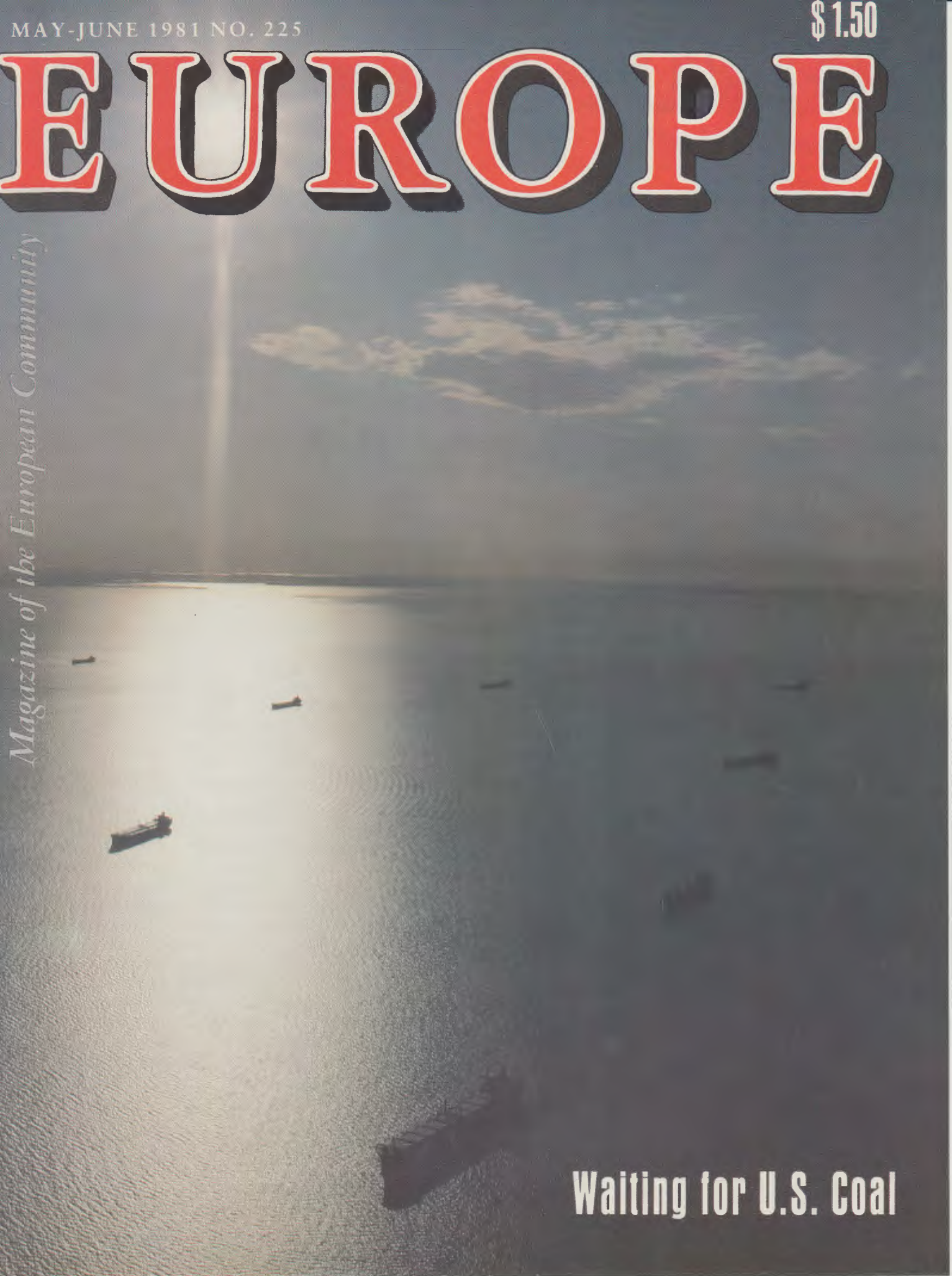


MAY-JUNE 1981 NO. 225

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# EUROPE

*Magazine of the European Community*



**Waiting for U.S. Coal**

# EUROPE

MAY/JUNE 1981 NO. 225

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Cover: Ships wait in Chesapeake Bay to load coal. © Louie Psihoyos

Cover (back): Checking magnification of a computer chip. © Dan McCoy, Black Star

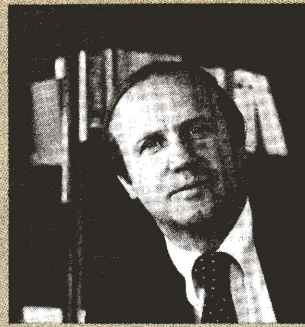
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*In the wake of America's spectacular space shuttle achievement it may seem almost irrelevant to inquire about European progress in the technological field. But, in fact, there is an increasing scientific interdependence across the Atlantic and a break-through on one front by the United States is often complemented by another resulting from European research. But it is the case that neither Americans nor Europeans can confidently or automatically assume that they are ahead in this particular race. Indeed, so far as the United States is concerned there is evidence that in some areas—economically critical ones—the United States is lagging behind both the Europeans and the Japanese.*

*This theme prompts the question in our lead article: Is Europe outpacing the United States in science and technology? And continuing this section, we examine an area so far poorly explored by the layman but whose life will increasingly be affected by it—namely, telematics.*

*Introducing the new "Business Europe" section, Jasper Becker has written a survey of the European chemical industry as it tries to cope with the energy crisis. Our cover story looks at a little noticed but startling development: the international scramble for US coal.*

*Our member state report is devoted to the Federal Republic of Germany. The postwar history of this country has been one of almost repetitively successful economic and political management. However, for a variety of reasons stressed by Rainer Hellman (economy) and David Shears (politics) some of the familiar, comfortable assumptions which Germans and their partners were able to make can be assumptions no longer. Norman Crossland, a veteran Bonn correspondent, writes about some of the social effects this development is having on the Germans themselves.*

*The name of the Maastricht Summit is unlikely to echo cheerfully down the corridors of the Community's history, as John Wyles of the Financial Times reports. In July a world economic summit will take place in Ottawa. Among other things, it will seek to strengthen ties between the industrialized nations and the Third World and its chairman, Canada's Premier Pierre Trudeau, sets the scene for this hugely important summit.*

*Andrew A. Mulligan*

# SCIENCE AND TECHNOLOGY

## *Is Europe Outpacing United States?*

DAVID DICKSON, *US news editor for the British science journal Nature*

PERHAPS IT WAS BENJAMIN FRANKLIN WHO STARTED it, spending much of his 16 years in Britain in the company of fellow scientists from the Royal Society. Or maybe Benjamin Thompson, born in Woburn, Massachusetts, in 1753, later to move to Europe, establish a reputation as one of the foremost physicists of his generation, take the title of Count Rumford, and found the prestigious Royal Institution in the heart of London's fashionable Piccadilly.

Whatever its historical origins, scientific exchange has always formed one of the strongest links of the transatlantic partnership between Europe and the United States. Both have shared a common thirst for practical knowledge. In addition, science provides a cultural linkage less politically dependent than other aspects of the relationship; the Royal Society awarded Franklin a gold medal at the height of the Revolutionary War, reflecting Edward Jenner's words that "the sciences were never at war." Even the North Atlantic Treaty Organization finds the sponsorship of scientific conferences a useful way of helping to keep the Allies in step with each other.

In the immediate post-war years, there was little doubt that the United States was the senior partner in the transatlantic relationship. European scientists, rebuilding their laboratories in a period of relative austerity, looked on enviously as millions of dollars were poured into programs of space exploration, or into President Richard Nixon's famous war on cancer. American scientists—many originally exiles or refugees from the war-ravaged countries of Europe and the accompanying racial oppression—dominated the list of Nobel Prize winners. Research from American laboratories headed the world's scientific literature in virtually all fields.

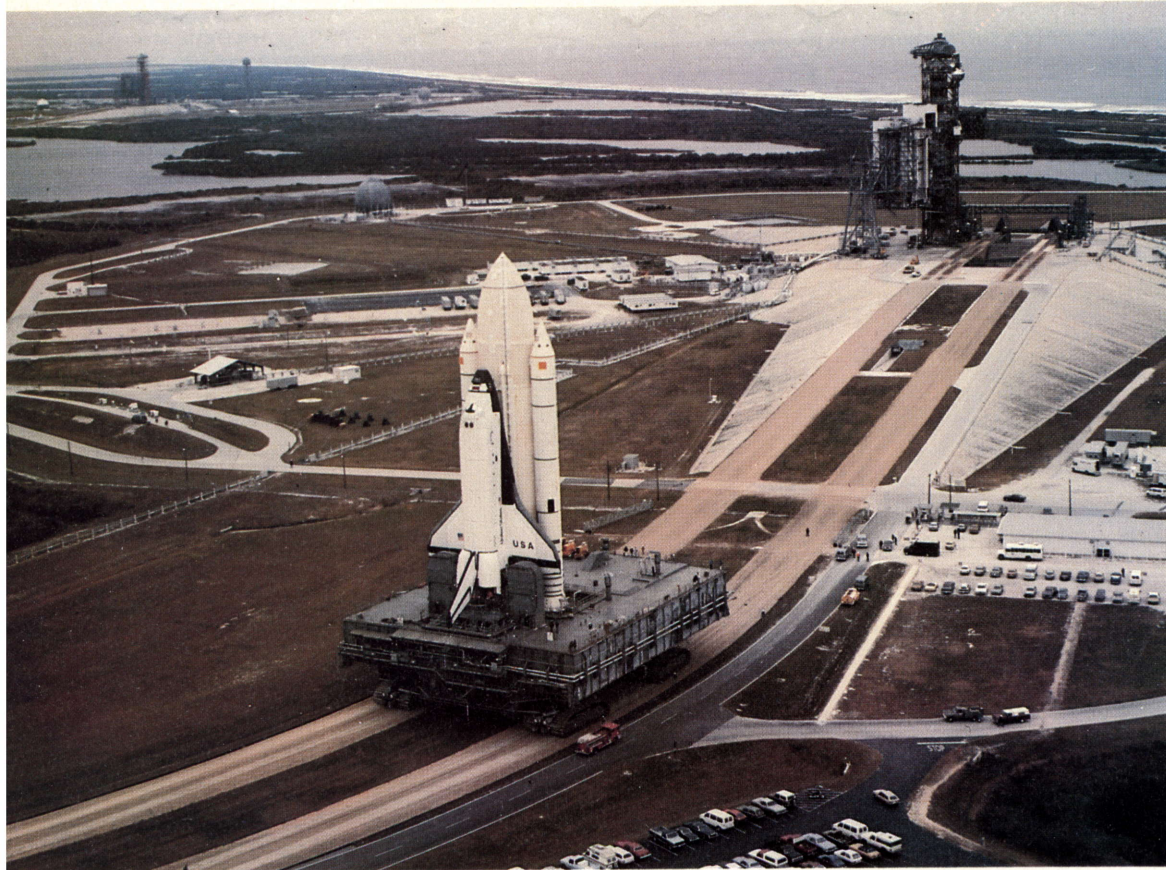
This dominance became a major source of concern to European politicians by the late 1960s. Many discussions took place about the long-term implications of the so-called "technological gap." Statistics were provided by the Organization for Economic Cooperation and Development (OECD) showing how the United States was outperforming Europe in virtually all aspects of research and development, as well as in the general pace of tech-

nological innovation. Politically, the French politician Jean-Jacques Servan-Schreiber warned of the possible consequences in his widely read "The American Challenge."

Within the past decade, however, the situation has changed dramatically. America may still walk off with the lion's share of the Nobel Prizes. But no longer does American science—or American technology—occupy a clear lead over that of its Western allies. The technological gap has virtually disappeared and American technology has become one competitor among many in the international marketplace. Even in scientific fields such as high energy physics or space research, the United States is finding its previous supremacy being challenged by aggressive and well-supported research programs mounted by European nations.

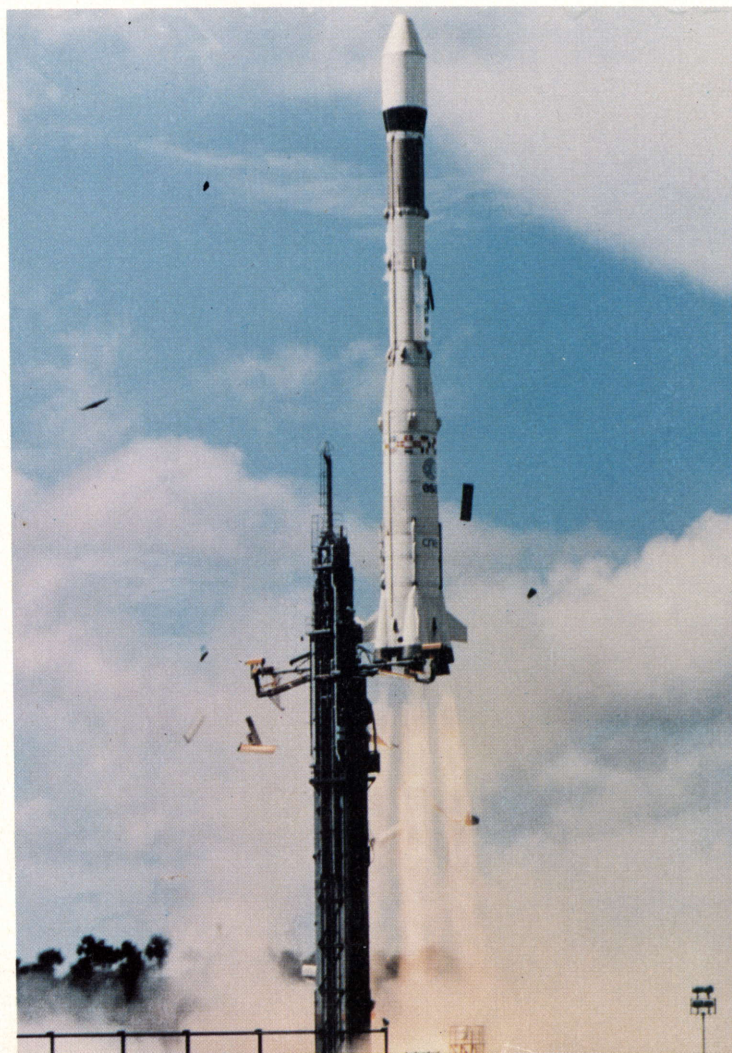
Statistics provide some indication of the change in relative positions. In the mid-1960s, the United States was spending about three percent of its gross national product (GNP) on research and development, compared to 2.4 percent in the United Kingdom, about two percent in France, and 1.7 percent in West Germany. By the end of the decade the US figure had fallen to 2.4 percent, while France was approaching this figure, and Germany had surpassed it. Similar trends emerge from an analysis of the labor force on the two sides of the Atlantic. In the United States, the number of scientists and engineers employed in research and development for every 10,000 workers fell from 66 in 1970 to less than 60 a decade later. Over the same period, the number of scientists and engineers in Germany increased from 31 to 41 per 10,000 workers, and in France from 31 to 36. If one looks purely at civilian research and development—remembering that in the United States, over half of all research is sponsored by the Department of Defense—both relative expenditure and manpower figures for the United States are lower than most other advanced countries in the Western alliance.

These trends have not gone unnoticed. During the Carter Administration, considerable effort was spent arguing that the relative decline of the American research



*The first space shuttle, "Columbia," is moved to the launch pad at the Kennedy Space Center in Florida. Courtesy of National Aeronautics and Space Administration*

*The Ariane launch rocket immediately after lift-off in December 1979. Courtesy of European Space Agency*



and development effort compared to several European countries (as well as Japan) was a principal reason for the country's poor economic performance and sluggish rate of industrial innovation. In contrast to the Servan-Schreiber book of a decade earlier, Simon Ramo, co-founder of the advanced technology firm TRW Inc. and the principal science adviser to President Ronald Reagan during the 1980 election campaign, has just published a book called "America's Technology Slip." In it he writes: "Until very recently, we Americans took it for granted that our country is the world leader in technology. . . . But we no longer can assume we are ahead. Contrary indications are all about us in the form of European and Japanese cars on our streets and foreign-made television sets and tape recorders in our homes. We are lagging badly in other fields, and being overtaken in some areas where we still have a lead."

In high energy physics, for example, results are obtained by colliding elementary particles with each other at speeds approaching the velocity of light; the larger the machine, the greater the impact between particles it can generate, and hence the more debris it creates to study. In the 1960s and early 1970s, the cost of these large atom-smashers gave the United States, with its relatively greater wealth, an automatic advantage. Yet in recent years, as funds have become tighter, US physicists have seen their supremacy slip, while accelerators such as those operated by the European Organization for

Nuclear Research (CERN) are now receiving comparably greater support.

Speaking at a hearing organized by the US House of Representatives, Wolfgang Panofsky, director of the Stanford Linear Accelerator, told the committee that "The American program continues to be productive. However the position of prominence is being replaced by a partnership in activity with Western Europe." John Adams, then director of CERN, produced figures which showed that while in 1966 both Europe and the United States were spending about 0.025 percent of their GNP on high energy physics—with the United States, operating through a single funding agency, enjoying additional economies of scale—during the 1970s the European nations were able to keep this figure roughly constant, while budget pressure in the United States reduced the proportion almost by half, to 0.014 percent.

Two principal, and occasionally contradictory, themes play an increasingly important role in the pattern of scientific and technological relationships between the United States and Europe: cooperation and competition. Where Panofsky and others speak freely of that "partnership" that exists between physicists in the two continents, others will point to the often fierce competition that spurs a race to be first with the discovery of a new

elementary particle. Similarly domestic policies toward high technology are increasingly being determined by the competition provided by European (and Japanese) producers in the technological marketplace. At the same time cooperation has become increasingly attractive in many areas where research programs would be too expensive for any one country to develop on its own, though all share a common interest in a successful outcome. One Department of Energy laboratory in Tennessee, for example, is currently testing an array of six superconducting magnets, three produced by US manufacturers and three by European companies, for possible use in a tokamak-design fusion nuclear reactor.

Cooperation and competition do not always live happily side-by-side. And no field is more fraught with tension between the two than space research. Following the massive US investment required to place a man on the moon in the 1960s, the National Aeronautics and Space Administration (NASA) became the sole agency on which both US and European scientists had to rely for launching scientific instruments into space. A large number of such missions have been successfully completed, some by scientists from individual nations, some by international teams. More recently, however, Europe has been developing its own space capability, both through the efforts

*Industrial robots streamline production and result in keener competition.* © Arnold Zann, Black Star

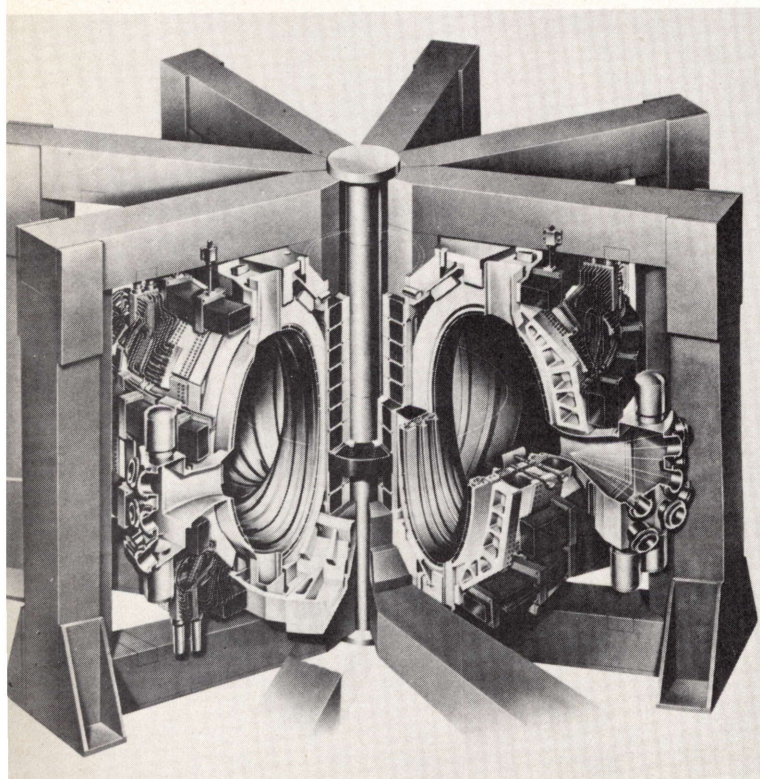


of particular countries and through the European Space Agency (ESA), currently developing its own launch rocket Ariane.

Transatlantic cooperation in space has recently received some serious jolts. Last year, for example, plans for a joint ESA/NASA mission to Halley's Comet when it reenters the solar system in the late 1980s fell through when NASA decided it could not afford such a mission at the same time as meeting both its other planetary exploration commitments, and the escalating costs of the space shuttle. NASA offered the use of the shuttle to launch a European space vehicle, but this was rejected by ESA which is pressing ahead with its own mission, Giotto, and has selected Ariane for the launch—reportedly partly because it was feared that a NASA launch would not convince Europeans that the mission itself was really theirs. NASA has since been unable to find its own money, even for a more limited “fly-by” of Halley's Comet; and the United States will therefore have to sit on its hands watching as separate European, Soviet, and possibly Japanese spacecraft vie for the honor of sending back the best pictures and scientific data.

Perhaps the most serious blow so far to joint US-European collaboration in space has been NASA's decision to withdraw from a mission already planned and well under development to send a pair of spacecraft in simultaneous orbits over opposite poles of the sun in 1985. NASA's decision to cancel the spacecraft which it would have contributed to the so-called International Solar Polar

*The Joint European Torus (JET), a very advanced thermo-nuclear fusion reactor, is now under construction in Culham, England.*



Mission (ISPM) was taken in February of this year as part of the agency's efforts to absorb budget cuts mandated by the Office of Management and Budget. Predictably it brought a storm of protest from European scientists, who will now only have their own spacecraft to rely on. ESA issued an angry statement, accusing NASA of a “unilateral breach of the memorandum of understanding between the two agencies” which it found “unacceptable,” pointing out that “when the ISPM project was decided by the ESA science program committee in 1979, it was chosen in preference to a number of other, purely European missions because of the value that ESA attached to transatlantic cooperation,” and warning that “unilateral actions of this kind would be detrimental to future space cooperation between Europe and the United States.”

Whether NASA will reverse its decision, however, remains doubtful. Part of the difficulty has been the different administrative arrangements under which the two agencies work. NASA requires an annual allocation of funds from Congress, and any international agreement which it enters is subject to the caveat that future funding cannot, under US legislative convention, be strictly guaranteed. ESA, in contrast, works on the principle that once a project has been agreed, each member state commits itself to provide a predetermined proportion of support for the project up to its completion, provided that final costs do not exceed 140 percent of the initial estimates.

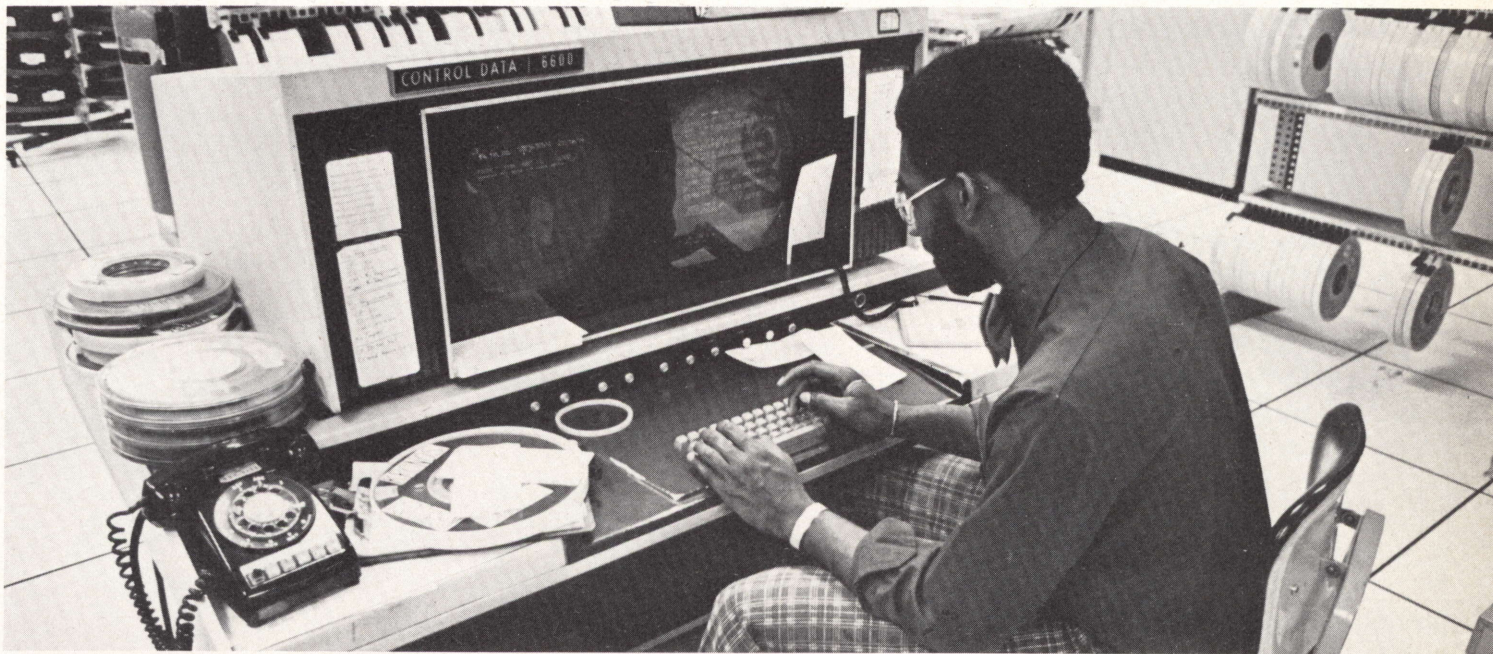
Given such differences of approach, as well as the general tensions between pressures for cooperation and competition, the “partnership” is perhaps inevitably a stormy one at times. But few expect it to disintegrate. The United States and Europe have too much in common—and too much to gain from each other—for either to be able to afford to go its separate way, in science and technology as much as in broader spheres of economics and politics. As research facilities become more expensive, the pressures for complementary rather than competitive programs may well grow, despite the nationalism that pushes in the other direction.

Meeting in Paris in March, the science ministers of OECD member countries issued a communiqué committing themselves to stimulating the exchange of scientists, engineers, and students between members countries, to facilitating the exchange of scientific and technical information, and to encouraging the flow of technologies between countries. The ministers also agreed that their nations should “explore new opportunities for cooperation in areas of common interest, with a view to making more effective use of human resources and major research facilities, to sharing costs, to obtaining more rapid research results, and to mounting large-scale efforts where these are necessary for an effective attack on problems.” Benjamin Franklin seems to have started more than he could ever have imagined.

# “TELEMATICS” ARE HERE

## EC Working on Common European Strategy

MICHAEL MOSSETIG, a New York-based freelance writer reporting from the Middle East and Europe



Controlling data input and output at Cybernet, a data processing network. Courtesy of Control Data Corp.

FROM HOUSTON, TEXAS, TO HANOVER, WEST GERMANY, business executives have been looking at the office of the future—an array of computerized devices including word processors that type more than 600 words per minute, electronic mail and answering services, high speed copiers and printers, and desk top computers designed for professionals, not secretaries or data processors.

The message from these spring trade fairs is that the office of the future is already arriving at many corporations. The gadgetry in the exhibition booths provided the latest demonstration of how advances in computer technology and in the computing power of a single silicon chip are making the machinery small enough and cheap enough to become part of the ordinary office and eventually the home.

Yet, even as the computer, office machine, and electronics companies are peddling their wares in Houston and Hanover, resistance is developing. Especially in Western Europe, national Governments and interna-

tional bodies are adopting laws and codes designed to protect individual privacy as more and more information is stored in data banks and distributed around the world in fractions of seconds. And while the salesmen promote the capability of their products to improve productivity, labor unions are calling for stronger health and safety regulations and worrying that automation will increase unemployment.

These political and technological developments are among the recent skirmishes in what some publications have called the “information wars” of the 1980s. Countries and corporations will be fighting for supremacy—or survival of their industrial base—as information activities surpass traditional manufacturing in the “post-industrial” Western economies. Western Europe, long mesmerized by the dominance of International Business Machines Corporation (IBM) in large computers, now faces a double threat from American and Japanese companies in everything from the manufacturing of the basic

computer chips to increasingly sophisticated applications such as robots and office machines. National Governments, EC institutions, and companies are trying to fight back, but according to many experts they face formidable challenges.

Since 1979, the EC Commission has been trying to develop a common European strategy in "telematics"—the fusion of telecommunications, microelectronics, computers, and information. As one Brussels official said, "We all know here that we have no time to lose in launching such action." Convincing the politicians can take more time. By June, the Commission hopes to have approval from the Council of Ministers for at least part of the plan—a modest program to coordinate support for European chip research and manufacture. The second part of the plan—to develop common telecommunications standards and to open some national post, telegraph, and telephone equipment bidding to other European companies—faces heavier going in national capitals.

The official goal of the Community chip program is for Europe to increase its share of world-wide production from six to 12 percent by the mid-1980s and to reduce its present high level of dependence (from 65 to 80 percent) on imported chips. Some government officials, corporate executives, and consultants think even those goals are considerably optimistic. They anticipate the Europeans will be racing to stay in the same place—to hold their present world share—even as national Governments are providing about \$1 billion in direct support from the mid-1970s to mid-1980s and even as corporate investment from such giants as Siemens and Philips comes to another \$1 billion.

Fighting for that small foothold becomes increasingly difficult as the technology advances at exponential rates. The original chips of 1970 contained a thousand units of memory cells and transistors. Even the American companies which now dominate chip technology risk being overwhelmed by Japanese competitors in the next round—the 64K chip with 65,536 memory cells and transistors which will supplant the 16K chip by the mid-1980s. Though still in its infancy, the 64K chip market will grow beyond \$1 billion by 1984, according to a Fortune magazine study. Among the 16 companies fighting for a share of it are Siemens, Philips, Britain's Inmos, and France's Eurotechnique, but the epic struggle will be between the Japanese and Americans.

One indication of the Japanese advice is the increase in their European chip sales from \$12 million in 1976 to \$165 million in 1980, according to Business Week magazine. Japanese companies have set up three chip manufacturing plants in Europe including Hitachi's factory in Landshut, West Germany. They join the 15 American-owned chip plants operating in Europe.



*Railroad yard managers use computer terminals to classify and move freight cars around from track to track when routing trains. Courtesy of Norfolk and Western Railroad*

Chips have been described often as the crude oil of the future Western economies. They are now finding their way into such diverse products as automobile dashboards and microwave oven control panels. The battle for chip supremacy and survival will ripple through scores of other vital industries in the decade. For competitive and export-oriented companies in consumer electronics and automobiles, a six-month edge in buying into new chip technology could mean millions of dollars in sales.

Most experts think the best opportunity for European companies is in mini-computers and microprocessors. Scores of European, American, and Japanese companies already are cutting into IBM's lead in this growing market in contrast to IBM's dominance in large mainframe computers. Among the most vigorous competitors is Germany's number two computer company, Nixdorf. Last year it chalked up sales of almost \$700 million, and it



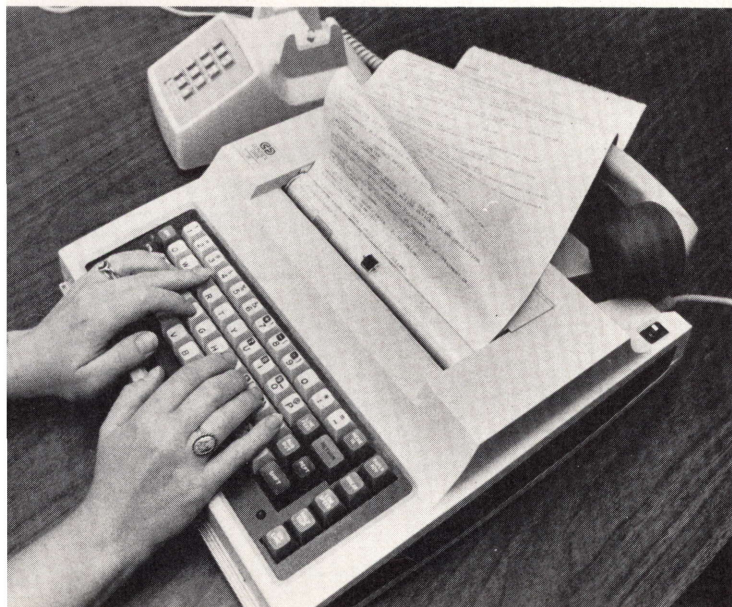
was the only European company pushing its office systems and word processors at the Houston fair.

But while the emphasis at Houston and Hanover was on hardware, politics is intruding more deeply into the European telematics arena. Far more than their American counterparts, European politicians and union leaders are trying to guarantee privacy safeguards and a labor voice in telematics decisions. In contrast to the American practice of trying to assure privacy on a sector approach, as in banking and credit, European parliaments have tried to adopt omnibus data-protection laws. They were originally aimed at curbing potential government abuses, the kind feared after the revelation that Germany's Federal Criminal Investigations Office was keeping computerized information on nine million people, or one-fifth the adult population.

But according to Business International (BI), an information service firm for multinationals, several countries have extended these laws to cover "legal persons" or corporations. A recent BI report warned that such laws could be turned into a protectionist shield, behind which Europeans would try to develop their own data processing industry. The BI report also expressed concern that Germany's Social Democratic Government might yield to union demands for codetermination rights over corporate data banks.

The Council of Europe and the Organization for Economic Cooperation and Development (OECD) have agreed on different sets of privacy guidelines. But national laws in Europe still vary widely, and Community officials have warned that without harmonization there could be "competitive distortions" among the Ten. Community efforts at harmonization of privacy laws, held in abeyance until after the Council of Europe drafted its

*Users seeking access to special technologies can look for them in Technotec, a world-wide technology exchange service. Courtesy of Control Data Corp.*



guidelines, will resume soon, officials said.

The activities of labor unions in telematics are also having their effect on competition, according to experts. The German Government, for instance, is sponsoring advanced research in industrial robots, but increasing union resistance during a time of rising unemployment has slowed their introduction into factories. German officials think their research and technology will prevail in the long run but concede that the Japanese could grab the international lead in industrial robots in a few years.

European unions have also been more adamant than most of their American counterparts in demanding health and safety regulations on computerized equipment. According to Tom Stewart, a London-based consultant, American firms such as IBM have initially resisted such interference and then gone along with such changes as separating the keyboard from the video display terminal. These machines have been the particular focus of union scrutiny because of unproven fears of radiation and because excessive or improper use can cause eye strain, headaches, and other ailments. "This emphasis on human factors is slowing us up in Europe," Stewart said, "but when we get there, we will be better."

One area where government promotion and regulation have given the Europeans an early edge in videotex—the link-up of computer information services to office and home television sets. Britain's Prestel service is the only national system in full public operation and has more than 9,000 subscribers. Test operations have been run or are planned in several other countries including France, Germany, the Netherlands, and Italy where the national post, telegraph, and telephone systems have been promoting single national standards while trying to merge them somehow into a common European standard. In the United States, in contrast, private companies are pushing competing services and standards in a still highly fragmented market.

Through such link-ups, businesses and homes will have instant push-button access to numerous data bases ranging from computerized telephone directories in France to airline schedules, financial information, newspapers and news wire services, and corporate and bibliographic data bases.

But even as such services help create the "wired society" of the future, important national distinctions remain, according to Andrew Stephens, head of Prestel's international division. He said tests so far have shown that customers in different countries have requested most frequently distinctly different kinds of information. In Japan, the most requests have been for horoscopes; in Britain for stock prices and schedules of airline flights out of the country; in Germany for government statistics; and in the Netherlands for information from the Institute for Sexual Therapy.

# EUROPE'S CHEMICAL INDUSTRY

## *Grappling with the Energy Crisis*

JASPER BECKER, *free-lance journalist based in Brussels*

THE SECRET OF WEALTH, THOUGHT THE MEDIEVAL ALCHEMISTS, was to find the secret of transmuting common elements into gold. Their inheritors, today's chemical industry, have found the secret of turning oil and gas into golden profits. That is until this spring. For the second time in the last five years, the chemical industry almost from one day to the next, has come up with lackluster or non-existent profits.

Hoechst of West Germany, the world's largest chemical concern, suffered a 42 percent drop in pre-tax profits for the third quarter of 1980 compared to the year before. Bayer, the second largest in the world, saw profits during the same period slump by 62 percent. Production in the whole German industry has been cut by an estimated 3-4 percent in the second half of 1980, and the companies foresee little improvement in 1981.

In France, the figures for the second half of 1980 are yet to be revealed, but in the first part of the year, production has sunk from 137 to 131 using an index where 1975 equals 100. The petrochemicals division in France, as in the rest of Europe, has been particularly badly hit. Production cut-backs range from 2.2 percent for benzene to 38.8 percent for polysterene. The impact has been most severe for synthetic fibers, in which Rhône-Poulenc, the largest chemical company in France, has invested 5 billion French francs over the past five years. It is now seriously considering abandoning man-made textiles altogether—at a time when the whole European textile industry is in grave difficulties.

The picture is the same in Italy, the United Kingdom, and elsewhere in Europe. ICI experienced its first-ever loss in the year's third quarter, and has been forced to axe 4,500 jobs in its petrochemicals and fibers operations. Montedison of Italy, the eighth largest chemical company in the world, has had a disastrous year, and is expecting losses to exceed even the 130 billion lira loss of 1979. The figures would certainly have been far worse if not for the good news from pharmaceuticals, agrochemicals (in parts), and inorganic chemicals.

The general recession has affected everyone, but the second oil price hike after the Iranian revolution and

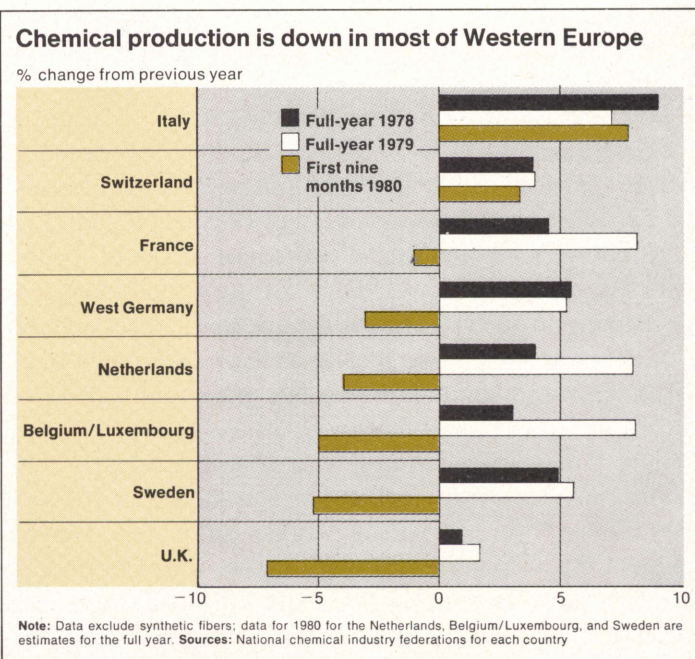


Chart courtesy of Chemical & Engineering News

fears accompanying the Iran-Iraq War have brought into sharp relief the dependence of the petrochemical industry on unreliable imports. The consequences of uncertainties and shortages, has been illustrated most vividly by the "chemicals war" with the United States. Further troubles are predicted from the Eastern Bloc countries, the newly industrializing countries, and the Organization of Oil Exporting Countries (OPEC), which are beginning to catch up with the Western industries. It is now realised in the European chemical industry that a more effective strategy must be found to fight competition, other than by launching anti-dumping suits, and applying political pressure as was used this year, to meet the threat of cut-price American imports. The crisis this year, has shaken the industry to a greater extent than in 1975. In the coming decade major changes will be needed for it to survive.

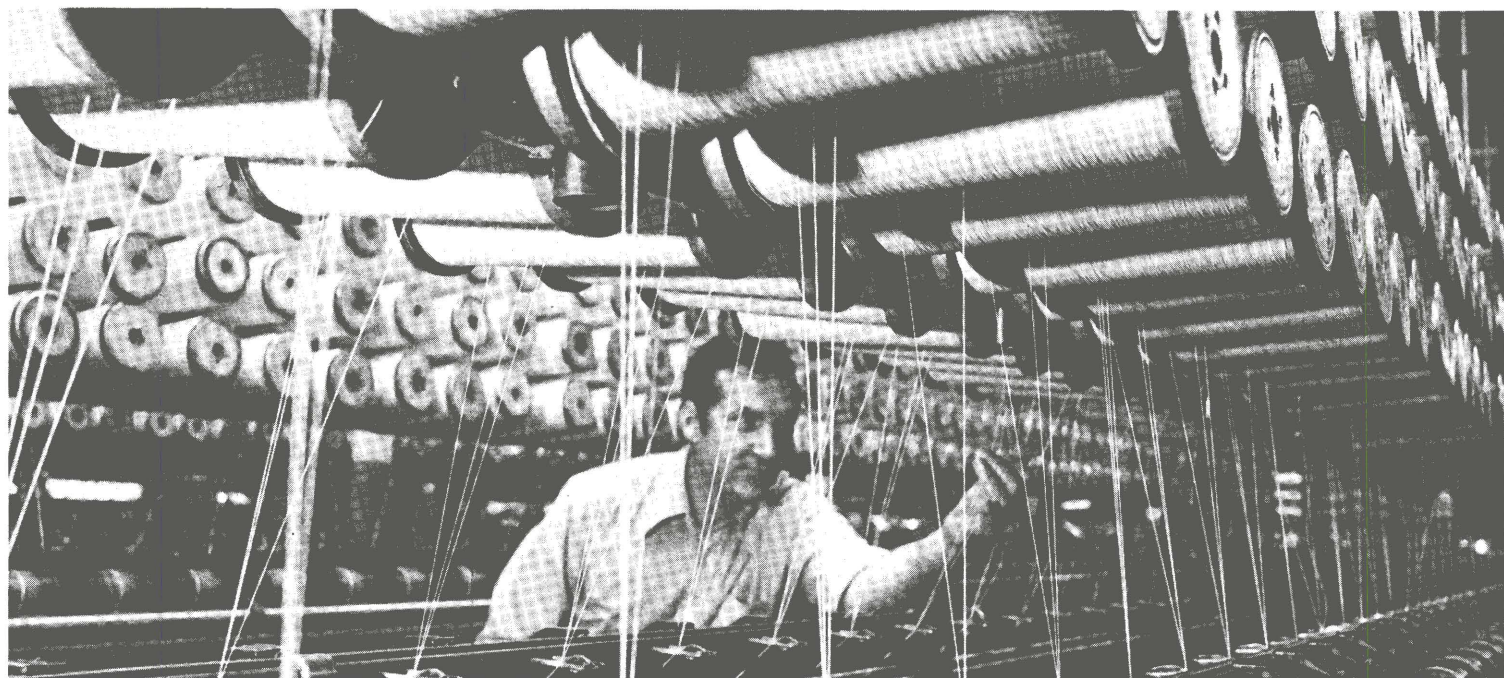
By far, the biggest consumer of chemicals—about one third of the total—is the United States, equaling that of the seven largest chemical consuming countries in West-

ern Europe: West Germany, the United Kingdom, France, Italy, Spain, the Netherlands, and Belgium. As far as trade is concerned, Germany is the largest single exporter and importer of chemicals in Europe. It is a bigger trader than even Japan which has an industry second only to the United States among the market economies.

Something of a love-hate relationship exists between the European chemical industry and its American cousin. The relationship is now going through a negative phase on three counts: the US dual energy pricing system, synthetic fibers, and the influx of allegedly dumped US imports. The 1973 oil crisis changed everything. Now that US companies had to import oil, they were persuaded,

the case in Washington. The Council of European Chemical Manufacturers (CEFIC) says steel problems have taken precedent and Davignon has been accused of sacrificing chemicals in an effort to help the admittedly far more depressed steel industry. Support, though, has come from the International Committee for Rayon and Synthetic Fibers (CIRFS) and the British Government.

In Italy and the United Kingdom, the synthetic fibers and carpet industries have been undermined so badly by the cut-price American imports that Britain, with the consent of the EC Commission, acted to impose temporary import restrictions on polyester nylon yarn during 1980. In Britain, this proved to be too late. ICI has been



*Competition in the chemical-consuming industries, such as synthetic fiber production, is tied to the price of oil and gas. These are aramid fibers used in tire production. Courtesy of Goodyear*

sometimes by oil producers, to invest abroad. Between 1975 and 1977, this amounted to \$2.6, \$2.73, and \$2.43 billion respectively. Of these sums, roughly half was invested in Western Europe each year, much of it to take advantage of the North Sea oil and gas reserves. The recession has not put a halt to this.

Linked though the two industries are, the Americans have not hesitated to take advantage of the pricing system for their domestic oil and gas supplies. Instead of allowing the prices for domestic oil and gas to jump at the same speed as the imports priced at world levels, President Carter—against his better judgment—allowed a dual energy pricing system to be set up. By this means, the gap between US and world prices is allowed to narrow under strict control.

To be sure, the EC Commission has itself not been backward in raising the question with the American authorities. Since 1979, EC Commission Vice Presidents Etienne Davignon and Wilhelm Haferkamp have argued

forced to close down polyester plants in Northern Ireland and Scotland, and ICI's fibers division has lost \$248 million since 1975. The losses for the whole of 1980 are expected to exceed \$150 million.

CIRFS has used the antidumping suits to counterattack, and has had mixed success. The EC Commission's investigations into polyester yarns and acrylic fibers, have resulted in duties being imposed, but the catch is that too many of the major exporters have been excluded. CEFIC plans to launch a spate of antidumping complaints. The Commission, said William Duncan, deputy chairman of ICI, has lacked the political will to take speedy and effective action against dumping. The political element in the decision-making rules, and the slowness of the response to such unfair trading practices, emphasizes the inadequacy of this strategy. A more protectionist line has been rejected by the chemical industry, fully aware that protectionism for an industry so committed to trade, is a two-sided weapon.



*Chemicals provide fertilizer and crop protection for the agricultural sector. Inside a fertilizer silo of the German company BASF. Courtesy of BASF Group*

The real roots of the enmity between the EC and US chemical industries lie deeper in over-optimistic predictions of demand and the resulting world overcapacity. This optimism has stretched not only to building new plants in North America and Western Europe, but to exporting technology elsewhere. To keep production at economical levels, the Americans turned to exporting abroad above the normal 10 percent of production level. Despite the fact that competition has eroded profit margins, many preferred to make a loss on sales. In a very real sense this is exporting recession, since this means redundancies in the EC and not America. Looked at another way, America is importing ever more expensive oil with an ever depreciating dollar, only to re-export oil-based products at prices 15 percent below those achieved by the Europeans using oil at world prices. The Americans are in any case, more efficient producers, and CEFIC argues that this illogical policy is only adding to the US recession. If business picks up in America this year, the problem may vanish, but in the long term, Eastern and Middle Eastern competitors will also start exploiting energy price advantages and CEFIC may be forced to think again about protectionism.

The more immediate danger comes from the Eastern Bloc. "Since 1973, many thought that the greatest danger was to come from the oil and gas producing countries, but this was being premature. The gravest threat is from the East," said J.C. Achilles, the president of the French chemical industry federation, earlier this year. Countries in the Council for Mutual Economic Assistance (COMECON) have both supplies of oil and gas and the necessary infrastructure. And, unfortunately, the West has been equally anxious to sell them refineries and technology. For example, ICI is on the point of selling to the Soviet Union two new methanol plants on the condition that it market the output in Europe. ICI Deputy Chairman John Harvey-Jones has said that by 1985, the East European chemical industry will have grown from half to the same size as the West European one. In some products, the East European market share could be 40 percent.

In the short term, the fight is now on to wring the

maximum advantages out of the North Sea bonanza. American and European companies are competing to have the pipelines laid where it suits them best.

The difficulty of making huge investments on the basis of shaky assumptions on the cost of raw materials and energy, is illustrated by the British industry's recent problems. Prime Minister Margaret Thatcher's fiscal policy has paradoxically made energy prices in an energy rich country more expensive. "Theory tells us that a high level of sterling exchange rate should have compensated for increases in the dollar cost of oil and related energy prices. . . . Paradoxically, however, our most recent surveys show that the oil products which we purchase are typically 25 percent more expensive than in other major EC countries, and gas prices for comparable supplies 30 percent greater. We calculate that we are now paying at least £200 million more for the energy we need than if we had located the same plants in Germany or France," said Eric Sharpe, the president of the UK Chemical Industry Association. Even in the EC, government intervention distorts energy prices, and currency fluctuations, as Sharpe says, can be equally ruinous for the chemical industry. The strong pound is only a good thing for buying raw materials cheaply, but it is disastrous when the finished products have to be exported.

The dangers created by the East European exports, will complicate matters further. State-trading companies uninhibited by Western notions of profits, can export at whatever prices they want and trade gas and oil at prices below those on the world market to take advantage of these currency fluctuations.

A general recession, a fall in demand, a sharp increase in the price of raw materials, and a depreciation of the dollar, came together in 1980 to form an economically toxic compound. No one in the industry is saying that the dose was fatal. The question is how soon will confidence be restored. CEFIC predictions point to an overcapacity in ethylene production lasting until 1985. The surplus capacity could be of the order of 3.7 million tons in Europe for ethylene and of a similar order for propylene and butane. If the recession ends, demand will pick up and the American offensive will vanish, so that the Europeans will be ready to face the East Europeans. If not, the industry will, like the car manufacturers, start calling for protectionism.

"The difference between guarding justified self-interest and protectionism is often very small," said Ludwig Bornhofen of the German chemical industry association, referring to the American imports, but the same is true of the dilemmas that the East European imports are going to raise. In the long term, the only true defense is for the West Europeans to keep a scientific lead and concentrate on keeping the market for specialized, research-intensive products.

## Toxic Substances Legislation

### EC's "Sixth Amendment" Goes Beyond US Laws

LEE HARRISON, *environment editor for Chemical Week*

The potential for harm to humans and the environment from toxic chemicals is a common subject for discussion on both sides of the Atlantic. The horrors resulting from misuse or mishandling of DDT, lead, mercury, and vinyl chloride, for instance, are well documented. And that scores of other chemicals are suspected cancer-causing agents is no secret. What is not understood, however, are the problems associated with controlling the manufacture, handling, transportation, and use of toxic chemicals in the United States and the European Community.

There are more than 50,000 different chemicals in general use throughout the world today, most of which have not been tested for their effects on people or the environment. And new chemicals are introduced at a rate of about 500 to 1,000 a year. Yet the problem of controlling toxic chemicals is not just a matter of providing laws to regulate their use. Decisions on which chemicals to regulate must be made. Surely, not all chemicals present threats to the ecosystem, and the cost of testing, plus the limited number of laboratories and scientists capable of doing this kind of work lead to the conclusion that some sort of chemical testing priority list be made.

When tests are conducted on a chemical in one country, that information must be acceptable to authorities in other countries to avoid unnecessary delay and costly duplication. Further, regulations of chemicals must be coordinated to prevent non-tariff barriers to trade.

Such barriers could present immense economic problems for the major trading partners of the West, and, as such, they loom large in any effort to control toxic chemicals. In 1979, for example, world exports of chemicals totaled \$122.5 billion. The EC countries accounted for over half of that total; the United States accounted for 14 percent. And these figures do not include exports of the myriad products that are made from these same chemicals and also are shipped across national borders.

Efforts to reconcile these issues and to come

to grips with chemical regulation began as early as 1969 in Switzerland, with its Law on Trade in Toxic Substances. But the first major breakthrough came with the passage in 1976 of the US Toxic Substances Control Act (TSCA). That law requires the manufacturer of a chemical to notify the Environmental Protection Agency (EPA) 90 days prior to commercial manufacture or importation of a new chemical. And the law gives the EPA the authority to limit, delay, or prohibit the manufacture of chemicals deemed to be dangerous. TSCA also requires that an inventory of existing chemicals be made and that testing proceed on those considered most likely to pose a danger to humans and the environment.

According to George S. Dominguez, director of government relations for CIBA-Geigy Corporation, the passage of TSCA jolted the EC. "Europeans were concerned about TSCA's effect on international trade and also about its political implications—that it could become the model for laws in the EC which

were no where near as pervasive," says Dominguez. And as such, he maintains that "TSCA was one of the driving forces" that led to the passage on September 18, 1979 of EC Council Directive 79/831/EEC, which amended for the sixth time an earlier directive on controlling chemicals.

Generally, the Sixth Amendment, as the directive is known, concentrates on new, rather than on existing chemicals. Yet the directive requires the manufacturer to provide a "base set" of data prior to the marketing of each new chemical that is far more detailed and specific than that required under TSCA. And as the volume of production of each new chemical is increased, the Sixth Amendment mandates a "step-sequence" of tests be performed to provide additional environmental, health and physical/chemical data.

The Sixth Amendment also is able to track new chemicals in commerce far more completely than its cousin TSCA. Because a new chemical—one marketed after September 18, 1981—remains new each time it is introduced by a different company, the EC is assured of continued monitoring of these chemicals.

The result, according to Dr. Louis Slesin, a member of the EPA's Administrator's Toxic Substances Committee, "was a sort of reverse whammy." While the Sixth Amendment was the EC's reaction to what was viewed as a harsh toxic substances law in the United States, Slesin says, "it's interesting that the Sixth Amendment turned out stronger." Now, he says, the United States is under pressure to strengthen its new-chemical testing requirements under TSCA, to make them substantially equivalent to those of the Sixth Amendment.

The pressure is the result of the move to-

*Contaminated materials piled up after the 1976 explosion in a chemical factory near Seveso, Italy.*

© Stern, Black Star





*The TCDD poisoning of Seveso left many ill, perhaps incurably, such as the children pictured here.* © Stern, Black Star

ward harmonization of toxic substances control laws in the 24-member Organization for Economic Cooperation and Development (OECD). And clearly, several factors are influencing the trend. Along with a general concern for more or less standard protection of health and the environment within the OECD, there is deep concern that substantially different toxic-substances laws among the member nations would tend to constrain the huge market in chemical commodities worldwide.

The first area in which harmonization is possible is in the notification procedure for new chemicals. At a meeting of government officials from OECD countries last May, the United States agreed to implement the minimum base-set testing rules of the EC. But under TSCA, the EPA believes it has no authority to require such pre-manufacturing testing.

Accordingly, in January EPA announced that it would use the EC's minimum base-set requirements as "guidelines" in evaluating Pre-

Manufacturing Notices (PMN) for new chemicals in the United States. "EPA claims that this will satisfy its obligations to the OECD," says Dr. Slesin, "but that's nonsense. They are just pretending it will." Slesin maintains that the 500 or so PMNs that have been filed with EPA under TSCA "are a joke," because "there is no test data." And he feels that EPA's "timidity" to date in pushing for increased data on new chemicals bodes ill for any new initiative, such as the implementation of the EC's minimum base set.

Dominguez of CIBA-Geigy, however, believes EPA's new guidelines will force chemical companies to take a harder look at what they put in their PMNs. But the real impact of the guidelines will not be felt until the Reagan Administration has its environmental policy people in place.

"If the minimum base-set data policy guidelines are taken literally," says Dominguez, "it will raise the level of testing required to bring a new chemical into the market sub-

stantially." Under Carter, he says, EPA would have followed the policy literally. Under Reagan, however, Dominguez feels industry will have some flexibility. "The United States has an inherent obligation to back the OECD policy. But some flexibility is needed," Dominguez says. "It's a policy level question as to degree."

Such flexibility, if that is the Reagan Administration's intent, would accomplish nothing more than the further dilution of TSCA, Slesin asserts. "The Office of Management and Budget wants to cut the PMN process. There is no data in PMNs anyway. And look, they haven't even been able to control the spread of PCBs," Slesin says. "In the way of accomplishment, I can't think of too much. And that was under Carter. It will be worse under Reagan."

If the toxic substances control situation is difficult to comprehend in the United States, little comfort can be taken within the EC. By September of this year each member country is to implement its own laws to reflect the Sixth Amendment directive. And further, the EC by the same date is to have completed an inventory of existing chemicals.

"It is a virtual certainty that there will be no EC inventory by September 1981," says CIBA-Geigy's Dominguez, resulting in slippage of the implementation date for the Sixth Amendment's notification procedures. "You have to recognize that this involves a very complex set of interactions, not a lack of will," he says. "Just like TSCA, the target dates were unrealistic." So, it is fair to say that full implementation of TSCA and the Sixth Amendment and efforts to harmonize both approaches to controlling toxic chemicals is some time off. As Dominguez says, "Things are in substantial disarray."

## BUSINESS EUROPE

# The Uncommon Market in Pharmaceuticals

## 1981 a Big Year for Harmonization

PETER A. O'DONNELL, *European Editor of Scrip World Pharmaceutical News*

The 10 EC member states constitute the world's largest single market for pharmaceuticals. Or rather, they will as soon as they become a single market. So far, progress toward unification has been limited, and it is the new proposals on pharmaceuticals—now before the Council of Ministers—which may lead, before the end of the year, to the major breakthrough awaited by governments, industry, and consumers: the free circulation of phar-

maceuticals within the Community.

For the moment, the greatest impediment to a single Community market in pharmaceuticals springs from the national controls on drug marketing. In the interests of protecting its population, each member state obliges anyone wishing to market medicine to first obtain an authorization for that product from the national health authorities.

These marketing authorization require-

ments differ from member state to member state, and are only of national validity. There is no EC authorization, and no effective Community mechanism for mutual recognition of national authorizations. So, at present, the Common Market for pharmaceuticals does not exist.

The pharmaceutical industry is anxious to see the benefits of the Common Market extended to its products. It maintains that the duplication involved in having to apply separately for a marketing authorization in each member state of the Community is costly and wasteful of resources, and that the attendant delay in making new medicines available



*The Community will be the largest market for pharmaceuticals—larger even than the United States—as soon as it is unified by the harmonization of national controls. A capsule machine is shown. Courtesy Pfizer Company.*

throughout the Community is a disservice to prescribing doctors and to their patients.

In fact there has been some progress in harmonizing the national requirements for marketing authorizations. Since 1965 successive Community directives have established a common form for the application dossier, and common norms and protocols for the rigorous battery of analytical, toxicological, pharmacological, and clinical tests demanded by national authorities in support of an application.

But the greatest innovation came at the end of last year, when the EC Commission presented proposals to the Council of Ministers for a directive which would institute the mutual recognition of national authorizations. If adopted by the Council, this measure will be a major step forward, for a medicine duly authorized in any member state will, on that basis, be allowed on the market for any other member state.

The Council must come to a decision on the proposals before December 1981, and the European Parliament and the Economic and Social Committee are currently preparing their opinions.

But assuring access to a single market is not the only task facing the Community. "The problems of medicine prices and reimbursement by the social security organizations are major barriers to free movement. The fixing

*There has been progress in establishing common norms for testing of new drugs. Here a laboratory of the Roussel-Uclaf company in France. © Ian Berry, Magnum*



of prices that are too low or the debarring of a medicine from reimbursement constitute just as effective a barrier as the refusal of a marketing authorization," maintains the Commission.

The view is echoed by the European Federation of Pharmaceutical Industry Associations, which insists that the "elimination of distortions of an economic nature is essential for the establishment of the conditions of free movement."

The bulk of drug costs in the EC countries is met out of state-run or state-influenced health insurance funds. And while no two systems are the same, the one point they all have in common is that they reflect national government concern to contain health care spending. The Treaty of Rome leaves intact the power of member states to take appropriate measures on pricing, but there can be violation of the treaty—as the EC Court of Justice has confirmed—when a price system does not permit either a producer or an EC importer to sell his product on the market of that member state at a remunerative price.

Intervention by the Commission has already led to some modifications in national pricing practices, and there is keen expectation of further moves in this direction. The Commission has stated recently that it "will continue its efforts to establish a transparent and orderly market in which price could play the regulation role proper to it."

Community action is not directed uniquely at recalcitrant national governments. Pharmaceutical companies have been fined—both by the Commission and by the Court of Justice for infractions of Community law relating to competition. There are also proposals for further Community legislation aimed at eliminating confusion in the European pharmaceutical market. In certain circumstances, according to the Commission, changes of product name or composition may impair competition, and the Council of Ministers has been asked to adopt a series of measures accordingly. Again, a decision must be made before the end of this year.

Since 1965 there has been steady progress in the Community on harmonization of what might be regarded as background questions on manufacturing standards and quality control, on labelling and leaflets, and on coloring agents, as well as on the application dossier for marketing authorizations.

Now the activity is focusing on the foreground questions, and the two main lines of Community action—in the words of the Commission—are to create a single market and to improve its operation so that clearly defined rules eliminate distortions. The proposals currently under discussion are central to achieving those goals. For pharmaceuticals in the Community, 1981 is a crucial year.

# SCRAMBLING FOR U.S. COAL

## *Empty Ships Wait Months to Load*

PAMELA GLASS, *Washington correspondent for Ottaway Newspapers*

THEY WAIT HUNGRY IN THE CHESAPEAKE BAY—SOMETIMES 150 strong—keeping a silent vigil until their turn comes to fill their empty bellies with a suddenly precious black mineral. They're part of an energy armada, a seemingly endless fleet of coal ships that arrive daily from all over the world. They wait as long as 80 days in Hampton Roads, Virginia, America's largest coal export harbor, to load up with US coal.

The United States has about 30 percent of the world's recoverable coal reserves—200 billion tons—with a potential export capacity of 350 million tons a year. And the world is hungry to tap this resource, especially coal suitable for fueling electricity-generating utilities. Worldwide demand for coal exploded after crude oil prices doubled in 1979. When escalating Middle East oil prices sent oil-dependent nations scrambling for other ways to meet their energy needs, everyone knew demand for coal would soar. But no one knew it would be this great.

It has caught America's transportation industry by surprise, resulting in stockpiled coal, angry foreign coal customers, an embarrassing trade situation for the United States, and a fleet of empty ships waiting at Norfolk, Mobile, New Orleans, Philadelphia, and Baltimore. The foreign customers, primarily from the European Community, are frustrated and angry. Many have offered the United States a stern warning: Improve port facilities and deepen harbors by 1983, or we'll take our business to Australia or South Africa, the United States' major coal market competitors. Many European clients are leery of entering into long-term contracts with American coal producers because of this shortage in port capacity, while other prospective buyers insist on assurances of new transportation and port facilities before signing contracts.

For the EC, which imports 75 percent of its crude oil from Organization of Petroleum Exporting Countries (OPEC) members, coal is synonymous with national security. This fear has caused several EC countries to look along America's East Coast for available land to build their own export facilities, a move shippers say would assure timely delivery of coal bought in the United States.

Each day a ship sits idle outside a US port, it costs a foreign shipper between \$15,000 and \$20,000 in waiting, or demurrage fees, which adds about \$12 to the per-ton price of American coal. Faced with a delay of up to 80 days, shippers can expect to pay about \$1 million more than originally planned for a shipment.

Observers say the coal boom will continue for many years to come. Some predict that by 1985, American producers will export at least 110 million tons, and considerably more in later years. This means the nation's port capacity will have to expand by at least 30 percent. Export of American steam coal, which was near zero in 1978, is expected to soar to 25 million tons in 1981. A recent federal study suggested that this will hit 200 million tons by the year 2000. But some foreign observers warn US producers not to overestimate future demand from European clients. They say many factors will influence Europe's coal needs, including the ability of other coal-producing countries such as South Africa, Australia, Colombia, Mozambique, China, and Poland to offer competitive prices, the success of a growing environmental movement in Europe to slow down conversion of utilities to coal, and the development of nuclear power in Europe.

Despite inadequacies of American ports, ground storage space, and the system of delivering coal from the mines to the export harbors, vast amounts of coal are moving through US ports. The Community is one of America's largest customers, accounting for almost half of US coal exports. In 1980, for example, the EC bought 32.3 million tons of American steam and steel-making coal, almost double what it imported in 1979. Total US coal exports rose from 65 million tons in 1979 to 90 million tons in 1980, according to the National Coal Association in Washington. The biggest jump in demand from Europe is for steam coal that fuels electric power plants. Twelve million of the 15 million tons of steam coal that was sent abroad in 1980 went to the Community.

Several factors have contributed to this surge in the world coal market and the congestion at the US ports:



- Worker strikes last May and August brought Australian mining, transportation, and port industries to a virtual halt, and diverted coal-hungry clients to the United States. Australia exports 42 million tons annually.
- Political unrest in Poland created uncertainty about that country's ability to supply coal, diverting Irish, Italian, and other foreign buyers to America. Poland exports 40 million tons annually.
- The demand for metallurgical coal, used in making steel, has increased 20 percent, as steel companies worldwide are using 100 percent coal in their furnaces instead of the previous coal/oil mixture of 80 percent and 20 percent.
- As supplies of Middle Eastern oil get tighter, foreign nations are making sweeping commitments to switch their electric utilities from oil to coal.
- Coal ships are getting larger and going greater distances to deliver their cargo, but American harbors aren't deep enough to accommodate them. Until the US Government approves harbor dredging, these ships won't be able to load to their full capacity.

- European nations, including France, Holland, Spain, Italy, and Great Britain are converting their electric utilities to coal at a faster rate than the United States. Many of these countries signed long-term contracts before the port congestion problem began.
- Coal companies in Europe can't keep pace with this new demand, and sharp increases in ocean transportation rates from Australia, another major world coal producer, have made American coal prices more competitive.

Large US coal producers already have announced sweeping plans to expand or improve present port facilities in order to soothe the fears of their foreign customers. Coal industry officials say these improvements, coupled with harbor dredging, could reduce the price of coal delivered to Europe by \$6 per ton. The current average cost of US coal is \$60 per ton.

Planned improvements include:

- In Baltimore, Island Creek Coal Co. is building a ground storage facility and terminal which will add 15 million tons capacity at that port.

*Loading coal at a pier at Newport News, Virginia. Courtesy of CSX.*





Hopper cars wait to be unloaded at ports jammed with ships waiting to be loaded. © Chuck Rogers, Black Star

- Also in Baltimore, Consolidation Coal is renovating a pier, boosting capacity by 10 million tons.
- In the Norfolk area, A.T. Massey Coal is building a 15-million-ton-a-year terminal.
- Projects in Savannah will add 12.5 million tons, and improvements in Mobile will double the loading capacity there.
- The port of New Orleans is planning major renovations.
- Conrail, the United States' government-subsidized freight railroad, is renovating a pier at Philadelphia.
- Ten ports in America's Great Lakes are gearing for

coal export. Port officials say there is already ample ground storage capacity and dock facilities to handle at least 80 million tons a year. Although transportation costs from Midwestern and Appalachian coal fields to the Great Lakes are higher than to the East Coast, officials say costs are actually competitive when the waiting costs for idle ships in the East Coast ports are figured in.

- The state of Virginia is proposing to build a state-owned and operated coal facility in Portsmouth to handle 20 million tons a year. But these ambitious plans won't become reality until the mid-1980s, so they offer little solace to skippers who are now waiting at anchor for their turn to load.

Capt. Jean Gayrard and his crew aboard the French-registered Cetra Norma waited more than three weeks off Hampton Roads to load. Gayrard said he's shocked at the long delay. "It's suspect that a big country like this hasn't anticipated the problem," the captain said. "It's astonishing in a country as big and progressive as America to see such a delay in modernization." Gayrard will take his shipment to Japan, where he says the cargo will be unloaded by highly sophisticated equipment. His ship then steams to Australia and South Africa where more coal is loaded. This shipment will be taken back to the steel mills in France.

Assessing blame for port congestion is not an easy task because so many factors—including mine operators, railroads, shipping agents, and the foreign customers—complicate the coal export puzzle. For example, the two major railroads that service Hampton Roads, the Chesapeake and Ohio and the Norfolk and Western, continue to bring coal from the Appalachian and Pennsylvania coal fields to the continent's edge. But the limited ability of the dock facilities has snarled the flow. The railroads say part of the problem is coordinating the arrival of coal shipments that a foreign customer has ordered from several different mines. Often when a ship comes into harbor, it must wait until the complete order of coal arrives from the mines. When a ship arrives in port, it can't be loaded immediately with the first 600 railcars waiting idle on the tracks. Under an arrangement of several coal brokers, the ship must be filled with coal from certain railcars, from certain mines, that are carrying a certain blend of coal.

Despite these delays, the EC recognizes that America is the world's major, and most reliable, source of coal. "We are reassured over the announcements for new coal-handling facilities; it all looks very impressive," says Daan Everts, first economics secretary at the Dutch embassy here, adding that the Netherlands also buys coal from Poland, South Africa, and Australia. "We have to look in all directions, but we realize that a great share (of imported coal) will be American."

#### TOTAL U.S. EXPORTS TO THE E.C. in millions of tons

Country	1980	1979
Belgium/Luxembourg	4.5	3.2
Denmark	1.6	0.16
France	7.5	3.7
West Germany	2.5	2.5
Ireland	0.4	0.3
Italy	7.1	5.0
Holland	4.5	1.9
Great Britain	4.1	1.3
Greece	0.06	0
<b>TOTAL</b>	<b>32.26</b>	<b>18.06</b>

Source: National Coal Association

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# FIGHTING OPEC WITH BIOMASS

## *The European Gasohol Counteroffensive*

KATRINA FARRELL, *editor of Biofuels Report*

THE RISING TIDE OF OIL IMPORTS FROM THE ORGANIZATION of Petroleum Exporting Countries (OPEC) to Europe and the United States has lead both sides of the Atlantic to seriously consider developing a comprehensive gasoline industry. Costly feasibility studies and cooperative agreements financed partly by governments and partly by private concerns have resulted in concrete alcohol fuels and biomass plants springing up in Europe and the United States.

Biomass—terrestrial and aquatic—has recently been rediscovered by energy-conscious nations as a significant energy source. Terrestrial biomass consists of herbaceous and woody plants as well as trees, grasses, and wastes. Aquatic biomass, or sea plants, is particularly attractive because of the large, off-coast areas available for cultivation. Biomass is used as a feedstock for fuel conversion into ethanol and methanol. Processes can involve anaerobic fermentation, which occurs naturally in the intestines of animals and in lake sediments, and fermentation by yeast or other organisms. These “squeeze out” an alcohol-based liquid which is then distilled to yield a high purity alcohol.

In 1979, following widespread interest in biomass-derived fuel, the European Community began to offer partial financing of biomass projects. While the total EC budget amounts to \$5 billion, only \$10.4 million was allocated to biomass, solar, and geothermal energy. The funds are scheduled to run out in 1984 and biomass interests are said to be lobbying for an increased budget in the next five-year budgetary plan.

According to Philippe Chartier, EC Commission biomass director, the EC's biomass program could supply up to 6 percent of European energy needs. Biomass has a potential equal to 250 million tons of oil (mtoe) in 1985—20 percent of the EC demand. The Commission's biomass budget helped finance 36 biofuel pilot plants in 1980 and more are expected this year. The Commission has the authority to spend up to \$780,000 per project, although its contribution cannot exceed 50 percent of the overall cost of a pilot plant project. A 20-percent bonus is included if the plant is completed on

schedule and produces fuel up to specification. Contributions cannot be revised or withdrawn.

The Commission encourages applications from member countries interested in concluding shared-cost development contracts. After the application is received, it is revised for a period of two months with the help of the Commission's Advisory Committee on Program Management for Solar Research and Development Projects involving wood and other cellulosic material are favored as well as new technologies for large-scale burning and gasification. Methanol is preferred over ethanol, which is viewed as too expensive. Production and use of algae is also a welcomed technology.

Production of methanol involves two steps: production of a gas suitable for synthesis into methanol and the synthesis process itself. The plants funded by the EC feature several technologies such as various types of fixed beds and fluidized beds. Capacity of the projects varies between 20 and 200 metric tons a day. Because most projects are large, the Commission is encouraging joint applications between countries. Of all member countries, France is by far the most aggressive in pursuing an independent gasohol program.

Not surprisingly, France, which now imports 100 million tons a year of oil, late last January launched a Government-backed alternative fuels program. The goal is to substitute biomass and synthetically-derived methanol for 25 percent (some optimists say 50 percent) of gasoline usage and reduce oil imports to 70 million tons a year by 1990.

A tentative budget of about \$25 million is slated for research and development of the French gasohol—known as *carburol*. According to Baudoin Prot, chargé d'affaires at the Ministry of Industry, the agency in charge of the plan, gasoline pumps across France should contain 5 to 10 percent alcohol by 1985. Premium gasoline will be mixed to hold a maximum of 10 percent methanol. Technically, an engine fueled with a gasoline blend containing no more than 20 percent alcohol does not require any modifications. Methanol will be used in the French gasohol blends rather than ethanol, which requires more

research before it can compete with methanol on a cost-effective basis, Prot said.

Methanol feedstocks consist of coal, natural gas, and wood. France is likely to import coal from the United States and Australia for this purpose. Indeed, during his visit to Washington DC last February, French Foreign Minister Jean François-Poncet told Sen. Charles H. Percy (R-Ill.) that he is "fascinated" with proposals to establish French-owned and operated methanol plants next to US coal mines. According to this plan, France would manufacture its methanol on US soil and ship it back to France. In any case, whatever the origin of the feedstocks, the move to blend gasoline with methanol constitutes



A mixture of 10 percent alcohol and 90 percent unleaded gasoline is being pumped in over 30 states in America. © Owen/Doe, Black Star

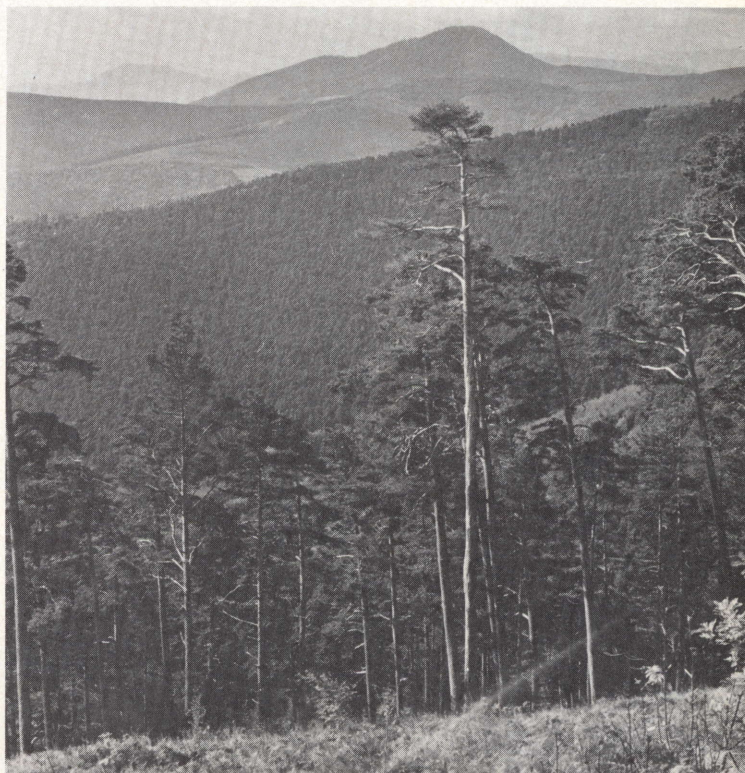
a first stage in France's aggressive *carburol* program.

The second stage, beginning in 1985-86, involves a 15 to 20 percent alcohol blend with premium gasoline. Already, officials at the Ministry of Industry are talking with automobile manufacturers and oil companies to prepare for the switch to the 20 percent-plus alcohol blend. In the next 12 months, the Government will sponsor automobile tests with Renault and Peugeot, France's leading automobile manufacturers.

Distribution, marketing, and technologies must be worked out beforehand to ensure a smooth transition from premium gas to *carburol*, Prot said. Indeed, he added, it is "imperative" that the efforts of the automobile industry, the oil companies, and the agricultural sector, which will furnish the basic feedstocks for the alcohol production, be coordinated and centralized.

France's several million acres of unutilized forests will yield the wood from which 150,000 tons a year of methanol will be manufactured. Five to six plants are now on the drawing board at the ministry. Each plant is expected to produce from 800,000 to 1 million tons a year of methanol.

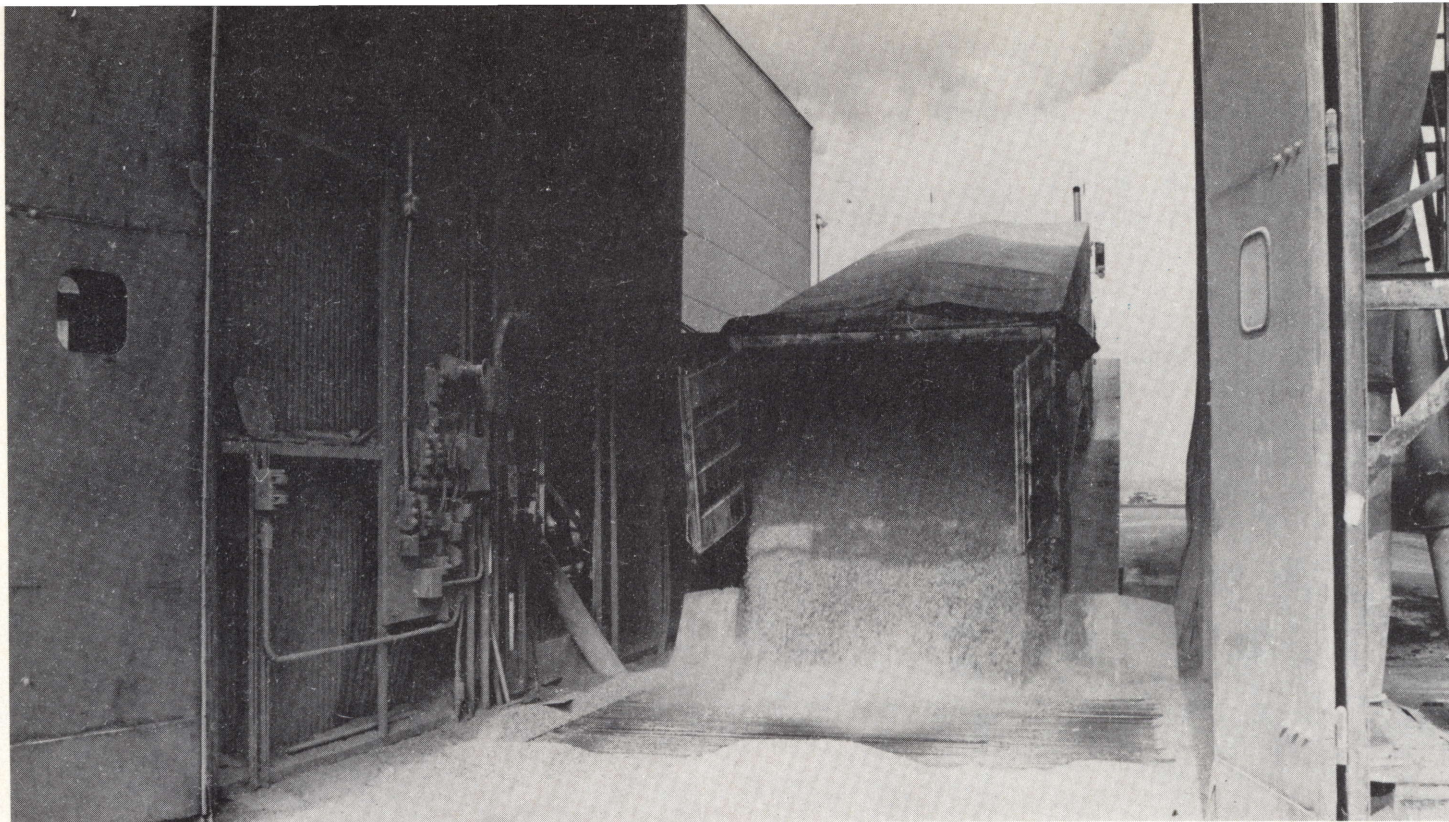
In the first stage of its expansion, *carburol* will cost "about the same as premium gasoline," although within 18 months of the program's startup, the price differential should increase along with the price of oil, Prot predicted. In September 1980, premium gasoline cost about 1500 francs a ton (\$300/ton) at the refinery. The price, now around 1900 francs (\$380/ton), is expected to climb to



France's several million acres of unutilized forests will provide the wood for methanol to be used in the French gasohol blends. © Wolff & Tritschler, Black Star

2000 francs (\$400/ton) by this summer. Contrary to the United States, France will not artificially cut the price of gasohol with tax exemptions to encourage its use over gasoline, since the Government will be in effect forcing the consumer to buy gasoline mixed with more and more alcohol.

Although total biomass-derived fuel consumption—including geothermal—is not expected to exceed 2 percent of the total 1985 fuel consumption, energy experts who have followed France's massive buildup of nuclear power in the last few years believe that the same result can be expected in the biomass industry. Indeed, French production of nuclear energy will go from an oil equivalent of 8 million tons in 1979 to a projected 45 million tons in 1985. Nuclear energy is slated to ensure up to one-fourth of France's total energy demands as well as



Grain is delivered to an Illinois plant that produces alcohol for gasohol. © Owen/Doe, Black Star

## EC BIOMASS POTENTIAL

(Land area needed to provide 10 percent of 1977 energy needs of EC member states—excluding Greece—assuming 12 metric tons of dry organic matter grown per hectare.)

Country	% of total land area
Netherlands	38.9
Belgium & Luxembourg	32.0
Germany	22.7
United Kingdom	19.0
Italy	10.0
Denmark	8.8
France	6.9
Ireland	2.3

Source: Neenan et al 1977

furnish up to half its electricity. In the 1990s, France will become the second Western nuclear power behind the United States.

Although the US Agriculture and Energy Departments have jurisdiction over alcohol fuels and biomass projects, the Government has taken no steps toward encouraging the development of the budding industry at the federal level. President Ronald Reagan as well as Office of Management and Budget director David Stockman have both said they favor alternative fuels. But in their proposed budget now being reviewed in Congress, alcohol-fuels and biomass funding was the target of drastic cuts. The Administration wants to rescind \$745 million in 1980 appropriations for alcohol fuel projects and elim-

inate projects previously selected for cooperative agreements, feasibility study grants, and loan guarantee awards.

Stockman argues that tax subsidies continued in the proposed budget amount to \$4.3 billion in indirect aid to the alcohol fuels and biomass industry. "Isn't that enough?" he asked skeptical legislators at a Senate hearing on the budget. Tax subsidies consist of various state tax exemptions for the production of alcohol fuels. In addition, proponents of the tax cuts argue that Reagan's recent decision to decontrol domestic crude oil make biomass and alcohol fuel investments more attractive.

Opponents claim that now is the time to give a final boost to the fledgling industry. They cite the case of Brazil whose consumers were encouraged to make the switch from expensive gasoline (at \$3 a gallon) to pure or 100 percent alcohol (at \$1.01 a gallon) with such incentives as lower taxes and longer term financing for alcohol fuel users as well as alcohol pumps that stayed open on the weekend.

The current gasoline surplus has dried up the demand for gasohol and led many producers to cut back on further production plans. Overall US alcohol capacity, now about 100 million gallons a year, will probably reach no more than 350 million gallons in 1982, a far cry from the 700 million-gallon capacity projections made by the Carter Administration. The US alcohol market is dominated by its largest producer, Archer-Daniels-Midland, which accounts for 80 percent of current US alcohol consumption. Nationwide alcohol production is therefore unlikely to increase much—at least not until the next OPEC crisis.

# GERMANY'S UNCERTAIN SPRING

DAVID SHEARS, *Bonn correspondent for the London Daily Telegraph.*

THIS IS THE BLEAKEST SPRING GERMAN CHANCELLOR Helmut Schmidt has known since he came to office seven years ago. His sense of duty keeps him going, but he seems to be withdrawing more and more into himself as he looks at a world full of frustrations and uncertainties. At 62 the German leader knows that the halcyon days at the head of a stable and prosperous nation are behind him and that there may be little he can do to bring them back.

Seen from abroad, Germany's high living standards and low inflation rate probably look as enviable as ever, but on closer inspection, this plush image is beginning to look like a hollow shell. Any country that can swing from a 17.5 billion Deutsche mark (DM) surplus on its balance of payments current account in 1978 to a DM28 billion deficit last year—by far the biggest in the Western world—has to be remarkably vulnerable to world trade conditions, and there is not much that Schmidt can do about the price of oil or the terms of trade, chief factors

in this plunge.

At home, the Chancellor's Social Democratic Party is in disarray notably on two nuclear issues: the North Atlantic Treaty Organization's (NATO) plan to deploy Cruise and Pershing "Euromissiles" in Europe and the nation's atomic power program. Schmidt's home town of Hamburg, a Social Democratic stronghold, is in open revolt against the Chancellor's nuclear power plant policy. West Berlin, another traditional Social Democratic fiefdom, is full of internal party strife and scandal. The city-state's ruling coalition of Social Democrats and Free Democrats was campaigning desperately as this article went to press, fearful of losing the May 10 West Berlin election to the opposition Christian Democrats. Such an upset would inevitably hurt Schmidt's similar coalition in Bonn.

On the national level, the trio at the head of the Social Democratic Party is no longer playing in harmony. Schmidt, Willy Brandt as party leader, and Herbert Wehner

*Helmut Kohl (center left) on the platform with Franz Josef Strauss (center right) during last year's election. © Stern, Black Star*



is good at handling trade union and factory meetings but he treats many of his party followers with cold disdain—especially leftist intellectuals. Brandt prefers to concentrate on world affairs—North-South issues and his meetings in the socialist international—than to repair local party splits. Wehner, long the scourge of party deputies in the Bundestag, no longer wields his whip to the same effect. The ailing 74-year-old parliamentarian still has his sensitive political antennae but he has trouble keeping dissidents in line.

Foreign Minister Hans-Dietrich Genscher's Free Democratic Party, junior partner in the ruling coalition, is riding high in the wake of its success in last October's general election. But the fact that it picked up 14 extra Bundestag seats while the Social Democrats gained only four does not make the small liberal party a more comfortable bedfellow. The Free Democrats, too, have their traditional splits between left and right, between those who prefer an alliance with the socialists to renewing their old pre-1966 coalition with the Christian Democrats.

Helmut Kohl's Christian Democratic Union is still, with its Bavarian Christian Social Union sister-party, the largest single political grouping in the land. Its chances of a return to power, alone or in partnership with the Free Democrats, look better today than at any time since it was banished into opposition in 1969 after two decades in office. Not only is the coalition's disarray playing into Kohl's hands, the chastising administered by the voters last October to Franz Josef Strauss as the opposition standard-bearer effectively eclipsed the doughty Bavarian premier as a contender for federal office.

It was almost a German replay of the Barry Goldwater debacle in America's Presidential election of 1964. Strauss as a right-winger went down to defeat and the party moderates like Kohl who had always felt that the only road to victory was to woo the floating voter were vindicated. Compared with Strauss, Kohl looks good to his party again and if there were a general election tomorrow he would be the opposition candidate for Chancellor.

The next Bundestag election is not, however, due until late 1984, and Kohl told his party congress in Mannheim a few weeks ago that he expected the Christian Democrats to stay in opposition until then. This cautious line was clearly designed to dampen any false hopes in his ranks of an early return to power. The burly Rhineland-Palatinate political leader could hardly blurt out in public what he has hoped all along—that the Free Democrats will sooner or later revert to their partnership with the Christian Democrats and oust Schmidt's socialists from power.

But if the disarray among the Social Democrats persists—and it is being fed at present by squatter and anti-nuclear demonstrations on the streets—then Genscher's



*German Foreign Minister Hans-Dietrich Genscher with US Secretary of State Alexander Haig in Washington in March.* © Dennis Brack, Black Star

liberals may switch sides. Should Schmidt step down, either for reasons of ill-health or of exasperation with rebels in his party, Bonn politics would become a new ball game. There is no obvious successor to Schmidt in sight, certainly nobody in the party leadership even approaching his calibre. Both the "crown princes" rumored in the past as his possible heirs are now out of the running: Defense Minister Hans Apel because of mismanagement of military spending and former Justice Minister Hans-Jochen Vogel who was sent to Berlin as a troubleshooter to cope with the city's political crisis. Schmidt's health is good for a man of his age but he had an irregular heartbeat problem last year and since he gave up smoking on doctor's orders he has been putting on weight.

It is hard to conceive of the present Bonn coalition surviving Schmidt's departure from the political scene, for it rests heavily upon the personal relationship between him and Genscher, and the kind of issues that would prompt Schmidt to resign are precisely the nuclear questions dividing his party. Both nuclear missiles and nuclear power are, in his view, critical to the nation's future. As the prime mover behind the December 1979 NATO decision on Euromissiles, Schmidt would step down rather than see Bonn renege on its missile-stationing pledge. He has also staked much of his personal prestige on continuing limited development of nuclear power, under strict safeguards, as a vital supplement to other energy sources.

So what are the chances that the Chancellor might lose control of his party on either of these key issues? Is it conceivable that the anti-nuclear rebellion now brewing within his coalition ranks could destroy his 45-seat majority in the Bundestag? At this point nobody



knows the answer to these questions on which the fate of his Government depends.

But nothing would be more likely to embarrass Schmidt and Genscher than a return to cold-war policies in Washington. For instance, if a substantial number of Social Democratic deputies in the Bonn parliament came to believe—as some already do—that the Reagan Administration is not interested in negotiating with Russia on arms control and disarmament, the Euromissile decision would be in jeopardy. Pentagon talk of deploying neutron weapons in Europe is the last thing Schmidt needs at a time when the term “neutron bomb” arouses deep emotions among his left-wingers. It was, after all, Egon Bahr, former secretary-general of the party, who called the neutron weapon “a perversion of thinking” and he has not changed his view since.

Undue American pressure on Bonn to step up its defense contribution could also prove counter-productive. With a stagnant economy and flagging tax revenues it is no wonder that Bonn’s military budget is overstretched. Spending on the Tornado combat aircraft, the swing-wing multi-role plane now in joint production by Germany, Britain, and Italy, has vastly exceeded Bonn’s predictions. The cost of imported oil and the expense of training air force pilots in America soared with the Organization of Petroleum Exporting Countries price hikes and the DM-dollar exchange rate. The Germans know that they will have to shoulder still heavier defense commitments than they have at present, notably in the so called host-nation support program of logistic backing for American strategic reinforcements. They know, too, that they will have to contribute directly or indirectly to the proposed rapid deployment force in the Persian Gulf. But unless there is some miraculous upturn in their economy the only way they can finance these military costs will be by means of painful budget cuts elsewhere, such as in their social services. Maybe they could slash their social services or shorten their five-week annual holidays, but austerity measures are hard to enforce in a democracy in peacetime.



The SPD leadership “is no longer playing in harmony”—party leader Willy Brandt (left) with Chancellor Helmut Schmidt. © Henning Christoph, Black Star

It would be a mistake for “hawks” in Washington to conclude from all this that Germans as a whole are weak brethren in NATO, unwilling to pull their weight and inclined to neutralism. Granted, the Germans are much less hawkish than those Reaganites who seem to view the world in simplistic cold-war terms. But then, the Germans inevitably have a different perspective. There is no need to go into all the historical and geographical factors involved: One might mention only the post war Berlin crises, the 17 million Germans beyond the lethally booby-trapped East-West German border, and the traditional German yearning to come to terms with neighbors on both sides in Europe.

On all this there is wide agreement between all three political parties in Bonn. Despite their criticism of Brandt’s *Ostpolitik* of coming to terms with Eastern Europe, the opposition Christian Democrats are no less anxious than the present Chancellor to maintain trade and diplomatic ties with the Soviet Union.

Looking into the Eastern sector over the Berlin wall. Germans have a “traditional yearning” to come to terms with their neighbors. © D.L. Golobitsh, Bonn



# GERMAN ECONOMY

## Current Account Deficit Shows Weaknesses

RAINER HELLMAN, *Brussels bureau chief of the German economic news agency VWD*

A POOR COUNTRY BECOMING POORER IS NO STORY AND hardly anybody cares in international economic life, except the creditors who care for their money. But a rich country appearing suddenly in a poor man's suit and showing an enormous open current account makes a splashy international story. At first a little bit of *schadenfreude* is inevitable in such a case, especially if the rich country has not abstained in its best days from giving its less fortunate partners well meant advice on how to have fewer debts and how to prevent inflation through austerity and by abstaining from printing and spending too much money.

The word *schadenfreude* is of German origin; the French and British have integrated it into their language as they have no expression of their own for it. Roughly translated, it means a grim enjoyment of someone else's misfortune. Today it is being applied to Germany. But Germany's partners are much too concerned to relish this for long. Their concerns about the shift in Germany's position are grave.

Only three years ago the Germans made great, but vain, efforts to explain to their Western partners, especially the United States, that their economy was not strong enough to pull the Western world out of the 1977-78 recession. At the Bonn summit of the seven Western nations in mid 1978, Germany reluctantly agreed to deficit spending of 1 percent of its gross national product (GNP) designed to achieve a significant strengthening of demand and a higher rate of growth. This was in order to help its partners overcome the worldwide economic slump with a growth strategy. Some orthodox German experts today see in this 1 percent of Keynesian deficit spending the apple which the German Eve bit while she still felt herself safe in the Garden of Eden—only to be expelled two years later from a 30-year postwar paradise of strictly applied market economics without intervention and with steady GNP growth.

Not so the majority of German experts. They say the main cause turning the tide was the new oil price wave of 1980. This new wave joined with many smaller, underlying, and not yet visible waves to form a formidable

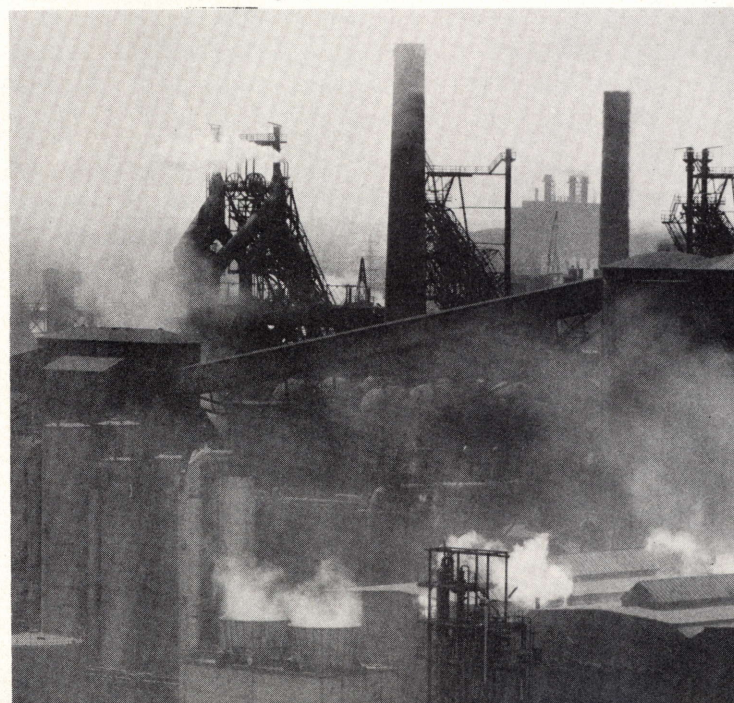
tide, which changed the almost permanent German current account surplus into a \$15-billion deficit in 1980 with no real chance of a significant decrease in 1981.

Why did no one notice these underlying weaknesses of the German economy during a period in which Germany admonished others to behave as virtuously as it did? Well, what patient dares to ask his doctor, when the latter tells him to drink and smoke less, how many glasses of whiskey the doctor drinks and how many cigarettes he smokes himself. And just as doctors are not necessarily teetotalers, so Germany's management of its economy was no longer beyond suspicion.

For two or three years already the federal and local authorities had been spending more money than they collected from taxpayers. In 1980 the new public indebtedness on the federal, state, and municipal levels increased by some \$30 billion. Though Germany has no sliding scale of indexed wages, the annual wage negotiation in recent years resulted in wage increases largely surpassing the gain in productivity. Germans (and inside

*Large energy-consuming industries, such as steel, are vulnerable in energy-dependent Germany. Pictured is a Thyssen factory at Duisbourg.*

Photos © Ghislaine Morel, Liaison Agency



Germany, the Bavarians) competed with Italians for first place in the European holiday calendar, which is double or triple that of the American and Japanese ones.

Meanwhile, the move toward nuclear power slowed to a crawling pace. Politicians were conscious that in its dependence on energy Germany was in a situation comparable only to Japan, Italy, or Denmark, while the United States, Canada, and Great Britain have their own oil sources, the Netherlands its gas. France and also Belgium increased their nuclear capacity, but German politicians were not prepared to risk their popularity against the growing antinuclear movement.

Why had the Germans become so sure of continuing prosperity? Well, it had been so easy to overcome the first oil price wave of 1974 with high currency reserves and with a Deutsche mark (DM) revaluating every month against the dollar. This revaluation by one third against the dollar from 1974 to 1979 absorbed a large part of the real impact of the oil price increase for the German economy. The oil crisis appeared to be a real problem only for countries whose currencies were as weak or weaker than the dollar.

In recent years the Deutsche mark itself became a petrocurrency though the German authorities tried to dissuade foreign central banks from holding the Deutsche mark and using it as a reserve currency besides the dollar. More and more petrodollars were exchanged into petromarks until the mark finally reached a 14 percent share as a reserve currency of foreign central banks.

But for the Deutsche mark, just as for the dollar and for sterling, the glory of reserve-currency status was expensive and hid the dangers of a sudden turning of the tide. Those who hold a new reserve currency because

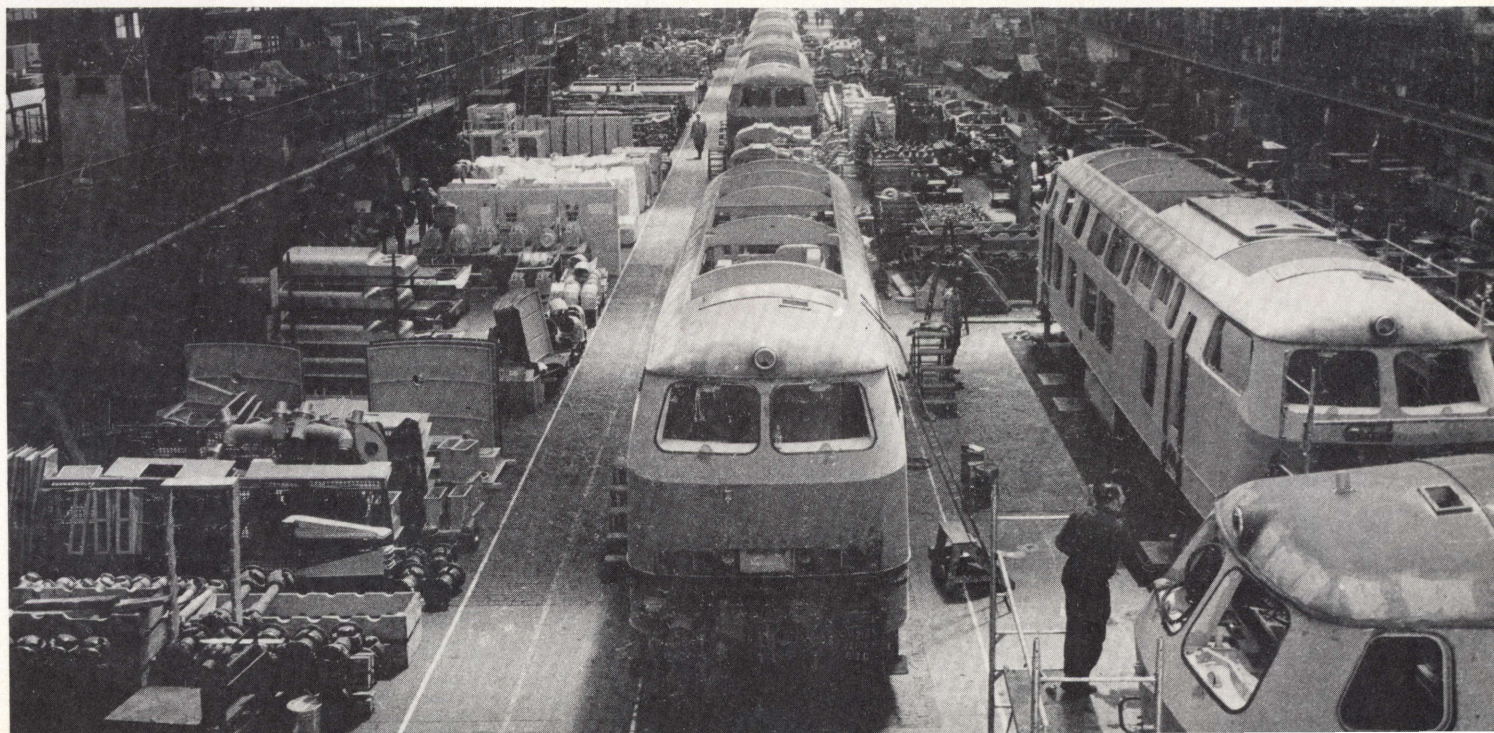
it promises currency gains are all the more ready to get rid of it and return to their standard reserve, the dollar, when new currency appears doubtful. Currencies have no built-in memory. They react abruptly and sharply to the prevailing trend and they project this trend into the future, thus overshooting in both directions. The dollar did so in 1977-78 and the Deutsche mark had the same experience in early 1981. The dollar increased from DM 1.70 at its lowest to DM 2.25 at its highest—driving up German import costs tremendously and proving that dependency on oil is much more expensive than the Germans thought.

Only inside the Community was the mark supported by the European Monetary System (EMS), where it was maintained inside the tolerated 2.25 percent margin of fluctuation against EMS currencies thanks to the support of the French franc and the Dutch guilder. Supporting the mark was a surprising new role for the franc. France had a double digit inflation rate of 13.6 percent in 1980 while Germany managed to keep its own as low as 5.5 percent. But investing money in France yields higher interest rates than in Germany.

Now, what can be done in such a situation? Hardly any government has had to react to such a quick and thorough change in its current account as Germany has. Fortunately the Government did not try to cure the evil by the traditional means of restricting internal consumption, imports, and foreign spending by German tourists. A German policy to fill all the holes from which money and capital flowed would have been a disaster for Germany's EC partners and for the world.

Finance Minister Hans Matthofer clearly stated that no restrictions on tourist spending abroad would be ap-

*Will Germany be able to "pull" out of its surplus-changed-to-deficit position? Locomotives are being manufactured at this Krupp factory at Essen.*





## Germans Visibly Very Prosperous

### Though Angst Is Never Far Away

NORMAN CROSSLAND, *Bonn correspondent for The Economist*

As I was loading my car outside a friend's house in an English town a few weeks ago, a neighbour said to me: "Off back to Germany, eh? Lucky fellow—I wish I could come too." British inflation was 14 percent, some 2.5 million people were out of work, the newspapers were full of gloom, and it was raining. In British eyes, West Germany still seemed pretty orderly and well off—a desirable destination.

For all its problems, Germany still presents a picture of stability and prosperity. It has coped better than most of its partners with the consequences of a world recession. Its industry is on the whole well-managed and innovative, its trade unions have an ingrained sense of responsibility, and its work force is well disciplined. True, the country is burdened by a thumping balance-of-payments deficit (a novel experience), the state's debts are rising fast, and unemployment exceeded the million mark long ago. But these warts don't show. Perhaps some people are experiencing material hardship, but they could fool me.

The Germans are among the most highly paid people on earth, they are cushioned against adversity by a generous and comprehensive social welfare system, they have longer holidays than most other people and an ever-shorter working week. On my way back from lunch on a Friday afternoon I meet the rush-hour traffic making for home. Try and telephone a government department after three o'clock on a Friday afternoon and the only public servant you can be sure of reaching is the hall porter.

Years ago the Germans overtook the Americans as the most assiduous globe trotters. The world is truly the Germans' oyster. They're to be seen, and heard, in the bazaars of the Orient, on the islands of the Caribbean, and in the jungles of Africa. Last year German tourists spent DM 37 billion abroad. This was a record, but it would not be surprising if it were broken—even in this year of recession. Some politicians have had the temerity to suggest that modest currency regulations be in-

roduced to reduce the deficit in the tourism account, but the roar of outrage was deafening. The idea was just as unacceptable as the suggestion that speed limits should be imposed on the autobahns to save petrol, and lives.

Yet the well-heeled Germans are not the sort of people who are constantly counting their blessing. They are, by nature, worriers. Even at the height of the *Wirtschaftswunder*, the late lamented economic miracle, they managed to find time to worry.

What poses a bigger and more realistic problem for Germany is that so many young people have a negative attitude toward the state and its institutions. Last year the *Bundeswehr*, the federal armed forces, celebrated its 25th birthday. To mark the anniversary, ceremonies were held at which recruits took a public oath of allegiance to their country.

Everywhere, strong forces of police had to protect the ceremonies from angry crowds of young demonstrators.

The antipathy toward things military, even toward an army which is proud to call its soldiers citizens in uniform, recalls the *ohne mich* (count me out) attitude of the early 1950s during the heated discussions on German rearmament. The Hitler period all but destroyed patriotism. Enough was enough. And the country's partition has robbed many young people living in this *Teilstaat* (a dismembered state) of a sense of nationhood.

Demonstrations by disaffected youth have become as much a feature of the German weekend as a stroll in the park. The latest wave of unrest is caused by squatters who occupy empty old houses near city centers. Police action to get them out often provokes demonstrations erupting in violence. Most of the youngsters are peaceable enough, and they have a case—Germany suffers from an appalling shortage of urban housing and much of the empty property is earmarked for demolition to make way for office blocks. But squatting provides the excuse to let off steam about the bourgeois society in general, the materialism, the pressures, the sacred cow of economic growth. Many young people are opting for what they call the alternative life—in a commune perhaps, where the purpose of living is the pursuit of happiness. The *Alternativler*, another new word, are sometimes dubbed "positive drop outs."

The alienation of youth is potentially dangerous since it could in the long term adversely

"For all its problems, Germany still presents a picture of stability and prosperity." Courtesy of German National Tourist Office



affect Germany's well being and security. It is also a pity, because the Federal Republic of Germany, warts and all, is the most democratic and egalitarian society Germany has known. Its system of capitalism has a human face. The federal structure of the country effectively prevents an unhealthy concentration of power at the center. It is a state based on the rule of law, and if authority exceeds its powers, as it occasionally does, there are plenty of watchful people, to say nothing of the observant media, to spot irregularities and to see that justice is done.

Was my friend's neighbour justified in envying my life in the *Bundesrepublik Deutschland*? Well, yes in many ways. But, let's be honest, it is not the most exciting place to live in. New trends, fashions, and fads rarely start here—they are imported, and sometimes rather late in the day. The first skateboard was not German, and nor was the miniskirt. And I couldn't think of a German pop song that was worth whistling if I tried. The Germans build excellent power stations, sturdy automobiles, and reliable washing machines, but they don't originate much that gives life that necessary extra flavor. Culture flourishes, but it is still the culture of the classic genre. For something really new and worthwhile, it looks as if we must depend on imports. It's odd, really: Germany has a wealth of experience that ought to inspire the muses.

They have given the word *Angst* to the international vocabulary, like *Kindergarten* and *Schadenfreude*. They have *Angst* now about

the international situation—"the Russians are coming" is a fairly common forecast of the trend of world events—and they fear that their prosperity is slowly but surely coming to an end. A recent survey showed that a large proportion of German consumers no longer have much faith in the label "made in Germany" as a guarantee of high quality products, and many people believe that Japan is better geared than their own country to meet the challenges of the technological age.

But to their great credit, the Germans have demonstrated a remarkable degree of political maturity. Years ago the Social Democrats' leader in the federal parliament, Herbert Wehner, said that the stability of German democracy depended primarily on the country's economic health. In other words, he considered that a deep recession could send the Germans off political balance. At that time some 600,000 people were out of work, and the extreme right-wing National Democratic Party was rapidly gaining ground. However, since the oil crisis of 1973, Germany has weathered much more serious economic setbacks and the vast majority of its voters have remained on a firmly centrist course. Political extremists of right or left get nowhere in elections.

This is not to say that Germans are unswerving democrats to the last man and woman. A research institute found recently that 13 percent of the electorate—5.5 million people—have extreme right-wing political views. Their perception of history is in line

with National Socialist teaching: They hate foreign minorities, democracy, pluralism, and they have an exaggerated respect for *Volk* (the race or nation), fatherland, and family. And nearly half this section of the population approves of politically motivated force so long as it is directed at right-wing goals.

But the research, commissioned by the federal Government which is worried about the growth of right-wing groups and an increase in neo-Nazi militancy, shows that the Germans under the age of 40 are to a large extent immune to neo-Nazism. Most of those people with a National Socialist outlook are over the age of 50. They experienced the Hitler period, many of them fought in the war, but they evidently didn't learn the lesson.

The findings are not really surprising. Many an aging *Stammtisch* (drinking buddy) is likely to become, quite openly, just a little nostalgic for the Nazi past. "He (and one knows who "he" was) gave us work and bread," is the sort of grateful comment one might hear. And one old man, dismayed by the frequent demonstrations, vandalism, and disrespectful youth, said to me the other day: "You know who this country's missing? . . . Not in all things, of course, but certainly as far as law and order are concerned." Four percent of German voters think Germany was better off under Hitler than it is now, and 14 percent consider that the bad old days were better in some respects. But they don't vote extremist because they realize that the lunatic fringe, for all its attractions, is essentially powerless.

Police with armored cars guard the construction site of the Brokdorf nuclear power plant during a demonstration © Henning Christoph/Black Star



# Siberian Gas for Europe

## Pipeline into Germany Causes Controversy

ROGER BOYES, *Bonn correspondent for the Financial Times of London*

It is perhaps appropriate in the era of President Ronald Reagan that US diplomats should use wild west imagery to describe Bonn's role in East-West relations. "We have got our wagons in a circle and are fighting off the Indians," one diplomat told a German official at dinner recently, "but all you're doing is selling them fire-water."

The "fire-water" in question is a DM 20 billion plan—hailed as the largest ever East-West deal—to build a 5,000 kilometer pipeline from the Yamal Peninsula in northwest Siberia to Western Europe. The negotiations have been extremely intense over the past eight months and the juggling of different interests—the banks, the pipe builders, and the gas distributors—has proved as complex as a Chinese puzzle. The general framework of the deal however is simply described: the Soviet Union by the mid-1980s, intends to export to Europe some 40 billion cubic meters of gas a year. It will be extracted with the help of Western technology and will be transported by Western-built pipes to Europe.

A banking consortium led by Deutsche Bank is trying to finance some DM 10 billion of the required DM 20 billion which would be repaid in gas deliveries. Germany expects to take about 12 billion cubic meters of the Soviet gas, raising its dependency on Russian gas from some 17 percent at present to just under 30 percent.

That last point is precisely the issue that is disturbing the United States. Admittedly 30 percent of Germany's natural gas requirements is equivalent to just five percent of Germany's total energy needs. But US and some German critics make three claims. In the first place, at a time of high East-West tension, Germany is letting itself open to a completely new dimension of dependence on Soviet energy. If the Russians turned off the gas taps in the late 1980s, it would be a serious blow to the German economy that would have to be bridged by emergency imports from Algeria and elsewhere.

Secondly, the 30 percent proportion holds true only if gas consumption in Germany rises

to 90 billion cubic meters by 1990 from its present level of 64 billion cubic meters. Some German energy experts suggest that Germany's total gas needs may rise to only 70 billion cubic meters by 1990—which would mean that the Soviet proportion would actually be something in the region of 40 percent. The Bonn cabinet has ruled that 30 percent dependency on Soviet gas is the critical limit, but officials admit that this is a quite arbitrary figure and there is no reason why the Government should not change its mind and raise the threshold.

Finally, there is the straightforward enough point that Moscow needs the deal more than Western Europe. Alternative gas suppliers can always be found, yet Germany and the other European distributors are willing to clinch a deal on what could prove to be financially

unfavorable terms. For its part, Moscow secures much needed technology, opens up a source of lucrative hard currency earnings in the future, and gains a possible political weapon comparable in some respects to Arab oil.

Those were the views being heard in US embassies around European capitals this spring and it is difficult to resist their logic. But for the Europeans—not just the Germans—a fundamental question has to be answered before the views can be weighed seriously. Does the Reagan Administration view East-West trade as a stabilizing factor in world politics or not?

Count Otto Lambsdorff, the German economics minister, returned from Washington in March, apparently convinced that the White House was prepared to accept that East-West trade had an important political role (as well as a vital economic importance for Germany) and that the gas deal could fit reasonably into this pattern. But even while Lambsdorff was in Washington, other voices emerged from the US National Security Council criticizing the Germans for voluntarily creating a Soviet blackmail weapon for themselves.

In this sea of uncertainty, the Europeans are clinging to certain arguments which they believe amply justify the pipe deal. No other gas supplier for example could create so much employment for so many Western contractors. At least \$11 billion worth of orders are at stake, with the major shares going to the companies of those countries taking the most gas and providing the largest slice of finance. That means Germany and France who are

*The 5,000-mile Siberian pipeline will run through some rugged terrain. Here the Alaskan pipeline.*  
Courtesy of the American Petroleum Institute



each taking about 25 percent of the gas, followed by Italy, the Benelux nations, and Sweden. Other gas recipients will be Austria and Switzerland and possibly Britain and Spain, though their participation is far from certain.

At the head of the line, there is Mannesmann, the German group, which is ready to make most of the pipes, Salzgitter, the steel and engineering concern, and AEG-Telefunken, whose interest is in the compressor stations. French companies interested in the deal include Technip and Creusot Loire. The US company Caterpillar was approached for the pipe-laying side of the plan and Japanese steel and equipment concerns are also in the market.

At a time of deep recession, so much guaranteed work is a gift horse that cannot be ignored, argue the Germans. Mannesmann

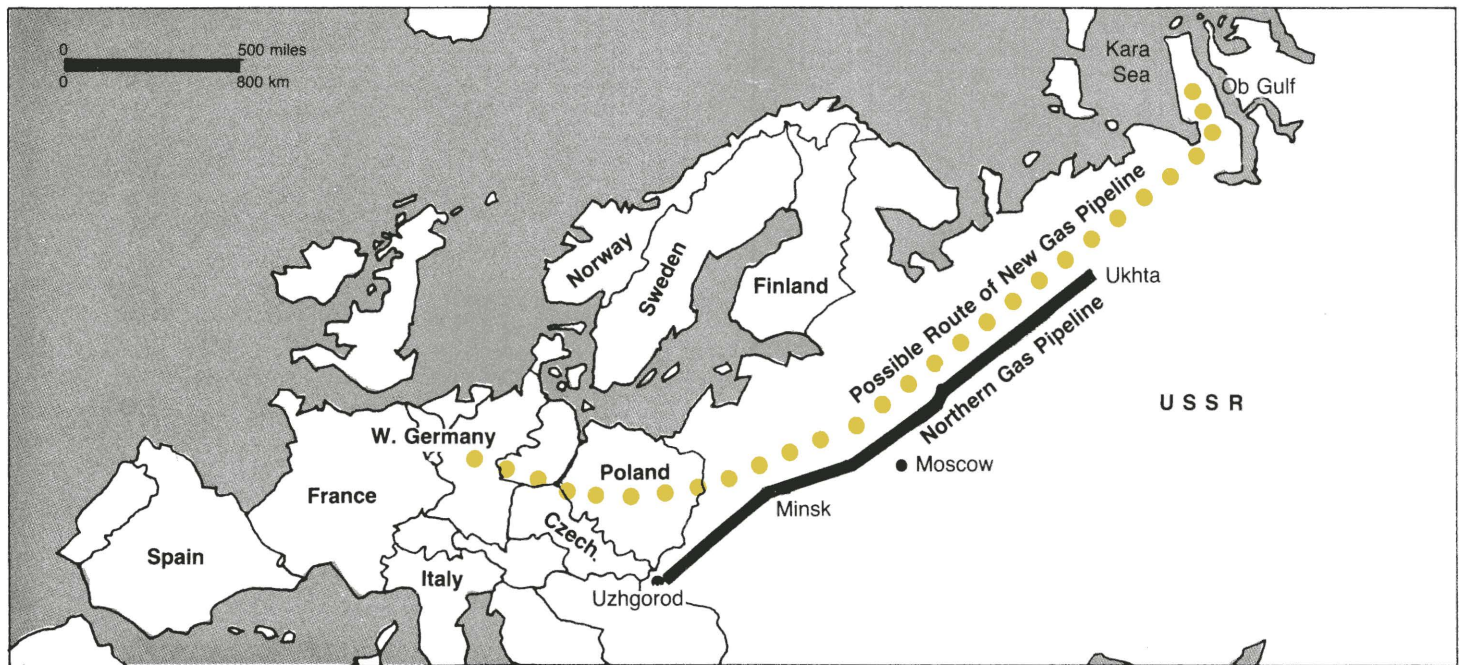
gas, which in 1978 accounted for only 25 percent of the Soviet Union's energy needs, will account for some 35 percent within a few years. Meanwhile oil, which accounted for 43 percent of Soviet energy needs in 1978 is slated to drop to 25 percent later this decade.

The idea is to free more oil for export and use the extra gas from Yamal partly as a substitute on the home market and partly as a hard currency export earner. Who wins if the West does not play ball with these plans? Probably nobody. The rational objective of Western policy must be to delay for as long as possible Moscow's debut as a net importer of crude—not only because this would force prices up, it would also lead to a far sharper superpower competition in the Middle East.

There is a philosophical coda to this line of reasoning: What constitutes political de-

unparalleled fashion, wreak havoc on the Soviet economy. No trade embargo or boycott could be quite as effective. None of this, of course, dispels completely the US doubts about the magic 30 percent dependence. It seems a lot, it is a lot. Perhaps the most obvious answer at the time of writing is for Germany and other European countries to reduce the quantities involved. If the Germans say they want only 6 billion cubic meters rather than 10-12 billion, the Russians will no doubt balk—but the gas pipeline is now a central part in their five-year plan and it is almost certainly too late to turn back.

At present there seems to be no adequate compromise in sight. But if the Germans were to threaten to take less gas, they could exert considerable pressure on Moscow and perhaps secure more favorable fixed-rate credit



for example is unlikely to make much profit out of the deal—but it will be able to maintain full capacity in its ailing pipes division for some two years if it wins an order. That is not a bonus it will shed lightly and the Bonn Government, concerned with rising unemployment and the precarious state of the German steel industry, is obviously seeing that German companies clinch their share of the deal.

Apart from the economic aspect, there is a more geopolitical argument for the deal. This is simply that it is strongly in the Western interest that the Soviet Union keep off the world energy markets. The latest five year plan announced by the Soviet Union reveals that its oil production will stagnate despite increasing demand from its East European satellites—and coal production will edge up only gradually but gas production will radically increase. The Soviet aim is that natural

pendency? Does not the gas deal give the West greater leverage over the Soviet Union than vice versa? Take a case whereby the Russians threaten to hike gas prices by a vast amount unless, say, the West Europeans refuse to take the neutron bomb. Because the Soviet Union does not have a monopoly, the Europeans will be able to turn to relatively cheaper suppliers—and, more important, the Soviet economy will suddenly find itself stuck with an unsaleable product and a sudden drying up of hard currency earnings. Naturally that kind of Western response presupposes a degree of unity and coordination among the Europeans that they have not exhibited, for example, in dealing with the Arab oil producers. But natural gas has a different political value from oil, for all the talk about gas-producer cartels.

The simple fact of the matter is that the gas deal gives Western Europe the ability to turn the screws on the Soviet Union and in an

terms. This would, as far as US-German affairs are concerned, have two main bonuses—it would dispel US fears that Bonn is subsidizing its trade with the East and it would show Washington that Germany is prepared to get tough with Moscow. Such a move would be at the interface between politics and business and the response is correspondingly divided: Politicians say the idea is sound; businessmen say that such threats do not wash with the Soviets.

Nonetheless, there is a growing feeling in the Bonn Government that the time is appropriate for tougher gestures if only to persuade the White House that dependence on East-West trade does not necessarily lead to appeasement. To return to the wild west metaphor: Germany reasons that the more fire-water they sell the Indians, the less capable they are of going on scalping parties.



# Germans Invest More and More in America

## Leading All Other EC Nations

ALFONS HECK, *freelance writer based in California*

"I really don't think the Russians will ever get this far," said a West German physician, when he peeled off \$300,000 in crisp new bills for the cash purchase of a La Jolla, California, beachfront condominium. He was one of many affluent West Germans, made jittery by the softening of their once near-impregnable economy and the threat of deteriorating East-West relations.

Some are investing in American real estate not only as a financial hedge, but also as a possible refuge. Germans old enough to remember mock this as the "spirit of 1939:" You have a feeling you ought to run, but you don't know quite where. Many prefer the more attractive areas of the Sunbelt, such as Southern California or Florida, but German owners can be found everywhere from the farms of the Midwest to the best addresses on Long Island.

While some American real estate firms in New York and Florida cater to German clients, most West Coast realtors have barely an inkling of this "German opportunity." "Any reputable and established realtor who has high-class property to offer, especially in such choice locations as San Diego and the coastal towns

below Los Angeles, can find a clutch of eager buyers merely by inserting a small ad in the Frankfurter Allgemeine Zeitung, which is the favorite of professional and business people," said a Frankfurt business broker.

While it may not be quite that simple, American real estate can be a distinct bargain compared to Europe's prices, and there is no shortage of Deutsche marks eager to flow across the Atlantic. Hundreds of millions are invested each year, often on a strictly cash basis to avoid German taxation.

Substantial as this private German investment is, it is merely small change compared to the volume of German industrial acquisition in the United States. There are now nearly 1,400 American companies either totally owned or controlled by German individuals or firms. In 1980 alone, over 200 German companies established branches in the United States. France with a mere 30 lagged far behind, but it may soon better the score by acquiring control of American Motors Corporation.

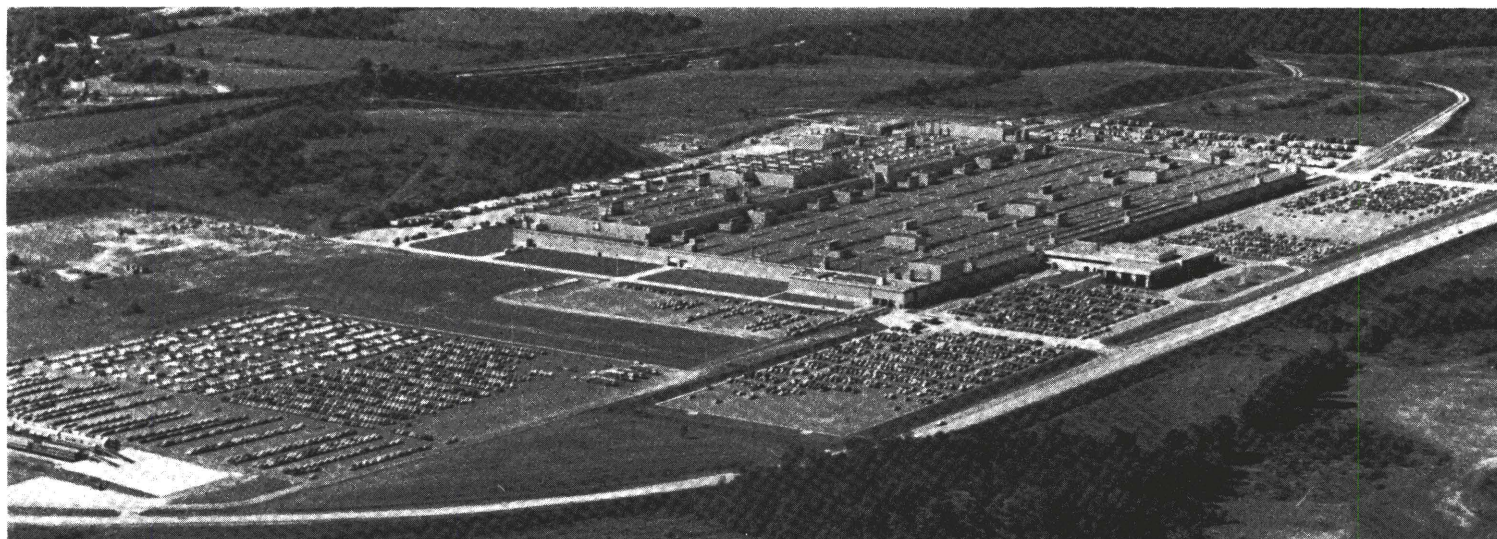
The Germans, though, have always done more business with the United States than any other nation of the European Community.

"What we are seeing now is not merely trade, but a German invasion of American business on nearly all levels," said Hans Friderichs, chief of the giant Dresdner Bank and former minister of commerce. Friderichs, who does not believe Germany can raise its exports significantly above the current levels as a percentage of gross national product, is convinced that continued German prosperity depends not merely on its involvement with, but on becoming part of, American business. "The United States is still the biggest and most lucrative market in the world and we've got to own a larger piece of it." "For a couple of decades after the war the Americans walked over much of Europe collecting everything in sight," said an official of the German Industry and Trade Chamber. "That was the time when wide-eyed German businessmen admired the sparkling, air-conditioned supermarkets in the United States. Today, in some cases they have returned to the United States to buy these supermarkets with money earned in Germany." Supermarkets and everything else, from computer companies to hog farms.

In the last six years, for example, the giant West German chemical concern Hoechst has bought or started up 15 American companies, among them not only Marbert Cosmetics Inc., which gave it a firm foothold in the lucrative cosmetics business, but also the California-based pharmaceutical firm Calbiochem, which now produces the anti-cancer drug Interferon. And while the American automobile industry lingers in its worst crisis ever, VW of America Inc., plans to open its second plant soon.

Why has investment in America become so attractive? First of all, it only became feasible with the drastic devaluation of the dollar in the early 1970s. Gradually, labor costs in Germany surpassed those of the United States. Compared to the United States, the social costs for a German, who not only receives

*This Volkswagen plant is in operation in Pennsylvania. A second US plant is to open soon. Courtesy of Volkswagen*



unlimited medical coverage in addition to generally much more generous vacation, holiday, and pension benefits, are about half. Understandably, most German managers in the United States immediately adopt the tougher American customs. They are not ashamed to grant only five working days per year as paid vacation, while their workers in Germany get a month plus a Christmas bonus of two weeks pay and 11 paid holidays.

German owners usually hire American managers for the day-to-day operation and allow them wide latitude. That seems to be an effective formula. "It's a rarity for a Ger-

man-owned concern to fail," said Walter Fabricius, a German banker in New York. "The Germans usually know exactly what to acquire, and indeed every week medium-sized German companies are buying into the vast American market." It's a trend that can only accelerate, since the Japanese, the world's most aggressive traders, are pressing the Germans hard all over the globe.

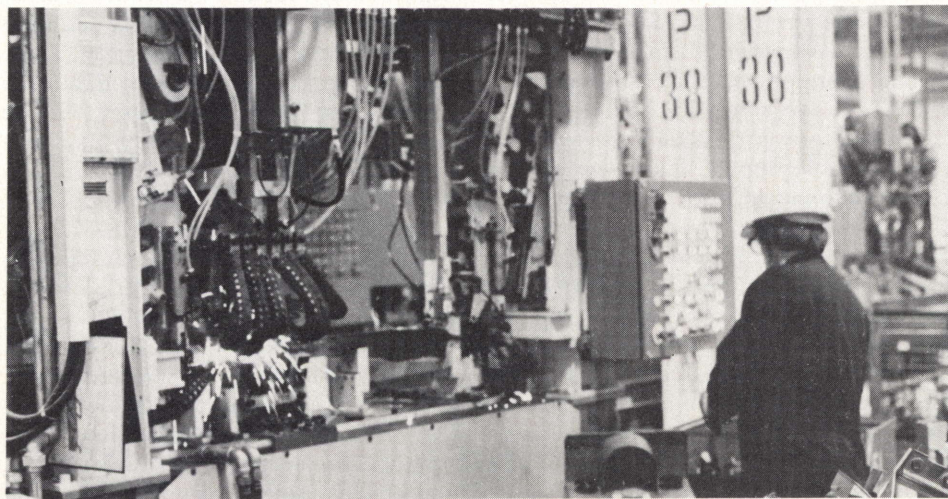
Both know that the United States is still by far the most lucrative and most politically stable market with a native competition that is often surprisingly soft. "The most efficient economic system will prevail," said a Bonn

trade ministry official, "and many American companies have not yet grasped that fact in an energy-short world. Besides, American business so far never had to export or die in any way comparable to us and the Japanese." Why are Germans buying up American companies? Mostly for profits. The average American business profits exceed five percent of capital investment versus less than two percent in West Germany. That's an attraction few German industrial investors can resist.

According to Germany's ministry of trade, more than half of all foreign investments made by Germans last year went to the United States. Here, we are not talking about Ingrid's Delicatessen, but multimillion dollar acquisitions which often employ hundreds of people, such as San Diego's Fedmart Discount Store, or perhaps thousands, such as the German concern which brought 45 percent of the Great Atlantic and Pacific Tea Company, a grocery chain with 2,000 branches.

The trend is certain to gain even more momentum. Since Germany's economy is projected to stagnate for most of 1981, despite the country's low inflation rate, many German industrialists are hoping to see a substantial economic improvement on this side of the Atlantic in the next few years. "We haven't come to conquer," said an official of the German-American Chamber of Commerce, "but we are settling down permanently. We feel we belong here."

*A welder works on parts for Rabbit body shells made at the Westmoreland plant in Pennsylvania.*  
Courtesy of Volkswagen



## MEMBER STATE REPORT: GERMANY

# Music Festivals Proliferating in Germany

## *A Look at This Summer in Bavaria*

HENRY MARX, *cultural writer with Goethe House in New York*

Music festivals in Germany are a tradition antedating the establishment of the Federal Republic in 1949. But in recent years they have proliferated to such an amazing degree that at the latest count there are now some 40 annual festivals. They are held in all parts of Germany, from the coasts of the Baltic and the North Sea in the north to Lake Constance in the south; in large cities, such as Hamburg, Berlin, Cologne, Stuttgart, and Munich; and in small localities that are little known abroad, such as

Schwetzingen, Weiden, Hersfeld, or Donaueschingen. With the exception of a dozen or so, most of these festivals are bunched in the summer months of June, July, and August.

Some of the most important festivals take place in Bavaria, the second largest and the southernmost of the 11 German *Länder*. It was actually there that the festival idea was born, namely in Bayreuth 105 years ago and where it is still very much alive. Originally, Richard Wagner, who for a while

lived in exile on Lake Lucerne, had the idea of organizing festivals of his own music dramas in Zurich, Switzerland's largest city, but in 1871 he visited Bayreuth, fell in love with the quaint, old city in Franconia, and decided his *Festspielhaus* should be built there.

Thanks to the patronage of King Louis II of Bavaria, who had supported Wagner before though he had become disillusioned with the ever increasing financial demands made by the composer, it was possible to proceed with building the theater Wagner had envisaged to present his music dramas in an ideal frame. But in spite of continued public and private support, the Wagner Festival has constantly been plagued by financial difficulties. For many years, the *Festspielhaus* remained dark, such as from 1877-81, 1915-23, and again from 1945-50. Only in the 30 years since the post-war resumption of the Wagner Festival in 1951 has no interruption occurred.

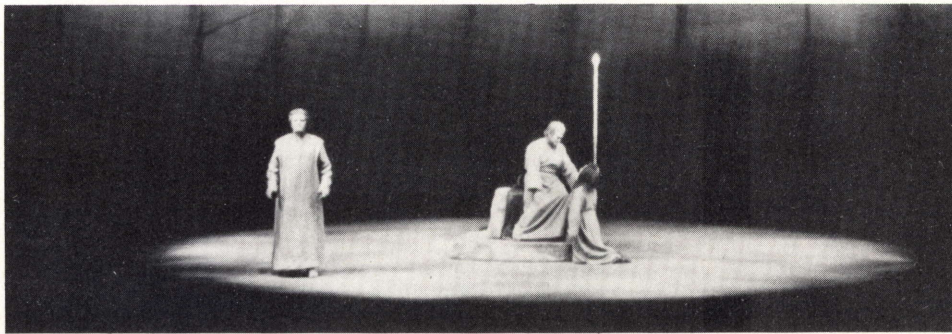
The number of performances each year has been set at 30—the *Festspielhaus* is probably the only theater in the world which can afford to be closed for 11



The Residenz at Würzburg.  
A scene from the Bayreuth Festival



In the Cuvilliés Theater in Munich. Photos courtesy of German National Tourist Office



months out of every 12! This year's festival will be held from July 25 to August 28, with the main attraction again being three representations of the *Nibelungen* cycle in the controversial production by Patrice Chéreau.

Only half an hour's train ride away from Munich is Augsburg, one of the oldest Bavarian cities, tracing its history to Roman times. It is the birthplace of the Holbein family of famous painters, of Leopold Mozart, the violin-playing and -teaching father of Wolfgang Amadeus Mozart, and of Bertolt Brecht, German's most famous playwright of the 20th century. Only in recent years did the city organize a Mozart Summer Festival which occupies most of July. A particular attraction is its location. In the beautiful, candle-lit rococo hall of the Schaezler Palace (1770) on Maximilianstrasse, the city's main thoroughfare, concerts of Mozart's music are given. In the Fronhof Gardens, surrounding the former Bishop's residence which dates to the early 16th Century, Mozart serenades are per-

formed outdoors.

Competing with Augsburg for the favor of Mozart *aficionados* is Würzburg. The medieval part of the city was obliterated almost completely during World War II, but its palace of the Prince-Bishops—built in 1719-44 by Balthasar Neumann and considered one of the most important buildings of German baroque—has been completely restored. From July 9 to 27, operas and orchestral and chamber music can be heard here and in the *Stadttheater*, performed by local groups and other ensembles.

Not content with this festival, which draws an increasing number of people to the picturesque city on the river Main, Würzburg is now also holding a Bach Festival in November, this year from the 22nd to the 27th, usually devoted to showing Bach's influence on a certain period in musical history. Yet another Bach Festival takes place from July 31 to August 9 in nearby Ansbach, long-time residence of the Margraves of Brandenburg-Ansbach, with many interesting buildings from the baroque period.

Bayreuth's offerings are neatly complemented by the Munich Opera Festival, to take place this year from July 9 to August 4. While performances of Wagner's works are not completely eschewed—after all, it was in Munich that *Die Meistersinger von Nürnberg* and *Tristan und Isolde* were performed for the first time—the emphasis lies more on operas by Richard Strauss and Mozart, with the former presented in the large *National Theater* and the latter in the precious Cuvilliés theater with its uniquely preserved rococo interior. Usually a few modern operas are also on the schedule; a particular favorite is the Bavarian composer Carl Orff. In addition to the opera performances, there are also chamber music concerts, *Lieder* recitals, and an evening or two of ballet.

At about the same time as the Opera Festival, an annual series of summer concerts will be given at Schleissheim Castle only a few miles north of Munich, this year from July 2 to August 2. This palace, built early in the 18th Century in a modified baroque style, has been restored after suffering considerable war damage and is an ideal place for chamber music.

Still another festival in a palace takes place from about June 20 to July 10 at Nymphenburg (today part of Munich proper), a *Maison de Plaisance* built in 1663-75 and the most extensive residence the Wittelsbach dynasty created. Here various music ensembles, some from foreign countries, perform music of the 18th and 19th centuries.

# SPAIN'S FRAGILE DEMOCRACY

## *Coup Attempt Intensifies Case for EC Accession*

JOHN NIELSEN, *associate editor of Time*



*Spanish Civil Guard officer, pistol in hand, stands at the podium in the Spanish parliament while leading takeover attempt. © UPI*

"THE KING CANNOT AND SHOULD NOT REPEATEDLY confront, on his own responsibility, circumstances of such great tension and gravity," said Spanish King Juan Carlos, speaking to Spanish politicians on February 25, 1981. Less than 48 hours before those words were uttered, some 200 rebellious Civil Guards had seized the Cortes (parliament), launching a military coup that very nearly succeeded. It failed only because Juan Carlos personally faced down the insurgents. Now, in the heady aftermath of the crisis, the 43-year-old monarch was soberly counseling the civilian Government to put its house in order. Spanish democracy, he implied, had sur-

vived not because of its strength, but in spite of its weakness. Thwarting the takeover had diminished his personal authority in the armed forces; he could probably not repeat the performance.

Three weeks later, Spain's new foreign minister, José Perez-Llorca y Rodrigo, was in Brussels urging the EC Council of Ministers to accelerate Spain's entry into the Community. His mission was a direct consequence of the coup. Spain originally applied for EC membership in 1977. Largely because of opposition from French farmers, however, entry negotiations have since slowed to a crawl—a factor that many Spaniards believe may have



Spanish King Juan Carlos  
© UPI

The Council's gesture amounted to tacit recognition that Europe's youngest democracy might not survive on its own. Spain's ultraconservative military establishment has changed little since Francisco Franco's death. It remains, in effect, a separate power within the Spanish state, answerable only to the King and its own courts. Its political views were formed under Franco and are fundamentally hostile to democracy. Indeed, many of its senior officers fought beside the *Caudillo* in the Spanish Civil War, 45 years ago, against the same political parties that now run the Government in Madrid.

encouraged the military to strike last February. Acceptance among the European democracies is vital to post-Franco Spain, Perez-Llorca told his colleagues in Brussels; even the appearance of progress in the entry negotiations would contribute to stability at home. He called on the Community to show more generosity and more concern for Spain's future.

The Ten did what they could. With a major review of the Common Agricultural Policy (CAP) due this summer—and with the French presidential elections in full swing—they promised an “intensification” of the talks but stopped short of specifying deadlines. Still, EC Council President Christoph van der Klaauw reaffirmed the EC's commitment to Spanish democracy, and he implied that the original schedule for the talks would be honored—a considerable improvement, in Madrid's view. Moreover, the Council is expected to approve up to \$120 million annually in development loans to Spain during the year before accession. Provided by the European Investment Bank, the funds will be used to aid depressed regions and small businesses, among other things.

Although the number of conspirators in last February's coup attempt was relatively small—30 officers are currently under arrest—their aims found wide sympathy in the armed forces. According to documents unearthed last month by Government investigators, the putschists are considered heroes and patriots by their comrades-in-arms. Given the depth of that sentiment—and widespread fears of a backlash—King Juan Carlos has ruled out a purge of the officer ranks.

As a result, the army emerged from February's debacle with something approaching veto power over the civilian Government. Political debate has been muted for fear of offending military sensibilities. Institutional reform has been shelved for the time being and one of the first institutions earmarked for reform was the army itself. Similarly, the process of devolving power to the regions has been temporarily halted; it runs counter to the military's quasi-religious views of Spanish unity.

Even the prospects for the major political parties have been transformed. Before February 23, Prime Minister Leopoldo Calvo Sotelo was widely seen as an interim head of government. His party, the Union of the Democratic Center (UCD), was too fractious to last. UCD liberals, the script said, would bolt the party and form a coalition Government with the resurgent Socialists, who

*The burial procession of a suspected Basque terrorist who died in police custody in mid-February. A general protest strike paralyzed the Basque region of northern Spain.* © Sipa Press/Black Star



stood a good chance of winning the next elections (which are expected sometime next year). No longer. The risk of political instability in such a scenario is too great. And a Socialist Government would probably be unacceptable to the generals.

Perhaps the most dangerous aspect of the political transformation in Madrid is the army's new role in the troubled Basque country. The Basque separatist group Basque Homeland and Freedom (ETA) has long sought to provoke military retaliation by singling out army officers for terrorist attack. In the past, the Government refused to give the military any sort of police power. But in early March Calvo Sotéolo reversed that policy by assigning the army and navy coast and border patrol duty in the Basque region. The role is limited but critics fear it could grow if ETA keeps on killing. The danger, many Spaniards say, is that the generals would be provoked into launching another coup or into demanding ever greater police powers. The latter would be just as dangerous as an outright takeover. It would erode the Government's authority and quite probably touch off an uncontrollable upward spiral of violence, repression, and more violence.

Juan Carlos is central to avoiding those pitfalls. He is by far the most popular figure in Spain; there are no new *Caudillos* among the generals. But though he has a well documented knack for guiding the country through rough patches, the young King's role in scuttling the coup has deprived him of the army's support just when he needs it most. And it has taught future coup-makers to direct their attentions to the throne, not the politicians. Juan Carlos has already begun the difficult job of reopening his lines to the military, and of working out a new *modus vivendi* between the generals and the politicians. If he is successful, he would at least remove the immediate danger of another putsch. Over the long term, many Spaniards believe, the best way to keep the armed forces out of politics would be to bring Spain into the North Atlantic Treaty Organization. It would be a giant step toward closer integration with the European democracies—and it would give the Spanish military a purely military mission.

A similar logic applies to Spain's prospective membership in the Community. Spanish democracy had the bad luck to be born just as the worldwide recession was beginning to bite deeply. While a succession of governments wrestled with the post-Franco transition, the economy stagnated. The unemployment rate has soared past 12 percent, the inflation rate has rarely dropped much below 20 percent, and foreign debts have mounted steadily. Free access to the Common Market—Spain's biggest trading partner—would theoretically boost Spanish exports and bring a flood of foreign investment into the country. Equally important, an entrée to Europe would



Spanish Foreign Affairs Minister Perez Llorca (middle) meeting with the EC Council of Foreign Ministers in March.

be a powerful political buttress for Spain's beleaguered democracy—powerful enough, perhaps, to deter future takeovers.

Hence the urgency in Perez-Llorca's trip to Brussels last March. Community membership has always been a high priority in Madrid. But the goal receded rapidly last July, when French President Valéry Giscard d'Estaing suggested a moratorium on further expansion until the Ten could sort out their tangled CAP and budget problems. Giscard was expressing a genuine concern within the Community, but he was also echoing his own farmers, who vehemently oppose the admission of another major producer of wine, olive oil, and vegetables to their markets. To Spaniards, that attitude obscured the Community's democratic purpose in favor of narrow economic concerns. "It is normal that some important technical problems remain to be solved," said Perez-Llorca, "but political goals must have first priority."

The coup has apparently changed all that. Over the next few months, Spain and the Community are expected to settle a number of relative simple issues—Euratom, capital flows, the customs union. Agriculture, fisheries, and other more complex questions will be tackled later, and Spain should theoretically be ready to join the club by January 1984. After Franco's death, representative government settled in so smoothly that it seemed to be part of the Spanish landscape, like the Prado or the Alhambra. As recent events have shown, it was a dangerous illusion.

# Portugal Seeks Early Entry to EC

## *New Diplomatic Efforts Advanced*

MANUEL BECA MURIAS reports for *O Jornal of Lisbon*

In a meeting with the Portuguese ambassadors to the EC countries taking place in early April in Brussels, Lisbon's Minister for European Integration Alvaro Barreto outlined a new strategy to deal with his country's present drive to join the Ten. Barreto, a straight-forward technocrat who once led the Portuguese-Swedish owned tanker-repair drydocks Lisnave in Lisbon, called for a "diplomatic effort" to be conducted along two main lines: Portugal is now interested in joining separately from, and before, Spain and will urge the EC to hasten the pace of the negotiations with his Government.

The main lines of the new approach envisaged by the social democratic-conservative coalition of Premier Francisco Pinto Balsemao were contained in a document given by Barreto to the diplomats.

Aliança Democrática, the coalition of power

in Portugal after two consecutive legislative elections, has a dual purpose with its new EC negotiation policy, economic circles are commenting in Lisbon. Having maintained for internal consumption that the 1983 timetable for entry was still on, when European capitals, namely Paris, were already saying the contrary, Balsemaos' cabinet finally had to admit that the date was postponed. Now when he urges the EC to "hasten" the pace of negotiations he is gambling to regain credibility at home more than anything else.

With a public opinion more concerned about inflation, the Portuguese Government is now trying to introduce European integration as an open issue. As opposed to the recent past, when news about the timetable was vague and distorted, Barreto, in order to give the impression that Portugal was "practically" an EC member already, has given extensive

press and television interviews. A series of debates across the country were also announced.

In 1977, when it presented its request for admission, Portugal was at first accused publicly by visiting EC officials of being slow to deal with the dossiers. Now Barreto claims that the Community slowed down its response to the Portuguese queries. However he still hopes that a first treaty can be signed before the end of the year. "We know that the process with Spain, because of the dimension of the Spanish economy, is likely to drag. It certainly will take longer than the Portuguese and we wouldn't like to suffer from it," he said.

Coming back to relations with Spain, Portuguese fishery experts have expressed fears that once the neighbor fleet can fish freely off the Portuguese coast, a crucial problem will arise. Portugal and Spain are now reaching a deadlock on negotiations for fishing rights.

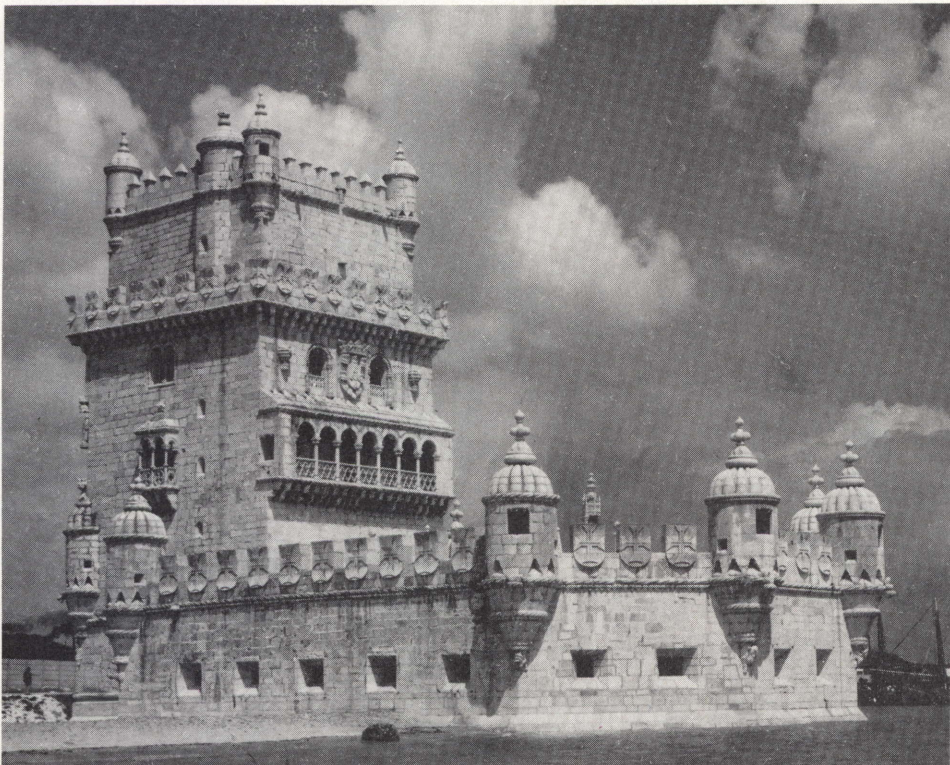
In all, since none of the political parties of substance opposes admission—except the Communist party of Alvaro Cunhal and a left-wing splinter group of the Socialists—the Government has a free hand to press harder. Moderate parties still believe that there is no alternative to joining the industrialized countries and stress that full membership would reinforce stability of democratic institutions returned after the 1975 carnation revolution. Other supporters of accession believe that Portugal will be an asset to the EC in building an economic bridge with Portugal's resourceful former colonies, such as Angola and Mozambique.

With Foreign Minister André Gonçalves Pereira at his side, Barreto asked when he was in Brussels to see Commission President Gaston Thorn and Commissioner Lorenzo Natali, who is responsible for enlargement. The Portuguese ministers, sources in Lisbon disclosed, urged quick clearance of four dossiers on which, they say, the Commission has been postponing a decision.

These four dossiers were identified as customs union, drought, regional policy, and fiscal policy. The Portuguese delegation was immediately told that of the four, only the drought folder stood any chance of being studied by ministers at a meeting scheduled for the end of April.

Portuguese officials, it was said in Lisbon, will look at the depth and content of decisions taken at that meeting as an indication of the EC mood on Portuguese accession. Meanwhile, the Portuguese Government may formalize a request for drought relief support, in the form of export facilities to compensate for further deterioration in the current account balance due to a bad year in farm and energy production.

*Balaurte de S. Vicente de Belém in Lisbon.* Courtesy of the Embassy of Portugal



# European Summit Produces Discord

## Schmidt Raps British Over Fisheries

JOHN WYLES, *Brussels correspondent for the Financial Times*

For a summit which was intended to be reflective and without any major decision to take, the meeting of the European Council in Maastricht, the Netherlands, on March 23-24 proved uncommonly lively. As is often the case, the run up to the summit produced an issue which at least one member state judged of sufficient national importance that its head of government wanted to take the opportunity to make a loud and vigorous complaint and to seek a break in the deadlock.

What made Maastricht so unusual was that the plaintiff was West Germany's Chancellor Helmut Schmidt. Traditionally, Schmidt's role at summits is to dispense advice to the wayward: to deliver lectures on everything from the proper path in economic policy to the need for a more Community-minded approach to the search for solutions.

This time, however, the Chancellor arrived at the summit convinced that the German national interest was being damaged by the policies of some of its EC partners. His disenchantment was deepened by a growing sense in Bonn that the clash of national interests prevents the Community working as well as it should and that a new strategy and sense of direction will soon be needed to halt fragmentation and possible disintegration.

Schmidt's specific protests were aimed at the deadlock over fisheries policy and at British tactics which seemed aimed at Germany. In addition, he wanted to give warning that if the Ten did not soon take action to eliminate national subsidies for the ailing steel industries, then Germany might be forced to take some action against low priced imports which are disrupting the domestic market.

The fish problem provided the liveliest argument. On the summit's first day Margaret Thatcher, the British Prime Minister, became incensed by the obvious Franco-German alliance which attempted to heap all the blame on the United Kingdom. She rejected suggestions that the Community's failure to meet the end-1980 target for agreement on a Common Fisheries Policy, which it had set for itself at the end of last May, was Britain's fault.

Indeed, Schmidt's outrage seemed disproportionate to the size of the German national interest involved. Because the United Kingdom had been refusing to ratify an EC-Canada fishing agreement until it had won general fisheries agreement or special protection for

its national fish market, the German deep-sea fleet, about 17 large trawlers, had been prevented from departing for Canadian waters. By the time the summit came around the German fleet had, indeed, missed the Canadian season but the lost catch would not have been worth much more than \$6.75 million.

"I have helped you often in the past, but I shall not do so in the future," the bittered Chancellor is said to have told the bristling Thatcher. However, the British Prime Minister clearly saw the need to respond constructively and on the morning of the second day she won an agreement to hold a special negotiating meeting of EC fisheries ministers three days after the summit ended.

From the British point of view this meeting achieved the useful purpose of demonstrating that the French were as much if not more responsible for holding up a fisheries agreement. Paris made it abundantly clear that this side of the presidential elections, at the end of April and the beginning of May, it had no room for maneuver so the fisheries ministers agreed to set a June 21 deadline for final agreement.

On steel, the Chancellor had slightly more success. The summit agreed on the need to phase out national aids for declining industries in need of restructuring. Then, industry ministers meeting in Brussels two days after

the summit agreed that aids must be linked to the restructuring of capacity, although the Italian Government, which just announced a massive new program for steel, appeared to have won some understanding of its need for a somewhat more flexible financial approach to its steel industry.

The informal foreign-policy discussion over a summit dinner was dominated by Poland and the growing anxieties about Russian intervention. The heads of government delivered another "hands off Poland" public warning to the Soviet Union and pledged themselves determined to help as much as they can in rescheduling Poland's debts and providing more food aid.

The discussion on relations with the Reagan Administration was somewhat more cursory because everyone acknowledged that its policies on the future of the Middle East, détente, and arms reduction were still being defined. Most summit leaders were happy to share Schmidt's belief that the Reagan Administration will begin talks with the Soviet Union on reducing medium-range nuclear weapons in Europe by summer. All were just as concerned as the Chancellor about the fact that the Administration was clearly about to drop US support for elections in Namibia.

All and all, it was not a particularly impressive meeting. The fish dispute highlighted the growing difficulty of reconciling national interests at a time of recession. Discussion on the economic outlook and the unemployment crisis revealed much gloom but little new thinking. Increasingly, the Ten find it easier to present a common front to the outside world on major problems of the day than to develop a common approach to their vital domestic issues.

*The European Council summit in Maastricht.*





# around THE capitals

## Luxembourg

Sadly, it increasingly looks as if Luxembourg's days as host city to the European Parliament are numbered. In March the senior politicians that run the Parliament decided to hold all their remaining regular sittings this year in Strasbourg. There is the chance that the parliamentarians will meet in Luxembourg for a special sitting on the budget later in the year but this would be a pitifully small reward for the money and effort the Grand Duchy has invested in its new, \$100-million chamber. This now looks like proving a definite financial embarrassment and the only consolation presumably is that plans for a much vaster and daring parliamentary complex were put aside two years ago following protests by local citizens.

By June this year the matter should have been settled one way or the other since the parliamentarians have served notice that if the EC member Governments do not agree on a single site for the Parliament then they will take matters into their own hands. On paper Luxembourg has just as good a chance as Strasbourg of being chosen, but in practice the lavish wooing of parliamentarians by the Strasbourg city authorities is likely to be the decisive factor.

What will count for Luxembourg however is the attitude taken by the Parliament's staff, most of whom live in the Grand Duchy where the secretariat is located. A taste of the staff's feelings came when the Parliament decided at short notice to hold a special sitting in Strasbourg in March and the staff immediately ordered a boycott of the session, later voting for a general strike.

Given the vital importance of translators to the functioning of the Parliament—which operates in all seven official languages of the EC—there is little doubt the staff can bring about a complete standstill in operations with very little effort. But long-time observers are skeptical about the extent to



which the staff will want to do this. "Only about a third of the permanent staff are required to make the monthly trip to Strasbourg and it is not exactly hard punishment," says one experienced official in Luxembourg.

But this begs the question of where the secretariat of the Parliament is to be located and here many of the staff feel their positions are being undermined by the growth in administrative activity in Brussels. Although Luxembourg is the legal site of the Parliament's secretariat the fact is that since direct elections nearly two years ago there has been a clear tendency by the major political groups to build up their operations in Brussels. "For all practical purposes, Brussels is now the headquarters of the main parties," comments an official here.

Thus there is a fear that with the growth of duplicate activities in such fields as administration, translation, and libraries, the operations in Luxembourg could gradually wither from neglect. This in turn would make it easier for Brussels and Strasbourg to press for the formal transfer of such operations to those cities.

There are roughly 3,000 employees of the Parliament living in Luxembourg at present, probably about a third of all those employed by EC institutions in that country. Unofficial estimates suggest that of Luxembourg's total consumer spending of about 70 billion francs, the Eurocrats represent a

tenth. So it requires no great imagination to see the economic problems presented to the country by the possible loss of the Parliament staff.

For these reasons the Luxembourg authorities will clearly cling tenaciously to their perfectly valid legal claims. But the general view among the parliamentarians, and indeed many of the staff themselves, is that these claims may not prove tenable in practice and that sooner or later Luxembourg will have to yield its grip.

How can it be compensated? Increasingly

the view is that some of the less controversial EC operations at present in Brussels may have to be moved south to the Grand Duchy. At present the Court of Justice, the European Investment Bank, the Statistical Office, and the computer center are located here. There is a view that Luxembourg could and should make a bid to become the financial capital of the Community. This may seem a paltry ambition at present when the march to economic and monetary union is proceeding at such a leisurely pace but if we ever arrive at that point then the right to be host to something like, say, a central bank for the Community, would certainly be a glittering prize. ALAN OSBORN

## Athens

Egelados, the Greek god of earthquakes, has assumed a much larger role in the Greek pantheon recently, disrupting business and administrative activity in the capital and bringing the nuclear debate to the fore for the first time.

Seismologists, both Greek and foreign, predicted that tremors following February's earthquake in the Gulf of Corinth, which measured 6.6 points on the Richter scale and emptied Athens of half its inhabitants, would gradually diminish over the next five



months. But with a dozen discernible tremors a day, the residents of Athens are not convinced.

A parliamentary debate on the earthquakes, which kept civil servants and office workers away from their jobs for up to two weeks, raised the issue of safety in relation to the Government's plans to introduce nuclear power by 1990. Socialist opposition leader Andreas Papandreou said: "Everyone's position should be: No to nuclear plants," committing his Panhellenic Socialist Movement (PASOK) against nuclear power for the first time.

Industry and Energy Minister Stefanos Manos, however, reiterated that the quakes would not make the Government reconsider its stance on nuclear energy, considered a priority now that Greece has to spend an amount equivalent to three-quarters of its export earnings to buy oil.

The search for oil in the Ionian Sea has not had promising results so far, and the undersea Prinos field in the north Aegean, scheduled to start pumping in May, will supply no more than five percent of Greece's oil requirements and has a short life. Studies are currently under way, including a site search, for one or two nuclear units in the 600 to 1,000 megawatt range. Attica and southern Euboea were considered likely prospects because of relatively low seismic activity and growing energy needs.

The Government's initial contacts have been with French nuclear technologists, but a Soviet trade delegation visiting Athens soon after the earthquake expressed interest in supplying a tremor-proof nuclear plant. Nuclear power may well become an issue in this fall's election campaign. There is no doubt that the shattering of Athens' age-old immunity from tremors has altered attitudes. Destructive earthquakes used to be the lot of relatives in the provinces, and a consideration in moving to the capital. Furthermore, real estate in Athens, the main

investment area for Greeks, no longer seems to be so secure.

Building regulations in the city require structures to withstand a four-point Richter tremor with an epicenter within close radius. After the quake, inspectors found half the buildings had suffered damage that required attention. KERIN HOPE

## Dublin

Irish neutrality, it has been said, is more often defended than defined. This has never been more true than over the past few months, when rumors that the dialogue between British Prime Minister Margaret Thatcher and Irish Prime Minister Charles Haughey included defense, and might lead to Ireland entering the North Atlantic Treaty Organization (NATO), or joining with Britain in some sort of defense arrangement, led to a political donneybrook.

Ireland, of course, is not a member of NATO. As the only one of the EC countries

outside of the alliance, it is something of an anomaly, particularly so as it participates fully in European political cooperation, the consultation procedures by which the EC member states seek to align their foreign policies, even to the point of joint initiatives and stances on such things as the Middle East, Olympic boycotts, and El Salvador.

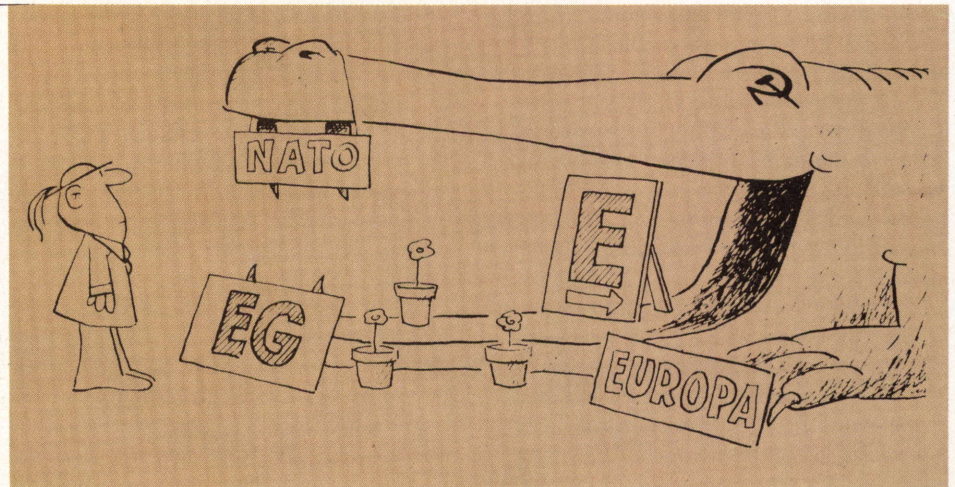
A fierce argument has been raging among politicians and journalists over whether or not Ireland is about to ditch neutrality, whereas the real question, which has scarcely been asked at all, is whether Ireland is neutral, or ever was. Irish neutrality—using the term provisionally—began perhaps with the banner stretched across Dublin's Liberty Hall on the eve of the Easter rising of 1916. "We serve neither King nor Kaiser, but Ireland," it said.

The same point was taken up years later by Eamon De Valera when he became prime minister and declared that Ireland, and other small countries, should have no part in "imperial wars." Whether the 1939-45 war could be regarded as an "imperial war" is doubtful to say the least, but Ireland was a noncombatant. But even that neutrality was not totally neutral. De Valera spoke of "benevolent neutrality" toward the Allies.

And today the fashionable justification for Ireland's noncombatant role is that it made a greater contribution to the defeat of Hitler by not being in the war, than it would have by joining in. In the early 1970s a somewhat similar view was promulgated by Garret Fitzgerald, then foreign minister. His justification for Ireland's non-membership in NATO was that by remaining outside the cold-war alliances, Ireland contributed more to détente and peace than it would by joining.

Meanwhile, of course, Irish neutrality had been explicitly linked to partition in Ireland. When asked to join NATO, by

© Bas, Tachydromos, Greece



Washington in 1949, Ireland had replied that it could join no military alliance with the power that had partitioned Ireland—that is with Britain. Sean MacBride, then external affairs minister, and now an ardent advocate of nonalignment, never mind neutrality, proposed a bilateral defense deal with the United States, but was turned down.

Joining the EC with Britain in 1973 presented no problems to the Fianna Fail Government then in power, nor to the ardently pro-Europe Fine Gael in opposition. When defense was mentioned, the response was that there is no question of joining NATO, but that if Europe evolved toward unity, and needed to defend itself, Ireland would of course join in that defense.

It was then possible to regard both NATO and the Warsaw Pact as alliances from a passing age—*détente* was on the ascendent, and any future alliance Ireland might have to join in Europe would be of a totally different nature. It was also fashionable then to regard NATO as somewhat unsavory. The United States was soiling its hands and reputation in Vietnam, Greece and Portugal were both dictatorships, and Portuguese troops were trampling on African rights in Angola and Mozambique. Now Vietnam is over, Greece and Portugal are democratic, and *détente* is in poor shape. Moreover, the Russians are in Afghanistan, and NATO looks far from obsolete.

Perhaps it is because the rational arguments against Ireland joining in Western defense are in such poor shape just now that the recent debate has been so irrational. Richie Ryan, opposition Fine Gael spokesman on foreign affairs, resolutely pro-Europe and a fierce anti-communist who opposed the opening of the Soviet embassy in Dublin, now denounces any attempt to tamper with this "neutrality." His party supports European integration, even a federal Europe, but allowed itself to be outmaneuvered in the parliament recently into voting for an amendment that advocated Irish membership of the Nonaligned Movement.

Haughey may be logical enough when he says that in the event of Irish reunification, defense arrangements would have to be reviewed. After all, in those circumstances, the original stated reason for refusing to join NATO would have gone. But neutrality seems to have taken its place in that most illogical of all places, the pantheon of Irish nationalism. Even the Irish Times was so carried away that it made a front page lead story out of an Izvestia allegation that Washington was pushing Ireland into NATO. No one is neutral over neutrality.

DENNIS KENNEDY

## The Hague

The Government, with social prosperity waning, plans to make a cut in the Netherlands' generous social security system and any other lavish distribution. Government and parliament are beginning to look more closely at subsidies granted to Holland's over one hundred activist groups.

The 105 activist groups financed by Dutch taxpayers came into the limelight when an unofficial parliamentary delegation narrowly escaped death on a tour of the western Sahara with the Polisario front. The group returned March 15, complaining they had been duped by the Polisario guerrilla organization which has been fighting Morocco for five years and by the Government-financed Polisario Committee.

Christian Democrat parliamentarian Hans Gualtherie van Weezel said Polisario was "a bunch of weirdos who claim without any justification to represent the western Saharan people and misuse people for political purposes." He accused the Dutch Polisario Committee, which received 37,500 guilders from the Government in 1980, of having painted "a completely wrong picture which has nothing to do with reality." Van Weezel and leftist parliamentarian Henk Waltmans said they regretted a resolution they had moved in the chamber in 1977, which called for withdrawal of all Moroccan troops from the western Sahara.

Members of the five-strong delegation said Polisario guerrillas, during a tour of "liberated" territory, took them illegally across the Moroccan border and one jeep in their convoy, carrying only Polisario guerrillas, was blown up by a landmine. The Dutch members of parliament, who did not know they were on Moroccan territory, were uninjured but said it appeared at least one guerrilla was killed. Waltmans said he was "completely disillusioned," adding "Polisario claims to control 95 percent of Saharan territory, but we have now seen that hardly anybody lives there." Van Weezel said the only solution for the area seemed a United Nations supervised referendum and dismantling of Polisario.

Van Weezel said that if the Saharan people were to have a real chance of independence, a withdrawal of Moroccan troops should be accompanied by dismantling Polisario. A Government critic said that the press releases and reports by committees like the Polisario group often are taken as gospel by parliament members and the press.

In 1980 the Dutch development ministry approved subsidies totalling 12.6 million



Women soldiers of the Polisario. © Sipa Press/Black Star

guilders to finance activist groups ranging from the Chile Committee, the South African Committee, and the Uruguayan Committee, to a pro-Cuban committee called "Vinceremos." Church groups, the Anne Frank Foundation, and other groups also receive subsidies averaging about 50,000 guilders.

Up until 1978 the minister of development had the final word on each allocation, but now the subsidies are distributed by a semi-governmental agency, with representatives of government, the churches, and the media on its board and the ministry reviews the projects at the end of the year. Working groups of these representatives advise NCO on the distribution of funds. Parliamentarian Laurens Jan Brinkhorst, who also shared the Sahara incident, said, "We need to look more critically at these activist groups, we are sending a report to parliament in April. We could have died in the Sahara and they would not have heard of us anymore."

The Polisario Committee, in a statement to the press, said the parliamentarians were the victims of Moroccan propaganda. The committee said it would publish a well documented report in favor of the Polisario activities. NEL SLIS

## Copenhagen

Real ideological debates in Denmark are usually confined to youth organizations and the small-circulation periodicals published by and for the party faithful. At the annual party meetings, party leaders traditionally pay homage to the long-term ideological goals of the party, but the life of minority Governments are shaped by the daily need



Danish Minister of Social Affairs Ritt Bjerregaard. © UPI

to compromise, establish, and maintain precarious majorities.

That is one reason why speeches of Danish Minister of Social Affairs Ritt Bjerregaard raise eyebrows. The other, and perhaps more pertinent, reason is that Bjerregaard is one of the prime contenders for the leadership of the governing Social Democratic Party, and in her speeches she expresses a highly controversial view of what is known as the "Scandinavian model," the welfare state as it is working in Scandinavia.

Ironically, the controversy is not the result of a challenge to the model as such. Quite the contrary. Bjerregaard claims that the Scandinavian model works very well and in due course will create a more just society, a socialist or social democratic society. True, unemployment is running high—in the past year the number of jobless people in Denmark increased by 67 percent, the biggest increase in the EC.

Bjerregaard maintains that the Scandinavian societies are so rich that they can afford to pay the unemployment benefits and welfare subsidies required to maintain a reasonable living standard at an acceptable level for everybody, so unemployment is not the dominant social and political issue many claim it is. Similarly, the Scandinavian societies are rich enough to accept production at less than full capacity. The lost production is not vital to the future of the societies, Bjerregaard claims.

While this analysis has merit as an explanation of government policy for the past one and a half years, and perhaps for that very reason, nevertheless it hardly corresponds to the political needs of a government. No government, socialist or not, can disinterest itself from the question of unemployment. The new Norwegian Social Democratic Prime Minister, Gro Brundtland, strongly condemned the views of Ritt Bjerregaard at the meeting of the Nordic Council in Copenhagen in February, and Danish Prime Minister Anker Joergensen followed suit. Other contenders for party leadership

predictably toed the official party line, which leaves no doubt that unemployment is social enemy number one.

And the Government will this spring try to fight unemployment with a series of new initiatives. Specific subsidies to industries are still not envisaged, but a further expansion of general interest rate subsidies is in the cards and export industries are certain to qualify. The fact that collective agreements were concluded in February by the unions and employers at a reasonable level without political intervention gives some basis for optimism. But without a still uncertain recovery in the world economy, both the Government's own economists and the National Bank of Denmark predict a further steep rise in unemployment, whether or not it is compatible with the ideologies of the political parties.

LEIF BECK FALLESEN

## Paris

Inflation, a major preoccupation of politicians this spring, has also hit *haute cuisine* in France. At least that's the complaint of the Paris newspaper *Le Monde's* food critic, Robert J. Courtine. The staid *Guide Michelin* now awards 21 restaurants its top three stars compared to 16 eight years ago and only 12 in 1963. Courtine blames Christian Gault and Henri Millau, the "eternal *enfants terribles*" of the guidebook business for bidding up the number of the best restaurants in France. He also blames them for *nouvelle cuisine* whose light sauces and small portions barely satisfy his appetite.

The spring publication of France's top guidebooks, arbiters of *haute cuisine*, is treated as seriously as is the designation of the famous literary award, the Prix Goncourt which takes place, not surprisingly, over lunch in a Paris restaurant. The first to appear is the Gault/Millau guide. It is a brash, unashamedly commercial compendium of hotels and restaurants that combines sassy commentary with numerical ratings and which until just recently gave out three symbolic *toques* (chef's hats) as its top award.

This year, the authors have upped the ante by creating a four *toque* rating. Only 10 French restaurants are beneficiaries but, in all, the Gault/Millau three- and four-*toques* restaurants now total some 60. The authors of the Gault/Millau guide probably did invent the *nouvelle cuisine* in an adroit public relations move that singled out for media attention the younger crop of inventive chefs, direct inheritors of two or three

provincial masters whose careers straddled World War II.

*Nouvelle cuisine* was an idea whose time had come. Its style suited the diet-conscious, rising executives of the 1970s who couldn't afford to fight off sleep in the office after lunch. But its instant vogue brought on many mediocre imitators and some bizarre taste sensations resulted. The swing is now back to less precious fare.

Courtine implies that the Michelin's lengthening three-star list betrays an "ambiguity" of focus forced on it by Gault/Millau's pushy espousal of the *nouvelle cuisine* and their playing the numbers game. It's as if the venerable guide is suddenly afraid that it won't be up to date. Certainly, the Michelin's traditional "wait and see" policy has made it the most trustworthy of guidebooks. Courtine may be carping.

A comparison of the past 20 years indicates that back then nine of the Michelin's current 15 provincial three-star spots already had one or two stars. The newest arrival, awarded its third star this year, had two in 1963—enough "wait and see" to discourage even the most ambitious.



A simpler explanation of the three-star proliferation is the improved road network and the increased sophistication and affluence of gourmets travelling in France. Inflation, if it's truly that, is taking place in the provinces, where there were only seven three-star restaurants present in 1963.

Geographically they follow, as they did then, the main highways north, up the Rhône Valley, through food-proud Lyons into Burgundy. The golden Côte d'Azur had none then and now has three, the prosperous Strasbourg area one. After that, except for Riems, the champagne town east of Paris, the north and east offer pretty thin pickings.

This spring politics and diplomacy got into the gastronomic act. French President—and presidential candidate—Valéry Giscard d'Estaing met German Chancellor Helmut Schmidt for a mid-cam-

paign "informal" working dinner. It was a gesture meant to highlight the Franco-German relationship, one of Giscard's foreign policy accomplishments.

For the occasion, Giscard chose a one star spot near Strasbourg. Whether the dinner produced the hoped for political result is unknown, but it was a comforting reminder that despite the vagaries of the *nouvelle cuisine* and inflation in all its forms, one still eats best in France. Evidently the Chancellor doesn't disagree. When Giscard goes "informally" to Germany he passes up local restaurant opportunities and dines, instead, *chez* Schmidt.

PATRICIA PAINTON

## London

Britons carry with them each day an average of 85 grams in coins. That's a fair dab of metal straining the pocket but the Royal Mint is undeterred. It plans to phase out the £1 note in 1983 and replace it with a coin. There is an historical full-circle in this: The pound note was introduced in 1914 as a substitute for the gold sovereign.

The new pound coin will be smaller than a five pence piece and lighter than a 10 pence one. To make it recognizable and satisfy the Mint's wish that it should command respect—if not much buying power these days—it will be made with a gold-colored alloy that should not tarnish easily. Meanwhile the Mint is planning to introduce next year a new 20 pence coin. It will be the same size as the future £1 coin but is to have seven sides, like the current 50 pence piece.

The expanding range of coins reflects Britain's ongoing struggle against double-digit inflation and the recent revelation that Britons still use more cash than Americans or other Europeans. There is, it seems, a lingering suspicion of bank accounts. It is also still reasonably safe to carry large sums of money here although muggings are on the upswing.

The number of pound notes in circulation has fallen by one-third since the mid-1960s. Today there are 680 million and their useful life is only about nine months. The new pound coin is supposed to last 40 years. One other barometer of inflation: Since 1966 the number of £10 notes in circulation has soared from 15 million to 361 million. There is a £20 note as well and the £50 note has just been reintroduced. It carries the countenance of Sir Christopher Wren, architect of St. Paul's Cathedral where in July Prince Charles is to marry Lady Diana Spencer.



"Personally, I liked it better before they updated the prices." © Langdon, *Punch*, London

Charles has lately been pursuing his ambition to ride in the Grand National steeplechase race, the most dangerous but exciting of its kind. He has entered lesser competitions to start building up the 15 races he needs behind him to qualify for Grand National consideration. His record has not been encouraging—in one five-day stretch he raced twice and fell from his horse both times. He was unhurt but thoughts of the heir to the throne encased in plaster on the royal wedding day were inevitable.

Freeloading off Britain's National Health Service (NHS) should come to a halt this autumn. Hospital care charges for foreign visitors are to be introduced in October. They will range from \$145 to \$445 a day, depending on the hospital. The Government believes the charges will save the overstretched and cash-short NHS up to an estimated \$27 million a year.

The new scheme will mainly affect visiting Americans, Canadians, Australians, and people from the Middle East, as well as students from overseas. It will not apply to visitors from other EC countries, Scandinavia, and most nations in the Soviet bloc because of reciprocal health care agreements. Also exempt will be foreigners and dependents settled in Britain or resident for three years. Some migrant workers will also be spared. Free emergency room care will continue, although cases that have to be admitted must incur the charges.

The then-labor Government started the NHS in 1949. It has always given free hospital care to foreigners, a practice that became no stranger to abuse. Visitors often sought to have a baby delivered or a non-emergency operation performed. Many sufferers of long-term illnesses such as cancer have come here for free treatment.

Two factors behind the Government's decision were the latest budget's crackdown on government spending and, more visibly, the increasing number of Britons waiting for operations at National Health hospitals. More than 600,000 patients are waiting for non-urgent surgery and some have been waiting in line for eight years. Sixteen weeks is the average waiting time.

PETER J. SHAW

## Rome

Once considered a bastion of the European baby boom, Italy has now joined its northern neighbors where deaths have outnumbered births for more than a decade. The official ISTAT statistics agency says that in the four months to March the country finally reached zero population growth.

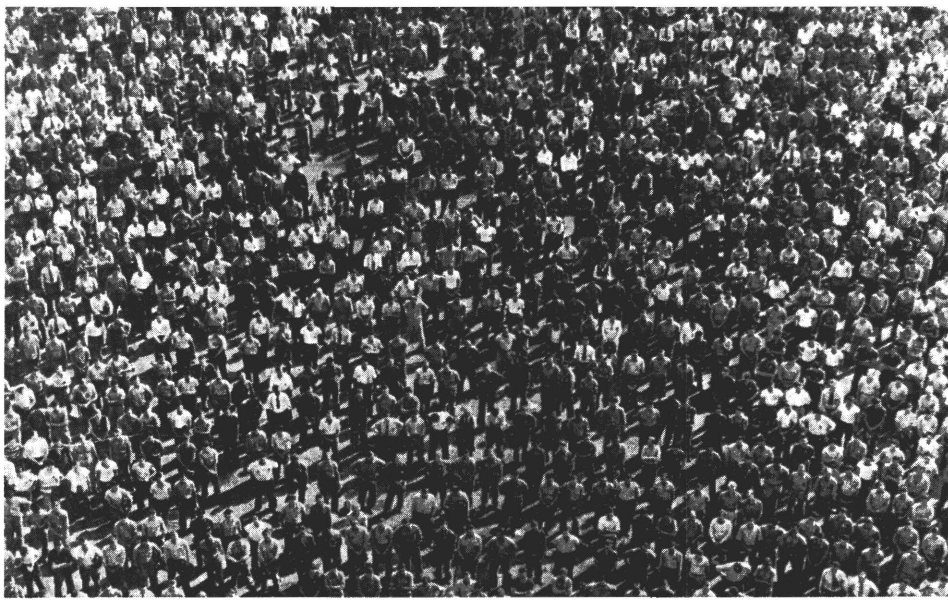
Socially the effect could be alarming in a nation where mothers have traditionally produced large numbers of offspring and encouraged their daughters to do the same. The relaxation of abortion laws, the wider use of family planning, and the difficulty of raising a large family under current economic strains have limited modern families.

So swift was the reversal that the Government was caught unprepared. For about 20 years one of its main tasks was to find jobs and education for the millions born after World War II. Now authorities realize that attention will have to shift a few generations to the nine million senior citizens. If not, Italy could become a heavily burdened gerontocracy. Economically the burden could be serious indeed. The Italian central bank estimates that by 1991, 32 million pensioners will be claiming more than \$200 billion, or a fifth of the gross national product; already retirement benefits account for \$36 billion.

The prospect of this big outlay on people generally not contributing to the economy is causing a reevaluation of not only retirement and pension payments, but the whole concept of a retirement age. A poll by the DOXA research group says that 28 percent of those nearing retirement age do not want to stop work and the others want only a partial slowdown. Thirty percent of all suicides are committed by those in the 65-70 age group who have been told to get out of the workforce.

There will also have to be a change in health and education priorities. While 40 percent of hospital beds are occupied by patients over 60, with other facilities overcrowded, the drop in the birth rate means maternity beds are largely vacant. And while high schools are bursting at the doors, enrollments in day-care centers for the very young are down 10 percent for the first time in most big cities.

Italy also faces a flood of imported workers to take jobs unwanted by the reduced, younger age group and too difficult for the older persons. Northern Europe has already been hit by the guest worker invasion and foreign workers now number about 10 million on the continent. The Italian Communist Party estimates that 650,-



000 of them are in Italy while others suggest at least a million. The numbers are expected to increase, putting added strain on the nation's economy.

If the Government and the demographers were caught by the sudden gray revolution, industry and neighborhoods were not. Italian senior citizens now have at least two magazines devoted to their leisure and lifestyle and travel agencies are heavily promoting trips aimed at the higher age groups. Discos in Milan and Turin have

been asked to offer some of their off-peak periods so that senior citizens can dance, and neighborhood groups are expanding their activities for the elderly.

One of the biggest shifts in priority is seen on shop shelves where grandmother is being given almost as much attention as the new baby. Food and clothing designed for children is being adapted for a much older market and Fiat is moving into the new hot lines of pacemakers, dental plates, and hearing aids.

## Brussels

"Is it possible to buy in Brussels a corkscrew that isn't in the form of that little boy peeing?" an exasperated American tourist once asked me. It's a fair question—indeed one might well wonder what the people who design souvenirs of Brussels would have done without the unabashed figure of the Manneken-Pis. You can find him reproduced in the form of hooks, pocket-knives, drink dispensers, keychains, and garden fountains while his image on post cards and in guidebooks has become virtually an official symbol of Brussels.

Now, after a 350 year history rich in incident, the Manneken-Pis is being honored by what must surely be the biggest-ever exhibition devoted to a single statue. In the Maison du Roi, in the Grand' Place, have been collected the 326 tiny suits provided by various distinguished visitors to cover the boy's immodesty, hundreds of post-cards, cartoons, certificates, medals, and the actual bronze figure dating back to 1619. The statue that most tourists see is, in fact, a copy.

Who was he originally and why the irreverent pose? The exhibition acknowledges

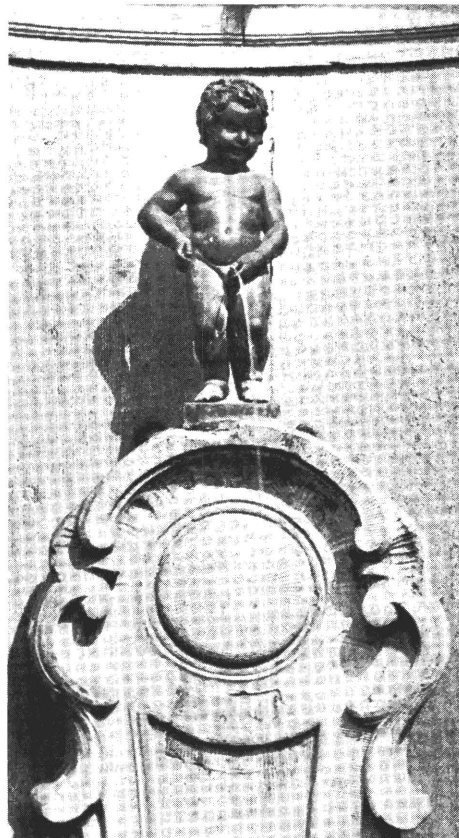
the various differing accounts there are of his background. One version dates back to the 11th Century when an infant feudal leader stimulated the morale of his army by a derisive gesture at the enemy. Another story is that the statue commemorates a boy called Julien who saved Brussels from destruction in the 13th Century by extinguishing a fire-bomb in his own unique manner.

What is accepted is that the original statue was cast for 50 florins in 1619 by a local sculptor, Jérôme Duquesnoy, and served as a source of drinking water for citizens. The saucy pose made the boy into a powerful attraction for visitors and it soon became the fashion to heap honors on his small frame. Many countries made him an honorary citizen, beginning with Switzerland in 1627. In 1747 Louis XV knighted him and in 1805 Napoleon appointed him chamberlain of the empire. Numerous military, student, and sporting associations have provided him with honorary membership.

But such a famous and portable figure soon attracted the attention of thieves and pranksters. It was first stolen in 1745 by British soldiers and found in Flanders. A French soldier stole it in 1747 causing a wave of anti-French feeling in Brussels that led to Louis XV donating a lavish costume for the recovered statue. This blue coat and breeches, the oldest clothing in the exhibition, were followed by a flood of gifts of specially tailored clothing including about a hundred military uniforms, ceremonial attire, and even suits of plate armour.

The statue is still stolen occasionally—the last time in 1978 by students when it was promptly returned. As to how the citizens of Brussels themselves regard the fellow—well it is certainly true to say that attitudes have changed a lot since the Twenties when a campaign was launched by an international league "against public immorality" to have the statue permanently removed. No one seriously entertains such views in Brussels today when the strongest emotions the statue arouses are school-girl giggles or disapproving clucks from tourists—most of them, it must be said, from the other side of the Atlantic.

ALAN OSBORN



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## Parliamentary Notebook



DAVID WOOD, *columnist for The Times of London*

The role of the European Parliament in influencing, if not fashioning, the Community's foreign policy and external relationships increasingly attracts a lot of limelight, some of it flattering and a little of it harsh and censorious. There have been two recent examples. First, President Sadat of Egypt accepted an invitation to be one of the rare guests of honor of the Parliament, and took his place at the rostrum to deliver one of the most significant speeches he has ever made on the settlement of the Israeli-Arab crisis. There need be no doubt that he and his advisors judged the European Parliament to be a democratic forum of first importance for influencing public opinion throughout Western Europe. He deservedly got the reward of widespread coverage by all the media as he appealed for Europe to underwrite unspecified "additional security guarantees as a contribution to peace in the Middle East."

Secondly—and far less welcome—there has been running criticism of the delegations the Parliament increasingly sends overseas on fact-finding and goodwill missions. The trouble began with a delegation of 36 parliamentarians to Bogota, with an entourage of more than 60 interpreters, experts in protocol, and administrators to look after travel arrangements and pay the expense allowances. British newspapers led the way in protesting that the visit cost some \$550,000, and that the parliamentarians were living high on an expense allowance of about \$125 a day.

It made unhappy publicity for a Parliament that had hitherto made a name for its critical scrutiny of the Community budget, especially in a time of trade recession and the preoccupation of governments of the Ten with keeping national spending under tight control. Parliamentary leaders had

doubts whether an annual budget of around \$11 million for parliamentary overseas delegations could be justified. Some outsiders, usually hostile to the Parliament and the Community, insisted that the parliamentarians had no responsibility for foreign policy or external relations other than trade, and that therefore the delegations were merely boarding a gravy-train.

Bogota, presented as a "scandal," obliterated the memory of President Sadat's choosing the Parliament as his best forum. And Bogota was not all. A total of 61 parliamentarians, with a staff entourage to scale, were committed to go to Sierra Leone for a Lomé conference. The popular newspapers did not bother to point out that the Council of Ministers had committed the Parliament to the visit, with the requirement that each signatory country of the Lomé Convention should have its delegate matched by one parliamentarian. Another delegation was taking off for Tokyo; a third to Jakarta. Parliamentarians were to be scattered across the globe.

It needed a month or two for common sense to triumph. For their part, the president and the managerial bureau of the Parliament, urged on by parliamentarians themselves, decided to cut the size of overseas delegations, including accompanying staff, but they also finally vindicated the principle that the Parliament must maintain contact with the outside world—not least the Third World. So overseas delegations will continue, though with a more critical eye on the cost each incurs. After all, there is not a democratic parliament in the Western world that does not send members abroad to make contacts and inform themselves on the spot. Why should the directly elected European Parliament, representing 260 million people, be expected to live in

an ivory tower?

It is, of course, true that in Treaty of Rome (establishing the EEC) terms, foreign policy remains the responsibility of the national Governments of the Ten. But the Community is evolving beyond the foundation Treaties. Three times a year the heads of government meet at a summit, where Community strategy, internal and to some extent external, is on the agenda. But there is still no Treaty recognition of summit meetings. Similarly, the Council of Ministers cannot shut out the rest of the world, whether it is a question of limiting Japanese imports or the promotion of stability in the Middle East to ensure oil supplies. President Sadat, for example, was taking up a Community initiative on the Middle East when he addressed the Parliament.

Such evolution will continue and members of the European Parliament are surely right when they argue that they must evolve to keep pace with developments. The Parliament, after all, is the elected democratic assembly where the president in office of the Council of Ministers is held to account by question and by debate, and in a direct way the Parliament can at least try to influence the collective policies of the Ten's national Governments. Ergo, if the Council of Ministers increasingly moves, or is pulled, toward foreign policy initiatives, then the Parliament has a valid status in foreign policy also, quite apart from the undeniable fact that Governments across the world increasingly want to meet delegations from the European Parliament to learn about the Europe that is in the making. In the form of delegates, the parliamentarian become brokers between Governments.

Out of the damaging controversy about costly overseas delegations including too many interpreters and translators, a new campaign has been launched to limit the number of official Community languages into which every speech and every scrap of paper has to be turned. The Six have grown to Ten, and Portugal and Spain are in the wings waiting to enter. A Tower of Babel is being built, as the arrival this year of the Greek parliamentarians has brought home to everybody, and the cost is exorbitant. One proposal gaining some ground is that all speeches should continue to be interpreted into all Community languages, but that the written records should be translated only into, say, four main languages. The budget savings would be considerable, but so would be the blow to the self esteem of politicians from the smaller countries. And meanwhile a society for the promotion of Esperanto has hopefully put me on their mailing list.

# Trudeau Gears Up for July Summit

## Seeks Closer Links with Third World

Interview by DAVID HAWORTH

A combination of circumstances—internal and external—have conspired to put the spotlight on Canadian Prime Minister Pierre Trudeau this year. Some of these are of his own making; most would have occurred in any case. That he is an unusual and complex figure, nobody would deny. That his vision of Canada and its role in world affairs is equally assertive is something other industrialized nations and also the Third World cannot ignore. The Prime Minister agreed to give EUROPE the exclusive interview which follows.

Among other observations about the EC, Trudeau finds that the EC's integration efforts are "one of the most significant developments of the 20th Century" and he adds, appropriately, that such progress should not be oversimplified nor should strict comparisons be drawn between what is happening in the European Community of Ten and constitutional developments in Canada.

Canada faces a difficult balancing act in trying on the one hand to maintain trade links with her traditional partners and at the same time to become an acknowledged interlocutor between the industrialized nations and the Third World. In this context the world economic summit next July will be crucial. It will also be, in some senses, the highest point of the Prime Minister's career and underline—if that is needed—the fact of Trudeau's role as an international broker. While the emphasis of his foreign policies in the past has been primarily economic, a new, less tangible, dimension can be seen in his replies.

Clearly the Prime Minister is seeking a defined and recognizable influence on world affairs: While upholding the nation's traditional ties with Europe and the United States, he is also seeking more intimate economic and political links with the Third World.

None of these ambitions are irrelevant either to the United States or the European Community: Certainly they will affect the tone and progress of the Atlantic relationship as a whole. This is particularly the case following the recent Reagan-Trudeau summit.

This interview first appeared in our sister magazine in Canada.

*EUROPE: How do you see Canada's role in the context of EC-US-Japanese relations?*

**Prime Minister Trudeau:** In economic affairs, it is clear that although we share major involvement in world trade with the EC, the US, and Japan, the fact that Canada is rich in natural resources and has a strong, export-oriented agricultural sector inevitably affects the structure of our economy, our trading relationships, and the emphasis in our foreign economic policy.

Currently we have substantial trade surpluses with Japan and the EC in addition to a global trade surplus. This makes us less concerned about the actual trade balance than about the composition of our trade. Our prosperity depends on our resource-based trade, but to get the maximum benefit from it we must find ways to increase the amount of upgraded products prior to export.

The importance of our resource exports sets us apart from many of our major industrial partners, so that we can, I think, better comprehend some of the arguments put forward by the developing countries to improve the functioning of the international economic system. As a country which is both dependent on and committed to the open international trading and payments system, we also are as aware as anybody of the dangers to that system which exist in the current economic environment.

In political affairs we share the concerns of our major partners about the need to develop better means of consultation. Our position as the smaller of the two industrialized North American countries makes us acutely aware of the problems which can occur if shared objectives are pursued without adequate consultation.

*EUROPE: How do you assess Canada's political role in the world?*

**Prime Minister Trudeau:** There has been an undeniable diffusion of power away from the superpowers and a number of new power centers are emerging. International relations are becoming more complex and less predictable and consequently, the problems faced by governments have grown in magnitude.



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There is an increasing realization that no country can remain untouched by world developments, and that growing global interdependence requires a greater cooperative effort to overcome problems. Canada is vitally dependent on an open and stable international system and we are committed to working toward solutions to world problems. Our contribution as a "middle power" often takes the form of fostering cooperation by groups of countries in order to deal with specific issues.

Much of the current global instability—military, political, economic—stems from developments in the Third World. The situation in a number of Third World countries is deteriorating fairly rapidly, and we in the West should be aware of the long-term consequences. The alarming plight of the poorest countries, for example, and the growing demands of all developing countries for a better sharing of economic development opportunities are questions which must be dealt with.

The search for world stability also means that we have to ensure, together with our allies, the efficiency of our collective defense efforts. We must, at the same time, make real progress in the field of disarmament and work for the improvement of East-West Relations. Canada will continue to play an active role in focusing attention on these issues and the need to find workable solutions.

*EUROPE: You will be host to the next world economic summit, gathering together the most powerful industrialized countries in the world here in Ottawa, in July. What are your hopes and expectations for the summit?*

**Prime Minister Trudeau:** The essential contribution of summits has been to develop a broad consensus on the nature of the common economic problems that confront the summit countries, and to stimulate cooperation among the seven most industrialized Western countries and the EC Commission. In recognizing the growing interdependence of the world economy, summits have also



tried to point in the direction of possible solutions to global economic problems to be dealt with in the appropriate international fora. As chairman of the next summit, I hope to build on the results of past meetings and encourage participants to continue to accord importance to medium-term, and not just short-term, issues.

There was a recognition at Venice of the importance of the North-South dimension and we commissioned a review of aid policies and other contributions for examination at the 1981 summit. Following the UN Special Session, and with the prospect of a number of major international meetings on North-South questions, it appears natural that the summit should, to the extent practicable, accord priority to these problems. It was in part in order to ascertain the possibilities for genuine change on this front that I visited Saudi Arabia, North Yemen, and Egypt last year and have just returned from visits to Nigeria, Senegal, Brazil, and Mexico.

Although it is difficult to predict with certainty the issues to be considered in July this year, I think there are a number of subjects which most likely will be covered. The repercussions on the international oil market of prolonged hostilities between Iran and Iraq, for example, mean that energy will continue to be an important topic. The problems of continuing inflation, and the effects of oil price increases, will certainly be raised. The recycling of petrodollars, including prospects for an expanded role for international financial institutions, and other trade issues will no doubt also figure in our discussions. In light of the evolving international scene, there may also be a need for a political dimension to our discussions as was the case at Venice.

I sincerely hope that, at the Ottawa summit, our discussions will be productive and, where feasible, we will reach concrete conclusions in key areas.

**EUROPE:** *There has emerged an impasse and even hostility between the industrialized nations and the developing countries. You have been active in seeking to establish a genuine North-South dialogue. How do you regard the prospects?*

**Prime Minister Trudeau:** The dialogue between industrialized and developing countries is a central component of international economic relations. As I have said in response to an earlier question, the fact of global interdependence is now widely acknowledged. While it is true that at times the dialogue has become deadlocked and progress has not been as great as we would have hoped, we should not forget that there has been progress in some important areas. For example, Canada has just signed the

agreement establishing the Common Fund—the result of four years of intensive and often frustrating negotiations. This \$750 million fund will help encourage commodity agreements, with the goal of improving the long-term competitiveness of various commodities of particular interest to developing countries.

This being said, however, we cannot ignore the enormity of the task ahead. It is important that the international community recognize the problems involved in the North-South dialogue, establish priorities, and work toward solutions. I hope agreement will soon be reached on the launching of the UN global negotiations because I feel that agreement on this issue would offer a major opportunity to promote concrete progress in the dialogue.

The proposed North-South summit in Mexico also could serve to focus international attention on these issues and act as a catalyst in the dialogue. I hope it will be possible for us to make commitments there at the highest political level to give priority to the search for pragmatic solutions. I endorse the summit concept and will continue to strive to promote it internationally. Through the flexible use of such mechanisms, including the summit in Canada next July, we will be able to make progress in these crucial areas in the coming year, progress which is vital for all of us, not just for the developing countries.

**EUROPE:** *Greece has just become the tenth member of the EC. Portugal and Spain are expected to join in the next few years. How do you regard the further enlargement of the EC?*

**Prime Minister Trudeau:** The expansion of the Community to include Greece and, eventually, Spain and Portugal, is in the broadest political interest of Canada and other non-European nations who share a belief in the importance of a strong and united Europe.

As the Community grows, so does the character of its relationship with other countries, and the direct effect on Canada is the change in trade patterns resulting from enlargement. In the case of the first enlargement in 1973, with the joining of the United Kingdom, Ireland, and Denmark, the trade effect on Canada was particularly severe. However, the extent of the change in trade in the case of Greece, Spain, and Portugal will be less. We are of course concerned with the potential loss of Canadian exports to Greece and, eventually, Portugal and Spain as a result of their joining the EC and the consequent alignment of their import regimes to those of the EC. But under the General Agreement on

Tariffs and Trade (GATT), the EC has an obligation to ensure that Canada is compensated for any increase in GATT bound duties which may occur as a result of accession.

**EUROPE:** *What regard do you have for suggestions that Canada might enter into a common market with the United States and Mexico?*

**Prime Minister Trudeau:** Last May, Mexican President Lopez Portillo and I issued a joint statement indicating our respective reservations about mechanisms for comprehensive trilateral economic cooperation. We in Canada believe that this is best achieved in most respects by the continued improving of our bilateral relations with the United States and Mexico.

President Reagan has placed great importance on improving relations with the United States' North American neighbours, and indicated as much in his Inaugural Address. I welcome President Reagan's desire for closer consultation on important economic matters and look forward to discussing these issues with him when we meet.

**EUROPE:** *The existing United Nations machinery is coming under increasing criticism for its alleged inadequacies. What new structures within or outside the United Nations do you feel are needed to meet the conflicts and challenges that exist in 1981?*

**Prime Minister Trudeau:** The United Nations is only a reflection of its members and of the complexities of the problems they bring to that organization for solution. Many of these defy solution, not because the machinery is inadequate, but because the members will not or cannot bring sufficient political will to bear on the conflict of interest which the problems represent. We don't need new structures, we need nations to relate more directly to real needs and real facts, rather than to superficial alliances which prevent real work from being done.

If periodic meetings at the head of Government level, such as the North-South summit in Mexico, can generate greater political commitment to ensuring that the international process deals with real problems, they should be used more often. On some political issues such as those of the Middle East, southern Africa, or the Soviet invasion of Afghanistan, the UN Security Council has really gotten nowhere because the protagonists are more concerned about their own interests than about international law and political opinion as it is expressed in the United Nations. In such situations, other venues and other pressures might be useful in enabling the world community to help resolve the conflicts.

# Zimbabwe and the EC

## Relations Could Test Lomé Partnership

CAROL COSGROVE TWITCHETT, *writer and consultant on European Community relations with developing countries*

Zimbabwe was the 60th country to join the African, Caribbean, and Pacific (ACP) group of nations linked to the EC by the Lomé Convention. Despite severe disruption from 14 years of trade sanctions and seven years of civil war, the Zimbabwe economy is widely believed to have great potential. Premier Robert Mugabe opted to seek EC assistance in the daunting task of economic reconstruction and development through the Lomé partnership. So Zimbabwe's exports will for the most part have free access to the EC market and the economy will be eligible for large-scale project assistance from the European Development Fund (EDF).

The most pressing task confronting Zimbabwe on independence was resettling more than one million people displaced by the civil war. Throughout 1980-81 the Community, through its emergency aid program, worked closely with the United Nations High Commission for Refugees (UNHCR) to promote the repatriation and resettlement of an estimated 14 percent of the Zimbabwe population. UNHCR spokesmen themselves stressed the key role played by EC assistance; the certainty of EC funding triggering the whole program and encouraging contributions from other donors. Road transport, especially busses, were crucial to the resettlement effort as refugees often had to be transported hundreds of miles; EC aid financed most of the buses.

The refugees also had to be fed while waiting for their first harvest, and EC aid made another major contribution in this area. In addition, the Community is supporting a vital veterinary program to improve livestock quality by a massive vaccination campaign against foot and mouth disease.

Zimbabwe's formal accession to the Lomé Convention must wait until the EC-Zimbabwe agreement of November 1980 is ratified by the national parliaments of the ten EC member states which could mean several months delay. The second Lomé Convention itself only came into operation on 1 January 1981 and expires on 28 February 1985. Thus the EC-Zimbabwe agreement will cover only three-to-four years. Pending ratification, EDF aid cannot be disbursed to Zimbabwe. In general, however, Zimbabwe will participate in the Lomé partnership on the same basis as other ACP states. Zimbabwe's exports like those



*Signature of the Zimbabwe accession treaty to the Lomé Convention last November. Pictured are (L-R): David Smith, Zimbabwe minister of commerce and industry; Gaston Thorn, then-Luxembourg foreign minister; and EC Commissioner Claude Cheysson, in charge of development policy.*

of its ACP partners have free access to the EC on two conditions. First, the exports must satisfy the stringent rules governing their origin; broadly speaking, at least 50 percent of their value must originate in the ACP group. Second, products subject to the Common Agricultural Policy (CAP) are excluded from the free access provisions; a series of special trading regimes govern ACP exports of farm products to the EC.

Zimbabwe's economy is fairly diversified by African standards. Fourteen years of isolation from world trade forced local industries to innovate and by 1980 more than 4,000 different products were manufactured in Zimbabwe compared with some 600 in the mid-1960s. Indeed, today the manufacturing sector contributes more than 20 percent of the country's domestic product, a figure unmatched elsewhere in black Africa, and is poised to initiate a major export drive. Allied with the Lomé trade promotion provisions, Zimbabwe could take advantage of free access to the EC market to a greater extent than any ACP state has yet done.

Agriculture contributes some 12 percent of Zimbabwe's gross domestic product. A relatively modern, commercialized farming sector, dominated by white farmers, exists alongside the impoverished subsistence sector. More than half the black Zimbabweans live on Tribal

Trust Lands which for the most part are overcrowded, overgrazed, and disease-ridden. A large proportion of EDF aid is to be channelled into a high priority rural development program. Meanwhile the commercial agricultural sector will look for export outlets in the EC and be able to take advantage of the Lomé Convention's Stabex scheme for several commodities. Stabex, the Lomé Convention scheme for stabilizing export revenue in ACP

countries, represents a positive innovation in relations between industrialized and developing countries. Among Zimbabwe's eligible exports are coffee, cotton, hides, and tea. Disappointingly for Zimbabwe, on Italian insistence no special arrangements were agreed for its tobacco exports, although tobacco might soon be eligible for Stabex support.

Sugar and beef were the most controversial items in the EC-Zimbabwe negotiations; the Community's CAP having encouraged surplus production of both commodities in Western Europe. Zimbabwe was admitted to the Sugar Protocol attached to the Lomé Convention whereby the EC guarantees access for 1.2 million tons of ACP sugar each year at prices fixed under the CAP. Under the Protocol, each ACP producer receives a quota. Zimbabwe's original request for a 75,000-ton (metric) quota was implacably rejected by France, and it settled for 25,000 tons—the amount to which Southern Rhodesia was entitled under the now-expired Commonwealth Sugar Agreement. While potentially important in the longer term, Zimbabwe may not immediately choose to use up its quota as world sugar prices are currently higher than EC ones and the Community has not guaranteed fixed prices for Zimbabwean sugar.

The EC places strict limits on Zimbabwe's beef exports, with an annual quota of 8,100

tons of boneless beef. This will enter the EC duty free with a minimal levy—on the same terms as beef from Botswana, Kenya, and Swaziland—on condition that the resultant revenue is used to improve the quality of Zimbabwe's livestock and eradicate foot and mouth disease. In fact, as the latter is rife at the moment, no Zimbabwean beef is allowed into the EC for fear of spreading infection.

Aid from the EDF and cheap loans from the European Investment Bank (EIB) could have a substantial impact on Zimbabwe. Minerals currently contribute around eight percent of domestic product and include asbestos, chrome, coal, copper, gold, and nickel. The as yet untried EC Minex scheme and special EIB loans for mining projects could be potentially attractive for Zimbabwe; Lomé II trade promotion measures could also boost sales in this sector. Although designed like Stabex to promote greater stability in export revenue, Minex is formulated more in terms of accident insurance. The copper provisions are likely to be of most value to Zimbabwe; Minex does not cover chrome, gold, or nickel. The EIB has provisionally set aside ECU 30 million (\$36.6 million) for loans to agro-industry, energy, and mining in Zimbabwe. It will be essential for the Salisbury Government to organise an adequate project identification and development system. Similarly, the allocation of ECU 40 million (\$48.8 million) in EDF aid requires identifying specific projects; the broad sectors have already been identified in a joint programming mission undertaken by the EC Commission and Zimbabwe Minister of Economic Planning and Development Bernard Chidzero. Based on Zimbabwe's own development priorities, EDF aid will mainly go into agriculture, rural development, and training. As a landlocked country, Zimbabwe is dependent on its neighbors for virtually all external communications. Air Zimbabwe itself is rapidly building up a network of passenger and freight routes. Zimbabwe shares borders with two ACP states, Botswana and Zambia, and accession to the Lomé Convention greatly widens the scope for EDF and EIB financing of regional schemes. As a result more than ECU 30 million (\$36.6 million) has been added to the EDF budget for intra-ACP regional schemes in southern Africa, especially within the framework of the Southern African Development Coordination Conference. Zimbabwe is seeking to reduce its dependence on trade and communications with the white-dominated regime to the south; at present, nearly three-quarters of Zimbabwe's exports go via South Africa.

Zimbabwe looks to the EC to encourage other aid donors to contribute to its development. The Government invited representatives from 45 bilateral and multilateral agencies to participate in a donors' conference

last March, and Chidzero has called for a mini-Marshall Plan to overcome inequalities and set Zimbabwe on the road to prosperity. To date it is estimated that Zimbabwe has been pledged around \$550 million for immediate reconstruction and rehabilitation, with more expected for longer-term development. EC Governments, especially the United Kingdom and West Germany, have led the way; the British, in particular, have lobbied strongly on Zimbabwe's behalf.

There seems little doubt that Zimbabwe's participation in the Lomé Convention will have a significant impact on EC-ACP relations. Already, European businesses are wary of increasing competition from Zimbabwe companies bidding for EDF-financed contracts in Africa. An EDF contract for 300 railroad wagons for Zambia has already gone to a Zimbabwe company, tendering nearly 50 percent below its nearest European rival and with a better delivery date. In ACP institutions Zimbabwe is a staunch advocate of collective self-reliance and a "tcdc" strategy—technical cooperation among developing countries. In fact, Zimbabwe is critical of undue ACP dependence on the EC and has already exhorted its new Lomé partners to work for greater intra-ACP solidarity as an essential prerequisite for real partnership with the Community. Chidzero stressed to ACP representatives that the developing countries should approach North-South relations from a position of strength and dignity, not merely holding out a begging bowl. The EC for its part claims that the Lomé Convention represents a real partnership, based on mutual respect and parity. Zimbabwe's participation may well test the reality of partnership in EC-ACP relations.

At auction. © Peter Jordan, Liaison Agency



On a tobacco farm. © Peter Jordan, Liaison Agency



Long-hole drilling in a copper mine.

© John Moss, Photo Researchers

# NEWS

## OF THE COMMUNITY

### INSTITUTIONS

#### Thorn Names Problems

In a speech in early February to the European Parliament to outline the work program for this year, EC Commission President Gaston Thorn stressed that greater efficiency and institutional peace in the Community was necessary for Europe to play its potential role in the world.

He also said that the international situation had not been so preoccupying since the end of the cold war period. Thorn named areas in the world where human rights are being undermined.

Proposals to resolve the internal budgetary and agricultural problems would be developed in the Commission by May, Thorn said. He added that the upper limit of 1 percent of value-added tax reserved for contribution to the EC budget should not be considered unchangeable if the institutions were to solve spending problems. The Community should have a role beyond merely propping up ailing industries in resolving the current economic problems, Thorn said.

#### Germany Sues on Budget

In an unexpected move in the EC budget controversy, the German Government announced in mid-February that it was filing an action before the European Court of Justice.

A spokesman in Bonn said the German Government felt the decision over the Community's final 1980 and 1981 budgets should be made by the EC institutions involved and not by a court. But in filing the action, the German Government was seeking to preserve its rights in the case rather than waiting for the anticipated infraction procedure by the EC Commission against the German, French, and Belgian Governments for nonpayment of their shares of the disputed budget.

The Governments involved argued that the budgets were not completed despite the increases passed by the European Parliament in December.

#### Budget Dispute Goes On

The EC Commission decided in early February to begin the first phase of possible legal infringement proceedings against France, Germany, and Belgium for their refusal to pay part of the contested expenditures involved in the Community's budget dispute.

All three countries were withholding the portion of the contribution that would match their increment in the Community's 1980 supplemental budget voted by the European Parliament late last year. France and Germany were also limiting their contributions to the 1981 budget as well as withholding payment of a small increase adopted by the Parliament.

At issue is a difference of opinion on whether or not the Parliament has the authority to complete adoption of budget increases although these member states were still opposed.

#### Consumer Committee Meets

The EC Commission's Consumers Consultative Committee (CCC) met for the first time in late February with the new commissioner in charge of consumer protection policy, Karl-Heinz Narjes. The group adopted a position on loans on real property and an opinion on the reform of the Common Agricultural Policy (CAP).

In the field of loans on real property the CCC defined criteria that should be observed in harmonizing legislation in regard to advertising, indication of interest rates, early repayment of loans, and other measures. On CAP, the committee came out in favor of a fundamental rethinking of the farm policy in the interest of consumers. The aim would be to arrive at a true supply policy as opposed to agricultural protectionism. The key to long-term reform, said the consumer group, should be the abandonment of the policy of high prices as well as the system of guaranteeing farmers' incomes by fixed prices. These measures would result in prices acceptable to consumers and would restore the balance of the markets.

#### UK Gets First Payments

The EC Commission announced in late January that it was transferring over £210.5 million to the United Kingdom under the terms of the revised financial mechanism that followed agreement last May to repay a portion of Britain's contribution to the Community budget. This amount is 75 percent of the total to be repaid through the revised financial mechanism. The Community will settle the balance after the revenue and expenditure account for 1980 has been finalized.

A second form of repayment was to be made through supplementary measures via the Regional Fund. The first supplementary measures to be implemented, also announced in late January, involve public works programs in Wales and the northwest of England.

The British Government had com-

plained in 1979 about having to pay into the 1980 EC budget twice as much as any other member state. Prime Minister Margaret Thatcher demanded that the Community agree to changes in the budget that would balance Britain's contribution.

#### Spaak to Head Thorn Staff

EC Commission President Gaston Thorn named Fernand Spaak as head of his personal staff in early February. Spaak replaces Adrien Ries who resigned after only a few weeks because of ill health.

Spaak is the son of the former Belgian statesman Paul-Henri Spaak and has himself been an official of the Commission since 1960. He was most recently head of the EC Commission's Delegation in Washington. Prior to that he had been director general for energy and head of the European Community atomic supply agency. Since returning to Brussels about a year ago, Spaak had been in charge of enlargement negotiations with Spain and Portugal.

#### Customs Union Work Slows

Work on the internal customs union slowed down in 1980, according to a report released by the EC Commission in early February. The report also urged an increase in efforts in the coming year.

Work aimed at removing customs barriers to trade inside the Community—as well as coordinating technical procedures—dropped from nine major actions in 1979 to one measure adopted in 1980. This measure concerned the value of merchandise for customs purposes. One proposal was also made by the Commission last year for better coordination through exchange of information prior to the adoption of new technical standards that are themselves potential barriers.

The work that has been underway for several years concentrating on the removal of technical and administrative differences has been hampered by the continual creation of new difficulties. Some of these have been measures to protect standards, consumers, or the environment, and others have been aimed at protecting industries from foreign competition.

#### Fishing Talks Deadlocked

Community fishing policy negotiations remained deadlocked inside the Council of Ministers following a meeting in early February. The fishing controversy affects the Community's internal as well as international relations in its failure to reach an accord on quotas and access of EC countries to each other's national waters. The main difficulty has been the access of French fishing boats on British waters.

Demonstrations by angry fishermen in Britain and Germany became linked to the overall controversy when a measure for an international fishing accord with Canada was blocked

pending the Brussels settlement of the internal problem. This blocked measure would allow largely German EC fishing fleets to work in Canadian waters in return for improved access of Canadian fishing products into the Community.

In Germany, Bremerhaven was the target of fishermen protesting the deadlock in EC fishing talks. British and German demonstrators blockaded other ports in both countries to display their grievances, and ports in Scotland were blockaded to protest the sales of cheaper imported fish.

### EXTERNAL

#### US-EC High Level Contacts

EC External Relations Director-General Sir Roy Denman met for the first time with the new Reagan team in early February. The talks with incoming trade and economic officials were a continuation of the regular series of semi-annual meetings between the Community and the United States.

It was reported that emphasis in the talks was placed on trade in synthetic fibers. European manufacturers had complained that American rivals were unfairly benefiting from US Government-controlled low prices for oil and gas used in synthetic fibers production. The Community subsequently imposed restrictions. The problem has been eased, however, by the new US Administration's decision to deregulate oil prices.

The talks also covered the recent contacts between the Community and Japan over the Community's mounting trade deficit. Both the Community and the United States had already expressed an interest in close consultation over relations with Japan, particularly in automobile imports. The concern was that limitations on Japanese car imports to one market would divert shipments to the other.

#### Economic Sanctions Lifted

Sanctions against Iran applied in early 1980 by the Community as a result of the seizure of the American hostages there were revoked in a meeting of EC foreign ministers in mid-January following the release of the 52 captives.

A statement issued later noted, however, that several British citizens were still being held captive in Iran.

#### New Mideast Mission

Dutch Foreign Minister Christoph van der Klaauw, as president of the EC Council of Ministers, began a new Middle East mission in late February that was to take him to 12 countries. His is the latest round of diplomatic initiatives taken by the Community seeking a peaceful solution to political problems in that region.

Van der Klaauw began his visits with

the Syrian authorities in Damascus where he met President Hafez Al Assad. Assad urged Europe to take an independent position in the Middle East situation. On this first leg of his trip, van der Klauw was also to confer with King Hussein of Jordan and President Saddam Hussein of Iraq.

## Oil Embargo Sought

Members of 11 European parliaments meeting in Brussels in late January called for an oil embargo against South Africa. Representatives of the European Parliament and national legislative bodies, as well as the United Nations Committee Against Apartheid, the Organization of African Unity, and the African National Council from Namibia, were present.

A United Nations resolution last December calling for such an embargo was examined at the meeting. Oil-exporting countries have applied such restrictions, but oil and shipping companies have continued to ship oil to South Africa, it was reported. The group urged Western countries to adopt legislation that would prevent oil firms from dealing with South Africa, as a means of putting pressure on that country to end its discriminatory practices.

## Oil Decontrol Welcomed

The Community indicated in late January that it approves the US decision to decontrol oil prices. This move could help end the distortion of competitive prices that has benefited US producers of synthetic fibers and petrochemicals, the Community said.

Lower priced US oil and natural gas had been the subject of considerable controversy in Europe where manufacturers complained that the United States had an unfair price advantage over European manufacturers of petroleum-based products. As a result the Community had applied a countervailing duty on some of these US products. The Community recently said it also hopes the United States will move to deregulate natural gas prices as well.

## EC-Turkey Relations

Relations with Turkey should be maintained in spite of the military regime in power there, EC Commissioner Lorenzo Natali, in charge of Mediterranean policy, told the European Parliament in late January.

Natali said the situation in Turkey was different from that in Greece several years ago when military officers overthrew a functioning democracy and necessitated a Community freeze in relations. The Turkish coup was for the purpose of restoring order and the military Government has promised to seek an early return to civilian rule, the commissioner explained. The Government has also announced it will open a constitutional assembly this year.

Natali said maintaining relations with Turkey was the best contribution the

Community could make toward an early return to civilian rule there. But he also said that the upcoming renewal of the Community's financial aid protocol with Turkey should perhaps be contingent on concrete action in Turkey.

In the meantime it was announced that the Ankara Government had invited a delegation from the European Parliament to consult with Turkish officials about the return to democracy.

## Relations With Chad

Relations with the troubled African state of Chad were proceeding as normally as possible, EC Commissioner Claude Cheysson, in charge of aid programs, told a parliamentary committee in late January. The EC aid delegation in that country had to be temporarily evacuated to neighboring Cameroon because of fighting in Chad.

Following civilian warfare there the Chad Government, with the aid of Libyan troops, had defeated rebel forces and later indicated it planned a merger with Libya. Cheysson said that aid projects in southern Chad were proceeding normally, however, and that 80 percent of the proposed ECU 51.9 million in aid anticipated for that country had already been allocated.

## EC Responds on Steel

The US Administration announced in mid-February an increase of four percent in the trigger price applied to steel imports in the second quarter of 1981. In response the EC Commission said it would seek clarification on the impact of the increase on the different categories of steel.

The Commission added that it was concerned about the declining position of European steel exporters to the United States. Figures released in Brussels recently showed EC exports to the United States in steel had declined from 7.4 million tons (metric) in 1978 to 3.9 million tons in 1980.

## Interparliamentary Meetings

A delegation from the European Parliament met with top Japanese Government and parliamentary officials in Tokyo in mid-February. The European group was in Tokyo for the fourth EC-Japanese Parliamentary Conference.

Measures taken by both sides to save energy and develop energy alternatives were examined during the conference. Other issues discussed were the difficulty of obtaining patents in Japan and the possibility of creating a new financial organization to recycle excess petrodollars in the oil-producing countries.

The fifth EC-Latin American Interparliamentary Conference was held in late January in Bogota, Colombia. European Parliament President Simone Veil, who led the European delegation, visited other Latin American states prior to the Bogota meeting.

In a final declaration the parliamen-

tarians urged "direct democratic pressure" on military regimes in Argentina, Chile, Uruguay, and Bolivia. They also expressed concern about rising oil prices; the group called for the oil producing countries to lower their prices for the less developed countries.

The idea of establishing a European-South American bank was met with approval. Such a bank would support investments to aid public development of natural resources such as coal and uranium. The Latin American delegation also asked the Community to adjust its tariffs in favor of Latin American exports.

## Closer Gulf Ties Urged

Leaders of the European Parliament's external relations committee meeting in late January urged the Community to develop better economic relations with the Gulf area to ease the economic recession in Europe largely brought on by oil price increases. The group proposed the creation of an energy bond program that would offer the Gulf states an investment opportunity.

The parliamentarians also said that the proposed relationship with the Gulf region should cover as many sectors as possible including energy, investments, industry, technological cooperation, and political issues. These should be handled within the context of the Euro-Arab dialogue, which is expected to be reactivated this year.

## New Import Monitoring

A system of accelerated monitoring of imports into member states from Japan in certain product categories was adopted by EC foreign ministers in mid-February. At the same time, additional contacts were sought with Japanese authorities on ways of overcoming the EC trade deficit with Japan.

The foreign ministers issued a statement focusing particular attention on the problem of Japanese car imports, especially into the Benelux countries. The monitoring of imports would affect color television sets and tubes and certain machine tools, as well as cars.

The ministers' action came in the wake of high-level contacts between the Community and Japanese authorities in Tokyo in late January, at which time results were said to be modest. Japanese authorities had agreed to moderate their exports or recommend prudence in certain categories such as automobiles and television sets to certain EC member states.

## Latin American Contacts

A lapse of 18 months in formal direct contacts between the Community and Latin America was broken in early February when an ambassadorial meeting was held in Brussels to lay the groundwork for future talks.

Differences had arisen following difficulties over the role of Cuba, which does not recognize the Community and belongs to the Council for Mutual Economic Assistance (COMECON) group

of communist countries. Following the Brussels meeting, the two sides agreed to seek a complete resumption of their dialogue.

## Sadat Addresses Parliament

Egyptian President Anwar el Sadat addressed the European Parliament in early February to propose a new partnership between Europe and the Third World and to support EC participation in the settlement of the Middle East dispute.

Sadat suggested that Europe could play a role in providing security guarantees in the aftermath of the peace process. He also recommended simultaneous recognition by both Israel and the Palestinians for the rights of the other. At the same time Sadat downplayed the current emphasis on the possibility of Jordan playing a key role in providing autonomy for the Palestinians.

The speech was frequently interrupted by pro- and anti-Palestinian demonstrations. Following the talk, the Parliament adopted a resolution urging the reintegration of Egypt into the Arab movement.

## Visitors to the Commission

EC Commission Vice President, Wilhelm Haferkamp, in charge of external relations, met with Costa Rican Foreign Minister Bernd Niehaus Quesada in Brussels in early March. The two discussed the possibility of scientific cooperation through grants enabling Costa Rican scientists to conduct research into such areas as solar energy at the Community's Joint Research Centre at Ispra. Haferkamp also raised the possibility of EC participation in a feasibility study of the development of a Central American transport and communications system.

The Community is, along with the United States, a major importer of Costa Rican products such as coffee, bananas, cacao, cotton, and minerals. It is also Costa Rica's third largest supplier—cars, steel, iron, machinery, chemicals, and textile fibers are most in demand.

Hong Kong's Foreign Trade Minister William Dorward also visited the EC Commission in early March to discuss bilateral trade issues and the upcoming negotiations on renewing the international Multifibre Agreement.

Discussions between Dorward and EC Commissioner Wilhelm Haferkamp, in charge of external relations, covered the possibility of expanding EC-Hong Kong trade. Dorward urged EC exporters to make greater efforts to enter the Hong Kong market. He also said he hoped the negotiations on the Multifibre Agreement would lead to expansion of trade in this sector.

## Tour to ASEAN Nations

A Community delegation of about 10 experts from major mining and metal processing companies left in late January for a two-week tour to the five member countries of the Association

of Southeast Asian Nations (ASEAN). The purpose was to study the technical and economic feasibility of long-term cooperation between ASEAN and the Community in the nonferrous metals sector. The team also planned to examine the five countries' various legal, financial, and tax conditions in regard to foreign investment. The five ASEAN members are Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

### Korean Dumping Probed

The EC Commission said in early February that it would investigate the possibility that certain black and white television sets from South Korea had been dumped on the EC market.

Complaints by European companies have indicated a dumping margin of as high as 21 percent below costs. Imports of these sets had risen from about 120,000 in 1976 to 814,000 in 1980, an increase of about 578 percent. The market share had also increased from 4.9 percent to 22 percent of the Community market, the complaints said. European producers claim to have suffered losses of about \$35 million because of the alleged dumping.

## ENERGY

### 1990 Energy Goals

The EC Commission adopted in mid-February a first tentative evaluation of the progress made toward 1990 goals for energy consumption that were set down by the Council of Ministers in May last year.

The report said that a link of about .7 percent between energy consumption increases and economic growth would probably be reached. In addition, the report indicated that petroleum consumption would likely be about 43 percent rather than 40 percent of the EC total energy use. From 70 to 75 percent of Community electricity should be supplied by coal or nuclear energy if visualized investment programs are followed through, the report predicted, and the share of total energy needs supplied by renewable energy sources would only be about 2.2 percent.

### EC Oil Bulletin

The Community's average increase in free-on-board prices of crude oil between the end of 1978 and early March 1981, was 173 percent, as a result of decisions taken by the oil-exporting countries.

The pre-tax prices of the principal oil products (crude oil and imported finished products) increased by an average of about 104 percent over the same period. If these prices had been in line with the Rotterdam spot prices, the figure would have been 119 percent instead of 104 percent.

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

### Coal Output on the Rise

Coal production rose during 1980 in the Community, the EC Commission reported in late January. The increases were especially marked in the United Kingdom, Germany, and Belgium, but output declined in France and Ireland.

Overall hard coal production increased by 3.5 percent over 1979 production, or 8.5 million tons (metric). Total EC production was 247.2 million tons last year. At the same time there was an increase of 14.5 million tons of coal imported from third countries. All member states except Great Britain increased imports. Imported coal filled one-fourth of the Community's coal requirements last year.

### EIB Energy Loans

A high concentration of lending for investment in energy projects in the Community's least developed regions was reported by the European Investment Bank (EIB) in its annual report for 1980 released in early February.

The EIB's financing reached almost EUA 3.5 billion, nearly EUA 3 billion inside the Community itself, a figure roughly equal in real terms to 1979 spending. Inside the Community about 80 percent of financing went to Italy, the United Kingdom, and Ireland.

Outside the Community the EIB provided close to EUA 550 million to about 30 countries, most in the Mediterranean area. EUA 101 million went to Greece. The other major recipients were Turkey with EUA 179 million and Portugal with EUA 70 million. There was a strong increase in spending among the Lomé Convention recipients: from EUA 82 million in 1979 to nearly EUA 138 million in 1980.

## AID

### Development Fund Grants

Six allocations in the form of grants and loans were awarded from the European Development Fund (EDF) during February EC Commission meetings. A grant of EUA 3 million was approved for member countries of the Permanent Interstate Committee for Drought Control in the Sahel (CILSS) for a regional project to develop improved strains of millet, sorghum, niébe, and maize. The CILSS countries are Cape Verde, Chad, Gambia, Mali, Mauritania, Niger, Senegal, and Upper Volta. The project will be wholly funded by EDF.

Tanzania receives a grant of over EUA 4 million for extensions to the Mbeya water supply system. A grant of over EUA 1 million was also approved for the Congo, Equatorial Guinea, Gabon,



1982 Energy Expo: EC pavilion contract signed, sealed, and delivered. On the site of the EC pavilion in Knoxville, Tennessee, S. H. Roberts, Jr., president of the world's fair, "Energy Turns the World," Roland de Kergerlay, head of the EC delegation, and US Commissioner General Charles Fraser complete a contract-signing ceremony. Other participants of the pavilion are France, Germany, Italy, and the United Kingdom.

Sao Tomé, and Príncipe. The purpose is to fund the evaluation of coastal pelagic fish resources in the Gulf of Guinea.

Madagascar receives a grant of more than EUA 1.2 million as additional funding for the multiannual training program of 1976-81. Two additional grants that go for the benefit of all African, Caribbean, and Pacific (ACP) developing countries in the Lomé Convention are: EUA 260,000 for interim financing of experts and consultants for the General Secretariat of the ACP States; and EUA 20 million for financing of technical cooperation and trade promotion schemes which will streamline the processing of financing proposals for ACP states and Overseas Countries and Territories.

EDF financing for 11 projects and two overall financing allocations were approved in January. Niger receives a grant of nearly EUA 3.2 million for a section of the Birni N'Konni-Guidam Roudji road. For technical and economic studies on the water supply to a planned industrial complex, Senegal was granted EUA 1.1 million. A rural development project in Cameroon was granted nearly EUA 9 million. The five-year plan is aimed at increasing peasant families' incomes, helping to improve basic infrastructure, and making the most of grassroots initiatives.

Papua New Guinea receives a grant of over EUA 500,000 and a loan of more than EUA 1.3 million for a beef cattle ranching project. For surfacing of the Tobor dyke with concrete paving stones, Senegal receives a grant of EUA 1 million and a loan for EUA 550,000. Zaire was granted EUA 300,000 for continuation of a multiannual training program. A grant of EUA 350,000 was made to Cape Verde for boosting the capacity of the Praia power station. Sudan was granted EUA 40,000 for technical

studies for the development of the building materials industry.

The Central African Republic was granted EUA 555,000 to strengthen the technical department of the Société Nationale des Eaux and to improve the running and maintenance of the Bangui water supply. EUA 200,000 was granted to Nigeria as supplementary financing for its multiannual training program. EUA 2.86 million was granted to the Small Scale Enterprise Development Organization of Malawi to carry out an integrated development program in the construction, service, and productive sectors. The Community is also providing five experts for three years.

All ACP states and Overseas Countries and Territories will benefit from a grant of EUA 10 million to finance microproject programs and another of EUA 5 million to finance general technical cooperation and trade promotion operations by expedited procedure.

### ACP-EC Assembly Meets

About 400 delegates from the European Parliament and from the African, Caribbean, and Pacific (ACP) states belonging to the Lomé Convention gathered as part of the ACP-EC Consultative Assembly Committee meeting held in late February in Freetown, Sierra Leone.

EC Commissioner Claude Cheysson, in charge of aid and development, noted his main concerns as being EC enlargement and its impact on the associated countries, industrial cooperation, textiles, sugar, and supplies of surplus Community food to ACP countries. He also touched on the need to generate more investment and financing in the Third World and said the Community would soon have proposals to make in this area.

## Regional Strategy Planned

About 400 representatives from the Caribbean region and the Community met in Pointe-à-Pitre, Guadeloupe, in late February to discuss ways of increasing industrial and trade cooperation and to plan a regional development strategy.

Two members of the EC Commission, Claude Cheysson, in charge of development and cooperation, and Wilhelm Haferkamp, in charge of external relations, attended the meeting. During the meeting plans were drawn up for cooperation in the fields of research, education, and information exchange in a number of areas, transport, and financing. The aim was to increase the involvement between the independent states in the region which are mainly English-speaking and the French-speaking territories and departments of France.

On his way to Guadeloupe, Haferkamp had stopped off to meet with Dominican Prime Minister Eugenia Charles and with other government officials. They discussed the economic situation in that country, which has suffered considerable hurricane damage since its independence in 1979, and the implementation of Community aid projects under the Lomé Convention.

## Regional Fund Aid

The first allocation for 1981 of aid from the European Regional Development Fund was announced in mid-February. The total was ECU 354.04 million for 300 investment projects: ECU 12.91 million for four projects in industry and services; and ECU 341.14 million for 296 infrastructure investment projects. Greece, Ireland, Italy, and the United Kingdom were the recipients.

The projects in Greece were infrastructure investments including water supply to several cities and villages, sewerage, and telecommunications. Aid was also granted for infrastructure work in the industrial zone of Komotini and modernization of a railway line, also in northern Greece.

Projects in the other member states included a telephone network and port construction in Ireland, an aqueduct in Italy, and several industrial and infrastructure projects in Britain.

The fourth allocation of Regional Fund grants for 1980 was announced in late January. This total was ECU 530.25 million for 1,371 investment projects in Belgium, Denmark, Germany, France, Ireland, Italy, the Netherlands, and Britain. Total Regional Fund spending since 1975 now amounts to ECU 3,971.65 for 12,045 projects.

## 1980 Emergency Aid Total

Emergency aid to developing countries amounted to ECU 153 million for 1980, according to figures released in late January. Aid to the African, Caribbean, and Pacific countries under provisions of the Lomé Convention

amounted to ECU 35 million, an increase of about ECU 10 million over 1979. These funds mostly went to help refugees in Africa and for aid to drought or famine victims.

About ECU 63 million was sent to other developing countries, particularly to Cambodia because of the political unrest and famine there. The rest was allocated to aid Afghan refugees in Pakistan and Zimbabwe and for the victims of the Algerian earthquake. Emergency food aid that was sent to international agencies amounted to about ECU 98 million.

## More Food Aid Proposed

A joint food aid program for the EC member states in 1981 was proposed by the EC Commission in early February. The aid would total ECU 604 million and includes an almost 30 percent increase in shipments of cereals and grains for developing countries.

This Community food aid package would be made up of almost 930,000 tons (metric) of cereals, 150,000 tons of milk powder, and 45,000 tons of butteroil. A Community food strategy plan to improve efficiency and deliveries was also proposed. In spite of the increase in grain shipments, the Commission indicated that the aid level would run short of what would be needed, according to forecasts by the United Nations Food and Agriculture Organization.

## FINANCIAL

### New Loan Source Set

A new Community lending operation of ECU six billion to relieve the balance of payments problems of the member states was agreed at a finance ministers meeting in mid-February.

The ministers also studied the impact of recent rises in the US currency and interest rates. The immediate result had been an increase in prices Europeans paid for imported oil denominated in dollars.

A review of the economic situation in the Community showed that economic forecasts were viewed by some as slightly worse than had been expected for the member countries.

### EC Borrowing, Lending Rise

The Community's borrowing on the international capital markets has risen in recent years to about 12 percent of the total international activity, according to figures released by the EC Commission in early February.

The five EC lending institutions in 1979 accounted for ECU 3.3 billion in loans to member states, compared to ECU 1.7 billion in 1975 by the two facilities in operation then. Energy projects received most of the increase during that period and most loans went

to Italy, the United Kingdom, Ireland, and France.

The five facilities involved in borrowing and lending are the European Coal and Steel Community, the European Investment Bank, Euratom, the New Community Instrument, also known as the Ortolani Facility, and the special operation to assist member states to overcome balance of payment problems due to the increase in oil prices.

## ECONOMY

### Steel Measures to Go

Emergency measures taken in the steel sector in recent years to help the industry out of a worldwide crisis will come to an end, EC ministers of industry decided in early March. Among the major decisions taken at this Council of Ministers meeting were the abandonment of the state of emergency and the imposed production quotas, and the future dropping of national public aids for the steel industry.

The ministers agreed that no further public aid programs would be given to the steel industry after July 1, 1983. In addition, the Community's iron and steel companies would have until April 1, 1981, to reach a voluntary agreement on their output and deliveries inside the Community. The Council decisions clearly aim to avoid propping up inefficient operations.

In the meantime, the EC Commission had announced earlier that it intends to enforce stricter application of the EC rules governing aids granted by the public authorities for steel undertakings. The Commission reiterated its belief that subsidies should be granted only where they will eventually help to modernize and adapt the EC steel industry to be competitive at the world level.

### Steel Production Down

Crude steel production in the Community, under control since last October, dropped by 19 percent during the last three months of 1980, the EC Commission reported in late January.

The Commission-enforced cutback in steel production last year resulted in a firming up of prices—which had plunged during the year as producers competed to unload excess production—said the Commission.

### Jobless Nears 8 Million

Record highs of near eight million unemployed in the Community were reported in late January by the EC Statistical Office. The figure was a 4.2 percent increase over the November total and amounted to 7.2 percent of the total working population in the Community.

More people lost jobs in previously low unemployment countries, such as

Germany, than in countries with already high unemployment, according to the figures. The increase affected male workers particularly. From December 1979 to December 1980, unemployment rose 27.5 percent, the report said.

## AGRICULTURE

### Farm Supports Debated

In an attempt to cope with surpluses and severe budget problems, the EC Commission recommended modest price increases for farm products this year in the opening round of the annual debate over farm prices in mid-February.

The Commission's recommendation was for increases ranging from 4 to 12 percent above 1980 prices, depending on the product.

The proposal also called for the co-responsibility system that imposes a levy on farmers producing more than a limited amount of milk to be spread to other products in surplus. Further reduction of the monetary compensatory amounts was also recommended. This is a system of border levies member states have erected for incoming products to offset currency exchange rate fluctuations.

### Farm Incomes Decline

Farm incomes declined last year in the Community in spite of increases in prices and reasonably good harvests, it was reported in early February.

Special articles in the annual farm report also dealt with the impact of enlargement, animal feedstocks policies, and farm and food exports, among others. The report on exports showed that the Community is the world's largest trader of agricultural products and that exports have steadily increased to help maintain the Community's balance of trade.

It also showed, however, that because of the system of export rebates on value added, the Community budget spent half of its export restitutions on milk products last year, although such products constitute only 15 percent of the total farm exports.

### Help for Irish Farmers

The Commission proposed in March a series of measures to help Irish agriculture in the livestock sector, which accounts for 80 percent of agricultural output there. The measures call for a livestock improvement program, financial incentives to encourage farmers to make silage instead of hay as winter fodder, reimbursement of 50 percent of the cost of tuberculosis and brucellosis testing of cattle, and an increase in the premium for suckling cows.

The farm sector in Ireland is particularly in need of aid. In 1980, farm incomes there fell by about 20 percent

in real terms, the biggest fall recorded in any member state and double the average fall in farm incomes throughout the Community. Although farm incomes in Ireland doubled in real terms between 1968 and 1978, they are estimated to have declined by over 40 percent in the last two years.

The general income level in Ireland is lower than in most other member states, and agriculture represents a more important part of that country's economy than in the Community as a whole. Farming directly employs 20 percent of the labor force and generates about 43 percent of total exports.

### Dalsager Favors CAP

In a speech to the agriculture committee of the European Parliament in late January, new EC Commissioner Poul Dalsager, in charge of agriculture policy, said he would make an effort to reinforce the monitoring of the Common Agriculture Policy's (CAP) financial aspects to avoid an increase in agricultural spending.

Dalsager stressed that it was not only important to improve the CAP but to develop other instruments needed for overall stability and economic convergence. The CAP had operated satisfactorily, Dalsager said, and should continue to be one of the "pillars" of the Community. Dalsager was appointed to replace Finn Olav Gundelach on the EC Commission following Gundelach's sudden death in January.

### Farm Frauds Reappear

Reports of agricultural fraud in the Community have cropped up again. In commenting, a Commission spokesman reported in late February that financial aid to certain Italian tomato producers had already been suspended pending the outcome of investigations launched last year. In that case the firms had allegedly falsified documents to show inflated amounts of tomatoes shipped for which they received EC subsidies. Community and national investigators have turned up repeated examples of similar falsification of documents.

## SOCIAL POLICY

### Debate on Women's Rights

A report on women's rights was discussed in the European Parliament in early February. It was perhaps the first major debate at Community level on the status of women in society, and discussions grew heated at times.

The main thrust of the report was that women had been the main victims of the economic crisis in Europe. A list of priorities for improving the participation of women in the Community's economic and social system was proposed. The main priority would be a redistribution of the paid and nonpaid

jobs and roles between men and women.

The report also covered other issues such as the disparity between national legislation on abortion. New EC Commissioner Ivor Richard, in charge of employment and social affairs, said that efforts were underway to formulate new EC directives on equal treatment and rights for women and to seek compliance with existing laws. He said funds had also been allocated to women's problems, including unemployment and training.

## ENLARGEMENT

### Funds for Spain Sought

The Commission recommended in early March that the Council of Ministers accept the Spanish Government's request for financial cooperation from the Community. This would take the form of operations in Spain by the European Investment bank.

The Commission considers that priority should go to projects designed to pave the way for Spain's accession to the Community, including regional development, communications infrastructure linking Spain with the Community, assistance for small and medium-sized firms, and support of energy-saving measures.

A contribution from the European Investment Bank of about ECU 100 million per year, from now until accession, was suggested by the Commission to fund projects put forward by Spanish authorities.

Along with a 1978 directive on company law, this would set forth specifications for layout, publication, and auditing of annual accounts and the presentation of the directors' report. Current practices in the member states are so divergent that proper comparisons of one institution with another are difficult.

## HARMONIZATION

### Bank Directive Proposed

The EC Commission proposed a new directive in March designed to make the presentation of annual accounts and balance sheets by banks and other financial institutions more understandable throughout the Community.

## ENVIRONMENT

### Acid Rain Pact

The Community and Norway agreed in early February to cooperate in the field of environmental protection by signing an accord similar to others between the Community and third countries, including the United States, Canada, and Japan, as well as other European countries.

## SCHOLARSHIPS, GRANTS, CONFERENCES

### Doctoral Research

The European University Institute offers programs in four areas: history and civilization, economics, law, and political and social sciences. Researchers are welcome at the Institute, located in Florence, to prepare doctoral theses.

Students must have a university degree and be fluent in two Community languages. Deadline for applications is May 15. For further information, contact: Academic Service, European University Institute, Badia Fiesolana, Via dei Roccettini, 5, I-50016 San Domenico di Fiesole (tel: 55/477931).

### Law Degree at Ankara

The Law Faculty of the University of Ankara offers a new program for a masters degree in EC and competition law. Courses will be given in the following areas: legal methods and sources; EC historical development; introduction to EC law; competition law; application of EC law.

Courses will be taught in Turkish and knowledge of one Community language is required. For further information, write: Doc. Dr. Nurkut Inan, Ankara Hukuk Fakultesi, Cabaci, Ankara, Turkey.

### Robert Schuman Scholarships

Scholarships founded in memory of Robert Schuman are offered by the European Parliament for research in subjects relating to the Community and to European integration.

Recipients will spend up to three months at the Secretariat of the European Parliament with the Directorate General for Research and Documentation. Scholarship holders are normally nationals of a member state, although this rule may be waived.

Candidates should have completed a degree at a university or have attended college for at least three years. They must devote themselves to the research projects for which they received the scholarship and should complete them by the end of the scholarship period.

For further information, write the Directorate for Research and Documentation, European Parliament, BP 1601, Luxembourg.

### Joint Research Grants

Research Planning Group awards are being offered by the Council for European Studies (CES). The purpose is to promote long-term collaborative research by West European and American scholars on policy problems of common interest.

Expenditures of up to \$10,000 for international travel, communication, conferences, and interim meetings of a multinational group of scholars will be funded by CES. Funds are intended for meetings of the group as a whole,

required to lay the groundwork for long-term research.

Applications should include a project description, proposed timetable of meetings and budget, plans for seeking other funding, a statement of each member's planned contribution, and other details. Applications should also demonstrate that the group has serious commitments from European researchers as well as American ones.

To apply, write: Research Planning Groups, Council for European Studies, Columbia University, International Affairs Building, New York, NY 10027.

### CES Travel Grants

The Council for European Studies (CES) awards travel subsidies of up to \$200 for European scholars visiting or lecturing at CES member institutions. Letters of applications should be sent to: Siri Belgium, Council for European Studies, International Affairs Building, Columbia University, New York, NY 10027.

### European Integration Course

This advanced course for graduates in law and economics is sponsored by the Europa Institut of the University of Amsterdam and the Nuffic Foundation. Conducted in English, it covers European integration and the problems European states meet in their attempt to achieve greater unity.

A limited number of scholarships is available. Application deadline for the semester beginning in September is June 1. For information, write: Sixteenth International Course in European Integration, PO Box 90734, 2509 LS The Hague, the Netherlands.

### IIEP Activities Grow

Activities of the Institute for European Environmental Policy have grown in the past year. Among its programs is a short-term internship for American environmentalists, jointly supported with the German Marshall Fund in Washington.

Interns will spend from two to four months at the Institute's Bonn headquarters or in its London or Paris office studying specific issues of European environmental policy-making that are relevant to their work in the United States. For information on this program and other meetings on various topics, contact: IIEP, 16 Strutton Ground, London SW1P 2AP, England.

### Denman at Conference

The Financial Times is organizing a conference—International Business: US Foreign Trade and Investment—on June 15 and 16 at the Pierre Hotel in New York City. Sir Roy Denman, external relations director-general at the EC Commission, will address the conference.



## 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.

**Retail Trade International 1980. Volume Two: Europe.** Euromonitor Publications Ltd., London, 1980. 336 pages. \$190.00.

A statistical analysis of the retail distribution structures of 17 Western European countries; examines, on a country-by-country basis, the distribution of all major consumer product groups; offers data which includes the number of retail outlets, sales by type of outlet, major retailers, and retail sales trends with projection to 1982.

**A United State of Europe?** By John Cooney. Dublin University Press, Ltd., Dublin, 1980. 108 pages.

A review of the state of the Common Market; examines the difficulties within and between the Community institutions, and the efforts at progress toward European integration.

**Contemporary Perspectives on European Integration: Attitudes, Nongovernmental Behavior, and Collective Decision Making.** Edited by Leon Hurwitz. Greenwood Press, Westport, CT, 1980. 292 pages. \$27.50.

A collection of essays presenting the various perspectives on the contemporary nature of European integration; some of the contributors have had direct dealings with the EC and offer an insider's view.

**SDRs, Currencies, and Gold: Fourth Survey of New Legal Developments.** By Joseph Gold. International Monetary Fund, Washington, DC, 1980. 136 pages.

A pamphlet discussing certain recent changes in international and national monetary law and practice, in relation to special drawing rights, currencies, and gold.

**Basic Community Laws.** Edited by Bernard Rudden and Derrick Wyatt. Clarendon Press, Oxford, 1980. Available from Oxford University Press, New York. 301 pages. \$37.50

A review of the basic Community laws, beginning with a study of the institutional and general provisions of the treaties, and the major acts of the Court of Justice; continues with a review of the legislation in the main fields of Community activity, with a final study of key UK legislation.

**European Community and Acceding Countries of Southern Europe.** German Development Institute, Berlin, 1979. 168 pages.

Eight articles offering an overall view of the second enlargement of the European Communities; reviews the important questions and prob-

lems surrounding the accession of Greece, Spain, and Portugal.

**Studien zum Deutschen und Europäischen Wirtschaftsrecht III.** (Studies in German and Community Economic Law) By Bodo Börner. Carl Heymanns Verlag, Berlin, 1980. 632 pages including index.

A comparative analysis of EC and German economic law; discusses the commercial and monetary law of the EC and Germany, respectively; addresses the legal concepts behind the Common Energy Policy.

**Poverty and the Minimum Wage.** By Donald O. Parsons. American Enterprise Institute for Public Policy Research, Washington, DC, 1980. 62 pages. \$4.25.

Examines the social and economic impact of the minimum wage laws on the structure of wage rates and earnings during 1967-74 and 1974-76 in the United States.

**The Legal Character of the Fund's Stand-By Arrangements and Why it Matters.** By Joseph Gold. International Monetary Fund, Washington, DC, 1980. 53 pages.

A pamphlet discussing the IMF's stand-by arrangement, the terminology and issues involved, the legal concepts, and the practical consequences.

**The Future of Berlin.** Edited by Martin J. Hillenbrand. Allanheld Osmun & Co. Publishers, Montclair, NJ, 1981. 313 pages including index. \$27.50.

An in-depth study of West Berlin, its isolated urban milieu, the political-legal situation, security problems, and its symbolic significance.

**Product Liability: A Manual of Practice in Selected Nations.** Edited by Hans-Ulrich Stucki and Peter R. Altenburger. Oceana Publications, Inc., Dobbs Ferry, NY, 1980. Looseleaf service; two binders. \$100.00 per binder.

A comprehensive looseleaf service addressing the different national approaches to product liability claims. Covers the legislation involved and its different sources; describes the various kinds of claims, warranties, burdens of proof of the plaintiff, and additional material arising from product liability cases. Organized on a country-by-country basis, with sections on the bystander, consumer, distributor, producer, and insurer. The first binder covers Australia, Belgium, Canada, Finland, Germany, Italy, the Netherlands, Sweden, Switzerland, and the United Kingdom.

**"The Soviet Intervention in Afghanistan may be a precedent for future Soviet action, and the West should be alert to forestalling such moves."**

### **THE SOVIET INTERVENTION IN AFGHANISTAN, 1979-1980**

by Alfred L. Monks \$4.25

This new study, published by the American Enterprise Institute, examines the Soviet Union's military presence in Afghanistan in relation to Soviet global policies and military doctrine. Specifically, Monks addresses the following questions:

- Has Russia historically sought control of Afghanistan?
- Why did the Soviets choose such an unpropitious time to invade another country?
- Was the invasion influenced chiefly by Soviet military doctrine?
- What are the political and diplomatic consequences of this move for the Soviet Union?

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**Cooperative Movements in Eastern Europe.** Edited by Aloysius Balawyder. Allanheld Osmun & Co. Publishers, Montclair, NJ, 1980. 211 pages including index. \$18.00.

A collection of essays analyzing the development of the cooperative and credit union movements in Poland, Czechoslovakia, and Yugoslavia prior to World War II, and the assimilation of these movements into the central planning of the state under the succeeding Communist regimes.

**Political Parties of the World.** Edited by Alan J. Day and Henry W. Deegenhardt. Gale Research Company, Detroit, 1980. 432 pages including index. \$90.00.

Presents, on a country-by-country basis, information on all the world's active political parties and outlines each nation's capital, population, constitutional structure of government, brief political history, and results of the most recent election.

**The North-South Dialogue.** German Development Institute, Berlin, 1979. 94 pages.

A collection of essays reviewing the central issues in the North-South relationship. Topics include trade policy, commodity policy, transfer of technology, monetary policy, and transfer of resources.

**Soviet Foreign Policy Since World War II: Imperial and Global.** By Alvin Z. Rubinstein. Winthrop Publishers, Inc., Cambridge, MA, 1981. Available from Prentice-Hall Inc., Englewood Cliffs, NJ. 295 pages including index. \$15.00.

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**A Political Format for World Government.** By Lyle K. Williams. Lyle Keith Williams, Fort Worth, TX 1980. 319 pages.

Provides a hypothetical outline for the creation of a world government and summarizes the principal functions of its bureaucracy.

**The German Social Democratic Party 1875-1933.** By W.L. Guttsman. Allen & Unwin, Inc., Winchester, MA, 1981. 362 pages. \$37.50.

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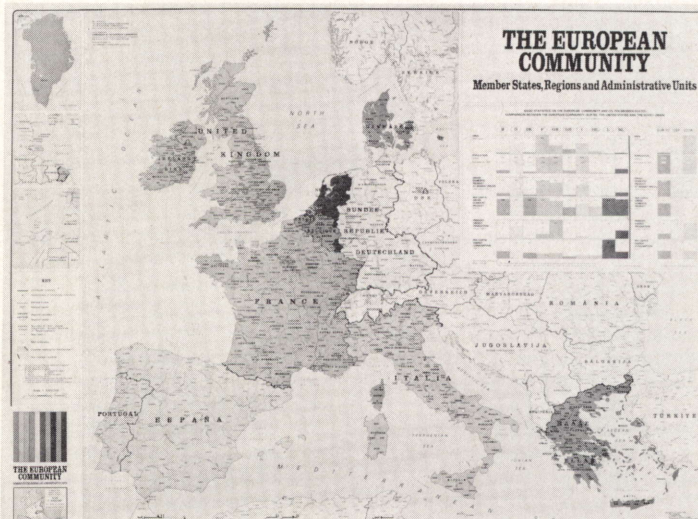
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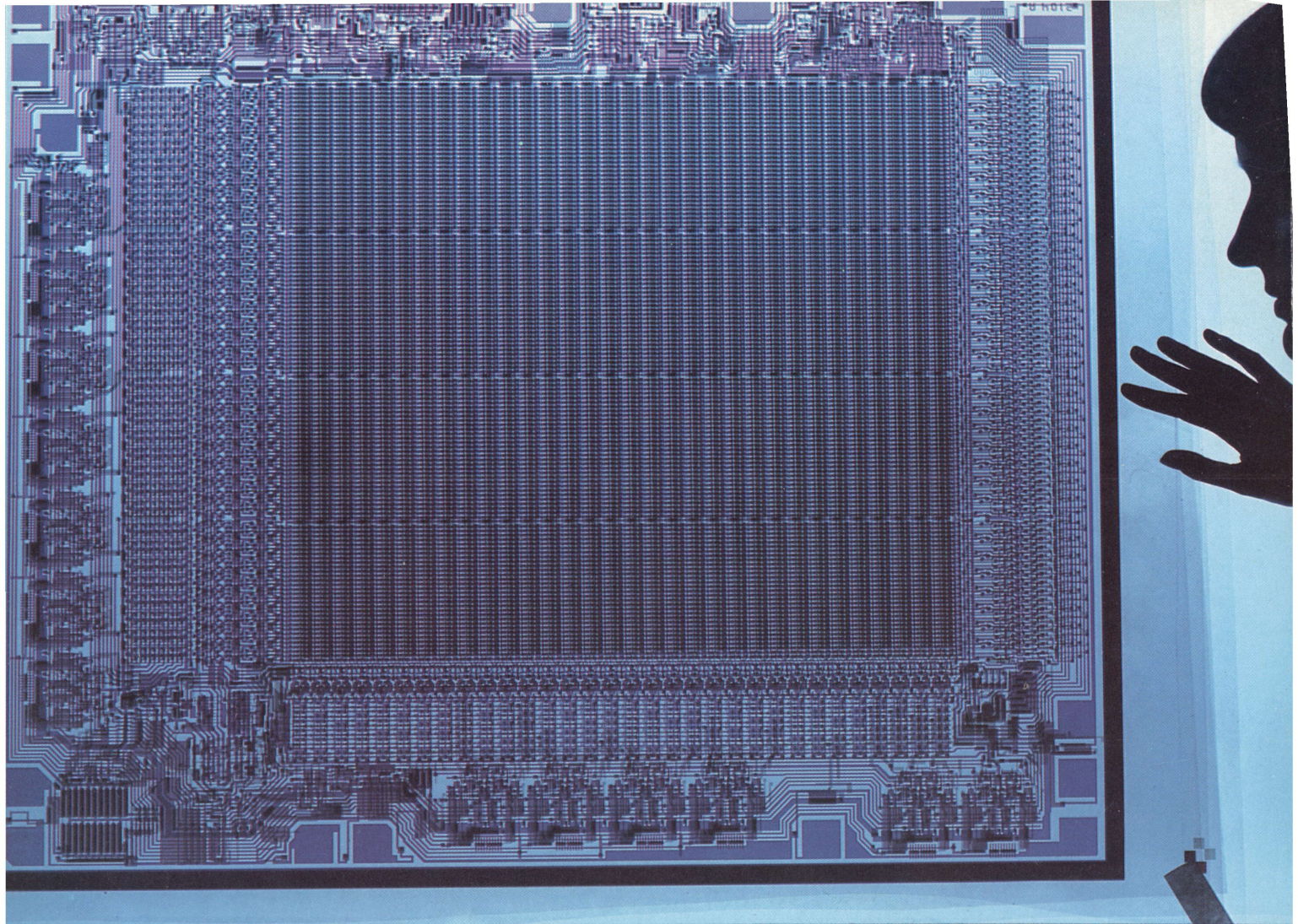
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