

JULY-AUGUST 1980 NO. 220

\$1.50

EUROPE

Magazine of the European Community



Life in Venice

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Contents

COVER STORY

- 3 Venice I *Flora Lewis*
7 Venice II *Jurek Martin*

TRADE

- 9 East-West Business or Politics? *Michael D. Mosettig*

AGRICULTURE FOCUS

- 13 America's Biggest Farm Customer *Brian Gardner*
15 Putting a Cap on the CAP? *Brian Gardner*

MEMBER STATE REPORT

- 18 Luxembourg *Alan Osborn*
20 Doing Business in the Grand Duchy *Alan Osborn*

SOCIAL AFFAIRS

- 22 The Baby Bust *James Hansen*

SCIENCE AND TECHNOLOGY

- 24 Trading Information *Diana Scimone*

BUSINESS

- 26 The Multinational Myth *Geoffrey Carroll*

INSTITUTIONS

- 30 Parliament's First Year *Robert Jackson*

- 34 AROUND THE CAPITALS

URBAN PLANNING

- 38 Britain's New Towns *David Bell*
41 A New Paris? *James S. Fuerst*

- 46 Community News

- 53 Letters to the Editor

- 54 Recent Books

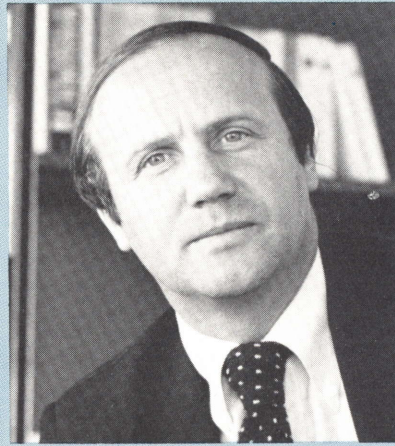
- 57 Community Bookshelf

Cover (front): View of Venice includes in the background San Giorgio Maggiore, the lagoon island where both the EC Nine summit and Western economic summit were held. © Fritz Henle, Photo Researchers.

Cover (back): Early panorama of Venice. Photo by Adam Woolfitt

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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

When the maritime city-state of Venice was at the height of its commercial and cultural influence, Europe was the center of the world. As Europe's once preeminent position came to be shared by others, the Western poetic imagination often viewed sinking Venice as representative of decline, decay, and decadence: a metaphor that reached perhaps its most eloquent expression in Thomas Mann's brilliant novella *Death in Venice*.

Thus it seems ironically fitting that the latest example of Europe's reawakening identity in a world political role should come at Venice. There the EC "Nine" examined the situations in Afghanistan, Iran, and southern Africa, and issued a comprehensive declaration on the Middle East. There also, one week later, leaders of the Community's "Big Four" and Canada, Japan, the United States, and EC Commission President Roy Jenkins met for their annual economic summit of the "Seven." Far more than pure economics were discussed, and Europe, perhaps for the first time, was clearly recognized as an allied but independent actor in the Western alliance.

As *Flora Lewis*, in our lead article, points out, however, a joint European foreign policy does not necessarily mean the Community is free from internal problems. To the contrary, the recent resolution of Britain's EC budget difficulties left no one really satisfied, and "the nub of Europe's capacity to exist as an organized power in the world remains its ability to settle pocketbook questions."

Critical to the Community's pocketbook issues, as well as its institutional development, is of course the European Parliament, which was directly elected for the first time exactly one year ago. Robert Jackson, himself a member of the Parliament, provides an assessment of the first year, and he gives the Parliament a mixed review.

Much involved in budget and institutional questions is agriculture, a major source through the common agricultural policy (CAP) of Community revenue—and the main expenditure. Thus our "Industry Focus" section this issue is devoted to Europe's agriculture, both internally and in its trade with the United States.

Andrew A. Mulligan

Andrew A. Mulligan



The European Council meeting in a Seventeenth Century monastic library on San Giorgio Maggiore, June 12-13.

VENICE I

THE EUROPEAN PARADOX

Internal differences forge a common foreign policy

FLORA LEWIS, *European correspondent for The New York Times based in Paris*

THE PARADOX WAS PERFECTLY EVIDENT IF TACTFULLY avoided in public. The European Community managed a demonstration of cordial summit agreement on foreign policy, on the need for European involvement in the critical problems of the world, at the moment of internal troubles so severe that the nine government leaders preferred not to discuss them in any detail. France's President Valéry Giscard d'Estaing noted with satisfaction that at its June 12-13 Venice meeting the Council of Europe was functioning "normally" again, exchanging views, issuing declarations, setting broad guidelines—

instead of haggling over prices elevated into matters of broad principle.

But everyone knew the crucial issues of the Community's future had merely been swept under the carpet, an inconvenient lump to be contemplated for a year until Germany and France have held elections. The fierce argument over Britain's contribution to the budget has been temporarily settled into a compromise that provided more subsidies to French farmers and patched up an assortment of little "wars" over lamb, fishing rights, and so on. The Continentals called it a stunning victory

for Prime Minister Margaret Thatcher, and the British tended to grumble that her exercise of what used to be considered a French monopoly of intransigence had brought them only “two-thirds of a loaf.”

Nobody was satisfied—least of all the Germans, who have to contribute most of the money involved—although there was general relief that the intractable dilemma could be set aside for a while without paralyzing the whole Community operation for lack of funds. The new display that toughness pays left new scars. Chancellor Helmut Schmidt served notice on his colleagues that next year—he has reason to be confident of reelection—he intends to “fight like Mrs. Thatcher” to force through painful reforms that will restore some financial sense and equity.

After all, although the Community always had political ambitions, it was founded as an economic community, and the verity remains that it cannot go far toward unity without resolving basic economic disputes. It seems, for the moment, that political agreement on such things as what the United States ought to do about the Middle East and what the Soviets ought to do about Afghanistan is easier. But that is because these foreign policy issues do not yet directly touch the European voters and do not yet require major action decisions by their leaders. Thus, words about them can be harmonized. The nub of Europe’s capacity to exist as an organized power in the world remains its ability to settle pocketbook questions, just as the money issue at the Continental Congress determined whether the United States was going to become a country or a collection of bickering allies.

THE PROBLEM GOES BACK TO the early days, after Charles de Gaulle had returned to power in France and before habits had been established. It can be argued that, at first, de Gaulle opposed the Community, and certainly he opposed its plans to create a supranational authority. But during the period of conflict among the original EC “Six” when France withdrew its representation and left an “empty chair,” it became evident that French industry had already developed too much vested interest in a common market to make withdrawal politically feasible for Paris. So France returned, on condition that its partners accept a common agricultural policy (CAP) that favored its struggling farmers at the time.

The CAP worked to protect Europeans against the competition of cheaper food imports, and gradually came to set agricultural prices well above world market levels. But that, in turn, worked to distort production—benefiting big farmers much more than the small ones it was meant to help survive; creating the “mountains” of surplus butter and meat in effect subsidized by consumers and taxpayers and increasingly industrialized societies; and, above all, creating powerful new vested



The Council's host: Italian Prime Minister Francesco Cossiga.

interests within all six of the original member countries. It has reached a point where nearly three-quarters of the Community’s income goes to uphold these prices; thus few funds are available for more generous, longer-range plans to diminish socially disruptive gaps in living standards by a transfer of wealth to promote economic activity in depressed regions.

A major British argument against joining the Community when Prime Minister Harold MacMillan tried in the early 1960’s—to be stopped short by de Gaulle’s

veto—was that it would devastate ties to the Commonwealth countries that had traditionally supplied Britain's food cheaply enough to permit industrial exports at very competitive prices. When the British did at last join in 1973, they continued to rely primarily on food from overseas. Under Community rules, that obliged them to pay increasingly huge amounts as compensation for European farmers. It was to be more than \$2 billion when Prime Minister Thatcher put her foot down. Britain would not pay, she said and demanded a change in CAP to forestall the burden and a principle of "just return" to bring outgoing and incoming contributions into balance.

Another rule limits the tax funds on which the Com-

country to have to pay more than it received. That was seen by the Continentals as a challenge to the very spirit of their association, even though the spirit of transfer of wealth had never been embodied very substantially into living practice. It raised the question of whether London really wanted to be a full-fledged member but needed some indulgence with its special problems, or whether it aimed to dilute the Community into little more than a free-trade zone, of the type it had helped create in the late 1950's in an attempt to break apart the Continental Six.

With Greece scheduled to join next year and negotiations due for the entry of Spain and Portugal, the questions of rules and precedents were all the more grave.



View from the Campanile shows in the background San Giorgio Maggiore, where the European Council met. © Fritz Henle, Photo Researchers, Inc.

munity also draws for its budget to 1 per cent of the value added tax (VAT) imposed in every country. Collections were already nearing that ceiling, which no member wants to raise. So there was a clash of fundamental principles. The CAP has been politically enshrined, in France especially, as an essential of the Community's purpose and existence. Ironically, by the line of argument she chose, Thatcher also allowed France to plead the superiority of common interest on which the Community was based against her claim that it was unfair for a

The very character of the Community was felt to be at stake. The questions have not been answered. Instead, the compromise consisted of bailing out the British for the time being and hoping the underlying dispute can be better reasoned through when tempers have cooled. That is why it was so satisfying for the leaders to show, in Venice, that they can still get together on some things and register for the world at large and the United States in particular what has come to be called a European "identity."

"IDENTITY" IS AN ELUSIVE THING. French custom, though it is coming to be challenged domestically even by the veteran Gaullists who first established it, is to redefine "identity" and "independence" in terms of policy difference and political distance from the United States. And, indeed, as the assumptions of détente and a sense of basic security are crumbling, as distant crises are seen as threats to Europe's economic and social existence as well as a possible military menace, a broad if murky debate has begun in all the EC countries over whether and where Europe has special and distinct interests from those of the United States that it should protect regardless of Washington's views.

The debate is on many levels, often superficial, some-

the moment, the leaders of France and Germany are buttressing each other. Memories of "Perfidious Albion," of imperial Britain's long policy of opposing Continental unity or coalition are invoked. But others invoke memories of Germany's role in two world wars, of the alliances which that forged.

These are matters of personalities and fickle sentiment, to be taken as symptoms of reaction to hurtful issues, not as unchanging causes of strain. It was President Georges Pompidou's preference for dealing with Britain's Edward Heath rather than with Germany's Willy Brandt, and the perceptions of interest at a specific period, that enabled Britain to join the Community. Now France's Giscard d'Estaing and Germany's Helmut Schmidt get along with each other a good deal better than either does with Britain's Margaret Thatcher, and see their own political problems as contradictory to hers. Given Italy's well-rooted instability, the relations among the three are the core of the Community's inner dynamic. But there is nothing built-in to assure that France and Germany will always confront Britain: In fact, Schmidt's demand for basic budgetary reform could pit Bonn and London against Paris in a year or two. Nor is there something built-in to assure that the three won't see eye to eye on major problems at some point, and operate in harmony.

There are fundamentals of the new Europe, different from anything in European history, that in fact impose at least some degree of cooperation among all the partners. The achievement of compromise in the budget fight with Britain was not much due to good will or generosity or remembered amity. It was a concrete reflection of awareness that Europe's world has changed and Europe itself has changed, and the partners are bound together by forces greater than their own command. The Franco-German tie is central not only to economic welfare but also to security and peace itself. Britain is no longer in control of an empire, and its own resources are limited. The Soviet Union is a mighty, global power, next door to Western Europe. So is the United States, but it is further away.

This is the context for all European decisions. It doesn't intrinsically promise emergence of a coherent power center, but neither does it make the eternal possibility of rupture and fragmentation at all probable. For years and years now, it has been the conventional wisdom when the Europeans bicker or lapse into national egotisms to compare the Community to a bicycle, and to say that the riders must keep it moving forward or they will all fall down. But, after all, gravity has been defied. The lesson of the latest crisis and its aftermath in Venice seems to be that the bicycle can be kept upright by just spinning its wheels. That is not an advance toward original goals, but it is a kind of momentum in itself.



times peevish, usually partisan in a narrow sense, but it is about real problems. They are problems of war and peace, of relative well-being, and sudden economic and social collapse, of trust and fear. Inevitably, the thought of European defense is provoked. Is it possible, except within the embrace of America, however stifling that sometimes feels to Europeans who are proud of their countries' sturdy revival and growth after wartime devastation and misery? The answer, people with responsibility all say when they face the question directly, is doubtless no. Is it possible then, short of military measures, for Europe to develop as a politically effective power in the world independent of the United States? The answers people give are shaded, essentially "maybe," depending on many factors.

Old quarrels surface as these vital matters are approached. Appeals are made to buried emotions. History is called as a selective, carefully rehearsed witness. At

WESTERN UNITY . . . FOR A CHANGE

But for how long?



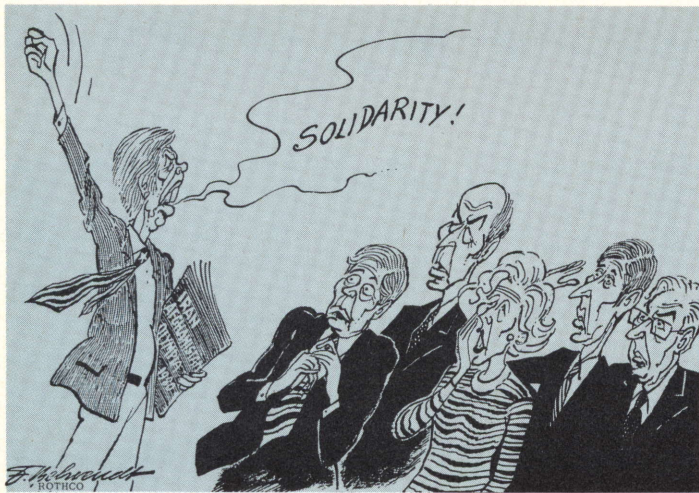
The Summit Seven, June 22-23: Pierre Trudeau, Helmut Schmidt, Valéry Giscard d'Estaing, Francesco Cossiga, Jimmy Carter, Margaret Thatcher, Roy Jenkins. © Wide World Photos

JUREK MARTIN, *Washington correspondent for the Financial Times of London*

THE LAST TIME THAT THE ANNUAL, AND NOTIONALLY economic, Western summit was so dominated by geopolitical considerations was four years ago in Puerto Rico, when it appeared that the primary reason for convening it was to assist, unavailingly, as it transpired, President Gerald Ford's reelection effort. There was much more on the Venetian platter in June than was ever served up on the palm-fringed golf course outside San Juan, but it is likely to take much time before it can be said that the meal has been satisfactorily digested.

There are many reasons for this. The most obvious,

but nonetheless important, is the political uncertainty prevalent inside the West. The United States, Germany, and France all face national elections of great significance within the span of a year; Japan was going through just this process as the summit convened; the Trudeau Government in Canada is but a few months old and consumed with internal problems, as is, by and large, Margaret Thatcher's regime in Britain; Francesco Cossiga's latest coalition in Italy was breathing a little more easily, but security there is relative; even the European Community was still at odds over who should succeed



© Behrendt, *Het Parool*, Amsterdam

Commission President Roy Jenkins when his presidential term expires at the end of the year.

Compounding this is the undoubted fact that the Western alliance is itself in a state of some internal tension, brought on by different perspectives toward East-West relations in the wake of the Soviet invasion of Afghanistan. The immediate prelude to the summit saw the United States at odds with France over Valéry Giscard d'Estaing's Warsaw meeting with Leonid Brezhnev, with Germany over what Helmut Schmidt might propose to the Soviet leader a week after the summit concluded, and with the Community as an entity over its latest Palestinian initiative. Add to this European misgivings about American constancy and leadership and Europe's own internecine divisions over financial and budgetary matters, and the prescription for harmony was barely legible in advance.

There was even perilously little agreement—and scant optimism—on the ostensible reason for convening a summit: the state of the world economy. The United States and Britain confront recessions of imponderable length and severity; growth prospects in the rest of the industrialized world are reduced; OPEC oil price increases have exacerbated both inflation and international balance-of-payments recycling problems; and the impetus for the sort of global monetary reform capable of handling the manifold economic tasks of the 1980's seemed dead (the once rumored French initiative having sunk without trade.)

Venice, therefore, turned out to be an exercise whose main goal was to paper over cracks, dispel misunderstandings, and, at the very best, to point the Western world tentatively in directions more likely to produce cooperation than confrontation. The broad framework of its economic product—the 10-year plan to reduce dependence on OPEC oil and to encourage development of alternate sources of energy—was designed not so much to instruct national governments in precise policy

as to provide an overall political commitment, inside which individual governments could work.

IF THIS SOUNDS A LITTLE VAGUE, there is good reason for it. Previous summits have, in retrospect, dwelled too much on fine print: The “locomotive” and “convoy” economic theories of the late 1970's, now widely derided, too often left individual governments with too little freedom for maneuver. President Carter, in his constant struggle to give birth to a coherent American energy policy, has been victimized more than most: This year, on the eve of his departure for Venice, Congress voted down his oil import fee, while, even as the summit was opened, his own Democratic Party was drawing up an election platform with an anti-nuclear provision sharply at odds with the energy blueprint he and his fellow heads of state were about to sign.

By setting longer-term goals, the intent is to try and minimize the irritation that temporary departures from the norm may take. The United States could, if it wanted, have made something of the fact that it has reduced its consumption of energy over the last 18 months more substantially than have its allies, but chose not to.

But, if this was the tangible achievement of Venice, the as-yet intangible may prove the most valuable. In this, the Soviet Union clearly helped. Its announcement of a limited (but unverifiable) withdrawal of some of its troops from Afghanistan appeared so transparent a ploy to divide the allies that it could not but produce instant unity. It even legitimized, in American eyes, Schmidt's mission to Moscow, if for no other reason than that any intelligence on the Kremlin's intentions is better than none.

By the same token, the reportedly blunt (and two-way) exchange between Schmidt and Carter before the summit opened may turn out to have done much to clear the intermittently poisonous air between Washington and Bonn. It is probably true to say that in the highly charged atmosphere of the last six months, the United States has come to underestimate the depth of concern with which Germany, often working in close cooperation with France, views the deterioration of East-West relations. For President Carter to concede, as he did in Venice, that contacts between the European and Soviet leaderships could be “fruitful” constitutes a marked contrast to the pre-summit American assessment that such meetings were little short of treasonable.

However, it is still obvious that two days in the Palace of the Doges cannot eradicate the cumulative grievances that have built up between the United States and Europe. Alliances not only need to be seen to be working—and the surface signs of Venice provided the necessary picture—but also to be operating consistently and discreetly. Achievement of this will be difficult proof of the Venice pudding.

EAST-WEST TRADE

Business arrangement or political tool?

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

EAST-WEST TRADE IS A GROWING, THOUGH STILL MUTED, element in the increasingly fractious relationships among the United States, its European allies, and the Soviet Union. In something of a role reversal, the United States still views trade as a tool to induce good behavior from the Soviets or to punish them for bad behavior. The Europeans, in turn, have largely abandoned ideas in vogue since the 1950's that trade can be used as a political lever on the Russians. Now they more often insist that trade should be free from politics.

The Soviets, meanwhile, are using their trade relationships with the Community nations—and a growing European dependence on some vital commodities—to encourage European détente and to open wedges in the Atlantic alliance.

Twenty and 30 years ago it was European politicians, diplomats, businessmen, and academicians who saw trade as a political tool to promote harmony with the Soviet Union. Raymond Aron helped persuade a generation of Gaullist civil servants that trade would lead to convergence. German businessmen looked East long before *Ostpolitik* became Bonn's official policy. British governments from the late 1940's through the 1960's thought a trading relationship would enhance London's occasional efforts to act as an interlocutor between Moscow and Washington.

Having established a fruitful and growing trade relationship with the Soviet Union, worth almost \$20 billion in 1979 for the nine Community nations, the Europeans have pretty much shed any illusions about its political leverage. It has become a business arrangement, seemingly independent of global diplomatic chills and thaws.

"We are much more business-like, much less naive," says a French official, contrasting his country's present attitude with its earlier expectations. Another French official said of the Soviet Union that a country both autarchic and totalitarian is not going to allow trade considerations or economic interdependence to interfere with its foreign policy.

While the Europeans have abandoned trade as a dip-



Before the grain embargo a US ship docks in Odessa. © Novosti from Sovfoto



Toasting détente: former President Richard Nixon, his Secretary of State William Rogers, and adviser Henry Kissinger in Moscow with Leonid Brezhnev in May 1972. © UPI

lomatic lever, the Americans have come increasingly to view it that way. Trade and technology were key elements in the Nixon-Kissinger détente package with the Soviets in 1972—a reward for Soviet good behavior. That reversed years of Cold War policy of denying both to the Soviets as part of a marginally successful effort to throttle their economy and a totally unsuccessful one to slow down the development of their military might.

Nixon and Kissinger never had a chance to work the rewards policy because of 1974 Congressional limits on export credits to the Soviet Union. As détente gradually deteriorated, US exports bobbed up and down, partly in response to the political climate and more to the annual Soviet harvests.

“Rightly or wrongly, people in the US Government, the public, and Congress always felt that selling something to the Soviet Union and Eastern Europe was a big reward for them rather than a two-way street,” said one US official. “I don’t think the Europeans look at it that way, although maybe they should in high technology,” the official added.

The belief persisted into the Carter Administration that trade could be made into a more effective political tool, especially if Congress would eliminate the restrictions on export credits, which it has not yet done. Samuel Huntington, an associate of National Security Adviser

Zbigniew Brzezinski, called for a new approach in an article in *Foreign Policy* two years ago. He advocated a new policy of “conditioned flexibility in which changes in the scope and character of US-Soviet economic relations are linked to and conditioned by progress in the achievement of US political and security objectives.”

And Huntington made the prediction: “If the Soviets, for example, continue to employ military means, including those of their allies, to expand their influence in Africa and elsewhere, the United States and its allies will eventually have no choice but to begin to close the door of economic détente. Economic détente and military adventurism cannot go hand-in-hand for long. At some point the Soviets will have to make the choice.”

Two years later, Soviet troops are in Afghanistan, but it appears to be the Americans, not the Russians, who are making most of the choices. For the Soviets, many economic doors, especially those to Western Europe, are still open. After the Christmas invasion, the US embargoed food and high technology sales to the Soviets. The Europeans refused to cancel any existing contracts but expressed a willingness to consider future restrictions.

Behind the different reactions are different economic positions and, even more fundamental, different expectations and emotions. The economic differences are clear. As one American official acknowledged, “each and every

one of those countries [in the Community] has a larger share of their economic activity in foreign trade and in trade with the Soviet Union.”

Harvard economist and Soviet expert Marshall Goldman, in his book *Détente and Dollars*, says—of the enthusiasm of American businessmen for Russian trade in the early 1970’s: “Great expectations about the prospects for American-Soviet trade are nothing new. Similar expectations and enthusiasms have been aroused periodically throughout the course of our 60-year relationship with the USSR. Americans have usually had highly charged emotional attitudes whenever the Soviet Union was involved. For the most part our attitude can be described as manic-depressive.”

The European attitude is fundamentally different, according to William Diebold, a trade expert at the Council on Foreign Relations: “The dynamic of East-West trade is European national competition.” Ever since the end of the Korean War, Diebold explains, an economically stronger Europe has moved away from the restrictive trade policies advocated by the United States toward building trade links with the Soviets.

AS THE EUROPEAN-SOVIET TRADE GREW, mutual needs developed. The trade was also roughly in balance. In contrast, as US-Soviet trade expanded in the last decade, the Americans have exported far more than they have imported. In 1979 the United States sold the Soviets \$3.6 billion in grain and manufactured goods and took in only \$873 million in imports, including \$549 million in gold bullion. Slowing down US-Soviet trade meant denying the Russians things they wanted, from wheat and corn to oil drilling equipment. Other than irritating its own farmers and some businessmen, the United States

had less to lose than Europe in an embargo.

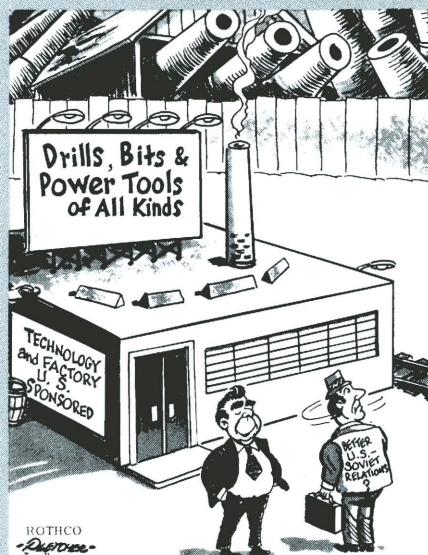
In 1979 EC-Soviet trade moved into imbalance, \$11.5 billion in imports from the USSR against \$8.6 billion in exports to the USSR. In Germany, the Soviet’s leading European trading partner, the shift was more pronounced, a \$1 billion swing from a surplus of \$480 million in 1978 to a deficit of \$775 million in 1979, according to German trade officials. Germany now receives 15 per cent of its natural gas from the Soviet Union, 20 per cent of its precious metals, and 3 per cent of its oil. France obtains 12 per cent of its gas supplies from the Soviets and 4.5 per cent of its oil, according to French officials.

Last November, the Soviets gave the Europeans a sharp reminder of their dependence when they suddenly cut off deliveries of titanium, vital for such European high-technology industries such as electronics and armaments. The Soviets insisted the move, which came before the Afghan invasion and the controversial North Atlantic Treaty Organization decision to deploy medium-range missiles in Europe, had nothing to do with politics. The Soviets explained they needed all their titanium for their own armaments industries. The decision, nevertheless, sent shudders through Western defense establishments and another warning of the West’s vulnerability in strategic minerals.

And while the aggregate European trade with the Soviets is a relatively small part (slightly more than 3 per cent) of the Community’s total trade, vested economic and political interests have developed. About a quarter of the German machine tool business is now conducted with the Soviet Union, including the gas tubing that is virtually bartered for Soviet gas. One per cent of the German work force is tied to Soviet trade. The Italian



© Bas, Tachydromos, Greece



“As you can readily see, we’re in oil-drilling equipment.” © Pletcher, Picayune Times, Louisiana



“More cases of the Ministry of Justice overruled by the Department of Trade.” © Langdon, Punch, London

state energy corporation Ente Nazionale Idrocarburi first used a Soviet deal to break the grip of the "Seven Sisters" over its oil supplies. French companies now see a chance to sell oil-drilling equipment in the Soviet Union as part of a Soviet-French agreement to triple their trade. European business and labor, far more than their American counterparts, have become part of a political constituency for détente. Diplomatic linkage is implicit, especially in Germany, with the repatriation of ethnic Germans from and improved ties with Eastern Europe.

So far, the differences over Soviet trade have been among the less explosive of the transatlantic problems—drawing far less attention than the ruptures over the Olympic boycott and Iranian sanctions. Top-ranking US officials have told their German counterparts, according to German sources: "They see our point [about separating politics and trade], even if they don't appreciate it." And President Jimmy Carter told Chancellor Helmut Schmidt that the United States recognizes Bonn's special geographic relationship to East Europe and the Soviet Union.

The Carter Administration has moved cautiously on this front, partly because it is not of one mind itself about the extent and effectiveness of trade sanctions against the Soviets. Most notably, there has been an internal debate over the strategic implications of hampering, through trade restrictions, the Soviet's domestic oil program. Brzezinski saw an embargo on oil equipment as a diplomatic lever, but State and Commerce Department officials said a slowdown in Soviet domestic production would only push the Russians toward going after Persian Gulf oil supplies. The outlines of a compromise emerged in May with the decision to allow the export of drilling equipment but not the technology from which the Soviets could make their own rigs. "You could draw the conclusion that the Government is leaning to the view that it is okay for the Soviets to go ahead with their own oil production," an official commented.

An interagency committee is slowly reviewing a list of 800 pending export licences, deciding "by evolution and precedent" which items will go through and which will be restricted. "By September, it should be pretty clear what direction we are going," one expert said.

With its allies, the United States is working through the Paris-based Coordinating Committee (COCOM) to narrow strategic exports to the Soviet Union. The objective, said Undersecretary of Defense William Perry, is to make sure the Soviets do not get their hands on vital military technology in which the United States has an estimated lead of five years or more. These include some computers, microelectronics, advanced composite materials, and jet engines.

So far the Europeans say they are willing to go along with some tightening up of COCOM restrictions, but they

point out that until the invasion of Afghanistan it was the United States that was seeking most of the exemptions to the COCOM list. The COCOM discussions on computers began in May, and American experts say they will continue through the autumn. Discussions on other items were scheduled to begin in June.

The United States has also been pushing for tighter credit restrictions on the Soviet Union. The Europeans and Japanese have more than \$12 billion extended in export credits to the Soviets, compared with only \$469 million from the United States. In February the EC countries agreed to go along with the "consensus" of the Organization for Economic Cooperation and Development putting a floor of 7.25 per cent interest on short-term loans and 7.75 per cent on long-term borrowings. But with the worldwide increase in interest rates, there is a financial incentive against offering cheaper loans, regardless of the competition for Soviet business.

While the European nations have foresworn any attempts to pick up on any deals canceled between the Americans and Soviets, it appears inevitable that new trade could come their way because of the US embargo. Even American officials acknowledge that the Soviets in years ahead might opt for deals with European companies because of the previous uncertainty in dealing with Americans. "It would be normal for them to think twice before getting involved again with an American company," one official said.

Officially, the United States is committed to maintaining the trade sanctions until the Soviets leave Afghanistan. But asked what the position would be if Soviet troops are still there a year from now, one expert shrugged and responded: "Who can tell? Afghanistan is not the only consideration in our relations with the Soviet Union. I could imagine if relations get on a better track, perhaps there would be a selective easing. The problem is, once you impose restrictions, it takes a long time to remove them and then to repair the consequences."

Even before that happens, the fact remains that the United States and Western Europe, in the view of experts from both sides, have a fundamentally different outlook on East-West trade. "Our interests are certainly not in alignment," said one German official. The potential consequences of that divergent outlook are as much political as economic.

According to trade expert Diebold, the European actions so far, such as the tightening of COCOM restrictions, "indicate a willingness to work with the Americans. But there is not much concealment," he added, "that there is a fundamentally different appraisal, and that is bound to lead to policy differences. . . . The European response reinforces the denigrating Kissinger statement that 'Europe has regional interests and not global ones.'"



Despite Europe's large agricultural sector, "the Community increases its imports of US farm products every year"—with grains and soybeans as major items. Pictured here is a French granary.

AGRICULTURE FOCUS

America's Biggest Farm Customer

BRIAN GARDNER, Brussels-based European director of the AGRA EUROPE publications

Despite frequent claims that the Community's common agricultural policy (CAP) is a threat to international trade, the Community increases its imports of US farm products every year. The nine-nation group is by far the largest single customer of the US farm industry—taking more than a quarter of the total \$10.6 billion US agricultural exports in 1978-79. In 1979-80, it is estimated by the US Department of Agriculture (USDA) that US farm exports to the Community will rise to \$3.5 billion out of total expected US farm exports worth \$14.25 billion.

The major export items to the EC Nine are grains and soybean products and much smaller quantities and values of meat products, poultry, and specialty foods. Grain and soybeans go primarily to the EC animal production industry, with imports of corn (maize) from the United States running at an annual average of around 12 to 13 million tons. Expansion in the EC dairy, pig, and poultry industries has been a major factor leading to

a rapid expansion in the import of soybeans and soy meal into the Community. Imports of soybeans and meal currently total around 12 million tons a year, compared with little more than 3 million tons at the beginning of the 1970's.

Of the total \$6.6 billion in US farm goods purchased by the Community in fiscal 1978, soybeans and other oilseed products accounted for \$3 billion. Traditional feed grains accounted for \$1.2 billion. The other major items bought from the United States were animal products (\$624 million), tobacco (\$454 million), and fruit products (\$174 million). These figures dispute the frequent claim that the CAP has progressively locked out imports of US agricultural products from EC nations. In the words of one agricultural trade expert, Dr. H. J. Kolshus, until recently European director of the US Feed Grains Council, "The locking out theory is a myth; the Community's agricultural trade system is based upon international trade with Com-

munity preference, not on external blockage."

But what about the other side of the story—EC agricultural exports to the United States? Here the picture is not so rosy, at least from the European point of view. EC farm exports to the United States—principally wine, wine products, and limited amounts of meat and dairy products—have, after remaining static in the 1970's, actually declined during the last five years with a consequent worsening of the US-EC agricultural trade balance. From a balance in favor of the United States of \$1.4 billion in 1968, the advantage rose to more than \$7 billion in the late 1970's. Although probably 30 per cent of the EC deficit was due to the decline in the dollar's value against the European currencies during this period, the balance still increased substantially in America's favor.

Not unnaturally, the path of EC-US agricultural trade has not been particularly smooth over the last decade. Rivalry for markets—



"Without American grain and EC butter, we'd have quite a job keeping up the struggle against Western Imperialism." © Langdon, *Punch*, London

both their own and in third countries—has been an inevitable consequence of the expansion in agricultural trade that has resulted from the application of modern technology on both sides of the Atlantic during the late 1960's and the first half of the 1970's.

A particular bone of contention is what the Community regards as the massive concessions given to the United States through the trading arrangements for oilseeds. These allow annual imports of 12 million tons of soybeans and meal to enter the Community levy-free. When the General Agreement on Tariffs and Trade (GATT) was negotiated, the Community agreed to no customs duties on soybeans and other oilseeds not produced in any significant quantity in the Community. This "GATT binding" has meant that US soybean imports have been able to enter the Community unhampered by the heavy import levies paid on other feed grains such as corn and barley. EC cereal growers increasingly complain that US soybeans and meal are imported not only for the value of the protein they contain, but also for the carbohydrate content. The relatively low price of US soybeans thus allows them to displace substantial quantities of EC cereal in mixed animal feeds.

ON THE BROADER FRONT, the so-called "grandfather clause" written into the original GATT in 1945—which allows the United States to control access to its market for agricultural products and to demand compensation for any interference with access to other GATT signatories' markets—is a particular thorn in the side of the EC farm export industry. This GATT clause and its extensive use by the US Government in the first half of the 1970's brought US-EC agricultural trade relations to an all-time low point in the middle of the decade. The tattered state of the relationship

was typified by an exasperated outburst from then EC Agriculture Commissioner Petrus Lardinois. In a speech to the US National Soybean Processors Association, Lardinois said: "We have the impression that America is purposely treating agricultural trade as a one-way flow. You preach free trade when it comes to other people's internal markets, but you practice rigid protection at home. For us Europeans, America has become the most protected farm market in the world. Each time our traders discover some growth in an American market, measures are taken against them."

As an example, Lardinois quoted US action on a major EC export product—canned ham. Pointing out that Community exports to the United States had been cut by 30 per cent—from 104,000 tons to 72,000 tons—in the 1973-75 period, he argued that this regression had been entirely due to countervailing import duties levied by the US Government. Since that time there has been intermittent sniping from both sides. Most recently, the Community restricted imports of US turkey-meat in retaliation for US duties on cognac and other EC food products.

There has been, however, fundamental improvement in US-EC agricultural trade relations since 1976—particularly since the completion of the Tokyo Round of multilateral trade negotiations in the GATT in 1979. In return for what one USDA expert calculates as significant concessions on \$4 billion worth of agricultural trade among the 41 GATT signatories with whom the United States reached agreement, the US Government gave concessions on about \$2.6 billion worth of trade on the US market—principally in animal products and grain. The bulk of these concessions were given to developing countries, with the Community gaining limited improved

access in cheese, beef, and lamb. But problems remain for both sides of the transatlantic partnership.

The continued increase in US soybean deliveries to the EC market are seen by a large section of the Community farm industry as a major cause of the current level of EC dairy surplus—now reaching, in raw milk terms—20 per cent of total annual production. The increasingly efficient dairy sector is using compounds based mainly on soy to boost its yields and thus produce milk for which there is no market. An influential section of the farm lobby argues that this increase in production would be impossible were it not for the availability of cheap soy meal.

This lobby continually argues that some form of restriction must be imposed on soy imports if the growth of dairy production is to be checked. Although the EC authorities have steadfastly stood against any conventional limitation of soya imports—import levies, quotas, or duties—Agriculture Commissioner Finn Gundelach told the European Parliament that he intends to discuss with the US Government some form of "auto-limitation" of soya deliveries to the European market. What the Community would like to see is imports kept to their present level so as to limit the extent to which dairy production can be expanded.

US trade relations will of course be complicated by Community enlargement during the 1980's to include Greece, Spain, and Portugal. Spain is a substantial importer of feed grains, and although it is initially likely to enjoy import levy concessions on corn imports from the United States, there will be increasing pressure from grain producers in the Community for Spain to accept more grain imports from the Community itself. This pressure is likely to be intensified by the expected growth in the Community's production of feed wheat during the next 10 years.

The olive oil production of the three new member states is also going to produce particular complications. Recent estimates by the EC Commission suggest that EC support of this market could cost over \$800 million by the late 1980's. In an attempt to recoup some of this cost, it has been suggested by some members of the Commission, but not wholeheartedly accepted, that a production tax be imposed on all oil crushing plants. Were such an idea to be accepted, it would apply to soy oil as much as to Community olive oil.

But the one certain thing is that the Community's demand for animal products is unlikely to diminish, and probably will increase, as a result of enlargement. The extent to which this provides opportunities for US and other non-EC producers will depend more on the political atmosphere than on the agriculture and food industries themselves.

Putting a Cap on the CAP?

BRIAN GARDNER

Supporters of the common agricultural policy (CAP) say that it is a "cornerstone of the Community," "the only policy that holds the Community together," "a safeguard against increased unemployment," "the protector of vital food supplies," and even a "bulwark against Communism."

Its opponents—many of whom are at the same time supporters of the Community ideal itself—say that it has become an obstacle to the further development of the Community, growing from a mere fledgling in the early 1960's to a cuckoo that has pushed out of the nest all other fledgling policies through its dominance of EC spending. CAP critics also say it has not prevented rural depopulation, has made many farmers unnecessarily rich, has inflated retail food prices far above the level paid anywhere else in the world, has become an embarrassment in international trade, and has only achieved security of food supplies at vast and uneconomic cost.

The truth probably lies somewhere in between the two extremes. The CAP is certainly the major Community policy at the moment. From a cost of 3 billion European units of account (EUA) in the late 1960's—the equivalent then of \$3 billion—CAP expenditure has grown to occupy almost three-quarters of the EUA 16 billion budget in 1980 (approximately \$24.6 billion). With the reluctance of the nine governments to increase the budget, this has

meant that spending on the Community's social, regional, transport, and energy policies has been increasingly restricted.

The policy has, however, undoubtedly provided a level of support to the 8 million who earn a living from agriculture that was not possible under national support systems in operation before the 1960's. Farm incomes in aggregate since 1968 have more than kept pace with inflation—an achievement not equaled by the farm industries of most other developed countries.

In addition, the Community has secured an increasing proportion of its major food supplies through increased self-sufficiency. Although never overtly stated as a CAP objective, self-sufficiency developed logically out of the price support policy. Going from a position of import dependency in the 1960's for almost all products, the Community is now more than self-sufficient in dairy products, beef, pork, sugar, and temperate fruits and vegetables. The now too high production of these products lies at the roots of today's CAP spending problems and the argument among member states over the EC budget.

The CAP's main objectives as laid down in the Rome Treaty were to increase agricultural productivity, agricultural incomes, the stabilization of markets, security of food supplies, and the supply of food at reasonable prices. Although its supporters are justified

in claiming that the second and fourth objectives have been achieved, the CAP's critics argue that this has been largely at the expense of the first and last of the five objectives. While incomes of the largest and more viable farm units have been guaranteed, consumer organizations question whether prices of at least 40 per cent above the international market level can be described as "reasonable." A more stringent price policy, they argue, would have encouraged greater productivity and kept down retail food prices.

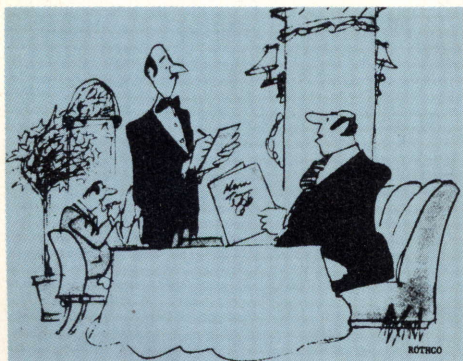
Agricultural productivity in the original six member states did increase by an average of 5-to-6 per cent a year in the period from 1960 to 1975, with 7 million people leaving the land and providing a then much needed extra labor force for the booming industrial production. The Community's farm policy did little, however, to preserve the livelihood of that important section of the rural Community—at least 3 million in the early 1970's—whose holdings were too small to operate without lavish official support. Although never classified as a major policy objective, the CAP has always been considered essentially a social policy designed to prevent rural poverty and massive rural depopulation. A detailed study by the EC Commission in 1976 revealed, however, that although farm incomes in aggregate had been maintained, the incomes of small holders on less than 10 hec-

Sheep farming in France, shown here, has been confronted with cheap mutton imports from Britain, but progress was made recently toward settling the "lamb war."





"We get up at six o'clock every morning to milk the EC agricultural subsidies." © Harpur, *Punch*, London



"I'll have a large portion of whatever the Community has a mountain of."

© Mahood, *Punch*, London

tares (about 25 acres) of land in the "less-favored areas" of the Community had declined in real terms during the CAP's lifetime.

The policy's critics argue that the use of a price policy to achieve social objectives lies at the roots of today's overproduction and high cost. While doing little to improve the lot of the rural poor, the CAP has not only produced embarrassing surpluses of butter, milk powder, sugar, and wine, but has also raised the cost of this support by an average of 20 per cent each year for the last five years.

The CAP operates principally to support markets through the system of "intervention." This consists of buying up surplus products at the officially guaranteed or intervention price—similar to US support methods. Unlike US practices, however, the EC system operates permanently rather than on a crisis-only basis. This has led to production—particularly in the dairy industry—for intervention rather than for the market. Some

critics say that the interventionist system is self-defeating not only in its effects on the incomes of those it is most designed to help but also in the high retail prices it induces, which choke off consumption and make the potential surplus even worse.

PROTAGONISTS OF THE CAP appear to be justified in arguing that interference in the market should operate in the most minimal way. Rather than taking the form of "deficiency payments" that automatically guarantee the farmer a price through "make-up" payments—filling the gap between market price and the guaranteed price—the EC system allows producers to gain their return from the market until oversupply depresses prices below the point of official intervention. In the early days of the CAP, this approach was probably the most economic—the assumption having been made that food supplies should come from the domestic producer rather than from the international market—since taxpayer expenditure was limited to periods of intermittent oversupply. But the Community has now long passed the point where intervention in the major commodity markets is intermittent and therefore relatively low cost.

Protection provided by a high tariff wall around the domestic agricultural market and market intervention at a high price level, combined with marked advances in agricultural technology, have steadily increased production beyond a level that can be absorbed by the market. Current import thresholds for grains, dairy products, and meat are an average 50 per cent above representative international market prices. In 1979 the EC market intervention authorities had to buy 450,000 tons of butter, 550,000 tons of milk powder, 350,000 tons of beef, 1.5 million tons of wheat, and 2 million gallons of wine.

The problem is most acute in the dairy sector. The Community currently produces approximately 100 million gallons of raw milk a year, of which about 18 million gallons are surplus. Each year production increases by 2-to-3 per cent, and such an increase is expected to continue well into the 1980's. EC dairy market experts point out that the current average yield of the Community's 24.5 million cows is little over 790 gallons a year—about 65 per cent of the potential output possible under optimum management conditions. But the cows are increasingly getting better management—hence the increase in production and its likely continuation for several years to come.

In the absence of radical control measures, therefore, the Community is going to continue to add 2-to-3 million tons a year of milk to its production. And each ton of milk means another 30,000 tons of surplus butter and 70,000 tons of surplus milk powder, as well

as further additions to the \$7 billion annual bill for support of the dairy market. Only if it can control of surpluses in the dairy sector will the Community be able to control CAP spending as a whole. The dairy sector now amounts to more than 45 per cent of the whole farm support budget.

The Community's basic problem is that of reconciling the need to support agriculture with the need to make adjustments to compensate for inevitable gains in productivity. This dilemma is made worse by serious political complications. In all EC countries agriculture is a powerful political interest on which almost all governments depend for vital parts of their power base. Steps to control the growth in agricultural surpluses and in support-spending are therefore extremely difficult to take.

But the Community has now reached a stage where such steps must be taken if the money available for agricultural support—or for running the Community as a whole—is not to be exhausted within the next two years. The Community gathers the money needed

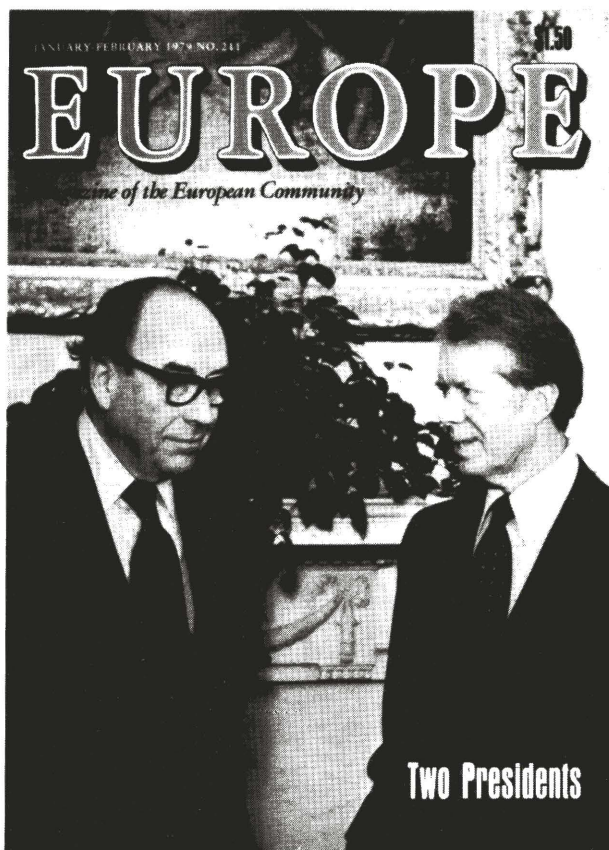


EC enlargement is expected to give Community fruit and vegetable farming more competition.

to finance its policies from all import duties and agricultural levies applied at the EC frontiers and from 1 per cent of the value added tax (VAT) collected in each member state. Allowing for inflation—which applies as much to the cost of running EC policies as to increases in tax yields—the total amount is therefore fixed. The only way revenues can be increased in real terms is through agreement by the member states to contribute more than 1 per cent of VAT to the Community. In the present economic climate, there is little likelihood of any such agreement.

The increased CAP spending, now forecast by the Commission to continue to increase at 18 per cent a year, is therefore likely to eventually bankrupt the Community unless spending controls are imposed on agriculture. According to Commission estimates published last May, continued spending on agriculture at the 1980 rate will mean the exhaustion of the Community's resources by the end of 1981.

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LUXEMBOURG

ALAN OSBORN, *Benelux correspondent for The Daily Telegraph*

THIS IS THE COUNTRY WHERE, AS ONE AMERICAN VISITOR once put it, "If they ever feel low, all they've got to do is sit down and count their banks." The point is a good one. There are 108 banks here (banks, mind you, not branches) putting Luxembourg right up in the world league for international lending—a remarkable achievement for a country no larger than Maryland and with a smaller population than Pittsburgh. But the Luxembourgers get very cross if their country is called a tax haven or if it is suggested that they have lured business there with the offer of financial perks and powder-puff regulations. On the contrary, it may be the unbending respectability of the Luxembourgers—which can often seem as firmly entrenched as the grim stone forts that so many of them seem to live and work in—that holds the main charm (if that is the word) of the place for foreign bankers.

The same dour honesty is imprinted on the other main industry and the country's largest employer—steel. Here again Luxembourg can claim an international role far outstripping its size. The concentration of steel-making is partly the result of fortuitous mergers and production agreements with Belgium and Germany in the past few depressed years, but no one will deny the huge role played in building up the industry by the extraordinary Arbed and its no less remarkable chairman, Emmanuel Tesch. Arbed is the fourth largest steel company in Europe and the tenth largest in the world. It dominates Luxembourg industry to an extent that would surely cause sharply raised eyebrows in any country less sure of its integrity than this. Fittingly, its headquarters building in Luxembourg looks like a great chateau taken over by the government to house a key ministry.

Most of those who make a study of the Luxembourg economy end up a bit unsure whether to envy the country for the way it can turn to banking to shore up the financial gaps left by the steel depression or commiserate with it for the seemingly endless drain on resources presented by the latter. But there are of course other activities. To most people in Britain, France, and Germany, Luxembourg is a name on the radio dial—and a powerful

one at that. Listeners in these countries and others got their first taste of commercial broadcasting by tuning in to the Grand Duchy, and Radio-Television Luxembourg (RTL) is still a major source of daily entertainment for many of them. In 1978 RTL became the largest single taxpayer in the whole country—contributing 4 per cent of all government revenues.

Then there is Goodyear, second among private employers after Arbed. The American company is one of the biggest tire producers in Europe at its Luxembourg plant, where it also conducts its European research and development operations. And many American shoppers will be familiar with Villeroy and Boch porcelain, the source of substantial export earnings to the country.

The combined effect of those and other important activities (tourism, wine, Luxair) has been to give the Luxembourgers one of the highest standards of living in the world. Only the Danes have a higher per capita gross national product in Europe, but by other measures the Luxembourgers come easily on top: They have more cars, televisions, and telephones per capita than anyone else in Europe, a higher percentage of home ownership, and (less surprisingly given the short distance to the border in any direction) they do more foreign travel. They also have fewer unemployed (down to about 1,000 at the last count!) than anyone else and the longest strike-free record of all, dating back to the Second World War.

The casual visitor could well find grounds for smugness in all this, and to many the well-fed look of most Luxembourgers, the monumental helpings served in restaurants, the jaunty hats, and early-to-bed habits seem to suggest a people by and large spared the rigors of the economic recession in recent years. But this is deceptive. Luxembourg has been visited by the recession as savagely as most countries, which is inevitable given its huge dependence on steel.

But the effects have been muted by two remarkable social characteristics: First, over half of all industrial workers in the country are foreigners—mostly migrant workers from Portugal and Italy. And second, there is no university in Luxembourg, and it is traditional for



many students to complete their education abroad. Hence the two classes of people most directly affected by unemployment have been “neutralized”: Sacked migrant workers have gone back home, while young graduates have been able to take up better job options in other European countries.

Nothing is likely to disturb this relative tranquility in the short term. The more brutal phase of the running down in the work force at Arbed is over. The target figure is to get the payroll down to 16,500 by 1983, which means a drop of about 4,000 from the present level following a reduction from 28,000 since 1976. But there has been little pain in any of this thanks to the Government’s enlightened policies of subsidizing short-time working and creating jobs for redundant workers.

Official economic forecasts put the growth rate this year at around 2 per cent and inflation at 5.5 per cent. Many businessmen believe these figures to be extremely optimistic, but no one is predicting anything very alarming and certainly nothing like a recession.

Once Arbed is pared down to the prescribed level, the hope is that it will be fully competitive with the best in the world. This may be true, but the stirrings of a protectionist attitude in EC circles are beginning to worry the Luxembourgers. Unlike their immediate neighbors (Belgium, France, and Germany), the Luxembourgers have no domestic market to fall back on if exports are restricted. Virtually the whole of the output of steel is exported; and, while the vast bulk of it goes to other EC countries, the Luxembourgers are under no illusions that if and when the shutters go up, they will be spared. Although the cutback in Arbed has reduced the country’s dependence on steel from over half to 37 per cent in early June, the latter is clearly a worrying figure.

Banking activity has largely flourished through a snowball effect, with one bank following another to establish facilities. But by the same token it could slump for nontechnical reasons. The Luxembourgers have some scope for easing regulations and increasing tax conces-

sions vis-à-vis the major competing financial center—London. The Luxembourg Government intends to build up the city as an international center, and to this end it is seeking new international double-taxation agreements and proposing general changes to improve and diversify financial activities.

With three-quarters of all corporate taxes coming from the banking sector last year, and over 4,000 jobs dependent on the activity, the importance of banking to Luxembourg goes without saying. Even if the more capricious Euro-loan market were to slump, a lot of financial activity would still carry on.

The fact that the European Investment Bank, the lending arm of the European Community, is located in Luxembourg is no accident. And some observers believe that Luxembourg could eventually gather the prize of a genuine Community central bank—assuming that the march towards economic and monetary union by the Nine ever makes it realistic to establish one. In fact, if Luxembourg loses its right to host the European Parliament, then part of its compensation might take the form of transferring all Community financial institutions to make the Grand Duchy the financial capital of the Community.

But, for now at least, the country has an ironclad legal right to share sittings of the Parliament with Strasbourg. Second, it has recent practice on its side—more or less every other session was held in Luxembourg until the doubling of the size of the assembly following direct elections last year. Third, the staff of the Parliament all live there. And finally, Luxembourg, at long last, has a building capable of accommodating the enlarged Parliament, though it has had no occasion to do so yet.

The economics of playing host to the Parliament are not clear to everyone, but there is little doubt of its value as a status symbol. Nor can there be any doubt that political leaders of the tenacity and skill of Prime Minister Pierre Werner, Foreign Minister Gaston Thorn, and Luxembourg Mayor Collette Flesch are ready and able to make a tremendous fight of it.

Doing Business in the Grand Duchy

Luxembourg is a city for tourists, Euro-politicians, businessmen—but, above all, bankers. It has the look of a place that knows all about money and can be trusted to keep secrets. Its dull, solid architecture seems to breathe integrity. There is nothing frivolous about it; don't go expecting any fantastic night life.

Do go, however, to enter straight into the heart of international banking. Zurich may have more mystique, and London may do more business, but nowhere is the recondite practice of Euro-lending more highly concentrated than there.

The whole business is surprisingly recent in its development. The Luxembourgers, realizing the limited room for commercial maneuver open to a tiny, land-locked country surrounded by industrial giants, created the conditions for luring international business as far back as 1929. But not until the Dresdner Bank of Germany arrived in 1967 in search of an international toehold did the idea of a banking center emerge.

The big push came in the early 1970's under the leadership of American banks, many of which later decided that London offered them more and moved out after a few years. The Americans and British are now relatively thin in Luxembourg, there with over half the Euro-loan business coming from German banks alone.

With no central bank, Luxembourg does not impose reserve requirements, and this is the single biggest lure for German banks. The banking regulations, having largely grown with the business, are sensible and moderate. While tax rates are not particularly low, there is a good relationship between bankers and authorities—which means business gets done. The simple proof that it all works is the rush of banks into the Grand Duchy: They now total 108, commanding balance sheet reserves of about \$110 billion. A bank can be started

up in Luxembourg with only \$13 million in capital.

Luxembourgers are among the most prosperous people in Europe, but there are only about 350,000 of them, and their domestic market alone is not going to make fortunes for direct investors. On the other hand, it's worth remembering that Luxembourg is joined with Belgium in a tight economic and monetary union and is, of course, a member of the European Community in its own right. The city of Luxembourg already has a powerful claim to be considered the financial capital of the Community, and this seems likely to grow significantly in importance as the member countries move towards ever closer monetary union.

The major US investment in Luxembourg to date has been by Goodyear, which employs nearly 4,000 and has a major manufacturing plant at Colmar-Berg. The company exports the great bulk of its tire output to Belgium, Holland, Germany, and France and also maintains its central European research and development operation there.

Luxembourg can boast one of the few genuinely international security markets—with many major US, European, Latin American, Canadian, and Japanese issues listed, although the main business is Euro-bonds. There are about 1,500 listings, all but 200 or so bonds. The number of US loans quoted dropped sharply in recent years with the decline of the dollar.

English is widely understood in Luxembourg, but German and French (the latter the official language) would be a help. Luxembourgers themselves speak a patois almost unintelligible to even close neighbors, and there is no need to master this. The currency is identical in value to that of Belgium; but although Belgian money is readily accepted there, the reverse is not always true.

Luxembourg has an international airport serving New York, London, and many other European cities, but it is prone to fog delays and flights are often diverted to Metz, France, an hour away by car. The runways are being extended and by 1983 will be capable of allowing wide-bodied jets to take off fully loaded, thus avoiding the present need for them to make refueling stops to more distant destinations. The rail service is good, and Brussels is less than two and one-half hours away—about the same time it would take to drive on the freeway linking the two cities.

Hotels are modestly priced; a respectable bed and breakfast costs as little as \$25 a night, and a generous dinner need be no more than that. The local wines—Moselles—are excellent and often difficult to get outside the country. For the tourist this tiny country presents a pleasing spectacle of wooded hills laced with clean, bubbling streams—ideal for the hiker and angler. There are also lakes for sailing and swimming and golf courses.

—Alan Osborn

A village, Clervaux, in Luxembourg.



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EUROPE'S BABY BUST

Will lower birthrate mean lower economic growth?

JAMES HANSEN, *American freelance writer based in Rome*

THE BIRTHRATE IS VERY SHARPLY OFF IN WESTERN Europe—in several countries actually well below the zero growth point. In Germany it is calculated that, if the current birth trend holds, the population of the country in the year 2030 will drop from the current 57 million to 39.4 million, the number of Germans in 1939. The French Government finds it will have to cut the hiring of new school teachers by 75 per cent in the next few years; there will be fewer school children. Italian baby food manufacturers worry because the number of babies drops each year.

The problem, if it is a problem, is worst in Germany, which has the lowest birthrate in the world. Deaths

outnumber births there by nearly 150,000 a year. The absolute number of Germans has been falling since 1972, and the government's Federal Statistical Office predicts that 50 years from now there will be 35 per cent fewer children under 15 than today.

"Fewer people" may solve some of the world's problems but creates others. The German Government, concluding that there will not be enough working people by the early part of the Twenty-first Century to pay the pensions of the retired, has, in *The Economist's* delicate words, "put a foot in the bedroom door." Paid maternity leave has been boosted from two to six months, and family payments have been sharply increased.

This room full of babies seems to belie the fact that the birthrate is sharply down in Western Europe.



Italian school teachers' labor unions have been disturbed to find out that the jobs of 12,000 of their members will become superfluous in the early 1980's because of fewer students. The number of children beginning elementary school in Italy has fallen each year since 1971. The crunch will come between 1981 and 1983 when the number of children reaching school age will begin falling by 5-to-6 per cent a year. A French commission headed by the founder of the French family planning movement, Evelyne Sullerot, has concluded that a falling population will inevitably lead to a falling standard of living for France. The unemployment due to falling births, already affecting teaching and industries associated with children, will spread to the rest of the economy, said the Sullerot report.

The industries already feeling the pressure of the birth drop are naturally those that deal directly in infant care. Since the baby food manufacturer's market has shrunk by a third in five years, as it has done in Italy—falling from 900,000 births annually in 1974 to 600,000 in 1979—the country's largest baby food manufacturer, Plasmon, of Milan, has decided the only answer is to follow the customer as he grows up. Plasmon's biggest product is a kind of nutritional biscuit—to be dissolved in the infant's milk or to be given him as a cookie when he's a little older. The company decided that there's no reason children should stop eating biscuits at five or six years of age and came up with a new advertising campaign featuring happy teenagers stealing the cookie from younger siblings, and a new slogan, *biscotti per diventare grandi*—"biscuits to get big on."

Falling births are by no means limited to Western Europe. The birthrate is also declining in the United States and Canada. In the Soviet Union the drop has been so sharp that the Government, after years of trying to get women into the work force, is now trying to think of ways to get them out and back into maternity clothes. In the Russian Republic, the largest of the Soviet administrative regions, 56 per cent of all married couples now have only one child. There are even signs that the birthrate is leveling off somewhat in traditional high-growth areas like Latin America.

WHY ARE FEWER CHILDREN BEING BORN? It is tempting to point at the "pill" and other advances in contraception, but in most of Europe the decline had already set in before the use of oral contraceptives became common in the 1960's. The widespread adoption of legal abortion, even in countries with a strong Roman Catholic tradition, has certainly lowered birth figures but still accounts for only a modest share of the drop. It is thought that the massive entry of women into the work force has played an important role. This seems plausible, especially in a country like Germany, where 42 per cent of the women of working age now hold jobs compared with

30 per cent 20 years ago. But then how to account for the Netherlands, where fewer women work? The fall in that country's birthrate is second only to Germany's.

Dr. Hugo Corvalan, a demographer and regional coordinator in Colombia for the United Nations Family Planning Association, has completed studies in Chile showing that, as socioeconomic conditions and expectations improve, so does the desire to limit the family. The large family loses its cultural value in conditions of relative wealth. Prosperity also brings readily available and sophisticated contraception.

Sooner or later the decline in population is going to require the rethinking of a number of underlying social assumptions. Most government pension plans depend on constant growth in the work force to pay for increasing numbers of retirees. Some elementary schools are already beginning to empty; factories may do so 15 years from now. Some nations wonder whether they'll have the young men they require for service in the armed forces. That's an issue in France, where the "slaughter of a generation" in the First World War is considered by many to have contributed directly to weakening French defenses in 1939. Shrinking populations in the leading industrialized nations call into question the very notion of "growth" as the purpose of commercial activity.

Still, the population drop is good news for most people—especially since the trend seems to be worldwide. Last year the index of world population growth dropped below 2 per cent for the first time since the Second World War according to the US Census Bureau. There is some kind of downward trend in the birth curve of every continent with the exception of Africa, and even in Africa there are bright spots like Tunisia and Mauritius, where births are dropping. If these tendencies hold, it means we can revise downward the frightening predictions that world population would almost double from the current 3.5 billion to above 6 billion by the year 2000. The number of human beings will continue to increase, but more slowly, and predicted world food shortages might not occur.

We may not only be fatter than we thought, but also older. As fewer young are born, the average age of a population increases. In Italy the proportion of the population above age 60 will climb from 16 per cent to 21 per cent in the next 20 years. The picture is the same in other Western countries. This will bring sharp changes in the patterns of health care and will probably require new forms of social assistance for the aged. Some social scientists argue that older populations, while more stable, are also less flexible and innovative. It may be worth the risk: From a statistical point of view, the only thing we can really be sure of is, as French sociologist Gaston Bouthol puts it, "Ever youthful societies are those where people die young."

TRADING INFORMATION

A guide to international technology transfer

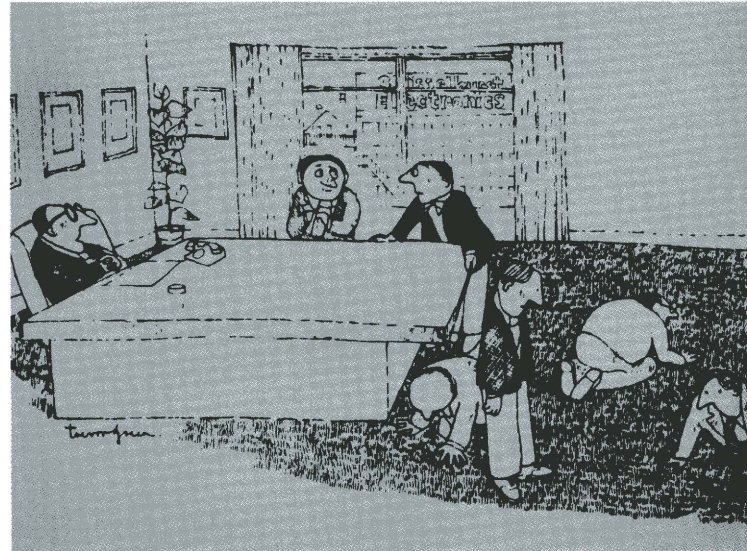
DIANA SCIMONE, a Washington-based freelance writer

THOSE WHO ONCE SHOPPED IN FOREIGN MARKETS FOR microfilaments, gas-saving cars, and bushels of soybeans can now add a less tangible item to their shopping lists—information. We are only beginning to recognize the vast amount of technology going to waste as companies, not necessarily within the same market or industry, struggle to reinvent the wheel. Many claim such duplication of effort and waste of resources explain the world's lack of alternate energy sources, of new materials, of improved productivity and education, and of the solutions to many other problems.

The best way to get maximum mileage out of knowledge is transfer of technology. Technology transfer involves one country or company (often in a developing country) purchasing specific know-how from another company (often in a developed country). Buyer and seller are usually not competitors, either. Many new products and services are the result of applying technologies developed in one industry to the solution of problems in another. "For example," says James Burke of Worldtech (a firm specializing in technology transfer), "in coming up with the design for a new ballpoint pen, you may have developed two or three new technologies that can be used in totally unrelated industries." And that's what technology transfer is all about.

The "pro's" of world transfer of technology are obvious: The seller can be compensated for ideas and research and reap added visibility at the same time. The buyer gains new technology for a fraction of the time and cost of developing it independently—a fact that is crucial for developing countries that often do not have the means to begin costly projects from scratch. Where know-how has been successfully transferred from one part of the world to the other, the result is a boost to the economy. Jobs and real income literally mushroom.

The "con's" used to denounce the international transfer of technology are deceiving. For example, those holding technology say: "A buyer could use our technology to flood our markets with their products. . . . They'll steal our secrets and patents. . . . If we sell to the East, they'll use our technology for arms production and other



"As you were saying, Primley, before Ferguson sneezed—we have here the ultimate micro-electronic breakthrough of the Eighties. . . ." ©Punch, London

political use." But those buying technology, especially developing countries say: "Multinational firms transfer technology only subject to unreasonable controls and restraints."

In the United States, the Department of Commerce's Office of Export Administration (as well as corresponding offices at the Departments of State and Defense and at the Central Intelligence Agency) maintain "critical lists" detailing items or technologies that may not be exported—either for political reasons or to prevent unfair competition within the United States from countries whose lower labor costs result in cheaper products.

AS FOR UNAUTHORIZED USE of patents and trademarks by unlicensed parties, Frederick W. Stokeld of the US Chamber of Commerce acknowledges that parties in some countries do "have a habit of ripping off ideas," but his group is working to prevent this. Following last February's conference in Geneva to revise the Paris Convention on patents and trademarks, the Chamber's Task Force on Technology Transfer reported that developing countries' approach "is to substantially weaken the Paris Convention by breaking down the protective framework

presently enjoyed by owners of intellectual property.” Specific demands of developing countries include preferential treatment concerning fees and longer terms of priority, onerous inventors’ “certification” procedures, and appellation of origin changes.

Still other international groups examine these problems to achieve a spirit of cooperation in technology transfer. The United Nations Conference on Trade and Development (UNCTAD) is one. Another UN group—the Conference on Science and Technology for Development (UNSTD)—recently took part in a New Delhi seminar on Indo-US cooperation in science and technology for development. Similar seminars have been sponsored by groups ranging from the Fund for Multinational Management Education, and the Federation of Indian Chambers of Commerce and Industry, the US Chamber of Commerce, the US Council on the International Chamber of Commerce, to the Council of the Americas, and have been held in, among other countries, Brazil, Mexico, and Venezuela.

There are several different ways to transfer technology. Trade fairs provide marketplaces where buyers can actually shop for ready-made know-how with the hope of arranging transfers, joint ventures, or licensing agreements. Governments as well as private groups sponsor technology trade fairs. An association called Technology for the People (PO Box 170, 1211 Geneva 16, Switzerland), for example, sponsors annual trade fairs including workshops on topics such as “the role of the banking/finance community in assisting small and me-

dium-scale enterprises in the developing nations.”

A firm called Dr. Dvorkovitz and Associates (PO Box 1748, Ormand Beach, Florida 32074) has operated TechEx '80 fairs all around the world for the past eight years. Participating companies have included Bayer Ag, Bertinetti Spa, and the Irish Export Board. In addition, the United Nations Industrial Development Organization (UNIDO) has arranged for delegations from developing countries to participate in recent TechEx '80 fairs.

Still another technology trade fair is sponsored by the International Congress on New Enterprise (ICONE), PO Box 407, Worthington, Ohio 43085). The five-day conference promotes co-ventures between small and medium-size businesses in developing and developed countries.

If trade fairs are technology transfer’s “store,” data banks represent what a US Department of Commerce official calls a giant “Sears-Roebuck catalogue.” Information stored in computers lists thousands of specific technologies that developers are willing to sell. Subscribers can search through entries upon keying in two or three code words; then data bank operators will arrange meetings, correspondence, or whatever is necessary to facilitate a transfer of technology. Dr. Dvorkovitz and Associates operates such a computerized shopping service, as does Worldtech, a subsidiary of Control Data Corporation (474 Concordia Avenue, PO Box 1903, Twin Cities Airport Branch, St. Paul, Minnesota 55103). James Burke calls Worldtech’s data bank an “electronic yellow pages.”

A Case in Point

The following success story illustrates the advantages all sides can reap through an effective transfer of technology. In 1978 the French Atomic Energy Commission (AEC) enlisted the services of Worldtech, a marketing service of Control Data Corporation that assists in the buying and selling of technical licenses, processes, or know-how. Basically, Worldtech’s assignment was to transfer the technologies of AEC and its subsidiaries to any place in the world where they were needed.

By early 1979 a potential transfer was identified involving La Société Sofretes-Mengin, a partly government-sponsored, partly privately owned subsidiary of AEC. The 180-employee company, located in the central part of France in Montargis, produced, among other things, solar products and pumps powered by feet, hands, solar, wind, or oil energy. The company’s installations were already set up in Brazil, Cameroun, Indonesia, Mauritania, Mexico, Niger, and Togo.

La Société Sofretes-Mengin had just perfected a new type of hydropump designed for deep well use by those living in small to medium-sized villages of developing areas. The principles of the pumps are based on more complicated versions using solar and wind energy. Advantages included low cost, easy installation, and low maintenance. In addition, the components could be manufactured and assembled at the local level, and because the pumps rely on foot-power (as opposed to hand-power) children and elderly alike could easily operate the installed units.

Worldtech saw the pumps as a natural to fill the needs of the Ivory Coast, whose government was willing to supply pumps to villages and rural areas, but on the condition that they not rely on valuable energy sources such as electricity or fossil fuel. And so Worldtech proceeded to arrange the transfer of technology. An Ivory Coast government agency submitted to Sofretes-Mengin a re-

quest for proposal and prices for the delivery of 1,500 pumps. Worldtech also recommended establishing a joint venture in Abidjan between Sofretes-Mengin and the Ivory Coast to manufacture, assemble, and market the pumps in the Ivory Coast and throughout western Africa.

And now, one year later, a licensing agreement allows the jointly owned firm to manufacture the pumps in the coastal capital of Abidjan, then transport them inland for distribution. The set-up illustrates one of the advantages of successful transfer—the expansion of the job base of developing countries. In addition, the Ivory Coast obtained exactly the technology needed at a fraction of the cost of developing it independently. With joint venture profits, Sofretes-Mengin was compensated for ideas and research, and reaped added visibility at the same time.

—Diana Scimone

THE MULTINATIONAL MYTH

Americans are paying the price

GEOFFREY CARROLL, *American economist working for the EC Commission's Washington delegation*

AMERICANS ARE ACCUSTOMED TO THINKING THAT US corporations are by far the largest in the world. Corollaries of this assumption are that these rapacious US multinational companies are able to control industries across national borders, reduce effective competition, and raise prices regardless of market forces, and dominate foreign markets and governments. But the data presented in the accompanying tables show that over the last 20 years foreign-based multinationals, particularly those of Europe and Japan, have sharply increased their shares of world markets at the expense of US multinationals. In addition, competition from state-trading companies in developing nations, from state-trading activities in centrally planned economies, and from nationally owned or closely controlled enterprises in fundamental European industries appears to be making significant changes in the balance of world trade.

The tables compare the size of US corporations and commercial banks with transnational companies and banks of other Organization for Economic Cooperation and Development (OECD) countries. Many of the most internationally active industries are examined, comparing the 10 to 15 largest firms in each industry in 1959 to an equal number in 1978. Although gross sales figures are an inadequate measure of efficiency, they are an accurate indicator of market presence and control.

Foreign enterprises have made such strides that in several traditionally US-dominated industries the largest US firms have been relegated to second or third position. Even in industries in which an American company or companies still retain top ranking, the US percentage share of the world market has often dropped significantly. Although the United States continues to dominate the world market in aerospace engineering and food production, it is rapidly losing its lead in the automotive and paper and wood products industries. Those industries in which the US share of the world market has fallen dramatically are chemicals, commercial banking, electronics and appliances, industrial and farm machinery, metal manufacturing, petroleum products, pharmaceuticals, and textiles.

In 1967 Jean-Jacques Servan-Schreiber's *Le Défi Américain* predicted that within 15 years the third major industrial power in the world after the United States would be neither Europe nor Japan but US multinationals operating abroad. At the same time that Servan-Schreiber was predicting the US takeover of world markets, Japanese and West European corporations were aggressively capturing traditional US export markets and beginning to compete forcefully with American firms in the US domestic market. By as early as 1971, the expansion rate of foreign manufacturing operations of large European and Japanese enterprises exceeded the rate of large US enterprises. Not only was the growth rate of foreign multinational sales greater than that of US multinationals, but more foreign production outposts were being added to their systems than were being added to the network of US multinationals.

Last year's *Fortune* magazine listing of the 500 largest non-US-based industrial corporations showed that 325 of these enterprises registered 1978 sales in excess of \$1 billion, compared to 257 US firms with comparable sales. Of the world's 50 largest industrial companies, 30 are based outside the United States. Not only have these companies challenged US multinational companies operating in their home countries, but also in traditionally US-dominated third-country markets, governments welcomed foreign-based multinationals as alternatives to the US companies. To these governments foreign multinationals brought not only similar products and processes, but they also brought different national flags—flags that did not connote superpower. And, finally, many foreign enterprises are making inroads into the US market—first through exports and then by taking over American companies or constructing new plants and distribution facilities in the United States.

RECENT INTERNATIONAL TRENDS have accelerated this movement of foreign investment to the United States. Political unrest and static economies intensify a corporation's search for geographical diversification and more reliable long-term markets. Economies around the world

COMMERCIAL BANKING

Assets (\$ Millions)	1960		1978		Assets (\$ Millions)
	Company and Country	Ranking	Company and Country		
11,942.0	Bank America (US)	1	Bank America (US)		94,902.5
9,260.4	Chase Manhattan (US)	2	Citicorp (US)		87,190.7
8,688.4	Citibank (US)	3	Caisse Nationale de Crédit Agricole (Fr.)		86,000.5
7,457.1	Barclays (UK)	4	Deutsche Bank (FRG)		80,249.6
6,126.1	Manufacturers Hanover (US)	5	Banque Nationale Paris (Fr.)		78,088.1
4,539.9	Chemical Bank (US)	6	Crédit Lyonnais (Fr.)		73,953.2
4,432.0	Royal Bank of Canada (Can.)	7	Dai-Ichi Kangyo Bank (Jap.)		73,446.9
4,423.9	Morgan Guaranty (US)	8	Société Générale (Fr.)		66,835.1
4,377.7	Midland of London (UK)	9	Fuji Bank (Jap.)		64,934.1
4,374.3	Lloyds (UK)	10	Sumitomo Bank (Jap.)		63,762.7
4,345.5	Canadian Imperial Bank (Can.)	11	Mitsubishi Bank (Jap.)		62,812.1
3,595.1	Bank of Montreal (Can.)	12	Sanwa Bank (Jap.)		61,757.5
3,593.7	Security First National of LA (US)	13	Chase Manhattan (US)		61,171.5
3,430.3	Bankers Trust (US)	14	Dresdner Bank (FRG)		60,990.0
3,312.1	Continental Illinois (US)	15	Industrial Bank Japan (Jap.)		53,357.9

METAL MANUFACTURING

\$ Millions		1959		1978		\$ Millions	
Net Income	Sales	Company and Country	Ranking	Company and Country		Sales	Net Income
254.6	3,643.0	US Steel (US)	1	US Steel (US)		11,049.5	242.0
117.2	2,055.7	Bethlehem Steel (US)	2	Nippon Steel (Jap.)		9,521.8	56.9
53.9	1,076.8	Republic Steel (US)	3	Thyssen (FRG)		9,182.1	61.2
77.1	1,022.4	Armco Steel (US)	4	Bethlehem Steel (US)		6,184.9	225.1
55.6	858.5	ALCOA (US)	5	Pechiney Ugine (Fr.)		6,130.5	57.9
NA	829.5	Friedrich Krupp (FRG)	6	Friedrich Krupp (FRG)		5,936.2	NA
29.5	765.7	Jones & Laughlin (US)	7	British Steel (UK)		5,673.3	-797.6
54.9	736.9	National Steel (US)	8	LTV (US)		5,260.5	39.6
48.4	705.1	Inland Steel (US)	9	ESTEL (Neth.)		5,072.2	-133.5
30.8	668.5	American Metal Climax (US)	10	Nippon Kokan (Jap.)		4,837.1	18.8
59.2	632.7	Anaconda (US)	11	Armco (US)		4,357.3	198.3
10.4	609.1	Gelsenkirchener AG (FRG)	12	Kobe Steel (Jap.)		4,174.9	21.1
30.9	608.1	Youngstown Sheet & Tube (US)	13	Sumitomo Metal (Jap.)		4,110.6	18.5
18.1	560.0	Tube Investments (UK)	14	ALCOA (US)		4,051.8	312.7

FOOD PRODUCTS

\$ Millions		1959		1978		\$ Millions	
Net Income	Sales	Company and Country	Ranking	Company and Country		Sales	Net Income
170.4	3,721.1	Unilever (UK-Neth.)	1	Unilever (UK-Neth.)		18,893.2	531.3
19.1	2,475.5	Swift (US)	2	Nestle (Switz.)		11,001.8	416.1
14.1	1,869.8	Armour (US)	3	Beatrice Foods (US)		6,313.9	221.5
49.4	1,605.7	National Dairy (US)	4	Esmark (US)		5,827.2	80.1
15.4	1,280.6	Nestle (Switz.)	5	Kraft (US)		5,669.9	184.0
54.1	1,052.9	General Foods (US)	6	General Foods (US)		5,376.2	169.5
25.5	941.3	Borden (US)	7	Taiyo Fishery (Jap.)		4,518.3	7.0
33.2	671.3	Corn Products (US)	8	Greyhound (US)		4,351.2	58.4
16.8	545.9	General Mills (US)	9	Ralston Purina (US)		4,058.4	154.6
4.7	541.4	Canada Packers (Can.)	10	Borden (US)		3,802.6	135.8
17.8	530.6	Ralston Purina (US)	11	Consolidated Foods (US)		3,535.6	100.6
34.6	496.5	Campbell (US)	12	General Mills (US)		3,243.0	135.8
10.5	440.1	Foremost Dairies (US)	13	CPC International (US)		3,221.8	147.3
15.9	434.7	Standard Brands (US)	14	BSN-Gervais Danone (Fr.)		3,196.3	10.1

AEROSPACE

<i>\$ Millions</i>					<i>\$ Millions</i>	
<i>Net Income</i>	<i>Sales</i>	1959	1978		<i>Sales</i>	<i>Net Income</i>
		<i>Company and Country</i>	<i>Ranking</i>	<i>Company and Country</i>		
31.0	1,811.8	General Dynamics (US)	1	United Technologies (US)	6,265.3	234.1
12.4	1,612.1	Boeing (US)	2	Boeing (US)	5,463.0	322.9
8.7	1,301.6	Lockheed (US)	3	McDonnell Douglas (US)	4,130.3	161.1
28.6	1,080.9	United Aircraft (US)	4	Lockheed (US)	3,496.3	64.9
30.7	1,044.9	North American Aviation (US)	5	Textron (US)	3,230.6	168.1
-33.8	883.8	Douglas Aircraft (US)	6	General Dynamics (US)	3,205.2	-48.1
15.5	728.0	Hawker Siddeley (UK)	7	Aerospatiale (Fr.)	2,114.6	-19.2
10.0	435.9	McDonnell Aircraft (US)	8	Northrop (US)	1,829.8	88.4
8.5	435.5	Vickers (UK)	9	Martin Marietta (US)	1,758.3	136.0
14.3	329.2	Curtiss-Wright (US)	10	British Aerospace (UK)	1,717.0	54.8
16.6	308.2	Textron (US)	11	Grumman (US)	1,571.0	19.9
4.9	288.9	Grumman (US)	12	Rolls-Royce (UK)	1,464.6	13.7
7.0	283.6	Joseph Lucas Industries (UK)	13	Avions Dassault (Fr.)	1,404.6	55.1

PHARMACEUTICALS

<i>\$ Millions</i>					<i>\$ Millions</i>	
<i>Net Income</i>	<i>Sales</i>	1959	1978		<i>Sales</i>	<i>Net Income</i>
		<i>Company and Country</i>	<i>Ranking</i>	<i>Company and Country</i>		
25.1	585.5	Bayer (FRG)	1	Hoechst (FRG)	12,068.2	107.6
NA	529.0	Hoechst (FRG)	2	Bayer (FRG)	11,392.4	203.9
46.7	420.8	American Home Products (US)	3	Ciba-Geigy (Switz.)	5,029.6	202.7
15.4	297.7	Johnson & Johnson (US)	4	Johnson & Johnson (US)	3,497.3	299.1
24.9	253.7	Pfizer (US)	5	American Home Products (US)	3,062.6	348.4
6.2	234.6	Ciba-Geigy (Switz.)	6	Warner-Lambert (US)	2,878.5	207.9
29.9	216.9	Merck (US)	7	Roche-Sapac (Switz.)	2,727.8	113.3
20.9	209.2	Sterling Drug (US)	8	Bristol-Myers (US)	2,450.4	203.0
30.9	191.5	Parke Davis (US)	9	Sandoz (Switz.)	2,419.6	87.8
23.4	187.0	Eli Lilly (US)	10	Pfizer (US)	2,362.1	206.3
16.4	182.8	Warner Lambert (US)	11	Merck (US)	1,981.4	307.5
23.2	156.9	Upjohn (US)	12	Eli Lilly (US)	1,852.1	277.5

The two large German industrial firms, Bayer and Hoechst, are listed under both chemicals and pharmaceuticals because they are heavily involved in both industries, and there is no satisfactory accounting of where one operation ends and the other begins.

CHEMICALS

<i>\$ Millions</i>					<i>\$ Millions</i>	
<i>Net Income</i>	<i>Sales</i>	1959	1978		<i>Sales</i>	<i>Net Income</i>
		<i>Company and Country</i>	<i>Ranking</i>	<i>Company and Country</i>		
418.7	2,114.3	EI DuPont (US)	1	Hoechst (FRG)	12,068.2	107.6
171.6	1,531.3	Union Carbide (US)	2	Bayer (FRG)	11,392.5	203.9
110.1	1,423.8	ICI (UK)	3	BASF (FRG)	10,732.5	210.2
50.0	719.6	Allied Chemical (US)	4	EI DuPont (US)	10,584.2	787.0
37.4	708.0	Olin Mathieson (US)	5	ICI (UK)	8,701.4	577.8
62.9	705.4	Dow Chemical (US)	6	Union Carbide (US)	7,869.7	394.3
48.9	615.3	Monsanto (US)	7	Dow Chemical (US)	6,887.6	575.2
25.1	585.5	Bayer (FRG)	8	Montedison (It.)	6,814.9	-312.7
52.3	583.6	American Cyanamid (US)	9	Rhone-Poulenc (Fr.)	5,655.5	52.9
23.7	540.0	BASF (FRG)	10	Ciba-Geigy (Switz.)	5,029.6	202.7
20.5	529.0	Hoechst (FRG)	11	Monsanto (US)	5,018.7	302.6
19.3	471.5	Montecatini (It.)	12	Akzo Group (Neth.)	4,938.4	11.3

are slowing down, and good growth opportunities are declining. The immense size of the US market, the political stability, and even the relative cost competitiveness of US labor contribute to increased foreign direct investment in the United States and hence to greater competitive pressure on US corporations even in the domestic market in the years ahead. Foreign direct investment in the United States surged in 1979 according to the US Department of Commerce. There were 1,070 direct investment transactions by foreigners totaling at least \$12.5 billion, up from 334 transactions worth \$6.1 billion in 1978. The foreign money went mostly into banking, insurance, electric and electronic equipment manufacturers, and transportation equipment makers.

The US commercial banking sector has felt the impact of increased foreign competition as much as any industry. European and Japanese banks that once operated almost solely within their own borders now have offices around the globe. Buoyed by enormous liquidity and stimulated by powerful export-fueled economies, many of these banks are now challenging the US banks for business in third-country markets as well as in the United States. The foreign banking establishment in the United States has recently burgeoned into very big business. As of January 1980, a total of 151 non-US banks, including nearly all of the 50 largest foreign banks, now maintain over 333 offices in the United States. Their assets have increased from \$7 billion in 1965 to \$162.8 billion in January 1980. Approximately 37 per cent of these offices are European-owned and another 19 per cent are Japanese-owned. Although the \$162.8 billion in foreign-held assets still equals only about 45 per cent of the \$364 billion in assets held by US banks abroad, foreign bank investment in the United States has been growing much faster than US bank investment abroad in recent years. In addition, foreign interests are increasingly important owners of US banks (5 per cent to 100 per cent of the stock in at least 16 US financial institutions). The main impetus for this increase in foreign banking activity is straightforward. European and Japanese banks have followed their major clients—European and Japanese corporations—into numerous markets around the world, including the United States, in order to service their banking needs.

The industrial nations are entering a new era with respect not only to the developing world but also to relations among themselves. The US economy is still the largest on earth, but it has declined, and it may well continue to decline relative to the economies of its major competitors. This decline is observable in ways other than relative gross national product (GNP) growth rates. The United States is no longer the industrial nation with the highest per capita income; wages and living standards in other industrial countries reached parity with



An assembly line at Volkswagen Westmoreland, Pennsylvania.

Courtesy of Volkswagen

the United States in the 1970's. Other symptoms of this comparative economic decline are the relatively low level of US investment and increasingly smaller percentages of GNP being allocated for research and development in the United States.

The idea that US multinationals dominate both foreign governments and the international commercial environment must be recognized as outmoded. Host governments are becoming increasingly effective in harnessing foreign companies in support of their national policies. The trend is most pronounced in the production and processing of raw materials, but it is also accelerating in manufacturing. The consequence will be the shaping of multinational corporate networks to meet the demands of host countries. US multinationals will find it more difficult to operate as host governments attempt to obtain a bigger share of the profits, jobs, markets, and technical and managerial skills that US multinational companies either create or control.

In spite of the increased foreign demands and restrictions on US corporations, the US Congress has demonstrated a willingness to pass legislation that ultimately restricts the ability of US firms to compete in markets abroad and that could create boomerang effects in the US economy. Areas where existing legislation impedes the international performance of US firms include the Foreign Corrupt Practices Act, antiboycott laws and regulations, export controls, US antitrust laws, and legislation governing the tax environment of US business abroad.

Policies affecting the long-term performance of the US economy need to be made taking into consideration the relevant international as well as domestic aspects. Otherwise, sooner or later the American people will pay the price in terms of higher unemployment and lower living standards.

THE FIRST YEAR

Assessing the directly elected European Parliament

ROBERT JACKSON, *British member of the European Parliament and author of the Penguin Guide to the European Parliament*

THE 410 MEN AND WOMEN ELECTED TO THE EUROPEAN Parliament in June 1979 in the first transnational election in history came to their responsibilities with many different views about the role and significance of the body to which they had been elected.

For French Communists like George Marchais and Gaullists like Jacques Chirac, the European Parliament could serve as another base from which to attack “supranationalism” and to undermine their rivals in national politics. For veteran anti-European British Labourites like Barbara Castle, being elected to the Parliament was a way of carrying the battle into the enemy’s own camp.

In contrast, mingled among the politicians were many individuals whose backgrounds lie outside parliamentary politics altogether—leaders of farmers’ unions such as Britain’s Sir Henry Plumb, or of trade unions such as Germany’s Hans-Oskar Vetter. They brought to the Parliament a different, and perhaps a fresher, attitude to politics. Meanwhile, to many of the rank-and-file members—and some of the leaders—of the mainstream parties in the Parliament (Christian Democrats, Socialists, Liberals, Conservatives), election to Europe was an honorable way of continuing in political life, or beginning it, or achieving a prominence not available to them in national politics. But to many also, especially among the newcomers to parliamentary life, serving in the European Parliament represented a new form of political commitment—service to an ideal, a vision of the future.

After this first year, how has this strange new institution been working out? What reference points can be marked down for the future? Among most members—and among the European public, insofar as it yet has any image of the European Parliament—the strongest feeling is probably that of dismay that the Parliament has still not evolved an orderly way of organizing its business. Particularly irritating has been the abuse, by all parties, of procedural devices to deflect debate; also the proliferation of “urgent” motions has wasted long hours and overturned agendas in order to discuss everything and nothing.



A poster welcomes the first session of the directly elected European Parliament last July.

The fact is that the diversity of interests and attitudes among the men and women elected to the Parliament—the sheer diversity of national parliamentary traditions—has inevitably made discipline hard to achieve. In any representative body convention is the key to order; and it is difficult to form the habits out of which conventions may grow when, as in Europe, the representative institution is an assembly with members of nine nationalities, speaking in six languages, meeting in three different places (Strasbourg, Luxembourg, and Brussels), and coming together in plenary session for only one week in each month.

procurement. In the face of fulminations from the Gaullists and Marchais—“*jamais, jamais, jamais*”—and from the left Socialists, there was an easy majority for the view that this was an important objective and one within the Parliament’s competence to promote. And inside three months of this affirmation of a more ambitious concept of Europe and of the Parliament’s role in it, the necessary two-thirds majority was mustered to reject the draft budget for 1980—forcing the Commission and the Council for the first time to take the budget back to the drawing board and make new proposals more acceptable to the Parliament.



Results of the first direct elections on the board at the Commission headquarters in Brussels last June.

New and improved rules of procedure are on the way, however. And although the European Parliament is likely for a long time to remain a more unbusinesslike body than national parliaments, it is reasonable to say that it is in the process of settling down. Here a test issue, a reference point for judging the Parliament’s success in the longer term, will be whether it will have enough self-confidence—and self-respect—to force a decision in the near future on the matter of where it meets.

For those afraid that elections to the European Parliament would be a giant step toward supranationalism, much has already been done to confirm their fears of a Parliament forcing its way into new fields, pressing its powers to their limits, and setting new ambitions.

The Parliament’s first major debate, in September 1979, concerned Community coordination of European arms

THIS BUDGET VOTE IN DECEMBER 1979 was the high-water mark of the first year of the European Parliament. Since then the tide has fallen a long way. In mid-1980 the Community is still without a budget, and the common agricultural policy approaches bankruptcy. In the face of the massive pressures generated by this crisis, a new majority has emerged in the Parliament pressing for the adoption of a budget—any budget, whatever it contains—as soon as possible.

There is, therefore, a feeling of lost momentum and pessimism in the Parliament as it approaches its first anniversary. Last December the massive majority for rejection miscalculated the extent of the difficulties surrounding the British dispute with the rest of the Community about the size of Britain’s net contribution to the common budget. It is this dispute that held up the

Council's deliberations on a new draft budget; and in this situation only the British members of the "rejectionist front" that threw out the budget six months ago are feeling any satisfaction about what happened.

Although events have given the Parliament cause to think twice in future about the use of its power to reject budgets, two important achievements have been marked up. The Parliament has shown that it understands the need for a more economical and rational balance in Community spending, especially on agriculture, and in this it is ahead of the other institutions. At the same time, the serious consequences of the Parliament's use of its power to reject the budget have been demonstrated. If it can continue to show the *will* to be taken more seriously as a partner in budgetary negotiations with the Commission and the Council, there is no doubt that in future it will be. The next logical step in a related area, and another reference point for the future, is for the

Parliament to secure a greater measure of influence from the Council over the appointment of the new Commission, due later this year.

A broadly positive balance must also be struck in considering the Parliament's contribution to the formation of European foreign policy, where it and the Community as a whole have been increasingly active in the past year. The threat to détente that has arisen from the Soviet invasion of Afghanistan is forcing Europe to define its international identity more closely than ever before. Here, in its resolution on Afghanistan and its call for an Olympic boycott, as well as in its broad support for a Western alliance approach to the crisis in Iran, the European Parliament has been a useful voice for a positive European approach within a concerted Western strategy.

A remarkable feature of the response in Europe to the Afghan and Iranian crises is to be found in the universal

Parliamentary democracy in Europe has come a long way since this 1834 lithograph by Honoré Daumier entitled "The Legislative Belly." Courtesy of the National Gallery of Art, Washington



acceptance of the idea that a European response is appropriate (rather than separate national policies or automatic recourse to Atlanticism) and that political cooperation within the European Community is the right way of articulating that common European approach. In this development the European Parliament has a place in the vanguard. A reference point for the future lies in the contribution it may be able to make not only to the *substance* but also to the *form* of European foreign policy cooperation—the development of more advanced procedures such as may be adopted in furthering a new European initiative in the Arab-Israeli dispute.

There is, notably in Britain but also elsewhere in Europe, a theory that the European Parliament will not be *given* power but must *take* it. This notion, which derives particularly from the history of the Westminster Parliament, does not fit the facts of Europe. The treaties that created the Community form a written constitution; and beyond a certain limit the roles and relationships of the various European institutions can only be changed by agreement among them. Beyond certain limits, therefore, the European Parliament cannot take powers to itself: It can only make out a claim for them, and then in due course acquire them by common consent.

During its first year the Parliament has made not too bad a start in asserting its claims to be taken seriously. Its internal order still leaves much to be desired; but in the crucial areas of the Community budget, the control of farm spending, and the development of a common European response to external crisis, the Parliament has shown itself to be a positive and constructive force.

By itself, however, this will not be enough to enable the Parliament to obtain a more central and growing role. The 410 men and women who came to the European Parliament a year ago with such diverse attitudes and aspirations cannot by their own efforts alone secure such a role—even if, by some strange chance, their efforts were all pressing in the same direction.

But they can, by their efforts, place their institution in a position from which it can profit from the flow of events to advance its interests. At the moment the direction of that flow of events in Europe is perhaps more obscure than at any other time since the mid-1960's. It is impossible to say whether the Community is moving through its present internal crisis toward closer integration, or to a looser and less demanding form of association. If the slackening of Community ties is what lies in store for Europe, then whatever it does, the European Parliament will become a back number; but if Europe continues to make progress in integration, then the European Parliament has the future in its bones. All that can be said at this stage is that this new Parliament has begun to show itself to be, on balance, not unworthy of a growing role in a growing and dynamic Community.



Photo by J.D. Levine, Yale University

Veil at Yale

Simone Veil, the President of the first directly elected European Parliament, was awarded an honorary degree at the 279th commencement exercises at Yale University, New Haven, May 25. The citation read:

“As a former judge and as a survivor of the extermination camps of Nazi Germany, you stand for justice and freedom. As a former Minister of Health, you stand for social progress and for forward-looking legislation. As President of the first European Parliament, you stand for all that is best in Western civilization, and for the realization of the greatest dream of a unified Europe since Charlemagne. First Lady of the Old World, Yale is proud to confer upon you the degree of Doctor of Laws.”

While in the United States, Veil addressed the Council on Foreign Relations in New York on the need to remove all misunderstandings among the countries of the Free World. She concluded by saying that “there must be no doubts about Europe’s basic solidarity with its American ally. . . . But this solidarity, founded on our mutual belonging on the side of freedom, does not necessarily mean alignment, for reasons which are rooted in the very nature of things, in geography and history. . . .”

around capitals

Brussels

The city is suddenly hooked on its past. The whistles and screeches of ancient steam locomotives are pulling crowds to an exhibition of Nineteenth Century railroad stations and furniture at the Palace of Fine Arts. Lace is making a comeback—not just for bridal veils but also for drapes, table linen, and even dresses. The Cirque Royale, once doomed after a century of legendary spectacles from grand opera to bull fights, is staging a remarkable recovery under new management.

Even at its most distressingly modern, Brussels can still inspire one with an appreciation of its traditional handicrafts. Behind a plate glass window in a modern office block, a wrinkled seamstress cuts and stitches with painstaking care. Florists, diamond cutters, stained glass artists practice skills that cannot have changed much since Rubens painted their long distant forebears in similar attitudes nearly 300 years ago.

This folk heritage is being celebrated with particular enthusiasm this year, the “Year of the Craftsman.” Some 166 crafts-

men throughout the country are opening their houses and workshops to the public. Happily this event coincides with the one-hundred-fiftieth anniversary of the Kingdom of Belgium, and many of the tapestries, bouquets, sculptures, and paintings taking shape are to commemorate the moment.

The battle that sparked off the revolution occurred on August 25, 1830, and ended 15 years of uneasy Dutch rule following a longer period under the thumb of France. The boundaries of the new kingdom were drawn up in London and Paris, and the awkward linguistic and cultural configuration of the young country betrayed the strategic concerns of its political midwives. But never mind. The nimble fingers and shrewd brains of the first true Belgians adapted rapidly to the industrial revolution and, under the tutelage of England, the country had risen to fourth among world trading nations by the turn of the century.

As befits a nation that has been both

shackled and enriched by its dual identity, the celebrations this year are taking a multi-cultural form. The three big Belgian festivals—the Festival of Wallonia (centered largely in the French-speaking cities), the Festival of Flanders (taking place mostly in the Flemish, or Dutch-speaking, areas), and the Europalia Festival (which draws on the artistic wealth and history of all nine European Community countries)—are coordinating events under the common title of “Festivals 150.”

The list of performers and works in Brussels this summer reads like a *Who's Who* of top European culture. But equally striking is the “Green anniversary.” Some 8,000 young people from other EC countries have been invited to spend 10 days as the guests of Belgian families for specified periods during which they will have virtually free use of public transport and free access to museums, exhibitions, and other spectacles.

All this enthusiasm has inspired renewed veneration of the most famous of all Belgian architects, Victor Horta—the inspiration behind the *art nouveau* movement that swept Europe with its engaging, exciting, provoking designs at the turn of the century. An embarrassed silence often falls on Brussels residents when you ask to see a Horta building because most of them, including his two masterpieces, the Maison du Peuple and the Hotel Aubecq, have been pulled down since the war.

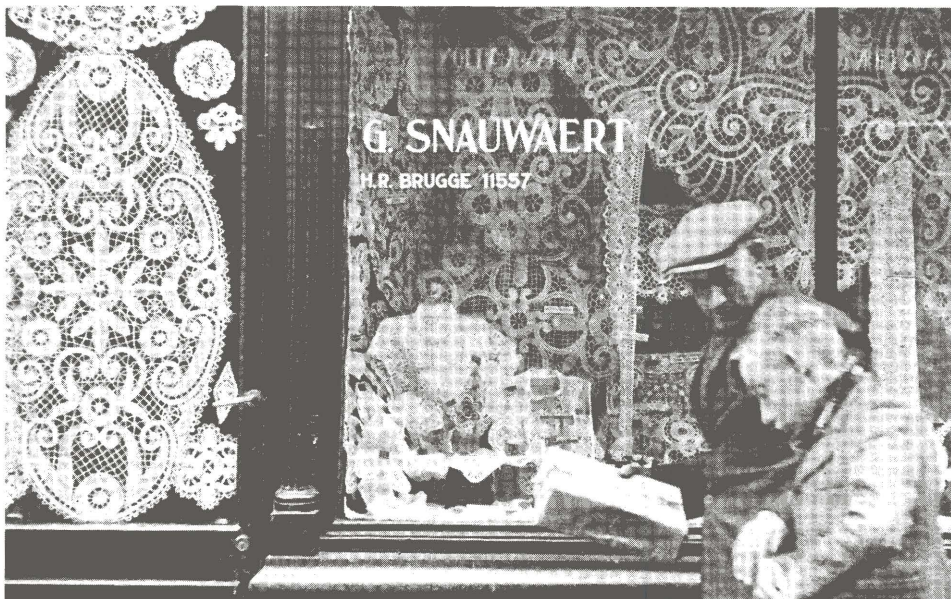
Mercifully, some Horta admirers managed to preserve the rubble in each case, and there it still lies today in great piles of massive, numbered stones. And there are now, at last, signs that the people in charge of Brussels are prepared to put up money and a site for reconstruction. A pity it won't happen in 1980; but if this year's re-discovery of Belgium's past has created the psychological breakthrough, then all the millions spent on the anniversary will have been worth it. —ALAN OSBORN

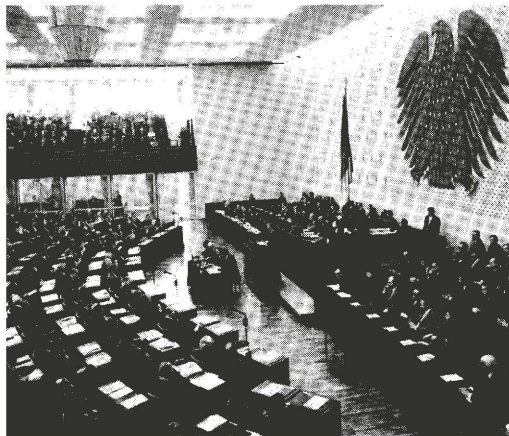
Bonn

Germany is surely the only one of the nine EC member states whose legislature meets in a used teachers college. Now, that is to change. After almost 10 years of haggling by federal legislators, Bonn city politicians, architects, and city planners over questions of location, size, shape, price, and any number of other related issues, Germany's federal legislature and the city of Bonn have agreed on plans for a new set of parliament buildings.

The haggling actually all began back in 1949, when Germany was founded by unit-

© Henri Cartier-Bresson, Magnum





A session in the Bundestag. Courtesy of the German Information Center, New York

ing the zones of wartime occupation of the United States, Britain, and France. One of the first decisions on the agenda back then was the choice of a city to be the seat of government of the young Republic. (The word "capital" was consciously avoided in order not to prejudice Berlin's position as capital of what was hoped would one day be a reunited Germany.) Several cities were suggested, but it ultimately came down to a choice between Frankfurt, one of the largest cities in the three western zones of occupation, and the sleepy university town on the Rhine, Bonn.

A tale from those early days, whose authenticity no one seems to be willing to guarantee, claims that Germany's first Chancellor, Konrad Adenauer, swung the vote to Bonn because he lived in tiny Rhöndorf, a hamlet on the Rhine only a stone's throw from the future seat of government.

To accommodate the legislature the buildings of a former teachers college were refurbished as meeting rooms for the Bundestag and Bundesrat, the upper and lower houses of Germany's second attempt at parliamentary democracy in this century. Today, Germany's parliamentarians still meet in that refurbished school.

The possibility that Bonn would replace its provisional parliament buildings first arose in the late 1960's when a grand coalition of Social Democrats and Christian Democrats, and later a smaller coalition of Social and Free Democrats, launched the program of improving relations with Eastern Europe, since then known by the name *Ostpolitik*. Normalization of relations with Germany's eastern neighbors meant that Bonn would lose something of its carefully nurtured provisional character, as the possibility of a quick reunification of both Germanys moved off into a distant future. And one of the first victims of this change in attitudes was to be the old teachers college on the Rhine.

To make the choice of new, permanent buildings that would house the seat of German democracy as democratic as possible, an architects' competition was organized, and plans for the new legislature buildings were submitted. There was a hung jury. Two draft proposals were chosen, and the jury asked the winning architects to sit down and unite their outwardly at least fairly similar designs.

Even then, critics in the Bonn city government and in the federal legislature, with ammunition from professional architects and city planners, complained that the proposed buildings were monstrous. Others said they were too lofty and would destroy the line of the Rhine valley. Last month while army communications experts erected radio antennae to mark out against the sky the basic lines of the planned buildings, city experts and legislators studied the plans and gave their placet. The final decision was expected to come in June.

But few in Bonn are willing to venture to guess when the cornerstone will be laid. That date will be set only after Bonn's parliament, the future tenant, can decide whether it will appropriate the almost \$600 million the huge new complex is expected to cost. —JOHN TAGLIABUE

Copenhagen

Not reading the small print of a contract can be fatal for any business. In politics, however, there is a more dangerous variation of this theme: reading the small print, but failing to understand its political significance.

A few months ago the Danish minister of energy, Poul Nielson concluded the first Danish state-to-state deal with Saudi Arabia—providing 2.5 million tons of crude a year for three years. But the contract was signed by the state-owned Danish Oil and Natural Gas Corporation. Although the managing director of the oil corporation was part of the official Danish oil delegation headed by the minister, it was the minister's policy that what the oil corporation was signing was a purely commercial contract, and the fact that the corporation was state-owned had no special significance. To make his point the minister went on a sightseeing tour, instead of being present at the signing ceremony.

Whether the Saudis understood this rather subtle distinction between the state and state-run corporations or not, nobody knows. But certainly the Danish parliament, the Folketing, did not accept this, when the minister—a political scientist by training—had to explain how the state-

owned oil corporation could sign an agreement not to "discredit the Kingdom of Saudi Arabia or any of its departments in the international oil community or in any other way whatsoever."

Critics immediately claimed that this laid Danish foreign policy open to political blackmail. Saudi embassy officials in Copenhagen said that Saudi Arabia might consider itself discredited by unfavorable reporting in the press, radio, and television. Only the determination of Prime Minister Anker Joergensen, together with the small nonsocialist parties supporting him not to risk a vote that might bring down the entire Government, has granted the minister at least a temporary reprieve. In early June the Danish parliament voted that laws shall be enacted to prevent recurrences of the events of this spring.

And—officially "totally unrelated"—the Danish state-owned television decided that the British semi-documentary "Death of a Princess" did not have the artistic quality required to be shown in Denmark. While fully appreciating the need for quality in Denmark's one and only television channel, critics both inside and outside Radio Denmark are still asking more or less openly if this is not the first real sign of accommodation to outside pressure. "The Death of a Princess" may be neither art nor documentary, but it is certainly a highly controversial film, and until recently it was official policy that this could be sufficient grounds to show the film. But then Denmark does need the Saudi oil. —LEIF BECK FALLESEN

Paris

May in Paris has always been reserved for garden parties or revolution. All the more reason for Pope Jean Paul II's trip to Paris—the first papal visit to France in 166 years—to become the *événement* of the season.

Of course, as the "eldest daughter" of Rome, the French Catholic Church has proved a rather unreliable offspring. Gallianism—rejection of Rome's supremacy—began as early as the Eighth Century under Charlemagne. The Seventeenth and Eighteenth Century battles between Jansenists and Jesuits were the despair of Vatican authorities, while antipapism and outright anticlericalism flourished under the French Revolution and the Third Republic to linger well into the Twentieth Century. Today, beyond the enmity of Marcel Lefebvre-led *intégristes* and left-leaning *progressistes*, the heads of the Catholic Church in France are faced with still more demoralizing statistics: Over 80 per cent of



Pope John Paul II in Paris. © UPI

the French call themselves Catholic but fewer than 15 per cent practice their religion regularly. Worse yet, the number of ordained clergymen has dropped dramatically in the last 30 years, so that the median age of the French priest today is 62.

So it was not surprising that French bishops and cardinals awaited their leader with more than a hint of trepidation. A week before Jean Paul II set out, Monseigneur Etchegaray of Marseilles apologetically warned, "Holy Father, we do not resemble your native Poland. Many spiritual things have disappeared from our country which still exist in yours."

The French welcome was certainly unlike that of any previous John Paul II expedition. The crowds that greeted his helicopter arrival at the Place de la Concorde were warm but restrained—thinner than the hordes that gather at the same spot for the annual finish of the Tour de France bicycling championship. The mass delivered in French in front of Notre Dame Cathedral was dignified and sober, and nothing like the circus-like services John Paul II holds back home at Saint Peter's.

But eventually even French rationalism succumbed to the charisma of the Polish Pope. As John Paul II pursued his hectic, somewhat extravagant four-day itinerary—which included a pontifical sail down the Seine, a mass at the Communist-run suburb of St. Denis, an open air mass at Le Bourget Airport, and a speech at the United Nations Educational, Scientific, and Cultural Organization—the crowd's enthusiasm grew. John Paul II's popularity with the heirs of Pascal and Descartes was sealed.

And yet division of church and state notwithstanding, the French cannot help but dissect the effect of anything—even a papal visit—on politics. Newsmen could not ignore the antics of party leaders any more than France's politicians could resist the lure of a suddenly sanctified limelight.

France's clergy viewed such distractions with resignation—trusting that the advantages of a papal visit far outweighed its inconveniences. Indeed, one French theologian voiced to the Pope that just as the French raid on Kolwezi in 1978 inspired young men to join the Foreign Legion, the Pope's apparition in France would prod young Catholics out of their secular apathy and into the Church's waiting seminaries. Judging from recent French history, however, such a turn-around would need more than papal prompting: It would take a miracle. —ALESSANDRA STANLEY

The Hague

As the Love Canal disaster remained unresolved in the United States, the Netherlands Government evacuated and relocated in about two months 871 people threatened by poisonous waste. Some two months ago the Dutch Government was alerted by reports from the city council of Lekkerkerk, a small city about 10 miles east of Rotterdam, that people were complaining of a heavy stench. Some had started drilling holes in the walls of their homes to get rid of it. They complained that their eyes itched, that eroded waterpipes caused leaks.

Investigation showed that poisonous chemicals had apparently leaked from sealed casks that had been buried in a landfill on the site about 1970, just before the development of the Lekkerkerk-West housing area. About 300 persons left the housing development in late May in the first stage of a Government-ordered exodus following the discovery of poisonous chemical waste in the groundwater. By June 1



the development's 871 residents had been evacuated.

Engineers are removing the chemicals toluene and xylene, waste products from the manufacture of paint, by tunneling under the development complex. But if it fails, officials said the housing units would have to be destroyed. Olaf Tuts, spokesman of the Interior Ministry, said that removal of more than 100,000 cubic yards of ground, of which at least 60 per cent was contaminated, would cost about \$30 million. The total cost to the Government, including buying all the homes, paying for relocation, and removing the ground, was estimated at \$100 million. The Dutch Government agreed to buy the houses; and if engineers can restore the site without destroying the houses, the owners will have the option to buy them back. But only 60 of the 264 families want to return to their homes.

Another problem emerged regarding disposal of the contaminated ground, because the whole country says: We do not want that rotten ground from Lekkerkerk. The city, 700 years old this year, has been dubbed "Benzenidorm" from Benidorm, a favorite Spanish beach resort.

Meanwhile, as other illegal waste dumping sites have been reported, people in the densely populated Netherlands are beginning to see spooks everywhere. Next June the waste transport firm responsible for the Lekkerkerk dumping site will be brought to court. Dutch Minister of Health and Environment Ginjaar quickly ordered inventories of waste dumping sites in each of Holland's 12 provinces. —NEL SLIS

Rome

Rome moved from a seemingly endless winter into summer without benefit of spring, but politically it is not a summer to give much comfort to the Government or to Christian Democrat leadership. A number of crises came to a head on the eve of the June 8 administrative elections, and casualties included two outstanding journalists (one of them shot to death), and, in the view of the more pessimistic observers, possibly even some part of Italy's hard-won freedom of the press. At the base of it all was the country's most virulent endemic affliction—terrorism.

Last February 19 police tailed two Red Brigades terrorists to a Luna Park in Turin and arrested them. One of the *brigatisti*, Patrizio Peci, 27, in a lengthy confession, told court officials that at the time of his arrest he had been the leader of the Turin "column" of the Red Brigades. Demon-

strating an astonishing memory for names, dates, and operational details, he revealed much, if not all, of the last few years' activity of the Red Brigades.

By the latter half of April, those inevitable leaks to the press that Italian papers call *indiscrezioni* started trickling in from the high-security prison in Pescara where Peci was being interrogated. Newspaper readers learned that the "penitent terrorist" was naming former comrades not only from his own Piedmont bailiwick but from Milan, Genoa, and Rome as well. He had established his credibility as an informer by directing police to a specific meeting, where they were able to swoop down on a vital Red Brigades hideout in Genoa at the end of March. Police killed four Brigades leaders and found hundreds of documents.

On May 5 the Rome daily, *Il Messaggero*, started publishing extensive extracts of the secret transcript of the Peci testimony. Although a certain amount of such unauthorized publication is common, there had never been anything quite like what readers found in *Il Messaggero* three days running. "My name is Peci, Patrizio, and I was born in Ripatransone on July 9, 1953. . . . I belong to the Red Brigades. I was chief of the Turin column, a member of the strategic command and the logistic front. . . ." The documents as published in the Rome daily were introduced by Fabio Isman, a crack crime reporter with many a scoop to his credit. Peci named the partici-

crimes to its "credit." On May 7 *Paese Sera*, a leftist Rome daily, broke the story of the accusations made by Peci against young Donat-Cattin. The next day reporter Isman was arrested, together with Silvano Russomanno, a high officer of SISDE, the civilian (nonmilitary) intelligence service. The charge against both: revealing state secrets. Almost at the same time a Turin judge issued a warrant for Marco Donat-Cattin.

Isman and Russomanno were brought to trial in record time. On May 27 the sentences were handed down: an unprecedented 18 months' imprisonment, not suspended (as is usually the case in first offenses), for Isman; and two years, eight months for Russomanno. The sentence against Isman inspired a national press federation strike of 24 hours, during which no Italian newspapers were published and television news broadcasts were canceled. On the day following the strike, Red Brigades gunmen killed Walter Tobagi of the *Corriere della Sera*, a thoughtful journalist who had written searching articles on terrorism.

—DALE McADOO

London

Britain's Conservative Government warned that inflation was going to get a lot worse before it gets better. How right it has been. The cost of living has more than doubled since Margaret Thatcher became the nation's first woman Prime Minister in May 1979. A year later inflation was running at 21.8 per cent, the highest in the industrialized world. The Tories are confident it will begin falling late this summer if pay settlements do not continue to play spoiler. Government officials blame the inflation explosion on wage deals that have not been offset by higher efficiency and increased output. They also admit the considerable influence of two budgets in a year that boosted the cost of gasoline, alcohol, and tobacco. On top of all that, the British consumer has had to absorb higher gas and electricity charges and property taxes.

Chancellor of the Exchequer Sir Geoffrey Howe says the Conservatives will not introduce a pay policy to limit salary increases as the previous Labour Government used with mixed success. Although the Thatcher Government has given 20 per cent-plus raises to police, the armed forces, and other public employees, it has been critical of private enterprise doing likewise with unions.

The Tories have been trying to play catch-up with state wages to achieve some kind of parity with the private sector. Recently doctors and dentists in the state-run

national health service were given 31 per cent increases. This set badly with Britain's 350,000 nurses, whom Thatcher said could not have more than a 14 per cent raise—the ceiling she has set for public service workers to try to curb inflation. The Government said special pay treatment for doctors and dentists was needed to halt what is called a serious decline in their morale. Dentists will now be paid nearly \$34,000 annually by the state, while among doctors a general practitioner will make almost \$37,500 a year. Doctors and dentists have gotten almost 60 per cent pay boosts since 1978. An independent pay review committee at that time said their wages were seriously below other similar groups in the private sector. The nurses have asked for 30 per cent, but the Government argues they already have had raises worth 46 per cent since Thatcher took over.

Britain's slide into recession is reflected in the hard times experienced by companies outside the oil industry. The North Sea sector has been the economy's one bright spot for several months, the only major area where output is increasing. Production in all industries save oil and gas dropped 2.7 per cent in the first three months of 1980. A North Sea production increase of 3.7 per cent over the same period trimmed the overall drop in industrial output to 2.2 per cent for the quarter. The Treasury is predicting a 2.5 per cent reduction in gross domestic production this year along with a 4.5 per cent fall in manufacturing output. The latter estimate is supported by the Confederation of British Industry (CBI), the country's main employers' organization. The CBI said company profitability has been battered by large pay increases and the high exchange rate commanded by sterling strengthened by North Sea oil.

Thatcher has had one economic triumph—the flop of a "day of action" demonstration against her economic policies, led by Britain's trade union movement. The unions called for a massive 24-hour walkout. Nine out of 10 workers turned a deaf ear. It was the latest example of the widening gap between union members and their leaders, who find calls to strike increasingly challenged and rebuffed. Unemployment, currently 1.5 million, is likely to rise to 1.8 million by Christmas. Thus workers are less inclined to risk their jobs through industrial action.

One other sign of harder times: Traffic is moving across London at an average 12.5 miles per hour. That's the same speed horse-drawn vehicles achieved a century ago. With gasoline costing \$3 an imperial gallon, there's little wonder two-wheel traffic continues to grow. —PETER J. SHAW



Italy. © Bas, Tachydromos, Greece

pants in the 1976 murder of Judge Francesco Coco and his bodyguard in Genoa and went on to name seven of the nine *brigatisti* who in 1978 kidnapped and then killed former Prime Minister Aldo Moro and his bodyguards.

One important item of Peci's confessions was omitted, but it soon became widely known that he had named "either the son or nephew" of Carlo Donat-Cattin, a former cabinet minister and until recently vice secretary of the Christian Democrat Party, as a terrorist operating in *Prima Linea* (Front Line), a gang with a long list of

BRITAIN'S "NEW TOWNS"

Experiment provides lessons for US and EC urban planners

DAVID BELL, *news editor of the international edition of The Financial Times*

THERE ARE 28 OF THEM, CLUSTERED ROUND SOME OF Britain's largest, oldest, and most run-down cities. Taken together they represent the most ambitious exercise in urban planning in Western Europe since the Second World War. Known in Britain simply as the "new towns," they have spawned at least two offshoots in the United States—at Reston, Virginia, and Columbia, Maryland—and have been visited by delegations from more than 60 countries. In a period when urban planning has acquired a somewhat dubious reputation, new towns remain an example of what can be achieved, even in what were at the beginning the most unpromising of circumstances.

Now the new town experiment in Britain is coming to an end. The Conservative Government plans to break up the special development corporations that built the towns and to sell off part of their assets of land and buildings. But, at the same time, the ideas that lay behind the new towns are being applied to the decaying centers of some of Britain's cities in a fresh attempt to breathe new life into them.

The problems of British cities are not unlike those of the great cities of the eastern seaboard of the United States. London, Liverpool, Manchester, and Glasgow—like their counterparts across the Atlantic—are all old cities. Their social obligations have mounted as their property tax base has eroded. Their housing is showing its age; firms are moving to new industrial park sites elsewhere; whole neighborhoods are collapsing under the strain. By contrast, in the rest of Europe, the expansion of the cities has mostly taken place in the past 30 years. Paris, Milan, and Frankfurt, for example, have developed beyond recognition in the past quarter century.

In postwar Britain, planners were much preoccupied with the future of the cities. The centers of some had been badly bombed, but the basic urban fabric was intact in a way that it was not in cities like Nuremberg and Dresden, which suffered so much destruction in the closing stages of the war. So it was decided that a real effort should be made to provide an alternative to the slum areas that had escaped the bombing, while at the same time the city centers would be rebuilt.

Point Royal Flats at Bracknell New Town, Berkshire, England. Photos courtesy of the British Information Services, London



The new town idea, first applied in 1903 in Letchworth, north of London, seemed a perfect solution to the slum problem. Whole communities would be created by special development corporations that could plan them effectively. They would be built close to the old cities, but far enough away so that they were clearly separate entities. The result, 35 years later, is 28 new towns and one new city. Over 1 million people now live in them. More than 900,000 jobs have been created in 4,000 factories, and over \$7 billion has been spent on the experiment.

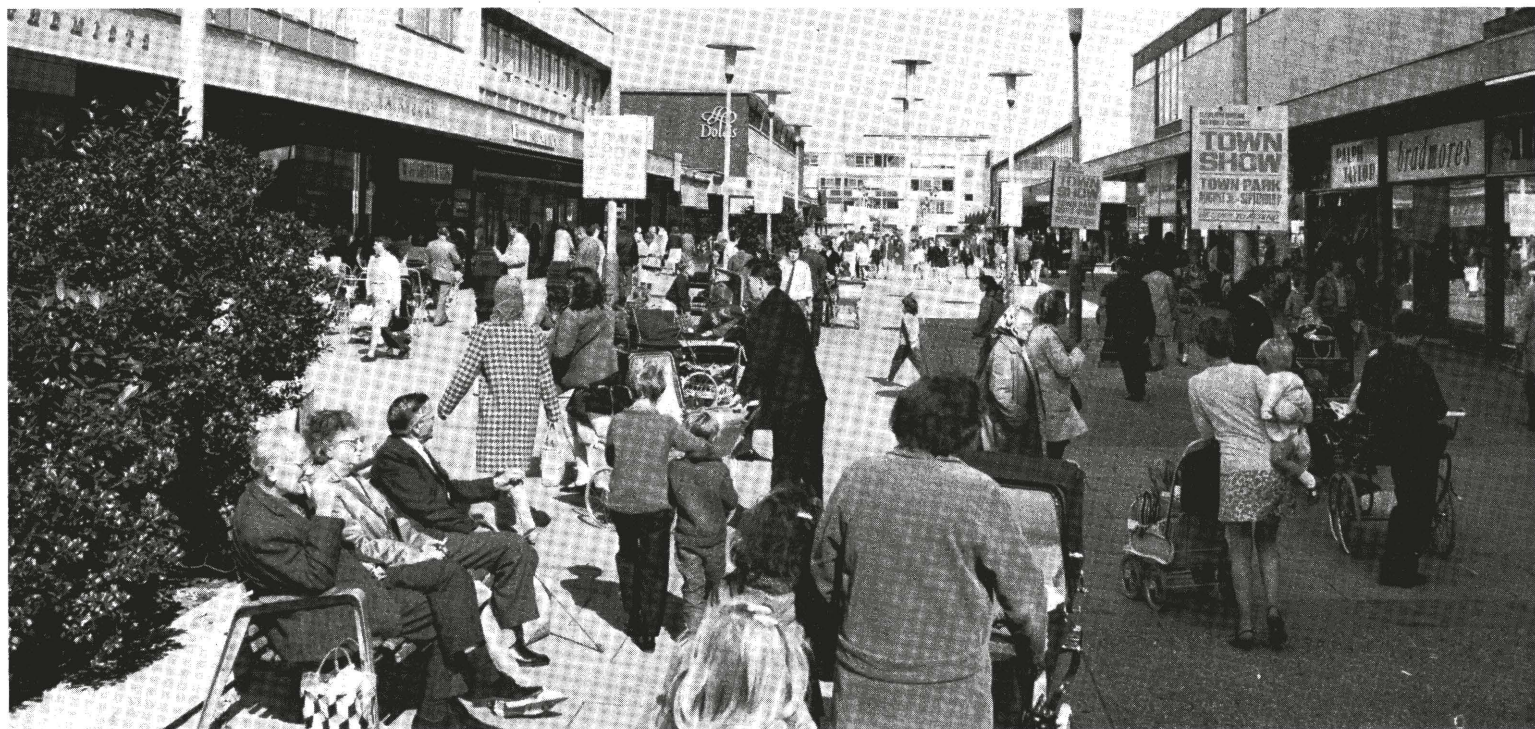
In the early days the new towns got bad press. Families, used to inner city life, were ill at ease in their new,

“council estates” as they were called, which were built on land from which slums had been cleared.

After the Second World War there was a vast expansion of this kind of development that continued for 20 years. As in the United States it has not been a success. One-class housing in semi-segregated areas has actually created as many social strains as it has solved, and it will take many years to resolve them. As Howard realized, it was not, in any case, enough merely to build new houses. Without proper provision for jobs, for example, it would be impossible to breathe life into neighborhoods even if they had been rebuilt.

Newcastle, where 75 per cent of the housing is owned

A pedestrian shopping center at the new town of Harlow, Essex.



much more spacious surroundings. There were not enough stores, pubs, or leisure facilities, and the new inhabitants missed their relatives still living in the neighborhoods they had left behind. But most of the new towns have now taken root successfully, and recent surveys suggest that an overwhelming proportion of their citizens have no wish to return to the cities which they left.

The model for the new communities was set by Ebenezer Howard, who planned what he called a garden city at Letchworth. Howard wanted to escape from the drab row houses of industrial Britain and cherished the Greek ideal that cities should be small, self-contained units in which people would be able to live and work without feeling alienated or overwhelmed. Howard eventually raised finance for four towns of this kind, but after the First World War planners became more preoccupied with straightforward public housing—new

by the local council, is a telling example of the inadequacy of much British urban renewal. Its old center has been rebuilt, and vast areas of slum housing have been torn down. Squat, unappealing, new public housing has been provided, but it is already nearly as unpopular as the old row houses it replaced. And the steady erosion of Britain’s heavy industrial base, so evident in the north of the country, has meant a steady increase in unemployment.

THE NEW TOWNS STAND OUT IN SHARP RELIEF from this gloomy picture. Even those in the north have attracted new industry, and all of them are mounting aggressive campaigns to attract more investment. The Scottish new towns, for example, have banded together and been very successful in promoting themselves.

Milton Keynes, the country’s only new city, provides

the most striking contrast of all to towns like Newcastle and Liverpool. It has been built midway between London and Birmingham with easy access both to the freeway network and to the main north-south rail link. Several existing communities have been annexed by the city development corporation, which is planning for an eventual population of about 250,000. Howard would be proud of the way in which the new community is growing, and many thousands of new jobs have already been created.

The development of the city is geared to a 20-year master plan in which the very first phase included the planting of thousands of young trees. Leisure facilities have been built in step with new housing, and ribbons of park land crisscross the city. It is not paradise: Some of the housing is uninspired, and so far it lacks much of a sense of community. But it will almost certainly prove a successful development in the end, like most of the other new towns that preceded it.

It is this very success that is now prompting the British Government to consider new town development corporations within the boundaries of existing cities. The idea is that parts of cities should be given a special status under the auspices of new, dynamic development authorities which could bring them back to life. Such schemes have been tried in small areas of cities like Philadelphia and Washington, but never on the scale envisaged in Britain.

The problem, of course, is that the new generation of new towns will not have the advantage of starting with a green field site. Nor will they always be able to offer industrialists the advantage of interstate highway and rail links in the way that the "old" new towns can. But, if it works, and if there is enough money to pay for it,

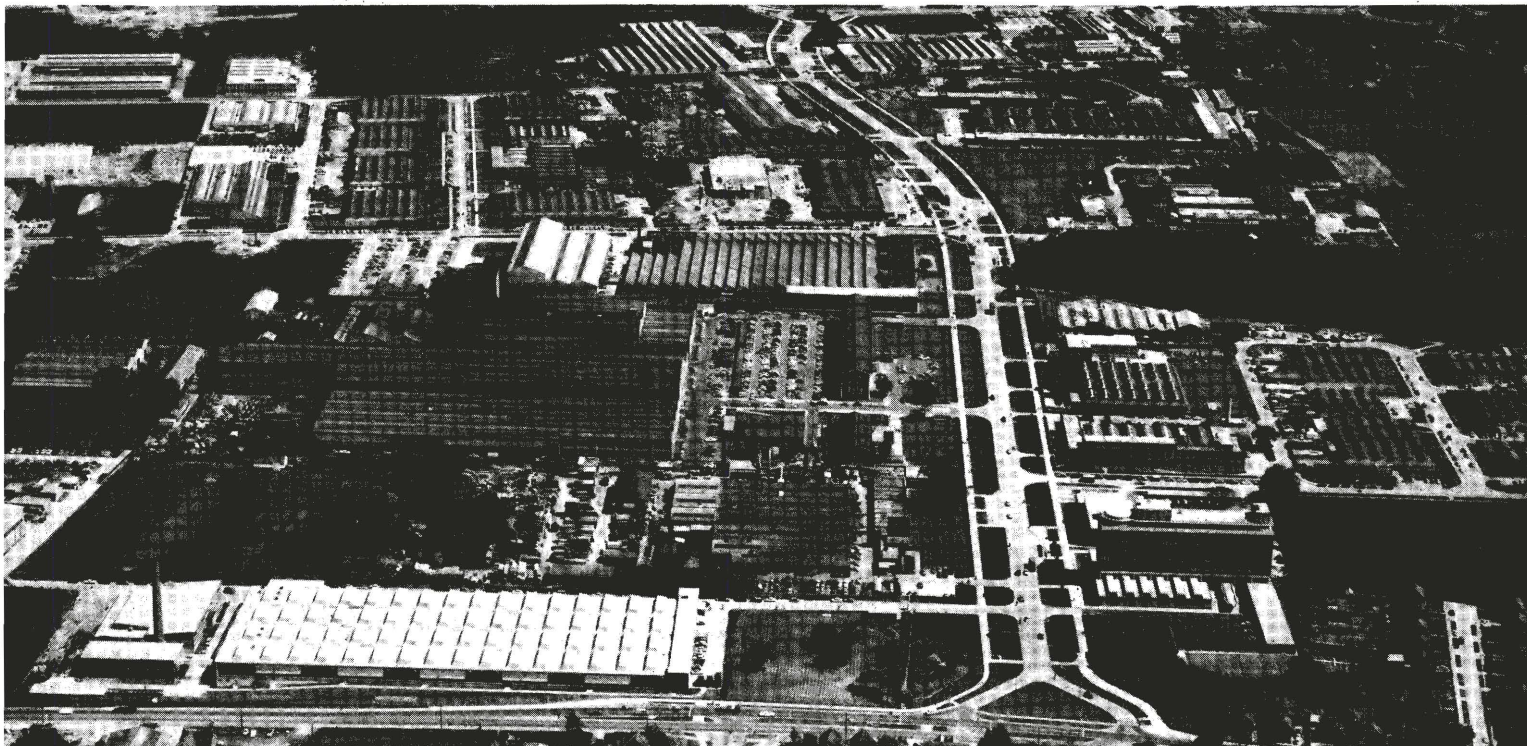
this approach is certainly an advance on current urban policy that has been as helpless to prevent urban decline in Britain as it has in parts of the United States.

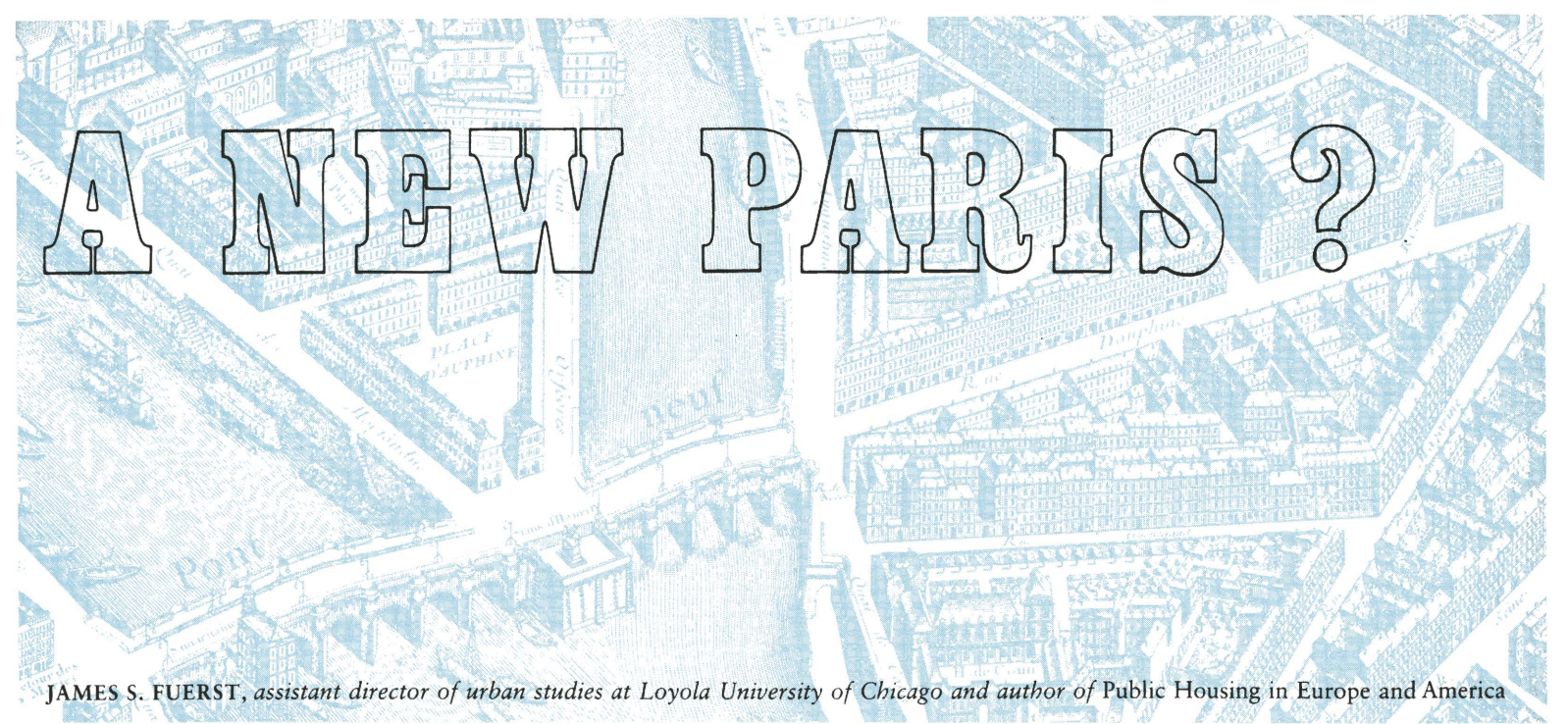
Curiously, not all these lessons appear yet to have been learned elsewhere in Europe. Whereas Britain stopped all new high-rise public housing at the end of the Sixties, the French and Italians pressed on with housing developments that are, if anything, even more ugly than those in Britain. The tall blocks that ring Paris, for example, are already beset by major problems of vandalism, drugs, and violent crime, and many sociologists believe that the situation will worsen in the years ahead. Indeed, most of Europe has been singularly unsuccessful at providing mass housing of the right scale in the way that the British new towns have.

Successful though they have been, the British new towns have only made a small impact—in terms of numbers—on the country's urban problems. In the late 1940's planners dreamed of enough new towns to house 10 million people—or one in five of the British population—and they saw the new towns as one way to cope with the huge population growth that was then predicted. This population surge has not materialized. Britain's population is now growing only just fast enough to replace itself, although there are signs of an upswing. But the problems of the cities are nevertheless growing worse, and until the British economy begins to perform better, there is less and less money available to remedy them.

Howard's idea is now facing another challenge—one much more difficult to meet successfully. Put simply, it is whether Britain can find a way to revivify its elderly cities or whether the country must reconcile itself to ever growing twilight zones in its larger cities where the future may be infinitely bleaker than the past.

The industrial estate at Crawley New Town, Sussex.





A NEW PARIS ?

JAMES S. FUERST, *assistant director of urban studies at Loyola University of Chicago and author of Public Housing in Europe and America*

You think your city is beset by urban problems? Imagine a city which, in spite of a 22 per cent population loss since 1954, still packs 2.2 million people into only 34 square miles—an almost suffocating population density of 104 per acre (compared to only 20 per acre in Chicago, for example.)

Imagine further that 80 per cent of all families in this city live in rented apartments or flats—the single-family home is almost unheard-of—and the bulk of the housing is at least 100 years old, or even 200 years old in more than a few cases. Even worse, imagine that 30-35 per cent of all housing units in this city have no private baths or toilets.

It sounds wretched, doesn't it? Ah, but there's a difference: The city is Paris.

Everybody loves Paris—and none more than its own citizens do—and for that reason Paris has escaped many of the urban problems that plague cities in the United States, with their increasing numbers of poor residents and declining tax revenues. An amazing difference between Paris and US cities is that the population of Paris is actually becoming wealthier. There has been an exodus to the suburbs, but it has been largely among the poor and working classes, while the numbers of the middle and upper class residents have even increased somewhat during the last generation. This has caused leading citizens' organizations to decry the "takeover of Paris" by the middle class and the relegation of the lower classes to the suburbs. But according to one of the principal urban planners in the Paris prefecture, "The death of the working class in Paris is greatly exaggerated."

Still, it cannot be denied that since 1954 some 900,000 people, mostly working class and more than a third of the city, moved out of Paris, while another 300,000 moved back in. In a country where for centuries the tradition

has been to live in one place all one's life, that is a substantial change.

As these introductory statistics show, Paris is not free of urban problems. Its housing conditions, by US standards, are poor, although there have been massive improvements since 1954, with the addition of 200,000 new housing units and the renovation of many thousands more. Yet much of the housing in Paris remains sub-standard or barely adequate, and the housing density is extreme. Still, Parisians love Paris. They love the little markets, the bustle of activity, the Métro, the sidewalk cafes, the plazas, the broad avenues, the old neighborhoods with their cheek-by-jowl, four- and five-story walk-ups, buildings that have stood for centuries through wars, invasions, depressions, and the five Republics of France. But love and tolerance have not been enough. The passage of time and the worsening of external conditions built up a demand for housing that had to be met, one way or another.

Public and private housing entrepreneurs in recent years have been trying to meet this demand, in some areas by renovating existing housing, but mostly by razing old structures and building new mid-rise and high-rise apartments. The French Government has led the way in this housing construction boom, largely through the efforts of the Habitation à Loyer Modéré (HLM), the French subsidized housing agency. In contrast to the United States, France has built a considerable amount of government-subsidized housing since World War II, and HLM accounts for 15 per cent of all new housing construction in Paris (down from 33 per cent in the postwar years).

Even more than they hate destruction of old housing, Parisians hate high-rises. It isn't that they desire single-family homes. Only in extremely wealthy areas does one see the

single-family homes so common in the United States. Paris is a city of renters. Somewhat more people own their own flats now than perhaps a generation ago, but the trend has slowed, not increased, in recent years. Eighty per cent of all housing units in Paris are still occupied on a rental basis, and the majority of these are in multi-unit, three- to five-story structures.

REINE FRANCHI IS AN ARTIST who lives in the fabled Montparnasse area of the xiv^{ième} Arrondissement. Hers is perhaps the only street in the area left untouched in the path of a gigantic new highway being built straight through the city to link up with the autoroute surrounding Paris. There has been a lot of high-rise construction in the area too; in the last few years the historic Montparnasse district has been cut apart and eaten up by office blocks, some 15-story HLM apartments. Franchi and her neighbors are deeply concerned that when the seemingly inexorable wave of demolition and construction finally reaches their little street, they will be unable to find equivalent studios at such low rents anywhere in the city.

That growing concern recently led Reine Franchi to run for the Chamber of Deputies; she got only 6 per cent of the vote, but she became an important leader in the fight of local citizens against the development of the area. She and the neighborhood group she leads believe that citizens should have the right not to be uprooted against their will, and the right to a good environment of their own choosing. Franchi's prime concern, in her own words, is the "destruction of social and moral values in the neighborhood, the lack of encouragement of community consciousness in the current process of change, and the great uncertainty and anxiety it brings about." She

is angered by the “hustlers who have made profits on displacing families, tearing down their homes, and building barren, inhuman, monstrous buildings in their place.” What angers Franchi and other “conservationists” is that they feel powerless to do anything to stop this process. The only alternative to demolition and construction seems to be rehabilitation of existing buildings, and even that is seen to have its “insidious” aspects. Yet their work has paid off; they have won the battle if not the war. The government has called off the highway running through the area and has agreed to restore other old housing there, as well as setting aside some open space for parks.

The issues are not so clear-cut as the ac-

areas that people who look back never want to remember.”

American writer Irwin Shaw, a long-time Paris resident, has noted with sadness that the warmth, rich quality of life, and other-century picturesqueness of Paris may be disappearing as the city surges toward the year 2000, but he also recalls with a sense of practicality the dictum of Charles Dickens: “The more picturesque the neighborhood, the higher the tuberculosis rate.”

The Paris authorities and the national Government have listened to the protesters on occasion and have made changes in their approach to new development. One informed official notes that the Government hesitates now before it allows any building or highway

financial outlay by spreading it over a much longer period than new construction.

Raymond Lamy, sub-director of the Paris HLM, pointed out in an interview that if HLM wishes to keep the number of dislocated families to a minimum, they must build in the city, in the very arrondissements that are resisting demolition, he argues. With Paris as dense as it is, and with little green space and open space at a premium, there is little they can do other than tear down the worst of the existing buildings and build multi-family units—mid-rise if not high-rise. HLM officials recognize as well as other Parisians, Lamy says, the necessity of retaining the traditional spirit of Paris in its buildings. But if they merely rehabilitate, they cannot take care of



Evidence of the construction boom in Paris can be seen in the background of this view of old Paris, taken from the ultra-modern Georges Pompidou Center of Modern Art. © Jean-Pierre Laffont, Sygma

tivists contend, however. It is difficult to say exactly what the majority of Parisians want, or where their best interests lie. Three young salesmen in a book store in Place Emile Zola, in the xvième Arrondissement, recently debated the problems of new high-rise housing versus rehabilitation. The first echoed the people in the xiiième: “Neighborliness, friendliness, and helpfulness somehow disappear when blocks of housing replace the old structures.” The second, who lived in a rehabilitated unit, added, “The great problem in rehabilitation is that it must be done adequately. Most of the time it isn’t, and we pay higher prices for less than standard apartments.” But the third, who lived much of his life in the older areas of the city, responded, “I don’t recall this great neighborliness that everybody laments so nostalgically. It is all a myth encouraged by the ‘Establishment,’ who don’t want to put money into new buildings. There is a ‘dog-eat-dog’ quality about the old

that involves the razing of old structures or the elimination of green spaces. And it hesitates even more before building any large agglomeration of housing.

Urban renewal has become a curiously important political battlefront, with Giscard d’Estaing taking the position that the old must be preserved: housing, green space, businesses, and, of course, public monuments. This reluctance to build fits neatly with Giscard d’Estaing’s basic anti-inflationary stance, and enables the government to substitute praiseworthy and popular reasons for blocking new construction for a less acceptable reason (curbing inflation). The government accompanies this reluctance to build new housing with emphasis on quality urban rehabilitation in Paris. However, the process of rehabilitation, which requires planning approval, land acquisition, relocation, gutting, and rebuilding, usually takes a far longer period of time, and reduces the government’s

the many families displaced by the necessary razing of buildings that are too deteriorated to rehabilitate.

But, on the other hand, it must be said that HLM does a substantial amount of rehabilitation. For example, a large-scale rehabilitation project has been going on for 10 years in the ivième Arrondissement, “Le Marais,” the home of Notre Dame and other of the most venerated monuments in the city—as well as the offices of the Paris prefecture, it must be pointed out. At present, much of this reconditioning by HLM, in this area at least, is on behalf of the low- and moderate-income families already living there. Nevertheless, considerable displacement of the poor by the middle class has already occurred in the Marais, with many flats now renting at \$500 to \$700 a month for four rooms. In fact, 40 per cent of the ivième Arrondissement is now occupied by the upper middle class, compared to 25 per cent in 1954, while the total popula-

tion of the district has decreased by almost half.

PARIS'S POPULATION DENSITY is truly such that if housing and living conditions are to improve without massive change in the nature of the city, then further expansion to the suburbs is necessary. The government believes that the distribution and speed of this expansion should be smoothed so that the well-to-do as well as the workers will go to the suburban areas—and that only through a carefully orchestrated program of HLM-built public housing in the suburbs and in the city can this be brought about.

A principal problem in Paris, as in Chicago, is the type of HLM to be built. Public opposition is particularly bitter against massive

by HLM. Critics worry that the L'Horloge development is only a pilot project for HLM—not to be replicated—that not many such projects will be built elsewhere. They point out that HLM usually does not work so closely with private developers, nor does it usually erect buildings as small as 50 units; moreover, they say that even this development will accelerate the exodus of lower-income families as more speculators buy into the neighborhood.

The new HLM program is also designed to help turn away charges that Paris is exiling its poor and immigrant citizens to the “new towns” outside the city. For example, *The New York Times* architecture critic, Ada Louise Huxtable, has decried the sterility of the French new towns and their high-rises.

urban and interurban transportation system—a fact often overlooked by the new towns' critics. Paris's Métro has 240 stations for its 32 square miles and 2.2 million people—meaning there are nearly eight stations for every square mile of the city. Outlying regions are also well served by the RER.

In spite of all this, it is easy to see why so many Parisians and others view the new towns and the in-city HLM developments with skepticism and even alarm. Parisians like Paris the way it is, and they do not lightly accept changes; indeed, the rest of the world agrees. Living in a suburban new town is not the same as living in Paris, and a new Paris filled with modern high-rises is not the same as the lovely Paris of old, crowded with its picturesque



These apartment buildings in Créteil, a suburb northeast of Paris, are called the “Choux de Créteil” because the balconies look like cabbage leaves.
© J.A. Pavlousky, Sygma

high-rise projects like Créteil and La Défense, in some of the suburbs to which less affluent immigrant groups have gravitated. But many of the HLM buildings are not as bad as their detractors would have us believe, certainly when compared with their counterparts in the United States. Representative of the “new breed” of HLM projects is the 750-unit development in Beaubourg, in an area designated for intensive new development. Public and private development has been combined to produce a total of 750 apartments—350 for sale and 350 low-moderate income rental. This development, known as L'Horloge, faces the Place Beaubourg, the same square occupied by the Pompidou Center of Modern Art, the spectacular new library-museum that is currently the city's top tourist attraction. About 600 units of housing were razed to make room for the development, while an existing 45-unit building was retained in its original condition, with some rehabilitation

There is some truth to such criticism, but critics did not look far enough; some of the new towns appear to be working well, although many of their residents often give voice to the same complaint: It isn't Paris.

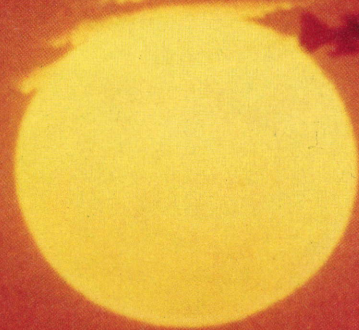
The government sought to correct one flaw in LeGrigny, a new town even farther outside Paris, by building rows of multi-unit buildings two or three stories high. At Marne LaVallé, the government has taken further steps to eliminate such flaws in its new town. Marne LaVallé—about 20 minutes from Paris by commuter train, Réseau Express Régional (RER)—is a regional town that embraces 15 existing towns and villages, in which various developments of about 1,000 units have each been designed and built by different developers. Some of the units are high-rise, but most of the newer developments are low-rise homes of different varieties.

Commuting is relatively easy from most of the new towns, thanks to Paris's excellent

four- and five-story walk-ups. But the need for housing of adequate quality, picturesqueness aside, is crushing, and on the whole HLM and the government are conducting an enlightened housing program. There have certainly been errors of judgment—too many high-rises, too much dislocation of families, not enough low-cost housing available to low- and moderate-income families, not enough low-rise building, not enough rehabilitation. But without question, progress is being made.

Because of public outcry, fewer high-rises are being built, more accommodation is being made for Paris's low-income residents, and more public funds are being spent on rehabilitation. If such progress is painfully slow, hindered at every step by complaint, criticism, and alarm from every side—well, perhaps that is as it should be. This is not just any city, after all; Paris must learn and change gracefully, so it can enter the Twenty-first Century as an even greater city than in the past.

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NEWS

OF THE COMMUNITY

US-EC RELATIONS

High-level Consultations

Top US officials went to Brussels in May for regular semiannual consultations with the EC Commission.

The delegations were headed by US Undersecretary of State for Economic Affairs Richard Cooper and EC Commission Director-General for External Relations Sir Roy Denman. At a joint news conference following the talks, both officials called the planned implementation of economic sanctions against Iran adequate.

Among bilateral issues discussed were the problems of trade in steel products, synthetic fibers, and footwear. The agenda also included discussion of the international energy picture and implementation of the Tokyo Round package of trade and tariff negotiations.

Muskie Goes to Brussels

The new US Secretary of State, Edmund Muskie, visited Brussels in mid-May and discussed the Iran trade embargo with EC Commission President Roy Jenkins.

Talks between the two officials concerned the scope of the trade embargo that the EC foreign ministers had agreed to in Luxembourg in April. Following the meeting with Jenkins, Muskie told the press that there was a problem of "definition" on the embargo issue between the two sides of the Atlantic.

The difficulty surrounded the application of the restriction to existing contracts with Iran. US officials had said that the United Nations resolution that the Community supported did apply to existing as well as future contracts. The Community had planned to exclude past contracts.

Muskie also touched briefly on relations between the industrialized and developing countries in talks with Development Commissioner Claude Cheysson during the meeting in Brussels.

New Antidumping Case

Another antidumping case against US imports was announced by the EC Commission in late May. The case involves imports into the Community of US-made synthetic fibers.

The complaint by the International Rayon and Synthetic Fibres Committee was the fourth in recent months involving man-made fibers from the United States. The problem has been attributed to the effects of price regulation of US-produced petroleum and natural gas, which has meant that raw materials used by the US petrochemical industry have not risen in cost the same as the world market's, thereby giving US producers an advantage.

The industry complained that imports of textured and nontextured polyester yarn have put European producers at a disadvantage because they had to cut their selling price despite the rises in oil costs. US nontextured yarns rose from 8.8 per cent of the Community market in 1977 to 14.3 per cent in 1979, and textured yarns from 0.4 per cent to 7.9 per cent.

EXTERNAL

EC-Brazil Accord Completed

A framework trade and economic cooperation agreement between Brazil and the Community was initiated in Brussels in mid-April.

The agreement provides for the setting up of a joint committee to promote the development and diversification of trade and economic relations between the two. Under the agreement, cooperation will be "realized in an evolutionary and pragmatic fashion . . . between equal partners, taking into account their respective levels of development."

New EC-Indian Accord

Negotiations between India and the Community on an economic and trade cooperation accord to replace the existing arrangement should be concluded by August, it was agreed in May when EC Commission President Roy Jenkins met with Indian Prime Minister Indira Gandhi. The negotiating mandate for the Community had already been adopted by the Council of Ministers and the accord was given high priority, Jenkins told Indian officials.

Jenkins told the press that his talks with Gandhi revolved around three topics: bilateral issues, the North/South dialogue, and the political turmoil in South Asia. In a speech before the Indian Council of World Affairs in Delhi, he also said that the world faced the threat of a crisis in the international economic and financial system, and that unless a way is found to recycle the surpluses received by the petroleum exporting countries, "We risk a collapse of the present structure."

The EC Commission plans to open

a delegation office in New Delhi, Jenkins announced, as a demonstration of India's importance as an economic and trading partner for the Community.

Andean-EC Negotiations

Talks between the Community and the Latin American Andean states in early May in Brussels signaled the start of forthcoming negotiations on a trade and economic cooperation agreement.

The meeting closed with a joint declaration supporting pluralistic democracy, regional economic integration, and a desire to enlarge the scope of trade and relations between the two groups. Dealing specifically with economic issues, the declaration covered the investment picture and expressed the desire to avoid protectionist trade policies. The talks also included a survey of international issues ranging from current tensions and conflict to the search for a new international economic order.

The meeting marked the second such contact between the Community and another regional group, the first being the Association of Southeast Asian Nations. The five member countries of the Andean Pact are Ecuador, Bolivia, Columbia, Peru, and Venezuela.

New Canadian Leader Visits

The first contact between the new Canadian Government and the Community took place in mid-May when Foreign Minister Mark MacGuigan visited the EC Commission.

Discussions reportedly covered not only bilateral trade issues connected with the EC-Canada cooperation accord, but also other topics such as the Afghanistan and Iranian situations, Canada's forthcoming referendum on relations between Quebec and the rest of the country, and the possible resumption of Prime Minister Pierre Trudeau's "third option" of closer relations between Canada and Europe.

Thai Leader Visits Brussels

Thailand's Deputy Premier Thanat Khoman met with EC Commission Vice President Wilhelm Haferkamp, responsible for external relations, in Brussels in mid-May to discuss Cambodian refugees in his country.

The Community has in recent months assisted the international effort to aid the refugees and the Thai Government in coping with this dramatic influx of people. Much of the discussion focused on the work carried out by the United Nations High Commissioner on Refugees.

Foreign Ministers Gather

A regular informal session of the EC foreign ministers was held in Naples in mid-May. Among issues covered were the trade embargo against Iran and the British contribution to the EC budget.

The ministers agreed that the application of the trade embargo should apply only to contracts signed after the taking of the US embassy in Iran. This

move was to show solidarity with the US Government while seeking not to discourage moderate elements in Iran.

Although they discussed the British budget contribution, the ministers were unable to arrive at a solution. The gathering also heard reports concerning recent meetings in Vienna with Soviet Foreign Minister Andrei Gromyko. They discussed the Afghanistan situation and the possibility of a joint European initiative concerning the negotiations for Palestinian autonomy. Without reaching a joint conclusion, the group touched on attitudes regarding the possible Olympics boycott.

Cocoa Talks Could Resume

EC officials met with leaders from the Ivory Coast in mid-May to discuss the possibilities for resuming talks on a world cocoa trade agreement.

The subject of closer collaboration between the two was raised by the Ivory Coast during a meeting of the EC-African, Caribbean, and Pacific Council of the Lomé Convention held recently in Nairobi, Kenya, following the collapse of the international negotiations. The issue is crucial for the Ivory Coast, because it is one of the world's largest cocoa producers and exporters. The Community is at the top of the list of Cocoa importers and consumers.

Australian Delegation Visits

Increasing European investment in Australia was the topic of discussion when a business and trade delegation from that country visited Brussels in late May.

The Australian Minister for Special Trade Representations Douglas Scott headed the group. He planned to discuss the possibility for expanding Australian trade in raw materials, such as coal and uranium as well as bilateral trade problems, as in farm produce including sugar, beef, and veal.

Following its talks in Brussels, the delegation was to visit Athens for conversation with Greek officials on the implications of Greek EC membership on trade and opportunities for exporting Australian coal and other raw materials to Greece.

Consultations with Japan

Talks in both Tokyo and Brussels in mid-May between Japanese and EC officials on bilateral and international topics were held against a background of reports that the European trade deficit was again mounting to worrisome levels.

EC Commissioner Etienne Davignon, in charge of industrial affairs, talked with the Japanese Minister for Commerce and Industry Y. Sasaki on several cooperation issues, including the possibility of joint development of a new medium-range passenger plane, jointly-produced turn-key projects and machine tools for the third world, Japanese investment in Europe, and specific trade problems, such as Japanese exports to Europe of television sets and

automobiles.

A few days later in Brussels the semi-annual consultations with Japan were led by EC Commission Director-General for External Affairs Sir Roy Denman and Japanese Vice Foreign Minister Kikuchi. The talks were reported to have covered a broad range of issues including international trade and economics, the North/South dialogue, and bilateral trade and industrial subjects.

While these contacts were described as almost routine, they took place as the Community trade deficit with Japan was climbing to alarming rates after stabilizing in 1979. First quarter figures registered this trend. It was noted that because of its mounting oil import bills, Japan was unlikely to increase its import of manufactured goods from the Community, nor further restrain its exports.

Sanctions Go Into Effect

The Community began applying economic sanctions against Iran on May 22 in hopes of aiding the release of American hostages held there. The measures had been agreed by foreign ministers meeting in late April and confirmed by the European Council summit in Luxembourg a week later.

Foreign ministers meeting informally in Naples in mid-May confirmed the decision to apply sanctions but decided to make them retroactive to November 4, 1979, the day the captives were seized. When the British Government sought parliamentary backing for the Naples decision, it found significant opposition and rejected the Community plan.

It was generally believed that the sanctions, which applied to supply and service contracts but not food and medicines, would affect only a small portion of Community trade with Iran because few contracts had been signed since the November taking of the US embassy in Teheran.

ENERGY

Action to Cut Oil Use

A proposal urging member states to commit themselves to a new series of measures to move away from oil consumption was approved by the EC Commission in May.

In his presentation of the proposal, Energy Commissioner Guido Brunner said the cornerstone of the commitment should be intensified investment in energy production and energy saving in the Community underpinned by progressive harmonization of energy prices and taxes.

It is also vital, Brunner reported, for the Community to agree on an energy planning framework for the period up to 1990.

At present rates the Community would still be burning 70 million tons of oil in 1990 for electricity generation.

Brunner added that in the develop-

ment of new policies, the Community must be ready to increase its solidarity with its industrial partners and to extend contacts and cooperation with oil producers and non-oil developing countries.

Report on EC Coal Market

A report on the EC coal market in 1979 and forecasts for 1980, approved in May by the EC Commission, said that the Community's energy demand rose by about 5 per cent in 1979 while the share of coal rose from 18.7 per cent to 19.4 per cent.

In all, solid fuels met 22.2 per cent of the Community's energy requirements in 1979 compared to 21.6 per cent in 1978. Coal consumption was 7.4 per cent higher than in 1978. The recovery of the steel industry caused an increase of 10.8 per cent in coke consumption in 1979, and consumption of coal for electricity generation rose by 10.4 per cent.

Price increases have been moderate, said the report. World market prices have been depressed causing the competitive position of EC coal to deteriorate over the year as a whole. Coal imports rose by 30 per cent in 1979.

No great changes in demand were predicted for 1980; coal production was estimated to be up, and third country coal imports were predicted to grow.

EC Oil Bulletin

The Community's average increase in free-on-board prices of crude oil between December 31, 1978, to May 19, 1980, was 135 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 95 per cent over the same period. If these prices had been in line with the Rotterdam spot prices, the figure would have been 94 per cent rather than 95 per cent.

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

Loans For Energy

Three loans from the New Community Instrument for Borrowing and Lending, also known as the "Ortoli facility," were signed by the EC Commission and the European Investment Bank in early May. All three go to projects to produce or save energy resources.

Two loans to Bord Na Mona, the Irish peat authority, totaling 14.4 million European units of account are to develop Irish peat bogs for fuel production. Nearly two-thirds of the financing goes toward developing 7,000 acres of bogland and construction of a factory in County Tipperary, where the peat will be processed into briquettes used in open fires and heating installations. The rest goes for development of bogs in five areas, mainly in the Midlands, that will produce milled peat for peat-fired power stations and

also for manufacture of briquettes.

The third loan is to the Italian Ente Nazionale per l'Energia Elettrica (ENEL) to help finance an investment project for establishing an electronic control system to monitor the generation and distribution of electricity.

The system will save Italy the equivalent of 66,000 tons of oil a year and facilitate power exchanges between Italian, French, Swiss, Austrian, and Yugoslavian grids.

EC-US Solar Symposium

An international symposium on solar energy was jointly organized by the Community and the US Department of Energy in late May.

The theme was the examination of nontechnical obstacles to the use of solar energy and included all aspects, such as industrial, economic, legal, fiscal, and regulatory. Over 100 participants were invited from throughout the industrialized world, including Japan and Israel.

As evidence of its commitment to develop solar energy, the Commission is currently financing a number of projects throughout the Community. A first series of 16 solar projects was selected in December 1978 at a cost of just over EUA 3.2 million. Recently, 10 more projects were selected with a Community grant of EUA 3 million. Overall, EUA 22.5 million is available and more projects will be selected.

Assistance for Coal Projects

A new round of appeals for projects in coal gasification and liquification has been launched by the EC Commission.

This series of projects to be partly financed by EC funds will be similar to four that were approved in 1978 and benefited from 15.8 million European units of account (EUA) in Community aid. The Commission has been supporting such projects in the belief that coal will become increasingly important in the Community energy balance. So far the Council of Ministers has approved financial aid of EUA 50 million, and the Commission has recommended that it be increased to EUA 100 million.

Energy Guidelines Adopted

Guidelines adopted by EC energy ministers meeting in mid-May called for a reduction by 1990 to 0.7 per cent or less the average Community ratio between the primary energy consumption rate increase and the growth rate for gross domestic product.

The ministers agreed to cover by means of solid fuels and nuclear energy 70 to 75 per cent of energy for electricity requirements. Use of renewable energy sources will be encouraged, and the ministers also adopted a resolution inviting member states to adjust and coordinate their energy savings plans by the end of this year.

Energy Commissioner Guido Brunner reported at the meeting that oil

stock levels were reasonably satisfactory and that Community oil imports for 1980 may be about 15 million tons less than foreseen. As a follow-up to the European Council summit in Luxembourg, the ministers also agreed to begin a process of examining longer-term energy financial strategy. An initial phase involves questionnaires to national administrations about plans and programs.

Energy-Use Labels Proposed

Extension of its system of energy consumption labeling to include refrigerators, freezers, washing machines, and dishwashers has been recommended by the EC Commission.

The aim of such labeling is to inform consumers about energy use of appliances so comparisons might be made to select products using less energy. The information would be printed on a light orange label under a uniform labeling system to be used throughout the Community. The system would not be compulsory but is expected to be extended to other items.

The proposal was made to the Council of Ministers which had already adopted the first EC labeling plan for electric ovens.

ENVIRONMENT

Whale Protection Proposed

The EC Commission has proposed that the Council of Ministers adopt a regulation making the import of primary whale products into the Community subject to a system of import licenses as of January 1, 1982.

The measures called for the issue of licenses only when authorities were assured that the products concerned would not be used for commercial purposes.

Substitutes are already available for all products derived from whales, and the Commission takes the view that industry will have no great difficulty in foregoing the use of whale products, given a reasonable period of adjustment. The United States has already enacted such a ban, and Australia is considering similar arrangements effective January 1, 1981.

Nuclear Waste Management

The first EC conference on radioactive waste management and disposal was organized by the EC Commission in late May. Experts presented an evaluation of the Community's first program in this field, which cost over 19 million European units of account (EUA) for the period 1975-79. The second five-year program now in progress has a budget of EUA 43 million.

The objective of the program is to find the most effective means of ensuring the safety and protection of man and the environment against the potential hazards of radioactive waste.

The conference dealt with the treatment and conditioning, handling, storage, and disposal of radioactive wastes.

Recycling Recommended

A recommendation on the recovery and reuse of waste paper and board has been passed to the Council of Ministers by the EC Commission, it was announced in May.

The quality of wastepaper that is theoretically recoverable within the Community amounts to about 25 million tons a year. Of this only about 10 million tons are recovered at present. The Commission's recommendation called for the member states to implement policies to encourage the use of recycled paper and board; encourage the use of recycled paper and board containing a high percentage of mixed wastepaper; reexamine specifications for paper products that restrict the use of recycled paper; implement programs for consumer and manufacturer education; develop and promote uses for wastepaper other than as raw material for the manufacture of paper and board.

Recommendations on using more recycled paper and board in public services exist in several member states, although there is no legal obligation to do so in any country. France, however, developed an active policy by taking the following measures in 1978: increase in funds to promote wastepaper recycling; greater de-inking plant capacity; development of outlets for recycled paper. Since 1978 the Official Journal of the French Government has been printed on recycled paper.

In the EC Commission departments 35 per cent of the total amount of paper used has been recycled, and the Second Report on the State of the Environment published by the Commission in 1979 was printed on recycled paper.

Environmental Report

A major review and forecast in environmental protection was released by the EC Commission in late May. The report noted that the lack of personnel to carry out programs in this field has been among the difficulties encountered in the past few years.

Other problems noted were the lack of solid scientific information and differences between member states in their approaches to legislation and measurement of the environmental risks. In the future the Commission said it would seek to fully implement directives already adopted and to draw up a list of new priorities.

These might include control of toxic substances, combatting oil pollution at sea, controlling transfrontier pollution, and protection of land and soil. Assessment of the environmental risks of major construction projects, implementation of sound waste management techniques, and development of new low-polluting or resource-conserving technologies are also on the list of possible priorities.

COMPETITION

Aiding an Informant

The EC Commission announced in late May that it had granted an exceptional financial aid to its informant in a competition case and that it had taken a position concerning activities of firms based outside the Community.

The informant, Stanley Adams, had furnished documents from the Hoffman-La Roche pharmaceutical firm in Switzerland during an investigation into the company's vitamin sales and prices inside the Community.

The company was fined by the Commission for violation of EC competition rules on dominant position in a market.

Adams was then prosecuted and sentenced to prison for violation of Switzerland's secrecy laws.

In its recent announcement the Commission indicated it had also decided to inform Swiss authorities that restrictive practices and agreements by companies in Switzerland that affected trade within the Community and between the two were incompatible with provisions of the bilateral Swiss-EC free trade accord.

Access to French Market

As a result of EC Commission action, the Service d'exploitation industrielle des tabacs et des allumettes (SEITA), which has a monopoly in the production of manufactured tobacco in France, has decided to make changes in its exclusive distribution system.

By virtue of the modifications agreed to by SEITA, three options will be open to foreign manufacturers on the French market beginning January 1, 1981: to set up their own distribution networks; sign a contract with SEITA giving it exclusive distribution of all products for five years; sign a two-year exclusive distribution agreement with SEITA for specific products.

The French act of May 24, 1976, adjusting the importing and wholesaling monopoly in manufactured tobacco, had earlier allowed producers from other member states to set up independent wholesale networks in France, relieving them of the obligation to import and distribute products through SEITA.

The Commission approved the new SEITA arrangements which allow foreign manufacturers to gradually set up their own distribution networks and has terminated its proceedings against SEITA. The new arrangements will bring other Community tobacco producers into line with EC competition rules by changing the conditions of their access to SEITA's distribution network.

Auto Accord to Be Examined

A recent pact among six major European automobile manufacturers aimed at cooperation in research and technological design will have to be ex-

amined for compliance with EC competition rules, the Commission has announced.

The Commission welcomed the accord, however, and is known to have worked for at least two years to encourage such cooperation to better prepare for future needs and to meet foreign competition in fuel-efficient vehicles. An earlier pact involving Fiat and Citroen has already been accepted by the Commission.

Chemical Industry Warned

The European chemical industry will not be exempt from competition for petroleum resources, although it will be given high priority for these supplies, said EC Energy Commissioner Guido Brunner in mid-May.

He told the European Council of the Chemical Manufacturers' Federation that their industry received about 45 million tons of Naphtha per year worth approximately \$17 billion. He said that the industry's needs would be provided for but that it was up to the industry to use supplies wisely without wasting "a single drop."

The Community will need \$650 billion over the next 10 years for production and investment to assure energy supplies, said Brunner. He added that while there would be less for consumption in the end, there would be more jobs, less inflation, and a better balance of payments.

The chemical industry represents about 2 million highly-skilled jobs in the Community.

AID

Relief for Kampuchean People

A new 27.5 million European unit of account (EUA) package of EC aid for the people of Kampuchea was announced in late May. Contributions to the second phase of the Kampuchean relief program announced by several EC member states amount to a further EUA 31.4 million. Aid will be available to all victims of the events in Kampuchea.

Klaus Meyer, general-director for development, in pointing out obstacles that continue to hamper the relief effort, called for improvement of camps on the Thai border and for provisions for a road bridge to transport supplies across the border into Kampuchea. He also emphasized the importance of a more direct air link between Bangkok and Phnom Penh.

Suggestions for improving the situation in Kampuchea itself were to increase relief and medical personnel, improve transport, and distribute aid according to need.

EIB Loans Granted

Loans to three countries were granted by the European Investment Bank (EIB) in late April to assist in development projects.

A loan for 3.5 million European units of account (EUA) was granted to Cape Verde for constructing a repair yard at Mindelo Bay for large deep-sea fishing boats and some small commercial vessels. The repair yard, scheduled for commissioning at the end of 1982, is expected to create about 700 jobs.

An EUA 5 million loan was approved for Morocco to be used for the acquisition of equity holdings in small and medium-size industrial undertakings.

Construction of a railway line, mainly for transporting phosphate rock in central-western Tunisia, will be helped by two loans totaling EUA 20 million, one from EIB and the other from EC budgetary funds.

Development Funds Approved

More than 28.6 million European units of account (EUA) were committed for development projects in the Third World in financing decisions made by the EC Commission in late April.

For additional expenditure in a regional research project on aflatoxin, the Sudan was granted over EUA 1 million. Zaire was awarded EUA 1.3 million for the second phase of a cattle farming project. For repairs to a national highway, the Central African Republic was granted over EUA 8 million.

Guinea Bissau was granted EUA 2 million to upgrade a track of unsurfaced road; the Solomon Islands will receive a loan on special terms for EUA 5.2 million for the development of a telephone system there. Reunion received a grant and a loan amounting to EUA 2.65 million for a water engineering project and agricultural development; the Ivory Coast was granted EUA 1.9 million to improve sanitation facilities in a town of 50,000.

Uganda received approval for a loan and a grant totaling EUA 1.7 million to allow the Uganda Development Bank to give loans to small and medium-size firms, and for technical assistance. Nigeria receives a grant of over EUA 1 million for technical assistance and equipment to three research institutes; Ethiopia was granted EUA 2 million for a training program already underway; for the first food laboratory there the Bahamas was granted a loan on special terms of EUA 446,000.

Malawi was granted EUA 375,000 for extension of a rural trade school. Senegal also received a special loan of nearly EUA 1 million for promotion of craft industries.

Lomé Cooperation Meeting

Nearly 300 persons from the industrialized and developing world gathered in Marseilles in late May for a special meeting on cooperation and trade in the context of the Lomé II Convention.

The meeting brought together business and industrial leaders and officials from the Community and the 59 African, Caribbean, and Pacific (ACP) member nations of the trade and aid agreement. EC Commissioner Claude

Cheysson, in charge of development policy, said that trade between the Community and the ACP countries had progressed well between 1975 and 1979, the span of Lomé I, but that trade was still too characterized by the export of ACP farm and raw material products.

Emergency Aid Planned

Emergency aid amounting to 200,000 European units of account (EUA) has been approved by the EC Commission as part of a worldwide effort to help those affected by warfare in Angola.

In addition to this aid, the Commission has planned additional food aid worth EUA 300,000, to include over 1,000 tons of cereals, 50 tons of butteroil, and 100 tons of milk powder. Approximately 300,000 persons have been hit by the fighting in central Angola.

The second major program of emergency aid to relieve the Cambodian situation was recommended in early April by the Commission. EUA 43.5 million was proposed to help persons inside Cambodia, those inside Thailand, and also to Thai peoples affected by the influx of Cambodian refugees. In all at least 500,000 people have been affected.

RESEARCH

Training Funds Proposed

The Commission has approved a proposal to double the funds available for scientific and technical training under the new four-year program starting next year.

Just over 11 million European units of account (EUA) would be available for the 1981-84 program compared to EUA 4.6 million for the previous four years. These programs began in 1958 in nuclear research, but since 1977 have been extended to include all areas in Community research programs.

The program generally aims at encouraging the mobility of scientists at various levels of training and at establishing and strengthening links among Community scientists in related fields. Greater emphasis will now be given to further training for qualified scientists and engineers with several years' professional experience.

The new program will also take into account the coming accession of Spain and Portugal and the arrangements for scientific and technical cooperation provided for in agreements between the Commission and a number of non-member nations. Most of the new expenditure will go to provide 430 grants for research at various levels of training. Work done must be carried out in a member state other than the applicant's own country.

First FAST Report Released

The first report of the Forecasting and Assessments in Science and Technol-

ogy (FAST) program was released in late April. The program was established in 1978 to help identify options and priorities for a long-term EC policy in science and technology.

The FAST program studies the interactions between society, science and technology, and especially the consequences of technological change as it affects the productive sectors, employment, and work. It also seeks to throw light on future challenges, conflicts, and opportunities.

The report paid particular attention to new technology that will provide new jobs, such as data processing technology, new technical and agricultural products, and new methods for using micro-organisms and biological agents in industry and for energy.

ECONOMY

ECSC Loan Contract Signed

The proceeds of a recent bond issue by the European Coal and Steel Community will be used to finance investments in the coal and steel industries and reconversion programs.

The amount of the loan is \$100 million at an annual interest rate of 11.5 per cent for eight years. Admission of the bonds to official quotation on the Luxembourg Stock Exchange has been requested. Negotiations conducted by the EC Commission with a syndicate of banks resulted in the signing of the contract in early May.

Production Slips in February

Statistics released in late April showed the index of industrial production in the Community had dropped slightly in February.

This slowdown in industrial output included both a decline in consumer and intermediate goods and an increase in capital equipment. Production in 1979 was also shown to have increased by 4.7 per cent rather than the 4.4 per cent originally reported. But the month to month trends registered the 0.1 per cent decline in February after upward changes of 1.1 per cent and 0.9 per cent in the previous two months.

Employment Policy Urged

A comprehensive European employment policy involving closer cooperation between Community employment services was recommended by the EC Commission in early May.

The Commission's proposal called for improvement in the information received about the labor market, a reinforcing of the public employment and labor services, and the setting up of adequate forecasts and management about the labor market.

In a report in preparation for upcoming meetings on the subject, the Commission examined current remedial measures and assistance available to the Community's 6 million jobless.

It said these measures would have to be buttressed by closer cooperation and information exchanges between national authorities. The report also reviewed proposed ways of relieving unemployment.

AGRICULTURE

Lamb Trade Causes Anxiety

The controversial issue of lamb meat shipments from Britain to France has resulted in difficulties for New Zealand, the subject of discussion between New Zealand Vice Premier Brian Talboys and the EC Commission during two visits to Brussels in May.

New Zealand has agreed to voluntarily restrain its level of sheepmeat shipments to the Community at the same time that it is highly dependent on this trade. The country is anxious that any new Community system under discussion not further limit its access to the European market. Talboys told EC Commissioner Wilhelm Haferkamp, who is in charge of external relations, that the main area of concern was the possibility of export restitutions to encourage European exports. Haferkamp reportedly explained that the EC Commission had not accepted the idea of such restitutions.

INSTITUTIONS

Summit Failure Aftermath

Steps must be taken to avoid paralysis in the Community, said the EC Commission after the failure of the European Council summit in Luxembourg in late April to resolve the budget controversy between Britain and the Community.

The meeting ended with no agreement on the amount or length of the proposed British reduction in its contribution to the EC budget. Common ground was reached, however, on a number of other issues, including energy and the need to display solidarity with the United States.

EC Commission President Roy Jenkins and Vice President François-Xavier Ortoli said after the summit that to avoid a possible paralysis of Community operations, the Council of Ministers must assume its responsibilities. It was added that the Commission considered its original proposals for a holddown on farm price increases to be the best basis for a solution to the blocked farm prices issue.

Foreign Missions Proposed

Delegations from the European Parliament are to be sent to examine the situations in Argentina and Cambodia, it was decided this spring.

The delegation to Argentina would seek information about the fate of

thousands of persons missing there. The actual dispatch of such a mission would depend on contacts with Argentinian authorities to ensure the desired political impact.

A visit to Cambodia was also proposed to ascertain the needs of the local population and to see if EC aid is being properly distributed.

Court Rules on Pricing Case

Member states cannot use EC customs laws to crack down on possible tax and exchange violations, the European Court of Justice has ruled in a major case affecting the EC operations of multinational companies based outside the Community.

The ruling affected the so-called practice of transfer pricing under which international companies transfer products or service from a subsidiary in one country to another subsidiary elsewhere using less than normal prices to artificially reduce tax liability or to transfer capital.

In the case before the Court, French customs authorities sought to alter the prices charged by a Swiss chemical company to a French subsidiary on grounds that the price was artificially low and represented an illegal transfer of currency outside of France. They sought to use EC customs regulations to redress the problem.

The Court ruled that if the party filing the customs declaration had properly filled out the customs declarations, the authorities could not use such regulations for other purposes.

INVESTMENT

Transport Ministers Confer

European transportation ministers met with representatives from Australia, Canada, the United States, and Japan in late May to discuss investment in transportation and highway safety. Other topics discussed at the conference held as part of regular contacts were inland waterway navigation, allocation of license quotas, and simplification of border formalities for international moves.

Noting that a number of countries were no longer capable of offering desirable traffic conditions for international transport, a resolution was adopted in favor of new investments and the use of combined transportation systems.

Another resolution was adopted recommending increased repression of drunken driving, and a suggestion was made that member governments promote legislation for sterner police controls and revocation of drivers' licenses.

A report was also released at the conference showing a decline in the inland waterway fleet from 1974-78, but an increase in tonnage carried and the extent of the fleet's service.

Bond Issue for Investment

A contract was signed in mid-May in Luxembourg between the EC Commission and an international syndicate of banks for the launching of a bond issue of \$75 million for the Community. Proceeds of the issue will be used, under the terms of the "Ortoli facility," to promote investment within the energy and infrastructure sectors of the Community.

Regional Grants Approved

Regional Development Fund grants totaling 242 million European units of account (EUA) were announced by the EC Commission in late May.

This amount was for participation in 322 projects: EUA 60 million for 105 industrial projects and service sector investments and EUA 141 million for 217 infrastructure projects. These grants included four water supply operations in Italy; a new bridge over the River Foyle in Londonderry, Northern Ireland; and the modernization of an exhibition and trade fair center in West Berlin.

The total number of grants awarded since the Regional Fund was set up in 1975 now totals EUA 2,866 million for 9,762 projects.

HARMONIZATION

Draft on Tax Exempt Goods

The EC Commission agreed in May to submit a draft directive on exemptions from tax on the final importation of certain goods. This draft directive will fulfill a provision of a 1977 value added tax (VAT) directive calling for Community tax rules clarifying the scope of "nontariff" exemptions referred to therein.

The scope of the proposed directive

is particularly wide and includes the following: import of personal effects by individuals coming from third countries; goods imported by students; imports in the context of certain international relations, such as goods for the construction, upkeep, or decoration of commemorative monuments or military cemeteries; goods addressed to charitable organizations; importation of therapeutic substances, medicines, and laboratory animals; certain agricultural products; fuel and lubricants contained in the standard tanks and sumps of vehicles; goods for the promotion of trade or tourism; goods for test, information, or research purposes; goods imported upon transfer of activities.

ENLARGEMENT

Four Grants to Greece

Four financing conventions were signed between Greece and the Community in mid-May. The four grants, for technical projects, total 7.2 million European units of account (EUA), half the amount available for such technical assistance.

The grants include a contribution to the drawing up of a soil map of Greece, EUA 3.7; technical assistance for the exploitation of irrigation networks, EUA 1.1 million; the tentative application of modern irrigation methods, EUA .4 million; and the construction of a law center, EUA 2 million.

Under the terms of the EC-Greece financial protocol, EUA 15 million of nonreturnable grants are earmarked for technical cooperation, study, and agriculture modernization projects. The EC Commission is responsible for the management of these funds.

The financial protocol provides Greece with a total EUA 280 million in

assistance, EUA 55 million from EC budget appropriations, and EUA 225 million from the European Investment Bank. More than 75 per cent of these funds have been committed, and the rest are expected to be allocated before the end of the year.

SOCIAL POLICY

Equal Treatment for Women

A conference on equal treatment for women in Europe was held in late May in Manchester. The intention was to provide a forum for the exchange of views among those responsible for making and enforcing policies regarding women, particularly women workers.

The following points were discussed: effectiveness of national provisions to improve the situation of women, with particular reference to the practical problems of implementing EC directives on equal pay and treatment at work; support measures essential to the realization of equal treatment, against the background of the changing labor market and technological developments.

Such an exchange of views, it was hoped, would make it possible to draw up a medium-term action program taking into account both available Community instruments and national policies.

Attitudes About Children

A recent poll on attitudes toward having children indicated that while two-thirds of the parents and nonparents questioned in the Community believed that having children is important, a sizable percentage did not agree that it was necessary for fulfillment of the individual.

A number of persons surveyed also reported that they did not spend enough time with their children and suggested that a reduction in time worked per day would be preferable to a cutback in days worked per week. Many also backed the idea of parental leave.

The survey also examined material and practical problems in raising children, attitudes about schooling, and the place of children in society. More than half of those questioned refused to consider that the future was too uncertain to take the risk of having children; but 42 per cent took the opposite view—including 57 per cent in Italy and 51 per cent in France.

Job Problems Rehashed

Employment problems were the theme of a meeting in mid-May between EC Commissioner Henk Vredeling, in charge of social affairs, and the main employers' and trade union groups in the Community.

The meeting gathered leaders of the Union of European Community Industries (UNICE) and the European Trade

Union Confederation (ETUC) in preparation for other future meetings. Issues discussed included various reductions of working hours as means for creating additional employment. These included general framework accords between employers and trade unions backed up by EC support and specific measures, such as flexible retirement, proposals on part-time and temporary work.

The idea of work sharing has been discussed extensively over the past year and has the backing of ETUC, but employers have pointed to the additional costs involved.

Medical Radiation Protection

The EC Commission approved in January a proposal for a Council directive laying down basic measures for radiation protection of persons undergoing medical examination or treatment.

The aim of the proposal is to increase radiation protection of patients and the general public without jeopardizing the diagnostic, prophylactic, or therapeutic benefits to individuals. It also defines objectives in regard to the training in radiation protection of medical and paramedical personnel and in regard to the technical surveillance of installations.

Consumer Alarm System

A proposal to set up a system for the rapid exchange of information regarding hazards to consumer health and safety has been adopted by the EC Commission.

Any member state noting a danger arising from the use of a product marketed in one or more other member states could immediately inform the other countries and the Commission under the proposed system. Such an alarm would enable the necessary measures to be taken promptly at appropriate levels.

Vredeling on Migrants

In speaking to the European conference on migrant children, EC Commission Vice President Henk Vredeling focused on the problem of educating migrant workers' children.

He emphasized the difficulty of integrating the children of migrant workers into educational systems and said that further training of teachers, with regards to the children's psychological and linguistic problems, would be a priority task of the Social Fund.

He assured the continued enforcement of guidelines set by the Council of Ministers in mid-1977 providing for special courses, particularly in language, offered free to the children of migrant workers from other member states.

Vredeling blamed the present migrant problem on the "high rate of economic growth and a shortage of labor" that characterized the Sixties. He said many came to take up unskilled jobs although they could have held skilled positions at home.

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EC Bonds on US Markets

Current success brings visions for future programs

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

US CAPITAL MARKETS—NOW BECOME A SOURCE OF LONG- The European Economic Community's debt in US mar- and short-term financing for the European Community— ties brings to the fore many problems and potentialities.

Europe's Money, America's Interest

The first anniversary for EMS

ROBERT GERRARD LIVINGSTON, president of the Center for International Studies at Washington and author of numerous articles on Europe

In mid-March the European Monetary Union (EMU) is one year old. Technical and complex in nature, the EMU is both understood by most European central bankers, but what it most importantly is a political social rapport, and common policy ideology and approach of German Chancellor Helmut Schmidt and French President Valéry Giscard d'Estaing, self-confident former finance min-

DIRECT INVESTMENT

THE SPARTANBURG EXAMPLE

How an old Southern town became "Euroville"

FRANK VOGL, US economics correspondent for The Times of London

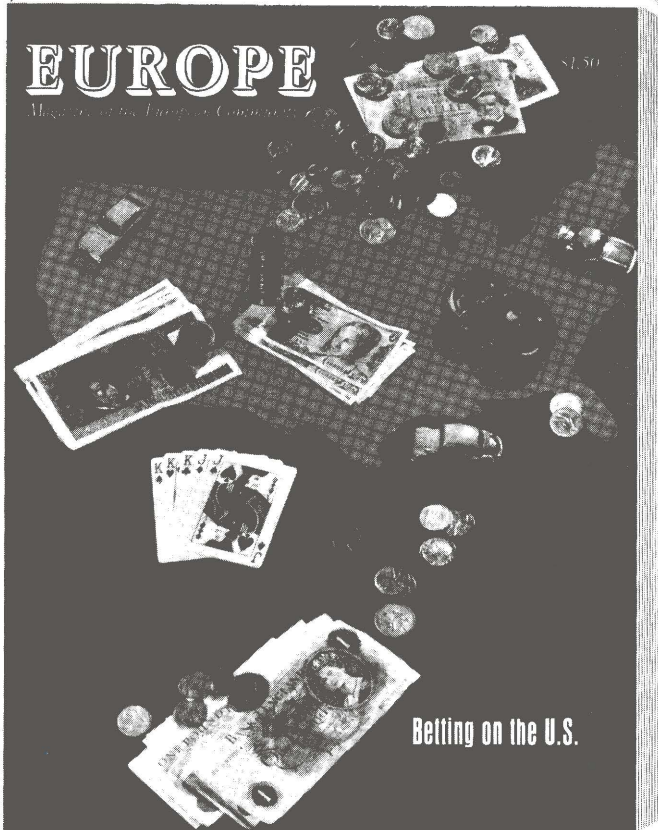
MORE THAN 40 EUROPEAN COMPANIES HAVE INVESTED what he wanted in Winterthur in Switzerland. With or in excess of \$1.8 billion in Spartanburg, South Carolina. Swiss Rieter company and Sulzer Brothers of Winterthur

A NUCLEAR DIFFERENCE

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

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

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



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SCHOLARSHIPS, GRANTS, CONFERENCES

EC Law Introductory Course

An introductory course on European Community law will be given July 29-August 3 at the University of Exeter Centre for European Legal Studies. The program consists of a general discussion on practical problems of EC law, including: the three communities; the Court of Justice and the effects of EC membership on the United Kingdom; and the concept and operation of the common market.

Participation is open to practitioners of Community law. For further information, contact Mrs. A.J. Thorp, secretary, Centre for European Legal Studies, Faculty of Law, University of Exeter, Amory Building, Rennes Drive, Exeter, EX4 4RJ, England; telephone: 0397 77911, extension 332.

Berlin Seminars for Teachers

A course conducted in German on "Teaching about Europe," open to teachers on the secondary level, will be held July 21-26 at the Europäische Akademie Berlin. The conference fee covers full board and lodging and all conference expenses.

A seminar for teachers on "Europe in Adult Education" will be held August 4-9 at the Europäische Akademie Berlin. Registration takes place up to three weeks before the seminar.

For information contact: Europäische Akademie Berlin, Bismarckhalle 46-48, D-1000 Berlin 33, West Germany; telephone: (030) 826 20 95. The course will be conducted in English and German.

European Law Studies

Courses relating to manufacturing and European law, conducted in French and Italian, will be held August 18-30 at the Center for European Law Studies in Urbino, Italy. The program will cover the European Monetary System, application of the European convention on the rights of man in international law, and the responsibility of manufacturers in European law, among others.

For further information, contact: Madame Françoise Ouvradou, 235 Bld. St. Denis, F-92400 Courbevoie, France.

Legal Aspects of Integration

Lawyers, legal advisers, and civil servants qualify for a general and follow-up courses to be given at the Europa Institut, University of Amsterdam, August 11-22. Tuition for the general course must be paid by July 15; fees for the follow-up (August 18-22) must be paid before August 1.

The courses cover principles of

economic law of the Community, relations between national and EC law, legal aspects of competition policy, and law of industrial property, among other topics.

For registration information, contact: The Registrar of Summer Courses, NUFFIC, PO Box 90734 2509LS, The Hague, the Netherlands; telephone: 31 70 57 42 01.

Summer University on the EC

The Europehouse in the Netherlands presents August 4-15, in English, a program on the European Community. The Europehouse is an independent institute for international political education, sponsored by the Dutch Ministry for Cultural Affairs.

Courses are conducted in English. For further information, contact: Europehouse in the Netherlands, St.-Antoniusbank 42, 6267 NB Cadier en Keer/Bemelen, Holland; telephone: 04407-1546.

Courses in Denmark

Courses in English will be conducted at the European Folk High School on the island of Møn, 78 miles outside Copenhagen, August 23-28. Topics include the future of Europe, the purpose of history, the dangers of corporatism and collectivism in the economy, and prospects of Western unity.

For information, contact: Europahøjskolen, Kursus- og konferencecenter Ulvshale, 4780 Stege/Møn, Denmark; telephone: (03) 81 57 57.

European Business Law

Courses on European business law conducted mainly in the form of lectures, seminars, and involving attendance of 15 hours a week with written examinations will be held at the City of London Polytechnic from July 14-August 8. The courses are primarily designed for legal practitioners and law teachers.

For information, contact: Director of the Summer School, City of London Polytechnic, Calcutta House Precinct, Old Castle Street, London EL 7NT, England; telephone (01) 283 1030.

Studies on Transportation

Courses on transportation in Europe will be held August 26-September 6 at the University of Trieste. The courses will be given by simultaneous translation in German, English, French, and Italian.

For further registration information, contact: Secrétariat de l'Istituto per lo Studio dei Trasporti nell'Integrazione Economica Europea, Pizzale Europa 1—34127 Trieste, Italy; telephone (040) 567-960.

Semester on Europe

A one-semester program for graduate and senior undergraduate students, offering seminars in economics, political and legal systems, cultural tradition, and social thought in Europe, is given January-May by the John F. Kennedy Institute at Tilburg University, the Netherlands.

Deadline for applications for the 1980 term is September 15. For information and application forms, write: Mieke van Wanrooy, executive secretary, Room D-46, Hogeschool-laan 225, 5037 GC, Tilburg, the Netherlands.

Energy in Industry Parley

The 1980 Energy Utilization and Conservation in Industry Conference and Exhibition will be held in London September 24-25. The theme will be: "Profit from Energy-saving—Making It Happen."

For further information, contact: Keith Reading, EUCON '80, The Brintex Group, 178-202 Great Portland Street, London W1N 6NH, England; telephone: 01-637 2400; telex: 262568 MUNBEX G; cables: BRINTEXIB, London W1.

Development Research

The European Association of Development Research and Training Institutes promotes research activities in the social sciences that focus on the problems of development. The association also tries to establish contacts between European researchers dealing with development and their counterparts in African, Arab, Asian, and Latin American countries.

An annual conference and information bulletins in English and French are also provided. For further information, write: Arne Haselbach, executive secretary, EADI, Karntnerstrasse 25/6, A-1010 Vienna, Austria.

1982 IPSA Congress

At the 1982 World Congress of the International Political Science Association in Rio de Janeiro, about one-third of the sessions will be organized as special panels. Special panels should concern topics of significant interest cross-nationally. Each panel should have several papers reflecting international standards of scholarship, and collectively the panels will provide a balanced program.

Anyone wishing to undertake responsibility for organizing a special panel should send an outline of the topic with an indication of the types of papers and contributors envisioned to: Richard Rose, Centre for the Study of Public Policy, University of Strathclyde, 16 Richmond Street, Glasgow, G1 1XQ, Scotland.

Fulbright Scholarships

The 1981-82 Fulbright awards open to American scholars were announced in late March. More than

500 openings in over 100 countries in a wide range of fields for university teaching and post-doctoral research had been available. The Fulbright program, directed by the US International Communication Agency, provides a similar number of awards to scholars from abroad for lecturing and research at US institutions.

For additional information and application forms, write: Council for International Exchange of Scholars, 11 Dupont Circle, Washington, DC 20036.

Field Research Funding

The Center for Field Research and its affiliate, EARTHWATCH, arrange support for 70 research projects each year. There are no limits on geographic location, and proposals in any recognized discipline are considered. The center invites proposals from post-doctoral scholars of all nationalities.

Deadline for work during June-December 1981 is October 1. For further information, write: Nancy Bell Scott, Research Coordinator, Center for Field Research, Box 127-W, 10 Juniper Road, Belmont, MA 02178.

Franklin College Scholarship

Franklin College, Switzerland, invites qualified sophomores and juniors enrolled in a US college or university to compete for scholarship to study at its Institute for European Studies.

The scholarship is one semester's full tuition. Address inquiries to: Franklin College Switzerland Scholar, US Admissions Office, 158 East 62nd Street, New York, NY 10021.

Food Science and Nutrition

International courses in food science and nutrition will be held from mid-January to mid-June, 1981 and 1982, in English at Wageningen, the Netherlands. Similar courses are also to be held in Belgium.

The theme for 1981 is rural food technology: its impact on food availability, food storage, processing, and nutrition. For 1982 the theme will be maternal and child nutrition: prevention of the main nutritional disorders in the third world.

The program is designed to provide specific post-graduate training for individuals involved in fighting malnutrition or responsible for food production, hygiene, food policy, and planning. Applicants should have a college degree in a related field and have three to five years of practical experience.

For information on the Dutch course, contact: ICFNS, Lawickse Allee 11, PO Box 88, 6700 AB Wageningen, the Netherlands. For information about the courses in Belgium, write: International Course in Food Science and Nutrition, St. Pieters Nieuwstraat 39, 9000 Ghent, Belgium.

Letters to the Editor

More Space on Space

In the May-June issue of *Europe* at page 27 under the title "Who owns outer space?" it is reported that the 1979 Moon Treaty "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."

That statement is false. The fact is that if and when a mutually agreed upon international regime were established—pursuant to Articles II 7. (d) and 18 of the agreement—it would be within the province of the negotiators of the regime to make provision for an equitable sharing of benefits. Article II 7. (d) provides: "An equitable sharing by all States Parties in the benefits derived from those resources, whereby the interests and needs of the developing countries as well as the efforts of those countries which have contributed either directly or indirectly to the exploration of the moon shall be given special consideration."

Carl Q. Christol
Professor of International Law
and Political Science
University of Southern California
Los Angeles, CA

The View From There

I am just beginning to delve into *Europe*, and I find it intensely interesting. I feel more like I used to feel when I lived in Switzerland and looked out on the world from there. I am a loyal American, but I know my country, much as I love it, is far from "perfect." Sometimes, from *Europe*, it looks like a cowboys-and-Indians *mêlée*. With just as little "intelligence."

Ella May Frazer
Charlestown, NH

Correspondence from readers of *Europe* is invited. The "Letters to the Editor" column not only allows readers to state their opinions on articles published in *Europe* but also, more broadly, serves as a forum for dialogue on the Community and on US-EC relations. Reader correspondence should be addressed to: The Editor, *Europe*, Suite 707, 2100 M Street, NW, Washington, DC 20037. *Europe* reserves the right to edit the letters for length and style.

Monolingual Trough

There arrived on my desk today the first copy that I have seen of your journal *Europe*.

I was particularly interested in the article on education dealing with North American ignorance of foreign languages and foreign cultures. In Australia we have passed through a similar trauma of monolingualism but now are climbing out of the trough to better accommodate the 90 different languages spoken in Australian homes.

(The Hon.) A.J. Grassby
Commissioner for Community Relations
Canberra, Australia

Making Money

I have a friend who made \$30,000 by reading your magazine—by investing in soybeans when your magazine said that Europe had a shortage.

Harvey Burns
Lavina, MT

Where Is Europe?

I greatly enjoy your most enjoyable, informative, and prestigious publication. But I am forced to ask myself prestissimo: Where is Western Europe in the vanguard of the democratic resistance to Soviet expansionism in Afghanistan and elsewhere? Where is Western Europe in beating the drum for President Jimmy Carter's noble and timely effort to boycott the Moscow Olympics which have been built on the blood of dead and tortured Moslem Afghans who require protection only from their own government and its Russian "friends" like so much of unfortunate Eastern Europe?

Where is Western Europe in the effort to effect a just and lasting solution to the crisis in Iran, which if resolved unsatisfactorily can only mean an end to diplomacy as the world has known it since the end of World War II. Must we repeat the errors of the League of Nations in its submission to fascist terrorism? Is terrorism in the name of the Koran different from terrorism under the name of National Socialism? I believe that President Anwar Sadat should be believed when he states that Islam is a religion of compassion, not of hostage taking. As one voice we must support the President of the United States at this most difficult and dark hour, with our acts as well.

I have lived three of the best years of my life in Western Europe, particularly Italy. I love and respect Europe, but at the same

time the parallel interest of Europe with the United States in showing the Bear its place has been borne by the United States. It is time for Europe to run with the ball as well—as noble, brave Canada has done so well.

Melvin R. Greene
Winthrop, MA

Europe Astray

Congratulations on *Europe*. The Laqueur ("Europe Astray") and Fallesen ("A Welfare State Reappraisal") articles were particularly worthwhile. Some of my friends on the Hill have commented favorably on them too.

John S. Monagan
Washington, DC

Europe More Astray

As a new subscriber, I have been pleasantly surprised by the very interesting articles. In particular, I applaud the one by Walter Laqueur ("Europe Astray") wherein he describes so clearly the *basic* political problems of Europe and the United States.

Dennis M. Hammond
Minneapolis, MN

More Energy on Energy

I have found your magazine to be very valuable as a reference in economics and energy. I would be particularly interested in seeing more articles on energy, and specifically on natural gas policy.

Ronald P. Steenblik
Philadelphia, PA



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.

Malmgren's World Trade Outlook. Published monthly by the Laux Company, Inc., West Bare Hill Road, Harvard, MA 01451. \$117.00 per year in the United States and Canada; \$137.00 elsewhere.

For public policy-makers and senior executives in business and banking; a monthly assessment of developments in trade policy and finance, and political and economic developments affecting world trade with emphasis on interpretation of trends and national pressures.

Eurocommunism and Foreign Policy. By Carole Webb. Policy Studies Institute, London, 1979. 81 pages.

Discusses the influences of Eurocommunism on West European foreign policy; examines the organization and development of Communist parties in Italy, France, and Spain, exploring the international dimensions of the parties' strategies and their evolution.

Financial Invasion of the U.S.A. By Earl H. Fry. McGraw-Hill, Inc., 1980. 202 pages including index. \$9.95.

Discussion of foreign investment in the United States examining advantages and disadvantages of its impact on American society; conclusion recommends US policy changes to control such investments.

Towards Transnational Parties in the European Community. By Geoffrey Pridham and Pippa Pridham. Policy Studies Institute, London, 1979. 26 pages.

Discusses the subject of political party cooperation and coordination across national borders of Community member states; cites trends in this direction, particularly since direct elections of the European Parliament.

European Integration, Regional Devolution and National Parliaments. By David Coombes, et al. Policy Studies Institute, London, 1979. 48 pages.

Collection of essays illustrating a tendency for the national parliaments in Western Europe to lose power as a consequence of a shift of government beyond the nation-state to both international organizations and to regional and local authorities; concentrates on Germany, Italy, and the United Kingdom.

Policies and Practices for the Improvement of Working Conditions and Working Environment in Eu-

rope. International Labour Office, Geneva, 1979. Available from ILO, Washington, DC. 78 pages. \$7.45.

Reviews developments in the fields of occupational health and safety and general working conditions in European countries; part of the agenda from the Third European Regional Conference in Geneva, October 1979.

The Secret Army: The IRA 1916-1979. By Bowyer Bell. MIT Press, Cambridge, 1980. 481 pages including index. \$30.00.

Examines the growth, development, and survival of the Irish Republican Army, tracing its history from its Eighteenth Century roots to the present.

La Grèce dans la Communauté européenne.

L'Europe en Formation, Numéro spécial, août-octobre 1979. Presses d'Europe, 17 rue du faubourg Montmartre, Paris. 143 pages.

Collection of papers discussing Greece's relationship with the Community; includes a historical review as well as the current situation and future problems and prospects accompanying Greek entry.

Mélanges—Fernand Dehousse. Editions Labor, Brussels, 1979. Two volumes: 235 pages and 340 pages.

Two volumes: "Les progrès du droit des gens" and "La construction européenne"; a collection of works by the colleagues and admirers of the late Fernand Dehousse, published in honor of his role in the struggle for European unity; text in French.

"Fair Labour Standards and Trade Liberalisation." By Gus Edgren. *International Labour Review*, Vol. 118, No. 5, September-October 1979. Available from International Labor Office, Washington, DC.

Discusses the potential role of fair trading standards in international trade law, examining the institutional and political conditions necessary for their introduction.

The Logic of International Relations. By Steven J. Rosen and Walter S. Jones. Winthrop Publishers, Inc., Cambridge, 1980. 504 pages including index. \$10.95.

Examines international relations through analysis of the world outlook of five key actors—the Soviet Union, the United States, the major Western allies, China, and the Third World; discusses the logic of power and world order.

Euroshima: Construire l'Europe de la défense. By René Cagnat, et al. Les Editions Media, Paris, 1979. 176 pages.

Examination of the current state of European security, emphasizing the need for stronger Atlantic solidarity and decisiveness in defense policy; claims that stronger alliance will hasten European integration.

EEC Dairy Facts and Figures, 1979. Milk Marketing Board, Surrey, England, 1979. 184 pages.

Summary of the Community's dairy industry, examining and interpreting current developments in the production, distribution, and consumption of milk and milk products in the Community.

After the European Elections. Government and Opposition—A Journal of Comparative Politics. Vol. 14, No. 4, Autumn 1979. 141 pages. \$11.00.

Collection of articles presenting various perspectives on the new European Parliament in the aftermath of direct elections.

Russia and World Order. By George Liska. Johns Hopkins University Press, Baltimore, 1980. 194 pages including index. \$14.50.

Presents a case for improving the condition of world order through the inclusion of Russia in an "enlarged West"; argues that the West is currently threatened more by inner decay than by external dangers.

A Comparative Study of Export Incentives in the United States, France, the United Kingdom, Germany, and Japan. By H. L. Weisberg and Charles Rauch. International Division of the US Chamber of Commerce, Washington, DC, 1979. 48 pages. \$3.00.

Examines the export incentive programs of six industrialized countries in the areas of marketing assistance, financial support, taxes, and research and development; comparative study shows that the United States is not as competitive in world markets as it could be; explores possibilities for improvement.

West German Foreign Policy: 1949-1979. Edited by Wolfram F. Hanrieder. Westview Press, Boulder, CO, 1980. 245 pages. \$22.50.

Collection of essays by prominent political and academic figures considering the changing constraints and opportunities that have shaped Germany's foreign policy.

Contemporary Economic Problems. Edited by William Fellner. American Enterprise Institute for Public Policy Research, Washington, DC, 1979. 436 pages. \$6.75.

Collection of papers that is part of an ongoing study on current problems confronting the American economy; includes a section on the impact of world agricultural and trade policies on US agriculture.

Democracy in Western Germany. By Gordon Smith. Holmes & Meier Publishers, Inc., New York, 1979. 225 pages including index. \$9.95.

Comprehensive account of contemporary German politics with emphasis on development of the party system; explores the concept of a liberal democracy, pointing out constraints on the political system.

Conditionality. By Joseph Gold. Pamphlet Series No. 31, International Monetary Fund, Washington, DC, 1979. 51 pages. Free.

Discusses the policies that the International Monetary Fund expects a member to follow in order to use the fund's general resources.

The Mediterranean Challenge: II. Eurocommunism and the Spanish Communist Party. By David Bell. Sussex European Research Centre, University of Sussex, Brighton, 1979. 76 pages. \$4.00.

Discusses the impact of the Spanish Communist Party on politics and compares its original features to more orthodox Communist parties in Western Europe; argues that the organizational innovations in the party are a commitment to democracy.

The Mediterranean Challenge: III. EEC Enlargement—The Southern Neighbors. By Alfred Tovas. Sussex European Research Centre, University of Sussex, Brighton, 1979. 102 pages. \$4.00.

Discusses the impact of EC enlargement on Mediterranean countries not candidates for membership; includes detailed analysis of the economic prospects and trade flows of different Mediterranean countries, examining effects of enlargement on the Mediterranean economy.

Tourism: Passport to Development? By Emanuel de Kadt. Oxford University Press, Oxford and New York, 1980. 360 pages including index. \$14.95 cloth; \$5.95 paper.

Presents perspectives on the social and cultural effects of tourism in developing countries; published as a joint World Bank-UNESCO study.

Agriculture Towards the Year 2000: Production and Trade in High Income Countries. By Tibor Barna. Sussex European Research Centre, University of Sussex, Brighton, 1979. 133 pages. \$8.00.

Prepared as a contribution to a United Nations Food and Agriculture Organization project designed to examine alternative developments in agriculture that could benefit the poorer countries.

War Will Not Take Place. By J. R. Frears and J-L. Parodi. Holmes & Meier Publishers, Inc., New York, 1979. 147 pages. \$20.00.

Description of the 1978 French parliamentary elections; discusses the strong showing made by the left and politics of the post-election period.

Communist Reformation; Nationalism, Internationalism, and Change in the World Communist Movement. Edited by G. R. Urban. St. Martin's Press, New York, 1979. 335 pages including index. \$19.95.

Collection of papers examining the prospects for survival of reform movements within a communist state, using Czechoslovakia in 1968 as a take-off point for this study.

A Survey of the Impact of Manufactured Exports from Industrializing Countries in Asia and Latin America: Must Export-Oriented Growth Be Disruptive? By Lawrence G. Franko. National Planning Association, Washington, DC, 1979. 45 pages. \$4.50.

Report on the effects of developing countries' exports on the United States; emphasizes the need for quicker growth by industrialized countries in anticipation of future shifts in international competition.

The Effects of Nuclear War. Office of Technology Assessment. Allanheld, Osman, & Co., New York, 1979. 151 pages. \$9.95.

Report of the Office of Technology Assessment to the Senate Foreign Relations Committee studying the effect of nuclear war on the populations and economies of the United States and the Soviet Union; points out irrationality of nuclear war as a political weapon and emphasizes value of deterrence.

NATO at 30. By Kenneth Rush, et al. Atlantic Council of the United States, Washington, DC, 1979. 38 pages. \$2.00.

Collection of articles discussing the first 30 years of the North Atlantic Treaty Organization; surveys the present validity of original NATO principles; examines the organization's achievements and weaknesses; analyzes challenges for the future of the alliance.

EEC Brief. By Gregg Myles, 1979. Available from Locksley Press, 101 Locksley Park, Belfast BT10 0AT, Northern Ireland. 550 pages. \$30.00.

Handbook of EC law, practice, and policy for the academic, business, professional, and public sectors; particular emphasis placed on the positions of Britain and Ireland, although text is generally relevant to a wide audience.

The New Interdependence: The European Community and the United States. By Gordon K. Douglass. Lexington Books, Lexington, MA, 1979. 132 pages including index. \$16.95.

Based on a conference devoted to the discussion of US-EC relations and the Community as an economic unit; development of the increasingly interdependent, international economy is examined; discusses inherent conflicts between interdependence and the desire of nations to maintain political sovereignty.

The International Foundation Directory. Second edition. Edited by H. V. Hudson. Gale Research Company, Detroit, 1979. 378 pages including index. \$55.00.

Directory of foundations, trusts, and other nonprofit institutions operating on an international basis; provides detailed information on selected national foundations located throughout the world.

Regional Development in the USSR. Directorate of Economic Affairs, NATO, 1979. NATO Information Directorate, Boulevard Leopold III, Brussels 1110. 294 pages.

Latest volume in an ongoing series of essays given at the annual NATO Colloquium on issues dealing with the Communist world; regional development in the Soviet Union was the theme at the eighth colloquium held April 25-27, 1979.

Europe's 5000 Largest Companies. Alan Armstrong & Associates Ltd., London, 1979. 430 pages. \$86.00.

Listing of the 5,000 largest industrial firms in Europe; breaks these down according to economic sector, profits, sales, employees, assets, exports, capital, and country; also includes sections on largest trading companies, banks, insurance companies, advertising agencies, transport companies.

La réglementation anti-dumping de la communauté économique européenne. By Jean-François Bellis. Institut d'Etudes Européennes, Brussels, 1979. 67 pages plus annexes.

Examination of antidumping law in the European Community; provides summary of rules of procedure; text in French.

Habitat Europe. Edited by Maureen Miller. Abbey National Building Society, London. Four issues per year.

Review of housing and housing finance throughout the European Community; reflects current preoccupations and examines prospects for future trends in home ownership.

British Foreign Policy and the Atlantic Area. By Arthur Cyr. Holmes & Meier Publishers, Inc., New York, 1979. 172 pages including index. \$26.00.

Describes the main elements of British foreign policy since the Second World War, analyzing in particular the areas of defense and security, entry into the European Community, and the relationship with the United States; emphasizes Britain's success in foreign policy.

Employment and Basic Needs in Portugal. International Labour Office, Geneva, 1979. Available from ILO, Washington, DC. 228 pages. \$14.95.

Presents a strategy for creating employment and helping develop the natural and human resources of Portugal; based on the results of experts contributing to the Portuguese medium-term plan for 1977-80.

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176 pp. 1979 \$17.95 ISBN 0-03-044326-1

THE EUROPEAN COMMUNITY AND THE THIRD WORLD The Lomé Convention and its Impact Ellen Frey-Wouters

In her analysis of the European effort to achieve a zone of cooperative relations within the sphere of North-South relationships, Frey-Wouters focuses on the impact of the Lomé Convention on EEC-ACP relations. The author presents a balanced assessment of both the contributions and shortcomings of the Lomé approach. Specifically, the book deals with the origins, objectives, and problems of implementation of the Convention, and secondly, with the extent to which the Lomé Convention might serve as a model for relations between developed and developing countries. The book also scrutinizes EEC relations with non-ACP developing states, with special attention to the Maghreb and Mashreq countries and the Euro-Arab dialogue. In conclusion, the book clarifies the growing role of the EEC in the North-South dialogue and in its response to pressures from the Third World.

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THE EUROPEAN PARLIAMENT John Fitzmaurice

This book examines the potential for development of the European Parliament of the European Community, in light of plans to choose Parliament representatives by direct elections. It looks at the present powers of the Parliament and discusses what changes and developments are likely to follow once a direct election system is put into effect. Contents include: The European Parliament Today; Direct Elections; Party Co-operation in Europe; MEPs, National Parliaments, and Accountability; and The European Parliament in Transition.

190 pp. 1979 \$17.95 ISBN 0-03-046221-5

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Basic Aspects of Blood Trauma. Edited by H. Schmid-Schönbein and P. Teitel. Martinus Nijhoff Publishers, Boston, 1979. 404 pages. \$63.15.

Proceedings of a workshop symposium on basic aspects of blood trauma in extracorporeal oxygenation; held at Stolberg near Aachen, Germany, November 21-23, 1978.

The Disposal and Recycling of Scrap Metal from Cars and Large Domestic Appliances. Graham & Trotman, Ltd., London, 1979. 92 pages. \$30.00.

Report on the amount of scrap metal derived from scrap cars and large domestic appliances and the facilities for waste disposal, processing, and recycling in the EC countries.

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A study financed by the EC Commission within the framework of its energy research and development program; examines the role of advanced secondary batteries in future energy plans.

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Report on the research and development work carried out in the framework of the Community's current energy research and development program; includes detailed descriptions of projects concluded under contract by industry, universities, and research institutes of the member states.

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A collection of papers presented at the third colloquium on cytogenetics in domestic animals, held at Jouy-en-Josas, France, May 31 to June 2, 1977; sponsored in part by the EC Permanent Committee for Agricultural Research; part of the text presented in French.

Computer-Aided Design of Digital Electronic Circuits and Systems. Edited by Gerald Musgrave. North-Holland Publishing Co., New York, 1979. 325 pages. \$44.00.

Proceedings of a symposium organized by the EC Directorate-General for Scientific and Technical Information and Information Management, held in Brussels in November 1978.

Solar Energy for Development. Martinus Nijhoff Publishers, The Hague, 1979. Available from Kluwer, Boston. 240 pages. \$23.70.

Proceedings of the international conference held at Varese, Italy, March 26-29, 1979, to assess the potential of solar energy for meeting the needs in the developing countries.

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Proceedings of a seminar in the EC Program of Coordination of research on Beef Production and Land Use held at Abano Terme, Italy, November 13-17, 1978.

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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.
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