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EUROPE

Magazine of the European Community

Carrington Takes the Chair

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Publisher Andrew A. Mulligan
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Editorial Assistants Joelle Lambiotte, Nora Koumides

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Cover: Lord Carrington, UK secretary of state for foreign and commonwealth affairs © Malcolm J. Nilson, Black Star

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Publisher's Letter

On July 1, Britain assumed the six-month rotating presidency of the EC Council of Ministers. This will be Britain's second term in the presidency since accession to the EC in 1973. Since Lord Carrington, Britain's foreign secretary and thus the new president, is known for his strong European convictions, in this issue Europe *focuses on Britain with a portrait of Lord Carrington by David Spanier, diplomatic correspondent of* The Times. *Peter Jenkins of* The Guardian *looks at the economic and political debate within Prime Minister Margaret Thatcher's cabinet. With unemployment in the United Kingdom at record levels since the great depression,* The Observer's *Robert Taylor examines the implications. Unemployment on a European dimension is discussed here by EC Commissioner Ivor Richard, who is responsible for social affairs.*

A ray of sunshine on the Belfast scene is the successful launching of John De Lorean's new sports car—a gamble which shows that divided Ulstermen can work together if opportunities are provided.

Across two channels from Britain, political Europe has undergone profound changes. François Mitterrand, has been elected the first Socialist President of France under the Fifth Republic. That and strong indications of an overall Socialist majority in the National Assembly presage profound change. The appointment of the brilliant Claude Cheysson—former EC Commissioner for aid and development—as foreign minister has, as Jean Lacouture writes, profound implications for Atlantic relations. Meanwhile, both in the Netherlands and Ireland, inconclusive elections are examined by Nel Slis in The Hague and Dennis Kennedy in Dublin.

In our Business Europe section, Robert Heffner, one of America's leading experts in natural gas exploration and development, examines deep natural gas possibilities in Europe and the implications of the Siberian pipeline. Leslie Fielding, head of the EC Delegation in Tokyo, looks at Europe's trading problems with Japan.

Many of the issues which concern the European Community and the United States were raised at the sixth annual conference of US and EC journalists held this year in the splendid Château of Canisy in Normandy. Jurek Martin, US editor of the Financial Times *reports on them.*

Andrew A Mulligan.

U.K. ASSUMES COUNCIL PRESIDENCY

Carrington Likely to Push Closer Political Cooperation

DAVID SPANIER, *diplomatic correspondent for* The Times *of London*

PETER ALEXANDER RUPERT CARRINGTON, THE SIXTH Baron (dating from 1796 in Ireland and 1797 in Great Britain), privy councillor, knight commander of St. Michael and St. George, Military Cross 1945, took over the Presidency of the EC Council of Ministers on July 1. For the next six months, Lord Carrington, as Britain's secretary of state for foreign and commonwealth affairs, will be, in effect, European foreign minister.

It might seem a nice irony that a peer of the realm, an aristocrat to his fingertips, should be the spokesman for the foreign policy of a Community whose members include a new Socialist Government in France and a left-wing Administration in West Germany. But to those who have worked with Carrington his position at the pinnacle of power comes as no surprise. He is an experienced politician, certainly one of the outstanding foreign secretaries of modern times, and well qualified to speak for the European Community. What is more, he comes to the Presidency with a track record of success behind him. It is not the accident of his noble birth but his achievements in office which have given him his international reputation.

Everyone recalls the settlement of the long-running political and military struggle over Rhodesia and the country's happy inauguration as the state of Zimbabwe. Though of course many people contributed to the settlement, notably the African leaders concerned, there is no doubt that it was the foreign secretary's tough and imaginative handling of the negotiations in London which created the conditions for success.

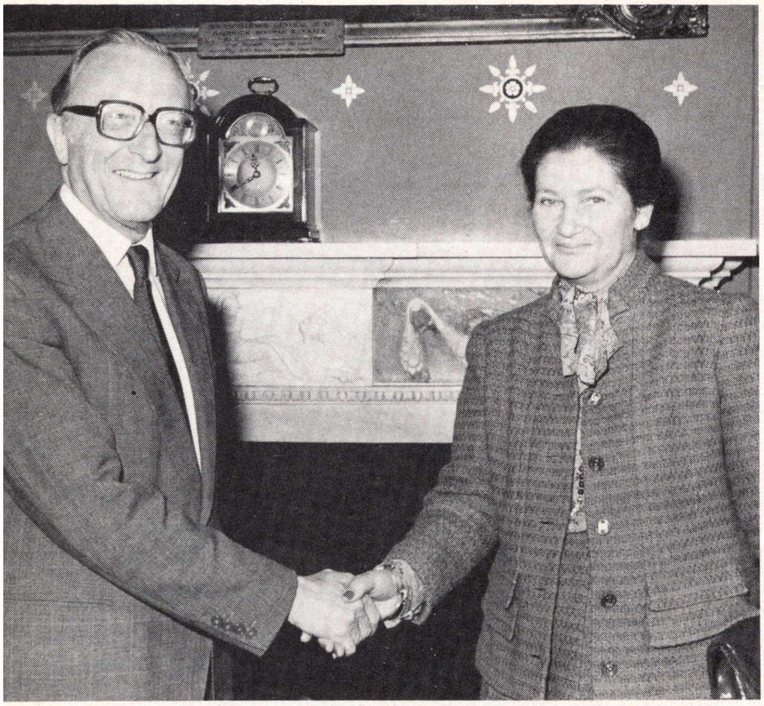
In fact he showed himself to be a very shrewd operator, who understood exactly when to apply pressure, when to raise the stakes, and when to back off. In the process, he was often bitterly attacked by all the parties concerned, black and white alike, but in the end he won through.

His negotiating technique, in this twilight episode of British colonial history, cannot be repeated in Europe or anywhere else. For the most important factor in the Rhodesian equation was that Britain had political responsibility and therefore the ultimate authority to take decisions. But the approach which Carrington followed illustrates the style of the man. First he is a pragmatist, in the good old British tradition, which means a man who wants to get things done by common sense. Secondly, he is not given to excessive political theorizing or abstract analysis. Some people might call him a lightweight, but he is nobody's fool. Thirdly, he is not afraid to run risks and face the prospect of failure in the process. He has courage and stamina. He also has a quirky upper-class sense of humor, which keeps on breaking through, even at serious moments. Finally, he is a realist, who understands the nature of power, its limitations as well as its scope.

If one applies these qualities of mind to what is probably the most important international issue facing the European Community in the next six months, and certainly the one which will attract greatest publicity, namely the Middle East, one should not expect dramatic results.

There has been much talk of the European "initiative" on the Middle East. That term is mistaken in Carrington's view. Rather, the Community has embarked on a pragmatic, down-to-earth exercise to clarify some of the issues, in particular to try and define the basic terms such as "self-determination" and "secure borders" which are bandied about so loosely. What do the Palestinians mean? What do the Israelis mean?

Carrington is well aware of the fact that the Europeans can do very little without the United States, and indeed he would not want to launch any kind of initiative without the United States, which is, and must be, the leading power in Middle East diplomacy. But he believes the Europeans can make a distinct contribution, and that in so doing they can assist the United States. He will have no inhibitions about meeting Yasser Arafat, leader of the Palestine Liberation Organization, if it is considered practical (a favorite word) to do so. But this would be as the representative of the Community, which would have mandated its President to carry on the present series of Middle East contacts, not as British foreign secretary.



British Foreign Minister Lord Carrington—"European foreign minister" for the next six months—with European Parliament President Simone Veil.
Courtesy of British Information Services

In any case, all this lies in the future and it is still too soon to know if it will happen.

Carrington is a "good European" but not a "Eurofanatic." He admits to being rather worried about the low esteem in which the Community is held in Britain. He believes that if Europe is misunderstood, as it seems to be, then the Government lacks the popular support for carrying out a strong European policy and cannot therefore achieve the results it wants. In particular, the anti-European sentiment of the Labor Party, notably in its left wing, needs to be answered by demonstrating, as he sees it, the successes and the value of the European connection for Britain.

It is this belief which has led Britain to "hang tough" in recent EC negotiations, earning a reputation for being difficult. "Our aim in the Community is not to be popular," he said in a recent interview, "it is to be respected. We have worked hard to protect vital national interests, but we have also taken pains to emphasize Britain's wholehearted commitment to the Community, and our determination to play a full part in its development."

So far as his presidency is concerned, Carrington recognizes that some crucially important tasks lie ahead. "Progress is essential during the year on restructuring the budget and on reforming the agricultural policy," he commented. It is highly significant that the most important member of the Community measured by its economic weight, Germany, shares the British view on these issues. This year Germany and Britain are the only net contributors to the European budget, and they are naturally extremely keen to achieve a more equitable sharing of costs and benefits in the future. The presidency of the Community, of course, is not a passport to getting results. Britain will not be able to influence decisions from the chair any more than any other country. But at least Carrington has the chance to set a brisk tone in organizing the Community's business and managing its discussions. In that sense, every country which takes over the presidency seeks to enhance its reputation on the European stage. "Many important Community decisions involve reconciling vital and sometimes conflicting national interests," Carrington notes, "and satisfactory compromises are achieved only by patience, flexibility, and hard work, which require time. No magic procedural devices can conjure up instant solutions."

One issue on which Carrington favors progress is the realm of "political cooperation" which is the term which the Community uses to describe developing a common foreign policy line among the member states. There has been some spectacular success in this field, notably in concerting a common position in the conference on Security and Cooperation in Europe, in Helsinki and latterly in Madrid. There have also been some signal failures, as in the slow reaction to the Soviet invasion of Afghanistan.

Carrington has made two proposals to strengthen and speed up political cooperation. One, emergency meetings in time of crisis, and two, a secretariat or permanent staff to keep the Community up to date on current foreign policy questions. It is likely that some progress on these lines will be made in coming months. All the EC countries recognize that they have far more influence in the world, in trade negotiations or on questions like policy toward South Africa or the Middle East, if they can speak with one voice, rather than as individual nations.

Carrington believes, however, that it is essential for the Community to keep in step with the United States. On the Middle East, for instance, he argues that there is no "conflict" as is sometimes supposed. "Our approaches are not necessarily identical, but they are both directed to the same end, which is to secure lasting peace and justice in that region."

Europe also has a role in influencing the United States, he feels. Certainly after the misunderstandings of the previous Administration, President Ronald Reagan's team has stressed the American commitment to make consultation with the European allies meaningful. So far it seems to be working, judging from the two-way traffic between the foreign ministries of Europe and the State Department in Washington. It was probably symbolic that Margaret Thatcher, UK Prime Minister, and Carrington were the first European visitors to have a fullscale meeting at the White House earlier this year.

THATCHER CABINET DIVIDED

Outcome of Economic Policies in Question

PETER JENKINS, *chief political correspondent of the* Guardian

IT IS NOT EASY TO ASSESS THE STATE OF A NATION when half of its rulers believe that it is heading for the rocks and the other half that the promised land is in sight. That is scarcely to exaggerate the division within Prime Minister Margaret Thatcher's cabinet and it is a most unusual situation. Ministers are divided not only about what to do, but also about the probable consequences of what is being done and it is on this second question that the difference is most stark.

The Prime Minister's critics within the Government have no alternative strategy for national salvation, merely a few suggestions for a more flexible and sensible economic policy. However, their alarmed forebodings about where the present policies will lead are in diametric opposition to the true-believing optimism of the Prime Minister's circle. It is as if half the cabinet believed the earth to be flat and the other half of it to be round. Which half is which?

The Thatcher Government came to power, it should be remembered, pledging to arrest and reverse a long period of national decline. When one of former Prime Minister Edward Heath's advisors had spoken publicly of decline some five years earlier, he had reached angrily for his press officer and denounced the offending gloom-monger. By 1979, however, the word "decline" had become a cliché in the British political vocabulary. Thatcher was inclined to attribute the condition to socialism. Whereas previous post-war Prime Ministers had been marked by the experience of growing up politically in the 1930s, her own formative years were those of the late 1940s and early 1950s, years spent in the anti-socialist ambience of small-town, middle-class England.

These were the years which saw former Prime Minister Winston Churchill and his Chancellor of the Exchequer R.A.B. Butler seemingly turning back the tide of history and it was Thatcher's ambition to do the same, to arrest the decline of that nation by halting its progress down the collectivist road which led—or so she believed—toward Eastern Europe. This meant that Thatcher was not in the business of governing merely in order to manage another phase in the dismal cycle of the British economy. It helps to explain why today, as she nears the middle of her likely term, she is still kicking fiercely against the exigencies of office and clinging to her mission.

The Western world's first woman Prime Minister, Margaret Thatcher, and her first cabinet two years ago. © Keystone Press Agency

The founders of the new Social Democratic Party shown at launching last March (L-R): Roy Jenkins (former EC Commission President), David Owen, William Rodgers, and Shirley Williams. © Keystone Press Agency

The March budget was a case in point. The stock market, the leaders of industry, many of her colleagues, and the majority of editorialists expected that she and her Chancellor, Sir Geoffrey Howe, would respond to the agonized cries of industry and refrain from deepening or prolonging the recession. But they did nothing of the kind. The budget gave renewed primacy to the curbing of the money supply in the belief that this, and this only, would put interest rates on a downward path and that that, and that only, could revive production. This was not a matter merely of judgment but one of principle, Thatcher was not making a decision about the timing of her re-election boom, she was proceeding in the belief that her monetarist medicine would work a lasting cure and begin to create the changed attitudes among managements and their workforces which were essential if the national decline was to be halted.

Expert opinion about the likely outcome of this experiment is as starkly divided as the cabinet. The monetarists have been thrown into intellectual disarray by the lack of correlation between the rate of money growth and the rate of inflation, but their faith in the efficacy of markets remains intact and they expect to see a more efficient British industry—"leaner" is the vogue word—take advantage of the ending of the recession when, as it must, that comes. The neo-Keynesians, for their part, are not so sure that the recession must or will end and in any case expect to see a falling exchange rate and a resumption of trade union wage pushes soon cancel out the improvement in the rate of inflation gained at such cost to production by the Thatcher policies. The most extreme of these schools, a group of Cambridge forecasters dedicated to the decline thesis, has predicted that by 1984, five years of "Thatcherism" will have achieved a 10 per cent fall in production.

With such discrepancies of prognosis, it is no wonder that the political future is uncertain in both the medium and in the longer term. In the medium term there is the question of who wins the next general election and in the longer term the far more worrying problem of how British institutions can survive persistent economic failure. With unemployment currently at 10 per cent and heading toward the 3 million mark by the end of this

Chancellor of the Exchequer Sir Geoffrey Howe and his wife with their dog, "Budget," just before Howe presented his budget to the House of Commons last March. © Keystone Press Agency

year or early next, the conventional view among the Labor opposition and within the trade union movement is that Thatcher's Government is almost bound to lose the next general election. Some doubt even whether she can survive that long.

Yet her Government is a good deal less unpopular than British Governments expect to be as they near their mid-term and lock antlers with the intractable problems of the British economy. The local elections in May more or less confirmed the message of the opinion polls, namely that labor's lead—if there were a general election tomorrow—would be scarcely sufficient to ensure an overall majority in the House of Commons. No doubt this is due partly to the internecine excesses of the opposition party. With the Labor Party as an enemy and the aging and ineffectual Michael Foot for its leader, Thatcher may not need friends.

A more important reason may be that in spite of the unemployment figures and in spite of the harshness of the Prime Minister's rhetoric and the shrillness of the opposition from the interest groups most affected by her public spending economies, the real living standards of the people continued on average to rise quite substantially during the first two years of her Government. This was due to favorable terms of trade, aided and abetted by North Sea oil, and to lucrative public sector pay settlements. It is no fun to be unemployed in Britain today or to be among the urban poor, but the great majority of people until now have not been hit by Thatcherism where it most hurts—in their pockets.

The sharpness of the political debate at the center is not fully echoed in the country at large. It is probably true that Britain is more polarized than at any time since the war, but the polarization is not so much between classes as between north and south, city and country. By a cynical calculation, the Conservatives may not stand to lose many seats in the industrial or urban areas hardest hit by the Government's policies and Labor not to gain enough in the more prosperous suburbs and new towns, especially in the south of the country. Moreover the power struggle within the labor movement itself, which tends even in opposition to be the focus of political interest, is not an accurate reflection of the division in public opinion. The evidence suggests that unemployment and the fear of unemployment is breeding conservative rather than radical attitudes, as it did in the 1930s. So far at least the dire predictions about the social consequences of such levels of unemployment—a few years ago unthinkable—have been falsified. Thatcher's luck has held during her first two years.

Her luck may not continue to hold. Real living standards are now coming under attack. There are signs of a reviving trade union militancy. The pressures on the Government from industry are growing all the time. While support for the Government has held up reasonably well in the country, the Prime Minister has had little to fear from the rival faction within her cabinet. But if things started to go badly wrong—for things might be different as the labor party shifts toward the left—the price of losing the next election by default grows higher and this is a cause for alarm in the board rooms and within the Conservative cabinet. Labor's disarray and leftward lurchings may be damaging to its chances of winning power, but nobody is prepared to rule that prospect out, especially if the context is one of deepening economic crisis. In the post-1973 Western industrial world, the record of incumbents is not encouraging and in Britain no Government has gone on from a full term to a second since 1959.

The power struggle which is raging in the Labor Party is itself an aspect of the politics of decline. A new and redder guard has turned on the old guard and blamed it for the shortcomings of Labor Governments in the 1960s and 1970s. Reformist social democracy is deemed to have failed and a more drastic version of socialism to answer what is seen as a crisis of British capitalism. The people who have ranged themselves behind the increasingly left-wing leadership of Tony Benn are characteristically people whose power base is in the burgeoning public service sector (and the trade unions which have matched its growth), whose education resulted from the massive expansion of the universities and polytechnic colleges in the 1960s, and whose socialist inspiration is drawn from the neo-Marxism of that time. In shorthand,

Opposition leaders Michael Foot (left) and Tony Benn at a special Labor Party conference last year. © Keystone Press Agency


Prime Minister Margaret Thatcher proceeds with her "monetarist medicine" in the face of a deepening recession.

The new Social Democrats and the old Liberal Party realize that under Britain's winner-take-all electoral system, it can only be done if they act together in electoral alliance. Whether or not they succeed in establishing a significant third party presence in the new Parliament, which would most likely be at the expense of a Labor victory, is the most interesting question today in British politics. If they do so they will have started a process of political realignment and institutional reform which in time might prove more relevant to the arrest of Britain's economic decline than any of the economic policy prescriptions presently available.

Britain's future role within the international community, her continuing membership of the European Community, and her ability to contain the troubles in Northern Ireland all depend primarily on the performance of the economy and the development of the domestic political scene. Benn's faction of the Labor Party articulates the potential for protectionism, isolationism, and even neutralism and in the conditions which might bring him and that kind of Labor Party to power those policies might equally well prevail. Thatcher's victory in 1979 demonstrated the willingness of the public to cross traditional party lines and grasp for a more radical and populist answer to Britain's chronic economic and social problems. The same could happen again, with a lurch next time in the other direction. British politics are in a finely balanced and highly fragile condition and time may not be on the side of those who, whether within the two established parties or outside them, are endeavouring to reconstruct a stable center.


Prime Minister Thatcher, with members of her cabinet, announces the Conservative platform on Europe just prior to the European Parliament elections in 1979. © Keystone Press Agency

they are the class of '68.

They are a minority but a determined and efficient minority and so far their endeavors to capture the Labor Party have met with remarkable success. If they do not complete the process in time for a general election to be held most probably in the fall of 1983 they will nevertheless have established a substantial power base within the labor movement.

It was because the old Labor Party began to look beyond salvation that earlier this year it suffered what could prove to be only the first of a series of defections. The new Social Democratic Party launched in March by Roy Jenkins, David Owen, Shirley Williams, and William Rodgers surged instantly to electoral victory in a hypothetical opinion poll. There was no doubting the strength of public yearning for a viable politics of the center. Breaking the two-party mold in practice will be a less easy business.

UNEMPLOYMENT CRISIS GROWS

1 in 10 British Workers Now Jobless

ROBERT TAYLOR, *labor correspondent for the London* Observer

BRITAIN IS SUFFERING FROM ITS HIGHEST LEVELS OF unemployment since the great depression between the two world wars. Over one in 10 of the country's workers are now without a job, more than 2.5 million people, and that figure is expected to climb much higher, beyond 3 million over the next 12 months. The magnitude of the national unemployment crisis is now beginning to have political repercussions in Britain, with a sharp move away from the governing Conservatives in the April local government elections, especially in the industrial North and Midlands, where the numbers out of work have grown particularly rapidly over the past year.

During 1980 as many as a million jobs were lost in Britain, with 700,000 of them in manufacturing. The biggest falls have come in the metal manufacturing and textile industries. By the fourth quarter of 1980 the average monthly increase in unemployment was two and a half times that experienced in the first half of the year. Manual workers—both skilled and unskilled—are the main victims of Britain's recession. They find it much harder to get new work once they are unemployed. Over 400,000 people have now been jobless for more than a year and the number of the long-term unemployed is expected to rise to more than 700,000 by 1983.

Young workers are especially vulnerable. In October 1980 a quarter of Britain's entire unemployed were aged between 19 and 24. Those under 18 are also a cause for widespread public concern. The number of unemployed school-leavers is likely to have trebled between 1978 and 1983 when up to 570,000 youngsters are expected to be in that plight. Young blacks, women, and the disabled are also three highly vulnerable groups in the depressed British labor market, posing difficult problems for the government.

The actual number of people who are looking for work is much higher than the official statistics suggest. Those are based on a monthly count of the number who register for work at the state employment service, but the Manpower Services Commission (MSC), the main Government agency in the field, estimates that the real unemployment figure is already more than 3 million. The agency reckons that up to 350,000 people do not register as unemployed, many of them women in search of part-time jobs. On top of this the Government's own special employment aid and training program was providing places for 830,000 people by the end of 1980.

Unemployed Welsh workers marching to London last October. © Keystone Press Agency

Up until now Prime Minister Margaret Thatcher's Government has stood firmly by its tough economic strategy of cuts in state spending and control of the volume of money in circulation as a way of reducing the level of inflation in the economy. It has achieved some limited success. By May 1981 the annual retail price index in Britain was running at around 12 per cent. After the huge wage and price explosion, particularly in the Government's own sector, during 1979-80, there has been a noticeable fall in the level of both wages and prices over recent months. But there has been a heavy price to pay. Industrial production in Britain fell by 11.5 per cent over the year to January 1981. There has been a squeeze on profits, a dramatic fall in industrial investment, and a rapid escalation in the contraction of the country's manufacturing base. Traditional industries like iron and steel, automobiles, and textiles have suffered particularly.

The sheer cost of unemployment to Britain is now considerable. The MSC has calculated that it amounts to over $8 billion a year, through the loss of revenue in taxes because the worker is no longer in a job and the expense of social benefits to cushion the worker from too rapid a fall in living standards during the time of unemployment.

But fear of unemployment has had some impact in moderating the general level of wage increases this year in the private manufacturing sector, where rises are running at just under 10 per cent. The Government is trying to maintain a 6 per cent pay policy for its own public service workers through the operation of its own cash limits. This has so far proved to be fairly successful, but the civil servants have been campaigning for more than three months to break through the pay policy with the disruption of Government computer centers and action at Britain's airports that have caused sporadic delays.

Workers in the public utility monopolies—water, gas, and electricity, which are all nationalized in Britain—have proved much more successful in achieving big pay raises (around 12 per cent) despite the general stagnation in the labor market. Early in 1981 the Government was compelled to retreat over a mine closure program, when the miners threatened to take industrial action. For some powerful groups the present slump has done little to moderate either their strength or their wage expectations.

"Real" unemployment figures in Britain are estimated at over 3 million. © Janine Wiedel, Black Star

Traditional industries such as iron and steel have suffered the greatest production losses. Shown here are workers in a British drop forge. © Janine Wiedel, Black Star

However, the British trade union movement as a whole is in a rather divided and demoralized condition. For the first time since the early 1920s most industrial unions are suffering a net loss of members. The Trades Union Congress (TUC) reckons there could be up to a million fall in the size of the unionized labor force this year. Dropping memberships have hit union finances, never very healthy in Britain at the best of times. This has brought cutbacks in union services.

The TUC is also no longer influential with Government. Its views are rarely accepted by Thatcher and her colleagues. In May 1980 the TUC held a "day of action," a protest against the Government's economic and social policies, but it turned out to be a fiasco as most workers refused to participate. This spring the unions organized a march from Liverpool to London to protest about unemployment. Initially the TUC itself was less than enthusiastic about what was being proposed. A return to the streets by Britain's unions only goes to demonstrate their inability to make any impact on the Government through private lobbying and argument. It is a sign of their impotence in the face of an unsympathetic, indifferent Government.

The unions also feel they are facing the threat of more labor laws. In 1980 the Government passed the oddly named Employment Act. This tightened up the law on picketing in industrial disputes, relaxed the position of union-closed shops and withdrew a number of minimum legal rights on working conditions and benefits that had been imposed on small companies. James Prior, the employment minister, has never disguised his skepticism about using the law to regulate and reform the action of the unions, but a number of his colleagues, including Thatcher wish to go a good deal further in trying to weaken trade union power with more legislation.

The TUC has improved its information activities in the past year and has held a number of special conferences on such vital issues as the use of working time, industrial training, and the future structure of the TUC itself. Since 1979 the unions have been able to reduce the length of the working week for many workers, but the amount of overtime being worked by manual workers in manufacturing remains considerable. Some unions are now so anxious about the stark contrast between high unemployment and overtime that they want to see a change in the law to prohibit the working of long hours.

Government ministers believe there are signs that companies are making use of the recession to streamline their operations, abolish restrictive labor practices, and boost their labor productivity. Britain's unit labor costs are far

British Leyland cars stockpiled at a company plant during a sales slump.
© Keystone Press Agency

higher than its main competitors. Since the end of 1976 they have increased by a startling 80 per cent, with half that deterioration in competitiveness taking place in the past two years. But the "realism" of lower levels of wage settlements and the dramatic decline in the number of working days lost because of industrial actions (in 1980 it was the best since 1941) should not encourage employers and Government ministers to think that there is a new more cooperative and conciliatory spirit in British industrial relations.

Unions and workers may be very much on the defensive because of the grave economic circumstances of the country, but this mood could change quickly in any economic upturn, however modest that might turn out to be. It is already clear that for all the rhetoric about austerity and cuts, workers who still have work have actually continued to enjoy a real increase in their living standards over the past two years. The sacrifice has been borne almost entirely by the unemployed.

However, the next general election in Britain must come within the next three years and decisions taken by politicians on economic policy have a long time-lag before they begin to make an impact. Time may be running out for Thatcher's experiment in monetarism. The trade union movement has been wounded, but it has not been fatally weakened. The internal convulsions in the Labor Party have diverted attention away from the TUC, but there is little doubt that unions are waiting for a change in the industrial climate.

The passive acquiescence of the shop floor, the readiness of workers to have their jobs bought out in return for sizable severance payments, the lack of worker solidarity, have all made it much more difficult for the unions to develop a coherent strategy or program. But their leaders are now deep in conversation once again with the Labor Party opposition on a new "national understanding" on economic and social policy for when the next Labor Government comes to power. The present trauma may be seen by many union leaders as an unfortunate but only temporary phenomenon.

They could be proved wrong. All the economic forecasters are convinced that the very high level of unemployment will last in Britain into the late 1980s, and probably beyond. By 1985 Britain will have more white-collar workers than blue-collar for the first time in its history. There is expected to be a fall of nearly 1.5 million jobs in the manufacturing industries during the first half of the 1980s.

The big expansion in jobs in the public services, that took place over the past 20 years, has come to a halt. The only likely opportunity for more jobs lies in the private services sector, or in new, technology-based industries, where the emphasis will be on skill, adaptability, mobility. It is difficult to see how the manual workers among the unemployed can all be redeployed into those limited growth sectors. Whatever happens to pay, productivity, overtime, working hours, and unit labor costs in 1981 and 1982, two things are certain. The jobless will go on climbing with resulting severe social tensions in Britain and dangerous political consequences for Thatcher's hope of a second term.

EUROPEANS EYE MONEY FUNDS

Banks May Face Competition on Savings

PETER GRANGE, *free-lance financial journalist based in London*

MANY EUROPEAN BANKERS ARE KEEPING A WATCHFUL eye on the extraordinary growth of money market funds in the United States and, in particular, on the cash management account (CMA) variation of them developed by the Wall Street brokers, Merrill Lynch Pierce Fenner & Smith. While the plethora of regulations which led to the creation of money market funds is unique to the US banking system, some European bankers scent a new competitor in the offing. During the past two years these funds have burgeoned and they now account for more than 10 percent of all US savings deposits.

In Europe, competition for small deposits has intensified and what banks once regarded as their own safe terrain has been penetrated by various financial service companies. Building societies and insurance companies, the banks' traditional competitors for the funds of the small investor, have built flexibility into their savings schemes and increased their marketing efforts. Nowhere is the effect on bank deposits more evident than in the United Kingdom. Between 1974 and 1980 building societies increased their deposits from £19 billion (about $38 billion) to £42 billion while the United Kingdom's big four clearing banks (National Westminster, Barclays, Midland, and Lloyds) struggled from £19 billion to £28 billion and the trend is expected to continue.

But in one section of the retail sector the banks could, it seems, afford to be sanguine. They alone offer checkbook services, usually free of charge contingent on a minimum balance being maintained in the account, and they also allow the personal account holder free settlement services for regular domestic bills and the like via national giro systems. Indeed, clearing bankers claim that retail banking is much less profitable than their other activities, and that it is in effect subsidized to cement customer loyalty. True or not, more cement would be needed were Merrill Lynch to market cash management accounts in Europe.

In essence, Merrill Lynch's CMA offers unlimited checkbook transactions free of charge and does not require a current account balance to avoid them. Moreover, in sharp contrast to the policy of almost all the European banks, any credit balance in the account earns interest. As if to hone the edge of an already effective tool, the CMA comes complete with a VISA debit card charging directly to the holder's account through a bank clearing system. The minimum deposit required to open the account is $20,000 in any combination of cash and securities. Once opened, the account participates in a mutual fund investing in money market instruments: US Treasury bills, US Government bonds, certificates of deposit, and commercial paper. The sole charge to the account is an annual fee of $28.

The remarkable success of the CMA in the United States arises from the legislation which restricts the amount of interest banks can pay on small deposits to 5.5 per cent. US banks are further constrained by the Glass-Steagall Act of 1933 forbidding them to buy or sell securities. No similar restriction hampers the competitiveness or flexibility of European banks. Nevertheless, European investors with the equivalent of $20,000 in cash deposits and securities could claim that they are not particularly well served by banks.

The big investor can take advantage of a range of short-term money market instruments in the relevant domestic market and, foreign exchange controls permitting, in the international market. In effect, the big investor has access to the wholesale money market while the small investor is confined to the retail one. The difference is appreciable. For example, the Eurocurrency market rate for sterling at 7 days notice is currently 11.5 per cent, 2.5 percentage points more than the UK clearing banks pay for small deposits.

Of course, the gap between wholesale and retail market rates in Europe is not as wide as the one caused by legislation in the United States, and so successfully exploited by the CMA. Any attempt to exploit the difference on behalf of the European investor using cash management techniques alone would excite little interest. It is the CMA's tandem benefits—free checking, accompanying debit card, and, most importantly, interest-bearing liquidity—which should engage the minds of European bankers and investors alike. That, and the fact that they are being provided by the non-banking sector.

Over the past decade the big European banks have concentrated their attentions on the wholesale markets. Spiralling interest rates combined with the banks' ability to garner deposits from extensive branch networks led to sharply increased profits. A substantial portion of those profits arose from current balances in personal accounts on which the banks pay no interest. For example, in 1979 the domestic profit of the United Kingdom's big four banks soared between 70 and 90 per cent: Current balances are estimated at between a quarter and one-third of their total deposits. But there are now strong indications that the world of retail banking is undergoing change.

The difficulties of coping with this change are somewhat perversely underlined by a continuing furor about higher bank charges in the United Kingdom. The protagonists, Barclays on the one hand, National Westminster on the other—with Midland opting for the middle ground—seem intent on confirming their critics view that they give short shrift to the small customer. Barclays has announced that from September 1 it will charge customers of its rivals 50 pence (about $1) for each check cashed in a Barclays branch, thus ending an era of reciprocity among the big four. "We will retaliate," said National Westminster. "Deplorable," said Lloyds. Midland opined that it could all work out for the best in the end, its pragmatism partly explained by the fact that Midland was the first to announce that it would charge 30 pence per transaction to users of the hitherto free national giro system.

The 30-story headquarters of the National Westminster Bank in London.
Courtesy of British Information Services

The continuing row serves to throw into relief a number of factors which suggest that the big four could prove susceptible to innovative challenges. The working population of the United Kingdom is unbanked to a surprising degree: Less than 60 per cent have a personal bank account compared with the 90 per cent plus in both France and the United States. The 40 per cent or so of the British workforce attached to the idea of cash in their pay packets are hardly likely to be wooed by higher bank charges. Nor have they been seduced by the short business hours observed by the banks. Moreover, the widely accepted view is that banks have become too "impersonal."

But the overriding consideration of bank customers, existing or potential, is the return on capital. The big four have so far resisted pressures to pay interest on current accounts, except for the "notional" interest credited to accounts in balance but below the minimum required to avoid check charges. Yet there are now a number of deposit-taking finance houses based in London, mostly US-owned, paying interest on check-book accounts: They are credited with a friendly approach to retail banking and their opening hours are more obviously geared to the needs of the small customer. Interestingly, most of them are committed to a policy of expansion which should result in an aggregate of 1,000 branches by 1985. The big four have some 11,000 branches between them. Complacency would be remiss.

So how are the UK clearing banks reacting to the possible competition from new CMA-type products on the one hand and the existing competition from the old product made better on the other? The short answer is that they are not. Midland and Lloyds might claim that their variations of monthly-budget accounts are interest bearing, but in all truth they are cumbersome to operate and the charges incurred more than offset the small interest paid on credit balances. While the pressure to pay a real rate of interest on current accounts will increase in the immediate future, so will the attendant charges. As far as the CMA is concerned, the banks say variously there is no demand, that they have no plans in the pipeline, and, of course, that they are monitoring developments closely. Well they might.

Merrill Lynch is already operating two CMA pilot schemes from its London office, though the company is at pains to point out that they are not being marketed aggressively and that they are largely geared to American expatriates. However, the inaugural issue of *Retail Banker International* newsletter draws attention to the interest being shown by a leading British investment bank in setting up a CMA similar to that launched by Merrill Lynch.

BELFAST GAMBLES ON CAR

Industrial Package Attracts US Auto Maker

BARRY WHITE, *editorial writer for the* Belfast Telegraph

A SLEEK, SHINY NEWCOMER HAS JUST ARRIVED IN America's car showrooms and on it rest the hopes not only of its maker, John De Lorean, but of 1.5 million Ulstermen and women. If it sells, it can help reestablish Northern Ireland's reputation as a manufacturing base for international investors. If it fails, it can be regarded as another losing gamble in a period of economic recession.

The gamble is a breath-taking one, both for De Lorean and the British Government. The 55-year-old car maker gave up a top job at General Motors for one reason—to build his own sports car—and has put his considerable reputation as well as his fortune on the line. Skeptics said an independent could not begin to take on the giants or get financial backing, but he has done both. More than 300 US dealers have paid over $25,000 each to sell his cars and the British Government has backed him with $160 million of public money.

Admittedly the Northern Ireland Department of Commerce was in a receptive mood when De Lorean came to call three years ago. He was looking for a location with good communications, an industrial tradition, good labor relations, training facilities, and—most important—generous cash incentives for incoming industrialists. The department, on the other hand, desperately wanted a major, male-employing investor, close to the highest unemployment regions of west Belfast. Within weeks, in August 1978, the contract was signed and the British Government had underwritten the first grants and loans, totalling over $100 million. (Of this, $15 million was later recovered from the Community's Regional Development Fund, as part of the British quota.)

It was a frankly political act of faith, in a high-risk venture, by the Labor Government under James Callaghan. Overseas investment in Ulster had dried up as a result of continuing unrest and badly needed a boost, preferably from a prestige company. With De Lorean, there was the prospect of killing two birds with one stone—attracting fresh interest among American industrialists in Northern Ireland's 50 per cent grants and helping to bring unemployed Catholics and Protestants

Ireland has high hopes for the new De Lorean car. Courtesy of De Lorean Motor Co.

together in a new working environment.

So far, it has had considerable success in both directions, at a price. The strictly monetarist Conservative Government, which took over from Labor in May 1979, obviously has reservations about the record cost per job—more than $100,000 for each of 1,400 employees—but has honored prior commitments to the letter.

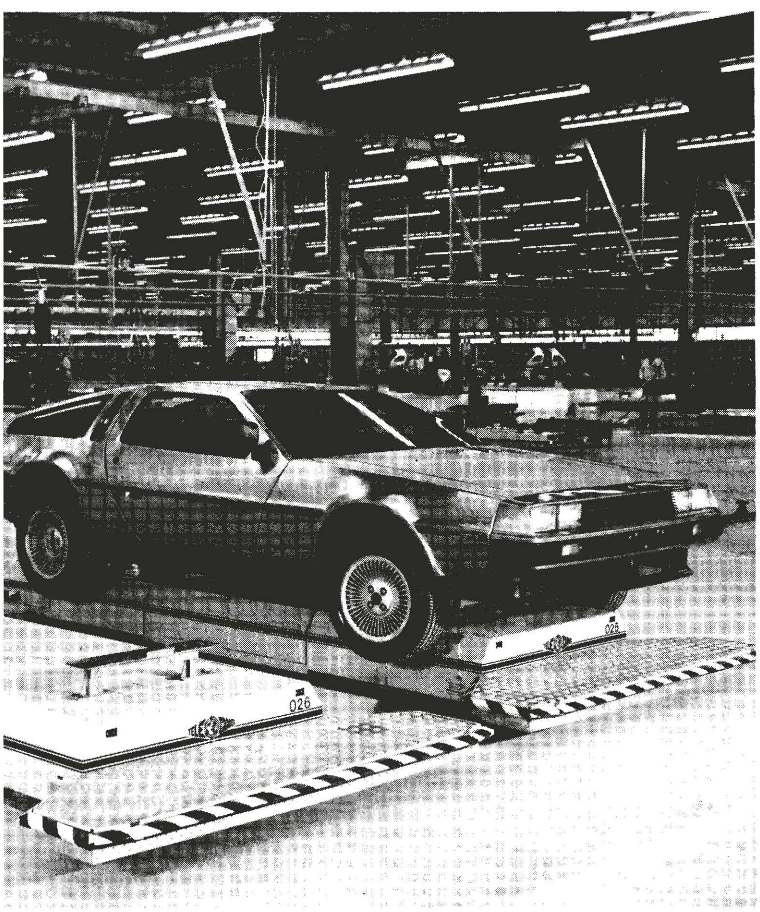
Conditions for the work force could hardly be better in what must be Europe's most modern car-assembly plant, on a green-field site accessible from both the mainly Catholic west Belfast and mainly Protestant south Belfast. To eliminate conveyor-belt boredom, Swedish-type assembly methods have been adopted, with mechanics combining in a team on one vehicle at a time. Quality control is a high priority and management is in the hands of some of the most experienced executives in the European motor industry.

While the building of the plant and test track has gone according to plan, some delay was caused by calling in Colin Chapman's Lotus team to iron out some of the engineering problems in the original design. As a result, the 120 miles-per-hour (mph) car may be less revolutionary than planned—the reinforced plastic underbody has been replaced by a more conventional steel chassis covered in a plastic, corrosion-free skin—but it now has the stamp of a world-famous engineer. Any doubts about the handling characteristics of a rear-engined car, with Lotus's approval, can be dismissed, and the eye-catching design features of the gull-wing doors and brushed stainless steel finish are retained. De Lorean's real misfortune, however, has been to launch a prestige automobile on the American market at a time of recession.

He argues that it is a car of tomorrow, with low consumption and high resistance to corrosion, but it has to compete in price with established European and Japanese manufacturers in a diminished market. Britain's high rate of inflation and wild fluctuations in the exchange rate of sterling, have contributed to an increase in the selling price from a competitive \$16,000 in late 1979 to \$25,000 today.

De Lorean claims to have sold the first two years' production of 30,000 cars to dealers bidding for the business, but such projections are hardly realistic at this early stage. The car must prove itself first, and the price must be right for the buyer and the dealer, while giving

A De Lorean on a robot platform that moves the car through the final stages of production at the plant in Dunmurry, Northern Ireland, near Belfast. Courtesy of De Lorean Motor Co.



an adequate return to the makers. Understandably there have been cash-flow problems, as the company has to carry all expenses until the first cars are sold, and there was a hint of friction with the Government early this year over repayments of loans and a \$400 royalty payment on each car delivered. Eventually the Government agreed to underwrite a further \$20 million loan by American banks, but refused a further request for postponement of repayments from November next. De Lorean offered to operate on a nonprofit basis for four years, in order to reduce the car's selling price and employ 400 more workers, in return for a four-year deferment on loans and royalties.

The economics of the operation are still cloudy, and some of the sales and employment projections may have to be revised downward in view of the economic climate, but there are high hopes for the future. On the plus side, it can be argued that the Government has provided much needed jobs in construction work, as unemployment levels soar to a record 17 percent, and also saved money in welfare benefits. In addition 80 per cent of the car's components are made in Britain, a welcome relief in hard times. Against this critics say the money would have been better invested in smaller, locally based industries with less risk.

The reality, however, is that there is no secure investment in a recession, and that if De Lorean had not appeared on the scene, the money would not have been spent. Northern Ireland has been easier to sell as an industrial base since the arrival of De Lorean and Lear Fan Corp., building a new generation of Lear jets, is the latest acquisition, with a prospect of 1,100 jobs.

From now on De Lorean is on his own and future developments at Belfast must be financed through sales and shares. Even before the public had a chance to test the car—and reaction from the American motoring press has been favorable—he has announced plans for a four-door sedan, a 160 mph turbo-charged coupe, and a right-hand drive model for sale in Britain in 1983. By then, production should have risen to the planned 30,000 a year, employing 2,000.

De Lorean himself would be the first to admit that the future of his company, and thus the Belfast plant, depends on public response to the first batch of cars, shipped to Long Beach, California via the Panama Canal and to Delaware. With help from Johnny Carson, a leading shareholder, and Sammy Davis Jr. the De Lorean car will not lack publicity. But the Belfast-build car has to measure up, on the roads, to the highest standards of a small, elite company of manufacturers. If it can do this, it will be a perfect example of transatlantic cooperation: Conceived in America, financed by Britain, designed in Italy, powered by a French engine, and assembled in Northern Ireland.

MEMBER STATE REPORT: UK

Will Bubble-and-Squeak Spread?

British Food Enters the Common Market

OLIVER PRITCHETT, *feature writer for the* Sunday Telegraph *of London*

A momentous decision was reached recently in the British House of Commons, proving that Westminster can still produce its great historic occasions. It was ordained that the menu in the dining room used by Members of Parliament (MP) should no longer be printed in French. The plain food with which parliamentarians sustain themselves must be now described in plain English. *Consommé* is now clear soup and that is that. Indeed, the reform is so revolutionary and sweeping that the words "French fried" are banned. Henceforth the correct terminology is "chips."

At first sight this may appear like a typical bit of Little Englandism. Obviously another example of perfidy, a spiteful way of getting back at the French growers of Golden Delicious apples, a last petulant shot in the war with the French over lamb imports, or a sly attack on the Community's Common Agricultural Policy. The British have resorted to imposing sanctions on the *bonne femme* and the *maître d'hotel*. This was clearly the *hors d'oeuvre* in an all-out war of words. Surely this was further evidence that although the British have joined the Common Market they do not actually belong to it.

There is another explanation which I think is more plausible. This move to translate the *menu*—sorry, bill of fare—into English was, in fact, a show of humility. The British have endured years of mockery about their food so it would not be surprising if from time to time they show the symptoms of an inferiority complex.

The Liberal MP Clement Freud, who is a noted expert on gastronomic matters, was one of the first people to welcome the reform in the dining room, saying: "It is shameful having *'le roast beef avec le Yorkshire pudding'* on the menu. The only excuse would be if you practiced French cuisine in the kitchen. There is no good reason why an English meal cooked by a Chinese and served by an Italian should be given a French name."

Shortly after this move introducing the English language to the MPs' dining room, however, a snag arose. Freud felt it his duty to table a motion in the House of Commons. The motion noted the reform of the menu with approval, but went on to say that it "seriously questions the wisdom of serving Danish sausage under the appellation 'Italian salami.'" I suspect the debate will continue for many months to come.

Sipping a thoughtful glass of *Chateauneuf du Pape* (or Newcastle of the Pope, as we may soon have to call it), I got to wondering how the Common Market was affecting British eating and drinking habits. I do not mean the all-night Brussels arguments about agricultural products and their prices, but the question of eating out in a European style.

In this respect the British can claim to be "good Europeans." London, of course, has thousands of good places to eat—most of them foreign. And all over Britain you can find French, Greek, and Italian restaurants. After the first, numbing, icy shock to the throat, the nation has now got used to cold German and Danish beers. *Bierkellers* can be found in many English cities.

The latest issue of *Good Food Guide*, which tells the British the best places to eat, made a new departure. It listed restaurants in France, pointing out that for people living in the South of England it could be cheaper to pay the fare and cross the Channel to Boulogne, Calais, or Dieppe for a good meal than to eat in an English restaurant. It was a proposition which I promptly and dutifully tested and confirmed.

Good European habits can also be found in the British trade union movement. The ignorant might suppose that rank and file trade unionists consume pints of beer and mugs of weak tea. Wrong. Britain's largest trade union, the Transport and General Workers Union, has a thriving wine club, through which members can buy cases of wine at discount prices. The club has just announced a scheme for cheap holidays to the wine-growing areas of France.

This is bound to have an effect on the language of both wine appreciation and industrial relations. A fine bottle of Beaune will be described as "one hundred per cent solid" or "good enough to satisfy the demands of our members," while a bottle of vinegar-plonk will be dismissed as "totally unacceptable." Meanwhile, a trade union leader presenting his latest wage demand will say "I think you will be amused by its presumption." Or he will describe a picket line as "full-bodied, fruity, and with a good nose."

Now, the question is: how much is the rest of Europe coming to accept British contributions to the food and drink culture? A few brave attempts have been made to export the British pub—you can find them in Brussels.

In certain holiday resorts and package-tour hotels you can find what is called international cuisine, but what is really the lowest common denominator of European food—a sort of second cousin to a *wiener schnitzel*, accompanied by a travesty of *spaghetti bolognese*, served with chips, and followed by fruit salad. In these sort of resorts you will also find advertised such experiences as "English teas" and also "roast beef and two veg." But these delicacies are there only to pamper the homesick British tourist. They are not for native consumption.

That is why I believe that other EC members could do more to foster British food. Why has the EC Commission not set up a reciprocal arrangement so that Italian consumption of toad-in-the-hole (sausage and pudding) is related to British consumption of pizza? Where is the bubble-and-squeak (mashed potatoes, cabbage, and sausage) mountain? Or, come to that, how deep is the European custard lake? There are other international relationships to be considered. Is Luxembourg pulling its weight on the Sauerkraut Issue? Is there a Pasta Shortfall in Belgium?

As self-appointed leader of the British delegation to the marathon negotiations in Brussels, I will shortly be demanding that German *bierkellers* be obliged to serve a quota of some esoteric British bitter, like Theakston's Old Peculiar. Furthermore, I will be proposing the setting up of a committee to monitor the amount of shepherds pie eaten in Salonika compared with the amount of *moussaka* digested by the good people of Birmingham. I will insist on a scale to be drawn up to show how many gallons of *zabaglione* are equivalent to how many tons (I mean tonnes) of jam roly poly. It is time for European foreign ministers to hold a summit meeting to establish the Common Market's Common Rice Pudding Policy and also to lay down the rules standardizing the steak and kidney pie.

In all these matters I believe that Britain can give a lead. The Community owes it to us. Our contribution to the culture of Eurofood is unmatched—after all, we are the nation which for generations has sustained the Brussels sprout.

HOW DID MITTERRAND WIN?

Seven Years Is Too Long

JEAN LACOUTURE, *French author and journalist*

ON MAY 10, FRANÇOIS MITTERRAND CROSSED THE Seine. All his life a man of the Left Bank—from the old rue de Bièvre where he lived to the Parliament he enlivened, from the Sorbonne to the literary quarter frequented by his writer friends—he found himself installed by the grace of 15 million voters, 52 percent of the French electorate, in the presidential palace on the right bank, near the Champ Elysées. The same palace where 17 Presidents for three-quarters of a century have symbolized the reigning middle classes and where former French President Charles de Gaulle burst the seams of a constitutional system that stifled him.

But this trip across the Seine is not the crossing of the Rubicon, François Mitterrand is not a Caesar determined to impose Socialism by every available means. He is a republican statesman who, despite adopting Socialist ideology at 50 years of age and being elected leader of the party soon thereafter, remains attached to normal procedures at the institutional level, to an economic policy which balances out Socialism with a market economy, and to a diplomatic and military policy which allies democracies against totalitarianism.

Nevertheless, he shouldn't be expected to restore to the French population or political ranks any part of the vast powers accorded the President in the Constitution of the Fifth Republic. This Constitution, tailored to the specifications of de Gaulle, gives the French President a position combining those of the British Prime Minister, the German Chancellor, and a US President assured of Congressional support and of compliance from the states. Mitterrand will be less imperial than de Gaulle, less managerial than Pompidou, and less royal than Giscard; but his personality is so strong, and he has been denied power for so long, that he can be expected to run things with great vigor.

The French people's choice surprised world opinion. Ten months ago, there was no doubt that Valéry Giscard d'Estaing would be reelected. Around the beginning of the year the factors leading to Mitterrand's win—which was more a loss by the incumbent President—began to add up.

It has been often written since May 10, that despite appearances the victory of the new President is really a victory for Charles de Gaulle in that the institutions he created worked so well that his most implacable enemy had to accept them in order to get elected: Mitterrand wearing the coat and shoes of the old leader. Many imagined de Gaulle laughing in his tomb, saying to himself, "Even in death, I clothe him and guide his hand." But this pays little attention to the imperfections of the system of a seven-year term, created by and for de Gaulle, which led to Giscard's loss.

In fact, one of the principle causes for the defeat of the incumbent President is that the presidential mandate is too long to allow for someone with such broad power. In seven years, Giscard did not make only mistakes. The first four years of his "reign" were even marked by intelligent initiatives, a true desire for change and liberalism, and skillful diplomatic and military leadership. But so many responsibilities and such a great concentration of power can not help but tire and change the personality.

A four-year mandate would have certainly permitted Giscard to be reelected in 1978 or 1979. Two or three years later, the French public had become weary. Seven years more? It's too much. Essentially, this is what caused the loss by this brilliant, talented man who showed during his last debate with Mitterrand that his fighting spirit and his competence remain intact. It's a case, to borrow the title of Marilyn Monroe's charming film, of "The Seven Year Itch".

The strategy of the Communist Party was another decisive factor in the May 10 vote. Historians will long dispute whether or not François Mitterrand and his Socialist comrades were right to sign a "common program" with the Communists in 1972 which united the two parties in an almost organic fashion. Certainly this alliance triggered a positive movement among vast sections of the popular left, and this "unified current" favored the success of the left in the 1973 legislative elections and above all in the 1977 municipal elections. But alliance with the Communists was a double-edged sword.

Election night. © Pierre Vauthey, Sygma

candidate closely allied with the Communist Party. By ruining the chances of the Socialist-led left in the 1978 legislative elections, and by presenting the secretary-general of the party, George Marchais, as a candidate against Mitterrand, the Communists rendered the Socialist candidate the greatest service he could have hoped for. It substituted a "free union" of the left for a compromising marriage and eased the ideological dogmas of Mitterrand's candidacy, giving him more freedom and political flexibility. Free in comparison to the Communists who were forced to vote for the more leftist candidate, Mitterrand was in the best position to use the huge apolitical wave of discontent to his advantage.

Victory celebration. © Pierre Vauthey, Sygma

It allowed the Socialists to create an "ascendent effect"—and for the first time in history they profited more by it than did their partners—but it also carried a costly burden.

In September 1977, at the approach of the legislative elections in the following spring, the leadership of the French Communist Party broke off the association and launched into brutal polemics against Mitterrand and his friends. The turnaround was prompted by what was seen as excessive progress by the Socialists thanks to the alliance as well as a reaction to the ongoing international crisis and to Moscow's deliberate choice in favor of Giscard. The end result was the defeat of the left and the consolidation of parliamentary control by Giscard; at the same time it opened the doors of the Elysée Palace to Mitterrand.

It is doubtful indeed that the centrist voters responsible for the decision of May 10 would have voted for a

The monumental blunder of the Communist Party (which has helped elect, in spite of itself, a man it detests and in whose victory the "big brothers" in Moscow refused to believe) was amplified by events outside France. Above all from Poland for which French opinion has traditionally been sympathetic, especially since August 1980. The ascension of Lech Walesa and the Solidarity union, the failures of Communism illustrated by the Polish crisis, the appearances of a "new" form of Socialism, the brutal threats constantly exchanged between the Polish Communist Party and Moscow, and the long and formidable Warsaw Pact maneuvers on Polish territory in February and March 1981, all contributed toward tarnishing the image of Communism in the eyes of French voters, to the advantage of the non-Communist left. Even more so since close relations were publicly exhibited between Walesa's Solidarity and the French Democratic Confederation of Labor union led by Edmond Maire. This is not to say that it was Lech Walesa who elected the new President, but it is certain that the Polish crisis reenforced the non-Communist current among the blue collar vote in France and weakened the prestige of the French Communist Party.

Less important in the long run, but perhaps decisive in the short run, was the action of Rally for the Republic, Jacques Chirac's neo-gaullist party: above all because Giscard's defeat made the Mayor of Paris, at 44 years of age, the leader of the opposition and a definite candidate for the presidency in 1988. He will be 51 years old, and there is not a single error of the present administration that he won't know how to exploit with all the talent and virulence that he displayed during the last campaign. On April 29 he announced that he would vote for Giscard himself but he did not tell his supporters whom they should vote for. It is impossible to say how many Chirac votes crossed over to Mitterrand's support and assured the defeat of Giscard (who lost his composure and spoke of "deliberate treason"). Nobody doubts that of the 1,300,000 votes that finally separated Mitterrand and Giscard, a good million were cast by those who had voted for Chirac in the first round.

Political scientists are already busy at work analyzing the structure of the May 10 vote: the social, professional, and regional composition of Mitterrand's majority. Who exactly elected the new French chief of state? It wasn't the poorest people, traditionally against political upsets which they fear will be at their expense, nor was it women, who are more inclined toward stability. Giscard got a majority among voters earning less than $800 per month, among those earning more than $2,000 per month, and among women. His regional strengths were in the west (Brittany) and the east (Alsace).

The typical Mitterrand voter was a middle-class male, aged between 25 and 40 years, living in the central, southern, and northern regions of the country, and making between $1,000 and $2,000 per month.

And what will history remember of the somewhat sensational elections of Spring 1981 in France? Beyond the entry into the Elysée Palace of a leftist leader, more likely to modify the internal social balance than that of inter-European and inter-Western relations, perhaps we will study the causes and depth of the Communist decline, which some judge as circumstantial and others as definitive. In any case, the fact that the Communist electorate shrank from 29 percent in 1945 to 15 percent in 1981 profoundly changes the political balance and diplomatic liberty of France. Analysts of the future will say that just as it took a nationalist general to liquidate the French colonial empire, it took a Socialist to put the Communist Party on the sidelines.

Cheysson Is New External Relations Minister

Leaves EC Commission With Brilliant Record

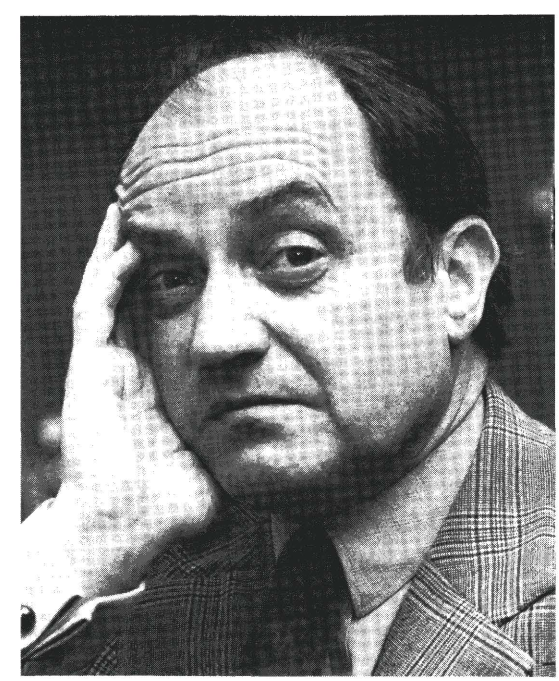
So France no longer has a foreign minister but a minister of external relations. The most illustrious of French diplomats, Talleyrand, must have turned over in his grave chuckling with pleasure: That was the title he used when, after throwing out his bishop's clothes, he undertook the redrawing of the map of Europe with the help of first the Revolutionary armies then those of Napoleon's Empire. The precedent is flattering in one sense, and very little in another. Cynicism of the most arrogant sort was the law, the only law, of the diplomat-bishop, but this principle will not guide his present successor.

Claude Cheysson is an out-of-the-ordinary personality. In Saigon, where I knew him nearly 30 years ago, this young graduate of the *Ecole Polytechnique,* with his sharp diction and lightning intelligence, was already imposing his views on generals and high-level bureaucrats old enough to be his father. In Geneva in 1954, during the big negotiations over Indochina, he was the right hand of Pierre Mendès-France and was one of the architects of a peace which, though fragile, saved tens of thousands of lives.

Later I saw him getting oil out of the Sahara, promoting new relations between French and Algerian industrialists, and putting together between Europe and Africa the most equal cooperation possible, later institutionalized in the Lomé Conventions (which we will realize one day were 20 years ahead of their time).

Everywhere this man—precise and hurried, inventive and peremptory, lucid and courageous, and little inclined to see himself as fallible—left his mark and opened new avenues. Now that he is installed in the Quai d'Orsay, we can expect more imposing changes than just a new label that answers a joke often made about diplomats: That too many affairs are foreign to them.

The name of Cheysson evokes essentially three ideas: Europe, the Third World, and national independence. First, Europe. For



nearly 10 years, and under several different Governments in France, he has been a member of the Commission, the executive body of the European Community. Violent confrontations once opposed Cheysson to Jacques Chirac, then agriculture minister, who accused the former of not sufficiently looking after the interests of French farmers.

Despite Cheysson's patriotism his conscience dictated that in this affair the future of Europe required concessions from Paris and he acted accordingly. But his performance in Brussels was sufficiently brilliant that both former French Presidents Georges Pompidou and Valéry Giscard d'Estaing kept him in that very important job despite his Socialist convictions. Thus, what one must see first of all in Cheysson, is a fervent Europeanist.

However Europeanist he may be, Cheysson is nonetheless convinced that the Third World, temporarily underdeveloped and exploited, represents the future of the world. The 3 billion people who, from Lima to Peking and from Istanbul to Tenerife, consume but 20 percent of the world's resources are destined, according to him, to be the referees in the great game of the rest of this century and for decades to come. Unless a new equilibrium is established with them, he believes, the industrialized nations are courting ruin or merciless clashes of which the current tensions over oil only hint. Thus the opening to the Southern Hemisphere that he intends to push is not based solely on reasons of justice and human compassion, but also on what he believes to be lucidity and realism.

The third component of Cheysson's personality is his concern for maintaining France's position vis-à-vis the great powers, from the East as well as the West. This approach can be seen as *Gaullien* except that his design encompasses Europe as well as France and nothing seems more dangerous to him than a policy of neutralism between East and West. For Cheysson, France belongs in the world and he says neutralist tendencies recently surfacing in Germany and Britain are cause for despair.

He will not extend this despair to France and will refuse to assimilate cumbersome allies and potential invaders—all the while adopting a stance that will not always please President Ronald Reagan and his advisors.

I recently asked a high-level American diplomat how worried he was about the possible inclusion of Communists in the Government formed by Prime Minister Pierre Mauroy. Less than you think, he answered. We don't wish it, but we don't see it as a mortal danger. What we are worried about most are the initiatives of the new head at the Quai d'Orsay.

Yet this American diplomat knows that Cheysson is a Europeanist and convinced Atlanticist and—with regard to Franco-Israeli relations, touchstone of all diplomacy for Washington—that he will strive to soothe the recent wounds. Without reneging on the Arab policies of his predecessors, he will try everything he can to persuade the Israelis rather than defy them.

It is not this angle that worries the Americans, but rather the Third World leanings of the new French minister, the initiatives taken with regard to El Salvador, South Africa, and the bloodiest dictatorships of Latin America—Chile, Argentina or Uruguay. Washington sees there a source of high tension with its French ally—a stronger ally than before, but probably more troublesome.

JEAN LACOUTURE

Dutch Elections Result in Stalemate

NEL SLIS, *freelance writer based in The Hague*

No one was surprised when the left-leaning Democrats 66 (D-66) party won nine seats, bringing it from eight to 17, in the May 27 elections to the 150-seat second chamber of Dutch parliament. They obtained votes from dissatisfied Christian Democrats and Laborites as well as from Party for Freedom and Democracy (VVD) Liberals. It left the Government losing its Christian Democrat and Liberal majority.

The greatest loser was the Labor Party going down from 53 to 44. The Christian Democrats went down from 49 to 48 seats, but became the political party holding the most seats. The Liberals lost two seats, dropping to 26. Smaller right-wing parties gained votes mainly from those who were dissatisfied with new liberal abortion legislation, while the small left-wing parties gained a few seats from voters that are dead set against any further nuclear development both for peaceful and for military purposes.

D-66 is playing a key role in the formation of a new cabinet. Premier Andries Van Agt has said he would like to have a new broad-based cabinet with the four largest parties: Labor, Christian Democrat, Liberal, and D-66.

D-66 leader Jan Terlouw, meanwhile, has said that he "never" will enter a new Government that includes the Liberals, but all know that a political "never" never is eternal. D-66 has found an ambiguous formula for its stand on the stationing of missiles in the Netherlands. "Under the present circumstances," Terlouw has said, D-66 is against it. This obviously does not exclude D-66 changing its mind under circumstances it would consider different.

The present Government last year told North Atlantic Treaty Organization allies that it would postpone its decision until next December. In the meantime, it never has come out clearly what might be its stand by that date, except for some Government members stating that "there could always be another postponement."

Apart from the VVD the tenor is for the "junction" of successful US-Soviet disarmament talks with the possible stationing of missiles in Europe. The Socialists, however, want to do away with all Dutch military armament and with all Dutch nuclear power plants.

Last time the formation of a new Government took almost nine months and politicians believe this one will take several months at least. Even though Dutch politicians realize that there is little time to lose in a country where the state's debt, inflation, and unemployment are rising at a fast rate, bargaining will go on for quite a while.

Van Agt wants a combination of Christian Democrats, Liberals, and D-66. Former Socialist Premier Joop den Uyl wants a Cabinet that has a labor program and will include D-66. Liberal leader Hans Wiegel calls for a right-leaning Government, and D-66 refuses so far to work with the Liberals. The stalemate could last quite a while.

Queen Beatrix this week appointed two Christian Democrats—Development Minister Jan de Koning and former Economics Minister Ruud Lubbers as "finders" to seek out someone to form a Government. Privately de Koning said it will take as much as a month to puzzle out Dutch political complexities. A number of politicians, however, are saying that they will not be surprised if eventually a Cabinet very similar to the Van Agt Cabinet emerges.

One distressing thing was that throughout the campaign next to nothing was said by Dutch politicians about strengthening European integration. It is hard to say whether this means they take it for granted or whether they have little faith.

Irish Elections Nearly a Tie

DENNIS KENNEDY, *assistant editor of* The Irish Times

June's general election in Ireland produced everything except a clear result. It was practically a tie, with 78 seats to Charles Haughey's Fianna Fail party, which had been in Government, 80 seats to the combined opposition parties, Fine Gael and Labor, and eight to independents and "others."

As if that arithmetic was not complicated enough, two of the "others" were H-block prisoners from the maze in Northern Ireland, and therefore absentees. In addition a chairman or speaker has to be found for the new parliament and if he comes from the coalition side that would make the score between the two main groups 79-78. The remaining six seem to divide evenly, three likely to favor Fianna Fail and three the coalition.

On top of all that, one of the elected H-block prisoners is already well into a hunger-strike, raising the possibility of an early by-election. By the time this appears, all will be resolved. The new Dail (parliament) meets on June 30, and probably, though not certainly, will elect Garret Fitzgerald to head either a coalition Government or a Fine Gael Government with Labor support.

Fitzgerald certainly came out best from the voting. Between 1973 and 1977 he had won a brilliant reputation as foreign minister in the then coalition Government. In 1977 he took over the leadership of Fine Gael after the party had suffered one of its severest election defeats. Party morale was low, and to some Fine Gael seemed in permanent decline. Always regarded as somewhat academic and transparently honest—two serious handicaps in politics anywhere—there were many doubts about his ability to lead the party. But under him its organization was transformed and in this latest election, its representation went up by almost 50 percent. Now, with 65 seats in the Dail, it is reaching the shoulder of Fianna Fail, which for several generations has been unchallenged as the largest party in the state.

The main loser was not Fianna Fail, but the small Labor party, which now has only 15 seats, and which lost several of its best members, including the party leader. Haughey did not win the election, but if he lost it, he did so by the narrowest of margins. Given that and unemployment, and that he was also under attack from the H-block campaign, Haughey did remarkably well, holding on to almost all Fianna Fail's traditional support. Indeed without the intervention of the H-block candidates, he, rather than Fitzgerald, might now be the more likely to form a Government.

The performance of the H-block candidates was, to most, the big surprise of the election. Not only did they win two seats, and come very close to a third, they polled well in the other six constituencies they contested.

To anyone with a knowledge of Irish history, the fact of Irish people voting for convicted Irish Republican Army (IRA) gunmen, or even electing them, will not seem surprising. But today these IRA men are seen by all political parties in the Republic of Ireland as terrorist, and bitter enemies of democracy in Ireland. All the main parties have unreservedly condemned the IRA violence. All are opposed to giving political status to the H-block prisoners, and all are opposed to granting them their five demands. It was assumed that public support for the IRA in the Republic was virtually nil.

Garret Fitzgerald

Charles Haughney

Does the election change all that? To some extent it does, but not entirely. Arguably the votes for the H-block candidates were not for either the IRA or for violence, but rather for a resolution of the H-block crisis. To some degree the three main political parties have brought this upon themselves, for they have constantly advocated what they call a humanitarian solution to the problem, and have repeatedly presented British Prime Minister Margaret Thatcher's inflexibility as the main obstacle to a solution. As a result of this, public perception of the H-block issue in the Republic has similarly seen the issue in humanitarian terms.

It was easy therefore for a voter to back a H-block candidate on what he would call humanitarian grounds, without feeling he was voting for violence or the IRA. This approach was made even easier by the system of proportional representation used in Ireland. Voters mark the names on their ballot papers 1, 2, 3, and so on, in the order of their choice. If a voter assumes that an independent or H-block man has no chance of being elected, he can give him his number 1 as an indication of sympathy or support, safe in the knowledge that once that candidate is eliminated, his vote will go to his second choice, usually one of the main parties.

But even taking these aspects into consideration, the votes for the IRA prisoners were evidence of considerable ambivalence toward political violence among the electorate. The timid stance of the two opposition parties, Fine Gael and Labor, on the H-block was evidence too of how potent a force gut nationalism still is in Irish politics.

Haughey's own good result from Fianna Fail, given the economic and social conditions in the country, may also be evidence of this, for it was most probably based on his appeal to nationalism through the scarcely veiled promise that Irish unity was at last in sight.

If he can form a Government, Fitzgerald will be anxious to reduce the nationalist temperature, and to bring people back to the reality that London and Dublin cannot solve the Irish problem behind the backs or over the heads of the warring communities in Northern Ireland. But nothing in this election has made it easier for any political leader in Ireland who is anxious to challenge the myths and double thinking that still surround the Irish problem, or the role of political violence which lies at the core of it.

The sixth annual media seminar on US-EC relations took place June 4-6 at the Château de Canisy in Normandy. Panelists, keynote speakers, and observers came from all over Europe and the United States. Photographs by Pierre-Yves Butzbach

Analyzing Atlantic Issues

Media Seminar Studies US-EC Relations

JUREK MARTIN, *US editor for the* Financial Times

In 1944, American troops stormed the beaches of Normandy en route to the liberation of Europe. Thirty seven years later, almost to the day, another American invasion of Normandy could be discerned; but so, too, could be observed a different European response.

The battle this time was of words; the setting was, as one wag put it in an appalling Anglicized pun on the great local *digestif*, truly Norman: the magnificent château at Canisy, ancestral home of the de Kergorlay family. The occasion was the sixth annual EC-US conference of journalists, bringing together writers, politicans, and Government officials from both sides of the Atlantic.

Even without the additional fluency that comes with regular infusions of Calvados, there would have been plenty to say. Relations between the Community and its member states and America have clearly taken on a new dimension of late. President Ronald Reagan's Administration is pursuing political, military, and economic policies which are both different from those of its recent predecessors and which ask different questions of Europe. At the same time, Europe is in a state of some flux, with a change in direction in France, political uncertainty ranging from Italy through the Netherlands to Ireland, and much internal debate over how best to respond to the requirements and consequences of the new American direction.

In the American corner at Canisy were grouped representatives of the new and old regimes and schools of thought, plus one formidable bridge between the two. In the first category, the purpose of Stephen Entin, deputy assistant secretary of the Treasury for economic policy, and Allen Holmes, principal deputy assistant secretary of state for European affairs, was to lay out concisely the intent and parameters of US economic and foreign policy.

The Entin brief was to explain the logic of Reagan's supply-side economics, which he conveyed with the sense of the true believer, and to try and assure a naturally skeptical European audience, reeling under the weight of high American interest rates, that, in the long run, what was good for the United States was good for Europe as well.

The American *ancien régime* was represented by Robert Hunter, former aide to Senator Edward Kennedy and member of President Jimmy Carter's National Security Council, and William Bader, the influential former staff director of the Senate Foreign Relations Committee when it was under Democratic Party control. Their messages were the reverse of the Entin-Holmes thesis; both warned, in unequivocal language, of the myopia and indifference of the current US Congress to international sensibilities; both argued that Europe should not take lightly the current hard-line anti-Soviet posture of the Reagan Administration. With political perspectives markedly different from those of Entin and Holmes, neither was overly sanguine about the state of East-West relations, nor, in consequence, of a smooth dialogue between America and Europe.

The bridge over these troubled waters was provided in the redoubtable person of Robert Hormats, who has worked for four Presidents and who now serves as assistant secretary of

Speaking at a session on trade are (L-R): Denis Lamb, chargé d'affaires at the US mission to the European Communities; Robert Hormats, US assistant secretary of state for economic and business affairs; moderator François Duchène, director of the Sussex European Research Centre; and Sir Roy Denman, EC director-general for external relations.

Pieter Dankert, Dutch member of the European Parliament, gives a lunch speech on the future of the Parliament.

Panelists (L-R) Martine Royo of Le Nouvel Economiste, *columnist Tad Szulc, and Bailey Morris of* The Washington Star.

state for economic and business affairs. Few Americans are as aware of the nuances of the European-American axis as Hormats. Though his principal Canisy contributions were in the fora on energy and trade, his was an unequivocally multilateral message. He inveighed against "creeping bilateralism," protectionism (the curb on Japanese car sales to the United States was, he said, a "one off" deal), and nationalistic use of export credits. He argued forcefully, too, on the need to ensure that the developing countries become full members of the international trading system.

The European response was, perhaps, more unified in its skeptical questioning of American policies but as diverse in its presentations. This ranged from the cheerfully unreconstructed Keynesianism of Ivor Richard, the EC Commissioner responsible for employment, social affairs, and education, who saw a genuine role for Governments in creating jobs, to the equally cheerful and humorous iconoclasm of Pieter Dankert, Dutch member of the European Parliament. Few targets, be they American militarism, European institutions, or global leaders, escaped Dankert's deft sword. Nationalism was his special bugbear; "I was accused," he lamented about his domestic Dutch critics, "of European convictions."

In between could be found at least a modicum of guarded optimism. Sir Roy Denman, the Commission's director-general for external relations, thought the world trade picture was "somber" but added that the fears he held in 1979 for a European-American trade war had now subsided, the Japanese car deal with the United States and the persistent problem of multifibers notwithstanding. Trade problems, he said, with Hormats nodding agreement, could no longer be seen through "mainly bilateral" spectacles.

Equally, Jean-Marie Daillet, Canisy's (and the Manche's) Socialist (Lecanuetist) deputy in the French Parliament, foresaw continued strong ties between the two continents. François Mitterrand, the new French President, was a "strong Atlanticist" and the new Reagan Administration had shown itself aware of both European and especially French defense needs.

Participants take a musical break.

William Bader, formerly staff director for the Senate Committee on Foreign Relations and now legislative assistant to Sen. Joseph Biden (D., Del.), speaks on the future of East-West relations.

Given the subcutaneous strain of criticism of Japan's global role, it was appropriate that Hiromichi Miyazaki was present, wearing, as he stressed, several hats but mainly that of the presidency of the International Energy Agency. He was frank in some tart observations about what he saw as the short-sightedness of some Japanese companies in international commerce, but equally candid in expressing his personal view that Governments would be unwise to relinquish too much control over energy policies to the free markets. In the economic field, this thesis was also advanced by Corrado Pirzio-Biroli, the economic counselor at the EC Commission's delegation to Washington, who suggested that the Reagan Administration was too willing to let the Federal Reserve shoulder too much of the burden and perhaps too insouciant in its attitude toward the dollar.

In the end, of course, no one won the war of words; the civility of the surroundings in any case militated against hostility. To the extent that there was true cacophony, it was only apparent on the final evening when peat-soaked Irish basses, thunderous Finnish and American baritones, and the finely honed, bluegrass-trained tenor of the distinguished correspondent of the Baltimore Sun rent the night air.

Maybe, as Johnny Apple's diligent research into Norman history unearthed, vaudeville as well as some pithy informal exchanges were born again in Canisy.

EC JOBS PLAN PROPOSED

Medium-Term Strategy Sought for Recovery

IVOR RICHARD, *EC Commissioner responsible for employment, social affairs, and education.*

EUROPE IS EMBARKING ON THE DECADE OF THE 1980s faced with a series of economic and social challenges unforeseen during the boom years that made up the vast majority of joint European Community and American post-war experience. That era of rapid Western economic growth is now over, and the events that led to its end are well-known. Internationally, there was the 1973-74 oil crisis, the ensuing shift in the balance of world economic power, and the upsurge of the newly industrialized countries as a focus for Western investors. Nationally, there was the spiral of high rates of domestic inflation, high external deficits, restrictive monetary policies, and lengthening dole queues.

It is of course this last problem—that of the Community's 8.4 million jobless people and the economic context that has produced them—that has been at the center of my concern since I took up my position in January this year as EC Commissioner for employment, social affairs, and education. An effective response to Community unemployment, which I fear is worsening and by this winter could well be edging the 10 million mark, is certain to remain a key priority in the coming four years of my European mandate.

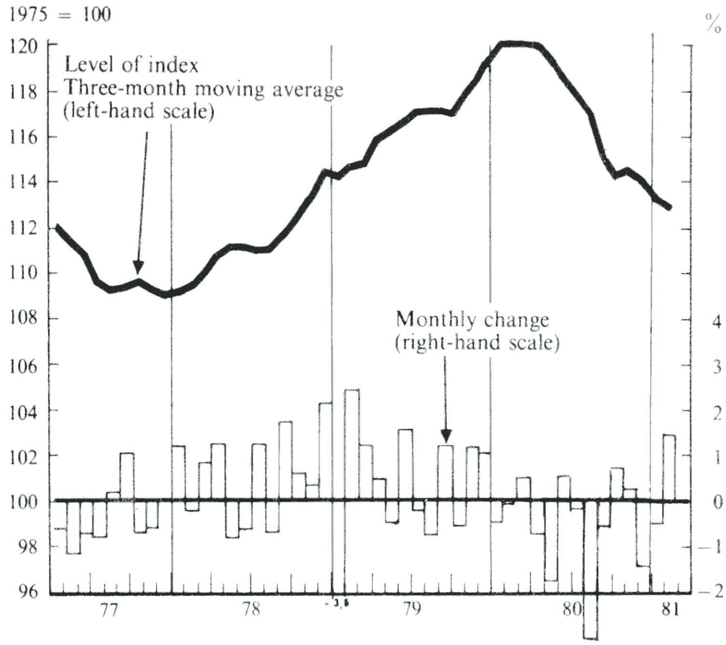
There are no quick and easy solutions—and, along with my colleagues at the EC Commission, I am certain that the only durable response is to be found in the medium term via concerted action by individual EC member Governments following employment-oriented policies. With this in mind, I have forwarded to the Council of Ministers on behalf of the Commission a five-point, medium-term strategy which seeks to ensure a recovery of employment in a context of lower economic growth rates and changing social objectives. My first opportunity to discuss this strategy came in late May at a tripartite meeting with member Governments, European trade union leaders, and business.

Yet it is impossible to overestimate the problems facing European employment policy even in the medium term. Beyond the economic crisis, unemployment in the EC is further exacerbated by the combined and simultaneous impact of the rapid growth in the work force and technological changes. Thus the Community's potentially active population is expanding at a time when the economy is either contracting or growing only sluggishly, and when developments such as advances in micro-technology are changing the face of European industry more rapidly than the ability of an expanding labor market to adjust. So, while employment in the Community, at some 102 million, is no lower than it was in 1973, recorded unemployment has risen from 3 million to almost 8.5 million, or 7.7 percent of the working population. Moreover, even if annual growth rates of 2.5 percent could be attained between now and 1985, the Community's jobless rate could still increase further.

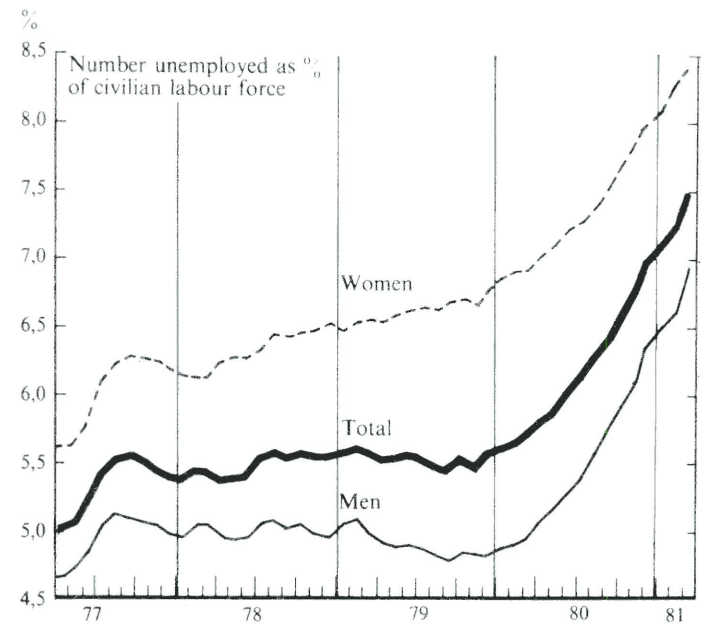
Worst hit among the out-of-work are the two groups which are in the vanguard of Europe's expanding working population: young people under 25 and women, who respectively constitute 43 percent and 40 percent of the Community's jobless total. The European Social Fund whose annual budget this year is 963 million European Currency Units (ECU)—about $1.06 billion at current rates—can of course play its part in alleviating some of the effects of unemployment. The aim of the fund, which is managed by the Commission, is to contribute toward the retraining of the unemployed, preparing them for job opportunities in a rapidly changing market. In 1980, for example, ECU 250 million went to vocational training of young people. More, I hope, should be available this year and in 1982, for which year the Commission is pressing for a 40 percent increase in the fund's budget to ECU 1.35 billion.

In addition, greater use should be made of available EC financing for job creation, reflecting my belief that EC social policy must be an active contributor to employment rather than simply a bandage for the unemployed. And it goes without saying that in this key period of discussions aiming at overall reform of EC expenditure, currently weighted 70 percent in favor of agriculture, a strong case is being made for redistribution of resources into areas like EC social and regional policies, to match the fundamental problems of this decade—the urban problems of social and industrial change.

Industrial production, EC 9



Unemployment, EC 9



FIVE GUIDELINES FOR THE COMMUNITY'S BATTLE AGAINST UNEMPLOYMENT

Social Cohesion. This must be strengthened by sharing out the burdens of the economic crisis more equitably, in particular by ensuring adequate levels of Social Security for the worst-off. In addition there is the need to integrate the so-called "black" economy (which escapes usual tax and Social Security obligations) into the normal economy. Reorganizing working time, for example by limiting overtime and encouraging flexible retirement, may also contribute to more evenly-spread employment and thus a reduction in social tension.

Financial Constraints on Employment Growth. While support must be given to anti-inflationary policies, particular attention needs to be given to studying relative labor and capital costs. Such a review should look at what impact employment taxes as well as increases in employees' take-home pay have on general employment levels. It will also have to analyze how legislation on redundancy payments and unfair dismissal affects employers' costs.

New Areas of Employment Growth. With employment falling dramatically in sectors like steel, textiles, and shipbuilding (100,000 jobs were lost in European steel alone between 1978 and 1980), Governments should, I believe, seek to encourage the deployment of resources in new areas of economic potential and employment growth. Here I am thinking both of the service sectors and of information and energy-saving technologies. In addition, we in the Community must also look at small-scale job creation possibilities, and once again the example of the United States is not to be ignored. Two-thirds of the new jobs created in the United States over the past decade have been in small firms.

Flexibility and Mobility in the Job Market. Education—by ensuring a better matching of employment skills and new employment opportunities—has a clear role to play here. In addition, a counterpart of greater worker mobility is clearly the need for greater involvement of employees in the decisions affecting them, especially perhaps those taken by large companies. The framework of Community legislation in the area of labor law needs to be expanded to take account of problems like redundancies and other employment changes brought on by technological innovation.

Public Expenditure and Employment. Measures taken by EC member countries to contain the rise in unemployment have often led to sacrifices in other areas, like expenditure designed to boost employment in the medium term. The whole area of the impact of public expenditure on employment should be analyzed to see whether Governments can develop alternative strategies, for example, allocating funds for job creation and training, rather than simply for paying out unemployment benefits.

Growing unemployment in Europe causes the lines of job seekers to lengthen. © Alain Nogues, Sygma

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Meanwhile, technological change is likely to accentuate the existing shift in employment both within the manufacturing sector and also from industry as a whole toward the service sector of the economy. Here, I believe, the trend in Europe is toward the type of employment distribution already found in the United States, where services take up practically two-thirds of total employment as against half in the Community. In the EC, the share of industrial employment is falling, down now to some 40 percent of the total, but in the Community we are still some way from the situation in the United States, where the balance is 4 percent agriculture, 31 percent industry, and 65 percent services.

New technology, employment shifts, and job losses of course have their impact on industrial relations. Such changes presuppose, given Europe's tradition of industrial democracy, continuing efforts to achieve consensus between employer and worker representatives on how best to handle them. The Commission's proposal, made in October 1980 and calling for stepped-up consultation and information for workers within multinational companies—a move which I know greatly interests American business—is set firmly in this perspective on consensus-building. It reflects the belief that, at times of high unemployment and accompanying social tensions, measures are needed to ensure that business' adjustment to new economic conditions, which of course I strongly support, must at the same time be subject to adequate consultation with local work forces affected by such adjustments.

Similarly, general European consensus—between employers and unions, as well as among Governments—is needed if the five-plank employment strategy approved by the Commission on April 15 is to succeed. The central components of this strategy are: maintaining social cohesion and promoting social solidarity; reducing financial constraints on employment growth; identifying and developing areas of employment growth and encouraging innovation; increasing flexibility and mobility in the working population; and promoting a more coherent analysis of the impact of public expenditure on employment.

In conclusion it is clear that the success of this five-point plan will depend in great part on the political will of EC member states to put it into vigorous effect. If they do, such a strategy would, I believe, provide a framework of measures which, even against a backcloth of significantly lower growth rates that pertained from 1950 to 1970, would make a positive impact on European employment in the medium term. The difficulties facing the implementation of this strategy are, of course, great, but the dangers of inaction are, I feel, much greater.

EUROPEAN NATURAL GAS?

Exploration Urged as Alternative to Siberian Pipeline

ROBERT A. HEFNER III, *president of the GHK Companies, natural gas producers in the United States.*

THE PROBABILITIES ARE GREAT THAT WESTERN AND Central Europe overlies significant reserves of natural gas recoverable by conventional drilling, completion, and production techniques from sedimentary beds lying deep in the earth. For that reason, I read with amazement the reports of negotiations between Western European nations and the Soviet Union for the purchase of Soviet gas and the construction of a pipeline to carry that gas from Siberia to Western Europe. Natural gas is the prime conventional hydrocarbon fuel. Surely, the nations of Western Europe would prefer to develop and control their own supplies of this resource, of such critical importance to their economies as obviously to constitute a prime factor in the world's geopolitics.

The probabilities that such gas reserves exist are particularly high in France whose Lacq gas field contains significant reserves already proved. It is hard to imagine the circumstances under which nature would deposit one such unique field in a hydrocarbon-producing basin without depositing others. It is both logical and scientifically and geologically more likely that the Aquitaine Basin will be found to contain many times the total natural gas reserves already proved in the Lacq field. France, therefore, may possess in only that one geological province reserves ranging from 30 to possibly 100 trillion cubic feet of natural gas. Surely, common sense demands that such potential be explored before risky commitments are made to the Soviet Union.

Unfortunately, common sense does not always dictate which steps are taken first. Certainly, this is true in the United States. Although since the late 1930s, we have been producing and consuming natural gas as an increasing portion of our total domestic energy supply to the point where natural gas is now the largest such supply, we, too, began looking elsewhere for new reserves of gas before we turned our attention to the vast reserves still to be found in sedimentary basins in the United States lying below 15,000 feet.

We are now discovering the error of our ways. However, only two and one-half years ago, US policy makers were saying that domestic natural gas was running out

Drilling an Oklahoma gas well projected to go to a world record depth of 33,000 feet. Courtesy of GHK Companies

and were designing projects and policies based on that mistake. The mistake was caused by the fact that the petroleum industry had concentrated on the search for oil. The gas that we found and burned came from reservoirs associated with crude oil.

Only a very few companies were interested in looking for natural gas in geological formations where only gas was likely to be found. As a result, when associated natural gas supplies began to decline, the conclusion was commonly accepted that no more gas was to be found. And thus we spent much public and private effort trying to finance a giant pipeline system to bring natural gas from the north slope of Alaska and the Canadian Arctic across Canada and into the lower 48 states. Financing estimates are now running as high as $20 billion for a pipeline initially scheduled to deliver 26 trillion cubic feet of proven North Alaska reserves.

The United States also spent many years debating natural gas pricing policies based on the assumption that gas was running out. It also began in 1978 to conceive federal tax subsidy programs to finance giant industrial projects to convert coal to natural gas and crude oil, to render oil shales and tar sands, and to construct so-called synthetic fuel projects. Although such taxpayer assisted efforts may some day be needed, they were vastly premature.

Over 20 years ago, my companies began pioneering efforts to explore and produce natural gas from sedimentary beds lying below 15,000 feet in the Deep Anadarko Basin of Western Oklahoma and the Texas Panhandle. We have successfully drilled and completed wells in those deep structures and have proved vast reserves of natural gas which are now flowing into the interstate pipeline system already in place which carries that gas to all United States markets.

When we started, conventional wisdom said the gas wasn't there; that if it was there it could not be produced by conventional techniques; and that if it could, the gas found would never be economic. All this has been proved false, not only in the Deep Anadarko Basin but in the deep basins of the Rocky Mountain Overthrust in the western United States, in the Gulf Coast Deep Trends, and now with high potential in the Michigan and Appalachian Basins of the central and eastern United States. Rapidly, natural gas policy makers in the United States are recognizing the significance of these new deep gas reserves and are seeking to revise policies adopted earlier upon the erroneous conclusion that we were running out of gas.

This experience, therefore, moves me to urge that Western Europe postpone dealing with the Soviet Union on gas until the West has explored for its own supplies of that vital commodity. This suggestion presents the Governments and economic communities of Western

Robert A. Hefner III, president of the GHK Companies.

Europe with a challenge. That is first to study and understand what my companies and others have now proved with respect to the deep-gas basins of the United States and are prepared to prove in Western Europe and elsewhere.

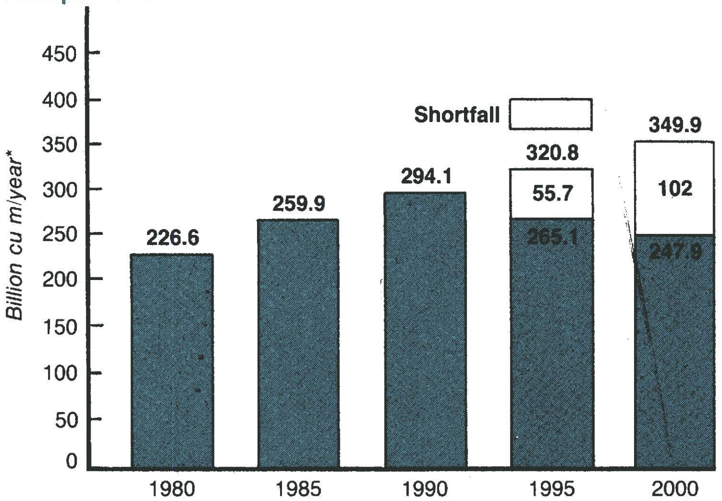
Second, the challenge is to take that set of economic decisions required for the formation of the capital necessary adequately to test the deep gas potential of France and other West European countries. This process involves large economic risk. The Governments of Western Europe have been unwilling to guarantee a price for natural gas at equivalent world market prices. The British Gas Council's unwillingness to pay a world market price is a prime example of this resistance. The guarantee of such a price, equivalent to that for oil, would make easily available the capital necessary to test the West European gas potential.

Such a pricing decision should be based first on a full assessment of net economic benefit to the nations of Western Europe (and second on assessment of strategic benefit). The economic question is: If Western Europe can buy natural gas from the Soviet Union at a price from $5 to $6 per thousand cubic feet, should it be willing to pay $8 to $10 for its own? The full scope of economic impact in Western Europe of the process of exploring and developing deep natural gas fields must be recognized. Experience in the United States should be studied.

In Oklahoma several studies have been conducted which measure the local economic stimulus of deep drilling operations. Deep gas wells take from six months to two years and more to drill and complete. Many of them are being drilled. In a recent month, 161 drilling rigs were operating in the Deep Anadarko Basin alone. The personnel and materiel required in these operations make each well similar to a small new manufacturing plant.

Using standard economic methods (which begin with tracking the flow of money from the formation of capital through the exploration and development phase) and analyzing where that money went and what it has successively purchased, we learned that for each dollar expended in Oklahoma (a state with a population of approximately 3 million people) for deep drilling, the beneficial economic multiplier was about 2.5 or 3 to 1. Therefore, in 1981, while $2 billion were being spent on deep-gas drilling in Oklahoma, the total economic impact on the state will be in the range of $5 to $6 billion. The material result, of course, is that the standard of living of all Oklahoma's citizens has increased significantly and will continue to increase as the wave of these new expenditures flow through the economy.

Outlook for Western Europe's gas supply/demand as seen by Phillips Petroleum Co.



*Includes Britain. Courtesy of *Oil and Gas Journal* July 14, 1980

Assessment of the strategic benefit to Western Europe of developing its own gas reserves—as opposed to reliance on those of the Soviet Union—is, in my opinion, even more obvious. For decades, the Western alliance has viewed with alarm the possibility that the Soviet Union might obtain a strong political and military position in the Middle East, primarily because of the attendant threat that position would pose to Western energy supplies and the movement of those supplies.

One need not be a radical Western cold warrior to recognize an equally dangerous threat should the West European industrial base become reliant on substantial energy supplies from the Soviet Union through a transportation system over which the Soviets would have immediate control. Surely, it falls within the pronounced ambit of Soviet political and economic ambition to combine significant strategic influence in the Middle East with significant influence over the West European industrial community.

It is proposed that the 3,000-mile pipeline from Siberia to Western Europe carry 1.4 trillion cubic feet of gas per year. The Soviets now estimate the cost of $10 to $15 billion. Although the Soviet Union is already reliant on natural gas for a reported 26 per cent of its energy needs, it must be understood that such a giant pipeline project is economically feasible only if the Soviet Union is successful at convincing Western Europe to add its potentially insatiable gas market to that of the Soviets. By that financing device, the Soviet Union acquires a transportation system necessary to bring the vast new quantities of Soviet natural gas to its own economy. With such a system in place supplying the Soviet Union's industrial base and also bringing West European reliance on Soviet gas supplies, it requires little strategic imagination to recognize the importance of the geopolitical weapon the Soviet Union would thereby acquire.

Some have argued that certain strategic advantage would be recouped for Western Europe by its cooperation with the Soviet Union in the construction of the gas pipeline. That argument turns on the prediction that the Soviet Union will soon be a net importer of crude oil, adding demand on world crude supplies whose critical limitations already generate severe geopolitical tensions. In a more perfect world, that argument might make sense. Unfortunately, it ignores the dangers inherent in having the Soviet Union control the valves on an energy flow upon which Western Europe would become significantly dependent.

Strategic necessity, West European security, and regional economic benefit, as well as simple logic, would seem to require that the nations of Western Europe explore thoroughly their own potential for deep natural gas supplies before making long-term commitments for the acquistion of energy supplies from such a source as the Soviet Union.

Of course, my advice makes sense only if one believes that the potential for vast reserves of deep natural gas does indeed exist. Some will argue that Western Europe has been tested and that there is little chance for further success. This may be the case. However, many scientists and petroleum exploration engineers, particularly among those of us who have devoted a lifetime of scientific and business efforts to finding deep natural gas, can argue convincingly that the potential does exist and that the probabilities of large natural gas reserves are quite high.

That argument is moot until the economic incentives for the search exist. Then, those of us who believe in the deep gas resource base will be eager to take the economic risk of exploration, expecting only the just reward for taking such risk in drilling deep gas wells which cost from $10 to $20 million each. If the incentive exists in the form of long-term contracts for the purchase of natural gas at the wellhead in the range of $8 to $10 per thousand cubic feet, then many companies will take the risks. There is the challenge to the nations of Western Europe. The question remains whether it will be accepted by them or refused in favor of the sirens' song of Soviet Union natural gas.

FAST FOOD GAINS IN EUROPE

American Chains Expand Beyond Hamburgers

DIANA SCIMONE, *Washington DC-based freelance writer*

THE PLAIN OLD AMERICAN HAMBURGER—WHAT USED to be called "The Great American Disaster"—has crossed the ocean and turned into a multi-billion dollar business. And American fast food chains operating in Europe no longer confine their selections to just chopped beef on a bun. Menus offer everything from fried chicken, donuts, and tacos to ice cream, pancakes, and chicken croquettes with applesauce. Sales of related items no fast food chain can do without—programmable dishwashers, popcorn makers, cash registers, and even automatic egg crackers—are all up, too. The American-based fast food industry is growing in Europe quicker than you can say "Big Mac."

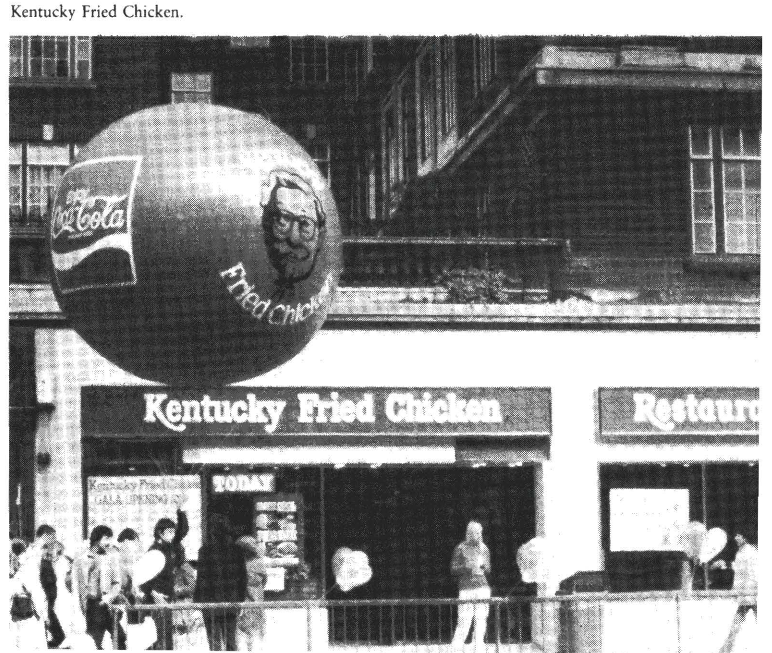
Ask ten people to define "fast food" and likely as not there will be ten different answers. Most industry experts agree, however, that "fast food" means no waiter or waitress service and meals that are served within three minutes after ordering and eaten within 20 minutes. Though herring stalls and crêpe kiosks have long been common on street corners in major European cities, the explosion of "classic" fast food outlets such as those pioneered by McDonald's, didn't actually begin until the late 1960s. Since then, the growth has been unbelievable. There are now about 25 US companies operating overseas with about 2,000 restaurants. The US research firm Frost & Sullivan, which just completed a study on the fast food market in the Community, projects 1981 EC sales of fast food at almost $8 billion, and expects the figure to jump to over $12 billion by 1990.

What has caused this mushrooming growth? Industry observers point to a number of reasons. With a McDonald's, Kentucky Fried Chicken, or Mister Donut on every major street corner in the United States, the only place to expand is abroad. Others claim a better investment climate in Europe where borrowers don't have to succumb to 20 percent interest rates because there are plenty of private citizens with money to lend at less lofty prices.

There has also been much speculation from a sociological standpoint as to why an eating tradition that is basically American has been so widely adopted by Europeans. The worldwide trend toward industrialization is partly responsible, as it brings with it a population movement from the country to the city. Each year brings more and more women to the European workforce with less and less time to cook a complete meal after a long day in the office. More workers mean more disposible income, and studies have shown most consumers agree the cost of fast food is more than offset by the time saved preparing it. Observers also point to a variety of other factors: changing consumer tastes, receptivity to American-style franchising, increased consumer orientation, greater independence of young people, and the high cost of meals at conventional restaurants.

All is not as rosy as it seems, however, and those eyeing Europe as a potential market must look at hidden factors which, if not taken into consideration, could easily halt the fast food explosion. For example, European food prices are considerably higher than they are in the United States. Salomon Brothers reports that wholesale beef averages about $1.28 per pound in the United States versus $2.18 per pound in West Germany. Thus a Wendy's hamburger outlet in Munich might charge $2.18 for a single hamburger, while the same item would sell for 95¢ in Chicago. The cost of labor is another variable

Kentucky Fried Chicken opens a new restaurant in London. courtesy of Kentucky Fried Chicken.



This McDonald's ad appeared in German magazines.

that causes many a hamburger executive to cringe. Many observers feel high employee wages were the main reason for Pizza Hut's unsuccessful entry into Germany where labor costs ate up 40 percent of revenues, compared to about 25 percent in the United States.

Real estate costs, which are higher to begin with in Europe than in the United States, become even more of a problem because European fast food outlets are normally located in what McDonald's Corporation calls "high-visibility, heavy-pedestrian-traffic urban areas." Most American outlets, on the other hand, are in suburban locations where real estate is less expensive.

Aside from economic factors, there are also cultural and sociological factors which, if not considered, often result in unsuccessful attempts by American firms to penetrate the European fast food market. Frost & Sullivan divided EC countries into two distinct groups (their study predates Greek entry in the Common Market): those that "live to eat"—Italy, France, Belgium, and Luxembourg—and those that "eat to live"—Germany, the United Kingdom, Netherlands, Denmark, and Ireland. Fast food outlets located in the "eat to live" countries generally do better than their counterparts who view eating as a leisurely art. In fact, in the United Kingdom, fast food accounts for nearly 20 percent of the money spent on eating out (a percentage only slightly lower than in the United States), while in France the figure is less than 2.5 percent.

Eating habits get even more complex when alcohol enters the picture. In France and Italy, for example, diners like wine or beer with their meals. French fast food establishments can serve beer without a license, but for wine or spirits a license is necessary. The "catch-22" is that only a limited number of licenses are allowed for each area. And then there's the food itself. Europeans may try a Big Mac once or twice as a novelty, but to insure repeat business a restaurant has to offer something more than just "American" food. Thus Wimpy's in Rome offers 37 items on the menu; Burger King offers strudel in Germany, custard in Spain, and after-dinner coffee in France; McDonald's offers wine in France, beer in Germany, and chicken croquettes and applesauce in the Netherlands. Sometimes there is simply an image problem to overcome. Kentucky Fried Chicken found out that the militaristic image of its spokesman, "Colonel Sanders," was not well accepted by Germans. And when Burger Queen decided to open outlets in the United Kingdom, it did not wish to offend Her Majesty so the company's name was tactfully changed to Huckleberry's.

For the most part, American firms entering the European fast food market have done their cultural homework, because the industry is booming. In fact, European owned companies which may not be doing as well often find themselves looking to their American counterparts for inspiration. McDonald's, Kentucky Fried Chicken, and others are all adding outlets at a rapid rate, and companies such as Arby's which are not yet in the market are eyeing possible locations. The US Department of Commerce reports 30 American companies plan to expand their franchising operations into foreign countries by the end of the year. Look for this growth to take place in markets with high population density, available disposible income, political stability, and consumer preferences similar to the United States. Germany and the United Kingdom will continue to lead the pack, with Spain, the Netherlands, and France following.

There are a number of ways American fast food restaurants operate their foreign stores: company-owned, franchises, and joint ventures. If local regulations allow foreign-owned firms, company stores can gross more money than the other forms can, but investment costs are high and so are the risks. Franchising, on the other hand, offers minimum risk and investment, and maximum opportunities. The franchiser becomes an instant entrepreneur under the protective umbrella of a firm that offers ready-made marketing. Franchisers can often get counseling from their home companies in the form of assistance with restaurant location, equipment purchase, employee and management training, advertising, and sometimes even financial help.

By no means does the international fast food trade flow one way across the Atlantic. There are a number of European-owned enterprises penetrating the American market as well, and the US Department of Commerce reports numerous acquisitions in the franchising field with foreign corporations entering the scene in greater numbers. The Vie de France chain, with American outlets located in Washington DC, Chicago, Philadelphia, Houston, and California, had $14 million in US sales in 1980. Backed by Grands Moulins de Paris, the largest miller in Europe, the company recruits bakers from its professional baking schools in Paris to make the bread that is sold wholesale and retail. Brioche Dorée, a French-based croissant chain that recently opened its 30th unit in France, is contemplating a move to the United States. There are also many European firms that are parent companies of well-known American fast food enterprises such as J. Lyons, a British firm that owns Baskin-Robbins; Imperial Group, another British company that recently bought Howard Johnson, and Wienerwald, a Swiss firm that operates both the Lums and International House of Pancake chains in the United States.

Growth witnessed in the fast food industry in Europe in the past 20 years is far from over. Although there are signs of short-term difficulties, Frost & Sullivan reports that the total commercial fast food turnover in the EC countries is estimated to increase from $6.7 billion in 1979 to $12.6 billion in 1990 (at 1979 prices). The number of outlets will rise from 165,000 to about 300,000, and operators will spend over $6 billion on fast food machinery and equipment. That means a lot of hamburgers.

In the world of "eat-and-run," hamburgers are synonymous with fast food—even though the former has been around a lot longer than the latter. In 1976 McDonald's announced a simultaneous opening of three restaurants in Hamburg, the city that made chopped beef famous. Now a multi-billion dollar international business, the hamburger has come home again.

CASE STUDY: McDONALD'S CORP.

Ever since entering the European market in August 1971 with its first restaurant, near Amsterdam in Van Doam, McDonald's has been a pioneer in the international fast food industry and the benchmark in franchise service and counseling. Success seems due to an international division that operates a specialized program of on-the-spot service for restaurant owners and licensees.

Within the international division, there are four types of McDonald's ownership: 1) wholly-owned by McDonald's Corporation; 2) joint venture between McDonald's Corporation and a local corporate organization; 3) developmental licensee (an individual is granted a license to develop several McDonald's restaurants within a specified city or country); and 4) licensee. (Similar to the licensee system in the United States where a license for one store is granted to an individual entrepreneur. This system can be implemented under either of numbers 1 or 2 above.)

In 1975 McDonald's international division established McDonald's System of Europe, a Frankfurt-based organization that provides on-the-scene management, marketing, and operational support to the company's restaurants throughout Europe. The international policy has been to train and develop local management who in turn watch over McDonald's enterprises within their countries and teach the McDonald's system to local licensees, managers, and crew.

Hamburger University, the international management training center in Elk Grove Village, Illinois, has a full-scale television studio, and a simultaneous translation system for non-English-speaking students. Licensees and managers learn business management, accounting, marketing, personnel management, and community relations. A special two-week international course covers advanced marketing orientation for McDonald's directors and licensees as well as advertising agency personnel and advertising managers. Many international markets have their own supplemental training facilities where local management and crew study operations manuals and training aids in their native languages. The company now operates over 253 restaurants in Europe, with the majority in West Germany (135) and England (53).

DIANA SCIMONE

EUROPEANS BUYING U.S. VINEYARDS

American Viticulture Methods Are Quite Different

HOWARD BANKS, *West Coast correspondent for* The Economist

The giant propeller keeps air circulating to prevent early frost and the curved pipelines provide irrigation in this Napa Valley vineyard. © René Burri, Magnum

ABOUT FIFTEEN YEARS AGO, I WAS ONE OF A GROUP OF European journalists visiting Pittsburgh. At dinner one night, at a restaurant high on the cliffs overlooking the Allegheny and Monongahela Rivers, where they join to become the Ohio River, our American host chose a Californian wine. One of the French journalists was asked to taste it; his sour face had to be seen to be believed. It's not that the wine, red but the details are forgotten, was bad, just that it was not very good wine. It was also very different from the European wines he was used to.

That is the first lesson for a European exploring the profusion of wines available in California. Though they are made from grapes grown from the same basic strains of vines imported by European emigrées, they are very different. Californian reds, it is said, are so full-bodied that they shake the drinker by the mouth. But these days, many Californian wines are simply excellent and often beat European wines, including the best France can produce, in independent and reputable blind tastings.

Perhaps the best illustration of the maturity of the Californian wine business is the beeline being made to buy wineries by some of the most respectable names in

Europe. Moët et Chandon produces a sparkling wine by the *méthode champenoise* at Domaine Chandon in the Napa Valley, north of San Francisco Bay. The wine is virtually identical to the French product and the winery has a delightful restaurant. Piper-Heidsick has also moved in, buying 51 per cent of Sonoma Vineyards, in the delightful Valley of the Moon just over the hills from Napa.

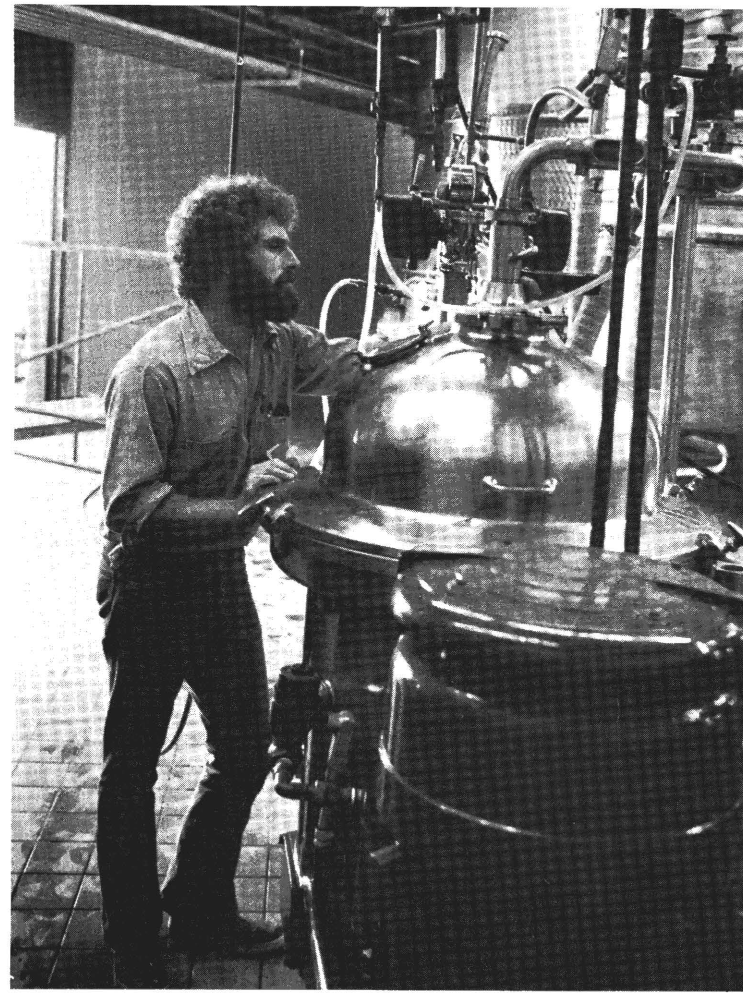
The list goes on, mostly by wine-making families who now have holdings in a dozen or so wineries, but it includes investments by Nestlé of Switzerland and Suntory of Japanese whiskey fame (in the Firestone winery, in Monterey). Perhaps the most impressive of all is a joint venture between Robert Mondavi of Napa and Baron Philippe de Rothschild to make the Californian equivalent of a *premier cru* Bordeaux.

Such deals make news; however, the foreigners still have only a tiny trickle of California's wine output, perhaps 2.5 per cent for a total investment so far of around $130 million. Big business in North America sensed the same boom and its investment is already changing the shape of California's wine industry. For example, Coca Cola and Carnation have now moved in, to replace with a different drink the soda-pop and milk-product market that rapidly aging teenagers used to provide. Coca Cola is applying hard-headed management and marketing (successfully, according to local experts, with great emphasis on quality control and the like) and is giving the rest of the business fits.

California is the principal wine-producing state in America, with an 80 per cent share. Production almost doubled in the 10 years to 1979, to 444 million gallons, the vast majority of which was table wine. In that year, California had around 70 per cent of the American market, while imports held 21 per cent. By world standards (which in this business means European), California's output is a mere drop in the barrel. It produces just 4 per cent of the world total and ranks sixth. The giants remain Italy and France each with over 2.2 billion gallons a year.

Unabashed, the Californian wine makers have suddenly discovered exporting, notably to Britain which only plays at making wine but takes drinking the stuff very seriously. From a total of just 35,000 cases of all California wine exported to Britain in 1979, the total shot up last year. Just one winery alone, Paul Masson, through a deal with the Sainsbury supermarket chain, sent over 115,000 cases to Britain in 1980.

For all that this export trade is in vogue, there are doubts whether it will continue to grow in the same fashion. A modest Californian wine, selling free-on-board in California for around $22 a case, is valued at $64 a case by the time it gets through the British wholesaler (duty alone is $22.50). Add a one-third mark up for the retailer and the wine will have to be marked at around $7 a bottle or thereabouts. That is expensive for *vin* fairly *ordinaire*.



Higher technology is used in American winemaking than in European. Shown here is the Mondavi winery in the Napa Valley. © René Burri, Magnum

It is not so expensive in California, which perhaps explains why around half of all the wine produced there is drunk within the state boundaries (and a much higher proportion of the better wines). A newcomer to Californian wine, however, can easily be overwhelmed by the profusion of winery names and the use of the grape variety to describe the multitude of wines on offer. A Californian supermarket has more different wines on sale than even the largest *hypermarché* in France.

The useful traditional European shorthand (such as St. Emilion, Montrachet, Sancerre, Beaujolais, Riesling) does not apply. Instead there are the winery names—Gallo, Almaden, Taylor (owned by Coca Cola), Mondavi, Firestone, and on and on. There are over 400 registered wineries in the state, some tiny (called boutiques in the local jargon); over 125 new ones were formed in the past five years. And then there are the grape varieties, first the reds: Cabernet Sauvignon and Merlot (Bordeaux); Gamay (Beaujolais); Pinot Noir (Burgundy); Petite Sirah (Rhone); and Zinfandel (by now almost a California grape, possibly derived from a vine derived from one imported many years ago from Hungary). For the whites: Chardonnay (Chablis or Pouilly-Fuissé); Riesling

(Rhine); Sauvignon Blanc (Graves, Pouilly Fumé); Chenin Blanc (Vouvray).

Just to confuse matters more, a winery based, say, in Sonoma, in the lovely Valley of the Moon close by Napa Valley, often will make wines of most of the varieties listed above. There is none of the concentration on particular types that usually happens in Europe. To complicate things even more, some wineries offer separately two or three versions of wine made from a single variety of grape that happens to have been grown in different parts of the state (for example, Napa, Sonoma, and Monterey, which is about 100 miles south of San Francisco). The confusion doesn't matter, once the sampling begins.

One reason for this multiple planting of different grape types in the same location is Northern California's equable climate. But it is also partly the result of Californian viticulturists turning to science for help when the business began to boom in the early 1970s. In the fields, irrigation is tightly controlled and "water curtains," or sprays, are used to keep down excessive summer heat. In the winery itself, fermentation is more tightly controlled and a much higher degree of sanitation used than is common in Europe. White wines are fermented using freon cooling jackets around the vats to control the temperatures precisely.

The centre for oenology is the University of California at Davis. The knowhow is being exported in two ways. European winemakers are sending their trainees to study at Davis, while some American technicians have gone to Europe to work. Californians like to think that the improvement in quality of the more modest Italian wines now arriving in America, especially white wines, is a result of this injection of new world ideas.

There is also innovation in marketing and not just the high-powered, Madison Avenue style, being introduced by Coca Cola. When the business began to boom, the winemakers wildly overestimated the demand for red wines (red wines are preferred by sophisticated drinkers and Californians are sophisticated, wrongly went the argument). Red wine production has barely increased at all since the early 1970s, while rosé wines are up by 65 per cent since 1974 and white wines by no less than 260 per cent. Even so, there is still not enough white wine grape production.

One trick that helps spread the wine grapes is to use juice from Thompson seedless (table) grapes in inexpensive jug wine. One reason that this can be done is the close control over production which, apparently, helps cover a multitude of sins. Another trick is to use the red Pinot Noir grape and to make a (pinkish) white wine from it called, obviously enough, Pinot Noir Blanc. (Don't sneer too much: it's the grape used to make a large part of French champagne.)

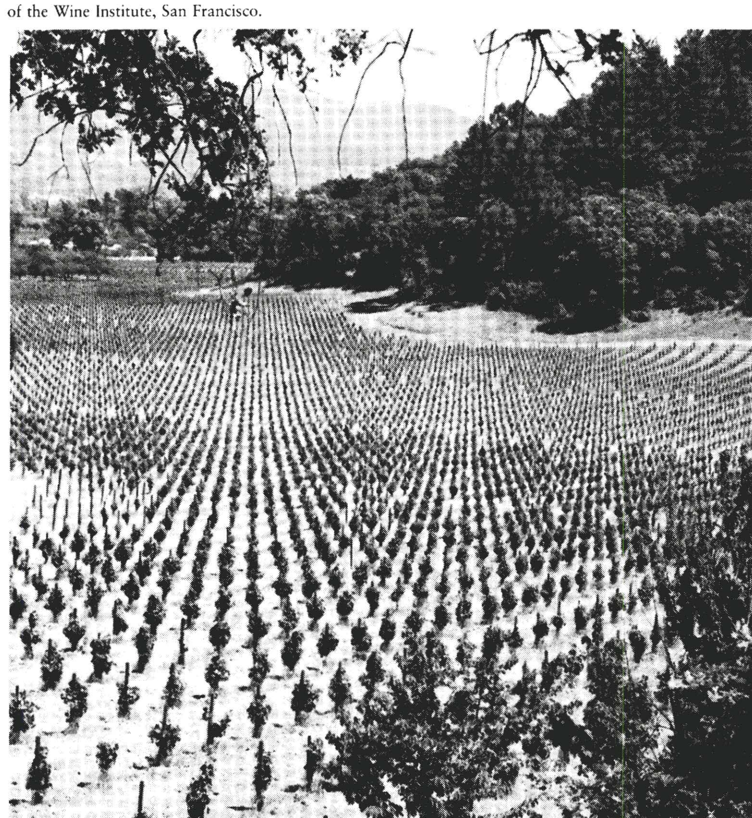
What would have Falstaff revolving fast is the current fad to drink "diet" white wines, with low alcohol content. It's not just concern about the calories that go with alcohol, but also that Californians do not seem to like getting stoned on booze as much as on other things. (It can also be unpleasant in hot sun.) The three martinis for lunch has been replaced in the Golden State by a glass of white wine—and a "lite" one at that.

They are also "bottling" wine in cans. There is a sensible reason for this: to save the weight of glass bottles on airliners—each pound of unnecessary weight flown back and forth costs the airlines money. But the idea is spreading. Instead of taking a can of beer into the park with the lunch-time sandwich, now it's a can of wine. I'll take a six-pack of Lite Chablis, please!

WINE PRODUCTION, 1979
(in thousands of gallons)

Italy	2,228,015
France	2,207,039
Spain	1,336,275
USSR	713,286
Argentina	711,965
California	443,823
Portugal	303,754
West Germany	216,126
Australia	91,248
South Africa	160,172
Total	9,735,826

European winemakers send trainees to study US grape cultivation and wine production. Spring grape vines in California are pictured here. Courtesy of the Wine Institute, San Francisco.



EXPORTING
American Fashion
Geoffrey Beene Challenges Europeans

KATHY LARKIN, *writer on fashion for the New York* Daily News

He doesn't look like a revolutionary, this graying, soft spoken designer in his fifties; a man who abandoned pre-med studies at Tulane University to create a multimillion-dollar empire from silks, wools, and the cut of high fashion clothes. But Geoffrey Beene is overturning the establishment dictum that says Europeans make couture, Americans make blue jeans.

Louisiana-born, Paris-trained Beene—after 26 years on New York's Seventh Avenue and 17 with his own firm—makes fashions even the experts compare with those of Yves Saint Laurent and Giorgio Armani; beautiful, innovative clothes shaped from European fabrics. His $800 to $3,000 Geoffrey Beene styles (and the $70 to $400 Beene Bag separates) appeal to an international clientele including Jackie Onassis, Liv Ullman, and Lauren Bacall. And they sell in Common Market countries like Germany, Great Britain, Italy; in nations like Canada, Australia, Japan, and South Africa.

Beene estimates his Geoffrey Beene, Inc. volume at $10 million just in the United States. The Milan showroom he opened in 1976, spearheading an American design rush to the continent, pulled in an estimated $2 million. His 28 licensees—blanketing the world with Beene-approved sheets, bedspreads, menswear, furs, shoes, sunglasses, scarves, and handkerchefs—add, by the designer's count, another $125 million with a substantial percentage going to him.

Sitting in his silver gray and mirrored offices at 550 Seventh Avenue, some of Manhattan's most expensive business space, Beene traces the beginnings of his global expansion to that October, almost five years ago in Milan, when he accepted an invitation from two textile firms Agnona and Taroni to show his spring collection in Italy—and backed the show with $140,000 of his own money.

His investment paid handsomely. "Before they saw my fashions, the Italians and other Europeans were asking: 'But why an American?' I kept responding: 'But why NOT an American.' After the show, the reception was tremendous. Within a week, I had signed with an Italian manufacturer, Cofil, and soon after opened my own showroom in Milan. I do . . . very immodestly . . . think that was the first major breakthrough in what is happening today, when people from other countries are discovering validity in American design and workmanship."

It was true. Italians loved his fashions. His second show in Milan's Palazzo della Permanente, jammed with 800 pushing, screaming viewers and decorated with red balloons (his favorite color immortalized in "Red" perfume for women, while men get a "Grey Flannel" scent), echoed to cries of "Bravo" minutes after the first Beene model blew a whistle and began the parade of Beene clothes.

Adds Beene, "Milan swung open the gates of Japan for me." Now he sells an estimated $6 million there—competing with Oscar de la Renta, Halston, Calvin Klein, and a crowd of designers who have, within the past few years taken American fashion on the road. Even though some of their licensee styles may be produced and sold abroad, their trips familiarize other countries with this nation's fashion—helping boost current exports to $1 billion of the $60 billion in apparel shipped from American factories. But that's not enough, says the man who established that outpost in Milan. "American fashion is still very much a stepchild. We are coming of age, but slowly," says Beene.

For Beene, yesterday was art classes in Paris at the Académie Julien (where Toulouse Lautrec studied) and lessons in haute couture at the suit shop of the Maison Molyneux; then on-the-job training in the hustle of New York's garment center. Today is the black Rolls-Royce that slides through almost passable mid-town streets soon after Beene, an early riser at 5:30, has walked his two dachshunds and long before most offices open. Today is the Manhattan duplex, the houses at Oyster Bay and Fire Island, the hotels ringing the world; the traveling that brings Geoffrey Beene to Europe four times a year, to Japan, every other year. Tomorrow for Geoffrey Beene is one world of fashion, where American designers are welcome as equals, even in Paris where he learned much of his craft.

There have been Americans in Paris, of course. In July 1973, New York designers Bill Blass, Oscar de la Renta, Halston, Anne Klein, and Stephen Burrows joined Paris designers Yves Saint Laurent, Marc Bohan of Dior, Givenchy, Pierre Cardin, and Ungaro in the first joint French-American fashion show; a

Geoffrey Beene began exporting fashions only five years go. Photography, Frederick Blum; make-up, Marion Blake; hair, Jorge Suarez.

Foreign buyers used to ask, "But why an American?" Now Geoffrey Beene has large overseas volume. © Transworld Feature Syndicate

one night gala at Versailles. The VIP-jammed audience awarded the Americans and their presentation most of the applause. But that same July, 185 French-based fashion firms, with offices or representatives in New York, were tallying an annual business of $28.3 million. They were making money.

Despite other periodic American forays to France, like Bill Blass' 1979 trip (with fashions and models) to give a show at the American Embassies in Paris and Berlin, or Halston's more recent round-the-world excursion, Franco-American fashion relations remain the same. It's still essentially a one-way traffic and no even exchange.

Geoffrey Beene, who thinks Americans have something besides blue jeans to offer Paris, finds that import/export situation a mistake. "Paris," he says flatly, "is not the last word in creative clothing. In fact, I think Paris is myopic about fashion—and currently, at least, on a costume trip. The clothes are sometimes beautiful, but they are too precious, too limited. They don't fit the framework of a modern, working society."

The French have, however, one advantage American designers have lacked—at least, until recent years. Paris fashion is recognized by the Government as a national asset, even subsidized in some cases. Geoffrey Beene isn't asking for a subsidy. But he wouldn't mind a little Government backing in publicizing and promoting local fashion. "We're not American Steel," he says gently, "but we're not just tailors of clothing either. Fashion is a creative industry with a potential international image that could enhance this country." And make it money. Governments in Washington and in state capitals are starting to see it Beene's way.

They can hardly avoid it. Imports of just women's and children's clothing zoomed 14.2 per cent in the first ten months of 1980, compared to 1979. International Ladies Garment Workers Union chief Sol Chaikin insists import/export disparities are a top priority. Arithmetic is on his side. The United States may export $1 billion, but we take $5 billion in exchange. And cheaper labor rates in the Far East, from Hong Kong to Singapore, entice the most patriotic of American businessmen to set up shop there—saving money and chopping jobs from home payrolls and local workers. Paul O'Day, from the US Department of Commerce, lists his particular responsibility, the apparel/textile area as "the number one employer in manufacturing, affecting perhaps one job in 10."

More recently, New York—where fashion is the largest private employer in the state—hosted a $1 million "World Buyers Week" that attracted over 1,000 buyers from Germany, France, Italy, Great Britain, Japan, Iceland, Uruguay, Thailand, Kuwait, India, Australia, and Guatemala to what may have been the first, "foreign-buyers only" market of women's ready-to-wear in the United States. The seven-day festivities included parties with New York's Governor Hugh Carey, New York City Mayor Ed Koch, and Maureen Reagan, store breakfasts, and showroom fashion presentations.

Technology paved much of the way. Buyers filled out questionnaires, then used videodisks and computers to get a brief, instant view of manufacturers and sample clothes which might fit their needs. Multilingual guides waited to escort people through Seventh Avenue showrooms. Explained New York State's Deputy Commissioner of Commerce Alan Parter: "The city's garment center is such a unique, centralized crush of high buildings squeezed into a few streets, we didn't need to hire a huge hall—as they do for Paris *prêt-à-porter* shows."

Results? The reactions, now being assessed, show room for improvement. Too little warning for some store promotions. Too little involvement by people who really know fashion according to Geoffrey Beene. But most people involved were approving. Shirley Lovestone, a buyer for London's Burton office said: "I've never seen anything like it. The designers and stores have given us an incredible presentation." George Paulsen, a buyer for Bik-Boc in Oslo, Norway cancelled his second week—scheduled for Chicago—to stay in New York. And Horst-Arno Gulcher, who owns six stores in Hamburg, Germany raised a point Geoffrey Beene finds all too familiar. Gulcher, who loved American fashion, found "the addition of import taxes, custom duties, and transport costs" made many of the clothes too expensive.

True, says Geoffrey Beene. "That's one reason American clothes are manufactured abroad. Making clothes in Milan and shipping them to other countries can save customers a third in price. Of course, added advantages are dealing with people in the country who know local fabrics and delivery times." And the import prices work in reverse, differing from country to country, but often adding one third to a design fashion shipped from Europe to America.

Geoffrey Beene . . . "Italians loved his fashions."

Still Geoffrey Beene hopes for a new world of fashion. His current fall '81 collection is rich in fabrics (sometimes seven to a single fashion) and rich in patterns played against pattern—not unusual for a man who has 1,000 ties hanging in his Oyster Bay basement. ("Ties for me," says Beene, "are swatches, sources of inspiration.") But this is also a collection rich in culture. The delicate silks, the mohair hemlines added to weigh down soft silk dresses, the free-flowing coats and lace trim are a melding of many worlds; shaping clothes reminiscent of Afghanistan, Morocco, Texas, Venice . . . There are coats, richly colored and patterned with human figures, from the cottage/hut industry of South Africa; even Donegal tweed suits from Ireland coexisting peacefully with Liberty of London printed cotton blouses.

EC-Japan Trade Gap Grows

More Cooperation Needed

LESLIE FIELDING, *head of the Delegation of the Commission of the European Communities in Japan*

Europe's trade deficit with Japan, which seems to have acquired a permanent, structural character, increased eight fold between 1973 and 1980. It reached nearly $11 billion last year, and grew by a further 46 percent in the first quarter of this year over the first quarter of last year. This trade deficit is now significantly larger than the US deficit with Japan, even though our two-way volume of trade is less than half that between the United States and Japan.

More than this, Japanese exports to Europe are at present highly concentrated in certain sensitive sectors, such as cars and electronic equipment, and in certain regions of the Community, such as Belgium, for example, where Europe is experiencing difficulties. And since Japan's imports of manufactured goods are low in comparison with other advanced industrial societies, imports into Japan from the EC are also low, giving substance to the impression that trade between the two, has become thoroughly unbalanced, and European political leaders have given public expression to their concern about this.

Despite the difficulties, however, the possibilities for enhanced cooperation between the two are equally apparent. The EC and Japanese markets are large and offer scope for a balanced two-way expansion of trade in the 1980s. Industrial and technological cooperation in joint projects and in third markets looks promising. Nuclear energy and aeronautics are some of the areas being studied.

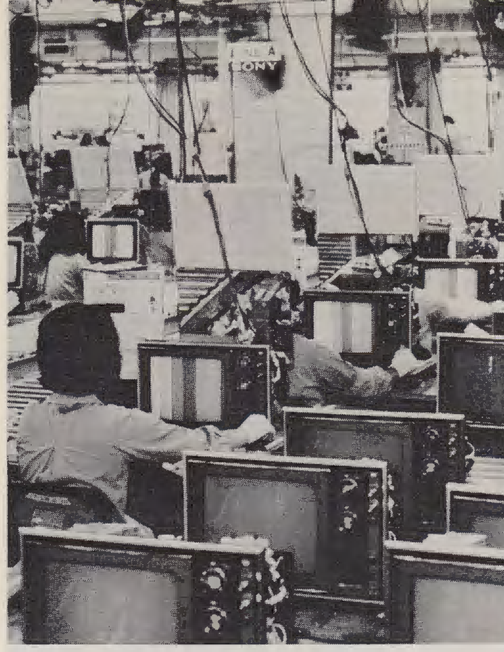
Many economic missions are being exchanged between Japan and Europe. Cooperation in aid to the developing countries is also already beginning and at the Ottawa Summit in July the Japanese Prime Minister will be discussing with his European and North American partners how to concert their efforts so as to handle the whole North/South issue more effectively.

Outside the purely economic and commercial field, Japan and Europe are beginning to work together in a pragmatic, case by case, fashion on some of the burning foreign policy issues of the day. Iran and Afghanistan have been prominent among several recent examples. This kind of political collaboration between the Japanese foreign ministry and the 10 foreign ministries of the EC member states seems likely to develop further in future. So there are problems, but also possibilities. Japanese and European political leaders are expected by their electorates, and by the free world as a whole, to work hard to solve the problems and to develop the possibilities.

In terms of trade, the Community numbers 260 million consumers. In 1984, with the proposed enlargement of the EC to include Spain and Portugal, this figure will rise to well over 300 million. The EC already receives 12 percent of Japan's exports. If all goes well, if EC prosperity increases, and if Japanese exports can be spread more widely across the board and be developed with prudence and restraint, the EC market will assume even greater prominence across the 1980s. It is in Europe, as in the United States and other advanced societies, rather than in limited and fragmented markets elsewhere, that Japanese companies will be looking to sell the high-technology sophisticated products to which the national economy is being directed in the 1980s, in accordance with long term visions of the Japanese ministry of foreign trade and industry.

In terms of wider cooperation, and in particular of burden-sharing with the United States to uphold the free world system, Europe is at least equally significant. We are in business in a serious way in regard to aid to development, where our programs extend to cover Africa, the Middle East, South and South-East Asia, and the Pacific as well as the Caribbean. We are diplomatically active in all international fora, including the Western economic summits. In foreign policy matters, the voice of the Ten is increasingly making itself heard in the world on all major issues.

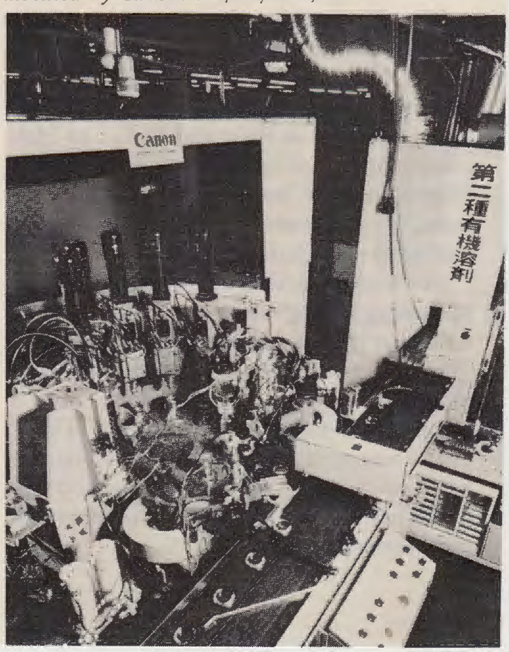
But Europe has its problems: 8.5 million unemployed and still rising (as against 1.2 million in Japan); 14 percent inflation (6 percent in Japan); zero economic growth (5 percent in Japan); a $66 billion trade deficit and a $40 billion current account deficit (a $2 billion trade surplus and a $10 billion current account deficit in Japan). Europe intends to tackle these problems resolutely. Much will depend on the expected, but still deferred, upturn in the world economy. Much will also depend on efforts to restructure EC industries, and enhance international competitiveness. But something will depend on the solidarity



With television broadcasting just over 30 years old, Japan is far and away the world's largest producer and exporter of television sets. Courtesy of Embassy of Japan

The Japanese car has become a trade problem worldwide. Pictured above is a computerized Toyota plant supplier system. © Eiji Miyazawa, Black Star

Japanese camera technology is among the best in the world. This lens barrel making machine was invented by Canon. © Eiji Miyazawa, Black Star



and comprehension of the EC's partners.

European leaders have called on Japan to import more from Europe and to moderate concentrated and surging export drives to Europe. These calls repose on the belief that, in today's interdependent world, Japan has an interest in the economic prosperity, and hence the political stability and strategic reliability of Western Europe; and that the joint goal they both share is peace, an open trading system, and all-round growth in world incomes. Obviously Japan, as the second largest world economic power, is no longer and can never be again, a mere onlooker on these problems. National economic independence does not exist for Japan, anymore than it does for the European nations. Indeed, these days it does not truly exist even for the United States.

Now let me say at once that we foreigners are all impressed by the latest plans for a further doubling in Japan's foreign development aid, following on the doubling which has already taken place over the past 3 years. I am also fully aware of the fiscal and budgetary constraints which limit the freedom of the Government of Japan to move as far and as fast as they certainly would wish. But the fact remains that, in 1980, despite Europe's heavy defense burden, and all its domestic economic difficulties, the EC devoted 0.49 percent of its GNP to development aid (as opposed to 0.29 percent in Japan). Qualitatively speaking, over 90 percent of European aid in 1980 was grant money (less than 80 percent in Japan). Quantitively speaking, in US dollar money terms, their aid last year totalled nearly four times the Japanese aid effort, as well as between two and three times that of the United States. Naturally, they did this out of enlightened self-interest. Europeans give aid so generously to guarantee their long term future in a more stable and prosperous world.

I have no doubt that, as Japanese economic growth continues, its aid programs will increase also, for the same reasons of enlightened self-interest as Europeans have. As they do so, Japan might wish to consider how far it will be appropriate, or even physically possible, for it to continue to devote as much as 70 percent of its aid effort to close South-East Asian and Pacific neighbors. How far it would be desirable for Japan, as a world power and an equal partner of the United States and Europe, to reach out a helping hand to the poorest countries in other areas, and to be even more active than at present in certain countries where political and strategic considerations, as well as purely economic and social factors, call for a united Western aid effort.

To conclude, I believe that 1981 is a year in which Europe and Japan should intensify their efforts to get to know each other and to work even more closely together. In economic terms what is at stake is the survival of the free world trading system in a period of unprecedented international recession and unemployment. From this system, both Japan and Europe have extensively benefitted. The maintenance of the system is as much in Japan's interest as it is in Europe's.

I personally take an optimistic view, but a view which I hope is also a realistic one. In my belief, the forces which hold the industrial democracies together are much stronger than those which threaten to pull them apart. Japan, North America, and the European Community, as the three largest and most powerful economic regions of the free world, will continue to pursue a coordinated economic strategy and to develop also their cooperation in international political affairs.

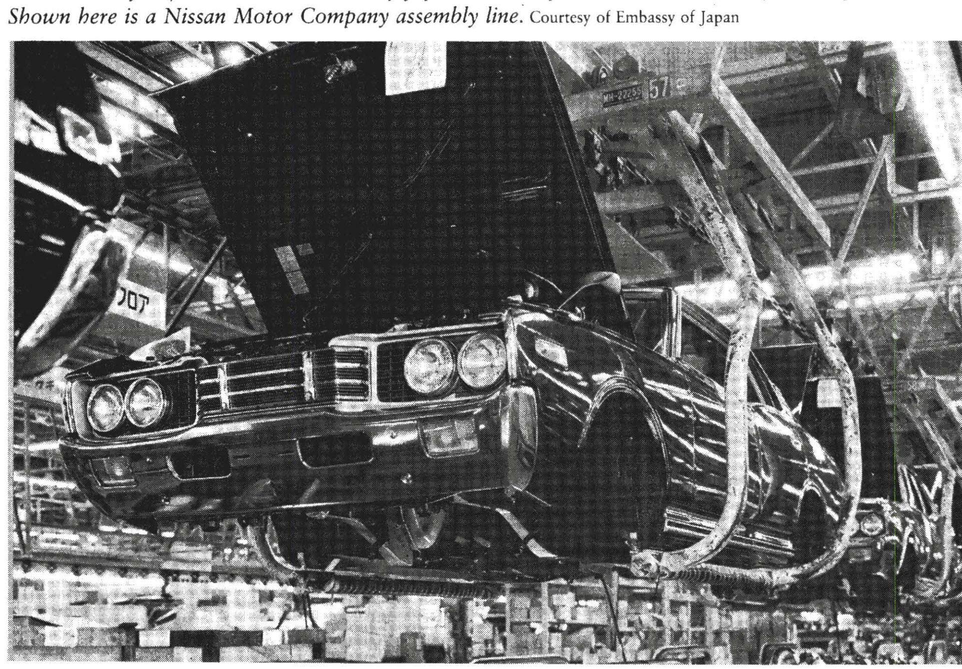
The world is changing about us. The range of possibilities is disconcertingly wide. But one thing is clear. Europe needs to keep on its toes, technologically and economically, as well as militarily and politically. And Europe will continue to need reliable partners, sound alliances, and shared material interests. Equally, so will Japan. Thus, over the next 2 decades, Japan will need Europe as much as Europe will need Japan. They both live by trade. They have approximately the same GNP per capita. They both import raw materials and energy in great quantities, which they transform by their labor and native wit into manufactured goods. They occupy geographically limited and strategically exposed positions at different ends of the Soviet Union. They are democracies with a common political cause. They can only be fully internationally effective when they work closely together.

Just, therefore, as politicians in Europe have heavy responsibilities for international economic crisis management, it is obvious that politicians in Japan have them also. I have already touched on what we have to do in Europe, in a very difficult economic situation. We must restore competitiveness, renew old technologies, and grasp the problems of inflation and unemployment. This cannot be done overnight, but it must be done sooner rather than later because Europe is not only a principal pillar of the free trade system, it is also a political and military bulwark of the West. In doing this, we must learn from Japan. But I would like to suggest three things which might be considered for action by Japan.

In essence, what I have to suggest relates to the further integration of Japan with its partners, both as to two-way trade and as to the extent of its sharing of international burdens. First, it would be helpful if Japanese exporters were to exercise, in their own interests, a degree of self-restraint in their exports to the Community in sectors which are of particular social, economic, and political sensitivity to the Europeans. Japanese exports would cause less difficulty in Europe if they were to be spread out across a wide range of products rather than to be as narrowly concentrated as they are at present.

Automobiles are the case in point which is taking up the most attention in the press, and here the Europeans are asking to be treated in a way similar to the United States. The automobile problem is of course of worldwide dimensions, and the voluntary self-restraint toward the United States recently announced by Japan is bound to affect the international automobile market as a whole. The EC is particularly anxious to avoid a spill-

The voluntary self-restraint announced by Japanese car exporters causes concern for Europeans. Shown here is a Nissan Motor Company assembly line. Courtesy of Embassy of Japan



over effect in which Japanese car exports are diverted from the United States to Europe.

Second, the Japanese market. The difficulty lies in the fact that Japan, unlike all her other Organization for Economic Cooperation and Development partners, is not a trader in the sense of participating in an exchange of processed goods. Broadly, Japan imports raw materials and energy, exports a limited range of manufacturered goods, and is otherwise deliberately self-sufficient. Thus the share of manufactured and processed goods in Japan's overall imports fell to 21.8 percent in 1980, from around 25 percent in 1978 and 1979. This is only half the level for the EC; and only one third the level for Germany. The example of Germany is particularly instructive, because Germany is almost as dependent as Japan is on oil and key raw material imports. If Germany can do it, could not Japan progressively do likewise?

What could be done to make the Japanese market more open and to mitigate the criticisms of Japan's partners that trade with Japan is so much a one-way street? To give practical examples of a kind that politicians are regularly at grips with, does it make sense for modern Japan to have such a high level of protection for processed agricultural products, wines, spirits, and tobacco? Which is more important, to build up industrial exports to Europe or to keep out agricultural products from Europe? Is it really necessary for Japan to have its own system of quality and health controls, if this means creating obstacles for Europe's agrochemical and pharmaceutical products, which are made under the best laboratory and environmental controls in the world? Is it really still necessary to give such very high protection to the Japanese footwear industry? If Japan can compete on the European car market, may Europe not compete on the Japanese leather goods market?

European banks and insurance companies are not discriminated against in Japan; indeed, in certain limited ways they even enjoy privileges. But European financial services do not feel they have the same possibilities of expansion in Japan as on the whole the Japanese banks do in Europe. There have been improvements here too. But can they not be continued?

The question is, how can Europeans earn more in Japan so as to be able to continue to afford to buy so much from Japan? Obviously, the process of adjustment, the process of integration with Japan's partners, will take time, patience, and domestic political skill. But the process is ineluctable if harmony and equilibrium are to be restored within the Western family.

Or, let me put the issue another way. Before Japan joined the General Agreement on Tar-

Small motor bikes were popular in Europe long before the current mini-bike craze. © Eiji Miyazawa, Black Star

iffs and Trade, and in the years up to the close of the Kennedy Round of the Multilateral Trade Negotiations in the early 1970s, when Japan was still very much protected from external competition and when Japan's economy had not achieved the size and strength it has today, the commercial practices and economic structure of Japan, while important in themselves, did not greatly impinge on the outside world, and did not create any very great difficulties for Japan's partners. Now that Japan is an economic superpower, however, they do impinge, and significantly so, and therefore call for review and reappraisal.

Third, burden-sharing. I do not want to enter into the defense question, for which the EC as such is not competent, and which is a sensitive matter in Japan. I will just recall that defense expenditure by the EC countries as a whole is very heavy—amounting to a mean of around 4 percent of gross national product (GNP) for Britain, France, and Germany for example, each of whom, in absolute terms, is spending twice or three times as much in this area as Japan. What I would say is that, since, for very good reasons of its own, Japan does not spend as high a proportion of its GNP as we Europeans do on defense, Japan could in any case do correspondingly more in the aid field.

around THE capitals

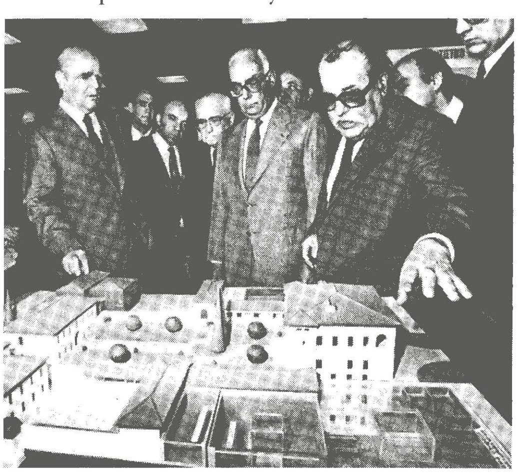
center, the focus of the complex, will be entirely new, as will the center for traditional arts.

Although buildings will take up only 20 percent of the site, Athenians have complained at the loss of one of the last green spaces left near the city center. They have also grumbled at the cost, though the complex will not be included in the public investment budget. Funds are to be raised by a new state lottery which will operate during the construction period. KERIN HOPE

Athens

A quarter-century after the project was first mooted, construction of a showpiece cultural center for the Greek capital has begun. A multi-level complex spreading across a 115,000 square meter site close to the heart of Athens, the center will cost the equivalent of $75 million to build and it will take at least five years to complete.

In its present form, the plan is the brainchild of President Constantine Caramanlis, who has long held that Greece can play a major role in conserving and promoting the European Community's common cultural



President of the Hellenic Republic Constantine Karamanlis (left) and Prime Mir.ster George Rallis (center) with a model of the Athens cultural center. Courtesy of the Embassy of Greece

heritage. The center will also provide a custom-built home for the arts during the winter in Greece, when the cultural scene moves indoors and declines into a usually unanimous round of events held in uncomfortable, old-fashioned proscenium arch theaters. Such settings encourage neither audiences nor performers and the Government's efforts to import artists during the winter—related to a National Tourist Organization program to boost winter tourism—have not proved an unqualified success.

By contrast arts activity booms in the summer, thanks to balmy evenings and the 70-odd ancient stone theaters that survive from the classical and Roman periods. The Athens festival is staged in the Second Century AD amphitheater built by Herodes Atticus, a Roman patron of the arts. It has become a landmark on the European summer festival circuit where both East and West European musicians and dancers appear through a varied four-month season.

Ancient Greek plays are the staple offering of local theater companies, but in the past few summers the repertory of Sophocles, Euripides, and Aristophanes has moved far beyond Athens and Epidaurus. Local officials in provincial towns and through the Aegean islands have dusted off their amphitheaters after centuries of disuse and invited in theatrical troupes, rock musicians, and vacationing string quartets. For the visitors such occasions make a change from folk dancing and wine festivals while the performers have said they found the spontaneity and close contact with the spectators rewarding.

The plan for the Athens cultural center aims at the creating the same kind of informal atmosphere, incorporating several existing buildings on the site in diverse architectural styles. Gardens and terraces will extend over the roofs of new buildings and open-air footbridges, courtyards, promenades, and underground arcades will link separate constructions into a coherent architectural whole. Designed by a team of Athenian architects, the complex will comprise four main groups of buildings—a center for music and dance, another for theatrical performances, a fine arts center, and a museum of traditional Greek art and civilization.

The present War Museum will be converted into an information and administration headquarters for the center. Its contents will be shifted to another location near the army officer-cadet school. The Byzantine Museum, a 19th Century villa, will be renovated and expanded with underground extensions. An open-air amphitheater will go up beside a club building in traditional Whitehall style. But the theater

Brussels

The most exciting season in many years is awaiting Brussels opera-lovers and although not everyone is happy about all the proposed changes, there is widespread agreement that they could mark the promotion of the National Opera into a house of the first rank in Europe. "For too long we have been in the second, or even third, division with performing standards no higher than those of many German provincial cities," comments a prominent opera critic. "Now we have the chance to put on opera worthy of the Capital of Europe."

The golden years of the *Théâtre Royal de la Monnaie*, the home of the company, were around the turn of the 20th Century. Just under a century ago Dame Nellie Melba made her professional debut there. No major premieres are recorded, but the Monnaie in those days was in the advance of popular taste and even Wagner is reported to have enjoyed a visit. But with the rise of the Paris Opera in the early 20th Century, the Monnaie's star waned and was not really to shine again until the early 1950s when the company re-opened after the war in re-built premises.

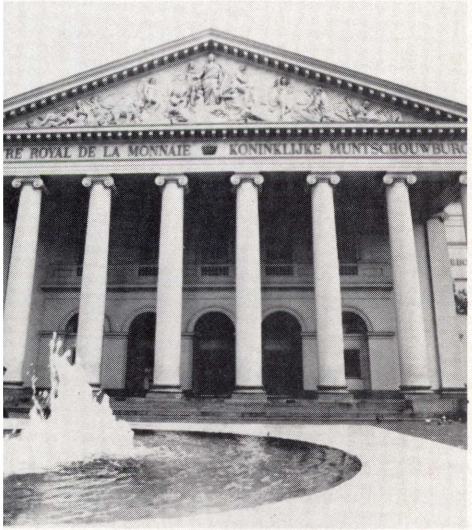
But most critics are agreed that neither in its repertoire nor in the level of its performances has the Monnaie been first-rate in recent years. "For ten years I'd say—without exception—its been second division," comments Joseph McCann, Brussels resident critic for *Opera* magazine. "We've lacked musical direction and the management has not been clear about what it wants to do."

In part this is due to the fact that the population of the greater Brussels area, about a million, is too small to support a full-scale international opera house. "Moreover Belgian audiences are very conservative—quite happy to see Puccini, Verdi, Mozart, and Wagner year in and year out," sniffs a long-time English opera enthusiast here. Indeed the whole philosophy of the

Monnaie in recent years seems of a provincial character: low-cost, familiar productions staged with a minimum of investment in talent and imagination, though this has had the important advantage of helping keep the price of seats down to a surprisingly low level given other costs here. There can't be many cities where you can get a decent opera seat for the price of a pair of cinema tickets.

Alas these low prices are the first casualty of the new look at the Monnaie, with an immediate increase of 20-25 percent in the cards. But most of the money for the improvements is coming from the Belgian Government and the City of Brussels. Already substantial work has been done on extending stage and musical facilities in the theater to allow the orchestra to expand from 60 to 90 members and the chorus from 35 to 42, with 24 "supplementaries."

The main investment, however, has been in people and the most talked-about appointment is that of Gerard Mortier as the new director. A Ghent-born Belgian, Mortier, who is only 37, already has considerable experience and a high reputation following years with leading opera houses in France and Germany. An activist who rel-



Courtesy of the Belgian National Tourist Office

ishes the challenge of building up an opera worthy of "the alleged capital of an uncertain Europe," Mortier has already secured two major appointments: that of the prominent British conductor John Pritchard as musical director and Sylvain Cambreling from France as assistant. The Pritchard appointment is considered a special coup given that he has just been named as chief conductor of the British Broadcasting Corporation's symphony orchestra.

There are skeptics who will tell you that the Belgians have no interest in top-flight artists and performances and that audiences at the higher prices may prove hard to come by. But the architects of the new look at the Monnaie may be appealing to a different source for their customers, namely the big international community here. Already about a fifth of all audiences at the Monnaie is composed of foreign residents. Rightly or wrongly the reformers believe that a good many more would come if the performances were up to a high enough standard. As it is, many of the Eurocrats and other foreigners in Brussels find it relatively easy to attend the opera in Paris, London, and elsewhere.

Perhaps a more serious question mark over the changes is that they will mean an end to the Opera Studio—a program for developing young singers and giving them an opportunity to perform publicly in a special *Petite Salle*. This was generally considered a success but apparently the costs were too great to be borne any longer. However, the Belgians will forgive Mortier a lot if his new regime proves the means of bringing the celebrated Belgian bass-baritone Jose Van Dam before his home public at last—are of the special treats promised for the new season. ALAN OSBORN

Rome

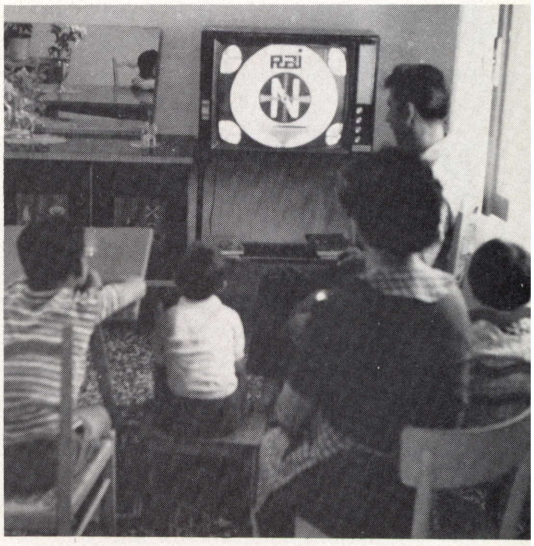
It was six years ago that the Italian constitutional court opened the way for do-it-yourself television stations, a move which has since scuttled the Government's plan to provide "quality" viewing throughout the nation. The court decision in April 1975 said the Government networks had no monopoly of the television air waves. The only thing the Government was able to save was the sole right to national transmissions, but even this edge is being weakened by commercial competitors.

There are three channels in the state-run Italian Radio and Television (RAI) system, one virtually controlled by the ruling Christian Democrat Party, the second by the right wing of the Socialist Party and its allies, and the third, the newest, by left-wing groups. All three are beginning to realize that they are boring their viewers, those few still watching.

While RAI has stuck to its policy of programs of social significance, featuring lots of talk shows with well-known experts in several fields, the 600 private stations unleashed by the court decision are capturing the market with solid family fare, including situation comedies, imported dramas, and soap operas. In Rome the RAI channels face 35 lively private competitors, in Milan 22, and in Turin 15. Some of them began their assault on audiences quite crudely, featuring strip shows for housewives and scratchy films more suitable for a stag night than family television.

The trend toward quality in the lineup of private programs began in 1976 when Silvio Berlusconi snared the rights to World Cup soccer in Uruguay, not only beating the RAI channels but gaining access to the Government's space satellite to make the transmission. Berlusconi further challenged the Government by establishing ties with stations in several cities under the grouping of Channel Five. This is not a network as such, with direct transmission links, but it comes close to trespassing on the Government's national property. The group has continued to stage coups, particularly with major sporting events. Channel Five was able to present the last Super Bowl, for example.

As the RAI channels have most of the staff, equipment, and money for local production, the private stations were forced to raid the bins of overseas producers. Now, overseas material fills 80 per cent of the programs on private channels, causing those in the industry to worry that the Italian national image is one of the few in the



world not seen regularly on most Italian television stations. "We risk losing our national identity," warned RAI director and professor of mass communications Gianpiero Gamaleri.

The RAI channels still top competitors for news and current affairs. But some of the private companies are also becoming a worry in this field. The First Independent Network, backed by the big Rizzoli-Corriere Della Sera publishing group, launched a program which appeared much more probing and adventuring than the staid discussions on the RAI shows.

The Government is starting to take action because the private channels seem to be winning the audience stakes against the huge budgets and staffs of the RAI stations. Long delayed legislation designed to thin the ranks of the private channels has been promised by Postal Minister Michele di Giesi. "RAI is facing a legitimate threat," he said recently. "We are trying to find a balance between private and public interests, but RAI must be more dynamic."

Italy has so many interest groups wanting access to television—from business consortiums to the Communist Party to the Vatican—that distributing permits to broadcast will be difficult. Meanwhile, there is pressure for a trimming of the RAI channels as well. The Government pays for a staff of 13,000 on the three networks, including competing news teams overseas and in Italy. Critics, seeing one private channel alone earn up to $30 million in advertising, want the Government channels to seek clients more aggressively.

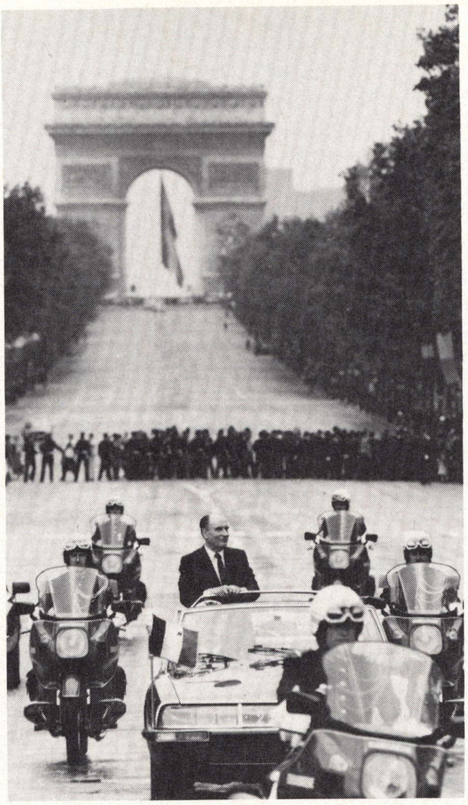
Whatever the legislative action and budget cutting, observers such as RAI director Gamaleri say the big battle will still be to get shows like Kojak and Charlie's Angels off the screen, and get quality, Italian family shows on in their place. Says Gamaleri: "An issue which I consider important to underline is that cultural colonization must be avoided." MALCOLM FARR

Paris

In electing François Mitterrand 21st President of France, the first Socialist in the job under the 23-year-old Fifth Republic, the French surprised themselves. The surprise was not only who won—Mitterrand is the longest surviving politician of post-war France, and as such he is familiar but not popular—but how it happened.

In the 11 days between the second round of the election and Mitterrand's installation as President, one commentator after another marvelled that all this change had taken place peacefully, without incident or rioting in the streets. The French had clearly not trusted themselves to manage the orderly transfer of power from one majority to another by means of the institutions and processes set up to do the job. The relief when they found they had was palpable.

The outcome rattled a number of areas of French public life. On the state-run television, the news management was having difficulty programming without the incessant guidance of the French President's office. Only two nights after the Socialist victory, the evening news devoted almost 15 of its first minutes to a relatively unimportant soccer match and the death of the second Irish hunger striker in Belfast. Only then did the local political reporting start.



The Presidential motorcade on Inauguration Day. © Black Star/Sipa Press

The Socialists claim there will be no "witch-hunt" to weed out docile broadcasters whose news shows were patently biased in favor of Valéry Giscard d'Estaing's presidency. Maybe so, but there will be change: Private local radio stations are promised and the running of television itself will eventually be reorganized so that more independence is possible.

The best-known, most successful weekly newsmagazine may not be so lucky. There, in the week after the election, Jimmy Goldsmith, the conservative Anglo-French owner, threw out his managing editor in a row over a cover design that Goldsmith considered, rightly, slanted in favor of Mitterrand. Goldsmith reportedly wants to turn *L'Express* into an organ of the new opposition.

The difficulties Mitterrand will face were already evident in the masterfully mounted inauguration ceremonies. Totally absent were any representatives of the deeply divided, but left-oriented trade union movement. Mitterrand has never been closely linked to labor, nonetheless, one of his first tasks will be to balance labor's social aspirations against the need to keep industry costs competitive.

Also uninvited was Georges Marchais, head of the Communist Party, on whose support in parliament the new Government will frequently depend. The new Government hopes that in the legislative elections called for June, the reduced spector of this dependence will be enough to cut into the number of Communist seats in the National Assembly.

France's new Government is a profound change from the last. The origins of its members preclude the same perception of power and the way it should be used. Unlike the technocrats of the previous regime, many of Mitterrand's ministers are locally elected officials who come to Paris from the provinces and power bases of their own. They are, as a result, genuinely committed to decentralization, a main plank in the Socialist party's platform. Style will also change. The new Government's ministers are educationally less elitist and economically less rooted in France's bourgoisie.

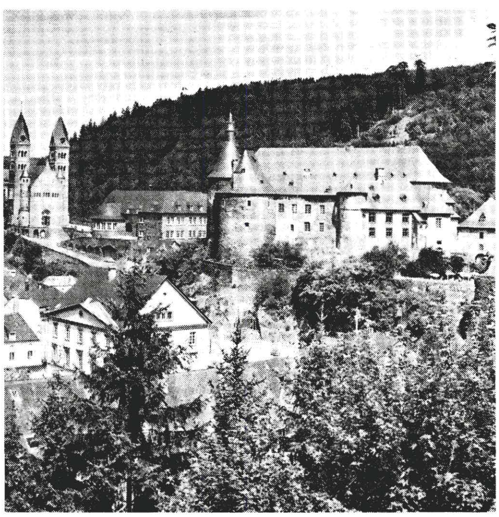
The epitome of the new crowd is Prime Minister Pierre Mauroy. Grandson of a woodcutter, son of a teacher, Mauroy is the mayor of Lille, the industrial capital of the north. Like so many Socialist Party members and leaders, Mauroy began as a teacher. He, too, ardently supports regionalism. His wife must agree. Mrs. Mauroy, also a teacher, is not sure if she will ever move to Paris permanently. On the evening of the inauguration, she took the train back to Lille where she had classes the next morning. It's definitely going to be different. PAT PAINTON

Luxembourg

From now until late fall the trains pulling into Luxembourg's railway station will each disgorge hundreds of young back-packed tourists; some with bicycles, some with motor-bikes, and some so heavily laden with gear that the mounting of any vehicle short of a flat railway car looks a physical impossibility. You can hear almost as many tongues spoken as destinations mentioned: French, German, Dutch, Danish, Swedish, Spanish—but above all English, and that mostly in an American accent. Nowadays the Grand Tour is largely done on foot or two wheels and that has wrought important changes in Luxembourg's attitude towards tourism.

This is a tiny country somewhat reluctant to impart its charms to the visitor who uses it as a mere stopover. The city itself has numerous spectacles worthy of inspection but they are mostly of a somber military nature, more evocative of Luxembourg's history as a fortress than its claims to be a repositary of artistic and cultural beauty. What grandeur the city does have is mostly of nature's making—the densely wooded ravines, the sheer cliff faces, the unexpected and often breath-taking panoramas. But these are repeated endlessly and in even greater magnificence in the country itself. No bigger than Maryland, the Grand Duchy is a pocket-sized compendium of some of the best and most characteristic mid-European scenery and it is no surprise to learn that less than half its hotel and restaurant income comes from the city even though well over two thirds of its population lives there.

On the face of it, back-packers, bikers, and hikers, many of whom sleep in the open, are hardly ideal tourists from the financial point of view. "That may be true but it is not the real point," said an official of the National Office of Tourism when I put the question to him recently. "Our main problem is lack of recognition. Hardly anyone outside Europe knows the least thing about us. These young people who spend a few days in Luxembourg, well they



may not do much for our revenues immediately but we hope they are taking away a favorable image of our country and our people which will be passed on. And of course we hope they will come back when they have money to spend."

Because so few visitors to Luxembourg stay in hotels as opposed to camp sites, hostels, and private boarding houses it is difficult to say how many come each year, but one estimate puts the number at around two million—a remarkable figure considering that the population of the entire country is less than 400,000. Of course many visitors are not tourists at all but bankers, businessmen, members of the European parliament, and officials drawn to the city by their work. But an increasing number of these are being persuaded to prolong their visits to include a week-end's golfing, fishing, hiking, horse-riding—or perhaps nothing more strenuous than some elbow-bending at a country inn.

Good weather is important of course and last summer was frankly a disappointing one. Rain and cold also affect another important foreign exchange earner: wine. The main vineyards are located on a relatively narrow bank of the Moselle river, often on steep ground where heavy storms sometimes have an unfortunate habit of washing new growth down on to the road.

But the wines, little known outside Luxembourg and Belgium, are certainly worth the consideration of any serious wine lover and make a splendid complement to the giant-sized meals served in most Luxembourg restaurants. Like its neighbour to the North, Luxembourg can claim to have effected a marriage between French cuisine and German appetite, though in fact most of the dishes are German in character.

Luxembourg is not to be hurried. A keen cyclist could cross it in a day, but it is doubtful than many do given the distractions of the many chateaux, churches, and monasteries which often seem to rise magically out of the landscape. Much of the city architecture, it has to be said however, partakes of a dour, respectable honesty much like the citizens themselves.

Tourists will be surprised at how cheap things are in relation to prices in the neighboring countries of Belgium, France, and Germany. Motorists in particular would be well advised to fill their tanks with gas and their trunks with wine before leaving. But be warned that while Belgian francs are readily interchangeable with local currency in shops and restaurants, the converse is not always true in Belgium and those Luxembourg notes could hang around a long time in one's wallet. A final word on language—French is the most widely spoken, followed by German, but English is widely understood, especially in the city. There is no need to master Luxembourgeois. ALAN OSBORN

Dublin

The biggest controversy in Ireland in recent months has not been over hunger strikes, unemployment, soaring inflation or even the Third Secret of Fatima, but over rugby football. The argument over whether or not the Irish rugby team should tour South Africa has raged in houses public and private, and over acres of newsprint. It drew statements from all the major churches, from the Congress of Trade Unions, from the political parties, and saw direct interventions from the foreign minister, more than once, and from the Prime Minister himself. Nevertheless, in the face of almost universal denunciation, the team travelled to South Africa in early May. Why all the fuss?

Rugby is rather important in Ireland. It is the national game in ways that neither Gaelic football nor hurling could claim to be, for it is played by all sections of the community, Catholic and Protestant. The Irish team is drawn from the Republic and from Northern Ireland. It is the only major sport in which Ireland competes internationally as one team and at the highest level. (The British Government, involved through Northern Ireland, also condemned the tour.)

Other sports, such as field hockey, are also united, but none of these commands the public interest that rugby does. When Ireland plays at Lansdowne Road in Dublin, up to 60,000 spectators turn up, perhaps a third of them from Northern Ireland. So an Irish rugby team represents Ireland at international level in a more real

sense than any other sporting team.

Sporting contacts with South Africa are almost universally condemned, though the British and Irish Lions rugby side toured there last year. Rugby contact is particularly important, as rugby is of supreme importance to the white South African, particularly to the Afrikaner. So a controversy was inevitable when the Irish Rugby Football Union planned this year's visit.

But there were several factors that added to public and, in particular, Government displeasure. In January this year Ireland took its seat in the United Nations Security Council, elected for the first time to a full two-year term of office. In campaigning for election, Ireland had stressed its identification with the anti-colonial struggle of the

Third World, and indeed its own voting record at the United Nations on apartheid.

By coincidence, Ireland's term to preside over the Council came in the month of April, when the controversy over the rugby tour was at its height. Also by coincidence, Namibia became the burning topic before the Council; the Irish Ambassador found himself delivering a scathing condemnation of South Africa while the Irish rugby team was packing its bags in readiness to embrace white South Africa.

Ireland's growing aid program to Third World countries was another reason for embarrassment; the main target country is Lesotho, wholly surrounded by South African territory, and one reason for selecting Lesotho was to help enable it maintain some independence from the rugby-playing South Africans.

Ireland is also developing trade relations with the Third World—with Arab states and with countries like Nigeria. No one these days likes to offend an Arab, and the Nigerians stated quite plainly that if the tour went ahead, some of the Irish business firms with interests in Nigeria would be shown the door.

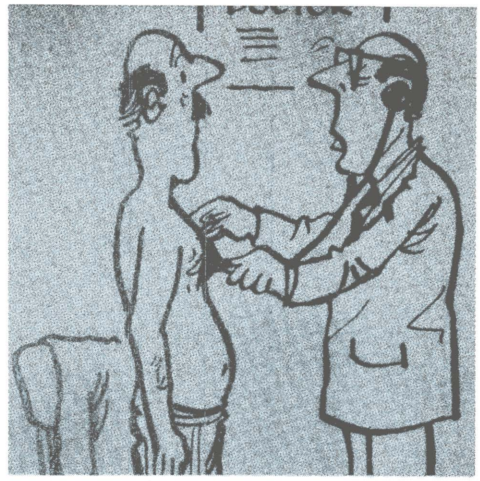
Time will tell how real these threats were, but the tour was only a week old when Ireland's top athletes felt the impact. Invitations to long-distance runners to compete in races in Norway and Britain were withdrawn, because Ethiopian runners had refused to compete against Irish runners as a result of the rugby tour.

Exclusion from the British meeting was particularly rough. After all, the rugby team touring South Africa may be "Ireland," but it represents both the Republic of Ireland, and Northern Ireland, which is British. But that might be a bit complicated to explain to the Ethiopians. DENNIS KENNEDY

Copenhagen

Few, if any, events in recent years have attracted so much attention in the Danish media as the protests and, initially for one week, strike of the more than 5,000 assistant hospital doctors in Denmark. In the Danish welfare state, medical services are taken for granted, are free, and neither the public nor the employers—the politicians—were prepared for a situation where these services were at least partly withdrawn.

As far as can be ascertained, patients did not suffer directly during the strike; emergency services were maintained by the relatively small number of surgeons and specialists. But the entire affair is symptomatic of the general malaise of the public sector



"I think you should be in hospital, but we'll get a second opinion from the union picket."
© Gurbutt, England

in Denmark: the refusal by specially skilled personnel to accept a decline in real income—a decline, it is claimed not without justification, more serious than that in the private sector.

Air traffic controllers have for more than a year fought for higher wages. Some have found new jobs in the Middle East. Those that remain work to rule, and feel unable to work so often that Copenhagen's position as the hub of international air traffic in northern Europe is seriously threatened by constant delays. Domestic services in Denmark are maintained on an emergency basis, involving the cancellation of many flights.

Officially, the hospital doctors are not demanding higher wages, but rejecting changes in work procedures. The Government and local authorities insist that new work routines be introduced, reducing overtime and creating new jobs. Characteristically, some doctors are now planning to set up private hospitals, where doctors presumably can earn what they want.

The combination of the hospital strike and the strike of the printers' union, paralysing most of the Danish press for more than two months, totally eclipsed the newest economic package of the Government.

Very few new ideas are emerging in the political and economic debate. Denmark now has its own brand of supply-side economics. At the end of May, the biannual report of the independent Economic and Social Council stressed that the plight of Danish industry is now worse than ever, and that all efforts must now focus on supporting investment by allowing more generous tax depreciations and by introducing a negative income tax for companies, amounting to a subsidy or advanced tax rebate for companies operating in the red. But so far there have been no takers. Normally popular with the Government, the proposals of the newest report have been met with thumbs down. LEIF BECK FALLESEN

The Hague

After 70 years of unlawful abortion practice a new compromise law has been approved by the Dutch parliament. The 1911 abortion law prohibited abortion unless the life of the mother was in danger. The law has not been enforced in the last decade, and in 1980 some 50,000 abortions were performed in nonprofit clinics.

Three-fourths of the abortions were performed on foreign women, mainly West German and Belgian, who flocked here in entire bus-loads. Under the new law approved by parliament a woman has to wait five days after applying for an abortion and will have to agree in consultation with her doctor that the abortion was necessary for physical and psychological reasons. The time limitation is the first three months of pregnancy. The law was just barely approved with two votes in the lower house of parliament and with only one vote in the Senate. Only a few years ago slightly more liberal legislation on abortion was voted down in the Senate by one vote from a liberal member.

Jos Schreurs, a Catholic priest and member of the Dutch Senate got into trouble by voting in favor of the abortion legislation. Bishop Johannes Gijsen, one of Holland's ultraconservative bishops, asked Schreurs to step down, like the American Jesuit priest, Father Robert Drinan of Massachusetts, who left the US House of Representatives.

Gijsen, in a letter, reminded Schreurs that the latest conference of bishops had not thought the role of member of parliament and priest compatible. Gijsen told Schreurs that Pope John Paul II had declared that the clergy should not become politicians.

Schreurs, Gijsen said, had not made his voice heard in the case of abortion—the bishop reminded the priest that when he had permitted Schreurs to take a seat in the Senate, last September, he made it a condition that Schreurs carry out the thinking of the church. Schreurs denied accepting any conditions. He said that as a member of parliament he was acting as required by the constitution.

Earlier this year, the Dutch primate, Cardinal Johannes Willebrandt, said that Schreurs did not represent the church in parliament but the people that elected him. Meanwhile the Christian Democratic Appeal (CDA) Party, which combines the denominational parties, Catholics, and Protestants, categorically rejected the suggestion that anyone can set conditions for members of parliament. NEL SLIS

Comparing US Congress to European Parliament

Two Systems Differ Widely

CLIFF HACKETT
formerly staff director of the House subcommittee on Europe

Eva Wilhelmsson Gredal (Socialist, Denmark), who headed the Parliamentary delegation, talks with Rep. Clement Zablocki (D, Wisconsin).

When persons of the same profession travel together, it is not surprising that they learn most readily about how that profession is practiced in other countries. Parliamentarians are no different. They tend, in fact, to be poor tourists for they are fond of making comparisons of political work styles, of assembly conditions and facilities with other parliamentarians. This leaves little time for sightseeing.

These reflections come after watching members of the European Parliament and of the US Congress meet for over 10 years. Aside from discussing current and common problems, much of what each side has learned concerns how the other side handles its parliamentary duties. Since the Europeans have just finished a visit to Washington, let us look at what they might have discovered about how the Congress handles its work, including those foreign policy questions involving Europe.

It is well that Americans chose a different word—"Congress" rather than "Parliament"—for their legislature, since the two legislative systems share one principal feature, popular election of the larger body, and differ on almost everything else. For the European visitor, the predominant impression of the Congress is its self-confidence of power. The President is not the US Government, only one part of it and he is frequently overruled by the Congress. In a parliamentary system, this would constitute a crisis. In Washington, it happens most days and so casually that the compromises and contests between the legislative and executive branches do not always rate newspaper space, let alone headlines.

A related, and equally bewildering aspect of Congress' power is that it seems to have little to do with political parties, which are the sources of power in the European system. Whether the President is of the same or different party from the Congress seems to matter little as far as congressional power goes. The Congress insists on its role regardless of who is in the White House. All Presidents know this fact of American political life but most forget it at times. These lapses often contribute to European confusion about who runs the US Government. If the President, for example, promises something to a foreign leader, the watching world (and the other leader) assume the President can deliver. Sometimes he cannot and he should have checked with Congress first.

The congressional system is also a federal one, to further complicate understanding by the European observer. Where the House of Representatives represents people (that is, an artificial unit of population), the Senate represents land in the form of political subdivisions, or states. Thus, the two houses of Congress often have very different views within the same party and even within a state delegation of the same party. Urban versus rural interests on agricultural policy would be an example here.

Europeans can understand urban-rural, consumer-producer, and labor-management differences; they have the same distinctions in their legislatures. What they cannot comprehend is how members of the same party can take opposing views on the same major issue and pursue their positions right to the final vote. The usual, and the best, answer to Europeans is that our parties are like their coalition Governments: fairly stable, working arrangements among interest groups and constituencies which are loosely describable in terms of tendencies rather than beliefs, of personalities rather than structures.

Erwin Lange (Socialist, Germany), chairman of the budgets committee in Parliament, meets Rep. Sam Gibbons (D, Florida), standing to the right.

A recent and vivid example of this confusing role of parties in the United States came in Minnesota, one of our more progressive states, and involved a congressman, Don Fraser, who is well known to the European Parliament. Fraser was a founder in 1972, of the semi-annual exchange between the Parliament and the Congress. In 1978, Fraser, a liberal Democrat from Minneapolis, ran for the Senate seat vacated when Hubert Humphrey died. Another Democrat, more conservative than Fraser, also sought the seat and a bitter primary election followed. To the astonishment of European friends, Fraser lost the primary, but even more amazing, many of his liberal supporters then switched support in the general election to the moderate Republican rather than back the conservative Democrat who beat Fraser.

Andrew Mulligan (left), head of the EC Commission's information office in Washington, talks with Belgian Ernest Glinne (right), chairman of the Socialist Group in Parliament and Norman Gresch, a staffer.

Popular primary contests involving party or public officials are almost unknown in

Europe. But Europeans can at least understand the idea of party members choosing their candidates. What they find less understandable is a party structure so weak and party ideology so vague that party activists can move across the boundary to the major opposition party and support its candidate, no matter what the provocation.

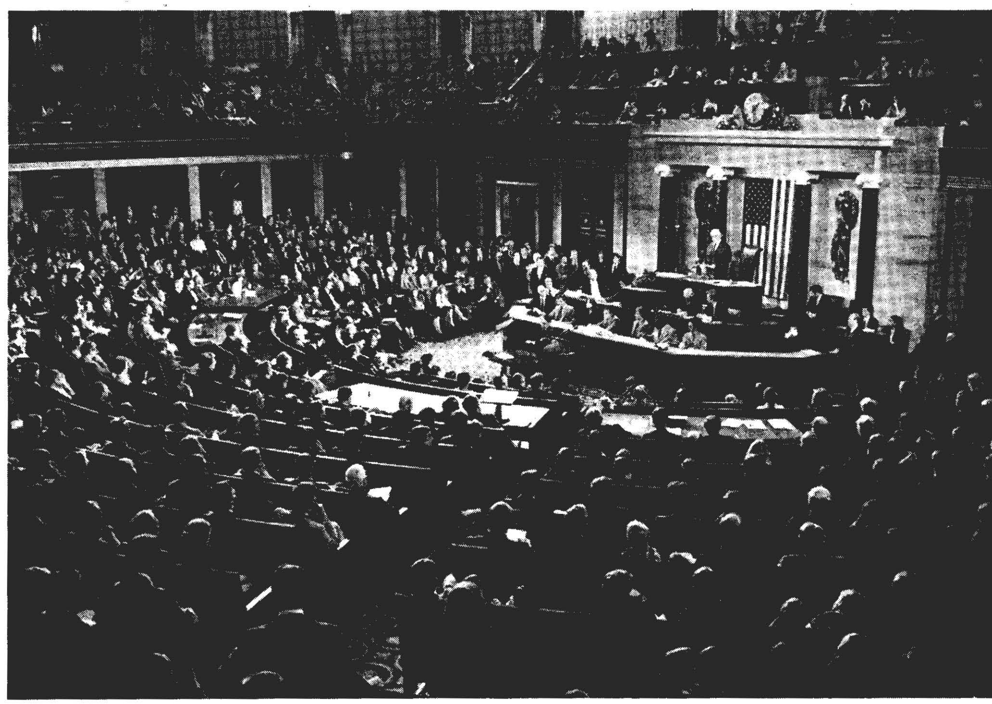
If the party structure and operation is a mystery, the Congressional committee system is more familiar to European visitors. But the similarities in number, size, and jurisdiction of committees soon gives way to great differences in function between the Congress and the European Parliament's committees. The major difference is that the Congress is a legislative body, whose product is laws. The European Parliament is a consultative body (with some budgetary control) which produces advice and opinions. Both bodies do most of their work in committees, so we might compare their respective numbers and jurisdictions.

The interesting part of this schema is the middle group of "Similar Jurisdictions" for it is here than the complexities arise. The Parliament's Budgetary Control Committee, for example, is an oversight and control organ and similar, in those respects, to the Appropriations and Government Operations Committees of the House. The Budgetary Control Committee does not, however, appropriate funds because the Parliament does not have the same fiscal control over Community institutions which the Congress has in Washington.

Similarly, the External Trade Committee and the Environment, Public Health, and Consumer Affairs Committee in the Parliament do not have their work compressed into House subcommittees as a diagram might suggest. But trade is the main concern of the Parliament's committee and yet only one function of Ways and Means, and probably a lesser function at that. Writing and supervising tax legislation is the House committee's major function and managing the Social Security programs is almost as important. Neither function exists in the European Parliament.

Or take the example of the House Interstate and Foreign Commerce Committee which has more major and diverse legislative functions than any other committee: The comparable organs of the Parliament lack the genuine legislative authority which is the real source of congressional power.

Where does Europe as a subject fit in these congressional committees? The answer is not simple. Trade relations with Europe are in the Ways and Means Committee; broad foreign policy lies with Foreign Affairs and, for Europe, with its Europe and Middle East Subcommittee. But military questions, including much of the North Atlantic Treaty Organization, belong to the Armed Services Committee, one of these organs (like Foreign Affairs) without a counterpart in the Parliament. The House Agriculture Committee and its Banking, Finance, and Urban Affairs Committee also carefully guard their respective interests in agricultural trade and aid and in the international financial institutions. This jurisdictional jealousy, common to all legislature, tends to disperse further the congressional foreign policy roles.

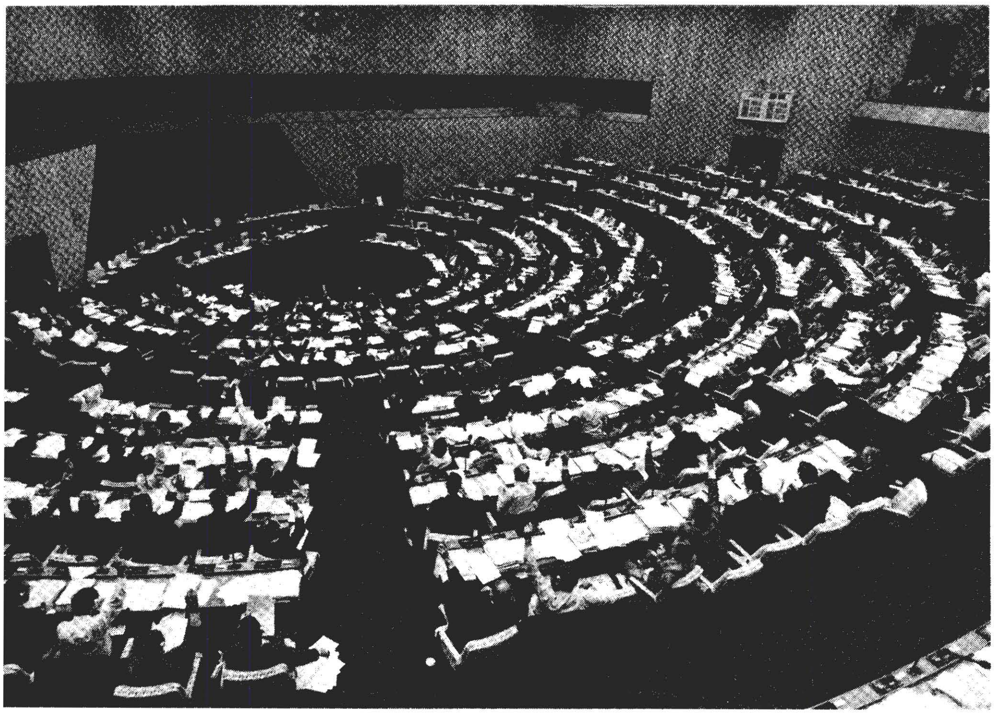


"The major difference—Congress is a legislative body whose product is laws. . . . © Bruce Hoertel, Washington

To understand fully the differences and similarities of the two parliamentary systems, our European visitor would have to spend some time in the congressman's offices. (Every congressman has at least two: one in Washington and at least one in his district. Many have two or three district offices.) The primary cast of any congressional office is its orientation to the half-million people of the district. Every member of the House has a single-member district which means he is usually the first one a constituent approaches with a problem. Party organization means little in a district but personal attention, and personality, do matter very much.

Most congressmen return regularly and frequently to their districts. They hold office hours there, give speeches or just circulate to sample public opinion and show their presence. They try to solve local problems, especially those with a federal aspect—social security, military and civilian US personnel, and such—where they have direct influence. This focus on the district takes not only time and energy; it directs the congressman's attention constantly to the interests and needs of *his* people. Critics contend that single-member districts breed provincialism. The system certainly imposed local demands on the loftiest national legislators. Those who forget or neglect their districts or states are often defeated, to the dismay of both their national constituencies and to observers overseas. Senators William Fulbright and Frank Church, both recent chairmen of the Foreign Relations Committee, lost their seats in contests where they were charged—some say unfairly—with neglecting their states for national and international issues.

For the European parliamentarian (except the British who also have single-member districts), these local pressures are minor for several reasons. First, there are no electoral districts even though some of the 410 Parliament members were chosen on regional rather than national electoral lists. In both cases, proportional representation of their party's percentage of the vote won their seat. Lacking a small district with its voters looking to a single member for services, most of the European parliamentarian can concentrate on broader national and European issues. Second, the party structures in the EC countries tend to contain and to channel local pressures through party organs. The party tends to protect parliamentarians from direct appeals of voters. Third, the member's seat was neither given for, nor subject to, local considerations. The party's national leadership by its own methods and principles, decided who should be placed on the party's lists for the Parliament's elections. Democratic procedures in the party certainly affected this selection but not by the direct democracy of the US con-



The European Parliament is a consultative body which produces advice and opinions."

gressman's district.

This quality of representation is perhaps the unique characteristic of the Congress which European parliamentarians recognize immediately. The vast continental expanse of the United States consists, in political terms, in fact, of 435 local units which collectively manage to keep the Congress very close to hometown interests. The real problem, as the congressmen themselves often recognize, is how to see and construct national policies out of these fragmented interests. For this, the congressmen often find they can learn useful lessons from the Parliament. There their European colleagues work in an environment whose political systems and historical perspectives emphasize national viewpoints over local and regional ones. When the congressional delegation travels to the European Parliament each year, we can be sure the members see the differences in constituency, parliamentary function, and structure of the European Parliament. For this exchange, or any other, to succeed, the participants must not only learn, but teach. Both sides of this highly successful exchange have shown over a decade that they can both learn and teach the other side something about democracy.

Parliamentary Notebook

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

The word "isoglucose" will deserve more than a footnote in any future thesis or history dealing with the development of the European Parliament and, particularly, its struggle to increase democratic control over the Commission, which proposes EC law, and the Council of Ministers, which decides on legislation. Let me explain.

When the new European Parliament was inaugurated on July 17, 1979, after direct elections in the nine member countries five weeks before, it had limited powers. It could reject the whole Community budget put up by the Council of Ministers, and have a say in the spending of about a quarter of the total. It could dismiss the Commission en masse, but it could not dismiss or in any other way censure a single Commissioner. It could call the Council of Ministers and Commissioners to account in public during question time at plenary sessions. It had pre-legislative oversight, through its committees, of the directives (that is, laws) the Commission proposed in draft, and the power of amendment and delay.

Some of its powers, like the rejection of the Community budget and the dismissal of the whole Commission, had the character of weapons of ultimate deterrence—overdestructive cataclysms of last resort. What mattered to the new democratically elected Parliament was the acquisition of practical political power, something that could be used constructively and, some would say, give it a real place for the first time in the institutional framework of the EC.

Isoglucose, of all things, provided part of the answer. In the end the EC Court of Justice in Luxembourg is the guardian of the founding treaties that the Council of Ministers and the Commission must live by, and, in October 1980, the Court had before it what at first appeared to be a routine case involving German manufacturers of isoglucose. The judges pronounced that the Council of Ministers had breached Community law because they had pre-empted the necessary consultation procedure. In other words, consultation on legislation could be considered complete only when Parliament had been consulted. Therefore, it may now be held to follow that in all legislative instances where Parliament has a right to be consulted, the Council cannot take a decision without first hearing Parliament's opinion.

Parliament's opinion does not bind either Commission—the law proposers and administrators—or the Council—the lawmakers. But the Court's ruling erects a democratic hurdle. As Rudolf Luster, the German Christian Democrat, has put it: "Parliament must assume that neither of the other institutions wishes to take decisions which are not supported by the majority of the directly elected representatives of the peoples of the Community." The ruling also gives the Parliament a tactical delaying power.

The isoglucose story is still not completely told. The Parliament has passed new and revised rules of procedure, taking note of the experience of the past two years since direct elections. The new Rule 35 exploits the finding of the Court of Justice both to put greater pressure on the Commission to respond to parliamentary opinion and to delay the legislative decision of the Council of Ministers. Under the new rule Parliament will be able to vote on an initial opinion about proposed Commission law without bringing to an end the formal consultation procedure.

The use of the rulings of the Court of Justice in Luxembourg to extend the power, or the scope of influence, of the Parliament looks like proving significant. In the end, all the Community institutions must defer to the judges' interpretation of the Treaties, and it is possible, or even probable, that the Court will eventually be used to settle one of the most bitter disputes now souring relations between the Parliament on one side and the Council of Ministers and the national Governments on the other. That is the dispute over the Parliament's working place.

NEWS OF THE COMMUNITY

EXTERNAL

Haig Meets Commission

US Secretary of State Alexander Haig met with EC Commission officials in early May on his way home from the semi-annual meeting of the Atlantic alliance in Rome. The talks covered a wide range of international political and economic issues, and it was suggested that such high-level consultations could become frequent.

Both Haig and EC Commission President Gaston Thorn stressed the importance of the transatlantic dialogue. On the world economic front, Thorn expressed concern about the need for all three major trading and economic powers—the Community, the United States, and Japan—to have balanced relations and to share equally the world's economic burdens.

EC-China Business Week

The EC-China Business Week conference held in Brussels beginning in late March gave Chinese officials the opportunity to explain recent revisions in their economic modernization plans that led to the cancellation of many contracts with firms outside China, including some European companies.

Chinese Vice Premier Gu Mu explained that the policy shift was a temporary one which meant abandoning some major projects that were not urgent or beyond the country's capabilities, but stepping up others in agriculture and light industry. "We will build several big projects with respect to energy, port facilities, railways, and power stations," he said.

EC Commision Vice President Etienne Davignon said "this has brought about a certain malaise which transcends business circles . . . what is at stake is the immense capital of confidence that China has succeeded in building up with European industry." It was also noted that the Community's share of China's imports had not been growing in recent years.

The specialized part of the meeting focused on areas China is interested in developing, such as minerals and metals, animal byproducts, textiles, light industry, chemicals, and machinery and equipment. The original planned goal of the conference was to establish contacts between Chinese officials and EC companies interested in doing business in that country. Nearly 100 leading Chinese economic and trade officials and businessmen and bankers from about 230 European firms attended the conference.

External Ministers Visit EC

Future EC assistance to Lebanon was the main topic of discussion between the Lebanese minister for reconstruction and development and EC Commission officials in early May. Several meetings were also held on renewing financial aid protocols between the Community and a number of Mediterranean countries scheduled to expire in October this year. The existing protocol with Lebanon covers about EUA 30 million for financing projects in that country.

The Algerian trade minister discussed his country's industrial and energy development plans with EC officials during his May visit and indicated the major elements of a national investment program open to European firms. He said his country had a five-year plan aimed at stimulating investment in industrial, agricultural-hydrologic, education and training, housing, and infrastructure programs.

The new minister for planning and international cooperation for the Central African Republic also recently conferred with then EC Commissioner Claude Cheysson on projected aid programs for his country. Following an EC mission to that country in 1980, the aid program set amounted to EUA 49 million for infrastructure, rural development, human resources, energy, mining and industry, micro projects, and reserve operations.

The foreign ministers of Guinea Bissau and Angola conferred with Cheysson, in Brussels in late April. Guinea Bissau had received EUA 20 million under the Lomé Convention and is to receive from EUA 23 million to EUA 27 million under the second convention. About 46 percent is to go to agricultural projects and the remainder will be divided among transport, health, and training projects. Also under consideration is a portion of 4,500 tons of cereals originally destined to go elsewhere.

EC Office Opens in Canberra

A Delegation of the Commission of the European Communities has been established in Canberra, Australia. Kaj Olaf Barlebo-Larsen is the newly appointed head of delegation. The Commission considers a permanent diplomatic delegation in Canberra to be an important contribution to the strengthening of ties with that country. The Community and Australia have been involved in recent years in negotiations on such issues as the security of nuclear materials and trade matters.

Latin America Talks Resume

Community and Latin American representatives met in early April to resume the dialogue started earlier on relations and economic cooperation between the two. Participants included only Latin American countries that recognize the Community, thus eliminating Cuba—the main obstacle to continuing the talks in the past.

The Latin American representatives expressed concern over the preferential treatment other countries associated with the Community receive in textile trade. They also talked about the growing importance of textile imports into the Community from industrialized countries and about the Community's attitude toward negotiations for renewal of the Multifiber Agreement. Other topics covered included agricultural trade and plans for further consultations.

EC-India Accord Set

Negotiations for a commercial and economic cooperation agreement between the Community and India were completed in mid-April. The agreement is a five-year nonpreferential cooperation accord designed to promote closer trade and economic relations already begun with an earlier cooperation pact worked out in 1973.

The new agreement encourages industrial, technological, and scientific cooperation, as well as promotion of mutually beneficial investment. The earlier agreement limited economic cooperation to trade matters. A joint commission will be set up to review activities, make recommendations for use of EC funds, and provide a forum for consultation. The agreement can be signed later this year following approval of the negotiations by both sides.

Trade with India represents only 1 percent of the Community's total trade. In recent years the Community has been India's largest export market with 26 percent of all exports, and it has also supplied 31 percent of India's total imports. In 1980 an Indian trade center was set up in Brussels.

Soviet Trade Normalized

When the US Government lifted the partial embargo on grain deliveries to the Soviet Union, the Community announced two days later on April 29 that it would also resume its normal policy toward exports there. In January 1980 the Community had announced that it would not increase its exports in order to replace American supplies on the Soviet market. These actions followed the Soviet military intervention in Afghanistan.

As regards cereals, the usual refund for exports to the Soviet Union was to be reintroduced with the possibility of advance fixing. The Soviet Union was also to be included in invitations to tender for exports to the Eastern trading area. There were no plans announced for reintroducing refunds on butter because butter stocks had declined considerably inside the Community. No changes were necessary for exports of beef and veal or poultry, which qualify for the usual refund.

Road Link Discussed

The financing of a major road project that would link Yugoslavia with Western Europe was one of the subjects of talks when EC Commissioner Wilhelm Haferkamp, in charge of external relations, visited Austria in early May. The road project has been a topic of discussion for years, with Austria urging the Community to help finance a major part because of the important connection for Yugoslav workers employed in the Community.

Joint Commissions Meet

An EC delegation met with representatives from both Sri Lanka and Bangladesh in early May for regular sessions of the joint commissions with those two states. The meetings reviewed recent developments in economic policies and discussed the activities of the subcommissions.

The results of the Sri Lankan Trade and Investment Centers in Copenhagen and Düsseldorf were viewed with satisfaction. Investments by Community firms have been undertaken in Sri Lanka in sectors such as steel sheeting and floor coverings, it was noted. The commission endorsed the trade promotion program for Sri Lanka in 1981, which includes support for the trade and investment centers, two trade fairs, two trade missions, a consultancy, and an investment guide. The Community also agreed to give technical assistance in the preparation of a medium-term energy program in Sri Lanka.

The EC-Bangladesh Joint Commission recommended the implementation of the 1981 trade promotion program and reviewed activities of the Bangladesh Trade and Display Centers in Rotterdam and Copenhagen. It also noted the favorable response to the round table meeting in late April between about 60 European businessmen and a high-level delegation from Bangladesh. At that time a Bangladesh official stressed that outside investments to develop the resources of his country would be protected by legislation.

Van der Klaauw to Mideast

In a continuation of the Community's recent efforts to promote peace in the Middle East, Dutch Foreign Minister Christoph Van der Klaauw visited Israel and Saudi Arabia in early May.

During his visit Van der Klaauw was criticized by some Israeli leaders for having previously met with Palestine Liberation Organization leader Yasser Arafat. Van der Klaauw said a report on his contacts during the past six months would be ready for the June Luxembourg summit.

Trade Problems Discussed

US Commerce Secretary Malcolm Baldrige met with EC Commission members in Brussels in mid-May to discuss problems relating to Japanese car exports and steel trade.

The EC officials pointed out that Community industries were having trouble adjusting to the US steel import pricing system and that exports to the United States in early 1981 had dropped by 17 percent from the same period in 1980. On the problem of Japanese car imports, the Commission expressed concern about possible results of the recently concluded agreement between the United States and Japan on restrictions on Japanese automobiles imported into the US market.

EC Moves on Car Imports

An informal arrangement between the Community and Japan limiting Japanese car imports into the EC market was suggested by the EC Commission in mid-May. The move followed the announcement of an agreement between the United States and Japan which aroused concern that Japanese car exports would be diverted to the European market.

The talks the Commission proposed would not require a formal mandate for negotiations from the Council of Ministers since the aim would be an informal agreement.

In late April European Parliament President Simone Veil met with top Japanese officials and then-EC Commissioner Claude Cheysson traveled to Japan as well. He met with Japanese leaders to discuss the North-South dialogue and the possibility of joint financing for projects in developing countries. He later told development ministers in Luxembourg that Japanese leaders had agreed that Japan, as well as the Community, was highly dependent on the developing world for raw materials and for export markets.

MFA Extension Proposed

The EC Commission proposed in early April that the member states agree to a five-year extension of the international Multifiber Agreement (MFA) which is to expire at the end of this year. The accord regulates the amount of textile imports coming into the Community from developing countries.

The extension recommended by the Commission would allow the EC textile industry to continue the process of restructuring and conversion. Since the agreement's entry into force in 1974, the Community's textile sector has had to contend with slower growth in domestic consumption and exports as well as a steep rise in imports.

Two other textile proposals were approved by the Commission in March. In one the Commission requested a mandate to negotiate administrative cooperation arrangements with the main textile-supplying countries having preferential agreements—such as Spain, Portugal, Malta, Cyprus, Turkey, Egypt, Morocco, and Tunisia. At present, textile and clothing imports from most of these countries are covered by informal arrangements that expire at the end of the year. The Commission's proposal would set up consultation machinery to be activated once imports reach a certain level, to prevent risks to the balance in the EC textile market.

In its other proposal the Commission recommended a regulation laying down uniform Community rules for textile outward processing traffic—that is, imports of goods processed abroad from Community raw materials. These arrangements are a special form of industrial cooperation that enables the EC industry to relocate some of its activities in controlled conditions in low-cost countries, a strategy that helps to maintain the Community's level of textile activity and protect jobs.

Future proposals in the textile sector will cover the use of the Social Fund and the Regional Fund to assist the industry in times of crisis. Recent Commission statistics show that the textile industry accounts for about 9.5 percent of EC industrial employment and 8 percent of industrial output. Employment declined in this sector by about 25 percent, or 800,000 jobs, however, between 1973 and 1980.

Pakistan Aid to Increase

The Community will double or triple its aid to Pakistan, an EC official announced at the joint EC-Pakistan Commission meeting in Islamabad in late March. Community assistance amounted to EUA 7 million in 1980; in addition, aid of $20 million for Afghan refugees in Pakistan was granted.

The Islamabad meetings focused on the promotion of Pakistani trade in the Community. Trade missions and workshops took place last year in engineering, crafts, subcontracting, and leather products. Similar activities are again scheduled for 1981, in addition to provisions for consultancy and training facilities in the tobacco sector. Plans have also been made for an EC seminar on the new system of generalized tariff preferences.

Egyptian Official Visits EC

Egyptian Foreign Minister Hassan Ali visited the EC Commission in late March to discuss several bilateral and international issues. This visit came at the end of a European tour during which Ali was reported to have discussed the possible participation of European countries in an international military peacekeeping force planned for the Sinai Desert as part of the Egypt-Israel peace accord.

In meeting with the Commission, however, Ali discussed Egypt's bilateral financial protocol with the Community, which covers about EUA 170 million in aid to Egyptian projects and is to expire in late October. Talks for renewal have already begun.

Also discussed during the Egyptian minister's visit were the Community's peace initiative in the Middle East and development of the Euro-Arab dialogue.

Dutch Leaders in Washington

Dutch Prime Minister Andreas Van Agt and Foreign Minister Christoph van der Klaauw held talks in Washington with Vice President George Bush and Secretary of State Alexander Haig, as well as other key US officials, in late March. The visitors were to have met with President Ronald Reagan who was recovering from the recent attempt on his life.

The talks were reported to have covered the general economic policy in the United States and specifically, interest rate policies and the question of possible restrictions on imports of Japanese automobiles into America. In the political field, discussion ranged over East-West and Atlantic alliance relations, nuclear weapons deployment and arms control plans, the European diplomatic activity in the Middle East, and regional topics, such as security in the Caribbean and El Salvador.

US statements indicated that the new Administration was committed to following the two-track policy of improving allied military capability while still seeking arms control negotiations with the Soviet Union. These sources also indicated the feeling that "there was really no European initiative as such" in the Middle East, but a series of soundings on both sides.

ACP Problems Discussed

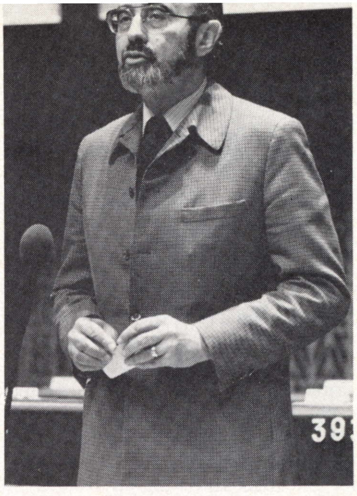
The new Lomé Convention still represents only a fraction of what needs to be done to improve the plight of the developing countries, said Jamaican Foreign and Trade Minister Hugh Shearer, at a meeting between the EC Council of Ministers and representatives of the 60 African Caribbean, and Pacific (ACP) states belonging to the Lomé Convention.

Among the most important issues discussed were the declining terms of trade with the Community, food supplies, operation of the Stabex system, and sugar trade. A representative of the Ivory Coast complained about declining prices and revenues for raw material exports from the developing producer countries. It was pointed out in discussion that prices were frequently set by interests outside the producer countries and that there should be some linking between commodity prices and the costs of equipment and other shipments from the industrialized nations, where inflation had diminished the purchasing power of the developing countries.

INSTITUTIONS

New Commissioner Named

The EC Commission appointed in late May Edgar Pisani of France as commissioner in charge of development.



He takes the place of Claude Cheysson who left the Commission to become external relations minister of France.

Pisani, 63, has been a member of the European Parliament since 1978. He held a number of cabinet posts under former French President Charles de Gaulle, notably as minister of agriculture from 1961 to 1966. He was elected to the French senate in 1954 and again in 1974.

Progress on Budget Reform

The EC Commission agreed in mid-May on the outline of its final report to the Council of Ministers on recommendations on the future of the Community and the relationship between the EC budget and the agricultural policy.

The main topics to be covered in the Commission report involve the development of the Community in the next decade, the evolution of agriculture programs, and the problems of certain countries in connection with the budget system. The decision for such recommendations followed the controversy last year over the British contribution to the EC budget and the problem of the portion of the budget devoted to agriculture programs.

Parliament Hits Summit

Widespread disappointment over the inability of the Maastricht summit meeting to reach agreement on a number of important pending issues was reflected in the European Parliament's early April session. The Parliament also discussed the Community's relations with Turkey since the 1980 military coup. A resolution was adopted urging the suspension of the EC-Turkey association agreement if Turkey did not return to democratic institutions and policies within two months.

EC Commissioner Antonio Giolitti, in charge of regional policy and coordination of Community funds, said the accord with Turkey was particularly important since it was the only one the Community had entered into with a possible new EC member. He added that while the Community was insistent on a return to democratic rule and observance of human rights, it had decided to continue the activities of the treaty with Turkey.

ECSC Marks Anniversary

In a speech to the coal and steel consultative committee in early May marking the thirtieth anniversary of the creation of the European Coal and Steel Community (ECSC), EC Commission President Gaston Thorn pointed out that progress in the sector was possible even in difficult times.

Thorn underlined the importance of energy programs and conservation in all economic sectors and reaffirmed commitments made by the member states to reduce their dependence on external energy sources. He also stressed the need for a European industrial policy and touched on the importance of internal institutional reform, including the possibility of adopting a majority voting system in these decision-making institutions.

UK Gets New Financing

Five decisions granting financial assistance in the form of supplementary measures in favor of the United Kingdom were signed in late March. These measures were authorized in an agreement between Britain and the Community last year as a means of repaying that country for what it claimed was an unfair contribution to the EC budget in 1980.

Under the latest decisions, the Community is to contribute EUA 564.4 million to special infrastructure investment programs in five UK regions: the North, Scotland, the Southwest, Yorkshire and Humberside, and Northern Ireland. The Commission selected programs that would make the greatest contribution to the economic development of the regions concerned. Financial aid to Britain under the supplementary measures reached a commitment of EUA 880.6 million at the end of March.

AID

Emergency Aid Granted

In several separate actions the EC Commission recently approved emergency aid for food and supplies to several countries.

Exceptional aid for Somalia was also granted by the EC Commission in May. Somalia suffered flooding from torrential rains after three years of drought which cut off several villages and refugee camps in the south of the country. The aid was to be used to pay for chartering the plane which left Paris May 10 with 39 tons of essential goods, such as food and medicines, and for chartering a small plane locally to transport the supplies to the villages.

For Afghan refugees in Pakistan, EUA 15 million was approved, and for victims in Kampuchea EUA 5 million. Earlier, a contribution of 5,000 tons of wheat to the World Food Program to help the Afghan refugees in Pakistan had also been agreed. It was estimated that the total number of refugees in Pakistan would soon reach 2 million. Exceptional aid under the Lomé Convention was also granted in late April to Tanzania: EUA 100,000 to help combat the cholera epidemic there, and to Mali: EUA 400,000 to cope with the effects of drought in certain regions.

An aid contribution of about EUA 300,000 was decided in mid-April for a program organized by the International Red Cross in the wake of the new violence in Lebanon. The EC aid will go for supplies and medical equipment. Emergency food aid of 950 tons of cereals to be distributed through the Catholic Relief Service was agreed in early April for El Salvador.

Support of EUA 13 million was also granted toward the international campaign to help refugees in five African countries: Somalia, Zaire, Sudan, Nigeria, and Uganda. Somalia was allocated the largest contribution because the situation is particularly critical there with refugees numbering as high as 1.5 million. Somalia had been granted over EUA 2 million in food aid earlier. Emergency aid and food sent to refugees throughout Africa has risen to more than half the amount of aid provided by the Community for refugees throughout the world.

The Commission also granted emergency aid of EUA 200,000 to Senegal for support of its livestock protection program endangered by the effects of a serious drought. Kenya was granted EUA 300,000 to help victims of a worsening drought. For supplies to help flood victims, Djibouti was awarded EUA 50,000.

For reconstruction following damage caused by torrential rains, the Seychelles was provided EUA 40,000. Guinea was to receive EUA 500,000 to help combat the effects of severe drought and caterpillar infestation. Chad was granted EUA 500,000 for medical and food aid following recent fighting there.

Upper Volta's emergency vaccination program against an epidemic of cerebro-spinal meningitis was to get EUA 25,000. Earlier, Mali was granted EUA 200,000 to cope with an epidemic of the same disease. Emergency food aid of EUA 6.2 million was also granted to China for two of its provinces suffering from drought and recent floods.

Food Aid Accepted

A 1981 food aid program of more than 1 million tons (metric) of food for developing countries was approved when development ministers met in late April. At the meeting it was also agreed that food aid was but one way of fighting world hunger.

Ministers also adopted a resolution indicating the Community's willingness to contribute to the current problem of food and hunger in the world and appealed for efforts to devise national and international food strategies. There was discussion about shipment of EC food aid that was unfit for human consumption and the export to developing countries of insecticides banned in Europe because of the risk to the environment.

New Food Aid for Poland

An urgent shipment of food worth about $270 million to be made available to Poland at 15 percent below world market prices was approved by the EC Council of Ministers in early April. This was the second time, since trouble began in Poland last August, that the Community has responded to requests for assistance from the Polish Government.

At the same time, Polish Deputy Premier Mieczyslaw Jagielski in visiting France received a pledge of about $120 million worth of wheat in addition to the more than $700 million in credits announced earlier in the week by then French President Giscard d'Estaing. Also in London, international bankers were said to have cleared the way for progress in meeting Poland's request for refinancing of about $3.1 billion in commercial bank debts that fall due this year.

The Community aid means expenditures of EUA 35 million from the EC budget. The aid will be in the form of butter, cheese, milk powder, meat, sugar, barley, rye, animal fodder, and cooking oil.

NGO Help Highlighted

The invaluable role of nongovernmental organizations (NGO) in aiding the development of struggling countries was highlighted at a special meeting in Brussels in early April.

A review of NGO activities showed that these groups had helped finance about 693 small projects in developing countries over the past five years. These projects represented about EUA 125 million, of which about EUA 43.5 million was furnished by the Community. Since applications for EC aid were greater than available funds in 1980, the Community sought additional financing of EUA 14 million in the 1981 budget.

The aid of the 124 nongovernmental organizations in Europe, including emergency and food aid, went to 66 countries. Slightly more than half of these were in Africa, 25 percent in Asia, and 23 percent in Latin America.

EAGGF Aid Decided

As part of the interim common measure for restructuring the inshore fishing industry, the EC Commission decided in late March to grant aid from the guidance section of the European Agricultural Guidance and Guarantee Fund to projects for the construction and modernization of inshore fishing vessels and the construction of aquaculture establishments. Of 503 applications presented last year, 172 projects were chosen to receive the aid of EUA 20 million.

The EC Commission decided in early April on the first tranche of aid for 1981 for projects relating to the construction of farm roads and the provision of electricity and potable water in less-favored regions of France and Italy. France was granted over EUA 4 million and Italy was to receive over EUA 8.2 million.

For collective irrigation works in the Mezzogiorno, Italy was further granted aid of about EUA 27 million. The work is to be carried out in six regions.

Earthquake Aid Voted

Community assistance for reconstruction in southern Italy, which suffered a devastating earthquake last November, began in mid-March with the signing of an agreement in Brussels. EUA 1 billion was the amount set by the Council of Ministers.

The assistance is in the form of loans to rebuild production facilities and restore infrastructures. The loans are to be made either out of the European Investment Bank's own resources or out of resources available under the New Community Instrument.

Meeting on Grenada Airport

The Community met in mid-April with possible contributors to the construction of an airport on Grenada in the Caribbean. A controversy about the project had arisen over reports that the US Government felt the project was not justified by touristic and transport needs in that area, and that the airport could serve as a possible strategic military site for Cuba or the Soviet Union.

Representatives of Grenada noted that if such a facility was desirable to Cuba or the Soviet Union, there would be no need for Grenada to seek funds from other sources. The EC Commission indicated at the meeting that the project had been under consideration for support from the European Development Fund.

Participants at the meeting included representatives from Sweden, Norway, Libya, Iraq, Syria, the World Bank, the Caribbean Development Bank, and the Organization of Petroleum Exporting Countries Special Fund. No final decisions were made.

Six Projects for Zimbabwe

The Community approved in late March financing for six projects in Zimbabwe. The aid of EUA 14.5 million is the last of the 1980 program of financial and technical aid to nonassociated developing countries.

The six projects are largely concerned with the rural sector and involve development of production, social programs such as rural clinics, and preparation of new projects. The financing of these programs will prepare for implementation of the Lomé Convention, which Zimbabwe signed last November to become the sixtieth member.

The Community's contribution represents 16 percent of the EUA 90 million total cost of the six projects with Britain contributing EUA 34 million or 38 percent and Zimbabwe to finance the balance of EUA 41.5 million.

Development Funds Granted

The European Development Fund Committee made several financing decisions in March and April toward the support of development projects. Cameroon was granted more than EUA 1.4 million for extension of the Ecole Nationale Superieure Polytechnique in Yaoundé. For supplying drinking water to two regions of Upper Volta, the Community granted EUA 10.5 million. The funding will go for equipment and supplies, training, and supervision involved in the construction of about 600 water supply points.

Guinea was granted EUA 2.5 million to help establish four district arable and stock farms to exploit the irrigated agricultural areas financed through an earlier Development Fund grant. Uganda was awarded EUA 1.4 million for road work. Kenya received two grants: EUA 1 million for a geophysical survey to identify prospects for minerals exploration, and EUA 1 million for trade promotion. Senegal was granted nearly EUA 2 million to cover the second phase of construction of a nursing school at Dakar.

For the construction of a deep-water quay on Saint Pierre, a grant of EUA 1 million and a special loan of EUA 600,000 were granted to Saint Pierre and Miquelon. The quay will make supplying oil to the island easier and help foster development by encouraging cruseliners to call.

Upper Volta was granted a special loan of over EUA 3.5 million to help complete the first phase of the back-up infrastructure needed for reworking the Poura gold mine. The EC loan will cover the supply and installation of power station equipment and repairs to the access road.

An overall authorization to commit EUA 11 million was also agreed for the financing of awards for study and training courses for nationals of African, Caribbean, and Pacific states and Overseas Countries and Territories.

EIB Funding Announced

The European Investment Bank (EIB) announced in early April a loan of EUA 15 million to help the development of small and medium-scale industrial ventures in Morocco. The funds are for about 130 highly labor-intensive ventures in the main industrial sectors.

Loans worth EUA 17.7 million were announced a month earlier to help with the construction of an industrial complex in Senegal. The plant will contain sulphuric and phosphoric acid production facilities and installations for manufacturing fertilizers. It is to be the largest industrial project ever built in Senegal. A conditional loan of EUA 400,000 was also granted to Senegal for feasibility studies in oil exploration.

A loan of EUA 10 million was granted to Cameroon under the second Lomé Convention for the modernization of a section of the Trans-Cameroon railway. The project is to improve the operating conditions, reduce the length of the line, and to build or renovate eight stations. This railway is a major transport artery in Cameroon and carries almost all of the wood, cocoa, coffee, and sugar production south to the port of Douala, and brings hydrocarbons and construction materials back to the north.

ENERGY

Solar Plant Inaugurated

Eurelios, the Community's one megawatt solar power plant in Adrano, Italy was inaugurated in May by Commission Vice President Etienne Davignon, responsible for energy, industrial affairs, and research, and by ministers representing the different national Governments that collaborated on the project.

Eurelios is the first operating solar power plant of this size and was designed to supply electricity to the existing distribution grid. Successful operation and connection was achieved in January. Similar plants in Spain, France, the United States, and Japan are under construction, but have not been completed yet.

Of the $12 million total cost of Eurelios, half was borne by the Commission as part of its solar energy research and development program. The other half comes from Italy, France, and West Germany.

Design and construction work was performed by an industrial consortium consisting of Ansaldo Mechanica Nucleare and the Ente Nazionale per l'Energia Elettrica (ENEL) of Italy, Cethel of France, and Messerschmitt-Boelkow-Blohm of Germany. The British firm General Technology Systems acted as management consultants to the Commission. The large scale experimental plant of the tower type is operated by ENEL. One hundred eighty two large mirrors (heliostats) reflect the sun's heat into a receiver, in which steam is generated to drive a turbine.

EC Oil Bulletin

The Community's average increase in free-on-board prices of crude oil between December 31, 1978, and May 4, 1981, was 173 percent as a result of decisions taken by the oil-exporting countries.

The pre-tax consumer prices of the principal oil products (crude oil and imported finished products) increased by an average of around 97 percent over the same period. If these prices had been in line with the Rotterdam spot prices, the figure would have been 102 percent instead of 97 percent.

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

1980 Oil Imports Drop

EC oil consumption and imports showed a sharp drop in 1980, according to statistics released by the Commission in early April. Consumption inside the Community fell by 9.1 percent in comparison with 1979, or the equivalent of about 44 million tons of oil. This decline was accompanied by a decrease of about 4.5 percent in total energy consumption for 1980.

Net oil imports for 1980 reached 420 million tons, or a drop of 11.4 percent under 1979 figures. Community oil production increased only slightly with an increase in stocks held by the member states.

Gas Output Declines

Natural gas production in the Community declined by about 7 percent in 1980, according to figures released by the EC Commission in early March. The statistics also revealed a surge of about 18 percent in imports from third countries in 1980. Norwegian natural gas sales increased in the EC member states while Algerian and Libyan supplies dropped from 1979 figures. Russian gas accounted for 40 percent of EC imports last year.

Natural gas consumption also fell considerably in the Netherlands, Belgium, and the United Kingdom while remaining stable or dropping only slightly in the other countries.

Nuclear Negotiations End

The Community completed negotiations with Australia in early April on the security of shipments and use of nuclear materials purchased from Australia. It is the first accord of its kind to be completed with a supplier country.

AGRICULTURE

Hormone Ban Still Unsettled

Some wanted a total ban and others wanted to retain limited use of hormones in the processing of meat for human consumption when EC agriculture ministers met in mid-May. The Commission had proposed a ban on hormones, except for therapeutic use, effective the first of 1981.

Since the Commission proposal last October, difficulties had arisen with some member countries calling for a distinction between artificial and natural hormones and the acceptance of limited use. The controversy broke out with boycotting and consumer complaints when traces of hormones used to artificially fatten animals were discovered in some countries despite laws banning them.

Farm Prices Hike Agreed

A 12 percent increase in farm prices for the coming season was agreed by EC agriculture ministers in early April. The hike could raise food prices by about 3 percent, a consumer spokesman said.

The increase was higher than the 8 percent average increase requested by the Commission, but it was in line with the recommendation of the European Parliament and came close to the 15 percent urged by some farm organizations.

In a statement to the press following the farm ministers' meeting, Commissioner Paul Dalsager, in charge of agricultural policy, said the price increases could "be borne within the 1981 budget and imply a growth in agricultural expenditure in 1982 which should be close to the rate of growth of the Community's own resources."

The farm-price decision came earlier than usual this year. As in some past years, the agriculture discussions were held against a background of controversy and demonstrations. This time thousands of farmers, mostly from France, gathered and marched in the streets near the Council of Ministers building in Brussels.

ENVIRONMENT

Asbestos Symposium Planned

The EC Commission and the Government of Canada agreed in late April to sponsor a "World Symposium on Asbestos" to take place in Montreal the end of May. Questions relating to occupational and public health, product safety, the protection of the environment, and trends in regulatory policy were to be treated. Canada is a major producer and exporter of asbestos to the Community.

New Pollution Plan Urged

The EC Commission proposed in March that more Community funds be made available from 1982 onward to fight pollution in the Mediterranean.

An action plan for the Mediterranean was adopted in Barcelona in 1975, which the Community and 15 states have ratified. From the outset the Community's financial contribution was small, only about 2.4 percent of the action plan budget. The United Nations had funded 25 percent until it was recently obliged to reduce its commitment.

Because it does not want to see the project impeded for financial reasons, among others, the Community will increase its financial commitment. In addition, the Community's Mediterranean seaboard makes up more than half the total EC coastline, and the Community maintains good relations with many Mediterranean countries through bilateral agreements, including cooperation in environmental matters.

SOCIAL POLICY

Jobless Plan Approved

A general outline for a Community strategy to fight unemployment was approved by the EC Commission in April. The plan recommended five guidelines: better control of social expenditures to prevent abuse; a review of incomes policies to determine their impact on the labor market; identification and development of growth sectors, such as energy and services; promotion of flexibility and mobility in professional life; and better use of public funds for job creation.

The document also noted that unemployment had increased by 30 percent in the past year; and figures released at the time confirmed a worsening trend in March when unemployment rose by 3 percent to 8.5 million in the Community.

Social Fund Guidelines Set

The EC Commission adopted in early May the guidelines for management of the Social Fund during 1982-84. Objectives and priorities are adopted every year for the next three-year period. The recently adopted guidelines are basically the same as those already in force.

In 1980 the most important amendments included: special encouragement for operations financed by a number of funds or carried out jointly by several member states; for young people, the addition of a criterion linking financing with restructuring or conversion areas; and new criteria for operations under the heading of technical progress.

Existing priorities are: projects concerning information of unemployed persons; the problem of unemployment linked to new technologies; and encouraging women to take up traditionally male occupations.

EC and Labor Leaders Talk

The second in a regular series of consultations between the EC Commission and leaders of the European Trade Union Confederation (ETUC) was held in Brussels in early April.

Part of the discussions centered on the general economic and employment picture and proposals of the ETUC and other trade union organizations to stimulate economic recovery in Europe. The ETUC has adopted this approach rather than emphasize a strategy of fighting inflation.

Cultural Affairs Stressed

Cultural development can make a contribution to both society and the economy, said EC Commission President Gaston Thorn in a speech to EC ministers in charge of cultural affairs at a conference in early May. Thorn also pointed out the extensive collaboration between the Community and the Council of Europe in this area, such as funding scholarships and grants for the Venice training center for artisans for the preservation of architectural heritage.

Another collaboration planned for 1985 is the year of European music to commemorate the tricentennial of the birth of Handel, Bach, and Scarlatti. Thorn said that these activities could be expanded and working conditions improved so that cultural projects could provide employment and extend cultural exposure throughout Europe.

Belfast Operation Planned

An operational dossier concerning the economic and social problems of Belfast was given to the Commission in mid-May. It included possible action in the areas of home improvements, social infrastructure, industrial infrastructure, and urgan transport.

Belfast will be the second beneficiary of an "integrated operations" plan by the EC Commission to help the development of certain poorer regions of the Community. The first such operation has already been started for Naples. "Integrated operations" means a coherent group of actions in both the public and private sectors to be carried out by both national and local authorities, as well as by the Community through its various financial instruments.

Youth Air Problems

Representatives of the EC Youth Forum met with Commissioner Ivor Richard, in charge of social and employment affairs, in mid-April to discuss issues connected with youth problems. Issues such as exchanges of young workers between member states, the expansion of work-study programs, and the problem of illiteracy were raised.

Social Fund Report Released

The EC Social Fund spent about EUA 250 million in 1980 to help retrain young people for the job market, according to the annual social report issued in mid-May. About EUA 108 million was channeled to firms or Governments as employment bonuses to stimulate hiring or job retention.

The report also outlined other efforts undertaken, such as Commission proposals for about EUA 157 million for the steel industry. Employment in the steel sector dropped by 100,000 in two years, according to the report.

Social Fund Aid Approved

The first group of Social Fund assistance recipients were approved in May by the EC Commission. The EUA 376 million allotment was committed as follows: EUA 256 million to regional operations; EUA 63.4 million for training of young people; EUA 9.6 million for employment assistance for youth; EUA 19.2 million for operations in the area of technical progress; EUA 26.3 million for the handicapped; and EUA 1.8 million for pilot projects.

Italy received the largest portion of the funds with allocations worth more than 32 percent of the total. Ireland received more than 23 percent; Britain was awarded over 19 percent; and France about 14.5 percent. Belgium, Denmark, Germany, and the Netherlands also received small allocations. Applications from Greece await approval qualifying that country for a higher rate of intervention by the Social Fund. Further commitments will be announced during the third quarter of 1981.

HARMONIZATION

Summer Time Harmonized

All 10 member states simultaneously moved to summer time on March 29. It was the first time all the Community countries had acted together on this issue. The unified arrangements will make it easier for travelers and people telephoning from one country to another, as well as for transportation firms. The Community continues, however, to be in three zones, so that at noon in Ireland it is already 2 hours later in Greece.

A total of 22 countries in both Western and Eastern Europe started summer time on the same date this year. The harmonization of a day for ending summer time, however, has not yet been reached. For the future, a proposed directive recently approved by the Commission would provide for summer time to begin on the last Sunday in March, from 1983 onwards, unless this falls on Easter Sunday in some member states, in which case summer time would start one week earlier.

Recycling Containers

General guidelines to reduce the number of drink containers in household waste and to recycle more of them were proposed by the EC Commission in late April. The proposal also called for the possibility of some standardization of such containers and the adoption of other measures to discourage the introduction of new containers that are not disposable, recyclable, or reusable.

Up to half the weight of waste collected by local authorities is from containers in general, particularly beverage containers. The increasing volume of waste and litter and the rising costs of disposing of it led to the proposed measures.

FINANCIAL

Two ECSC Loans Announced

Two loans for financing investment in coal and steel industries and conversion programs were arranged in early April between the European Coal and Steel Community and European banking institutions.

A loan of 250 million Luxembourg francs for seven years carrying an annual interest rate of 13.25 percent was the result of negotiations with the Credit Lyonnais in Luxembourg. A contract was signed for a private placement in Luxembourg francs.

An 80 million Swiss franc bond loan for 10 years with an interest rate of 6.75 percent was negotiated with a banking syndicate managed by the Union des Banques Suisses. Applications were to be made for official listing of the bonds on the Zurich, Basel, Geneva, Lausanne, and Bern stock exchanges.

Following negotiations between the EC Commission and a Luxembourg banking syndicate, a contract was signed in early May for the issue of a Euratom bond loan on the Luxembourg capital market. The loan for about EUA 12 million is for seven years at an interest rate of 12.25 percent. An application has been made for official listing on the Luxembourg stock market.

ECONOMY

Crisis Steel System to End

The EC Commission decided in mid-May to end its control of the Community steel industry at the end of June. The temporary system of mandatory production quotas and minimum prices imposed in late 1980 is being replaced by voluntary agreement by firms on quotas and prices.

Industry accord in most categories of steel production enabled the Commission to phase out the controls except in the category of coil production, where no accord had been reached. The Commission is also seeking to control the granting of government aids and subsidies to the steel industry as part of a restructuring and modernization effort.

ENLARGEMENT

Portugal Closer To Entry

EC Commissioner Lorenzo Natali, in charge of enlargement, announced in early May following a visit to Portugal that EC-Portuguese relations seemed headed toward a new phase leading to entry into the Community by 1984.

Natali said visits to a number of projects and prospective sites for projects preparing the way for EC accession were a highlight of his trip. These projects are to be undertaken with financial aid of about EUA 275 million from the Community. Assistance to small and medium-sized enterprises, the construction of two roads in the north, the creation of a system of agricultural accounting, construction of secondary schools for 7,500 children, an information system for agricultural markets, and the building of a dam in the south were the main projects mentioned.

Natali said a number of delicate issues remain to be resolved in the entry negotiations, such as the customs union, agriculture, and social issues involving the circulation of migrant workers. But he added that a target date for Portuguese entry by January 1984 seemed realistic.

RESEARCH

Super-SARA Continues

The Council of Ministers recently took an important decision as regards research in nuclear safety: The aim is to avoid Three Mile Island-type accidents. The Governments of the Ten have given their approval to continuance of the Super-SARA project which is part of the multiannual program for 1980-83 of the Joint Research Centre. The cost of the program is approximately ECU 54 million.

The project involves a study at the Essor experimental reactor at Ispra of the conditions and consequences of an abnormal occurrence in a light-water reactor, the common type of reactor in Europe. In particular, it will investigate the effects of loss of coolant to the reactor core, as was the case at the Three-Mile Island accident at Harrisburg, PA.

The Super-SARA project is a complement to other experiments of the same kind both in Europe and the United States. Countries outside the Community are likely to cooperate in the Super-SARA project.

Nuclear Safety Studied

A report on nuclear safety research was issued by the EC Commission in early May. It was the first major report on the subject since an independent study on the accident at Three Mile Island in early 1979.

The report covered the period mid-1978 through 1980 and focused on security in three areas: light-water reactors, fast-breeder reactors, and in the general nuclear combustion cycle. The aim of Community research is to assure greater safety for workers at nuclear plants and for the public, as well as to establish joint safety criteria to enable the free trade of nuclear materials among member states.

Proposed guidelines for the security of light-water reactors were expected to be published soon by the EC Commission. Security criteria for fast-breeder reactors are also expected before such reactors are in the operational or industrial stage. Research and development programs are also underway in other fields such as the handling of waste radioactive material.

Recent Books

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

The International Man. By Douglas Casey, Alexandria House Books, Alexandria, VA, 1981. 160 pages. $19.95

Is there such a creature as referred to in the title of this recently published book? As it points out, just because someone is born in a given country this doesn't mean they have to stay there or that it's automatically best for them to do so.

How true that is of the European Community, one of whose founding tenets is, and remains, the free movement of labor: Provided there is a job to go to, a European worker has the Treaty of Rome right to settle wherever he wants in the 10 member states. Whether this makes him or her "International" or merely cosmopolitan (or perhaps neither) is not answered here. "You can take the man out of the country, but you can't take the country out of the man," as the proverb has it, and to greater or lesser extents, this must surely be the case.

Such matters are, however, peripheral to the author's main purpose. Whatever else he is, Casey is no philosopher and even the sociological implications of what he writes are scarcely touched on. His intentions lie in a different direction. The book's subtitle—"the complete guidebook to the world's last frontiers. For freedom seekers, investors, adventurers, speculators, and expatriates"—gives this guide authentic flavor. It sets out to be a Baedeker for the free booter, the entrepreneur red in tooth and claw, a compendium with league tables of where freedom is to be found through the world and how this tricky concept can be measured from one country to another.

And, as I have indicated, its a freedom of a special kind with which Casey is mainly concerned, as might be expected from the author's previous work and bestseller **Crisis Investing.** It therefore includes a chart which rates and compares 53 nations for financial and personal freedom, taxes, cost of living, communications, transportation, and real estate prospects. Thus, in a category called "serious countries," top marks are given to Australia, Brazil, Canada, New Zealand, and South Africa.

Among EC nations, Belgium gets a predictably high rating, Britain is favored (though Casey slams its high taxation and the apparatus of the welfare state), while Ireland, the Netherlands, and West Germany are judged probably the best roosting places for international man within the Community. And, of course, given the criteria which Casey lays down, it will come as no surprise at all to readers that of non-EC countries in Europe, Switzerland comes out best of all . . . if one can get in.

Having itemized in fairly sweeping terms what he sees wrong with the world, Casey says that if anything is certain it is the inevitability of change. He believes that 200 years from now not one single nation currently existing will still exist in its present form. "The very lack of permanence in the world means there is continual opportunity," he says, adding "there are fortunes yet to be made from new combinations of technology and resources, from taking advantage of the changing political climate of the world, and from farming lands that have scarcely seen the shadow of man."

It is indeed a bracing environment which this book seeks out or pleads should be established and the reader must judge for himself how realistic its creation might be. For Casey freedom and prosperity are possible only if the preconditons of a willingness to work, mutual tolerance, and the absence of severe economic and social regulations are met. Without these, as he sees it, the lurch toward Socialism will continue and taxes to finance it become even more debilitating.

Like Superman, then, international man goes whistling out to the airport to find his place in the sun wherever that may be. He is also ready to do battle with the encroaching demon of liberal economic policies, give welfarism a verbal punch on the nose and, presumably, make his fortune. Whoever is ready to follow will find this unique compilation of facts invaluable. DAVID HAWORTH

Monetary Integration in Western Europe: EMU, EMS and Beyond. By D.C. Kruse. Butterworths, Woburn, MA, 1980. 274 pages including index. $42.95.

An analysis of the process of economic and monetary integration in the Community; focuses on the economic policies pursued by the member states; examines the conflicts over the adoption of the EMS; and assesses its record of accomplishments and setbacks.

A Framework for Development: The EEC and the ACP. By Carol Cosgrove Twitchett. Allen & Unwin, Inc., Winchester, MA, 1981. 160 pages. $28.50.

A political and economic analysis of EEC-ACP relations; examines the nature of the Lomé link as a framework for development of ACP states. Contains extensive statistics on EEC-ACP trade and discussion of European Development Fund procedures and financing.

European Co-operation Today. By K.J. Twitchett. Europa Publications Ltd., London, 1980. 285 pages.

A collection of essays examining regional cooperation and integration, with focus on Western Europe. Provides comprehensive and up-to-date commentaries on all the principal European organizations and analyzes European cooperation in such fields as defense, trade, human rights, culture, and money.

The Use of Biological Specimens for the Assessment of Human Exposure to Environmental Pollutants. Edited by A. Berlin, A. H. Wolff, and Y. Hasegawa. Available from Kluwer, Boston, 1979. 368 pages. $50.00.

Proceedings of an international workshop at Luxembourg, April 18-22, 1977, organized by the EC Commission, the US Environmental Protection Agency, and the World Health Organization.

The Impact of Micro-electronics. By J. Rada. International Labor Office, Washington, DC, 1980. 109 pages. $10.00.

Describes the nature and characteristics of the new information technology, focusing on its costs, growth, scope of application, and probable sectoral employment effects.

The European Demographic System, 1500-1820. By Michael W. Flinn. Johns Hopkins University Press, Baltimore, 1981. 175 pages. $15.00.

A compilation of demographic research explaining the changes in European population from the Sixteenth to the early Nineteenth Century; examines European treands in marriage, mortality, and population movement, and traces the rise in demographic growth rates throughout Europe since the late 1700s.

Britain at the Polls, 1979; A Study of the General Election. Edited by Howard R. Penniman. American Enterprise Institute for Public Policy Research, Washington, DC, 1979. 345 pages.

Explains the British electoral system and analyzes the campaigns of the Labor, Conservative, and Liberal Parties, the role of the opinion polls, the financing of the campaign, the participation of women in British politics, and the causes of the Conservative victory.

The East German Army. By Thomas M. Forster. Allen & Unwin, Inc., Winchester, MA, 1981. 310 pages. $27.50.

A military analysis of the East German army, with economic and political observations. Focuses on the difficulties that accompany the total militarization of an entire nation, the problems of standardizing weapons and equipment, and the indoctrination of party politics throughout the army.

France. By John N. Tuppen. Westview Press, Boulder Co., 1981. 243 pages. $23.75.

Analyzes the growth of the French industrial sector against the background of the recent social and economic changes in France. Provides information on the industrial sector such as location, employment, output characteristics of the main branches of activity, and the role of the Government in encouraging industrial development.

The Long March of the French Left. By R.W. Johnson. St. Martin's Press, NY, 1981. 345 pages. $22.50.

Comprehensive account of the history, sociology, and personalities of the French left throughout the postwar and contemporary period.

Policymaking in a Nuclear Program: The Case of the West German Fast Breeder Reactor. By Otto Keck. Lexington, MA, 1981. 274 pages. $27.98.

Historical case study of the West German development of fast-breeder reactor technology; covers all major decisions in the West German project, sets the historical situation within the then-existing constraints on information, and offers conclusions for future policymaking in the German fast-breeder program.

Doing Business in Greece: A Guide and Information Service. By Eugene T. Rossides. American Hellenic Institute, 1730 K Street, NW #903, Washington, DC 145 pages. $250 (yearly subscription).

A loose-leaf guide and information service providing current legal, commercial, and economic guidelines and practical information on doing business in Greece. Includes current investment incentives laws, exchange controls, terms of EC accession, import/export regulations, tax laws. Designed to allow for quick reference to Greek business laws. Quarterly updates provide for changes in law and legal and business analysis on selcted topics by experts.

The Statesman's Year-book. Edited by John Paxton. St. Martin's Press, New York, 1980. 1,684 pages. $30.00

A statistical and historical annual of the states of the world for the year 1980-81; special emphasis placed on those sections dealing with energy production, consumption, and reserves to the year 2000 and a map of the United States showing electricity production.

The EEC's Generalised Scheme of Preferences and the Yaoundé and Other Agreements: Benefits in Trade and Development for Less Developed Countries. By Delsie M. Gandia. Allanheld Osmun & Co. Publishers, Montclair, NJ, 1981. 178 pages. $20.00.

An econometric study of the impact of the EC's preferential trade links with the less developed countries (LDCs) on their trade patterns; points out the limitations of both the Yaoundé Convention and the generalized scheme of preferences, and puts into a historical context LDC/developed country relations.

Social Policy Harmonisation in the European Community. By John Holloway. Gower Publishing Co., Westmead, Farnborough, Hants, 1981. Available from Renouf/USA, Inc., Brookfield, VT. 318 pages. $35.50.

A commentary on the legal provisions governing the harmonization and coordination of social security systems within the community.

Uniting the Democracies: Institutions of the Emerging Atlantic-Pacific System. By James R. Huntley. Columbia University Press, NY, 1980. 392 pages. $29.50.

A comprehensive analysis of the emerging Atlantic-Pacific System; provides a history of the institutions of the Western community, such as the North Atlantic Treaty Organization; the Organisation for Economic Cooperation and Development, the International Energy Agency, and the Council of Europe. Examines the workings of such bodies and shows how nations can cooperate to achieve common goals.

Power and Decision in Europe. By Stanley Henig. Europotentials Press, London, 1980. 156 pages.

An analysis of the relationships and workings of the institutions of the Community at the policy level; focuses on the practical operation of the decision-making machinery.

Creating the Entangling Alliance: The Origins of the North Atlantic Treaty Organization. By Timothy P. Ireland. Greenwood Press, Westport, CT, 1981. 245 pages. $27.50.

A study of American participation in the Atlantic alliance; reexamines the original obligations accepted by the United States when the treaty was signed and makes a distinction between those and the obligations actually assumed; focuses on the importance of the German question in shaping American commitment to Europe and provides an in-depth analysis of America's European policies.

Oil Crisis Management: Strategic Stockpiling for International Security. By Edward N. Krapels. Johns Hopkins University Press, Baltimore, 1980. 173 pages. $15.00.

An in-depth examination of the strategic oil storage problems in the United States, Japan, Germany, France, Italy, and The Netherlands; considers such factors as the amount of oil reserves necessary, the cost of storing oil, and the benefits of international oil-sharing.

Integration and Unequal Development: The Experience of the EEC. Edited by Dudley Seers and Constantine Vaitsos. St. Martin's Press, NY, 1981. 359 pages. $32.50.

Case studies of the effects of the EC on inequalities between its different regions and countries, focusing on the effects of agricultural and regional expenditures; explores the role of transnational corporations and raises political and theoretical issues posed by the integration of Western Europe.

Transnational Party Co-operation & European Integration: The Process Towards Direct Elections. By Geoffrey and Pippa Pridham. Allen & Unwin, Inc., Winchester, MA, 1981. 307 pages. $37.50.

Analyzes the growth of transnational cooperation during the years before and directly after the direct elections to the European Parliament; focuses on the Euro-parliamentary groups, the new European party federations, and the national party frameworks in the member states.

The Atom Besieged: Extraparliamentary Dissent in France and Germany. By Dorothy Nelkin and Michael Pollak. The MIT Press, Cambridge, MA, 1981. 235 pages. $17.50.

Portrayal of the opposition to nuclear-energy technology in France and Germany; traces the sources of opposition and the organizational, ideological, and tactical evolution of the movement; analyzes the response of the French and German Governments to the protest.

Eurostat Review 1970-1981 Just published

A new, illustrated yearbook from the Statistical Office of the European Communities. Ten years of data on the ten EC member states, Spain, Portugal, the United States, and Japan. Covers national accounts, demography, Government receipts and expenditure, consumption of households, money rates, health services and coverage, education, employment and wages, industrial production, transport, tourism, agriculture, foreign trade, and data on EC institutions' budgets and work force.
246 pages, multilingual. Available from the European Community Information Service for $12.80.

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☐ **From Lomé 1 Towards Lomé 2.** ACP-EEC Consultative Assembly, Luxembourg, 1980, 88 pages .... free *Text of the report and resolution, prepared by Katharina Focke, and adopted on September 26, 1980, by the* ACP-EEC *Consultative Assembly.*

☐ **The European Parliament.** European Parliament, Luxembourg, January 1980, 24 pages .... free *Basic brochure on the Parliament, its history, membership and organization, tasks, and powers.*

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☐ **Tax Harmonization in the Community.** *European File No. 7/81,* Commission, Brussels, April 1981, 8 pages .... free *Brief on the progress to date and prospects for future coordination on taxation.*

☐ **Regional Development and the European Community.** *European File No. 8/81,* Commission, Brussels, April 1981, 8 pages .... free *Outline of the Community's efforts to promote regional development.*

☐ **Community Aid to the Third World: the Lomé Convention.** *European File No. 6/81,* Commission, Brussels, March 1981, 7 pages ... free *Leaflet on Community aid to developing countries, with particular emphasis on technical and financial assistance under the Lomé Conventions.*

☐ **A Better Transport Network for Europe.** *European File No. 5/81,* Commission, Brussels, March 1981, 8 pages .... free *Brief summary of goals and developments in the Community's transport policy.*

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☐ **Generalized Preference for the Third World,** *European File No. 9/81,* Commission, Brussels, May 1981, 7 pages .... free *Brief history of the purpose and operation of the EC scheme from 1971-80 and outline of the new system introduced in 1981.*

☐ **Conference on the Enlargement of the European Community.** Economic and Social Committee, Brussels, 1980, 149 pages .... free *Extracts of the proceedings of a conference held in Brussels, June 26-27, 1980, on the problems posed by the enlargement of the Community.*

☐ **European Coal and Steel Community Financial Report 1979.** Commission, Luxembourg, 1981, 45 pages .... free *Description of the* ECSC*'s borrowing and lending operations, balance sheet with auditor's notes, and the income and expenditure account for 1979.*

☐ **The** EIB **and Economic Development in Africa, the Caribbean and the Pacific.** *Information No. 25,* European Investment Bank, Luxembourg, April 1981, 20 pages ...... free *Detailed review of* EIB *operations carried out under the first Lomé Convention and an outline of its role under Lomé 2.*

☐ **Report on the Contribution of the European Communities to the Development of Air Transport Services.** *Working Document 1-469/80,* European Parliament, Luxembourg, October 13, 1980, 43 pages .... free *Report by Karl-Heinz Hoffmann on competition, tariff structure, and traffic control in air transport.*

☐ **Report on the Follow-up to the Conference on Security and Cooperation in Europe.** *Working Document No. 1-445/80,* European Parliament, Luxembourg, October 8, 1980, 23 pages .... free *Report by Mariano Rumor for the Political Affairs Committee on the* CSCE *meeting held in Madrid in November 1980.*

☐ **Tanzania-**EEC **Relations.** *Europe Information: Development,* Commission, Brussels, 1980, 17 pages .... free *Review of Tanzania-*EEC *trade and economic relations from the Arusha Convention through Lomé 2. Includes an economic profile of Tanzania and projects financed by the Community.*

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☐ **Report on the Position of Women in the European Community.** *Working Document 1-829/80-I, II,* European Parliament, Luxembourg, January 29, 1981, 204 pages .... free *Report on behalf of the Ad Hoc Committee on Women's Rights by Hanja R.H. Maij-Weggen. Covers the employment, education, and vocational training of women, and measures to improve their social and legal position.*

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☐ **University Studies on European Integration No. 11, 1980.** Commission, Brussels, 1981, 353 pages .... $25.00 *Register of doctorate theses and other university studies on European integration completed since 1977. Prepared by the Centre for European Studies, Catholic University of Louvain.*

☐ **European Communities Glossary.** Council, Brussels, 1980, 1182 pages .... $17.00 *7th edition + Supplement 1980. French-English glossary of terminology used in the regulations and other publications of the EC.*

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