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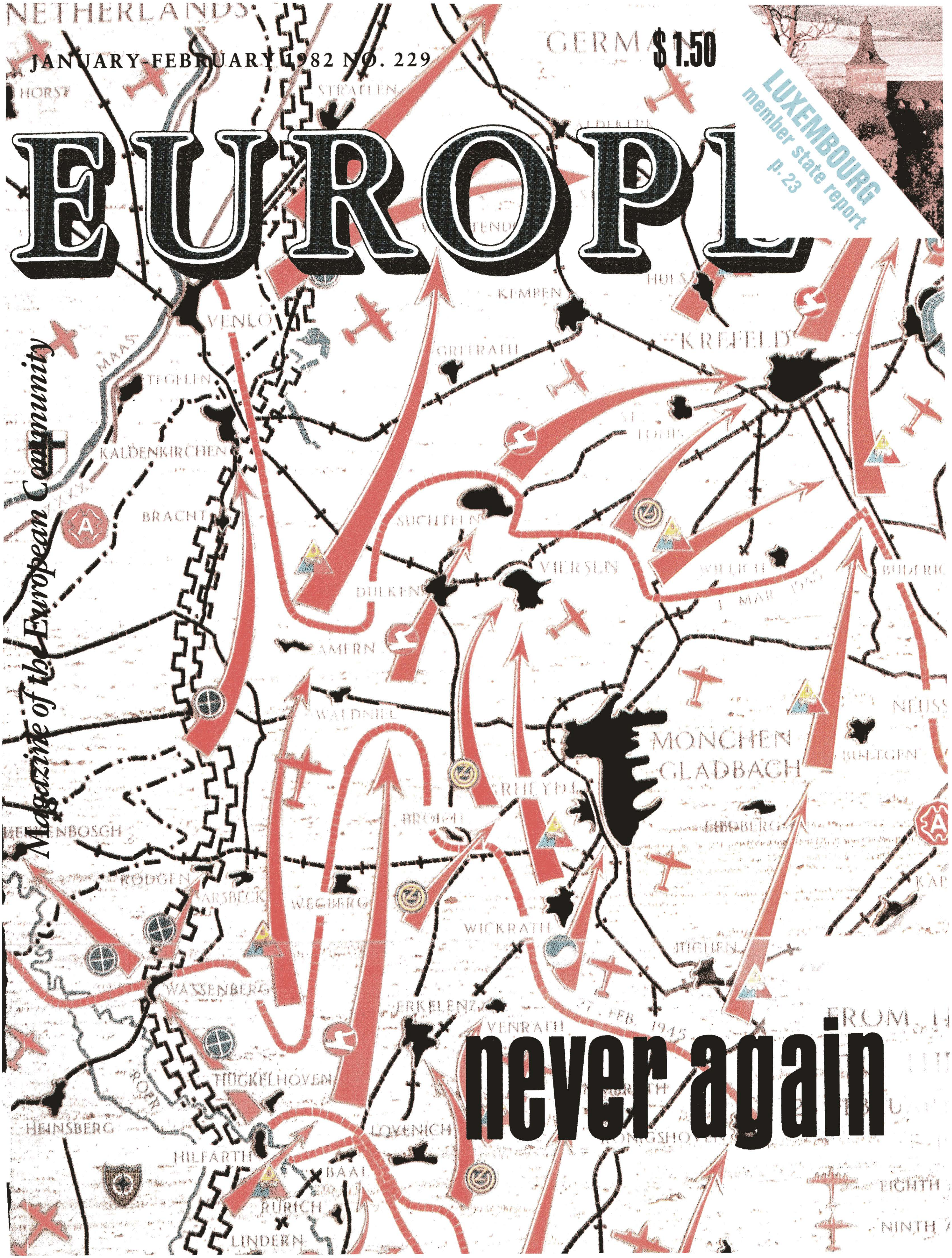

never again

EUROPE

Magazine of the European Community

JANUARY/FEBRUARY 1982 NO. 229

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Contents

Cover: War in Europe. This engraved stone map shows military movements in the final stages of World War II. It is in the museum of the Netherlands-American Cemetery and Memorial at Margraten.
© Daniel B. Denning, Washington DC

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Publisher's Letter

In this first edition of the New Year, we make no apology for returning to the issue which increasingly dominated the transatlantic dialogue as 1981 unfolded. We do so because it is apparent that the tensions that have bedeviled European-American relations, in matters of war and peace, politics and economics, will not go away overnight. If 1981 drew up some of the demarcation lines in perceptions between the two continents, then 1982 should at least demonstrate whether the will and understanding exist to bridge serious divisions.

Our intent in this issue is to look beyond what has already been exhaustively reported to the consequences of the success, or failure, in meeting the challenges ahead. Thus the Makins-Wasserman thesis on security issues probes the capacity of the alliance to hang together at a time of much political uncertainty inside Europe and patent European doubts about following the lead of a more dogmatic America. Roger Boyes questions, skeptically, if the German peace movement understands the logic of its positions. But both articles, starting from different premises, intriguingly come to similar conclusions—that Governments had better communicate more with each other and with their populaces and listen more to dissenting points of view.

Anthony Robinson's approach to the central issue of why Poland is important to Europe and America is more philosophical and long-range, rising above the fascinating day-to-day drama of events in that troubled country. It is, simultaneously, a passionate plea that the West, for more than mere strategic reasons, give the Poles the room to evolve that history has generally denied them.

The process of political change is gathering pace in Britain. Ian Aitken argues that the third force in British politics, the Social Democratic Party, is well on the way to transforming the practices of the last 60 years.

We are also trying something new with this edition in a magazine-within-a-magazine treatment in our member state report on Luxembourg. This is, perhaps, particularly appropriate for Luxembourg, wrapped around, as it is, by its bigger Community brothers but deeply committed to European ideals. Outsiders often see Luxembourg's contribution to the Community in personal terms—through the leadership of, for example, Pierre Werner and Gaston Thorn or less well known benefactors as Henry Leir—but its influence runs deeper. As a microcosm of the Community, so do some of its present problems, which are also covered in detail.

Andrew A Mulligan

TRANSATLANTIC TENSIONS

IN SEARCH OF A SEC

CHRISTOPHER J. MAKINS and SHERRI L. WASSERMAN

THE ATLANTIC ALLIANCE, AT AGE 33, IS GOING THROUGH A mid-life crisis. One part of its collective being, represented principally by its US member, summons it to a middle age of indefinite struggle against Soviet power and broader responsibility in Europe and elsewhere in the world. Another part, represented principally by its Western European members, seeks to avoid prolonged subjection to this workaholic regime and flirts with the temptation of dropping out into premature retirement or at least into a life free of the executive treadmill and the painful realities of high professional responsibility.

The argument rages between these two parts of the alliance, struggling for its soul. Dispassionate and experienced observers, while sympathetic to its plight, compute the chances of its traversing this passage intact and those of its suffering a nervous breakdown. It has been on the edge before, but surely never as close as this? But it has always survived in the past. Is anything fundamentally different this time?

There have been important changes, of course. The advent of US-Soviet parity in intercontinental nuclear forces, consecrated (more or less) in Strategic Arms Limitation Talks (SALT) agreements, has compelled reluctant Europeans to study in greater detail whether or not the US guarantee of nuclear protection is rock solid. Not surprisingly, confidence was far from universal—a conclusion which, unless it can be effectively repressed, as it so often has been, is hardly comfortable. At the same time, Western Europeans have watched the United States squander the chance of consummating the SALT II treaty, which to most people in Europe looked like a reasonable, if not especially attractive, bargain.

Conventional forces are an important part of the equation. Here, an elderly German townsperson watches with mild curiosity as American forces take part in exercises last fall. Photos courtesy of the US Department of Defense

Elsewhere, 10 years have passed since the United States of Richard Nixon and Henry Kissinger unceremoniously elbowed Western Europe out of the effort to find an Arab-Israel settlement. In those 10 years, Europeans have watched with alternating hope and dismay US efforts to get beyond the (relatively) straightforward business of settling the quarrels of Egypt and Israel, the basis for doing which was clear even in the late 1960s. But US diplomacy has repeatedly, and at times catastrophically and even negligently, foundered on the infinitely harder rock of settling old scores between Arabs and Jews inside the borders of the Palestine mandate. To Western Europeans this failure threatens Western interests in the area at least as much as the specter of a Soviet invasion of Iran which so agitates Washington.

Economically, Western Europe overcame the *"défi américain"* and rose to the status of the largest single trading bloc in the world, only to have the fragility of its achievement made plain for all to see by the oil shocks and the long stagflation. All these are reasons for Western Europe to be less willing than in the past to toe the US policy line.

If the period of the Carter Administration was, as it were, the tortured, nightmare-ridden sleep of Western Europe after the carefree revelry of the period of detente and economic success, the early months of the Reagan Administration have been the time of awakening and reckoning with the hung-over consequences of the revels. To add to the misery, a censorious American parent has been presiding over the breakfast table. At home, no major West European country can view its economic prospects with equanimity. Even West Germany, so long apparently immune to the common affliction of West European economies, now appears less of an exception, even if it does not yet exactly follow the rule. To right and left

URITY BLANKET

patent economic prescriptions offered by monetarists and socialists, notably in Britain and France, seem more likely to deepen than to cure the economic ills. The liberal or social democratic prescriptions of the center appear no more promising, though for most European voters they still seem less threatening, than more extreme solutions.

Internationally, the prospect of a Soviet invasion of Western Europe seems, if anything, more remote than ever, given the problems of Poland and other members of the Eastern bloc. The erstwhile attractions to the European left of the Soviet model of society have long since dissipated: even the French Communist Party, for years seemingly impervious to the defects of the Soviet system, has paid the electoral price of its loyalty, while peace marchers who would once have been satisfied to protest outside a US Embassy now sometimes take pains to give equal time to a Soviet one.

Yet the persistent headache of the relentless Soviet quest for influence and advantage, backed by a massive expansion of military power, continues as a source of anxiety and insecurity. Arms limitations negotiations, the headache reliever Europeans recommend most, show little sign of providing durable relief from the painful business of formulating—and funding—sound defense policies and postures.

Unfortunately for both the makers and writers of headlines, this delicate condition cannot easily be captured in a single word. There are certainly neutralists and pacifists in Western Europe. Michael Foot, the leader of the British Labour Party, to name but one, is a self-declared lifelong pacifist. But the dominant ideas even of most of the peace marchers are certainly not neutralist—all the polls show substantial majorities believing that the North Atlantic Treaty Organization (NATO) is essential to Western Europe's security—nor are they truly pacifist, nor even, in any fundamental sense, are they anti-American.

What they are—and herein lies their inconvenience in present circumstances—is profoundly skeptical of a particularly American approach to European and Western security of which the Reagan Administration exudes the concentrated essence. This is an approach which relies extensively on hardware and rhetoric (without necessarily ever having enough of the one to support the other). It is an approach that eschews the imperfections and compromises characteristic of a world in which the near perfect security against external threat so long enjoyed—and still nostalgically sought—by many in the United States is unattainable. It is an approach which, whatever may be the intention, appears to many Western Europeans to be too long on the possibility—and willingness—for confrontation and too short on the exercise of the restraint becoming to a nuclear superpower.

If or when deployed in Europe, the cruise missile would be launched from this mobile unit.

The systematic pragmatism of many Western European attitudes may well resemble appeasement to those in and close to power in Washington. After all, according to this American school of thought, a Soviet Führer could scarcely be relied upon to repeat Hitler's fatal mistake of opening an Eastern front before completing his triumphal march to the Channel. To such people, the verities of systems analysts about the effects of employing nuclear weapons in Europe against the onward march of Warsaw Pact forces are a better gauge of the efficacy of deterrence than the kaleidoscopic ideas of Europeans about "coupling" intercontinental nuclear war to wars in the theater—whether Europe or the Middle East.

"Go away!" © E.A. Harris, Canada

© Margulies, Rothco Cartoons

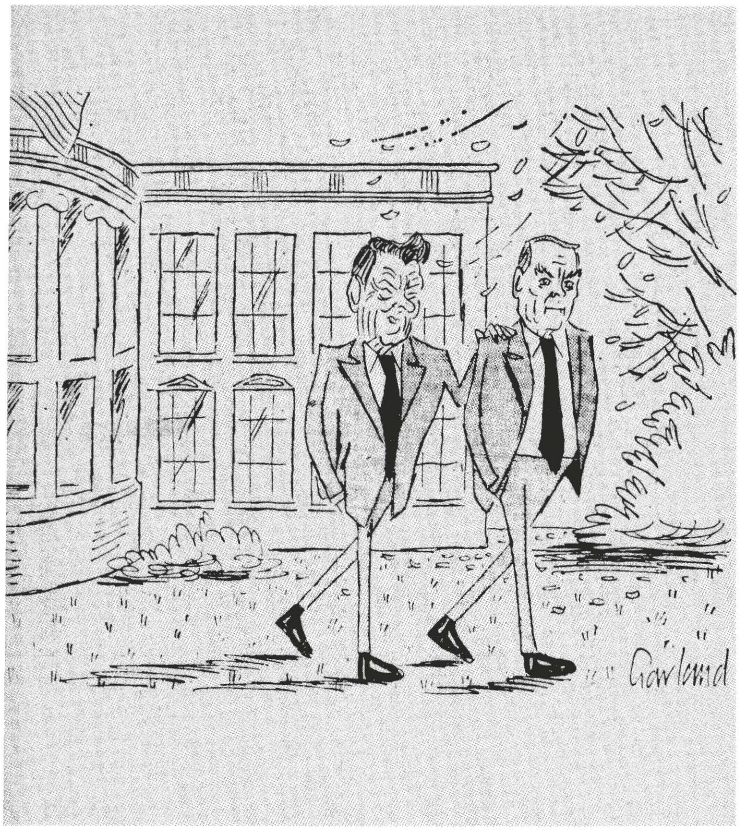
The controversy over the enhanced radiation weapon, which was at least as much responsible for recent demonstrations in Western Europe as the Pershing II and the ground-launched cruise missile, is a case in point. The same enhanced radiation weapons which, to Europeans, seem like an attempt by military planners to lower or blur the nuclear threshold, can appear, to the US analyst, as a crucial layer of security. The disagreement is about the relationship of capability to intention in the creation of deterrence. It is hardly surprising that US military thinkers, under the heavy influence of systems analysis, should focus on the one quantifiable term in this equation—capability—while Western Europeans, especially those in politics, tend to emphasize the more intangible qualitative term of intentions.

So goes the debate attending the mid-life crisis. Can it be survived? The answer obviously is yes. Will it be? Prediction is pointless. Prescription may be more useful. The fundamental requirement is for recovery from what has been a failure of political leadership in all the alliance countries. The affair of the long-range theater nuclear forces (LRTNF) is a good example. Whatever may be said by the architects of the famous dual NATO decision of December 1979, there has not, except perhaps very recently, been a satisfactory story to tell public opinion about the need for the LRTNF, either in terms of the rationale for their deployment or in terms of the arms limitation formula.

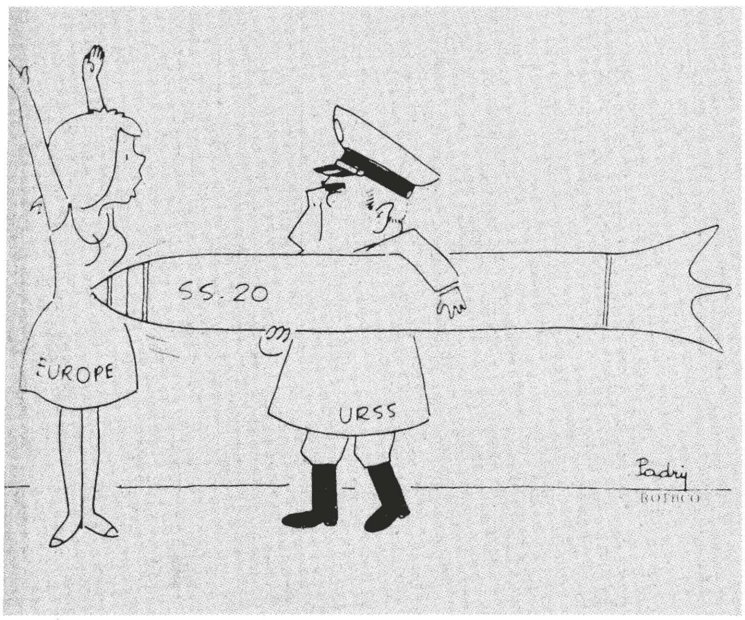
The eleventh-hour conversion of President Ronald Reagan and his colleagues to the "zero option" approach in mid-November somewhat improved the position. But it is one thing to announce one's personal vision of a light on the road to Geneva and quite another to persuade doubting Europeans of the durability and sincerity of one's new beliefs, especially when the announcement of the vision was so obviously played for effect.

The inherent intractability of the subject matter of both the TNF and future intercontinental nuclear force negotiations is such that failure or at least stalemate is a more likely outcome than success. This being so, proof of a real determination to succeed, and not just to retain the upper propaganda hand, will rest more on a demonstrated ability to deal reasonably with the complexities of the subject than on the proclamation of simplified or simplistic formulae which sweep those complexities aside. In short, the US decision to put forward a "zero option" for the narrowly defined category of long-range, land-based TNF missiles could as easily undermine the dual decision by discrediting the argument that there is a requirement for the LRTNF (which were never intended as direct counters to SS-20s) and so highlighting earlier failures of leadership as it could strengthen the case for deployment if the Soviets persist in rejecting it. The question is whether allied Governments will appear as adept and reasonable in setting their limited proposal into a broader concept of TNF deployments and negotiations than they have yet been able to conceive. A similar argument applies to the current US fascination with the reduction of intercontinental nuclear weapons.

The nuclear part of the alliance's mid-life passage is probably the least difficult to handle, although it is often made to seem the most intractable. Successive generations of Americans and Europeans have been willing to learn to tolerate the bomb, if not exactly to love it, as a contribution to deterrence. If, in the wise words of Guardian columnist Peter Jenkins, political leaders are prepared to start an honest effort of "reeducating their public in the merits of deterrence and arms control" rather than engaging in "panicky attempts to appease public opinion" and seeking "devices for soft-selling a fait accompli," then there is a good chance that the predominantly youthful groups demonstrating in Europe's cities will also eventually come to terms with the grim realities of the nuclear age. Even Michael Foote has endorsed Reagan's zero option proposal.



"Good work, Haig—if we're scaring hell out of the Europeans, imagine what we're doing to the Russians!" © Garland, Sunday Telegraph, London



"Neutrality or your life!" © Padry, Le Hérisson, Paris

The more difficult questions relate to domestic economic management, general purpose forces, and the Middle East. Domestic economic problems impose constraints on Governments on both sides of the Atlantic which breed insecurity in themselves and, by restricting defense budgets, reinforce other sources of insecurity. Reagan and his colleagues are only beginning to measure accurately the damage which the poor performance of the US economy is going to do to their supposedly spectacular, but in reality rather modest, increase in the Carter Administration's enhanced defense program. One certain consequence of this situation will be the rebirth of painful arguments about burden-sharing in the alliance at a time when all concerned know that no one is doing enough.

The problem of general purpose forces is a direct offshoot of that of economic constraints. There are, it is true, those who believe that the alliance could buy more conventional defense for the same amount of money as it now spends. They are almost certainly right. Changes in the management of procurement, in ground force tactics, in the use of reserves, in the arcane art of interoperability could all achieve this effect. A return by Britain and the United States to the conscription to which non-Anglo-Saxon members of the alliance rightly point as a manifestation of their national commitment to defense would have both a valuable pyschological effect and beneficial consequences for the availability of reserves.

But it is hard to believe that *no* further increase in defense budgets is required to equip, maintain and train improved—and probably enlarged—general purpose forces. Without such forces, the alliance will, whether it likes it or not, be placing greater reliance on the nuclear component of its deterrent and, therefore, greater strain on the nuclear neuralgia from which it has repeatedly suffered. Yet Europeans, in particular, have in the past been as reluctant to provide a stronger conventional defense as they are today to strengthen theater nuclear forces.

In the Middle East, decades of transatlantic disagreement are unlikely to end quickly. Nevertheless, somehow Americans must convince Europeans that their concern with the role of military forces in the area is not an irresponsible tinkering with the detonator of World War III; rather it is an essential element of a well-conceived strategy for protecting Western interests in the region, however hard, on recent form, this may be for even the well-disposed to believe.

In their turn, Europeans must, despite equally unfavorable odds, try to convince Americans that their ideas are not primarily dictated by petropolitics (which they are not); rather that their consistent advocacy, dating back even to before the 1967 war, of a greater role for the international community in Middle East peacemaking and greater attention to the concerns of Palestinians in a Middle East settlement has been justified.

On none of these topics is the outlook for transatlantic harmony promising. But then midlife crises are not about the attainment of harmony. What *can* be expected from the allies on both sides of the Atlantic is a greater willingness to discard outmoded myths and to accept, provisionally at least, unpalatable realities. But to achieve even this they will have to concentrate more on their most serious problems—economics and domestic constraints, conventional forces and security outside Europe—and less on the compulsive, but ultimately secondary, topic of theater nuclear forces. The strategic wisdom, patience, and political resolve needed for this purpose have not been much in evidence in Western Europe or the United States in recent months. But the alliance's survival instinct still seems strong. The nervous breakdown is eminently avoidable. €

Christopher J. Makins and Sherri L. Wasserman are members of the National Securities Studies and Systems group of Science Applications, Inc.

TRANSATLANTIC TENSIONS

ZERO OR BUST

Roger Boyes finds the peace marchers sincere, but possibly misguided

THE EUROPEAN PEACE MOVEMENT IS ON THE MARCH, TRUMPETing the fears of the young generation, some real, some imagined, in the streets of London, Bonn, and Paris. Almost a quarter of a million of demonstrators turned out for the Bonn demonstration in October and a further 300,000 waved their banners a week later in other European capitals—altogether over half a million people, equal in size to the largest West European army. In mid November, a demonstration in one city alone—Madrid—drew more than that, according to organizers. If only because of its ability to mobilize such numbers, the movement has to be taken seriously. The problem is this: the impetus of the movement is obscuring the real issues of peace and war, generating more heat than light.

The movement has no uniform goal but its aims fall loosely into two groups. One strand of argument is that the superpowers can no longer be trusted, that the respective arms lobbies and military industrial complexes are foisting evermore complex, expensive and deadly weapons systems on people and that the ultimate outcome will be a war confined to the cockpit of Europe. The policy response advocated by this school of peace demonstrator is essentially a neutralist one: Europe should be declared a nuclear free zone and all missiles, not just the new cruises and Pershings, should be scrapped. If this means the ultimate dissolution of the North Atlantic Treaty Organization (NATO) and the Warsaw Pact, then so much the better.

The second line of peace-movement argument is directed specifically at changing one aspect of the Reagan Administration's policy and redefining German or British defense interest within the framework of the Atlantic alliance. The supporters of this platform—such as the retired German general Gerd Bastian—want to limit defense capabilities to the basic minimum and question the theory that deterrence can only be assured by a strict balance of power. They are making a philosophical point, at least implicitly: Deterred behavior cannot be observed or measured, so how do we know what new Western weapon system is stopping the Soviet Union from marching into Europe? What effect, ask these members of the movement, can the neutron bomb, the enhanced radiation weapon, have on the East? Will it make Moscow into a hive of pacifist activity?

The two peace movement lobbies draw their support from correspondingly different interest groups. The idea of a European nuclear free zone is, for example, the logical extension of the thinking of the "Greens," an ecological party in Germany that has had considerable success at local council level in opposing pollution and the construction of nuclear power stations. The quite sophisticated party organization of the "Greens" has been of particular benefit to the movement in mobilizing the demonstrators. But the nuclear-free zone arguments are also supported by the protestant church groups—on the grounds of blanket pacifism—and the Deutsche Friedens Union (German Peace Union) which has, according to the Bonn defense ministry, strong links with the Communist Party. The other lobby, questioning the validity of present ideas of deterrence, has substantial support within the ruling Social Democratic Party (SPD) and to a lesser extent, with the

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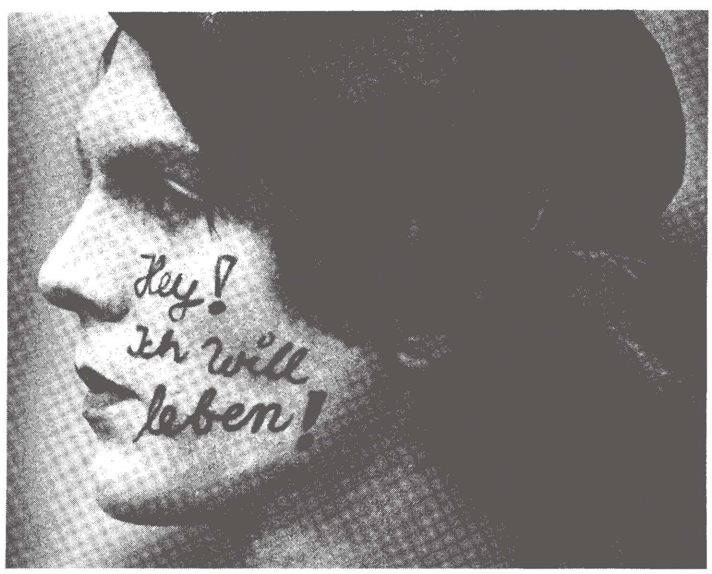

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SPD's junior coalition partner, the Free Democratic Party.

This important political support—it gives the movement a legitimacy never enjoyed, for example, by the student demonstrators of the 1960s—is strongest at the regional level in German politics but also has a significant voice in the parliamentary party. Over 50 coalition deputies for example signed a document supporting the Bonn peace demonstration.

What unites the two lobbies is a generalized opposition to the 1979 NATO decision to deploy new Pershing and Cruise missiles in Germany, Britain, Italy, and the Benelux countries. The decision coupled the stationing move with the pledge to seek a serious arms control agreement with the Soviet Union and this latter goal has now been seized on by the movement as the only salient part of the NATO plan. This has been the first limited success of the peace demonstrators: They have forced the Reagan Administration to stress at every possible opportunity that they mean to honor the "talks" half of the NATO decision.

More than that, no NATO meeting is complete nowadays without a pledge of commitment to the ideal aim of the so-called "zero option." This provides for the scrapping of the NATO deployment decision if the Soviet Union destroys all of its medium-range weaponry aimed at Europe. This is indeed a useful biscuit for politicians to throw in the direction of the peace movement, particularly so when formally advanced by President Reagan himself on November 17 in a speech ostensibly designed for European public opinion. But the initial Soviet response seemed to prove what was already suspected—that the "zero option" is hardly a realistic proposition.

The United States, for example, sees the "zero outcome" as a global solution—by which it means that the SS-20 medium-range missiles in other parts of the Soviet Union (the Chinese border for example) should also be destroyed, lest they be moved to Europe at a later date. The Soviet Union, meanwhile, views a true "zero" solution as involving US forward based systems—US aircraft and submarine launched missiles capable of hitting the Soviet Union from Europe.

The fact is that the peace movement is being fed a false hope in the form of the "zero option"—and it is sure to backfire. When it becomes clear to the movement in 1983-84—the date that the missiles are due to be deployed—that the arms control talks are destined to fall far short of the ambitions contained in the "zero option," then it is the United States and not the Soviet Union that will be blamed. This transposition of threat ("American missiles mean the end of Germany" was a slogan commonly seen in recent demonstrations) is a central component of the peace movement.

Partly it results from a simple misunderstanding of the arms technology involved. Even leading SPD deputies, for example, argue that the new US Pershing missiles are capable of a "first strike" attack on the Soviet Union. That is to say, for the first time missiles based on German soil directly threaten Soviet targets and thus Germany, in turn, becomes a prime target for Soviet attack. Many US defense analysts disagree with this, maintaining there are simply not enough Pershing IIs to achieve a "first strike."

But the real motives for the United States becoming the bogeyman lie deeper, within the psyche and limited direct experience of the young generation in Europe, especially Germany. Take a typical young German peace demonstrator. Since becoming politically aware (say in 1970) he has experienced nothing but détente and ostpolitik, a period where dialogue between East and West seemed almost axiomatic, a period when the Soviet leadership seemed to be essentially a bunch of conservative old men with no great ambition to invade Germany.

During the same time, our notional German sees the US heavily involved in Vietnam, observes the disgracing of one President, the vacillation of another and now the installation of an unashamed conservative who predicates much of his foreign policy on East-West conflict rather than collaboration. While Americans viewed détente as a failure, a time of being duped by the Russians, in Germany ostpolitik brought concrete results that still persist.

Our young demonstrator has also become used to the idea of Germany as a strong power, economically and politically.

Yet it has no control over its ultimate destiny, no control over what nuclear armament is put on its soil. As a result three forces suddenly come into play: a sense of frustrated nationalism and limited sovereignity ("Are we an important power or are we simply a US colony?"), a sense of depleted threat from the Soviet Union ("The Russians may be bad but they've always played fair with us."), and a loss of confidence in US leadership (regularly reinforced by the stream of contradictory and confused statements from Washington on limiting war to Europe and on nuclear strategy in general). Our model demonstrator is of course, too young to remember US support of Berlin in the Cold War. If he draws any lesson from history, it is that war—any war—is bad.

© Luke Golobitsh, Bonn

There is another more subtle factor at work: This young generation, unlike that of the 1960s, is profoundly conservative. Its first reaction is to resist change and thus minimize risk. Nuclear power is suspect because it might kill a lot of people (compared with coal mines or hydroelectric dams), technology is suspect because it destroys jobs, armies are dangerous because they might become involved in wars. This no-risk generation has been brought up during the flowering of the social welfare state and their natural leaning is toward political groupings that support and defend such values—socialists and social democrats.

Yet these parties are themselves going through a crisis. The logic of social democracy is that wealth is redistributed to the benefit of disadvantaged groups. But if, in the middle of a recession, there is little or nothing to redistribute, then a central pillar of social democracy disappears. Social democratic Governments thus lack credibility for young people during times of economic depression; while conservative Governments have always had difficulty convincing young voters of the justice of their cause. The result is that young people are seeking out alternative means of expression—in a movement that is not tinged with party political compromise and that is firmly against certain things universally acknowledged to be unpleasant (war, pollution, unemployment).

Unlike the 1978 campaign against the neutron bomb, the new peace movement is not expected to produce radical turnarounds in policy. But it may have two important and not necessarily beneficial effects. The first, feared by Government officials in the United States and Western Europe, is that the Soviet Union will be encouraged to believe that it can bring about the withdrawal of the NATO deployment plans without any corresponding concession on Soviet missiles. It could thus be argued that the peace movement is actually bringing the world closer to war by guaranteeing Soviet nuclear superiority. The movement—and especially the unilateral disarmers in the British Labour Party—predicate too much on the fundamental good intentions of the Soviet Union. The absence of motive is not enough to deduce peaceful intentions: confusion, misperceptions, changes in leadership, unpredictable events in neighboring states, have all in the past been sufficient grounds for launching a preemptive war.

The second effect, already noticeable in Britain and Germany, is that normally conservative thinkers (and in no sense associated with the peace movement) have begun to question whether the credibility of deterrence should be based so strongly on nuclear missiles. Professor Michael Howard in Britain and Professor Kurt Biedenkopf (a deputy chairman of the conservative German Christian Democratic opposition party) have both argued recently that the ultimate answer to Europe's security problems is to build up conventional rather than nuclear forces.

How then are European Governments to cope with this wave of populist protest? Not, that much is clear, by tailoring defense policies to the *Zeitgeist*. It is by no means certain that the fears of the young generation would be calmed even by total and instantaneous disarmament; the social and economic uncertainties (thwarted nationalism in Germany, dramatically high youth unemployment in Britain) would remain.

But Governments can draw three lessons from the peace movement. First, they can start explaining their defense policies more coherently, thinking them through more closely and resisting some of the demands of the general staff for hyper-sophisticated weaponry. The goals of deterrence should be spelled out and if that results in a shift to more obviously defensive strategies (civil defense, anti-tank weapons, greater conventional efficiency, better cost accounting), then so much the better.

Second, they can start talking more intensively with the Soviet Union's East European neighbors. They, too, have an interest in avoiding war, they too must feel some unease about Moscow's defense spending. Of course, they have only a limited range of influence within the Warsaw Pact but even that minimal leverage could be exploited to ease the Soviet Union out of its complacent assumption that military effort can be boosted on a regular and unquestioned basis.

Finally, the Governments should start talking to their young people. Each new generation, a German political scientist said recently, has to be won over afresh by the political system. Strong leadership does not mean ignoring groundswells of discontent and pressing on regardless; it means pausing for thought and then explaining and convincing the population. That surely must be the message not only of the peace movement but also of the unrest in Poland. €

Roger Boyes writes for The Times *of London.*

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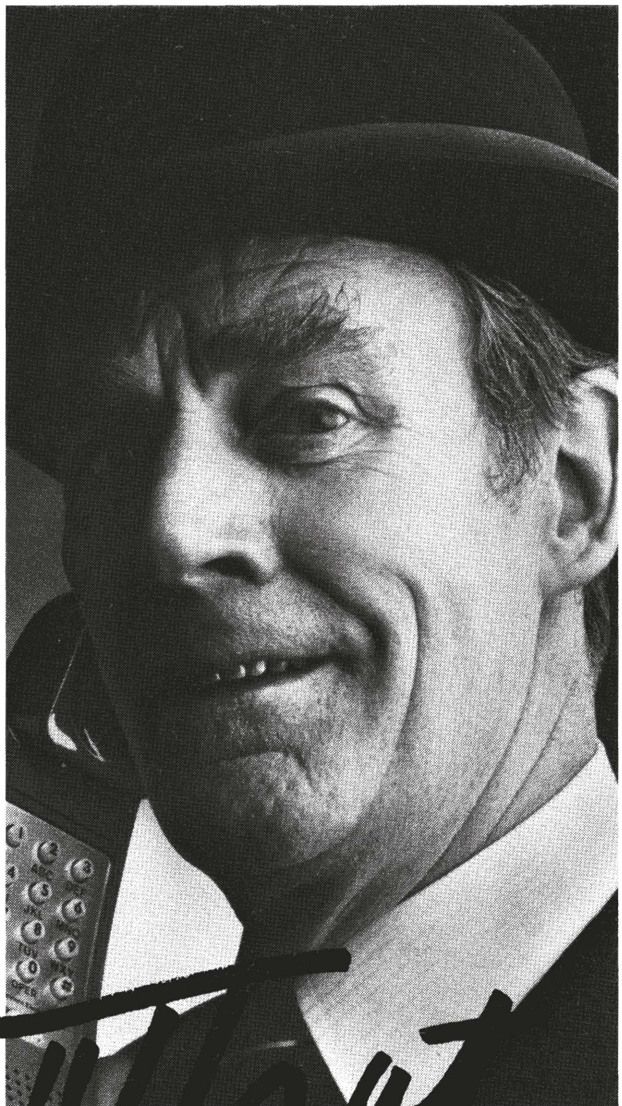

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Why Poland Matters

ANTHONY ROBINSON

POLAND IS A FLAT COUNTRY SURROUNDED BY GERMANS AND Russians. It has always had to fight to preserve its identity, and even, at times, its existence when the Polish state as such disappeared under the successive partitions of the late 18th Century. Because Poland has never been able to take its existence for granted, Poles have always been obliged to emphasize their culture, their language, their traditions. In contrast to the Protestant Prussians on one side and Orthodox Russians on the other it is the Catholic Church which has played a key role as the repository of Polish culture and identity.

Polish allegiance to Rome dates from the year 966 when Prince Mieszko, the Prince of the small principate of Gniezno from which Poland subsequently developed, formed an alliance with Otto I, the Holy Roman Emperor, as a guarantee against the expansionist policies of the Teutonic knights. He also paid homage to the Pope and recognized the authority of the Holy See over all his lands. Since then Poland has remained *semper fidelis*—ever faithful, a fidelity crowned by the election of the Archbishop of Krakow as Pope John Paul II in October 1978.

All this may seem a rather roundabout way of discussing what Poland means to Europe, but Poland's past—frequently a troubled, tragic past—plays a weighty role in the Polish present.

Poles, together with the Czechs, have always been the most Western-oriented of all the Slav peoples, the most closely connected with the major trends of European history. They shared the glories of the renaissance and the humanistic tradition of the West. It is important to remember this because the East-West division of Europe—which many people believe began in 1945, or with Winston Churchill's famous Fulton, Missouri speech of 1948 when he spoke of the "iron curtain" descending on Europe—is actually of much longer duration.

Broadly speaking this division is between those parts of Europe which looked West to Rome and shared in the fundamentally individualistic and humanistic strand of European culture and those which, as a result of the Turkish conquest or, in Russia's case, the Golden Horde, were subject to the authoritarian tradition of the East. For those who doubt the significance of such historical accidents a visit to Yugoslavia is essential. The dividing line between East and West still runs right through modern Yugoslavia between Catholic Slovonia and Croatia in the north and west to orthodox Serbia and the mixed Moslem populations of Bosnia and Albanian Kosovo in the south and east.

Lech Walesa being blessed by Bishop Henryk Jankowski. Solidarity and the Catholic Church have combined to make Poland "spiritually free."
© Keystone Press Agency

Poland's Catholicism is therefore a key factor in ensuring that the attempt to impose a Stalinist-style Communist regime on the country following the Red Army's liberation of Poland from the Nazis in 1944 and 1945 fell on particularly difficult ground. The Church also suffered in the horrors of Nazi occupation in which 6 million Poles, Jews, and other minorities were killed. The post-war confiscation of Church lands paradoxically strengthened the Church further by emphasizing its spiritual role. Throughout the long years of occupation Poles engaged in a fierce resistance struggle within Poland and fought alongside both the Soviet and Western allies in special Polish divisions and air force squadrons. Many of Poland's pre-war Communist leaders were killed during Stalin's purges and most of those Poles who fought the Nazis at home and abroad were fighting for the reestablishment of an independent Poland—and not for the imposition of a Soviet-style Communist regime on Polish soil.

That said, however, most Poles have recognized that given the geopolitical realities of the post-war world, the Soviet Union is the ultimate guarantor of the post-war frontiers of Poland—a country pushed physically westward several hundred miles by the annexation of former Polish territory in the east by Russia and the acquisition of former German territory to the west.

Some 20 million people were uprooted at the end of the war in this massive operation which left Poland with a homogeneity it never had in the past. Poland, formerly one of the most cosmopolitan of countries, is now practically entirely populated by Poles. One result of this has been to strengthen the already fierce sense of Polish nationalism and the desire of Poles to live according to their own political, social, and cultural traditions.

It is this desire, coupled with the deep-rooted tradition of rebellion and resistance, which has lain beneath the revolts against Soviet-style Communism and bad government which have peppered the post-war years—Poznan in 1956, the student protests of 1968, the bloodily repressed food riots in the Baltic ports in December 1970 and in 1976, and ultimately the nationwide revolt of 1980 which also began in the Baltic ports.

Now, 18 months after an unemployed electrician called Lech Walesa climbed over the locked gates of the Lenin shipyard in Gdansk, Poland is economically prostrate but spiritually free. The Communist attempt to create a totalitarian democracy (that contradication in terms) lies in ruins.

This is Poland's main contribution—not only to Poland itself, or even to Europe, but to the world as a whole. Poland has proved that the march toward totalitarianism is neither inevitable nor irreversible and for that we can all be grateful. Poland has set a precedent for the return to democracy and freedom of thought and expression which is valid not only to the other Communist countries of Eastern Europe, but also to fellow Slavs in the Soviet Union itself. For those who believe that there will be no real peace in Europe and the world until the Soviet Union reforms the rigid, militaristic system it inherited from Stalin, Poland stands out as a country which has been able to break the Stalinist mold, peaceably and without bloodshed.

This being the case then the least that the rest of Europe can do for Poland is to understand that the revolution from a totalitarian system to an open society which respects all views and opinions and classes is by its very nature neither easy nor quick to accomplish.

The breakdown in the Polish economy which both preceded and still accompanies this revolution furthermore has already imposed enormous sacrifices on the Polish people. A further deepening of this economic crisis could still lead to the sort of social conflict which could form a pretext for armed Soviet intervention. Deprivation and hunger could also wear down the courage and determination of Poles to continue their struggle and lead to an exodus of skilled workers and intellectuals which the reconstruction of the Polish economy so desperately needs. Up to now both the EC and Western Governments have demonstrated in a relatively modest way their desire to help Poland by supplying cheap food on credit and starting the rescheduling of Poland's $27 billion debt to the West. Banks too are reluctantly committing themselves to a similar process. Now Poland is seeking further assistance by applying for membership of the International Monetary Fund.

Ultimately however the needs of Poland go beyond the possibility of bankers and Governments to provide. Helping Poland get the economy back on course is probably the greatest practical contribution which Europe could make. But this will require a conscious act of solidarity not only by Governments but also by people and voters. It will have to be offered furthermore quietly and without offending the sensibilities of the Soviet Union which, like it or not, still remains the ultimate arbiter of Poland's fate. €

Anthony Robinson is Eastern Europe correspondent for the Financial Times.

Solidarity attracts support from the farm sector as well as industry. © Keystone Press Agency

EC Aids Poland

The EC member states have agreed to make it possible for Poland to buy about $660 million worth of foodstuffs at below-market prices since the first requests were made by the Polish Government in late 1980. The extra cost to the Community's budget has been about $95 million.

In December 1980 the European Council at Luxembourg decided that financing credits to aid Poland was the responsibility of individual member states, according to their means. The EC Council of Foreign Affairs of December 16 in Brussels decided to give Poland the opportunity to buy various agricultural products for 15 per cent less than world price. The European Council of Maastricht on March 23 and 24 then authorized a second list of supplementary purchases at reduced prices under the same conditions as the first list. On May 7, 1981, the Council approved certain additions to this second list, responding to the changing needs of Poland and the credits available in different member states of the Community.

The Community is engaged during 1981 in placing at Poland's disposal 1.1 million metric tons of cereals, 110,000 tons of meat, 50,000 tons of butter, and 55,000 tons of sugar, plus certain quantities of cheese, powdered milk, olive oil, and lemons. These quantities constitute 4 per cent of Polish consumption of cereals, 6 per cent of meat, 18 per cent of butter and 3.5 per cent of sugar.

Brezhnev, Schmidt in Bonn on November 23. © Boccon-Gibod, Sipa Press/Black Star

TRANSATLANTIC TENSIONS

Pipeline Diplomacy

NORMAN CROSSLAND

As the Soviet leader, Leonid Brezhnev, prepared for his visit to Bonn for talks about nuclear missiles, the finishing touches were being put to the controversial gas pipe deal under which the Soviet Union will greatly increase it supplies of Siberian natural gas to Western Europe. In West Germany the project was hailed as the East-West deal of the century. But in some hawkish quarters in Washington it was cited as evidence that the federal Chancellor, Helmut Schmidt, had "succumbed to the drug of detente."

With a bit of permissible imagination it is possible to calculate the value of the deal as a staggering DM500 billion (about $220 billion). If all goes well, some 40 billion cubic meters of gas each year will be pumped along a 5,000 kilometer pipeline from the Yamal Peninsula in northwest Siberia to Western Europe, and this for a period of 20 years. At current prices—DM0.40 a cubic meter—the total value of suppplies would be DM320 billion, but nobody dreams that the starting price can be held. The DM500 billion estimate seems realistic.

West Germany will take 12 billion cubic meters of the Soviet gas a year, raising its dependency on that one source from a current 17 per cent to just under 30 per cent. This is a lot, but the Germans argue that it will be the equivalent of only 5 per cent of the country's total energy needs. The rest of the gas will be shared between France, Holland, Belgium, Austria, and Italy. The value of the German portion of the deal, signed in late November, was put at well over $44 billion.

It will be extracted with the help of Western technology and transported by Western-built pipes to Europe, most probably through Hungary and Austria. It was not only the haggling over the price of the gas that has delayed the negotiations. The Soviets have been holding out for preferential interest rates on the large credits they are receiving from Western banks to pay for the pipes, the compressor stations, and other equipment. Lower interest than normal market rates is to be charged, but in fact the banks are not losing out. It has been decided that the Russians will have to pay a bit more for the pipes and plant than they envisaged or to charge a little less for the gas. The banks will pocket the extra money as compensation for demanding less than normal interest.

It is not yet clear whether West German firms will make all the pipes. The contract is being split up into yearly packages to ease financing. However Mannesmann, a concern which has long experience in this field, is negotiating for the first delivery of 3.2 million tons. Mannesmann and the French firm, Creusot Loire, have together won a contract to construct 22 compressor stations, AEG is making 66 compressors, and others are being supplied by British and Italian companies.

The US Government's objections to the deal is that it greatly increases Western Europe's, and particularly West Germany's dependence on the Soviet Union as a source of energy. These objections have fallen on deaf ears, but the Americans have not relinquished their pressure—they fear that Europe might be tempted to finance the payment of yet another Russian pipeline.

So the Americans, according to German sources, are planning to exploit their own natural gas deposits in order to bring down the world market price and to force the Europeans to look for alternative suppliers. Further, they are suggesting that the Europeans could safeguard themselves against Soviet interference with the gas-flow by building up strategic reserves of gas and by constructing a better integrated European energy network. The State Department also points out that the United States has vast coal deposits, enough to keep Europe warm for eternity—although the problems of transport and environment protection have yet to be solved.

The Germans are comforting themselves with the thought that the Russians—in their business arrangements with West Germany—have always kept to the spirit and the letter of agreements. And some commentators have been reminding us, not very tactfully, that even as the Germans launched their attack on the Soviet Union in 1941 the Russians were conscientiously fulfilling their agreement to supply Nazi Germany with grain.

Moreover the Germans contend that the huge Soviet investment in the pipeline, which will only be profitable once the gas is being sold to the West, makes it extremely unlikely that the Russians would go back on the deal. And should the Soviet Union wish to cut off supplies to West Germany, in the event of a cold war for instance, they could not do so without stopping the flow of gas to France and Belgium as well.

Not all the criticism of the deal comes from the United States. After all, the annual supply of 40 billion cubic meters means that from 1985 the Soviet Union will have an extra DM25 billion worth of foreign, hard currency at its disposal. Werner Obst, a former senior economist in East Germany who is now living in the West, says that the Russians will then have so much money that they will be able to step up considerably their import of Western technology. "They'll also have more money to build up their military strength," he added. "No wonder the Russians regard this deal as a great coup."

But the German Government is hoping that the gas agreement will stimulate trade generally between the Soviet Union and West Germany. There is room for expansion: Last year West German exports to the Soviet Union totaled DM7.4 billion and imports from Russia nearly DM8 billion. This represents a tiny volume of Germany's overall foreign trade. West Germany has from the start strongly resisted pressure to punish the Russians for invading Afghanistan by imposing an embargo on the export of technology.

West Germany's export trade to Eastern Europe provides about 150,000 with jobs, and the contract for the gas pipes alone will keep 25,000 in work for some years. According to Otto Wolf von Amerongen, President of the German Chamber of Industry and Commerce, trade with Eastern Europe had not in the slightest degree created a political dependence on the Soviet Union.

The West German Government claims that the Soviets have agreed in principle that West Berlin should be connected to the pipeline, but the chairman of Soyozgasexport, Yuri Baranovsky, says no direct approach had been made for a supply line to the city. A pipeline to West Berlin might increase its dependence on surrounding East Germany.

Norman Crossland reports for The Economist *from Bonn.*

AGRICOLLISION

Brian Gardner explains the differences in EC and US support for farming.

During the North-South summit in Cancun, Mexico, President Ronald Reagan was reportedly extolling the virtues of free market economics when he was sharply taken to task by President Nyerere of Tanzania. Was Reagan not aware, Nyerere intervened, that American agriculture was among the most subsidized in the world?

In the field of transatlantic relations, few subjects possess such inherent potential for disharmony as agriculture. Both America and Europe interfere with "market forces" to support their farmers, but they do it at different levels and for different reasons: Both also protect their internal markets from imported foods, both subsidize farm exports, and both spend large quantities of public money on agriculture, but, again, the methods differ. This is caused by differing views, among other things, over how social and structural problems should be taken care of in the context of farm-price supports.

The practical consequences of these differences can be seen frequently in mutual allegations of unfair trading practices in sales of farm products on both sides of the Atlantic and in third countries: the United States has complained that its strategic policies have, on occasion, been undermined by European determination to sell what it can where it can (for example, butter to the Soviet Union), regardless of strategic considerations.

But the fairness, or otherwise, of such mutual recriminations can in part only be determined by comparing the respective systems. It is a highly complex, even arcane, subject: The quality of political debate in Europe and America only serves to illustrate how dimly it is understood. What may be most significant for the longer term, however, is the suggestion, no more than that at this stage, that the European Community is inching toward a more austere style of farm support.

The Community's basic problem is that it continues to struggle with a still increasing agricultural-support budget which is as much the product of increasing farm productivity as of the Community's particular style of agricultural support. Its latest proposals are aimed at finding a new regime which limits treasury responsibility for burgeoning output.

In October the EC Commission proposed a "gradual alignment of support prices for grain on international levels of support." It defines the international level of support as being the current US level—according to the Brussels agricultural experts, some 20 per cent below the present intervention and target prices in the EC.

Significantly bowing to the inevitability of further growth in EC production, the Commission is no longer intending actually to cut production—as it has tried to do in the past—but is aiming eventually to impose price cuts if production exceeds targets set seven years ahead. However, such price cuts in themselves should have some influence on farmers' expectations and production.

The Commission is recommending that this "alignment" of grain-support levels should take place between now and 1988. It intends that there be no direct cuts in nominal levels of support, but rather that there should be price "standstills" or price increases set below the prevailing rate of inflation. This, it is argued, would erode current levels of "over-reward" to Europe's efficient grain producers. Unlike the dairy, wine, or fruit and vegetable growing sectors, much of the grain-growing industry of the Community is in the hands of efficient farmers.

The Commission admits that the bulk of the Community's annual 118 million tons (metric) of cereals are grown on less than 10 per cent of the grain-growing farms. For commodities other than cereals, the Commission is proposing a less drastic price policy. For dairy products, still the Community's major problem area with production at least 15 per cent over domestic consumption, the Commission is proposing a greater financial involvement of producers in the disposal of surplus products.

This "co-responsibility," which already exists at a moderate level, is to be extended to penalize milk producers who exceed target levels. Progressive taxes are planned to claw back from producers the cost of disposing of additional surpluses which they produce.

Significantly for world agricultural trade—the targets (based on the year 1988) do not foresee any reduction in output on present levels of production, but rather a steady annual increase in output to cope with what the Commission says will be "small but steady increases in domestic consumption."

These increases, it believes, will come from domestic consumers buying more domestically produced grain and other foods as these become relatively cheaper than imports: Indeed, imported products will still be prevented from freely competing in the EC mar-

Farmers demonstrating in Brussels last September.

ket through maintenance of the import threshold at present relative levels. The Commission reasons that holding down the prices of grains will make them progressively more attractive to the domestic food industry and to livestock producers and thus more will be used.

In this way, although there are no plans to reduce the prices of dairy and other livestock products, it is hoped that all food prices will stabilize due to lower feed costs. Concomitant to this, support prices for livestock products will be managed so as not to give efficient producers windfall profits, and so as not to increase consumer prices excessively and thus increase the level of surplus production.

But the basic principles of the EC's Common Agricultural Policy (CAP) are to remain unchanged. As indicated earlier, current import thresholds will be maintained. The intervention system, which buys up produce whenever prices threaten to fall below the floor or "intervention price" levels, will be maintained with the EC authorities still being committed to buy up all grains and dairy products which cannot be marketed at this minimum level. This open-ended approach to support will remain the most significant difference between the EC and the United States systems of support.

In the United States, farm price support is based on a minimum level of support to the producer at a price level which is calculated to keep only the efficient in business. Treasury liability to maintain the target price is limited by moderate supply control. US farmers normally can only obtain the guaranteed price offered by the system if they contract to limit the area of their farms devoted to particular crops. For grains, this involves a smaller area than the amount used for a particular crop in 1977 (the first year of the current phase of US agriculture policy).

The essential difference between the US and the EC system of supporting farmers' incomes is, as outlined at the onset, mainly one of degree. The basis of the current US agriculture support system is the loan rate: every farmer can, instead of selling his crop directly after harvest, take a low-interest government loan. This allows him to hold his grain in storage and thus prevent post-harvest gluts and consequent ruinous price depression. The loan rate is linked to a minimum price which the farmer can actually be paid for his grain after a prolonged period of depressed prices. Alternatively, he may opt to put his grain into a special reserve which guarantees him the minimum price after the passing of fixed periods of time. At the end of the Government-set maximum storage periods for these reserves, the farmer has the option of either selling his grain on the open market or taking the price offered by the Government. In this way the Government prevents the collapse of farmers' prices, while at the same time limiting its own responsibility for ownership and disposal of surplus commodities.

Participation in the loan rate and the linked minimum price and reserve schemes is normally dependent upon the farmer complying with any land "set-aside" program which the Government may consider necessary from year to year.

There is also an important difference in the manner in which the United States and the EC subsidize the export of their agricultural products. In the EC, exports of main commodities carry an EC subsidy equal to the difference between the usually higher EC market price and the world price. Only a small percentage of US exports—currently about 10 per cent of the total—carry export subsidies. This is grain sold under the US Government's Public Law 480 scheme for food supplies to less developed countries at preferential prices and under subsidized financing.

Another important difference between the EC and the US approach to agriculture policy is that the United States has long since separated its rural, social, and economic problems from its price-support policy. The EC, on the other hand, still faces important problems of low incomes and standards of living in rural areas. Politicians representing these areas still believe that incomes can only be improved through the price system. It is therefore difficult for the Commission and the Council of Ministers to avoid continuing with a level of price support which takes account of the needs of small and less efficient farmers. Inevitably, such a level must continue to represent incentives to the more efficient to continue to expand their production.

Mainly because of this different emphasis, it has been inevitable that the EC's agricul-

Mainly because of this different emphasis, it has been inevitable that the EC's agricultural support costs would be larger and would have tended to rise faster than those in the United States. In the EC, agricultural support costs at the Community level have risen steadily through the 1970s from less than \$3 billion to over \$12 billion in 1980. Until 1980 the annual increase in EC farm support costs was running at over 20 per cent a year.

Since then, largely due to the weather, the strength of the US dollar (thus reducing EC export subsidy expenditure), and a depletion of world food stocks, the Community's farm-support cost increase has moderated. In 1981 the cost is likely to increase by less than 3 per cent. But in addition, EC member Governments are still continuing to spend as much on agricultural support as is spent from the EC European Agricultural Guarantee and Guidance Fund (EAGGF), although these national expenditures concern more the social and structural aspects of agriculture.

Support costs have continued to increase in the United States—most notably in the dairy sector. In 1982 the US Government is expected by independent analysts to have to spend some \$2.5 billion buying up and disposing of dairy surpluses alone. This figure thus approaches the \$3.5 billion spent annually (\$4.35 billion expected in 1982) by the EC on supporting dairy farmers. Overall however, because of support limitations built into the US system, total treasury costs for support (not including additional expenditures by states and counties) are not as great as in the European Community.

The limitations built into the 1973, 1977, and 1981 Agriculture Acts in the United States were a governmental reaction to the obvious dangers of too open-handed support of farmers which became obvious in the early 1970s. At that time the United States was spending as much and more on agricultural support as was the EC: in 1970 \$3.7 billion, in 1971 \$4.6 billion, and a threatening \$4.6 billion in 1972, followed by a similar amount in 1973.

From 1974 onward however, the less interventionist policies followed by the Government brought support costs down—to a relatively minor \$1 billion in 1976. They have however risen since then, with years of heavy crops and low world prices, such as 1977, pushing costs back up to beyond the \$4 billion level. In 1980 US Government expenditure on farm price support is likely to have been more than \$6 billion. In addition the Government will have spent a further \$3 billion on conservation programs, and disaster payments.

But whatever the differences between the two support systems, the one thing that both the United States and the European Community face in the 1980s is that whatever policy changes they may make, the steady advance of agricultural technology will ensure that production on both sides of the Atlantic will increase. Average cereal yields in both the United States and the EC are conservatively reckoned to be at least 15 per cent less than is possible.

In any case, the EC cannot simply copy the changes in the US support system. There is a big difference between dominating the world cereals trade and having your farmers depend on exports for a good part of their income and a situation where one's exports are only a small part of domestic production—as in the EC. In addition, productivity per person (not per acre) is much higher in the US grain sector. It is significant that the United States made the change in the cereals program but not in the dairy program. €

Brian Gardner is a reporter for Agra Europe *in Brussels.*

POLITICAL CHANGE: BRITAIN

onward centrist soldiers

The Social Democrats are now close to ending 60 years of two-party domination. Ian Aitken reports.

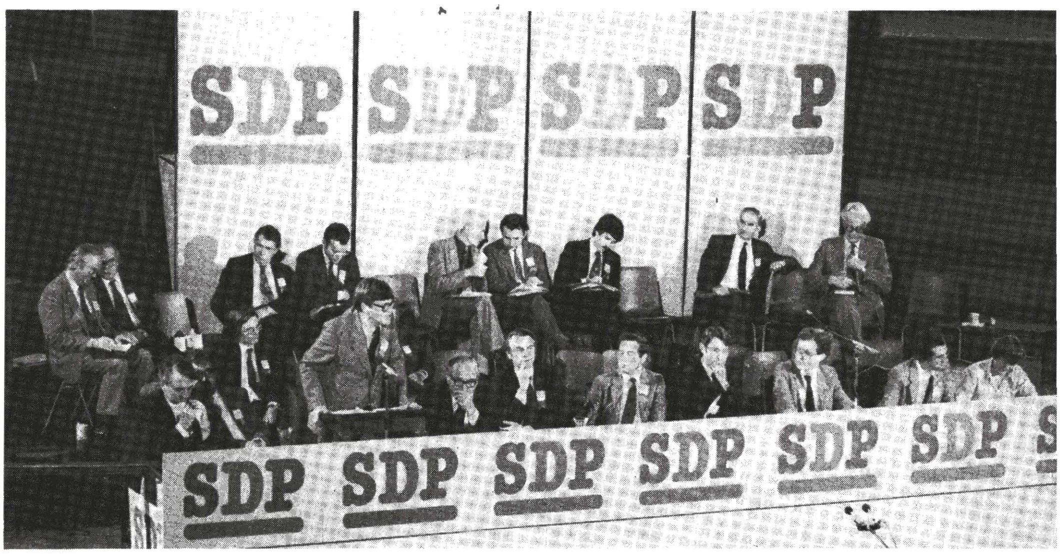
The decline and eventual disintegration of one of Britain's two great political parties is an unusual but by no means unique event in the history of the United Kingdom. The Liberal Party, which reached the pinnacle of its power and prestige in 1906, was on the skids by the beginning of the first world war and down the drain by the end of the second.

But the simultaneous decline of *both* of Britain's two great parties is a possibility which few politicians or analysts would have been prepared to contemplate until recently. And yet there is growing evidence that something of the kind may now be in prospect, and that the process will gather momentum rapidly if it is not halted soon.

The circumstances which might bring about such an extraordinary development have been described as "the politics of failure". The symptoms were identified some years ago by Shirley Williams when she was still a senior figure in the Labour Party, and long before the Social Democratic Party had even been thought of.

The argument is both simple and plausible. It starts from the proposition that Britain's relative economic decline (though not its absolute decline) was an inevitable historical development, and that its progress created a mood of pessimism among British voters which in turn drove their party politicians to make electoral claims and promises which they were quite incapable of delivering. As a result, the public perception of failure by successive governments was actually exaggerated, since their performance was measured against wholly unattainable targets. The cumulative outcome was to feed the existing mood of pessimism, and to redouble the tendency toward political cynicism.

The reaction of political activists in both the Labour and Conservative Parties, though predictable, gave yet another twist to the process. For both groups accepted the proposition, though from opposite directions, that it was the consensus politics pursued by virtually every Government since the war which was directly responsible for the parlous state of the nation.



Shirley Williams is back in Parliament as the first elected Social Democrat. © Keystone Press Agency

The practical result was the emergence of Margaret Thatcher in the Conservative Party as the prophet of a right-wing break with consensus politics, and the emergence on the left of Tony Benn as her mirror image in the Labour Party. Both of them preached the same message—that something new must be tried, wholly distinct from the shabby political and economic compromises of the preceding 30 years, if the downward spiral was to be halted.

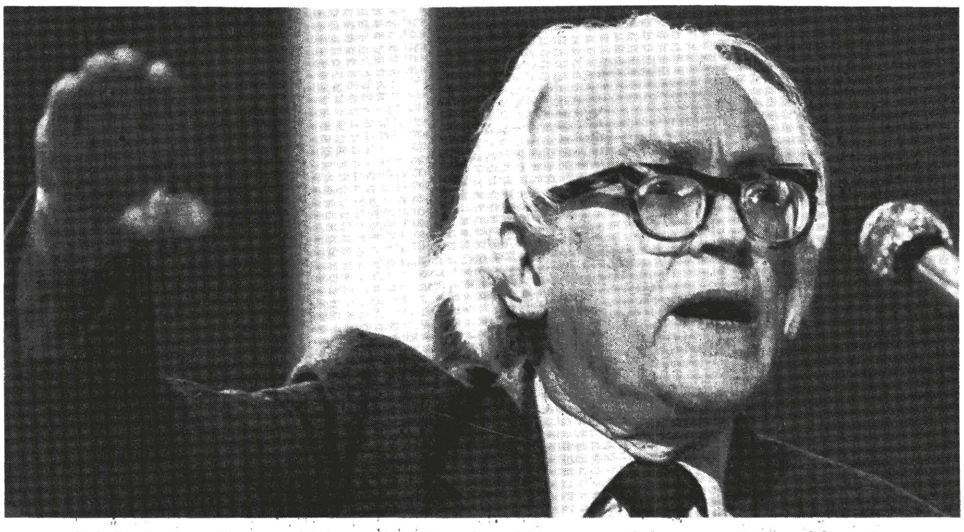
There was considerable appeal in their argument, and each has been successful in shifting the center of gravity of their respective parties away from the middleground which has been the traditional battlefield of British party politics for generations. In each of the two great parties, the extremes have prospered at the expense of the moderates and traditionalists.

The problem for Thatcher and Benn alike is that the British electorate as a whole may have accepted the original diagnosis, but that it is showing increasing signs of rejecting both the right-wing and the left-wing prescriptions. It is frankly scared of Benn and his radical brand of left-wing socialism: And it has seen enough of Thatcher's version of the new conservatism to have reached the conclusion that it is much more likely to kill than to cure.

The voters are therefore stuck with the somewhat threadbare slogan that "something must be done," but without any clear idea of what that something might be. It is an atmosphere ideally suited to the emergence of a new political party, and the Social Democrats together with their Liberal allies have been quick to move into the ground vacated by the Tory and Labour Parties. They are unquestionably something new, even if the bricks from which their alliance is being built have been salvaged from the wreckage of the past.

Though barely a year old, the impact of the Social Democratic Party has already been dramatic. Thanks to defections from the Labour Party, it has already outstripped the Liberal Party as the third largest group in the House of Commons. Working with the Liberals in the country, it has had striking successes in Parliamentary by-elections and a series of devastating successes in local by-elections. It has turned even its lack of a detailed political program into a positive electoral advantage, and now seems poised to cash in on a nationwide mood for some sort of change. On November 27 Shirley Williams, a co-founder of the Social Democratic Party, won by a wide margin a parliamentary by-election in the Crosby district just outside Liverpool. Long one of the Conservative Party's safest seats, Crosby gave the Social Democrats their first elected member of Parliament and the vote represented a major setback for Prime Minister Margaret Thatcher's governing party, as well as for the Labour Party which received less than 10 per cent of the vote.

Prime Minister Margaret Thatcher's governing Conservative Party suffered a major setback in the recent Crosby parliamentary by-election . . .



. . . as did the Labour Party, which received less than 10 percent of the votes. Pictured here is Labour leader Michael Foot. Photos © Keystone Press Agency

Few politicians are yet ready to forecast the extent of Social Democratic and Liberal successes at the next general election some two years from now. But even the most optimistic Labour and Conservative members of Parliament now recognize that a "hung" Parliament is a real probability, in which the eventual outcome will be some form of coalition Government dependent on Social Democratic and Liberal membership or support.

Such an outcome would, in itself, be a dramatic development in British political history. But the reader is entitled to ask whether a drubbing for the two main political parties need mark a permanent change of direction. Surely the very same syndrome which we have called "the politics of failure" can be expected to engulf the newcomers, leading to the return of one or other of the main parties at a subsequent election?

As it happens, it can be expected to do no such thing, because there is a built-in multiplier in the current situation which will ensure that the process cannot be reversed. That factor is the absolute certainty that an inconclusive electoral result in 1984 will lead directly to the abandonment of Britain's existing "first past the post" electoral system and its replacement by some form of proportional representation.

For if there is one thing on which the Social Democrats and the Liberals are agreed in terms of policy, it is that their price for joining any coalition with members of either of the two main parties will be an undertaking to give top priority to the introduction of an electoral reform bill. This can only mean that the general election after next will be fought under an electoral system deliberately designed to encourage small parties at the expense of established ones.

Once that has been achieved, politicians of every persuasion are well aware that they will be playing an entirely new game under wholly unpredictable rules. But the most likely outcome would be the accelerated decline of the Conservative and Labour Parties, and the emergence of new parties of the left and right together with assorted new alliances of the center.

It is the growing awareness of this ultimate threat which accounts for the turmoil in the Conservative Party over the past several months, in which grandees of the traditional Tory wing have been desperately striving to drag Thatcher back from her remarkable prototype version of Reaganomics in favor of a political posture closer to the middle ground. There are signs that they are having some success, but few of them are confident that the necessary change of style and content is being achieved quickly enough to ensure that the Conservative Party enters the next election as an effective fighting force.

If they fail, and if the Conservative Party finds itself facing the country as the Thatcherite party of unemployment, then it is virtually certain that large numbers of habitual Tory votes will conclude that their only hope of holding off the increasingly left-wing challenge from the Labour Party is the attractive and moderate-looking alliance of Liberals and Social Democrats.

But there is a looking-glass version of the same argument which applies equally to the Labour Party. It is that traditional Labour voters will become so frightened of the prospect of the return of another Thatcherite Government that they too will be forced to look around for a more effective defense than a rabble of left-wing ideologues. For them, no less than for disillusioned Tories, the Liberals and Social Democrats are waiting.

That is the supreme paradox of the present political crisis in Britain. For each of the two main parties now has an almost desperate interest in the survival of the other. After 60 years of deadly rivalry, they may both be about to go under, locked in each other's arms.

Ian Aitken is a political editor in London for The Guardian.

Will Greenland Quit?

LEIF BECK FALLESEN

Just a few months ago, the result of the EC referendum, to be held on February 23d, on Greenland seemed a foregone conclusion. Everybody expected a decisive "no" to continued membership of the EC.

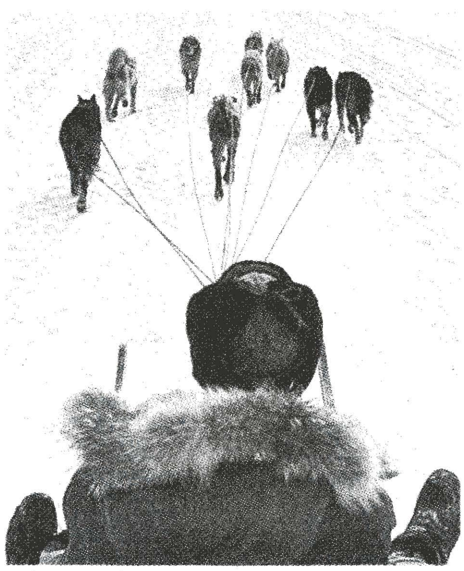
But in the last months of the campaign, the supporters of continued membership have made a strong effort, stressing the economic cost of severing ties with the EC, and though there are no polls to show it, the result is now considered by many observers to be in the balance, if not an actual cliff-hanger.

If so, then the roughly 30,000 voters of Greenland have really changed their minds. When Denmark voted to join the EC in 1972, the referendum in Greenland was 70.8 per cent against and only 29.2 per cent voted in favor, admittedly with the relatively low turnout of 57.6 per cent. Greenland, as an integral part of Denmark, became a member by proxy, but the Danes have always stressed that the Greenlanders would be free to decide at a later date.

In 1979 a candidate opposing EC membership, Finn Lynge, was elected to the European Parliament, and the anti-EC movement Anisa (an Eskimo word meaning "let us get out") is supported by a majority in the Landsstyre, the Greenland legislative council responsible for home rule, by the labor Unions, and by the organisation of fishermen and hunters, KNAPK.

In fact, the only pro-EC organization of any substance was, and still is, the Atassut Party, a party resembling the social democratic parties of Scandinavia. But the party has been very active, and the campaign has been supported by the visits of Danish Minister for Greenland Tove Lindbo Larsen and Danish EC Commissioner Poul Dalsager in October. Both stressed that the Greenlanders must decide for themsleves, but that they prefer Greenland to remain in the EC.

But the real issue of the closing months of the campaign has been economics, or rather the cost of leaving the EC. The EC supporters say that it will cost each Greenlander between $800 and $1,000 a year, and even the official white paper of the legislative council admits



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that the cost will be heavy. Total EC economic support of Greenland in 1981 is estimated at about $25 million and, though the amount may seem petty, it has been estimated that the local income tax rate will have to be quadrupled, from 3 to 12 per cent, if the EC funds are not available. The Danish Government, already paying half the expenses of the local Government, has made it clear that it will not provide more funds if Greenland chooses to leave the EC.

The anti-EC majority in the legislative council has already told the EC Commission and EC member Governments that it wishes an association status as an Overseas Countries and Territory (OCT), corresponding to the status of the non-independent British, French, and Dutch territories. This would ensure duty-free exports of fish from Greenland to the EC. The Danish EC Commissioner does not think that such a status will be easy to attain, precisely because the other OCT countries do not export fish in quantity to the EC, and fish is a politically very sensitive product at the moment. Certainly, no official EC response will be possible before the election.

The chairman of the Greenland legislative council, Jonathan Motzfeldt, also leader of the largest party, the Siumut, says that he believes an OCT status is possible, including some kind of assistance treaty. But he has hinted that he may be prepared to accept a long negotiation, assuming a no vote in February, delaying the withdrawal of Greenland from the EC perhaps as long as three years.

The special clauses providing for EC aid to Greenland—a total of almost $75 million plus $50 million in loans from the European Investment Bank since 1973—expire at the end of 1982. Most observers believe that a withdrawal cannot be effective before the beginning of 1984. The complex legal procedure foreseen by the Treaty of Rome establishing the EC may cause a delay—some Governments may want to, or have to, consult their Parliaments. Technically, the referendum on February 23d is facultative, but as mentioned, the Danish Government has promised to be bound by the result and open negotiations.

The leader of the pro-EC Atassut Party, Lars Chemnitz, believes that Greenland will be in a difficult position in coming international negotiations on fish quotas, with or without an association agreement. EC supporters also stress that Greenland is the only territory in the EC which has been able to increase catches as much as physically possible—in fact this has given Greenland an economic development also making it difficult to obtain the preferential OCT status.

Whatever the outcome of the referendum, the campaign has proved that both major Greenland parties, the Siumut and the Atassut, will want to maintain as close a relationship as possible with the EC, and this has important political implications, not only for the EC and Denmark, but also in the longer run for the United States.

Nationalism has been a very strong factor in determining the attitudes of Greenlanders throughout the 1970s. But the effect of home rule and self-determination on the EC issue tends to be a more pragmatic and realistic appraisal of the interests of Greenland.

The option chosen seems to be the maintenance of present relations with Denmark for an indefinite period of time, and by implication also acceptance of the US bases on Greenland, still a vital part of the air defenses of North America. Rather than the option of independence from Denmark as soon as possible, almost certainly leading to a confrontation with the United States on the base question. A no to the EC on February 23d may increase the likelihood of the second option being chosen at a later date, but it is far less likely now than at the beginning of the campaign. €

Lief Beck Fallesen is economic editor of Radio Denmark.

BUSINESS IN EUROPE: SHOES

the market begins to pinch

MICHAEL D. MOSETTIG

Just as the United States removes restrictions on Asian shoe imports, the EC nations are hearing the creeping feet of Chinese slippers, South Korean running shoes, and varieties of Taiwanese footwear.

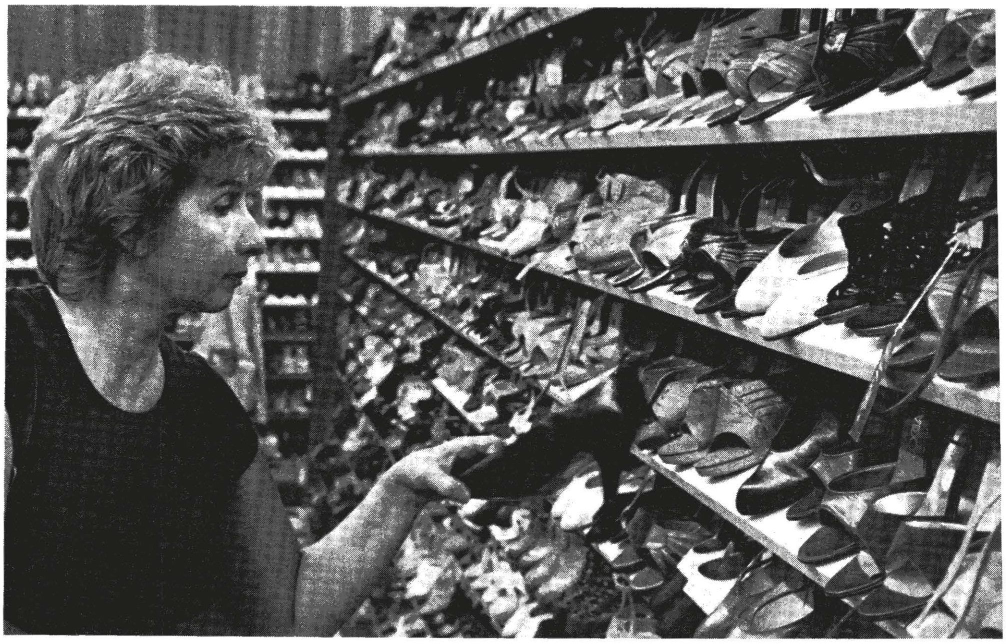
Lifting import quotas on Taiwanese and South Korean shoes last summer, the Reagan Administration acknowledged the futility and probably the undesirability of trying to roll back the 50 per cent share that foreigners have gained in the $4.5 billion American footwear market. Even the quotas could not stem the decline of American production, which has hit a 50-year low, and the loss of another 20,000 shoe jobs in the last six years.

Now, West European nations are suddenly confronting some of the same problems that have been gnawing at the US footwear industry for years. But unlike the US Government, which had few political worries outside of New England with the shoe industry, the Community is dealing with a vital manufacturing sector. In Italy, alone, the 112,000 workers in 6,300 factories almost outnumber all the shoemakers in the United States.

Without saying it in quite so many words, European officials want to avoid repeating the American experience in their shoe industries. The Community is the world's largest shoe manufacturer, and footwear accounts directly or indirectly for 600,000 jobs in Europe.

At first glance, the Europeans would seem to have little to worry about on that score. The industry appears to have weathered the global recession with production constant and consumption strong throughout the 1970s. Even with the most recent surge of Asian shoes, imports still account for less than a third of total consumption. But this is up from 19 per cent penetration in 1973. The industry is relatively modern and competitive; the 17 per cent drop in employment in the last decade was largely due to improved productivity.

Production and export figures were down sharply in 1980 but mainly because of a fashion quirk. The Italian low-priced women's shoes called Candies, which had accounted for a huge increase in production and exports in 1979, fell out of favor with American shoppers by 1980. And so far in 1981, the American market, which accounted for $575 million of $1.8 billion in world wide exports in 1980, is looking up again for the first time in nearly two years. A higher dollar and trends to more elegant shoes have both helped European exports.


© Richard Kalvar, Magnum

Despite those optimistic indicators, the European shoe industry and Commission officials in Brussels are becoming increasingly concerned about the growth of Asian imports into their relatively open markets and the continued existence of barriers to European exports in both the industrial and developing worlds. As a result of both trends, the Community's balance of trade in shoes is on the edge of deficit for the first time. In contrast, the 1979 surplus was more than $500 million.

After years of pleading in Brussels, Italian and other European shoe manufacturers began drawing a more sympathetic response—and promises of action—from the Commission and Council last summer. The Commission has not acceded to the wishes of the manufacturers for a shoe equivalent of the worldwide Multifiber agreement, but it is considering a variety of measures to control imports and promote exports. As a last resort, it is ready to consider negotiating voluntary import restriction agreements.

The first step of the Commission's import program was to consult with the major Asian manufacturers about their plans and to warn them that continued exports to Europe would hurt the Community's shoe industry. The response to these consultations has not been encouraging. China predicted "a very big surge" in its 1982 exports of slippers and espadrilles, which have been popular in the French, West German, and Italian markets. Chinese exports to the Community nearly doubled from 19 million pairs in 1978 to 37 million in 1980. Taiwan also anticipated an increase. It accounted for almost 60 million pairs of imported shoes in 1980, up from 35 million only two years before. The Commission is still awaiting a response from South Korea, which accounted for 46 million pairs in 1980.

The even more recent surge of Brazilian imports reflects problems on three sides of the shoe trade triangle. By the first quarter of 1981, Brazilian exports to Europe were running at almost double their 1979 rate. The Commission has begun an inquiry into complaints that Brazilian exporters are receiving a 15 per cent government subsidy, and it may follow the US lead in imposing a countervailing duty on Brazilian shoes.

Yet, as in many other potential markets for European shoes, Brazil is effectively shut off with a 170 per cent duty. At the same time, Brazil and Argentina have restricted exports of high quality hides to Europe, a major con-

tributing factor to rising costs for EC manufacturers.

Within the Commission there has been some discussion, but as yet no concrete decision, to take the world shoe trade problem to the Organization for Economic Cooperation and Development. Among other things, this organization would provide a forum for putting pressure on Japan, which restricts imports of European shoes and which has also been bidding up the price of hides.

Manufacturers, of course, are not relying only on government support. The National Association of Italian Footwear Manufacturers has launched a major promotional campaign in the United States, and an Italian Shoe Center has been opened in the Italian Trade Center on New York's Park Avenue.

The American shoe industry, desperate to improve productivity and competitiveness, will conduct joint research with the London-based Shoe & Allied Trades Research Association. American manufacturers have also begun their own export drive which produced $112 million in exports in 1980. In Europe, US exporters have tried to capitalize on the popularity of the "American look," pushing such items as loafers and Topsiders.

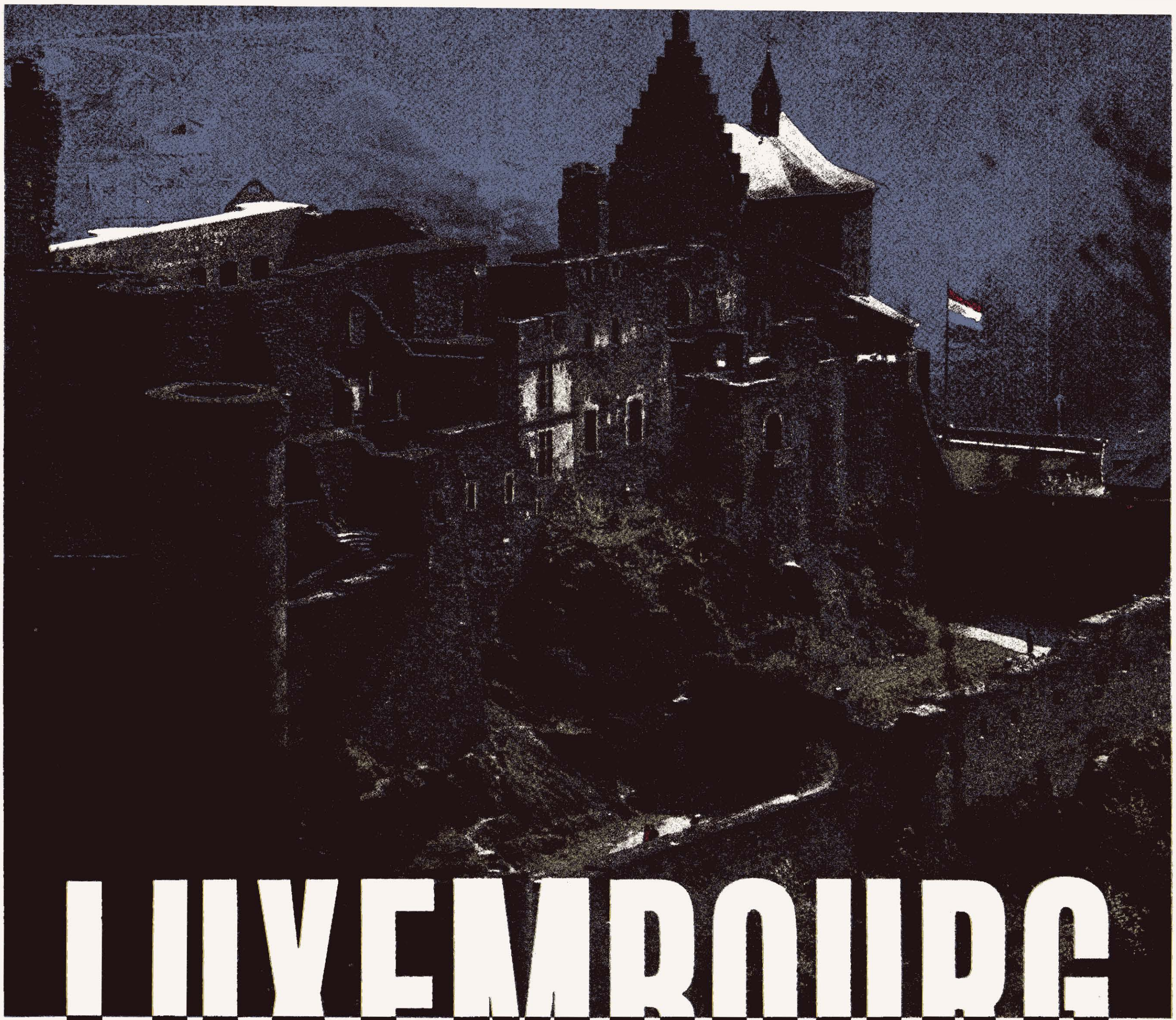
And even though it takes a considerable number of $8 shoes (wholesale) to make up for billions of dollars of oil imports, the shoe trade is increasingly following the oil business. This is especially true for Italy, which in 1979 drew more than 15 per cent of its total export earnings from shoes.

Libya, a country of 3.1 million people, bought 6.1 million pairs of European shoes (worth $60 million) in 1980, pushing it ahead of Norway as the Community's fifth largest market. Also doubling their imports of European shoes, and ranking ninth and tenth as markets, were Lebanon and Saudi Arabia.

Despite Mideast wealth, those three markets still represent only 10 million pairs of feet. For the Europeans, the opportunities for the quickest turnaround are in the United States. The fall-off in the popularity of Candies led to a $300 million dollar drop in exports between 1979 and 1980, reflecting the volatility of the market.

And the American market will be growing tougher. South Korean and Taiwanese exporters used the four-year period of trade restrictions on cheap shoes to move into upmarket footwear, yielding more of the lower end of the market to China, Hong Kong, the Philippines, Thailand, and Singapore. Also, even more than in Europe, the American retail shoe market closely follows the economy. The hopes of US retailers that a brisk 1982 sales year would follow an only moderate 1981 diminish with each new forecast of a deep and prolonged American recession. €

Michael D. Mosettig is a New York writer.



The Viandén castle before restoration. © H. Gehlen, Editions Guy Binsfeld, Luxembourg.

LUXEMBOURG

A PUBLIC FIGURE MUST OFTEN REPRESENT DIVERSE CONSTITUENCIES, not always comfortably. But, in writing these few lines, I find myself in the pleasant position of associating myself with two which are particularly close to me—my own country of Luxembourg and *Europe* magazine, which is published under the auspices of the European Community, whose Commission I serve as President.

All Luxembourgers are by birth—as well as conviction—Europeans. Any small nation must find ways of expressing its ideals in the most effective forum. Torn for centuries by competing forces of the major powers of Europe, Luxembourg, a founder member of the European Community, is now finding its modern international identity in the cause of a cohesive, united continent.

My country is, in may ways, the fulcrum of the Community, economically and culturally as well as geographically. Our successes and problems closely parallel those of our larger neighbors: no other country constitutes such a cross-cultural pot-pourri of German, French, and Belgian ingredients (spiced with the widespread use of the English language, if not, as yet, Greek). For these reasons, we often find ourselves more qualified than most to act as arbiters when the European giants fall out, to remind them that their common interests matter more than their disagreements.

Yet we survive as very much an entity in our own right and on our own merits, as we have for centuries. This is, I suggest, an achievement against all odds for a country with a population roughly similar to that of Tulsa, Oklahoma, and one which has been exposed for centuries to the wars and outbursts of national ambition that have stricken our continent.

Europe magazine, I believe, is an unusual and valuable vehicle for exploring and illuminating these complex factors. Though published by the Community, it is not, and never has been merely a mouthpiece for the Community or any of its member states. On the contrary, as a forum for discussion, it is free to delve into issues affecting continental Europe and the Atlantic relationship, praising and criticizing wherever justified.

The goal is a better comprehension, above all in America, of what makes Europe tick. The more our Community and the United States understand each other, the more closely we can work together. I am delighted, therefore, that this edition of the magazine is devoting so much attention to my native country. GASTON THORN

QUIET ADJUSTMENT

ALAN OSBORN

SOME COUNTRIES CAN BE SUMMARIZED IN A PHRASE AND IF you ask a Luxembourger about this I suspect you'll hear something like "small is beautiful." No tourist will dispute the truth of this. Drive down from Brussels, come by train through the Ardennes, fly in by jet to the international airport, and everytime there is a sense of arriving in a green and pleasing pocket of unspoiled charm set in the unrelenting industrial landscape of northern France and southern Belgium.

The city of Luxembourg itself, with its turrets and spires, deep ravines and abandoned fortifications, can seem like a comic opera backcloth. The whole country, with less than 500,000 inhabitants spread out over an area smaller than Maryland, often appears to foreigners as inconsequential in terms of European politics and industrial strength.

But to think so is to be deceived. Luxembourg is the home of the European Community's fourth biggest steel industry and can claim to be its most accomplished practitioner of the recondite art of Euro-lending. A walk down the Boulevard Royal with its row of foreign banks immediately tells you how serious a place this is where international finance is concerned. A glimpse of the Kirchberg Plateau moreover and its thrusting modern European Community buildings soon establishes Luxembourg's importance as a seat of EC institutions.

But to talk of the present and the future is not necessarily the same thing. The 1980s do not promise anything like the same growth for Luxembourg in its major activities as did the past decade and the people who run the country are well aware of it. Compare the Luxembourg of today with that of 20 years ago and you will be astonished at the changes in the character of the country that have taken place. Many now believe that just as dramatic a development in its evolution may be inevitable over the next 20 years.

The most immediate threat to the city is the decision by the European Parliament to make Strasbourg its base, thus abandoning the time-honored (and legally proper) procedure under which sittings were held jointly by the French city and Luxembourg. Wooed by costly and energetic lobbying in Strasbourg, members of the European Parliament voted earlier this year to hold all sessions for the indefinite future in Strasbourg though the Parliament's 2,000 strong Secretariat would remain in Luxembourg. Luxembourg has appealed to the European Court of Justice with a claim that such a decision is illegal since the seat has to be determined by EC Member Governments rather than the Parliament itself.

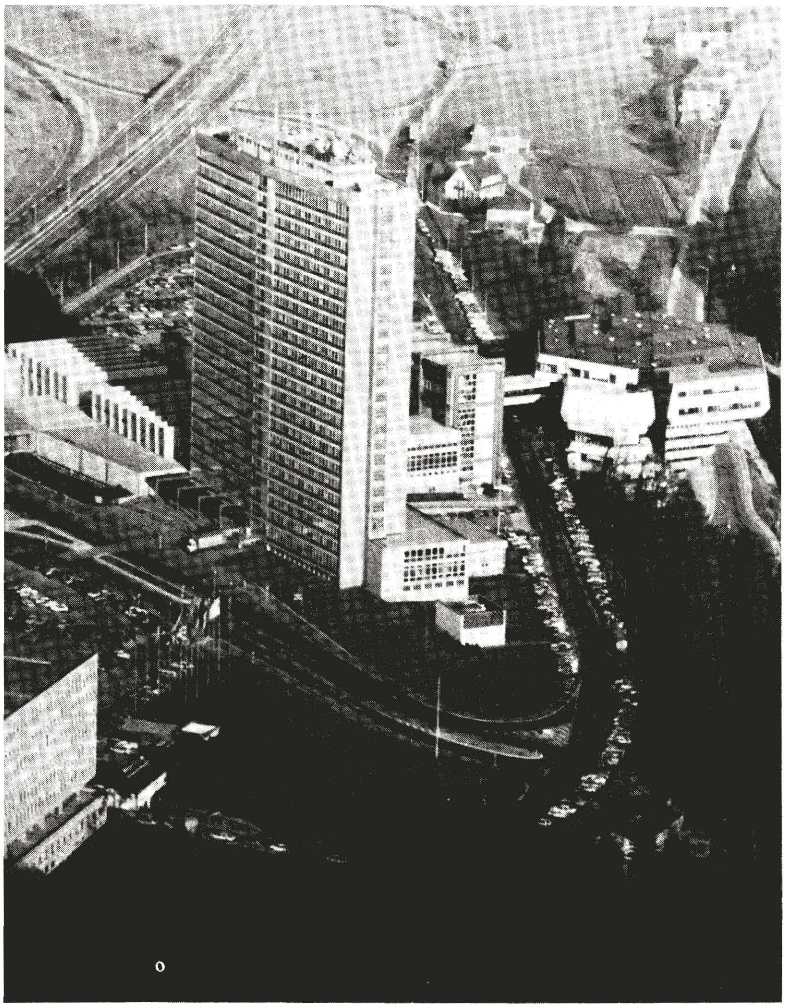
But practical politics suggest that Luxembourg's case is not a powerful one—and in the meantime it is losing much of the routine daily committee and group business to Brussels where the political parties have tended to establish themselves. This three-way split is awkward, costly and, probably, not tenable in the long run. But in the contest to establish a single center for the Parliament, Luxembourg has plainly lost the first round and is in clear danger of forfeiting what grip it does retain. Though there are no official suggestions of moving the Parliament's Secretariat away from Luxembourg it is a fact that much of the growth in the servicing of the institution has now swung to Brussels.

Having spent some $80 million on putting up a new assembly building for the Parliament, Luxembourg is understandably displeased about this development. The loss in prestige is immediately understandable. But the economic loss could be just as serious in the long run.

LUXEMBOURG IN FIGURES

Population	364,000
Area	998 sq. miles
Unemployment rate (1980)	0.7%
First half of 1981	0.9%
Inflation rate (1980, CPI)	6.3%
Industrial output change (1980 vs 1979)	−3.3%
Commercial Balance (1st 11 months, 1980)	
Exports	LF81.64 billion
Imports	LF98.46 billion
Balance of payments (1980)	+$1.0 billion
Average exchange rate in 1980	$1 = LF29.24

Source: Eurostat and the Embassy of Luxembourg



Modern EC buildings on the Kirchberg plateau.

In all there are probably about 7,000 employees of the European Community institutions living in Luxembourg, working for the European Court of Justice, the European Investment Bank, the Statistics Office, the Court of Auditors and the Commission, besides the Parliament itself. Enjoying well above average incomes, these officials, according to some reports, contribute up to 10 per cent of total spending in the city. Of course no one is suggesting that all, or indeed any, of them should move out and it is possible that Luxembourg could be rewarded for the loss of the Parliamentary seat by the siting of new EC operations here—most notably in the financial sector. What does seem clear, however, is that with the loss of the seat much of the growth element may have been removed from this input to Luxembourg's earnings and that is plainly worrying many local officials.

Awkwardly, this is occurring at a time of major retrenchment in the European steel industries, with the enterprising and ambitious Luxembourg company Arbed no exception. Inevitably highly reliant on exports, Arbed has found its markets slumping and costs rising and the company has virtually halved its work force since 1976. Thanks to a sophisticated government policy of subsidizing short-time working and finding jobs for redundant workers, the country has been spared any great social rigors from the cutbacks.

But five years ago Luxembourg got half its tax income from steel and now the figure is around a third—testament to how painful the readjustment has been. Even with Arbed fully competitive no one is expecting much in the way of growth from steel revenues in the future while the possible spread of protectionist tendencies could still make things worse for such an export-oriented company.

The same uncertainty affects banking, the activity which took off in such explosive fashion for Luxembourg in the 1970s, in that from contributing virtually nothing in the mid-1960s it grew to supply 80 per cent of the country's profits tax and 15 per cent of its total revenues in 1980. The huge financial re-cycling operations of the last decade, which lent such impetus to the Eurodollar markets in which Luxembourg specialized have dropped to a shadow of their former volume. While Luxembourg has kept, and even increased, its share of the available business it has, like all other centers, found business more costly and profit margins narrower.

There is now talk that the Grand Duchy should diversify its banking operations, in particular perhaps to try to compete with Switzerland for private client business. But this will not be easy for Luxembourg which is a member of the European Community and thereby pledged to observe the gradual harmonization of banking regulations throughout the Ten. "There is no doubt that there will be strict limitations on the concessions we are able to offer private clients in the future," says a banking official here. We are now going through a period of consolidation. Frankly I do not see any repetition of the growth we enjoyed in the 1970s."

Official forecasts, from the OECD, suggest that the Luxembourg economy will at best remain level but most probably decline by about 0.5 per cent this year. The inputs are familiar—a sharp drop in steel production more or less offset by growth in the banking sector. Inflation is no real problem—at around 6 per cent it is half the OECD average. Nor is unemployment. You can hardly feel much sympathy for a country whose total unemployed could be crowded into a single decent-sized conference room. Moreover, given the huge migrant worker population (it is said that one in every two industrial workers comes from abroad), the social tensions arising from unemployment in most other European countries are totally absent here.

This is not to say there will not be a dose of austerity for most Luxembourgers this year. The budget is badly out of balance and there may have to be higher taxes. Gasoline (the cheapest in Europe) will probably go up in price, as will tobacco and alcohol. Interest rates are likely to rise.

Yet the strong suspicion persists that the life of most Luxembourgers will be little changed by such developments, still less that there will be any reaction against the present Government coalition of Christian Democrats and Liberals led by Pierre Werner. The Luxembourgers do not go in for confrontation politics. Everybody knows each other. Everybody knows the long-term problems facing the country but nobody has yet come up with any daring or novel prescription for solving them. Looking back on the past 20 years you dare not doubt that Luxembourg has the resources and character for changing its economic priorities. But at present there are few clues as to what the next move will be. €

Alan Osborn is Benelux correspondent for The Daily Telegraph.

Pierre Werner: Europe's ups and downs

As part of its special section on Luxembourg, EUROPE *magazine's William Gaillard asked Pierre Werner, Prime Minister of Luxembourg since the beginning of last year, for his views on the future of Europe and Luxembourg's place in the Community.*

EUROPE: **The European Community is going through a period of doubts, internal commercial disputes, and a general sense of lack of perspective. What do you think are the causes of and remedies for such a situation?**

WERNER: The present trend of things is not of a recent nature. It goes back over the last decade. The 1960s were still characterized by a very strong will for cooperation and integration by the six countries of the Community. For the last 10 years this will has weakened very noticeably, and has been evident especially in the Council of Ministers. National Governments exert more and more influence on decisions of the Community and prevent the Commission from fully playing the role which has been entrusted to it by the treaties establishing it.

The Commission has put forward over the years a series of initiatives to improve, or to develop, the policies of the Community and, especially, to improve the procedures and the methods. Nearly all were rejected. There has been a general weakening of the will of Governments to consider matters which are ruled by the treaty as genuine Community concerns, which means that national positions tended more and more to prevail. They very often prevent the taking of decisions on matters which are of vital importance to the Community.

On the other hand, the Commission has become more and more timid with respect to its proposals. We need a very strong reaffirmation of the role of the Commission. Governments should recognize that initiatives of the Commission deserve more consideration. But this also means reshaping the methods and procedures of the Council of Ministers. The way the Council of Ministers works and takes decisions has not brought about prompt decisions in Community matters. Several proposals have been made in the past to improve this.

So far nothing has been done. It has been suggested that more authority be given to designated, coordinating ministers in national Governments—in other words ministers for European affairs—who would represent in the Council of Ministers the interests of the national Governments. This would simplify to some degree the procedures, because nowadays European affairs are very often insufficiently coordinated at the national level.

That's one proposal, but it's only an example of what could be done to improve the working methods of the Council of Ministers. On the other hand to strengthen the Commission means an effort on the part of the Commission itself. The European Parliament, within its powers, can also encourage this new drive by supporting the Commission vigorously and with coherent advice.

You were personally at the origin of the 1970 plan for monetary integration, a plan which very appropriately bears your name. Apart from the launching of the European Monetary System (EMS), no small achievement in its own right, what has been accomplished, in your opinion, in the field of monetary integration since 1970?

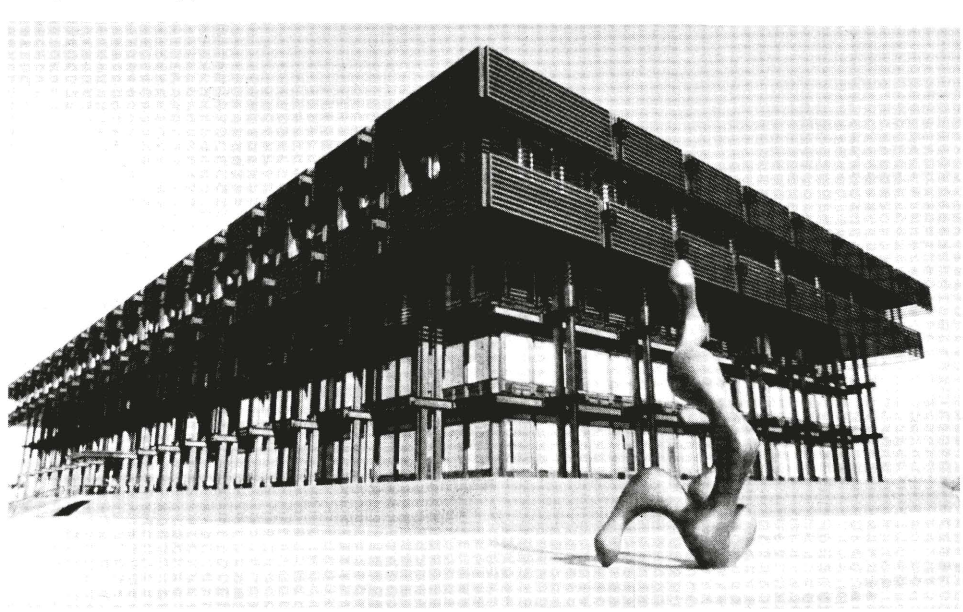
In 1971 and 1972, according to the aforesaid plan, the Government took a number of decisions on cooperation in the economic field and on harmonization of economic, monetary, and fiscal policies with a view of creating, stage by stage, a full economic and monetary union. Progress toward monetary union was badly affected by dramatic developments in monetary matters of the world level, so that finally there remained only what we called the "snake." This was an instrument to keep the fluctuations of exchange rates in the Community within very narrow limits, thus creating a zone of monetary stability.

This scheme had a very volatile life because membership in it changed over the years. Finally, only Germany, Denmark, and the three Benelux countries, members throughout, were left. Nevertheless, this experience was most valuable and it largely inspired the existing EMS set up in March 1979. This scheme has also been based chiefly on stable but adjustable parities between member currencies.

I must say, after all the disappointments which I've experienced over these last 10 years, I was rather heartened when the European Monetary System was set up, with realistic care and with larger means than any scheme which had been proposed before. There are more chances of success now and so far the system has proved viable. It has without doubt maintained a fair stability in exchange rates. Beyond this and through its imposed discipline, it has also helped to harmonize to some degree the economic development of the member countries, although not in the magnitude which one might have hoped. Without it the degree of instability between the partners would have been larger and the exchange of goods more hampered.

Now, what has not been sufficiently achieved is a real coordination of economic and fiscal

European Court of Justice.



Courtesy of the Embassy of Luxembourg

policies. No major step has been taken over the last 10 years in this respect. The authorities of the Community examine the economic and financial situations of the different countries, recommendations are put forward by the Commission, but there is nothing really binding. We see that inflation rates are still very divergent among the members of the Community. We can live with some difference in inflation rates, but beyond a certain limit, the maintenance of narrow margins of exchange rates gets difficult.

The plan provided that after two years the EMS should be developed further and converted into a fully fledged European Monetary Fund. This ought to have been done in March of 1981, but Governments found that the conditions were not favorable enough to do so and left the matter for further study. Nevertheless, especially in light of our experience with the impact of high interest rates in the United States and with the tremendous fluctuations of the dollar, a better understanding is growing now for the need to develop further the European monetary system.

During the last International Monetary Fund Meeting in Washington I had the opportunity to talk to some finance ministers of the Community. Although they do not yet see a very far-reaching further step, everybody has the feeling that we should go along with developing the EMS and especially the use of the *numéraire,* the so-called European Currency Unit (ECU). The use of this accounting currency should be extended not only in public affairs, but also in private financial business. The main goal of European monetary integration should be to shape a common external policy vis-à-vis the main currencies of the world, especially toward the US dollar. New proposals in this matter will certainly be put forward in a near future.

Steelmaking is Luxembourg's main industrial activity, while banking is Luxembourg's main service industry. Both these sectors, and for different reasons, are facing some difficulties today. Is there a quick way out of these problems?

The steel industry is the main asset of the Luxembourg economy, accounting for about two-thirds of our industrial output. Years ago it represented 80 per cent of our exports. The whole development of Luxembourg over the last century has been determined by steel, so it is an essential factor. We already recognized, after the last world war, the need to diversify our economy and did so especially during the decade of the 1960s when we developed initiatives to create new industries. We were rather successful in that period and created some 12,000 new jobs.

But, nowadays, the problems of the steel industry are put in terms which are more dramatic. As you know, steel, especially in the industrialized countries, has come under heavy pressure because of over-capacity caused by the creation of steel industries in all the more important developing countries. This means, for Luxembourg, reduction in the steel labor force. Our scheme, developed a few years ago, provides that by 1984 about one-third of the labor force in the steel industry would be reduced. A substantial capital investment program is supposed to maintain the steel industry as a major pillar of our economy.

Nevertheless, we hope that the way the reshaping of this industry is progressing, and given the strong international position of our main steel company, Arbed, steel will be able to overcome difficulty and still play a large role in the Luxembourg economy, if somewhat reduced in comparison with the past. This restructuring is not easy for us because we are in competition with our more powerful neighbors, who have spent considerable sums of money to modernize and to finance new investment programs. The good performance of our labor force will be an asset which assures the future of the industry.

Now, as far as banking is concerned, the problem is quite different. So far there is no structural crisis in banking but, as in most economic sectors, things are fluctuating. There are international events, movements on the world level, which tend also to diminish somewhat the income of the banks and consequently also the budget income of the state. We know that an international banking center is always subject to change. So, it is our endeavor to diversify the activities of our banking sector. We have passed some legislation in recent years about this and we are preparing other laws which will meet the needs of clients in international business. We think that in spite of the changes which we have to deal with, there are some durable assets in our geographical position, our multilingual education, and our liberal approach to trade and capital flows. They can definitely consolidate Luxembourg as an international financial center.

As Prime Minister of Luxembourg, what do you think is the role, if any, that the European Communities should play in world affairs?

Well, one has got the impression that the world is wandering in such a way that, on the one side there are two superpowers and on the other hand, there are a lot of middle-sized powers and smaller states. I think that to survive for these countries means integrating their efforts in regional agreements and policies. They ought to set up economic-political entities which to some degree can compete with the superpowers. I consider the European Community as one of these entities which, especially due to the high economic potential of these 10 European states, can play a major role in keeping a better balance in the world on economic matters and in monetary matters.

The European Community has, for a long time, been involved in development aid, and has greatly contributed to putting the North-South relations on the map, at least as a concept. What do you think, in that context, of the Reagan Administration's approach to relations with the third world?

You may criticize a lot of other things happening in the Community, but there is one thing on which everybody agrees, that is our new approach of working together with the developing world. We have noted a new and somewhat different approach by the Reagan Administration, and we have to take it into account. I think that there are possibilities that these two points of view can be made compatible in the longer run.

I think that the well-being of the industrialized nations depends very much on the ways we find to develop further flows of aid to the Third World. It raises a number of problems—financial problems, monetary problems—but I'm sure that to straighten out world economic affairs, North-South cooperation and aid to the Third World are prerequisites. That means, of course, that a lot of nationalist feeling by developed and developing countries alike, should be set aside.

I agree with the American Administration when it insists on the need for the poorer countries to put their own houses in order before borrowing large amounts. I think it is a matter of emphasis. Perhaps that new American accent was necessary.

On the other hand, this should not mean that the general amount of aid to third countries should be reduced. On the contrary, I think it has to be enlarged according to methods which are reasonable, without creating new inflationary pressures. We have a special duty and responsibility to take care of those countries which have no oil, no valuable raw materials—which have nothing for the time being. I am thinking of the 31 poorest countries. There ought not to be a philosophical or theoretical debate on how to do it. Something has to be done by any method which is convenient and which helps these people.

Let's go back closer to home. Luxembourg has for a long time been the seat of numerous European institutions, the EC's High Authority until 1965, the European Court of Justice, the European Investment Bank, the Court of Auditors, and the European Parliament. What do you think of the recent vote that strips Luxembourg of the right to be the seat, together with Strasbourg, of the European Parliament.

Well, Luxembourg has been the first seat of any European Community. You know that in 1952, the European Coal and Steel Community settled down in Luxembourg. Later on, due to the creation of the Common Market and the EURATOM, we agreed that they should settle down in Brussels. There was no difficulty on the Luxembourg side. In 1965, a solemn agreement by the Governments cleared the way to give Luxembourg a well defined role as a European center alongside Brussels and Strasbourg.

These decisions were taken by Governments themselves, which are the bodies which, according to the treaties, are empowered to take such decisions on matters connected with the seats of the Community. Any other decision-making process would be contrary to the treaty. That's the reason why we cannot recognize the validity of the resolution taken by the European Parliament and that is why we brought the matter before the European Court of Justice.

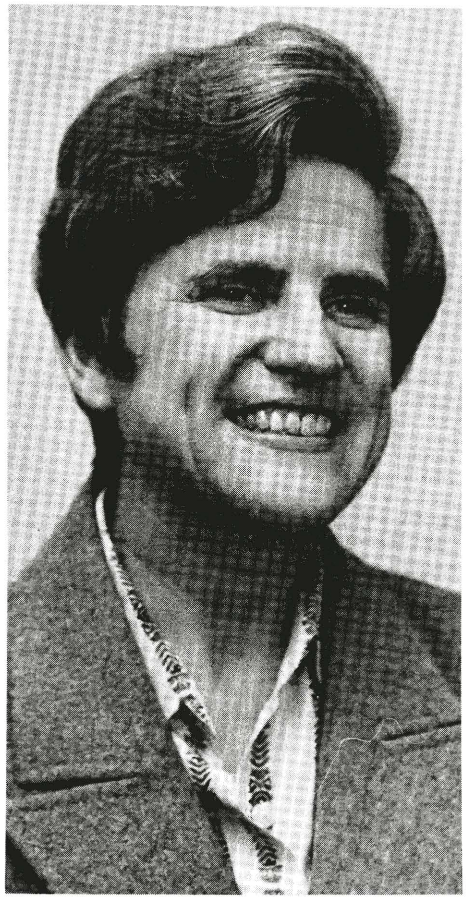
We are not saying that the European Parliament is not valuable or that we want to diminish its authority; far from it! Luxembourg authorities have always been in favor of giving the European Parliament its constitutional means, greater powers if necessary. We have advocated the strengthening of the Parliament. But, on the other hand, especially for a small country like ours which derives its only strength from the legal and statutory arrangements, we cannot accept that the legal should be swept aside.

We advocate the maintenance of Luxembourg as a European center with the same political and economic potential as the one we have now. You must also consider the importance of the European seat and of the presence of the European institutions in Luxembourg, as developed historically. It is a kind of vocation for us, for the city of Luxembourg to be one of the European capitals. We've played this role for nearly 30 years. If you deprived the city of important European institutions, it would be a great setback in every respect, both politically and economically. The secretariat of the European Parliament has about 2,300 civil servants. If you take those, with their families, it means five to six thousand people. The city of Luxembourg as a whole has about 90,000 inhabitants. It has a great practical dimension for us.

Funds invested in Luxembourg can be said to be as solid as a rock, as is the castle of Clervaux in this winter scene. © R. Maertz, Editions Guy Binsfeld, Luxembourg

PROFILE:

Colette Flesch



ALAN OSBORN

Talking to Colette Flesch you soon see how she once fenced in the Olympic Games. There is a duelist's gleam in her eye that warns of controlled aggression. For many years she has been called the most popular public figure in Luxembourg and, having seen her in action as the mayor of Luxembourg and member of the European Parliament, one can easily understand this. Now foreign minister, she has established herself among the top-most women in European politics and it would not be rash to speculate that she might one day become her country's leader.

However devoted she is to Luxembourg, Flesch recognizes the problems facing her tiny country. "Traditionally steel has been the biggest industry in Luxembourg," she said in an interview. "But we realized back in the 1950s that it didn't pay us to rely on one industry and successive Governments have engaged in diversification programs."

She thinks these have been successful and that Luxembourg has made a timely shift away from the recession-hit steel industry. In the peak year of 1974 the Luxembourg steel industry produced 6.5 million metric tons of steel and employed about 27,500 workers. In September this year production was running at around 4 million tons and employment was down to some 18,800 and is expected to fall to 16,500 by the end of 1983.

Put another way, while the steel industry represented 18 percent of the country's labor force in 1974, today the figure is only 11.5 per cent. Yet there is no major unemployment problem in Luxembourg at the moment thanks largely to efforts that the Government has made to attract foreign investment. Flesch quotes as incentives "the availability of fully equipped industrial sites, capital subsidies, fiscal incentives, and low interest loans and venture capital."

"Since 1979 some 30 new industrial projects by new companies, of which more than half are foreign-owned, have been decided on and are supported through these instruments," she says. In value they are worth some $300 million and are expected to lead to the creation of 3,000 new jobs.

The Americans have the biggest investors in Luxembourg, with the tire firm Goodyear and the chemical company Du Pont leading the way. Italian, Belgian, and German companies have also invested heavily in the country.

"America, however, will remain the most important foreign investment source, which explains why we concentrate our commercial promotion and industrial prospection efforts in the United States," she says.

Specifically, the Luxembourg Government has created a permanent office in New York to establish and maintain contacts with manufacturing firms that might be interested in investing in the Grand Duchy. Luxembourg also sends a state-sponsored team to tour the United States seeking investment. "The Government has supported over the past few years the creation and development of over 500 hectares of fully equipped industrial sites at a cost of some $40 million" says Flesch. Most important investments to date have been in sheet glass, nonferrous metals, mechanical and transportation industries, and in chemical fibers and rubber.

Flesch recognizes the importance of the banking sector, and Radio Luxembourg, to her country's prosperity. "There has been a gradual shift from the traditional base towards a diversified industrial base, and especially to the service sector," she says.

But for all the growth in services, Luxembourg is still basically a manufacturing country and it is clear that Government efforts are still devoted to attracting increased industrial investment.

© Tom Sobolik, Black Star

RADIO TELEVISION LUXEMBOURG

still making airwaves

ALAN OSBORN

Not many smallish companies, say with around 1,000 employees, embroil the leaders of major European countries in earnest discussion of their expansion plans. Radio Television Luxembourg (RTL) is one of them. Since it began operations nearly half a century ago, RTL has always been an irritant and goad to the broadcasters, and indeed Governments, of the immensely larger countries around it.

Some doubt that commercial radio would ever have come to Britain and elsewhere had the public taste for it not been primed beforehand by Radio Luxembourg's beguiling late-night blend of pops and advertisements. Certainly to many in Britain still, Luxembourg is famous primarily as a name on the radio dial while many French and Belgians might add that the service provides their only worthwhile television as well.

Now the most profitable radio station in Europe and with a television service commanding increasing audiences and plaudits in neighboring countries, RTL is on the brink of an expansion that is sending tremors throughout France and Germany. Put simply, the company wants to extend its television service to satellite broadcasting, enabling it to cover most of northern Europe. Given the prospect that the privately owned company might exploit its popular appeal in competition with the mostly state-owned services in neighboring countries, senior eyebrows in important capitals have been raised.

"Our own studies for the service are completed and we know that everything has been cleared, technically and commercially, for the launch," says an RTL official. "But the problem now is a political one and it is up to the Government to clear the situation with other Governments." But time is not on RTL's side. "We have booked a place on the US shuttle and on the European Ariane satellite for broadcasting from 1985. But without a political go-ahead soon we may have to forfeit those places."

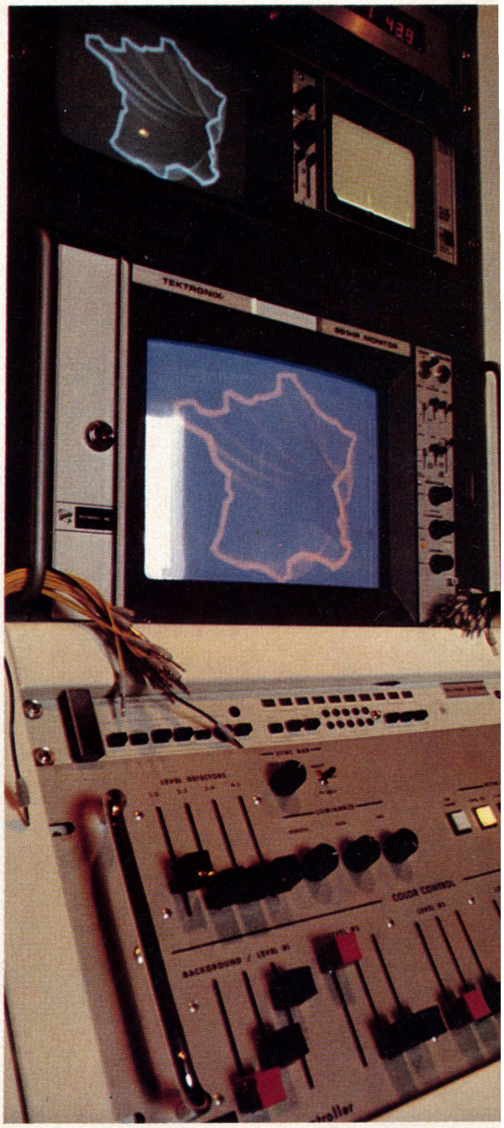
The political problems arise in Germany and France, the two major sources of RTL's revenues. Newspapers here speak of Chancellor Helmut Schmidt, concerned by protests from German television companies, putting pressure on French President François Mitterrand to help block the RTL plans. The situation has become so fraught that a meeting of the Government leaders of the three countries involved has been made necessary. There were earlier fears that Britain too might object but it now looks as though RTL's television "footprint" from its proposed satellite service will not reach far enough into England to make that concern realistic.

The mood in Luxembourg is then somewhat tense as the time for a final decision approaches. Moreover it is a national decision at stake, far more so than the small number of employees implies. The fact is that RTL is Luxembourg's biggest single private taxpayer, contributing last year about 2 to 3 per cent of the country's entire budget. "We are also conscious of the fact that we are the most widely recognized symbol of Luxembourg abroad" an official adds.

Profits of the company last year were about $150 million of which more than three quarters were made in France and Germany and most of the remainder in Britain. Currency changes are important to the company, which gets most of its revenues in French francs and pays most of its expenses in Luxembourg currency but officials say the recent devaluation of the French franc should not have a material effect on its net revenues this year.

If the satellite scheme is lost through political objections, what then? Officials say whether or not this happens, the company is proceeding with a rapid build-up of joint operations in neighboring community countries and in the United States. These include joint film and electronic animated productions, video programs, experimental broadcasts in local languages and the purchasing of major film rights.

Of course much of this is seen as an investment in the satellite service itself. So far little of RTL's revenues come from outside the major broadcasting activities. But the investments are expected to show fruits in two years or so and are bound to change the character of the company even if the major expansion is blocked. "It is now all a matter of politics," says an official. But one doubts that even the combined weight of the French and German Governments will be sufficient to silence this small but persuasive voice that has made such an impact on European popular culture in the past generation and more.



Courtesy of RTL

banking marks time

STEWART FLEMING

CAST AN EYE CASUALLY DOWN A LIST OF THE WORLD'S OFFshore banking centers and one name stands out amidst such tropical paradises as the Cayman Islands or Bermuda—it is Luxembourg.

Since honesty is the best policy, it must be faithfully reported, if with the tongue in the cheek, that some of the foreign bankers who flock to Luxembourg have been heard to complain *sotto voce,* about this state of affairs, as their minds wander from the leaden skies of Europe to vistas of palm trees and casinos. Could it be, they wonder, that the German bankers who have been so influential in transforming Luxembourg into a major financial center were morbidly determined that their successors should not be presented with temptations that might take their minds off the business at hand?

That such wayward thoughts exist is in itself a backhanded testament to the fact that Luxembourg has truly "arrived" as a full-fledged offshore banking center. In 1970, only 30 foreign banks had offices in Luxembourg: Today that number has risen to 113, many of them operational subsidiaries, and approximately 16 per cent of the Euromarkets is conducted out of the Grand Duchy. As a banking center, Luxembourg still ranks some distance behind London and even Paris in importance, though in certain specialized areas it is of considerably greater significance.

Thus, of the 113 banks, 30 are German, a group which includes all the biggest German banks, the Deutsche Bank and Dresdner Bank, for example. Indeed it is the presence of the German banks which has been the foundation on which Luxembourg's success has been built, for it accounts for between one-third and two-fifths of the Deutsche mark Eurocurrency business.

The arrival of the German banks coincided with their emergence in the 1970s as some of the fastest growing international banks. Whatever its climatic drawbacks, at least for the German banks, Luxembourg had a number of positive factors to recommend it. Above all it was convenient, only an hour's flight from Frankfurt, and culturally congruent as a result of its position on the German border.

It was an obvious choice for the location of offices whose prime function was to avoid strict German banking regulations, somewhere to book the business which, if it were booked in West Germany itself, would have to bear both the burden of the Bundesbank's minimum reserves and the capital and liquidity constraints of German banking law.

Once it had gathered momentum bankers from other countries were not slow to appreciate the attractions. The Swiss, ignoring the danger that perhaps they might be promoting a competitor, arrived seeking an outlet through the interbank market for some of their excess liquidity. The Scandinavians had, like their German predecessors, begun to find the con-

straints imposed by narrow minded central-bank bureaucrats back home too tiresome. Even a handful of American bankers, ready as ever to scrape any barrel in search of a buck, have set up offices. Only the British have remained aloof, preferring London's fog to Luxembourg's.

The net result of this influx is that finance is today a corner stone of the Luxembourg economy. Five per cent of the national labor force (some 7,500 people) works in the banking sector which is of vital importance in terms of its foreign earnings, helping to offset the current-account deficit which the Grand Duchy is suffering on its visible trade. The banks also provide about 80 per cent of the state's corporation tax (the bankers remark ruefully that Luxembourg is no tax haven) and 15 per cent of its total tax revenue.

At a time when the Grand Duchy's next biggest employer, the steel industry, is limping along like its European competitors, it is no surprise that the Luxembourg Government is watching anxiously developments which could clip the banking industry's wings. Even Government officials are conceding that Luxembourg's growth as a banking center is likely to slow down now, and that phrase might turn out to be a euphemism for stop.

The German banks, after two years of plunging profits which have exposed as reckless some of the lending decisions they made in pursuit of asset growth, are cutting back on syndicated lending, measuring profit margins more carefully against risks. They are also submitting voluntarily to new guidelines which will bring their Luxembourg subsidiaries within the terms of Germany's capital/liabilities law (but not the minimum reserve requirement), and that too reduces Luxembourg's attractions for them. Some are even being indiscreet enough to say so publicly and others mutter privately about moving at least their Euromarket business to London.

Most are not ready to think about withdrawal. Luxembourg's relaxed view of regulation still has its charms and more and more bankers point out that while their wholesale business is getting harder, plenty of money is pouring in from private clients. The Government has fostered this by giving the bankers more protection to practice their trade in secrecy (numbered accounts are now permitted), encouraging the setting up of a gold market, and the expansion of such private banking and near-banking services as portfolio management and money market funds. Such services could help the Grand Duchy to become a more attractive haven for the middle-rich.

For a member of the Common Market such as Luxembourg however, this is a delicate path to tread. Syphoning capital and tax payers money out of Community neighbors such as Germany and Belgium is not going to win friends and influence neighbours in the EC Council. There are those bankers who suspect too that neither is it going to fully compensate for Luxembourg's other deficiencies as a banking centre, such as an underdeveloped foreign exchange market for example, or lack of access to Arab oil money. On the other hand, private client fees may be lower than in Switzerland, and service more personal. As Luxembourg officials admit, its banking hub is probably in for a period of consolidation.

Stewart Fleming is a Frankfurt correspondent for the Financial Times.

THE EUROPEAN INVESTMENT BANK

market force to be reckoned with

ALAN OSBORN

How fitting that the city of Luxembourg, so chockfull of banks, should be the home of the European Investment Bank, (EIB) which is as close to being the financial limb of the European Community as you could ask. The splendid building just put up for the EIB on the Kirchberg Plateau immediately suggests what a serious and business-like institution this is. But you need to look at the financial records to discover just how effective it has been in its basic practice of borrowing and lending.

"A high profile operator" is how one American banker describes the EIB with grudging respect. It is certainly that, but more too. In the careful, highly professional placing of its loans and in its shrewd exploitaton of the European capital markets, the EIB has shown itself in the front rank of international bankers.

However, this is not a commercial bank. It's not out for profit, but rather seeks to harness its technical skills in the service of EC policy, be it the redistribution of money within the 10 or the extension of influence to countries outside. "There is much talk of economic convergence and the redistribution of wealth in Brussels but this is where it actually happens," says an EIB official in Luxembourg.

Last year the EIB raised $3.3 billion in the capital markets, making it the largest single operator in the Eurodollar markets. It has some $13 billion of oustanding loans. By most measures the bank is a dominant force in the dollar, Deutsche-mark, and Swiss-franc capital markets, indeed too familiar to many lenders who tend to raise eyebrows at the prospect of yet another EIB borrowing.

Rated triple A in the United States and commanding the same authority in European centers, the EIB has no problems about its respectability, backed as it is by the combined guarantees of the 10 EC member countries. "But sometimes there just seems to be too much EIB paper around," sighs an American banker in Luxembourg.

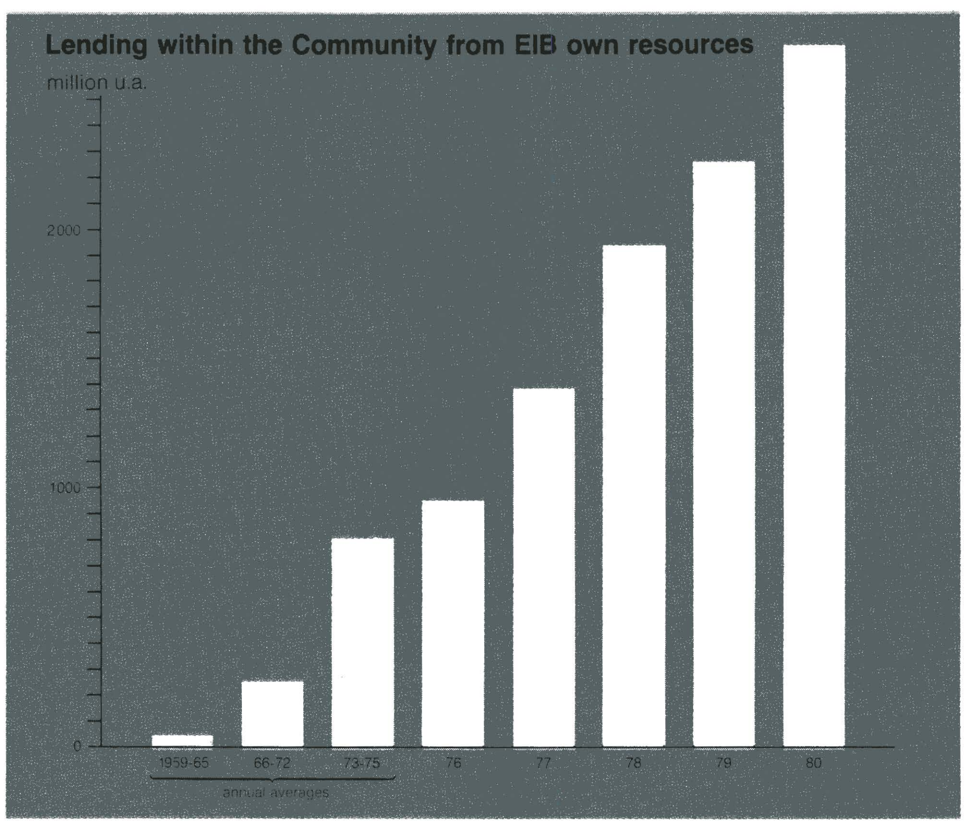
What does it do with its money? Essentially the answer is that it relends to borrowers within the Community—and to lesser extent outside it—who would not otherwise be able to get funding—or certainly not on the terms provided. Such loans aren't subsidized, except in the case of Italy and Ireland where there is a direct grant from the Commission to cut interest rates as part of the deal under which those countries joined the European Monetary System. But money lent by the EIB reflects its privileged borrowing status and this in turn spills benefits on to its customers.

Until Britain and Ireland joined the Community, the clear thrust of the bank's lending was toward Italy and indeed more than a third of all its lending in the first 20 years of its life was for Italian projects. But Britain and Ireland have proved demanding clients and the pattern of lending has changed accordingly.

With the entry soon into the Community of Spain and Portugal—both potential major claimants on EIB funds—there will be further changes in the pattern, and in the character of lending as well. In 1977 the EC Council of Ministers instructed the EIB to place greater emphasis on lending for energy projects and this has been reflected in a sharp increase in funding for such enterprises as nuclear power plants, hydroelectric schemes, and even the development of peat bogs in Ireland.

This has resulted in rapid expansion. Loans and borrowing have doubled in the past three years. This year the Council appproved a doubling of the bank's equity base to around $14 billion. It can lend up to two and a half times as much so the prospect is for rapid growth in the next few years, with commitments rising to $35 billion or so. Though it may rise as high as 50 per cent, an average EIB participation is 25 per cent for any particular project. Since this is normally the "clinching" money, one can see what scope there is for the bank to underwrite the development of the Community's poorer regions.

But there are those who say this is all too negative and that instead of helping job-support projects in ailing regions, the EIB would do better to place its resources behind the promotion of growth industries in new technologies. There is some soul-searching over this within the bank and the Commission at the moment. Given the chronic unemployment in Europe at present, the bank is unlikely to be ordered to change its stance in the short term. But it may have to come if the Community is not to resign itself to a permanent third place in the world's technology behind the United States and Japan. €



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STEELYARD BLUES

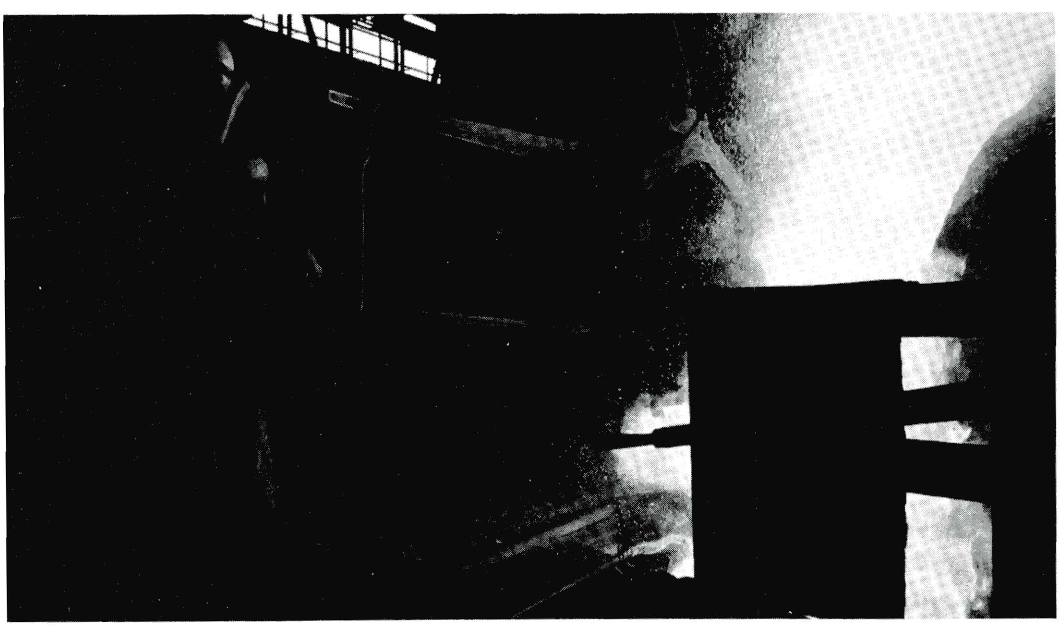
GILES MERRITT

The stately 19th Century palace that houses Arbed's headquarters in the center of Luxembourg is sometimes mistaken by visitors for the seat of the Grand Duchy's Government. Until quite recently it would have been an error that was uncomfortably close to the mark.

For the huge Arbed steel-making group has long been disproportionately powerful inside tiny Luxembourg. Until steel began to slump in the mid-70s, Arbed accounted for about half of all industrial production there and a quarter of the gross domestic product. It directly paid a fifth of all wages and in tax yield and more indirect spinoffs was the bulwark of the Grand Duchy's national budget. It was so big that it had long ago spilled over Luxembourg's own border, so that its world wide payroll of over 100,000 people was equivalent to almost a third of the Grand Duchy's own population.

Today, the possession of Europe's fourth largest steel-maker is of course no longer a budgetary blessing to Luxembourg's comparitively small economy. It is a serious burden. Worse still, Arbed's dependence on exports for around 97 per cent of its sales has, as the steel crisis deepens, transformed it from being the embodiment of the Common Market in steel to a dangerously vulnerable company. Like neighboring Belgium, which consumes only 20 per cent of its own steel output, Luxembourg is increasingly resented for reducing the size of national EC steel markets that are available to domestic producers.

Yet to a large extent Arbed deserves its export successes, for of late it has emerged as a model of good management in an industry that has generally appeared ill-equipped to cope with the structural problems that now beset it. Thanks to its involvement in the reorganization of West Germany's Saarland steel-makers, and because of the unflappable way in which it began to tackle its own difficulties, Arbed's image became that of crisis manager extraordinary.



Today, ARBED is Europe's fourth largest steel-maker. © Jean Gaumy, Magnum

But events often move faster than such images. Arbed's difficulties are such that in the three years since it began to draw up what then seemed a radical $1.3 billion restructuring plan, it has been forced from crisis management to becoming a survival strategist. As conditions continued to deteriorate for steel producers across Europe, the plan for cutting Arbed's total Luxembourg steelmaking force of 20,000 by one man in five in order to be lean and healthy by 1984 became increasingly unrealistic.

What sort of slimming down Arbed eventually undergoes is still uncertain. The signs are, though, that the "natural wastage" policy involving no sackings that was originally introduced may have to be abandoned, which would send a social and political shockwave right through the Grand Duchy. While Arbed believed it was addressing itself to a manageable crisis in steel, it contrived to avoid declaring any redundancies by transferring unwanted workers to an "anti-crisis division" that performs a variety of odd jobs, including the restoration of fine old buildings.

Arbed's financial position makes it plain that such a socially responsible safety valve is no longer within its means. Earlier this year the group revealed that its 1980 sales were 45.3 billion Luxembourg francs (LF)—about $1.22 billion—actually 0.2 per cent lower than turnover during the previous year. Needless to say, with costs mounting steadily in the meantime, Arbed's losses had at the same time rocketed up to LF 1.58 billion from the LF 218 million level reached in 1979. Equally worrying, the order book for 1981 and beyond stood at almost half the value of orders in hand up to the middle of 1980.

Arbed has known worse loss figures during the patchy years that have elapsed since 1974, the last of the good years when sales nudged LF 50 billion and net profits were at LF 1.74 billion. In 1977 losses reached LF 4.5 billion before improving to a LF 1.9 billion deficit in 1978. But it has never known worse conditions. Its major difficulty has been Europe's sagging steel prices. In 1980 the group in fact slightly increased its steel deliveries in tonnage terms over 1979, yet still the sales value slipped back.

The EC Commission's anti-crisis plan for steel has helped lift prices twice since mid-1981, and for next year a further 17 per cent increase is being aimed at. That will certainly help Arbed, but cannot arrest the drive to cutback the Group's steel output to bring it into line with demand. Last year the Group's production dropped just 4 per cent to a shade beneath 12 million tons (metric), of which Luxembourg plants accounted for 4.6 million tons. In the first nine months of this year, Arbed's total output dropped 13 per cent from comparable 1980 levels, and Luxembourg's own production slumped by over 22 per cent. Arbed is set to become a much smaller giant of the European steel industry than it was.

Giles Merritt is Brussels correspondent for the Financial Times.

LUXEMBOURG ART

reflections of an enclave

LILIANE THORN-PETIT

"Luxembourg is an anachronism of history," European statesmen used to say and, given the size of the best of the grand duchies in the world today, one would be inclined to agree with them.

It is first Luxembourg's size—2,586 square kilometers with some 370,000 inhabitants, one third of them foreigners—which makes the country a political and historical curiosity. On the other hand, its centuries-old history as prime territory for invasion completes the picture that must be kept in mind if one is to talk about art in Luxembourg.

Hippolyte Taine's famous theory—that works of art, people, the artists themselves can best be explained by relating the individual's psychology to the social, political, and historical background—is well illustrated by the Luxembourg example.

There is a glorious past, dating from the beginning of Luxembourg's history, as evidenced by Celtic and Roman artifacts that represent some of the most precious and interesting objects in the national museum. Sculpture and sarcophagi depict primarily horses dear to the Treviri, that Celto-Germanic tribe whose warlike and equestrian qualities were celebrated by Caesar in his account of the Gallic War.

Later the inhabitants of this "kingdom of the middle," split between the sons of Charlemagne, hardly had artistic tastes. The Middle Ages left behind a few fortress walls and a small cemetery where victims of the plague were buried.

This was a poor region, a rural area where life unfolded between the bell towers of modest, rustic village churches, untouched by the great romanesque and gothic styles, and their graveyards of simple tombstones. The Luxembourg fortress and its surroundings suffered so many assaults from French Burgundians, from Spaniards, Austrians, and Prussians, that architectural art suffered a mortal blow, as did domestic art.

The Grand Duchy was a land of transience, wedged as it was between the French and Germanic worlds. When, at last, Luxembourg's artists began to express themselves in major works, these naturally reflected the crossed influences of the great, neighboring cultures. In fact, it was only toward the end of the last century that impressionism (baptized as such in Paris in 1894) began to make its influence felt in Luxembourg painters.

Seimetz (1858-1934) would be the first name to cite in this context, with his pre-impressionist paintings in 1893 of the Mississippi shoreline. Beckius, the painter of our own Moselle river, didn't adopt the impressionist manner until 1920 (though he remained faithful to the style until his death in 1946).

Dominique Lang (1874-1919), born in Dudelange on the French border, is the one painter among our impressionists who came the closest to the French and who has the purest color, according to Luxembourg art critic J.E. Muller (the only one to achieve European fame, to the point that Larousse entrusted him with the encyclopedia's article on 20th Century art). Sosthène Weis (1872-1941) is very much in favor with the Luxembourgers who like the dreamy, visionary poetry of this post-impressionist's watercolors.

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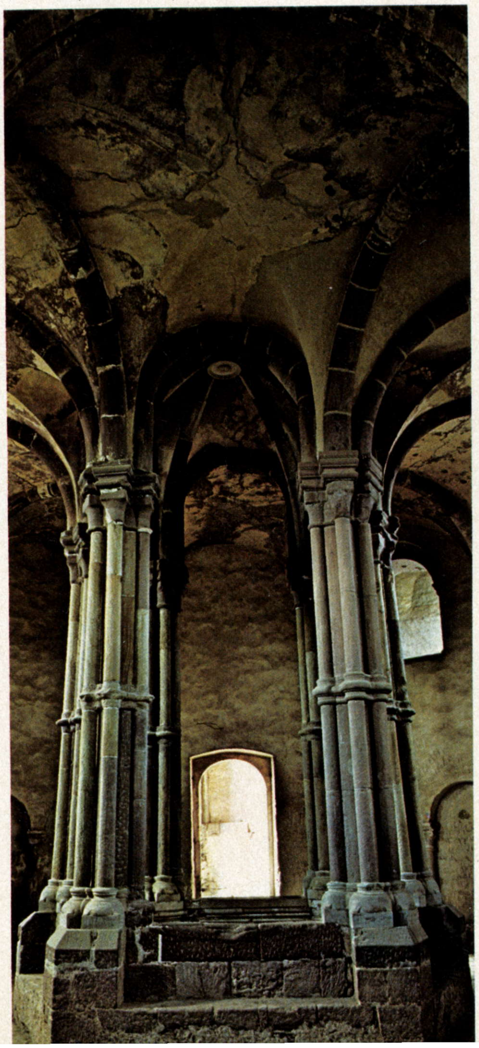


And finally came Eugene Kutter, our first important "real" painter, whose name spread beyond our borders. Just like his contemporary Klopp (1894-1930), another Mosellan, Kutter took his inspiration more from German expressionism and from that of the Fleming Permeke. Melancolic, tortured to the point of pathos, he expresses remarkably well his *mal de vivre*, but his form is also solid and his color scale rich. Solidity and serious research are also the most marked qualities of a talented animalist who recently died: August Tremont (1892-1981). This Luxembourger who lived most of his life in Paris always tried to "express not so much what he feels, but what he sees and what he knows." (J.E. Muller). The *Ecole de Paris* inspired more Luxembourg artists than any other previous art movement.

Joseph Probst (born in 1911) is one of the best feathers in Luxembourg's cap. He brings together so well his shimmering colors and his shapes, sometimes sharp, sometimes sensual, but always seductive.

A sculptor, Lucien Wercollier, has proved in an important body of work that Luxembourgers can leave their mark on a European scale. Other abstract painters such as Bertemes, Gillen, Junius, Gust Graas, and the young Robert Brandy work relentlessly and courageously in a country whose cultural milieu is somewhat undernourished and not very favorable to artists.

Today the windows of Luxembourg look out from all sides on the external world. Just like their television antennae, the people pick up currents from France, Germany, Belgium, the Netherlands—even Italy and Britain—and they like to travel.

Consequently, the Luxembourg people, with their very bourgeois view of life, have discovered a definite taste for paintings and have produced some fervent collectors, especially of the *Ecole de Paris*. There is a curious and revealing fact: their collections reflect the mentality (or level-headed temperament) of the Luxembourgers. Paintings are bought for pleasure and almost never for resale or as good deals, though no one fails to be delighted if the investment turns out to be gilt-edged.

All in all, Luxembourg collectors are more passionate amateurs than professionals making systematic and calculated purchases. €

Liliane Thorn-Petit is a correspondent for the Republican Lorrain.

In the Eye of the Storm for 1,000 Years

Prince Henri and his bride Maria-Teresa a year ago.
© Sipa Press/Black Star

GILBERT TRAUSCH

Luxembourg first entered history in 963, when the name appeared for the first time. A certain Count Sigefroid, who had estates on the middle Moselle, on that date acquired a steep piece of land overlooking the Alzette river. At the top of the cliff was a *castellum,* or fortified tower, named in the deed as Lucilinburhuc, which means small fortified castle or little fort. "Lucilin" has common roots with the English word "little."

Count Sigefroid had a big castle built; artisans set up shop all around and an embryonic local government took shape. In short, a city was born. It would be named Luxembourg and would become the capital of a principality of the same name (first a county, then a duchy beginning in 1354, and finally a grand duchy since 1815).

Sigefroid chose the spot he did in 963 for its strategic value: the site, directly on the Roman road between Reims and Trier, was easy to defend. From its very beginnings Luxembourg was destined to become a fortified city and it stayed so until 1867.

The emerging Luxembourg found itself on the edge of two worlds, the germanic and the romanic. Throughout its entire history it was tossed back and forth between these two cultures, trying, not without success, to take part in both without really choosing one or the other.

This nascent Luxembourg was in the middle of Lotharingia—that vast "in-between" country separating two big blocs, France and Germany. Luxembourg and Lotharingia were part of the Medieval Roman Empire, with Luxembourg forming a stepping stone toward the West.

The Middle Ages would be a great era for Luxembourg. The principality grew considerably, to the north as well as westward. To the east the country included a germanic sector where *letzeburgesch* was spoken and a romanic sector to the west where French and Wallon were the main languages.

In 1308, Henri VII, count of Luxembourg, attained the imperial rank. His son, John the Blind, the epitome of the medieval knight, became king of Bohemia through marriage. His grandson, Charles IV and two great grandchildren, Wencelas and Sigismond, held onto the imperial throne until the Luxembourg branch extinguished itself in 1437. The Duchy of Luxembourg—covering nearly 10,000 square kilometers—then became the prey of the enterprising dukes of Burgundy who tried, without any longlasting success, to create a nation between France and Germany.

In the 16th, 17th, and 18th Centuries, the Duchy of Luxembourg was drawn into the battles for the control of Europe between the Hapsburgs (of Spain and Austria) and the Valois and Bourbons. In the 19th and 20th Centuries, the nationalist fervors that tore Europe apart were nearly fatal to Luxembourg's survival.

On three different occasions, parts of Luxembourg were grabbed up. In 1650 France took a piece off the south part of the country, in 1815 Prussia took land in the East, and in 1839 Belgium detached a piece in the north west. Only the rivalry between the great powers allowed the survival of the central portion (of germanic expression) as an independent state, raised to the status of grand duchy by the Congress of Vienna in 1815, but reduced to 2,500 square kilometers.

Through long efforts and sacrifices the Luxembourgers have undertaken since 1839 to give an economic force and a cultural identity to this mini-state. The creation of a powerful steel industry since 1870 and the establishment of an important financial marketplace since 1950—as well as the rise of an intense political and cultural life—are the result of the will of this little community (364,000 people in 1980) to be a nation in its own right. €

Gilbert Trausch is director of the National Library of Luxembourg.

BUSINESS IN EUROPE

CHUNNEL REDUX

Sinking an operational shaft for Chunnel construction at St. Margaret's Bay on the Kent Coast in the 1870s.

DAVID BELL

At the foot of a steep chalk cliff not far from Dover, England, are a pair of rusting iron doors. Behind them a sloping passage leads to a tunnel which reaches out 853 feet under the English Channel.

So far this is the closest that Britain has got in modern times to building a permanent link with France, a project which was first seriously considered by Napoleon more than 150 years ago. Now Britain and France are talking about a tunnel, a bridge, or a bridge-tunnel combination which would span the mere 20 miles which separate the two countries.

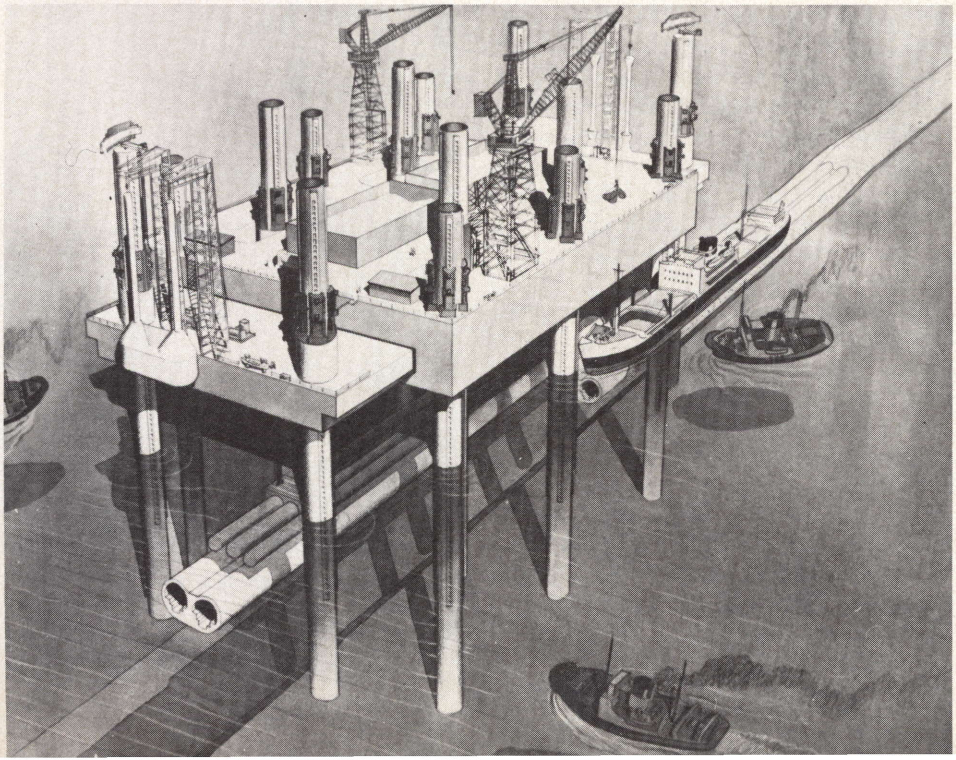
The favorite, largely because it is the cheapest scheme, is a simple, single-track rail tunnel. This is a proposal whose irony is not lost on those who have followed the long series of abortive attempts to join the two countries: 1981 is the centenary of the abandonment of another rail tunnel under the Channel which was bored under the sea for 2,500 feet, until the railroad company promoting it ran out of money.

A shortage of money was also the reason why the last attempt—in 1975—was brought to an abrupt end. The Labour Government of the time, confronted with a massive economic crisis, scrapped the project, but agreed to maintain the 850 foot tunnel in case the scheme was ever revived. Had the project gone ahead it would now be very close to completion. And next year high speed trains would have linked London to Paris in four hours 20 minutes.

Now the idea of a tunnel is once again back on the front burner. But there are important differences from the last time. The Thatcher Government has made it clear that it will not finance any link and it will not even guarantee any company that decides to build it. This is because such guarantees would show up on the Government's borrowing figures and make it still harder to reduce Britain's mountainous budget deficit.

This does not appear to have deterred a host of merchant banks, construction companies, and others from putting together rival design packages for the link which they are convinced can show an attractive rate of return.

A modern approach to Chunnel-building.



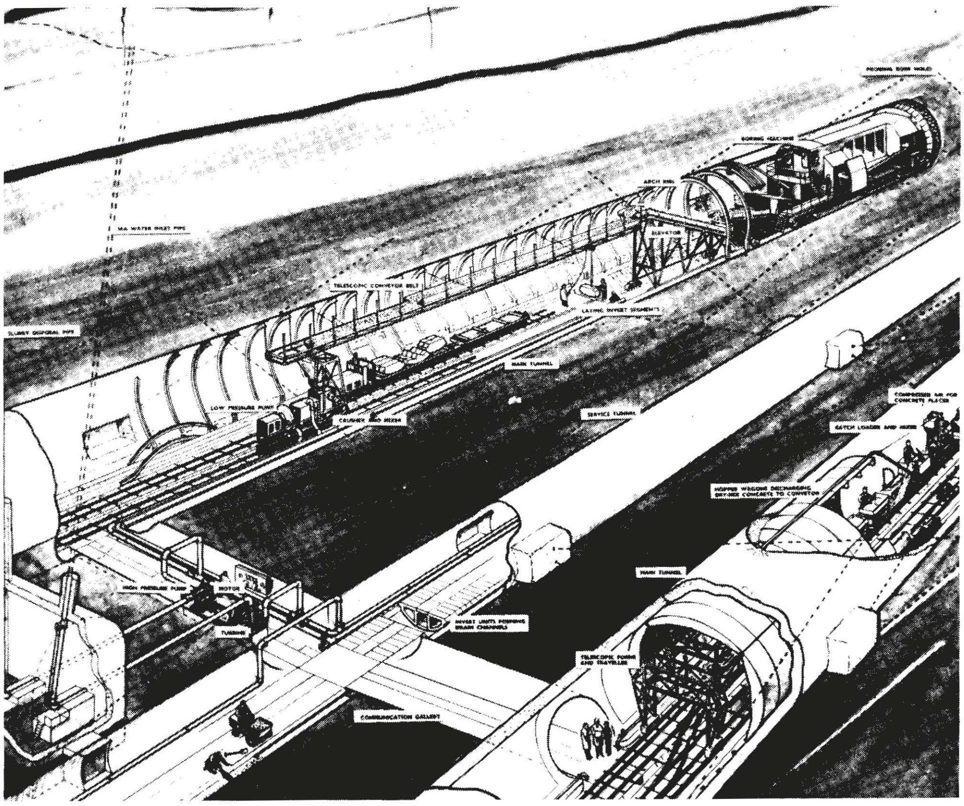
And this time also the British Government, its reservations about guarantees aside, is very enthusiastic about a cross channel link. So also is the new Mitterrand Administration in France which sees a tunnel or a bridge as a major source of new jobs in the depressed Calais area.

Six private consortia have now published detailed plans for either a tunnel or a bridge across the Channel. The most ambitious of these is a $7.2 billion steel bridge which would be supported on artifical islands built in the Channel. Promoted by the state owned British Steel Corporation (which would dearly love to sell all the steel needed) it is also backed by major French and British construction companies.

The bargain basement scheme, by contrast, is the single-track, rail-only tunnel which, according to British Rail, the state-owned railroad company, could be completed for less than $2 billion. This is the scheme which appears to be most favored by the British Government and it would, of course, be the easiest to finance.

But its critics argue that it is in fact the worst possible kind of compromise which could backfire before the end of the century. A single-track rail tunnel would mean that trains would have to wait their turn at either end before running through it causing unnecessary delays. It would be of little use to companies who ship freight to and from Britain because the vast majority of this now goes by truck. And it would mean that car drivers would still be unable to drive from Britain to France and would still have to take the ferry. The width of this new tunnel would deliberately be restricted so that trains would be unable to take cars or piggyback trucks.

So, these critics say, it would be much wiser to build either some sort of road bridge or a combined road/rail tunnel. It is however not quite that simple. A road tunnel would inevitably act as a magnet attracting millions of cars and trucks a year which would risk turning the area near the tunnel mouth into a giant parking lot. The possibility of this has already sparked fierce opposition from local environ-



mentalists around Dover who claim it could ruin one of the most attractive areas of the country.

Nor are they the only lobbyists in favor of the modest rail-only link. Ferry companies who run dozens of sailings a day between Britain and France at peak periods have lobbied hard against anything but the simplest tunnel. They argue that they are already providing a quick service for cars and trucks and at a fraction of the cost of an ambitious new tunnel.

To some extent that is true. But the weather at peak period congestion takes its toll of the ferries and the existence of a tunnel would revolutionize contacts between the two countries. However efficient the ferries may have become, getting on and off them still takes time. And cross-channel fares are high when compared with similar stretches of water elsewhere in the world.

How much money a new link might make is a matter of fierce debate among the rival promoters, each of whom have produced elaborate figures for probable rates of return and usage over the next 25 years.

For example the group which wants a two-track tunnel wide enough for trains carrying cars and trucks estimates that in the year 2000 it will be generating a 14 per cent annual real rate of return on a total cost of around $3.7 billion at 1981 prices. However its estimate of passengers by that point ranges from 10 million a year to 14 million, a huge variation which must call into some doubt the rest of the projections.

Part of the reason for this vagueness is that no one really knows how popular the tunnel—or a bridge—might be. Supporters of a permanent link have always argued that once it is in place it will transform the way in which Britons think of Europe.

But $2 billion (or $8 billion) is a lot of money to pay for this kind of psychological change. And the promoters of the tunnel concede that, in fact, it will not make all that much difference to the amount of time that it takes to get from city center to city center.

At present the journey by air, for example, from London to Brussels takes about 3½ hours from center to center including the trip to the airport, a 45 minute wait for the plane, and the trip to downtown Brussels. By rail the same trip would take four hours and 10 minutes—not much of a saving at first sight.

However bad weather can easily make nonsense of the air timings in winter. And to drive to Brussels takes about eight hours whereas with the car on the train it would take half the time.

Furthermore the train is a much more pleasant way to travel. Businessmen can work on it, have breakfast or lunch on the way, and arrive much more refreshed than after the hassle of the journey by air or boat.

Ten years ago British Rail and the Société Nationale des Chemins de Fer Français, the French state-owned rail group, had a plan to build a new high speed rail link from London through the tunnel and onto Paris, reducing the journey time to around 2 hours. But the cost of such a scheme is so high that it has been shelved, almost certainly for ever.

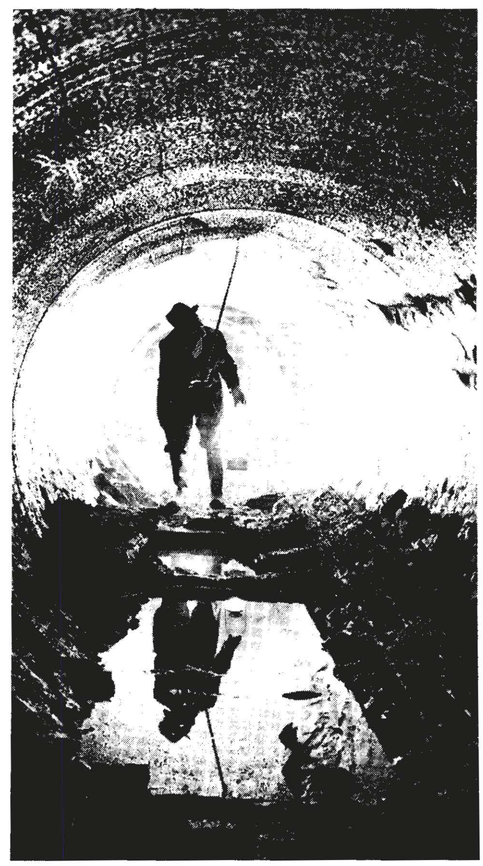
It should be clear by next spring which of the various schemes the two Governments favor. Then it will be up to the banks to raise the money and various local planning inquiries will have to take place on both sides of the Channel.

So, on the most optimistic assumption it is unlikely that serious construction can get under way much before 1984 at the earliest. It will probably take another six years to complete the work and it may therefore not be until 1990 before the first trains—or cars—are speeding over, or under, the Channel.

It will have been a long wait and the French and the British won't even have the satisfaction that it will be the longest tunnel in the world.

The honor, typically, belongs to the Japanese who are already at work boring a 33.6 mile tunnel under the sea to connect their main island with the island of Hokaido. And, whereas the Channel tunnel would go a mere 130 feet below the sea bed, the new Japanese one is a remarkable 460 feet below the seabed. This has prompted some ways to suggest that perhaps the best solution to the 150 year tunnel controversy would therefore be to get the Japanese to build the Channel tunnel. €

David Bell is features editor of the Financial Times.



The Labour Government in 1975 agreed to maintain the 850-foot tunnel in case the scheme was ever revived.

around THE capitals

Brussels

Nobody won. Nobody lost badly. That's the story of the Belgian general election in early November just as, in a sense, it has been the story of all such elections since the war. Now comes the familiar spell of politicking as various political leaders try to put forward a viable coalition. But this time it looks like being longer and more painful than in the past. And the consequences of failure seem more serious.

Observers called the results of the election a "deadlock." In the sense that no one party gained an absolute majority, that is true. But there were significant swings. Unlike France, Belgium hasn't turned left. The biggest gainer in the voting was the right-wing Liberal Party. The center-right Christian Democrat Party, which has been the dominant partner in all Belgian coalitions since the war, lost ground. The Socialists more or less held their ground. The anti-tax and ecologist parties attracted increased support.

A permutation of any of the three main parties—the Christian Democrats, the Socialists, and the Liberals—is now plausible, at least on paper. Continuation of the past Christian Democrat-Socialist coalition is mathematically possible, but it would be a repudiation of the voters' declaration. The Christian Democrats and the Liberals could join up and form a strongly right of center Government, running the risk of polarizing the country and triggering a separatist movement in Socialist Wallonia. A Socialist-Liberal coalition? The figures suggest it would have parliamentary control but the philosophical divide between the parties makes the whole idea seem outrageous.

Some observers are putting forward the idea of a grand coalition of all three parties and perhaps it will come to that. But it seems very much a fall-back position and no one seems to have much faith in such an Administration to take the bold and provocative decisions that Belgium's future might require in the coming months.

Not least among them is the question of whether or not to accept American cruise missiles on Belgian territory. It's frankly difficult to see the Socialists and Christian Democrats coming to a meeting of minds on this issue. Then there's the problem of state support for the steel industry, the issue which split the last Government and led to the election. In a nutshell the Government fell because the Socialist coalition partners refused to accept that Government aid for the beleagured steel industry in Wallonia should be made a victim, like other programs, of the general austerity drive.

Behind such disputes is the familiar language problem, a shorthand for the divisions between Belgium's Dutch-speaking and generally more prosperous nothern half and French-speaking Wallonia in the south where most of the country's economic problems are located. The election did not deliver a specific verdict on the language divide but no one doubts that its baleful influence will control whatever political associations are considered in the next few weeks and months.

Yet the election did mark a further step forward for the establishment of regional councils so as to enable Flanders and Wallonia to undertake a measure of financial and political self-control. Some observers hope this development will take some of the heat out of the language war though it has to be said that others fear it will merely lead to further polarization of the two communities.

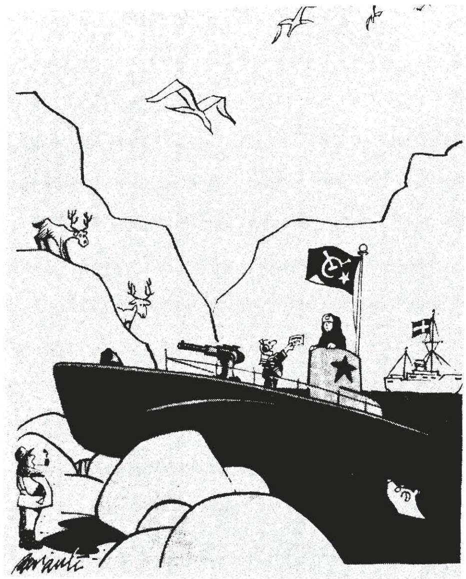
What disappoints many EC officials in Brussels is the thought that the Belgian political impasses could last well into the new year and so ruin the chances that Belgium might take a strong political lead in the big budget and agricultural reform debate. The Belgians now hold the Presidency of the EC Council, for six months beginning in January, and there will be a crucial summit meeting in Brussels next March. This latest political deadlock makes it more and more unlikely that Belgium will be able to supply the impetus necessary to stimulate the Community into the kind of drastic action that may feel to be essential if it is to survive. ALAN OSBORN

Copenhagen

It is strange but undeniably true that the real talk of the town has not been the collapse of the Danish Government and the impending consequential elections in December. Danes, after all, have long been blasé about the perpetually sad state of national politics. On top of that, they enjoy one of the highest living standards in Europe. But this combination of ennui and affluence does not mean that Danes can do without excitement of a different nature.

This has been provided by the first real life Danish spy thriller since World War II. Unable, as in Sweden, to come up with a submarine riding high on a reef near a naval base, the Soviet Union obliged the Danes by proffering a diplomat spy and a Danish writer connecting him to the Danish peace movement. The diplomat, unmasked as an agent of the KGB, was discreetly expelled and, on the same day this story broke, the police arrested a Communist writer, charging him with subversive activities, at least partially at the instigation of the expelled diplomat.

One of the charges was that the Danish writer had channelled Soviet funds to pay for advertisements advocating a nuclear free zone in the Nordic countries. These advertisements were signed by many prominent Danish intellectuals, several of whom have since dissociated themselves from the campaign on the grounds that they had been "used."



"Your promotion came through, comrade. You've been reassigned to command the Soviet sub fleet in Northern Afghanistan." © Renault, Sacramento Bee, California

The combination of the Danish episode and the Russian submarine aground off Sweden (especially if, as Sweden alleged, it was carrying nuclear missiles) has had the effect of nudging Denmark (and Norway) toward a closer alignment with American foreign policy positions than has been evident since the Vietnam war.

Oddly enough, the electoral campaign that followed the collapse of the Government has also featured what has become familiar in the United States—watered-down Reaganomics. To some, it seemed the supreme irony that a Socialist Government should be toppled on a motion to provide business with low interest loans. Granted, the loans were to be extracted out of the pension funds by parliamentary legislation and most businessmen rejected the indexation that was to be the price of the low interest. Nevertheless the two commercial sectors in the deepest crisis—construction and agriculture—were prepared to give the new loans a try.

At the time of writing, most political observers expect a new minority Government to be formed, probably a coalition of Liberals and Conservatives. It is these two parties which have campaigned on a platform promising a mild dose of Reaganomics (though the term itself is assiduously avoided because it is the very antithesis of the Scandinavian welfare state).

But minority Governments traditionally have a very hard time implementing their programs. With unemployment approaching 300,000 in a population of 5 million and a workforce of 3 million, pledges to create 140,000 new jobs over three years may be unrealistic. For their part, the Socialists have promised 150,000 new jobs—another commitment which, if they are part of a new Government, they may live to regret. LIEF BECK FALLESEN

The Hague

Queen Beatrix, since she acceded to the throne in 1980, has renewed tradition by moving back to this city's palaces vacated during the 32-year reign of her mother, Juliana. Beatrix moved the royal residence back from the Soestdijk country palace last August. This was considered another sign that she wants to play an active role in the diplomatic and political swirl.

After a turbulent start, when during her inauguration in Amsterdam, battles raged a few hundred yards away from the Amsterdam royal palace between club-swinging police and rock-throwing rioters protesting the housing shortage, Beatrix has managed to win popularity and respect during her first one and half years on the throne.

For the past 6 months, Beatrix has had to contend with the formation of a new coalition Government, the one significant political role left for the Dutch monarch. She has met almost daily with party bosses and economists, trying to mediate the policy conflicts. Politicians have said she was resolute in handling the crisis and personality clashes.

Members of her staff say that she has shown an inexhaustible energy, making it hard for some to maintain the pace, and that she has kept government ministers on their toes.

Queen Beatrix. Courtesy of the Royal Netherlands Embassy

Last August, the Hague regained its royal status when Queen Beatrix, Prince Claus, and their three sons—Willem Alexander, heir to the throne, and his two brothers, Johan Friso and Constantine—moved into the Huis Ten Bosch palace. Originally a 17th Century summer house, it was turned into a palace in the 18th Century. Part of the three-wing palace is used for ceremonial functions. The royal family's private quarters take up one wing and include a wooded area with tennis courts and swimming pool.

Former Queen Juliana had broken with the tradition of living in the Hague, seat of Government and the diplomatic corps and traditionally the royal residence.

The Hague gave the royal family a warm welcome and another smaller palace in the city's center is being restored to accommodate Beatrix's offices. The Queen is described by insiders as highly professional, always well prepared for visits by politicians and foreign diplomats, and with an iron discipline.

Prince Claus, releuctantly accepted by the Dutch nation as a consort in March 1966, has proved a pillar of strength and support to whom the Queen is said to turn often for advice. He is a serious and discreet man, a devoted husband and father, carefully watching over the education of the three Princes.

Quiet and reserved, he has earned the sympathy of the Dutch people, not least because he succeeded in mastering their difficult language, which he speaks virtually without accent. He is interested in Third World problems, and the Dutch Government has given him several tasks in this areas as well as in the field of urban renewal.

The Queen and Prince Claus, who have paid two official visits to neighboring Belgium and Luxembourg, will pay an official visit to the United States next April 19-24. Queen Beatrix will open two exhibitions—a collection of Dutch masters from one of Holland's finest museums, Mauritshuis, at the east wing of the National Gallery in Washington, D.C., and another exhibition of the "Stijl Group" at the Hirshorn Museum in Washington.

But the Dutch would not be Dutch if they didn't take this opportunity to sell their flowers during the year of celebration. Dutch growers have calculated that in the United States there is one flowershop for 73,000 inhabitants, while in the Netherlands there is a flowershop for each 4,000. They have planned a $1 million export campaign and invited 300 US importers this month to come and see the Dutch hothouses with their some 250 varieties of flowers, showing an abundance of carnations, chrysanthemums, lilies, irises as well as exotic varieties. Within 4 years growers hope to treble exports of cut flowers to the United States and Canada, for a value of about $40 million and with two jumbo jets full of cut flowers each week. NEL SLIS

Bonn

Most German politicians agree that, when the dust settles from the current uproars over nuclear missiles, housing squatters, and Frankfurt airport's third runway, the main domestic issue of the decade will be seen to be the Republic's huge and growing population of foreigners.

Already, the problem of the foreigners looms up in almost every field—city planning, social welfare, creation of jobs, school teaching and management, criminality, the balance of payments, national security, the right of political asylum, relations within and beyond the European Community.

In the autumn, Defense Minister Hans Apel finally mentioned the hitherto unmentionable—the probability that, because of the declining numbers of German men reaching national service age this decade, the Republic may be able to maintain its armed forces at strength only by conscripting resident foreigners.

Courtesy of the US Department of Defense

Hans-Juergen Wischnewski, a deputy national chairman of Apel's Social Democratic Party, quickly hedged the Minister's proposal with conditions. Bonn could conscript only resident foreigners who are citizens of a North Atlantic Treaty Organization (NATO) member state, said Wischnewski. If they were conscripted by the Germans then they would have to be relieved of doing military duty in the country of which they were citizens. But this arrangement would have to be regulated by treaties which made West Germans living in those other NATO countries liable to national military service there. And, Wischnewski added, any resident foreigner who was drafted could opt to become a German citizen at the end of his service, as in the United States.

But the question of foreigners doing national military service is but the tip of the iceberg. About 4.5 million foreigners live in West Germany and West Berlin—more than 7 per cent of the population. But in some cities, the foreigners make up a fifth of the population. Foreign ghettoes mushroom. A Bochum University study published in August showed that if one foreign family moves into an apartment house, smooth relations usually result. But as soon as a second foreign family moves in, all of the German families move out, in the same way American whites reacted to so called blockbusting by blacks.

As a result, scores of inner-city primary schools reported that first grades at the beginning of the winter term contained up to 80 per cent non-German children. The German teachers are unprepared to handle the foreign-born kids, while the German children don't get the teaching their parents expected. Everyone is badly served. Sometimes, as for instance in Cologne and Krefeld, the foreign-born children are bussed to other schools. More often, the better-off German families put their offspring into private schools, which is why they are full to overflowing.

How to handle the education of the foreign population is in fact probably the most difficult and potentially most explosive issue of all.

Thinking out loud about this problem the other day, Christian Democratic Union Chairman Helmut Kohl—18 per cent of the population of his home town of Ludwigshafen are foreigners, primarily Turks and Serbo-Croats—said that probably the Republic should pursue a two-tracked policy. First, intensive education in German of the children whose foreign-born parents intend to remain in Germany should be instituted. At the same time special schools should be set up to teach all subjects in their native languages to those children who will be returning to their homelands.

Anything less, said Kohl, would mean allowing a generation of foreign-born children to grow up unable to operate properly either in Germany or in their home lands, would as he put it, be "inhumane," as well as inciting growing *"Ausländer Feindlichkeit"* or "hostility to foreigners" among the German people.

But all suggested solutions will cost money, precisely at the moment when all government expenditures are being shaved in line with reduced economic growth.

Some few Germans hoped that that reduced economic growth and increasing unemployment would ease the foreigner problem by encouraging many of them to return home. But that hasn't happened, if only, as Wischnewski noted, because even welfare payments in Germany often are higher than the wages paid to a man doing heavy labor in some Turkish province.

WELLINGTON LONG

Dublin

Within a week of the latest Anglo-Irish summit meeting in London, the Irish Republican Army (IRA) in Northern Ireland had carried out a spate of murders—a 17-year old blown to death as he started his father's car, another man killed in a similar booby trap, a 32-year old father shot as he left his wife and 5-week old son, a 56-year old father of six killed by hand grenade and bullets as he left work, and then the Rev. Robert Bradford, Unionist member of Parliament at Westminster, shot dead, along with a janitor, as he held a routine "clinic" for constituents near Belfast.

The timing, the targets, and the ferocity of the onslaught all suggest a crude IRA motive, that is the wrecking of any faint chance there might have been of political progress in Ireland. Most of the victims, and also those who escaped in similar attacks during the same week, had some connection, direct or indirect, with the local security forces, the part-time Ulster Defense Regiment (UDR), the Royal Ulster Constabulary (the police), or the police reserve.

These have been traditional IRA targets; on the Unionist or Protestant side in the North, such killings have had a strong symbolic meaning—they have been seen as attacks on the Protestant community as such. That week in November saw the assault on the Protestant community reaching an unprecedented intensity, culminating in the murder of Bradford.

For whatever reason, the Provisional IRA has not included Northern Protestant politicians among its targets. Partly because it is much easier to pick off a postman or a bus driver, but also because it could be claimed, however spuriously, that a part-time member of the police or the UDR was a "military target." Even in Bradford's case the IRA, admitting they killed him, added that they had done so because he had allegedly urged the killing of Catholics in retaliation for IRA murders.

But the result of the week's mayhem was so inevitable that it must have been what the IRA intended—an immediate hardening of Protestant attitudes, already largely hostile to the growing links between Dublin and London, and the proposed Anglo-Irish governmental council to oversee practical cooperation between the two countries.

Equally inevitably there was retaliation against Catholics. The random shootings by Protestant terrorists of Catholics are always reported as "sectarian killings," a label that is somehow more emotive than the straightforward "murders" carried out by the IRA. Such attacks on the Northern Catholics put any Government in Dublin under strong pressure to take a tough line with Britain, and with Northern Unionists.

"We are claiming responsibility for the nice quiet day you've had today in Belfast." © McLachlan, Punch, London

In this case the pressure was clearly aimed at Irish Prime Minister Garret FitzGerald, whose policy of reconciliation towards Northern Unionists was beginning to take shape, and was already being attacked by the opposition leader, Charles Haughey.

No one in Ireland, North or South, was optimistic about the future. But there were rays of hope—James Prior, the new Northern Secretary in British Prime Minister Margaret Thatcher's Government, had made a promising start, FitzGerald had launched his crusade to de-Catholicize Irish nationalism, and the Anglo-Irish talks had come down from the dangerous clouds of unreality to ground level and at least some promise of practical usefulness.

The IRA's answer to all three were the bomb, the bullet, and the grenade.

DENNIS KENNEDY

Paris

For a wine that once was considered a mere step above grape juice, Beaujolais *nouveau* has come a long way from its working class days in Lyons.

In the past 20 years, the fruity red wine has become a favorite of the French drinking set. Each year, the French pack their bistros and cafés to taste the latest batch of Beaujolais in a celebration that has become a national tradition.

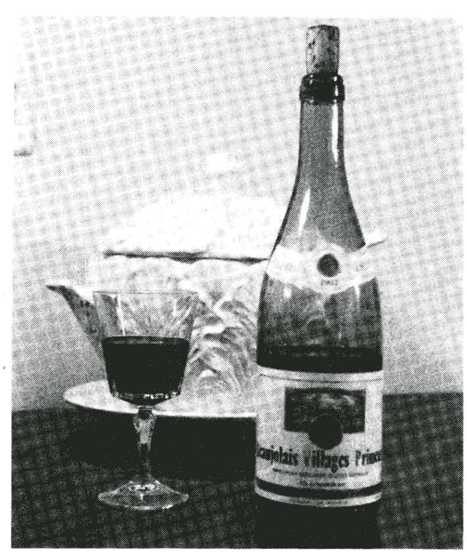
Unlike other wines, *primeur* Beaujolais is an unaged wine meant to be consumed immediately. It is at its best during its first few months of life. After that, it rapidly begins to lose its flavor.

The new wine traditionally hits the French market November 15. In Paris, some bars hire brass bands to greet the new wine, some tasters take to the streets to dance in joy, and banners around the city proclaim *"vive le Beaujolais."*

The critics' reaction to the 1981 Beaujolais is good to very good. "We think it is much better than the 1980 batch," said Alan Béraut of the Union Interprofessionel de Vins de Beaujolais. "Prices, however, will be about 20 to 25 per cent higher this year."

The poor 1980 crop had to contend with reviews such as "it has a thigh, but no skirt," or "it's virginal without the prospect of being sexy." Critics, however, will not go so far as to say the 1981 quality compares with the wine quality in 1976—one of the greatest years for the wine in a decade.

The mass appeal of the unpretentious light wine extends far beyond France's borders. A British automobile club traditionally sponsors a race to speed the first bottles across the English Channel. In New York, some restaurants vie to be the first to offer their customers the first glass of the season.



In Quebec this year, two Boeing 747 cargo planes shipped in 12,000 cases of Beaujolais 48 hours after the red wine hit the cafés of Paris. Residents rushed out to buy the Beaujolias, snapping up virtually every bottle that had been sold in 77 of the city's stores. This, despite prices that were sometimes three times higher than the wine's price in Paris.

In Paris, this year's Beaujolais *nouveau* is selling at the equivalent of $2.45 to $15 per bottle. Experts contend about 120 million bottles of the 1981 wine will be sold, about 25 per cent of it in the next 60 days.

Before World War II, Beaujolais was known primarily in the region of its origin around Lyons, where it had a reputation of being *un vin de cocher* or a footman's wine because it was mainly consumed by the working classes.

But about 20 years ago, dealers in search of a cheaper red wine to compete with the Bordeaux varieties began a massive publicity campaign to promote Beaujolais, noting that it was a tasty, easy-to-drink wine that could be enjoyed with both red meat and fish. Since then, Beaujolais has built up a name know round the world.

CAROLYN LESH

London

Billingsgate has been selling fish to Londoners for a thousand years. Now London's oldest market is being moved outside the mainstream of the capital's daily life. In January the wholesale traders will leave their dilapidated Victorian building and move to a modernized former warehouse in what used to be the bustling West India docks on the Isle of Dogs.

The new site is three miles downriver from Billingsgate's perch on the north bank of the River Thames between London and Tower Bridges. In Saxon times London's only wharf was there and the market sprang up around it. Today Billingsgate sits unsplendidly in a sea of boring, modern office buildings and tall parking garages. The road fronting it has evolved into a major thoroughfare, destined to become part of an inner London ring road.

A combination of traffic congestion during the early morning marketing hours, a decaying refrigeration system, and building maintenance costs led the City of London Corporation (CLC) to make the move.

The 50-odd traders, many there for generations, have mixed feelings. There are fears the market atmosphere accrued over a millennium will not survive the transfer, that the longer distance their customers in the restaurant trade will have to travel may make them seek their quality fish elsewhere. "A market is its people," said a 30-year veteran trader who worries about defections, laments the uprooting of yet another piece of historic London but accepts that the new site could cure Billingsgate's present inefficiency and overcrowding.

Billingsgate entered the lexicon in the 18th century as a word for foulmouthedness. There's been a bit of it among traders questioning the motives of the Corporation—some believe the original location could have been salvaged but for a wish to demolish the building and sell the prime site for development. One suggested the Corporation had hoped to make several times the $14 million cost of relocating the market. Whatever the truth, the reality is that the Department of the Environment stepped in suddenly last year and listed the market building. It cannot be demolished now unless the listing order is lifted.

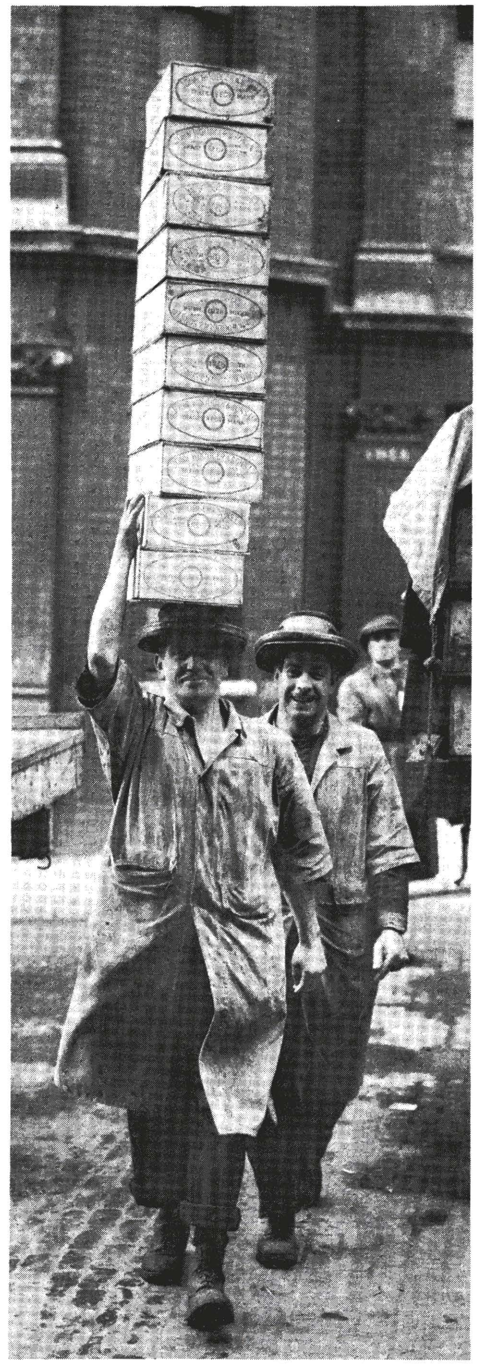
Billingsgate is very much a man's preserve. Only a few women buyers stalked the wet aisles on a recent pre-dawn morning, dodging the hand trolleys of porters in white coats warning firmly, "mind your backs." Only the sturdiest would venture into the Piscatorial café in the back corner. Each day 200 tons of fish pass through the market hall beneath the iron columns and girdered, nave-like ceiling. What the Victorians built in 1874 has handled several times more but today much of the British catch is frozen at sea. It's dispatched direct from port to factories making that ubiquitous British staple, the fish finger. Until a generation ago fishing boats still came upriver to unload their catch. Now everything arrives by road.

The move to the docklands area of East London, scarred by war and largely abandoned by shipping, will leave behind a building whose merits are much debated. The Conservation group, Save Britain's Heritage (SBH), wants it preserved in a mixed development along the lines of old Covent Garden, now a much admired commercial and residential complex. SBH sees it as a restaurant, theatre and shopping center and would not object to a profitable office building rising on the adjacent truck parking lot that is half the overall site. Opening up the wharf, SBH believes, would give Londoners the best view of the Thames they've had in years—including Turneresque sunrises between the twin Gothic towers of Tower Bridge. The City Corporation is less prosaic, dismissing Billingsgate as a purpose-built fish market lacking the surrounding buildings which give Covent Garden its character.

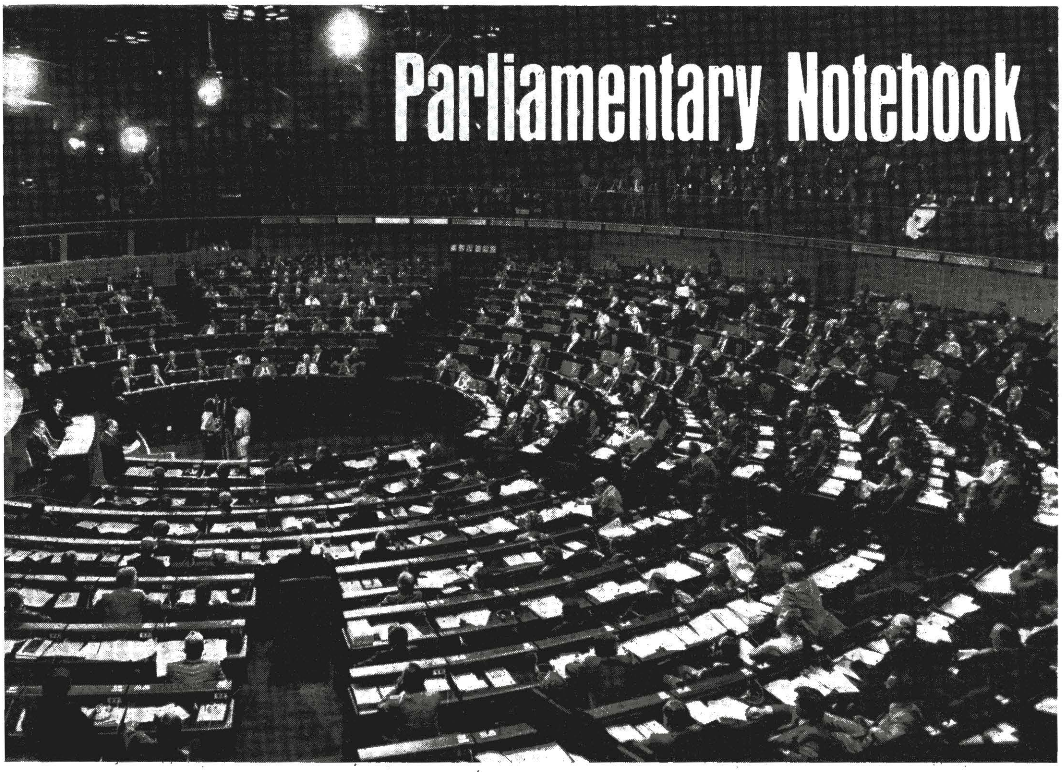
In early January the City Corporation will announce the successful bidder for the old site, the price, and the type of development planned. The latter must win approval of the Corporation, the Greater London Council, and the Department of the Environment.

Two problems beset the market building if it remains. There is the pervasive smell of fish which has become part of the fabric. And there is the iceberg. Billingsgate was founded on oak piles driven into the river mud. Besides giant brick vaults, the building is today also supported by some 50,000 square feet of ice and permafrost generated by the basement's cold storage. After the defrost, the collapse? Experts believe it will depend on how badly the brickwork is permeated by frost. It could turn to mush when the ice melts, they admit, and no one is certain what finally will happen.

PETER J. SHAW



Photos: Billingsgate in 1946. © Black Star



DAVID WOOD

In January the European Parliament, directly elected for the first time in June 1979, reaches the half-way stage. Along with the mass of ordinary business there will be special reasons to regard the occasion as a point at which there should be some stock-taking on progress made and some hard thinking about how the Parliament should be developed in the 30 months before the next multinational direct elections take place.

In an important sense, it dramatizes the Parliamentary role in Community affairs by being committed at this point to the election by secret ballot of a new President. When the Parliament formed in July 1979, Simone Veil, a Liberal and former Giscardian minister, won an absolute majority and took the chair on the understanding that she held the presidency for two and a half years. She could stand again for reelection, although she is not a runner in the first ballot.

The three largest parties in the chamber have declared the names of their standard bearers. The majority Socialist group, the only one with representatives throughout the 10 EC member countries, has made a good tactical choice by nominating Pieter Dankert, a multilingual Dutch expert in budgetary affairs. The European People's Party (or Christian Democrats) are running the group leader, Egon Klepsch, although Leo Tindemans, the former Belgian Prime Minister, remains a strong candidate in reserve. Sir James Scott-Hopkins, the British Conservative who leads the European Democratic Group, asserts the United Kingdom's claim to hold the presidency for the first time.

Let there be no doubt that the candidacies of two Group leaders and one of the outstanding rank and file members (not to say whoever may enter the second and third ballots in January) represents a remarkable tribute to Veil's success in establishing the European Parliament as a presence and a factor, though not a power, of course, in international affairs. She has traveled much in the world representing a Parliament of singular kind. Who else speaks for elected parliamentarians from 10 countries? Or for a larger trading block than the United States or Soviet Russia?

It cannot be said that her presidency has seen much growth or change in the powers of the elected Parliament as compared with its predecessor, whose members were delegated from national assemblies. Everybody recognized such development would take time—decades, if not generations. But a start has been made. In the end, democratic parliaments draw most of their power from control over the purse. In 1978, 1979, and 1980 the Strasbourg Parliament either rejected or challenged the Community budget and thereby challenged the overriding authority of the Council of Ministers (in other words, the national Governments).

Above all, the parliamentarians have fought to increase nonagricultural spending to develop regional and social policies, and fought not without effect. Sir Henry Plumb, the British chairman of the agriculture committee, can now say (partly because of moves in world commodity prices) that agriculture support, after the deduction of overseas aid, takes under 50 per cent of the Community budget. It looks as though the 1982 budget, after conciliation procedures, will go through unhindered, if not uncriticized.

Veil's inaugural presidency has also seen the first stage of the second enlargement of the Community. In January, 1981, Greece entered, raising the membership of the chamber to 434 and the number of official languages from six to seven. In the next year or two Portugal and Spain will negotiate entry. The new presidency will face acute problems of absorbing the newcomers before the United Kingdom, Denmark, and Ireland have been thoroughly digested into the system. (There is party controversy in both Britain and Denmark about membership or withdrawal; and the new Papandreou Socialist Government in Greece campaigned, rather ambivalently, for withdrawal.)

Another problem lies immediately ahead. Parliamentarians are now discussing the basis of the next direct elections in summer 1984. The fundamental Treaty of Rome laid down that direct elections should be on a uniform system, which is generally taken to mean a system of proportional representation that is anathema to the two main parties in the United Kingdom, where "first past the post," even on one vote is preferred. For practical purposes the United Kingdom might move to proportional representation, but there is no hope that it would move to the continental "list" system, where party caucuses name and number their list of candidates. That is regarded in the United Kingdom as totally undemocratic.

The European Parliament has illustrated the UK objections to party lists. Jacques Chirac ordained that his group members should sit at Strasbourg for roughly a year and then make way for the next names on the list; and there are now parliamentarians nominated for the Irish Republic who were not named in their party list in the 1979 general election. In short, if there is a UK compromise it will have to be accompanied by a continental compromise. On the whole, there is a movement of opinion towards the West German system, which seems to work well and has the advantage of keeping close contacts with Bonn while preserving strong constituency representation.

A final point: Strasbourg is now confirmed, after much controversy, as the single site of the European Parliament. All 1982 plenary sessions are to be held there. €

David Wood, a columnist for The Times *of London, is retiring very soon and this is his last piece for* Europe.

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APPLE ON EATING

LYONS DENS

"Business is wonderful," Paul Bocuse was saying recently. "The new train has made Paris part of the suburbs of Lyons."

Well, not quite. Even the *train à grande vitesse* (TGV), whipping along at 165 miles an hour, takes two hours and forty minutes to complete the run down through Burgundy to the old city on the Rhône that Bocuse, in his understated way, calls "the world capital of gastronomy."

But the TGV provides an additional excuse, along with the food and the Beaujolais and the wonderful Burgundian churches in the region, to make the trip to Lyons. What I hope to persuade you to do is to extend your eating beyond the charmed circle of Michelin three-star restaurants—Blanc, Bocuse, Chapel, Troisgros, Pyramide—that get nearly all the publicity.

I was lucky enough to meet most of the stars of the *nouvelle cuisine* nearly 20 years ago. I liked their cooking then, and I like much of it now, especially that of Bocuse and of Pierre and Jean Troisgros, who seem to me to have avoided most of the excesses of the genre. But even Bocuse, the relentless publicist for himself and for his beloved France, the specialist in shrewd business deals as well as in truffle soup, would be miserable eating *nouvelle cuisine* six nights a week. Especially in a city that built its reputation on the conversion of humble but first-class products—tripe, sausages, pig's feet, *vins de pays* and so forth—into memorable meals.

Simple cooking flourishes still in Lyons, but it is eaten mostly by the Lyonnais. Everyone else is making a mistake, like the surgeon in Columbus, Ohio, who once proudly showed me his wine cellar, with rack after rack of first growths, and explained that he kept nothing plainer because he preferred Coca-Cola except when he was giving a party.

The most basic meal in Lyons is called a *machon*. A typical one might include a salad made of curly endive and bits of bacon, a fat warm sausage with hot potato salad, or a *tablier de sapeur*—a square of breaded tripe, so called because it resembles an old-fashioned fireman's apron—and cheese, preferably the aromatic St. Marcellin, which the great Fernand Point always served, unaccompanied by other cheeses, at the banquets he often cooked in the 1930s. You would be thought daft to drink anything but Beaujolais (either the straight stuff or one of the named growths from such villages as Fleurie or Chiroubles or Morgon or Brouilly)—and you would be daft, because all the best Beaujolais flows south to Lyons rather than north to Paris. It is not a question of wine not travelling well but of hoarding.

Where to find a *machon?* There is a place called **La Tassée** at 20 rue de la Charité, just behind the Sofitel hotel, that does a splendid one, and serves some of the most delicious Beaujolais I have ever tasted. It's also a good spot to have a glass of wine between meals, or rather a *tassée* (tasting cup) of wine, because that's how they serve it. Or you might enjoy eating at one of the stalls in the central market, probably France's finest, where Bocuse and his young protegés often take an early lunch. It's on the cours la Fayette, across the Rhône from the city center. (If there is the slightest prospect of a picnic, maybe even if there isn't, don't miss the cheese stand of Mère Richard, considered by the locals and many visitors as a national treasure).

The Lyonnais, who seem to have special words for almost everything, call a small, plain restaurant a *bouchon*. For years, my favorite was a place called **La Voute,** but known to everyone as **Chez Léa.** It's still there at 11 place Gourju, but Léa, the last of the city's venerable women cooks, a feisty 73 year-old whose insults were as succulent as her *plats du jour,* has sold out. Reports since the change of management are mixed. Happily, there are alternatives! **Le Garet** and **Chez Georges,** are on either side of the rue Garet near the city hall, both grubbily wonderful and full of tradition, where you will almost certainly find yourselves the only foreigners (meaning out-of-towners). And there is **Dussaud,** in the same neighborhood at 12 rue Pizay, which is the favorite of Jean-Paul Lacombe, of whom more in a moment. All are closed Saturday and Sunday, and Monique Dussaud cooks only at lunch.

A somewhat different formula applies at **Raymond,** a cafe for most of the day that takes wing at noon for the lucky occupants of its six tables. Located in a run-down neighborhood (21 rue de Rancy, at the corner, believe it or not, of the rue du Gazomètre), this is the creation of Raymond Caillot, who used to be Bocuse's maître d'hôtel. One day in October, he and his wife put on the big central table a modest assortment of 18 salads, three terrines and four spectacular sausages—a *jésus,* a *rosette,* a *cervelat* and a spicy one, new to me, called a *rouelle,* from the Ardeche. It's always like that **Chez Raymond,** and the hors d'oeuvres are always followed by a homey *plat du jour* (sometimes there's a choice, sometimes not). Beautiful cheeses, as many desserts as you could imagine, including, on my visit, some tangerines poached with the loving care of a French grandmother.

None of this need cost much money. A meal of the sort I have been describing can be had, wine included, for $25, if you're reasonably careful, and they charge nothing for the smiles that come with it.

Those same smiles, so very un-Parisian, are in evidence on the waiters in long blue aprons at **Léon de Lyon,** which is where I would steer anyone who wanted to know how typical Lyonnais fare tastes when cooked not by a competent operator but by a major talent. Jean-Paul Lacombe is the young man in question—a shy and diffident soul when he took over after the untimely death of his father, a seasoned professional only a few years later. His *carte* is split in two! Tradition on the left; innovation on the right. Choose one, choose the other, or mix them—you cannot fail. I have never eaten a single bad dish at **Léon de Lyon,** and I am not far from agreeing with David Stevens, the music critic of the International Herald Tribune, who says he could eat at 1 rue de Pléney every day of his life. Stevens, who has ruined a once-slim figure through devotion to Lyon cooking, thinks the *gras-double* is the best on the list! Tripe again, but so transformed by slow simmering with tomatoes and onions that you will be astounded and delighted even if you avoid tripe the same way I avoid Velveeta. €

R.W. Apple Jr. is London bureau chief for The New York Times.

VACATIONS: EUROSLOPES

DIANA SCIMONE

With hundreds and hundreds of ski runs from the tip of Scotland to the coast of Yugoslavia, where should you plant your poles first? It all depends: Are you an experienced hot-dogger or just a nervous novice? Are you the type who skis until you drop, or do you quit at 3 o'clock to begin après-skiing? Do you prefer edging through liftlines with the likes of Brigitte Bardot and other glittery jet-setters, or do you like to cross-country all day without seeing another soul? Don't worry. No matter what your preferences, there's a run somewhere between the Spey Valley and Bjelašnica that is sure to please you. Here are a few old favorites and some newcomers as well.

Aviemore, Scotland Skiing in Scotland? It's been there all along, just waiting to be discovered. Breathtaking views of glittery lochs and dark forests await those making the trek up the Spey Valley's mighty cairngorms. At Aviemore Centre, you'll find skating, curling, squash, swimming, discos, theatres, saunas . . . and, of course, skiing. Holiday packages range from about $340 for six nights accommodation at the four-star Strathspey with dinner and breakfast, ski rental, daily lessons, and lift ticket. Or try a seven-night chalet accommodation with breakfast and lift ticket for about $120.

Bormio, Italy There's a special kind of skiing to be found in the Dolomites. Crack skiers who've tried all the Alpine runs love it here because they get the best of all worlds: first class skiing at rates a lot lower than usual, deserted slopes where solitary, high-altitude skiing is the rule rather than the exception, sunny weather, and scrumptious food. You'll find internationally-known resorts like Cortina d'Ampezzo and Courmayeur, and smaller spots such as Belluno Nevegal and Chiusa. Or try the quaint, 2,000-year-old village of Bormio, one of Italy's best-kept secrets. Alitalia offers a special $309 "White Week" package in late March—seven nights accommodations, three meals a day, a six-day lift ticket (normally $70), and transfers to and from the Milan airport.

Davos, Switzerland Not a hundred years ago, the locals laughed at the English Colonel Napier when he started skiing in Davos. But soon after, when Sir Arthur Conan Doyle made the journey from Davos to Arosa on skis, they began to sit up and take notice. No one's laughing anymore: A century later Davos has become a serious ski resort of international proportions. In fact, this is where the Swiss come to ski. For novices, there are practice slopes outside the village near the Bolgen jump, and the more experienced schusser can happily attack the long downhill runs of Parsenn and Strela. Even non-skiers will be kept occupied on excursions into the mountains (try the Schatzalp Restaurant, easily reached by cable railway), sleigh rides, a world famous ice rink, and the lavish window displays of the shops in town.

Garmisch/Partenkirchen, Germany If business takes you to Munich, drop in at this former Olympic site. But be forwarned: Skiing here is for experts. (Even the German Ski Team trains on its breathtaking runs.) Bundle up in your warmest woolens and hop on the train to the top of the mighty Zugspitze. There's a well-recommended hotel up top and you'll be able to spend your afternoons dreamily gazing at the spectacular views far below you.

Innsbruck, Austria Austria is a lift-line hater's delight. Big vertical drops make for long runs and short waits. And you don't have to be a certified hot-dogger to ski here, either. There are plenty of novice and intermediate runs to test your ski legs. If glorious vistas, oom-pah-pah bands, and quaint little Alpine lodges make your head swirl, this is the spot for you. A favorite ski area is Innsbruck, the capital of the Tyrol. Its one neat little package combines the charm of an historic city, cultural activity, shopping, and plenty of opportunity for après-ski fun. A six-day lift ticket here will run about $46. And 24 hours of private instruction are a very reasonable $65. Innsbruck also participates in a volunteer program, "Austria: American Skiers' Best Friends," which means you can get complimentary help in English with all those nasty little details that can foul up a ski trip—like where to find a replacement clip for your Hanson boots. (P.S. Call 212/697-8295 for up-to-the-minute Austrian snow reports.)

Jalhay, Belgium You won't find Europe's best skiing here, but if you're in the area and want to get a few runs in, you'll certainly be kept happy. Jalhay, in the province of Liège, has good skiing with plenty of rentals available for those arriving without equipment.

Lahti, Finland People take skiing seriously in this winter wonderland. If your cross-country skill is up to par, you might want to join a ski-touring expedition; ski all day, spend the night in a *fell* hut somewhere in the country, then continue trekking through the snow the next day. Lahti, about 100 kilometers north of Helsinki, has over 30 kilometers of cross-country ski tracks and three slalom slopes (two of which are lighted for night skiing). Rentals are available, and the non-skiers in your party can spend the day tobaggonning, browsing through the handicraft workshops in the nearby Messilä Manor House Hotel, or ice fishing.

Oslomarka, Norway Somewhere in this country is where skiing probably began—and the Norwegians have been masters of it ever since. Oslo boasts more skiers in proportion to its size than any other major city. In Oslomarka, a hilly wooded area surrounding the capital, ski-touring abounds with no less than 2200 kilometers of marked trails! Skip the hotels and arrange to stay in a cozy chalet. After a day of ski-touring and exploring the surrounding countryside, hop in the sauna, then curl up in front of a roaring fire. Prices range from $85-350 a week for a cabin for four to six people.

Sarajevo, Yugoslavia Sarajevo will host the 1984 Winter Olympics, and plans are underway for a whole new crop of challenging runs—5,840 meters in all. Tired skiers can soothe aching muscles in the thermal springs of nearby Ilidža, and after-skiing hours can be well spent sampling the cultural and gastronomic offerings of the area. In addition to present hotel capacity, over 3,000 rooms will be built this year in preparation for the Olympics. But why wait until then? This is the year to ski Sarajevo.

Val d'Isère, France *Le ski en fête* is what it's called here, and any ski holiday in this ritzy spot is sure to be a festival. There are week-long ski camps, excellent schools, and even helicopters to take you up to the most nerve-tingling slopes. And then there's après-ski. . . . That's when the fun really begins in this jet-setters' mecca. Why not stay at the four-star Grand Paradis where a room with three meals will run from about $50-70 a day? Or the Central Reservation Office will happily arrange a package plan consisting of seven nights at a hotel, two meals a day, and a six-day lift ticket—starting at about $200. Rentals are about $6 a day, boots about $3. Free bus service is available to most of the slopes.

For more information on these and other European ski resorts, contact each country's national tourist office in New York or individual airlines. €

Diana Scimone is a free-lance writer based in Washington, D.C.

NEWS OF THE COMMUNITY

EXTERNAL

EC-Thailand Accord Signed

EC financing of rural development projects in Thailand was the scope of an accord signed between the two parties in mid-October. The ceremonies took place during a visit to Brussels by the Thai Foreign Minister, Air Chief Marshal Siddhi Savetsili.

Thâiland has already received about ECU 22.7 million in Community financial and technical assistance funds for nonassociated developing countries. This assistance has gone for rural and crop development projects.

EC Leaders at Sadat Funeral

EC Commission President Gaston Thorn, European Parliament President Simone Veil, French President François Mitterrand, German Chancellor Helmut Schmidt, and Prince Charles representing the United Kingdom were present at the funeral of the slain Egyption President Anwar el Sadat in Cairo last October.

Shortly after the announcement of the attack, Thorn had issued a statement saying the news had plunged the EC Commission into consternation. He said Sadat's name would always be associated with one the most difficult and delicate peace efforts, and he recalled Sadat's visit to the European Parliament earlier in the year to address the assembly on peace in the Middle East.

Japanese Mission Tours EC

More than 20 representatives from leading Japanese industries and banks and Government officials toured EC countries in early October to explore possibilities for improved cooperation and trade between the two. The visitors were told that Japan would have to follow up on its promises to open up its markets to European products. The alternative, said EC and industrial leaders, would be for Europe to resort to international trade rules allowing it to stem the flow of imports from Japan. External Relations Commissioner Wilhelm Haferkamp indicated that concrete steps had to be taken to reverse the trend heading toward a Community trade deficit with Japan of $15 billion for 1981.

Textile Policies Defended

The plight of the European textile industry, which has lost about 800,000 workers between 1973 and 1980 and is facing its worst crisis since World War II, will require continuing caution in importing products from developing countries, said a Community representative in Geneva in late September.

The Community was responding to an appeal by developing countries that it drop import restrictions against sensitive textile products. The General Agreement on Tariffs and Trade (GATT) textile committee in Geneva was holding talks on the renewal of the international Multifibre Agreement (MFA) which governs world trade in textile products. The MFA negotiations on renewal are scheduled to get underway later in the year.

EC-ASEAN Ministers Meet

Foreign ministers from the Community and the five-nation Association of Southeast Asian Nations (ASEAN) opened an extensive round of consultations on international trade and political issues in mid-October in London. This was the third ministerial meeting between the two organizations since the signing of a bilateral accord in March 1980. Talks were also held with the EC Commission and at the joint commission level the following week. The ASEAN countries are Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

In London talks concerned political and economic problems. On Cambodia and Afghanistan, the two sides expressed the desire to see foreign military forces withdrawn. The ASEAN ministers said they would introduce a motion in the United Nations seeking the withdrawal of Vietnamese troops from Cambodia. The problem of refugees resulting from fighting in both areas was also discussed.

The problem of refugees came up again in Brussels in talks with the Commission. Other issues discussed were closer consultation and cooperation between the Community and ASEAN countries in new fields such as communications and transport. The meeting also covered the problems of raw materials exported by the ASEAN countries, such as natural rubber, vegetable oils, and manioc.

The Joint Cooperation Committee established by the EC-ASEAN Cooperation Agreement held its second meeting in Brussels in mid-October. The expansion of trade between Europe and Southeast Asia was noted with satisfaction, although ASEAN delegation expressed concern at the possible adverse effect on ASEAN trade of some aspects of the Community's trade policy. The ASEAN delegation urged the Community to ratify the International Rubber Agreement and to sign and ratify the Sixth International Tin Agreement.

The Committee agreed to guidelines for a training program and noted that the program for scientific and technological cooperation had recently come into operation. It also welcomed the creation of the ASEAN-EC Business Council and decided to organize a sectoral conference in a selected engineering field. The committee noted the progress made on regional development in 1981 and in particular the expected commitment of more than ECU 7 million during that year for these projects.

Turkish Cypriot Leader Visits

The leader of the Turkish community on Cyprus, Rauf Denktash, visited the Commission in mid-October for talks involving the EC-Cyprus financial protocol and trade agreement. Denktash told a press conference he regretted that Community aid could only reach the Turkish community after passing through the Cypriot Government. He also complained that some exports from the Turkish area were blocked from being exported to the Community.

AID

Hunger Fight Planned

The EC Commission proposed an action plan to combat world hunger in two proposals to the Council of Ministers in late September. The first concerned exceptional food aid valued at ECU 40 million for the least developed countries, and the second communication set down guidelines and practical measures to serve as a basis for a general action plan.

Four categories make up the plan: a special food aid operation to make available to the International Emergency Reserve the cereals which it still lacks to reach its objective set in 1977; action to devise and implement food strategies to improve use of available resources or to mobilize fresh resources and to prompt donor countries or organizations to cooperate in "food security contracts" with developing countries; regional operations to safeguard and develop agricultural potential in developing countries; and a better EC contribution to international action in this field.

Aid Proposed for 28 Nations

ECU 200 million in aid recommended by the EC Commission in late September is aimed at helping 28 developing countries worldwide which have no formal connection with the Community. The 1982 program also emphasizes aid to the least-developed countries, rural development, co-financing, and regional cooperation.

The plan proposes that Costa Rica, Colombia, Bhutan, and China be added to the list of recipients in 1981. China has received emergency aid from the Community in the past. The total recommended includes about 75 per cent for Asian countries, 20 per cent for Latin America, and 5 per cent for Africa. About 40 per cent would go for co-financing of projects with other entities or Governments. Many projects would involve rural development such as agriculture, breeding, fishing, and forestry.

Regional Funds Allocated

ECU 199.7 million for 415 investment projects was allocated from the European Regional Development Fund in September. From this third allocation for 1981, ECU 59.6 million went for 121 projects in the industrial and service sectors and ECU 140.1 million went to 294 infrastructure projects. Recipients were Belgium, Denmark, Germany, Greece, Ireland, Italy, and the United Kingdom.

The major projects included the extension of the telecommunications network in Greenland and between Greenland and Denmark; in Germany, the construction in Bavaria of a power station to generate low-cost electricity from municipal wastes; the extension and modernization of the railway through central Greece and Thessalia; in Italy, three wholesale markets (fruit and vegetable and fish) in the province of Naples, as well as several irrigation projects.

The Commission also decided to grant ECU 110,000 to help finance two studies closely related to the fund's operations in Greece. Grants made since the Regional Fund was set up in 1975 now total over ECU 4.3 billion for 12,813 investment projects.

ECSC Housing Loans

Two loans to finance housing for workers in the iron and steel industry were granted in early October when contracts were signed between the EC Commission and the Banca Nazionale del Lavoro for amounts of ECU 3.8 million and ECU 23.2 million.

This action will help facilitate ownership of about 1,000 homes by workers in the iron and steel industry and make possible the financing of 75 per cent of building costs on particularly favorable terms. Housing loan grants in Italy since the beginning of the European Coal and Steam Community activities now total about ECU 58 million.

Cooperation Financing

The EC Commission has approved financing for two cooperation projects in Algeria and one in Morocco for a total of nearly ECU 8 million. In Algeria a program of scientific cooperation with the Algerian national scientific research organization will benefit from a grant of ECU 4.3 million, plus training for instructors. The program provides grants for study in Europe, an exchange scheme for Algerian and European research workers and the services of experts, and scientific equipment.

Algeria's second grant, worth ECU 3.6 million, will go to train farm managers for the country's state farms. The training will be provided by instructors made available to the Algerian authorities, and technical support will also be provided. Morocco receives a grant of ECU 22,000 for a study of the Nigerian market to pave the way for Moroccan manufactured exports to Nigeria.

Stabex Transfer Advanced

Under Stabex, the Community's export earnings stabilization system through the Lomé Convention, the EC Commission decided in mid-October on advance compensation for losses of earnings in 1981. Gambia receives ECU 2 million for losses in groundnuts and groundnut oil, and Senegal was advanced ECU 18 million for its losses in groundnut products. These losses in export earnings were mainly due to bad weather which seriously affected harvests.

Uganda had losses in coffee earnings because of the fall in world coffee prices the first half of 1981 and was advanced ECU 2 million. Samoa was advanced over ECU 1 million for losses in cocoa and copra exports that resulted both from bad weather and a depressed world market.

Emergency Aid Decided

The EC Commission proposed emergency food aid worth over ECU 1.7 million for Tanzania in early November to help that country following a drought for the second consecutive year. Earlier, the Commission decided on further emergency aid of ECU 500,000 to assist the people of El Salvador affected by the present situation there. Total aid for El Salvador has reached over ECU 2.6 million in cash and food supplies.

Exceptional aid totaling ECU 60,000 was granted to Gambia to be used to send medical supplies to victims of the recent disturbances there. France and the United Kingdom have already sent aid, and the Community has supplied over a thousand tons of rice. The Council of Ministers also approved an emergency aid measure providing ECU 400,000 for the supply of medicines, food, and clothing through international organizations to injured and displaced persons in Angola.

Lomé Group Meets

Representatives of the 61 developing countries belonging to the Lomé Convention met with EC officials in Luxembourg in late September to discuss problems facing the developing countries and specific problems of the Lomé Convention and relations with the EC.

Topics discussed included the operation of the Stabex system of reimbursement for losses in export earnings and the price the Community pays for sugar from the African, Caribbean, and Pacific (ACP) countries. Problems arising from the shortage of Stabex funds and sugar price level could mean a loss of about $150 million to ACP countries, one ACP minister said. Other issues discussed were the growing food shortages in many of the countries and the problems of industrial development.

EIB Loans Approved

The European Investment Bank (EIB) approved loans for several development projects during the last quarter of 1981. Niger was granted a loan of ECU 10 million for the second stage in building the Anou Araren coal-fired power station. Two loans totaling ECU 8 million were made to Zambia to finance investment in small and medium-scale industry there.

Tonga was lent ECU 1 million to assist in financing smaller scale industrial and tourism undertakings there. This is the EIB's first operation in this Pacific island group. For port extensions at Lomé, Togo, the EIB granted a loan of ECU 4.4 million. ECU 7 million was lent to the state-owned Swaziland Electricity Board to go toward a hydro-electricity project planned there. ECU 6.5 million was also lent toward the financing of small and medium-sized investment in West Africa, mainly in the industrial, energy, and telecommunications sectors.

1982 ECSC Budget Drafted

A memorandum on the European Coal and Steel Community (ECSC) operating budget for 1982 was adopted in November by the EC Commission. The budget contains total funds of ECU 268 million, including special funds of ECU 50 million under the social measures for steel. ECU 128 million allocated for unavoidable expenditure can be broken down as follows: ECU 5 million for administrative expenditure; ECU 117 million as readaptation aid; ECU 6 million as aid to coking coal.

For research and interest subsidies, ECU 90 is allocated, of which ECU 51 million will go for interest subsidies, including ECU 40 million for conversion aids, given the direct link with the creation of new jobs. The amount left for research has thus shrunk to ECU 39 million from ECU 44 million in 1981. It is proposed that ECU 17 million be devoted to steel, ECU 13 million to coal, and ECU 9 million to social research.

HARMONIZATION

Maritime Rules Sought

A draft regulation extending EC competition rules to sea shipping was approved by the Commission in early October. The proposed rules would grant exemption to agreements made through the international liner conferences and would also provide special procedures to avoid conflict with the antitrust rules of nonmember countries such as the United States. In addition, bulk cargo transport was not included in the proposal because of lack of adequate experience in the field.

The maritime sector and air transport are among the few remaining outside EC competition rules. The Commission has declared that both were covered by EC laws but that lack of understanding with the member states had prevented application. The extension of EC policy to the air transport sector has been highly controversial in recent years.

Thorn Protests Turkey Ban

EC Commission President Gaston Thorn and a British member of the European Parliament, Richard Balfe, swapped a turkey for sausages at a November meeting in Strasbourg. Balfe wanted to underline the point that the United Kingdom is unable to export raw sausages to other EC countries.

Thorn told Balfe that this was not the fault of the Common Market. All countries—including Britain—have tight hygiene regulations on the import of raw minced meat. "These controls cover raw sausages," said the President. "Other Common Market countries cannot send their raw sausages to you just as you cannot export your sausages to them." The EC Commission was already trying to make it possible for EC countries to export sausages to one another, said Thorn.

Salami and some other continental sausage can already be exported and imported because they are preserved by either cooking, drying, or salting. British sausages could probably be exported in a cooked form.

Meanwhile Thorn gave Balfe a turkey because the United Kingdom is currently preventing the import of this and a number of other foods which would give the British housewife a wider choice of quality and price. "These French turkeys cannot be imported into the United Kingdom because of a decision taken by your Government in September. Nor can the British housewife buy chicken, eggs, milk, or UHT (long-life) milk produced on the continent," said Thorn.

The EC Commission may soon decide to take the United Kingdom Government before the European Court of Justice for its illegal ban on the import of Common Market turkeys, poultry, and eggs. A court case against the United Kingdom is already pending for the United Kingdom ban on the import of UHT milk.

Alcohol Tax Held Up

Following another attempt in last September to resolve the nine-year-old debate on the harmonization of national tax policies on alcohol products, the EC Council of Ministers remained in a deadlock. This latest failure to solve the problem of disparities in tax levels for wine, beers, and other products was seen by some as leaving no alternative but to ask the European Court of Justice for a ruling.

Air Fare Proposal Made

A draft directive to introduce more flexible procedures for fixing scheduled passenger air fares for international flights within the Community was approved and sent to the Council of Ministers in October. The proposal also seeks to establish common rules for deciding the level of fares and to give airlines more scope to develop markets and meet consumer needs, without leading to disruptive effects or endangering the viability of Community airlines.

The directive was based on conclusions of a report on air fares released by the EC Commission last July. One main conclusion was that present procedures were time consuming and a disadvantage to airlines and consumers. The report said the Community should seek to achieve a less rigid procedure for intra-Community flights. The new criteria for air fares are based on the principle that air fares shall be related to the costs of an efficient air carrier, with the assumption that the main place of business is the state of origin, because important cost differences exist between member states.

Interlining among the many European airlines is an important advantage of the present system which is maintained in the new proposal. As for other services, such as ticket reservations and in-flight meals, the Commission felt that these are areas where the consumer should have choices. These matters have been traditionally set down by the airlines with little possibility of consumer choice.

All EC countries have been practicing the terms of the 1967 international agreement established by the European Civil Aviation Conference which provides a legal framework for tariff-setting. When adopted, the new directive will supersede any conflicting provisions of the 1967 agreement.

SOCIAL POLICY

Commission Looks to Future

Recommendations aimed at preparing European society for future technologies were released by the EC Commission in early October. These recommendations were based on the assumption that Europeans face some difficult choices and adjustments because of emerging automation and communications technologies and should be adequately informed and prepared. They call for the strengthening of the information and consultation mechanism as well as negotiations between management and trade unions. The proposals also suggest financial support for innovation, training, and other areas.

Local Authorities Convene

The Standing Technological Conference of Local Authorities held its third annual meeting in Brussels in early October to consider ways of improving purchasing and innovating power in local economies.

Local administrations spend an estimated ECU 50 billion each year with industrial and other firms through public purchasing contracts. The possibility of grouping the demand for certain products so as to exercise greater influence by local authorities was discussed. Another topic was the possibility of increasing the exchange of information between local authorities, again to obtain savings in making purchases.

Student Handbook Out

The Community's bestselling Student Handbook came out in its third edition of 56,000 copies in all EC languages in early October. The aim of the book is to inform students about courses in higher education in EC countries other than their own. Only one in 200 Community students studies in higher education institutions in another member state.

Greater educational mobility is given particular stress by Education Commissioner Ivor Richard in the foreword to the handbook. Further Community efforts to increase higher education mobility among member states include the latest series of annual Commission awards for joint programs of studies. Ninety such programs were announced for the 1981-82 academic year bringing the total of grants to 374 since the plan was started five years ago. Grants for these new programs, which include higher education institutions in all 10 member states, total ECU 250,000.

Industrial Innovation Urged

A strategy to encourage and improve industrial innovation in the Community was approved by the EC Commission last October. Innovation should be a cornerstone of a social and economic policy designed to promote the economy, employment, and the competitive position of Community industries, said Commissioner Karl-Heinz Narjes, in charge of industrial affairs.

The Commission communication said that new processes and invention could improve the rate of productivity in EC industry. Financial and legal bottlenecks to investment and research should be reduced through joint studies and efforts among member states. Concrete steps to be taken included opening public purchasing markets to competitors from other Community countries to create an open continental market; better coordination of EC and other funding programs, improved access to risk capital; and the drafting of common criteria for promoting such efforts. The communication particularly stressed the need to improve defense and security industries' cooperation in the Community as well as in the area of space technology.

Strategy Set for Disabled

A communication setting out a five-year plan for social integration of the Community's handicapped population was approved by the Commission in October. Estimates have put the number of disabled in the EC from 13 to 23 million, or as high as 9 per cent of the EC population.

A key aspect of the Commission's proposed strategy is its focus on the local level. A cornerstone of the new proposals would be the setting up of a Community-wide network of local development actions to serve as models for policy developments elsewhere. The network would consist of up to 17 projects in districts with average characteristics within the member state from the point of view of wealth, employment, and density of population. The districts would each cover a population of between 150,000 and 300,000 to enable a significant range of problems, services, and types of provision to be included.

Other components of the plan would include: the creation of improved systems for the dissemination of information; a series of studies and conferences to investigate selected policy issues; reinforcement of the work of the present EC network of rehabilitation centers; and the dissemination of results of the EC's pilot housing action promoting the social integration of handicapped persons.

The overall cost in 1983, the first operational year, would be nearly ECU 5.4 million, of which over ECU 2.4 million would be devoted to the district networks. The cost of the whole program, increasing with inflation, would be about ECU 25 million.

In the last two years the EC has granted over ECU 160 million to train or retrain the handicapped. Other existing measures include the network of rehabilitation centers, housing pilot projects, and a survey of developments and trends in the education of the handicapped throughout the Community. A conference on the young handicapped held in the Netherlands in October had as goals identifying and defining policy orientations for further European cooperation in preparing handicapped children and young people for an active adult life.

Last of 1981 Funds Approved

The Commission approved in October the financing of the third and last batch of applications to the European Social Fund for 1981 which totaled ECU 635.9 million. These allocations brought the total granted last year to over ECU 1 billion. Young people received the most assistance in 1981 with ECU 213.1 million for training aid and ECU 96.2 million for employment aid. Regions received ECU 180.6 million.

Other sectors were: handicapped persons, ECU 65.5 million; migrant workers, ECU 21.9 million; technical progress programs, ECU 14.1 million; women, ECU 13.6 million; textiles, ECU 16.1 million; agriculture, ECU 5.9 million; pilot schemes, ECU .5 million.

INSTITUTIONS

Multinationals Discussed

For the second time in several years, the European Parliament voted to recommend that measures be adopted to control the activities of multinational corporations operating in the member states. The mid-October session adopted a report and resolution examining what actions had been taken at Community level affecting multinational companies and recommending stronger legal means of control.

A Community stock exchange could be accomplished through electronic and computer technology, EC Commissioner for financial affairs, Christopher Tugendhat said during the session. It was noted that coordination of national laws and policy on capital transfers was also needed to create a unified common market in this field. Hunger and malnutrition in the world was also discussed and a motion adopted urging the member states to make a $6 million contribution to the EC budget next year to fight world hunger.

Political Cooperation Planned

EC foreign ministers agreed at a meeting in mid-October on a plan to improve their consultations on international political issues, especially during a time of crisis. The plan would set up a group of diplomats to handle foreign policy matters and arrange procedures for consultations in times of crisis. It was also decided that a meeting of national policy coordinators or even the foreign ministers would be convened within 48 hours of a call from the Council Presidency in the event of an international crisis.

New Political Cooperation

A new proposal by German Foreign Minister Hans-Dietrich Genscher for an intensification of political policy coordination in the Community was greeted cautiously by member states following a statement in Bonn in mid-September.

The Genscher proposal was a follow-up to a suggestion he made in 1980 for a new EC treaty on political cooperation. In his latest comments Genscher noted that political integration in the Community had not proceeded at the same speed as economic development. He said that new institutional machinery should be developed in the field of foreign policy to allow the Community to have a common position on these issues.

Genscher also said such expanded cooperation should encompass security and defense issues as well, which in the past have been outside Community responsibility. Cultural and judicial affairs should also form part of these new responsibilities, he said. Initially, only the Italian Government was said to have supported the German plan, and reports indicated that the United Kingdom had backed the creation of a secretariat on political coordination, which is currently handled on an ad hoc basis by the Council Presidency.

Schuman Medal Awarded

The Robert Schuman gold medal, awarded each year to a public figure who has given special services to the European cause, was awarded in late October to Emile Noël, Secretary-General of the Commission. On that occasion EC Commission President Gaston Thorn paid tribute to Noël for his capacity for work and his devotion to duty. Thorn then launched a stirring appeal for a Community imagination and audacity.

Institutional Changes Asked

Major recommendations for improving institutional relations in the Community were issued in early October by the EC Commission. These included a return to majority voting in the Council of Ministers and strengthening political cooperation among member states.

The main thrust of the Commission's policy declaration was enlarging the role of the European Parliament along with an improved concertation process among EC institutions. The aim was to improve the balance between the institutions and the decision-making process in view of the Community's enlargement. Reverting to majority vote in the Council would speed up the process of decision-making and restore the role of the Commission to its logical position in managing Community affairs, said the Commission's statement.

Internal Market Threatened

About 50 proposed directives on harmonization, customs procedures, or exchanges of information affecting the internal EC market have been before the Council of Ministers for years. The EC Commission sent a draft resolution to the Council in early October seeking a policy commitment to adopt all these measures. Secondly, to strengthen the internal market, the Commission plans new measures aimed at removing the obstacles preventing the dismantling of the Community's internal frontiers, whether in customs legislation and administration, taxation, or other fields.

EC Commissioner Karl-Meinz Narjes, in charge of internal market affairs, said that border formalities and other procedures were estimated to represent about 5 per cent of the costs of doing business in the Community. Adoption of related directives was necessary, he said, to establish a unified, continental market that could provide economic stimulus for firms in the Community. The Commission is concerned about persisting barriers at the frontiers and the appearance of new ones. Narjes said there had been an increase in the number of nontariff obstacles adopted by member states recently, in the form of actions to protect health, consumers or the environment, or to protect domestic industries.

ECONOMY

Economic Forecast Is Grim

The economic report released annually by the EC Commission came last year in mid-October at the end of a recession caused by oil price rises that inflicted considerable economic damage in Europe. The report said that Community real gross domestic product would fall slightly for 1981 and that unemployment had risen to 8 per cent of the labor force.

For 1982 a growth rate of about 2 per cent was forecast, a deceleration in inflation to about 10.5 per cent, and a stabilization in unemployment at 8.5 per cent. The Commission survey said uncertainties still existed on the external front in oil prices, interest rates, and movements in the dollar exchange rate. In all, a moderate recovery was predicted for 1982.

Small Business Loans Set

Two loan facility agreements were signed in London in mid-October providing a new means of financing to small businesses in the United Kingdom. The loans are being made available under the European Coal and Steel Community (ECSC) Treaty, which provides low-interest loans for projects creating new jobs in areas affected by the decline of the coal and steel industries.

The two participating organizations are Barclays Bank and the Welsh Development Agency (WOA). The Community uses financial intermediaries to provide similar loans to the smaller enterprise, but complex administrative procedures have prevented the very small business from having access to Community funds. The ECSC loans with Barclays and the WDA will change this situation.

Commission officials also signed a loan facility agreement with the Cooperative Bank in Manchester in early November. It is expected that part of those funds will also be used for loans to small businesses, making the Cooperative Bank part of the new Commission scheme.

Requirements for such loans include: an enterprise must not have more than 50 employees at the time of allocation; investment must be in a travel-to-work development area where redundancies have occurred in steel or coal; at least two jobs suitable for ex-coal and steel workers must be created.

Many of the loans in the United Kingdom are made in foreign currency with a UK Government guarantee against foreign exchange fluctuations. Consequently, fixed-interest loans are possible at rates well below those generally available in the United Kingdom. ECSC funds are also used to reduce that rate even further. Current indications are that an EC loan will cost about 11 per cent. The Community hopes to announce similar facilities for Scotland soon.

Thorn Rebuts US Views

EC Commission President Gaston Thorn criticized the Reagan Administration's approach to providing assistance to developing countries in a speech in Florence last October prior to the economic summit in Cancun, Mexico. Thorn characterized the US approach as placing stress on private investment and market forces and waiting for the Western economies to recover. He said that while the Community agreed with the free market concept, it was one which favored the strong but put the poor at the mercy of forces they could not control.

The Community is dependent on world trade and natural resources, Thorn said, and is convinced of the interdependence of nations in the world. Large continental states with their own manpower and resources tend to see the needs of developing countries largely in terms of their own political priorities, he added. The differences in outlook between the Community and the United States should be narrowed, Thorn argued, to improve prospects for the North-South dialogue.

Economics Institute Created

A new Institute for International Economics in Washington was created with funding of over $4 million from the German Marshall Fund of the United States in early November.

Frank E. Loy, President of the German Marshall Fund, said the purpose of the new institute is to strengthen the formulation of international economic policy, particularly in the United States, and to lift the level of public debate in that area. The institute will be the first research center in the United States devoted to international economic affairs.

The institute will be a private, nonprofit institution devoted to policy research in international economic issues including monetary affairs, trade, investment, energy, commodities, and North-South and East-West economic relations. It will focus on specific issues likely to confront policymakers over the coming one to three years. Among topics being considered for the research agenda are: the probabilities of a breakdown in the process of recycling funds from surplus to deficit countries; programs and future of the International Monetary Fund; the continued viability of the postwar international trading and investment system.

Peter G. Peterson, chairman and chief executive officer of Lehman Brothers Kuhn Loeb and former secretary of commerce, will serve as chairman of the board of directors of the institute. Richard N. Cooper, professor of economics at Harvard University and former under secretary of state for economic affairs, will chair its Advisory Committee. The director of the institute will be C. Fred Bergsten, former assistant secretary of the treasury for international affairs and author of numerous publications.

AGRICULTURE

EC Checks Spanish Oils

The Community's unofficial system of alert on dangerous consumer products was set in motion after reports of illness and deaths in Spain connected with the consumption of products purported to the olive oil but actually containing denatured rapeseed or colza oil instead. Spanish industry authorities assured the Community that olive oil products were carefully inspected prior to export, and inspections in the Community also revealed no trace of harmful ingredients in imported products.

In the meantime, however, the French Government announced in mid-October that it would suspend for three months a number of food imports from Spain containing vegetable oils.

Fishing Policy Progress Made

For the first time in months, progress was made during a late September Council of Ministers meeting on the establishment of a common fishing policy. Significant advances were made on a system for imported fish, funding for fisheries modernization plans, and the conclusion of international accords with Canada, Sweden, and the Faroe Islands. The most difficult issues, such as access to Community waters by other fishermen, were left for another meeting.

The issue of imported fish was especially important to the United Kingdom which had been concerned about fish shipments from Germany, Canada, and other fleets selling at low prices in the UK market. Germany, on the other hand, had been anxious to have the fishing accord with Canada approved because the German fleet was most active in Canadian waters.

Farm Disputes Unresolved

In what has become an almost customary part of every agriculture council meeting, hundreds of farmers from several member states demonstrated outside the Brussels meeting place when ministers met in late September. The farmers were complaining about alleged unfair competition from Dutch hothouse farm products that benefited from low-cost fuel.

Inside, the agriculture ministers made little headway in resolving the dispute between France and Italy on wine shipments and between France and Britain on the question of poultry and egg trade. The subject of the French blocking incoming Italian wine caused sharp verbal exchanges between French and Italian officials at the meeting. Later in the week the EC Commission sent its opinion on the matter to Paris and gave the Government five days to reply. The next step in what is felt to be an infraction of EC trade rules would be for the Commission to file suit in the European Court of Justice.

The other argument placed France and the Commission on the attack against Britain and Ireland for having restricted French and other Community poultry imports with the explanation that outbreaks of poultry disease were feared. The French minister presented evidence to show there had been no outbreaks of the disease in France since 1976.

ENERGY

Reforms in Energy Suggested

Europe will require about $500 billion in energy investments in the 1980s, EC Energy Commissioner Etienne Davignon told a press conference in late September. Community reform should include consideration of the energy sector in economic performance as well as agriculture and the budget, he said.

The Community's roles will include the financing of energy investments through the New Community Instrument loan program and the coordination of fiscal and other policies that have an important bearing on energy production and consumption. An energy policy, said Davignon, should develop sound programs for all phases of energy—coal, nuclear, natural gas, and alternative sources. Ways will have to be found to channel the results of research and development more rapidly into industry and technology than is currently being done, he said.

EC, Australia Sign Pact

An accord setting down safeguards for the shipment of nuclear materials was signed in Brussels between the Community and Australia in late September. The 30-year accord sets down requirements for the inspection, handling, end-use, and transfer of uranium and other products, basically to prevent the diversion to military uses and to improve security. This pact is part of a pattern of increasing interest in nuclear safety by both supplier and consumer countries.

EC Oil Bulletin

The average increase in CIF prices of crude oil between the end of 1978 and early November this year was 160 per cent, as a result of decisions taken by the oil-exporting countries. The pretax prices of the principal oil products (crude oil and imported finished products) increased by an average of 94 per cent over the same period.

The Commission publishes weekly

bulletins in order to make Community oil markets more transparent, particularly regarding price information.

ENLARGEMENT

Lomé Accords Signed

Two separate accords adjusting the terms of the Lomé Convention to 10 member states were signed in early October. More than 60 developing countries in the African, Caribbean, and Pacific (ACP) region receive trade benefits from the Community through the Lomé Convention.

The pacts permitted the application in Greece of the terms of the convention, over a phased period of time. Provisions foresee the elimination of tariff duties in Greece on ACP imports, although the possibility of specific quotas on imports will be maintained.

Enlargement Worries Some

The impact of EC enlargement on relations with Tunisia were discussed between EC Commissioner Edgard Pisani, in charge of affairs with developing nations, and Tunisian officials in late September. Tunisia and other Mediterranean countries with trade accords with the Community have expressed concern about their commercial opportunities in an enlarged Community that contains Greece, Spain, and Portugal, countries which offer many of the same products as the North African states. Pisani said means would have to be developed to adjust to the economic characteristics of the enlargement.

Spanish Accession Clouded

Discussions over problems of Spanish entry into the Community were stepped up in late September following statements by a French minister indicating that Socialists would oppose Madrid's membership bid. The Spanish secretary of state for relations with the Community, Ramundo Bassols, met at that time with EC Commissioner Lorenzo Natali, in charge of enlargement negotiations, and Commission President Gaston Thorn to discuss the pace of negotiations, the customs union, and the value-added tax.

Contacts at the United Nations in New York between Spanish Foreign Minister Jose Perez Llorca and French Foreign Minister Claude Cheysson confirmed that the French position on Spanish entry into the Community had not changed. Cheysson said France favored Spanish accession but that certain subjects of the entry negotiations, such as agricultural issues, would have to await the outcome of current reform talks underway in the Community.

COMPETITION

Michelin Subsidiary Fined

A fine of ECU 680,000 on the Dutch affiliate of the French Michelin tire group was levied in early October for abuse of dominant market position. This was the first major action in the competition field for the new EC Commission.

The infractions, which the Commission indicated had been abandoned by the firm in 1981, concerned the company's practice of offering discounts and rebates to suppliers of heavy-duty replacement tires in the Netherlands. Such practices have been challenged by the Commission in the past as abuses of dominant market power or trade restrictions. The ruling by the Commission was in keeping with the policy of levying significant fines in relation to the severity of the infraction.

Glass Agreements Hit

Three Italian manufacturers of flat glass and three associations that bring together all the largest Italian flat glass wholesale and processing firms were notified by the Commission in late September that restrictive purchasing and sales quota agreements made in 1976 and 1977 among them were incompatible with the EC competition rules. The three manufacturers account for over 90 per cent of flat glass production, and the associations together control about 60 per cent of the Italian market.

The agreements, the Commission ruled, were likely to cause serious restriction of competition both because of the nature of the restrictions and because of the size of the share of market involved. The Commission has not, however, imposed fines since the agreements were in fact only partially implemented by the firms concerned, and were abandoned around the end of 1977.

Steel Joint Venture Set Up

The EC Commission in late October authorized three Italian firms to set up a joint undertaking in steel called Siderpotenza, SpA. Its principal object is to lease the installations of the former company Industria Siderurgica Lucana, which has entered into an arrangement with its creditors. These are installations for producing crude steel and processing it into concrete-reinforcing bars. The production capacity is 141,000 tons a year.

Two of the joining firms, Lucchini Siderurgica and Acciaierie e Ferriere Leali Luigi, belong to the category of mini-steelworks. They produce merchant bars and concrete-reinforcing bars from steel scrap using the electric furnace process. The other partner, Gestione e Partecipazioni Industriali (GEPI), is a financial company controlled by state-owned holding companies and financial organizations. The object of the company is to help maintain employment by acquiring interests in firms experiencing temporary difficulties with a view to their reorganization and subsequent sale. GEPI has no holdings in other steel undertakings.

The combined production of the firms concerned accounts for 8 per cent of the Italian market and 4 per cent of the EC market in concrete-reinforcing bars. No increase in production capacity is planned for Siderpotenza. This operation is unlikely to change in any appreciable way the structure of the market where competition is intense.

ENVIRONMENT

Environment Action Asked

Top environmentalists and officials met in Brussels in late September to study the impact of the Community's agricultural and development aid policies on sound environmental and conservation practices. The seminar was sponsored by the European Environment Bureau, an umbrella organization representing about 60 environmental action groups in the Community.

Participants said they thought recent practices in agriculture and development aid probably had been detrimental to the environment. Intensive farming with heavy use of fertilizers, pesticides, and energy were trends that radically eroded the ecological balance. A similar and even more dangerous pattern was occurring in the developing world, they said, where overutilization of grazing and farmlands, stripping of forests, and urbanization had taken place. These practices resulted in the destruction of huge tracts of land every year, with a resulting loss of food capacity in developing nations.

The meeting called for action to include serious environmental impact studies on agricultural and development programs and improved observation of sound conservation and ecological practices.

SCHOLARSHIPS, GRANTS, CONFERENCES

Congress on Public Law

A congress organized by assistants in public law will be held February 23-26 at the University of Kiel. Colloquiums are planned to cover the position of women in law in Germany, Austria, and Switzerland, and the power of communes in exterior relations in these same countries. For information, contact: M. Kilian, Université de Kiel, Faculté de Droit, Wilhemstrasse, 7, Kiel, Germany. Telephone: 0701 29 29 53.

European Politics Workshop

The European Consortium for Political Research will hold joint workshop sessions at the University of Aarhus March 29-April 3. The workshops are of special relevance to the European Community. Topics include voting patterns in multi-level electoral systems; industrial politics in Western Europe; decision-making processes in European integration; European policies of regional development. For further information, contact: European Consortium for Political Research, University of Essex, Wivenhoe Park, Colchester CO4 3SQ, Essex, England.

Colloquium on Portugal

A colloquium organized by the Center of European Studies at the Catholic University of Louvain May 14-15 is planned to analyze the four Community freedoms (movement of people, goods, services, and capital) in relation to the future accession of Portugal. For information, contact: Prof. Cerexhe, Centre d'Etudes Européennes, Université Catholique de Louvain, Place de l'Université 1, 1348 Louvain-la-Neuve, France. Telephone: 010141 81 81, extension 4289.

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☐ **The European Community and Japan.** *Europe Information No. 47/81.* Commission, Brussels, June 1981, 14 pages .... free

☐ **The EEC and the Caribbean.** *Europe Information Development.* Commission, Brussels, June 1981, 15 pages .... free

☐ **The European Community and India.** *Europe Information No. 50/81.* Commission, Brussels, June 1981, 14 pages .... free

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☐ **The 30 May Mandate and the Relaunching of the European Community.** *European File No. 16/81.* Commission, Brussels, October 1981, 7 pages .... free

☐ **Workers' Rights in Industry.** *European File No. 15/81.* Commission, Brussels, October 1981, 8 pages .... free

☐ **Public Opinion in the European Community.** *Euro-barometre No. 15.* Commission, Brussels, June 1981, 128 pages .... free
Results of the survey conducted in the spring of 1981.

☐ **Measures Taken in the Field of Commerce by the Member States of the European Communities.** *Commerce and Distribution Series No. 7.* Commission, Brussels, 1981, 183 pages $8.50
Reviews national legislation as of April 1, 1979, on competition, establishment, construction and rental of business premises, taxation, financial aids, social measures, and vocation training.

☐ **Higher Education in the European Community: Student Handbook.** Commission, Brussels, 1981, 337 pages $5.00
1981 edition. General information on the structure of higher education, the institutions, degrees awarded, admissions, fees, and grants available in each member state.

☐ **Comparative Tables of the Social Security Systems in the Member States of the European Communities: General System.** Commission, Brussels, 1981, 119 pages $7.15
Eleventh edition, situation at July 1, 1980.

☐ **The Customs Union of the European Economic Community.** *European Perspectives.* Commission, Brussels, 1981, 89 pages $5.00
By Nikolaus Vaulont. Traces the development of the customs union since 1958 and outlines the regulatory system for the common customs tariff and commercial policy.

☐ **Consumer Protection and Information Policy: Third Report.** Commission, Brussels, 1981, 60 pages $1.40
Covers Community and national activities in 1978 and 1979.

☐ **EC-World Trade: A Statistical Analysis 1963-1979.** Statistical Office, Luxembourg, 1981, 649 pages $22.40
Study covering the Community in the context of world trade, the structure and development of EC trade by broad economic category and by main partners, trends in the trade of each member state and exports by both member states and the EC as a whole. Comprehensive statistical annex.

☐ **National Accounts ESA: Detailed Tables by Branch 1970-1979.** Statistical Office, Luxembourg, 1981, 134 pages $25.60
Data on value added, earnings of employees, gross fixed capital formation, and final consumption of households.

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☐ **Practical Guide to the Use of the European Communities' Scheme of Generalized Tariff Preferences.** Commission, Brussels, 1981, 354 pages $20.00
Guide to the 1981 system.

☐ **Structure and Activity of Industry 1976.** Statistical Office, Luxembourg, 1981, 259 pages $20.00
Main results for 1975 and 1976 of the coordinated annual inquiry on industrial activity covering number of enterprises, employees, labor costs, production value, and gross value added.

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Results of the survey conducted in the spring of 1979.

☐ **Glossary of the Main Legal and Technical Terms Used in National Laws and Regulations Concerning the Building Sector.** *EUR 6805,* Commission, Luxembourg, 1981, 79 pages $11.00
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☐ **The Cull Cow as a Beef Producer.** *EUR 7326,* Commission, Luxembourg, 1981, 158 pages $13.20
Papers of a seminar held in Rome, December 8-10, 1980.

☐ **Advisory Committees for the Common Science and Technology Policy.** *EUR 6745,* Commission, Luxembourg, 1980, 302 pages $21.20
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☐ **Factors Influencing Ownership, Tenancy, Mobility and Use of Farmland in the United Kingdom.** *Information on Agriculture No. 74.* Commission, Brussels, 1981, 260 pages $8.00

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Research evaluation report on the 1975-1979 program.

☐ **A Systematic Approach to Agricultural Forecasts 1985 for the European Community of Nine.** *Information on Agriculture No. 77,* Commission, Brussels, 1981, 194 pages $5.50
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☐ **Factors Influencing Ownership, Tenancy, Mobility and Use of Farmland in Denmark.** *Information on Agriculture No. 73.* Commission, Brussels, 1981, 152 pages $5.00

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Selection of basic economic statistics of the ACP countries for 1976-1978 and comparison with other developing countries.

☐ **Technological Progress in the Management of Radioactive Waste.** *EUR 6699,* Commission, Luxembourg, 1980, 346 pages, Parts I, II, III $54.80
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☐ **Evolution of Patent Filing Activities in the USA.** *EUR 6575,* Commission, Luxembourg, 1980, 132 pages $19.70
Compilation of statistical data on patent applications filed in the US for 1965-77 and patents granted during 1969-1974. Data classified according to the International Patent Classification as well as by industry sector.

☐ **Irradiation and Thyroid Disease: Dosimetric, Clinical and Carcinogenic Aspects.** *EUR 6713,* Commission, Luxembourg, 1980, 254 pages $27.60
Review of the clinical problems of thyroid irradiation to outline and define the physiopathology of its consequences.

☐ **Results of Environmental Radioactivity Measurements in the Member States of the European Community for Air—Deposition—Water—Milk 1978.** *Radiological protection No. 17, EUR 6620,* Commission, Luxembourg, 1980, 286 pages $30.00
Report on radioactive contamination of the air, precipitation and fallout, surface water and milk during 1978.

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Implications juridico-constitutionnelles de l'adhésion aux communautés européennes: Le cas du Portugal. By Isabel Jalles. Editions Bruylant, Brussels, 1981. 310 pages.

Reflects on the potential problems of Portuguese accession to the EC; the conflicts between Portugal's national legal system and that of the Community; general questions of legal harmonization for all member states.

Regionalism and Supranationalism: Challenges and Alternatives to the Nation-State in Canada and Europe. Edited by David Cameron. Policy Studies Institute, London, 1981. Available from Renouf, USA, Brookfield, VT. 136 pages. $9.95.

An examination of the opposing forces of regionalism—small, decentralized political structures—and supranationalism—large, integrative systems. Europe and Canada are used as examples of transitional states; similarities and differences are analyzed. Includes essays and papers from various authors.

Miles to Go: European and American Transportation Policies. By James A. Dunn. MIT Press, Cambridge, MA, 1981. 216 pages. $19.95.

Comparison of various modes of American transportation with systems in France, West Germany, and Britain, and the different policy approaches. Includes a chapter analyzing European policy toward auto transport and its possible application in the United States.

U.S. Multinationals and Worker Participation in Management: The American Experience in the European Community. By Ton DeVos. Quorum Books, Westport, Conn., 1981. 229 pages. $29.95.

A study of the problems American companies encounter in Europe when American policy of total corporate control clashes with the European tradition of worker participation. Analyzes American perceptions of managerial prerogative; American experimentation with worker participation in corporate decision-making; discusses trade unions in various European countries where there is significant American investment.

The New EEC Measures for European Steel Production and Trading: From Crisis Control to Cartel? European Business Reports No. 1. European Business Publications, London, 1981. 42 pages. $70.00.

Provides background information on and sets out EC measures on steel; discusses the production quota and pricing system, new provisions on state aid to steel and on merchanting practice; studies the treatment of third country imports and effects on the EC.

The EEC at the End of the Seventies. By Andras Inotai. Hungarian Scientific Council for World Economy, Budapest, 1979. 107 pages.

Traces the modifications in development of the EC since the world economic changes of 1973. Examines changes in EC internal and external economic policies and the impact of the EC on the world economy. Includes tables and annexes.

The United States Generalized System of Preferences: Coverage and Administrative Procedures in Force in 1981. Organization of American States, Washington, D.C., 1981. 59 pages. $5.00.

Includes United States Trade Act of 1974, Title V, Generalized System of Preferences (GSP); customs regulations and other procedures for the application of the GSP; regulations of the US Trade Representative; coverage of the US GSP. Lists articles which may be entered into the United States duty-free, if originating from countries and territories (also listed) under GSP treatment.

Foreign Investment Codes and the Location of Direct Investment. By Robert E. Grosse. Praeger Publishing, New York, 1981. 158 pages. $20.95.

A study looking at the implications of codes affecting the activities of multinational enterprises, specifically ones governing the locations of direct investment. Examines behavioral patterns within integrated enterprises and government restraints to investment and investment entry, with reference to Latin America.

Foreign Workers in Western Europe: An Emerging Political Force. By Mark J. Miller. Praeger Publishing, New York, 1981. 228 pages. $26.95.

Evaluates the growing political influence of foreign workers in Europe, and the sociological problems that arise with it. Looks at extra-parliamentary opposition in host nations; foreign worker participation in trade unions, political parties, and civil rights organizations; and the legal status of foreign workers.

West Germany and the European Community: Changing Interests and Competing Policy Objectives. By Werner J. Feld. Praeger, New York. 1981. 151 pages. $19.95.

Examines the relationship between West Germany and the Community by analyzing Germany's foreign policy motivations during the last 30 years. Discusses the evolution of public opinion in Germany with respect to the Community, and the effect Germany's quick growth in economic and political power has had on its role in the EC.

Official Handbook of the European Parliament. DOD's Parliamentary Companion, East Sussex, England, 1980, 720 pages. $39.45.

Contains biographies and photographs of the members of the European Parliament, information on the Parliament, abstracts from European treaties, electoral laws, and membership of the political groups, parliamentary committees, and the secretariat.

Politics in Denmark. By John Fitzmaurice. St. Martin's Press, New York, 1981. 173 pages. $25.00.

Looks at present Danish Government and politics through the country's history, character, and economics. Surveys main developments in post-war politics, including reform of the constitution in the early 1950s, the debate about membership in the EC, and the election of 1973.

Eurostat Index. Compiled by Anne Ramsay. Capital Planning Information, Edinburgh, Scotland, 1981. 150 pages. $36.00.

Detailed keyword subject index to the statistical series published by the Statistical Office of the European Communities. Gives information on the series, a bibliography, list of European documentation centers and depository libraries, information and sales offices.

Yearbook of Labour Statistics, 1980. International Labor Organization, Geneva, 1980. 687 pages. Available ILO, Washington, D.C. $57.00.

Comprehensive summary of principal labor statistics for 180 countries or territories. When possible, data covers last 10 years; areas include population, employment and unemployment, hours of work, wages, consumer prices, industrial accident and disputes. Text in English, French, and Spanish.

Role of Interest Groups in the European Community. By Emil Kirchner and Konrad Schwaiger. Gower Publishing Co., Hampshire, England. Available Renouf, USA, Brookfield, VT. 1981. 192 pages. $33.75.

An examination of the structural, organizational, and behavioral features of European interest group organizations. Factors considered are style of decision-making, degree of cohesion, impact on EC legislative and executive actions, and channels of influence to EC policy makers.

Technology and East-West Trade. By the Office of Technology Assessment, US Congress. Allanheld Osmun & Co., Montclair, N.J., 1981. 303 pages. $25.00.

Examines the economic and national security implications of the transfer of technology between the United States and East-bloc countries. Provides background information on the functioning and the implications of US trade policy vis-a-vis the East; evaluates past and potential contributions of Western technology to the economies of the Soviet Union and China.

Minimum Wage Fixing: An International Review of Practices and Problems. By Gerald Starr. International Labor Organization, Geneva, 1981. Available ILO, Washington, D.C. 203 pages. $15.70.

A comprehensive study beginning with a historical account of the development of minimum wage fixing and including an analysis of the basic forms of wage fixing, their structures and operational problems. Reviews criteria for fixing rates, non-compliance with minimum wages, and factors to be considered when evaluating the economic impact of the minimum wage.

Civilization in the West. By Crane Brinton, John B. Cristopher, and Robert Lee Wolff. Prentice-Hall Inc., Englewood Cliffs, NJ, 1981. 614 pp. 2 volumes. $13.95 per volume.

Volume I is an historical overview of the Western civilization, from man's first civilizations to the Renaissance and the 1700s. Volume II addresses the modern revolutions, the nationalist movements, the world wars, the changing balance of powers and the role of emerging nations.

Open Doors: 1979/80—Report on International Educational Exchange. Institute of International Education, New York, 1981. 166 pp. $20.00.

A series containing the results of an annual census of foreign students in the US, describing international educational exchange; provides surveys on distribution, academic and personal characteristics, nationalities; offers information on expenditures for living costs by foreign students, and on US college-sponsored, study-abroad programs.

European Intellectual Property Review: A Monthly Review. ESC Publishing Limited, Oxford, 1981. Subscription: $247.50/year.

A journal concerning the management of technology, copyrights, and trade names. Magazine is divided into sections; opinion, articles, case comment, letters, book reviews, and a news section.

Textiles and the EEC. By Jean Paul Chauvet and Brigitte Vanderveken. European News Agency, Brussels, 1980. 300 pp. and 225 pp. annex.

Outlines the major characteristics of the second Multifiber Agreement (MFA) and agreements concluded by the EC to limit its textile imports between 1978-1982; annex provides a report on two years' operation of the MFA by reference to the textile policy objectives established by the EC in 1977.

Wer Liefert Was?-Who Supplies What? Bezugsquellennachweis fur den Einkauf, Hamburg, 1981. 1,750 pp. $68.00

A massive multilingual reference guide to European manufacturers; lists 60,000 suppliers with approximately 100,000 products arranged in a systematic and practical fashion.

Le Droit de la Communauteé Economique Européenne. Volume 12: Relations Exterieúres. By Jean-Victor Louis and Peter Bruckner. Editions de l'Université de Bruxelles, Brussels, 1981. 374 pp.

An examination and explanation of the laws of the European Community and on its competence to conclude international agreements in general as well as trade and cooperation arrangements. Includes the texts of written questions on political cooperation and briefs of pertinent Court of Justice decisions.

Labelling and Advertising Regulations on Food Products. Editions de l'Université de Bruxelles, Brussels, 1980. 488 pp. French and English.

A bilingual report on the work of the international conference held in Brussels in April 1978 on the regulation of foodstuffs; provides the proceedings of the conference and many of the working papers prepared for it.

La Cour de Justice des Communautés Europeénnes et les Etats Membres. Editions de l'Université de Bruxelles, Brussels, 1981. 128 pp.

An analysis of the procedure, competence, and jurisprudence of the Court of Justice and its impact on the EC member states and the process of European integration.

The Group of 77: The Third World Without Superpowers. Edited by Karl P. Sauvant, Oceana Publications, Inc., Dobbs Ferry, NY 1981. 5 volumes. $50.00 per volume.

A collection of documents issued by the Group of 77 from November 1963 to September 1980. Includes documents related to ministerial meetings of the group in preparation of the United Nations Conference on Trade and Development sessions, the United Nations Industrial Development Organization conferences, and the Mexico Conference; also provides the main documents relating to the International Monetary Fund and the World Bank.

European Competition Law Review: A Quarterly Review. ESC Publishing, Ltd., Oxford, 1980. Subscription: $75.24.

A journal, issued quarterly, addressing European competition law. Covers decisions by the EC, judgments of the European Court of Justice, written and oral questions of the European Parliament, national reports, and analytical articles.

EuroBrief. Edited by Gay Scott. Euroinformation, Ltd., Bedfordshire, England, 1981. Subscription: $120.00

An information bulletin, issued fortnightly, on European affairs; provides an overview of EC activities, the impact of Community legislation on European and world markets, and opportunities for business contacts.

Do We Need a Bill of Rights? Edited by Colin Campbell. Temple Smith, London, 1980. 174 pages.

Collection of essays addressing the difficult political, legal, and social issues surrounding the recent political debate in the United Kingdom on a Bill of Rights; examines the issues in the context of Northern Ireland and UK adherence to the European Convention on Human Rights.

European Monetary Unity: For Whose Benefit? By Pascal Salin. Institutum Europaeum, Brussels, 1980. Available from Ipswich Press, Ipswich, MA. 81 pages. $5.00.

An analysis of effective and ineffective ways to promote European monetary integration; argues against the monopolistic powers of governmental agencies in the monetary field, and for freer opportunities for private enterprises.

Strategies for the 1980's: Lessons of Cuba, Vietnam, and Afghanistan. By Philop van Slyck. Greenwood Press, Westport, CT, 1981. 108 pages. $19.95.

Assesses the precarious nature of the global balance of power; traces the origins of the US slowdown in military defense during the past four administrations; defines US strategic objectives for the 1980s.

Prosperity Amidst Crisis: Austria's Economic Policy and the Energy Crunch. By Wilhelm Hankel. Westview Press, Boulder, CO, 1981. 234 pages. $20.00.

An analysis of Austria's economic policy and a study of the Government's use of repeated double deficits in its national budget and current account to encourage economic growth, while simultaneously fighting inflation and price-wage imbalance.

Community Advisory Committees for the Representation of Socio-Economic Interests. By the Economic and Social Committee of the European Communities. Renouf/USA, Brookfield, VT, 1980. 240 pages. $24.75.

A comprehensive reference book on the 46 advisory bodies representing socio-economic interest groups in the Community; lists the committees involved, and details the legal basis, composition, and manner of appointment of members, operation, activities, and budget or expenditure of the particular body.

Portugal Since the Revolution: Economic and Political Perspectives. Edited by Jorge Braga de Macedo and Simon Serfaty. Westview Press, Boulder, CO, 1981. 217 pages. $16.00.

A historical examination of the economic and political circumstances in Portugal since the 1974 revolution; analyzes the central themes of Portuguese politics, the influence of the IMF, Portugal's position with the EC, and focuses on recent trends in labor migration, foreign investment, and trade.

Letters of Credit. Edited by Reade H. Ryan. Practising Law Institute, New York, 1981. 379 pages. $25.00.

A course handbook on the general principles of letters of credit; focuses on banker's acceptances, establishment of credit, bank regulation, multibank credits, performance of credit by issuers transfer of credit, and assignment of proceeds.

Published for the Commission:

Waste Management. Edited by Jeremy Woolfe. D. Reidel Publishing Co., Dordrecht, Holland. Available Kluwer Boston, Inc., Hingham, MA. 1981. 277 pages. $44.50.

Edited texts of papers presented at the EC Conference on Waste Management, Wembley, England, June 17-19, 1980. Subjects include packaging, hazardous waste disposal, utilisation of waste in agriculture, energy from waste, waste paper.

Prostaglandins, Prostacyclin and Thromboxanes Measurement. Edited by J.M. Boeynaems and A.G. Herman. Martinus Nijhoff Publishers, Boston, 1980. 201 pages. $34.00.

The proceedings of a workshop symposium held in Belgium, November, 1979, on the methodology of prostaglandin and thromboxane measurement in relation to its medical applications. Discusses the recent progress, potential pitfalls, advantages, and liabilities of the various methods used.

The Laying Hen and Its Environment. Edited by R. Moss. Martinus Nijhoff Publishers, Boston, 1980. 333 pages. $49.50.

The proceedings of a seminar in the EEC Programme of Coordination of Research on Animal Welfare, on poultry physiology and ethology; focuses on the behavioral and physiological requirement of the laying hen, the present husbandry systems, and future research and development needs.

Energy from Biomass, 1st EC Conference. Edited by W. Palz, P. Chartier, and D.O. Hall. Applied Science Publishers, Essex, England, 1981. 982 pages.

Proceedings of the International Conference on Biomass held at Brighton, England, 4-7 November, 1980. Promotes the use of biomass technologies to increase EC and third world energy supplies; discusses advantages over conventional energy sources.

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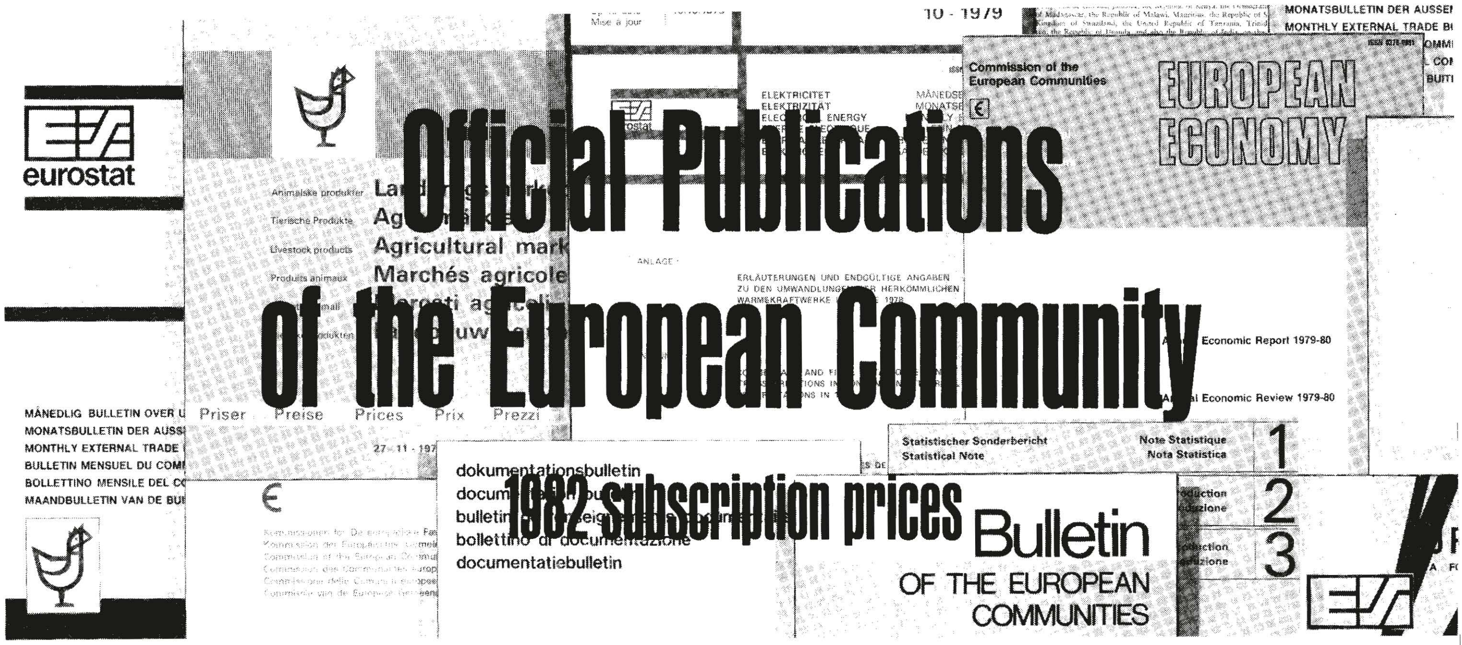

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