by autumn. The events are a new study prepared jointly by British Rail and Société des Chemins de Fer Français (SNCF, French Railways) on an economy version of a Chunnel that could bring them profits; the revival of a private enterprise plan for the project; and the determination of the EC Transport Directorate-General to pursue the idea regardless of national interest.

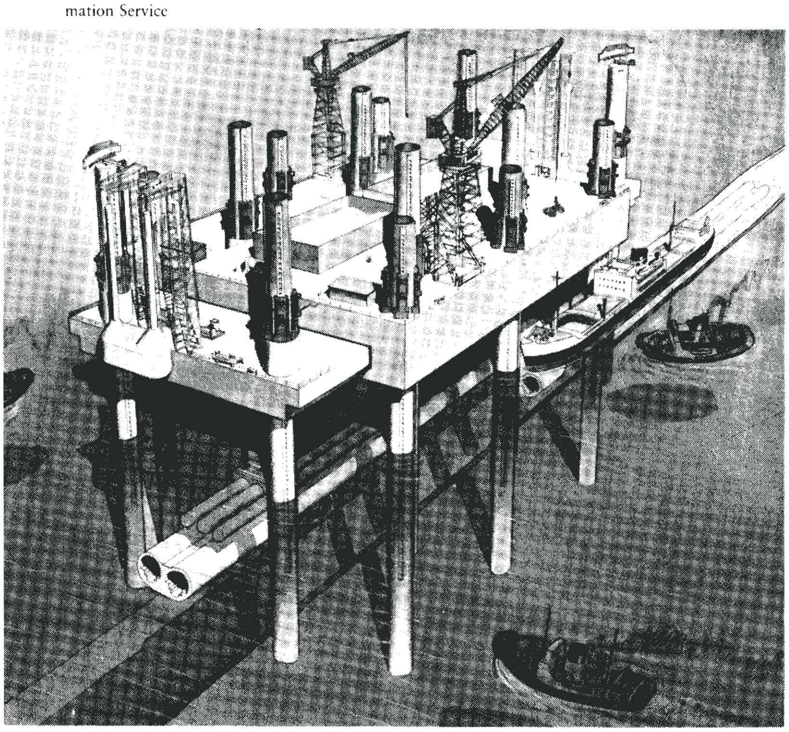
Two public figures in Britain and Europe have staked their reputations on the idea—Sir Peter Parker, chairman of the British Railways Board, and Richard Burke, a genial Irishman who is EC Commissioner responsible for transport. Two British academics, Sir Alec Cairncross, recently appointed by Prime Minister Margaret Thatcher to look into the project, and Professor Christopher Foster, who examined the scheme for the Community, have both decided independently that the project could pay. Four European civil engineering companies have formed the European Channel Tunnel Group to put forward specific plans that they say will also bring in profits for private enterprise. The reason for all the new-found interest centers around the discovery that the cost of the 21-mile link between Dover and Calais need not be prohibitive.

When the late Anthony Crosland, Labour's secretary of state for environment, turned down the idea in 1974, it was partly due to soaring costs. At that time a double-track tunnel with high-speed rail links from the Channel ports to London and inland to Paris were seen as essential to building the Chunnel. Planners, who were also responsible for the Third London Airport, Concorde, and the revival of Severn Barrage, were thinking big. Today economy is the watchword, and it was Sir Peter Parker, chairman of British Rail, who first grasped the idea of an austerity link. About two years ago he got together with French Railways and commissioned a study to find out the cheapest way of providing a link and the best way of financing it without drawing on huge amounts

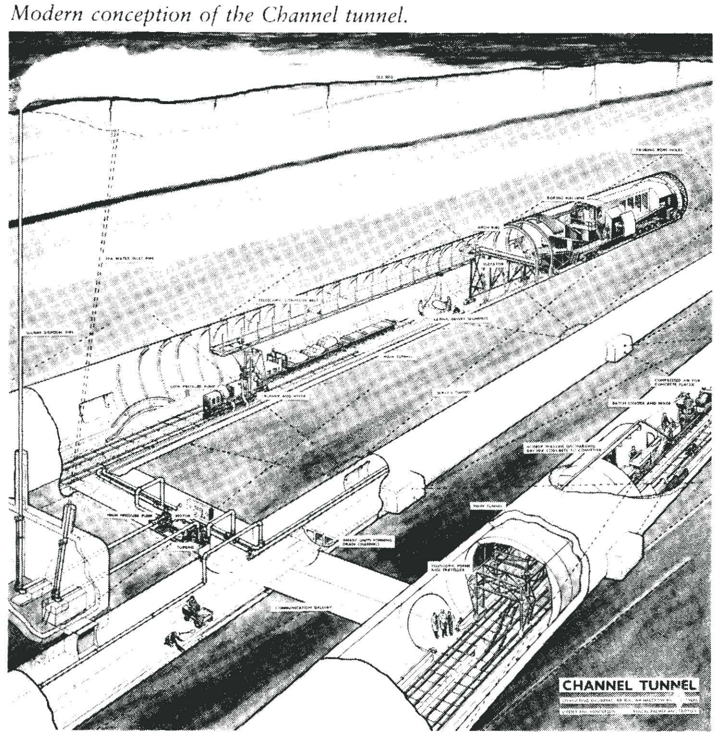


Early plans for the tunnel when it was first proposed in the Nineteenth Century. © The Bettmann Archive

Artist's sketch of possible method of construction today. courtesy British Information Service



Modern conception of the Channel tunnel.



of taxpayers' cash.

The result is the joint British Rail/French Railways study published last year involving the construction of a rail tunnel to Continental gauge and a service tunnel. It would be serviced by flights of passenger trains between London and Paris and London and Brussels. Total capacity would be 120 trains a day. The trains would run on a single track in flights of ten at a time—possibly two flights following each other—in each direction. During the day three-hour periods would be devoted to trains alternately from England and France. The daytime service would be run by dual-voltage electric locomotives built to the smaller British loading gauge, allowing direct services from London to the Continent. The London terminal would be either at an enlarged Victoria Station or at a new terminal at West Brompton in the west of the capital. A new station would be built next to the outer London orbital motorway, known as the M25 and now being built, so that suburban commuters could join the train without driving into the center of London.

At night larger French locomotives and rolling stock would take over the service that would run from Paris or Brussels to Kent only. A new station would be built near the Kent coast or inland at Ashford. The location would depend on the cost of improving bridge and tunnel clearances to accept French rolling stock on British Rail lines; there is no problem with the width of track as both British and Continental tracks are the same. Connecting trains would run to London. In addition, container freight traffic could be carried with new marshalling yards in Lille, London, and Kent.

The cost of the British Rail scheme would be about $1.74 billion at present day prices. If work started late next year, it could be completed by 1988.

The private enterprise alternative is costed at nearly $630 million cheaper and has been put together by an Anglo-French-Dutch-German consortium: Costain Civil Engineering of Britain; Royal Bos Kalis Westminster, an Anglo-Dutch company; Spie Batignolles of France; and Philipp Holzmann AG of Germany, all engineering companies. Their plan involves steeper gradients in the tunnel to reduce its length and would require banking engines at both ends to enable trains to move speedily out of the tunnel.

The Community has also examined tunnel and bridge options in a report by Coopers and Lybrand Associates, management and economic consultants in London. The report, prepared by Professor Christopher Foster, a British academic, shows that both a tunnel and bridge would be profitable, although investment from the tunnel would pay in 12 years compared with a 25-or-more-year wait from a more expensive bridge. A double-track tunnel costing nearly $3.15 billion was shown to be the most profitable, since it would have a larger capacity and be able to take roll-on, roll-off road traffic and "piggyback" lorries on rail trucks. Bridges start at about $5 billion and are better suited to road traffic; more expensive designs are needed to prevent trains from being blown off the bridge in high winds.

"The English tunnel bugaboo." Nineteenth Century cartoon showing French rooster chasing frightened British lion. © The Bettmann Archive

The European Community has found that the British Rail single-track tunnel could be built as a first stage with a second tunnel added later on as traffic grew. But, ironically, none of the projects would have a chance of getting off the ground without the present crisis in the Community over Britain's contributions to the EC budget.

Britain claims it is "owed" a repayment of over $2 billion because its EC contributions are too large. None of its partners are prepared to pay back the cash by writing out a check. Officials in the EC Commission, particularly those in transport, are privately working on a package of schemes for EC funding that could benefit Britain. One of those items is the Channel tunnel. Britain is reluctant to accept payment in this way, but the only alternative might be to leave the Community, which Prime Minister Thatcher is not keen to do either. If the Chunnel does indeed get the go-ahead, it will thus be not as a project born of European idealism and aimed to improve transport links, but as a compromise designed to paper over massive disagreements in the financing of the Community.

Nostalgia

The latest Chunnel scheme came to light as British Rail said it wants to discontinue this autumn its 44-year-old night sleeper service from London to Paris. The overnight train-ferry journey has been a loss-maker since the 1950's. Competition from the airlines, always tough, has been hardened by a fare change making a roundtrip, first-class-equivalent air ticket cheaper than the all first-class sleeper.

Nostalgia is not the reviver it might have been, and the carriages built in the 1930's badly need refurbishing. The service was started in 1936 after earlier plans for a Channel tunnel were stymied by worry that Britain's defenses would be at risk.

In these hurried days it remains a vestige of leisurely travel, leaving London after dinner and arriving in Paris in time for breakfast. Channel weather permitting, of course.

Peter J. Shaw, *an editor for ABC News in London*

A NEW EC AMBASSADOR

Roland de Kergorlay succeeds Fernand Spaak

ROLAND DE KERGORLAY SUCCEEDS FERNAND SPAAK AS head of the United States delegation of the Commission of the European Communities. Before coming to Washington, de Kergorlay headed the Community's delegation for enlargement negotiations as a deputy director-general for external relations—the post Spaak now assumes.

Born in Paris in 1926, de Kergorlay was graduated from the University of Paris in 1947. He received honors in economics from studies at McGill University in Montreal from 1947 to 1950. He then studied economics at Harvard University from 1950 to 1953.

De Kergorlay joined the Organization for European Economic Cooperation (OEEC) as administrator in the economic department in 1954. Four years later he joined the EC Commission—1958, the year the Community was founded—as chief of the Benelux division in the Directorate-General for Economics and Finance.

In 1962 de Kergorlay was appointed secretary of the EC Monetary Committee, the Budgetary Policy Committee, and the Standing Conference of EC Finance Ministers. He became a director in external relations in 1969 with special responsibility for applicant countries for EC membership, associated countries, and preferential agreements. From 1970 to mid-1972, he served as a principal member of the Commission's team in enlargement negotiations.

De Kergorlay was deputy director-general responsible for European and Mediterranean affairs, state trading countries, and economic questions from 1973 to 1978. He moves to Washington from Brussels with his wife and one child.

Roland de Kergorlay, new head of the EC Commission's delegation in Washington.

Fernand Spaak returns to Commission headquarters in Brussels.

EUROPE AND AMERICA

Departing EC Ambassador gives personal view after four years in Washington

FERNAND SPAAK

The relationship between the United States and Europe is never easy and can never be taken for granted. It does not require great powers of perception to realize that at the moment it is not proceeding particularly smoothly. The sounds of creaking, if not splintering, can be distinctly heard.

My personal conviction is that the relationship will survive intact, but we have to ask ourselves why we are hearing those sounds at all. The symptoms of a deterioration in our relationship are well-known—our respective responses, apparently so different, to the crises in Iran and Afghanistan. The causes of the deterioration, however, run deeper. They stem first from misconceptions that each has about the other; second, from the way in which the United States reaches its decisions; and third, from the way in which Europe often fails to reach coherent and comprehensive decisions. Compounded with all of those factors is the fault on both sides of the Atlantic of defining the word "security" too narrowly.

First, the misconceptions that Europeans persist in having about the United States: Europeans arriving in the United States come with one common prejudice—that what they will find here will be bland, uniform, without variety, and therefore easy to comprehend and deal with. Movies and television have accustomed them to expect a homogeneous culture based on hamburgers, Coca-cola, oversized automobiles, and, more recently, jogging.

On the surface that prejudice may be confirmed by initial experience, but what dispels it is the realization that at a deeper level this is, in fact, a country of enormous diversity. Once Europeans have made that discovery, it is something from which they never quite recover. There is the diversity in the origins of every American. One quickly learns that ethnic origin can be nearly as important to individuals, and particularly groups of individuals, as being American itself. *E pluribus unum* has been realized. The nation-building is over, and the nation feels confident enough to admit its racial and ethnic differences.

It may not yet be admissible to joke about an ethnic group, but it is more than permissible for an individual to readopt some of a culture that was supposed to have been left behind in the Old World. The immigrant father striking his children because they lapse into the language of his native country has been replaced three generations later by Americans who see no conflict or danger in having two identities and who will proudly proclaim themselves as Polish-American, Japanese-American, or Mexican-American. The European begins to appreciate that there are rich and different seams running through what he had supposed to be a single culture carved from one common stone.

At the same time the European becomes ever more aware of the regional diversities within the United States. These are not merely differences in topography and climate—the obvious contrast between the wintry forests of the Northeast and the sunburnt deserts of the Southwest. They are very real differences that stem from deeply ingrained interests—the most obvious example being the tensions that exist between the energy "haves" and the energy "have-nots."

It is at this point that Europeans should begin to become aware of the difficulties the United States has in reaching decisions. Not only is there a diversity of regional interests, but also there is the proliferation of special interests that play an ever increasing role in the decision-making process. All of these interests—be they farmers, consumers, oil companies, steel companies, doctors, pro-nuclear, anti-nuclear, environmentalists, or whatever—are well-organized and, above all, politically organized. They have taken up well-entrenched positions on the chessboard of national and local politics, in many ways appearing to have taken over from the established political parties. They are very often also a factor in international relations.

So, too, are the numerous independent and executive agencies whose name plates seem to adorn every corner of the maze that is political Washington. It is both right and understandable that domestic interests and agencies should be fully involved in every decision of the US Government. But in their multiplicity and diversity there lie inevitable sources of internal conflict, an added degree of pain in the decision-making process, and endless possibilities for lack of communication. All of which makes true consultation with America's allies more difficult.

None of this makes life particularly easy for those Europeans in Washington whose task it is to explain to their capitals that a decision by the President is not necessarily a decision of the United States. It can be hard for our politicians and civil servants to understand how it is that the gap between executive and legislature yawns ever wider when in our own European countries the two are often inseparable. It is harder still for them to understand that the Chief Executive does not have a political party whose support he can count on in carrying out a decision.

This is not a comment on the personalities involved. It is an observation on a system, or at least on how it has evolved. The checks and balances of a system devised in the Eighteenth Century were built-in to deal with the problem of the supposedly divine power of monarchs. With the demise of national political parties, the upsurge of special interest groups, the role of specialized agencies, and the total decoupling of executive and legislature, we are left asking whether these checks and balances have not in fact led to a partial paralysis of the temporal powers of the Presidency.

THE CONSEQUENCES FOR EUROPEANS that flow from this way of doing things are twofold. Contrary to the myths of recent years, Washington does not happen behind closed doors. Europe, on the other hand, does. In the US system the deals and compromises are struck in the open. The whole process is conducted in public. While this may appear to be healthy and indeed democratic, it can result in leadership that is sometimes hamstrung and whose positions are inflexible. Once the domestic deal has been put together, there may be little room left for maneuver in any negotiation that follows with foreigners. That is the first consequence.

The second flows from the fact that there is nothing final about many decisions taken in the United States. Even when the public bargaining between Congress, the White House, and special interests is apparently over, the decision is still contested. There are always the courts, the press, and public opinion to whom further appeal can be made. It is at this point that the executive often turns to its friends and allies overseas and expects to find from them the support it cannot muster at home.

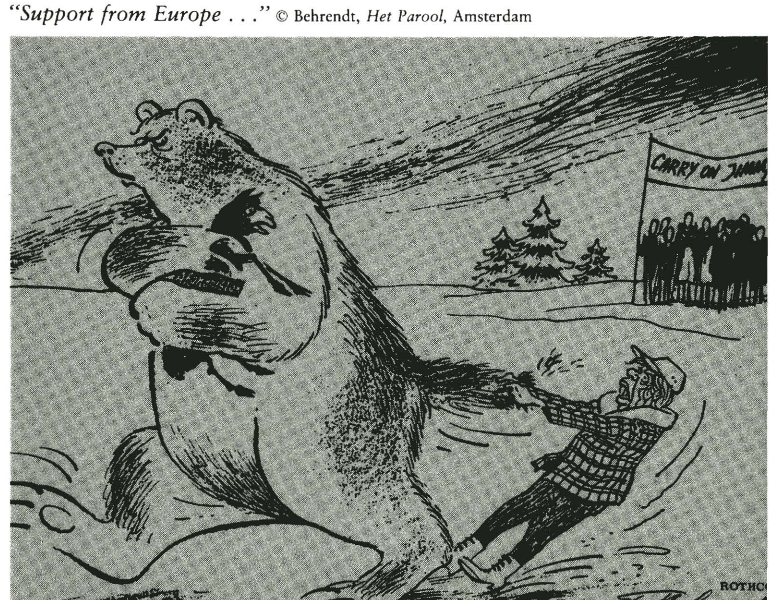
When that support is not automatically forthcoming, there is a sense of betrayal, of a lack of solidarity. This is made all the more acute by the use that is then made domestically and politically of the fact that the President has not been able to win America's friends and allies around to his position. As we Europeans find ourselves ineluctably drawn into the American political process, what are in fact minor differences of opinion begin to take on the proportions of major disagreements. Suddenly, it appears that Europe can no longer be counted on in a crisis. But the belief that Europe will always react exactly as America does is a misplaced one and stems from a lack of understanding in this country of what Europeans share and do not share with America.

We do not share the same geography. Our neighbors are not Canada and Mexico; they are the Soviet Bloc, the Middle East, and Africa. We do not share the same history. Our colonial past is more recent as are our civil wars. We do not share the same international economic relations. Our economy is far more dependent on external trade than is that of the United States, both in terms of our needs for supplies and for markets.

What we do share with the United States is the same basic set of beliefs and values—more so than with any other country. We also depend on one another for our future prosperity and survival. Those are the things that bind us together and make us partners, whether we like it or not—and I do like it.

But being partners does not only mean shouldering common burdens and responsibilities. For the partnership to work we also have to make an effort to understand the ways in which we each differ and the constraints under which each operates. Too often we are made to feel in Europe that Americans do not un-

"Support from Europe . . ." © Behrendt, *Het Parool*, Amsterdam



derstand that our interests are not always identical, that we cannot always respond to the same challenge in the same manner.

This does not mean that we do not feel solidarity with the United States; it simply means that we may have our own way of doing things. We may also have our own way of looking at things. There is always more than one interpretation of an international event. We all know that the Russians are in Kabul, but do we know why? Does any one partner in the alliance have the monopoly on wisdom in answering that question?

In our relations with one another we should be able to tolerate differences of opinion just as we tolerate them within the democratic system of any one of our countries. That is the essence of a real partnership. Anything else is bound to be one-sided and eventually rendered meaningless. On each side, we may have to agree to disagree at times—either on our analysis of an event or our responses to it—so long as in so doing we are all still faithful to our common interests and values.

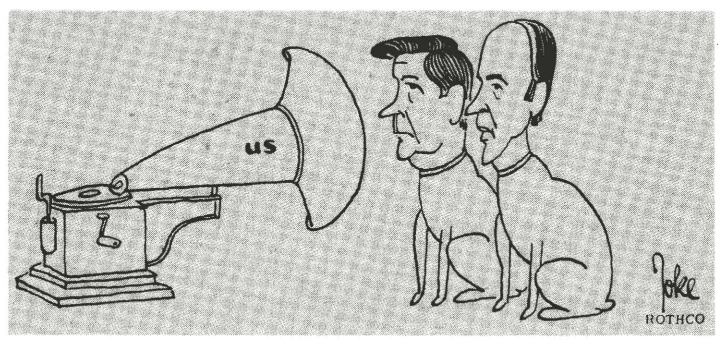
What each does may differ, but its symbolic significance must remain the same. There is a clear message in the Community's recent decision to further strengthen its contractual economic links with Turkey, Yugoslavia, and Rumania. There is also a cost to us in economic and financial terms. This is not the kind of action that is accompanied by war whoops and the roll of drums, but it is also not without its political and strategic significance.

There is nothing necessarily wrong with the fact that Europe and the United States differ in their perception of an international event or their responses to it. It would be neither a healthy nor even a credible partnership if we always marched in lock-step. The important thing is that we both understand the differences of one another's approaches and accept that these are but minor differences. If, on either side, we choose to systematically treat any variation in our views or attitudes as major differences, we shall be giving others the opportunity to drive a wedge between us.

At the same time, it is also important that we do not allow the issue of East-West relations to dominate our thinking to the exclusion of a number of other issues—issues that may not appear to be as immediate or even as politically exciting, but which may both be harder to resolve and which present no less of a threat to our overall security and well-being.

There is the delicate matter of maintaining an open competitive trading system in a period of high inflation, rising unemployment, and low growth. There is the question of the proper relationship between the industrialized world and the developing world. There is our continued collective dependence on imported oil. These are as much security issues in today's world as those we traditionally class as political military issues. One wonders in these areas who makes the greater contribution to overall security. Is it Europe; is it the United States?

Political military and political economic issues both touch on our security; they not only overlap, but they are also intertwined. Once that fact is realized, there is a logical conclusion that we in Europe cannot escape: that is, that we have to develop a common foreign policy. I believe that the license of expressing oneself personally is something permitted departing diplomats, and I should perhaps emphasize that my observations on this question constitute a personal view rather than official Commission policy. It is therefore my own view that if we were to develop a common foreign policy, many of the frictions in our relationship with the United States would be considerably reduced.



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HOW OFTEN HAVE I HEARD OR READ in America how much more smoothly the relationship between us operates when, as in the field of trade, the United States is dealing with a Community that is speaking with one voice on the basis of a commitment that has been arrived at through the institutional process of the Community. How often is one reminded of Henry Kissinger's *cri du coeur:* "To whom do you pick up the phone when you want to speak to Europe?" That we have so far failed to fully bite the foreign policy bullet will come as no surprise to those who are familiar with the development of the Community.

Our political institutions are dramatically, chaotically young. They do not necessarily produce decisions as they are needed, and the decisions they do produce tend to be more rigid than necessary. We are talking about nine countries, a Commission, a Council of Ministers, in recent years a European Council, and now too a legitimate and directly-elected Parliament. Each is trying to define its role, with each anxious not to lose any degree of its influence. There can be a temptation for our foreign partners to exploit this institutional diversity. It increases, if that is possible, the complexity of our relationships as the Community slowly comes of age.

We have, however, agreed that some external economic relations should become an area of Community responsibility, but we have only done so because we maintain a fiction that there is a neat line that divides the economic aspects of foreign policy from the political. Different people in different groups handle our international relations *either* in political cooperation *or* through the Community, according to whether the subjects in question are covered by the treaties or not. This distinction is weakening the defense of our interests and the strength of our policies.

Four years in Washington have enabled me to see how artifical a distinction it is and how much more difficult it makes our relationship with our partners. In a sense, we are at a very similar stage to which we were in in the late 1940's. At that time we made the discovery, and acted upon it, that each of us separately in Europe would count for nothing economically if we remained separate and did not pool our resources. We do now have a certain economic strength as a Community. We can no longer shun the political responsibilities that spring from it. Nor, in our own interest, should we fail to use the opportunities it gives us.

Political cooperation between our countries has been a great step forward. But it is dated. Since 1973 the Community and its member states have been thrown onto the world stage. Our institutions were not ready and our policies had hardly been defined. For Europe to carry political weight in the world, to be able to be master of its own destiny, intergovernmental cooperation is now not enough. Nor is economic unity enough if we are to assume our responsibilities and play the role in world affairs that should be ours.

The problem was clearly identified by Leo Tindemans in his 1976 report on "European Union" when he suggested a new step toward a common foreign policy. To make European identity credible to the outside world, he proposed, in his own words, "changing the political commitment of the member states which is the basis of political cooperation into a legal obligation."

My own feeling is that the time has come to recognize that a valid and lasting foreign policy for Europe requires us to use to the full the economic importance that we have as a Community. We can no longer afford to pretend that our political strength is unaffected by our economic strength. Our methods and goals in each area are part and parcel of one foreign policy for the Community.

This would not involve a loss of independence; in fact, globally, it would mean quite the reverse. It would meet, rather than confirm, the fear of those who point to an autarchic economic community. We would in fact no longer be open to the charge that we were exercising economic power without political responsibility. It would also do much to improve the climate of relations between the United States and Europe as a source of confusion was removed.

There would, however, still remain the fundamental problem of understanding one another, of appreciating and accepting one another's differences. Although we may each have differences of perception, it is fair to say that our effective governments do understand one another pretty well. But we have to go further and deepen that understanding beyond the official and diplomatic level. Our peoples themselves have to know one another better and to accept the differences between us as they exist. This can only happen with a constant interchange of people and ideas.

One of the successes of the European idea has been the personal contacts that have developed across our frontiers between students, professionals, businessmen, civil servants, and politicians who have all learned to live together and to work together. That is the real fabric of the solidarity that exists between our nine countries—not the bureaucratic institutions that manage the technical details of the Community.

The most striking example of this context at the personal level is the enormous number of exchanges that now take place between our young people, in particular those of France and Germany. This is an area where, in relations between the United States and Europe, there cannot be too many programs, too many institutions, or too many dollars spent. Europeans now come to the United States more easily and cheaply than they ever used to. The great worry is that fewer and fewer Americans will be able to visit Europe. This is one of the worst consequences of the depreciation of the value of the dollar.

We had grown used to those young Americans apparently loafing about and wasting their time in Paris, Madrid, or London. In fact, they were learning to understand the reality of Europe today. It is the friendships and understanding that are built between ordinary men and women that will ultimately decide the nature of relations between nations and continents. That has been so for the construction of Europe where we have taken as our watchword the thought expressed by Jean Monnet: "We are not forming an alliance of states, we are uniting peoples." It is just as true for the partnership between the peoples of Europe and those of the United States.

COMPETITION

The Long Arm of US Antitrust

Is it too long?

CHARLES MAECHLING, JR., *international lawyer in Washington formerly with the US State Department*

In the rich fabric of international economic relations, the tension caused by overlapping legal systems normally causes only minor wear and tear. But when within one 12-month period the German Government protests the extension of US commodity regulation to German soil, nine Organization for Economic Cooperation and Development (OECD) countries file a protest over efforts of the US Maritime Commission to extract records from European offices of shipping firms, and British Trade Secretary John Nott introduces legislation to protect his country from US "economic imperialism," at least a few of the seams are starting to unravel.

At issue is the increasing disposition of US courts and government agencies to expand the application of US law and regulations to encompass virtually any kind of overseas business activity that has an impact on the American economy, so long as there are links, however tenuous, to US territory. The United States takes a uniquely encompassing view of the impact of transnational business transactions on its domestic market. No other country has interpreted the mandate of its constitution to exercise control over international economic activity in order to carry out its domestic policies. No other country has so successfully asserted the right to enforce its legal process outside its own territory.

The points of greatest conflict with foreign nations have occurred when American courts and government agencies have sought to extend the application of the antitrust laws to non-American firms overseas. Similar clashes periodically occur in the fields of tax collection, securities regulation, anti-bribery and anti-boycott enforcement, and regulation of shipping; but none of these has the commercial scope or financial impact of antitrust actions.

The Sherman and Clayton Antitrust Acts, together with their vast body of implementing regulations and judicial interpretations, represent a profound commitment by the United States to the virtues of a market-ordered economy. For half a century these laws have been the primary instruments for assuring that the American market remains competitive. Other societies have since developed comparable policies, notably the European Community and some of its members; but no other society assigns so central a role in its national economic policy to prevention of anti-competitive business practices.

In fulfilling this commitment the United States has deployed an array of assets and talent unmatched by any other combination of industry and government in the world. The personnel of the Antitrust Division of the Department of Justice now numbers 400 lawyers and 50 economists, with more than 20 of the lawyers in the division's foreign commerce section. The division alone initiates over 1,000 investigations and more than 50 civil and criminal actions annually. Moreover, federal antitrust enforcement is multifaceted: The Federal Trade Commission, Federal Maritime Commission, and International Trade Commission have separate and overlapping mandates that sometimes result in the pursuit of mutually inconsistent objectives.

Other countries may be impressed by the magnitude and dedication of the US antitrust commitment, but they do not necessarily share the same economic philosophy or have no competing economic objectives. Not unreasonably they set higher priority on protection of their own interests. In particular, they resent attempts to impose American economic values on segments of their economies that are crucial to the generation of foreign exchange or achievement of other social and economic goals. Countries dependent on exports of nonrenewable resources for importation of industrial equipment are particularly concerned about maximizing the prices they receive from export sales.

The Organization of Petroleum Exporting Countries (OPEC) is merely the most conspi-

EC Commissioner Raymond Vouel, responsible for competition policy.

Sanford Litvack, assistant US attorney general for antitrust.

cious example of collective governmental action to raise prices and allocate markets for raw material exports. On a less publicized level, Australia and Canada have authorized similar arrangements to support the price level of uranium exports; Switzerland encourages its watch manufacturers to collaborate in fixing prices and harmonizing production levels; virtually all maritime nations but the United States approve of limited cartelization of shipping through the formation of closed conferences; and many Third World countries make collaboration with local monopolies or chosen commercial instruments of the state the price of entry of foreign investment capital.

UNABLE TO PROCEED AGAINST GOVERNMENTS, the United States has moved against the private firms that carry out their policies, even when these policies are legal in their home territory. Since 1945 the overseas reach of the US antitrust laws has rested on a theory called the "substantial effects doctrine" that, except for requisite minimal contacts, disengages economic activities from US territory. Although well established in other areas of international law, the doctrine was first given authoritative antitrust expression in the 1945 *Alcoa* decision. This antitrust suit involved a worldwide market allocation scheme by French, Swiss, British, and Canadian aluminum producers, including affiliates of the Aluminum Company of America. Ruling in favor of the US Government, the court held that the Sherman Antitrust Act applied to restrictive business practices of non-American firms abroad if these practices resulted in economic effects within the United States that were both material and intentional. A subsequent decision limited the rule to "substantial" effects.

This doctrine has now grown into a body of law that has vastly extended the jurisdiction claimed by US courts and agencies over foreign-based corporations. Although chiefly applied to the activities of overseas affiliates of US multinationals, the doctrine covers any foreign enterprise that operates in the stream of US commerce. This produces jurisdictional overlap, since no matter how restrained a view other governments take of their own regulatory powers, they never abdicate control over the activities of their own citizens in their own territory.

Judicial systems are traditionally wary of encroaching on the prerogatives of other sovereign states, and since the turn of the century US courts have drawn the line at enforcing US law on foreign business activities whose actions have been dictated or compelled by their governments. But in free-market societies, outright government dictation or compulsion is a rarity. In general, it is no defense to a US antitrust action—or to a civil antitrust suit that can bring the draconian penalty of treble damages—to demonstrate that an anti-competitive practice has either been authorized or requested by a foreign government. Only a validly issued decree or order requiring the practice will insulate it from US enforcement proceedings—and not even then if the decree or order has been solicited by the company, or if the practice has been put into effect on US territory. The *Antitrust Guide for International Operations*, published by the Department of Justice in 1977, expressly states that anti-competitive activities overseas that have a substantial effect on US commerce will not be exempt from enforcement proceedings by reason of compliance with government policies.

Whenever one state seeks to draw the economic activities of another into its own regulatory ambit, sovereignty itself becomes an issue and resistance is inevitable. The realities of international economic life have therefore led to some modification of US claims. In the landmark *Watchmakers of Switzerland* case of 1949-51, an attempt by the Department of Justice to break up a manufacturer's cartel sanctioned and encouraged by the Swiss Government led to such vigorous protests that the original antitrust decree had to be modified.

Department of Justice policy now calls for a so-called rule-of-reason approach in applying the antitrust laws to joint ventures of US firms in the Third World even when the foreign partner is the chosen instrument of the local government and occupies a privileged or monopolistic position in its field. The Antitrust Division will still not condone what are called violations per se—i.e., outright agreements to allocate markets, fix prices, and exclude competitors—but now permits joint purchasing, joint marketing, and a variety of other practices that may be restrictive in their local effects but have no detrimental economic impact on the US market. Impact on the stream of US foreign and domestic commerce is still the test of the "substantial effects" doctrine in the courts, but the enforcers now lay more stress on the consequences to the US consumer.

Equally important is the "balance of interest" test laid down in the 1976 *Timberlane* decision. Under international law, claims that cannot be fairly adjudicated under the laws of one country owing to overlapping jurisdiction are supposed to be settled according to principles of comity, whereby a court tries to determine which state has the paramount interest and tailors its decision to defer to that interest. The *Timberlane* ruling adapts this approach to transnational antitrust cases and sets forth criteria for weighing the interests that compete. The judicial restraint implicit

"Three Lawyers" by Honoré Daumier. courtesy National Gallery of Art, Washington

in the *Timberlane* ruling, together with more vigorous diplomatic efforts on the part of governments, ought in time to produce a more temperate approach by US antitrust authorities.

The greatest irritant in the international antitrust field, however, has been US enforcement procedures. Crucial to an American antitrust case is the massive dossier of business documents and records that are necessary to determine whether an infringement has taken place and whether an offender can be convicted. Since the "law of the forum" dictates the procedure for taking testimony and submitting evidence, this means that American pre-trial "discovery" procedures—which are far more permissive than those of other legal systems—are accorded the same jurisdictional scope as the antitrust legislation they support. US insistence on legal jurisdiction over any firm, domestic or foreign, whose activities have a substantial anti-competitive effect on US commerce thus includes an implicit license to reach into the safes and filing cabinets of business firms located overseas—unless their governments object.

OFFICIAL PURSUIT OF FOREIGN DOCUMENTS AND RECORDS in order to enforce antitrust policy has led to a grim game of check and countercheck played out in the US courts. Unable to obtain access to overseas records through application in the normal way to foreign courts—since other legal systems will not permit the "fishing expeditions" inherent in US investigations and pre-trial proceedings—US courts and regulatory commissions have exerted pressure on foreign business offices and assets in the United States to produce the coveted documents and records from abroad. The response has been a wave of legislation by other trading nations, including Britain, Germany, the Netherlands, Norway, Australia, and Canada, aimed at prohibiting release of domestic business records in response to foreign judicial order.

The shipping industry has been a special target. Twice in recent history, in 1960 and 1979, the US Government has proposed measures to require foreign ship owners to pledge production of company documents and records as a condition of access to American ports. In each case diplomatic protests and appeals to comity have for the time being staved off the threat.

More recently, a treble-damage antitrust action was brought by Westinghouse against the international uranium cartel for a price-fixing conspiracy that made Westinghouse unable to fulfill its domestic public utility contracts. In a bizarre series of legal maneuvers a US judge presided over pre-trial hearings in London in which British mining executives ended up by pleading the Fifth Amendment and refusing offers of immunity in exchange for production of documents. In late 1979 this exportation of American legal process to British soil led to passage of protective legislation giving the Trade Secretary the power to prohibit British companies from complying with foreign orders for documents or business information under penalty of unlimited fines. Another provision of the Protection of Trading Interests Bill allows British companies to recapture the punitive element in successful treble-damage suits from any assets of the winning litigant or its affiliates that can be reached by a British court.

In general, however, the foreign offices of the countries concerned seem to recognize that in international legal disputes that are basically struggles for policy supremacy, compromise is the only solution. Nevertheless, diplomatic efforts on both sides are often inept; for one thing, most of the governments affected seem unable to comprehend the nature of the problem, much less deal with it. Accustomed to thinking of infringements of sovereignty in political or military terms, the same phenomenon at the less visible judicial level seems to escape them, especially if the full impact falls on the private sector. The very concept of a powerful judiciary armed with an arsenal of weapons for enforcing the legislative mandate of regulatory agencies is alien to non-American legal systems. The play and counterplay of transnational litigation falls outside the purview of high-level diplomacy, unless it involves a government entity.

The idiom of diplomatic intercourse contributes to making the dialogue diffuse and ineffective. Apparently oblivious to the rigorous constitutional and statutory imperatives that govern the antitrust field in the United States, other governments assume a latitude of administrative discretion on the US executive branch that simply does not exist. The notes of protest submitted to date have been so weak in scholarly argumentation, and display such ignorance of US law and court decisions, that they do little more than convey a sense of indignation. Neither the bland tone nor the stereotyped content of these missives would make them effective in a US court, much less with the young zealots who staff the antitrust sections of US government agencies and whose whole experience has been in an adversary climate. And the Department of State has had great difficulty in softening the doctrinaire approach of the antitrust enforcers or sharpening their sensitivity to the sovereign prerogatives of other nations, not to mention the requirements of international comity.

The rapid development of a European Community anti-competition policy—in jurisdictional approach closer to the United States than to some of the EC nations—has added yet another dimension. The need is stronger than ever for the world's trading partners to respect each other's economic philosophies and work out a *modus vivendi* that all parties can live with.

around THE capitals

Bonn

Ever since the recession that gripped the industrial West after the 1973 oil price increases, Germany has found itself forced reluctantly into the role of an economic locomotive, thanks to its ability to keep up a healthy head of fiscal steam at times when its neighbors have suffered from high unemployment, runaway inflation, a balance of trade deficit, or a combination of all three.

While Italy, for example, labored under a consistent 20-per-cent-plus inflation rate, Germany's inflation was well below 5 per cent. While unemployment in France last year topped the 6 per cent mark, less than 3.5 per cent of the German work force was out of work, and pressure for jobs was further lessened by stopping immigration of migrant workers who for years had bolstered the German labor market. As far as trade goes, not once since 1973 did the current accounts balance slip into the red. That meant that the value of goods and services flowing out of Germany was constantly greater than the value of those coming in—a feat the Germans performed by expanding exports fast enough to keep pace with expenses, such as the rising cost of oil and raw materials.

But by all indications, 1980 may be the year the locomotive ran out of steam—a situation that would be both embarrassing and dangerous for the Government of Chancellor Helmut Schmidt, faced as it is next autumn with general elections. To avoid letting the situation worsen, the Government can be expected to take some daring about-faces in its economic policies; and in fact, it has already begun to do so.

Bonn predicts economic growth will slow this year to about 2.5 per cent, compared with 4.4 per cent last year. Rising energy costs, largely due to the increased price of oil, are expected to drive up the inflation rate—last year a relatively low 5.3 per cent, but disturbing nonetheless for the fine-tuned German economy. Most disturbing

© Mitro, *Ta Nea*, Greece

of all was Bonn's balance of payments deficit in 1979 of almost $5 billion. The deficit—the third Bonn has had since World War II—was largely due to rising oil prices. Germany's oil bill last year was $16 billion, and this year it is expected to increase to $32 billion. What is more, unlike 1973, today's far less expansive world economy will hardly allow Bonn to offset the deficit by boosting exports, so that government estimates foresee a near doubling of the deficit this year to about $10 billion. The result is deeply disturbing for Germany's heavily export-oriented economy, with more than one-quarter of its gross national product depending on overseas sales.

To reduce inflation, Bonn has begun applying some of the medicines the Carter Administration is also trying—namely, raising prime lending rates while at the same time cutting government spending. Higher interest rates have the additional effect of attracting investment in the mark, further supporting the value of the currency and dampening inflation. Additionally, the Government has done an about-face in its policy of restraining sales of government securities to foreigners, and in March Bonn announced it had even persuaded the Government of Saudi Arabia to purchase $3.2 billion worth of government notes. In effect, the deal means Bonn will borrow the money from the Saudis to offset the cost of the Arab oil Germany will purchase in the future. One result will be to force the Saudis to sell part of their dollar reserves to buy German marks—strengthening the German currency even more.

Still, there are several drawbacks to Bonn's moves. For one, Germany is not the only country raising interest rates to attract an inflow of foreign currency to bolster its own economy, and further hikes, it is feared, could lead to a veritable international lending rate war. Furthermore, every measure that strengthens the mark also drives up the prices of German goods and services—making German products less competitive on world markets and lessening the chance that the balance of payments will move into the black in the near future.

—JOHN TAGLIABUE

London

For air travelers it's again what one wag calls London's season of "the two zoos." There's the famous one in Regent's Park all the time, he said, and then there's Heathrow Airport from spring until autumn. The world's busiest airport for international travel, Heathrow needs more terminal space to cope with the ever growing passenger loads of wide-bodied aircraft. An hour's wait in a queue just to get through passport control is not uncommon during peak tourist travel periods.

Relief may be on the way at last. After 15 years of reflection, the British Government has come up with a policy for airport futures. Essentially it calls for the expansion of terminal facilities at the four existing airports serving London and its environs without adding more runways or developing a new international airport from scratch. Inflation and environmental upheaval have effectively ended much debated proposals for the latter.

The forecasts behind the Government's policy direction say there should be up to 116 million air passengers in and out of Britain annually by 1990, with up to 81 million of them swooping through London and southeast England. At the moment the area's four existing airports—Heathrow, Gatwick, Luton, and Stansted—have a collective capacity of around 50 million passengers a year. Heathrow takes about 30 million; Gatwick, 16 million; Luton, 3 million; and Stansted, 1 million.

Accordingly, a fourth terminal is proposed for Heathrow to up its capacity to 38 million. Gatwick, which was the world's first airport to bring together road, rail, and air transport connections in one unit, should have a second terminal so it can handle up to 25 million travelers. Luton's capability could be stretched to 5 million annually. Then there's Stansted.

Situated in Essex amid some of the southeast's most attractive and unspoiled countryside, Stansted's potential to become London's third main international airport is virtually untapped. Conservationists and villagers can be certain to challenge vigorously the Government's plan to expand capacity to 15 million passengers a year by the mid-1980's. The locals cringe further at the suggestion that a second runway, so far only talk, could facilitate 50 million passengers annually.

If that should happen, planners think it would provide enough capacity for the

"Where are you staying this year . . . the airport lounge or the cafeteria?" © Gurbutt, *Sunday Telegraph*, London

London region to cope with all foreseeable air traffic growth into the Twenty-first Century. A public planning inquiry should start later this year into Stansted's expansion to 15 million by construction of a new terminal. The project at today's prices would cost about $800 million—at least three times less than starting a new airport. The public inquiry should be good theater. And *The Economist* has suggested the new terminal be ordered to incorporate, rather than demolish, the villages and old buildings among which it would be placed.

The Government's policy has two other interesting facets. It abandons thoughts of developing what are called "greenfield" sites as new airports on the grounds of public opposition and excessive cost. It also encourages a larger amount of air traffic to and from Britain to try to use the many provincial airports, thereby taking some pressure off those in the southeast. Apart from the big four around London, there are 39 airports in Britain with good commercial facilities. Among the main ones are Manchester, Glasgow, Birmingham, and Aberdeen. —PETER J. SHAW

Luxembourg

There is talk that Luxembourg authorities may soon extend the *appellation controlée* area for wine production. That is good news. Luxembourg wines deserve to be better known. The locals know a good thing and consume two-thirds of the country's wine production each year. The rest goes mainly to Belgium. Luxembourg wine is about the nearest thing there is to a Belgian wine. What a pity for the Belgians that the river Moselle turned right rather than left when it left Luxembourg. It is thus that the Germans enjoy "the fruits of its noble banks," to quote the official guide book.

It is a small miracle that you can produce wine in Luxembourg. The grape-growing area is small—a strip some 300 yards wide running along the south facing slopes of the Moselle for about 15 miles. The land is steep, and winter rains often wash vines down on to the roads. It is also much too far north for purists. One year in three on average occur frosts that devastate the growth. Annual production figures vary wildly. Management is largely in the hands of small family farms that grow grapes as a sideline.

In the vernacular of wine experts, the Luxembourg wines are "light, dry, and well-balanced." The dryness is the distinctive feature to many newcomers to the Grand Duchy, and it is especially striking considering the taste of Alsatian wines and even the German Moselles, produced just the other side of the river. The reason is simply the absence of any sugar enrichment that is a reflection of Belgian preferences for dryer wines. The main variety is now the Rivaner, a cross between Riesling and Silvaner grapes. This accounts for about half of total production followed by Elbling and Auxerrois. Also popular, though somewhat frowned on by serious wine men, are the *perlant* or sparkling wines.

Total Luxenbourg annual wine production capacity is now about 150,000 hectoliters, and there is no doubt from the ready market it finds in Germany, Holland, and even France as well as Belgium that a substantially greater volume of exports could be supported. But the main problem in raising the yield—apart from the obvious one of finding suitable land in this tiny country—may be to organize the administration and ownership of any new areas added to the 1,200 hectares beyond which wines may not carry the coveted *appellation controlée*.

About four-fifths of present production

is in the hands of small family-run firms banded together in cooperatives for marketing purposes. There are a few producers who conduct their independent selling programs, mostly being tied in directly to restaurant chains in Luxembourg. Only a relatively small sector is handled by the large commercial enterprises more familiar in other wine-growing countries.

Classification and approval of the wines carrying the familiar *marque nationale* label—more than 60 per cent to total production—is carried out annually during the spring at the state viticultural institute by a panel of 12 experts including representatives of the producers, traders, consumers, restaurateurs, and government. A major purpose is to encourage production of the highest quality wine, the *grand premier cru,* which is normally about 2-5 per cent of the annual production, though this has been rising recently. Wines that fail to measure up to the state quality mark are sold within the country as ordinary table wine.

There now seems a growing belief that greater production and export of the highest quality vintages could not only increase Luxembourg's export earnings quite substantially in a direct sense but also greatly fortify the country's appeal for tourists. These are vital considerations at a time when what the country's major employer and exporter, the steel industry, is grappling with could prove to be an historically long recession. It also makes excellent news for wine lovers both here and abroad. —ALAN OSBORN

Rome

Despite terrorism, government crises, and the highest rates of inflation and unemployment in the European Community, Italians are laughing harder than ever. Thanks to "page eight" of Rome's feisty, left-wing newspaper, *La Repubblica*, Italians are fed a daily dose of humor from the panels of cartoonist Giorgio Forattini.

"I'm trying to develop a sense of self-irony in Italy," Forattini said during an interview at his cramped desk in *La Repubblica's* newsroom. A salesman rather than cartoonist for most of his adult life, Forattini has become an institution in Italy since he started drafting designs for the editorial page of *La Repubblica* at its opening four years ago. His one-panel drawings delight in bursting the hot-air balloons of the important and the powerful in a country known for its loquacious politicians. Forattini's wicked brush spares no one. Christian Democrat power-broker Giulio Andreotti plots Byzantine schemes as he hunches behind his copy of *The Prince*. Chubby Socialist Party Secretary Bettino Craxi performs a strip tease of past alliances and policies to seduce his political adversaries.

And poor Enrico Berlinguer. In December 1977 when the Communist leader was desperately trying to prove his moderation to skeptical conservatives, Forattini portrayed him as the perfect bourgeois gentleman dressed in a smoking jacket and sipping tea, only vaguely aware that rank-and-file metalworkers below his window were staging one of the biggest anti-Government demonstrations of the decade.

The cartoon provoked an angry outburst from offended Communists, but they were silent when the workers marched again in June 1979, and Berlinguer then proclaimed he would have nothing more to do with half-baked Christian Democratic compromises. There on "page eight" Forattini's Communist leader still wore his smoking jacket, but this time he carried a protest banner as he walked sheepishly to join the demonstration.

Forattini acknowledges that he has contributed immensely to the popularization of editorial cartoons, a virtually unknown quantity in Italy 10 years ago. "For the first time, newspapers are giving space to cartoons, and I think I've played a pretty important role in promoting them," he says. The cartoonist's popularity has been one reason for the success of his newspaper, which practically overnight emerged as one of Italy's most influential journals, ranking second perhaps only to Milan's distinguished *Corriere della Sera*. Well aware of Forattini's success, *La Repubblica* has expanded its use of political humor. Its latest innovation is Wednesday's "Satirycon" page of as many as 20 cartoons devoted to a single topic. Forattini edits the feature and hopes thereby to cultivate young talent in the field.

Unlike the American cartoonists he admires, from the conservative MacNelly to the liberal Oliphant, Forattini avoids captions. "Plays on words are too easy," he said. "I try to imitate the French cartoonists of *Le Monde* or *L'Express*. This is a choice, not a philosophy. I want people to be able to understand my message just by the image." He calls this style "mute news."

Rich symbols, which Forattini *aficionados* commit to memory in their ongoing game of "who-understands-the-real-meaning" take the place of captions. A map of Latin America represents oppressive US domination of weaker powers, while Brezhnev's bushy eyebrows stand for the Soviet Union's anti-democratic imperialism. The

© Giorgio Forattini

European Monetary System is portrayed by its nickname, the "snake," as it tempts Italian and EC politicians depicted as Adam and Eve. Tobacco-lover President Sandro Pertini is symbolized by his square-bowled pipe. The round-bowled pipe belongs to labor leader Luciano Lama, or represents unions in general.

Sometimes the protagonist of his own panels, the 49-year-old cartoonist paints a slightly complimentary portrait of his pleasant, but not handsome, face. He only hints at his craggy complexion and combs his long, graying hair more neatly for the cartoon. To his disadvantage, however, he can't include even a trace of his striking blue eyes on the black and white surfaces.

He maintains a set of dislikes which he makes no attempt to hide. "I can't stand Brezhnev," he says flatly, as if one could not figure this out from such brutal portrayals of the Soviet leader as a burly Cossack dancing with a concertina of barbed wire. His attitude toward Italian officials remains, perhaps chauvinistically, a bit more detached. "It is impossible to hate our politicians," he says with a smile, "just as it is impossible to love them."

—PAMELA MENDELS

Paris

The Frenchmen who turn out regularly to give the party its immutable 20 per cent of the electorate don't vote Communist for foreign policy reasons. But many are clearly embarrassed these days by their first secretary, Georges Marchais. While others hedged, Marchais is the leader of the only West European Communist Party to have loudly supported the Russian moves in Afghanistan. Only a few weeks after the Soviet invasion, Marchais carried out a long-planned trip to Moscow, the first in six years. He was photographed warmly hugging Leonid Brezhnev, and from there by live television he told French viewers what the party's paper, *L'Humanité,* had already written—that the invasion was justified as a call for help to halt outside aggression. To cap that performance, he returned from Moscow wearing a Russian hat, to be greeted at the airport, as a true dignitary should, by the Soviet Ambassador to France.

Marchais's flamboyant gesture of fealty to Moscow was not the first time the French Communist Party backed the Russians at an awkward moment. In 1956 the Soviets' crushing of the Hungarian revolution was swallowed whole by most party faithful. Even in the French political context, the Communists have appeared to serve Soviet interests first. The leadership's unwillingness to take advantage of the severe unrest in France during the 1968 *mai évenements* has been explained as a reaction that kept the right in power and suited the Russians at the time.

But gestures of independence have been made. The party disapproved of the Russians' actions in Czechoslovakia in 1968. Party goals in France have been defined as "Communism in French colors," and the leadership has been mildly critical of the Soviets' repression of dissidents. But throughout, the party has continued to find Soviet society "positive on balance."

Since the Afghan crisis, Marchais has become the center of controversy for other reasons. The magazine *L'Express* uncovered what it said was proof that Marchais

French Communist Party leader Georges Marchais. © UPI

had volunteered in 1943 to work in Germany and had not, as he claimed, escaped to France nine months later but stayed on through 1944. It was an old charge with new documents, but no one seemed to care. Even the Government seemed anxious to let the Communist chief off the hook. The Elysée spokesman quoted Giscard d'Estaing as deploring personal attacks on political figures. The real issue may be the other mystery of Marchais's alleged presence in the 1950's in Moscow's Communist Party training school and his meteor-like rise through the French party's hierarchy after his return. The implication that Marchais was the Russian choice for first secretary may be harder to live down.

The Afghan issue clearly split Marchais from those pioneers of Eurocommunism, Italy's Enrico Berlinguer and Spain's Santiago Carillo. In early January Berlinguer and Marchais made an attempt to find common ground at a meeting in Rome. Marchais is said to have told the Italian Communist leader that his support of Russia was based on the belief that the balance of world power had significantly shifted in Russia's favor and that the French Communists intended to be on the winning side. The two men disagreed. Since then, Berlinguer has shown where he believes the future lies. He is making well-publicized efforts to form a "Euro-left" by meeting with German Socialist Willy Brandt, and he spent several hours talking with the French Socialist Party leader, François Mitterrand, in Strasbourg, the only neutral ground the men could find.

The press in France talks about the increasing isolation of the French Communist Party and the return to the ghetto of the Cold War years. Internationally, the description is certainly true. In early April, the Italian and Spanish leaders turned down an invitation to come to a Paris meeting sponsored by the Polish and French parties to discuss disarmament. On the home front, the party's hostility toward the Socialists has intensified and rules out any possibility of a revival of the union of the left before the 1981 Presidential elections.

But the words "isolation" and "ghetto" —with their pejorative connotations, presume that the Communists operate like other political parties, whose first goal is to come to power. Clearly for the party, governing is worthwhile only if it promises the means to effect profound change. Marchais made this clear after the break-up of the left in 1977 when he said the party did not want to come to power to "manage the crisis." This would require a sort of ideological dilution or "historic compromise" that has hamstrung the Italian Communists in their association with the Christian Democrats. Meanwhile, outside the mainstream where the party has been for 23 years, Marchais is confident that his supporters will continue as they historically have to protest against the regime by voting Communist. Isolation serves a purpose. It enfeebles the Socialists and keeps the right in office where, Marchais is convinced, time and recessions are working for his side.

—PATRICIA H. PAINTON

Copenhagen

Some of the Danish press compared it to hawking the crown jewels. Though hardly a fair analogy, it is true to say that with the sale of the Burmeister & Wain's (B&W) diesel engine works to its competitor, Maschinenfabrik Augsburg-Nürnburg AG (MAN) of Germany, one of the real gems of Danish industry passed out of Danish control. But not before the Government had made an attempt to prevent the sale.

Burmeister & Wain's has been a household word in marine engineering for a century. The company is the second oldest producer of diesel engines in the world—its new owner was the first—and in 1912 the B&W shipyard launched the world's first diesel-powered ship, the "Selandia." Since then B&W has been one of the market leaders, although hard hit by the virtual demise of shipbuilding in Western Europe in the 1970's and the effects of the oil crisis. In 1979 the B&W group had a turnover of about $500 million and a labor force of about 7,000.

Initially the group seemed to be saved by the financial enterprise of a new name in Danish business, Jan Bonde Nielsen, who began his career as a gardener on the island of Funen. In 1974 he acquired control of B&W through various holding companies and built up assets from about $20 million in 1974 to $100 million in 1978. But then the bills grew too large—especially in the shipyard—and domestic credit facilities were not enhanced as some of Nielsen's earlier financial transactions caught the eye of the police. No proof of criminal actions has as yet been provided, but last November charges of fraud were brought against him.

In the autumn the diesel engine works were separated financially from the group, and a 49.75 per cent stake in the new company was sold to the German industrial giant MAN. A similar stake was retained by the B&W group, and the remaining .5 per cent was sold to a Norwegian ship owner, supposedly neutral but in fact financially tied to the German group. However defined, there was no longer effective Danish control of the diesel engine works.

It therefore came as a surprise that the Government tried desperately to prevent the sale of the remaining Danish stake in B&W. More so as MAN had a fool-proof

option to buy the stake, and EC rules and normal Danish business practice preclude Government intervention in such normal business transactions. The chairman of MAN, Dr. Otto Voisard, said before meeting the Danish Government that the emotions aroused had historical roots—in particular the German occupation of Denmark during the Second World War.

Perhaps. The Danes are not noted for their emotional attachment to the idea of European unity. But a more plausible explanation, voiced by the workers and engineers, is a fear of losing production and jobs, whatever the economics of the case. Even in free-trade Denmark, protectionism is never far away. —LEIF BECK FALLESEN

The Hague

Queen Beatrix of the Netherlands. © UPI

Queen Juliana, on her seventy-second birthday April 30, abdicated the throne in favor of her 42-year-old daughter, Crown Princess Beatrix. The brief, sober ceremony took place in the Royal Palace. Queen Juliana had reigned for 32 years. That same afternoon Queen Beatrix took the oath of allegiance to the Constitution before the assembled members of the Dutch States-General in the 500-year-old "New Church." The New Church, recently restored, had been closed against possible assaults by Amsterdam squatters.

The Amsterdam City Council in March ordered tanks to reestablish order in the center of the city where a gigantic army of squatters had taken possession of empty buildings and battled with police. A score of policemen had to be taken to the hospital. They had tried in vain to prevent squatters from throwing up huge barricades in protest against the poor housing situation and against speculative investment in empty buildings. Though the squatters' noise died down, slogans painted on walls remained: *Geen woning, geen kroning*—no homes, no coronation.

Queen Beatrix takes over at a time of social unrest and economic problems. She will be dealing with a Christian Democrat-Liberal government coalition that rests on a fragile parliamentary majority of two votes. In a recent speech to the members of the Netherlands-American Chamber of Commerce, the Christian Democrat Premier, Andries van Agt, said, "Our Government is in the midst of one of the most difficult periods of adjustment in the past several years." During a one-day strike in March, the Dutch unions protested against a wage freeze and showed their general discontent over curbing social premiums. Van Agt said, "We stand at the threshold of a long period of limited economic possibilities, whatever government is in power."

Van Agt foresees no economic growth for 1980, but rising unemployment of 5-to-5.5 per cent and an increase in inflation from 4.5 per cent to 6 per cent. He hopes to cut the present 4 billion guilder payments deficit to 1 billion guilders by curbing government expenditure.

All this does not prevent the Dutch from celebrating their new Queen, whose first public appearance was in the Hague in early May, the day the Dutch celebrated the thirty-fifth anniversary of liberation from the Nazi occupation. —NEL SLIS

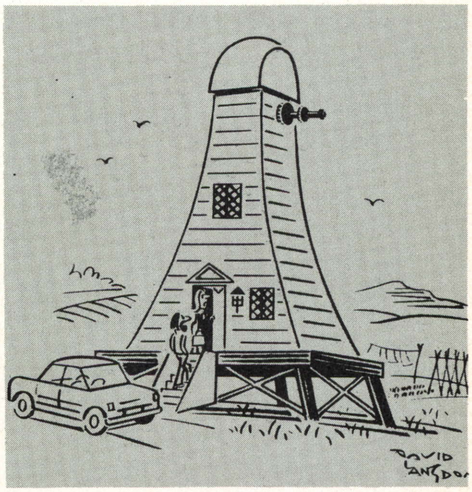
Dublin

Ireland has been feeling the energy breeze for some time; now the country's new energy minister, George Colley, is hoping the breeze may come to his aid. He has ordered the country's National Board of Science and Energy to start work immediately on four pilot projects in wind power. Colley, who is deputy prime minister and was moved from the finance post to the new Department of Energy when he lost the leadership contest last December to Charles Haughey, wants the windmills turning within 18 months.

For energy Ireland is heavily dependent on imported oil. Not entirely, for it does produce electricity from three native sources, and is about to add a fourth. The most important of these is peat, from the turf bogs. Last year 24 per cent of the country's electricity needs came from peat-fired generating stations. Hydropower contributed another 8 per cent, while Ireland's one and only coal-fired station chipped in with 1 per cent. Soon the natural gas from the Kinsale field off the south coast will be used to generate electricity in Cork.

But that leaves almost 70 per cent of Ireland's electricity generated from imported oil; the Soviet Union is one of the main suppliers. In terms of total energy needs, for industry, transport, heating and the like, Ireland's dependence on imported oil is much greater, up to 90 per cent. This dependence was brought home painfully last year to Irish people when the fuel did run out: A ministerial order banned delivery of oil for domestic heating; so in early spring many Irish households had to shiver until the ban was relaxed. Motorists, like those in parts of the United States, found gasoline supplies drying up at their filling stations and had to queue for hours at a time, or go without. No other European Community country was so hard pressed. Hence Colley's anxiety to tap any native source of power. Anyone who has visited Ireland will appreciate that wind power would seem a likely bet. The exposed west coast and many hilly areas in the rest of the country are swept by high winds, particularly in winter when the energy demand is at its highest.

Traditionally, however, Ireland is not windmill country, like Holland, for instance, or even parts of England. In the earlier part of this century small wind-units were occasionally found at individual farms around the country, but wind has never been used extensively for industrial purposes, either directly or through the generation of electricity. Nor, in recent years, has much hope been held out that wind would provide any answer to Ireland's energy needs. Where the wind is strongest, the people are most scarce and most scattered. Windmills powerful enough to generate a worthwhile amount of power would need to be enormous and would provoke strong objections on scenic and environmental grounds.



"After all the effort we put into it, I'll be hanged if I let you convert it back into a windmill."
© Langdon, *Punch*, London

But the Government is clearly anxious to explore every possibility. The four pilot windmill projects are linked to specific enterprises or geographical locations, and the idea is presumably to see if they can provide a solution for some local areas or operations, rather than an answer to the national need. One is to be on an island, probably off the west coast where one windmill could meet the entire island's power needs. Another is to be on a coastal or hill site; a third is to be linked to a large farm or farming cooperative; a fourth will be in the midlands, probably on an open stretch of bogland. And there is provision for a fifth linked to a factory. All will be of 150-kilowatt range.

The announcement of the windmills so caught the public imagination that less attention was paid to another announcement by Colley: the setting of a new target for energy conservation at 10 per cent a year. This is a most ambitious target and doubles that set by the Government three years ago. Few people believe it can be achieved, though Colley has hinted at government subsidies for companies and individuals investing money for conservation purposes. An increase of 20 pence per gallon in petrol tax announced in the budget this year may help. That put the price up 15 per cent, and Irish motorists now pay $3 per imperial gallon. Recent figures on the poor insulation in Irish homes suggest major savings could be made there. The cost of domestic heating, which still uses a lot of oil, could be reduced by more than 50 per cent if Irish houses were insulated to modern standards.

Meanwhile, the search for oil and gas goes on around Irish waters. Exploratory wells have been drilled in Dublin Bay, off Kinsale to the south, and out in the Atlantic to the west. So far only the Kinsale gas field, a modest enough reservoir, has been found and brought into production. Some oil companies are pulling out. Those staying in are concentrating on the Porcupine Bank out in the deep waters of the Atlantic. Small quantities of oil have been found there, and hopes continue that a commercial find is imminent. But the depth of water and the weather conditions would make production difficult. But it is not totally an ill wind: The weather that makes things tricky in the Porcupine may soon be generating power a couple of hundred miles further on to the east.

—DENNIS KENNEDY

Brussels

Spare a salute for the young lawyer whose brave attempt to hold together Belgium's coalition finally collapsed at Easter after a year of increasingly close shaves. When Wilfried Martens took over as Prime Minister in April 1979, his chances of lasting more than a few months seemed poor. At 43 he had never held ministerial office before, and he frankly admitted he would have wanted more experience first. The photographs did not inspire confidence: At his first EC summit meeting he looked too young and unjaded to be at the top table, more like an earnest researcher or adviser. The year since then has filled out his features somewhat, and there is an increased gravity in his bearing. The keen legal eye is undimmed, but the lines in the face are deeper, and it would have taken a miracle to avoid that. A year is not long in the life of many governments, but in Belgium, where elections seem to crop up every 18 months or so, it can sometimes seem a lifetime.

Former Belgian Prime Minister Wilfried Martens. © UPI

The local priest at Marten's birthplace, a small village near Ghent, sensed the makings of a politician in the boy and persuaded him to enter university rather than take over his father's farm according to Flemish tradition. At college he relished law and soon became the intelligence behind a militant Flemish group. In 1972 he became president of the Social Christian Party, and in 1974 he was elected to parliament, where he largely worked behind the scenes for successive Prime Ministers.

The call to top office came after nearly six months of considerable political tension in Belgium following the inconclusive results of the elections in late 1978. The elections had conspicuously failed to bring any major new faces or groupings to the forefront, and the unwieldy six-part coalition that Martens put together seemed to many observers to differ only microscopically from the failed administration of the previous year. The challenges quickly followed. Martens' bold plan for attacking unemployment by cutting back the working week to 36 hours ran afoul of business bosses and had to be watered down. The Belgian franc's membership in the new European Monetary System became increasingly expensive. The Three Mile Island accident in the United States brought gloom to Belgium's energy planners, devoted as they were to the nuclear option.

Martens' deft political footwork carried him through such tests, but there were stiffer ones to come. In December the question of the siting of American nuclear weapons in Europe cropped up at a ministerial North Atlantic Treaty Organization council in Brussels, and the Belgian coalition barely held together following strong opposition to the plans from the Socialists. Then came a 24-hour general strike called in protest at mounting unemployment and reduced public spending. Again the Government scraped through.

But the biggest challenge of all, and one that is still being met, is that most familiar of Belgian problems—the "language war." The bald phrase in fact stands for a collision of differing cultures within Belgium—the Dutch-speaking, prosperous, conservative northern half of the country and the poorer, more socialist, French-speaking southern part. Their confrontation is an accident of geography and politics that dates back to the birth of Belgium itself, and it is on this very rock that almost all postwar governments have sooner or later foundered.

For a time it really looked as though Martens' shrewd political seamanship could steer through the complex legislation needed to implement new regional governments based on the language divide. Alas, such hopes proved illusory just before Easter when a handful of the Prime Minister's own Flemish Christian Democrats revolted in protest at what they felt were overly generous concessions to French-speakers. In particular, they were angered by some of the proposals for administering the city of Brussels, which is French-speaking but awkwardly located in the middle of Dutch-speaking territory.

The party mathematics in the Belgian parliament is extremely fine, and the small defection was enough to bring down the Government. The specter of political chaos loomed for an uneasy day or two before the King stepped in and asked the former economics minister, Willy Claes, a Flemish Socialist, to sound out the prospects for a new coalition. —ALAN OSBORN

CONTRIBUTORS

LEIF BECK FALLESEN is economics editor for Radio Denmark in Copenhagen.

ALAN OSBORN is Benelux correspondent for *The Daily Telegraph.*

PATRICIA PAINTON is Paris-based correspondent for *Business International.*

PETER SHAW works in London for ABC News.

JOHN TAGLIABUE writes from Bonn for *The Sun* of Baltimore.

PAMELA MENDELS is Rome-based contributing editor to *Atlas World Press Review.*

NEL SLIS, a freelance writer based in The Hague, formerly reported for Associated Press.

LATIN AMERICAN CONNECTION

Europe challenges "US dominance"

M. P. ZENIO STRONG, *American freelance writer*

THE RECENT MISSION OF FRANCE'S PRESIDENT TO MEXICO, the Brazilian President's journey to Western Europe, and the Spanish King's historic visit to Latin America—the first ever by a Spanish monarch—have raised expectations of a boom in EC-Latin American commercial relations. In addition, the EC Commission recommended in late February that negotiations be authorized for a nonpreferential cooperation agreement with the Andean Group. (Andean countries are Bolivia, Colombia, Ecuador, Peru, and Venezuela.) Although good opportunities are materializing for European businessmen, the actual bilateral agreements and trade figures of recent years suggest taking a more long-term view of the future.

EC exports to Latin America expanded from \$3.5 billion in 1970 to \$9.5 billion in 1977, a substantial increase but still a small percentage of total EC exports. Germany leads the Community in exports; Brazil, Venezuela, and Mexico account for about 55 per cent of overall Latin American imports, which totaled \$54 billion in 1977 (this equaled the imports of the Soviet Union and Poland). Brazil, Venezuela, and Mexico are, furthermore, the fastest growing markets in the region.

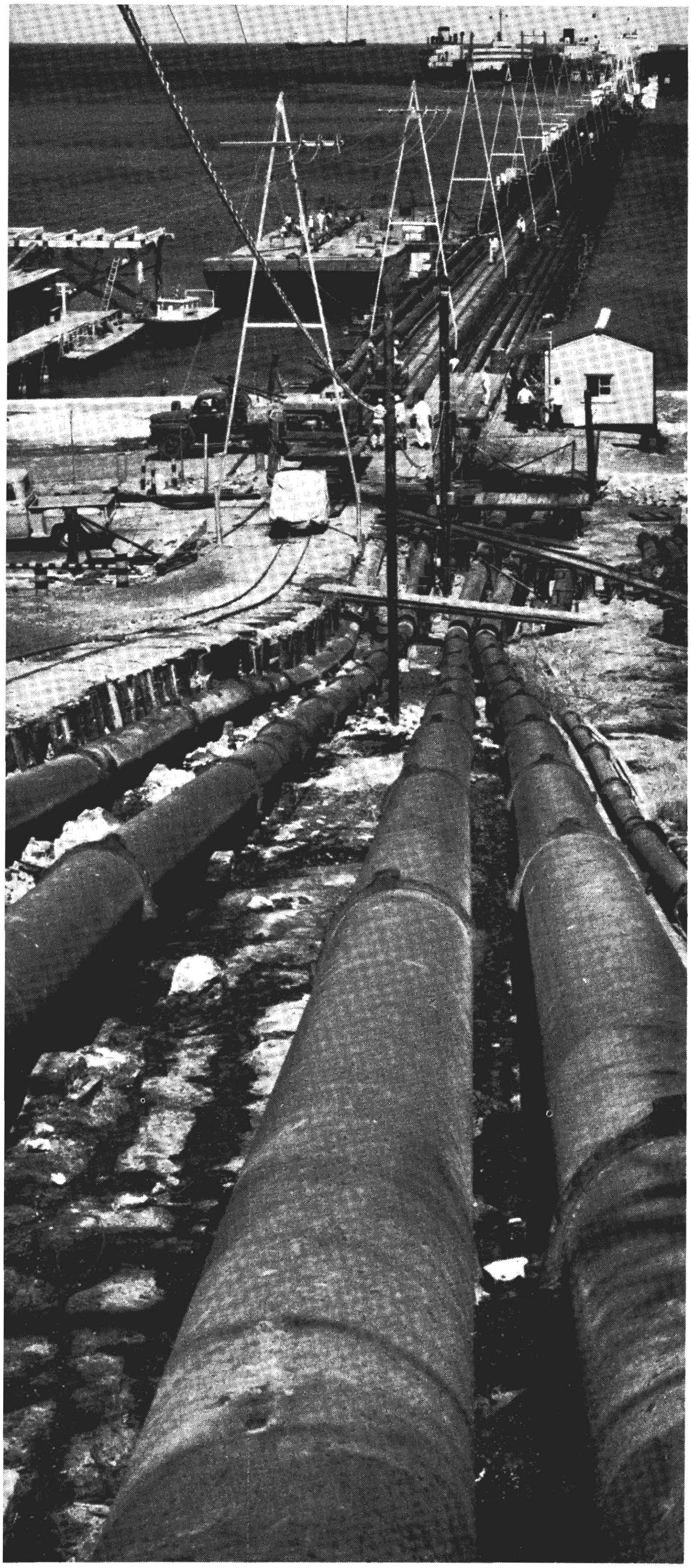
Western Europe's share of the Latin American market rose slowly in the 1960's and 1970's to about 20 per cent, while the US share fell from over half in the late 1940's to 30 per cent in 1977. US and EC exports to Brazil are roughly equal, but EC imports from that nation, primarily consisting of raw materials, far exceed US imports. Venezuelan purchases from the Community, financed by ballooning oil revenues, expanded five-fold between 1970 and 1977, rising to almost \$3 billion. These two South American countries should continue as the Community's biggest customers south of the Rio Grande.

During the visit of French President Valéry Giscard d'Estaing to the region in 1979, the Brazilians signed contracts for \$267 million worth of French goods and services, and it was agreed that Alsthom Atlantique would provide equipment for the Candiota power station in Southern Brazil. Under an agreement ratified during Giscard's trip to Mexico, that country will supply France 100,000 barrels of oil per day between 1980 and 1990—about 5 per cent of France's current consumption. Mexico will receive, in return, a \$240 million line of credit to facilitate technology purchases from France. The two parties also signed an agreement on future cooperation in nuclear power plant construction and uranium enrichment.

Energy technology is, likewise, a leading component of Germany's economic offensive in the Western Hemisphere. In 1978 the Brazilians agreed to purchase, from Siemens and Voith, several hundred million dollars worth of turbines and generators for Itaipu, which will be the largest dam in the world upon completion. In October 1979 Kraftwerke Union AG, a subsidiary of Siemens, won its bid to build another nuclear power station in Argentina. Siemens also built Argentina's Atucha I plant. Nevertheless, despite the notable German success in trade and investment in Latin America, the region still accounts for less than 5 per cent of total German sales abroad.

THE GREATEST INTEREST IN LATIN AMERICA has been shown by Spain, which is now negotiating its terms of EC membership. Spanish trade with the region doubled in 1974-78 and will, according to the Ministry of Commerce, double again by 1985. Spain sold \$1 billion worth of goods in Mexico, Argentina, Venezuela, and elsewhere in Latin America during 1978, mainly industrial manufactures. Imports include steel pellets from a plant that Spain helped to build in Brazil, bauxite (also from Brazil), and oil from Mexico under an agreement similar to the Franco-Mexican deal. Spain is involved, moreover, in uranium prospecting in Colombia and in Venezuelan shipbuilding and truck assembly.

Eventually, this growing Spanish presence in the former colonies may serve as a conduit for other industrialized EC members—thus putting Spain in an enviable middle-man position. Ecuador, meanwhile, was to become in May the sixth Latin American country to receive King Juan Carlos I since his assumption in 1975. Ecuador happens to be one of the fastest growing markets in the area, as well as an oil exporter.



Venezuelan oil pipeline connecting to waiting tankers. © Cornell Capa, Magnum

Another oil-exporting nation, Venezuela, should receive a rather large amount of attention in the 1980's, due to the petroleum in its Orinoco basin. Although the extraction and refining of Orinoco "tar" (heavy oil) will require an expensive technological input, the increasingly hurtful price of lighter oil and the size of the deposits—700 billion barrels, compared with Saudi Arabia's 165 billion—would seem to assure the readiness of the United States, Europe, and Japan to become involved. Venezuela's petroleum nationalization law leaves the door open to such foreign participation.

The prospective development of the Orinoco tar belt with outside technology is indicative of the general compatibility of Latin American and West European commercial objectives—i.e., the exchange of technology, certain types of machinery, and investment capital for fuels, minerals, forestry products, and light manufactures. On the other hand, all but a small portion of the industrial products of Brazil, Mexico, Venezuela, and Argentina are either consumed internally or exported to the less-developed nations of the region.

By expanding trade with each other, both the Community and Latin America achieve diversification of markets and suppliers. From the Latin American standpoint, this has a political as well as economic significance due to the perception, in the minds of some people, of US domination and Latin American economic "dependence" on North America.

Sensitivity toward "US domination" is perhaps strongest in Mexico; the American position in that country has eroded far less than it has in South America. Mexico's northern neighbor buys a steady two-thirds of its exports and supplies the same percentage of its imports. The Community's volume of trade with Mexico is a mere one-seventh that of the United States, compared with a rough parity in countries like Argentina and Brazil. Moreover, in the number of corporate subsidiaries operating in Mexico and in overall investment, the US advantage is even more formidable.

The likely composition of Mexico's trade in the future may, in fact, strengthen the American position. The United States, for instance, seems certain to take more than a 65 per cent share of Mexico's oil and gas exports; at the same time it will supply most of that country's food imports, which have been growing rapidly because of urbanization, rising popular incomes and expectations, and a backward agricultural sector.

European traders will have to contend, finally, with the close links that already exist between many Mexican and American firms, US cultural and media influence, and the sheer inertia of many decades of US economic predominance due to geographical advantages. Unlike the major South American nations, Mexico has neither a large European immigrant community nor a tradition of looking toward Europe for the "products of culture and industry." The Mexican market should be booming in the 1980's as the country uses its oil profits for large-scale industrial development. Europeans will succeed in that market only to the extent that they increase the local availability of their goods and services. State visits alone will not accomplish this.

NEWS OF THE COMMUNITY

US-EC RELATIONS

Sanctions Against Iran

Foreign ministers of the EC Nine, meeting within the "political cooperation" framework in Luxembourg on April 22, agreed on phased economic and diplomatic sanctions against Iran.

They decided on an immediate ban on any remaining military equipment trade and on any new contracts for services and exports. The nine countries also agreed on immediate reduction of embassy staffs in Iran.

If "decisive progress" toward the release of the American hostages was not made by May 17, the foreign ministers, who were to meet in Naples May 17-18, committed themselves to the imposition of economic sanctions contained in the United Nations Security Council resolution vetoed by the Soviet Union last January.

Since the sanctions were to be taken by the individual countries rather than through Common Market-level trade powers, some of the countries were to have to pass enabling legislation.

Transatlantic Trade Discussed

Top European and American officials discussed potential transatlantic trade controversies when US Special Trade Representative Reuben Askew visited Brussels in mid-February.

Considerable time was spent on several simmering trade problems between the two sides, including European restrictions on imports of some US artificial fibers, anti-dumping action in the United States against European steel, and problems with European footwear and chicken exports.

The US delegation did not rule out the possibility of seeking compensation for the EC-authorized British restriction on US synthetic fibers that have increased their share of the British market partly because of lower American prices on petroleum-based products.

Steel Commissioner in US

A two-day visit by EC Commissioner Etienne Davignon, in charge of industrial affairs, with US officials in mid-March centered on the foreseen anti-dumping suits against European steel producers.

Davignon said in a press conference held at the Washington EC delegation office that the talks were not aimed at heading off possible action by the US Steel Corporation, but rather to try to avoid a US-EC confrontation over the issue. He added that it was better to consult before such action took place rather than afterward.

Davignon noted that the US steel trigger price mechanism had had some impact since its installation, reducing the volume of steel imports from 7 million tons in 1978 to 5 million in 1979. He also said that it should not be possible to use both the trigger price and anti-dumping actions against steel deliveries to the US market.

AID

World Hunger Getting Worse

Despite increased aid and food production, the number of hungry people in the world is growing, said world authorities at a special public hearing held by the European Parliament.

The ultimate answer must be increased food production in the developing countries. Recent revolutions in agricultural yields and production have not kept pace with the needs of increasing populations, said the speakers.

The experts noted that the problem is widespread malnutrition that afflicts millions continuously, not sporadically, and saps their capacity for production as well as their health.

Tariff Preferences Proposal

Extending the Community system of generalized tariff preferences for developing countries has been proposed by the EC Commission.

General agreement was reached on an extension for 20 years with a possible review every five years. The Commission also agreed not to change the list of beneficiary countries, but it indicated that the advantages should be weighted differently in favor of least developed nations. Another major element of the new policy should be to simplify formalities that seem to discourage some countries from taking advantage of the plan, it was noted.

The Community was the first major trading entity to set up a system of generalized tariff preferences following recommendations at a 1968 United Nations meeting. Since then most major industrialized countries have also granted such tariff concessions to third world countries for their shipments of manufactured products.

The Commission's proposal was to be completed soon and forwarded to the Council of Ministers for approval.

African States Receive Stabex

Three African countries received Stabex grants in February in compensation for bad seasons in 1978 or 1979 in peanut crops and iron ore exports.

The Sudan received 9.3 million European units of account (EUA) for a drop in export earnings of shelled peanuts. Swaziland received EUA 5.5 million compensation for export losses in iron ore. The Gambia was awarded EUA 3.7 million for losses in export earnings in peanut oil and other peanut products as a result of unseasonal rains.

The Stabex export insurance system was designed to compensate for unexpected losses some of the 59 Lomé Convention member countries that are dependent on one or a few main export products.

Food Aid Program Proposed

The EC Commission has recommended a preliminary food aid program for the Community at the same level as in 1979, in hopes of getting operations launched without interruption from the controversy over the 1980 EC budget.

Both the Commission and the Parliament had earlier proposed a sizable increase in the food program in the first EC budget for 1980. In approving its revised proposals, the Commission made clear that once the 1980 budget is adopted, additional requests would be submitted to expand the program. The tactic is designed to at least maintain the program while awaiting resolution of the budget dispute.

As in 1979, therefore, this proposal recommends 720,500 tons of cereal, 150,000 tons of milk powder, and 45,000 tons of butteroil. This amounts to 506.7 million European units of account (EUA). Transport costs add EUA 52.2 million.

Most of the aid is allocated on a bilateral basis between the Community and countries such as Bangladesh, Pakistan, Sri Lanka, Tanzania, Ethiopia, Egypt, Somalia, and others. A sizable amount is also channeled through international agencies. The Commission noted that it had already received requests for more than double the amounts it was proposing.

Emergency Aid Granted

Emergency and exceptional aid for developing countries added up to 122.5 million European units of account (EUA) in 1979. For 1980, the following decisions have already been made:

Uganda was granted in mid-March exceptional aid of EUA 300,000 for requirements resulting from the drought there. In addition, food aid was granted. Earlier in March, Jamaica was granted EUA 600,000 to cover payment of emergency repair work necessary following flooding last year; Senegal was granted EUA 700,000 in addition to EUA 300,000 accorded in late February to help cope with the consequences of drought; Swaziland was granted aid of EUA 35,000 to help combat hoof-and-mouth disease there.

Emergency aid for Réunion in the amount of EUA 1 million, in addition to EUA 300,000 granted earlier, was decided in early February for damage sustained during Cyclone Hyacinth. Also for cyclone damage, Mauritius was granted EUA 300,000 in immediate aid to cover the most urgent requirements.

New Nicaraguan Aid

Following a visit from Nicaraguan officials in early March, the EC Commission recently proposed a new EC aid program for the new Government there.

The proposal called for $15 million to go toward food aid, a literacy campaign, and general and specific technical assistance operations. The visiting officials had outlined policies and needs of the new Government that took power after the 1979 revolution. They pointed out that vast losses in agricultural crops and economic instability had resulted from the coup.

First Lomé II Meeting

Ministers from the 59 African, Caribbean, and Pacific (ACP) countries and the nine EC member states, signatories of the Lomé II Convention, were to meet in early May in Nairobi, Kenya—to discuss, among other topics, Zimbabwe's possible membership.

Other subjects expected to surface were the possibility of creating an agricultural cooperation fund and the financing of industrial development in the Third World.

At an earlier meeting of the Lomé Convention consultative assembly in Arusha, Tanzania, in late February, parliamentary members from the Community and the ACP states adopted a strongly-worded resolution urging more concrete results from parts of the new Lomé Convention. The two main shortcomings of the first convention, said the assembly, were the limited success in the industrialization of developing countries and the fact that not all the funds made available under Lomé I had been spent because of the complexity of the procedures.

EIB Loans Approved

Five loans from the European Investment Bank (EIB) were granted in February and March.

A loan for 20 million European units of account (EUA) was granted to Greece to assist in financing small and medium-scale private sector industrial and tourism ventures.

French Polynesia was granted a conditional loan of EUA 850,000 for the financing of small and medium-scale industrial, craft, and tourism ventures.

A hydroelectric scheme in Austria will receive the benefit of an EUA 34.8

million loan from the EIB. The project includes a reservoir, a by-pass tunnel, a power station, and transmission lines.

Turkey was granted a loan for EUA 75 million for opening up lignite deposits and construction of a power station in the southeast part of the country.

A loan of EUA 5 million to help finance small and medium-scale industrial and tourism ventures in Trinidad and Tobago was granted to the Trinidad and Tobago Development Finance Company Ltd.

Development Fund Grants

European Development Fund financing decisions in mid-March included: a grant of nearly 13 million European units of account (EUA) and a loan on special terms of EUA 6 million to improve and asphalt 102 kilometers of road in Madagascar; a grant of EUA 1.8 million for a pilot farm project in Belize; a grant to Zambia of almost EUA 5 million for agricultural development project.

EXTERNAL

Comecon Meeting Canceled

The high-level meeting planned for April between the European Community and the Council for Mutual Economic Assistance (Comecon) was called off in a letter written by EC Commission Vice President Wilhelm Haferkamp, in charge of external relations.

In the letter Haferkamp called into the question the usefulness of the forthcoming meeting. In view of slow progress at recent working sessions in Geneva, he said he did not see much chance of a reasonable breakthrough during the April meeting. "It emerges, in fact, that Comecon is not prepared to move toward the Commission's compromise proposals of November 1979," he wrote.

Relations between the two organizations have been the subject of slow negotiations for several years. The stumbling block is mutual recognition of the competence of each organization by the other. Headway on other points was made, however, during the November meeting.

Recent reports have indicated that the EC member states took a position that all unnecessary high-level talks with Comecon should be avoided in the wake of the Soviets' Afghanistan intervention.

Romanian Pact Concluded

An agreement to set up a joint commission between the Community and Romania to discuss all aspects of trade and economic relations between the two was concluded in February. It is the first such agreement with an East European member of the Council for Mutual Economic Assistance.

EC Commission officials underlined that the accord included a clause officially acknowledging the competence and authority of the Community in certain trade and economic areas. Talks between the Community and Comecon have been held up for years over the question of Community recognition of the Comecon bloc.

The Commission also pointed out that while this was the most far-reaching accord with a Comecon country, the Community had conducted other more limited negotiations with other Comecon countries, such as Poland, Hungary, and even the Soviet Union, on such matters as steel, textiles, and fishing.

EC, Pakistan Joint Meeting

Representatives of the EC-Pakistan joint committee held in mid-March the fourth annual meeting since implementing the 1976 cooperation accord. They examined the economic situation in Pakistan in light of the added strain caused by the influx of Afghan refugees.

The group also discussed the commercial promotion program for Pakistan revolving around visits by European businessmen, advice of consultants, workshops in certain sectors, and subcontracting in the mechanical sector. Operation of the tobacco, leather, fishing, and textiles trades and ways of improving Pakistan's use of the EC system of generalized preferences were also covered.

New Anti-dumping Duty

The EC Commission has introduced a provisional anti-dumping duty on electric motor imports from the Soviet Union. The Commission also decided in February to terminate anti-dumping proceedings against other European countries which had agreed to raise prices on their electric motor exports.

Following investigations of all importers of certain electric motors last year, the Commission found that the low-priced imports had caused injury to EC industry. Commission officials held talks with six countries willing to seek a solution.

Following the talks, exporters from Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Romania agreed to considerably raise their prices. Soviet exporters did not participate in the negotiations, and therefore the Commission found it necessary to impose a provisional anti-dumping duty, both to eliminate the dumping and injury to Community industry and to make it possible for the other East European competitors to raise their prices.

Cooperation Pact Signed

An agreement for commercial and economic cooperation between the European Community and the Association of South East Asian Nations (ASEAN) was signed in the Malaysian capital of Kuala Lumpur in March.

The accord seeks to "consolidate, deepen, and diversify" commercial relations between the two regions and provides for a joint committee to supervise and promote the various activities. Provisions include: most-favored-nation treatment; commercial cooperation, such as removing trade barriers and creating new trade patterns; economic cooperation in the form of closer contacts and industrial and technological cooperation; and development cooperation.

ASEAN countries are Indonesia, Malaysia, the Philippines, Singapore, and Thailand. The association was founded in 1967 to accelerate economic growth, social progress, and cultural development and to promote peace and stability in Southeast Asia.

Japanese Visit Parliament

Twelve members of the Japanese Diet visited the European Parliament in Strasbourg in mid-February.

The delegation from the Japanese Parliament held discussions with their European counterpart in charge of relations with Japan. The crisis in Afghanistan, monetary and energy problems, and bilateral relations were touched on.

India Trade Center Opens

The India Trade Center was inaugurated in Brussels in late February by EC Commission Vice President Wilhelm Haferkamp, in charge of external relations.

The trade center is part of the program of joint activities for promoting trade and economic cooperation set up under a 1973 agreement between the Community and India.

Sectors initially represented include electronics, engineering goods, leather, jute and coir products—sectors of the Indian economy having the greatest export potential. The Community will finance EC export consultants and partial running costs of the center for three years.

Other trade activities resulting from the 1973 cooperation agreement include sending industrial experts to India to adapt production or distribution to the world market; financing participation in several trade fairs; setting up trade missions for the negotiation of contracts.

Andean Group Talks Set

The EC Commission has requested authorization from the Council to open negotiations for a cooperation agreement with the Latin American Andean Group.

As proposed by the Commission, the accord would be a five-year, nonpreferential cooperation agreement aimed at developing economic relations. A joint committee would be set up to implement the accord. Members of the Andean Group include Columbia, Peru, Ecuador, and Venezuela. The Community visualizes similar pacts with countries such as Brazil, Mexico, and India.

Such a pact would be the second regional agreement concluded by the Community with a group of several states in one area. The first was recently negotiated with the Association of Southeast Asian Nations.

Brazil and EC BeginTalks

Negotiations toward an economic and trade cooperation agreement between the European Community and Brazil began in Brussels in mid-March.

The aim of the talks is to produce a nonpreferential accord that would set up a joint committee to develop the full potential of Brazilian-EC trade.

The Community is already Brazil's largest customer—importing considerably more of Brazil's goods than the United States. Negotiations with Brazil are part of a new drive by the Community to intensify its relations with Latin America.

EC, Yugoslavia Sign Accord

A new cooperation agreement aimed at reducing Yugoslavia's balance of payments deficit with the Community was signed April 2.

The Yugoslav deficit amounted to $3 billion in 1979, and the new accord represents an attempt to ease the access of that country's products to Community markets. The agreement also attempts to foster cooperation in industry, technology, and investment promotion.

A joint commission will oversee implementation of the agreement. In addition to the trade provisions, the Community is to provide 200 million European units of account in low-interest loans, establish a policy of non-discrimination in dealing with Yugoslav migrant workers in the Community, and set up areas of cooperation.

The agreement is of indefinite duration, but its trade segment will be reviewed in five years. The ultimate goal is to arrive at a free-trade relation between the Community and Yugoslavia.

ECONOMY

Jenkins Speaks on Economy

In his annual program speech to the European Parliament in mid-February, Jenkins gave a somber assessment of the economic plight in the Community and in the world.

Jenkins called attention to the possibility of a "breakup of the established economic and social order on which postwar Europe was built." He named rising energy prices as the catalyst for economic disruption. The result would be, he predicted, a decline in economic growth substantially below the 2 per cent predicted for 1980 by the EC Commission last year. Unemployment was expected to rise to 6 per cent of the labor force and inflation could jump to close to 12 per cent, it was also noted.

Jenkins commented on the need to develop new supplies and tighter restraint on the demand for imported oil through an energy tax or levy that would help finance research into new sources and discourage imports.

Steel Dilemma Discussed

EC Commissioner Etienne Davignon, responsible for industrial affairs, and Commission Vice President Henk Vredeling, in charge of employment, held separate talks in late February with trade union and management representatives about the British steel situation.

The talks involved the two-month-old steel strike in connection with management plans to lay off thousands of steel workers. Commission officials emphasized that the talks were not an attempt to intervene, but rather an effort to get information about the steel firms' restructuring plans and how these might affect the European steel industry overall.

In the past such steel layoffs have involved EC Social Fund participation to ease the transition problems for redundant workers.

Oil Shocks on Economy Felt

The EC Commission reported on a survey in March calling rises in inflation and the balance of payments deficit the beginning of the impact to be felt from world oil price increases.

The survey indicated a higher than expected growth rate in industrial production of 1.8 per cent for December. Earlier forecasts had predicted a slowdown in economic growth, but December figures were strong for Italy, Denmark, and Germany.

For the year the largest increases in economic productivity were registered in Ireland at 7.2 per cent and Italy with 6.5 per cent. The lowest rates were recorded in Luxembourg and the Netherlands with 3.4 per cent and the United Kingdom with 3.7 per cent.

Unemployment remained unchanged in most countries and stayed at the 5.5 per cent level for the Community average. Inflation rose by 2 per cent in January, the largest monthly jump ever. The trend was worst in Italy with 3 per cent followed by Britain with 2.5 per cent and France and Belgium, both under 2 per cent. An earlier Commission report put the average increase in inflation for 1979 at 9 per cent. The second half alone registered 12.4 per cent. For 1980, even higher rates of inflation with some near 20 per cent were seen. Economic growth may be expected to hit an average of 1.2 per cent for the year, and unemployment will probably increase.

In 1979, said the recent Commission survey, the balance of payments for the Community rose from 2.5 billion European units of account (EUA) in 1978 to EUA 19 billion last year. Early January figures indicated a continuation of this trend.

Currency exchange rates were relatively stable, according to the survey, partly due to adjustments in interest rates in a number of countries.

Less Female Unemployment

Monthly statistics released in March showed that for the first time in the European Community, the number of unemployed dropped more for women than for men.

As in previous years, the number of unemployed dropped from January to February. Unemployment for men was 1.1 per cent lower than in January and for women, 1.5 per cent less.

There still remained about 6.5 million jobless throughout the Community. The percentage of the civilian labor force unemployed fell slightly from 6.1 to 6 per cent during the month.

The average reduction for the Nine was 1.3 per cent with most countries showing even larger reductions; Italy, Denmark, and Ireland remained virtually unchanged; and a rise of 1.2 per cent was registered for the United Kingdom.

AGRICULTURE

Farm Imports Viewed

Agricultural exports from New Zealand were the focus of talks in late February when Deputy Prime Minister Brian Talboys visited Brussels.

Butter, cheese, and lamb meat have been imported into the Community through traditional trade with Britain. Despite some reduction since British entry into the Community, these shipments have continued at a volume that has been criticized.

The dairy surplus is the biggest source of agricultural spending in the Community, and the lamb trade situation is at the root of a serious controversy between France and Britain. In both cases, imports from New Zealand have been blamed for contributing to the problems. At the same time New Zealand is highly dependent on agricultural exports, particularly to the Community.

Lamb War Latest

The European Court of Justice decided in late March that a temporary injunction sought by the EC Commission against French restrictions on British lamb imports was unwarranted and could prejudice later settlement of the case.

The ruling was the latest chapter in the continuing lamb war between France and Britain. The Court had earlier ruled against the French restrictions as being in violation of EC trade rules.

But at the time of the latest hearing, France had still failed to implement the Court order to remove tax and other restrictions levied against British lamb imports in recent months. France argued that member states sometimes took many months or years before applying certain Community rulings.

World Sugar Prices Escalate

After world prices jumped to a level higher than the Community domestic price, the EC Commission moved to drop the export rebates normally offered on sugar exports. Payments suspended in mid-February were those granted as compensation to Community exporters for the difference between the normally lower world sugar price and the EC internal price.

Commission officials noted, however, that since there is no shortage of sugar, the price rise was the result of speculation. They also said there was no danger of a sugar shortage in the Community as a result of EC exports seeking the higher world market price, because there was still a surplus of about 1.2 million tons of sugar in the Community available for export. They also noted a world reserve of some 2 million tons supposedly released during periods of rising speculative prices.

Tugendhat Speaks on CAP

In a speech to the National Farmers' Union in Stafford, England, in January, EC Budget Commissioner Christopher Tugendhat said farmers should recognize that measures to tackle the abuses of the common agricultural policy (CAP) will safeguard, rather than undermine, their interests.

The escalating costs of the CAP are a matter of public concern throughout the Community, said the Commissioner, and the European Parliament's rejection of the 1980 budget was a drastic action to highlight the imbalance in Community expenditure.

Tugendhat added that the temporary financial difficulty faced by the Community will not have been in vain if, as a result of the European Parliament's action, the Council and member states face up to the problems of agricultural expenditure, the need for effective EC policies in nonagricultural areas, the costs of enlargement, the pursuit of economic convergence, and the question of whether all these matters can be dealt with in the present 10-year-old limit on the Community's own resources.

Criticizing the agricultural ministers for high price settlements in May 1977, Tugendhat quoted himself then: "It is my belief that the Council's attitude toward surpluses and costs reflects an institutional problem which the Community can no longer afford to ignore."

Now, said the Commissioner, it is essential that the Council adopt a realistic agricultural price settlement taking budgetary problems into account. What Tugendhat hopes for "is a well balanced agricultural policy which takes into account the interests of Community producers, consumers, and taxpayers, all of whom need and can benefit from a system providing secure and stable supplies of food."

Farm Session Draws Crowd

A special European Parliament session on farm spending in late March drew 5,000 demonstrators, heard 300 amendments and several impassioned speeches, and produced a resolution for a price increase, but did not say how much.

The inability to decide on a price level shows how wide divisions are in the Parliament between the EC Commission's desire to hold down farm prices and the 8 per cent increase supported by farmers.

Commission members participating in the session argued that the Parliament should be consistent with its decision late last year to reject the proposed Community budget because not enough emphasis had been placed on nonagricultural spending. They said some attempts must be made to discourage farmers from producing surplus in sectors such as dairy, sugar, and beef.

At an agriculture ministers meeting held at the same time, a decision on farm prices was put off until the April meeting. The March gathering also considered requests for changes in the currency exchange rates. The French request for a devaluation of the franc in agricultural trade by 3.7 per cent was approved. The devaluation will result in increases paid to farmers and elimination of monetary compensatory amounts. On the other hand the ministers did not approve a British request to set up import taxes and export subsidies because of the recent increase in value of the pound. The move would have resulted in an increase in consumer prices.

COMPETITION

Competition Laws Enforced

A total of 900,000 European units of account in fines was announced in April as a result of three decisions taken by the EC Commission condemning quota agreements and concerted pricing practices in the French and German steel sectors.

In the French case, five principal special steel producers had jointly fixed prices of special constructional steels in 1974 and 1975. Two of these also participated in a quota agreement operated between 1970 and 1974 by French producers to regulate deliveries of special constructional steels in the French market.

In the German case, eight of the main special steel producers had operated a quota agreement for stainless flat products in 1971. In addition, all but one had jointly fixed prices for most types of special steels in 1973 and 1974.

The third case involved both countries and all of the same producers, except one in Germany. These producers together had operated an interpenetration agreement that tended to limit the quantity of alloy constructional steels delivered into each other's home market during at least six of the eight years from 1967 to 1974. The same parties had also engaged in restrictive pricing practices in 1974.

When fixing the level of fines, the Commission took into account the present difficult financial position of the French and German steel industries. It emphasized, however, that poor market conditions and problems of excess capacity do not justify producers in breaking the EC competition rules.

Rules Adopted for Steel Aids

The EC Commission has adopted rules for specific aids to the steel industry. The purpose of the decision was to establish a framework ensuring that state aids required for the restructuring of the industry do not unduly distort competition.

The decision established rules for aids to support investment, aids to defray the costs of closure, aids to facilitate continued operation during the implementation of a restructuring program, and emergency aids to rescue undertakings.

The Council of Ministers and the Commission agreed that in the present critical circumstances, general and regional aid as well should be subject to EC discipline. The Commission accordingly requested member states to give advance notification of general and regional aid systems applied to the steel industry.

Steel Association Curbed

The EC Commission decided in February to require a German steel stockholders' association to terminate certain price-fixing practices.

The offending practices involved compilation of costing schedules and distribution of the major stockholding firms' new price lists to all members of the association, which tended to encourage a concerted pricing policy by member firms. The products involved were stocks held in merchants' warehouses that account for approximately one-third of all sales of steel products on the German market.

In its decision the Commission pointed out that such associations may help small and medium-sized firms calculate their costs and fix rational selling prices, but this must not lead to a uniform pricing policy.

Air Fare Hearings Begin

The European Parliament's Transport Committee has begun hearings on the civil aviation sector. The first of four such hearings was held in February and concentrated on competition and the rate structure.

During the hearing Sir Freddie Laker, of Laker Airways, who had been seeking to introduce lower fares on European routes, charged EC countries with having a "cozy little monopoly" on European routes that prevented outside competition. He added that he would go before the European Court of Justice if he fails in his bid for the right to fly between 34 major European cities.

During the hearings it was noted that EC competition rules have not been applied to the civil aviation sector, which is largely in the hands of national governments.

ENERGY

More Oil Import Measures

A rapid information system on crude oil imports and prices has been recommended by the EC Commission.

The new measures proposed would expand mechanisms adopted in 1979 to monitor activities on the Rotterdam and Mediterranean spot oil markets. In the meantime the Commission continues to evaluate other preliminary alternative measures that could include provisions for a controversial tax on oil imports. Commission officials said that the energy situation is being regarded as a macro-economic problem with unemployment, fiscal, and investment aspects.

EC Oil Bulletin

The Community's average increase in free-on-board prices of crude oil between December 31, 1978, to March 24, 1980, was 122 per cent as a result of decisions taken by the oil-exporting countries.

The pre-tax consumer prices of the principal oil products (crude oil and imported finished products) increased by an average of around 79 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 79 per cent.

This information was contained in the weekly oil bulletin published by the EC Commission.

Aid for Coal Research

The EC Commission approved in early February nearly 17 million European units of account (EUA) in financial aid for coal research techniques. More than EUA 10 million will be devoted to improving mining techniques and just over EUA 6.5 to coal upgrading.

Of the 60 applications submitted, 36 projects were selected with an aggregate total cost of about EUA 29 million. The projects are part of seven research programs: four concerning mining technology, one in the mechanical handling of coal, and two in coal upgrading.

The projects will be carried out in Britain, Germany, France, Belgium, Italy, and Ireland.

More Funds for Uranium

For the fifth year in a row, the EC Commission has approved funding to encourage uranium prospecting. In early March, 5 million European units of account were approved and more money may come available once the 1980 budget is approved.

Interested companies were invited to submit their applications for the aid which will cover from 30 to 70 per cent of the total costs of the projects selected.

Under the first program launched in 1976, uranium prospecting has been carried out in Ireland, the United Kingdom, Belgium, Germany, Italy, the Netherlands, and in Greenland where important deposits were discovered at Kvanefjeld.

Hydrogen Energy Seminar

Over 200 experts from European industry, universities, and research institutions participated in the EC Commission's second major seminar on the use of hydrogen energy.

The February talks covered hydrogen production; its security, storage, use, and transport; and the support of the European Joint Research Center in this field.

The meeting also reviewed the results of the first four-year hydrogen energy program, which involved 70 research contracts concluded at a cost of about 10 million European units of account (EUA) from 1975 to 1979. During the second four-year program, EUA 8 million has been allocated to be spent on hydrogen research.

Euratom Loan to Scotland

The EC Commission has approved a loan of over 161 million European units of account to the South of Scotland Electricity Board to help build a nuclear power station there.

This is the first loan approved for the United Kingdom under the Euratom loan program authorized in March 1977. The loan is part of the Commission's policy to reduce the Community's dependence on imported oil through the development of alternative energy sources.

The loan will be disbursed in line with progress of the project, and the lending terms will be determined by the market conditions at that time.

RESEARCH

Nuclear Danger Research

A multi-year program to combat the dangers of nuclear radiation has been adopted by EC science and research ministers.

The ministers voted 59 million European units of account for intensification of this ongoing program at Community research facilities. A new four-year program for the Community research center and the program for controlled nuclear fusion, which is seen by many as a new clean energy source for the future, was discussed.

Approval of radiation protection activities was considered an important step in the fight for cleaner nuclear energy and other forms of radioactivity, such as medical x-rays.

Biomolecular Research Plan

A five-year program on biomolecular engineering research was proposed by the EC Commission in January. Such research would be of great benefit to agriculture and industry.

Two main themes form the basis of the program: the development of the second generation of enzyme reactors for the synthesis of products important to European industries and the application of genetic engineering methods to organisms of importance to industry.

In the long term results should also allow a reduction in energy consumption, for example by making possible a decrease in the use of pesticides after introducing new resistance factors in cultivated agricultural species.

The program consists of six projects, including development of bioreactors for industrial and human detoxification; development of cloning vehicles; novel gene transfer in species important to biological industry. The Commission has already presented a complementary proposal to the Council of Ministers suggesting a directive to control work on genetic manipulation.

The cost of the research program would be carried out by cost-sharing contracts with both private and public organizations. Of the total estimated 49.5 million European units of account (EUA), EUA 26 million would fall directly onto the Community budget.

Research Budget Approved

A five-year, 850 million European units of account (EUA) budget for EC research and scientific activities was approved in March by the Council of Ministers.

Almost two-thirds of the total is to be allocated for energy research aimed at increasing supplies. The figure also represents a 50 per cent increase in EC energy research activities. Two such activities are the Super-Sara program aimed at simulating a nuclear accident similar to the Three Mile Island incident and the Joint European Torus (JET) research into thermonuclear fusion as an energy source. Much of the total program is also devoted to research into nuclear energy safety.

New activities in alternative energy sources and environmental protection research are also to be funded, and expenditure on solar energy will double to about EUA 23 million.

ENLARGEMENT

Turkey Wants to Join EC

The Turkish Government announced in February that it expected to file a formal application for EC membership before the end of the year.

During the first EC-Turkey association meeting in three years, the Turkish foreign minister emphasized that his country shares the Community's democratic ideals. He said there was a need for intense cooperation between the Community and Turkey to overcome his country's severe economic difficulties.

The Turkish Government's decision to hasten closer relations with the Community is a change of policy that has taken place since the entry of the new Government headed by Prime Minister Süleyman Demirel.

Austrian Motorway Aid Set

Community financial assistance for a major motorway through Austria, which will help link Greece to the rest of the Community following its accession in 1981, has been approved by the Commission in late February.

Approval was also seen as aiding regional transport facilities that would benefit a large section of Europe and help strengthen ties with neighboring countries in the European Free Trade Association.

Austria originally requested financial aid from the Community for the Innkreis-Pyrn motorway because a large portion of the increased traffic through Austria either comes from or is going to the Community.

Spanish Farm Impact

Spanish accession to the Community will increase EC farming potential by one-third, but consumption capability will grow by only 13 per cent.

This evaluation of the consequences of Spanish entry were released in mid-March by the EC Commission at the same time that it approved the general outlines for its position in the forthcoming negotiations with Spain on terms for the agricultural sector.

The Commission recommends that a transition period of between seven and 10 years be visualized to adjust to the enlargement of the Community farm capacity. It noted particularly that surpluses will be encountered in the olive oil and wine sectors.

The face of Community farming will increase by 27 per cent in arable land area, by 80 per cent in usable irrigated land area, by 28 per cent for agricultural labor force, and by 30 per cent for the number of farms, the Commission reported.

Natali Visits Lisbon

EC Commissioner Lorenzo Natali, in charge of enlargement negotiations, talked with Portuguese officials in March on readying Portugal's economy by 1983 for EC accession.

Natali singled out agriculture, fishing, small and medium-sized business and industry, vocational and professional training, and regional policy—especially regarding transport infrastructure—as key areas needing attention.

He added that investments in the Portuguese steel industry had to be coordinated within the overall development of European industry, and that the prospects of Portuguese entry into the Community would open up important contacts in Africa, Latin America, and the Mediterranean.

Adjustments for Greek Entry

The EC Commission has adopted the position it will take in negotiations with several countries to adjust trade relations prior to Greek entry into the Community next year.

No major difficulties were expected in working out the details of adapting and changing trade and preferential treaties to adjust for Greek membership.

The countries directly affected are those already having agreements with the Community, such as Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Spain, Syria, Tunisia, and Turkey in the Mediterranean. Members of the European Free Trade Association affected are Austria, Finland, Iceland, Norway, Portugal, Sweden, and Switzerland.

HARMONIZATION

Tax Harmonization Report

A report on tax harmonization, which is considered essential to the achievement of full economic union in the Community, was adopted by the EC Commission in late March.

The report said that conflicts had been avoided in the past because EC tax harmonization efforts have been aimed at the structures and bases of taxation rather than the actual tax rates. Future alignment of tax rates would run into the problem of just how much tax autonomy member states would be willing to relinquish. The report pointed out that many countries regard tax rates as instruments of budgetary and economic policy.

There might be no need for complete standardization of rates, said the report, and in addition, other large areas of taxation, such as personal taxes, would remain under national control. Changes in the tax systems could result in alterations in patterns of consumption, production, and trade or changes in the cost of living. Certain systems such as social security will have to be examined closely, the report said.

Taxes Ruled Discriminatory

The European Court of Justice has ruled against discriminatory alcohol taxes. Some national taxes on imported alcohol discriminate against outside products in favor of domestic varieties, the Court found.

The Court said that taxes or benefits granted to domestic producers, such as reinmbursement of taxes paid, would have to be fair and equal for all comparable products. France, Italy, and Denmark had unfairly taxed Scotch whisky, for example, to protect domestic products such as Cognac. The Court was still undecided about whether beer and wine were comparable.

Toy Safety Proposal

The EC Commission has proposed a directive on toy safety aimed at improving consumer protection and removing trade barriers arising from the different safety standards of member states.

The safety objectives set out in the proposal cover physical and mechanical properties of toys, flammability, chemical properties, risks of explosion, electrical properties, hygiene, and radioactivity.

In addition, the proposal contains specific standards and testing methods in physical and mechanical properties of toys and flammability. The proposal also prescribes warnings and indications on the instructions for use that must accompany toys.

The process of ensuring compliance by manufacturers is left to the individual member states. The proposal does provide for the withdrawal of dangerous products from the market and for a system of protection of the rights of manufacturers, importers, and sellers.

Only toys conforming with the general safety objectives and specific standards adopted may be advertised, and that publicity may not be misleading, says the proposal. A provision is also made for adapting standards in the light of technical progress.

Euronet Begins Operations

Euronet, the European on-line information network, began operations in mid-February.

Euronet brings together 23 independent computerized information services collectively called the Direct Information Access Network for Europe—or DIANE. DIANE provides on-line access to some 150 data bases in the field of scientific, technical, social, and economic information. Every member country has entry points to DIANE.

Supported by Community funding, DIANE has already resulted in the creation of a consortium of the nine postal and telecommunications administrations acting together to build Euronet; the adoption of distance-independent international tariffs for Euronet; and the adoption of standardized interfaces for the connection of information services to Euronet.

Euronet will be extended to Switzerland by the end of this year, and further non-EC connections are envisaged.

INSTITUTIONS

New 1980 Budget Proposed

The EC Commission's new budget proposal would knock 823 million European units of account off the budget rejected by the European Parliament last December.

The budget proposed in mid-February also included a 29 per cent increase over the 1979 budget in non-obligatory spending, such as for energy, social, regional, and transport programs. Increases of 6 per cent in credit committed and 1.7 per cent in payment were also made.

As in the rejected proposal, reducing farm expenditure and narrowing the economic gap between member states were still the priorities of the Commission's revised budget proposal. The Parliament and Council of Ministers were to examine the new proposal in hopes of resolving their deadlock over the budget that Parliament threw out last December when it rejected cuts made by the Council.

EC Summit Postponed

Preparations for a new late April summit began almost immediately after the sudden postponement of the European Council summit originally scheduled for the end of March.

German Chancellor Helmut Schmidt visited British Prime Minister Margaret Thatcher in late March to discuss the long-running controversy regarding Britain's contribution to the EC budget. Reports issued from these talks were optimistic about possible solutions.

Other topics that were to be on the agenda included the one-year-old European Monetary System and the outlines of a new energy solidarity program proposed by the Commission in mid-March. The new program could lead to a tax on imported oil. The heads of state were also likely to consider international political issues in the Middle East, Afghanistan, and Cambodia; the report of the Three Wise Men on internal EC reforms; and agricultural policy.

INVESTMENT

ECSC Loans Floated

Two contracts were recently signed between the European Coal and Steel Community and banking syndicates for the issue of loans to finance investment in the coal and steel industries and conversion programs.

A loan contract was signed in mid-March for the issue of a loan of nearly 25.6 million European units of account (EUA) on the international capital market. The interest rate is 14.25 per cent annually over six years.

An earlier contract signed in late February was for the issue of a loan of about EUA 1.23 million on the Luxembourg capital market. The contract is for 10 years at an annual interest rate of 10 per cent.

In both cases applications have been made for official listing on the Luxembourg stock exchange.

SOCIAL POLICY

Public Health Research

Three research programs related to public health were adopted for the period 1980-84 by the Council of Ministers in mid-March. Two programs involve research in nuclear radiation and a third is in medical research.

A radiation protection program calls for improved knowledge and control of the ionizing radiation risks encountered by the public and workers. Improved scientific and technical data and evaluation of the biological and ecological consequences of nuclear activities are the two objectives.

A second program in the nuclear field will further develop management of radioactive waste to ensure protection of public health and the environment. The aim is to solve certain technological problems involved in the processing, storage, and disposal of radioactive waste.

The Council also adopted a research program in medical research consisting of four multiannual projects: detection of the tendency toward thrombosis; understanding, evaluation, and treatment of hearing impairment; criteria for perinatal monitoring; and common standards for quantitative electrocardiography.

Equal Rights Proceedings

A British woman won an equal pay appeal when the European Court of Justice decided in late March she was entitled to the same amount paid a male employee who previously did the same job. The company had argued that the British and EC laws on equal pay applied only to persons employed at the same time.

In earlier proceedings on equal pay, special advisory communications were sent to Belgium, Luxembourg, Holland, and Britain for failure to implement the 1975 directive, the EC Commission announced in late February.

In some cases the Commission said the equal pay law was being violated by special allowances granted married male workers but with restrictive conditions applied to married females. This was true for Belgium and Luxembourg. Dutch law excluded public service from equal pay laws, and British law applied to equal work as subject to special job evaluation.

The Commission said it was continuing to review other countries in this regard and was also watching for compliance of a 1976 directive on equal training, advancement, and work conditions.

Awards for Orphans

Financial aid totaling over 918,000 European units of account was awarded recently by the Paul Finet Foundation to 348 orphans of workers who died of occupational accident or disease in the coal and steel industries.

The awards, given for educational purposes, are awarded annually to qualifying orphans. They are renewable so that the beneficiary can rely on the help of the foundation for the entire period of his studies.

The amount of aid is fixed case by case and funds are reserved for those who need and deserve them most.

Consumer Committee Meets

The Consumers Consultative Committee (CCC) has called for systematic inquiries to determine the causes underlying pharmaceutical price differences in the member states.

Clear information on the selling price and cost price of medicines for those prescribing medicines as well as for those using them was also recommended. To this end, the CCC advocated compulsory inclusion of the international nonproprietary name on packaging and uniform packaging throughout Europe.

Concerning the recently proposed EC draft directive to establish an information exchange network within the Community on dangerous products, the committee advised that the measure not be limited to just information-sharing, but that it also incorporate provisions for removal of the products from sale.

Multinational Proposal

Multinational companies may eventually have to consult their employees and provide them with more information about business activities than they do now, according to EC Commissioner Henk Vredeling.

The social affairs commissioner recently told members of the European Parliament that the Commission intends to introduce such legislation. Vredeling made the announcement in response to a complaint by a parliamentarian whose constituents faced a plant closure by one large multinational company.

Vredeling indicated that the closure of the plant did not contravene any EC legislation on collective dismissals nor other existing guidelines on company behavior. Trade unions have been pushing for new legislation, complaining they aren't consulted by companies planning to move production or close down plants. The unions demand consultations prior to such decisions so that they may have some influence and thereby reduce the impact on local employment.

SCHOLARSHIPS, GRANTS, CONFERENCES

Engineering Education

The European Society for Engineering Education will hold its 1980 conference in Paris September 10-12. The theme will be "The education of the engineer in and for his society—trends and future needs of engineering education."

For further information, write: Jean Michel, Conference SEFI 1980, Ecole Nationale des Ponts et Chaussées, 28 rue des Saints-Pères, F-75007 Paris, France (telephone: 331/260-34-13 extension 342).

Migration in Western Europe

A conference on migration in Western Europe will be held near Lille, France, October 16-17.

Topics to be covered include: new methods of studying migratory flow and areas; providing space for rotating and permanent migration; and foreign immigration and the economic crisis.

For information write: P. J. Thumerelle, BP 36 Bâtiment 2, 59650 Villeneuve d'Ascq, France.

Europeanist Conference

The Europeanist Conference to be held in Washington, DC, October 23-25, will treat "Economic, cultural, and political challenges to the State."

For information, contact: Professor M. Donald Hancock, Department of Political Science, Vanderbilt University, Nashville, TN 37235.

International Personnel

A seminar on managing international personnel will be held June 9-13 at the University of Michigan.

A five-day intensive program, the seminar focuses on key decisions and factors in human resource management in the international environment. The program covers aspects of administrating an international personnel program, integrating the international personnel function, and cultural issues in managing the human resource function.

For registration information, contact John Corwin, Graduate School of Business Administration, The University of Michigan, 1735 Washtenaw Avenue, Ann Arbor, MI 48109 (313/763-1000).

European Studies at Nancy

The European University Center at the University of Nancy has a graduate program in European studies for French and foreign students.

Seminars are organized in European legal, political, economic, and cultural problems. Research scholarships are available to students holding diplomas from the center.

For further information, write CEU de Nancy France, 15 place Carnot, 54042 Nancy Cedex, France.

International Wage Seminars

The University of Michigan's three-day seminar, "Managing the International Compensation Function," is designed to help management set equitable yet flexible wage systems for employees of foreign operations.

Topics to be covered include: how to relate international compensation to overall corporate planning; legal pitfalls to be avoided; the future trend of regulations; overseas differentials and premiums.

Three sessions are planned for June 2-4, September 8-10, and December 1-3. For registration information contact John Corwin or Don Kelly, Division of Management Education, Graduate School of Business Administration, University of Michigan, 1735 Washtenaw Avenue, Ann Arbor, MI 48109 (313-763-1000).

The Community's Bookshelf

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, (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.

☐ **The European Community and Work for Women.** *Women of Europe, Supplement No. 2,* Commission, Brussels, 1979, 22 pages ....free
Description of proposals and policies of the Community affecting women's employment and the Commission's bureau on women's employment and equal treatment.

☐ **Common Customs Tariff for 1980.** *Official Journal of the European Communities, Vol. 22, L342,* Luxembourg, December 31, 1979, 382 pages $13.00
Schedule of import duties for goods entering the Community in 1980; includes the first stage of the tariff reductions negotiated in the Multilateral Trade Negotiations.

☐ **The Agricultural Situation in the Community: 1979 Report.** Commission, Brussels, 1980, 457 pages. $28.00
Analyses and statistics on the general economic environment and world market for agriculture, the factors of production, structures and situation of the markets for agricultural products, the position of consumers and producers, and the financial aspects of the common agricultural policy.

☐ **European Communities Glossary.** Council, Brussels, 1979, 1,032 pages $17.00
Seventh edition of a French/English glossary of the essentials of legal, economic, and institutional terminology.

☐ **Documents Concerning the Accession of the Hellenic Republic to the European Communities.** *Official Journal of the European Communities, Vol. 22, L 291,* Luxembourg, November 19, 1979, 192 pages. $7.00
Text of the treaty of accession of Greece to the European Economic and Atomic Energy Communities, the Council decision on Greek accession to the European Coal and Steel Community, and the act concerning adjustments to the treaties required by Greek membership.

☐ **Corps diplomatique accrédité auprès des Communautés européennes.** Commission, Brussels, 1979, 183 pages $9.00
List of diplomatic missions accredited to the European Communities; includes the address and telephone for each chancery; list of principal officers with their private residences.

☐ **Fisheries: Products and Fleet 1976-1977.** Statistical Office, Luxembourg, 1979, 145 pages ... $24.80
Yearbook 1979; supply balance sheets for fishery products for 1976-77; statistics on catches, quantities, and values of landings, unit values, and the fishing fleet.

☐ **The Second Enlargement of the European Community.** *European Documentation No. 5/79,* Commission, Brussels, 1979, 33 pages ....free
Outlines the political, economic, and social dimensions of the accession of Greece, Portugal, and Spain; sketches the process of enlargement and the probable effects on the Community.

☐ **The European Community as a Publisher 1979.** Commission, Brussels, 1979, 60 pages ....free
Selective publications list of the main official publications of 1977-79 and free publications for general information.

☐ **Conclusions of the European Council on November 29 and 30 in Dublin.** *European Community News No. 43/1979,* Information Service, Washington, DC, December 4, 1979, 5 pages ....free
Final communiqué of the European Council with remarks by Commission President Roy Jenkins and then Irish Premier Jack Lynch.

☐ **Mexico and the European Community.** *Europe Information No. 24/79,* Commission, Brussels, 1979, 6 pages ....free
Outline of the EC commercial cooperation agreement with Mexico and trade patterns and arrangements.

☐ **National Accounts ESA: Detailed Tables 1970-1977.** Statistical Office, Luxembourg, 1979, Vol. I (277 pages), Vol. II (162 pages) $22.50 per volume, $49.00 set
Yearbook 1978; Vol. I gives data on transactions in goods and services (value added, final consumption of households, gross fixed capital formation, wage and salary earners) and financial transactions (change in assets and liabilities); Vol. II presents distributive transactions such as compensation of employees, property income, social contributions; supplementary tables analyze compensation of employees and social benefits and contributions in more detail.

☐ **Regional Accounts: Economic Aggregates 1973.** Statistical Office, Luxembourg, 1979, 263 pages. $33.50
Yearbook 1978; main economic aggregates for the basic administrative units of the Community; detailed figures for 1973 and a comparison with 1970-72.

☐ **Employment and Unemployment 1972-1978.** Statistical Office, Luxembourg, 1979, 243 pages ... $17.00
Yearbook 1979; data on employment, working population, unemployment, and industrial stoppages; annex includes employment and unemployment figures in Greece, Spain, and Portugal.

☐ **Regional Statistics: Population, Employment, Living Standards 1977.** Statistical Office, Luxembourg, 1979, 353 pages $17.80
Yearbook 1978; statistics on social conditions in 140 regions of the Community, includes a folding map of the regions and 12 maps illustrating the main topics.

☐ **Community Survey of Orchard Fruit Trees 1977.** Statistical Office, Luxembourg, 1979, 169 pages. $24.00
Yearbook 1978; statistics on 500,000 hectares of commercial apple, pear, peach, and orange orchards in the Community; details orchard age, density of plantation and production zones.

☐ **EC-Index of Producer Prices of Agricultural Products 1971-1978.** Statistical Office, Luxembourg, 1979, 55 pages $10.00
Yearbook 1979; evolution of the indexes of producer prices for agricultural products for the Community as a whole and in each member state.

☐ **Hourly Earnings—Hours of Work: April 1978.** Statistical Office, Luxembourg, 1979, 247 pages. $13.40
Detailed results of harmonized statistics on earnings and hours of work in industry; includes the survey on labor costs in industry 1972-77 and the survey on earnings of permanent workers in agriculture for 1977.

☐ **Air Transport: A Community Approach.** *Bulletin of the European Communities, Supplement No. 5/79,* Commission, Brussels, 1979, 45 pages ....free
Memorandum of the Commission to the Council, of July 4, 1979, spelling out long-, medium-, and short-term objectives for a Community policy in the civil aviation sector.

☐ **Regional Development Programmes: Belgium 1978-1980.** *Regional Policy Series No. 14,* Commission, Brussels, 1979, 220 pages $10.00
Regional development program of the Belgian Government submitted to the Commission in accordance with the provisions of the European Regional Development Fund.

☐ **Analytical Tables of Foreign Trade SITC 1978.** Statistical Office, Luxembourg, 1979 $50.00 per volume, $360 per set:
Vol. I, Countries-Products, 538 pages;
Vol. II, SITC 0-4, imports, 217 pages;
Vol. III, SITC 0-4, exports, 273 pages;
Vol. IV SITC 5, imports and exports, 320 pages;
Vol. V, SITC 6, imports, 200 pages;
Vol. VI, SITC 6, exports, 395 pages;
Vol. VII, SITC 7, imports and exports, 597 pages;
Vol. VIII, SITC 8, 9, imports and exports, 406 pages.

Microfiche edition $50.00
External trade statistics of the Community and its members by Standard International Trade Classification, rev. 2; arranged in order of product by country to 3 and 5 digits; arranged in order of country by product to 5, 4, 3, 2, and 1 digits (Vol. I); the microfiche edition presents data product by country for 5 digits only.

☐ **Meeting on Heat Pumps Research, Development and Application.** *EUR 6237 DE/EN/FR,* Commission, Luxembourg, 1979, 376 pages $28.50
Meeting held in Brussels, September 27-28, 1978 to review the first results of research on heat pumps funded by the Community; reports deal with heat sources, heat pump components, advanced type pumps, and heat pump applications.

☐ **Proceedings of the Round Table on 'Special Rights and a Charter of the Rights of the Citizens of the European Community' and Related Documents.** European Parliament, Luxembourg, 1979, 133 pages. $6.20
Reports of a symposium held at the European University, Florence, October 26-28, 1978; covers the protection of fundamental human rights and the recognition of equal civil and political rights for citizens of the member states.

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Valeska Von Roques, Der Speigel, Hamburg

Consistency in the Carter Foreign Policy

Michel Tatu, Le Monde, Paris
Leslie Finer, The Spectator, London & The Daily News, Athens
Fabrizio del Piero, ANSA/The Italian News Agency, Rome

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European Perspective is made possible by a grant from The Delegation of the Commission of the European Communities, Washington, D.C. and is produced by Parkway, America's Fine Arts Broadcasting Service, 7979 Old Georgetown Road, Washington, D.C. 20014 – (301) 657-9808

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.*

Industrial Property Glossary. World Intellectual Property Organization, Geneva, 1979. Available from Unipub, New York. Variously paged. $20.00.
Multilingual glossary of terms relating specifically to industrial property; includes the French, Spanish, Arabic, and English language equivalents.

Summer Jobs in Britain. Edited by Susan Griffith. Vacation-Work, Oxford, 1979. Available from Writer's Digest Books, Cincinnati. 160 pages. $6.95.
Provides information that will help students and other young people find summer jobs in England, Scotland, Wales, and Northern Ireland.

Transfer of Technology: An International Issue. International Chamber of Commerce, Paris, 1978. Available from Unipub, New York. 81 pages. $7.25.
Report on the seminar held by the International Chamber of Commerce and the Fund for Multinational Management Education in Paris, September 21-23, 1977; covers the economic and legal aspects of technology transfer to developing countries and activities of UNCTAD and WIPO affecting such transfers.

Government and Administration in Western Europe. Edited by F. F. Ridley. St. Martin's Press, New York, 1979. 244 pages. $22.50.
Collection of papers examining the governmental systems of Britain, France, Germany, Italy, Belgium, and the Netherlands, focusing on the central bureaucracy in the widest administrative and political context in which it operates.

Transnational Corporate Conduct: The Impact of United States Laws on European and United States Operations. Edited by Robert B. von Mehren and Walter Sterling Surrey. Practicing Law Institute, 810 Seventh Avenue, New York, 1979. 856 pages. $20.00.
Study of the effect of US law on multinational corporations; includes international codes and standards of the United Nations and OECD, as well as specific US legislation and court cases on illegal payments.

Foreign Patent Practice Under EPC and PTC. Edited by Michael N. Meller and Edward H. Valance. Practicing Law Institute, 810 Seventh Avenue, New York, 1979. 272 pages. $20.00.
Collection of papers examining, from different perspectives, activity that has taken place since the inception of the European Patent Convention and the Patent Cooperation Treaty.

Labor Relations Law: Canada, Mexico, and Western Europe. By Gary E. Murg and John C. Fox. Practicing Law Institute, 810 Seventh Avenue, New York, 1979. 1,433 pages. $75.00 (Two volumes).
Provides complete description of the labor laws in Canada, Mexico, the United Kingdom, Belgium, France, Italy, and the Netherlands along with a special section on EC legislation in this sector.

Practical International Tax Planning. By Marshall J. Langer. Practicing Law Institute, 810 Seventh Avenue, New York, 1979, second edition. 445 pages including index. $40.00.
Discusses use of foreign tax havens and off-shore financial centers within the legal framework of international tax planning; includes examination of specific locations, covering both those dependent on tax treaties and those that are not.

Foreign Investment in the United States. Edited by Stuart R. Singer and Stanley Weiss. Practicing Law Institute, 810 Seventh Avenue, New York, 1979. 464 pages. $20.00.
Examines different aspects of foreign investment in the United States, with primary emphasis on tax considerations.

People and Events

Above: Europe's *Publisher Andrew A. Mulligan (right) hosts a Washington farewell party for guest of honor Fernand Spaak as he steps down as head of the EC Commission's US delegation.* Photo by Kathy Gallagher, Washington

Left: *Greek President Constantine Tsatsos (right) awarding European Parliament President Simone Veil and former British Prime Minister Harold MacMillan the first "Athinai" and "Olympia" Prizes, respectively. Veil, in her capacity as the first elected President of the European Parliament, received the award for "contributions to the rapprochement of people and the respect of human dignity." MacMillan, in his capacity as chairman of the British Acropolis Appeal, was rewarded for "contributions to the solution of ecological and environmental problems."*

Zimbabwe independence celebration, *see page 3*

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