

MARCH/APRIL 1982 No. 230

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EUROPE

Magazine of the European Community



Storm Warnings for Trade

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EUROPE

Magazine of the European Community

MARCH/APRIL 1982 No. 230

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Cover: Sailing into rough waters. With economic conditions worsening, world trading arrangements and patterns are increasingly precarious. ©Tom Lesley, Black Star

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Publisher's Letter

How preferable it would be not to have to announce the Spring in tones of caution and apprehension, but the trade winds which are blowing across the Atlantic, buffeting both Americans and Europeans, show no early sign of abating, though neither side is ready to issue a tornado watch—rightly, I think. The barometer remains low, however, and it's inevitable there should be some concentration in this issue on trade talks in Geneva (John Starrels) and a report on the latest of the high-level political talks between no fewer than three European Commissioners and leading lights in the Administration, a report (by Reginald Dale) which warns "things are likely to get much worse before they get better." With a combined level of unemployment in the United States and the EC of 24 million people and the political pressures the fact is exerting all around, it's a conclusion hard to gainsay. Another aspect of the mosaic of trade relations—the MultiFiber Arrangement—is dealt with on page 6.

The member state section is appropriately devoted to the Netherlands, a founder member of the Community, which this year celebrates 200 years of diplomatic relations with the United States. To say the least, the Dutch certainly started something when they sailed into the Hudson River and some of the events of this bicentennial are described by Robert C. Marsh in his wide ranging appreciation of Dutch culture.

Queen Beatrix of the Netherlands is to make her first official visit as monarch to this country in April and this industrious member of the House of Orange is profiled by our correspondent in The Hague, Nel Slis.

Among a miscellany of other subjects Kathy Larkin gives us an insight into a little noticed, but apparently ferocious, "war" among perfume manufacturers in which the smell of success is sweet indeed. Also in the business section Europe's housing problems are graphically outlined, as are developments in international aviation policy, a particularly timely piece in the light of Laker Airways' fate.

Finally, in a piece by Andrew Mulligan we take the liberty of talking about Europe: The magazine has become what it is today largely through his efforts and this should be remembered even as—or especially as—we now say goodbye to him.



a long leash

Andrew Mulligan on the lessons of seven years as **EU**

Seven years ago it fell to me as Head of Press and Information for the EC Commission's Delegation to try to explain the complexities of the European Community to a wide public in the United States. At that time, just after the first enlargement of the Community, the focus was largely on the academic world rather than the business, legislative, and Government sectors which also very much needed to be informed about developments in the European Community.

The Washington office then published *European Community*, a 32-page two-color bulletin with a 35,000 free circulation mainly aimed at campuses. Thus it was that *Europe* magazine had its beginnings. It was created in its present form in 1976 to project the EC's increasingly important role in external relations; to reflect the new realities of the Community—not the sometimes woolly, but admirable, idealism of the early Europeans—and most important of all, to provide a forum for distinguished American and EC politicians, experts and journalists.

AMBITIOUS AND UNORTHODOX

To do this it was vital to go “professional”: we invested time and money on readership surveys; we borrowed and learned from other publications such as *Smithsonian* and *Washingtonian*; we attended seminars and talked to consultants at Time-Life; and out of this plethora of information, we searched for our own identity.

The result: a growth in paid circulation of 792 percent and overall circulation nearly doubled, the introduction of advertising to help offset escalating costs and a tripling of editorial content. All this was achieved with essentially the same small staff.

Most interesting was the almost Pavlovian response of our broadened readership to European stimulus. We are gratified by their support and proud, too, that so many of our authors have been read into the Congressional record, and their articles for *Europe* syndicated elsewhere in the United States and Canada.

The European Community is not Government exactly—it is *sui generis*, but “official” nevertheless. It was therefore ambitious, bureaucratically unorthodox, but a necessary task to ensure *Europe's* growth and impact. The EC Commission at the highest levels was supportive. Vice-President Christopher Soames, Presidents Roy Jenkins, and Gaston Thorn, all pro-

vided a long leash but no muzzle. In Marin County parlance, they gave us “space.” *Europe's* experience should serve as a reminder to narrow-minded bureaucrats, that courage and confidence pay dividends. Those qualities certainly created the fragile European Community in the first place—though such attributes seem rarer now.

Outstanding mentors of this magazine were the two late Delegation Heads, Jens Otto Krag and of course, Fernand Spaak—believers both in the Reithian principle that nothing is objective, all is subjective, and that balance is achieved by airing divergent views.

Europe's development was not without difficulty, nor is it yet free of temporary problems. Although published primarily for a US audience, it is perhaps a measure of official American approval that, despite possible provocation, we have never once in seven years endured a complaint from the American Government. The same is understandably not true of either Community institutions, nor indeed EC member states. In looking at carpings—mostly mild and very understanding—eight out of 10 member states have complained (once each as it happens) and the two exceptions are also the most surprising!

Nothing would have been possible without an inspired and able staff. *Europe* has seen two editors; Walter Nicklin and Jurek Martin, who leaves after a short but brilliant stint as editor; two associate publishers, John Shearer and the incumbent, David Haworth, who has brought to the job his vast knowledge of the Community and journalism acquired with *The Observer* and the *International Herald Tribune*; the professional dedication of Sarah Trott and Webster Martin; the promotional gifts of Myrian Norris; and the design inventiveness of Hubert Leckie and Susan Lehmann, whose abrasive creativity I shall miss.

MAKING THE EC RELEVANT

Above and beyond my role as publisher of *Europe* was the diplomatic function of heading the press and information operation in the United States. I recall wondering that magical Indian summer of 1974 how to meet the challenges and goals ahead. The key to it all lay with people and the subtle chemistry of forming and motivating a team of Americans plus a veritable spice rack of Europeans.

out no muzzle”

ROPE's *Publisher*

From that moment we sailed into New York through Verrazano narrows and past Ellis Island (as an Irishman I thought, but for the EC, there go I) to the swaying Metroliner ride down New Jersey to the “nation’s capital” still shrouded by the pall of Watergate, the central problem was to remain—how to make the EC relevant to Americans obsessed by the healing interregnum of Gerald Ford, the coming and going of Jimmy Carter, the hostages, and, later, Afghanistan, Poland, the arrival of the new right in Ronald Reagan, and a Congress unrecognizable in its metamorphosis.

IMPROVING THE TRANSATLANTIC RELATIONSHIP

The answer was, and will remain, making the right noises to the right people at the right time. Otherwise Washington remains as impenetrable as the Forbidden City. Many are those in foreign missions who have come and gone without leaving a footprint: Socially and professionally this is the most un-sentimental city in the West. Attention has to be earned here or it won't be given at all.

Meanwhile Washington has much changed. From my office window the Cathedral I first saw set among the tints of that distant fall, is now obscured by the Thurman Arnold building—signifying, I suppose, that whatever the US Government's intentions, Washington's burgeoning growth seems steady and assured.

Some of the issues which united and divide the United States and Europe remain the same—others mutate and change—but it is undeniable that the strains seem unusually acute of late. Whatever the difficulties, it is my hope that our successors as publisher and editor will continue to air them in *Europe's* pages and build on what has so far been achieved.

As I turn a chapter in my life I look back, with thanks, at seven wonderfully stimulating years. Yes, and they were also often amusing times. Rome was not built in a day, but may never have been built if her creators had been unable to see drolleries in their enterprise. So it must be today as we both—Europeans and Americans—strive to understand each other better and, through mutual benevolence, keep the Atlantic relationship in good repair. That is what we are here for, after all, and it must remain our constant, unstinting endeavor. €

EUROPE: TRADE

Playing by the Rules

An alternative to trade wars is now in place

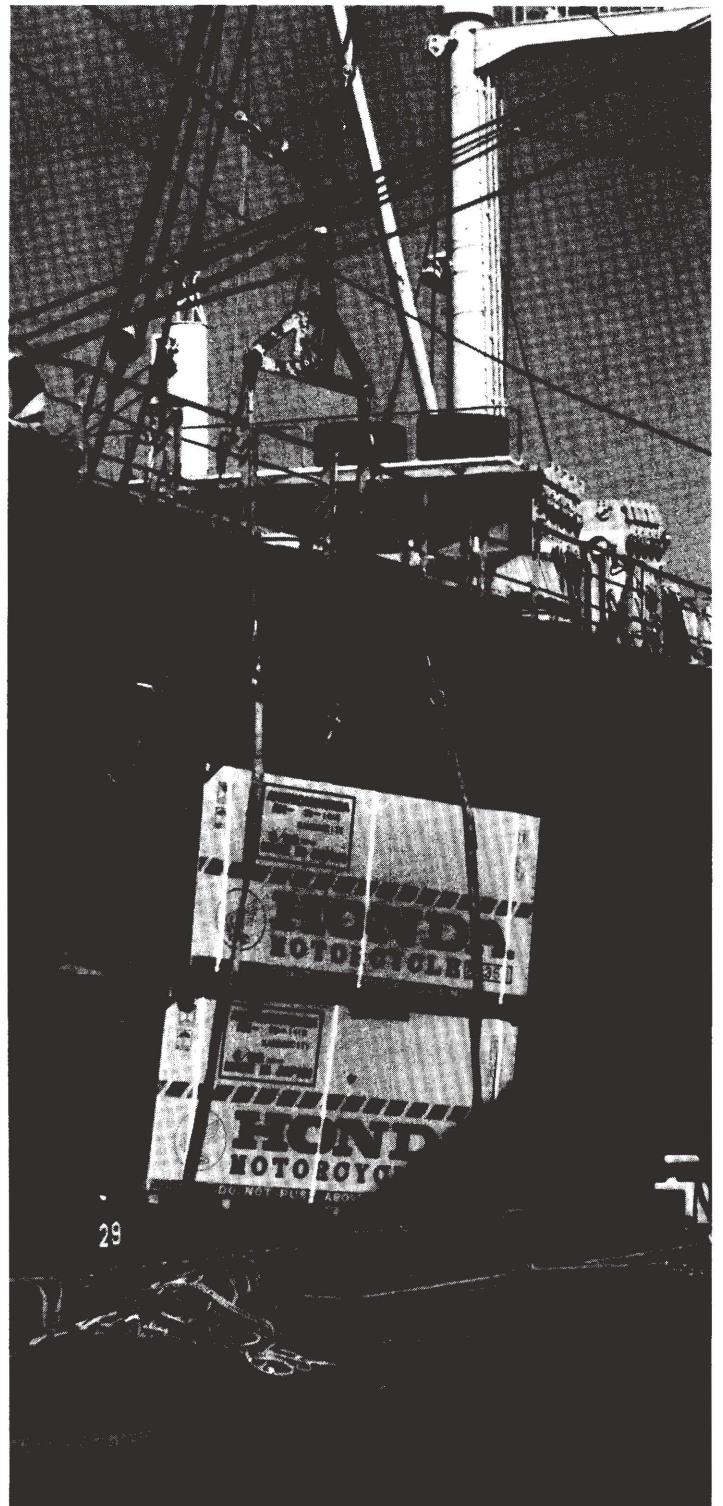
JOHN M. STARRELS

THINGS HARDLY LOOK PROMISING FOR US-EC RELATIONS. With a combined level of unemployment of 24 million people, stagnating economic growth, and protectionist sentiment on the rise, the virtues of "economic interdependence" in the Atlantic region no longer seem as compelling as they once were. Despite all the problems which burden the two partners, however, one substantial step forward has been made: the undramatic but necessary implementation process of the Geneva Multilateral Trade Agreements.

Implementation has not been an easy task. When the Geneva negotiations began in late 1973, the major participants—The EC, Japan, and the United States—were not entirely sure where they were going, much less how they were going to get there. The world had not yet experienced the oil embargo by members of the Organization of Petroleum Exporting Countries nor the subsequent downturn in economic growth which made the 1970s a turbulent decade for the dominant market economies. Moreover, unlike the earlier negotiation rounds on tariff reductions, which had been carried out under the auspices of the General Agreement on Tariffs And Trade (GATT), the Multilateral Trade Negotiations (MTN) were largely designed to address non-tariff barriers. Nevertheless, the member Governments came together and gradually negotiated six "codes of conduct". These codes were designed to eliminate, where possible, uneconomic restraints on trade which had been erected over the years. Three of these codes, government procurement, anti-dumping, and subsidies stand out in importance in assessing the possibility for improved US-EC trade relations.

The government procurement code, formally enacted in 1979 and put into effect in the United States and the Community on January 1, 1981, allows both American and European firms to enter the other's market and bid for government contracts. The code probably provides larger opportunities for the United States which traditionally has been more inclined to allow foreign bidders into its market than vice versa. When America's chief negotiator of the MTN, then Special Trade Representative Robert Strauss, was selling the agreement to a skeptical Congress several years ago, he made note of the "potential" \$20 billion worth of business that would be opened up to US firms once the procurement code was ratified, a good deal of which was to be had in the Community's member countries. That basic optimism was justified. At the same time, however, there have been what one US trade analyst has called "teething problems."

These Hondas being unloaded in Seattle and jeans on sale in Munich (opposite) are both covered by anti-dumping codes. © Christa Armstrong, Photo Researchers



For the Europeans, there are two major sources of irritation with how the United States has implemented the procurement code. First, the US Department of Defense (DOD) has been largely exempted from the code. As a result, between two-thirds and three-fourths of its lucrative defense contracts are closed to foreign bidders, due to the so-called "national security exemption" which DOD was able to obtain for itself. Of equal concern to the Europeans has been the proliferation of "buy American" laws which in effect bar local and state governments from opening up their bidding process to foreign businesses. The 1979 trade agreement cannot require local or state government adherence to the procurement code. Although Europeans understand the argument, they remain hopeful that the Reagan Administration will do whatever it can to persuade state legislatures that it is in their economic interest to allow open bidding.

Americans likewise have their problems with the Community. For example, the EC members states were initially slow to publish information on competitive bidding opportunities. (The government procurement code requires that the notice of proposed purchase be published a minimum of 30 days before the deadline for submission of bids.) The result was that a number of deadlines passed before US firms were able to bid. Since mid-1981, however, the European signatories have published lists more expeditiously. More troublesome has been Italy's reluctance to implement the code. Italy had agreed to implement the code along with the other Community signatories on January 1, 1981, but did not get around to actually doing so until the end of the year. In the meantime, however, a year's worth of procurement opportunities were lost to American businesses.

In contrast with the procurement code, American-EC implementation of both the anti-dumping and subsidies codes has proven to be somewhat more difficult. Both highlight the contrasting positions taken by the two partners on what constitute unfair trade practices. Philosophically, the United States and the Community frequently disagree over what constitutes such a practice.

In dumping cases, the issue is "price discrimination." Such discrimination customarily occurs when an exporter prices a good for export below the price charged for the same commodity in his home market, or below the cost of production in a foreign market. These practices may or may not be the result of a Government policy which deliberately encourages "dumping." Neither the Americans nor the Europeans approve of dumping in principle. But they frequently find themselves at loggerheads over whether the practice is in fact taking place. Thus, Americans frequently assert that Community enterprises engage in such practices with at least the passive support of their Governments.

Europeans frequently reply to this charge by pointing to changing demand conditions in the world market which cause cyclical drops in commodity prices. Moreover, as has been the case with automobiles and steel, changes in the exchange rates—in this instance, a stronger dollar—create significant price fluctuations which have little to do with costs or prices charged in the home market.

Subsidies have caused even greater disagreements between the United States and the EC. The two frequently argue over

what constitutes a subsidy. Does it mean, for example, cheap American agricultural exports to the Community which are made possible, in part, by generous price support programs and the remaining price controls on energy? Or do subsidies mean specific allocations of government monies to prop-up failing enterprises, whose exports enter the US market at prices lower than domestic US manufacturers can manage?

Despite these disagreements, the MTN negotiations forced the two partners to come together on minimal "transparent" procedures for dealing with the related problems of dumping and subsidization. No matter what their differences, Europeans and Americans have a common desire to reduce the level of political rhetoric and unnecessary legal work which frequently burdens their trade relationship.



© Josephus Daniels, Photo Researchers

Moreover, as a result of European pressure, the United States has agreed that dumping or subsidization in and of itself is not enough. "Injury" to a domestic industry must also be proven before the American Government, or a European one for that matter, can apply either anti-dumping or countervailing duties. Furthermore, in an effort to reduce excessive political friction, a dispute settlement mechanism has been established in the GATT. The GATT has semiannual meetings of both the dumping and subsidy committees which are used by the Americans and Europeans to air potential and existing disagreements. (There are parallel committees for the other codes as well, but these, I think, are the most important ones in the post-MTN GATT framework.)

US-EC trade problems are not about to go away, no matter how much progress is made in implementing the codes. The post-MTN era means that there will be ongoing interpretation and negotiation of the codes among the various signatories. For example, American preoccupation (almost theological in the eyes of Europeans) with prevention of government subsidies for exports will remain a bone of contention between the two partners. Despite these disagreements, however, the implementation of these pivotal codes attests to a mutual willingness to cooperate, which is a far better alternative than endless trade wars between allies. €

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a delicate new weave

ANNE VORCE

WORLD TEXTILE AND CLOTHING TRADE IS ONE OF THE MOST fundamental but least understood economic challenges confronting developed countries today. Comprising roughly 14 percent of manufacturing employment and 7 percent of output in the developed world and over twice those figures in the Third World, the international textile and garment industry is currently undergoing disruptive shifts that will have far-reaching consequences. However, few people have more than a limited grasp of the factors that are pitting the industrial nations against the industrializing countries. Perhaps even more obscure, although equally significant, is the maze of trade agreements that shapes the flow of international textile trade.

Because of its importance and vulnerability to economic change, the textile and clothing industry has its own network of trade rules apart from the rest of the international trade system. The cornerstone of textile and apparel trade is the Multifiber Arrangement (MFA), known more formally as the Arrangement Regarding International Trade in Textiles. Renegotiated in December by over 40 countries, the MFA is the general agreement of principles and policies that regulates 80 percent of global trade in cotton, wool, and synthetic fibers. The MFA was first adopted in 1974 and then extended in 1977 by a protocol that reflected deteriorating economic conditions. Similarly, the new protocol mirrors current economic difficulties and it is scheduled to be in effect until July 1986.

The MFA protocol that was recently negotiated in Geneva is, in itself, a vague agreement. Because it is so loosely worded, it is subject to various interpretations by the signatory states, depending on national needs. The details of the new arrangement for textiles and apparel will not be fleshed out until bilateral trade negotiations between the developed countries and their suppliers and concluded later this year. During those talks, the provisions of the protocol will serve as the framework for agreements on a system of quotas in bilateral textile and garment trade.

Precision notwithstanding, there was a consensus at the December negotiations that developing country textile and apparel exports would generally be more restricted over the next four and one-half years. The key question now is how much export growth will be reduced in the bilateral agreements, with the major parties disagreeing. Current export growth in the major markets, the United States and the EC, is estimated at 2 percent annually, but this average figure is misleading. The

industry conditions for both are quite different overall and the amount of import penetration varies with the product. The forthcoming bilateral talks will, no doubt, emphasize these particular national interests.

Several themes will likely dominate the renegotiations of the bilaterals, which went into effect in 1977. The developed countries will attempt to link import levels closely to growth in demand for textile and apparel in national markets, which are almost universally expected to remain stagnant for awhile. In addition, special attention will be paid to products considered sensitive because they are especially vulnerable to low cost competition. The so-called flexibility provisions, which have permitted exporters to adjust their quotas to the rapid shifts in demand that are so characteristic of the industry, will likely be more limited. Also, the importing countries may react more harshly to protect their markets against surges of certain imports. Finally, importers will attempt to discriminate among suppliers, with the dominant exporters such as Hong Kong, South Korea, Taiwan, Macao, and China subject to more restrictions.

The MFA marks the only attempt to regulate the entire fiber industry, but it has had several predecessors that regulated cotton trade over the last 25 years. The first step was taken in

Textile exports from major US suppliers such as China may be further limited in the



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An operator supplies yarn for the knitting machine in the background at Burlington Mills in Gastonia, North Carolina. © Bruce Roberts, Photo Researchers

1957 when Japan agreed to restrain its textile exports to the United States. In 1961, developed and developing nations adopted the Short Term Arrangement on Cotton Textiles (STA), which was followed by the Long Term Arrangement on Cotton Textiles (LTA) from 1962-73. By the time the LTA expired, traditional trade patterns for wool and synthetic fibers had become disrupted by global economic changes. As a result, the MFA was negotiated to cover the three major textile fibers.

When the MFA was first negotiated in 1973, it was regarded by developed and developing country alike as a means of balancing both their interests in an orderly fashion. On the

one hand, the arrangement permitted developing countries to continue growth in textile and apparel exports, albeit at a slower rate. From 1963-76 imports of textiles and clothing to industrial countries grew 14 percent annually, with apparel increasing on an average of 21 percent yearly. After stricter quotas were applied, overall growth fell to 5 percent from 1976-78. Because of the relatively few barriers to entering the textile industry as compared to other types of manufacturing, developing countries concentrated upon it to strengthen their industrial bases. Low wage advantages and, in some cases, proximity to raw materials meant that products from developing countries were frequently cheaper than goods from tradi-

MFA bilateral renegotiations. Shown here is a textile factory in China. © Georg Gerster, Photo Researchers



NET TRADE IN TEXTILES AND CLOTHING

(\$bn)

	Textiles		Clothing		Total	
	1973	1980	1973	1980	1973	1980
EEC.....	1.97	0.78	-0.89	-6.12	1.08	-5.34
France.....	0.29	0.69	0.45	-0.33	0.74	-1.02
Germany.....	0.30	-0.56	-1.63	-5.46	-1.33	-6.02
Italy.....	0.62	1.50	1.11	3.83	1.73	5.33
UK.....	0.19	-0.44	-0.38	-0.98	-0.19	-1.42
U.S.	-0.36	1.25	-1.88	-5.29	-2.24	-4.04
Japan.....	1.32	3.45	-0.20	-1.03	1.12	2.42

Source: UN Commodity Trade Statistics (via the *Financial Times*, 11/18/81)

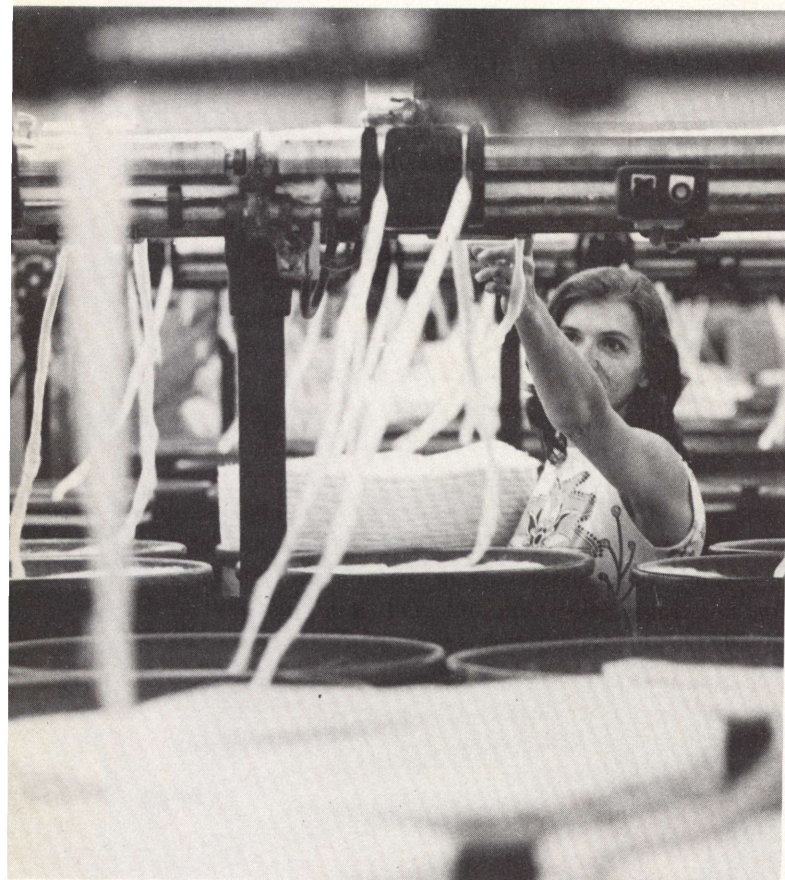
tional sources.

On the other hand, however, the MFA allowed developed countries to slow import penetration to a steady and slower rate that their economies could better absorb. The tremendous jump in Third World exports had led to warning signs of potentially massive disruption. In order to avoid rapid economic dislocation through increased unemployment and bankruptcies and decreased production, the developed countries negotiated an orderly market arrangement with the developing nations.

The MFA has become more restrictive since its first appearance because of the sharp deterioration in the world economy. Initially negotiated prior to the 1973 energy crisis, the MFA

Yarn-making is shown here at Carolina Mills in Lincolnton, North Carolina.

© Bruce Roberts, Photo Researchers



was viewed as a relatively liberal and short-term market device that would permit imports to increase at least 6 percent each year. But, in 1977 the EC and the United States agreed upon "jointly agreed reasonable departures" from the 6 percent growth rate minimum and flexibility provisions in sensitive product trade. Trade increases in designated products could be either stabilized or cut back under certain circumstances, which were defined to maximize safeguard actions. Since then, both US and EC policy increasingly has been to limit trade in sensitive products.

The major differences in the various negotiations have been between the relatively wealthy countries of the North and the poorer nations of the South, with the Europeans and Americans in basic agreement. In general terms, textile and clothing import penetration has been a serious problem for the EC and the United States. Particularly in the last few years of slowed economic growth, increased unemployment and high inflation, the industrial countries have had difficulty adjusting to continuing shifts in comparative advantage due to labor costs or technology. As a result, trade protection has grown against the developing countries and modernization of the traditional textile and apparel industry is taking place in the United States and EC.

Nonetheless, there are numerous disagreements over textile and garment trade between the EC and the United States because of different circumstances. For example, import penetration is generally higher in the EC than in the United States. Also, the US textile industry is internationally competitive, while its apparel sector is more seriously affected by imports. Both industries in Europe are having problems, with textile and clothing output down by 4 and 1 percent, respectively, from 1973-79. And although textiles and apparel employment is very important to both the EC and the United States (1 out of 10 manufacturing workers in the EC and 1 out of every 8 in America), the EC has experienced greater unemployment in the industry recently. Over the last decade, employment in the European textile industries has declined by 1 million. Furthermore, Europe remains the largest import market for textile products, while the United States is the major textile exporter. Textile and apparel trade between the two groups is not covered by the MFA and it is a sore spot for the Europeans, especially.

Apart from the domestic situations, the EC and the United States have different external arrangements. The EC imports a significant number of duty-free textile items from countries with which it has preferential trade agreements. In addition, the dominant EC suppliers are Hong Kong, Taiwan, South Korea, and Macao, while the main US suppliers are the "big three" plus China, instead of Macao.

During negotiations of the various bilateral accords over the year, the implications of the differences between the EC and the United States may be crucial, even though the central question will be one of degree for new trade restrictions. The EC has stated that it might drop out of the MFA entirely if it does not achieve the trade cutbacks it seeks in the bilaterals. The US position is not as severe, although US industry pressures may force a stricter stand. And the developing nations are determined to resist dramatic import cuts. Not surprisingly, US Government negotiators predict a tough year of talks. €

trading differences

REGINALD DALE

Are the United States and the EC on the brink of a trade war reminiscent of the 1930s? In Washington in mid-February for semi-annual, high-level trade talks, Wilhelm Haferkamp, EC Commission vice-president for external relations, made it clear he thought the danger was real and issued a fervent appeal for the avoidance of confrontation. William Brock, the US trade representative, said the possibility of a trade war was "simply zero." Who is right?

In a sense, they both are. The danger is certainly there as unemployment mounts and protectionist pressures increase on both sides of the Atlantic. The two sides are involved in two major and seemingly intractable disputes, over steel and agriculture (the two main subjects of the latest talks), both of which have become issues as a result of American complaints over what they see as European subsidies. And with little or no narrowing of differences at the Washington talks, there are plenty of sparks around that could ignite the gunpowder.

But, Brock believes, what is at stake is sim-

ply far too important for politicians to allow a return to the "beggar my neighbor" policies of the 1930s if their trade experts fail to halt the slide and the first retaliatory blows are exchanged. What is at issue, he said during the talks, is "the survival of all we value as free people". It is to be hoped that his confidence in our leaders is well placed.

After the talks on steel, Brock confessed that he "was not sure we know how to solve the problem." The problem is that efforts to reach agreed price restraint on cheap European steel exports to the American market have broken down and the US steel producers have taken matters into their own hands. They have unleashed a flood of anti-dumping and countervailing duty cases seeking to establish that the European exports are (a) subsidized, and (b) causing "material injury" to the US industry.

If both points are upheld, the administration will have no choice but to impose punitive retaliatory duties on the European steel producers, jeopardizing trade worth \$2 billion a year to the European Community. Pressure

for retaliation might become irresistible—it has already started in France.

There will be similar problems over agriculture if the United States succeeds in cases it has tabled with the General Agreement on Tariffs and Trade (GATT) organization in Geneva, alleging that the Community is conquering an unfair share of the world market by subsidizing a growing list of farm exports such as wheat flour, pasta, and poultry.

The Community contends that it has every right to a fair share of the market under a painfully negotiated 1979 agreement at the end of the last round of multilateral trade negotiations (MTN), and that its farmers cannot be expected to accept a lower share if the world market expands just because American farmers say so. But the Reagan Administration is showing a tough, ideological zest in attacking subsidies wherever it can sniff them out.

The upshot of all this is that, in the absence of negotiated settlements, both sides have agreed to fall back on the rule book to resolve their disputes. If there was an important conclusion to emerge from the February meeting it was the agreement by both sides to accept the outcome of the two procedures now under way—the GATT investigation on agriculture and the American one on steel. Etienne Davignon, the Commission vice-president responsible for industry, said the Community now accepted American assurances that the European steel industry would get "a fair trial" in the United States.

But that is not likely to be the end of it. The Europeans are still gravely concerned at the threat of new American trade "reciprocity" legislation—for which there is mounting pressure in Congress—under which the United States could be obliged to treat goods from other countries in the same way that the other countries treat American goods. Brock swears that this will not mean an increase in protectionism. The Europeans see it as a major threat to the whole single world trading system that has been developed since World War II.

Then there is the massive Japanese trade surplus with both the United States and the Community, which is generating enormous political and economic pressures and fueling protectionist sentiment on both sides of the Atlantic. The Europeans feel that recent Japanese efforts to open the country's markets are likely, as in the past, to prove too little too late.

Even if one agrees with Brock, that a trade war simply cannot be allowed to happen and therefore will not, it is hard to argue with the European view that things are likely to get much worse before they get better. €

During recent trade talks in Washington (L-R): US Agriculture Secretary John Block; US Special Trade Representative William Brock; EC Industrial Commissioner Etienne Davignon; EC External Affairs Commissioner Wilhelm Haferkamp. © Wide World Photos



Reginald Dale is US editor of the Financial Times.

WANTED: somewhere to live

DAVID BELL

AS THE HIGHWAY FROM THE SOUTH GETS CLOSE TO PARIS THEY hit you. Block upon block of apartments, new subdivisions, shopping centers and ugly industrial zones. These are the visible signs of the great urban revolution which has affected Paris—and so many major European cities—since the late 1950s.

But the helter-skelter rush to build new homes has brought severe problems in its train. In Britain blocks which are scarcely 20 years old have already been demolished, even though they are amortized over no less than 60 years, because of major construction flaws. In France and Italy, as in Britain, the towering blocks have caused major social problems as families have struggled to bring up children on the upper stories of ill-designed, badly soundproofed, jerry-built apartments.

And even then the new construction has not been enough. Europe still faces a major housing crisis. In 1979, the last year for which full figures are available, the total number of dwellings completed in the Community was 1.36 million, down sharply from the 1.75 million built in 1975. Since 1979 there is evidence that this fall has continued apace.

Meanwhile the children born in the baby boom of the immediate post war years have grown up and begun to demand housing for their own families. Demand has so outrun supply—particularly for low-cost housing—that some cities have seen pitched battles in recent years as squatters, illegally occupying empty houses, have been expelled by the police. In this respect Amsterdam can lay an unenviable claim to be the capital of Europe. Frankfurt and London have also had their share of problems. This gathering crisis has several causes:

Amsterdam riot police clear a building occupied by squatters for three years. © Keystone Agency



- The post 1974 oil crisis economic downturn has reduced the amount of money available for low-cost, subsidized housing.
- New construction costs have soared and the price of land, an increasingly scarce commodity in major European cities, has risen even faster.
- Higher interest rates have pushed the debt charge on new housing, most of which is amortized over long periods, through the roof. Inner city boroughs in London, for example, may be paying \$120 million a year in interest charges alone.
- The lengthening age of existing housing stock is also a problem. In Britain and Belgium, for example, cheap housing built about a century ago is in urgent need of renovation and improvement. Although this is cheaper than new construction it is still a very expensive process.

The result of all these factors is that by the middle of this decade most European countries are likely to face an accelerating shortage of houses and apartments. For example France, until the election of the Mitterrand Government last year, has been building steadily fewer dwellings even though demand has increased.

In 1975 514,000 new homes were built in France and 69 percent of these were low cost, subsidized units. By 1979 the number of new homes was down to 403,600 and only 52 percent were subsidized. In Italy, which faces the most acute problem of any EC country, the number of new homes completed in 1979 was only 148,000, compared with 219,000 in 1975.

The housing charity Shelter, which has been sounding the alarm in Britain for years, argues that in 1981 Britain was short of about 240,000 homes, but that by 1986 this housing gap will have "exploded" to some 450,000 units. Official figures underline the problem. Total housing starts in the United Kingdom were down to only just over 150,000 in 1980 and low cost public housing starts were only just over 50,000. The figures for 1981, which are not yet available, are expected to show an even more dramatic fall.

So what is to be done? European governments have experimented with a variety of measures, none of which has so far done more than make a small dent in the problem. Grants to help home owners modernize houses and apartments have increased; new legislation has encouraged the development of cooperatives; banks and savings and loans have launched low-cost, first-time mortgage schemes; and local authorities have begun building in partnership with private construction firms in order to spread costs.

Meanwhile legislation to ensure security of tenure for tenants living in rented accommodation has been toughened in some countries, notably in the Netherlands and Italy. But in Britain the Conservative Government has moved to loosen the law arguing that a surfeit of legal restrictions, from over-stringent rent control to the right to absolute security of tenure, has destroyed the private rental market which was once the "safety valve" in the housing market as a whole.

For it was into cheap rented accommodation that many couples first moved when they got married. The virtual disappearance of cheap apartments of this kind is not just a British phenomenon. In Amsterdam rents have soared so high that



Sympathizers build a barricade to keep police out of the Amsterdam neighborhood where squatters have been living in an empty house. © Keystone Agency

they are far beyond the reach of almost all newly married couples. And the same is true in French, German, and Italian cities.

There is thus no alternative, in the view of many analysts, to the continued construction of low-cost housing. Yet housing has a low political priority and there is increasing scepticism about the value of old-style "public" housing. In Britain, for example, it is now widely believed that the post war rush to build acre upon acre of public housing was a serious social mistake. In too many cases it has led, as it has in America, to housing ghettos peopled by low income families with a much higher-than-average share of social and other problems.

Most British councils have now abandoned high-rise blocks and returned to building row homes or much more modest two or three story apartment blocks. Meanwhile across Europe there is now a conviction that public and private housing should be mixed in order to avoid ever again the creation of vast public housing projects.

In Brussels, where new construction trends in the Community are monitored, the full dimensions of the coming crisis are already well enough understood. In June last year the economic and social committee noted that, in view of the crisis, "priority should be given to the construction in Europe of subsidized low-cost housing, an area where there are big shortages." This, the committee said, was important not only because it would relieve the housing shortage, but also because it would mean extra jobs in the construction industry which is currently more depressed in most EC countries than at any time since the war.

A new house building program for Europe, the committee went on, would have "certain features of particular benefit to the economy as a whole—the construction industry is not capital intensive and employs 30 percent more people than any other branch of the economy with equivalent output. This is true of the construction industry as a whole, but it is even more true of the housing sector, renovation work, and energy-saving schemes."

Yet there is no sign of such a program. Perhaps, if and when the true magnitude of the coming crisis is recognized, Governments will have a change of heart. Until they do, Europe's housing problems are unlikely to improve.

David Bell is features editor of the Financial Times.

TRANSATLANTIC AVIATION

IATA flies . . .

HOWARD BANKS

As fast as the Carter Administration earlier moved to increase competition on international air routes to and from the United States as part of its efforts to deregulate aviation, the Reagan Administration is now moving at a similarly rapid clip in reverse. Whereas under Carter, America's negotiators encouraged competition between an increased number of approved carriers on more routes into the United States, and above all went for cheap fares, the Reagan team has different priorities.

Now, US aviation policy as it affects international routes will be dictated less by what seems good for consumers and more by what is good for America's large airlines. Pan American, TWA, Braniff, and Northwest Orient. They claim they have been losing market share on international routes and they do not like it. Often for quite different reasons (like Pan Am's ill-fated merger with National) they have mostly been losing money; their collective cries for help—with cargo airline, Tiger International, they make up the so-called "Gang of Five"—have been heeded.

The most surprising change of all is a sharp swing away from attacking the International Air Transport Association (IATA), through which international airlines set fares and levels of service. Under Carter, IATA had been rejected as anti-competitive and the long-standing immunity from antitrust law granted to American carriers that took part in IATA's fare fixing was suspended. Now the United States is proposing a deal to the European Civil Aviation Conference (ECAC, an organization that covers all Western European nations, not just the Community), that would restore immunity.

Talks between ECAC and the United States aimed at setting up a framework for North Atlantic air fares that would take detailed negotiations out of civil servants' hands have been underway for some time. Reflecting the wishes of most European carriers, ECAC has been anxious to persuade the US authorities to allow IATA to resume its role as the fare-fixing forum.

As bait to catch America's interest, ECAC had suggested in 1981 that there should be a

system allowing the airlines to modify fares within limited bands around pre-determined standard levels. As long as an airline stayed within the bands set for each type of fare, it would be free to charge a different fare from other carriers and would be free to make changes (on 30 days' notice) without having to obtain approval either from its own Government or that of the country to which it was flying.

In mid-December, the US negotiators astounded the Europeans by picking up this outline proposal and accepting it more or less *in toto*. If the European Governments represented on ECAC will agree to accept that their national airlines may have a limited amount of fare flexibility, the United States says it will swallow its objections to IATA's cartel. Less Government involvement in fare fixing is, in today's Washington, a prize that offsets antitrust considerations.

Aviation authorities in America hope that the flexibility on fares will prevent a return to the bad old days when the airlines restricted competition through IATA. There was an almost naive faith in Washington that the continued presence of Sir Freddie Laker's Skytrain would keep the rest honest. But Laker was declared bankrupt in February and his aircraft grounded. Laker immediately talked of rising from the ashes of Skytrain with a new "people's" airline. But, if it flies, its impact had to be doubted; in any case, Skytrain had become increasingly more conventional in its services—and expensive—in its last months.

US pressure on IATA caused it to make considerable reforms in the way it works. Fare-fixing conferences are now separated from the organization's highly valuable work as a trade association (on matters like safety). There was also a move to allow those member airlines that wanted to introduce fare packages that didn't fit the generally agreed pattern. Now that American pressure has been more or less totally removed, those changes will likely soon be pigeon-holed.

The official view from IATA and its member airlines is that the organization really is not a

cartel and, anyway, if it is, it is not an efficient one. "Look at the money we are losing," is a constant cry, and so is the true statement that the airlines have been unable to agree a fare package for North Atlantic routes for years, long before Laker's advent.

The reason for that is not that the airlines wanted to compete among themselves, but that they (and notably the British and American Governments) could not agree in the early 1970s which fares should be permitted to scheduled carriers so that they could compete effectively against charter operators. Besides, not having a detailed agreement was not so important, provided the airlines continued to talk.

The North Atlantic talks are crucial to getting agreement in other areas, in Europe and on routes to the Middle East and beyond. America's disapproval of the cartel's activities on the North Atlantic disrupted all the rest. Fixing air fares in international markets is an interlocking business.

Some cards remain in America's hand that will, perhaps, persuade the airlines not to become too cozy in their club, IATA. The American proposal says that while no country can disapprove of any airline being a member of IATA, neither can it force any airline to join. And any existing bilateral agreement—between the United States and a European country—that is more tilted in favor of competition will still hold force. A case in point might be the existing American agreement with Belgium, where there are no set rules on fares; the airlines effectively do as they please.

A potential twist to IATA's tail is that the United States is only proposing to grant antitrust immunity to IATA for periods of six months at a time. In other words, ECAC has to deliver the continuing agreement that its member Governments will allow some flexibility on fares—at least for a while—or the US concession over IATA could be called off.

While the European airlines will all approve of the deal's general thrust, it is not, however, as clear that all European Governments will so easily be rolled into line. Britain and the Netherlands are, in a lukewarm sort



BUT NOT LAKER

Laker Airways Skytrain © Keystone Press Agency

of way, in favor of more competition. But West Germany, Italy, the Scandinavians, and particularly France, will not relish the freedom the deal theoretically gives their national airlines to vary fares without asking.

Many important details still have to be fixed, notably the all important item of the standard fare level around which the flexibility zones will be arranged. As a start, the United States has proposed using its own idea of standard fare levels between various airports in America and airports in Western Europe. But, since these are based on the usually lower costs of American carriers, they will undoubtedly be pushed upward to suit the needs of most European carriers.

If the eventual standard fare levels are pushed up too far through concerted lobbying within IATA, then the worst fears of many observers who favor deregulation will be realized. The longer the United States maintains its new-found tolerance of IATA, the harder it would be at some future time to return to trying to put it down. The longer international airlines (including American ones) pressure to push up standard fare levels, the more likely it is that the splendid low-fare trips consumers have been able to buy over the past four or five years will become mere memories.

The US version of ECAC's original proposal on the flexibility bands looks like this:

- First and business class: within a 30 percent band above the standard level. The Europeans will try to restore their idea that these two fare types should have separate bands.
- Normal economy: within plus or minus 20 percent of the standard level.
- Discount fares: up to 30 percent less than the standard level, though these tickets would be tied to round trips only, a minimum length of stay, and capacity limits on how many of these seats could be sold.
- Deeper discounts: up to 40 percent below the standard fare level with additional restrictions such as advanced purchase, making the ticket part of a package tour, and so on. Standby fares would fall into this category also, though there would be a limited number of seats available on each flight.

Some of the typical, standard fare levels from New York to Europe proposed by the Americans are (with the winter fare in brackets): Vienna \$1,264 (\$1,000); Brussels \$1,284 (\$1,000); Paris \$1,244 (\$978); Frankfurt \$1,200 (\$984); London \$1,032 (\$872); Stockholm \$1,302 (\$1,098).

Two important areas have been left out of this proposed deal. Cargo rates are to be the subject of another agreement (and negotiations), with a general trend toward total deregulation already apparent. Charter fares would be left out of any agreement, which suggests that they will provide a possible means for airlines interested in competing through low fares to create a market. It could well be back to the travel pattern of the early 1970s on the North Atlantic.

Deregulation began mostly as a change in the way the United States regulated its domestic airlines, but spilled over into the international arena after it became clear that Britain had outmaneuvered the Americans in negotiating the so-called Bermuda 2 bilateral agreement between the two countries. That agreement included strict controls on things like the capacity that could be offered and severely limited some operating freedoms that US carriers had long enjoyed. The then-head of the Civil Aeronautics Board, Professor Alfred Kahn, said at the time that he was going to encourage airlines and, therefore, passengers to fly to other points in Europe.

The attack on IATA begun under Kahn was maintained by his successor, Marvin Cohen, who has just retired as Civil Aeronautics Board (CAB) chairman. In response, concerted international lobbying by the airlines was organized through IATA, with the airlines persuading their Governments to join in.

Led by the Europeans, the protest concerned the way United States was exporting its policies, trying to force them down the throats of sovereign nations, succeeding in the process in bullying more competitive deals out of smaller countries like Belgium and the Netherlands. The State Department sided with the mass of foreign Governments and the CAB's wholesale attack on IATA was

trimmed back.

In the end, it blocked only American carriers from taking part in fare-fixing conferences and only those affecting North Atlantic routes, important though that limit is in practice. The death knell for even that constraint was sounded in August when Reagan told the CAB not to make any irrevocable decision on IATA, ostensibly to show American appreciation for the help given by other Governments during the period immediately following the strike by US air traffic controllers. In fact it was more likely the result of the lobbying by the "Gang of Five" and a change of heart among the new policy makers in Washington.

American carriers have suffered a loss of market share on routes to Britain and to Hong Kong, both covered by Bermuda 2. But on other routes the figures are less clear: A rival group of nine American airlines (mostly small ones, or ones which have a small stake in international business, but would like more) agrees with the CAB that America's market share has in general been improved where there has been a more competitive bilateral agreement.

The big five, naturally, disagree and their voices are the ones being listened to in Washington. As Judith Connor, an ex-Pan Am official who heads aviation policy making at the Department of Transportation, explains it, she is not interested in increasing competition if it means that America is just rearranging its market share between a different group of American airlines. She wants to increase (or at least maintain) the country's overall share. Otherwise, a country with a single airline on a route will win, while American carriers compete with each other until death, perhaps leaving the United States without a significant presence on a route.

What has begun to happen to America's revised aviation policy is another classic example of Republican attitudes. They are not so much in favor of free enterprise, competition, and the consumer, as in pleasing big business. ☐

Howard Banks is West Coast correspondent in the United States for The Economist.

dollars and

Kathy Larkin analyzes European penetration of the American

It's bloodless, so far. But a big international perfume war (an industry with an estimated \$2.8 billion in world-wide 1981 retail sales divided among US firms alone) is being waged in corporate board rooms, store chains, and small perfume shops around the globe. Participants are name designers: Yves Saint Laurent, Oscar de la Renta, Giorgio Armani, Halston, Adolfo, Versace—all lured by that headiest scent of all, the sweet smell of success at astronomic price levels, into battle with reputations, new-born fragrances, and perfume bottles of varying shapes.

Coco Chanel and her Chanel #5 uncorked the war. It was in 1924 that fashion's autocratic "Mademoiselle"—the sleek designer who had already jolted Paris by slipping women out of corsets and into soft jersey dresses—gave her name and lucky number to what is considered the first famous-label perfume.

Barely was Coco Chanel's scent floating through her Paris salon, when Lanvin's "Arpege" and "Joy" by Patou followed. Still the competition, despite exports, was an internal European affair. Only when the late, gentle Norman Norell (sometimes dubbed the dean of American designers) finally launched his

Courtesy of Tiffany & Co.



fragrance in 1968 was upscale battle joined on both sides of the Atlantic.

Norell's advertising billed his scent as "the first designer fragrance" in the United States. It was far from the last. As other American designers followed, first saturating their own tough commercial market and most recently looking to Europe and Japan, an increasing number of Europeans launching *their* new fragrances targeted the United States. If Europe had status, America was the land of solid gold cash registers. By the Fragrance Foundation's estimate, industry business is jumping 12 to 15 percent each year. And about 33 percent of the 500 existing American perfumes carry designer labels.

None of that surprises black-clad Halston, sitting in his glass aerie atop the New York skyline. The perfume market is volcanic, he says, because "the fragrance business, like the wine business, has suddenly been discovered. What was good has grown better. The men's fragrance market especially is exploding." Halston—who launched his first designer perfume in 1975, two fragrances for men in 1976, and his "Night" (favored by brunette customers like Elizabeth Taylor and Liza Minnelli) in 1981—calculates the develop-

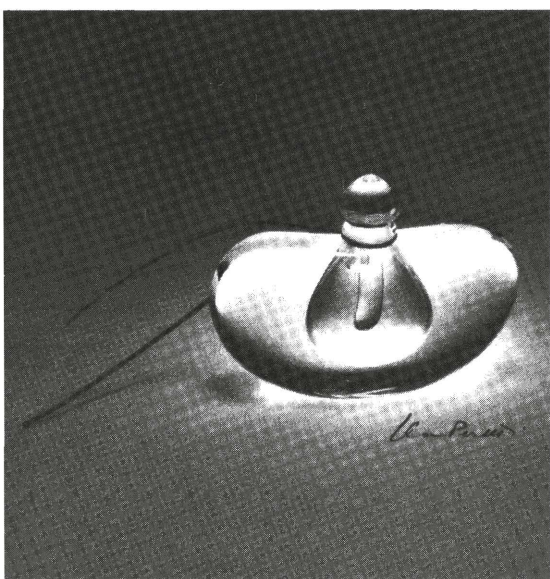
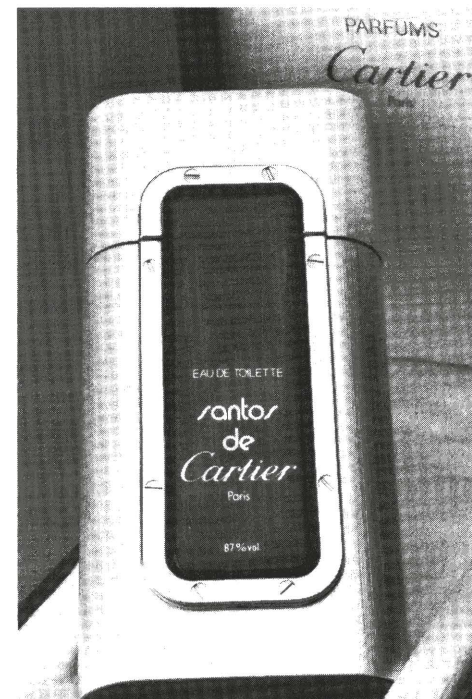
ment and debut price tag of any new scent at roughly \$2 to \$3 million. Other experts all agree.

He's right. Most designer perfumes won't break even until the second or third year of distribution. Then starts the battle for enough profit. And what is enough? Halston shakes his head. "If you don't grow about 10 percent a year, you're in trouble—given inflation and the economy." None of that has stopped or even slowed the great international perfume war.

Three years ago some 45 new fragrances were introduced; not all survived. By 1981, the rush to launch perfumes produced: Halston's "Night," "Ivoire" from Balmain/Revlon, "Pucci," "Premiere" by Castelbajac, "Volcan d'Amour" by Diane Von Furstenberg, and more. New men's fragrances (sharing an estimated \$800 million market) starred Yves Saint Laurent's "Kouros," Chanel's "Antaeus," Calvin Klein's "Calvin," "Adolfo for Men," and more. All that is a partial list of what is rapidly becoming the world's most elegant mob scene.

Even jewelers like Van Cleef & Arpels, Tiffany, and Cartier are competing for perfume lovers and profits—and treating perfume con-

Courtesy of Must de Cartier



Scents

perfume market



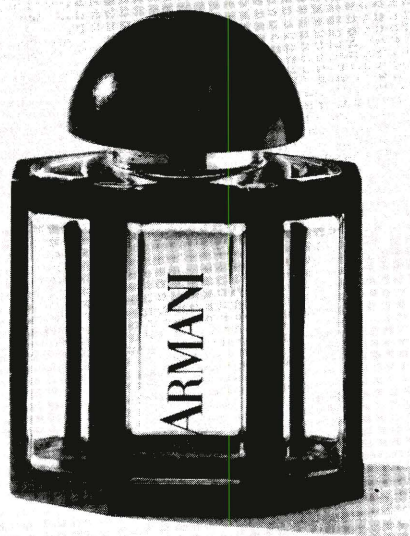
tainers as objets d'art. For \$450, since November Tiffany customers can buy Elsa Peretti's new scent in a kit with a hand-carved, rock crystal reuseable bottle designed by Peretti, three perfume refills, and a black-tasseled sterling silver funnel for pouring. (Refills bought later are \$27.50 each).

Cartier invested more than \$2 million over 15 months before simultaneously launching its "Les Must de Cartier" perfume, eau de toilette, and men's "Santos" in over 100 Cartier stores world-wide (plus other retail outlets). Cartier has its own built-in relief for customers gasping at those \$100-\$150 per ounce designer prices. The firm's fragrances are packaged in *objets d'art* resembling Cartier's oval cigarette case and finished with a choice of 18-carat gold, silver toning, or silver and gold-toned trim; all come lined with smoky, replaceable fragrance bottles. And while the original "Les Must de Cartier" package plus perfume is \$100 an ounce, later refills are \$40; "Santos" costs \$75 and refills are \$20.

Cartier's refillable system is patented. "Les Must de Cartier" vice president Patrick Duchamp says: "We already spend \$3 million annually to prevent our products like this from being counterfeited." Meanwhile, according to his boss, the division's western hemisphere president Claude Sujet, even the

\$3 million spent for research, bottle molds, and the hoopla of launching in the United States, France, Germany, Italy, Switzerland, Austria, Spain, Holland, Belgium, and England is paying multiple dividends. Says Sujet, "In the three months since we launched, sales are roughly \$7.5 million. We may even reach—I am not sure—the break-even point after just 12 months in the market. That would be very, very unusual." But Cartier, after all, has a head start; it is a world of over 100 stores. What of designers in search of a selling place?

The current invasion of Europeans comes with a distinctly Italian accent. Launching first-time fragrances in the United States (some of the scents already sell abroad) are: Giorgio Armani, Gianni Versace, the Missonis, Mila Schon, and Mariuccia Mandelli of Krizia—all lured by profits to be made in the world's largest perfume market, where over half the fragrance business is done. Waiting in the wings are: Nino Cerruti and Laura Biagiotti. Still negotiating with American cosmetics firms are: André Laug, Walter Albini, and the Fendi sisters. Advertising budgets alone run from \$250,000 for Mila Schon to \$3 million



for Giorgio Armani.

Why the rush to America? Opportunity. For European designers limited at home by a map of small countries and a retail system of tiny, often family-owned perfume shops, the sheer size of the United States and its network of department stores is exhilarating. The endless links of a Saks Fifth Avenue, with 32 "doors" dotting the nation inevitably means a chance for multiple sales. Sell the flagship Saks and your perfume can debut simultaneously in all the other stores. It's a chain reaction of pure gold.

Diane Benson who, with husband Robert, is marketing Mila Schon in the United States, explains: "Take size," she says, "a European designer selling France and Germany covers no more territory than an American doing business just in Texas." And she adds, "In Europe, there are few department stores. Fragrances are sold through individual little *parfumeries* which rely on the expertise of a single girl behind the counter to quietly promote a fragrance—without the free samples, the 'gift with purchase' sale or 'purchase with purchase' (meaning Buy the perfume, get the powder at half-price) used to hype sales in US stores."

"US fragrance retailing follows the old pyramid shape. Launch a product in top department stores, work down toward the broader based drugstores—although designer fragrances will have a limited distribution by choice and price," says Benson. "At a certain price point, a designer perfume finds its own level of customers."

US stores also use the incentive system to promote a hard sell. While that single *parfumerie* employee deals with every fragrance in the shop, her American counterpart in a large department store may handle just 4 or 5 fragrances, even fewer; receiving a commission from the vendor, or from the vendor and the store, or through a pool arrangement favored by some department stores.

But American marketing with its mass customers has a "Catch 22" side. To get more, you must spend more. Says Benson, "Working with a department store, you must do the store catalogue, the traditional New York Times ad, take a lot of national advertising—and a small company like ours has no choice but to compete against giants like Max Factor or Revlon. A Mila Schon is up against a Halston—and Halston has a lot of money to play with, as does an Oscar de la Renta, because of their success." "Many Europeans," she says, "don't understand all this. They say: 'Gee, Saks Fifth Avenue just bought \$20,000 worth of my fragrance to sell at \$40,000 retail.' They forget we had to commit \$20,000 in promotion money to sell the merchandise through. In the beginning, it's almost a dollar for dollar situation."

A little celebrity helps. "Working with a notable designer, you have instant impact; something to sell a Saks Fifth Avenue," says Benson. "It's not as though you're coming from left field. That recognition factor is one reason, aside from the lovely fragrance, that Norell's scent was so successful. Women who could never afford a Norell dress could at least wear his perfume."

High visibility is an asset recognized by most firms. When Coty launched a \$125-\$200 fragrance in September 1980, the name on the label was "Sophia," not for any fashion designer, but for Sophia Loren. And the actress embarked on a world-wide tour that continues this spring with launches in France, South America, the United Kingdom, and Japan.

In the United States, Loren pulled crowds wherever she went. Some 12,500 fans jammed J.L. Hudson's in Detroit. In New York, at Lord & Taylor, the mob scene was worthy of an MGM production.

On a financial as well as promotional level, Loren was a good corporate choice. Says Donald Flannery, Coty president, "Sophia" sold \$5 to \$7 million in its first six months, with a distribution to about 10,000 "doors." In 1982, he expects a \$23 million volume.

Yet Bob Miller, executive vice president of Charles of the Ritz, feels Gianni Versace is the man to watch—and his firm has already spent an estimated \$2 million on developing a customer profile, developing a fragrance, packaging, and creating an initial inventory. Versace's perfume was launched in Europe last September, with a black-tie cocktail party at his huge 18th Century villa overlooking Lake Como. The celebrated guests arrived by boat to party in the illuminated gardens. And the gardens were perfumed by—guess what.

On the other hand, American fragrances seeking to penetrate the European market still have a long way to go. They account for roughly 20 percent of the market. Estee Lauder is doing well. So is Revlon's "Charlie,"—since European customers apparently equate its free-striding image with things "typically American"; like the faded blue jeans that sell so well, even in French boutiques. And there is a handful of designer names. Among the best-sellers is definitely Oscar de la Renta.

"My name as a designer," says de la Renta, "is an American name; but my fragrance is made and packaged in France. My distributor there is Germaine Monteil and while the firm has no perfume of its own, there is an established Monteil market. So in France, this year, we should do a \$2 million business. De la Renta's fragrance sells also in Germany, Italy, Holland, and was just catapulted via the designer's personal appearance into a launch in Spain.

Kathy Larkin writes for the New York Daily News.

€ DELEGATION OF THE COMMISSION OF THE EUROPEAN COMMUNITIES

January 18, 1982

Dear Mr. Bicknell,

The European Community is sponsoring a special multi-page advertisement, its first in the American market, to appear in the Business Day section of The New York Times on May 27, 1982.

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EUROPEAN PARLIAMENT

How Dankert Won Presidency

GEORGE CLARK

On a personal manifesto in which he pledged himself to the task of making the European Parliament a more powerful participant in shaping EC policies, Piet Dankert (47), the multilingual Dutch Socialist, a former school teacher, has been elected President of the directly-elected assembly for the second half of its five-year term. It was more a personal success than a political gain, for Dankert is a moderate Socialist, yet the Socialists went away from snow-clad Strasbourg at the end of the January session elated with what they were calling another significant victory for the left—their general-election successes in France and Greece being fresh in the memory.

In terms of world politics, the office of President of the 434-member Parliament, possessing little power by comparison with that of the EC Council of Ministers, may not seem worth fighting a vindictive political campaign about. But in European terms it is far more than just being Speaker of the House. Following on the trail beaten out by the redoubtable Simone Veil, the former French minister who held the position before him, Dankert will be chief spokesman in negotiating on behalf of Parliament with the Council of Ministers and the EC Commission in Brussels which initiates legislation. More important still, as Veil demonstrated so effectively, he becomes an ambassador travelling abroad, playing a key role in enhancing the prestige of the Parliament while explaining Europe's attitude to world problems.

What must amaze any outside observer, unfamiliar with the strange nuances of European politics, is that the parties of the center-left did not win the position. They have a clear majority if they vote together. But they approached the election in an embittered, squabbling mood. Even when it was clear that their two candidates, Sir James Scott-Hopkins (60), a former junior British minister and now leader of the Anglo-Danish European Democratic Conservative group, and Egon Klepsch (51), leader of the strong Christian Democrat group, a German doctor of philosophy, were losing ground in a succes-



© Sipa Press/Black Star

sion of ballots, they could not agree on a compromise.

Between the second and third ballots, with the French Communist, Robert Chambeiron (66) and the Italian Radical Marco Panella (51), retiring from the fray and commending Dankert to their 61 erstwhile supporters, frantic efforts were made to get center-right agreement to ask Veil to stand again for a second term. After all, she had shown that she could do the job superlatively well. Nominally a Liberal, she had no strong political allegiances.

Sir James offered to stand down if Klepsch would follow suit. He refused, evidently banking on the hunch that the Conservatives who had seen their leader advance from only 63 votes to 67 would switch to him. Astutely, Veil took her own soundings and found that the 22 Gaullists would not be on her side. The Liberals were split, and she could not be sure of many Christian Democrats willing to ditch Klepsch. "I have been President as a symbol of unity," she told her supplicants. "I am not prepared to represent disunity."

So the third vote went ahead. Mr. Dankert increased his poll from 114 to 162, Klepsch went from 130 to 156, and neither had an overall majority of those voting. Sir James was stuck on 67 and had to drop out for the final, decisive ballot. This the Socialist won with 191 votes to Klepsch's 175, with 42 parliamentarians abstaining.

All the ballots were secret, so we shall never know exactly what happened to the Conservative vote. There was cross voting in

other parties, too. Some in the British group claimed that up to 30 had switched to Dankert. Soundings which I took later indicated that they split three ways: more than a third going to the Socialist, many less than a third going to Klepsch, and the rest abstaining.

Jubilant was evident on the Socialist-Communist benches long before the official figures were announced by the temporary chairman, 88-year-old Louise Weiss, the French Gaullist. Someone produced a huge bunch of red roses—symbol of Socialism in several European countries—for the victor.

Why had the Conservatives let down their natural political allies, the Christian Democrats? At Westminster their action would have been called treacherous. But a lot had happened behind the scenes and most of them thoroughly disliked Klepsch.

Besides, Dankert has established himself as a popular, efficient deputy president, with the admired ability to reply fluently to questions and points of order in the language of his interrogators if they spoke Dutch, German, French or English. (He also speaks the Frisian of his native island.)

When a member of the Dutch parliament, he was Socialist spokesman on foreign and defense policy, and was a member of the bureau of the Socialist International. But he has made his reputation mainly in the European Parliament and its committees where he has consistently championed the demand for more legislative power to be given to the elected representatives of the people. When rapporteur for the budgets committee, he led the opposition to the 1980 EC budget which caused a protracted and heated dispute with the Council of Ministers.

There has now been a dispute between the Parliament and the Council over three successive budgets, the members of Parliament seeking to change the pattern of expenditure which still goes predominantly to support agriculture, often producing the "butter mountains," the "wine lakes" and now the huge dairy product surplus so much criticized by consumers. Dankert and most of the members of Parliament want the balance tilted toward their help for industry and aid to the areas of high unemployment. The only way they can do this, apart from arguing the case, is by claiming control over a larger section of the budget than ministers say they are allowed under the Treaty of Rome.

So Dankert has really set himself a huge task in the next two and a half years. It is no less than to persuade the 10 member states to amend the treaty so that the purse strings pass more into the hands of the parliamentarians and the veto powers of ministers are diminished. **E**

George Clark is European political correspondent for The Times of London.

New York takes the lead

CAROL KORZENIOWSKY

It's the height of the winter art season in New York. On an ordinary weekday, four or five galleries are opening shows; there are at least as many auctions on; and the Guggenheim, one of the four major art museums, has a Kandinsky exhibit.

At 57th Street and Madison Avenue, a hub of art activity, one watches the art-watchers, trudging through the snow or emerging from taxis and limousines, listings under arm, to ascend to the galleries honeycombing this mid-city canyon.

"The greatest free show in America," says Ralph Colin, an avid collector of French art and founder of the Art Dealers' Association of America (ADA). When he started collecting in New York in the 1930s, he knew every collector by name and there was only a handful of art dealers.

In the slow-moving elevators between galleries on 57th Street, the young marrieds, suburban housewives, students and office workers on lunchbreak, rubbing elbows with mink coats and high finance, distinguish New York from other capitals of the international art world. They are both a cause and a symptom of the vitality in New York's art business, estimated at around \$500 million in revenues annually.

About half of that business—and most of the reputation New York has acquired in recent years for being the center of the international art market—is attributable to the auction houses. Dealers fly in from all over the world for major auctions at Christie's and Sotheby Parke Bernet; figures are instantaneously converted into a half dozen currencies for the convenience of bidders; and results are published in the next morning's papers with highs, lows, and records.

Sotheby's has been conducting auctions in New York since it merged with Parke Bernet Galleries in 1964. Christie's arrived in its quarters just five years ago. David Bathurst, Christie's director and president of the American operation recalls, "Before 1977, we felt that London was the best place to sell art, but in 1977 we decided that the market was just as good here."

Comparing New York to London, Bathurst observes, "We are part of a much more active art world here and we have a lot more functions. We're not only an auction house," he continues, "but a museum, and we're used weekly for seminars, functions, and so on. It's

part of the national characteristic. Unlike Europeans, Americans who collect art love to discuss it among themselves."

There are still a few kinds of art Bathurst would send back to London where he perceives a better reception, such as fine musical instruments or old masters drawings, but about 95 percent of the works originating in this hemisphere are also sold here.

Both Christie's and Sotheby's have ventured into areas where their London parents never have been. Latin American painting for example is beginning to represent sizable revenues and they are both scrambling to expand their contacts in the south. Americana of all kinds including jewelry, furniture, cars, airplanes and, most recently, satellite transponders are being sold at prices that astonish older, more traditional collectors.

Christie's American revenues are growing at 30 percent annually and, at that rate, will soon surpass London, while Sotheby Parke Bernet has already overtaken its London headquarters by \$18 million last year. Although the pendulum may swing back depending on exchange rates, world economic conditions and, of course, what's being sold where, there is one feature of the New York market that seems decisive: that is, a growing base of serious American collectors in the auction houses who are undaunted by economic developments.

The perception of demand at the top is shared by art dealers and collectors. "If you have an important painting," declares ADA's Colin, "it's not hard to sell, it's hard to get. It could be sold over the phone in minutes at top prices. For example, a good Cézanne would get about \$5 million. There's plenty of money around despite the economy."

Arnold Katzen opened a gallery on 57th Street last October. "Is there a recession in America?" he quips. "If there is, we haven't noticed it. Our results have been very favorable." The gallery is showing a dazzling set of silver platters commissioned by Picasso and valued at \$500,000. Katzen brought it from France because, he says, "The money is in America today."

It's in America, but not necessarily in New York (although a great deal passes through on other business). The great distances that separate major financial centers such as Chicago, Los Angeles, and Houston from New York necessitate special strategies for both Ameri-

can dealers and auctioneers.

These include computerized mailing lists; widespread coupon advertising; continual printing and distribution of catalogs; branch offices and regional events; a greater interest in mass media treatment. On the other hand, auctions are less numerous but larger than in London. This is partly due to the higher expenses of printing catalogs and other things, and partly to save out-of-towners the inconvenience of too frequent travel.

By and large, the biggest American collectors, such as Norton Simon of Los Angeles, continue to do their buying with New York dealers, but the dealers themselves are increasingly interested in reaching into new markets. Many think that the middle market has not so much softened as restructured. A public whose original exposure to art buying was via the press hoopla surrounding the auctions has begun to patronize the dealers.

As Ralph Colin sees it, "In Europe, a relatively small percentage collects art. The same families have been in it for generations. But here we've developed a public recognition in art." He adds, "Personally I think there's an awful lot of junk made and sold. But it's ultimately to the good. The beginner eventually learns to refine his taste. And it's good for the artists, the dealers, the museum, and the city."

In the course of New York's emergence as an artistic center, the 1930s and 1960s are particularly significant. In the 1930s, the inflow of European painters and art *aficionados* fleeing the war, the support the US Government gave to all the arts through its federal works programs, and the establishment of the Museum of Modern Art, all contributed greatly to the cause of contemporary in the minds of the American public.

In the 1960s that appreciation was translated into consumption. The works of artists like Andy Warhol and Tom Wesselman touched the lives and fantasies of ordinary working people at a time when the national prosperity made art purchases both affordable and imaginable for the middle class. Art galleries blossomed. Some closed and others opened. Today there are roughly 150 legitimate galleries in the city. €

Carol Korzeniewsky is US business correspondent for The Observer of London.

NORTH BRABANT: THE BUSINESS FACTS ON THE LEVEL

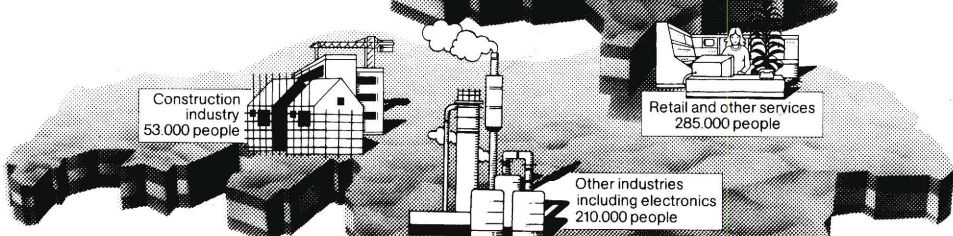
Transport



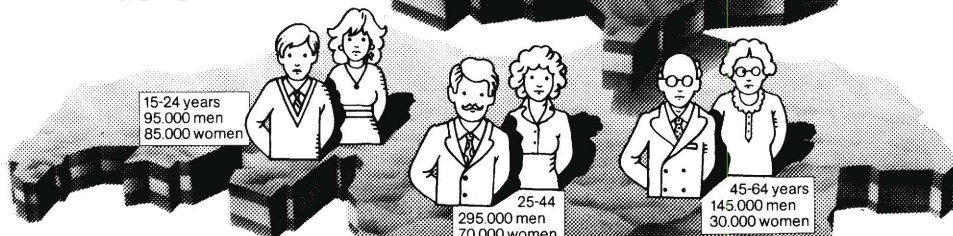
Major industries



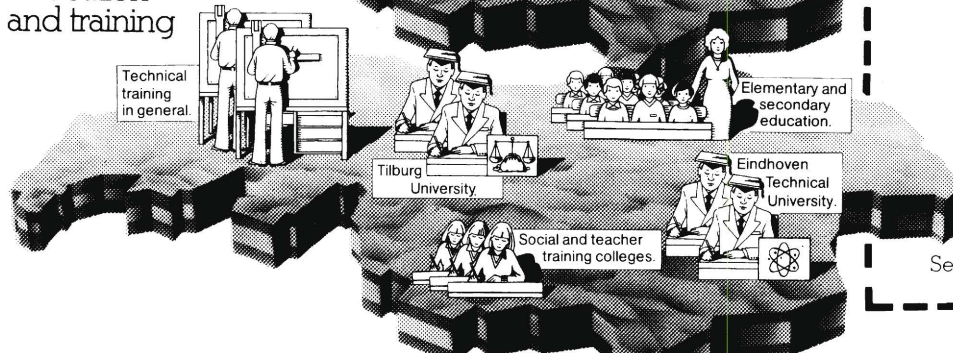
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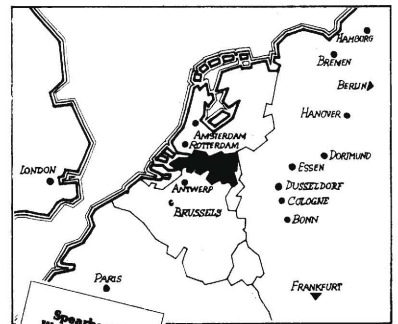
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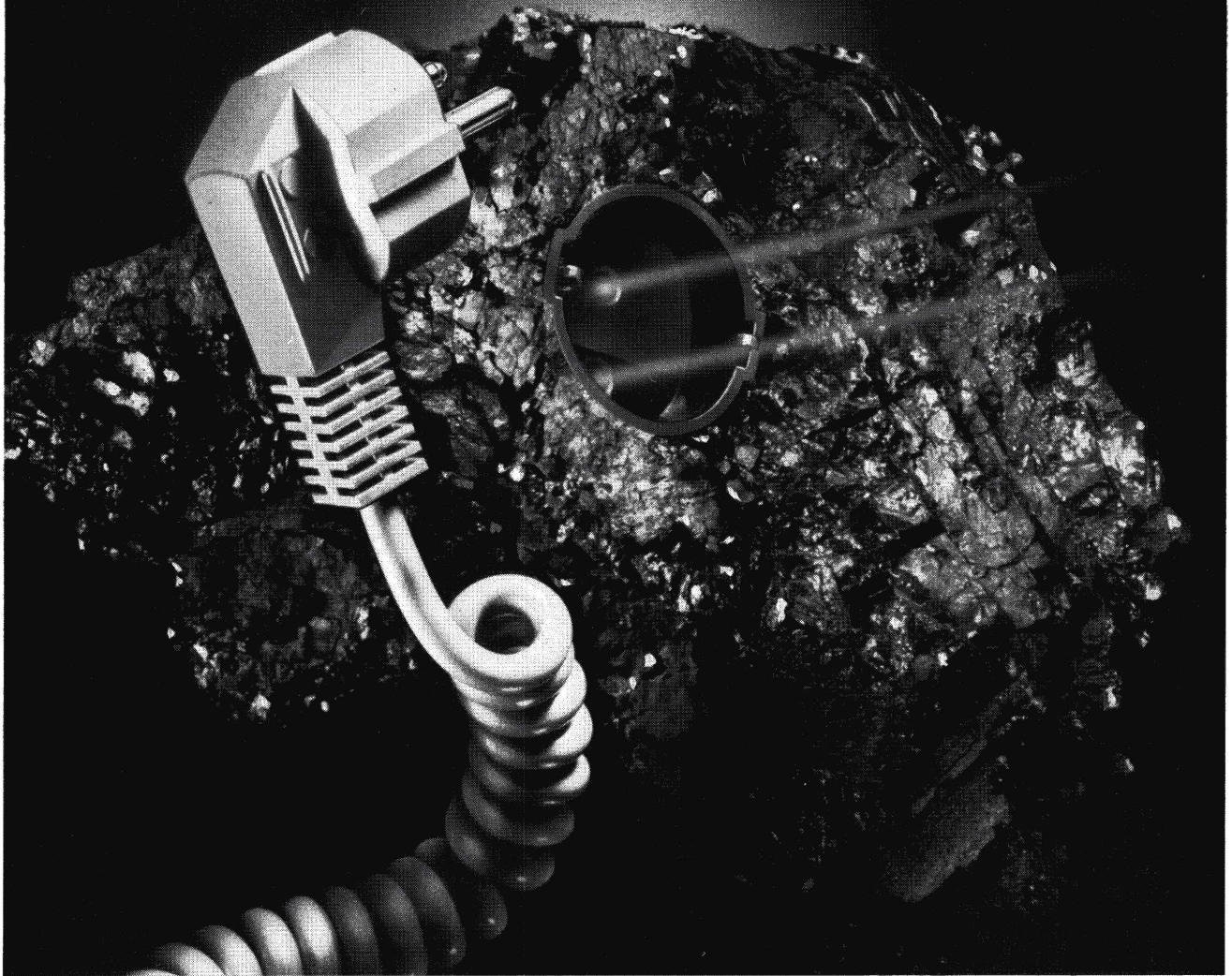
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more room to compete

Dutch electronics executive calls for common EC industrial policy

WISSE DEKKER

I WANT TO STRESS THE NEED FOR A EUROPEAN INDUSTRIAL policy and the importance of the general development of the European Community in view of my belief that there is no other choice for Europe but unity. A common market and a common industrial policy are essential if we want to prevent Europe from being downgraded in the course of time to a second rate industrial territory.

The expression "in the course of time" is one I would cheerfully have used a number of years ago. Today I should like to replace it by "in a few years," and it is necessary that Europeans recognize what is happening in our industrial and technological world.

We all know that, especially in the past five to 10 years, we have been faced with extremely strong competition from Japan. In practically all the studies and publications which have appeared on the subject, the impression has been given that this competition is unfair, or cannot be beaten. I should like to leave no doubt that neither of those two assumptions is correct.

I don't think the Japanese are unbeatable. Nevertheless, we see that the major European electronic companies are gradually finding themselves in the same position as their former counterparts in the United States. The really international ones, with the exception of Philips, have disappeared from the international scene, and if they have survived they have withdrawn behind their national frontiers.

I should like to emphasize two points which are the crux of the matter: firstly, the need for a sufficiently large home market, which no single European country can offer, and secondly, the selection by industry and not by Governments of those technologies which will be essential for the future.

Combining the two points, it is evident that for those technologies which are of importance for the future of our field of activity—everything connected with telecommunications, data switching and processing, and the components needed for them—industry in Europe has no home market big enough to justify the enormous amount of money needed to fund the research and development required to meet the challenges and demands of the future.

If Europe is to play a role of some significance in this key area it will be necessary to develop a real common market and

a common policy, not only in theory but in practice. And by common policy I do not mean a centrally controlled approach, but a market-oriented one.

Attempts to develop a common industrial policy for Europe, often in the face of nationalistic opposition, have failed and one of the reasons why is that industry has not sufficiently felt the need to combine efforts.

There exists within Europe, in a field of industry which should be of an ever evolving technological nature, a spirit of protectionism which will, in the end, make the companies in this industry into lame ducks if they cannot compete on the world market.

For Europe the period ahead will either be one of fighting a rearguard action ending in surrender, or it will be a period in which we pool our efforts, change our bureaucratic systems, and learn to become a worthy competitor.

Competition, particularly Japanese competition, could also be met by adopting the Japanese labor system. However, I rule this out because of the great differences in social and cultural attitudes. However, certain parts of the Japanese system, such as quality control, can be applied in an adapted form.

Japanese salaries and wages have increased to almost the same levels as those in Europe, which has left the Japanese with only their very concentrated production.

There are three regions of business in the world: Europe, America, and Asia. Nowadays in European countries there is sometimes more talk about sharing prosperity than there is about creating it. And, although Europe is the most important center of business in the world—40 per cent of international business takes place there—it has not established a united front against economic attacks from other regions, particularly Japan, and in pointing this out I do not mean protectionism.

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Europe should and can be the center of knowledge; labor intensive assembly-type work should be done in places where it is still feasible. €

Wisse Dekker is president of Philips, one of Europe's leading electronics companies.



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running out of economic miracles

BERT STOOP

UNTIL THE END OF THE 1960S THE PROSPERITY OF THE Netherlands was mainly based on a highly developed ability for trade, on brainpower, and on the country's favorable geographical situation. Some of the world's most powerful multinational enterprises—and the world's biggest seaport, Rotterdam—proved that a country without natural resources could become one of the leading economic powers in the world, as did Japan two decades later.

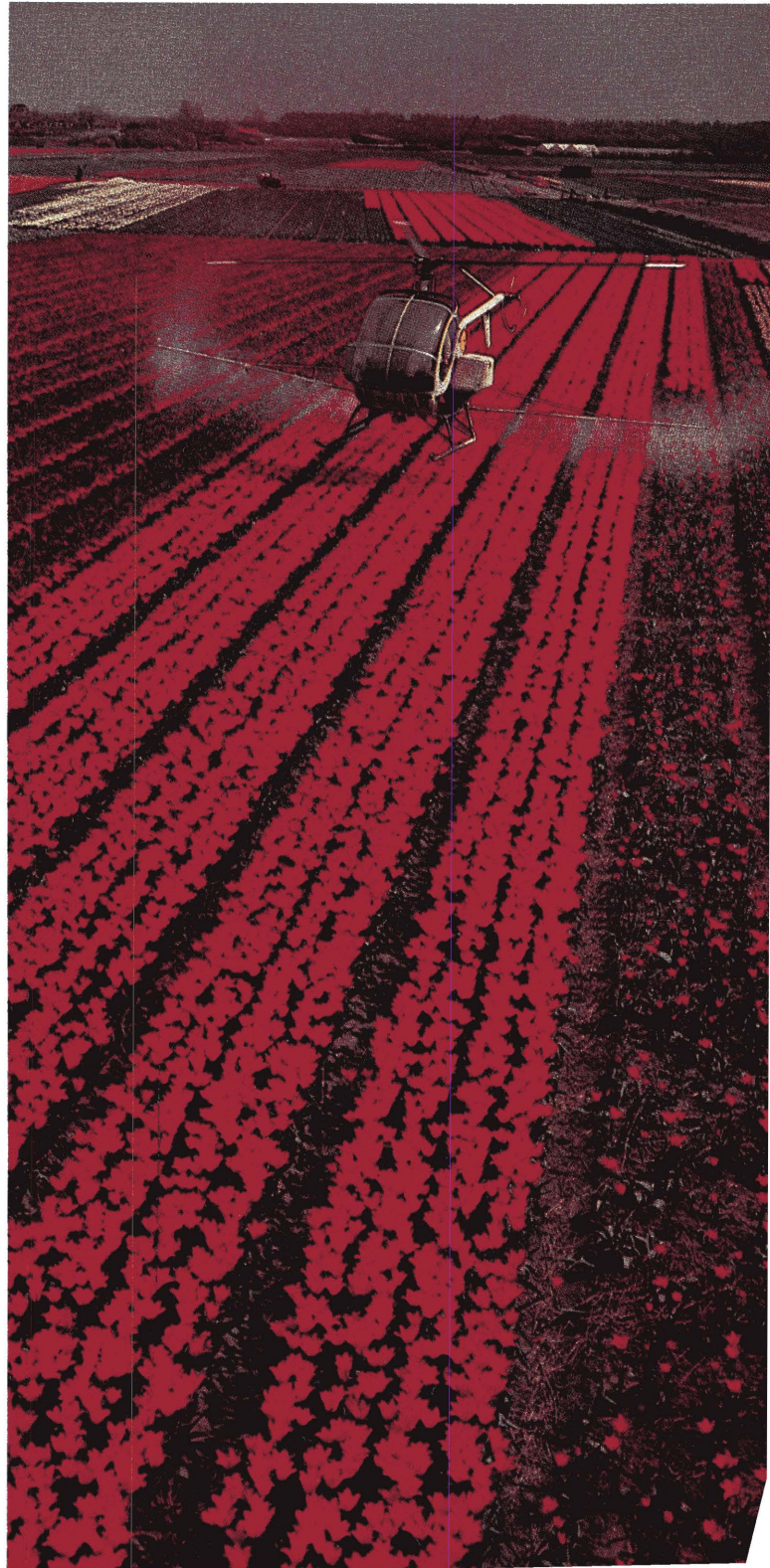
Then vast resources of natural gas were discovered in the north-eastern part of the country and from one day to the next Holland became, in the words of the present Prime Minister Andreas van Agt, "a semi-OPEC country." Natural-gas wealth brought the Netherlands many benefits. In the early 1970s gross national product rose 6-7 percent annually, while the balance of payments showed surpluses of 3 percent of gross domestic product.

After hitting the jackpot the Dutch were perhaps too generous with their sudden wealth. Revenues from natural gas (first from the mainland, later from the North Sea as well) were used primarily to improve the already excellent welfare system. Meanwhile inadequate attention was given to strengthening the overall economic structure and its industrial base. In recent years, industry has faced steadily increasing burdens. Profits fell, investment dwindled, and unemployment figures rose constantly, up to nearly 450,000 jobless at the end of 1981. That was twice the number of unemployed people one year earlier.

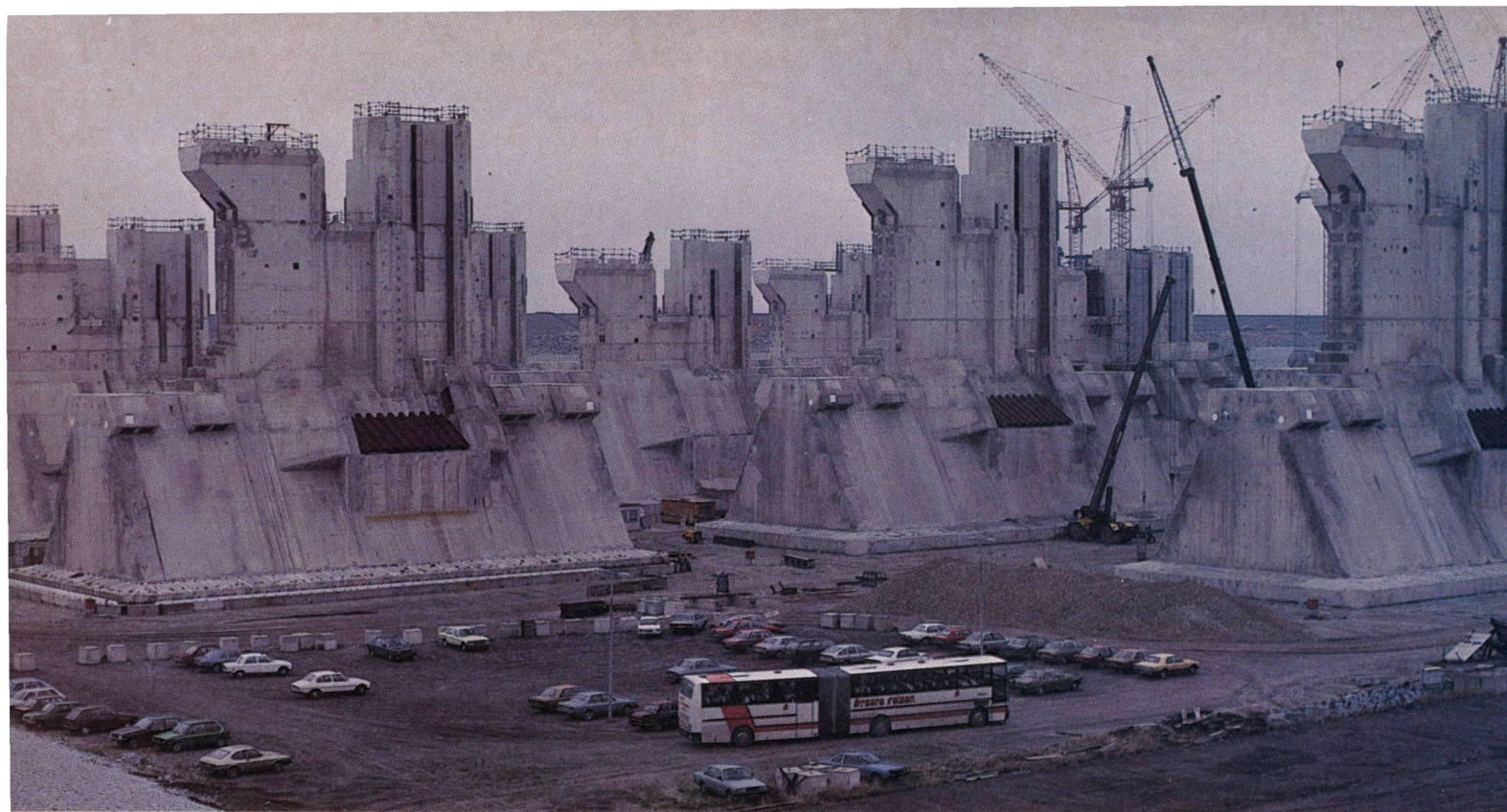
As real wages are linked to productivity (even in the hardly labor-intensive sector of natural-gas exploration and distribution), real wage costs reached record heights. This, together with the rising value of the guilder, damaged the competitiveness of the Netherlands. This year the Government will derive nearly 20 percent of its income from natural gas since Government revenues from shares, royalties, and corporate taxes on the oil firms, have risen considerably.

On the other hand, Government spending, including social security costs, makes up the major part of gross national product. Compared with most West European countries, the Netherlands spends a relatively large amount on welfare benefits thanks to natural gas revenues. Even so, taxes and national insurance contributions have risen sharply in recent years.

Another problem caused by the "cradle to grave" social security system is the Government's budget deficit. Leading analysts at the central bank believe that without a rapid overhaul of Government finances all the Government's other aims cannot be achieved, not least because of continuing high inter-



© Farrell Grehan, Photo Researchers



A part of the storm-surge barrier being built across the mouth of the Eastern Scheldt to defend the Netherlands against the sea. © Nik Wheeler, Black Star

est rates. These have had serious effects on investment and employment, particularly in the building industry.

Despite the rigorous application of an incomes policy in the past two years—which has led to a fall in average real income of 1 percent in 1980 and 3 percent in 1981—the Government has not appreciably tightened its belt. The central bank estimates that the overall public sector deficit rose to 26 billion guilders (about \$12.4 billion) in the year ending in April 1981. Though the Netherlands is still one of the wealthiest countries in Europe the general economic picture is one of businesses closing down, bankruptcies, and massive Government intervention to help firms in difficulty. Owing to a decline in real consumer expenditure, imports fell by 5.5 percent in 1981, while in the same period exports increased by 0.5 percent. Also in the same period, the balance of payments was in the black for the first time since 1977, by 2 billion builders.

One of the industries which has been hit hardest by these problems—shipbuilding—showed a slight improvement last year. The smaller and medium-sized shipyards managed to take on new orders, though the increase of world steel prices could bring new difficulties for this traditionally important industry.

In economically difficult times a country needs a strong and unanimous Government, especially if it is poised on the watershed between the free spending 1970s, when much of Holland's generous welfare system was built up, and the austere 1980s. To curb excessive Government spending unpopular decisions have to be made. But after last May's parliamentary elections and nearly six months of coalition negotiations, a rather heterogeneous cabinet of Christian Democrats, Social Democrats, and progressive Liberals was formed. So far this Government has not displayed a firm and consistent policy to solve the many problems it faces. Though a substantial body

of left wing opinion agrees with the more conservative members of the economic community that the limits of the Dutch social miracle have been reached, there is still disagreement about the priorities of economic policy.

Previous Governments have steadily pared away at wages and salaries. Heavily progressive taxation, with rates as high as 76 percent, are added to already high social security taxes. And the Government wants to cut high incomes even further. Increased premiums on all kinds of obligatory social insurance programs and a new so called "solidarity levy" will result in 1982 in a 4 percent cut in real income for those earning over 60,000 guilders a year and a 1 percent drop for those earning in the minimum wage (about 22,000 guilders a year).

By cutting down in the areas of social security and health, as well as on the pay of civil servants the Government planners have managed until now to avoid undermining important areas of the welfare system, notably the automatic linking of minimum pay and social security benefits to the level of wages. However, there is increasing talk of changing this attitude, though the social democrats in the Government are vehemently opposing such a change in policy.

This item is symptomatic of the differences of opinion within the incongruous coalition. The Christian Democratic Party, which tends more to the right, as well as the liberal Democrats '66, has a strong preference for measures to help private enterprise improve its competitive position in a world in which competition in industry and trade is harder than ever before.

On the other hand, the Social Democrats want to concentrate on creating jobs. Minister of Labor and leader of the Social Democrats Joop den Uyl in November revealed an ambitious plan to create up to 200,000 new jobs over the next four years and another 175,000 part time jobs. Nearly a

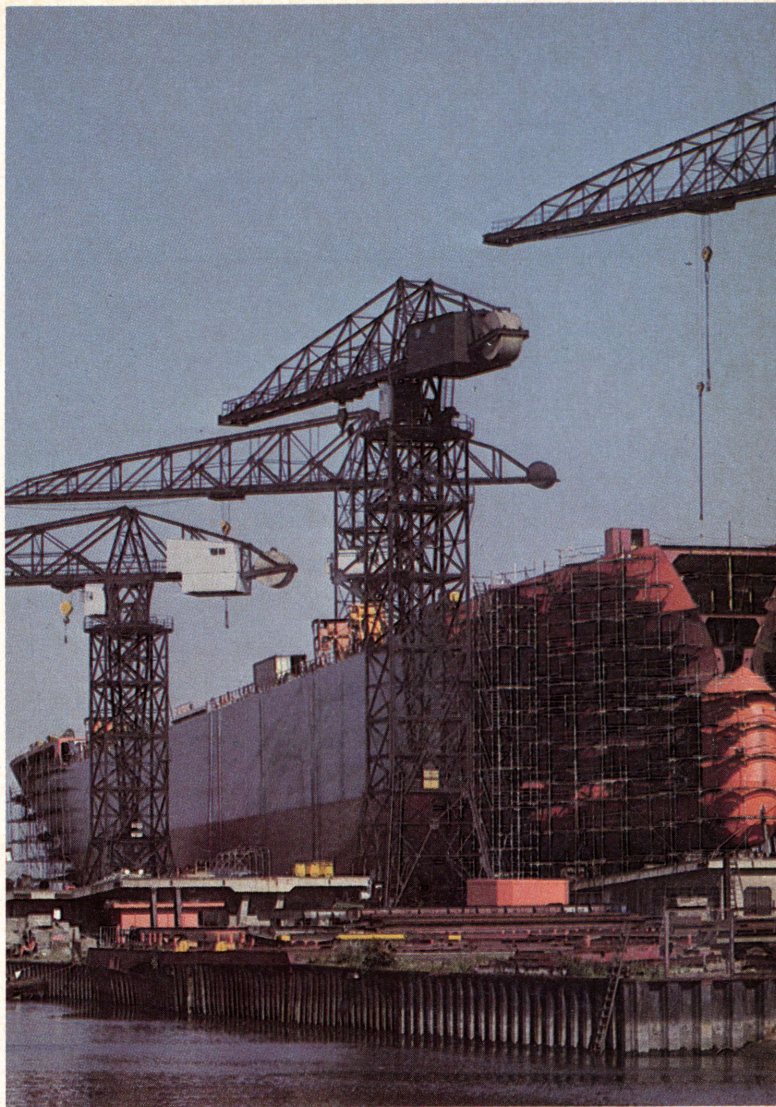
month later the central planning office dampened this optimistic view by forecasting the creation of only 5,000 new jobs by the end of this year and more than half a million unemployed men and women.

Though the job creation plans of den Uyl—successful or not—could result in a decline of unemployment, those new jobs will have to be found in the public sector. The Government can create more positions for civil servants, but not for workers in the private sector. Nevertheless, more should be done about the state of industry and its modernization.

During the boom times in which the Netherlands discovered its gas wealth not enough was done for industry. The money the Dutch earned with their new natural resources was spent on stimulating consumption and helping finance the super welfare state. What funds did end up with industry were mainly aimed at aiding ailing companies which have died and disappeared recently. So, the money was wasted.

Now, everybody is talking about reindustrialization. This discussion culminated recently in a report by the Advisory Commission on Industrial Policy, also called the Wagner Commission after its chairman (G.A. Wagner, former president of Royal Dutch Shell). The committee consisted not just of major firms, represented by top management, but also unions, employers' organizations, and research specialists. The recommendations of this report, "A new vigor in industry," were: Industry can only be strengthened and renewed by cutting down wage costs and consumer spending in favor of greater investment; new developments in technology must be exploited to the full; to help finance innovative projects, a semi-governmental fund should be set up so the Government has a stake in the risk of firms; for the next three years an initial capital outlay of 1 billion guilders needs to be raised through increased natural gas revenues and the introduction of a Government investment scheme.

A Dutch cheese factory at Alkmaar. © Russ Kinne, Photo Researchers



The shipbuilding industry is one of the hardest hit by economic woes. Construction of a river barge at Ridderkerk is shown here. © Paolo Koch, Photo Researchers

The Wagner Commission did not, however, come out in favor of a statutory incomes policy. This was in line with the views of employers' organizations and trade unions.

Though agriculture is still important in Holland and one of the most stable pillars of Dutch exports, the country's 14 million inhabitants are dependent first and foremost on industry. Industry is a big employer, providing 900,000 jobs. Together with the building sector and public utility companies, its share of total employment is some 30 per cent, compared with over 40 per cent in 1930.

The service sector, including government, has become the big growth area, accounting for just over 60 per cent of employment today. Though the services sector has become the dominant employer, industry accounts for at least 65 per cent of Dutch exports. Its share of the domestic market is calculated at about 55 per cent, so the importance of industrial development to the balance of payments is considerable. The main goal of Dutch economic policy has to be concentrated on strengthening the private sector. Otherwise a quick recovery looks unlikely. €

Bert Stoop is an editor at Financieel Economisch Magazine.

the gas bubble bursts

MICHAEL VAN OS

Joseph Luns, secretary-general of the North Atlantic Treaty Organization (NATO) and former Dutch foreign minister, must have smiled when he heard recently of the sudden hitch in the Netherlands' gas-purchase talks with the Soviet Union. Back in the late 1960s he had succeeded in stopping Italy from buying Soviet gas by offering Dutch natural gas at an extremely low price. That move, he argued, had been necessary to prevent the West from becoming dependent on Soviet energy supplies.

Last year, his own country was looking to buy Soviet natural gas, along with France and Italy, but in January, the Dutch decided to stall negotiations. The official reason was that the need for additional supplies was not regarded as very urgent—a main reason why the Dutch rejected US claims that the country

An old source of energy in the Netherlands . . .

would become too dependent on Soviet energy. Unofficially, however, the decision was attributed to the fact that Dutch industry had been unable to gain any contracts for work connected with the 3,000 mile pipeline from Siberia to Europe.

Outside the Netherlands, people must have been rather surprised to learn that it was necessary to import any natural gas at all. At a meeting with foreign institutional investors last June, W. Tieleman, director-general for energy at the Dutch economics ministry, proudly declared that the Netherlands was "the world's biggest gas exporter." The country is still, though only just, a net exporter of energy. The plain fact, however, is that gas is running out in the Netherlands.

The giant natural gas fields discovered in 1959 in the north-west of the country, at Slochteren, in Groningen Province, have turned the Netherlands into a very energy-rich country. Soon, the Dutch earned themselves the nickname of "Europe's blue-eyed Arabs"—the country would certainly qualify as a member of the Organization of Petroleum Exporting Countries. Proven reserves, combined with overall production to date, total around 2,500 billion cubic meters, equaling 1,900 million tons or 1,400 billion barrels of oil.

Not just the Dutch profited from the Groningen gas bubble. Exports to West Germany, Belgium, France, Switzerland, and Italy were built up. Most of the long-term export contracts were signed at a time when people in the Netherlands believed they would never be able to sell all the gas, something that must have been in Luns' mind, too, at the time. By the time the onshore wells run dry, some 40 percent of production will have been exported.

The Dutch economy has become very much gas-based. Industry flocked to the country, mainly to Rotterdam, the world's largest port, to profit from cheap energy and some 90 percent of all Dutch households were converted to heat with and cook with natural gas. The natural gas revenue today contributes nearly 20 percent of the national

budget per annum. And cynics never fail to point out that the Netherlands would never have been able to build up its "super welfare state" without the Groningen gas income. Gas is very important for the Dutch: In 1980, natural gas accounted for as much as 46 percent of total energy consumption, the same percentage as oil. Coal, on the other hand, only accounted for 7 percent and nuclear a mere 1 percent.

Why then would Gasunie, the Dutch gas distribution company, turn to the Soviet Union for gas? First of all: The Netherlands has been importing gas for several years now and several deals with Norway have been signed. There are also negotiations with Algeria and Nigeria. The fact is that the authorities are very keen not to deplete the Groningen gas too soon and to stretch supplies, at least for private consumption, to well after the turn of the century. All attention is now focused on building up a "strategic reserve."

The value of the gas became clearer than ever during the 1973 oil crisis and the following embargo. Oil was in short supply everywhere, but the Dutch economy never ground to a halt. The Dutch started to renegotiate export contracts soon after the problems were over and linked the price of gas to that of oil. The money started to pour in and the Socialist-led coalition at the time was able to maintain employment at reasonable levels (from a European point of view) by inflating the economy with massive spending programs. Many observers, however, believe much more of this money should have been spent modernizing industry. The revenue boost from gas resulted in a glowing balance of payments, and a very strong guilder for many years, something Dutch exporters have never been so jubilant about.

All efforts are now directed at conservation. Gas export contracts have not been renewed. Groningen's gas bubble is being cared for much better than it used to be and part of it will be conserved for the purpose of "coping with unexpected supply problems." Government policy, which so far has been quite effective, is aimed at switching from gas to oil



and coal for electricity production and strongly subsidizing energy conservation by the public and industry.

The race for coal is on, though not from the now-closed mines in the south of the country (Limburg). Its price would have to be much higher to make reopening the mines a profitable enterprise, even assuming people could still be found to work deep underground—which is not considered very likely. Coal research is subsidized massively, too, and there are also funds for exploring alternative energy sources. It remains a sad thought for many Dutch, however, that as far as energy generated with the aid of windmills, the Netherlands is way behind a country like Sweden, which does not possess any gas, of course.

The Dutch may not be keen on having nuclear missiles on their territory, and they certainly are not keen about nuclear power stations either, even though, ironically, there are plenty of them located just across the border in Germany and Belgium. There are currently two nuclear power stations (only one is a commercial one) and the question being asked is whether to close them down or to expand the number. The secretariat of the Organization for Economic Cooperation and Development in Paris has already indicated it is slightly annoyed with the Dutch for stalling on the nuclear energy issue while increasing their dependence on oil and refusing to step up gas consumption.

Meanwhile Rotterdam, with its sophisti-

cated infrastructure and extensive and efficient transport systems, is not enjoying the best of times economically speaking. Its more traditional industries—notably shipbuilding—have been hit by the recession and the activities of Third World countries and even the money makers of longstanding reputation, the petrochemical industries, are operating at levels well below capacity. As yet there have not been any dramatic closings, however, something other ports in Europe have not been spared.

The total volume of goods handled in Rotterdam in 1981 is provisionally put at some 255 million tons, a decline from 281 million tons in 1980 and 300 million tons in 1979. The share of crude oil has dropped to 94 million tons from 118 million and 139 million tons respectively. However, as other Dutchmen always say, Rotterdammers buy their shirts with their sleeves rolled up. The port is busily looking to new areas of expansion and the people working on it are not disheartened so easily by a recession. Preparations are being made for a 25 million ton a year capacity coal terminal on the reclaimed Meuse flats near Rotterdam in which oil majors such as Shell, Exxon, and British Petroleum are participating.

The picture on liquefied natural gas and liquefied petroleum gas (LPG)—many Dutch cars run on the latter—is not so bright. After the Dutch Government decided that a major LPG terminal should be built in the north at Eemshaven—a project that is still on ice as

the Dutch have not yet been able to sign import agreements with the Algerians—it became known that Shell and British Petroleum were canceling their plans for an onshore LPG terminal in Rotterdam because safety and environmental-control costs would make the project prohibitive. The city aldermen have never been keen on these types of industry since the area is rather densely populated. Another plan for a similar terminal is also being held up on environmental grounds.

On the other hand, a modern container terminal is being planned and the oil “channel” leading into the main port is finally being dredged to a depth of 72 feet (from 68 feet) making the port accessible to the biggest oil and ore carriers. A modern radar system is being installed and the Hartelkanaal, which connects the port area to the Rhine—and thus to the giant hinterland with its 160 million consumers—has been freed of its time-consuming locks.

Rotterdam's aldermen are very interested to see whether oil companies such as Shell and Exxon will stick to their promises to invest several billions of guilders in new petrochemical and coal gasification plants. There has been a lot of political pressure on the Government to raise its share in the two companies' share of the country's gas riches. Rotterdam would not mind becoming Europe's coal port as well, but the environmentalists are making sure the rules are kept. €

Michael van Oş is deputy editor of the Dutch magazine Management Totaal.

... and modern oil storage facilities are shown here at Rotterdam Harbor. © Georg Gerster, Photo Researchers



a marriage of convenience

NEL SLIS

EVER SINCE THE SECOND CABINET FORMED BY PRIME MINISTER Andreas van Agt took office last November, there have been lingering doubts about its chances for survival. But the main factor in the Cabinet's favor is the lack of a viable alternative. Van Agt forged the new center-left coalition of his own Christian Democratic, Labor, and the smaller Democrats '66 (D '66) parties after nearly six months of painstaking negotiations. The 50-year old Premier had previously led a center-right coalition with the Liberals.

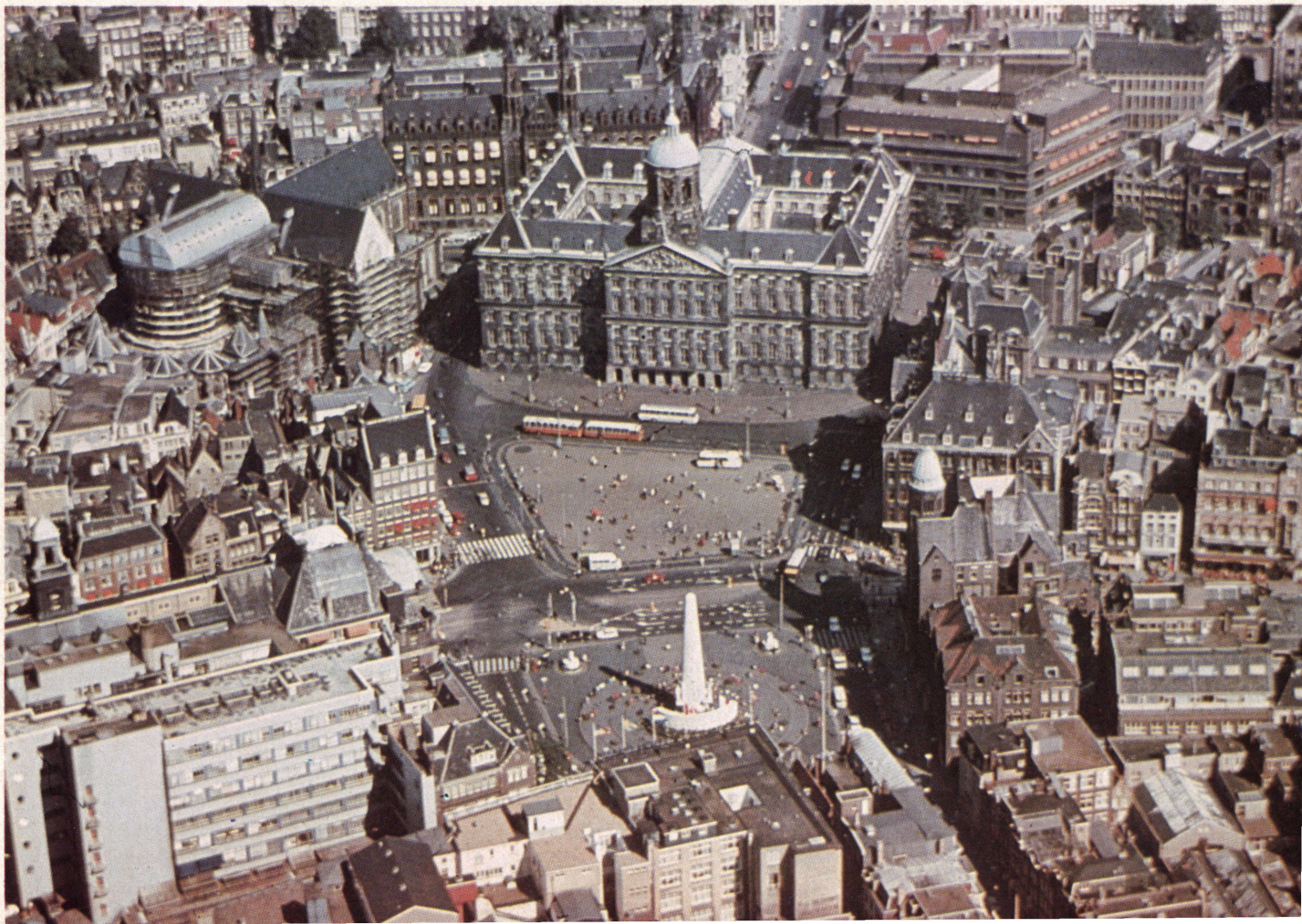
The new coalition is essentially a marriage of convenience. Internal disputes still threaten to frustrate the initiatives to modernize industry and streamline the generous welfare system. "The mood of the Cabinet is characterized by indifference," one of its members said privately, adding "it is unin-

Die Dam, Amsterdam's main square.

spired."

After nearly six months of wrangling, the coalition of 109 of the 150 seats in the lower house of Parliament was announced on November 4, 1981. Labor has 44 seats, the Christian-Democrats have 48 seats, the Liberals 26, and D '66, or left Liberals, 17. The remaining 15 seats go to six small parties, of which six to three extreme right-and nine to extreme left-wing parties.

The long political stalemate between the elections and the formation of a Dutch Cabinet has many people wondering whether the far-reaching Dutch form of proportional representation is workable. Any candidate in the Netherlands who gains about 58,000 votes nationwide gets a seat in Parliament. An earlier attempt to set a threshold, below which parties



would be excluded from Parliament, failed. However, the chairman of the lower house, Dirk Dolman (Labor) has said: "In practice it is workable." He said the 15 small party members rarely abused nor held up parliamentary proceedings. "Moreover they are a good lot qualitatively," he added.

The makeup of the two larger parties is also responsible for the growing difficulty of forming a Government. The Christian Democrats, who take a central position, got together in 1975 and formed the Christian Democratic Appeal out of three smaller, confessional parties that had been cooperating, but steadily losing votes since the end of World War II. None of them had been in Government since then. Some of their members swing more to the right and others to the left. Their broad composition is illustrated by the fact that they shifted to the right in the 1977-81 Christian Democratic-Liberal coalition and slightly to the left in the present coalition. Another problem for smooth working of the coalition is that once the process of Government formation starts, party leaders want to submit to Parliament a detailed program.

In the present Government, D '66, the left Liberal party, is made up of voters who find Labor too left, yet who find Christian Democrats and the conservative Liberals too right. They call themselves the "reasonable alternative" and are similar to Britain's new Social Democratic Party, with which they seek cooperation in the European Parliament. D '66 was the only party to gain strength in last May's elections, when it leaped ahead from eight to its present 17 seats. The Christian Democrats lost one seat, Labor nine, and Liberals two.

Politicians are looking to the end-of-March, provincial-government elections, which determine the composition of the upper house of Parliament, and which will be considered indicative of the mood of the voters. Expectations are: a slight loss for the Christian Democrats, a heavy slide for Labor, and more gains for D '66. Originally D '66 refused to join a coalition without Labor, but if the conservative Liberals gain and Labor slips further, D '66 may well change its mind and join a Cabinet with Christian Democrats and conservative Liberals.

It is a public secret that Christian Democratic Premier van Agt, personally, would have liked to continue his alliance with the conservative Liberals, but a majority of Christian Democrats were relieved that the last election outcome left no other option than to seek an alliance with Labor.

Meanwhile the present Cabinet—with little inspiration—is grappling with rising unemployment, increasing bankruptcies, and shrinking investments as well as a growing budget deficit. Unemployment will reach 500,000 which is 11 percent of the working force, later this year, according to official forecasts. The total budget deficit is up to 8 percent of the national income including municipal and provincial deficits. The coalition parties have agreed to aim at reducing it by 6.5 percent in 1982. They hope to achieve this by cutting government and welfare expenditures and raising revenue from natural gas exports and certain direct taxation.

Investments also are shrinking due to low profits and high interest rates, and van Agt has declared that improving profitability is a high priority. One redeeming feature is that exports are picking up, and that a 13 billion guilder surplus on current

account is expected for 1982, compared to a 4 billion guilder surplus in 1981, while the inflation rate is at 6.7 percent, among the lowest in Western Europe.

Former Socialist Premier, now vice-premier and minister of social affairs, Joop den Uyl, has presented an ambitious plan to reduce the number of jobless by creating 60,000 jobs, especially for young people, and by promoting part-time jobs, mainly in the private sector, such as the housing industry.

At the same time Economics Minister Jan Terlouw (D '66) wants to grant credits for the development of new industrial techniques and products, and by subsidizing promising industries such as micro-electronics, biotechnology, off-shore industries, and aeronautics. Terlouw says support for industries with less prospects, such as shipbuilding and smaller industries already in the doldrums, must be stopped.

Whether den Uyl will achieve his employment goals without higher taxation is questionable. There is no doubt that financing den Uyl's plans will place a burden on the shrinking working population. With the steady erosion of purchasing power people are already finding it impossible to make ends meet.

It is interesting to note that after many years of low emigration, the number of applications for emigration to Canada, New Zealand, and Australia is again rising. At the same time, the makeup of Dutch society has changed since World War II, with an influx of Moluccans, Surinamese, and Antillans—all excolonials—as well as an even larger wave of Mediterranean foreign workers, most of whom are here to stay. The change has produced a vibrant multiracial society, and the new Cabinet has appointed a state secretary for cultural minorities at the ministry for home affairs, Christian Democrat Gerard van Leijenhorst (54), for the first time.

One problem facing the Government, which it seems determined to avoid for the time being, is the siting of 48 nuclear missiles on Dutch soil in the framework of the North Atlantic Treaty Organization's (NATO) modernization scheme. None of the three coalition partners has come out in support of it. The Labor Party has declared that no Cabinet to which it belongs will accept the missiles. D '66 is also opposed "in present circumstances." The conservative majority among the Christian Democrats is in favor of using the missiles as a bargaining chip in disarmament talks, but a large minority rejects this strategy.

Foreign Minister Max van der Stoep, during a recent visit to Washington, and Defense Minister Hans van Mierol, one of the D '66 founding members, during the NATO nuclear planning group meeting in Scotland in October, explained that the Dutch are not anti-American or neutralist, and that they do not suffer from Hollanditis, but want to defer the decision pending the outcome of arms control talks.

Despite the occasional gloom, Dutch giants such as Royal Dutch Shell, Philips, and Unilever help keep the Netherlands a major world economic force. In the bicentennial year, Dutchmen are fond of reminding Americans that the Netherlands is the largest foreign investor in the United States, even ahead of such large and wealthy nations as West Germany, Japan, and Saudi Arabia. In 1980 Dutch investments in the United States totaled \$16.1 billion. €

Nel Slis is a free lance writer based in The Hague.

THE BICENTENNIAL

The Dutch Connection

SYTZE VAN DER ZEE

WHEN JOHN ADAMS ARRIVED IN THE HAGUE IN 1780, SENT BY Congress to establish diplomatic relations with the Netherlands and to obtain loans from the bankers in Amsterdam, he believed he was dealing with a rather influential power. On arrival he was full of admiration for the prosperity and ingenuity he found. In September of the same year he wrote enthusiastically that he was "very pleased with Holland." He called the country "the greatest curiosity in the world," in part because the language spoken there is not used by anybody but the Dutch and also because the neighboring countries know little about Holland.

In this context Adams pointed out that the French and the English actually despised the Dutch. "But I doubt whether there is any nation of Europe more estimable than the Dutch in proportion," he said. "Their industry and economy ought to be examples to the world. They have less ambition—I mean that of conquest and military glory—than their neighbors, but I don't perceive that they have more avarice."

Soon, however, Adams began to see that all was not that rosy. The Dutch Golden Age had definitely ended, and the continued decline of the Republic of the Seven United Provinces—the country's official name—appeared inevitable. Adams, therefore, seemed somewhat disillusioned when, in May 1781, he wrote to Congress: "This country is indeed in a melancholy situation; sunk in ease, devoted to the pursuits of gain, overshadowed on all sides by more powerful neighbors, unanimated by a love of military glory, or any aspiring spirit . . . encumbered with a complicated and perplexed constitution, divided among themselves in interest and sentiment, they seem afraid of everything." These are words which would go to the hearts of those in the United States today crying "Hollanditis," a term coined for the general opposition among the Dutch people to the deployment of nuclear arms on their territory.

Nevertheless, Adams continued as best he could to gain diplomatic recognition from the Dutch and to conclude the needed loans. Even though Holland was at war with England, the situation was peculiar and Adams found it difficult to get a firm footing in Holland. The Dutch merchant fleet was being wiped off the oceans. St. Eustatius, the island from which the American rebels obtained their weapons and ammunition, had been destroyed by the English.

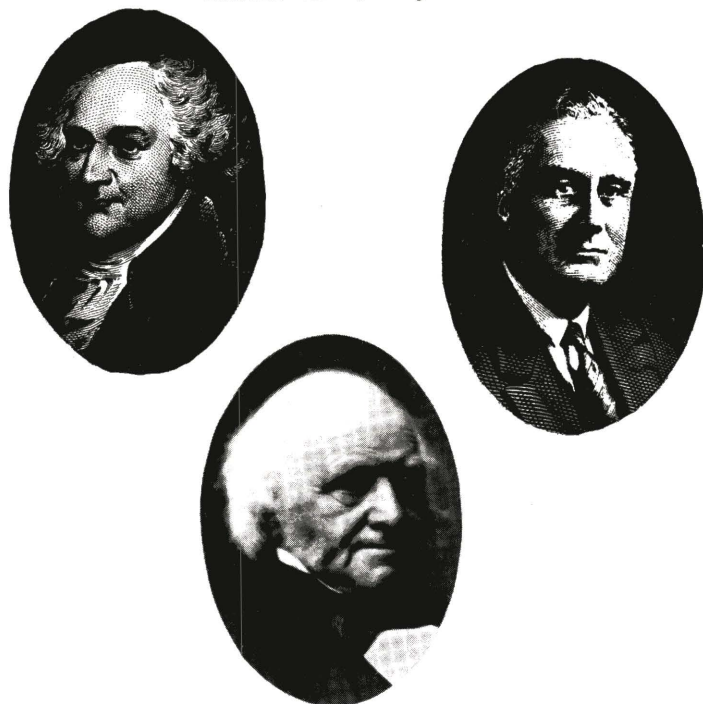
It was only after two years of soliciting that Adam's efforts began to bear fruit. In February 1782 the Estate of Friesland decided "to recognize American independence." In March and

April the other provinces followed. Then, on April 19, 1782, the States General of Holland granted formal recognition. After France, the Dutch Republic was the second power in Europe to acknowledge the United States as an independent nation.

For 200 years relations have continued without interruption. No other country has maintained relations with the United States this long, not even France since ties with Paris were broken off by the French Revolution. However, to Adams it was even more important that he had been able to borrow money for the young state, 35 million guilders in all, a gigantic sum in those days. The revolutionaries used this money for arms, among other things. It has been suggested that this aid might be regarded as some kind of "Dutch Marshall Plan," but that is a somewhat exaggerated idea. The bankers of Amsterdam did very well for themselves, exacting substantial interest rates.

Dutch capital also played an important role at the beginning of the American Republic in the development of its earliest

John Adams (left) negotiated Dutch recognition of the United States; Martin Van Buren (middle) was the first US President of Dutch descent; Franklin Delano Roosevelt (right), also of Dutch heritage, remains in Holland the most popular US President. Courtesy of the Library of Congress and the National Portrait Gallery, Smithsonian Institution, Washington





transportation facilities. For example, the first major canal project in the United States—to bypass the falls of the Connecticut river—was financed by the Dutch in 1792. They helped in the development of upstate New York, around what is now Buffalo. Buffalo like “Nieuw-Amsterdam,” was founded by the Holland Land Company. And again, when President Thomas Jefferson bought the Louisiana Purchase territory from the French, the United States borrowed most of the money from Dutch bankers.

Relations between the two countries have not always been the most cordial and close, however. After the departure of John Adams, who later became the nation’s first envoy to Britain in 1785, relations quickly weakened. The Netherlands, as well as the United States, had its own internal problems. For example, on the eve of the French Revolution the great political agitation going on caused Prussian troops to intervene, this at the request of the Dutch state. For many people in the Netherlands, post-revolutionary France became the guiding influence since a new society had been built here. In their eyes the American revolution seemed a rather conservative affair.

In the 19th Century the Netherlands and the United States had little formal contact with each other. Commercial contacts remained, however, and a substantial amount of Dutch capital was invested in the building of the great American railroad system between Chicago and the Pacific Coast, in the Midwest, and in the Southwest. In 1837 Martin Van Buren, the first American President of Dutch origin, was elected. During this period there were occasional formal contacts. For example, Dutch King William I acted as the intermediary in the dispute between the United States and Great Britain over the border between Maine and New Brunswick. Later, at the time of the American Civil War, a treaty was concluded with the Union regarding the accommodation of freed slaves in Dutch Guiana. However this treaty was never ratified.

Later, both countries took the road of isolationism in the shadow of the Pax Britannica. The Dutch in particular concentrated on their colonies in Asia. Mutual interests between the United States and the Netherlands during this period were minimal.

It was only near the end of the 19th Century that the situation began to change. Suddenly it became fashionable for the Dutch to visit the United States, possibly as a result of the Civil War, a subject covered extensively by the press in Europe and which in turn generated an interest in other aspects of

American society. In the years that followed a number of prominent Dutch writers, politicians, and painters went to the United States in order to see for themselves what the New World was like. Nearly all of them were perplexed by the enormous development of the United States, by the explosion of energy.

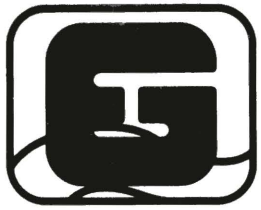
This stream of visitors, however, did not have any political implications since the Dutch tenaciously kept to their policy of neutralism, even during World War I. Dutch interests were not in Europe but in The Indies, as is said rather sarcastically, for it was profitable to be neutral. It is true, though, that after the war there was high esteem for President Woodrow Wilson, whose influence kept the United States from declaring war against the German Empire until 1917 and who was regarded as a prophet of a better world. Influenced by this, the Netherlands participated in the international consultations in Washington in 1921 and 1922 on limitations of naval power and the situation in and around the Pacific Ocean. While the Netherlands as a strictly neutral country was not a signatory to the Four-Power Pacific Treaty of 1921, the treaty included a declaration which guaranteed the rights of the Netherlands to its territories.

In the following years Franklin Delano Roosevelt also made a deep impression upon the people in the Netherlands, and not just because of his Dutch ancestry. The same also goes for Theodore Roosevelt, although he was less popular. Even today Franklin Roosevelt still enjoys tremendous popularity, especially among the older Dutch generations. He is being seen, of course, as the man who helped liberate Europe in a war in which both the Netherlands and the United States had wanted very much to remain neutral. Dutch hopes were dashed, however, in the early morning of May 10, 1940 when the German forces invaded the Netherlands.

After the liberation everything changed substantially in the Netherlands. The country and its economy were left in ruins. Almost 400,000 people had been murdered—starved or shot to death—in concentration camps. In addition, the Netherlands was forced, under American pressure, to declare the independence of Indonesia, an event preceded by bloody confrontations. The real challenge was how to transform an impoverished agricultural country into a modern industrialized nation, all the while putting into place new political and economic institutions.

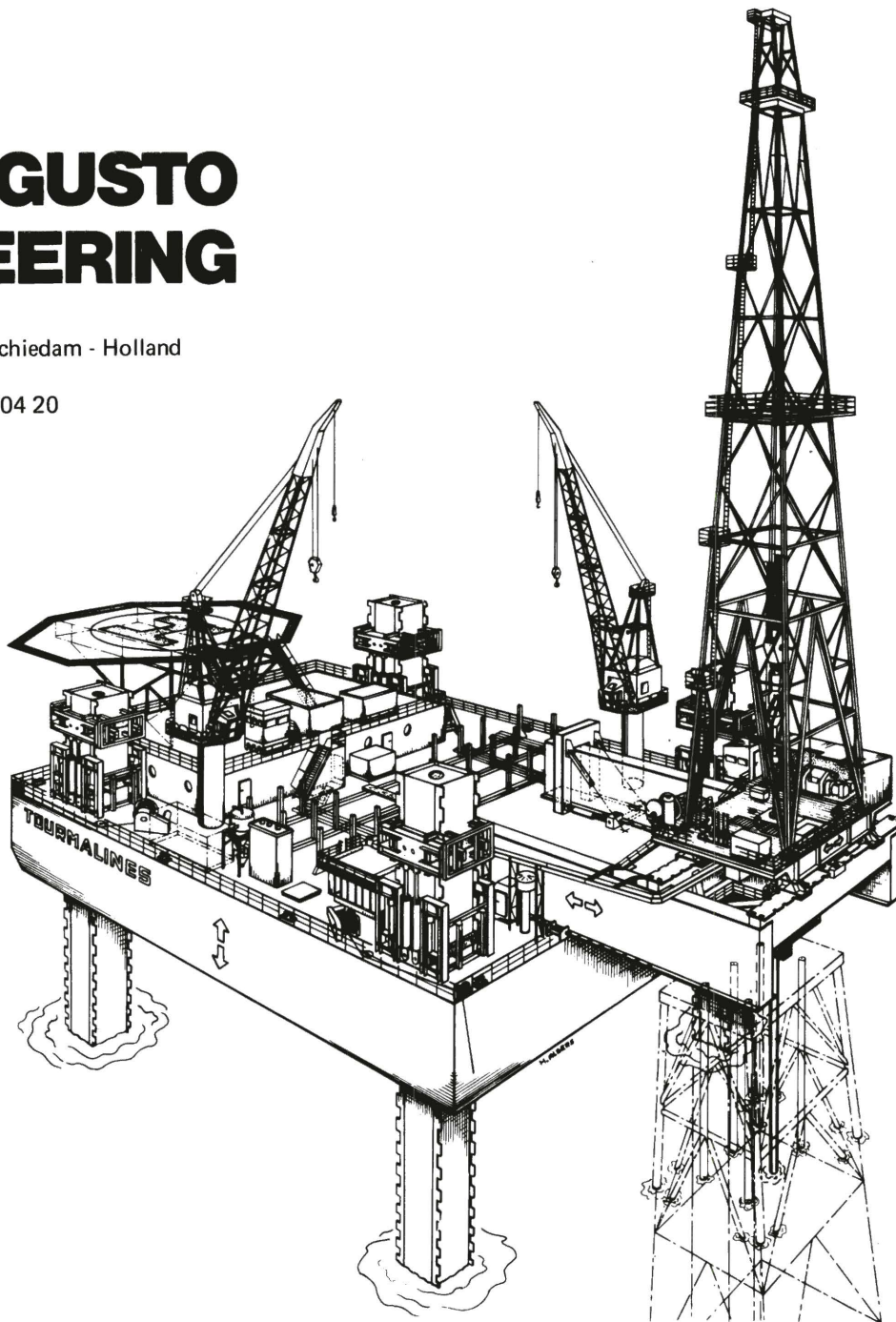
To gather the necessary foreign exchange for the daunting task of rebuilding an entire economy from the foundations up, Dutch assets in the United States and elsewhere were liquidated. With these funds and the assistance of the American Marshall Plan the Netherlands began to recover. It was not until 1963, however, that the prewar standard of living had been reestablished. In this situation the discovery of enormous quantities of natural gas in the Netherlands was like a gift from heaven. The country became one of the largest energy-exporters in Western Europe and Dutch assets began gradually to flow back again into the United States. Today, the Netherlands is one of the largest investors in the United States and belongs to the exclusive club of the 10 wealthiest countries in the world.

Sytze van der Zee is the Washington correspondent of NRC/Handelsblad.



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THE BICENTENNIAL

a full season of Dutch culture

ROBERT C. MARSH

The value of cultural exchange programs has undergone intensive scrutiny in the past 20 years. We know better what can be accomplished and what cannot. The arts remain, of course, the closest thing to an international common denominator. They can bridge the gaps between different cultures and different peoples more rapidly and effectively than anything else, but they can do little to ease severe political tensions, and, indeed, if they are to function effectively they probably must be kept as free from politics or propaganda as possible.

Another thing is clear. If two nations have deeply rooted historic ties, long standing friendship for one another, and existing cultural bonds, further exchanges can make all these things stronger by producing greater and more secure understanding. Through 1982 this process will be exemplified by an extensive program of cultural exchange between the United States and the Netherlands, marking the bicentennial, not of the start of the American Revolution, but the emergence of the young republic as part of the community of nations.

When the war of American independence ended in the autumn of 1781, the Dutch republic was the first country not directly involved in the conflict to accept the sovereignty of the new North American state. Not surprisingly the Dutch had seen the war as a repetition in the new world of their own struggle to acquire freedom from Spain in the 16th Century. Holding firmly to their status as neutrals, they supplied the embattled colonials with gunpowder, iron, and other vital supplies throughout the war. After peace was made, Dutch bankers loaned the capital on which the young republic stabilized its currency and paid its debts. The two centuries of diplomatic history that followed are remarkably free from serious conflicts.

The simplest reason is probably the most accurate. The Americans and the Dutch genuinely like one another. They have a great many traits in common, and understanding comes easily. For a start there is a good deal of common history in the colonial period.

The Dutch left a mark on the Hudson River valley that remains as firm as that the French put upon the Mississippi delta. This is easily understood. The cultural and intellectual significance of the Netherlands in the past 400 years has been enormously out of proportion to the size of the country, and so it remains. The Netherlands, for example, is considerably smaller than New England, but its cultural resources are far more diverse.

Anyone who doubts this need only make the effort to sample the extremely generous representation of Dutch culture coming to the United States in the bicentennial year. The largest attendance will probably go to the traveling exhibits of Dutch art, which are large even for a country abounding in fine museums and that has produced a national school of the highest importance. By a happy juxtaposition of events, the bicentennial coincides with a period in which one of the major museums, the Mauritshuis in the Hague, will be closed for renovation, so 40 of the prime works of this great collection will be free to travel. They will be seen starting in April in the National Gallery of Art in Washington DC, and proceed from there to Boston. And this show will continue beyond the bicentennial year and, indeed, the boundaries of the United States. During 1983 it will visit Chicago, Los Angeles, and Toronto.

From April to July the National Gallery will also have a show of 100 Dutch figure drawings from the 17th Century. (This is one of the few of the traveling shows the Dutch themselves will be able to see, it opened for three months at the Rijksmuseum, Amsterdam, in December 1981.) A second show to be seen in both countries is an exhibit of 130 prints representing 30 American artists which will spend the summer at the Rijksmuseum and then move to the Philadelphia Museum of Art for the remainder of 1982.

Starting in April the gallery of the Federal Reserve Board in Washington will show 40 works which reflect the influence of the 19th Century Hague School on American painting of the period. Major works of the Hague School will go on view at the Metropolitan

Museum of Art in New York City in a show opening in October to run the balance of the year.

A major American private collection, that of Mr. and Mrs. Edward William Carter, will provide a group of 17th Century Dutch paintings which opened in October in the Los Angeles County Museum (of which Carter is a trustee) and will proceed in 1982 to Boston and New York. Memphis is assembling 45 paintings, watercolors, drawings, and prints by Van Gogh as part of its Memphis in May Festival. A retrospective show of the works of De Stijl—the first in nearly 30 years—has been organized by the Walker Art Center, Minneapolis, and will be on view there from January to March, after which it goes to Washington for three months.

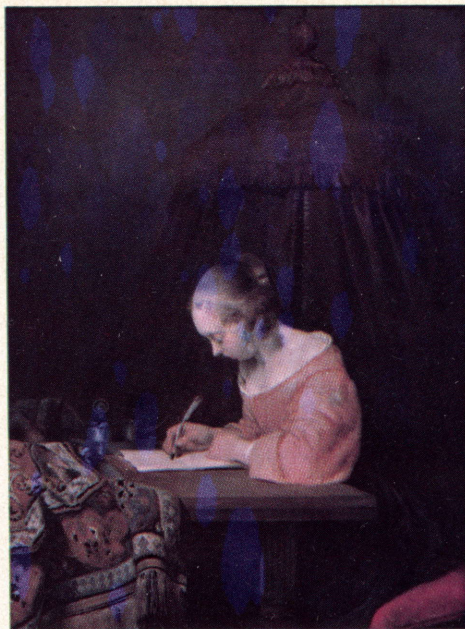
Contemporary art also has a role in the exchange. Sixty works from Dutch painters done between 1968-81 will open in March in the Museum of Contemporary Art in Chicago and proceed to Philadelphia, Brooklyn, and, early in 1983, Logan, Kansas. Four one-man shows of young Americans (Neil Jenney, Julian Schnabel, Susan Rothenberg, and Robert Mangold) will be seen during the year at the Stedelijk Museum, Amsterdam. Contemporary Dutch artists Pim Leefsma and Henri Plaat will, in turn, be exhibited at the Franz Bader Gallery, Washington. Several of the smaller museums in the Netherlands will receive a traveling exhibit of 200 years of American life in prints, and the Reekum Museum in Apeldoorn will have an extensive exhibit of contemporary American photography.

The Netherlands is extraordinarily rich in symphonic music. Travel the 38 miles from Amsterdam to Rotterdam and you pass through the terrain of three world-class symphony orchestras, the Amsterdam Concertgebouw, the Hague Philharmonic, and the Rotterdam Philharmonic. Move a few miles eastward to Hilversum and you will find the Netherlands Radio Philharmonic. The Netherlands Chamber Orchestra is also world renowned—and may be able to tour the United States in the bicentennial year. This by no

means exhausts the list. The oldest Dutch orchestra is, in fact, in Utrecht.

The Hague Philharmonic, a long established orchestra with an excellent reputation that has been extended by recent European tours, will be visiting nine US cities east of the Mississippi in April. The opening concert is in Washington DC. The Concertgebouw, one of the most frequently recorded and hence best known orchestras in the world, will play 14 engagements in September and October on a tour that begins in California and ends on the Atlantic seaboard. Chamber music will be represented as well, if only briefly. The New Amsterdam Ensemble will visit Washington DC and New York playing Dutch works and a new piece, commissioned for the occasion, by Pulitzer Prize winner American composer Karel Husa. In anticipation of the bicentennial, Amsterdam heard the Chicago Symphony in September 1981 and will hear the National Symphony in February 1982.

The summer months will bring the Netherlands Dance Theater, a company with a strongly established international reputation, to New York City. Dates have yet to be set. It was anticipated the performances will be in the Metropolitan Opera House. It was hoped that the Paul Taylor Dance Company could represent the United States by visiting Amsterdam, the Hague, and Rotterdam in October.



The one branch of the performing arts in which there will be no actual transatlantic exchanges, at least at this point, is the theater. Since English is almost a universal second language in the Netherlands, in theory theatrical performances could go from the United States to Dutch theaters, but the possibilities still

"Woman Writing a Letter" (1655) by Gerard ter Borch (top) and "View of Haarlem" (after c. 1660) by Jacob van Ruisdael are both in the Dutch collection from the Mauritshuis to be exhibited at the National Gallery of Art. Courtesy of the National Gallery of Art, Washington



awaited development. The opposite situation does not apply. Few residents of the United States speak Dutch, which would make the importation of Dutch drama rather too highly specialized. However an English-speaking theater company from Leiden University will present a series of modern American plays in secondary schools and universities in at least a half dozen Dutch cities under American support.

The mass media will participate in the bicentennial exchanges. A 60-minute program on the theme of the bicentennial will be produced jointly by the Netherlands Broadcasting Foundation and WNET-TV New York for distribution in both countries and a second program, for similar distribution, will be done by WCET, Cincinnati, and Radio Netherland TV. Although the Dutch film industry is small, 10 of its most important productions will be seen in Washington at the Smithsonian Institution and at the Memphis International Festival in May.

The proliferation of cultural exchanges should not divert attention from the fact that the greatest number of transactions between the two countries are in the areas of commerce. Queen Beatrix will make an official visit to the United States in April, and commemorative stamps will be issued by both nations. The Dutch are also issuing a commemorative coin. Two trade missions to the Netherlands will represent, first, American companies already involved in that market and, second, American businesses wishing to extend their activities in that direction. The autumn will bring a high level conference between the banking communities of the Netherlands and the United States on the financial and economic relations of the two countries. Within the Netherlands the Nijenrode Business School will conduct a seminar on international marketing between the two nations. Various conferences, symposia, and kindred gatherings are proposed, and a float in the Tournament of Roses parade, prior to the New Year's Day Rosebowl football game is the sort of device to make an even larger public aware of the existence of the bicentennial.

Behind all this is a firm foundation. The Dutch are responsible for 25 percent of all direct foreign investment in the United States, and they rank third in Europe (sixth in the world) in trade with the Americans. They produce the highest trade surplus in the United States of any country in the world. Two hundred years of good diplomatic relations have resulted in one of the strongest bonds between two nations in the world today, and cultural exchanges can only make it stronger. €

Robert C. Marsh is arts editor of the Chicago Sun Times.



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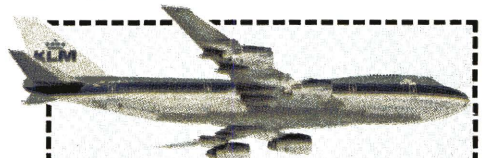
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NEL SLIS

Queen Beatrix of the Netherlands brought the royal residence from a country palace back to the Hague in August, another sign that she intends to play an active role in the swirl of diplomatic and political life. After a

turbulent start, Beatrix has managed to win popularity and respect during her first two years on the throne.

For six months in 1981, Beatrix had to contend with the formation of a new coal-

ition Government, the one significant political role left for the Dutch monarch. She met almost daily with party bosses and economists, trying to mediate the policy conflicts. One politician said: "She was resolute in handling the crisis and personality clashes." Observers say she has shown inexhaustible energy, making it hard for some of her staff to maintain the pace, and has kept Government ministers on their toes.

On the first anniversary last April, of her inauguration, Beatrix won a broad demonstration of respect and sympathy from the nation in the southern towns of Veere and Breda. Just a dozen demonstrators were detained briefly. That was in sharp contrast to April 30, 1980, during her inauguration, when battles raged a few hundred yards away from the royal palace in Amsterdam between club-swinging police and rock-throwing rioters protesting a chronic housing shortage.

The royal family moved to the Hague, seat of Government and the diplomatic corps, and traditionally the royal residence. Former Queen Juliana broke with this tradition to flee from diplomatic and political bustle. But last August 13, the Hague regained its royal status. Queen Beatrix, Prince Claus, and their three sons, Willem Alexander (14), and his two brothers Johan Frisco (13) and Constantijn (12) moved into Huis ten Bosch palace. Originally a 17th Century summer house it was turned into a small 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. The Hague was delighted that after 33 years of absence, royalty returned, and it gave the family a warm welcome. A smaller palace, "Noordeinde," is being restored as a private office.

Prince Claus (55) was reluctantly accepted by the Dutch nation as a consort in March 1966, but has proved a pillar of strength and support and it is said the Queen turns to him often for advice. In contrast to Prince Bernhard, his father in law, Claus accompanies the Queen wherever she goes. He rarely travels alone. Together they have visited Africa, China, and the Soviet Union.

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 an accent. He is interested in third world problems and the Dutch Government has given him several tasks in this area, as well as in the field of urban renewal.

The queen is described by insiders as highly professional, always well prepared for visits by politicians and foreign diplomats, and with an iron discipline. Beatrix has always had a

Courtesy of the Netherlands Information Service, photo by Max Koot



great admiration for her grandmother, Queen Wilhelmina, often called the last Victorian Queen.

At her inauguration ceremony, she said: "Great examples came before me. My grandmother, who in her own strong fashion personified the nation, and my mother who interpreted her profession in her own human way. These examples inspire me, but I cannot copy them." Beatrix is well aware of her historic task and a stickler for tradition. She is also known to exchange views with Queen Margharetta of Denmark and Queen Sophie of Spain, the latter being a long-time personal friend.

She did not appreciate her sister Irene's divorce and immediately after the Dutch law court's decision that Irene's husband Ugo de Bourbon Parma had the right to the four children, the Queen showed herself publicly with Irene's ex-husband. Irene, Beatrix' oldest sister, renounced her royal prerogatives when she married Roman Catholic Prince Carlos de Bourbon Parma, once claimant to the Spanish throne. Early this year, Irene, the most elegant of Juliana's four daughters, decided to divorce. The Vatican refused the divorce and the Dutch law court gave Prince Ugo the right to educate the children.

Irene now has turned into an active feminist and started a new life in an unostentatious villa near Soestdijk where her parents, Princess Juliana and Prince Bernhard live. From there Irene does social work and follows a course in social studies at the Amsterdam University. Recently she appeared on Dutch television, in a dialogue with French philosopher, Marxist, and former politician Roger Garaudy and she remarked that "much is wrong in our society from which women are completely excluded."

Not far from Soestdijk also lives a third sister of the Queen, Princess Margriet, married to a commoner, Pieter van Vollenhoven. They adhere strictly to their royal duties and privileges and perform royal functions when called upon.

The fourth and youngest sister, Christina, also married a commoner, Cuban-born American Jorge Guillermo. They live with their three children in New York, where Guillermo works for the Royal Dutch Airlines (KLM) and Golden Tulip string of hotels.

There are regular family gatherings at the white rambling country palace at Soestdijk, where Princess Juliana watches over her grand-children. Queen Beatrix, who has always been the great organizer of the royal family, gathers members of the family that are still "royal," including her father Prince Bernhard, to distribute tasks that need performing. Through years of joy and tribulations, the Oranges still remain a close-knit family. €



To start with...
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DOUWE EGBERTS, HOLLAND



Tobacco tradition
Since 1753

slow march to a different

John Palmer looks at the progress toward political cooperation

EUROPEAN POLITICAL COOPERATION—THE COORDINATION OF the foreign policies of the EC member states—has been described by one cynic as the Common Market's only surviving growth industry. Certainly foreign policy cooperation in Europe has been hitting the headlines in the United States to a far greater extent than the efforts made now or in the recent past to coordinate and reform internal EC policies.

Those headlines have not always been well received in Washington. The attempt by the 10 EC Governments to hammer out the framework of a common and distinctive foreign policy on such issues as the Middle East has occasionally been resented by some in the United States. And the process has underlined the number of issues where—initially at least—the European Community and the United States have adopted different and sometimes conflicting points of view.

There was friction over how the West should best respond to the Soviet invasion of Afghanistan and over the policy to be pursued following the seizure of the US embassy hostages in Tehran. More recently the Europeans showed reluctance to follow the United States into what seemed a threatened confrontation with Libya. Although a common Western policy has now emerged over Poland and the complicity of the Soviet Union in the repression of Solidarity, there was a period of weeks when the European Community and the United States were at odds.

Of course there is nothing new in the fact that the United States and the countries of Western Europe sometimes have differences of viewpoint and occasionally of political or material interest. But in the past few years these differences seem to have become increasingly frequent and have perhaps been highlighted by the very fact that the foreign ministers of the European Community now devote so much more time to working out a common EC standpoint independent of the United States.

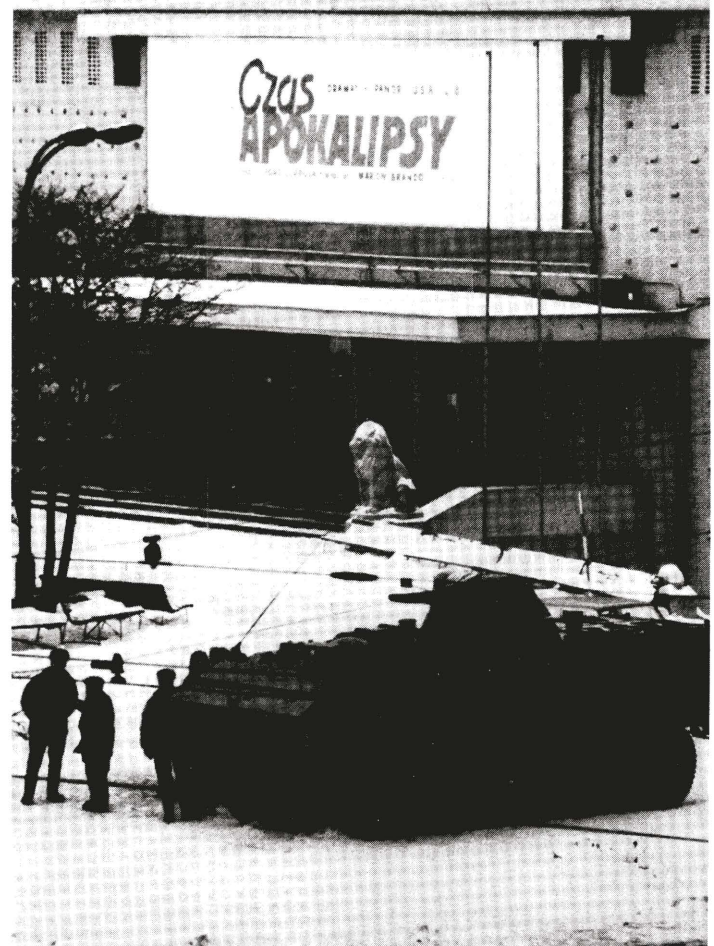
Some Europeans have gotten the impression in recent times that the United States is apprehensive about the evolution of an "EC foreign policy" and sees it as a potential threat to Atlantic solidarity and the US leadership of the North Atlantic Treaty Organization (NATO). Matters were not always thus. In a recent article on European political cooperation, British Foreign Secretary Lord Carrington recalled that 30 years ago President Dwight Eisenhower had said "it would be difficult to overstate the benefits, in these years of tension and stress, which would accrue to NATO if the free nations of Europe were truly a unit."

Perhaps the change in US attitudes began when Henry Kissinger was US secretary of state. Rightly or wrongly, many European statesmen believed him to be indifferent, if not actually hostile, to the emergence of a European Community whose political influence would match that of its trade clout in world affairs. Those trans-Atlantic tensions are probably as great now as they ever have been.

The basis of EC political cooperation was laid down as long ago as October 1970 and the current organization of foreign policy coordination stems from the Copenhagen report adopted by the (then) nine EC member states in July 1973. But it is only in the last two or three years that foreign policy questions and the attempt to forge a common EC standpoint have really been treated as any priority.

First and foremost it must be realized that political cooperation among the EC countries takes place completely outside the Treaty of Rome which is the essential legal basis of the

The Polish crisis was not the only one in recent years to divide Europe and America. © Chris Niedenthal, Black Star



drummer

Common Market. This was done at the insistence of France which at that time was still strongly inhibited by a neo-Gaullist view of the primacy of its national sovereignty in foreign policy matters and which views any EC dimension to foreign policy making with very great suspicion.

In the early days of political cooperation EC foreign ministers made the constitutional distinction between their meetings as the Council of Ministers—the supreme political body under the Rome Treaty—and their meetings “in political cooperation.” On one occasion the ministers actually met to discuss foreign policy cooperation issues in the morning in Copenhagen and flew the same day hundreds of miles south to Brussels to continue as a meeting of the EC Council of Ministers.

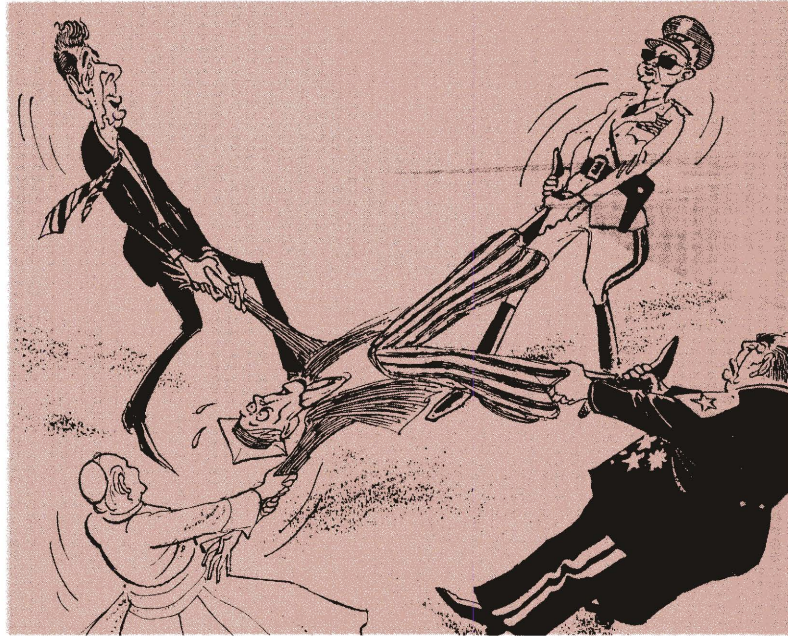
In recent years those legal distinctions have become increasingly blurred, even though the Ten have always rejected efforts to abolish the distinction entirely. The last effort in this direction was made in a report on “European Union” made in 1975 by the then Belgian prime minister, Leo Tindemans. Interestingly, Tindemans, now his country’s foreign minister, is the current president of the EC Council of Ministers and as such chairs meetings on political cooperation.

Much of the political cooperation meetings at official level (normally political directors from the national foreign ministries) are taken up with relatively hum-drum questions such as ensuring that all Ten vote the same way in the international organizations such as the United Nations. In point of fact the EC countries are increasingly voting the same way, although this does still break down from time to time over issues such as the Third World, where there are differences of view, or over French support for the left-wing Government in Nicaragua.

Political cooperation is also largely a matter of the Community reacting to outside world events. Their experience here has not always been a happy one as their discussions on the crises in Afghanistan, Iran, and Poland have demonstrated. The fact is that the Community is still made up of sovereign Governments often with their own idiosyncratic national point of view.

Thus it was that the West Germans were much keener on a boycott of the Olympic games in Moscow after the Soviet invasion than the French. And the British were keener to respond to US pressure for diplomatic and commercial sanctions against the Soviet Union for supporting martial law in Poland than was West Germany or—even so, Greece.

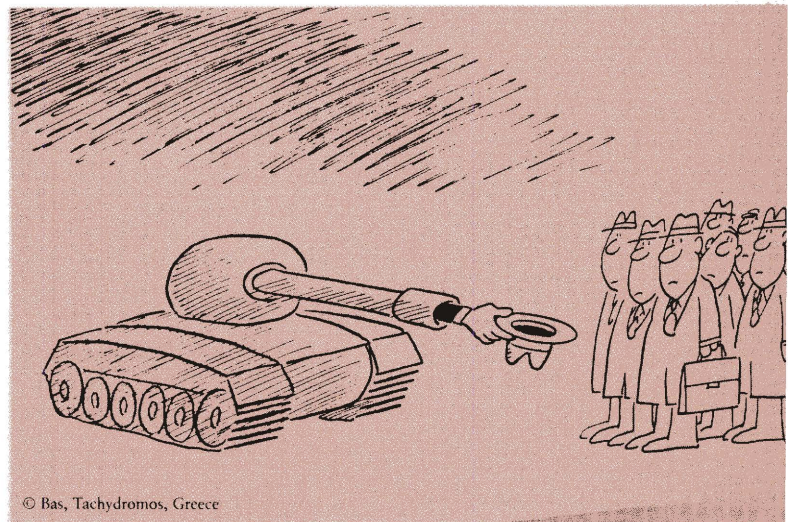
Perhaps the most controversial area where EC political co-



“Help for Poland . . .” © F. Behrendt, Het Parool, Amsterdam



© Bas, Tachydromos, Greece



© Bas, Tachydromos, Greece



Belgian Prime Minister Wilfried Martens, (above), speaking for the European Community, visited Washington in mid-February to tell President Reagan that high US interest rates were making things very difficult for European economies. He and Belgian Foreign Minister Leo Tindemans (below center left right) met with top American officials on other topics as well. © UPI



operation has made an impact is the Middle East. Here was a case where the Common Market countries did more than react to events elsewhere, but have attempted to pursue a "European initiative" to help solve the Palestine crisis. The fact that the EC countries have been more critical over what they see as the intransigence of Israeli Premier Menachem Begin's Government regarding the Palestinians and have been ready to bring the Palestine Liberation Organization in on peace talks once it recognizes the state of Israel has been a source of intense conflict with both the United States and Israel.

During the British presidency of the Community in the second half of last year there was much discussion about strengthening and advancing EC political cooperation much further. EC foreign ministers agreed to step up their foreign policy coordination and create an embryo "secretariat" to

achieve this. Greater efforts are to be made to consult non-EC European Governments on matters of common interest, while Spain, a candidate member state, is to be drawn closer into the process.

Some Governments would like to go further. The Italian and West German foreign ministers have made a series of proposals for greater progress toward European Union. These include the consideration of some "security" policy issues in political cooperation. This is a highly sensitive and controversial idea since it implies a gradual move toward some kind of distinctive EC policy on defense.

Although most EC Governments are not ready for this at present they do believe that the Europeans should discuss formally (as they already do informally) issues such as disarmament, where there is often a vital European interest to be drawn to the attention of the United States or others. This was underlined as a result of the widespread alarm in western Europe last year at unexpected US discussion of the production of a neutron bomb and the possibility of a nuclear conflict between East and West limited to Europe.

In point of fact the senior British EC Commissioner, Christopher Tugendhat, has recently made a still more radical proposal. Drawing attention to the Common Market's industrial interest in a great coordination of EC defense procurement and purchasing policies, Tugendhat wrote: "What could be more natural now than for ministers meeting in political cooperation and the European Council to devote an increasing amount of time and attention to such matters as a proper balance between military capability and arms control, the need for the most cost effective use of defense resources, and questions concerning the deployment of particular types of weapons?"

It is far from clear whether the United States and NATO, as an institution, would welcome the EC becoming a separate forum within the Western alliance for discussions of weapons deployment. And the notion has already been criticized by Ireland which, although a member of the Community, is not in NATO and pursues a neutral policy on military alliances.

The Greek Government has already served notice that it too will not necessarily be bound by the majority view on controversial foreign policy issues in political cooperation. Indeed a deputy Greek foreign minister was sacked in January for signing a communiqué implying the possibility of sanctions against the Soviet Union for its involvement in the Polish repression.

National political sovereignty is likely, therefore, to place some limit on the evolution of a genuinely common foreign, let alone defense, policy in the Common Market. In addition a number of EC Governments believe that it is neither right nor practical for the EC to move ahead much faster on foreign policy integration than it is on the essential bedrock issues of internal economic integration.

It may be therefore that the next qualitative leap forward toward a European foreign policy may have to await greater progress in agreement on a common economic and industrial policy. As the current discussions on the reform of the EC budget and such key common policies as agriculture has shown the goal of full European Union is still a long way off. €

John Palmer is European editor of The Guardian. He is based in Brussels.

Mostly *plus ça change*

HENRI PIERRE

In June 1980, the French people voted for change, though not for disruption, as attested to by the important retreat of the Communist Party. Nevertheless important measures were taken—new nationalizations, the decentralization of administrative power, a shorter work week—that confirm the Government's intention to change society. Foreign policy, on the other hand has not changed much. French diplomacy has continued in the track opened by President Charles de Gaulle and developed by his successors Georges Pompidou and Valéry Giscard d'Estaing.

In fact, foreign policy was not a major issue during the election campaign. Aside from the inevitable controversies and reciprocal accusations of following orders from Washington or Moscow, the French political parties were, and remain, agreed on the larger foreign policy options, with some shades of differing opinion. The changes that have come about are largely ones of tone and style in a diplomacy pursuing the same goals.

"It's great, it's beautiful, it's generous—France!" General de Gaulle once exclaimed in his inimitable style. But President François Mitterrand also has a high idea of France's role in the world, a Jacobin view inherited from the 18th Century. "France must light the way in the progress of mankind," he said in his inaugural address. For de Gaulle, France's vocation was determined around a realistic and lucid appraisal of the balance of power in the world and of the convergent or contradictory interests of separate nation states. In Mitterrand we discern a desire to find solutions on a world scale like, for example, the planetary "new deal" envisaged by Claude Cheysson, the minister for external relations. In the end it is the difficult association between dream and reality, between idealism and realism, that characterizes the foreign policy of France's new Socialist Government.

But the continuity of French diplomacy is undeniable and it commands a large consensus in public opinion. How can this phenomenon be explained, if not by an introspection of the collective subconscious of the French



President Mitterrand has inherited much of de Gaulle's view of France's world role. © Keystone Press Agency

nation? The frustrations, the humiliations created by France's defeat in 1940 and its subsequent occupation gave birth to an intense nationalism and an irrepressible need, satisfied by de Gaulle, to reaffirm France's role as a world power.

This reaffirmation was often expressed in an unpleasant tone or in contradictory terms. For example, those in France who accuse Washington of meddling in European affairs are the same people who bemoan the insufficiency, or lack, of American leadership. Thus a very touchy nationalism limits possible changes of orientation in foreign policy. What French President, what Government, could appear to yield to foreign "pressures?"

In practical terms, a very large majority of public opinion has accepted a Gaullist inheritance whose most fundamental tenet is that France must follow an independent policy.

The guiding principle of Gaullist diplomacy is that a country should count on no other in ensuring its own defense. Thus, if Mitterrand is inclined, as was de Gaulle, to improve cooperation across the Atlantic, he nevertheless completely excludes any possibility of reintegrating France into the North Atlantic Treaty Organization's (NATO) military arm. And this all the more so because the United States' loss of nuclear superiority reinforces French convictions that America would not put its own survival in jeopardy to protect the Europeans.

France wants to keep its decision-making autonomy at a very expensive cost since France must build not only its own missiles, but the launchers as well. The Socialists and Communists, who used to oppose France's nuclear strike force and laughed at the "toy bomb," now accept it and support a considerable armament effort, as illustrated by the



© Keystone Press Agency

building of a seventh nuclear submarine. France has kept the draft and in five years has more than doubled the destructive capacity of its nuclear arsenal.

France has also made a big effort to reduce its dependence on foreign energy despite the protests of ecologists; by 1985, one third of the electricity used in France will come from nuclear power plants, reducing oil imports by about a third. All this confirms that the Socialist Government, like its predecessors, is not ready to accept a position of dependence, even less one of vassal, at whatever price independence.

The recent pacifist demonstrations that swept Europe were relatively small in France, especially compared with West Germany where public opinion is worried about the proliferation on its national territory of weapons of destruction over which it has no control. As Stanley Hoffmann wrote in *Foreign Affairs*: "Western Europe is a frying pan on a

stove whose controls are in the hands of others. Irresponsibility and resentment are the inevitable outcomes."

The other guiding principle of French foreign policy inherited from de Gaulle is an opposition to power-bloc politics and a condemnation of the Yalta accords. For de Gaulle and his successors, France must be wary of any initiative taken by the two superpowers which might drag France into a conflict where its interests are not at stake, or, on the other hand, which might lead to an accord at the expense of the medium powers. Thus, even while approving SALT II, the French would oppose any new accord which implied for France and the other medium powers, a renunciation of their independent nuclear forces.

Any denunciation of the Yalta accords, however, remains theoretical. In East-West relations, the continuity of French foreign policy is evident. To be sure, the tone has

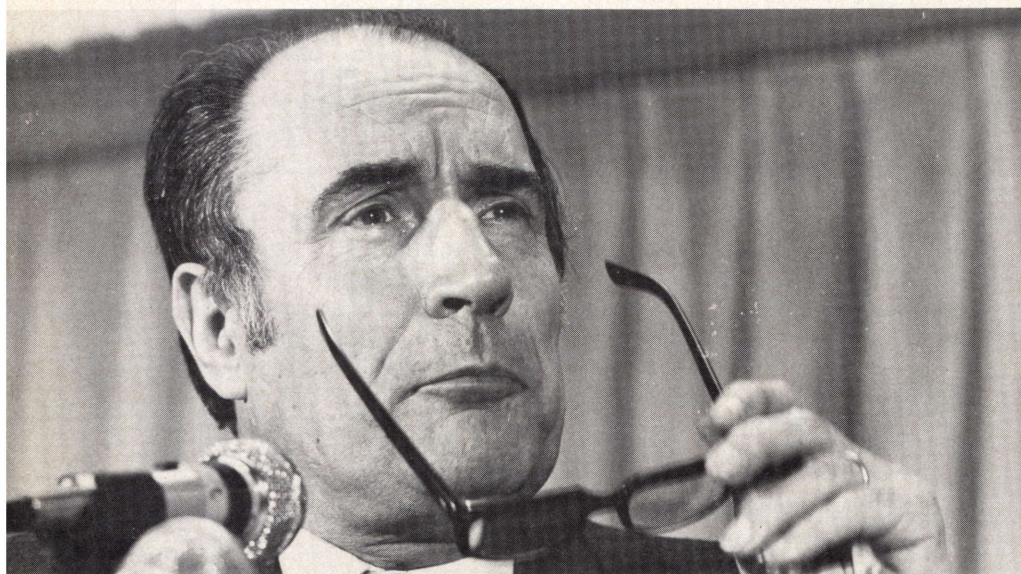
changed; it has hardened toward the Soviet Union. But as the contract signed with Moscow for Soviet natural gas deliveries clearly shows, the Socialist leaders are as much realists as their predecessors. What's more, the approval of the NATO decision to deploy American weapons in Western Europe doesn't really affect detente, which was inspired by a desire to stabilize relations, to keep open communications between East and West. If President Mitterrand rallied to the American view, it's because he sincerely believes that negotiations on nuclear arms reductions will bear fruit only if military parity between East and West is reestablished.

With regard to Yalta, he has shown great caution. "Anything allowing us to get out of Yalta will be good," he said last January 1, but he added that we must not confuse "our desire and reality." "We must weigh the slowness of history," he concluded. In other words: It would be idle to hope for a quick end to the Yalta system, that is, to the division of Europe.

On the subject of Europe, the Socialist Government remains guided by the Gaullist principle of not letting the superpowers develop an exclusive dialogue. He shares the same concern as his predecessors for working toward a united Europe, an international entity capable of defending its specific interests but also of being a prime mover in world affairs. Nevertheless, despite the continuity of a European policy, aiming at the same goals, there is a discernable change in the attitudes of the new leaders. Men like Finance Minister Jacques Delors, External Relations Minister Claude Cheysson and his chief aide for European Affairs André Chandernagor, are Europeanists from way back, allied more to the tradition represented by Konrad Adenauer, Alcide de Gasperi, Robert Schuman, and Jean Monnet than were the ministers of previous Governments. Moved by the Community spirit, the new leaders are opposed to the concept of a *Directoire*.

While Franco-German cooperation remains the essential condition to the building of Europe, there is no more talk of a Paris-Bonn axis. This evolution satisfies the British though in recent discussions on budget readjustments favoring the British, the new French negotiators showed themselves as firm as their predecessors. The new Government wants to relaunch the building of Europe with initiatives on employment, a shorter work week, restructured institutions, a European airspace, and others. But the major preoccupation remains the preservation of the *acquis communautaire*—that which has been gained so far, the EC's achievements. First among these is the Common Agricultural Policy, which must be reformed, though not abandoned, since it represents one of the rare

Mitterrand (top) does not anticipate an early end to the division of Europe agreed at Yalta by Churchill, Roosevelt, and Stalin. © The Bettmann Archive



accomplishments of the Community.

Even the "grand design" of the Socialist Government—that is, extension of the North/South dialogue toward establishing a new world economic order—is not an innovation. All the preceding Governments since World War II have judged it necessary to develop relations with the Third World. Not just to ensure access to sources of energy and natural resources, but because they believed

gations toward black African countries as well as to South Africa. Condemnation of apartheid, however, is more virulent, and there is insistence on the economic and cultural aspects of cooperation rather than military assistance. There is no doubt, however, that in case of an emergency, the Mitterrand Government would lend military support, would keep the promises and obligations contracted by its predecessors.

The change of policy is clear, on the other hand, with regard to Latin America. It's true Mitterrand, like de Gaulle, attacks Washington's tendency to treat Central and Latin American problems in a context of East-West confrontation. But the Socialist leadership has gone further, publicly taking a stand against the Government of San Salvador and granting limited military aid to Nicaragua. Rightly or wrongly it believes that between "Castrism" and military dictatorship a third way is possible, that of Socialism. For the short-term, instead of supporting regimes "condemned by history," they would try to discourage revolutionary forces from looking to the Soviets for the economic and military support they need.

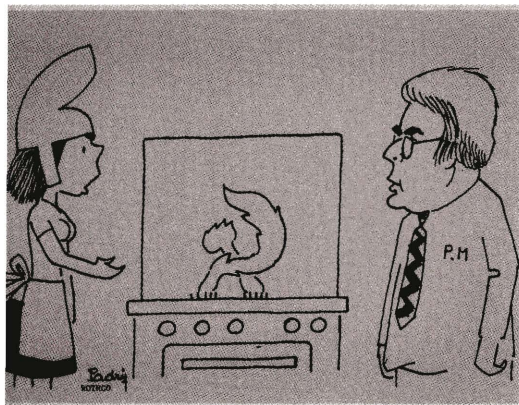
Lastly, the delicate balance between the realism and the idealism of the new French policy shows up clearly in Cheysson's proposals, which foresee a sort of Keynesian scheme on a worldwide scale. The industrialized

countries, he has said in several speeches, need the Third World markets (which take 40 percent of EC exports). If the industrialized countries would increase their investment in the Third World by \$10 billion, their gross national product would rise 0.4 to 0.6 percent, he says. This planetary New Deal would be financed with excess capital from the oil-producing states, and with help from European countries which, according to Cheysson, have nothing to lose from such an endeavor, even if they have to import part of the new production they help create.

However, the French Government believes this transfer between industrialized countries and Third World can not be left to market forces alone. An international public authority is necessary for compensatory mechanisms and to prevent undue enrichment of a few multinational firms or unscrupulous leaders at the expense of the general populace.

It's an ambitious project, but whose chances for success seem as doubtful as those concerning European renewal. The Government's economic choices limit its range of action and may even drag it along the road to protectionism. However we must count on Mitterrand's realism and his ability to adapt to reality without giving up for good on this generous vision. €

Henri Pierre writes for Le Monde.



"Well, this is the flame you get with Russian gas!"

© Padry, Le Hérisson, Paris

world stability required cooperation with developing countries.

With regard to Africa, the Socialist Government has not broken with the policies of those that came before. It will meet its obli-

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FitzGerald Government Upset

DENNIS KENNEDY

The tender conscience of an independent Socialist member of the Irish Parliament has interrupted, and may have ended, one of the most promising periods in Ireland's foreign relations with Britain and with Europe.

[On going to press the outcome of the February 18th general election was still in doubt following a virtual dead heat between the Fine Gael-Labor coalition Government and the Fianna Fail party led by Charles Haughey. All the indications were that Haughey had won by a majority as slender as that which give Garret Fitzgerald power eight months ago. The result depends pivotally on which way a small group of Parliamentary independents will jump. In any case Fitzgerald remains premier until the new Parliament convenes on March 9.]

It was the surprise decision of the independent to vote against the budget of the Government of Garret Fitzgerald on January 27th that caused a Government defeat, led to Fitzgerald's resignation, and the prompt calling of a general election. The Fine Gael-Labor coalition Government, which had depended for its parliamentary majority on the votes of at least two independents, had lasted only seven months.

Those seven months had been dominated by successive revelations on the disastrous state of the Irish economy—an intimidating level of foreign debt and a very serious balance of payments problem, coupled with high inflation and unemployment. The country had been borrowing abroad to pay itself an income it was not earning, and the day of reckoning seemed at hand.

"Ireland in danger of turning into West European banana republic" read an *Irish Times*

headline recently, over an article which suggested that the Irish were in danger of offering conclusive proof that they could not manage their own economic affairs, and that the International Monetary Fund, or the EC Commission, would have to step in and tell them—order them—how to do it.

To guard against such an eventuality, Fitzgerald's Government prepared a tough budget which was to be the first step toward a four-year phasing out of the current deficit and a return to financial rectitude. There has been argument over the wisdom of some of the measures proposed, but general agreement that Government and people had, perhaps for the first time in five years, brought themselves to face the reality of Ireland's precarious economic situation.

But part of the toughness was to modify food subsidies and put a sales tax on clothing and footwear, and that was too much for one independent who trooped into the opposition lobby in the full knowledge that he was bringing down the Government.

Inevitably the election had to be the people's verdict on the budget. Fitzgerald was hoping that his courage and honesty in facing up to harsh reality—a reality made harsher, he insists, by his opponent Charles Haughey's profligate borrowing and dubious accounting in the 18 months he headed a Fianna Fail Government before Fitzgerald came to power—would persuade the electorate to return him.

Haughey was hoping that people would vote against a budget that would have hurt almost everyone, and that they would have little time to worry about his own performance in Government earlier, or about the

obvious splits in his party. Given the facts of the economic situation, Haughey was not promising an easy budget if returned.

The optimists in Dublin were saying the shock of the Government defeat, plus the revelations over the economy, would all have been enough to bring politicians and electorates to their senses, and that there was already new realism that would ensure that whatever the result on February 18th, proper economic management would follow. The pessimists were pondering emigration or cultivating a taste in bananas.

By the time this appears, the electorate will have decided whether or not seven months was enough of Fitzgerald and his Government. In that short period, survival in Parliament without an overall majority, plus the deepening economic crisis, demanded most of the Government's attention. It left little time for realization of the Government's potential in foreign affairs. Fitzgerald himself has been in his time an expert on the European Community, an outstanding foreign minister and a most successful president of the European Community's Council of Ministers.

The man he chose as foreign minister, 59-year old professor of civil engineering James Dooge, is also a long time student of international affairs, and of things European. In terms of ability, perception, and experience they far outdistanced any recent combination of Prime Minister and foreign minister that Ireland has sent to ministerial or European Councils. At a period when the EC is under strain and fundamental reform is being considered, their contribution would have been worth seeing.

Already Fitzgerald had made his mark as regards Northern Ireland. His "crusade" to change Irish society, to de-Catholicize Irish nationalism in fact, had not gone very far, nor was it guaranteed success, but it had already sparked interest among Protestants in Northern Ireland, and it was a helpful background to British moves on the North and to the Anglo-Irish ties that are evolving. The defeat of Fitzgerald and the return of Haughey could be taken to mean a return to a more simplistic nationalism in the Republic.

The European Community has, of course, a vital interest in the economic well-being of a member state. The Treaty of Rome declares that each member state shall "pursue the economic policy needed to ensure the equilibrium of its overall balance of payments and to maintain confidence in its currency, while taking care to ensure a high level of employment and a stable level of prices." With a very sick balance of payments, inflation at 23 percent, and unemployment reaching 12 percent, Ireland is somewhat out of line. €

Dennis Kennedy is associate editor of the Irish Times.



Cooperation North is an organization promoting greater understanding between the communities in the Irish Republic and in Northern Ireland. With financial backing from banking groups and the EC Commission sponsors many cross-border familiarization visits, such as this group of southern newspaper editors touring Northern Ireland. courtesy Cooperation North.

cooperation north

PETER DOYLE

To many people abroad, the image of Ireland, created and nurtured by newspaper headlines and dramatic television news clips, is one of interminable conflict between two communities whose traditions, cultures, and religions seem destined to keep them forever apart. The hatred and violence which, to outsiders, appears to pervade everyday life, has frightened off foreign investment and tourists. Security requirements have involved both the British and Irish governments in enormous expenditure. The damage done to the general economies on both sides of the border is incalculable.

Yet, for all that, the image which the Irish people's fellow citizens in the European Community, as well as in the rest of the world, have of the troubled island is, to a large extent, a misleading one. Only a minute fraction of either the Protestant or Catholic communities is involved in violence. The vast majority of the population tries to lead a normal life in the shadow of the violence which gives its perpetrators an impact out of all proportion to their numbers or political support.

While the violence tends to exaggerate the differences which divide the communities—and makes it more difficult to resolve them—it cannot be denied that these exist, both between the Catholic and Protestant communities in Northern Ireland, where the Protestants are in a two-to-one majority, and between Northern Ireland and the Republic of Ireland south of the border where the population of almost three and a half million is 95 per cent Catholic.

Both the Dublin and London Governments are working together in an attempt to break old political molds and to bring about a mea-

sure of reconciliation. Alongside these efforts, various individuals and organizations have been working quietly, among them a group which owes its origins to the ideals and achievements of the European Community.

Cooperation North was founded in 1979 by a group of prominent individuals in the Republic who felt that a fundamental cause of the island's political problems was a lack of understanding between the communities on either side of the border. They decided to set about resolving this by encouraging increased trade and industry and improved social and cultural links. "Images are potent," says Brendan O'Regan, chairman of Cooperation North, "and in this island they are too often distorted, and these distortions damage all of us. We must do all we can to substitute facts for myths."

With financial support from the four main banking groups, two based in Dublin and two in Belfast, the organization, which emphasizes its non-political nature, has sponsored a flow of familiarization visits in both directions across the border for public representatives, businessmen, journalists, youth organizations and the like. It has also established an independent trading company to encourage trade between North and South.

Backed by funds from the EC Commission in Brussels, Cooperation North has carried out a series of important studies on the potential for cooperation between border communities in such areas as agriculture, tourism and energy. It has also prepared proposals for a feasibility study on the establishment of a cross-border industrial zone, as well as educational projects which it hopes will attract funding from the Community as well as from

both Governments. The organization welcomes financial support from other sponsors who are anxious to see an end to the discord.

It is no accident that, soon after it was established, Cooperation North should have looked to the Community as well as to the London and Dublin Governments for support. The Community has already given substantial backing to studies on communications, tourism, drainage, and the fishing industries in the border areas, as well as direct grants from its Regional, Social, and Farm Funds. The Community has also served as the model for the organization.

Says O'Regan: "Perhaps the basic aim in the establishment of the Community was the creation of an economic framework which would end forever the long-standing enmity between France and Germany. Surely there is a lesson for us in this historical experience. If two countries as powerful and diverse as these, with all their history of conflict, and after all the millions who died in two devastating wars, can forge their swords into ploughshares, can put their shoulders together and use the best of both traditions to build a future for themselves and their children, surely we on this small island can appreciate the futility and the waste of cultivating and perpetuating destructive conflict and division and move closer together. "I believe that we can move now, and that we must. Particularly now that we are members of the European Community, we must try to give expression in practical terms here to the aims which, in a wider context, inspired the founders of the Community." €

Peter Doyle is deputy head of the EC Commission's office in Dublin.

around THE capitals

Rome

Italy had its best day for several years on January 29. That morning a squad of police commandos burst into a flat in Padua and liberated an American general who was being held prisoner by the Red Brigades terrorists. All five of his captors were arrested. The general, James Dozier, became something of a national hero.

Italians were delighted. It was the first time the police had ever liberated a terrorist kidnap victim. The fact that the victim was the first foreigner Italian terrorists have kidnapped added to the pleasure. Many Italians felt a much needed boost to the prestige of their country and their police forces. Above all they were thrilled to see the Red Brigades looking foolish—so often they had acted with effortless skill, leading the police and the press a tortuous dance.

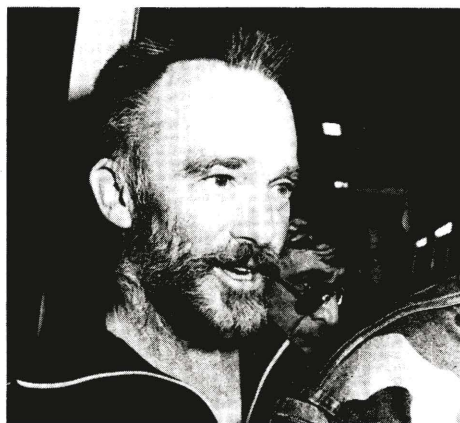
The most striking of those operations was the kidnapping and later murder in 1978 of Aldo Moro, leader of the long-ruling Christian Democratic Party and a former Prime Minister. That operation removed from the Italian political scene one of Italy's best politicians and is virtually the only Red Brigades action that has had lasting political effects.

Most of the successes in the Italian battle against left-wing terrorism date from that event, which still traumatizes Italian leaders. In 1979 a great round-up of intellectuals and quasi-terrorists in Padua led to the crumbling of the intellectual respectability and support the left-wing terrorism had enjoyed. In 1980 many members of the Red Brigades and other left wing groups were captured. The number of terrorist actions in 1980 was the lowest since 1977, and the figure for 1981 the lowest since 1975.

But though the number of actions dropped, the reorganized Red Brigades became more lethal, kidnapping five people in 1981, two of whom they later murdered. The arrests that preceded and probably facilitated Dozier's release revealed plans for a spectacular mass assassination of the Christian Democratic leadership as well as more kidnappings. All

these were apparently avoided by far greater police efficiency and the increased willingness of many captured terrorists to talk. The abruptly ended 42-day kidnapping of Dozier, far from having its intended effect of destabilizing society, ended by creating a new bond of admiration by the people for their police "oppressors."

But it would be rash to see this as the end of left-wing terrorism in Italy. Similar moments of triumph in the past have been followed by the hydra-headed resurgence of the terrorist beast. Many of the conditions that favored terrorism still remain: political sterility, class stratification, a bad education system, uncertain economic prospects. The



© Fabian, Sygma

availability in the Middle East of both training camps and arms supplies provide the means to a revival. But it may be that the resentment of the young will be directed into some other form of protest. JAMES BUXTON

London

For 158 years they have voluntarily defied what T.S. Eliot called the "snarled and yelping seas." Britain's lifeboatmen risk their lives by choice, for virtually no pay. They are, said *The Times* of London, "that special breed of men who go out in boats when seas are angriest . . . when others run inside to comfort and safety. Their only master is the call of duty to their fellow men and women in dis-

stress." Perhaps the bravest are the many who cannot swim.

Just before Christmas the wooden lifeboat Solomon Browne left Penlee on southwest England's Cornish coast to aid a coaster in distress. Many more than the necessary eight crewmen aboard had rushed from homes and jobs prepared to challenge the 40-foot waves and hurricane force winds. The Solomon Browne did not return. It was mysteriously smashed to pieces, some no bigger than an ash tray, off Land's End. The coaster was found overturned against rocks. No one from either vessel survived.

It was the Royal National Lifeboat Institution's (RNLI) worst loss in over a decade. The small fishing village of Mousehold where the crew lived was stunned—the Solomon Browne and its men were its pride. The people of Britain felt the loss to such an extent that they contributed more than \$5 million to the families of the drowned crewmen.

Since the RNLI's foundation in 1824 as "the Royal National Institution for the Preservation of Life From Shipwreck," 430 lifeboatmen have lost their lives and nearly 107,000 people have been saved. It has always been a volunteer service which receives no Government aid and pointedly seeks none. As a registered charity totally dependent on donations, the RNLI believes its independence from state control fosters an unsurpassed sea rescue service.

"There is a great tradition among lifeboatmen," said a RNLI spokesman. "It is passed down from generation to generation. The lifeboat is the central part of their communities, where the feeling is that anyone with experience of the sea volunteers." Waiting lists to be a lifeboatman are long even though a fund-raising ad recently summed up the job: "Hazardous work. No pay. On call all hours. Must be willing to go to sea in all weathers. Safe return never guaranteed. Sole purpose—risking your life to save others."

There is in fact a pittance of pay. The 258 lifeboats each have a full time mechanic on regular salary. The other crew members are paid about \$6 for the first hour of a mission, about \$2 for each subsequent hour. It is officially called compensation toward loss of earnings. Some don't bother to claim it.

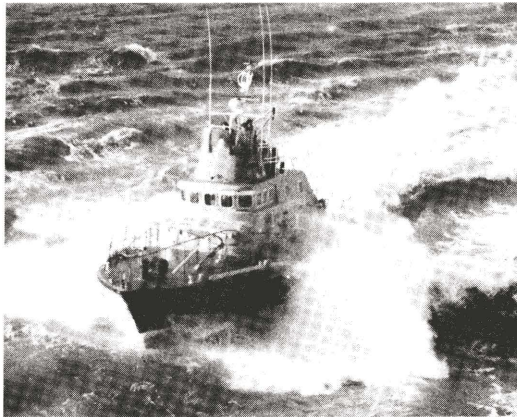
Many lifeboatmen are not professional sailors. The Solomon Browne's crew included a hotel keeper, a barman, a post office engineer, a fish salesman, a young merchant seaman, and local fishermen. "Obviously no man becomes a lifeboatman for the hell of it and every single lifeboatman in Britain knows that one day the chips may be down," said RNLI director Rear Admiral Wilfred Graham. "Sometimes the elements win. The sea is very cruel and utterly relentless."

The RNLI provides a 24-hour lifeboat ser-

vice up to 30 miles from the coasts of Britain and Ireland. Last year its boats were launched almost 3,000 times and saved over 1,000 lives. This year it will cost \$32 million to run the service with most of the money going toward maintenance and improvements of existing boats and the purchase of a dozen new ones that will cost \$700,000 apiece

Its voluntary nature makes the RNLI unique among British rescue services. It cooperates closely with the Coast Guard, the Royal Navy, and the Royal Air Force. Combination lifeboat-helicopter rescue missions are frequent.

The personal involvement produced by vol-



The Yarmouth lifeboat. Courtesy of the Royal National Lifeboat Institution

untary crewing, the RNLI thinks, ensures the lifeboat service reaches an exceptionally high degree of operational efficiency. "No matter how frightened or keyed up we might be," said one lifeboat coxswain, "we know that those waiting for us are a darned sight more frightened than we are."

Winston Churchill paid the lifeboatmen elegant tribute: "The lifeboat drives on with a mercy which does not quail in the presence of death. It drives on as a proof, a symbol, a testimony, that man is created in the image of God and that valor and virtue have not perished in the British race." PETER J. SHAW

Paris

The Polish crisis is causing the first major ideological split in an uneasy, nine-month alliance between the French Socialist and Communist Parties. Socialist President François Mitterrand, who appointed four Communists to his 44 member cabinet after his victory last May, strongly has condemned the imposition of martial law in Poland. The pro-Soviet French Communist Party, following Moscow's lead, has supported military rule as "the best possible solution."

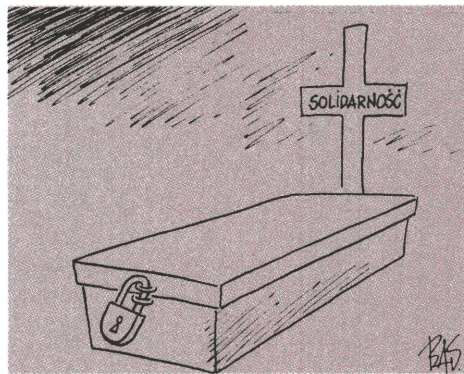
Despite a summit meeting between leaders of the two parties in January, the Socialists have been unable to budge their Communist

allies from their stubborn position on Poland. A tersely-worded joint communiqué after the January summit—only the second such meeting since Mitterrand's presidential victory ended 23 years of conservative rule—said the Communists and Socialists had agreed to differ on the December 13 military crackdown in Poland.

Conservative forces in France have contended that the inclusion of Communists in Mitterrand's cabinet might cause confusion in foreign policy issues. Mitterrand has attempted to prevent interpreting the current split over Poland as an outgrowth of that warning, saying the differences are a matter for party leaders and not his Government.

Socialist Party chief Lionel Jospin, however, has indicated the matter is out of his hands. "It seems we can rule out the possibility that we can come to agreement on the analysis of the situation in Poland or on the causes of the dramatic events of December," Jospin said after the summit.

The Socialists unsuccessfully had attempted to sway the Communists into accepting a joint policy on Poland that included a demand for the liberation of leaders of the Polish independent labor union Solidarity as well as a demand for the reestablishment of liberties provided for in the Gdansk agreement. "The Socialists and the Communists are condemned to live together," one political ob-



© Bas, Tachydromos, Greece

server noted. "They need every appearance of being unified for the approaching regional elections in March."

The cracks in the leftist union come at a time when Mitterrand can ill-afford it. In special legislative races in late January, Mitterrand's Socialist Party decisively lost all four national assembly seats up for election to conservative candidates. It was the first public test of approval for the Socialist Party since its sweeping legislative victories last June.

Although the victories by the right in no way threaten the comfortable majority the Socialists won in the National Assembly during the June races, they were seen as a setback to Mitterrand. The conservative wins were surprising in that three of the seats originally had been won by Socialists in the June

elections. They were later invalidated by the nine-member Constitutional Council, which oversees national elections, because of technical campaign violations.

The Communists put forward no candidates in the four legislative by-elections. The declared reason for that decision was to present a united front against the conservatives. But some French political observers have suggested the Communists, who suffered their worst showing since the 1930s in May's presidential election, did not want to risk another defeat so soon, especially in light of the Polish crisis.

In contrast to the Communist's current stand on Poland, the Communist-led General Confederation of Labor (CGT), the largest labor union in France, was one of several French unions that sponsored Solidarity leader Lech Walesa's trip to France last fall. But since the military crackdown, the CGT has refused to participate in demonstrations and work stoppages other French unions have held in support of Solidarity.

The steadfast, pro-Moscow position on Poland by the Communists and the CGT has caused a growing dissension among rank-and-file Party members. In the past few months, a number of Communist mayors and party members throughout France have quit the party, citing the Polish crisis as their reason.

CAROLYN LESH

Bonn

In the manner of Chinese Buddhists who give each year a name, West Germany's politicians have labeled 1982 "the year of the four elections." Almost half of the republic's eligible voters will take part in the four polls to elect new state legislatures—in Lower Saxony on March 21, in Hamburg on June 6, in Hesse on September 26, and in Bavaria on October 10.

Hamburg and Hesse are the most important to Chancellor Helmut Schmidt because his Social Democrats could lose both of what have traditionally been their strongholds. Hamburg, of course, is the Chancellor's home town. Loss of that city-state to the Christian Democrats would therefore be doubly damaging to the federal Government.

For Foreign Minister Hans-Dietrich Genscher and his Free Democrats, the four elections could spell doom. Indeed, Genscher and his liberals are forever walking on the edge of the political abyss, even uncertain until the last moment that they can capture the 5 percent of the popular vote constitutionally necessary to be apportioned state or federal legislative seats.

The current term of the Bundestag, the popularly-elected lower house of the federal

parliament, runs until autumn 1984. The Bundesrat or upper house of the federal parliament consists of members nominated by the 11 state Governments.

If the Social Democrats lose Hesse to the Christian Democrats, the latter would simultaneously acquire a two-thirds majority in the Bundesrat. The Christian Democrats then would have the power to block all Government legislation. A bill rejected by two-thirds of the Bundesrat can become law only if it is subsequently approved by two-thirds of the Bundestag. But Schmidt lacks that kind of strength in the lower house, where his Social Democrats and Genscher's Liberals together



Hans-Dietrich Genscher

muster only 261 votes—a good 80 short of a two-thirds majority.

Whether the Christian Democrats actually would use such power to block the business of government and force a new national election remains to be seen. While Franz Josef Strauss, Minister-President of Bavaria, obviously still harbors some hope of one day becoming Chancellor, he could well find other Christian Democratic Ministers-President taking a different view. For one thing, experience has shown that in the Bundesrat, the needs of the individual states often take precedence over party allegiance, sometimes causing Christian Democrats nominally opposed to Schmidt's national Government to cooperate quite willingly with it.

Schmidt's problem is the erosion of support within his own party for his security policies. At a convention in January, his own Hamburg Social Democrats overrode his objections and those of Defense Minister Apel to approve an appeal for a moratorium on the stationing of new American missiles in Germany.

"I plead sincerely with you, not to let the election in Hamburg be used to pull the rug from under the negotiations in Geneva" between the United States and the Soviet Union, Schmidt said. But a majority of the convention delegates ignored his plea, going even further to add a plank calling for the creation of a nuclear-free zone in Europe, overriding those who said such a zone would be an illusion as long as it lay within reach of Soviet nuclear missiles.

Elsewhere, particularly in Hesse, Schmidt's

Social Democrats and Genscher's Liberals worry about the strength of "the Greens," as the ecological groups call themselves. As the Liberals, the Greens also move precariously along the 5 percent border. Since they draw most of their strength from the Social Democrats and the Liberals, the leaping of the 5 percent hurdle by the Greens normally assures electoral victory for the Christian Democrats.

And the Greens could well clear the 5 percent barrier. They seem to exude an aura of glamor, particularly among young men and women just starting to work. A recent study of young persons looking for journalistic positions revealed that most of them hoped for a job on one of the so called "alternative publications," covering environmental affairs, rather than on an established newspaper.

About the only thing going for Schmidt's Social Democrats, in fact, seems to be the growing fear of war. For several years, Strauss has argued that the Christian Democrat's only chance of national victory is for the domestic situation to reach crisis proportions. With more than 1.7 million jobless and zero economic growth, that point is approaching. But an unsettled international situation, fueled most recently by the imposition of martial law in Poland, seems to work to the Government's advantage.

Public opinion polls conducted by the Demoscopic Institute of Allensbach show that while the number of West Germans afraid a new world war is about to start hovered at 35 percent for years, the figure suddenly jumped to 46 and 57 percent respectively in July and October of 1981, that is, even before General Wojciech Jaruzelski clamped down in Poland.

Polls by the same institute showed that while the Christian Democrats have been gaining steadily in popularity since the national election on October 5, 1980, peaking at 53 percent two years later, their standing fell off sharply as the fear of war rose. As one Christian Democratic campaign manager said with a sigh, "in times of real crisis, voters tend to huddle around the Government of the day." In "the year of the four elections," however, this instinct of the voters to cluster at moments of danger may be too weak to save the Bonn coalition. WELLINGTON LONG

Athens

Greece's Socialist Government is pushing ahead with plans to introduce civil marriage and modernize the country's antiquated family law, despite vociferous opposition from traditionalists in the Orthodox Church of Greece. New laws scheduled for passage through Parliament by spring will end the Church's monopoly of marriage ceremonies,

and abolish adultery as an offense punishable by imprisonment.

Premier Andreas Papandreou's Panhellenic Socialist Movement (PASOK) is hastening to fulfill election promises to overhaul Greek social legislation. But the Orthodox clerics, anxious to protect old-fashioned family values which, in their view, keep the fabric of society from disintegrating, have raised cries of protest. In principle most Greek bishops are not opposed to the introduction of civil marriage, but they want to ensure that the religious ceremony has equal validity in the eyes of the new law. The Government, however, would prefer to make civil marriage compulsory, thus reducing a church wedding to what one cleric calls "the status of just a frill."

After a stormy session of the hierarchy, hardline bishops declared they would deny "the other blessings of the Church" to those who marry outside it. The threat was interpreted as a refusal to officiate at baptisms and funerals if the new bill goes through. Minister of Justice Efstathios Alexandris said that while the Government respected the views of the Greek Orthodox hierarchy, it did not consider them binding. The new law, he



Greek Minister of Justice Efstathios Alexandris
Courtesy of the Embassy of Greece

added, would go through, regardless of objections from the Church.

In an effort to avoid an open breach between church and state, four Government-appointed legal experts have been discussing proposed changes in family law with a committee of bishops set up by Archbishop Seraphim of Greece. Despite low Church attendance except at festivals, the Orthodox Church still plays an important pastoral role as an arbiter of social life in Greece.

The Church has long upheld the legal restrictions surrounding married women which are now considered obsolete in urban Greece. According to present law, the husband wields autocratic authority within his home. Married women cannot carry out any financial transaction without their husband's permission. Without his express authority, they cannot enroll their children at school and are not supposed to spend a night away from home. A husband also has right of access to his wife's mail and telephone calls.

Although the Church dictum that married

women must obey their husbands is still interpreted literally among Greeks of all social classes, few people expect the bishops to come up with more than token opposition to full legal equality for women, which was guaranteed under the 1975 constitution. The clerics appear to reserve their fire for reform of the adultery law, described by Socialist Government officials as "humiliating and undignified." But the Bishops' hierarchy thundered after a recent meeting: "If adultery is no longer a criminal offense, the law lies open to great ethical dangers and insidious undermining of the family."

Under the proposed new law, adultery would remain grounds for divorce, but it would no longer be punishable with prison terms of up to 12 months. The present ruling that convicted adulterers cannot remarry would also disappear. In 1980, the last year for which figures are available, 60 men and 45 women were sentenced to imprisonment for adultery, a 30 per cent decrease on figures for the previous year, which seems to reflect a growing trend towards leniency in the courts.

Successful prosecution for adultery has generally meant catching the couple "*in flagrante delicto*," a requirement which has helped private detective agencies to flourish in Greece. Arrest involves a force entry by police and photographers and the hasty transfer of a couple to their local police station, to be charged. But only a quarter of such cases end up in court, according to Justice Ministry statistics. KERIN HOPE

Dublin

The Common Agricultural Policy (CAP) is the sort of thing that gets the European Community bad publicity. It is immensely complicated, on that almost everyone agrees, and it causes interminable rows inside the institutions of the Community. It is also, according to some, hideously expensive, and has produced butter mountains, wine lakes, milk powder avalanches, beef mountains, and other poetically designated surpluses of production.

At times it has driven European housewives into a frenzy as it subsidized butter exports to the Soviet Union, selling European butter to the comrades at a price well below that forked out by the same housewives. In short the CAP has been a difficult subject in many parts of Europe for some time.

But not in Ireland; here it has been regarded as, if not exactly a thing of beauty, then certainly a joy for ever. Or at least so it was assumed.

As the most agricultural country in the EC, Ireland has benefited most from the CAP. Before it joined in 1973, most of Ireland's food

produce was exported to Britain, sometimes at a loss, for Britain's cheap food policy meant Irish butter, for instance, had to be sold to Britain at a price below what it cost Irish farmers to produce it.

The Irish Government made up the difference, and in 1972 that was costing about \$78 million a year. But the CAP changed all that—not only did it mean the British had to move toward paying realistic prices for their butter, Brussels immediately started paying the subsidy.



"Now what would a kid like you want with surplus potatoes?" © Dunnett, Canada

Since then Ireland has reaped a welcome harvest from the CAP, leading to a modest boom in Irish agriculture, and to considerable transfers of money into the Irish economy. There was little echo in Ireland of the swelling chorus of criticism of the CAP and its excesses, and no Irish Government joined in the growing attacks on the policy in the EC Council of Ministers. Nor was there too much unease either, for though Ireland, *pro rata*, gained more from the CAP than anyone else, there was always France to defend it, and others had interests too.

But all that has changed, and now there is something akin to panic stations in Dublin. As part of Britain's demand that it pay less in net terms into the Community budget, the whole area of spending on agriculture is under examination, and there are signs that most other member countries might be ready to agree to put a ceiling on financing the CAP.

In January the Irish Prime Minister Garret FitzGerald sent his foreign and agriculture ministers scurrying around the capitals of the EC; Irish ambassadors were sent into foreign ministries to argue the case in detail. The message was that any fundamental change in the CAP would be disastrous for Ireland, and that Dublin would regard it as a forced renegotiation of its own terms of membership of the Community.

FitzGerald made it clear he would regard it also as something of a breach of faith. Ireland, he said, had paid a heavy price for EC membership, in terms of lost jobs in manufacturing industry as European goods poured unrestricted into the Irish market. Now Ireland was to be denied its reward in terms, not just of higher prices for its farm goods, but in the whole area of agricultural development.

This is the nub of the matter; Irish farming is not overly efficient. It could, for instance, produce far more milk than it does. It is still at the developing stage. But if Brussels decides to put severe restrictions on milk production, how can Irish farming expand?

The irony is that Ireland is in danger of losing the argument just when the general case against the CAP is weaker than it has been for years. The surpluses have largely gone, the embarrassingly cheap butter sales to the Soviet Union have stopped, the share of the EC budget going to agriculture is declining, not growing, and there is a realization that Western Europe, thanks mainly to the CAP, is exceedingly well fed, in contrast to more Easterly Europeans. DENNIS KENNEDY

Luxembourg

Soccer in Luxembourg commands an enthusiastic following, but makes little impact on the world scene. You would hardly expect otherwise from a country with less than half a million inhabitants. The geography makes a difference too. Television viewers here can watch matches beamed from neighboring Belgium, Germany, and France—all strong World Cup contenders. They get spoiled, and gates and footballing standards in Luxembourg suffer as a result. A fine day and a glamorous opponent will fill the terraces of the 15,000 capacity stadium in the city but this is rare. "Our fans become accustomed to the very best from television and our football team is just not able to match it," admits Eliane Cremona, secretary of the Luxembourg Football Association.

The wonder is that the national team is as good as it is. Drawn chiefly from amateurs playing for one or other of the 573 established teams in the country, the side can call on the services of a mere three or four professionals who make their living with Belgian or French clubs. This hasn't stopped Luxembourg from being a full member of the world soccer organization and competing vigorously in all the major European and international contests. It did well enough in the qualifying rounds of the World Cup to put a scare into Italy (losing 1-0 in Naples) and performances against Greece and Yugoslavia were robust enough to embarrass opponents confidently predicting a rout.

Although recent results, and much expert judgment, suggest the side has improved rapidly in recent years there remain perennial financial problems. Friendly international matches against neighboring countries help a bit but as Cremona explains: "We have to find outside means like dances, dinners, and raffles to help bolster the takings at the gate. We would not be able to survive on the

money from the matches alone."

The shoe-string budget has meant that training sessions have to be squeezed and travel costs cut to a bare minimum. Only recently has the national team been able to take a doctor to out-of-town games. Some thought has been given to making Luxembourg into a club team and competing in the first divisions of neighboring countries, but Cremona says that "all the problems stem from cash. The players would have to be professionals and we could not afford that." But there are perhaps brighter hopes for attracting a commercial sponsor for the national team. The search for a backer who



would not interfere with management is a difficult one but Cremona is hopeful that the association will be successful soon.

Meanwhile much will depend on Luxembourg's performance in the European championships this year. The team is grouped with England, Hungary, Denmark, and Greece. It has never beaten any of them and its prospects for advancing to the finals must be dim. "We are the minnows," Cremona cheerfully admits. "But we may play a role. We can play so that the odds are different."

Certainly a string of good results could change the financial outlook, wean some of those viewers away from their television screens, and inspire the younger soccer players of which the association is rightly proud. It might be hoping for too much to expect Luxembourg to repeat its glorious performances of 1963 when it beat Holland and advanced to the quarterfinals of the European championship before being thwarted by Denmark in a play-off, but, whatever happens, the country seems likely to acquit itself with an accomplishment far outstripping its meagre natural resources for the game.

ALAN OSBORN

Brussels

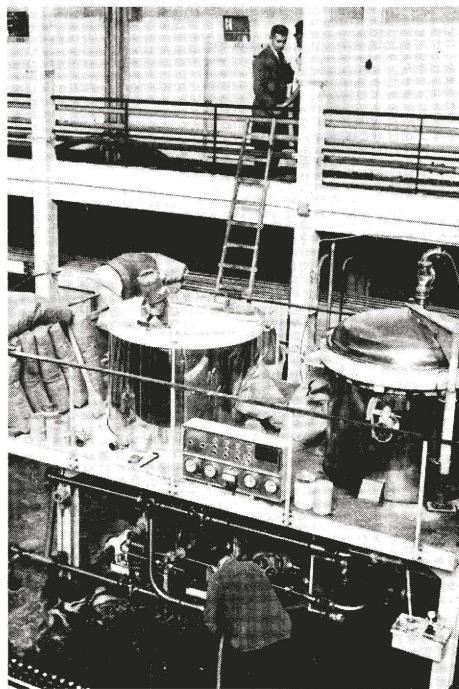
A Belgian friend boasts you can drink a different domestic beer in Brussels each day for a year. I don't doubt it. This is a serious place for beer-drinkers. They come second only to the Germans in the world league for individual consumption. But one wonders whether

even the Germans cherish the history and traditions of brewing and drinking so lovingly as the Belgians do. Or whether they have a greater variety of brews to offer. Of whether they can offer more plausible reasons for drinking them. Scorning those who drink beer merely for "refreshment," the author of a recent study counsels his readers to consider the value of the beverage as an aperitif, a digestive, a sleeping draft, not to mention its use as an indispensable cooking ingredient in numerous regional and gourmet dishes.

But what's this? The Belgians are turning to *spirits*? And *wine*? The statistics say so. The average Belgian drank 50 percent more wine in 1980 than he did 10 years earlier and more than twice as much spirits. All the evidence is however that this growth comes from people who previously drank nothing much more potent than coffee or water. The average Belgian still drank 131 liters of beer last year, roughly the same as in 1970. That's more or less the equivalent of three fifth-sized bottles a week.

Belgians date their beer-making expertise back to the days of Julius Caesar who was reported to have commended the national beverage as "a noble and powerful liquor." He probably drank *cerevisia*—an apparently fiery potion prepared by housewives by an infusion of barley grain with corn, rye, or oats. But it was left to the Belgian monks of the Middle Ages to preserve and then improve on this crude formula, notably by adding hops. Saint Arnould of Tiegem, the patron saint of brewers, is credited with enlisting the aid of God in miraculously turning crude "mash" in a collapsed brewery into beer for his thirsty flock.

Several Belgian abbeys still brew beer to-



day, the best-known being the "Trappists" made by Cistercian monks. These are generally thick, dark brews much favored by visitors and not easily obtainable outside the country. Trappists are ranked with other rich and powerful ales (some bearing spurious religious names) whose chief characteristic is that they are fermented at high temperatures. Until the 20th Century most beer in Belgium was brewed this way but the coming of low temperature techniques has radically altered the picture. The heavy investment in complex equipment needed to brew at low temperatures pushed many small breweries out of business. From 3,223 active breweries in 1900 the number has now shrunk to 147.

Nevertheless you can still drink *lambic* in Brussels, which is about as close as you can get to the brews they were drinking here 500 years ago. This is a spontaneously fermented beer which apparently requires certain microbic flora found only in the air around Brussels to achieve its metamorphosis. Some zealots drink it in its young and bitter state, rejoicing in the thick sediment that affronts non-believers. But most *lambic* is carefully aged and blended and then re-fermented in a process similar to that for champagne before commanding a wide public under its generic name of Gueuze. *Lambics* flavored with sugar or cherries are also popular.

About 55 percent of the beer brewed in Belgium now is of the low-temperature fermentation kind, the *pils* type of which easily the best known is Stella. Serious drinking men tend to scorn these as "the beers one gulps down at the station buffet before catching the evening train" to quote our brewing expert. The abbey beers and their cousins represent 40 percent of consumption and *lambics* the remaining 5 percent.

Let the words of the author of a treatise on beer published in Brussels over a century ago conclude: "Better than wine, it restores our strength and sustains us. Moreover it is to beer that we owe the composure and positive attitude of Northern men." ALAN OSBORN

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euro train for crats

Proposal would establish direct link between cities with EC institutions

LOUIS C. D. JOOS

The success of the French *train à grande vitesse* (TGV), which has cut the journey from Lyons to Paris to 2 hours 40 minutes and which is already being used by far more people than even the most optimistic forecasts dared to predict, demonstrates that surface transport is still competitive with air travel over medium-haul routes, despite arguments to the contrary.

It is all the more surprising, therefore, that the European press has reacted with comparative indifference to the latest round in the struggle to create the "Europole." The occasion was the 16th meeting of the European Conference of Local Authorities, held in Strasbourg late last year. Apart from its technical and economic aspects, the creation of a rail link has political implications. All too often, national transport policies stop short at frontiers and that perhaps is why Europole has yet to get off the ground. But now there is a new political factor which seems about to revive the project.

Strasbourg wants to remain the seat of the European Parliament. Brussels intends to keep the executive—the EC Commission; Luxembourg is hanging on to those Community bodies which it still has—the Court of Justice, the European Investment Bank, and the Statistical Office. These strong political pressures, which have so far successfully prevented the creation of a single capital (in July 1981, the European Parliament decided simply to hold its plenary meetings in Strasbourg while the Secretariat stays put in Luxembourg), will not abate.

Furthermore, supporters of regionalism have recently discovered that a "dispersed" capital (a "polycentric" capital as the technocrats would have it) does have some advantages. It is the best guarantee against the resurgence at the Community level of that centralism which has so often failed the nation state. Careful observers have also noted that the proposed route of Europole would bring benefits to frontier regions which are still bypassed by major economic developments.

Some countries cope with a "decentralized" capital without difficulty. The South African Government has its seat at Pretoria, but Parliament meets over 1,000 miles away in Cape Town and the Supreme Court sits in Bloemfontein. These distances are far greater than any the Community will have to contend with. Europole is an imaginative project to reduce still further the time required to travel from one end of the decentralized capital of Europe to the other.

The aim is to do the journey from Brussels to Strasbourg via Luxembourg in 103 minutes; the train would then continue to Basle, taking a total of just over three hours at an average cruising speed of over 200 miles per hour. The second section of the line would of course leave Community territory but it would still link places where the countries of Europe meet. Geneva is the seat of the European Organization for Nuclear Research (CERN) and the United Nations Economic Commission for Europe, while Basle frequently hosts meetings of the central bankers of the industrialized world, at the Bank for International Settlements.

A quick glance at the Europole timetable shows that traditional solutions are technically quite inadequate—even the TGV is outmoded. What the project's sponsors propose is a hovertrain propelled by a sound-proofed turbojet on a cushion of air. Each car would hold 80 passengers giving a capacity of 1,600 people per hour. Technically, this solution is perfectly feasible and it offers a number of important advantages over conventional railway systems. The elevated monorail requires little land and can easily negotiate all kinds of obstacles, especially those found around towns. Maintenance of the rail would be virtually eliminated since there is no direct contact with the train and therefore no friction. Furthermore, the hovertrain could cope quite happily with gradients of 6 percent while 1 percent is the limit for conventional trains.

A line from Brussels to Geneva would certainly cost less than Charles de Gaulle airport

near Paris and it would be a good deal cheaper than the Channel Tunnel. Financing would be comparatively easy since four countries would share the cost, and the Community could also make a contribution from the Regional Fund since the route through Liège, Luxembourg, Metz, and Nancy would stimulate activity in the frontier areas of the Ardennes and Lorraine which have hitherto been disadvantaged or in decline.

A further benefit would be that the construction of a spur from Strasbourg to Frankfurt via Ludwigshafen would ease pressure on the overcrowded German rail system on the right bank of the Rhine. Improved links between Brussels and London would allow travellers from Britain to reach the heart of Europe for the price of a rail ticket but with the speed of an aeroplane. Finally, the success of this pioneer railway project would give a boost to European prestige, with attendant economic gains, just as the European Airbus and Ariane have done.

There is no technical obstacle to the construction of this link which would traverse a wide area of the old kingdom of Lotharingia and break down the divisions from which the regions it would cover have suffered for too long. That is why at the Strasbourg conference of local authorities, the mayor of Nantes and spokesman on communications problems urged that fresh consideration be given to this matter which has been under discussion for 10 years. Europole makes economic sense and would bring political advantages. It could be built before the end of the 1980s but public opinion must be mobilized in its favor. For a long time, the press has poked fun at the dispersion of the capital of Europe over 275 miles. Why should these journalists not now support a project which would reduce this scattered capital, in terms of time, to the size of a conventional city? The 103 minutes from Brussels to Strasbourg is little more than the time it takes to cross Paris from Roissy to Orly or greater London from Romford to Heathrow. €

Châteaux for the Night

DIANA SCIMONE

If your idea of a European visit—whether business or pleasure—does not include a sterile hotel with mind-numbing plastic interiors, consider a stay in one of the continent's hundreds of castle hotels. In recent years, many upper-class landowners have found the upkeep on their homesteads to be astronomical, and have turned to paying guests to help meet the bills. Thus the peacefulness and hospitality of elegant country life are available for nominal prices to all travelers—not just the well-to-do. In many cases, a room in a real baronial mansion, charming château, or secluded monastery can be had for the price of a stay in a chain hotel back home.

Scattered throughout the United Kingdom and Italy, for example, are a myriad of such hostleries (see box for information on castle hotels in other countries). Nestled at the foot of Mont Ben Nevis in Scotland, you will find **Inverloch**, a picture-postcard castle of the kind carefully drawn by school children. In-

verloch is Victorian through and through, and as if to prove the point, Queen Victoria and her daughter spent a week here in 1873. If you, too, want to be treated royally, this is the spot for it; both the hotel and restaurant have won many awards. The 12 rooms and two suites average \$170 a night. (Inverloch Castle, Fort William, Inverness-shire, PH33 6SN, Scotland. Tel: (0397) 2177. Michael Leonard, Manager; Hobbs Family, Owners)

Just as picturesque, though much older, is **Ruthin Castle** which dates from 1282. To stay here is to relive much of Wales' historic past. In 1400, Ruthin was the site of an unsuccessful siege, and survived intact until 1646 when Cromwell's troops attacked it for seven straight months before declaring victory. Ruthin was finally restored some 200 years later, with the Prince of Wales a favored guest. Try the medieval banquet, then spend the night in one of the 64 moderately priced rooms—about \$30 per person includ-

ing breakfast. (Ruthin Castle, Corwen Road, Ruthin, Clwyd, N. Wales)

When business takes you to London, forgo the usual 20th Century city-bound hostleries, and instead travel a mere 50 kilometers south of town where you will be transported back to Elizabethian England. Here, beneath layers of ivy and moss, you will find **Gravetye Manor**. Though built in 1598 as a nobleman's home, it has not always been of such high residential caliber and in fact during the 19th Century was a favorite hideaway for smugglers on the run. Today, however, you will be perfectly safe at this home away from home carefully restored by William Robinson; throughout his 98 years, he lovingly cultivated the 30 acre garden, now resplendent with heather, herbs, and other fragrant flora. In 1978, Egon Ronay's Guide bestowed upon Gravetye Manor the prestigious "Hotel of the Year" award for Britain. (Gravetye Manor, East Grinstead, West Sussex RH 19 4LJ, Eng-

EC Delegation Sponsors Concert

The Delegation of the Commission of the European Communities sponsored its first musical event recently in the form of a concert by the New York Kammermusiker. It was held in the newly opened Barns at the Wolf Trap center outside Washington DC.

The New York Kammermusiker group is an international ensemble of double reeds consisting of oboe, oboe d'amore, English horn, and bassoon. This ensemble tries to revive the interest in this music, and to encourage today's composers to explore once again the sonorous possibilities of the double reed ensemble.

The Renaissance collection that opened the program did not seem to suffer musically from the fact that modern instruments were used instead of carefully built replicas. The ensemble showed that they could handle the richness of this period very well and did so through a carefully selected mixture of contrapuntal and homophonic pieces. *Les Folies*

d'Espagne by Marin Marais was played in a combination using oboe and bassoon. Much baroque music can be played in various instrumental combinations. This tends to give the music a tapestry quality even when played extremely well. The awareness of the com-

poser was apparent in Johann Wenth's *Quartetto Concertante*. The work showed what can be done, not only technically but musically as well.

The concert was made possible by the generous support of Ambassador Ruth L. Farkas, the Ridgefield Foundation, the Hyatt Regency hotel in Washington, and Folonari Italian wines and Martin's Scotch whiskey.



land. Tel. (0342) 81 05 67. Peter G. Herbert, Proprietor. 14 rooms from \$60 to \$120 per night)

Cart those putters and drivers along when you stay at the **Slieve Donard** (about 50 kilometers south of Belfast). Its towered walls look down upon the championship Royal County Down Golf Club where you can test your handicap. There are also forested trails meandering through the Mountains of Mourne, as well as fishing, tennis, pony trekking, and swimming in the Irish Sea or the heated pool. The Slieve Donard is truly a holiday in itself. (Slieve Donard Hotel, Newcastle, County Down, Northern Ireland. Rooms are approximately \$30 per person including breakfast.)

The castles in Italy are more of the estate and palatial variety than the moss-covered, turreted mansions found in the United Kingdom. Take the famous **Villa d'Este**, for example—a magnificent estate hugging the shores of that jewel of northern Italy, Lake Como. In its 500-year history, it has been home to Cardinal Gallio, a palace to an empress of Russia, a princess of Wales, and sundry other royalty, and for over a hundred years now has been one of the finest and most lavish resorts in Europe. After you've strolled through town, return to your villa and choose from seven tennis courts, three heated swimming pools (one is covered for those sometimes blustery lake days), a sauna, waterskiing, sailing, squash, or golfing on the Montorfano Golf Course recently purchased by Colgate-Palmolive for \$1.48 million. The 180 rooms are rather pricey, ranging from \$75 to \$210, and the entire villa is closed from November through March. (Grand Hotel Villa d'Este, 22010 Cernobbio, Como, Via Regina 40, Italy. Tel. (031) 511471/512471. Telex 380025 VILEST I. Manager: Mario Arrigo)

Still another Italian palace is the **Villa Rufolo** in Ravello, 65 kilometers south of Naples, just off the Amalfi Drive. Once the residence of the 12th century Pope Adrian IV, it has since been the vacationing home of an assortment of luminaries such as Alphonso XIII, Lord Byron, Leopold Stokowski, Greta Garbo, and Richard Wagner. Wagner's opera, *Parsifal*, is set here, and Wagnerian concerts are held at the villa each year. (Villa Rufolo, 84010 Ravello, Salerno, Italy. 28 rooms, approximately \$30 per person, including breakfast)

If villas aren't your style, and you simply want to stay in what is probably the oldest castle hotel in Europe, then head north for **Castello Vorst**, nestled in the Italian Alps near the Austrian border. To give you an idea of its age, Vorst was *restored* in 1226. But it dates back many years before that, and in fact you can sip Campari from a glassed-in sun-

deck atop a 2,000-year-old Roman tower (or have a nightcap in the bar housed in the castle's dungeon). Vorst was completely restored in this century and you may now stay in one of its 23 authentically decorated rooms. (Castello Vorst, Foresta nr Merano; 39022 Lagundo, Merano, Italy. \$30-50 per person including breakfast.)

With less and less young people choosing the religious life, many of Italy's splendid monasteries and convents have been forced to close their doors for good—or sell their facilities to hotel developers. Such is the case with the **Villa San Michele**, a 15th Century monastery in Fiesole, high in the hills above Florence. Michelangelo is believed to have designed the facade and loggia, and many of the monastery's former treasures are now on display in museums throughout Italy. In 1809, Napoleon forced the Franciscans from their home here, and the building was finally restored in 1952 and given National Monument status. You may now wander through its maze of terraces, woods and cloisters, and stay in one of the 31 elegant though expensive rooms. (Villa San Michele, 4 via Doccia,

50014 Fiesole, Florence, Italy)

Another former monastery is **San Domenico**, which has stood in the shadows of Sicily's Mt. Etna since the 14th Century. It is now one of Europe's most sumptuous hotels with spectacular views of the Greco-Roman theater and the sparkling Mediterranean. If, while walking through its colonnades, you are tempted to take one of the ancient stone warriors as a little souvenir, take heed: they are protected by Pope Clement XII's papal bull threatening severe penalties and curses to anyone who might move them. Instead, confine yourself to one of the monk cells (now luxury suites), shadowy cloisters, magnificent halls, or orange and jasmine scented gardens found throughout the estate. The 100 elegant rooms start at \$100 and work their way up to \$170. (San Domenico Palace Hotel, Piazza S. Domenico 5, 98039 Taormina, ME Italy. Tel:(0942)23701/2/3. Telex 98013 DOMHOTEL)

Diana Scimone is Europe's travel correspondent. Her great-great-grandfather was once a monk at San Domenico.

for more information

There is a wealth of information on castle hotels throughout Europe. The Baedeker's on the subject is Robert P. Long's book. *Castle Hotels of Europe* which has over 500 listings as well as a glossary of terms for castle aficionados (e.g. "machicolations" are open spaces over a castle entrance through which stone or hot liquids could be thrown on intruders). The book is available for \$4.95 from Robert P. Long, Publisher, 445 Glen Court, Cutchogue, NY 11935.

Instant reservations at castle hotels throughout Austria are available from a service called Dial Austria. Call (800) 221-4980 or, within New York State, (212) 838-9677. Telex is 237504 Capel ur. They can also send two booklets listing prices and showing color photos.

R & I Tours Ltd. (138A Piccadilly, London W1V 9FH) will place guests on the basis of special interests, profession, or hobbies in any of their 250 castles, mansions, cottages, or even farms throughout Great Britain.

Relais et Châteaux is a very comprehensive (and completely free) booklet of castle hotels throughout both France and the rest of the world as well. Though not as full of historical notes as is Castle Hoetls of Europe, it nonetheless provides a wealth of varied information (prices, open and closing dates, and whether or not dogs are permitted in the dining room). Ask also for the colorful map, "Châteaux, Inns, Restaurants, Scenic Routes, Highways, and Railroads." Write to the French Government Tourist Office, 610 Fifth

Avenue, New York, NY 10020, or telephone (800) 223-0608.

The German Information Center (410 Park Avenue, New York, NY 10022; (212) 888-9840) publishes two free booklets: *Romantik Hotels und Restaurants* and *Gast im Schloss*. Both are available in English.

If you wish to stay in an Irish cottage, contact the Irish Tourist Board (590 Fifth Avenue, New York, NY 10036; (212) 246-7400) which will reserve a cottage for you and five friends for \$150-300 a week.

Esperiti Associati (Via Gregoriana, 5, Rome) will arrange stays in Italian villas and privately-owned castles, with special emphasis on helping guests see the local sites. Closer to home, the Italian Government Travel Office (630 Fifth Avenue, New York, NY 10020; (212) 245-4822) will send you a free booklet of castle hotels and restaurants up and down the Italian boot.

You can stay in converted castles and monasteries in Spain and Portugal by contacting Marketing Ahead, Inc. (515 Madison Avenue, New York, NY 10022; (212) 759-5170). They will even confirm your reservation within 24 hours.

Switzerland, The Inn Way, by Margaret Zellers (\$4.95 from Geomedia Productions, Southport, CT 06490) numbers among its listing of Swiss country hostelry many converted castles and the like. In addition, the Swiss National Tourist Office (608 Fifth Avenue, New York, NY 10020) provides a three-page listing of historic inns and castle hotels in Switzerland, including prices of rooms with and without full board.

NEWS

OF THE COMMUNITY

EXTERNAL

US, EC Consult on Trade

In November, the latest semiannual high-level trade consultations between the Community and the United States spent much time on specific issues, such as trade in steel and agricultural products. In preceding weeks the Community and the United States had become embroiled in debate over pending complaints against US allegations that steel shipments from the Community benefit from unfair subsidies. A similar debate had also surfaced over new charges by US officials that EC agricultural exports receive export subsidies.

At the same time the Community delegation, headed by External Relations Director-General Sir Roy Denman and Agriculture Director-General Claude Villain, said it was gratified by the reduction in the EC trade deficit with the United States from about \$25 million in 1980 to an expected \$13 billion in 1981.

EC Holds Bilateral Talks

EC delegations met with representatives from Australia, Canada, and the Andean Group of Latin American countries for separate rounds of talks in late November. Topics covered trade, nuclear security, cooperation, and international issues.

Progress was made in the Community's relationship with Australia during the talks, which covered settlement of the sheepmeat problem, results in resolving the beef balance-sheet, and the signing of a nuclear safeguard agreement. Major problems still remained, said Australian Deputy Prime Minister J. D. Anthony, especially over EC subsidies for agricultural exports.

In the talks with Canada, European officials indicated that there were few difficulties in relations between the two parties. Recent developments have included the conclusion of an accord on nuclear security, the end of a deadlock in the Community on a bilateral

fisheries accord, and the resolution of several minor agricultural trade problems. It was noted that trade had doubled between the Community and Canada since the signing of a cooperation agreement in 1976.

Talks with the Andean group covered a possible cooperation agreement between the two organizations. Negotiations were broken off by the Community in July 1980 following a coup d'état in Bolivia. The Community indicated that an accord could not be officially concluded until a return of democracy in that country, but it agreed that discussions should go on so as not to penalize other members of the Andean group, which also includes Venezuela, Colombia, Ecuador, and Peru.

Japan to Cut Tariffs

Statements on the Japanese Government's desire to improve economic and trade relations and to accelerate tariff reductions were welcomed by EC officials in late November. The first major developments seen were changes in the Japanese Cabinet made by Prime Minister Zenko Suzuki. Newly appointed Foreign Minister and Minister for International Trade and Industry Yoshio Sakurachi immediately announced that Japan would make opening up its markets an important priority. Prime Minister Suzuki subsequently committed his Government to an early application of tariff cuts negotiated during the recent Tokyo Round of world trade and tariff talks. This move is supposed to take place about two years ahead of time as a means of increasing imports to Japan and improving the European and American trade balance with Japan.

EC Supports Sinai Force

Four EC member states announced in late November their participation in the proposed multinational peacekeeping force for the Sinai. The statements were made separately in the capitals of the United Kingdom, France, Italy, and the Netherlands. Considerable debate within the Community had preceded the announcements, and there was concern that Israel would not accept the terms of European involvement.

The statements emphasized that the European role responded to the Community's past declarations of willingness to assist in the quest for peace in the Middle East. A further statement by the entire Community supported the participation of its four member states.

Karamanlis Visits Thorn

The status of Greece was an important part of the Community picture in weeks preceding a visit to Brussels in early December by Greek President Constantine Karamanlis. The issue of Greek membership in the Community had played a big role in the October elections to the Greek Parliament, which led to the victory of Andreas

Papandreu as the new Prime Minister. Papandreu said at the latest European Council summit meeting in London that his Government was not considering withdrawing from the Community or seeking a renegotiation of the terms of entry, but he asked that Greece's specific situation be kept in mind during the formulation of EC policies. The recent meeting between Karamanlis and EC Commission President Gaston Thorn was brief and covered general topics, such as the current situation in Europe.

EC Reacts to Ecevit Jailing

Following the jailing of former Turkish Prime Minister Bulent Ecevit, the EC Commission recommended in early December that the forthcoming EC financial aid package to Turkey be held up. The statement said that the Commission would ask the Council of Ministers to block the proposed ECU 600 million in the fourth financial protocol signed last June.

Ecevit began a four-month jail sentence for having defied a ban on political statements by criticizing the current military Government. The EC Commission had previously urged a quick return to pluralistic democracy and had said it did not want relations with Turkey to be blocked in the meantime.

Action on Textiles Sought

A regulation that would establish Community rules to end the disparity in national laws on the labeling of origin on certain textile products from third countries was proposed by the EC Commission in early December. The responsibility for checking origin markings would be confined to the member state where imported textiles were released, which amounts to a clear ban on controls at internal frontiers. The new rules would make for greater transparency in the external trade field and improve the operation of the internal market by ending hindrances to access of the EC market.

Natali Visits Israel

EC Commission Lorenzo Natali, in charge of enlargements negotiations, began a visit to Israel in late November to discuss the impact of EC enlargement on Israel's trade. The main concern is that Spain and Portugal, both Mediterranean countries with products similar to Israel's, will enjoy new trade preferences as EC member states and undermine Israel's pattern of trade in products such as citrus fruits. Natali said that while there was a political decision to include Spain and Portugal in the Community, there was also a commitment to assure that Israel and other countries' interests would be protected. Israeli Deputy Foreign Minister Yehuda Ben Meir said during Natali's visit that Israel feared it would be seriously discriminated against over citrus exports after enlargement.

EFTA and EC Discuss Trade

Representatives of Norway and the Community met in early December to discuss economic and trade relations between the two. Other meetings with member countries of the European Free Trade Association (EFTA) the previous week had involved Switzerland, Austria, Sweden, Iceland, and Finland.

Norwegian interests focused on Community imports and duties on fishing products as well as on regulations concerning rules of origin on products from outside the Community. About 70 percent of Norwegian exports go to the Community and about 50 percent of its imports come from EC member states.

EC Speaks Out on Apartheid

During a United Nations General Assembly debate in early December on South Africa, a Community spokesman said changes in that country had not brought an end to apartheid. He recalled that the Community had said racial discrimination must be eliminated and not simply modified and that the system must give way to government based on representative democracy. It was noted that the Community had repeatedly condemned the policy of creating black homelands and had refused to recognize any of these states. The spokesman also called for a release of all prisoners jailed because of their political beliefs. Another European representative called for an oil embargo on South Africa and a ban on loans and new investments in that country.

Trade Unionists Meet

Thirty trade unionists from Africa, the Caribbean, the Pacific, and Europe met for two days in early December to review the operation of the Lomé Convention and how the trade unions could be more closely involved in it. The representatives told EC Commissioner Edgard Pisani, in charge of development, that they would like to make trade union consultations between the North and South more regular and effective.

The trade unions also said they were disappointed with the overall achievements of the Lomé Convention. More social investment and a higher priority on small-scale agricultural development was called for, as well as active participation of rural communities in the design, implementation, and running of rural development projects. In reply Pisani said he wanted to see a larger role for trade unions in the Lomé Convention.

EC-Romania Joint Meeting

The first meeting of the joint committee established between the Community and Romania in its July 1980 agreement was held in early November. The delegations discussed all aspects of relations between the two parties and especially the application of agreements and arrangements con-

cluded in the industrial and agricultural sectors. The meeting also formulated proposals aimed at intensifying relations between the Community and Romania.

Top US Officials Visit EC

A high-level US delegation headed by Secretary of State Alexander Haig, Agriculture Secretary John Block, and Special Trade Representative Bill Brock met with members of the EC Commission for two-days in Brussels in mid-December. Issues discussed included emerging problems in steel, agriculture, and textile trade.

The participants indicated some solution was visible to the dilemma of rising EC steel imports into the United States, possibly involving a return to the US trigger price mechanism. At the end of the first day, Haig and EC Commission President Gaston Thom underlined the importance of close consultation during the economic downturn and the importance of treating economic issues at a top strategic level. They also said other such meetings should take place in Washington in early 1982.

Latin American Ties Urged

Increased ties and aid to Central America were recommended by the EC Commission in early December. According to unofficial reports, the recommendations included general proposals aimed at examining whether trade concessions could be made for products of special interest to the region and on the possibility of improving the system of generalized preferences for developing countries.

AID

EDF Development Funds Set

The European Development Fund made several financing decisions during October and November to aid projects in developing countries. Samoa was granted ECU 900,000 as partial financing for facilities for bulk storage and handling of coconut oil and copra pellets. Over ECU 4 million was also granted for construction of a hydroelectric plant in Western Samoa which will replace the thermal power stations there.

Two grants were made to the Congo: ECU 2.5 million to follow up the operation already begun with the help of EC funds to improve the system for draining the waters of the M'Foa river and canal in Brazzaville; and ECU 400,000 for technical assistance to the National Development Bank of the Congo. Mauritius was granted over ECU 1.6 million for investment and trade promotion. Malawi and Zambia were allocated well over ECU 3.5 million each for multiannual training programs.

For a vehicle repair project, Tanzania was granted ECU 13 million. Transport capacity there is short because of a lack of spare parts. Mali was granted funding for three projects: ECU 3 million for the second phase of a project to develop stockfarming; nearly ECU 2.6 million to improve health care facilities in the Niore region; and ECU 14 million for the fourth phase of a development project in rice growing. Kenya was granted ECU 10 million for improvements to a road between southern Sudan and northern Kenya. An earlier grant of over ECU 4.4 million will help smallholders increase their rice production in Kenya.

The Ivory Coast was granted special loans totaling ECU 13.5 million for village water engineering and a grant of more than ECU 2.3 million for a trade promotion program. ECU 25 million was granted to Uganda for a coffee rehabilitation program, and for rural development of the central area of the Zaire/Nile watershed, Rwanda was granted ECU 13.8 million. Among other benefits, the project should bring new farmland into cultivation and improve food production.

Mauritania was granted ECU 670,000 for the establishment of a national department for the management and maintenance of health infrastructure. Somalia received three grants: nearly ECU 5 million to set up an experimental farm; two grants totaling nearly ECU 19 million for roadwork; and over ECU 1.2 million to rehabilitate a dairy.

Tchad was allocated ECU 9.6 million for a program to boost the productivity in cotton growing; Tanzania was granted ECU 5 million for extensions to a water supply system; Barbados was to receive more than ECU 1.2 million for the first stage of an agricultural development and modernization project. To finance technical studies for construction of a new road, the Djibouti-Somalia project was granted ECU 1.2 million. Suriname was granted ECU 782,000 to replace the ferry boat there with a long wooden bridge.

Lesotho was allocated ECU 400,000 for expanding primary schools in rural areas; rural health centers will be built and equipped with the ECU 2 million grant to Zambia. All African, Caribbean, and Pacific states will benefit from nearly ECU 2.8 million granted as assistance to business organizations to help develop cooperation between businessmen in developing countries and in the Community, specifically in the fields of fruit and vegetables, handicrafts, and soft commodities.

EIB Development Loans

The European Investment Bank (EIB), the Community's bank for long-term finance, made several financing decisions in mid-December and early January. The most recent were a loan for ECU 3 million for construction of a hydroelectric power station in Western Samoa and a loan of ECU 10 million to go toward improvement of the road

from Constantine to the port of Jijel in Algeria.

Earlier, the EIB granted Tunisia two loans totaling ECU 12 million for financing agricultural development schemes. The projects include improving conditions for cattle and sheep farming; raising productivity on date palm plantations; and irrigation for tree and fodder crops. The Industrial Development Bank of Israel was granted a loan of ECU 15 million to help finance small and medium-scale industrial ventures. As a result, more than 700 new jobs should be created in different sectors.

ECU 6.5 million was granted for converting to coal-firing and uprating the capacity of two oil-fired rotary kilns at Mombasa cementworks in Kenya. Similarly, two loans totaling ECU 40 million went to projects in Spain for the substitution of coal for oil in cement production and for small and medium-scale investment projects.

ECU 7.5 million was also lent for oil exploration in Tanzania, off the island of Songo Songo in the Indian Ocean. Lesotho was granted a loan of ECU 3 million to support small and medium-size enterprises in the industrial, agro-industrial, mining, and tourism sectors. A loan of ECU 12 million was granted to finance the third and final phase of a hydroelectric scheme in Viti Levu, the largest and most populated Fijian island.

Partial financing of new 125 megawatt generator units for the thermal power station at Zouk in Lebanon was made available in the form of a loan of ECU 7 million. Papua New Guinea was lent ECU 52 million to help finance mining of a gold-bearing copper ore deposit there. Portugal was advanced ECU 31 million to go toward development of the Lisbon-Algarve road.

The Development Finance Company of Kenya Ltd. was granted a loan of ECU 1.55 million to contribute to a capital increase by Kenya Furfural Company Ltd. to finance additional equipment for a nearly completed chemical plant. Turkey was granted loans totaling ECU 49 million for construction of a hydroelectric complex and for installing a national control center as well as to improve the high voltage grid and other transmission equipment. ECU 10 million has been lent for modernization and expansion of cement production facilities in Senegal, expected to cover increased domestic demand and possibly to supply neighboring countries.

Help for Housing in Belfast

A proposal for a regulation enabling the Community to help finance new dwellings in Northern Ireland as part of an integrated operation in Belfast was made by the EC Commission last November. The plan for Community co-financing involves a contribution of up to 50 percent of the building costs, including the installation of related facilities and amenities. The size of the EC contribution would be decided ev-

ery year. ECU 28 million was suggested for 1982.

The proposed measure is to be part of a coordinated effort in Belfast to improve living and working conditions there. The Commission sees housing as the fastest way of achieving tangible improvement. It has been estimated that at least 5,000 new dwellings will be needed each year to keep up with need, yet only 3,020 new housing starts were made in the whole of Northern Ireland in 1980. It was also reported that 14 percent of dwellings there are substandard at present.

Italy to Get Special Funds

A special program for Italy was approved by the EC Commission in December for which the Regional Fund is to contribute from its nonquota section ECU 65 million between 1981 and 1985. Measures to help small business, craft industries, and rural tourism in the Mezzogiorno are included. The aim is to develop economic activity outside the agricultural sector and to offset the adverse effects of the Community's enlargement on the competitiveness of this region through alternative employment.

Stabex Aid Approved

The EC Commission approved in mid-December an advance payment of ECU 400,000 to the Solomon Islands for loss of earnings on copra exports for 1981. The loss was due to a fall of about a third in the price of copra. Earlier the Commission decided on three advances totaling ECU 1.5 million to Gambia to compensate for 1981 export losses in groundnuts, groundnut oil, and oil cake. These losses were due to bad weather which affected the harvests. Gambia had already received in October advances of ECU 2 million for losses in groundnuts and groundnut oil.

Emergency Aid Approved

Emergency food aid worth ECU 2.8 million for displaced persons in El Salvador and refugees in Honduras was approved by the EC Commission in early January. Earlier grants included ECU 300,000 to three nongovernmental organizations in support of their relief work for the people of Vietnam. Madagascar was granted ECU 200,000 in exceptional aid to pay for pesticides the island needs to cope with locusts threatening food supplies.

Niger was granted ECU 800,000 to supply animal feed to help alleviate the consequences of drought in that country. ECU 500,000 was granted to the Central African Republic for a program to combat the increase in infant mortality following a flare-up of infectious diseases in the country.

Emergency aid of ECU 500,000 for Ugandan refugees in Zaire and ECU 15,000 for medicine to stem an epidemic of dysentery there were granted by the Commission in mid-November.

Food aid worth ECU 22 million was proposed as a first year contribution to the 1981-83 program of the United Nations Relief and Works Agency for Palestine Refugees in the Near East. ECU 400,000 for Angola was also approved and was to be distributed via nongovernmental organizations running emergency relief programs there. A contribution of ECU 200,000 was approved for a program to aid people suffering from malnutrition in Ethiopia.

Investment Funds Sought

Additional funds for ECU 1 billion for investment lending were requested by the Commission in early December for the so-called New Community Instrument or Ortolí Facility loan program. The sum had already been approved in principle by the Council of Ministers.

The loans, destined largely for the less developed member states, are designed to serve as catalysts for infrastructure or energy projects which might not otherwise obtain funding. The funds are raised on the international capital markets and are a major new source of Community financing.

Dominican Republic Aided

ECU 4.8 million was granted by the EC Commission in mid-December to the Dominican Republic, a nonassociated developing country, to create an irrigation scheme in the southwest of the country. The system is to be fed by wells and boreholes and backed up by social infrastructure and other support measures. About 11,000 people who live in the most desolate part of the country will benefit from this project.

Aid Seen As Not Enough

Aid to developing countries not associated with the Community through the Lomé Convention added up to about ECU 383.5 million between 1976 and 1980. This figure was called insufficient in a report released by the Commission in late November. Aid had increased rapidly over that time, but the per capita amount was still well under that received by beneficiaries of the Lomé Convention, said the Commission's report.

About 74 percent of the aid has gone to Asia, 20 percent to Latin American countries, and 6 percent to African states. India was the main recipient with 25 percent of the total, followed by Bangladesh, Indonesia, Sri Lanka, Pakistan, Thailand, Zimbabwe, Honduras, Haiti, and Bolivia. Most projects funded have been in rural development, with social and industrial development projects receiving just over 11 percent of the funding.

Grants for Orphans Made

At the Paul Finet Foundation's fifty-first meeting in late November, 214 financial aid awards were approved out of the 250 cases examined. Recipients must be orphans of workers in the

Community's coal and iron ore mining or steel industries who died from industrial accidents or occupational disease. The grants are for vocational training, general secondary education, or higher education; they are awarded annually and are renewable. During the 16 years that the foundation has been in operation, 10,761 grants have been awarded.

Morocco, Lebanon Get Funds

A grant of ECU 790,000 was approved in early December for Morocco to supply the Rabat cereal testing laboratory with equipment and scientific apparatus so it can extend its testing and research work on agri-foodstuffs. This facility is the only official national laboratory doing analyses of cereals and cereal products. The grant will also provide technical assistance and training and retraining for local staff to familiarize them with the new equipment.

At the same time, Lebanon was granted ECU 300,000 as additional financing to extend the scope of the multiannual training program in merchant navy training, teacher training, and short-term technical assistance related to small business. Lebanon had already received ECU 200,000 to cover short training courses in data processing, teacher training, and merchant navy training.

NCI Loans Made to Regions

Three loans worth ECU 250.8 million from the New Community Instrument (NCI) funds were made in mid-December for reconstruction in areas hit by the earthquakes in southern Italy and for development of the telecommunications network in Sardinia. In addition, a framework agreement was signed for future loans of ECU 63.7 million for housing construction linked to industrial development in the Mezzogiorno.

Earlier, nearly ECU 34 million was granted from the NCI for borrowing and lending to help finance a major extension of the water supply system in northeast England. This was the latest in a series of EC loans to finance works carried out by regional water authorities in England and Wales.

Another NCI loan of ECU 9.2 million was made to Bord Na Mona, the Irish peat development authority, to increase production of milled peat for peat-fired power stations and for manufacture of briquettes used for heating installations and open fires.

Scotland Gets EC Loans

Two loan schemes for Scotland were approved in late November by the EC Commission. One is with the Scottish Development Agency and the other with the Clydesdale Bank. Similar loans were recently announced for England and Wales.

The loans are being made available under the European Coal and Steel

Community Treaty (ECSC) which provides low-interest loans for projects creating new jobs in areas affected by the decline of the coal and steel industries. Both the Community and the UK Government have agreed to minimize their administrative requirements for such loans to the following: the applicant must have no more than 50 employees at the time of allocation; the investment must be in travel-to-work development areas where significant redundancies have occurred in either steel or coal industries; the loan must be for a manufacturing project or allied service industry; at least two jobs suitable for ex-coal or steel workers must be created as a result of the investment; and the loan will be restricted to a certain amount.

INSTITUTIONS

UK Labour Party Wants out

The British Labour Party sent a fact-finding team to Brussels in early December to study the details of a proposed withdrawal from the Community should Labour win the next elections in Britain. A spokeswoman said the withdrawal would be followed by the strengthening of British ties with the European Free Trade Association (EFTA) and the General Agreement on Tariffs and Trade (GATT) and by an internal policy of deflation.

EC Commissioners from the United Kingdom, Ivor Richard and Christopher Tugendhat, said a negotiated withdrawal would take about 18 months and be fraught with problems, including the need to compensate other countries for trade disruption under the rules of the GATT. The Labour delegation was also told that even outside the Community, the British Government would be restricted in the amount of trade curbs and protection it could expect, because of international trade rules.

Foreign Ministers Meet

Reform of the budget and agricultural policies was at the top of the list of issues examined by EC foreign ministers during their meeting in early December. They also issued a declaration urging the Soviet Union to allow dissident physicist Andrei Sakharov and his wife to resume a normal life and to allow their daughter-in-law a visa to join her husband in the United States.

The ministers approved the proposed 1982 Scheme of Generalized Preferences for developing countries and called for an additional 8,000 tons of beef to be shipped to Poland. No agreement was reached on the proposed price of imported sugar from the Lomé Convention countries. There was also a broad-ranging debate on the EC negotiating position for the international Multifibre Agreement talks, and the ministers asked the Commission to

send a list of priority demands to Japan to ease the imbalance of trade between the Community and that country.

Aid Agreed for Portugal

The first financing agreement of an ECU 10 million grant for pre-accession aid to Portugal was signed in Brussels in mid-December. The aid is for financing a program for the restructuring, modernization, and development of small and medium-size businesses. The Community's contribution to the project will be spread over two years and will go mainly for improving the international management structures of small businesses and the quality of services available to them, as well as implementing improvements in a number of these firms.

In addition, the European Investment Bank (EIB) granted a loan of ECU 30 million to finance small and medium-scale ventures in industry and tourism. This was part of the ECU 150 million package made available through EIB loans to encourage regional development, increase productivity, and to help improve the country's industrial structures, agriculture, and fisheries, and to develop infrastructure. A grant of ECU 125 million from the Community budget will finance cooperation projects and technical assistance operations and finance interest-rate subsidies for EIB loans. The overall package of ECU 275 million, agreed to in January 1980, is for partial financing of preparations for Portuguese accession to the Community.

Parliament, Council Meet

The Council of Ministers met for the first time with the leaders of the European Parliament in mid-December. The meeting, coming more than two years after the first election of the European Parliament, was regarded as a major step in recognition of the role of the Parliament in Community affairs.

The Parliament heard the German and Italian foreign ministers introduce their joint plans for closer cooperation in the Community in new fields such as security, legal, and cultural affairs. In another unusual development, the session saw more than 30 members introduce resolutions against installation of American Pershing and cruise missiles and Soviet SS-20 missiles.

Budget Debate Continues

The annual debate between EC institutions over the budget continued in late November as the Council of Ministers met with a delegation from the European Parliament and examined that body's recent amendments for the budget. The meeting covered both the proposed Community budget for 1982 and a supplemental request for 1981.

At its meeting the Council approved several of the Parliament's major amendments, including increases in 1982 for the Regional and Social

Funds, energy, aid to nonassociated developing countries, and microelectronics. Also accepted was an increase of ECU 10 million as additional food aid for Poland. There was no assurance, however, that these funds would actually end up in the final budget.

European Council Meets

European Community leaders meeting in London in late November did not conclude discussions on the major pending agricultural and budgetary reforms, although progress was made on other fronts. Declarations were made supporting the American position on forthcoming arms control negotiations, confirming the political commitment to the accession of Spain and Portugal to the Community, and backing the proposed German-Italian plan for the expansion of Community cooperation. In addition, there was general support for expansion of the social and regional funds and for Community lending programs. There was no agreement reached, however, on changes in the dairy sector, Mediterranean produce, or EC farm prices.

COMPETITION

Champagne Company Fined

The British subsidiary Moët et Chandon of the French Moët-Hennessy champagne company was fined ECU 1.1 million by the EC Commission in early December, one of the heaviest fines ever imposed on a single firm for violation of EC competition laws. The specific charge was against the British subsidiary for seeking to prohibit resale of its product outside the United Kingdom, an export ban the company had operated from January 1980 to October 1981.

Moët-Hennessy replied that this policy was applied to assure that the small amount of champagne allocated for the British market was not delivered to other member states and to prevent speculative buying for subsequent export. But the Commission argued that the policy was a serious violation of laws against export restrictions and the concept of free movement of goods in the Community.

Commission Levies Fines

The EC Commission recently imposed fines for infringements of competition rules in five cases. A fine of ECU 1 million was levied against AEG-Telefunken, the German electrical products group, for abuse of a distribution agreement between 1976 and 1980. For restrictions on imports of washing machines and dishwashers into Belgium, the Commission imposed fines totaling over ECU 1 million on more than 20 companies and an association involved in a system of controlling compliance of these appliances with Belgian pollution control standards.

The French and Belgian marketing subsidiaries of Matsushita were fined ECU 5,000 each for giving incorrect replies to a formal request from the Commission for information regarding their price structure. Matsushita manufactures and distributes consumer electronic equipment under the brand names Technics and Panasonic.

Another firm was also fined ECU 5,000 for supplying an incorrect response to a request for information. Comptoir Commercial d'Importation (CCI) distributes, among other things, electric motors for vacuum cleaners supplied by the Matsushita Electrical Trading Company of Japan, a relationship CCI did not make clear.

A decision was also taken by the Commission to prohibit the distribution arrangements of Victor Hasselblad A.B., the Swedish reflex-camera manufacturers, and Hasselblad (BG) Limited, their independent UK sole distributors. The arrangements hindered imports and exports and restricted competition in other ways. Along with smaller penalties given to other sole distributors who took part in the segregation of the Community market for these products, the total fines imposed here amounted to ECU 760,000.

Microscope Firms Helped

The EC Commission renewed in late November for a period of 10 years the decision adopted in 1977 to exempt from EC competition rules a cooperation agreement between the French company Sopelem and the British company Vickers involving their joint subsidiary Nachet.

The agreement covers technical cooperation and the exchange of expertise and know-how in research and development of microscopes, particularly very sophisticated instruments. Joint distribution, which was originally part of the agreement, is no longer covered. There is intense competition within the Community on the market in microscopes, but Sopelem and Vickers have a limited share of that market, with the greater part being taken by Japanese and German manufacturers.

Language Venture Approved

A favorable decision on three agreements between Langenscheidt (Munich) and Hachette (Paris) regarding the publication and distribution of French language courses in Germany was reached by the EC Commission in late November. The agreements set up a joint subsidiary in Munich to publish and distribute Hachette's courses on the German-speaking market, either in their original form or after adapting them to the needs of German students.

The Commission took the view that these agreements would restrict competition and could appreciably affect trade between member states because of the size of the two companies, both major publishers. The Commission decided, however, to exempt the agreements from EC competition rules until

the end of 1984 because the arrangement would improve the production and distribution of French language courses in Germany and consumers would benefit. The Commission also considers language courses of particular interest from the point of view of Community integration.

EC Against Patent Cartel

A group of German firms that had acquired patents for equipment allowing reception of stereophonic television broadcasts was stopped by the EC Commission in December from applying a resolution to grant licences to its members only. Nonmembers were to be granted licences to a limited number of sets in January 1983 at the earliest. The Commission took the view that the joint purchase of patents essential for operation on a certain market constituted a restriction of competition since it had the effect of excluding firms not belonging to the group.

The group in question, Interessengemeinschaft für Rundfunkschutzrechte GmbH (IGR), in Düsseldorf, whose members include all firms manufacturing color television sets in Germany, immediately declared its willingness to grant licences free of restrictions to all other manufacturers in the Community.

Book Cartel Overruled

The Commission prohibited a Dutch and Flemish book cartel in late November because the agreement in question between two associations for the promotion of books in those languages infringed EC rules on competition. The Commission's decision was in line with the judgments of two Amsterdam courts that ruled on the question of a fixed retail price for Dutch-language books in 1977. Since then the agreement had not been legally enforced.

The agreement made provision for exclusive dealing in Dutch-language books between Belgium and the Netherlands. Publishers, wholesalers, booksellers, and importers of Dutch-language books, the great majority of whom belong to one of the two associations, were required to apply the rules imposed by the associations. The Commission plans to hold consultations with the associations to discuss the problems involved.

AGRICULTURE

CAP Update Urged

Vice President of the EC Commission Christopher Tugendhat, in charge of financial affairs, said in early January that the common agricultural policy (CAP) should be brought up to date to enable it to cope with the economic and political changes since its inception 20 years ago. The Community has en-

larged from six to 10, said Tugendhat, and production conditions have changed considerably, as has the balance of interests between different sectors of the economy. Over the last 10 years agriculture's share of total Community employment has fallen by over a third.

The Commission's own guidelines for European agriculture include the belief that the basic principles of the CAP remain valid and intact; that it is necessary to make adjustments in the policy; that stricter discipline should be applied in the matter of national aid measures; that the Commission does not want to impose arbitrary restraints on production; and that steps should be taken through direct income subsidies to support farm income.

Tugendhat said he was aware of farmers' opposition to forthcoming Commission price proposals. "What everyone should be prepared to recognize is that whatever package of measures is finally placed before ministers for decisions cannot hope to succeed if it really contains unfair burdens for any types of producer or for any countries, and I do not believe that ours does..." The commissioner also denounced plans for Britain's withdrawal from the Community being put forward by the Labour Party, particularly the hypothesis that the pattern of industry in the United Kingdom would return to something resembling that it was before Britain's accession in 1972.

At the agriculture ministers' meeting in mid-November, little headway was reported in CAP reform. Areas discussed included a proposal to enlarge the responsibility of farmer-producers for dairy product surpluses, direct aid, and cereal prices. More specific short-term issues were covered, such as: food supply contracts with other countries, conditions for battery hens, the price of natural gas for hothouses in the Netherlands, and sugar prices.

Sugar Problem Debated

Debate over problems in sugar trade and over the Community system of stabilizing export earnings of developing countries (Stabex) reached a climax at a late November meeting of ambassadors of the Community and the 61 African, Caribbean, and Pacific (ACP) states when ACP envoys threatened to call a meeting of ministers to resolve the difficulties. The sugar discussion concerned not only the price the Community was offering for guaranteed deliveries from ACP states, but also EC participation in the world sugar agreement and quotas for specific countries. The Stabex issue revolved around the shortage of funds in the system to meet requests for reimbursement and also whether or not a number of new products were to be included, such as sisal and citrus fruits. ACP ambassadors complained of a lack of consultation on specific problems and on general issues such as enlargement and generalized preferences.

SOCIAL POLICY

Handicapped Program Set

A new bureau was created by the Commission in early December to coordinate Community activity concerning disabled people. Part of the Directorate-General for Social Affairs, Employment, and Education, the new administrative unit will carry out the new action program on the social integration of the handicapped. The cornerstone of this new five-year program will be the setting up of a Community-wide network of locally based development actions to serve as points of reference and demonstration models for policy innovation elsewhere.

Social affairs ministers also acted on behalf of disabled people by adopting a resolution to take action on the integration of the handicapped into the labor force. The resolution called for measures to take account of the handicapped in other policies, to facilitate coordination of national and local measures aimed at improved vocational training, and to assure that the handicapped do not suffer unfairly because of economic crisis. Additional aids to improve access to building, transport, and housing were also specified.

Social Measures Proposed

New measures in social and employment affairs proposed in early December included a draft directive on voluntary part-time work and a recommendation on flexible retirement, as well as actions in favor of equal opportunity for women and on behalf of the poor. The voluntary part-time work proposal seeks to fill gaps in national legislation related to the social security and employment rights of part-time workers. Nondiscrimination between

full-time and part-time workers would make the latter a more attractive option.

Stepped-up action in the field of equal opportunities for women came in the form of Commission approval of the outline for a new action program for the 1982-85 period. The approach set out by EC Commissioner Ivor Richard, in charge of social affairs, called for the strengthening of individual rights and the achievement of equal opportunities in practice. These two categories cover a series of 16 proposed actions that include the strengthening of existing national bodies and the creation of a network of contacts between such bodies; specific measures to correct discrimination; provisions to protect women during pregnancy and early motherhood; measures to help women take up nontraditional occupations; and promotion of desegregation of employment.

The Commission also released the results of a study showing that 30 million persons in the Community live below the poverty level. The study noted a series of pilot projects and studies undertaken at Community level in recent years in specific poor regions and urged member states to take urgent action to relieve these situations.

HARMONIZATION

Insurance Laws Sought

Economic and finance ministers met in mid-November to discuss laws to open up the markets in all EC member states to nonlife insurance firms from other members. British Chancellor of the Exchequer Sir Geoffrey Howe noted that among remaining major issues were the notification requirements to national authorities and the request by France that such insurance services be subjected to value-added tax.

Merger Proposal Changed

Amendments to a directive on mergers, which was originally proposed in 1973, were made in early December in an attempt to relax the provisions and end a deadlock of several years in the Council of Ministers. The directive would allow for prior notification and control of corporate mergers in the Community. The amendments proposed would limit the degree of Community supervision over mergers to Community-scale enterprises, partly by increasing the threshold of applicability from ECU 200,000 to ECU 500,000 and by considering the international implications of such mergers. More consultation with member states would also be allowed.

SCIENCE

Nuclear Safety Pact Signed

Wilhelm Haferkamp, EC Commission vice-president in charge of external relations, and George Vest, US ambassador to the European Communities, signed an agreement on January 28 between Euratom and the US Department of Energy. The agreement concerns cooperation in the field of nuclear materials safeguards research and development, an area of great importance for the peaceful utilization of nuclear energy.

The promotion of research and development on improved safeguard techniques, as provided by the agreement, contributes to nonproliferation and can be considered an important support to the goals established by the international commission on nuclear-fuel cycle evaluation. The agreement formalizes long-standing informal contact between research programs within the United States and the Community.

The agreement will remain in force for a period of five years and may be extended by mutual agreement. It will improve the exchange of scientific information, covers the exchange of equipment, and protects inventions or discoveries of both parties.

ENVIRONMENT

Seveso Directive Adopted

A directive proposed shortly after the chemical plant disaster in Seveso, Italy, about five years ago was adopted by the Council of Ministers in early December. The measure sets up a joint system of inspection and information to guard against similar industrial accidents with major environmental consequences.

The Seveso incident resulted in the releasing of a highly toxic substance in the area that injured people, killed animals, destroyed vegetation, and possibly led to a number of diseases among the population, which had to be evacuated for long periods. This accident, and others involving chemicals, led to the new environmental measure. In addition to a system of safety precautions and information, member states will also be required to consult and inform neighboring Governments about the existence of facilities with dangerous substances located near their common borders.

The measure was held up for years because of a disagreement, primarily between France and Belgium, over the need to consult over a proposed French nuclear power plant near the Franco-Belgian border. A compromise excluding the nuclear power plants from this new directive ended the stand-off.

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Recent Books

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

Public Enterprise in the European Economic Community, CEEP Review 1981. European Centre of Public Enterprises, London, 1981, 358 pages.

Consists of statistics and commentary on public enterprise in the EC countries, Spain, and Austria. Covers 1978-1980; describes the role of public enterprise in relation to the economy as a whole.

United States International Trade Reports. Edited by Edwin S. Newman and Eugene M. Wypyski. Oceana Publications, Inc., Dobbs Ferry, New York, 1981. Looseleaf binder. Initial binder, \$100.00

Includes all of the decisions from the US Court of International Trade and the US Court of Custom and Patent Appeals through March 1981. Includes several indexes.

Commercial, Business, and Trade Laws: The United Kingdom. Edited by Kenneth R. Simmonds. Oceana Publications, Inc., Dobbs Ferry, NY, 1981. Looseleaf updated by supplements. \$100.00.

Newest in multi-binder set that comprises the English texts of law, on a country by country basis, which are pertinent to the conduct of business, investment, and foreign trade. Provides a selection of the most important legislation in each of the jurisdictions covered that is likely to be encountered in day-to-day commercial operations.

The European Parliament: What it Is, What it Does, How it Works. By Michael Palmer. Pergamon Press, Inc., New York, 1981. 235 pages. \$11.00.

A detailed study of the nature and operation of the directly elected European Parliament. Explains why elections were held and their significance; analyzes political forces within the Parliament and the Parliament's relationship with other Community institutions and with the electorate.

EEC Protectionism: Present Practice and Future Trends. Vol. 1. By Michael Noelke and Robert Taylor. European Research Associates, Brussels, 1981. 292 pages. \$240.00.

A comprehensive study of protectionism in the EC: looks at the issues and options that face the member states in the 1980s, how trading partners are affected by restrictive measures, and the actual powers of the Community for controlling trade policy. Provides sectoral analysis of present situation and future trends in areas such as steel, automobiles, textiles, synthetic fibres. Examines effects on Japan, the United States, the Third World, Spain, and Portugal.

Judicial Review, Transnational and Federal: Its Impact on Integration. By Mauro Cappelletti and David Golay. EUI Working Paper No. 4. European University Institute, Florence. 143 pages.

Studies the nature and limits of the judicial role in a federal or transnational system. Addresses the question of supremacy of transnational law, the type of powers granted a transnational government, and the difficulties of judicial procedures, harmonization, and interpretation of laws, including cases involving human rights.

The European Monetary System: Present Situation and Future Prospects. EUI Working Paper No. 5. By Leonhard Gleske. European University Institute, Florence, 1981. 33 pages.

Assessment of the developments and ongoing problems after two years of the European Monetary System (EMS); briefly reviews establishment of EMS, evaluates exchange rate stability and pooling of reserves. Also discusses problems of divergence in economic development of member states and future plans for the EMS.

The EC and the Newly Industrialized Countries. EUI Working Paper, No. 1. By Jacques Pelkmans. European University Institute, Florence, 1980. 52 pages.

Investigates the EC's import and export trade in manufactures with newly industrializing countries during the late 1970s at the one digit SITC level. Concentrates on potential problem sectors, appropriate EC policy responses, of the EC and possible structural adjustments by the Community.

An Introductory Guide to EEC Competition Law and Practice. 2nd Edition. By Valentine Korah. ESC Publishing, Ltd., Oxford, 1981. 160 pages.

Basic guide to EC competition rules for private businesses; reviews structure of the Common Market, effects of Community law, and Articles 85 and 86 of the Treaty of Rome establishing the EC. Covers exemptions, nullity of contract, exclusive distribution agreements, patent licenses, and more. Includes sample cases and texts of relevant Commission regulations.

The Nature of the Italian Party System. By Geoffrey Pridham. St. Martin's Press, New York, 1981. 282 pages. \$25.00.

Using the region of Tuscany as a case study, examines the internal and external relationships of the many Italian parties. Identifies different factors of change and continuity in Italian politics in the 1970s.

Common Market Cartel Law. Third Edition. By Alfred Gleiss and Martin Hirsch. Bureau of National Affairs, Washington, D.C., 1981. 796 pages. \$95.00.

Explanation of the law of the Common Market dealing with restraint of trade; analysis of law as interpreted by the Commission and the European Court of Justice. Focuses on Article 85 of the Treaty of Rome and its application to price fixing, allocation of markets, limitations of production, distribution, etc. Appendix provides texts of relevant treaties and laws, including regulations of the Council, notices of the EC Commission, and decisions of the Court of Justice. Topical index included.

Industrial Location Policy for Economic Revitalization. By Morris L. Sweet. Praeger Publishers, New York, 1981. 184 pages. \$23.95.

Studies government policies and programs that control the locational pattern of industry and their effects on industrial development and policy. National, regional, and subregional levels are included in analysis. United States, Great Britain, and Western Europe are emphasized. Tables and maps included.

The Germans: Public Opinion Polls, 1967-80. Edited by Elisabeth Noelle-Neumann. Greenwood Press, Westport, CN, 1981. 516 pages. \$35.00.

Compilation of German public opinion on personal, national, and international issues. Examples of subjects covered: family life, religion, health care, education, labor relations, consumer issues, terrorism, political parties, relations with the North Atlantic Treaty Organization, the United States, the EC, and the Soviet Union. Tables provide demographic breakdown; subject index included.

Managing the German Economy: Budgetary Politics in a Federal State. By Jack H. Knott. Lexington Books, Lexington, MA, 1981. 215 pages. \$22.95.

Examines the impact of economic management on budgeting in Germany; emphasizes the use of formal economic models and their application in budgetary decisions. Studies the relation between analytical criteria and political decision-making, taking into account political relations between federal and state governments in Germany. Includes several tables, graphs.

The Economics of Unemployment in Britain. Edited by John Creedy. Butterworths & Co., London, 1981. 263 pages. \$14.95.

Analysis of modern economic theory and evidence relating to unemployment in Britain; considers the nature and effects of labor market adjustments, the role of uncertainty and expectations in the labor market, and different types of unemployment. Analyzes relationship between wages, prices, and unemployment, and explains the range of unemployment statistics in Britain.

The EEC and Intellectual Property. By Diana Guy and Guy I. F. Leigh. Oceana Publications, Dobbs Ferry, NY, 1981. 375 pages. \$50.00.

Considers the effect of EC law on intellectual property, and the way intellectual property is used and dealt with. Seeks to identify a common thread running through judgments of the Court of Justice and decisions from the Commission concerning intellectual property. Examines individual cases of specific types, includes index of cases.

Economic Divergence in the European Community. Edited by Michael Hodgson and William Wallace. Allen & Unwin, Inc., Winchester, MA, 1981. 227 pages. \$28.50.

Reports from a Royal Institute for International Affairs colloquium cover EC member state divergences in history, economic development, industrial development; also examined are the EC budget, the European Monetary System, enlargement. Provides evidence and arguments on the costs and benefits of Community membership for different states; includes detailed statistics on long term economic trends.

Law and International Resource Conflicts. By J. E. S. Fawcett and Audrey Parry. Oxford University Press, New York, 1981. 254 pages. \$55.00.

A study of the obstacles facing the establishment of a new international economic order; describes geophysical, operational, and commercial limitations on access to distribution of resources; examines the role of law in resource conflicts. Proposals such as the Brandt Commission's are evaluated. Annexes and relevant documents included.

Social Security in the United Kingdom: Contracting Out of the System. By John C. Goodman. The American Enterprise Institute, Washington, D.C., 1981. 72 pages. \$4.25.

Traces the historical development of British welfare policy from poverty laws to the present national pension system, concentrating on the provision that allows some workers to "contract out" of the program in favor of approved private pension plans. Considers its effects and advantages; evaluates its utility for the future.

Belgique-Pologne: Tendances du droit pénal/Marché Commun-Comécon: Aspects du droit économique. Editions de l'Université de Bruxelles, Brussels, 1981. 205 pages.

Compilation of reports from "Premières Journées Belo-Polonoises de Droit," Brussels, May 10-11, 1979. Part 1 follows the evolution of Belgian and Polish penal law in the context of protection of the individual and society. Examines differences and similarities in basic assumptions of human legal rights. Part 2 concerns the legalities of economic relations between Belgium and Poland, representing members of the EC and Comecon.

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Discusses the turbulent years leading up to the 1979 elections in which the Communist party lost votes in every province; covers the Italian electorate, the parties and campaigns, women in politics, the role of the mass media, and the state of Italian democracy.

The Strategy of the Italian Communist Party. By Donald Sassoon. St. Martin's Press, New York, 1981. 259 pages. \$25.00.

A study of the Italian Communist Party in the post-war period; emphasizes continuity despite various shifts which characterize the party line. Discusses the problem of transformation from a party of opposition to a party of government. Examines party strategy, history, and foreign policy, emphasizing European affairs and the Common Market.

Foreign Pension Plans: Handling the New Elections. Edited by James P. Klein. Practising Law Institute, New York, 1981. 395 pages. \$25.00.

Detailed look at foreign pension plans and US tax law; includes explanation of pre-1980 tax law on foreign pension plans, Congressional response to tax problems of foreign plans, analysis of tax code section 404A in various cases, deferred compensation plans for US citizens employed abroad, and other special technical and interpretative problems. Appendix includes texts of relevant codes, forms, and rulings.

Twelfth Annual Institute on International Taxation. Edited by Arthur H. Kroll. Practising Law Institute, New York, 1981. 1031 pages. \$25.00.

Latest in a series of course handbooks dealing with the relevant issues of international taxation. Topics range from investments in US real and personal property, US tax treaties, and compensation planning for executives abroad to current issues in multinational audits, foreign tax credits, and other recent developments affecting international taxation, including private letter rulings.

A Guide to the Official Publications of the European Communities. 2nd Edition. By John Jeffries. Mansell Publishing, Ltd., New York, 1981. 318 pages. \$36.00.

Expanded and updated to 1979; a guide to the publications of the EC. Chapter on Eurostat describes the changes that have taken place in statistical publications; lists abbreviations and acronyms, provides basic background on the Communities.

Policy Formation in the European Communities: A Bibliographical Guide to Community Documentation 1958-78. By Michael Hopkins. Mansell Publishing, Ltd., New York, 1981.

339 pages. \$42.00.

Studies development and application of Community policy through detailed descriptions of over 600 Commission documents. Chapters are divided into policy sectors which discuss the main features of the policy under review and list appropriate documents. Introduction describes the consultative and legislative process documents must go through before becoming official Community policy. Includes documents, subject, author, and title indexes.

Notices and Group Exemptions in EEC Competition Law. By Christopher Harding. ESC Publishing, Ltd., Oxford, 1981. Looseleaf with updating service. Basic volume \$64.25.

Texts and commentary on notices and regulations the Commission has issued to clarify the scope of Article 85(1) of the Treaty of Rome. In three parts: notices issued by the Commission; agreements not covered by a notice or group exemption, but not requiring notification; Commission regulations providing for group exemptions. Commentary includes evaluation of the commercial significance and the meaning of the text as affected by later decisions and judgments.

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The Parliamentarian's Role in the Alliance: The North Atlantic Assembly, 1955-80. By Sarah Charman and Keith Williams. North Atlantic Assembly, Brussels, 1981. 216 pages. \$10.00.

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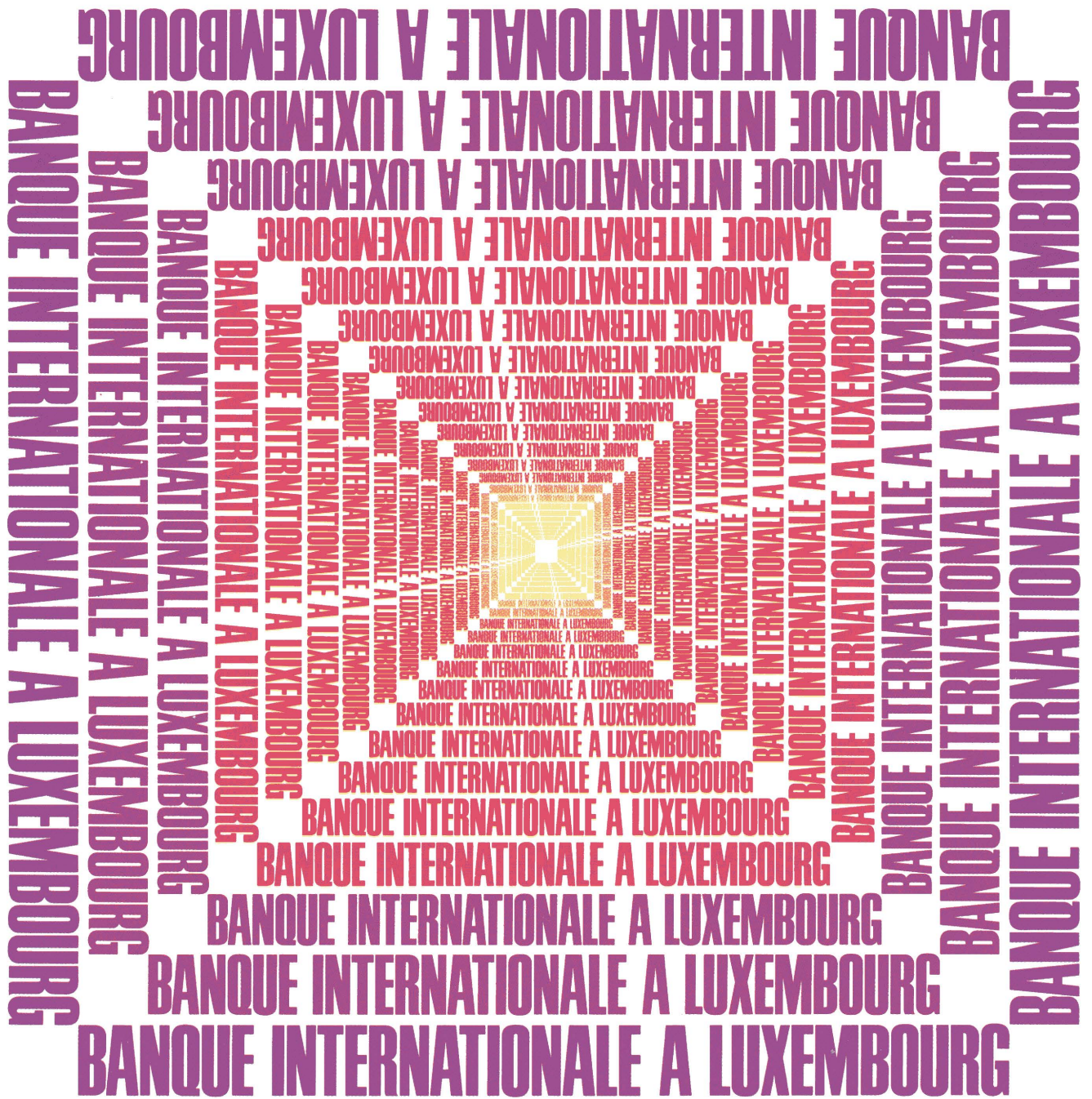
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