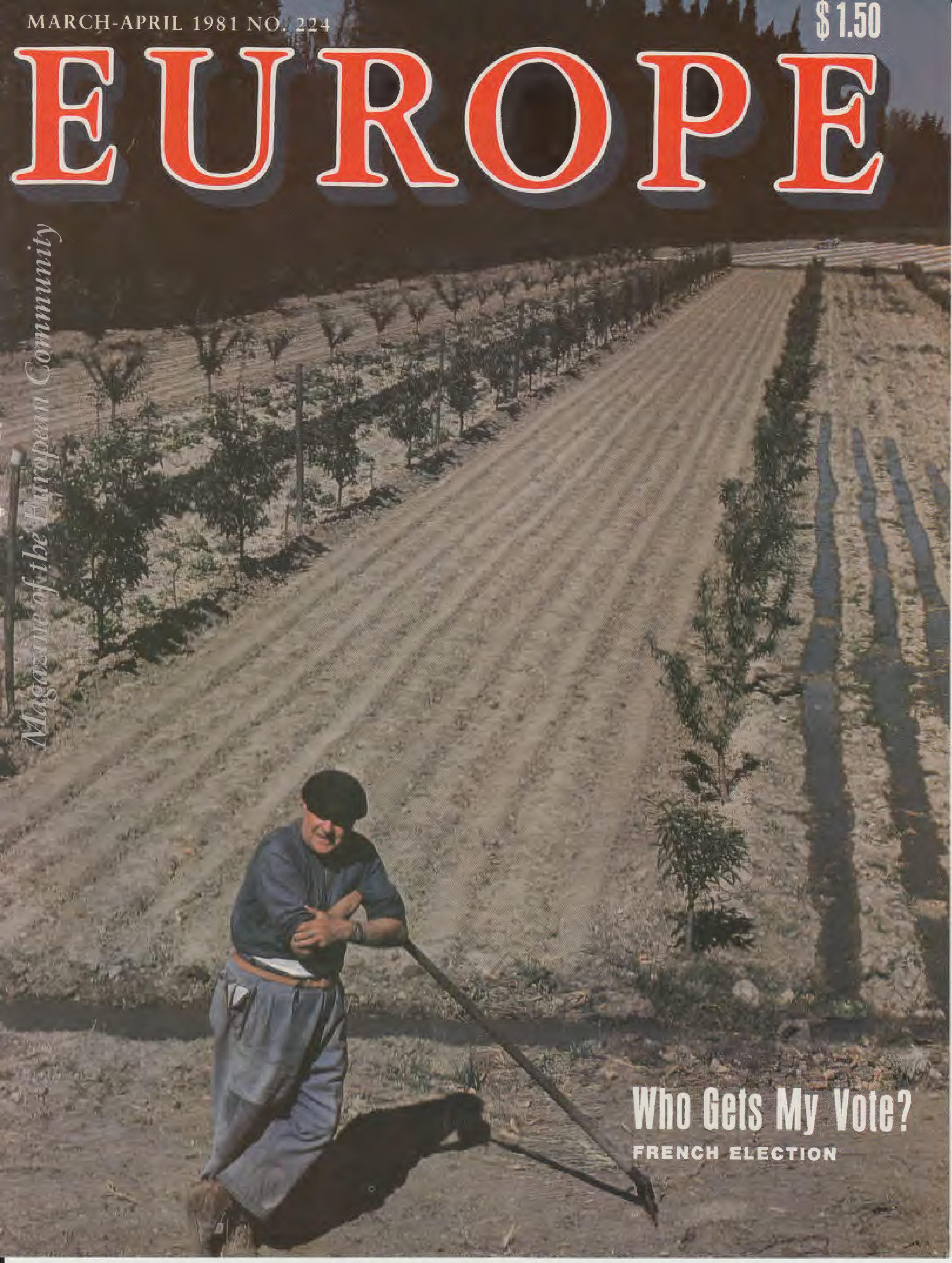
MARCH-APRIL 1981 NO. 224

$1.50

EUROPE

Magazine of the European Community



Who Gets My Vote?

FRENCH ELECTION

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MARCH-APRIL 1981 NO. 224

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Contents

Cover: French farmer © Henri Cartier-Bresson, Magnum
Cover (back): Painting from the Camille Pissarro show in Boston © Museum of Fine Arts, Boston

Europe is published by the Delegation of the Commission of the European Communities, 2100 M Street, NW, Suite 707, Washington, DC 20037.

Europe, published bimonthly, is available by subscription for $9 per year; $15 per two years; $20 per three years.

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

Advertising Sales Representatives:

United States, Ronald Schacht, Intermarket Media Consultants, Inc., 50 Rockefeller Plaza, Suite 1208, New York, New York 10020;
Belgium/Luxembourg, Insight Publications SA, 42 bd. de la Cambre, Btc. 3 1050-Brussels, tel: (02) 640 62 80 telex 63 695
France, Inter Promo Vente (IPV) 322, Rue des Pyrenees, 75020-Paris, tel: (1) 797 07 00
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Publisher's Letter

For the fourth time since 1965 under the present republic, there is to be a French presidential election. As always, it promises to be a momentous occasion, sharply focused on the personalities involved, and whose results will have profound consequences far beyond French borders, not least in Brussels and Washington.

It is, therefore, appropriate that a special supplement of this issue should have a Gallic flavor and is devoted to many different aspects of political and economic life in that country. Europe, *in search of a balanced appraisal of the issues, selected a number of contributors—distinguished as journalists or as leaders of their respective organizations. The tone of this series is set by Don Cook who writes on the election itself; he remains one of the shrewdest foreign observers to be found in Paris.*

Jean Lacouture, writer and journalist, makes a welcome and elegant return to our pages as he describes the current mood of France. There are also articles by Edgard Pisani, former agriculture minister and currently member of the European Parliament, plus contributions from senior officials representing French labor and management. Defense issues are also featured.

Economic and monetary matters on both sides of the Atlantic are brought into focus in a section which deals first of all with a tantalizing question: Robin Marris asks whether the Community is richer than the United States? From Brussels, John Wyles discusses the future of the Community's Economic and Monetary Union. Frank Vogl, US economics correspondent for The Times *of London examines the Chrysler crisis and the lessons Americans could learn from Europe. Axel Krause takes a look at Third World airlines.*

The Community's recent enlargement to include Greece has made a big impact on EC institutions and Gaston Thorn, the new EC Commission President, gives his thoughts on how such highly sensitive problems might be tackled.

Should there be a new European treaty? Jonathan Carr describes from Bonn a fascinating idea recently floated by Germany's Minister of Foreign Affairs, Hans-Dietrich Genscher.

Finally, we note with deep regret the passing of Finn Olav Gundelach who was an Atlanticist of rare stature.

Andrew A. Mulligan

Andrew A. Mulligan

MEMBER STATE REPORT

THE FRENCH ELECTIONS

Outcome too close to call

DON COOK, *Paris-based European correspondent for* The Los Angeles Times

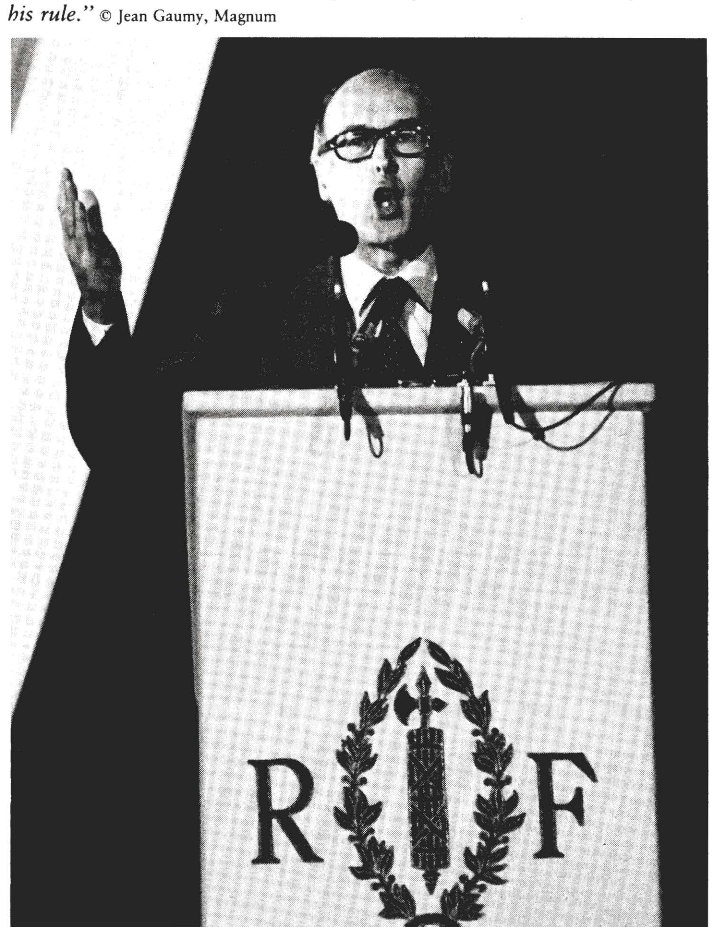
THE FINAL ROUND OF VOTING IN THE 1981 FRENCH presidential election on May 10 will also coincide with the 23d anniversary of the near civil war in May 1958, which brought General Charles de Gaulle back to power to form the Fifth Republic. Since then, France has been governed continuously by the same right-of-center political power block with relatively few cosmetic changes of personalities or ideas. Valéry Giscard d'Estaing, running for a second seven-year term as third President of the Fifth Republic, was a junior treasury minister in the first Government formed under de Gaulle, and has been in public office in 20 of the last 23 years. Never since the days of the Bourbon kings has France ever permitted itself to be governed by the same political coalition for so long.

This has not only been one of the most stable political periods of French history but also one of the most successful. It has seen the economic transformation of France into a major industrial power, the fourth largest exporting nation in the world. All the same, nearly a quarter of a century of right-wing rule by the same public figures has had its debilitating effects as well. This alone poses particular political problems for Giscard d'Estaing in his bid to continue for another seven years. The French electorate, not surprisingly, is bored and restive, looking for change but clearly uncertain where to turn.

Moreover, the election comes at the worst period of economic recession in the Fifth Republic's history—much worse than the period of deliberate stagnation and slowdown of growth in de Gaulle's time which helped bring about the upheavals of thirteen years ago in May 1968. Unemployment back then had reached 400,000, but today it is up to 1.5 million, with inflation pushing beyond 14 percent. Of course living standards and the cushioning of social benefits are far higher in France today than in 1968, and in fact France has done better than most European countries in warding off the worst impact of the world recession. But if others are worse off or less well governed, this is not likely to reassure French voters who think it's high time for a change in the way the country is run.

Giscard d'Estaing has had to fight his re-election battle on two fronts—the left in front of him and the right which is supposed to be behind him. In fact, he is the sole issue of the campaign: his monarchial style of governing and the unbroken length of his rule. His nominal coalition supporters, the Gaullists, have never been able to swallow their feeling that he, an Independent Republican, is really a usurper of the presidential office that should belong to a true disciple of General de Gaulle. They have soured on him, and it is obvious why the political left in France is fighting to oust him from power. He is far from a "failed President" as Jimmy Carter was perceived to be, but he is no longer as popular as he was and he represents a crowd that has been running the country an awfully long time.

French President Valéry Giscard d'Estaing—"the sole issue of the campaign: his monarchial style of governing and the unbroken length of his rule." © Jean Gaumy, Magnum

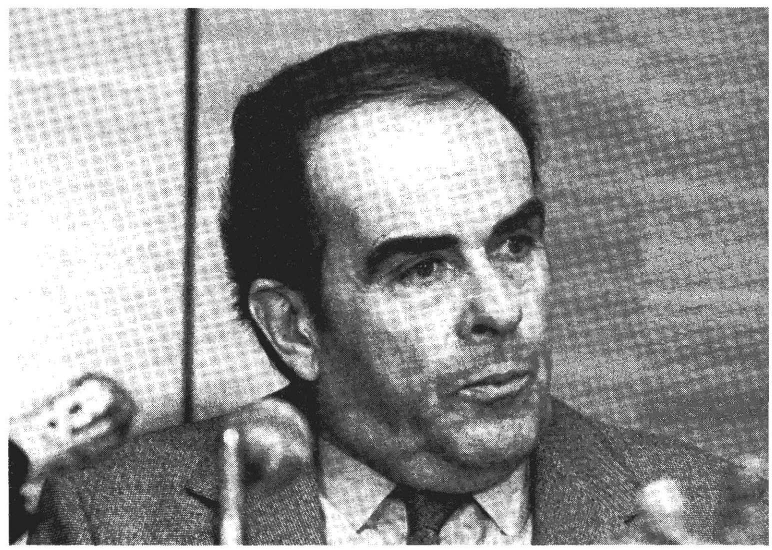


Socialist Party leader François Mitterrand, who came within "an eyelash of victory" in 1974, is running his third presidential race. © Guy Le Querrec, Magnum

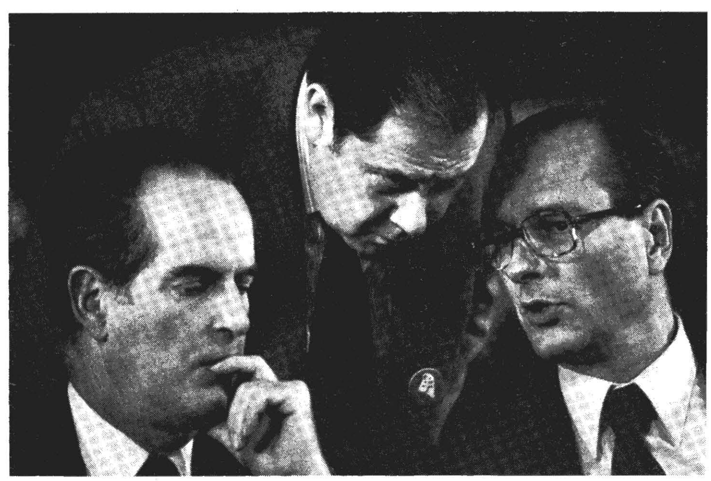
Even Michel Debré, the ultra-Gaullist who was in charge of drafting the constitution of the Fifth Republic under de Gaulle back in 1958, and is one of three Gaullists who have declared their candidacy, has bitterly proclaimed: "Seven years of Giscard d'Estaing is enough. Another seven years will be too much." This restiveness of the French political mood from left to right is amply reflected in the extraordinary proliferation of presidential candidates. Before the weeding-out of the formal nominating process, more than forty men and women of every political hue and cry had declared their intention to run for Giscard's job—including the popular music hall comedian Coluche, who cheerfully told Frenchmen: "A vote for Coluche is a vote for nothing. The politicians are all idiots. Vote for an imbecile instead of an idiot." At one point in the public opinion polls, Coluche had 11 percent of the French apparently agreeing with him.

To run for President in France, a candidate is simply required to produce signatures on an official nominating paper of 500 men or women among the 41,313 mayors of French cities, towns, and communes; members of the national assembly; or members of the regional governing councils and territorial assemblies. But the signatures must come from at least thirty different *départments* (counties) of France, so there is a lot of running around to be done to solicit backers, and nomination is not quite as easy as it sounds. In the end, of course, the confusion of the first round of voting, no matter how many candidates, then gives way to a straight runoff contest on the second round. The first round will take place on Sunday, April 26, and the second round almost certainly is going to be a rerun of the 1974 final, again pitting Giscard d'Estaing against Socialist Party leader François Mitterrand.

In 1974, Mitterrand had the full backing of the Socialist-Communist confederation of the left, and he came within an eyelash of victory. Giscard won by a mere



Communist Party leader Georges Marchais now campaigns vigorously against former leftist allies. © Black Star/Sipa Press



The Gaullists reelected Paris Mayor Jacques Chirac as party leader in 1979 with 97 percent of the vote. Chirac is pictured (on the right) following that election. Today he faces a battle for party leadership as soon as the presidential elections are over. © Richard Kalvar, Magnum

50.8 percent against 49.2. But the confederation of the left broke up completely in the 1978 legislative election campaign, and today the Communist Party leader, Georges Marchais, is a presidential candidate lashing out with a vengeance against both Giscard and Mitterrand. The

Socialist leader, for his part, is careful not to do or say anything which would deter the Communists from voting against him on the second round—too careful for a lot of French who would prefer that Mitterrand and his party stand on their own feet instead of going on with the puerile and unedifying game of a popular front. But Mitterrand, who is one of the last politicians of the old Fourth Republic still around and active, has spent his whole political life compromising and playing political games. At sixty-four, this is his third and certainly his last shot at the presidency, and he is certainly convinced that the way the Communists vote on the second round of balloting will in fact decide the election outcome. He, therefore, is not going to be the one to turn them off.

Marie-France Garaud, once a close political adviser to Jacques Chirac, now opposes him in the presidential campaign. © Black Star/Sipa Press

The French election comes with unemployment at 1.5 million and the inflation rate over 14 percent at the height of a long economic recession. Here, French steel workers protest government closing of plants two years ago. © Richard Kalvar, Magnum

The interesting question which all France will be watching this time will be whether or not some sign comes from Moscow of an open preference for Giscard d'Estaing. In 1974, the Russians signaled their clear backing of Giscard by sending the Soviet ambassador to Paris to make a formal and much publicized call on him during the two weeks between the first and second rounds of voting. Giscard at that time was still minister of finance, and he and the Soviet ambassador ostensibly talked about improving trade and détente relations between the two countries. But the gesture of Soviet backing was so unmistakable that the Communist Party even complained of Soviet interference in France's internal politics. It's impossible to know, of course, precisely what then happened with the Communist vote, but given the extreme eyelash closeness of Giscard's 1974 victory, he seems to have needed all the help he could get including the call by the Soviet ambassador.

In the 1978 legislative elections, the Soviet Union again showed its open preference for a victory by the Giscard-Gaullist coalition rather than the confederation of the left. This was then assured when Marchais and the Communists broke with the Socialists to hand the right wing a walkaway win.

Given Giscard d'Estaing's foreign policy record—his long hesitation in condemning the Soviet invasion of Afghanistan; his avoidance of the issue of an Olympic Games boycott; his visit to Warsaw to confer with Leonid Brezhnev in May 1980; his continued pushing for Franco-Soviet trade expansion—it is probable that the Kremlin leadership will again prefer him to Mitterrand and a new French government of the left. How they show this, and how the French voters, the Communists in particular, then respond in the privacy of the voting booths will be a key factor in the outcome.

Once again, the opinion polls are extremely close. For almost his entire presidency, until the turn of the new year and the start of active political campaigning, Giscard d'Estaing has held a remarkably high rating of opinion poll public approval—usually above 60 percent. But then suddenly this plunged, in a combination of circumstances and events, accentuated of course by the anti-Giscard squabbling in the Gaullist ranks.

The worsening economic situation has certainly been a factor, even though Giscard manages to shift the onus for this onto the burly shoulders of his Prime Minister, Raymond Barre. But in his own special field of foreign policy, the public reacted sourly to his trip to Warsaw to meet Brezhnev after Afghanistan, and then came the black eye for France in Africa when Libyan forces intervened successfully to overthrow a French-backed regime in Chad and proclaim their intention to unite the two countries.

Gaullist supporters rally here against leftist opposition to the Government just before the Socialist-Communist coalition disbanded in 1978. © Jean Gaumy, Magnum

As a result, Giscard slumped badly as he neared the end of his seven year term. Successive public opinion polls put him as low as 51 percent to 49 percent over Mitterrand—the margin by which he won in 1974. One poll even had the percentages reversed, with Mitterrand on top. All the same, even Mitterrand remained properly cautious and sceptical of his own chances, commenting simply that the polls show that "reelection of the President is still probable, but a victory for me is possible."

By contrast to the squabbling on the right within Giscard's own coalition among the Gaullists, the Socialist Party has managed a surprisingly smooth run up to the election. Mitterrand at first faced a strong challenge from the party deputy leader, Michel Rocard, who is only 49 years old and proved much more popular in the opinion polls. But Mitterrand craftily kept the support of the Socialist left wing, and in the end he won an overwhelming endorsement from a party congress and Rocard gave up rather than split the Socialist ranks.

The Gaullists, on the other hand, show the worst symptoms of Fourth Republic politics by fighting each other over who is going to fight Giscard. There are three leading Gaullists in the field: Jacques Chirac, the ambitious mayor of Paris and former Prime Minister under Giscard who heads the Gaullist Party, the Rally for the Republic (RPR); Marie-France Garaud, who was once a close political adviser to Chirac and also the late President George Pompidou; and finally Michel Debré, who not only brusquely refuses to step aside to let Chirac take the lead for the Gaullists but says he is going to challenge Chirac for control for the RPR when the presidential election is over.

Amidst all this political squabbling, it is natural that Valéry Giscard d'Estaing continues to project a lofty, elevated, monarchial image of prestige, serenity, stability, experience, and statesmanship. But will it work, one more time? With all of the in-fighting among the three Gaullist candidates, it is impossible that one of them might overtake Giscard d'Estaing on the first round of voting and emerge to face a candidate of the left on the second round. But will the Gaullist voters then close ranks and turn out for Giscard in the run-off—or will the voters abstain or desert and vote for Mitterrand? It is equally impossible for Communist Georges Marchais to defeat Mitterrand in the first round of voting and emerge as the candidate of the left—but what will the Communists do on the second round? Will they stay at home and abstain, or will they turn out to vote for the Socialist leader?

Indubitably, Valéry Giscard d'Estaing ranks far above any of his opponents, left or right, in prestige, experience, and intellect. But the French said "no" to General de Gaulle himself in the referendum of 1969, and they are quite capable of ringing the curtain down on Giscard d'Estaing. In 1974, Giscard d'Estaing won by 470,000 votes out of a total of approximately 26 million ballots cast. In other words, a switch of 250,000, or barely one tenth of one percent of the total, would have changed the outcome completely. If the voting margins are this narrow on May 10, 1981, then it could go either way.

TO BE FRENCH IN 1981

A nation on trial

JEAN LACOUTURE, *French author and journalist*

I HAVE A FRIEND FROM EASTERN EUROPE WHO "chose freedom" in 1960. Fifteen years later he became French. Here is what he says today: "When I chose to become French, I reproached myself for taking the easy way out, for abandoning the toughest fight. Now, however, I realize that perhaps I chose the more difficult way. Long ago it was appealing to be French. From now on it will be a test. I do not regret anything . . . "

A test? To be French in 1981 is to feel on trial. A trial of ideas, a trial of opinion, perhaps even a trial for witchcraft, brought on as much by events as by the world and by the very citizens of this country. It is a trial at any rate in which legal briefs are more numerous than lawyers, in France as well as abroad, in which the indictment is forever getting longer, in which the witnesses for the defense are getting harder to find. It is a trial in which no verdict is expected, but in which the accused does not hope to be completely absolved.

What puts France on trial are three crises, that of the domestic system, of the international system, and of the western economy, which, for the first time in more than 30 years, have hit at the same time. The governmental crisis is demonstrated by the presidential electoral campaign. Republicans by principle, monarchists by instinct, the French made do with a republican monarchy, which proposed solutions to their problems. As soon as the wheels of the system got jammed, they no longer saw what was republican in this monarchy, and what was monarchial in this republic. And we have ended up with a mediocre clown running for president who is proud of using the campaign only to promote himself, yet who only succeeds in mocking the democratic process.

As regards the economic crisis, the French are not the only ones subjected to it and they probably suffer less than the Belgians or the Spaniards. What is serious in France is the unemployment problem, less cruel than in Britain and scarcely more than in Germany, but which here assumes menacing tones for democracy if one takes into account the exceptionally large number of foreign workers. Any new threats on the employment scene are viewed as an aggression and constitute an encouragement to xenophobia and racism. We come to the distressing situation of a party founded on the principle of proletarian internationalism which for months has specifically peddled racism and economic chauvinism.

If it turns out that, in April, this campaign, deliberately launched in this direction by the Communist Party, is electorally accepted, a serious warning will be cast on the future of French democracy.

Nevertheless, the anxiety which troubles the French appears to be directed toward something else and takes on a more all encompassing form than a mere governmental crisis or a social-economic threat. Should one speak of an identity crisis? Would this nation, which was formerly united and was jealous of the harmony and elegance of its territorial foundation, of the cohesion of its language and culture, watch it all lose substance, dissolve in larger and amorphous shapes, or fall into little parts? It is true than an increasing number of citizens of this country feel more Breton or Basque than French, and others more European than Provençal or Alsatian. However, though this phenomenon may now exist and may grow, it will not pose a great risk. It is not this expansion and contraction movement of "Frenchness" which would be undesirable. These mutations are a symbol of life and could be considered as the breathing of history.

No. The "angst" in France today, this feeling of being on trial and, as with Kafka's heros, knowing neither the nature of the indictment nor the text of the law springs from what could be called the essence of being French. All nations have a purpose. From having a mission to fulfill—at any rate, a profound reason to exist—to a mere occupation of space. But few peoples have believed it as much as the French, even beyond the two or three centuries when France was the dominant power abroad. *Gesta Dei per Francos.* This motto could seem pathetic or scandalous, but it existed in the minds of the French, at least until June of 1940. It is not enough to say that today this attitude is obsolete. The issues troubling the French are more their survival as a people, their being, and less that of their lost power, their threatened wealth,

The Arc de Triomphe in Paris on Bastille Day.

their challenged unity, their minor impact on diplomacy, their little apparent credibility in military deterence; and more those concerning their history, their art, their culture, and pompously their civilization.

It is precisely from this point of view that the two most recent indictments have been published, in an article and in a book. The article was published not long ago in the *New Yorker*, a magazine for which I have a very high esteem. In it one could read that the arts, the social life, and human relations in Paris were nothing more than falsification, decadence, and futility. One who lives inside a mechanism does not always perceive its failures. The fact that an American observer has recently perceived in such a manner a cultural life which used to be great and which used to be important to the world can be upsetting. It is true that since the deaths of François Mauriac, André Malraux, and Jean-Paul Sartre the French political and literary scene was left without this particular species which we could call the "eternal Voltaire," the committed writer, the righter of wrongs, the defender of the accused, and the accuser of the powerful; and it is true that the Nobel Prize in literature has eluded for so long the people of this nation. These facts force us to question the cultural fertility of France.

Beyond fertility, a recent book entitled *L'Idéologie Française* by Bernard-Henry Lévy, deals with the very significance of French culture, in that it portrays the racist regime of Vichy as the most typical expression, in modern times, of French tradition. Everything in French civilization that does not come from intellectual universality, the "human rights" declared in the French revolution, secularism, and enlightened philosophy, all that is entrenchment, land, village, landscape, and church tower, should be attributed to racism and xenophobia.

One has to consider that such a book appeared in a nation already shaken up by the xenophobic initiatives of the most powerful of its workers' parties. It appeared right after a number of racist murder attempts had disrupted the nation's conscience and just as France's neighbors were accusing it either of giving or not giving asylum to terrorists from the Italian Red Brigades and the military branch of the Basque independence movement. Thus one can see why the French ask themselves questions and among the first is this one: What does it mean to be French today?

Can a people give up its own unique role? Should it, when threats of all kinds appear, look to alignment, integration, or merging into a larger community? The answer would be yes, definitely, for France as well as Great Britain or Italy—unique nations so rich in history and latent fertility—if this choice were not to mean abandoning responsibility.

As our friend who chose, a short while ago, to become French and is realizing today that he faces a test, so too the British, the Italians, and the French know today that their crowded history is primarily a challenge, which should be dealt with first on a national, collective level and then in a global realm. To be French in 1981 is to feel on trial. However there is no cause which cannot be defended and no test which does not contribute to a renaissance.

THE NUCLEAR THREAT

Can Europe build a common defense?

GEORGES BUIS, *a retired French general, is the director of the Institute of Advanced Study of Defense and Military Instruction*

FOR 30 YEARS, THE VARIOUS MEMBERS OF WHAT HAS come to be called the West have lambasted each other with that old pie in the face, the "defense of Europe." But which Europe? Western European countries have bound themselves militarily, politically, and economically through at least a dozen treaties or organizations, from the Dunkirk Treaty to the Geneva Disarmament Commission and including the Western European Union, the North Atlantic Treaty Organization (NATO) and the European Economic Community, among others. Yet none of these groups is made up of the same European countries. This essay will try to suggest a clear picture of a European *volonté d'être* and consequently its will for self-defense, assuming that the organization of defense can stem only from political will.

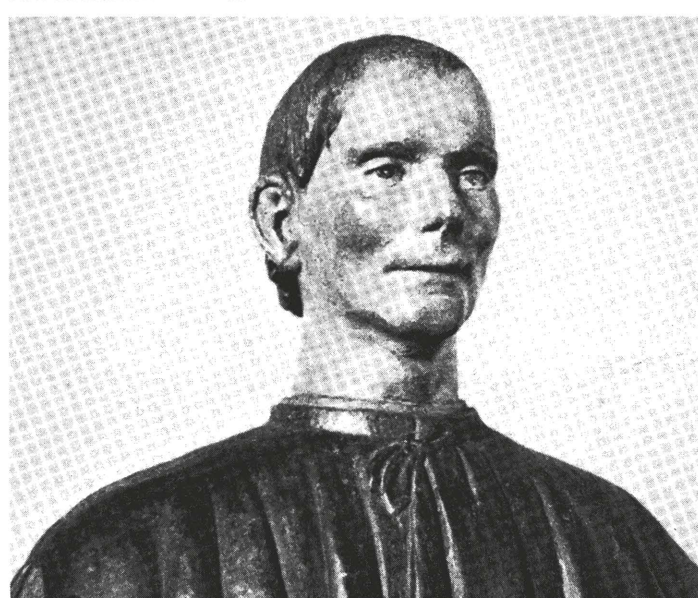
That is why, before approaching the strictly military problem which faces the Europeans, it must be emphasized that the most dangerous threat they face, because it bears fatally on them, is their own division. What has been the global strategy for the last five centuries, if not a dialectic argument between Western European countries and the rest of the world? What passion for adventure, what thirst for pillage possessed these Europeans who rushed into new worlds after discovering them? Moreover, and especially, what sense of the superiority of their knowledge, of their civilization, of their religion; what missionary zeal, inspired them? And how much of their capacity in any domain were they engaging in this missionary adventure in a day when men were few and money rare? Now that Europeans are richer, more numerous, and have spread all over the world due to the disintegration of their empires; now that they are placed (and this is becoming essentially important) at the same technological levels as the great powers, they are no longer interested in mastering their own fate. Should this be considered an historical cycle or an effect of 30 years of Atlantic gangrene?

Are these very brief considerations, which take on gigantic proportions when examined in detail, related in any way to present-day Europe and the nuclear threat? Very much indeed. They lead us to the fundamental question: Will Europe continue to disintegrate as a result of 30 years of semi-hibernation under American nuclear protection, or will nuclear force give it a reason to live by supplying the ways and means of its defense. Should one not then reverse, head to tail, the tenets of the old debate and give life to a new Europe—coming from none of the dozen cited above, but born of the nuclear threat.

Niccolò Machiavelli said in "On the Art of War:" "All the arts one commands . . . all the institutions one founds . . . the laws, would not be of any use if one did not also make the weapons to defend them . . . which could save these institutions, even if they were more or less out of order."

Thus, we come to the reverse method, which consists in acquiring first the means and only then protecting the future city. In our case that means Western Europe, which has emerged almost unconcerned with its defense and which has the means, thanks to the long and genuine protection given it until 1965 by America's Strategic Air Command, of rethinking its defense and acquiring this always expensive tool.

Niccolò Machiavelli warned in 1520 of the necessity of defending one's own civilization. © The Bettmann Archive



"The nuclear fire can have but one master." Here a French A-test in the South Pacific. © Gamma-Liaison

The military threat continues to grow due to the constant qualitative and quantitative rise of the Warsaw Pact forces. The credibility of the great American protector continues to decline, inexorably, with good reason from a European point of view. A great red arrow runs from European Russia through the vast northern plateaux to the Pyrenees, marking the invasion route since the Third Century. As this reality gains substance, one can take for granted that "flexible resistance" no longer has any meaning at all and that NATO itself has only very little, militarily speaking.

I realize that we live in a time when the improvement of certain conventional arms, especially Precision Guided Missiles, would indicate that defensive forces are superior to offensive ones. However this does not hold at all levels and, in any case, not in mastering the escalation which is the basis and the justification for "flexible response." By escalation we refer to the choice of weapons to be used, then the increase in numbers and strength of tactical nuclear weapons (which unfortunately are theater arms only to the two great powers) which would transform the NATO countries into a smoking steppe. This is not what I call defending Europe.

And besides, this being the scenario of "flexible response," why should the aggressor—who trains his forces according to regulations which make the nuclear weapon the final blow—play the part NATO is suggesting? "Artillery conquers and infantry occupies," said Napoleon. For the Russians, tanks and infantry occupy. With the exception of France, which doesn't even have a sufficient number or variety, the other continental Western European countries have no nuclear arms at all. Yet here they are, congratulating each other on the construction of tanks and self-propelled 155 mm artillery valued at $2 million apiece. It seems like a dream.

Another hypothesis: No escalation, a preemptive and "surgical" attack—to use General Pierre Gallois' phrase—by the Soviets which could easily be achieved with Euromissiles, such as the SS 20, on seven or eight hundred militarily important points in NATO territory. The alliance would be nailed to the ground, an outright crucifixion.

However, the uncertainties—and I mean technical uncertainties—can be overlooked in the short- and medium-term for a reason which has nothing to do with a military technique. To the Soviet Union, strategy is a global matter, not a regional one. The Soviet Union plays a bipolar game with the United States and its recent behavior in certain "hot spots" shows that in its strategical vision of the world, destabilizing monsoon Asia, Africa, and Central America is more important than a military conquest of the Western European peninsula.

If Europe wants to exist, it cannot rely indefinitely on circumstance. What can it do? Nothing, for the simple reason that it does not exist. However, certain countries without which Europe could not be could consider trying to give it existence by providing it at the start with a tool for its defense.

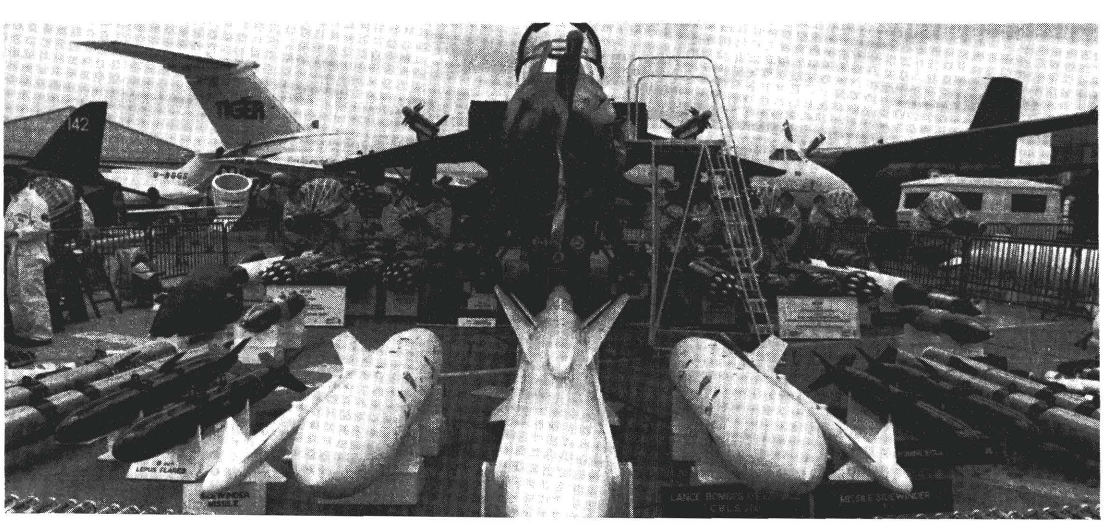
The Europe of 1981 is no longer the Europe of 1949. The density of its population, its urbanization and conurbation, its dependency like all modern countries on a few sensitive points such as energy, water, and foreign markets, all make it impossible for Europe to support a conventional war (even by declaring open cities all her towns, which hold 85 percent of Europe's population). Europe can only defend itself by "non-war," which is to say by deterrent forces which would discourage the enemy from starting a war, which in turn is to say by displaying a powerful, diversified, and credible nuclear armament. It is a syllogism.

In this endeavour, Britain must be kept out. It has always refused consultations, however insubstantial, with the other European nuclear power, France. Besides, will Britain still be a nuclear power in 1990? Where are British Prime Minister Margaret Thatcher's Tridents? What a symbol: Great Britain without a Home Fleet! Thus, France and Germany remain, in principle, the only countries big enough for the job. As Alexandre Sanguinetti said, France and Germany, "after spending a century destroying Europe, could perhaps direct themselves to reconstructing it."

A nucleus in the middle of Europe which would have at its disposal 15 missile-launching submarines in permanent combat position; ground-to-ground mobile Euromissiles, which would not present any problems considering the terrain; and a sufficient number of diversified satellites for operations, together would represent a highly deterrent force to the adversary and a highly attractive one for the potential partners. But not for all. Too many old grudges of the smaller European countries toward the bigger ones are merely dormant. Some have turned into hatred.

Such facts bring us back to reality, making us put aside abstract presentations. Reality means that before setting up any common nuclear arms system it is absolutely essential that both parties engage all their will, in all sincerity and overriding all taboos. The day this considerable arms system is deployed, all steps on the political, legal, economic, financial, and social levels will have been taken to reach, if not union, at least a federal stage. This is inconceivable. Aside from the renunciation by the Federal Republic of Germany of Ostpolitik—an indispensible element of the package, yet tinged with fantasy—the simple abandonment of national sovereignties is unthinkable. Yet the nuclear fire can have but one master.

Therefore, it cannot help in the construction of Europe because from the outset the conditions for the existence of this master will be rejected. Thus Europe will not be built and the Europeans will remain militarily naked. Their personnel and conventional arms contingents are of no interest however strong they may be. And France remains condemned by the rest of Europe's inertia to further selfish seclusion in her own sanctuary.



The Mirage 4000 shown at a 1979 air show in France. © Black Star/Sipa Press

FRANCE AND ENLARGEMENT

Structural imbalances must be corrected

EDGARD PISANI, *currently a member of the European Parliament in the Socialist group, was agriculture minister under Charles de Gaulle.*

EVERYTHING APPEARS TO PUSH THE FRENCH TO warmly welcome Greece, Spain, and Portugal into the Community. There are significant political reasons. The French, as much if not more than many others, have been sensitive to the risks for Europe's freedom of southern dictatorships. Let us not forget that, aside from Portugal, France is the only nation which has a border with Spain.

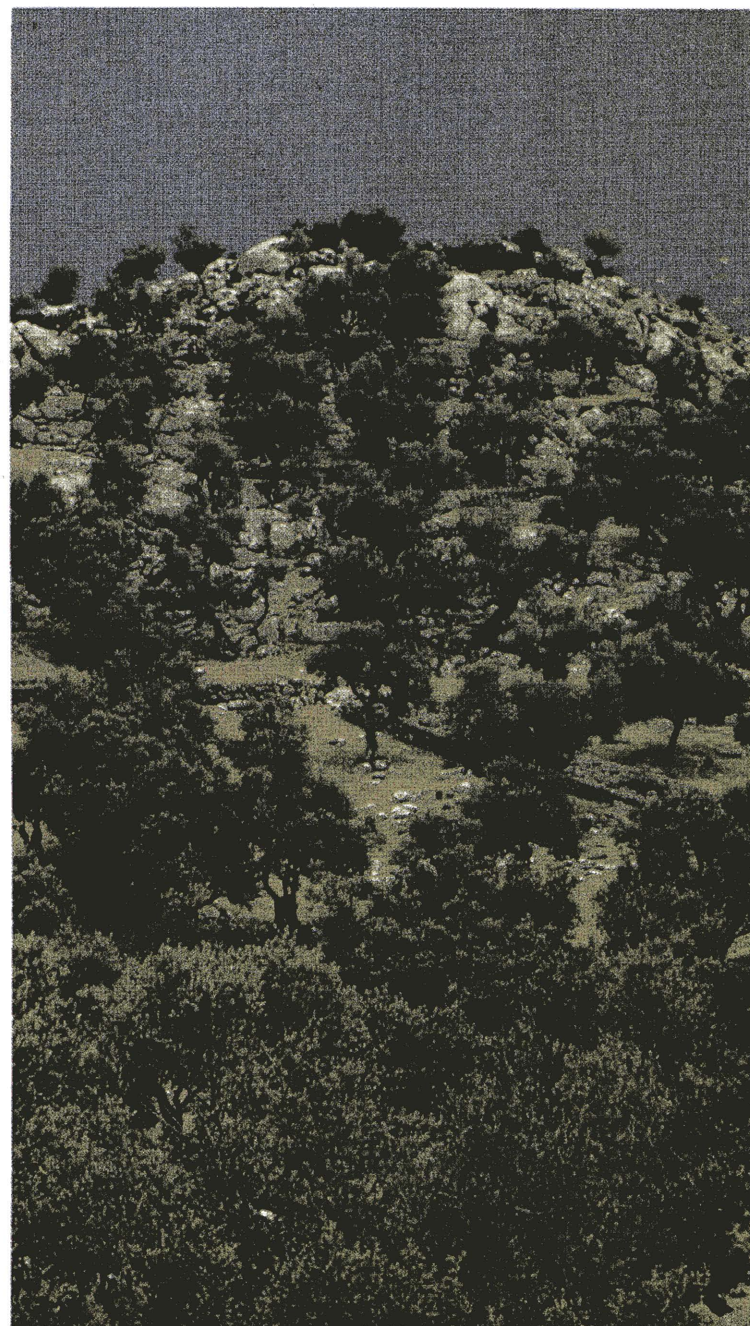
There are strategic reasons. France is in fact a Mediterranean power and in the growing relations between Europe and Africa, a Community cohesiveness, for a Community of 12 even more so than for a Community of 10, may have a significant effect. And there are historical reasons. Paris cultivates, and wants to maintain in spite of opposition, privileged relations with Athens, Madrid, and Lisbon.

And, finally, there are reasons of balance. The entry of three southern nations could give back to the Community the harmony lost in favor of the north when Britain, Ireland, and Denmark joined. France would be better at mediating in a Europe where its left and right flanks have equal strength. This is not the case today.

Everything would appear to push France to support enlargement. Yet, in different ways and to varying degrees, all the political forces oppose enlargement. The Communists' and the Gaullists' hostility is firm, almost taunting, whereas the Socialists and the Centrists have serious reservations over enlargement and have posed tough conditions for its realization. Why is this so? It is by analyzing the history and the results of the Common Agricultural Policy (CAP) that one can better understand this attitude.

The first CAP regulations, developed at the outset in 1961, have benefited the products from the north. Not for the purpose of penalizing the south, but because it is easier to organize the wheat market than the wine one, the sugar market rather than that of tomatoes, table grapes, or apples. Only much later were Mediterranean products given price supports to face the confusion of the domestic and international markets.

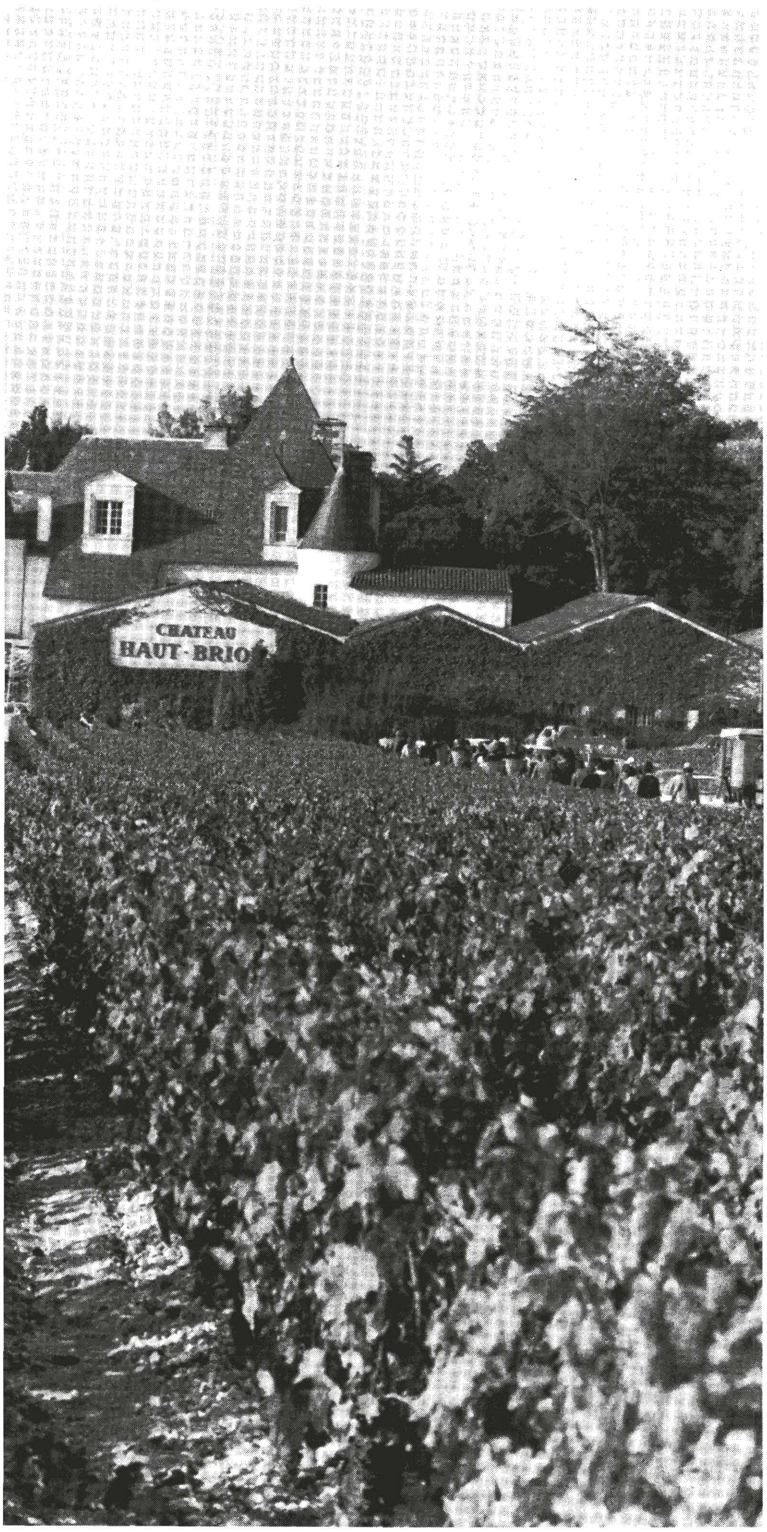
Thus, the south of France has been in a structural



As a Mediterranean power, France is worried about increased competition in certain agricultural products as European countries to the south join the Community. Pictured above is a large olive tree grove in Spain.

crisis for a long time. It feels the inequality it had to bear as an injustice, almost an insult. Furthermore, the south of France—in all professional sectors and from Nice to Bordeaux—believes that Spain, Portugal, and Greece will worsen both the crisis and the inequalities. The surplus of Mediterranean products will become larger, while the products of the north will sell even better than today since the newcomers are net importers of wheat, milk, and sugar which will in turn enlarge the market for these already well protected foodstuffs. There is some truth in this analysis and no politician can downplay such a serious crisis, such a clear threat, such justified discontent.

Vineyards such as this one in St. Emilion which make high quality wines will not be affected by competition from the cheaper table wines of Greece, Spain and Portugal. © Black Star/Sipa Press



It is true that southerners speak loudly and they do have a tendency to dramatize somewhat. But this time it would be wise to pay attention. To the farmer's anger is added regional disarray: The difference in standard of living between the regions of Hamburg and Toulouse is significant, almost one to three. This regional disarray shows a threat to the Community: The disparity between the rich and the poor regions could call into question the very building of Europe and, in any case, the European Monetary System, just when it's beginning to show its effectiveness but also its fragility.

Is there any answer to these problems or have we reached a deadlock? It is clear that the political reasons for enlargement eventually will prevail. It is clear that prospective enlargement has not caused the current crisis in the south of France. It is clear the CAP is threatened by imbalances it could not correct, by surpluses it could not sell, by budgetary expenses it could not control, and by external problems it could not solve. It is clear that if an unsaleable agricultural surplus exists, Europe is suffering from structural defects that it has the "physical" and technological capacity to redress, at least partially. It is in Europe's utmost interest to repair these structural shortfalls, for reasons of security as well as to balance its payments.

Thus, two things should be done: Define a new CAP, with a different system of supports and pricing, and set up an active regional policy in all areas threatened by enlargement. From Bordeaux to the south of Italy, the large southern region of the present Community has to be placed under a vast reconversion program, a restructuration, a reorientation within the framework of a global vision of the Community and its future.

Let there be no mistake, the stakes are high. What is at stake is not France's attitude toward Madrid or Lisbon, it is the internal and external equilibrium of the Community. France's partners would be mistaken if they thought this is a case of peevishness or demagoguery. They should consider enlargement, as the EC Commission suggests, as the opportunity for and fulcrum of a new definition and strategy.

If Europe were enlarged without reform, without consolidation, without "equalization," it would soon sink into disaster. If Europe, in enlargement, shows itself capable of redefining, harmonizing, and dominating its contradictions, it would prove to itself and to the whole world that it exists as a geopolitical reality and not as a temporary union.

Labor's view of the French economy . . .

"Currently 1,500 permanent closings of companies each month"

JACQUES CHEREQUE, *deputy secretary-general, responsible for international affairs, of the French Democratic Confederation of Labor union.*

Nineteen eighty has been marked by the significant deterioration of the French economic and social situation and particularly by the unprecedented increase in unemployment, layoffs, and partial unemployment.

Employment remains the major problem in the economic situation of France. With a total of 1.6 million job seekers by the end of November, unemployment has increased by 9.5 percent in one year; it affects currently 9 percent of the wage earning population. These figures still underestimate the true situation and its seriousness: Many job seekers do not figure in these statistics, a number of them do not register as unemployed, particularly women; a significant amount of men and women are excluded more and more at an earlier age from production; people under 25 have great difficulties in finding a steady job.

Inflation is speeding up. In 1979 the rate of inflation had reached 13 percent, in 1980 it stood at 14 percent, in spite of a pronounced reduction of the increase of real salaries. Industrial production is declining and bankruptcies have resumed their advance since October: There are currently 1500 permanent closings of companies every month. Foreign trade is in the red. Imports are covered only up to 86 percent by exports. The foreign trade deficit will be about 50 billion francs in 1980. With or without oil imports, French foreign trade is in deficit.

On the whole, France is in a very difficult situation at the beginning of 1981. In the middle term, the results of the eighth plan have shown that by 1985, if economic policy is not modified, the situation will be worse: An increase in the foreign trade deficit, significant disequilibrium of public finances, and a record number of job seekers (between 2 and 2.5 million).

In the very short run it is not impossible that the prospect of the presidential elections will bring the Government to distribute some "presents" to certain electorally interesting categories. All the same the postponement of most of the public fare increases to the second semester, after the elections, as a pure demagogical step, will lead people to believe the situation is improving.

All Governmental action since 1976 has consisted in helping business rebuild its profit margins through government contracts, in helping exports, in putting pressure on salaries, in freeing prices to allow a postponement of increases (particularly on oil) to consumers, and in shifting the burden of social security contributions to the detriment of the workers. After four years of this policy, companies have restored their profit margins and reduced their debt, but the number of job seekers has risen by 0.6 million, inflation has gone from a rate of 8-10 percent a year to 13-14 percent a year, foreign trade has seen its deficit increase.

This policy leads to a brutal and often thoughtless restructuring of entire sectors of the economy and to the deterioration of public services (hospitals, schools, transportation, postal services and telecommunications). The Government and the employers have launched a full scale attack against salaries, presented as the cause for all the evils present in the French economy. This aggression is built on false pretenses, perfectly unjust and dangerous for the French economy.

This economic policy which hits the workers first, is accompanied by the Government's and the employers' refusal to negotiate with the unions even about the minimum wage or the lowest wages, the creation of jobs in public services, the reduction of working hours, or retirement at sixty.

CFDT *members demonstrate against hiring practices in May 1977.* © Bruno Barbey, Magnum

The French Democratic Confederation of Labor (CFDT) is aware of the difficulties of the economic situation. The unfavorable international environment, the increase in oil prices, the necessary efficiency of national outputs are real problems. But it refuses to subordinate employment to a policy of profit and to accept unemployment under the heading of a fight against inflation, which has turned out to be inefficient at that. One can fight at the same time for employment and against inflation.

This is why the CFDT requests that economic policy give priority to the development of employment. From this priority spring all of the CFDT's demands: The reduction of working hours, the improvement of working conditions, the lowering of the retirement age, development of community resources, and improvement of public services. These demands make possible the creation of new jobs. The CFDT proposes an industrial development rooted in a new type of development, better adapted to suit the needs of the individual and of the community: The development of public transportation, an extensive program of energy savings, an increase of the means assigned to health and education.

The CFDT pays careful attention to the technological changes which are developed in companies, independently from employees, without any information to nor consultation with unions. For the CFDT, there is no technological determinism; the consequences of progress are not inescapable: There are some possibilities of intervention, of orientation. The examination and control of new technologies will certainly be at the center of trade union battles in the 1980's.

The CFDT has the ambition and the will to gather and unify the workers around their real problems. In October 1980 it launched a campaign for the creation of jobs in accordance with the directives of the European Confederation of Unions. This action has to be carried on in every firm, in every region, emphasizing the realities experienced by the workers, proposing concrete measures, other choices, and other solutions.

The main thing is to arrive at a point where the workers and the whole population refuse the "inevitability" of a crisis, so often called upon in official speeches; where they refuse the passiveness proposed to them by those powers who want to be the uncontrolled and uncontested guides. The only possible way is that of a collective solidarity action, responsible, on every daily problem, in a Socialist perspective of self-management and for a society respectful of fundamental liberties. The CFDT will not allow itself to be locked into the electoral division of the left. The workers in many companies, the cleaning crews in the Paris subway, and the clandestine immigrant workers all have shown in 1980 what can be done and have obtained results.

Policy changes are absolutely necessary. They will be possible and long lasting only through the development of social struggles and through the mobilization of the people because this constitutes the only leverage for results that lead to significant transformations.

Management's view of the French economy . . .

"Business creates 100,000 new, additional jobs per year"

FRANÇOIS CEYRAC, *president of the National Council of French Employers*

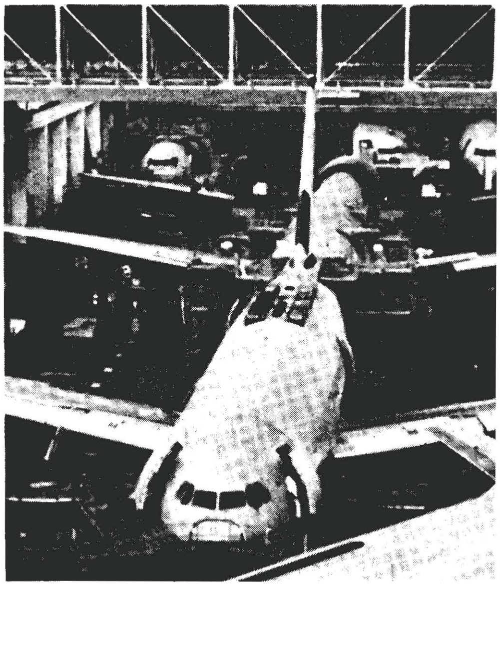
France, as all the European nations, had to react to the oil crises of 1973 and 1979, but it had a particularly serious handicap: 75 percent of its energy was imported from abroad, a higher rate than the European Community average. The consequences of this "additional withholding" on national production were added to the effects of a global recession.

Nevertheless France faced up in conditions and with results that bear witness to the adaptive capacity of its economy. It managed to maintain a growth rate superior to that of its main partners: Total wealth produced during this period by the French increased by 22 percent, while that of the United States, for example, rose by 15 percent. At the same time, French purchasing power advanced by more than 23 percent, and, even if this progress is slower than before, it shows that production growth has fully profited French households.

The efforts made to save energy and to strengthen the French position in foreign markets exemplify well this "strength" of the French economy. Today, France produces more wealth per unit of consumed energy than any other nation. Last year, with an equivalent of a ton of oil consumed, France created $2000 worth of gross industrial product, while the United States, for example, consuming the same amount of energy, created only $800 worth of gross industrial product. To this continuous effort to save energy, one has to add the effects of a policy of diversification of energy resources and notably the most audacious electro-nuclear program in the world. In total, oil should represent only 38 percent of our primary energy in 1990; it represented 67 percent in 1973.

Faced with the double competition of industrial nations and third world nations that are becoming industrialized at a fast pace, French firms have been able to resist by increasing the portion of their production going abroad from 20.4 percent to 26 percent in six years. Is it sufficiently known that France disputes with Japan the title of third largest exporter after the United States and the Fed-

Technological innovation, such as in the aircraft industry shown here, enables France to strengthen its exports to industrial countries. © Black Star/Sipa Press



eral Republic of Germany and that French exports have advanced, since 1973, by 50 percent in volume?

Furthermore, during these years, France's trade has been deeply redirected. Our heavy machinery sales have tripled; they now represent one fourth of our exports. The extraordinary development of French engineering abroad has contributed to limiting the deficit in French foreign accounts in more significant terms than for most of our larger partners. Everything indicates that France, which has resisted well the oil challenges of the 1970's, has the capability to face up to the uncertainties of the 1980's.

Numerous difficulties remain but a transformation in depth of the French economy is in progress. Certainly, unemployment is increasing. There are, presently, 1.6 million job seekers. This is due, essentially, to the 700,000 young people that look for their first job each year. However, at the same time business creates almost 100,000 new, additional jobs per year and, all the while, productivity continues to advance at an annual rate of three to four percent.

Inflation remains too high: 13.6 percent in 1980. A lasting slowdown of inflation will require stabilization of all manner of costs which burden corporate enterprise. A profound evolution of attitudes and behaviour is apparent. Agreement is unanimous on a necessary stabilization of fiscal and social assessments in the coming years.

The stability of the franc is a primary goal accepted by everyone. The authorities have set up the elements for a freeing up and strengthening of the economy: As well as the freeing of prices, one should mention the relaxation of exchange controls, the stimulation of the stock market with the reduction of taxes on money invested there, measures in favor of investment, and aid toward the creation of new companies.

All these evolutions converge to allow business to be more competitive, with more rigorous management and readapted industrial strategy. The spectacular spread of French firms around the world bears witness to this revival. French industry is stronger, more open on the world, and now better understood by the public. To win its bet with the future, business nevertheless has to provide a gigantic effort in two complementary directions: technological innovation and social innovation.

Technological innovation is the only way that France can strengthen its exports to industrial countries, to take over markets, and to keep its rank among the great economic nations. Social innovation necessarily must accompany technological innovation. In this regard probably the Japanese example is the best: the search, with or without the unions, for a new "social contract" favorable to reindustrialization. French companies are searching for a "new social dialogue" for the coming years, for a system of communication and expression which will allow all employees to be concretely integrated in their work environment. There is no possible progress without people.

For France, certain short-term perspectives, certain imbalances remain worrisome. But, in the middle term, France unquestionably has numerous and important assets which allow it to approach the 1980's with a true hope for a healthy and lasting growth, with the hope and the firm will to maintain its place among the great nations, among the very first.

France has "notably the most audacious electro-nuclear program in the world." Shown here is part of the nuclear plant at Dampierre. © Black Star/Sipa Press

French Spring in Boston

Hotel opening, Pissarro show lead way

CARON LE BRUN, *a free-lance art critic based in Boston*

It will be a French spring and summer in Boston. Meridien Hotels, a subsidiary of Air France, is opening a luxury hotel in a restored landmark in the Boston financial district and the Boston Museum of Fine Arts will present three exhibitions of French art.

Saluting the 150th Anniversary of the birth of the patriarch of the French Impressionists, Camille Pissarro, the first major retrospective exhibition has been jointly organized by the Arts Council of Great Britian, the Réunion des musées nationaux in France, and the Boston Museum of Fine Arts.

The Boston Museum begins its French festivities in March with the exhibition "Corot to Braque: A Century of French Masters." It consists of 69 paintings from the Boston Museum's renowned collection of 19th and early 20th century French works returning from a 3-year international and U.S. tour.

Another major traveling exhibition "Romantics to Rodin: French 19th Century Sculpture from North American Collections" will open June 23 at the Boston Museum. This exhibition of 19th century French sculpture is especially remarkable since the sculptures were all drawn from public and private collections in North America, unveiling more extensive holdings of French sculpture outside France than is generally known.

Boston's close ties with France are reflected in that city's enthusiastic and active cultural institutions such as the Alliance Française, the French Library, and The French Speaking League of New England. Now Violette Verdy, world—renowned French dancer and the first woman director of the Paris Opera Ballet, has assumed the newly created post of artistic co-director of the Boston Ballet. Harvard University's Fogg Art Museum is also going French: "Master Drawings by Picasso" will honor Pablo Picasso's cententary and opened February 20 with over 100 drawings, watercolors, and gouaches from 50 museum and private collections throughout the world. It is the first exhibition examining the tonality of Picasso's life as a draughtsman.

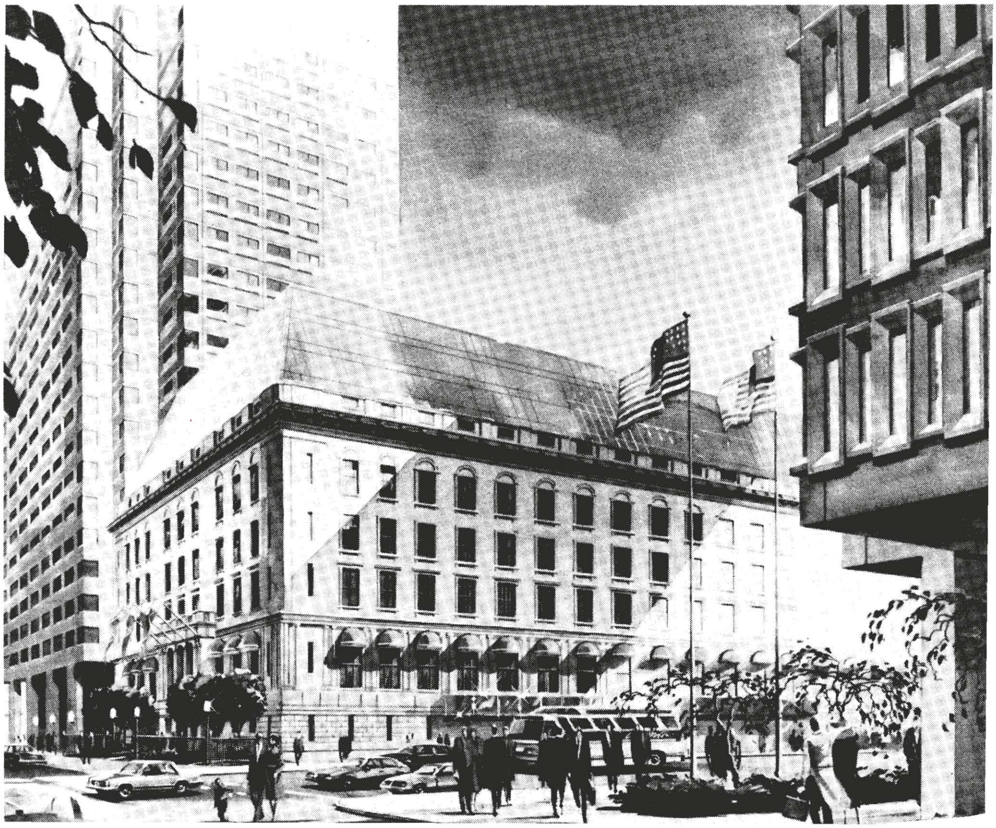
The Boston-France cultural connection dates from the time of the American Revolution and the opening of the new Meridien Hotel is an interesting example of French involvement in Boston historical preservation. Designated as a Boston landmark, the Federal Reserve Bank building (1922), one of the city's finest Italian Renaissance revival structures, will open its doors as the Meridien in mid-1981. Located in historic Post Office Square, it is in the heart of the financial district.

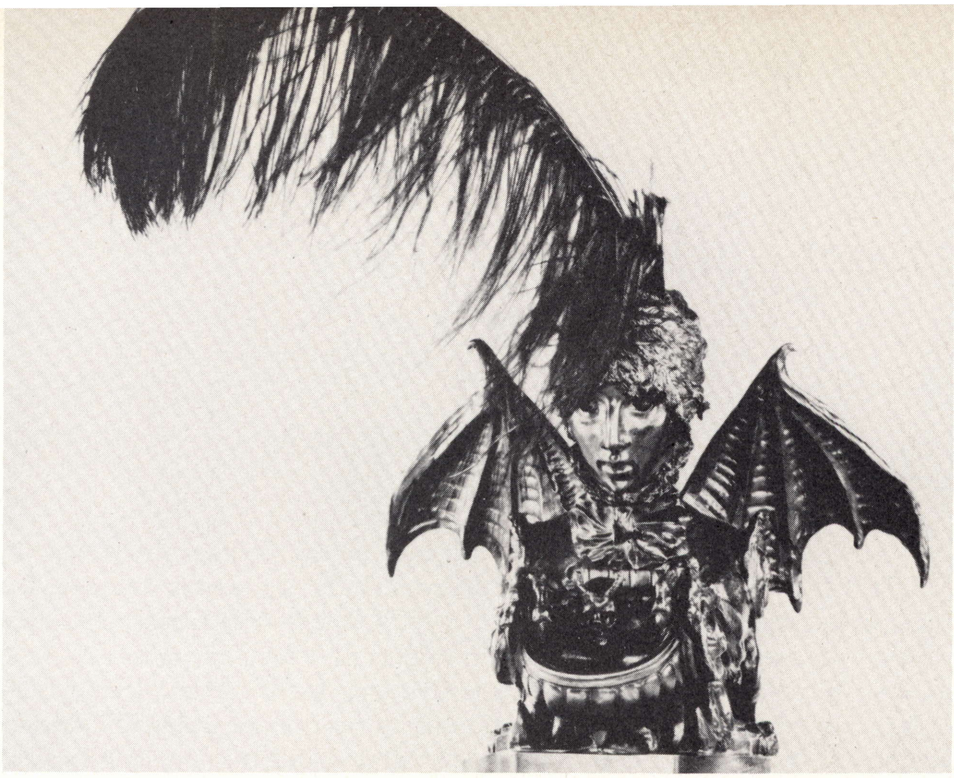
The elegant Federal Reserve Bank building was designed by the architect R. Clipson Sturgis who patterned it after the Palazzo della Cancellaria in Rome, a granite structure built in the 1500's and still in use today. The Meridien will be a balance of Boston history and distinctively French food, service, decor, and spirit. The rich interior details are being preserved and incorporated with contemporary design. The painted dome ceiling in the grand entrance foyer, with its colored mosaic tile floor and bronze Federal Reserve medallion in the center, are being restored. The bar will feature the restored, ornately gilded and coffered wood ceiling, impressive marble door frames and staircases, floor to ceiling arched windows, and two dramatic wall murals by N.C. Wyeth.

The 9-story Meridien Boston appealing primarily to the business executive and luxury market will offer 328 rooms, duplex suites, conference rooms, a ballroom, a French Brasserie-style restaurant, and Restaurant Julien. Combining tradition with new ideas, the restaurant is named after Boston's first French restaurant opened in 1794, "Julien's Restorator" that stood across the street and was named after its owner French immigrant Jean-Baptiste Julien.

This is the first hotel built in Boston in ten years. Meridien Hotels has 35 luxury hotels throughout the world, with more than 20 under construction. Its first operation in North

An artist's drawing of the renovated Meridien Hotel in Boston. courtesy of Meridien Hotel





"Inkwell, Self-portrait as a Sphinx," 1880. A bronze sculpture with an ostrich feather, by Sarah Bernhardt. photos courtesy of Museum of Fine Arts, Boston

America opened recently in Houston, and in March Hotel Parker Meridien will open in New York City.

It is testimony to American appreciation of French art that about half of the paintings in the Pissarro exhibition are from the United States. Reunited from 81 international collections are about 180 of Pissarro's finest works; 80 paintings, 100 drawings, prints, painted fans, ceramic tiles, as well as letters and photographs to present a complete picture of the artist whom Cézanne called, "the humble and colossal Pissarro."

Pissarro was not only a key figure in the Impressionist movement, but also in other aspects in the evolution of French painting in the last half of the 19th century. It is the later paintings that are of particular interest in this exhibition since they reveal more freely rendered urban scenes. Pissarro's variety is breathtaking—landscapes, cityscapes, still lifes, portraits, peasants at work, boulevards and bridges, docksides and smokey industrial scenes. A mini-show consists of about 15 portraits of Pissarro by famous artists and friends such as Cézanne, Forain, and his son Lucian Pissarro.

Concerned that rich Americans were rapidly carrying off the greater part of France's modern art patrimony, the French government in 1886 commissioned the art critic E. Durand-Gréville to tour America's collections and catalogue all French paintings in the United States. He found thousands of French paintings and nearly half of those he discussed were in Boston collections. Due to the generosity of Boston collectors and astute purchasing, the Boston Museum has an unrivaled collection of about 600 French pictures and ranks as one of the world's finest and most comprehensive collections of French 19th century painting. The 69 paintings from this collection included in "Carot to Braque" were a great success in Japan where more than one million visitors saw the exhibition.

According to Anne L. Poulet, Curator of the Boston Museum's Department of European Decorative Arts and Sculpture, the "Romantics to Rodin" sculpture show is significant for Boston because 19th century American sculpture is so important there, both public and monumental works and those in private collections. It is fascinating to have this opportunity to compare 19th century American and French sculptures, for there were strong ties between the two countries and their artists.

Nineteenth century France produced more sculpture than any country at any time in history. The 202 bronze, silver, marble, plaster, terracotta, and mixed media works by more than 60 artists reflect the enormous diversity of styles, themes, and techniques characteristic of French sculpture from the rise of Romanticism around 1830 to 1900 and the modern master, Rodin. Also included are works by Edgar Degas, Antoine Louis Barye, Jean-Baptiste Carpeaux, Carrier-Belleuse, and François Rude, along with works by lesser known artists such as Frémiet, Barrias, and Falguière.

An example of the French-American ties is the bronze of "Liberty Enlightening the World," one of the finest reductions cast after the monument by Frederic-Auguste Bertholdi and lent by the American Museum of Immigration in New York. The French patriotic spirit is evident in François Rude's "Head of the Genius of Liberty (La Marseillaise)," a smaller bronze version of the original figure in his monumental stone relief on the Arc de Triomphe in Paris.

"Lordship Lane Station, Upper Norwood, London," 1871. A painting by Camille Pissarro.

EUROPEAN UNION

German Foreign Minister calls for new treaty

JONATHAN CARR, *Bonn correspondent of the* Financial Times *of London*

ANYONE WHO RAISES THE IDEA OF A "EUROPEAN UNION" these days risks being laughed to scorn. In 1972 European Community leaders meeting in Paris set a target date of 1980 for a European Union—without precisely defining what this entailed. A few years later the then Belgian Prime Minister, Leo Tindemans, was invited by his European colleagues to produce recommendations on how to achieve a European Union. He did so—only to have most of them ignored. Later still, three so-called "wise men" appointed at the suggestion of the President of France examined a similar topic. Their proposals have been so little discussed that even European Community experts can hardly recall what they were.

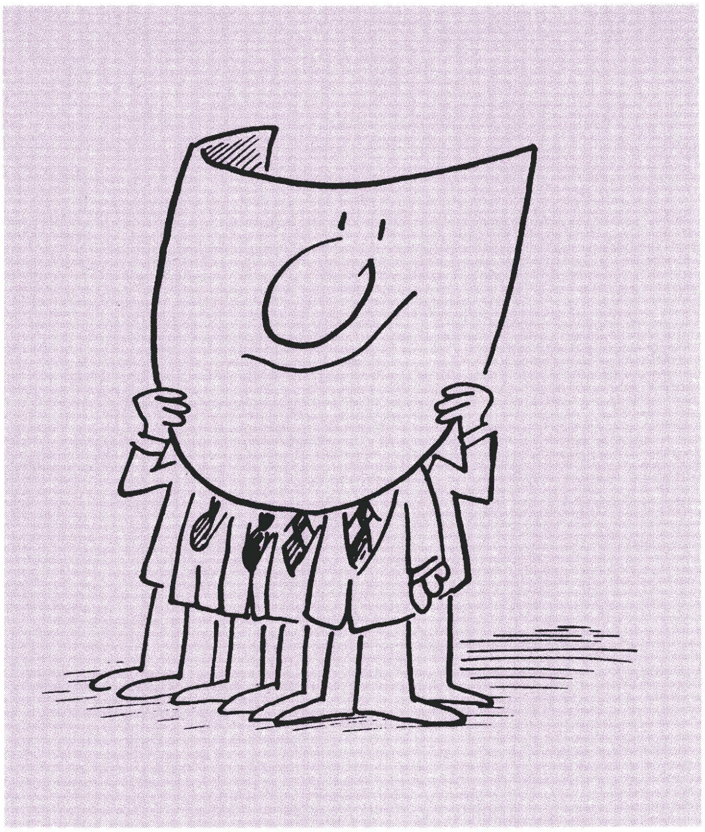
Hence the surprise in January when German Foreign Minister Hans Dietrich Genscher suddenly raised the issue again. He stressed that a European Union must cover, among other things, formulation of a joint foreign policy by the Community's 10 member states and—still more noteworthy—a close coordination of security policy. In his view it was time to enshrine all this in a new treaty, supplementing those of Paris, which set up the European Coal and Steel Community, and Rome, establishing the European Economic Community and EURATOM. None of these treaties covers political union or security affairs, although the preamble to the EEC pact speaks of a determination "to lay the foundations of an ever closer union among the peoples of Europe."

Genscher made his proposals before a congress of his liberal Free Democratic Party (FDP), which is the junior partner in the Bonn coalition Government with Chancellor Helmut Schmidt's Social Democrats (SPD). The FDP has long sought to present itself as the coalition's driving force for European integration. It has had some success since liberal leaders—first Walter Scheel and then Genscher—have headed the Foreign Office for more than 10 years and have thus had plenty of opportunity to flaunt their European credentials. The SPD resents the suggestion that it is less enthusiastic about Europe, but it has had the finance ministry portfolio during a decade of squabbling over the cost of Community policies—for example in the regional and social spheres and in agriculture most of all. It is unfair to draw the FDP as the visionaries of Europe and the SPD as the Scrooge. But that is often the way it looks—and Genscher's latest remarks thus fit into part of a familiar pattern.

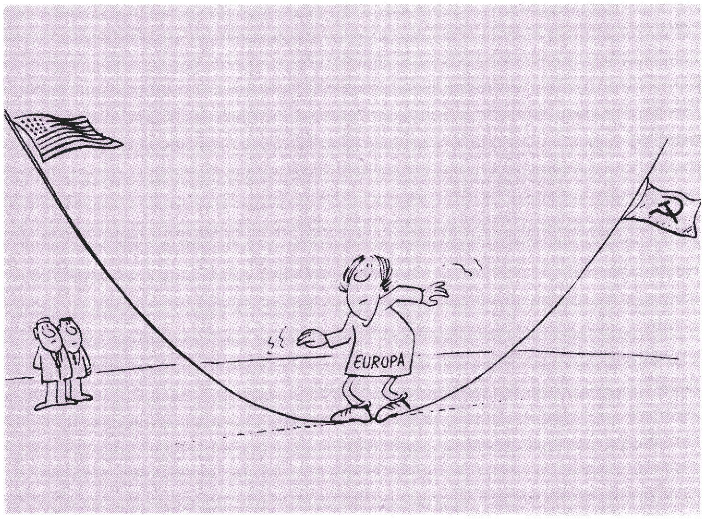
To some extent Genscher is the victim of his wholly justified reputation as a consummate political tactician. It is clear that some observers took one look at his speech and decided it was for domestic consumption only. They are wrong. Genscher's proposals were based on a grim analysis of the future of the democratic states of Western Europe if they prove incapable of much closer cooperation in foreign and security policy above all. I use the term security in this context not just for weaponry but for all elements which make Europe vulnerable—for example the large measure of dependence on imported oil and the consequences of this for policy on the Middle East.

Genscher's fear is that if the Europeans remain unable to match their economic strength with a clearer political voice, relations with the United States will become increasingly difficult and this will weaken the basis of the Western defense alliance. So what's new? Surely European politicians have been mumbling phrases of that sort for years—and nothing much seems to have come of it! For Genscher two things are new. One is that the crises over Iran and Afghanistan threw into sharp relief the grave difficulties of the West in coming to a joint position. If the United States at times produced proposals which seemed ill-considered and self-contradictory, the Europeans dithered. For example, it was three weeks before Community foreign ministers first met to discuss the Soviet invasion of Afghanistan and what, if anything, they should do about it. Genscher now wants to see that Europe will not be caught napping in the next crisis.

Second, the Community is facing a very difficult year bound to be marked by dispute over agriculture policy reform and the budget. There is not much talk about this at present, but after the French presidential elections in April and May the dam will burst and a torrent of accumulated problems of horrendous complexity will burst forth. This is all coming at a time of dwindling



"European Community." © Bas, Tachydromos, Greece



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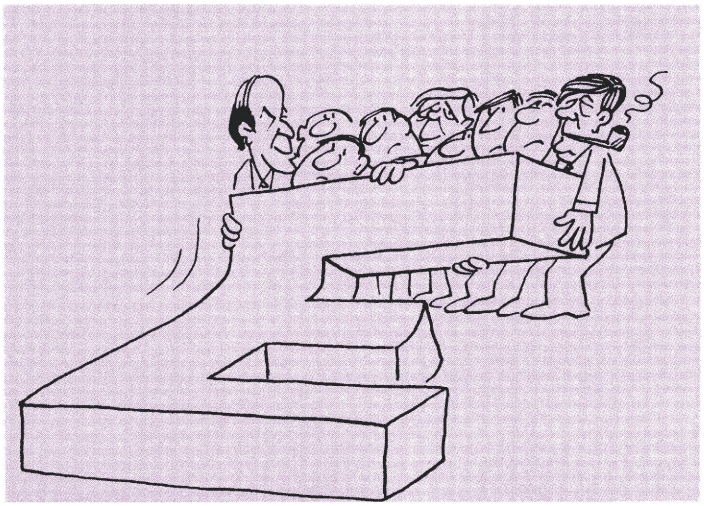


economic growth and growing unemployment. Genscher believes that enthusiasm for European integration has already waned in Germany—not least because of the long budget dispute with Britain resolved, at least temporarily, last summer. He fears that unless a new political impetus can be given to the Community now, the result will be not simply stagnation but erosion—just as closer cooperation becomes more vital than ever.

Hence the proposal for a treaty which would summarize the achievements of the Community to date and sketch its long-term aims. The hope is that by thus raising the Community's sights above farming and cash squabbles, the consequences of a failure to achieve more integration would become more widely realized. That in turn would provide a context in which those squabbles could be more easily resolved—or at least in which the damage caused by them could be contained.

By no means everyone supports Genscher's initiative—even in his own ministry. Some of those who favor a new treaty in principle, fear that this is a bad time to be talking publicly about it. Their argument is the reverse of Genscher's—that so long as the member states are fighting over money, a grandiose plan for European Union may be interpreted as an effort to dodge the real issues. It is thus clear that Genscher is running a political risk—of which he is, incidentally, well aware.

On the other hand, the analysis of Europe's position which caused Genscher to make his proposal is known to be shared by the British and French among others. Britain's Foreign Secretary, Lord Carrington, has recently proposed a new procedure under which he and his Community colleagues could meet within 48 hours if any three of them feel international developments make this desirable. He has also spoken out for development and institutionalisation of European Political Cooperation (EPC), the informal meetings at which member states seek to hammer out agreed positions on foreign policy issues beyond the scope of the Rome Treaty.

At present the country which holds the Presidency of the EC Council also arranges the EPC meetings. EPC is thus a movable feast lacking continuity and a permanent staff. There is a growing conviction in Bonn, London, and Paris that this must stop—although this may mean a dispute over where a permanent EPC institution should be established, with Brussels or Paris the most likley candidates. In any case Genscher is in no mood to let problems of that kind dissuade him from pursuing his drive for a new treaty. He is expected to press the point at the Franco-German bilateral consultations in February and the question may well come before the leaders of the 10 member states at the European Council meeting in March. By the Spring it should be clear whether his gamble has paid off—or whether his initiative has gone the same way as its many distinguished predecessors.

CRISIS IN EC INSTITUTIONS

Thorn on what should be done

EC COMMISSION PRESIDENT, GASTON THORN, IN THIS INTERview gives his views on what should be done to solve the present crisis in the European institutions.

The new Commission President takes up office after eleven years as a member of the European Parliament and another eleven years on the Council of Ministers—which he has presided over for no less than four six-monthly periods. He knows the European Council equally well from his period as Luxembourg Prime Minister betwen 1974 and 1979. What lessons has he learned from his vast experience?

"When I try to weigh up the different European institutions, I don't view them precisely from the vantage point of one or the other. This complicates matters, but it also helps, since the truth lies somewhere in the middle, even if not exactly in the geometric center.

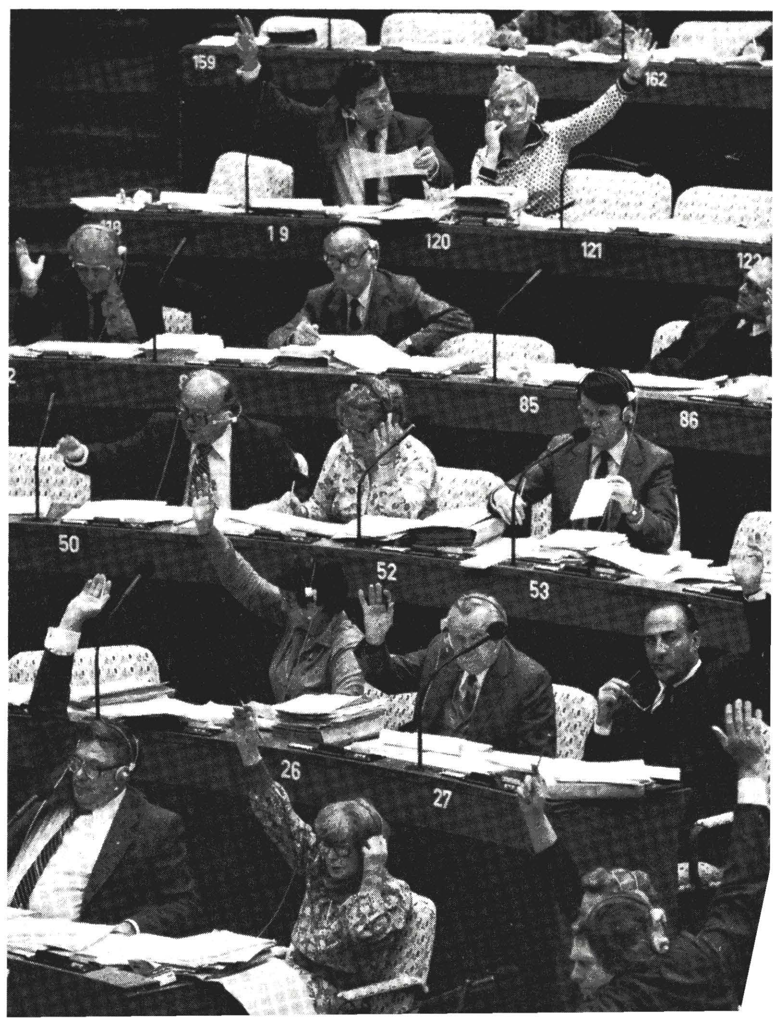
"To take the Parliament first, it has clearly not found it easy to come to terms with other institutions. This occasionally leads it to make impossible demands out of sheer frustration. The real cause is the attitude of the Council of Ministers, which has little real sympathy with the Parliament. It does not understand Parliament's problems and sometimes even behaves as if it were oblivious of its very existence. To start with, things would be vastly improved if ministers attended sessions more often and were ready to listen to members' problems.

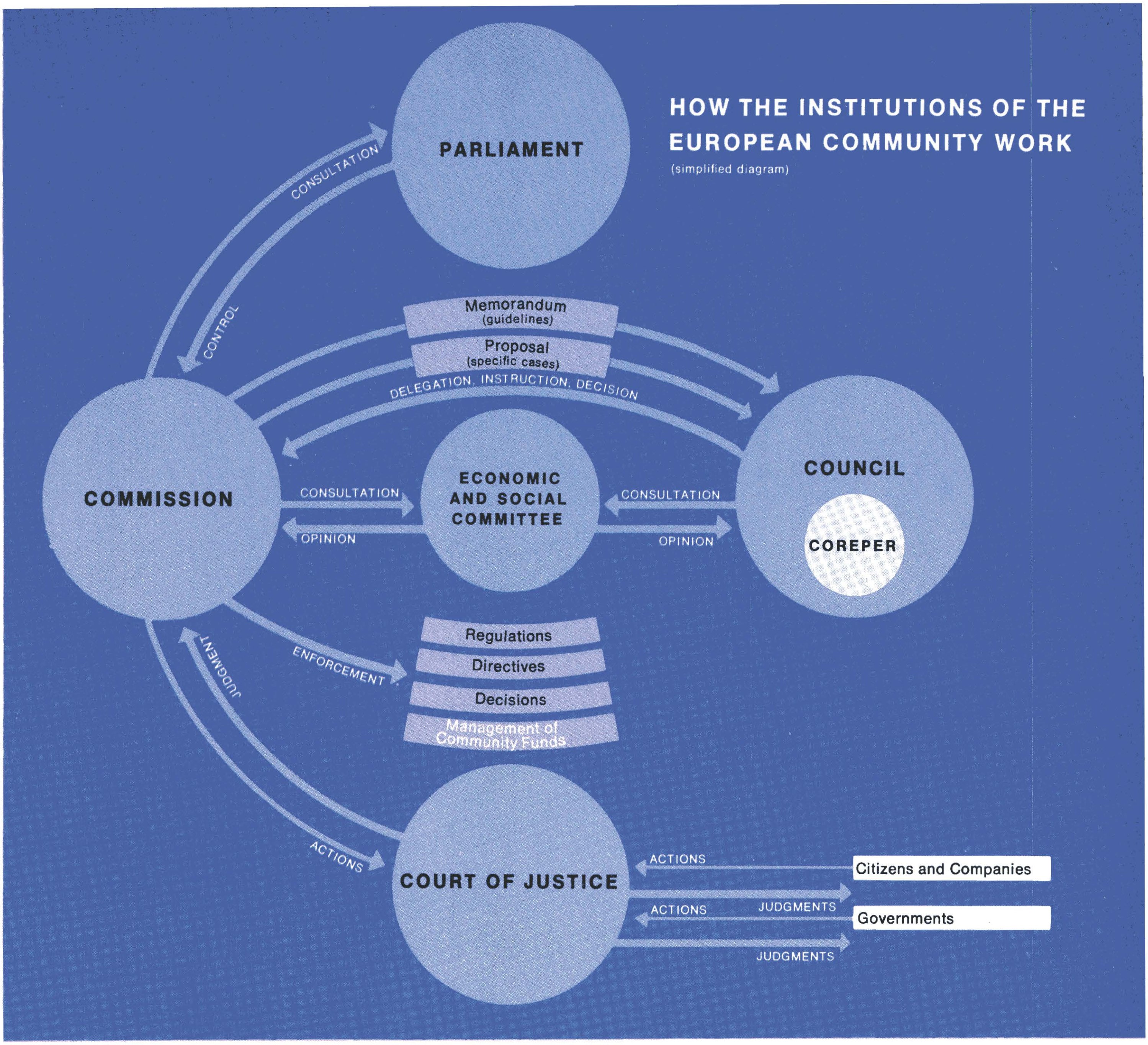
"I have many times reminded my colleagues in the Council of Ministers that it was they who wanted the Parliament to be directly elected, and yet they still persist in reminding all and sundry that it has no real powers. This is a mistake. I can think of no surer way of driving a parliamentary assembly to schizophrenia. It would be far better for the Council to establish clear and constructive relations with the Parliament. It should guide Parliament's business by seeking concrete suggestions within definite time limits, on this or that major problem, such as the Common Agricultural Policy. Otherwise the Parliament will only be provoked into asserting itself by developing its nuisance value.

"To be able to do this, the ministers must in turn play their proper role. The Council is not really the Council any more. Primarily, this is because it insists on reaching unanimous decisions. This means that contrary to the Treaties, it is always obliged to search for consensus. I made this point recently to Helmut Schmidt, who asked my views on how to resolve the present crisis in European institutions. I wondered how efficient he thought the German government would be if, for instance, the Bonn cabinet had to approve every decision unanimously.

"The system has another defect. There is not just one Council, as there should be, but a whole series of specialized Councils, with the result that soon the foreign ministers themselves will hardly be prepared to discuss

During a session on the budget in the European Parliament last November.





anything beyond political cooperation. As soon as subjects like agriculture, energy, or monetary matters come up, they refer the problems to their specialized colleagues. This is no way to arrive at European policies.

"I remember the time we used to tease [former French Foreign Minister] Maurice Couve de Murville because he would telephone Charles de Gaulle every time a difficult problem cropped up. Yet is was quite natural that he should turn to the person with the decision-making powers. And de Gaulle would decide. Today, the specialized ministers do not even dare to telephone their colleagues at the Treasury—so their patiently worked out compromises risk being reduced to dust by junior Treasury ministers at their next meeting.

"How do we get out of this impasse? The first thing to be done is to face our problems squarely instead of beating around the bush. Basically, the Council of Ministers stopped working when ministers stopped speaking frankly to each other. Nowadays, whenever things get too difficult, there is always someone who will suggest postponing discussion to the next meeting. The same ambiguous tone is used when addressing the outside world. 'The Council was unable to take a decision,' a spokesman announces. But what really happened? Which country refused to agree? And on what particular point? No one knows—or at least no one says.

"The only way that politicians, and the press, can thrash out these difficulties and overcome them is for them to be brought out into the light of day. This also means there can be no hiding whose fault it is when there is a persistent failure to agree.

"It is far too easy to blame civil servants. Yet if they do not do their job properly, it is surely the responsibility of their political masters to remove them. Nor is it helpful to refer problems up to the European Council, the next decision-making level. As President Giscard d'Estaing has rightly said, the European Council is bogged down with technical matters, instead of getting on with its proper job of laying down broad policy guidelines for the Council of Ministers.

"I discussed this problem with the late Georges Pompidou who tentatively suggested having a department of European affairs in every government, with the job of drawing together the scattered threads of the specialized ministries. I think this is still a good idea, provided that the department is headed by a minister sufficiently senior to have real authority over his colleagues.

"The third institution is the European Commission. Sometimes I feel like making people read the Treaty of Rome because they seem to misunderstand its texts, or all too often, to ignore them. It is clearly laid down in the Treaty that only the Commission has the power to propose legislation. Yet over the past few years, it has used these powers frugally. I agree that its motivation has been laudable—only to put forward proposals likely to be accepted by member states.

"There are, however, two extremes to be avoided. One is to adopt a provocative attitude and denounce the Emperor's nakedness by putting forward proposals which the Commission knows very well will not be accepted by 'wicked governments.' The other extreme is no more desirable to my mind, and that is to get together the national experts as soon as the Commission has a bright idea and ask them what form they would like it to take. The Commission is not a secretariat to the Council of Ministers, any more than it is to the European Parliament. It must accept its responsibilities.

"Of course it would be gratifying if the Council of Ministers accepted the Commission's proposals just like that. But that is not the object of the exercise. The Commission's first duty is to draw up clearly what it considers to be in the Community interest. It is then, and only then, that it sould consult Herr Muller in Bonn, Mister Smith in London, Monsieur Dupont in Paris, to find out what their governments think. Today, the European Community is all too often reduced to the sum of the views of national experts.

"The Treaty of Rome specifically confers another function on the Commission to ensure that Community decisions are carried out properly. Yet an alarming number of decisions remain more or less dead letters. Of course, if any special interest is affected by decisions not being enacted, it can take the matter to the Court of Justice and have it put right. But for the others. . . ."

All the treaty, yes; but does that mean nothing *but* the treaty? Gaston Thorn has no intention of accepting such limitations. For a start, he realizes that European unification cannot be assumed to follow on automatically from economic integration, as Jean Monnet thought at one time. In one of their last conversations together just before Monnet's death, they came to the conclusion that an essential ingredient for effective development of the Community was a constant injection of public will.

Furthermore, in Gaston Thorn's view, it would be an insult to the memory of the founding fathers to believe that if they were starting out again now, in 1981, they would do the same as in 1950. In those days, the biggest problem was the Ruhr, even though Monnet's basic idea was to unite Europe around its most modern industries. "If we carry on devoting most of our energies to steel and other industries in crisis," says Gaston Thorn, "the Community will end up as a hospital for lame ducks."

Another consideration which has struck Gaston Thorn is that it is the chapters in the Rome Treaty on "negative integration" which are worked out in the most detail—that is, removing barriers to the free movement of goods and people. When it comes to "positive integration," developing common policies, the texts are largely silent, except for the articles on agriculture, transport, and development aid. How can this gap be plugged? The fate of the Tindemans report or the more recent one by the 'Three Wise Men' is hardly encouraging, thinks Gaston Thorn. Nor does he feel it would be useful to convene another Messina-type conference, like the one which led to the Treaty of Rome.

"Why not make better use of the body we already possess, the European Council?" says Gaston Thorn. "We could make enormous progress if British Prime Minister Margaret Thatcher, French President Valéry Giscard d'Estaing, German Chancellor Helmut Schmidt and their colleagues got down to drafting a plan of how Europe should develop in the next five to 10 years, and identify the implications for national policies—in fact by doing a 'management by objective' exercise."

But this is not Gaston Thorn's immediate problem as he moved from presiding over the Council of Ministers to heading the EC Commission. He warns:

"Over the coming months, there are urgent problems to be solved: the budget and its funding, the Common Agricultural Policy, further enlargement and relations with the countries bordering the Mediterranean. It would be shortsighted to dismiss these as just economic problems: After all, if we cannot solve even these problems, how can we expect to cope with the political ones? It would be blindness itself to think that we can rely comfortably on intergovernmental cooperation to resolve these difficulties—to say that we will think about Europe tomorrow, later on, when we have time. In the dangerous world of today, Europe is of prime importance. We must devote ourselves to it here and now.

"It is in this spirit that I take up my new functions in Brussels. We have just two years in which to succeed."

EC Agricultural Commissioner Dies Suddenly

"Our Job Is to Unite the Divided"

NIELS JØRGEN THØGERSEN, *head of the EC Commission's information office in Denmark*

The above is a quote from one of the many speeches and describes better than any other words its author, Finn Olav Gundelach, who died suddenly January 13 shortly after taking his office in the new Commission.

Economist, politician, diplomat, Dane, and, not least, European, he believed steadfastly that it could be done and took upon himself the most difficult tasks of European construction. And he did so without using political doctrines and ideologies.

After many years of experience in international cooperation, Gundelach reached the conclusion that close economic cooperation between Western European countries was absolutely necessary. At the same time, he felt, why not grasp the roots of the nettle? That meant working in central areas such as agriculture, even though the interests of member states and their populations seemed to be divided.

As everybody knows, his efforts were often fruitful. The secret was his formidable forcefulness, his success at getting things pushed through. This force can be described as, first, an expertise his colleagues, his negotiating partners, and his opponents lacked. Secondly, he could articulate his thoughts precisely and quickly. And finally, he had a fine psychological sense of the kind of person he was dealing with.

These three abilities, combined with hard work, brought results. They gave him power outside his own areas of responsibility and outside the Community. He was acknowledged and respected everywhere he went in the world—he was a person you listened to and one you trusted.

The late Commissioner was greatly respected by all Americans who came into contact with him: In particular, they came to admire his consummate skills during the Multilateral Trade Negotiations. Indeed, Gundelach was credited in the United States with being responsible—together with US Special Trade Representative Robert Strauss—for breaking up the Tokyo-round deadlock

on agricultural questions in the summer of 1978.

But there was more to Gundelach. I was one of his collaborators for eight years and I have admired his forcefulness in another area—his speaking engagements in Denmark. My job was to accompany Gundelach to these engagements, large and small. It was always the same. He would speak for an hour or more, but in such a way that even those not listening at the beginning would understand complicated matters of daily life.

This happened at all kinds of meetings, with the political left wing and the right wing, with unions and labor organizations. No matter what the subject, or who was listening, he was always well prepared, he knew what he wanted to stress, and he was 100-percent willing to defend it, if necessary.

He would bring a prepared text to these meetings, but would keep it in his pocket and very often what he said would not be found in the text. He always paid attention to the atmosphere of the meeting and the interest of the audience and would speak according to these variables without losing the point of his speech. Only once did I see him on thin ice.

He was invited to speak to a large audience of leading people in the computer business. No one knows why he was not briefed beforehand on his subject: the work and plans of the Community in the computer field. Pale, but having pulled himself together, Gundelach thanked the audience for the invitation and for its interest in EC efforts in this area. He explained that later in his speech he would say more about the subject, but first he wanted to put it all into a bigger perspective.

Gundelach then gave one of his most splendid and inspiring speeches on the Community's and the world's actual economic situation. He did not talk directly about computers. So what happened? Everyone in the audience felt he knew much more than before and had forgotten why he came. That day Gundelach's forcefulness was on full blast.

Gundelach purposely accepted all these speaking engagements. He stressed again and again his belief in the "living word." If the subject matter was handled well and explained directly to people, they would understand it. Even for Gundelach, a day had only 24 hours. And it worried him to see all the invitations on his desk that he had to decline for lack of time. He was very interested in making sure the public was informed correctly about the Community.

Gundelach was always ready—when time permitted—to discuss problems thoroughly; and he always gave very detailed and up-to-date information on every subject raised with him. Very often, half an hour with him gave you more political analysis and insight than years in a classroom.

He will be missed enormously and those of us who had the privilege to work for him will miss him also. He taught us that in the construction of Europe, there are bigger perspectives than butter prices and fishing quotas. And it is useful to support the Community even if progress seems slow. He proved to us by his own work that even though the Community is made up of nations, it is people who will form and enlarge it.

EUROBOND MARKET

Important source of financing for European countries

WILLIAM ELLINGTON, *Associated Press-Dow Jones correspondent in London.*

THE EUROBOND MARKET IS ONE OF THE MAIN SOURCES of long-term external finance for European countries. It also supplements domestic European bond markets by providing fixed-rate capital to businesses and government entities. For instance, French authorities encourage France's state owned utilities, such as Eléctricité de France, Gaz de France, and Caisse Nationale des Télécommunications, to float issues in the international bond market. This serves to finance the utilities' capital expenditure programs and at the same time helps to finance France's trade deficits with other countries.

The European Investment Bank (EIB), the European Coal and Steel Community (ECSC), and the European Economic Community (EEC) are regular borrowers in the Eurobond market. In most years, they account for more than 10 percent of the total amount raised. In turn, the EC institutions help finance the Community's economically depressed areas. Because EC institutions rank among Europe's most credit worthy borrowers, funds can be raised and lent out again at relatively low interest rates.

To a large extent, the international bond market has always been a means of recycling funds from surplus to deficit countries. The market got under way in the early 1960's when US authorities tried to protect the dollar through a series of capital control measures. These regulations obliged US companies to raise long-term capital in Europe rather than export funds from the United States. Later, in the early 1970's, Germany's trade surpluses became larger and larger. The counterpart to these surpluses was deficits in other countries. The deficits were partly financed in the Eurobond market, particularly with issues denominated in deutschemarks.

In recent years, Europe and the rest of the world have had to finance imports of oil at progressively higher cost. Fortunately, oil-state financial institutions became increasingly large investors in Eurobonds so that the recycling problem has eased. For the Eurobond market to get under way in the early 1960's, certain problems had to be overcome. One of these was the question of taxation. If taxes on interest payments were withheld at the source, as is the case for domestic bond issues in some European countries, and if the amounts that could be reclaimed against withholding taxes varied from country to country depending on bilateral tax treaties, then it would have been impossible to provide investors in all countries with the same after-tax return. Indeed, it would have been particularly difficult to distribute bonds subject to withholding tax in countries where a similar tax didn't apply for domestic bond issues.

As a result, it was necessary to ensure that no tax on interest payments was withheld. This was done by issuing bonds under the jurisdiction of "tax havens" such as Luxembourg, the Netherlands Antilles, Bermuda, and so on. To protect bond investors from the possibility of withholding taxes being imposed at a later date, it became standard practice to stipulate in the legal agreements for Eurobond issues that the borrower must absorb any withholding taxes or repay its debt.

Not surprisingly, some European governments disapproved of the Eurobond market as it began to expand in the 1960's. At the time, there were fears that the market would be used for tax evasion. In addition, some governments disapproved of the way American companies were absorbing scarce European capital. Furthermore, some European bankers were disturbed by the fact that the Eurobond market offered competition to low interest savings accounts. When Valéry Giscard d'Estaing was President de Gaulle's Finance Minister in the late 1960's, he referred to the 1960's Eurodollar market for dollar deposits outside the United States as a "hydra-headed monster."

However, European governments came around to the view that the Eurobond market's ability to provide capital for plant and equipment and at the same time finance external deficits outweighed its disadvantages. Moreover, it wasn't overlooked in certain finance ministries that the cost in European currencies of borrowing in dollars, the main financing currency for the Eurobond market, went down over the years as the dollar declined.

French officials, often critical of the Eurobond market, authorized extensive borrowing in the Eurobond market by French entities over the past five years. According to data of the Paris-based Organization for Economic Cooperation and Development (OECD), such borrowing came to about $6.3 billion in the five year period.

As the Eurobond market developed, computerized systems for settling transactions were introduced. In recent years, most transactions have been completed through booking entries at Euroclear in Brussels or at Cedel in Luxembourg without requiring physical handling of the bearer certificates. Bankers assert that these clearing systems are more efficient and flexible than any comparable systems used in domestic bond markets.

Often, a Eurobond transaction requires both the lender and the borrower to accept a foreign exchange risk. This would happen, for example, if a Dutch company floats an issue denominated in dollars. Because the major trading currencies have fluctuated widely over the years, it has not always been possible to balance the risk of the lender and the borrower. At times, the market for bond issues in certain currencies has dried up. For instance, German authorities have recently requested German banks to suspend Eurobond offerings in deutschemarks in order to relieve the strain on Germany's external balance of payments.

However, when one currency has been out of favor, others have been available and the Eurobond market has shown enough flexibility to keep providing capital.

In recent years, long-term dollar interest rates have risen to successive peaks. This has detered many borrowers. To overcome this difficulty, Eurobankers have developed floating rate note issues, whose coupon payments vary quarterly or twice a year with the level of short-term rates. These "floaters" allow investors to have the benefit of high short-term rates and a high degree of market liquidity. However, they also ensure that the borrower isn't committed to paying a high interest rate if short-term interest rates decline.

Investment bankers have produced many other innovations. For example, bond issues have been denominated in special drawing rights (SDR) of the International Monetary Fund (IMF). The advantage of the SDR is that it provides a certain amount of currency stability for both the borrower and lender. Floating rate notes have been structured to provide the lender with the option of converting into a fixed rate bond. Assuming conversion if interest rates decline, these convertible floaters will allow borrowers to obtain fixed rate financing at a reasonable cost. Many other techniques have been used to cope with exchange rate and interest rate instability. Innovation has been one of the market's strengths.

In recent years, a large number of institutional investors have begun to participate in the Eurobond market. These include many central banks outside Europe, pension funds, insurance companies, mutual funds, and a growing number of financial institutions in the oil exporting states.

Though relatively small amounts were raised in the 1960's, the market expanded briskly in the 1970's. At the end of last year, approximately $133 billion worth of Eurobond issues were outstanding. New Eurobond issues in 1980 totaled about $23.8 billion, according to figures of Morgan Guaranty Trust Company. Turnover in the secondary market last year exceeded $244 billion as measured by Eurobond transactions settled through the two computerized clearing systems, Euroclear and Cedel. Thus, the Eurobond market ranks as one of the most important capital markets.

Clearly, investors have been willing to put up a lot of money to buy Eurobonds. Market specialists say that one reason for such large investment is that the Eurobond market provides advantages and opportunities that domestic European markets don't offer.

The International Bond Market in the First Nine Months of 1980

In millions of dollars; 1979 figures in color (Excludes New York issues)

	No. of issues	*Amount*	*% of total market*
Sterling	12	537.3	3.7
	4	248.1	1.8
Eurodollars	89	6,601.7	45.4
	69	5,034.9	37.0
Canadian $	6	258.0	1.8
	13	424.2	3.1
Deutschemarks	32	2,358.3	16.2
	37	2,130.5	15.7
SDRs	1	19.6	0.1
	2	89.7	0.7
French francs	9	533.0	3.7
	8	267.0	2.0
Euroguilders	12	384.9	2.7
	9	312.8	2.3
Floating rate notes $	37	2,465.0	17.0
	54	2,893.0	21.3
Floating rate notes £	2	163.8	1.1
	—	—	—
EUAs	2	44.6	0.3
	4	152.4	1.1
Japanese yen	2	138.1	1.0
	2	115.9	0.9
Australian $	1	35.1	0.2
	1	17.1	0.1
Kuwaiti Dinars	1	26.3	0.2
	12	351.1	2.6

Source: Euromoney Magazine, November 1980

THE CHRYSLER DILEMMA

US could learn from European experience

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

CHRYSLER HOVERS ON THE BRINK OF BANKRUPTCY. Its failure will lead to at least 200,000 lost jobs, severe financial problems in many communities and scores of bankruptcies among car dealers and makers of motor car spares and parts. Chrysler is America's tenth largest manufacturer.

The Reagan Administration views the Chrysler situation with considerable discomfort. Philosophically it bluntly opposes business bail-outs and staunchly supports all efforts to strengthen the free enterprise system. Yet it is acutely aware of the costs of a Chrysler failure. It could benefit by drawing upon European experience. Governments in Europe have had to grapple with the problems of the motor industry for years. The shape of the European car industry has changed radically in recent years in part because of increasingly active public sector participation. European leaders have come to recognize that their car industry can only survive in the long-term through strong official support.

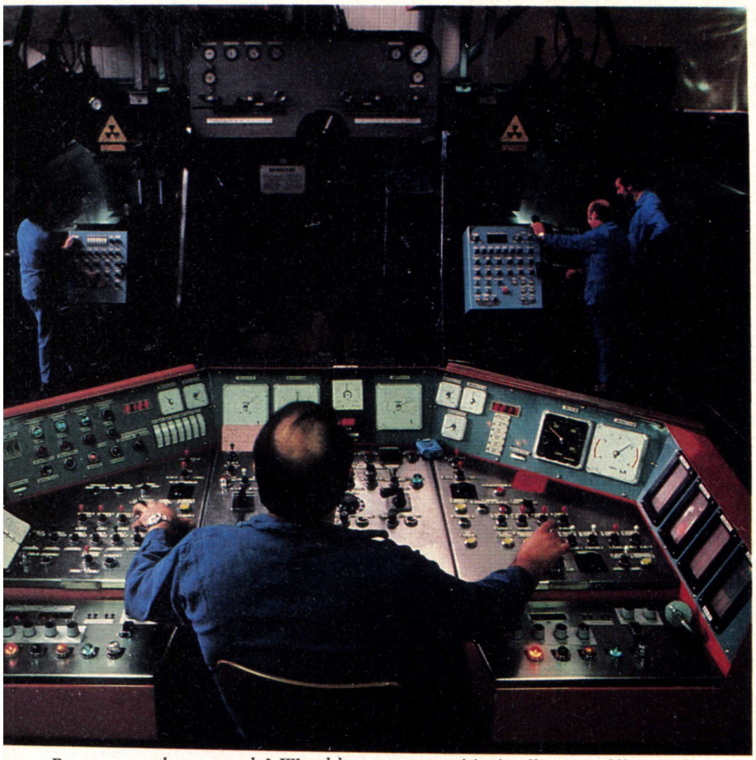
As a result efforts have been made to fashion an European car industry policy. The European Parliament has adopted a resolution calling for a Community car industry strategy, for public sector support for research and development in the industry and for important Community efforts to secure a stronger structure for the industry.

By contrast the United States has no such thing as a national car industry policy, nor has there been much thought given in political circles to designing such a policy. Matters may change now and the White House may be inspired by the European Parliament's example. After all, Chrysler may indeed be almost beyond help, but the whole US car industry is in distressed shape. There are indications that the Reagan Administration's approach will in a general sense be in line with long-standing demands from Detroit. Chrysler's losses in 1980 were some $1.7 billion, but the losses of the US car industry as a whole were over $4 billion—too much for Washington to ignore the urgent pleas from the car makers.

Detroit's plight, just like the agony of European car makers today, is partly due to broad economic developments of inflation, recession, and high interest rates. Japanese competition is another major factor and important Washington-Tokyo talks on this are certain to be mounted soon by William Brock, the new US Special Trade Representative. But beyond this there can be no doubt that the massive weight of governmental regulation on Detroit and the mandating by governmental agencies of vast amounts of special standards on the car makers, have been most costly. It seems likely that part of the Reagan car industry strategy will be to stretch out compliance by car manufacturers with deadlines for new antipollution, safety, and fuel-efficiency standards.

Just as Reagan would be wise to follow the idea of the Europeans and fashion a broad car industry strategy, so he could profit too by looking at how the European authorities have dealt with specific major car industry difficulties. When British Leyland seemed at the end of its rope as a private concern in 1974 the British Government appointed a top level commission to study its problems. The Ryder Report, named after the commission's chairman, now known as Lord Ryder, focused on the long-term needs of the ailing British giant and it assessed these in a ten-year global context. Ryder concluded that British Leyland could not survive on its own as a private firm and that its existence would depend upon large scale public funding for it. The British Government, anxious to maintain a domestically owned car industry and all the employment that went with it, nationalized the company and has been providing it with vast sums of taxpayer money ever since.

A long-term study following the Ryder model by a top flight, independent group in the United States—headed say by Tom Murphy, who has just retired as the chief of General Motors—would undoubtedly produce interesting conclusions that would not only help Ronald Reagan out of his Chrysler dilemma, but might also provide guidance for the negotiations with the Japanese. Such a study would almost certainly conclude that just as was the case for British Leyland in 1974-75, so now Chrysler has no chance of surviving on its own.



Peugeot at the controls? Would part-ownership by Peugeot-Citroen help Chrysler? Shown here is a Peugeot plant. © Jean Gaumy, Magnum

But if Chrysler cannot survive on its own, what options are there? The acceptance of the company's collapse would be most costly and the Reagan Administration is unlikely to take this option. Nationalization is not only anathema to the new Republican regime, but the UK experience suggests it is desperately expensive. But there is another approach. With such firms as General Motors and Ford around, the US political leaders need have no fear of having their car market dominated entirely by foreign manufacturers. They could encourage foreign firms indeed to buy chunks, perhaps all, of the Chrysler Corporation.

As the European Parliament noted in its resolution, there is important growth potential for car makers these days in foreign countries. In fact, as any serious long-term car study would undoubtedly show, the global market has become totally integrated and the firm that does best is the one that concentrates its research and development to the greatest extent on producing models for all global markets and then ensures that it has a truly efficient global marketing organization. Chrysler has no hope of competing on its own, having spent the last few years in selling its numerous foreign ventures to raise cash to help it survive a little longer. Nor has Chrysler any hope on its own of raising the capital needed to survive the brutally competitive period ahead. General Motors alone is investing $40 billion in the 1980 to 1985 period.

The global car market is rapidly changing today with the formation of truly international, well funded, manufacturing partnerships. General Motors has been talking to a number of foreign rivals but it alone is probably big enough today to fund and support a true global set of operations and promote world market models. Vauxhall and OPEL and other General Motors foreign subsidiaries are now being more deeply integrated into the General Motors operation than ever. In a few months time General Motors will launch its first world market models, the so-called "J" cars.

Ford has promoted its world cars, but it sees the need for foreign partners. It already has links to Toyo Kogo, maker of Mazda models and it has recently had some exploratory chats with Toyota. Nissan, Toyota's rival, is quietly talking with Volkswagen, which benefits from having some 40 percent of its shares in governmental hands and which has substantial operations in Latin America and South Africa and Indonesia, not to mention a big US plant in Pennsylvania and another coming on stream in Ohio. Italian car makers also have had government help, notably in keeping Japanese cars out of the home market. All the same, Fiat, for example, has East European joint ventures and Alfa Romeo makes diesel engines with Fiat and Renault and has a tentative deal with Nissan to build cars. Nationalized British Leyland is plugging into the global developments by producing a small Honda in Britain, while Honda itself recently entered into a joint venture in South Africa with a company that is 27 percent owned by Daimler-Benz, maker of Mercedes cars.

There are dozens of other international partnership examples, from nationalized Renault's deals with Volkswagen and Volvo to its recent acquisition of a major share in American Motors Corporation. Chrysler owes cash to Peugeot-Citroen in which it has a 15 percent stake and it has major agreements, not to mention big debts, with Mitsubishi of Japan. These latter two firms, for example, might be keen to buy some of the Chrysler plants.

The internationalization of the car market calls for an international solution to Chrysler's problems. Ronald Reagan needs to follow the European Parliament's example and move ahead to fashion a national car strategy. Then he needs to implement a Ryder type study for Chrysler and find foreign partners for the ailing giant. These approaches will probably lead the Reagan Administration to the conclusion that more and more European governments are reaching, that if you cannot beat the Japanese, you ought to join them. In the American case the best solution for Brock and his negotiators would be to win commitments from Japanese manufacturers to build production plants in America or to take over plants that are up for sale, say Chrysler plants . . . another European idea after all, as it was Peugeot-Citroen, it will be recalled, that bought Chrysler's European facilities.

IS EC REALLY RICHER THAN US?

"Real" data belie official statistics

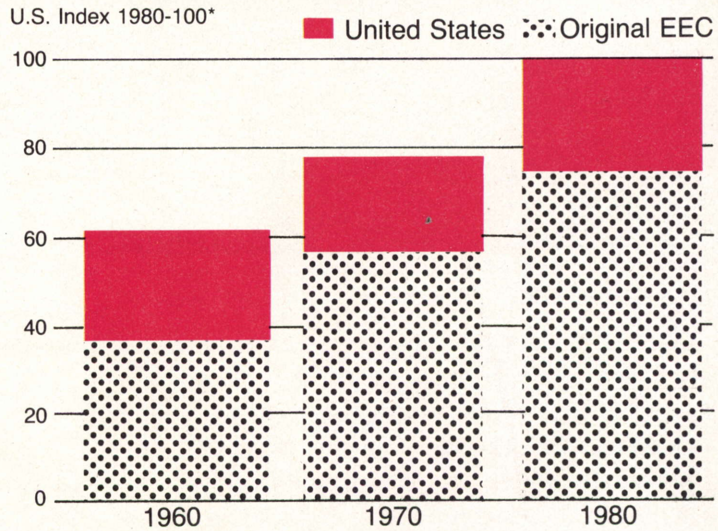
ROBIN MARRIS *is a professor of economics at the University of Maryland*

ACCORDING TO OFFICIAL STATISTICS, GERMAN PER CAPITA income is now 25 percent above that of the United States. This is the most extreme example of a financial phenomenon that at the present time is causing absurd distortions in all kinds of international comparisons. Even when we look at the six original members of the Community as a group we find that this large region, ranging in prosperity from southern Italy to the Ruhr, has an average per capita income which, when converted into dollars at current exchange rates, is significantly above the US figure: Extended to the full, 10-member Community, the comparison comes out only a little more than 5 percent below the United States.

Does this mean that the "old" Community has finally overtaken the United States in wealth and prosperity and that the full Community is about to do likewise? The answer of course is a resounding "no." These are ridiculous numbers, hopelessly inflated by the worldwide undervaluation of the dollar relative to its domestic purchasing power and quite unsuitable for comparisons of economic performance. As a matter of fact, long before the dollar fell, exchange-rate converted data were very deceptive, especially for comparing rich countries with poor countries. Despite their widespread use by governments, international organizations, and economics writers, they ought to have been replaced by numbers that had been adjusted for differences between exchange rates and the relative domestic purchasing power of currencies.

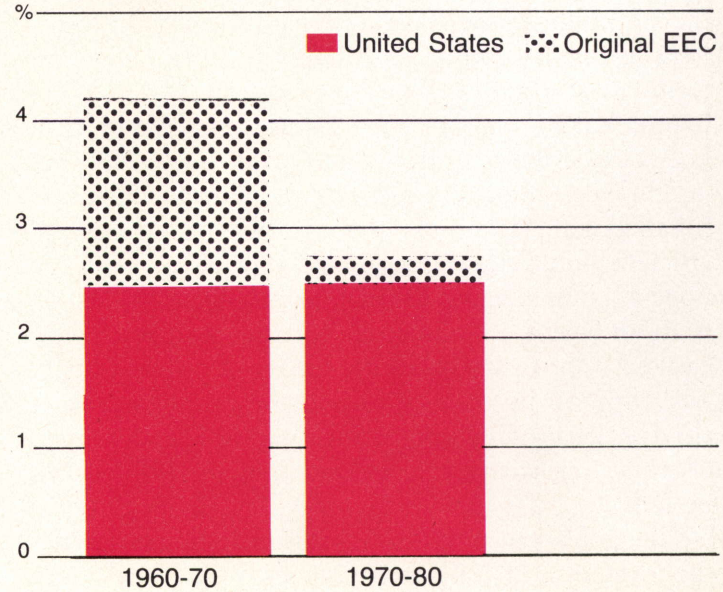
Fortunately, as a result of recent research it is now possible to correct the errors, although persuading the international community to mend its statistical ways may yet prove an uphill struggle. Professor Irving Kravis of the University of Pennsylvania has been essentially responsible for the research. He has been ably supported in the work by Professors Alan Heston and Robert Summers and financially and materially supported by the United Nations, the World Bank, and the Ford Foundation. Recently the EC Statistical Office created a special division responsible for "real" international comparisons within the Community and between the Com-

National Production per Head*



*Gross Domestic Product per head of population, adjusted for differences in the purchasing power of national currencies, on the base of the US 1980 level = 100. Derived from the article by Robert Summers, Irving Kravis, and Alan Heston in the *Review of Income and Wealth,* March 1980.

Growth Rates of National Production per head



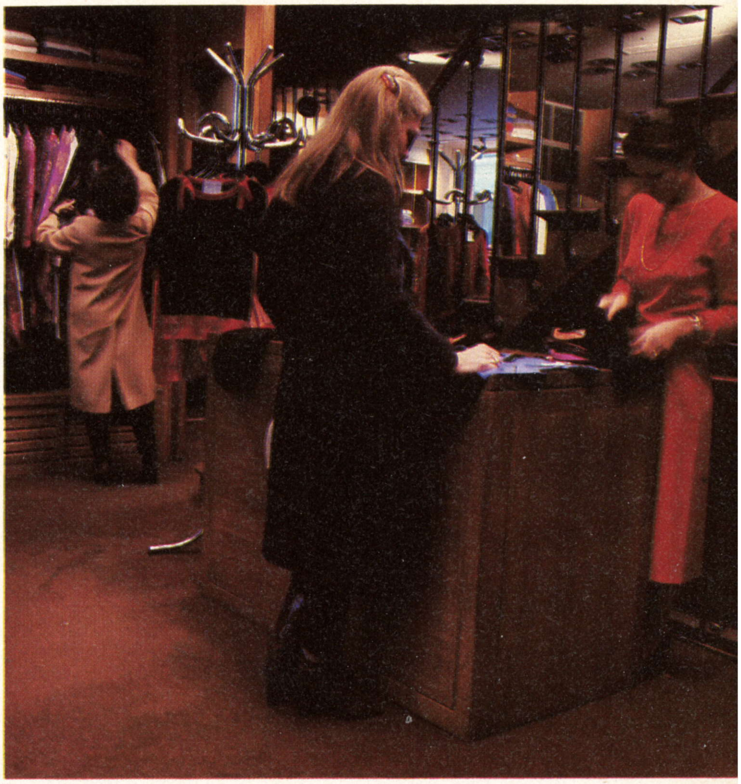
munity and associated countries. All numbers cited in this article represent calculations of my own derived directly or indirectly from Kravis, Heston, and Summers publications.

The truth is that the Community, especially the original Six, has indeed made great economic gains in the past 20 years, but so, despite its woes, has the United States. In the end result, when the statistical distortions are corrected the whole Community emerges with average "real" (purchasing-power adjusted) per capita national income nearly 30 percent below the United States, which means, of course, that the United States is about 40 percent richer than the Community. Confining the calculation to the substantially richer old Six, the difference is still 25 percent looking from the United States down, or one third looking from the Community up. For the two richest EC members who are now very close to each other, France and Germany, the corresponding comparisons are 15 percent looking from the United States down, 18 percent looking from France or Germany up.

It is customary for travelers to swap experiences about the cost of living in various capital cities. But these are not representative of general prices. In particular there is great variation in the extent to which prices are higher in capital cities than in the provinces. The new research has priced everything, from oranges to bureaucrats, from butter to guns, from teachers to haircuts. The research is very costly, but is obviously worth it if it prevents major international decisions from being taken on false data.

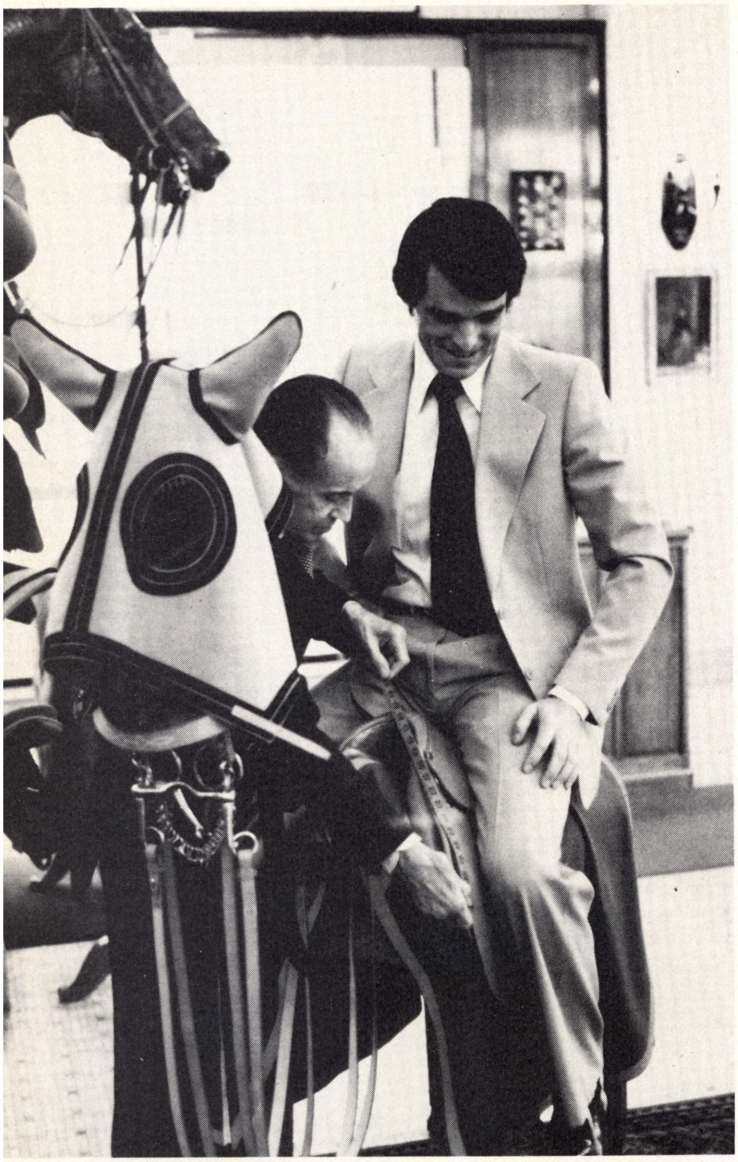
It is a remarkable, but little known fact that despite the significant faltering of industrial productivity since 1973, the growth of American inflation-adjusted gross domestic production (GDP) per head of total population was on average virtually the same—2.5 percent a year—in the decade of the Seventies as it was in the Sixties. The deceleration of industrial productivity was offset, despite rising unemployment rates, by a sharp increase in total employment relative to total population (the so-called "participation rate") due mainly, it seems to increased employment among married women.

Given these fairly familiar considerations it is worthwhile to look more closely at the new data to see how we—meaning the United States and the Community—got from where we were at the end of the Fifties to where we are now. Perceptions of history on the two sides of the Atlantic tend to be somewhat opposite. The Americans believe that they have recently been through a bad period, during which the rest of the free world has continued to catch up and in some cases to overtake them. The Europeans believe that as a result of world events over which they had little control (but the Americans did) their own brisk growth of the Sixties was reduced



Prices are usually higher in the capital cities than in the provinces and not indicative of general market conditions. A chic Parisian shop is pictured here. © Jean Gaumy, Magnum

Food prices have shot up in both Europe and the United States, as illustrated in this French produce market last year. © Daniel B. Denning, Washington



Some places can never serve as barometers for the cost of living, such as this saddle shop in an exclusive Paris store. © Burt Glinn, Magnum

to much more modest proportions in the Seventies, so that they are still economically the weaker partner. What is the truth of the matter?

The truth is that in the Sixties the total per capita production in the Six grew at the rapid rate of 4.1 percent per year. This compared with the regular American rate of 2.5 percent. EC real national income per capita rose from 62 percent of the US level in 1960 to 75 percent of the US level in 1970. This strong performance was general among the Six: Italy, for example, grew markedly faster than the Community average. There was in fact a tendency among all the industrialized countries of the world for those with the lesser affluence to grow fastest.

Part of the subsequent EC slow down, with or without the new members, was predicted by previous events and thus hardly the direct fault of President Lyndon Johnson. But the slow down that actually occurred was substantially greater than predicted. In the Seventies, the Six grew at no more than 2.7 percent per annum, where the prediction was around 3.5 percent. Among the present members of the full Community, whose data is significantly affected by the continually deteriorating performance of the United Kingdom, growth fell to 2.5 percent.

One can take two views of the American Seventies. On one view they were an era of progressive deterioration. Although growth of output and income was rapid in the first three years, the next seven years were mediocre and the latest data suggest that in 1980 not only did production grow only very slightly (about 0.5 percent) but the further sharp decline of the dollar meant further sharply reduced overseas trading terms, so that real national income actually fell.

Another view involves a longer historical perspective. Chart US constant-dollar GNP per capita for the past 30 years. Then calculate a line representing constant exponential growth at 2.5 percent a year, starting from 1950. Where would you expect to find the actual result for 1981? Above trend? Below trend? I will make a substantial bet that the outcome for the year 1981 lies very close to the trend line, because 1980 was just above it.!

Despite all the inflation, troubles, and travails the United States real economy has ended up today exactly where one might have expected a cautious forecaster imitating Herman Kahn around 1969 would have placed it. Overexpanded perhaps in 1972, it fell back on account of the world and domestic pressures that its own overexpansion had created. Swamped with new labor-force participants, new environmental regulations and energy shortages, output-per-person-hour declined, leaving the long-term trend of output per population-person apparently unaffected. If this diagnosis should prove correct, one would expect the US economy in the Eighties to resume growing at 2.5 percent. If the gloomier interpretation of recent history is correct—that is if the true trend is the one we see starting from 1973—zero growth would be perfectly possible.

What will happen to the Europeans depends on whether it is really true that the world economic mess was in fact the cause of their below-par growth, and whether the mess is to be rectified. I think it would be unwise to assume that the catching up process will necessarily be resumed. One would expect it to be resumed if things go well, otherwise it may be that the economic situation of the Community relative to the United States has been stabilized. This means in current prices that the average European has annually about $3500 less of real goods and services available for consumption, investment, or defense that the average American. Per family the difference is at least twice as much. For a population of 200 million the aggregate difference would be $700 billion. That is quite a quantity of guns, or butter, or mink.

Economic and monetary union

Progress report on EMU, EMS, EMF, ECU

JOHN WYLES, *Brussels correspondent for the* Financial Times

In its attitude to Economic and Monetary Union (EMU), the European Community resembles a religious sect which has lost belief in its god but continues to pay routine homage. It remains a hallowed objective which derives from the founding ideals of the community, but it has consistently been pushed further down the list of political priorities largely because member states lack the political will to achieve it.

But the ebb and flow of the political tide in the Community is such that it would be a mistake to assert that further progress towards EMU is a very remote prospect. It is, after all, only ten years ago that the six founding EC members were in a fever of enthusiasm for EMU. When their leaders were joined by the heads of government of the three new Community members at the Paris summit of 1972, the Community, it seemed, was poised to take a thrilling leap forward. EMU, said the summit, should be completed "not later than" the end of 1980. Lest there were any doubts about the ultimate objective, the summit even set out the preliminary steps which must be taken.

But 1980 has come and gone without celebrating an economic and monetary union of nine EC member states. What happened? The short answer, which begs many additional questions, is that the political will evaporated. It was burned off during the first oil price shock of 1973 and its extremely difficult economic consequences. Rising inflation and unemployment, stagnant economic growth and rising international tension and instability did not push the Nine deeper into each others' arms in the hope of forging joint solutions to their many economic difficulties. They chose instead to mark time, to look for national remedies, and to avoid risky supranational adventures which might rebound against them.

Political will also gave way to political timidity because leaders who had been so surefooted in charting the Community's development in the late 1960's and early 1970's passed from the scene. Georges Pompidou of France, Edward Heath of Britain, and later Willy Brandt of West Germany were all succeeded by heads of government who, for one reason or another, chose a more pragmatic and cautious approach. By 1977 the EC was dominated by the scepticism of French President Giscard d'Estaing and the irresolution of Helmut Schmidt. Britain's James Callaghan meanwhile was a reluctant and unconvinced participant in Community affairs, despite having successfully renegotiated the terms of British membership. The Community of the late 1970's was impressive, but disappointing when measured against the aspirations and hopes of its founding fathers. It was a major grouping of nine governments which had achieved an unprecedented level of economic interpenetration through the removal of tariff barriers and the creation of a customs union. But it was also a collection of countries more preoccupied with their own domestic economic and political difficulties.

Although there is no specific mandate in the Treaty of Rome requiring its signatories to progress to EMU, it seemed apparent in the late 1960's that the aspirations of the treaty could not be achieved without it. By 1969 the original six members had fulfilled the basic requirements of the treaty and had created a Common Agricultural Policy (CAP) and a customs union within the 12-year transitional period. At the Hague summit of 1969 EMU was seen as the means of "deepening" the Community's development. The first aim would be a more uniform level of economic prosperity throughout the Community which would then create the conditions for a single currency and a federally determined economic policy.

It is astonishing to believe that EC governments could have believed such a thing possible by the end of 1980. The implications for national sovereignty were, and are, shattering since control of the value and availability of money is a fundamental characteristic of national government. At the time the main arguments for EMU were compelling for a Community which believed it must keep moving forward in order to avoid stagnation or regression. They were first fully set out in a report to the Council of Ministers in 1970 by Luxembourg's Prime Minister Pierre Werner. Progress achieved so far in creating the Common Agricultural Policy and moving toward economic integration had highlighted the different levels of growth and stability between member states, said Werner. Without effective harmonization of economic policies, he feared growing tensions within the Community which flow from a weakening of national economic autonomy without any com-

Heads of state from the old Six and the new three EC members met for the first time at the Paris summit i

pensating policy making at Community level. The Werner report went on to spell out the major elements of EMU which included "total and irreversible" convertibility of Community currencies free from fluctuations in rates, centralization of monetary and credit policy, a common currency, a unified capital market, fixing at Community level of public budgets, and Community-level decisions over regional and structural policies.

The progress made toward EMU was very limited on the two main strategic items, the elimination of exchange rate fluctuations and the coordination of economic policies. The floating of the dollar in August 1971 proved a crippling upset, but it was followed by an attempt to link Community exchange rates within certain margins of fluctuation. Neither Italy, the United Kingdom, nor Ireland felt able to join the so-called "snake" in 1972 and in 1974 France pulled out. Essentially this left West Germany and its main trading partners within the EC, and the Benelux countries, with their own small currency zone.

Economic coordination, meanwhile, has proved more symbolic than real. Economic and finance ministers do meet regularly to discuss the economic climate and they do agree general policy objectives and guidelines. But they avoid any attempt to formulate general economic policies and have made little contribution toward achieving the convergence of economic performance between member states the Community both desires and needs. By the middle of the 1970's EMU had effectively run into the ground. As we noted earlier, political will had seriously eroded. One of the economic explanations for this was undoubtedly the inflationary and balance of payments consequences of the first round of oil price increases. Governments believed that in these circumstances it was crucial to retain the freedom to manage their exchange rates.

However, they also came to realize that grandiose goals like EMU involve a collection of stepping stones of extreme political and technical difficulty. They include, for example, harmonization of taxation policies and integration of capital markets. These are major objectives in themselves and when nine or ten countries are involved, it may be the best part of a generation before achievements are genuinely locked up. Nevertheless, the level of economic interpenetration between Community members does actually require as much stability as possible between their exchange rates if trade is to prosper. As much for this reason as for any desire to step again out on the road toward EMU, the Nine agreed during the course of 1978 on the creation of the European Monetary System (EMS) which came into force in March 1979.

The existence of EMS and, indeed, its surprisingly smooth operation in its first two years just manages to keep alive the possibility of eventual Economic and Monetary Union in the Community. But already national political considerations have prevented the Community from moving to the second stage of the system's development within the timetable member states agreed to in 1978. Chancellor Schmidt and President Giscard reached an understanding in early 1980 to postpone any further developments on EMS until the West German parliamentary and French presidential elections were out of the way.

1972. EMU, it was announced at the time, "should be completed not later than the end of 1980."

This means that there may be important political decisions taken in the second half of this year on the creation of a European Monetary Fund (EMF). At present, the EMS is no more than a framework for political and central bank cooperation aimed at limiting exchange rate fluctuations between Community currencies. The EMF, however, would be a major new Community institution to supervise the settlement of intervention debts and longer term balance of payments credits between member countries. But if the EMF is to be given the political green light, then there will have to be considerably more agreement than has so far been evident about its responsibilities and powers. On the one hand, West Germany cannot envisage a new central bank-type institution any less independent of government than its own Bundesbank while at the other extreme France would like something as easily controlled by politicians as its own central bank.

It is possible that the creation of a credible EMF would restore considerable momentum to the quest for Economic and Monetary Union. It would certainly force the Community to develop a policy toward the dollar aimed at stabilizing relations between the greenback and Community currencies. It would also encourage more progress toward making the European Currency Unit (ECU) into a full-fledged monetary instrument which could be used as a reserve currency and for intervention. EMF, in other words, would be an important stepping stone. But its creation will flow not from any federal dream as did the original commitment to Economic and Monetary Union. Rather it will be a result of political judgments in the capitals of the Ten that their economic and political interests require such a move. For example, the Ten may judge that serious trade tensions between the EC and Japan and the EC and the United States could be better dealt with through more formal cooperative links between the EMS currencies and the dollar and the yen. If so, the EMF is the sort of institution the Community might need to create to manage a collective exchange rate policy.

At the same time, the Community needs some new ideas and initiatives to prevent economic differences between member states becoming even wider. The Commission recently produced a study demonstrating that the gap in per capita income between the most prosperous areas of the Community (in north Germany) and the poorest (in southern Italy) had widened significantly during the 1970's. However, before the Ten can begin developing Community level policies for reducing inflation and boosting living standards, they must first regain some of the faith and confidence which only 10 years ago made anything seem possible.

Foreign Banks in the U.S.

Recent acquisitions prompt call for moratorium

CAROLINE ATKINSON *reports on economics for the* Washington Post

Banking is big business for foreigners in the United States: they now own about 12 percent of all the banking assets in the country according to a Federal Reserve Board study. But the business has its drawbacks. It is one of the most regulated industries in America, and although foreign banks have been immune from some of the most restrictive of the regulations they have come under increasing fire in recent years. Congress last year imposed a temporary moratorium on foreign acquisitions of US banks and threatened, toward the end of the last Administration, to make the ban semi-permanent.

A rash of purchases of quite large American banks set off the American anxiety about overseas buyers. The moratorium was imposed after Hong Kong Shanghai Bank bought a controlling interest in an upstate New York bank, Marine Midland, which had a virtual monopoly on banking in the area and is the 12th largest bank in the United States. The purchase went ahead despite the opposition of State Superintendent of Banking Muriel Siebert.

Just after the moratorium was lifted last summer the British Midland Bank announced that it wanted to buy the Crocker National Bank of California which would be the largest ever taken over by foreigners. That sparked off another round of debate about whether to halt overseas purchases, or limit them to banks of less than a certain size. A report to Congress from the General Accounting Office (GAO), while admitting that "those in and familiar with the US banking industry agree that the level of foreign control of US banking assets is not of immediate concern," nevertheless late last year recommended a further halt to takeovers. Luckily for Midland, and other foreigners thinking of buying into American banking, the election intervened. Congress did not have time to hold hearings promised on the subject for September of last year, and has not got around to scheduling new ones yet. Similarly, a White House report on the whole issue of domestic regulation, which would raise questions about the treatment of foreigners in the market, was only released after its authors in the Carter Administration had become lame ducks.

The long drawn out transition process means that all action on the issue has been put on hold for several months. An official in the Office of the Comptroller of the Currency, one of the two regulatory bodies for banking, said recently that while he would not describe it as being "on the back burner" nevertheless it was only keeping warm, rather than boiling, on the front burner. It is very difficult to tell, as yet, what the Reagan Administration's policy on banking will be. The present Comptroller of the Currency, John Heimann, may be asked to leave by the new Administration, although his contract does not run out until the middle of next year. Heimann has been a champion of foreign investment in banking, and indeed gave the go ahead for the controversial Hong Kong Shanghai takeover.

The new head of the House banking committee, which will play a major role in any legislation on the matter, is Rep. Fernand St. Germain, who used to head the banking subcommittee which dealt with foreign banking. He is sympathetic to the argument that keeping out foreigners is not the answer to pressures for change in the US banking industry. But he is aware, as are all Congressmen, of the enormous political pressure against relaxing or abolishing the two main pieces of legislation which restrict domestic US banking across state lines. The banking industry here is crucially different from that overseas in its emphasis on small, local banks which, it is thought, can better serve their communities than large nationwide, or international institutions.

The restrictions embodied in the MacFadden Act, of 1927, and the Douglas amendment to it, effectively prohibit US banks and holding companies from operating across state lines. They have led to an enormous number—well over 14,000—of banks of all sizes in the United States. These banks can, and will, lobby hard for their protected existence. It is largely because of this structure that foreign banks have, firstly, been able to get a significant foothold in the United States, but then have been subject to attack. For the laws which protect small US banks from being taken over by bigger ones, also give foreign banks a competitive edge. A fragmented market is much easier to break into than one dominated by a few large and powerful banks. And in

Domestic assets of US banks controlled by foreign parties, 1972-79

(in millions of dollars)

Year	*Method of acquisition*[1] — *De novo*: *Domestic assets*	*De novo*: *Number of banks*	*Purchase or merger*: *Domestic assets*	*Purchase or merger*: *Number of banks*
Acquisitions through December 1972	4,364	28	290	6
Annual activity				
1973	—	1	40	1
1974	—	8	5,450	4[2]
1975	—	0	932	3
1976	—	1	3,300	11
1977	—	4	1,490	10
1978	—	3	1,014	14
1979	—	0	9,889	12

1. For banks merged or acquired, assets shown are as of year-end preceding foreign acquisition. Because *de novo* banks are, by definition, newly formed, they have no assets to show for that date.

2. Includes Franklin National Bank ($3.8 billion).

Source: Board of Governors of the Federal Reserve System most of the cases where a foreign bank has bought straight into the market, US banks have been unable to bid against them because of the interstate restriction.

The GAO report came down in favor of shutting the door to overseas buyers largely on the grounds of unfairness. Heimann, in contrast, has said that progress should not be halted because of unfairness, rather, the US banks should be given greater freedom. The move toward putting foreigners and US banks on the same footing will go on, and it could make it harder for foreigners here.

Until the 1978 International Banking Act, foreigners could branch across state lines with few restrictions, although the size of deposits which they could take was limited. This has now been modified. But overseas bankers are still able to mix banking and commerce in a way which is denied to US banks. There are some controls over the interests of foreign banks and subsidiaries, but, for example, a large foreign bank which is tied overseas to a chemical company may set up business here even if the chemical company also has a US operation. Another difference between foreign-owned and US banks which has bothered some Americans is that typically US law requires much more disclosure from banks than is the rule overseas. While the authorities here claim that they can insist on getting all the information they need to decide whether a proposed take over is a good idea, some people here are not so sure. Conversely, foreigners do not always take kindly to handing over their secrets to the Fed, and the Comptroller of the Currency.

It is not that hard to see why some Americans resent the incursions of overseas interests into US banking. After all, it is hard to imagine another country allowing foreigners to take control of one of its large banks. The difference, of course, is that there are so many US banks, compared with, say, four major banks in the United Kingdom. It is also still true that the US share of some overseas markets is larger than that of foreigners here. American banks, for example, control about one third of the offshore London Eurocurrency market, Heimann estimates.

Interestingly, most of the overseas interests in US banking are still in branches and agencies of the home bank, rather than in US banks that have been taken over. But it is the latter which attracts the most attention, and emotion, in the United States.

The present lull in activity will probably come to an abrupt halt soon: when the next step is taken in the Midland bid for Crocker. So far the British company has to provide the Fed with more information before its application is fully considered. When that happens the spotlight will again be turned on all foreign bankers and would-be bankers here.

The British Midland Bank wants to buy the Crocker National Bank of California, pictured here in San Francisco. courtesy of Crocker National Bank

THIRD WORLD AIRLINES

Zambia Airways leads drive to modernize and expand

AXEL KRAUSE, *economic correspondent for the* International Herald Tribune *in Paris*

THE NEW YORK TIMES, IN A RECENT ARTICLE DEVOTED to traveling in the Third World, cited the example of an interior decorator from Manhattan who complained about the indecency she felt being searched by a female guard at an airport in Africa. The explanation given by the local government: It could not afford magnetic security arches which are commonly used throughout Western Europe and the United States. Similar examples—straying from posted schedules, the lack of computers to confirm reservations, and general inefficiency—can be found throughout Africa, Asia, and Latin America. But in a new bid to modernize, the airlines of these countries are joining forces to expand their small but growing share of the world's air traffic.

Moreover, they are seeking—and gradually getting—the understanding and help of the World Bank, United Nations agencies, the European Community, and private foundations, plus airlines in Western Europe and, to a lesser degree, in the United States. "Times have changed . . . modern air transportation is as vital to us as food," said Enos Haimbe, managing director of Zambia Airways, who is leading the drive on behalf of about 60 airlines grouped within a task force of the International Air Transport Association (IATA), the industry trade association. "Our goal is to have bigger routes—domestic, regional, and international—and right now we are seeking the means to buy new planes, equipment, and services, mainly in Western countries," Haimbe said during an interview, adding "as our nations in the developing world evolve, traffic will be activated."

However, many airlines in industrialized countries, including in the United States and Europe, are determined to protect their 80 percent share of the world's air traffic and react with considerable skepticism and some hostility. Said a senior US airline executive: "We are not in a philanthropic business . . . where are the big, profitable routes anyway? They are not in the Third World I can tell you, so why help their airlines get into our business and routes, particularly with public funds or similar forms of backing?"

Some airlines, primarily in Europe, have argued on

A modern waiting room at the Simón Bolívar Airport in Guayaquil, Ecuador. © George Kleiman, Photo Researchers

the other hand, that if the modernization effort being led by Haimbe—a former air force general—fails, then developing countries might retaliate against their operations. Partly for that reason and others, the industry on the whole is proving supportive. "We must respond or risk being pulled apart," according to Geoffrey Lipman, IATA's Geneva-based director of government affairs. "For us, this new drive may represent something of a threat, but since it is coming from within IATA, it also presents an opportunity," Lipman said.

He and his colleagues have recently begun exploratory talks with the World Bank in Washington, which will be followed up during 1981 with UN agencies and private foundations. The basic goal, responding to pressures from the task force, is to help the Third-World airlines gain financing for the purchase of aviation equipment, which could range from passenger reservation systems to new airplanes. "The World Bank people were sympathetic and if member governments prove supportive, some projects might get their support," Lipman said, noting that funds from UN agencies have not exceeded $40 million, a modest amount by industry standards. Until now, most of those funds have been channeled into training programs, but early in January IATA officials said that a shift in thinking was occurring within the UN which would allow purchasing of equipment and civil aviation technology.

The move was welcomed by IATA and other industry officials, for as one of them put it: "What, after all, is

of Southeast Asian Nations (ASEAN).

Airlines from ASEAN states were seeking participation in a new, low-cost London-Sydney fare plan operated exclusively by British Airways and Australia's Qantas, which immediately triggered angry warnings from some industry officials who feared it would spread. "Assuming the ASEAN countries crack in there with stopovers, additional flights and the like, it could spread elsewhere around the world, meaning chaos," said a senior executive of a major US airline and IATA member. Yet such negotiations are precisely what Haimbe and his allies within IATA intend pursuing—and they are making no secret about their determination to push hard.

At the Peking Airport. Links between China and the West are growing. © Tom Burnside, Photo Researchers

the basic difference between financing a fertilizer plant or a passenger jet?" The Community is also helping through the European Development Fund, which has channeled funds to aviation agencies in Africa, the Caribbean and Pacific regions under the Lomé Convention. Although the amounts involved are small, compared to financial aids going to construction of roads and railroads, EC officials said that funds are still earmarked for such projects as building of control towers.

In the meantime, airlines in developing countries have been seeking or negotiating access to major air routes from which they are currently excluded, particularly in Africa and Asia. A recent, controversial example has surfaced in Kuala Lumpur, Malaysia, where talks have been underway since last November between representatives of the British Government and the Association

During the IATA annual meeting held in Montreal last October, Roman Cruz Jr., chairman of Philippine Air Lines, warned that the new approach was being called the "united skies" policy, contrasting with the "open skies" policy of deregulation launched in the United States under the Carter Administration. "This could be the aviation equivalent of a customs union, though not yet of a common market," Cruz said, adding that it will place Third-World airlines in a far stronger position to negotiate routes and other concessions.

Obviously, developing nations are no major threat yet to established airlines in industrialized countries. Indeed, European officials, including those within the Community, believe that US airlines are overreacting. "The Americans simply do not have as many historical, economic, and political connections as we do—and that

Airlines in Latin America and Caribbean countries account for only 5.5 percent of the world's air traffic. The airport at Calama, in Chile, is pictured here. © Jack Fields, Photo Researchers

includes the Common Market in Brussels—so we tend to be more understanding, particularly in Africa and the Middle East," said a senior French airline executive with close links to Air France, which has traditional, strong positions in both areas.

The 60 airlines backing Haimbe within IATA, Europeans stress, still only account for about 20 percent of the world's air traffic, which according to IATA estimates, is split roughly as follows: Asia, 9 percent; Latin America and the Caribbean, 5.5 percent; the Middle East, 3 percent; and Africa, 2.5 percent. "They are scattered all over the Third World, and with the exception of new Asian carriers—Singapore, Korean Air Lines, Thai International—they have a long way to go in matching Western services and comfort," said a West European airline executive.

Currently, some European airlines, notably Air France, Scandinavian Airlines, and Aer Lingus, provide developing countries a wide range of services, mainly in the training of crews and technical personnel, but also in the maintenance of planes.

Some airlines also lease modern aircraft, including Boeing 747's, but probably no single company has been as successful in the leasing business as Guiness Peat Aviation, a joint venture launched in 1975 by Tony Ryan who has kept a small shareholding; the remaining ownership is presently split three ways between a London banking group, Air Canada, and Aer Lingus. Operating from Shannon Airport in Ireland, the company owns and leases roughly 20 airplanes, including four Boeing 737's, to airlines in Africa and Latin America. Says Ryan: "Business is absolutely booming, since we can offer short-term operational leases, for example, while an airline is awaiting delivery of its own plane and we provide all the services."

But the Third World drive could not be coming at a worse time. Last year the combined losses from operations of IATA's members totaled $2.5 billion, equivalent to 7.6 percent of their revenues and representing the worst year in the history of civil air transport, according to the London Financial Times. Moreover, the outlook

New Asian carriers can compete with the West in services and comfort. Passport control, Don Muang Airport, Bangkok, Thailand. © Photo Researchers

for 1981 is not much better. Outlining the current situation, Knut Hammarskjöld, the Swedish director-general of IATA, recently summed up his views as follows: "Steep fuel cost increases, double digit inflation, economic recession, inadequate yields, continued currency instability and uncoordinated regulatory approaches all combine to create a perilous financial situation." He pointed out that the price of airplane fuel—usually far higher in developing countries, particularly with regard to European prices—will continue to equal or exceed the industrialized world's inflation rate running at about 12 percent.

An even greater challenge facing the developing countries is affording new jet airplanes. Many of the 1,250 fuel-inefficient planes in the world are used in developing countries and are mostly Boeing 707's and DC-8's. And many more will probably wind up being sold in these regions as other airlines modernize. As Haimbe succinctly put it: "If we are not careful, we will become a dumping ground for those planes."

Prices for used planes are, of course, attractive—$500,000 for a 1958 Boeing 707 or $5 million for a 10-year-old model, according to industry sources. "These are gas guzzlers and since hardly anyone else wants these planes, they make sense for the Africans or Middle Easterners, assuming they cannot afford something else," one official said, noting however that oil nations have little trouble financing their airlines' needs.

The world's leading plane manufacturers in the United States and Europe, however, concede that there are no special, low-cost deals for developing nations. Although the prices vary according to models and configurations, a new European-made Airbus costs at least $40 million, while a new Boeing 757 costs around $30 million. John Broback, Boeing's sales director for Africa, Brazil, and Mexico, said "it will be a long time before these areas become more important than Europe, but the growth potential is definitely there." He cited the case of Mexico. "Just look . . . in the late 1960's they had two 727's and were nearly bankrupt, whereas today they have 40 727's, a DC-10 on order and are doing much better," he said.

An Airbus Industrie official explained recently that the United States still represents the largest, single market in the world, but that as a percentage it is slipping—to less than 50 percent of the total. "From our vantage point, Europe, accounting for 25 percent, is also vital, but the rest of the world, including many developing countries accounts for 25 percent and is rising more swiftly than any other area," he said, noting that Asia is the second-ranking market for the plane, after Western Europe, and that the Middle East is catching up. "It is not that we are particularly optimistic or pessimistic, but the needs there are emerging, including in Africa which is another giant which will wake up," said the official.

The Middle East is growing as a market for aircraft. Shown above is a sand storm at the New Valley Airport in Egypt. © Jack Fields, Photo Researchers

around THE capitals

Paris

Twelve years after the barricades of May, 1968, French universities are in turmoil again. This time, however, the initiative did not come from the students demanding educational reforms, but the French Government. By deciding last summer to slash almost a third of all advanced graduate programs, the French Government has subtly made a break with educational policy of the past: The idea now is to slowly pare down France's 76 "open admission" universities into selective, highly competitive centers, modeled after West German and American systems.

The recent graduate cut-backs marked only a small step in this direction, but they unleashed fierce opposition on the part of French academics and students. University presidents rushed back to Paris in the middle of summer vacation to protest. Several thousand students discovered that courses they had registered for were no longer being offered, and returned to their schools this fall ready for battle. All winter, campuses as far flung as Peripignan in the south and Strasbourg in the east have been unsettled by chronic student strikes and demonstrations.

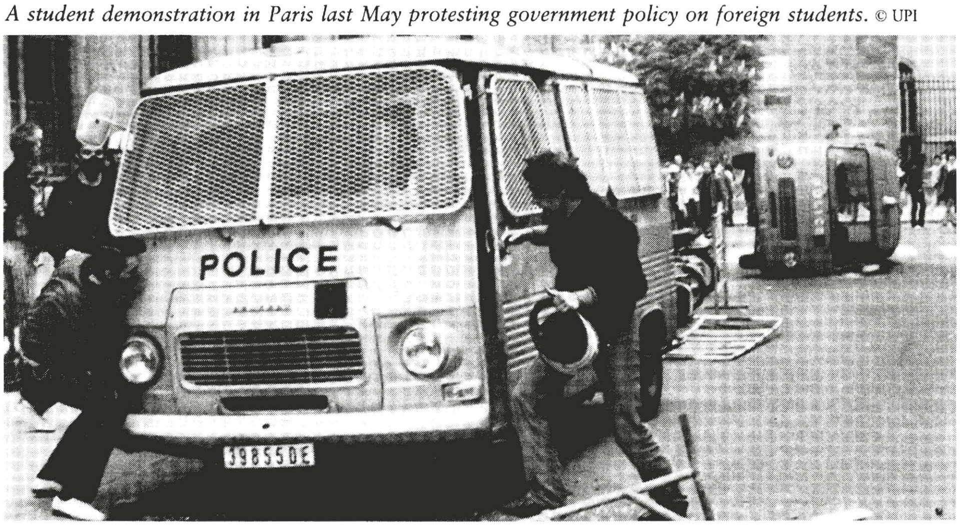
The French authorities have steadfastly ignored the complaints. The tough-minded Minister of the Universities, Alice Saunier-Seïté has argued all along that "you can't teach everything everywhere." The cutbacks she imposed amount to a massive pruning job—programs that overlapped or were duplicated in neighboring universities were fused, small departments offering over-specialized advanced degrees were slashed. Saunier-Seïté's intentions were clear from the start: She voted to halt the proliferation of "overly individualistic" graduate programs, and bolster a few well-reputed centers such as Paris, Lyons, Aix-en-Provence, Bordeaux, and Grenoble into "poles of excellence." Smaller, younger university centers such as Amiens, Perpignan, or Avignon, on the other hand lost almost all their graduate work accreditation.

Geographically, Saunier-Seïté did indeed "redistribute the university map." In terms of content, however, her scythe did not strike evenly across the board. Only 10 percent of the science courses that were reviewed for accreditation got turned down, while humanities and social sciences programs were cut by half.

Saunier-Seïté's marked partiality toward the sciences is shared and indeed encouraged by the French Government. The education reforms she has undertaken go hand in hand with the latest government five year plan, which sets research and technological development as its highest priority. Specifically, France's latest five-year plan calls for, "A more selective choice of graduate programs which will be better adapted to scientific openings and other needs."

The French Government has turned the page on the post-1968 reforms, which gave the universities the freedom to determine their own curricula and allowed every high school graduate a shot at higher education. The reforms undertaken this year all point in the same direction. The liberal arts, viewed as a dead-end in terms of employment and productivity, are being dampened. As for the sciences, the French authorities are attempting to steer universities away from their own hermetic fundamental research, and closer in line with the needs of French industry and business. It remains to be seen whether feisty French academia will follow. ALESSANDRA STANLEY

A student demonstration in Paris last May protesting government policy on foreign students. © UPI



Athens

On still mornings an ominous brown haze hangs over Athens, known to residents as "The Cloud." Environmental scientists call it photochemical smog and warn that long-term exposure to it will cause health problems for the 3.7 million Greeks who live in the capital.

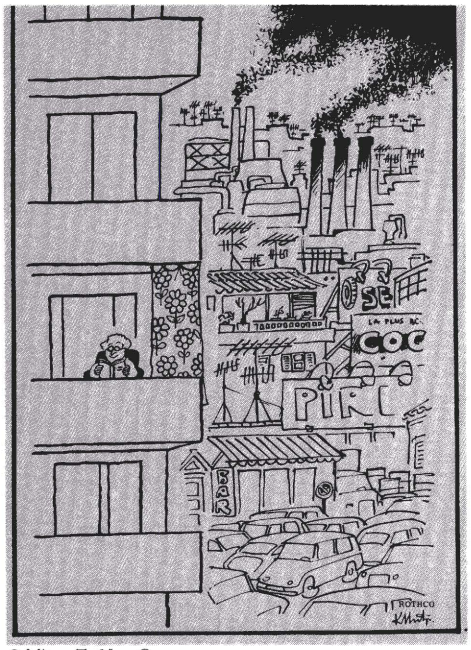
To date, pollution's most notable victims have been the unique sculptures on the Athens Acropolis. The caryatids, elegantly draped marble maidens supporting a portico on the Erechtheum Temple, have been moved to a museum, their faces worn away by sulpher dioxide fumes.

Behind a battery of scaffolding, two replicas made from what an expert called "a sophisticated form of papier maché" have so far been fitted into place. Work on the temples will go on until all Phiedias' 5th century B.C. masterpieces have been replaced.

Smog used to make occasional appearances over Athens under unusual weather conditions. Now, however, it forms winter and summer whenever the weather stabilises and can linger for days hovering only 500 feet above the city.

"Athens used to be renowned for its brilliant light and healthy climate," said Panayotis Christodoulakis, director of the privately funded ecology monitor group PAKOE. "But last time the smog came down almost 2,000 people were admitted to the hospital with respiratory complaints."

The Plain of Attica, where Athens



© Mitro, Ta Nea, Greece

sprawls across 175 square miles, is ringed with mountains, creating a microclimate in which smog disperses with difficulty. The environmentalists believe that half the pollution is caused by industry, burning heavy fuel and paying scant attention, for the most part, to ecological controls. Three-quarters of all Greek industrial installations are located around Athens and its port of Piraeus.

"In the city center lead-bearing smoke, nitrogen and sulfer dioxide rise 20 percent above permissable levels on smoggy days," Christodoulakis said. "But in the industrial sector the average figure is 80 percent."

Greece's smog problem is not unlike that of Madrid or Los Angeles, and the ecologists suggest similar ways of coping with it: reducing industrial output, banning traffic and closing school when the cloud descends. KERIN HOPE

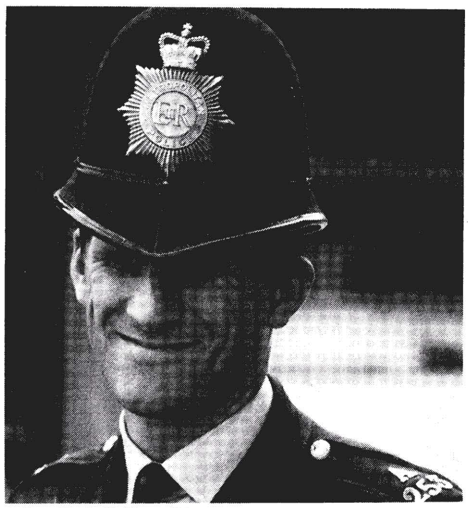
London

Britian's police might be given increased powers which alarm civil libertarians. A Royal Commission has recommended policemen and women should have broad new authority to arrest, hold, and question suspects. The recommendations are non-binding on the government, which will study them. Coming as they do at a time of expanding crime and violence in a country where a sort of gentleman's code no longer governs the conduct of cops and robbers, they are a victory for the law and order enthusiasts in Prime Minister Margaret Thatcher's ruling Conservative Party. With a Tory Parliament, at least some of the recommendations of the Royal Commission on criminal procedure stand a good chance of becoming law.

Britian's Law Society has hailed them as a major contribution to the task of modernizing and clarifying the powers of the police, the rights of suspects, and the prosecution process. Civil liberties groups disagree, saying they could prompt widespread abuses by the police. Two of the 16 Royal Commission members also opposed their majority, arguing that the proposals fail to safeguard the rights of young non-whites and ethnic minorities—two groups with whom police relations have deterioriated.

The Royal Commission said police should be able to detain anyone suspected of a "grave offense" without charge for 24 hours and then hold them, with court approval, for unlimited 24-hour extensions. Police now have to produce a suspect in court within 48 hours of arrest on specific charges.

It would also let police stop and search anyone in a public place whom a policeman had reasonable grounds to suspect of being in possession of "anything whose possession of itself is a criminal offence." This would increase existing powers to detain persons deemed to be acting suspiciously.



© Gene Tashoff, Photo Researchers

Powers of arrest without warrant, the Commissioners said, should be extended to all crimes punishable by imprisonment. Even some punishable only by a fine should be included. At present only major crimes which carry a minimum prison sentence of five years allow arrest without warrant.

Other suggestions include giving police the discretion to deny suspects access to a lawyer if they believe it could imperil their investigation. Civil liberties proponents are not satisfied by the rider that suspects would be able to appeal against indefinite detention. A wide variety of suspects, a National Council for Civil Liberties spokesman said, "would be exposed to long and gruelling questioning as a matter of confident routine."

The Royal Commission was made up of prominent Britons from the legal profession, religous ministries, labor unions and universities.

The "grave offenses" recommended in the holding-without-charge suggestion would include murder, manslaughter, grievous bodily harm, armed robbery, rape, kidnapping, arson, and bombings. Also proposed for inclusion were forgery, corruption, burglary, theft, frauds involving "major amounts," drug offenses, and blackmail.

The National Council for Civil Liberties contends the effect of such legislation would make general and permanent the powers police gained temporarily under the Prevention of Terrorism Act. It was passed in 1974 after Irish terrorist bombings in mainland Britian.

In its report the Royal Commission said the crux of its recommendations was to establish "a balance between the interest of the whole community and the rights and liberties of the individual citizen."

One suggested innovation, disputed only by the police themselves, was to set up Crown Prosecutor departments in all police areas. They would be responsible for all aspects of prosecution, leaving police with control over investigating crime but withdrawing their prosecution functions. Police officials said such a change could be extremely costly and might not improve the quality of justice. PETER J. SHAW

Dublin

An Anglo-Irish Friendship Treaty? It sounds unlikely, but it is beginning to emerge as the probable goal of Charles Haughey's new approach to the problem of Northern Ireland. After just one year in office as Prime Minister of Ireland, Haughey is in some ways in the process of reversing one of the main strands of Irish Republicanism—instead of making the breaking of the British connection his supreme objective, he is setting out to tighten the connection, and even institutionalise it in treaty form.

An early general election will either put an end to his gallop, or confirm him in office for another five years. Meanwhile British and Irish officials are getting down to the joint studies on many of the aspects of relations between the two countries, decreed by Haughey and British Prime Minister Margaret Thatcher at their Dublin summit in December.

Haughey won the leadership of his party just over a year ago on the assumption that he was "tougher" on the North than former Prime Minister Jack Lynch. In office he declared the North to be his top political priority, and called for a British declaration in favor of Irish unity as the essential to progress and he wanted this in the form of the withdrawal of what is known as the British guarantee to Northern Ireland—that is that its constitutional position as part of the United Kingdom cannot be changed without the consent of the people in the area. Ireland should be governed by Irishmen, he said, without British participation.

But since the earlier part of last year Haughey has said little along those lines; instead he has concentrated on another aspect of his declared policy—that the problem of Northern Ireland should be "raised to a new level," that "two sovereign governments," meaning Dublin and London, should delay no longer in tackling it.

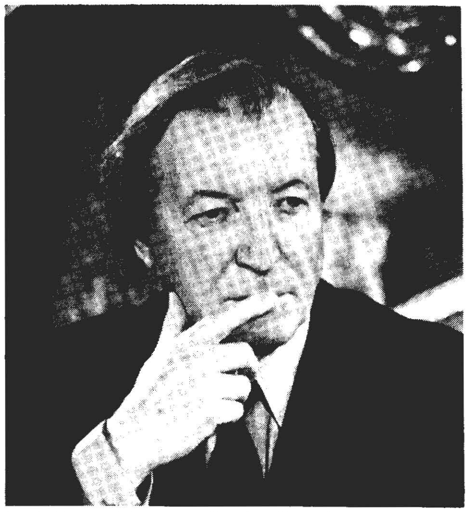
So while agreement inside the North seeems as far away as ever, he has devoted his energies to the Dublin-London link. Maximum understanding between Dublin and London, and a fresh emphasis on "the unique relationship" between Irish and British should change the whole context of the Northern Ireland problem and make it less intractable.

One model Haughey has in mind is the Franco-German friendship treaty of 1963, which institutionalised a whole range of contacts, from summit down to departmental officials. Heads of government meet twice a year with key Ministers, and there are regular detailed meetings on defense, education, cultural matters, and so on.

Something similar between Ireland and Britian is now possible, for the studies now getting under way include not just security against terrorists, common citizenship rights and economic links, but also possible ways of institutionalising these contacts.

Critics of Haughey wonder just how all this is going to help solve the problem of Northern Ireland. They point out that Ulster Protestant opposition to Irish unity was at its most vehement in 1912 and 1921, when the unity envisaged was an Irish Parliament in Dublin subordinate to a United Kingdom one in London. Now, they say, Haughey seems to expect them to contemplate unity outside the United Kingdom, just because he has a friendship treaty with Thatcher.

It is also pointed out that a framework for economic consultation already exists, set up by Lynch and former British Prime Minister James Callaghan so many years ago, and that many of the topics now sug-



Irish Prime Minister Charles Haughey. © UPI

gested for discussion are anyway more appropriate to the European Community dimension than to the bilateral one within the Ten.

Moreover, they say, the Franco-German model is inappropriate, as that was a treaty between two powerful nations of comparable size and influence, not a David and Goliath arrangement as contemplated by Haughey. It is recalled too, that when Ireland was negotiating to join the EC in 1970-72, that move was presented by the main political parties as the chance at last to put Anglo-Irish relations on a safe and mature footing.

It was argued that because of the proximity of Britain, and its massive economic and cultural domination of even a politically independent Ireland, the only safe relationship could be a Community one, not the bilateral. Within the EC, Ireland would have the protection of the EC Treaties, and of the other members.

Haughey's contention is that he has raised the Northern problem to a new level, that he has made it a matter for resolution between London and Dublin, and that that is real progress. He is unlikely to say more until after the election, which must be soon.

DENNIS KENNEDY

Copenhagen

For the first time since Denmark became a member of the European Community eight years ago, there is now a widespread fear that the original political basis of Danish membership, the economic benefits of the Common Agricultural Policy (CAP), are being seriously undermined.

The fears are nourished by the obvious need for budget reform soon, if the Community is to avoid running out of money, and more specifically by the apparent determination of the British and Germans that this reform shall be pursued at the expense of the dominant item on the EC budget, the CAP.

The EC Commission is due to present its proposals by June, and until a few months ago the Danes were comforted by the fact the commissioner responsible for agriculture was not only a Dane, but an international personality with political clout, Finn Olav Gundelach. His death in January forced the Danish Government into frantic activity to save this important Commission post for Denmark by putting forward the Danish Minister of Agriculture Poul Dalsager, as candidate. He was accepted, but not without a fight.

Poul Dalsager has the full confidence of

New EC Agriculture Commissioner Poul Dalsager.

the Danish agricultural organisations, and there is no doubt that he will do his utmost to secure Danish interests. The fears in Denmark are that as a new commissioner with limited linguistic abilities he will not have the same chance of succeeding as Gundelach.

In the past three years the net benefit to Danish agriculture of the CAP has been at least a total of $2.5 billion. Notwithstanding this, Danish agriculture is in an economic crisis, because of high interest rates among other things, and the prospect of major changes in the CAP is therefore most unwelcome. In the short term Danish agriculture hopes that the ubiquitous problems of European agriculture will secure major price increases on most products, but structural changes, even if phased over a number of years, as almost inevitably they must be, may kill new investment not only in the short term, but also in the medium and long term.

Danish agriculture not only fears budget reform, it is also deeply apprehensive as to the long term consequences for the CAP of the accession of Greece, and the probable accession of Spain and Portugal. These countries may shift the emphasis of the CAP from support of the dairy farming and livestock-oriented agricultures of Northern Europe to the completely different Mediterranean products.

Political reasons will almost without question secure the continued Danish membership in the Community even with a strongly diluted CAP and the need to foot larger bills to provide for new member countries. The Danish Government is not yet prepared to admit that the Community is essentially a political animal, but it is finding it more and more difficult to conceal that the political advantages of foreign policy cooperation are very substantial to a country within a few minutes flying time of air bases in East Germany and Poland.

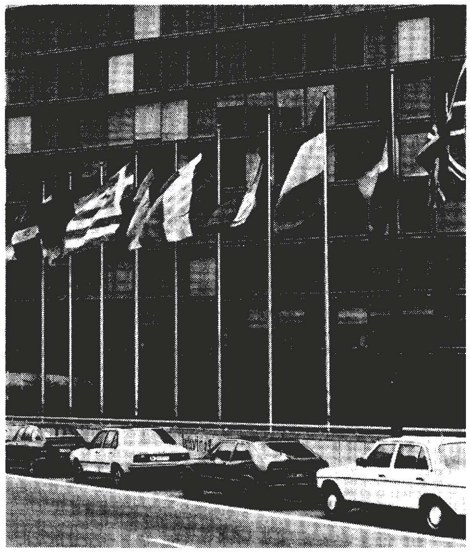
LEIF BECK FALLESEN

Brussels

They may have been the best-dressed, best-behaved workers ever to down tools and walk out on strike, Surely they were the best-paid. And that's largely the problem because the several thousand EC Commission employees who staged the first ever one-day strike in January earn roughly twice as much as comparable civil servants in the EC member states and the latter think it is time this was changed.

On paper the dispute looks trivial. Under a complex formula dating back to 1972, salaries of staff working for the Community institutions are supposed to remain "proportionate" to the pay of public servants in the member countries. Under this system the Eurocrats would have got a raise of 3.3 percent this year. Instead the member governments, acting through the EC Council of Ministers, offered a flat increase throughout the range equivalent to 3.3 percent on lowest salaries but only 2 percent on higher ones. Moreover they served notice that the automatic linking of EC employees' pay to the cost of living was to be ended and that their salaries should gradually be brought down to the average level in national capitals.

The presence of some very senior officials in the "picket lines" outside EC headquarters and the complete paralysis of activity for 24 hours showed vividly what the staff thought of that. Indeed both the scale of support for the strike—an estimated 70 to 80 percent of the Commission's 8,000 staff—and the ease with which it brought



EC headquarters building.

Community operations to a standstill were surprising.

It may not be easy to feel sympathy for officials earning up to and over $100,000 but there is little doubt they have a strong legal case. In trying to jettison the automatic formula the Council is in fact reneging on a formal commitment and most observers here believe the Commission will win the action it has brought against the ministers in the European Court of Justice.

More important perhaps is the stated intention of the staff to continue their action until the ministers back down. The chief anxieties here are felt within the Council of Ministers itself since it only requires the translaters to walk off the job and the entire proceedings of a meeting are halted. With seven official languages now to contend with, the position of the interpreters and translaters, whose numbers already run into the thousands, is likely to become even more powerful.

Yet the determination of the member governments—and especially that of Germany—to cut back the pay and perks of European officials should not be underestimated. Chancellor Helmut Schmidt of Germany has long been a critic of excesses in the Brussels Commission and it is likely his zeal will have risen now that Bonn has to carry an even larger share of the costs of running the Community. The German deputy foreign minister has told his EC counterparts it is "scandelous" that middle-level Community officials should get a larger salary than even the German Chancellor.

The European officials defend their pay edge by referring to the tradition that expatriate business and government officials earn more than their counterparts at home. Also Brussels is an expensive city. Even so this sensitivity about preserving their advantages could seem to be over-done unless set in the context of a much more generalized attack on the Community institutions and their authority by the member governments acting through their control over staff pay and appointment procedures.

It is feared by many of the staff here, probably realistically, that the European inspiration which fired many governments a dozen or so years ago is now flickering uneasily. Recent polls suggest the idea of the Common Market is losing its charm for many. A more overtly nationalistic line is discernible in many capitals.

Thus the suggestion that 20 percent of the top jobs in the Commission be reserved for national officials on fixed engagements of up to five years has caused some disquiet. Of course this would seal off opportunities for promotion for many of the permanent staff so their anxiety is not entirely disinterested. But it could also insinuate the development of a Commission led and charted by people whose hearts lie in national rather than Community politics and so the concern of the Eurocrats, most of whom are here at least partly because of their European ideals, cannot be wholly disregarded. ALAN OSBORN

Luxembourg

A country as small as this is in a poor position to thumb its nose at its neighbors, especially in sensitive areas where they command much vaster resources. So it has always been a little surprising that Arbed, the giant steel company here, should have committed its name to plans to build a new cold-rolled strip mill with a capacity of 1.2 million metric tons in direct competition with the adjacent industries of Belgium, France, and Germany.

We may never know how serious the Luxembourgers were in pushing this enterprise since the project has now been halved in size following a rash of press and official comment in Belgium and official talks between government leaders of the two countries. Did Luxembourg really climb down? Or did it plan it this way from the beginning?

Probably it doesn't matter too much now. The important thing about the talks which produced news of the changed plans is that they have stimulated speculation about sweeping new cooperation agreements between the Luxembourg and Belgium steel industries that could in time result in a full merger of the leading companies in the two countries—and even those in Holland. A genuine Benelux steel company may be on the way and it could even take in important operations of the German steel-making industry. No Luxembourger brought up on tales of the vision and grasp of Arbed will need to be reassured that his country, however tiny in other matters, is most unlikely to end up the poorest partner in such a gathering.

The bright fencer's eye of Colette Flesch, Luxembourg's Foreign Minister, was an outstanding characteristic of the weekend talks which produced the steel understanding. It was, in a sense, her first major foreign policy undertaking since she relinquished the presidency of the EC Council of Ministers at the end of the year. She took over from Gaston Thorn, who resigned to prepare for his job as President of the EC Commission, in November. Flesch did not inherit any of Thorn's more glamorous international assignments, such as his mission to the Middle East capitals, but the press, and I'm sure ministers, will recall her brief presidency—the first ever by a woman—as business-like, efficient, and productive.

Luxembourg Foreign Minister Colette Flesch.

As to the ripples sent out in Luxembourg circles by Thorn's departure for Brussels, well, frankly, there aren't many. The economic situation is not exhilerating—is it anywhere—but Luxembourg has lived with its problems for too long now to get newly aroused by them. There is no real feeling in the Grand Duchy that any major revolt in public feeling about the Christian Democrat-Liberal coalition has taken place, or is indeed likely.

That is not to say everything is fine. Both exports and domestic demand will, at best, hold ground this year. Overall real economic growth is put by experts at between zero and one percent, down from 2.7 percent in 1980. Yet unemployment remains astonishingly low. The fact that just over a thousand people are out of work is not going to lead to street demonstrations. And inflation at a predicted six to eight percent this year is still among the lowest rates in Europe.

There are occasional stirrings of feeling over government policies on nuclear power and abortion and there is of course the long-running saga over Luxembourg's fight to remain a seat of the European Parliament. However, the latter is essentially a nonpolitical matter and it is much more difficult to foresee a political uprising here than anywhere else in Europe. "Long may it remain so," said a member of parliament when I mentioned this recently—and he is a Socialist. ALAN OSBORN

The Hague

One bright spot in this bleak winter period, with rising prices for liquor, cigarettes, and gasoline, is that prices for flowers remain reasonable.

With the number of jobless at a postwar record of 300,000, many firms in the doldrums, the Aalsmeer flower auction is doing as well as ever. The largest auction of its kind in the world, about 7 million flowers are changing hands here every day. Daily some 4,000 growers bring their products to the Aalsmeer auction, filling its halls with color and scent. They are bought by 2,600 registered buyers and sold in the home market or exported to almost every country in the world, with the Middle East a large customer. We saw vast orders being prepared for Dubai. At a stone's throw from Schiphol airport, near Amsterdam, they find their way by air, while caravans of trucks daily transport the flowers all over Europe.

The grounds of this auction center cover some 104 acres. The biggest part—more than 80 per cent—of the products auctioned here is for export purposes. Ten percent of the products auctioned here comes from abroad, like azalias from Belgium, shrubs and plants from Germany, daffodils from Britain, mimosa from Spain and the Canary Islands, roses from France, carnations from Italy or Portugal, exotic flowers from as far as Thailand, Brazil, the Ivory Coast, Colombia, South Africa, Australia, Kenya, Israel, Malaysia, Singapore, and even leather-fern from Florida and California is auctioned here.

At the Aalsmeer auction. © Farrell Grehan, Photo Researchers

Turnover of the Aalsmeer flower auction in 1979 was 760 million guilders, while an estimated 13 percent increase was expected for 1980. Auction secretary Anton van Renssen said a small profit was expected for 1980 against a small loss in 1979. Losses were mainly due to rising energy costs for the hothouses. Exports in 1979 totaled 2.5 billion guilders, including 1.3 billion guilders for cut flowers and the remainder for potted plants. This represents about five per cent of total Dutch exports.

Renssen said export took a real flight in the 1970's, when many Dutch vegetable growers felt too much competition from their Latin partners in the European Community. They then switched to growing flowers and plants.

Some 180,000 visitors, including foreign tourists, annually visit the Aalsmeer auction show. It is the biggest auction center in the Netherlands, where there are 13 auction centers in all. About 4,800 people are employed here, including 800 auctioneers. Each hour 7,700 transactions are made in this computerized center.

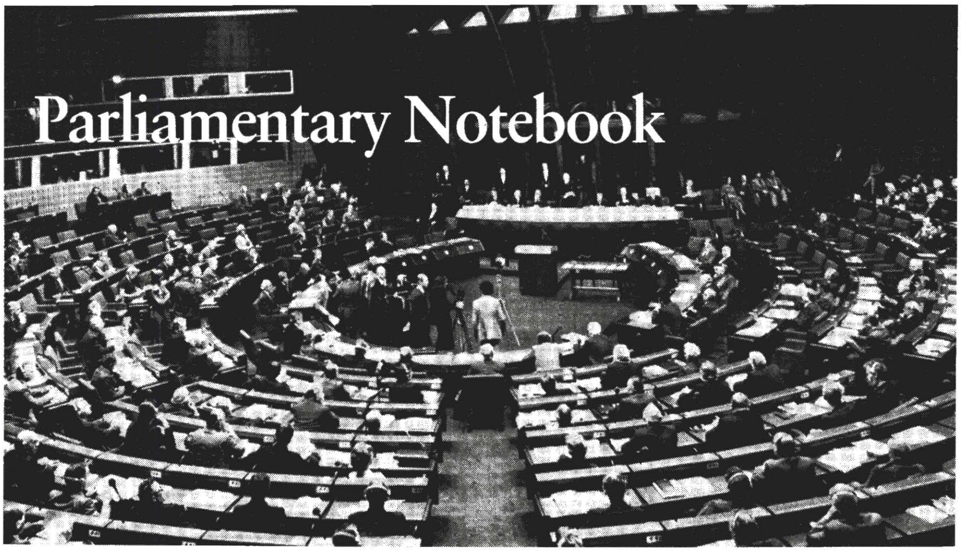
The Dutch auction system dates from the early 20th century, and is a system whereby buyers bid against a clock on which the declining value of a product is shown. Unlike a traditional auction the first, and highest, bid succeeds. On his monitor the auctioneer can see the buyer's number and the price bid. The information goes into the central-computer, which processes the data into announcements for buyers and nursery men. Each auction clock has a printer connected with the computer as well. NEL SLIS

APOLOGIA

In the January/February issue of EUROPE Magazine which celebrated Greek entry into the European Community, we published a photograph on page 15 of an "Athens street market." Readers rightly pointed out that this could not possibly have been Athens, but elsewhere in Asia Minor. The photographer who took and labeled the picture was Carlos Jiminez. He has since died in the Philippines so we are unable to identify exactly where the photo was taken.

We welcome a dialogue with our readers and we apologize to any readers, Greek and non-Greek, if the photograph published in any way caused offense.

Parliamentary Notebook



DAVID WOOD, *columnist for* The Times *of London*

For the third year in succession the European Parliament has done it. It has created a budgetary crisis. At the time of writing, the EC Commission is moving to have the law on France, Germany, and Belgium, three of the Community's founding members, for refusing to pay their due contribution to the 1981 budget. There is next to no chance that France, at least, will settle the bill before the presidential elections are out of the way in May. That means the Commission will be obliged to go to the European Court of Justice in Luxembourg and ask for a ruling from the judges' bench. Even the French Government would feel embarrassed at defying the court. But first the background.

The EC Council of Ministers, representing the national governments of the Ten, shares with the European Parliament responsibility for agreeing the Community budget; and the budget cannot pass for any given calendar year until the Parliament, by the act of its President, formally approves it. In December, 1979, for example, the Parliament for the first time rejected the annual budget, and was financially squeezed to surrender to the Council six months later.

The Parliament found the experience not so much chastening as instructive. In December 1980, on the final reading of the 1981 Community budget, the parliamentarians, led by the sharp members of the budget committee, added to the Council's proposed expenditure for 1980 a supplement to give aid to the victims of the Italian earthquake. How could the finance ministers of the then Nine be so stony-hearted as to object to that? They could not. Some items of regional and social spending were also added.

The tactics of the parliamentary budget committee were more subtle than they looked. Without going fully into the budgetary complexities, let me simply say that an increase in the 1980 budget meant that the Parliament could, by a proportionate formula, increase similar spending in the 1981 budget. That the Parliament proceeded to do, raising the social and regional allocations.

Just before Community business stopped for the Christmas break, the Council of finance ministers met to approve the 1981 budget for the last time. France, Germany, Belgium, and Denmark, for various reasons that mostly had to do with 1981 farm prices to be fixed from spring onwards, did not like what they saw. Farm spending on the Common Agricultural Policy (CAP), a crucial element in the French presidential election, had been to some extent preempted by Parliament. The United Kingdom, Italy, and Ireland, the main beneficiaries of Parliament's additions, were well content. So the French and their supporters could not raise the necessary qualified majority for deleting the 1981 budgetary additions, and the meeting of the Council of finance ministers ended inconclusively.

In fact, the finance ministers were outwitted. They had hardly dispersed after agreeing to differ before Simone Veil, the President of the Parliament and a former French minister, signed the 1981 budget into Community law, and thereby legally authorized the Commission to send out bills to collect Community dues from the Ten. The French Prime Minister Raymond Barre on Christmas Eve attacked his former colleague Veil for sharp practice. Veil stoutly answered that it would have been treason to the European Parliament to have done anything else; and at its next meeting in January the parliamentarians showered congratulations upon her.

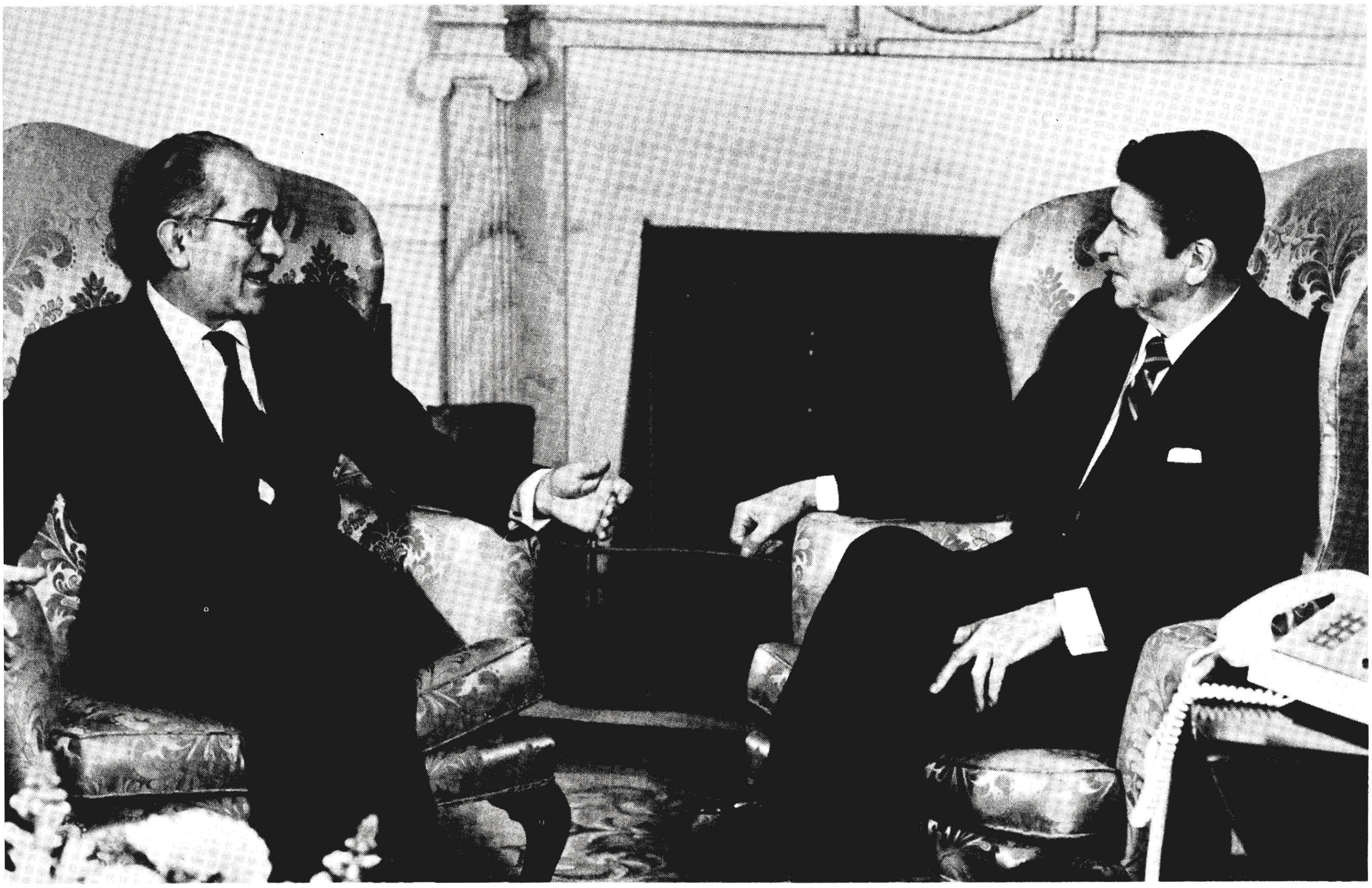
Clearly the Commission, on legal advice, decided that the 1981 budget had properly passed under the Treaty of Rome. But, under a new President, Luxembourger Gaston Thorn, they moved cautiously. The 1981 bills went out. France, Germany, and Belgium refused to stand their corner, and in February the Commission toughened up and said the three countries would find themselves in the dock at the European Court if they persisted in defying EC law.

In several ways the dispute is a classic example of the strains of growth that are now afflicting the Community. The national governments, particularly the big four—France, Germany, Italy, and the United Kingdom—want to retain enough domestic sovereignty to be masters of their fate; and through the Council of Ministers they tend to protect their national interests. They suspect a directly elected Parliament that has its own ideas about where and how Community money should be spent. The great achievement of the Community, as designed by the founding Six, was the CAP, which still eats up about 70 percent of the annual budget; and, to be fair, for France and Italy in particular, the CAP is a form of social and regional policy.

For socio-economic and demographic reasons, however, the Parliament has an urban rather than a rural majority, and therefore the CAP, with its costly financing of farm surpluses, is anathema. Members of the European Parliament want to cut back on feather bedding farmers and to divert Community funds to rationalizing stricken basic industries, developing energy resources, and financing Community transport systems. They want—or at least many of them want—to force a redistribution of EC expenditure from the land to the towns; and the French, with some Germans agreeing, say that the change will be made only over their dead bodies. For the French, from President Giscard d'Estaing on down, it is the battle of Verdun all over again. They shall not pass.

Nor will the difficulties of the Community grow easier. Greece, with a Mediterranean agriculture that competes with France and Italy, has already entered, before the entry of the United Kingdom has been fully digested. Portugal and Spain, other countries analogous to parts of France, await entry during the 1980's. So French wariness is not difficult to understand.

My own feeling, for what it is worth, is that the Community now moves to a crossroads. If the big four national governments have their way, it will move towards the character of a looser trading block. If the majority view of the European Parliament prevails, it will become increasingly supranational in the course of time, and will put at least as much emphasis on urban as on rural policies. And, unless it becomes more urban in orientation, I regret to say that the United Kingdom may lead the way toward weakness, if not effectual disintegration of the founding fathers' dream.



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Italian Foreign Minister Meets with Reagan

MARINO DE MEDICI, *Washington correspondent for the Italian newspaper* Il Tempo

Italy's Minister of Foreign Affairs, Emilio Colombo, visited Washington in mid-February for consultations with the Reagan Administration. He was the first West European leader to meet with the new team in Washington and his first hand report was to be listened to with great interest by the other nine EC foreign ministers. Colombo had come to Washington with two main objectives: first, to try and improve the process of consultation between the United States and its European partners and allies and, second, to find out the specific targets of the new US foreign policy and the possible practical consequences of its recent utterances.

The Italian minister and former President of the European Parliament was not disappointed; on the other hand, he was not satisfied either. Colombo had stressed the importance of "clarity" in the relationship between the United States and Europe. "One can say that on this side of the Atlantic, there is not always full appreciation of the importance of the external projection of the European Community," he said in a speech to the Council on Foreign Relations in New York. Colombo went on to say that in the presence of conflicts and other serious international problems, the Europeans were in agreement to take over a part of responsibilities that was "realistically sized" according to the experience, the potential and the political weight of Europe as a factor of balance and peace. In this framework, the Italian foreign minister stated that the EC member countries intended to "harmonize" their vision of world problems with that of the United States.

The American leadership had heard this appeal before. Once it had even answered it with a "Year of Europe" which turned out to be somewhat counterproductive. But this time the West European visitor was saying something which indeed interested the new Administration, namely, the need for balance, in fact the need to correct the imbalance existing in the relationship between East and West. It was apparent then that the discussions betwen Colombo and the Reagan Administration would be heavily weighed with a different approach to balancing the East-West relationship. In turn, this delicate exercise had a lot to do with the definition of "linkage" between the activities of the Soviet Union in the world and the Strategic Arms Limitation Talks (SALT II) negotiations, that the West Europeans would like to see reopened at the earliest practicable date.

At the conclusion of his talks with President Ronald Reagan and Secretary of State Alexander Haig, Colombo said that the strengthening of Western defense, the Soviet reciprocity within the "code of good conduct" and the concept itself of equilibrium in East-West relations are the "premise" to new negotiations with Moscow. Colombo did not refer to "conditions," but his American counterpart, Haig, made clear that the correction of international imbalances is indeed an "essential condition" for future negotiations. The difference of orientation seems to be obvious, but in fact the problem exists more as a matter of diplomatic action than of general policy, as both American and West Europeans agree that a balancing operation is necessary and the North Atlantic Treaty Organization countries in particular show a common will to negotiate by sticking to the whole gamut of East-West relations.

Colombo skillfully broached the subject of consultations not as the aftermath of a *fait accompli,* but as a vehicle toward influencing the reciprocal policies in order to make the Atlantic solidarity "more effective and more constructive." Time will tell whether his initiative produces the desired effect, but one still doubts that the European thought could influence the formulation of American external policies with sufficient impact. The Italian minister, however, has tried honestly and usefully to generate some input, to influence the formative phase of the Reagan-Haig foreign policy with a number of ideas that reflect both the specific needs and the general views of America's partners.

The central knot in the present relationship between the United States and Western Europe is the operative approach to negotiations and other dealings with the Soviet Union. The European allies cannot but accept and share the Americans' firm belief that it is absolutely necessary to restore the global balance and obtain restraint and moderation by the Soviets. The problem is the difficulty, if not the impossibility, of bringing about such behavior by means of an "absolute formula." The West cannot place itself in a "verbal straight-jacket" and force the Soviets to abide by a set of principles which amounts to a reversal of years of Soviet ideology. The "basic principles of US-Soviet Relations" of 1972 were not then, and cannot be now, an absolute code of conduct. On the other hand, West European leaders like Colombo do recognize that since then the Soviet Union has gradually modified "the nature of the East-West relationship and the world balance." How can the West restore the balance in the interest of collective security and extract reciprocity of behavior from the Soviets which must include respect for the sovereignty of Poland, Afghanistan, and Central American countries?

It all boils down, once again, to a delicate distinction, between "premise" and "precondition." The first concept involves a degree of restraint and reciprocity on an issue-by-issue basis. The other approach calls for a precise formula against which policies will be stated and actions taken. The talks of the Italian foreign minister certainly have contributed to the "clarification" of certain crucial factors in the relationship between the United States and Western Europe. In this light, the Europeans already have an "input" in the foreign policy programming underway in Washington. However, it is only fair to note that the "computing" has just begun.

European Film Festival and Art Exhibit

For four weeks through February a unique endeavor took place in Washington which presented a European Community film festival at the Kennedy Center and a European art show at Meridian House International. It was the intention of these parallel events, organized in the main by the EC Delegation to Washington, to show with the cooperation of the ten EC member country embassies a broader kind of Europe than the sort of headlines which the Community more usually attracts on this side of the Atlantic.

The Community has been identified in the past as a basically political and economic organization—but, of course, it also stands for a different kind of Europe and rejoices in the immense cultural diversity of the Ten. This first cultural manifestation of the member states here was opened by a joint reception at Meridian House in Washington which was hosted by the current EC Presidency in the shape of the Dutch Ambassador to the United States Jan H. Lubbers, and Roland de Kergorlay, Head of the Washington Delegation of the Commission of the European Communities.

In his reception speech, Lubbers said, "In the history of mankind, one aspect of art has always been the embodiment of a vision of the artist and his message to his fellow men. With regard to that aspect of art, no form of art has been able to reach out with its visions and messages to so many people in so short a span of time as the art of filming since—in the late 1890's—it was added to the artists' vehicles for the dissemination of his message.

"In our increasingly complex world nothing seems as essential for the maintenance of peace and preservation of the basic values of western civilization in international relations as mutual understanding and confidence between Americans and Europeans. I can think of no better vehicle than film for the exchange of signals about these basic values."

Kergorlay read a message from Gaston Thorn, the newly appointed EC Commission President and who, incidentally, has taken on the cultural portfolio among his many other responsibilities. "I warmly welcome this first effort to mount a European Community cultural manifestation in Washington," Thorn's message read. "I sincerely hope that it will convey some sense both of Europe's cultural identity and yet its obviously heterogeneous character. I congratulate everybody on the cooperation which has made these two events possible."

The reception was attended by 13 ambassadors and over 600 guests including the Italian director/actor, Maurizio Nichetti who was later to present his new film when it was shown at the American Film Institute theater. Later in the series, Brigitte Fossey and Stefania Sandrelli came to Washington to present the films they starred in.

Fossey told a press conference that "film is a wonderful symbol of communication. If I can contribute in a minute way to communication between the Community and the United States, well then, I am glad to be here with all my heart." She added that she was speaking as an actress, not as a politician. This star in a way symbolized the film festival: a French national appearing in a German film (The Glass Cell) based on a story by a British writer. "But no country owns the soul of this cinema, which is why its diversity is so total and fascinating."

The concurrent European art exhibition at Meridian House International reflected the quality of artistic expression within Europe. Belgium exhibited modern tapestries by Jan Yoors and art books which showed a small yet significant aspect of modern typography in Belgium. Denmark showed blue fluted porcelain from the Royal Copenhagen Corporation and silverware by Georg Jensen.

Contemporary paintings by Horst Antes and Klaus Fussmann represented the Federal Republic of Germany and Greece exhibited paintings by A. Tassos and Nicholas Sperakis. Photography was the medium chosen by France—Anni-Soranne Coplan, Sabine Weiss, and Francois le Diascorn exhibited their works. David O'Docherty's paintings were the Irish entry together with the book "America and Ireland," bound by the Kennys of Galway. The National Geographic Society described this as "one of the loveliest books it had seen in several years."

Paintings by Alberto Burri represented Italy, while Luxembourg exhibited works by painter Ger Maas and 18th Century porcelain loaned by the Villeroy and Boch Company. Glass works were featured by the Netherlands: pieces by Flories Meydam, Sybren Valkema, Brigitte Altenburger and Willem Hessen. The United Kingdom presented graphic works by Joe Tilson.

A European cultural symposium organized by the National Press Club on Febru-

Film star Brigitte Fossey (front), who was flown to Washington by Air France on the Concorde, stands by its model with (L-R): Anthony Graystone, John Walker, and René Guercin, all with Air France, and Myriam Norris, promotions manager at the EC Delegation to Washington. Courtesy of Air France

Pictured (L-R) at the reception at Meridian House International in Washington DC are: Ambassador and Mrs. Jan H. Lubbers of the Netherlands; Roland de Kergorlay, Head of the EC Delegation and Mrs. de Kergorlay; and Ambassador Jova, president of the Meridian House. Photos by Cashen/Stout

Patrick Hayes, managing director of the Washington Performing Arts Society, and Andrew Mulligan, director of information at the EC Delegation.

At a press conference are (L-R): Eberhard Heyken, press counselor at the German Embassy; David Haworth, deputy head of information at the EC Delegation; Brigitte Fossey; and Christian Morieux, cultural attaché at the French Embassy.

(L-R): Film director Maurizio Nichetti; Mario Emanuele Maiolini, counselor at the Italian Embassy; and Roland de Kergorlay.

ary 11 crowned a series of events which put a uniting Europe on the cultural map of the American capital.

The film festival featured 15 full length movies and a number of shorts, some of which were made by the EC Commission. Italy was represented by Maurizio Nichetti's comedy *Rataplan* and Ettore Scola's *The Terrace. The Glass Cell* by Hans W. Geissendorfer and Margarethe Von Trotta's *Sisters, or the Balance of Happiness* were the German entries, while France featured *Other People's Money* by Christian de Chalonge and *First Communion* by René Féret. Kieran Hickey's *Exposure* and *Criminal Conversation* represented Ireland. Denmark showed Morten Arnfred's *Johnny Larsen,* and the United Kingdom presented Peter K. Smith's *A Private Enterprise* and Kenneth Loach's *The Gamekeeper. The Idlers of the Fertile Valley* by Nikos Panayotopoulos was the Greek entry and the Netherlands featured a four-director film called *Melancholy Tales* adapted from four short stories by Heere Heeresma. *Home Sweet Home* represented Belgium and a documentary was shown on Luxembourg. DAVID HAWORTH

The Delegation of the Commission of the European Communities in Washington wishes to thank the American Film Institute, Meridian House International, and the following sponsors who through their generous support made possible the European Film Festival and Art Exhibit.

Air France
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Vie de France Corp.
Villeroy and Boch, New York

We would also like to give special thanks to Michael Clark and Edward Cockrell of the American Film Institute and to Ambassador Joseph John Jova and Randa Mendenhall of Meridian House International.

NEWS OF THE COMMUNITY

INSTITUTIONS

New Commission Sworn In

The 14 members of the new EC Commission headed by Gaston Thorn were sworn into office at the European Court of Justice in Luxembourg in mid-January. At the same time the new Greek Justice of the Court, Alexandros C. Chronos, also took the oath of office.

Gaston Thorn stressed that the main duties of the Commission are to see that the principles of the EC treaties are observed and preserved. Judges and commissioners alike are bound by the principle of complete independence from their national governments, the general interest of the Community, and impartiality.

New Commissioner Named

The EC Commission appointed in late January Poul Dalsager of Denmark as its new commissioner in charge of agriculture in succession to Finn Olav Gundelach who died suddenly the week before.

Dalsager, 52, was minister of agriculture in the Danish Government from 1975 until he joined the Commission. He has been a member for the Danish Parliament since 1964. After Denmark's accession to the Community he was named to the European Parliament where he was given important assignments since he represented the most important political party in Denmark.

Dalsager, who has a background in banking, was chairman of the European Market Relations Committee from 1971-73 and Vice President of the Parliament in 1973. He was the Social Democratic delegate to the United Nations General Assembly in 1969 and 1971. Since 1973 he has also been on the board of directors of the Danish central bank.

Commission Portfolios Set

Following the traditional long nights of negotiation, the new EC Commission decided in early January on the assignments of responsibilities for each commissioner. The eight members who were reappointed from the previous Commission largely kept the portfolios they had.

EC Commission President Gaston Thorn will be in charge of the Secretariat-General, legal service, the Spokesman's Group, Security Office, and cultural affairs. François-Xavier Ortoli retains responsibility for economic and financial affairs and credit and investments. Wilhelm Haferkamp keeps the external relations portfolio, including the nuclear sector. Etienne Davignon, in addition to his industry portfolio, also was given responsibility for energy, the Euratom Supply Agency, research and science, and the Joint Research Center.

Replacing the recently deceased Finn Olav Gundelach, the new Danish Commissioner Poul Dalsager will be in charge of agriculture and fisheries during the transition period. Lorenzo Natali is still in charge of Mediterranean policy, enlargement, and information. Claude Cheysson will be responsible for development as before. Antonio Giolitti continues as commissioner responsible for regional policy and coordination of Community funds.

In charge of budget and financial control, financial institutions, and taxation is continuing EC Commissioner Christopher Tugendhat. The new Greek commissioner, George Kontogeorgis, will be in charge of transport, fisheries after the transition period, and coordination of matters relating to tourism. Another new member, Karl-Hienz Narjes, is responsible for internal market and industrial innovation, customs unions, protection of the environment, consumer affairs, and nuclear safety.

Frans Andriessen takes over relations with the European Parliament and competition matters. New member Ivor Richard was assigned the portfolio for employment and social affairs, the Tripartite Conference, and education and professional training. Michael O'Kennedy will be the delegate of the President and handle personnel and administration, the Statistical Office, and the Office of Official Publications.

New Budget Conflict Erupts

For the third year in a row, debate over the Community's budget has carried over into the new year. Following a December Council meeting which did not rule against the Parliament's increased spending amendments to the 1981 Community budget, European Parliament President Simone Veil announced that the Community's 1981 and a supplementary 1980 budget had been officially approved.

France, Belgium, and Germany then indicated that they did not consider the budgets approved and would not contribute their share of the increase, although Belgium and Germany later appeared to soften their positions. A large part of the additional funds voted by the Parliament had been requested by the Commission to assist the victims of the earthquake in southern Italy late last fall. Other supplemental funds were for the energy, social, and regional funds.

Jenkins Bids Farewell

In his farewell speech to the Brussels press corps in early January, former EC Commission President Roy Jenkins said he was leaving office with a mixture of "personal sadness and public optimism." He said that the four-year term had been the right length.

The optimism Jenkins expressed was directed toward the present state of the Commission. He said the Commission has "in a sense come of age" by surviving its most difficult, formative period. He said the Commission has had to adjust to changes within the Community institutions, such as "the increasing emergence of the European Council as a focus of Community decision-making and to life with the new directly elected Parliament."

Now he said the Commission must learn to live with a harsher economic climate and to deal with a wider and less coherent Europe than that of the original Six. He also said he hoped the national governments would not allow the Commission to become too big after the accession of Spain and Portugal.

First 1981 Parliament Session

The first 1981 session of the European Parliament convened in mid-January and welcomed the new EC Commission and the delegation of 24 parliamentarians from Greece.

The new Greek delegation included several members of the Panhellenic Socialist Movement which is opposed to Greek membership in the Community. The new Commission was introduced by its president, Gaston Thorn. The sad news of the death of Finn Olav Gundelach, EC Commission vice president in charge of agriculture who was starting his third term, came at the end of the first day. The second day of the session opened with a moment of silence in his memory.

Thorn told the Parliament that the Commission considered the supplemental 1980 and 1981 budgets legally adopted and enforceable, thus siding with the Parliament in the latest institutional conflict over the budget. Thorn said the Commission would not hesitate to launch legal proceedings against any government not meeting its budgetary obligations.

The Parliament wound up a discussion begun in December on the automotive industry by adopting by a large majority a resolution urging a common policy on the EC automobile industry. The resolution urged that extensive negotiations be undertaken with Japanese authorities on trade. Sir Roy Denman, EC Commission director for external relations, was to visit Tokyo in January for such talks.

EXTERNAL

Norway Restricts EC Fishing

EC fishermen were said to have been banned from Norwegian waters in mid-December because they had reportedly surpassed their catch quotas for the year.

The ban, to be enforced by five Norwegian Coast Guard vessels, would affect only fish caught for human consumption and not fishing for industrial use in fish meal or oil. The limits on fishing by Community vessels were part of a joint accord between the Community and Norwegian authorities made in efforts to conserve stocks in those waters.

Bilateral Trade Discussed

Members of the EC Commission met with Japanese Foreign Minister Masayoshi Ito in mid-December in Brussels to discuss bilateral trade problems.

The talks centered on increased difficulties the Community has experienced from the dramatic rise in imports from Japan in recent months. All the Community institutions have made an appeal to Japan for concrete action to alter the trade dilemma.

It was reported that Ito did not give an official response to the Community's statements, but indications were that such a response might be forthcoming during a high-level meeting scheduled later in Tokyo.

Jute Agreement Signed

An important step was taken in improving trade in jute products when an agreement was signed between the Community and Bangladesh in late November. The four-year agreement also establishes a joint cooperation committee with wide responsibilities for improving production, research, and promotion of jute products.

The main provisions of the accord are continued duty-free status for jute product imports under the Community's general scheme of preferences, voluntary restraint by Bangladesh on exports of certain fabrics, and a commitment by the Community to remove all quantitative restrictions on jute imports when the agreement expires in 1983. Exports of jute products are of vital importance to the Bangladesh economy.

Antidumping Duty Levied

As a result of an investigation begun last July, the EC Commission announced in late November that it had applied a provisional antidumping duty on imports of vinyl monomer acetate from the United States.

The investigation revealed evidence that selling of the product at prices below actual costs had been practiced during the first part of 1980. The average dumping margin was about 10 percent, and the share of the Community market obtained by US products had increased from about 9.8 percent in 1977 to 31.5 percent in the first quarter of 1980, about 17 percent of which came from dumped products, according to the investigation.

The levy which was to be in effect for at least four months pending formal and permanent approval by the Council of Ministers did not affect companies that were revealed not to have dumped their products or which agreed to raise their prices.

EC-Cyprus Council Meets

Ministers from the Community and Cyprus meeting in late November agreed that the second stage of the association agreement between the two would go into effect the first of the year. This agreement is aimed at an eventual customs union and designates that a number of projects will receive Community financing.

The meeting also covered the adaptation of EC-Cyprus trade relations in view of the Greek accession to the Community.

EC-Yugoslavia Talks

The EC-Yugoslavia Joint Committee met in Belgrade in early November for the first time since the signing of the new cooperation agreement last April and also since the entry into force of interim trade and financial agreements.

The committee examined the way the interim agreements had been functioning and reviewed the difficulties encountered since last July. In addition, the two parties talked about future negotiations on adaptation of the cooperation agreement following the Greek accession to the Community.

The officials also declared their intention to speed up the procedures for ratification of the agreement in order to enable all provisions to enter into force as soon as possible.

EC-China Business Week Set

The first ever EC-China Business Week is planned to take place in Brussels at the Sheraton Hotel March 30 to April 10. It will offer European businessmen the opportunity to examine and discuss practical ways of increasing business opportunities in a number of key sectors. The occasion will bring a delegation of 100 Chinese officials to Brussels—the largest group of senior decision makers in the economic and trade field ever to have left China. The delegation, led by Vice Premier Gu Mu, will include managing directors of six import-export corporations, representatives of the Bank of China, managers of production enterprises, and representatives of provincial authorities. The European delegation will consist of the senior executives from about 300 EC companies.

EC-ASEAN Group Meets

The first meeting of the joint cooperation committee set up under the agreement between the Community and the Association of South East Asian Nations (ASEAN) one year ago was held in Manila in late November.

The Community sent its first official to Puerto Rico recently on a trip to emphasize the role Puerto Rico can play in the development of US-EC relations. L-R: Américo García Santaliz, Puerto Rican Undersecretary of State for Commercial Affairs; Walter Fournier, president of the Puerto Rican Chamber of Commerce; and William Gaillard, head of media at the EC Delegation in Washington

The committee approved a program on trade promotion for ASEAN in the field of commercial cooperation. It also decided to establish a working group to facilitate consultation on trade issues related to commercial cooperation. A program of joint action in economic cooperation, which includes support for an ASEAN-EC business council, was adopted. A seminar for ASEAN experts on access to European capital markets was also approved.

On development cooperation, ASEAN presented a list of possible regional projects, and the Community indicated its willingness to increase financial support for regional development in ASEAN countries. In addition, the Community agreed to act as a catalyst in the financing of large-scale ASEAN industrial projects.

EC-Tunisia Joint Meeting

The impact of the prospective enlargement of the Community dominated discussions of the EC-Tunisia Cooperation Council in Brussels in mid-December.

The two delegations concentrated on the possible impact, especially on Tunisian exports of olive oil, of the addition of Greece and later of Spain and Portugal into the Community. Shipments of olive oil currently represent about 10 percent of Tunisian exports to the Community; the industry provides a living for about 20 percent of the population.

The Tunisian trade deficit with the Community was also discussed. The imbalance continues in spite of the fact that Tunisia's exports are growing faster than its imports in Community trade. Another topic of discussion was EC financial aid to Tunisia, which is about 50 percent committed and must be renegotiated before the end of 1981.

Return to Civilian Rule

Turkish Foreign Minister Iltar Turkmen pledged to representatives of EC institutions with whom he met in mid-December that the military government in his country was planning to restore civilian rule as soon as possible.

Turkmen added that the objective of seeking EC membership was still valid and that the existing Government also sought active work by the Turkey-Community Association Council to develop relations, including the dismantling of tariffs between the two. It was also noted that negotiations for the conclusion of a new financial aid protocol would begin in January.

Trade Frauds Settled

An agreement between the Community and the Government of Hong Kong settling a claim by the Community for damages in connection with a trade fraud was announced in late December. The fraud consisted of shipments of textile products above the permitted quotas from Hong Kong via other countries into the Community.

The settlement called for withholding by Hong Kong in the future of an amount equal to that which had entered the Community via third countries. The products included tee shirts, jerseys, trousers and shorts, blouses, shirts, anoraks, and gloves. The accord was said to benefit the entire Community, but particularly Britain, Germany, and the Benelux countries. Two years of investigations preceded the settlement.

Sadat to Address Parliament

Egyptian President Anwar Sadat accepted an invitation to speak to the European Parliament, it was announced in mid-January. The announcement came when President Sadat was meeting with British Foreign Secretary Lord Carrington in Egypt. No date was set.

In his meeting with Lord Carrington, President Sadat expressed support for a European role in the Middle East peace process. In the past Egypt has reacted cautiously to the European diplomatic efforts, stressing instead the importance of the Camp David formula.

It was also indicated that plans were going ahead for a mission to the Middle East by Dutch Foreign Minister Christoph Van Der Klaauw to continue the consultations begun last year by then-Luxembourg Foreign Minister Thorn.

TRANSPORTATION

Ship Monitoring Extended

The Council of Ministers extended in early December shipping monitoring arrangement begun in 1979. The monitoring of cargo liner traffic between the Community on the one hand and Central America and East Africa on the other was extended for a further two years from the beginning of 1981.

In addition, the Council decided to begin monitoring transport between the member states and the Far East—Japan, Taiwan, Hong Kong, Malaysia, Singapore, Korea, the Philippines, and Thailand. The decisions to monitor certain key liner shipping trade to and from the Community resulted from concern about shipping practices of Soviet companies. These operators appeared to offer uncommercial freight rates in ways not possible in the long term to shipping companies from market economy countries.

The monitoring of the Central American and East African routes produced information on liner services operated, goods carried, and tariffs charged. It also showed that the Soviet fleets' behavior warrants continued concern. In Far East trade, member state shipping companies face increasing activity from Soviet operators. At the same time the Transsiberian railway carries a growing proportion of the container traffic between the Community and the Far East.

Railway Policy Reviewed

A review and outlook on EC railway policy was approved by the Commission and forwarded to the Council of Ministers last December.

The document showed that state payments to railway companies had increased by about 60 percent in real terms between 1973 and 1977 and are expected to increase in the future. At the same time there has been a failure to adapt the railways to the changing market situation. For example, relatively few lines have been closed.

A Commission work program envisages action on two broad fronts: development and full application of existing EC legislation on railway policy and a series of new measures to go beyond existing provisions. Areas where the Commission will make proposals for improving the railways include state-railway relationships; the public service role; capital structure; and cooperation.

The Commission will make a proposal for a cooperation framework to include measures for reducing delays at frontier crossings, setting up joint marketing services, establishing mutually acceptable costing principles, promoting joint research, and coordinating investment and purchasing policies for equipment and rolling stock.

ENERGY

Fusion Review Panel Meets

The first meeting of the European Fusion Review Panel was held in early January in Brussels. The panel was set up by the Commission to study Community activity in the field of controlled thermonuclear fusion.

Under the five-year program for 1979-83, EUA 145 million (80 percent of its budget) goes to finance the Joint European Torus (JET) being built at Culham, England. The task of the panel is to study within an international context progress in research in the EC fusion program, prospects for the development of fusion as an energy source for the Community, future plans for the EC fusion program, and future strategy and action.

Oil Reserves To Drop

Energy ministers meeting in late November agreed on a policy of correcting imbalances in oil supplies by a reduction in reserves rather than purchases on the spot market. The common position was taken in preparation for the upcoming meeting of the International Energy Agency in Paris, to which eight of the nine EC member states belonged.

It was noted at the EC ministers meeting that stocks in the Community amounted to about 125 days worth of oil consumption, but some countries were either below or above that amount. At that time the reduction in deliveries from the Gulf had been compensated for by increased production from other countries and reduced demand in the Community.

There was concern that lower stocks in other major consuming countries such as Japan might lead to increased purchases on the spot oil market, which would lead to a rise in world prices.

Nuclear Plant Gets Loan

A loan of over $65.5 million was granted in mid-January to Belgelectric Finance by the EC Commission to help finance the Tihange nuclear power station there. This is the third such loan bringing total Euratom financing to over $78.6 million for the Tihange-2 unit.

The Tihange station has one 870 megawatt unit. The second unit, presently under construction, will have a capacity of 900 megawatts, and a third unit is to be built there in the future. The European Investment Bank is also contributing to the financing of these investments.

EC Oil Bill to Rise in 1981

The Community oil bill will rise by about $10 billion in 1981, not including Greek oil purchases, the EC Commission estimated in mid-December. The calculation was based on the assumption that average price increases by the Organization of Petroleum Exporting Countries would amount to about 8.8 percent for the year.

It was also estimated that the same import charge would total about $103 billion in 1980 compared to $70 billion for 1979 and $50 billion in 1978. Greek oil purchases were placed at about $10 billion annually.

Solar Energy Gets Funds

Progress in solar energy development was announced in two different areas by the EC Commission in early December. The first was the awarding of funds to 18 projects whose goal is to demonstrate the feasibility of solar energy generation in northern regions of the Community as well as in territories in other parts of the world.

The projects will receive aid amounting to about one-third of their total EUA 30 million costs. They range in size from stations of 30 kilowatts to one of 300 kilowatts and include every EC member state, Martinique, Réunion, and Corsica.

A few days later the Commission also announced the completion of the world's first 1 megawatt solar power plant in Adrano, Sicily. The station, funded by the Commission and the Italian, French, and German governments, will begin operations in the next six months. Similar plants are under construction in Spain, France, Japan, and the United States.

ACP Ministers Gather

The twenty-sixth meeting of the Council of Ministers of the African, Caribbean, and Pacific (ACP) countries belonging to the Lomé Convention was held in Brussels in early December.

The meeting focused on problems including the world oil and energy crisis, uncertainties in food production, balance of payments difficulties facing the developing countries, and the North/South Dialogue. ACP countries were also said to be concerned that the Greek accession to the Community and the Community's system of generalized tariff preferences for developing countries in general were two issues that threatened the ACP relationship with the Community.

Discussions also turned to specific topics such as the problem of access of bananas to the EC market, textiles trade, and trade in sugar.

AID

Development Grants Made

The Commission announced in late December the following financial arrangements under the fourth European Development Fund: A grant of EUA 1.26 million was agreed for fisheries resource assessment vessels for Papua New Guinea; that country also received a grant of EUA 230,000 for a multiannual training program; Malawi was granted a loan of over EUA 3.2 million for land for an industrial estate at Blantyre; the People's Republic of the Congo was to receive a grant of EUA 470,000 to cover a cost overrun on hospital construction in N'Kayi.

Niger was granted a total of nearly EUA 2 million for a pilot project for the mechanized construction of wells. Kiribati received a grant of EUA 232,000 to construct an aircraft landing strip on the island of South Tabiteuea. And Togo was granted a loan of EUA 884,000 to help implement a cattle farming project in the Klouto district.

Other financing decisions had been made in November for development projects. These were a grant to Niger for a total of over EUA 10 million for improvements and maintenance operations on part of Niger's main road network. The Netherlands Antilles was granted a loan of nearly EUA 7.3 million to extend the St. Martin airport.

Burundi received a grant of nearly EUA 9 million to consolidate the tea cultivation scheme there. A grant of EUA 500,000 was approved as additional funding for a multiannual training program started in 1976. Comoros was granted EUA 70,000 as supplementary financing for study grants for engineers. The Development Bank of Central African States was to receive a grant of EUA 574,000 to provide financing for study and training awards for future senior staff and the appointment of a training coordinator.

Lomé II Comes Into Force

The second Lomé Convention signed in late October 1979 came into force at the start of 1981. By the end of last November the necessary procedures had been completed in all nine EC member states and in over two-thirds of the African, Caribbean, and Pacific signatory countries. Lomé II runs until the end of February 1985.

Despite the lapses between the expiration of Lomé I in March 1980 and the entry into force of Lomé II in January 1981, work begun under Lomé I continued in many fields, particularly financial cooperation. In addition, some of the Lomé II clauses were brought into operation in advance to bridge the gap.

Transitional measures were adopted to provide arrangements for trade—more generous than the Lomé I provisions—and for the Stabex Rules for 1980. Operations under the fourth European Development Fund also continued.

EC at African Meeting

EC representatives participated in a meeting of nine southern African countries and international agencies in late November to discuss means of achieving closer economic cooperation and integration in that region.

The meeting concentrated on strengthening the transport and communication links between those African countries. The participating countries have received an estimated $800 million between 1975 and 1980 either as part of the Lomé Convention provisions or from EC aid to nonassociated developing countries. EC member states have furnished aid on a bilateral basis as well.

Commission Acts to Aid Italy

Emergency aid worth EUA 60 million in foodstuffs was approved in late November to help those affected by the earthquake in southern Italy, in addition to emergency aid of EUA 1.5 million already made available.

In addition to these measures, the Commission said a contribution should be made to the reconstruction process. It had already set up an interdepartmental coordination team. Fully equipped rescue teams were already at work in the province of Salerno.

The earthquake which struck the Naples area on November 23 left more than 5,000 persons dead and thousands homeless.

EC Grants Emergency Aid

The EC Commission decided in late December to finance four emergency operations. For Uganda, exceptional aid of EUA 2 million was granted for victims of the drought in the north-eastern part of the country. Two aid payments were agreed for Sudan: EUA 80,000 to help inhabitants affected by the drought; and EUA 300,000 to aid 15,000 Ugandan refugees in southern Sudan. Zimbabwe was granted emergency aid of EUA 1 million to help provide food for people recently resettled on agricultural land to tide them over until the next harvest.

EUA 250,000 in emergency aid was decided in mid-December for the refugees from San Salvador in Honduras. Exceptional aid of EUA 300,000 was granted to the Federal Islamic Republic of the Comoros to help with a program of repair of damage caused to infrastructure by torrential rains which recently afflicted the archipelago.

A proposal for food aid to Angola in the form of 250 tons of milk powder was also approved by the Commission in mid-December. Six other African countries were granted emergency food aid as well in the form of 23,000 tons of cereals. The countries were Djibouti, Ethiopia, Kenya, Mozambique, Somalia, and Tanzania. In addition, 1,000 tons of white sugar had been allocated for distribution in the Horn of Africa and Uganda.

For an emergency program of reconstruction following an August hurricane, Montserrat was granted aid of EUA 150,000 in early December. EUA 1 million was decided in late November for nine West African countries for an emergency program to combat cattle plague. To purchase supplies for famine relief in the Central African Republic, the Commission also granted EUA 1500,000.

Further aid totaling EUA 1 million was put at the disposal of the Algerian

Government in mid-November as relief for victims of the El Asnam earthquake. Immediately after the earthquake in mid-October, the Commission had granted an initial installment of EUA 1 million.

Aid to Nonassociated States

The EC Commission approved at the end of December the third tranche of aid for 1980 to nonassociated developing countries. The total amount allocated in 1980 was EUA 138.5 million.

Projects included in the latest allocations were 15 schemes in Asia involving eight countries and two regional organizations for a total of nearly EUA 90 million. India was granted EUA 28 million for a fertilizer supply program and three other agricultural projects.

Sri Lanka was to receive EUA 15.4 million for an irrigation project; Thailand was granted EUA 13.5 million for two programs involving development of agricultural cooperatives and an irrigation and drainage project. Bangladesh was granted a total of EUA 10.6 million for development of stockbreeding services and cotton growing. These were only five of the many allocations which totaled EUA 103.4 million.

EIB Development Loans

The European Investment Bank made loans to seven countries to help finance nine projects at the end of last year. EUA 3 million was made available for small and medium-sized industrial, agro-industrial, and tourism enterprises in Swaziland. Of this, EUA 2 million was to be invested in projects, and the remainder was to be used to help finance pre-investment studies, acquisition of shareholdings, and loans on special conditions.

To help meet the cost of extending and reinforcing the electricity distribution system in and around Lagos, Nigeria, EUA 25 million was loaned to the state-owned National Electric Power Authority. Botswana was granted two allocations: EUA 4 million to go toward the construction of a factory to produce vaccine to protect cattle against hoof-and-mouth disease; and EUA 4 million for increasing the capacity of a coal-fired power station in northeastern Botswana.

Algeria was granted a loan of EUA 20 million to cover half the cost of financing new power stations at five major centers in the southern part of the country. For financing small and medium-scale industrial ventures and for setting up a new computerized system to control the electricity grid there, Portugal was lent a total of EUA 25 million. Of that, EUA 10 million goes to part-finance a new grid control installation outside Lisbon to be completed by 1985.

Barbados was granted a loan of EUA 5 million to help with expansion of electricity generation and distribution facilities there. The EIB also agreed to loan Kenya EUA 7.5 million to help finance the construction of 10 small tea factories in that country.

Food Aid for Poland Set

EC foreign ministers meeting in mid-December agreed to the details of the food aid package for Poland which was adopted at the Luxembourg summit meeting earlier in December.

Exports of about 400,000 tons of food were to be sold to Poland at prices ranging from 10 to 15 percent below world market prices. The food to be shipped was estimated to be worth about EUA 200 million. It included sugar, butter, beef and pork, rapeseed oil, olive oil, cereals, rice, and milk powder.

SOCIAL POLICY

Equality Law Infractions

A report released by the EC Commission in mid-December showed that not one member state has applied EC nondiscrimination rules completely or satisfactorily.

The report also revealed several areas and occupations still virtually excluded for women which were not compatible with guidelines laid down in the laws. It stated that there was still discrimination against pregnant women and that certain collective bargaining agreements discriminated in pay between men and women.

The Commission asked employers and trade unions to collaborate at the Community level to try to overcome resistance to full and equal opportunity. It also indicated that should the member states fail to comply fully with these laws, it would pursue infraction proceedings in the European Court of Justice.

Earlier in December a new equal opportunity body held its first meeting. One of its purposes is to encourage and aid in compliance with EC directives in this area. It will also act as the principal liaison between national equal opportunity groups in the Community and will be consulted when the Commission proposes measures to help the status of women.

Sex Discrimination Poll

A survey released by the EC Commission in mid-December showed that out of about 3,000 working women questioned in the nine member states last year, 36 percent had experienced some kind of job discrimination.

Most of this discrimination was connected with being refused a job or a pay increase because of pregnancy or absence due to children's illnesses. Other complaints included being rejected from jobs intended for men, being forced to accept lower wages, or being subjected to sexual blackmail.

The same survey also revealed that about 24 percent of working women work in all-female environments. Britain had the highest incidence of this and Germany, the lowest.

EC Signs Rights Convention

The European Community joined the European Convention on Human Rights during ceremonies held in Brussels in early December. Already 30 years old, the convention was drafted and signed by members of the Council of Europe and is officially known as the Convention for the Protection of Human Rights and Fundamental Freedoms.

The EC Commission had requested that the Community, in addition to its individual member states, become a party to the convention to reinforce the protection of rights at the Community level. In addition, it was pointed out, the Community increasingly has direct legal relations with individuals.

ECONOMY

Employment Crisis Discussed

EC employment ministers and representatives of labor and industry met in mid-December to discuss possible solutions to the current employment crisis.

The group requested that the EC Commission formulate proposals for future action at Community level on part-time work (voluntary and not in place of regular employment) and on flexible retirement. There was also discussion on a proposal made at the December Luxembourg summit for an expanded Council of Ministers meeting in 1981 to involve employment, finance, and economics ministers.

Labor and social affairs ministers had also discussed the unemployment situation and policy ramifications at their late November meeting in Brussels. There are about 7.4 million jobless people in the Community.

The ministers discussed or adopted measures in the following areas: the campaign against poverty, Social Fund aid for various categories of workers and the shipbuilding industry, early retirement benefits, family allowances, and social security for self-employed workers.

The action on the Social Fund extended coverage for another four years to workers in the clothing and textile industry, migrant workers, young people under 25, and women. The ministers also agreed on joint regulation of the social security programs for self-employed persons moving within the Community.

Steel Firm Sues EC

The EC Commission confirmed reports in early December that an Italian steel company, Rumi, had filed suit with the European Court of Justice to overturn the recent Community decision to establish an emergency plan that included production quotas for the steel industry.

The firm reportedly objected to the statistical and informational basis for the decision, and because the quotas were made retroactive, Rumi also claimed that the system would violate restrictions on industrial secrecy.

In October Community steel figures showed production to be 17.5 percent below the same month in 1979, but they said orders in September were up 15 percent over August figures.

Regional Report Adopted

A report on the social and economic situation in the Community regions during 1970-77 was adopted by the EC Commission in December. The last report was presented in 1973 and covered the situation as it was at the end of the 1960's.

Imbalances among the regions have worsened, the new report said. For example, the ratio of per capita gross domestic product in the 10 most developed regions to that in the 10 weakest regions deteriorated from 2.9 to 1 in 1970 to 4 to 1 in 1977.

The report showed that the widening of regional disparities is due mainly to indigenous structural factors in the less favored regions, such as: population trends; the ratio between employed persons and income in production sectors; productivity levels and structures of production; skills possessed by the labor force; training opportunities; and the varying distance of regions from the centers of development. The economic crisis has accentuated these causes of disequilibrium where preventive measures have not been taken.

The Commission plans to formulate proposals laying down EC regional policy priorities and guidelines.

Export Credit Rates Upped

EC finance ministers meeting in mid-December agreed to increase the minimum interest rates charged on export credits.

The Community increase was said to be insufficient, however, during a meeting of the Organization for Economic Cooperation and Development (OECD) held later that week in Paris. The aim of this negotiating session was to increase the minimum interest rates to levels more closely ressembling actual market rates. The major industrialized nations which grant export credits to less prosperous countries as a means of stimulating trade were seeking to harmonize their rates to avoid chaotic competition.

The Community agreed to review the situation in mid-1981 with the possibility of readjusting the rates before the end of the year.

Help for Pharmaceuticals

To help strengthen the viability and competitiveness of the EC pharmaceutical industry, the Commisson recommended a series of aid measures in late November: analysis of problems in the sector; a directive to update previous laws; and a proposal to achieve a more unified market.

The Commission also proposed the establishment of mutual recognition of registration and authorization to market new products throughout the Community. This would mean that once a product was cleared for sale in one member state, it would also be authorized in others. These proposals follow recommendations in other sectors to improve the Community's ability to compete in the international market.

Euronet System Grows

Funding of EUA 1.8 million approved by the Commission in early December expanded the Euronet-Diane data transmission network to 24 new computerized systems. These 24 were chosen from among 266 proposals submitted. The expansion is expected to improve access to technical and scientific information by small and medium-sized companies.

The new data systems selected cover biomedicine and health care, law and regulations on food additives and packaging, business, economy and finance, energy conservation, new technologies, agriculture, chemistry and physics, biomechanics and ergonomy, environment and ecology, shipbuilding, mining, solid state electronic material, and multidisciplinary information.

Spain, EC Resume Talks

Ministerial-level talks between the Community and Spain were back in full swing in late November following some months of controversy after a declaration by the French President Valéry Giscard d'Estaing that there should be a "pause" in enlargement negotiations until the Community had sorted out its own internal problems.

The talks with Spanish officials in Brussels concerned specific issues, such as capital movements between the Community and Spain. The ministers planned to tackle the more difficult fisheries and agricultural issues sometime in the near future.

COMPETITION

EC Charges IBM

The EC Commission confirmed in early January that it had sent the American firm International Business Machines (IBM) a list of possible offenses of Community competition laws. The action was taken as the result of a six-year investigation by the EC Competition Directorate General in response to complaints by four firms in the European market.

The charges involve possible business and sales practices that may discourage competition and are in violation of Community rules against abuse of a dominant power in a specific market by a company. IBM said it was cooperating with the probe and that it was certain it had not violated EC laws.

The company will have at least two months to reply to the charges. Should the Commission decide against the company, fines up to 10 percent of IBM's turnover could be levied, and the firm could appeal the case before the European Court of Justice.

Pharmaceutical Firm Fined

The Commission imposed a fine of EUA 200,000 on the US company Johnson & Johnson Inc. and three of its European subsidiaries for having imposed an export ban on their British and German dealers and for having continued to restrict exports from the United Kingdom to Germany after the formal export ban was lifted.

The complaint came from a German importer who tried to obtain a certain pregnancy test from chemists in Britain where the prices were much lower. The Commission's investigations revealed that at the request of the German and Swiss subsidiaries and with their assistance, the British subsidiary tried to stop exports of the tests from Britain to Germany.

The export restrictions were intended to protect the high price levels in other EC member states from competition from British dealers, the Commission said. Export prohibitions are a serious restriction of competition and incompatible with the competition rules of the Community. This is the first Commission decision imposing a fine for an export ban in the pharmaceutical sector.

Ruling in Cognac Case

The world's third largest cognac maker, Jas. Hennessy & Co., of Cognac, France, was ordered by the EC Commission in early December to terminate an exclusive dealing agreement it had with Henkell and Co., Wiesbaden, Germany, for the distribution of Hennessy cognac in Germany.

The agreement contained restrictive clauses protecting the territory of the exclusive dealer from parallel imports and limiting his freedom to fix resale prices. In view of these restrictions, as well as exclusive sales and purchase and noncompetition clauses, the Commission ruled the agreement did not serve to improve distribution for the consumer's benefit and was an infringement of EC competition laws.

Hennessy argued an exemption as a special case because of the 25-year duration of the agreement and because of the luxury nature of the products in question.

Italian Glass Deals Hit

The EC Commission adopted in mid-December a decision prohibiting certain agreements between major Italian manufacturers of cast glass— non-transparent glass used mainly in the industrial, agricultural, construction, and furniture sectors. These agreements had fixed sales quotas between, 1976 and 1978.

The agreements, in the guise of specialization contracts, were designed to enable the firms involved to maintain the shares of the cast glass market which they had previously acquired. This involved the quantitative sharing out of sales, the communication of data, and supervision of these measures by a management and accountancy firm.

The agreements caused serious restrictions of competition in the Italian cast glass market because the participants' share of the market was more than 50 percent and because access to the Italian market was made more difficult for glass made in other member states.

The Commission adopted the decision to clarify the type of specialization agreements compatible with EC competition rules, even though the Italian glass agreements were no longer in effect.

AGRICULTURE

New Hormones Ban Sought

Two new measures adding to the October ban on the use of hormones in meat raising were proposed by the EC Commission in early January. These proposals set out conditions under which the hormones could be administered as exceptions to the general ban.

These included the use of natural hormones for therapeutic purposes to eliminate conditions diagnosed by a veterinarian. The measures also proposed a system of inspection to discover residues of hormone use in animals. This would prohibit the slaughter of animals with residues above a certain level after therapeutic use and would authorize the confiscation and destruction of meats or animals found to have illegally been given hormones.

Still No Fishing Agreement

Agreement on an EC fishing policy was not reached by the end of 1980 by EC ministers meeting in mid-December for what appeared to be a last ditch attempt for the year.

The meeting broke up without an agreement after reportedly being close to a compromise on the British request for preferential fishing rights in a 12-mile zone around its shores. This had been accepted by all member states except France, which has insisted on equal access to all Community waters. The meeting was also said to be close to final agreement on the issue of fishing catch quotas.

A common fisheries agreement has been the subject of five years of negotiations among Community members. It had been agreed to reach a final accord before the end of the year as part of the agreement among members over the amount to be paid by Britain into the Community budget.

Whale Products Banned

Environment ministers meeting in mid-December agreed on a ban on the sale of whale products and also on a plan to encourage paper recycling.

The ban on whale products would cover goods sold for commercial purposes and is designed to help protect that endangered species. The reuse and recycling of paper and cardboard products would also be encouraged because of a potential import and supply crisis of wood and paper products in the future.

But for the second time in a row, the ministers were unable to complete work on the so-called Seveso directive designed to institute a system of safety inspection and reporting to help prevent major industrial environmental accidents, such as the one at Seveso, Italy, several years ago. Again the problem lay in the fact that the French and Belgian governments were at odds over the question of whether a government should be obligated to notify its Community neighbors of potential risks near their common borders.

HARMONIZATION

Cosmetics Laws Proposed

An amendment to existing Community laws on standardization of contents regulations in cosmetics was proposed by the EC Commission in mid-January.

The draft measures would affect the use in cosmetics of certain substances used as antiperspirants, solar protection agents, and other ingredients. The aim of the proposal was to improve consumer protection against potentially hazardous products and also to standardize the application of rules throughout the Community to eliminate technical trade barriers between member states in this field. If adopted, the amendments would go into effect in 1984.

EC Driving Permit Planned

A uniform driving permit usable throughout the EC member states will be introduced by 1986. Details of this new license were adopted by the EC transport ministers at a meeting in early December.

By 1983 all EC countries will recognize the permit of a Community citizen who has moved from another EC country. After a year, the driver will be able to obtain a new permit from his new country of residence. By 1986 a new license format will be adopted by all member states; it will be in the national language but similar in content and appearance to all other member state driving permits.

Portuguese Aid Settled

An aid package in anticipation of Portugal's eventual membership in the Community was signed between the Community and the Portuguese Government in early December.

The aid was for more than EUA 200 million in grants, soft-term loans, and other loans designed to increase the competitiveness of Portugal and its enterprises.

Travel Insurance Rules

A proposal for a directive on tourist assistance was adopted in December by the EC Commission. The directive brings into the scope of an existing EC directive on nonlife insurance a large percentage of travel assistance operations that are similar to insurance transactions.

The growth of tourism in recent years has been accompanied by specialist undertakings to cover a whole range of accidents which may occur in the course of traveling. Motoring clubs have also extended their range of activities to include other forms of assistance apart from breakdown services.

In order to afford uniform protection for assistance insurance policyholders and ensure free competition and freedom of establishment for organizations providing such assistance, the Commission felt these organizations must be treated in the same way as other nonlife insurance companies. The financial security of the assistance company particularly needs to be assured. The recent proposal also, excluded certain assistance transactions from the scope of the insurance directive.

Public Opinion Poll Taken

The latest public opinion poll taken in the Community showed some gloom about the depressed economic conditions and enthusiasm over EC enlargement, according to figures released in mid-January.

Satisfaction with the way democracy works and for the institutions that govern political life was high in Luxembourg, Germany, and Denmark, but very low in Italy. Attitudes in favor of European unity were generally high at 72 percent, but a decline was evident compared to a poll taken in 1979.

On the question of Greek membership, the greatest favor was found in Italy, Germany, and the Netherlands. In Greece 38 percent were in favor and 21 percent opposed to belonging to the Community. Peoples' attitudes about their trust in other nationalities revealed results similar to a poll taken in 1976. The Danes, Luxembourgers, Dutch, and Belgians were regarded as the most trustworthy by their fellow Community citizens. The Swiss came in first, the Americans second, and the Japanese third as being the most trustworthy among non-Community nationalities.

SCHOLARSHIPS, GRANTS, CONFERENCES

Political Research Workshops

Workshops relevant to the European Community will be included in sessions sponsored by the European Consortium for Political Research at the University of Lancaster March 29 to April 4. They are: European approaches to war and peace studies; media and elections; problems of transition to socialism in Western Europe; and the Middle East in the 1980's—current structures and prospects.

For further information, write: European Consortium for Political Research, University of Essex, Wivenhoe Park, Colchester CO4-35Q, Essex,, England.

Accountants' Diploma Set

A diploma in European studies for accountants will be offered for the first time with examinations beginning in November/December 1981. The course is being offered by the Society of Company and Commercial Accountants of Bristol, England. The exams will be conducted in English in Brussels and London, but it is expected that other Community languages eventually will be admissable.

The syllabus will cover four papers: Community structure and procedures; economic systems of member states; financial systems; and accounting principles and practices. Further information is available from the Executive Secretary, Diploma in European Studies, The Society of Company and Commercial Accountants, 40, Tyndalls Park Road, Bristol BS 8 IPL, England.

European Research Grants

Young university teachers doing research on European integration may apply for one of 18 research grants awarded by the EC Commission. Appplications must be submitted by March 31 and awards will be announced in July.

The grants are a maximum of about $5,500 and may be awarded to individuals or teams. Applicants should not be over 40 years of age. For application information, contact the EC Information Service, 2100 M Street NW, Washington, DC 20037. (202/862-9500).

Trade Policy Scholarships

The European Free Trade Association (EFTA) is offering postgraduate research scholarships into the activities of EFTA or European trade and trade policy. Up to four scholarships of between approximately $2,500 and $5,000 will be awarded during the current academic year.

Candidates should present an outline of their projects, preferably in English, including a precise definition of the field of research and a description of the proposed organization and methodology. Applicants should also include full details of their academic qualifications and the names of three references, plus a written recommendation from a supervisor in the case of thesis projects.

Send applications by May 15 to the EFTA Secretariat, 9-11 rue de Varembé, 1211 Geneva 20, Switzerland.

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.

Social Security Law of the European Communities. By Philippa Watson. Mansell Publishing, London, 1980. 277 pages including index.

An analysis of the problems of the social security law of the European Communities; examines the social security rights of the migrant worker; analyzes the growing social security case law of the European Court of Justice, and examines the strength and weaknesses of the emerging system.

Government Aid for Industrial Development in the United Kingdom. By the UK Department of Industry, London, 1980. 7 pages.

A leaflet listing the sources of government aid available in the United Kingdom; offers a general description of particular kinds of finance and indicates where advice can be obtained.

German-American Relations. By W. R. Smyser. Sage Publications, London, 1980. Available from the Center for Strategic and International Studies, Georgetown University, Washington, DC. 88 pages.

Reviews the principal issues in German-American relations in light of the current international environment; analyzes the political, strategic, and economic problems facing the German-American friendship.

East-West Technology Transfer: European Perspectives. By Angela Stent Yergin. Sage Publications, Beverly Hills, CA, 1980. Available from the Center for Strategic and International Studies, Georgetown University, Washington, DC. 88 pages.

Examines the national trade and technology transfer policies of Germany, Britain, and France toward communist nations; discusses the functioning of CoCom, the multilateral export control organization, and speculates on future strains caused by American and European attitudes toward nonmilitary technology transfer to communist nations.

Value Added Taxation: The Experience of the United Kingdom. By A. R. Prest. American Enterprise Institute for Public Policy Research, Washington, DC, 1980. 52 pages.

Compares the value added tax with other forms of taxation, in particular payroll taxes; describes the structure of the tax in the United Kingdom and the changes that have occured since its introduction in 1973; appraises the theoretical attributes of VAT.

European Intellectual History Since 1789. By Roland N. Stromberg. Prentice Hall, Englewood Cliffs, NJ, 1981. 386 pages including index. $13.95.

An introductory textbook on the development of European intellectual history; begins with the French Reveloution and the ideologies that followed to the contemporary trend of Western thought since 1945.

Tax Systems of Western Europe. By C. J. Platt. Gower Publishing Co., 1980. Available from Renouf/USA, Brookfield, VT. 166 pages including index. $36.00.

An outline of the European tax systems; details the taxation of personal and corporate income and capital gains by country, including rates of taxation; contains notes on double taxation treaties, and indicates sources of additional information.

French Politics and Public Policy. Edited by Philip Cerny and Martin A. Schain. St. Martin's Press, New York, 1980. 300 pages including index. $25.00.

A collection of essays examining the political environment of the Fifth Republic. Topics covered include the role of economic policy in party politics, the upper civil service levels, recent trends in national economic planning, the problems of centralization and decentralization in decision-making, and the interaction of economic and ideological goals in foreign policy.

Budgetary Politics: The Finances of the European Communities. By Helen Wallace. Allen & Unwin, Inc., Winchester, MA, 1980. 120 pages including index. $6.95.

A comprehensive survey of the

Community financial system, its development up to date, and the recent controversies over the control of the Community purse. Provides background to the problems involved and explores their implications.

Agriculture and the European Community. By John S. Marsh and Pamela J. Swanney. Allen & Unwin, Winchester, MA, 1980. 98 pages including index. $6.95.

Examines the Common Agricultural Policy in its present format; outlines the main instruments for the price and structural policies, and the effects of the CAP on producers' income levels and on consumer prices; discusses how far CAP has fulfilled its promises, the implications of the policy for third country trade, and its place within the Community as a whole.

Disaster Survival. By H. McKinley Conway. Conway Publications, Atlanta, 1980. 278 pages. $48.00.

Evaluates residential and business locations in terms of disaster risk and provides methods of reducing risk and loss through preparedness plans and emergency protection.

Structural Changes in Industry. By United Nations Industrial Development Organization, New York, 1980. 123 pages.

An analysis of the issues involved in redeployment of industries from developed to developing countries. Provides information on proposals for international action concerning structural changes.

Textile Quotas Against Developing Countries. By Donald B. Keesing and Martin Wolf. Trade Policy Research Centre, London, 1980. 214 pages.

A study of the Multi-Fibre Arrangement (MFA), its protective aspects and impact on textile trade and industrial change. Seeks to analyze the possibility for improvement of the MFA from the view points of promoting development and trade liberalisation.

Europe and World Energy. By Hans Maull. Butterworths, Woburn, MA, 1980. 342 pages. $43.95.

An in-depth study of the current international energy system with focus on Europe; speculates on the future of a European energy policy; reflects on the possibility of a global management of energy problems.

U.S. Foreign Relations Law: A Documentary Study of Congressional-Executive Relations. By Thomas M. Franck and Michael J. Glennon. Oceana Publications, Dobbs Ferry, NY, 1980. 3 volumes, $40.00 per volume.

A three volume study on the sources and documents of US foreign relations law; involves such topics as treaty and war power, foreign trade laws, anti-boycott legislation, arms exports controls, human rights law, and legislation pertaining to terrorism and foreign development assistance.

Contemporary Perspectives on European Integration: Attitudes, Nongovernmental Behavior, and Collective

Selling in the Common Market. By J.M. Didier & Associates. Touche Ross International, Avenue Louise 149, Brussels, 1980. 80 pages.

A survey of Community rules and other developments relating to consumer goods distribution for retailers and their suppliers.

Foreign Investment in the United States, 1980. Edited by Stuart R. Singer and Stanley Weiss. Practising Law Institute, New York, 1980. 624 pages. $25.00.

A comprehensive outline of the issues of foreign investment in the United States. Topics include the problems in the establishment, acquisition, and operation of US businesses by foreign investors, the tax aspects involved, currency gains and losses, and foreign investment in US real estate.

Complete Export Guide Manual. By Steve Murphy. SJM & Associates, 1142 Manhattan Ave., Manhattan Beach, CA, 1980. 224 pages. $8.95.

A guide on the requirements of international trade, especially basic export documentation; explains the uses and importance of each document with instructions on how to complete the necessary forms, and lists the documents required by over 180 countries.

Eleventh Annual Institute on International Taxation. Edited by Arthur H. Kroll. Practising Law Institute, New York, 1980. 776 pages. $25.00.

A course handbook containing articles on the relevant issues of international taxation. Topics include tax aspects of currency revaluations, handling audits of multinational corporations, US tax treaties, tax aspects of exporting and importing and a review of recent cases relating to international tax.

Quest for a New Central Europe. Edited by Julius Varsányi. Australian Carpathian Federation, Inc., Sydney. Available from the American Hungarian Library and Historical Association, New York, 295 pages.

A collection of essays evaluating the philosphical, anthropological, social, economic, and legal changes that have taken place in Central Europe.

European Supplies Bulletin. By Fishery Economics Research Unit, White Fish Authority, Edinburgh, 1980. 137 pages.

A bulletin on the current fisheries situation in Europe; gives data on the trends and developments in European fish markets, by country-breakdown, and offers special country reports.

Developments in World Oil Markets: Practical and Legal Considerations. Edited by Robert C. Goodwin, Jr. and Duke R. Ligon. Practising Law Institute, New York, 1980. 264 pages. $25.00.

A profile of the developments in the international oil market; discusses the effect of the Foreign Corrupt Practices Act on oil transactions, the impact of US antitrust laws on US oil operations overseas, and other US regulations affecting oil imports.

The Community's Bookshelf

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