JULY/AUGUST 1982 No. 232

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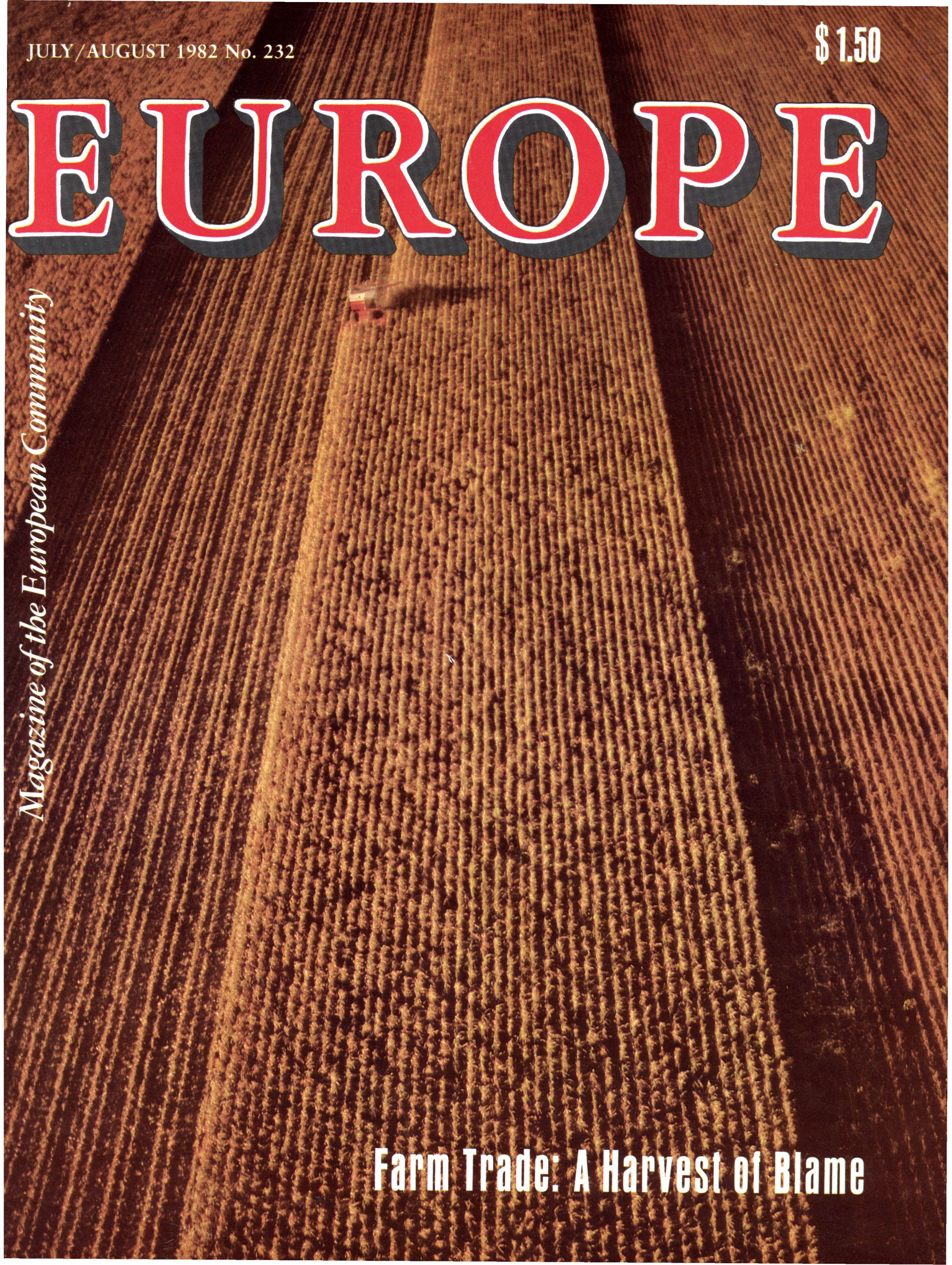
EUROPE

Magazine of the European Community



Farm Trade: A Harvest of Blame

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ICELANDAIR

NOW MORE THAN EVER YOUR BEST VALUE TO EUROPE

Publisher's Letter

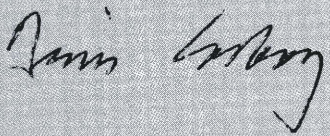
The development of an open international trading system has been one of the major achievements of the post-war period. In recent months we have been struck by the propensity to utilize the GATT mechanisms in a manner which risks straining the dispute settlement process beyond the limits which it can bear. Furthermore, the decision by the US Administration to restrict European steel imports is contributing to an even more serious deterioration in US-EC trade relations.

As this edition of EUROPE *appears, it is becoming clear that the storm clouds which were gathering earlier this year are now looking even more ominous. Our present problems are not entirely new. However, they have heightened and are converging, particularly in agriculture, steel, and East-West relations.*

For our cover story, we have invited US Secretary of Agriculture John R. Block and EC Agricultural Commissioner Poul Dalsager to present the arguments on both sides. The "Steel Deadlock" article provides the background to the steel dispute, which has now been brought into sharp focus by the US Administration's recent action.

The decision—taken, without consultation, in the wake of the Versailles summit—to impose additional controls on the export of US-licensed products and US-produced components for the Siberian gas pipeline, is bound to have adverse political consequences on the Atlantic climate. This will cause severe economic hardships for a number of European companies. Many Europeans and Americans feel strongly that the move will hurt them more than it will actually hurt the Soviets.

The recent EC decision on farm prices raises the vital institutional question of majority voting, which is examined in an article—"Agreeing to Disagree"—on the so-called "Luxembourg compromise." The member-state report this issue is on Denmark, which has just assumed the Presidency of the Council of Ministers for the second half of 1982. Finally, four articles on technology look beyond the present social and economic malaise in which we find ourselves and focus on alternatives for the future.



EUROPE

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Editor Webster Martin

Publisher Denis Corboy
Associate Publisher David Haworth
General Manager Sarah Trott
Promotion Manager Myriam Norris-Zigrand
Art Director Leckie/Lehmann
Assistants Nicola Chausse, Carine Menache

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TECHNOLOGY

the high tech race

Europeans struggle to keep up with US, Japanese giants.

DAVID BELL

Clive Sinclair is a British entrepreneur who doesn't give up easily. His latest invention, the cheapest small computer on the European market, has been selling as fast as he can make it. Indeed his little computer—more than half a million have now been sold—has spawned its own cult. Police had to be called earlier this year when the company organized a computer fair and was overwhelmed by the thousands of enthusiasts who turned up. And it is soon to be launched in the United States by Timex.

Yet for all its success, Sinclair remains a telling symbol of both the promise and the problems of European technology. His little company, based in the university city of Cambridge, is buzzing with new ideas, from flat television screens to electric cars. But it is all too aware that its competitors in the United States and Japan have the financial and marketing muscle to threaten it—and companies much larger than it—any time they choose. For although Europe is teeming with small firms—in fields as diverse as robotics, biotechnology, and computers—very few of them can stand the heat of intense competition from Japan or the United States.

In the key field of semiconductors, for example—the so called micro-chip market—Europe can boast only two of the world's top ten chip makers even though the European market for chips is the third largest in the world. Dataquest, the US consulting firm, estimates that European firms bought $13.8 billion worth of chips last year, but Europe-based chip makers accounted for only half this production. And most of them were subsidiaires of US firms.

The EC and individual European Governments, are all too well aware of the dangers of being left behind and it is widely accepted that keeping ahead of the new electronics revolution is vital for almost al! future industrial development. But there is no agreement on what to do about the fact that there are really only two European firms—the Dutch Philips and the German Siemens—which are able to compete on equal terms.

French President François Mitterrand shares the concern of the previous Government in that country that France should be able to compete on a worldwide basis. His Administration is pouring money into high-technology research and development. Electronics are to be given overriding "strategic priority." On the other hand, the Germans have been largely content to leave the development of the electronics sector to the marketplace, bolstered by research and development programs designed to stimulate the use of microprocessors and other advanced electronic equipment.

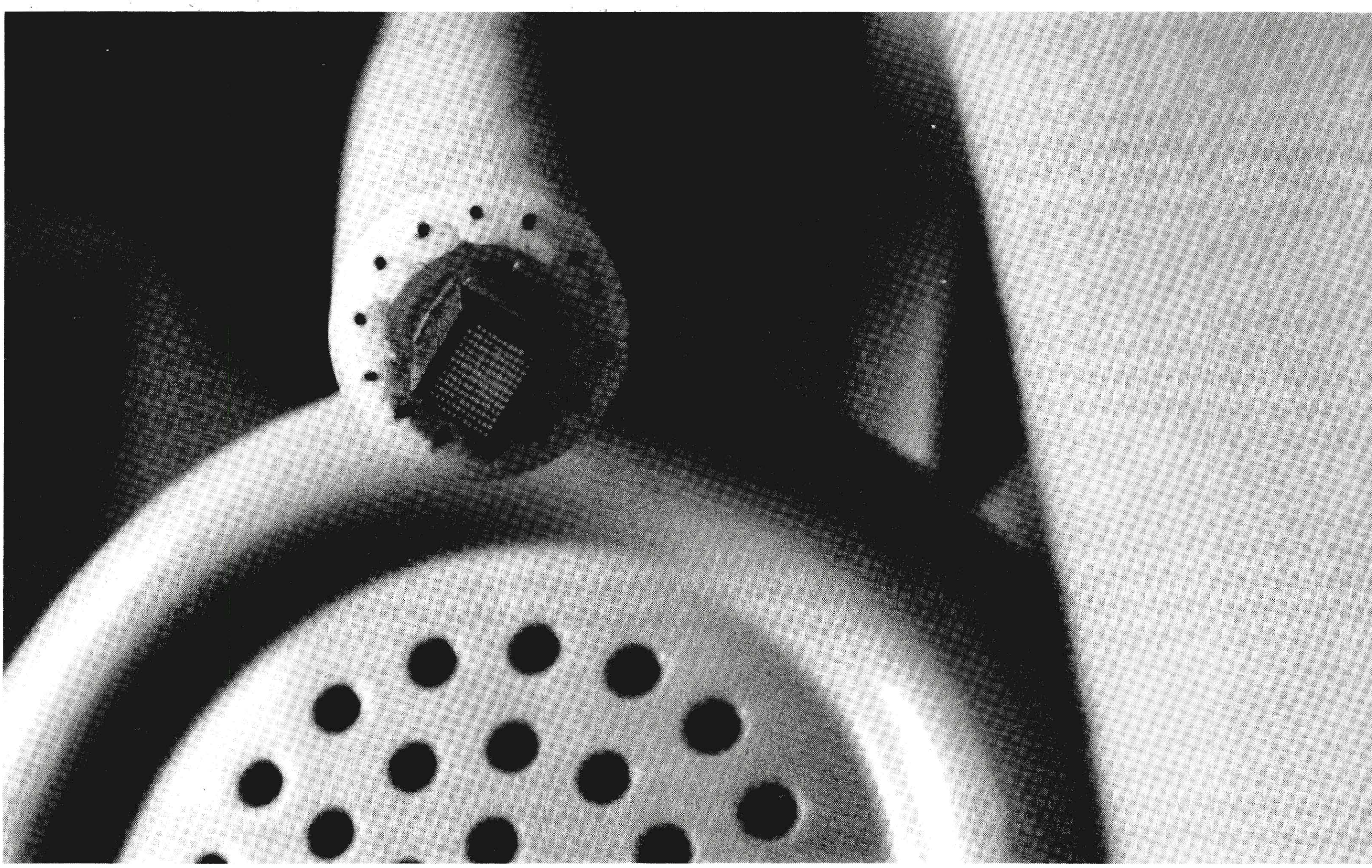
The British, meanwhile, are in between the two. 1982 has been dubbed Information Technology Year in Britain and a modest amount of money has been set aside to help spur interest in the application of microprocessors. Money is also being channeled into research on biotechnology and robotics. There is even a small chip making company, Inmos, which was set up by the last Labor Government and has succeeded in establishing a very small niche for itself in the world market.

But Europe's effort to claw back lost ground is fragmented and inconsistent and in Brussels the EC Commission has been watching the situation with growing concern. A report issued on April 29, entitled The Competitiveness of European Community Industry, noted that Europe's erstwhile lead in high technology had given way to serious "comparative disadvantage." The centerpiece of the report was a scale which dramatically underlines how much progress the Japanese have made in the past 20 years. The formula used is based on a ratio between high technology exports and a country's share of world trade. A figure of 1.00 represents equilibrium between the two.

In 1963 Japan could only record a showing of 0.56, while the EC countries managed a healthy 1.02. But by 1980 Japan had climbed to a 1.41 showing and the EC had fallen back to only 0.88. West Germany's figure fell from 1.21 to 0.99 and Britain was down from 1.05 to 0.94. Only Ireland, of the countries in the Community, showed an improvement—from 0.43 to 1.03. The United States, incidentally, seems to have maintained its technological edge against everyone but the Japanese, with figures of 1.29 in 1963 and 1.20 in 1980.

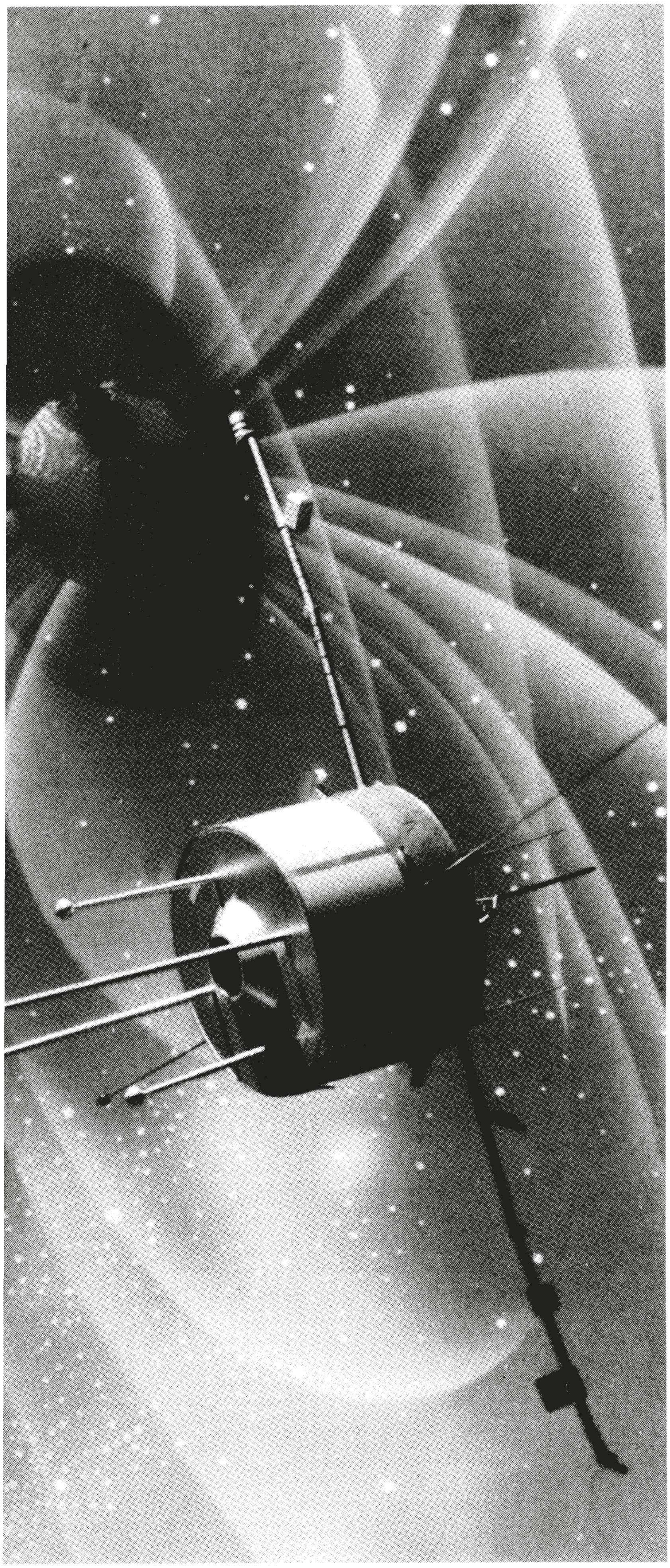
The Commission's answer to this problem is deceptively simple. It wants a concerted EC "telematics" strategy and the abolition of intra-EC barriers which are preventing a true common market in high-technology goods. This, it believes, would encourage more European investment and help end a situation in which Japanese spending in high-tech sectors is now twice that in the EC and the United States as a percentage of gross domestic product.

Last month, C. J. van der Klugt, vice chairman of Philips Holdings, bluntly went to the heart of the problem. "The survival of the West European electronics industry is at stake as long as there are a number of companies which behave relatively autonomous on the market or, in a number of cases, even adopt a strongly nationalistic attitude," he said. There is, he went on, no longer any room for the Europeans to adopt the kind of fragmented approach they had in the past, with national companies duplicating research and development and fighting each other fruitlessly while US and Japanese competitors quietly walk through the gaping hole left in the center. L. Mercurio, managing director of Olivetti's communications group Olteco, echoed this. Europe, he said, must capitalize on its size as a very large market.



Yet all this is much easier said than done. Individual countries, particularly France and Britain, jealously guard their high-tech companies. Britain's ICL computer firm, for example, was created about 10 years ago by the Government out of several smaller companies. But it is not remotely big enough to compete with IBM or Fujitsu and has been driven into a series of joint ventures with US and Japanese companies.

The French Government argues that Europe's high-tech companies should forge alliances within Europe. Jean-Claude Hirel, director of electronic and computing industries at France's Industry Ministry, argues that new forms of cooperation are needed between Governments to "reconquer" European markets. What is needed, he says, are the harmonization



of legal and regulatory conditions in different European countries, the launching of joint European research programs, and the establishment of a whole range of joint ventures among European companies to "create production facilities on a global scale."

But all this is so much easier said than done. The EC Commission is in no position to act like Japan's Ministry of Trade and Industry, which has the power—and more important the influence—to propel companies toward new sectors and new research alliances. Nor can Europe offer a single large homogenous market of the kind that IBM or Honeywell can take for granted. And with unemployment still climbing remorselessly throughout the Community, there are formidable political obstacles to removing the regulations which most countries still have to encourage their government departments or state industries to buy products made in each country. New EC rules frown on this, but they are proving very hard to enforce.

The robot industry provides a classic example of the problem. The European market for robots, according to a recent report by Creative Strategies International, a US-based consulting firm, is growing at a compound rate of 50 percent a year. France, Italy, Germany, and Britain all have fledgling robot industries whose products are mostly being used in auto assembly. But there is not very much cooperation between these firms which are already finding it hard to match the price or the sophistication of US robots sold under license. And the looming presence of Japan threatens to cut a swath through Europe's robot makers in the next five years.

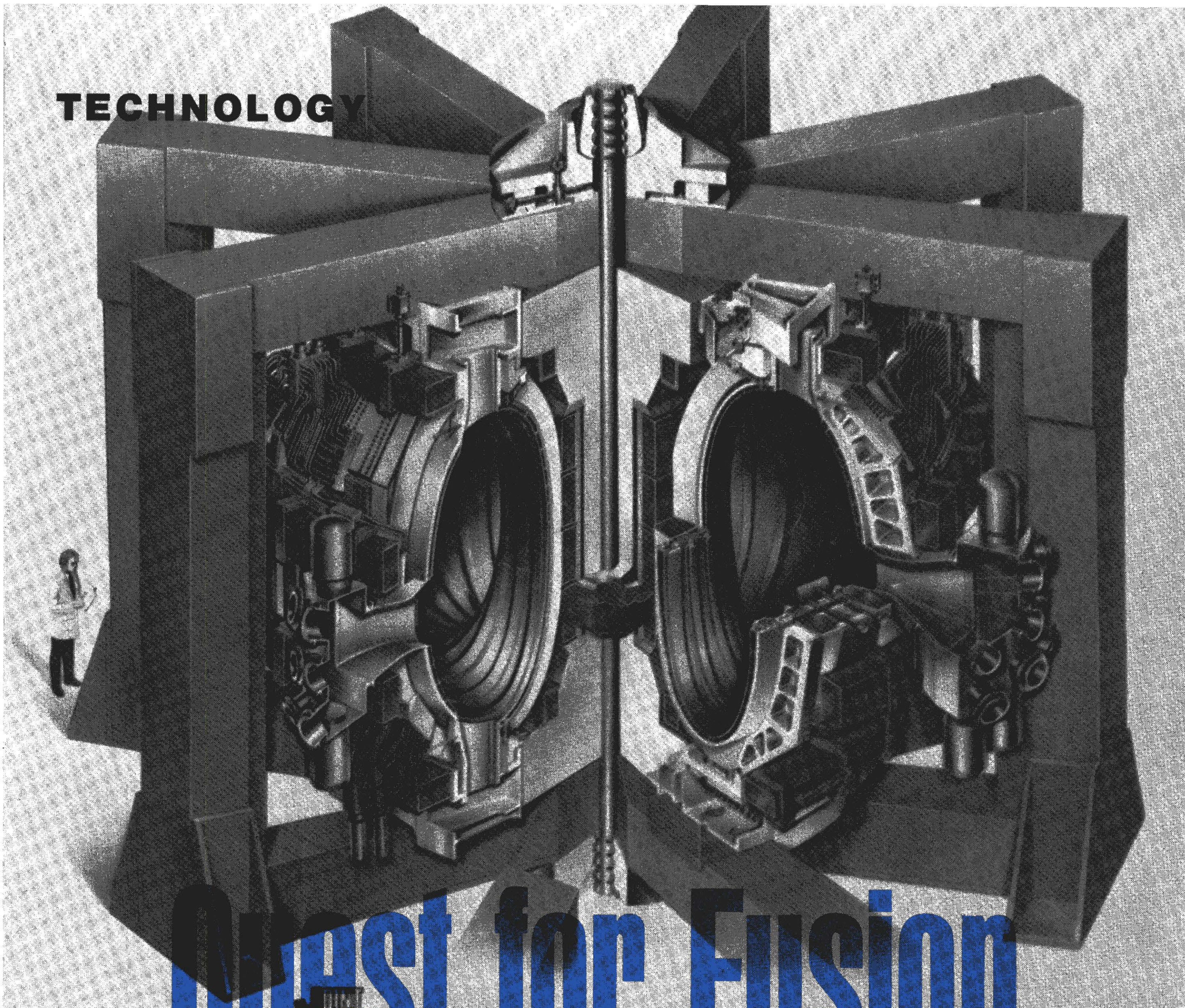
Just as Japan has decimated the US and European machine tool markets in the last 10 years, so it may well be gearing up to do with robots. Currently Japan is selling very few robots outside Japan. But, says the Creative Strategies report, "they are producing huge numbers that are being absorbed by a strong and profitable home market." They will, in short, strike when they are ready. When they do, the report concludes, they may well flood the market.

Most analysts believe that the most likely outcome to this situation—and to the general problem of Europe's high-tech position—will be an increasing number of cooperation deals between European and Japanese firms which will swap technology and production know-how. "The European solution just isn't going to work. There is too much nationalism and the game is moving too fast," says one analyst. Another believes that Europe must now take a leaf out of Japan's book. "Twenty years ago they studied us and beat us at our own game. Now we have to get really close to them, cooperate, sell under license and learn their tricks. Then we have to beat them at their game. Certainly we can do it, if the need is there," he says.

The danger, however, is that without intra-European cooperation, the Japanese and US lead may lengthen so far that it is impossible to catch up. Then Europe would have to face a permanent high-tech trade deficit with Japan and Europe and face the fact that it could not compete in the second industrial revolution which is now taking place. For all concerned it is a very acute dilemma. €

David Bell is features editor of the Financial Times.

TECHNOLOGY



An artist's impression of the Joint European Torus, which weighs over 1,700 tons.

Quest for Fusion

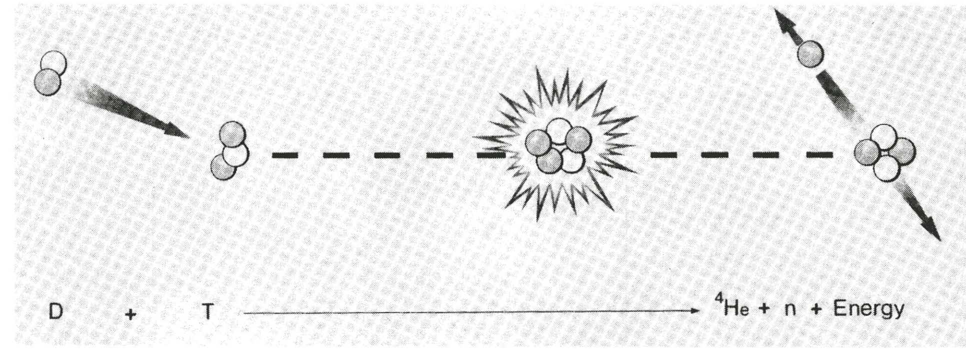
EC funds major effort in nuclear research.

While the US effort on nuclear fusion emerged alive but a lot thinner from the Reagan Administration's budget cuts, the European program has secured allocations only slightly below those recommended by fusion policy makers in Brussels. On May 25, the EC Council of Ministers gave final approval to a ECU 620 million (about $626 million) budget for 1982-86, 10 percent below what the Commission had been seeking. But officials believe this level adequate and expect national Government funding to provide the rest of the ECU 1.5 billion the Community plans to spend in its five-year research plan.

Because nuclear energy from fission is fully commercialized, its development and regulation effected at the national or even state level, fusion has perhaps by default become the major nuclear energy research and development program directed by the Community. Its funding levels are rivaled only by those the Joint Research Centre provides for nuclear safety, given a boost by the 1979 accident at Three Mile Island near Harrisburg, Pennsylvania.

This major effort in fusion, linked with other nuclear research from the Community mandate in this field set forth in the Euratom treaty, represents a substantial boost over the 1979-83 program of about ECU 880 million, to which the Commission directly contributed nearly ECU 400 million. The potential importance of fusion to European energy supply in the next century has led two non-EC nations, Sweden and Switzerland, to coordinate their fusion research efforts with those of the EC. Research centers in those two nations, along with 11 in the Community, are tied to the fusion program through association contracts which are in general subsidized by the Commission.

Some work is funded at levels up to 45 percent. In all, about two thousand professional researchers are working on fusion projects in nine European countries. Over one hundred are working directly on the JET—Joint European Torus—project, the centerpiece of the European fusion program to which about half the overall funding is devoted. Eighty percent of JET is funded directly by the Commission.



Fusion, as the word suggests, produces energy by the joining of light nuclei into a heavier one, unlike conventional fission energy in which neutron bombardment results in smaller nuclei. Fusion reaction researchers are focusing on a process which would combine two hydrogen isotopes—deuterium and tritium—into a helium nucleus, a spare neutron, and release of energy. Though deuterium is found naturally in water, tritium must be artifically produced for the fusion reaction from lithium, an element widely found in mineral form and in ocean water.

Bringing these elements together so that they sustain fusion reactions that give off energy requires enormous heating capacity—to 100 million degrees centrigrade and higher. The deuterium and tritium are heated into what's termed a plasma—the kind of hot gaseous mixes found on the sun. So the problem for scientists is to construct a reactor in which the plasma can be confined long enough, and made hot enough, to become a net energy producer instead of consumer.

The most promising method of confining and heating plasma is in an apparatus called a tokamak, and the European fusion program is being built around construction of a number of tokamaks and related facilities and experiments. By far the largest such plasma confinement machine is JET, located at the United Kingdom Atomic Energy Authority installation in Culham. The tokamak uses a combination of different sorts of magnetic fields to confine the plasma, which conducts electricity easily and can be manipulated by the magnetic fields.

This approach of magnetic confinement has taken priority in Community research over inertial confinement—in which hydrogen targets are irradiated by either laser beams or powerful electrons long enough so that the target's own inertia allows the fusion process to occur. The Commission's policy is in line with recommendations issued last year by a blue-ribbon fusion review panel, which urged the EC to concentrate on JET and simply keep abreast of work going on elsewhere in inertial confinement.

Reviewing construction of JET so far, a senior official at the Culham plant said the five-year building plan set into action in mid-1978 is running a mere seven weeks behind schedule and that it's still set for completion in the summer of 1983. He said all the buildings are completely erected, and the first of eight modules of the torus (or vacuum vessel that contains the plasma) will be installed in August, and the last will follow seven months later. The modules are assembled on-site. Already installed in the Torus Hall are the magnetic circuit and support piping.

There are 320 workers on the site, and the construction has involved more than 100 contractors since 1978. Once JET is operating, work will continue on auxiliary facilities designed to increase the tokamak's heating power, which will go as high as 25 megawatts thermal in around 1987. "Our aim is to get as close to thermonuclear conduction as possible," said the JET official.

When the JET experiments are finished, researchers will be substantially closer to knowing how plasma behaves in reactor-like dimensions, but the official stressed that JET scientists aren't setting any specific goal for the tokamak to become a net energy producer. It's an experiment, not a reactor, the official explained.

The European fusion program is comprised of much more than JET. Five smaller tokamaks are operating in France, Italy and West Germany, and three other specialized tokamaks are planned. The Tore Supra, to be built in Cadarache, France, will test superconducting coils, heating problems associated with magnetic confinement, and impurity diffusion. Other proposals could see additional tokamaks at the Frascati center in Italy and at Garching, West Germany.

The only apparatus that had been planned, but which has been cancelled, is the so-called reversed field experiment (RFX) that the United Kingdom decided to drop in late 1981 because of budgetary problems and its separate 10 percent commitment (outside its share through Euratom) to the JET project. The RFX would have enabled the Community program to experiment with a different type of magnetic configuration than that of the tokamak. The RFX's main potential advantage is its ability to work without auxiliary heating. The RFX would have been partially funded by the Los Alamos laboratory of the United States.

Though experiments haven't even begun at JET, Community researchers and science policy makers are looking ahead to NET—the Next European Torus. While JET is expected to demonstrate the feasibility of containing and reacting plasma under the necessary heat conditions, NET will take the first step away from fairly pure scientific activity into application. It is intended to show that the various aspects of fusion energy, such as tritium handling, environmental safeness, and conversion into a second energy such as electricity, are feasible.

To have NET fully conceived and engineered for construction in the 1990s, work must begin now; the Council of Ministers has okayed nearly ECU 60 million for research and development. The know-how amassed from JET, NET, the other tokamaks, and fusion programs in the United States, the Soviet Union, and Japan should enable the EC to select a demonstration reactor project—unlikely to be built, however, until the 21st century.

In the United States, spreading limited resources has resulted in a Reagan Administration decision to chop the inertial confinement fusion budget in half for fiscal year 1983 while imposing a two percent cut on magnetic fusion spending, excluding inflation. That still leaves the magnetic fusion budget at about $450 million, and with projections for succeeding fiscal years of annual budgets exceeding $500 million after 1985, the US program remains substantially larger than Europe's. But if one looks solely at tokamaks, after having subtracted US programs in other types of magnetic confinement, the two programs are about the same size.

Still, the US counterpart to JET, the Tokamak Fusion Test Reactor in Princeton, is running a year ahead. It should be completed this year and by 1984, researchers hope to see whether the machine can produce 20 megawatts thermal while consuming the same—a first step toward net energy output. And America's next step to match NET has already been dubbed FED—Fusion Engineering Device. An initial conceptual design has already been done.

But in both the United States and in Europe economic necessities have narrowed major investments to tokamaks, leaving other branches of magnetic fusion behind. "It's unfortunate that we can't have a broad-based program," said a European fusion official, who added that he understood the financial limitation imposed by an expensive tokamak on the other projects. At least in the United States, other types of confinement, such as those that use mirrors and newer alternatives, are being pursued, if at a more modest pace. But in Europe, where such a large proportion of resources is in tokamaks, "We have no fallback position." He added that tokamak results remain promising, more so than was imagined a few years ago. €

TECHNOLOGY

EURONET

DIANE provides access to over 300 data banks.

Europe's first high-speed, computerized, information retrieval system, Euronet DIANE, currently links nine of the 10 EC members states, with Greece to be hooked up later this year. Euronet DIANE brings together independent European computerized information services (known as 'hosts'), which provide on line access to data banks, and a data transmission network created by a consortium of the various national postal and telecommunications administrations. The system is supported by EC funding.

Some 40 'host' computers currently give access to over 300 data banks covering a wide variety of scientific, technical, social, and economic information. Over 2,300 organizations are using DIANE and a number of countries outside the EC are connected now.

The first seeds of the Euronet DIANE project were sown on June 24, 1971, when the Council of Ministers adopted a resolution recommending coordination of activities in the field of scientific and technical information in the member states of the Community. The first three-year plan for scientific and technical information and documentation, put forward by the Commission to cover 1975-78, was approved on March 18, 1975. One of the main objectives of this plan was to create a transmission network to make such information available 'to all who need to use it'—research workers, managers, engineers, decision-makers throughout the Community—'by the most modern methods' and 'under the most favorable conditions as regards speed and expense'.

The technology selected for Euronet DIANE was 'packet-switching'. Under this system, each message is split into small pieces of 'packets' which are automatically 'labeled' with their place of origin, destination, and sequence. The packets are then transmitted by the quickest route (or routes), interleaved over the circuits with other packets so that every millisecond of available line time is used, and reassembled in their original order at their destination. Packet-switching permits the efficient and, therefore low-cost, use of the available circuits, which makes it highly suitable for users whose capacity needs (in terms of quantities of data) may be fairly limited; the system has in fact been deliberately aimed at helping the small and medium-sized information user.

Additionally, the packet-switching technology provides an important facility for making the many different types of software and hardware in use compatible with each other, so that users and information suppliers have no need to buy expensive new equipment. A keyboard and screen, together with a modem to connect with a normal telephone, is all that is needed to use the DIANE network.

The cost of obtaining information directly, in line with the Commission's objectives in setting up Euronet DIANE, is remarkably low and is made up as follows:

• Charge for connection to the nearest switching centre to gain access to the Euronet system.

• Charge for use of the Euronet network itself, based on the length of time the line is used and the volume of data transmitted. Distance has been eliminated as a relevant factor (in line with the principle of non-discrimination against users) so that interrogating a computer in Rome from London is as cheap as obtaining information from a computer in Paris.

• Charge for use of the host's data bases and banks.

A study prepared for the Commission showed that three or four individual information-transmitting networks covering the same area would cost the European taxpayer between three and 10 times more than a single network. Each network would undoubtedly use different technology and necessitate wasteful multiplication of effort, expenditure and valuable time. Such a situation would only serve to reinforce, rather than break down, barriers between Community countries. The Euronet DIANE project is very much a part of the Community's whole approach toward new technology; a series of plans have been implemented over the last 10 years by the Commission, which is seeking actively to support and develop European involvement in this area, largely dominated at present by the United States and Japan.

The Commission has opened up some of its own information resources through the system and is investigating the creation of other data-bases which could be made available through Euronet DIANE, including files of current and planned projects in member states in the fields of agriculture, trade, industry, energy, the environment and other areas. Existing data-bases created to serve the Community institutions (CELEX—Community law; CRONOS—statistics; ECDIN—pollutants) are soon to be mounted on the system, while the Commission's files on agricultural and other research projects financed by the Communities and a multilingual terminology data bank are already available.

Research is being done on the possibilities of automatic translation of the data itself, which would allow an English lawyer to interrogate an Italian legal data-base and receive his answer in English. A further interesting possibility that the Commission is investigating is a link between Euronet and the new 'viewdata' or 'videotex' technology which enables information to be obtained by use of a telephone line and a television screen. In the future the information provided by DIANE may be available in the home.

Is Europe Ready for Satellite TV?

Legal and marketing problems are enormous.

JASPER BECKER

The first of a wave of European television satellite programs is already on its way. The British-based company, Satellite Television will be broadcasting television programs around Europe by the end of 1982. In its wake will follow at least eight commercial and government-backed television channels beamed to homes everywhere in Europe. Their significance, say media experts, will be comparable to the introduction of radio in the 1930s.

Newspapers and magazines fear their advertising revenues will slump drastically. Governments fear that their control over the electronic media will be smashed. Consumers are worried that they will be faced with a tasteless and unqualified torrent of advertising and American soap operas. Advertisers and advertising agencies veer between skepticism and euphoria. Everyone agrees, though, that the satellites will bring the biggest shake up in the media that Europe has seen since Gotenburg invented the printing press. Satellite television is already being received in homes in the United States, Canada, the Soviet Union, and Indonesia. The problems in Europe begin with the fact that the satellite broadcasts will be beamed all over a continent fractured by different languages, cultures, and laws.

Unless you happen to live in a small centrally located country like Belgium or Switzerland, the chances are that you will probably only tune into the national channels. In countries like Switzerland, Belgium, France, Denmark, Sweden, and many others television and radio are state monopolies although some at least allow advertising under strict conditions. No country is alike in the rules governing broadcasting advertising, whether this relates to the content matter of commercials (for instance, no tobacco or alcohol) or programs, or to the times allocated to either (no interruption of programming or no advertising on weekends).

What is needed, say Hellmut Sieglerschidt and Wilhelm Hahn, two German members of the European Parliament in a report drafted for the Committee on Youth, Culture, Education and Sport, is for the EC Commission to submit an investigation into media policy followed by a set of EC regulations. The present lack of a legal framework for cross-frontier transmissions is a sure recipe for conflict.

Hahn sees for Europe a positive side to satellite television. There should be room, he thinks, for a channel devoted to covering the affairs of the European Community. What better way is there to bring Europe together and to foster a spirit of European unity than by presenting programs on issues viewed not from the national perspective but the European?

Time is running short if satellite companies' present plans are to go into operation on schedule. The Franco-German satellite agreed on between President Valéry Giscard D'Estaing and Chancellor Helmut Schmidt in Oct. 1979, will be launched on the Ariane rocket in 1983/4. Radio-Television Luxembourg (RTL) has formed a commercial company, CIT, together with German and perhaps Dutch newspaper publishers to beam satellite programs in 1985. Discussions are progressing on NORD-Sat for the Scandinavian countries; L-Sat which brings the United Kingdom's BBC and the Italian RIA together; and the Swiss are planning to send up a commercial satellite called TEL-SAT.

Luxembourg's plans have already triggered off a number of political storms. Although RTL has long been broadcasting commercial radio and television programs to Belgium, France and elsewhere, the proposed satellite "as felt to pose too great a threat to Belgium's plans to open the state-run media to advertising. The problem was that the Belgium Government, despite being keen on getting advertising revenue, was also adamant that commercial be placed under tight restrictions. RTL competes, of course, with the Belgian stations and so the Belgians wanted to make sure that RTL's advertisers had to labor under the same restrictions.

Belgium is not alone in wishing to stop Luxembourg becoming a major force in European television. Chancellor Helmut Schmidt is opposed to the RTL project and the participation of the German newspapers. The German constitution rules out privately-operated television and radio and the Government is committed to guaranteeing equal access to the media by all political and social groups. Schmidt is far from being convinced that commercial television will ensure this.

Similar fears and concerns are expressed by the Swiss, Danish, Swedish, and Dutch Governments. The newspaper publishers are caught on the horns of the dilemma. Convinced that satellite television is coming, some prefer to invest in satellite projects, while others are pushing their Governments to ban it. Either way the press stand to lose, at least initially, as advertisers switch to the new media. In Britain, however, the press is still flourishing despite national and regional commercial television. The Belgian Government is already considering subsidizing its press out of the TV and radio revenues and may be setting an example that will be followed by many others.

Valid though the concern is, there is no shortage of people who are saying that commercial satellite television is still a long way off, yet. The tremendous expense and risk of launching a satellite, as RTL is proposing, with the prospect that France or Germany might literally pull the plug out, must be a big disincentive for any media executive. And there are the technical problems. To get satellite transmissions directly in the home a receiver dish on the roof is needed. Will enough people be prepared to invest in one? The alternative is for the programs to be transmitted by cable companies, but so far cable systems only cover about a quarter of the 110 million homes in Europe.

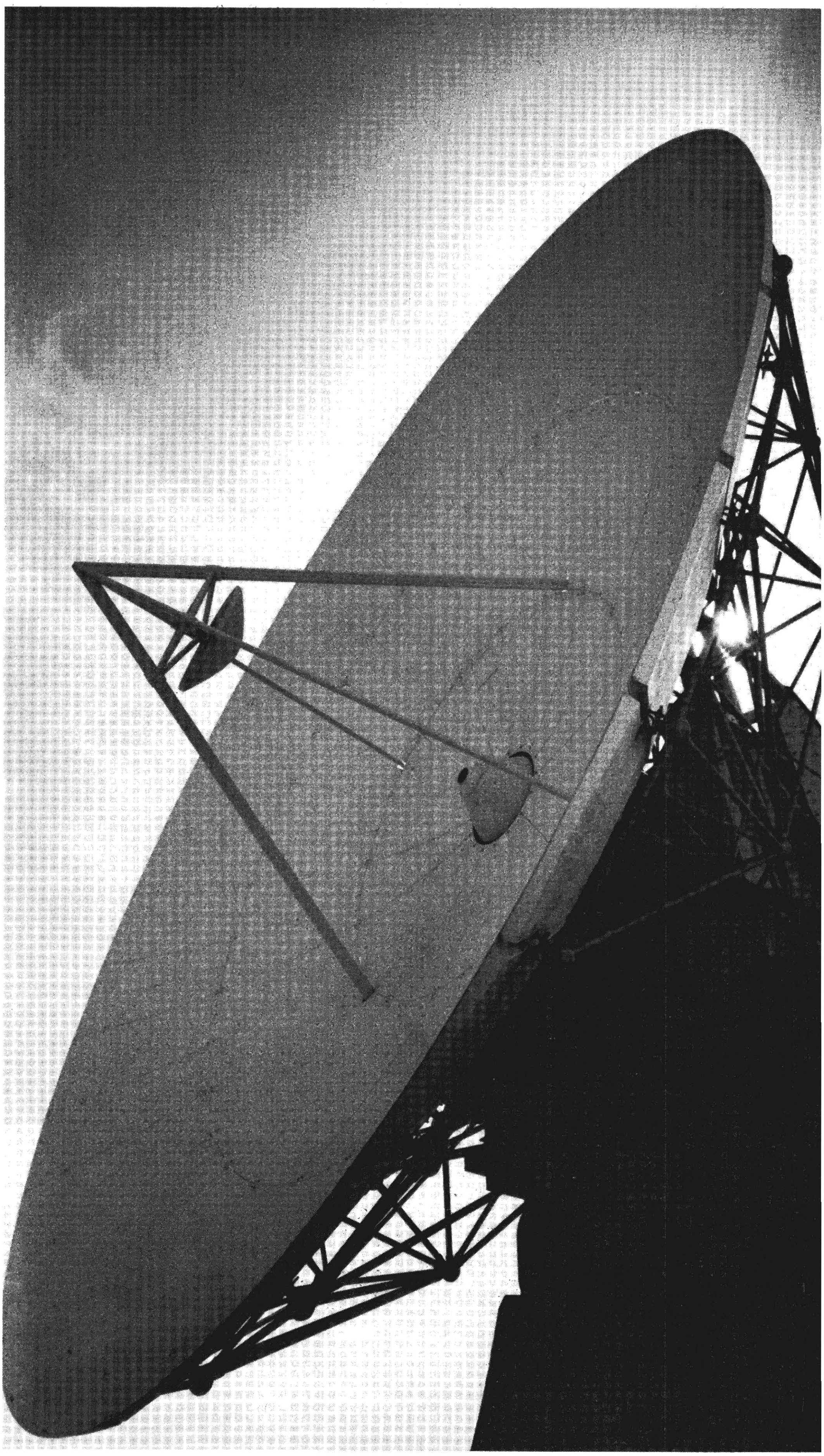
Given Europe's diversity of language and culture, what sort of programs can be screened that will be attractive enough to lure audiences away from their familiar national programs? The Satellite Television Company is convinced that people really are interested in international entertainment. The Eurovision Song Contest is watched by an estimated 350 million people and the program called "Its a Knockout" (*Jeux sans Frontieres*) has an audience of some 60 million. And minority interests such as opera would attract large audiences if broadcast across a continent. The weightiest argument is that if you are broadcasting from Iceland to Tunisia, then to win a sufficiently large audience you need only 2 percent of each country's viewers.

One company in Finland has already started producing the aerial dishes and in Sweden, Philips and other companies are well advanced with their plans to market one meter-wide parabolic dishes in anticipation of the Franco-German satellite. Such confidence in the future of satellite television is not fully shared by some of the advertisers. Most household goods, particularly food and drink items, are marketed in each country separately under different names, packaging, distribution systems, and sizes to take into account different consumer habits and the cultural diversity. There has long been talk, however, in the advertising world of "Eurobrands"—products such as Coca-cola, perhaps, which could lend themselves to transnational advertising campaigns.

The trend is by and large in the opposite direction. Advertisers look for media which will pinpoint the potential market accurately. If you are selling peas you don't want to advertise in a magazine that is read by senior executives. Advertising via a Europe-wide satellite program is like using a shot-gun when you need a laser. Targetting is essential. A second factor is that television commercial costs are soaring, over the past five years they have risen by 350 percent—considerably more than the equivalent magazine costs. Viewers and advertisers may prefer to go in for narrow casting. Cable television instead of direct satellite transmissions, would surely lend itself best to mixing international or national programs with local news. It also enables the advertiser to pin point his marketing more accurately.

Commercial television is also sure to have some tough legal battles on its hands. Legislation on advertising in Europe is far from being harmonized and cable companies are not authorized to originate or transmit independent programs. Clearly these areas are going to become an issue for the EC as the Treaty of Rome, as the European Parliament reports point out, can be interpreted to guarantee the free flow of information across borders. And allowing international advertising in one country, but banning it in another effectively distorts competition among manufacturers since local producers are sheltered from international campaigns. €

Jasper Becker is a freelance writer based in Brussels.



Dish at a space telecommunications center in Fucino, Italy.

The Oriental Connection

Opening up the China Trade. John Starrels reports.

The EC Commission Vice President in charge of industrial affairs, Etienne Davignon, has just completed a week's stay in Peking. As of this writing, specific results of his mission are lacking, but it is at least clear that negotiations on future energy cooperation—in coal and petroleum mining—were a major focus in these discussions. Along with Japan and the United States, the Community's member states have been forced to readjust their ambitious goals of expanding economic ties with the People's Republic since Chinese leaders reduced their imports from the West last year. Reality, not unbridled enthusiasm, now defines the boundaries of EC-Chinese relations. But as Davignon's trip demonstrates, both sides remain committed to a long-term and mutually profitable relationship.

Back in April 1978, the European Community signed a long-term trade agreement with the People's Republic of China (PRC). How much progress has been made on that front since then? A good deal. Between 1979 and 1980, for example, total trade between the Community and the PRC went from \$4 billion to nearly \$6 billion. Recently published figures document a continuation of that trend.

At the same time, however, important variances characterize individual European nations' trade accounts with China. France's two-way trade with the People's Republic in 1981 (January-November) came to \$733.4 million, with exports of \$264.9 million and imports of \$468.4 million. Overall, French-Chinese trade grew by a modest 4.7 percent last year. Italy's trade with the PRC also expanded, but by a significantly larger amount of 13.1 percent in 1981, compared with 1980. Two-way trade between these two countries reached about \$600 million, with a deficit of \$67.5 million for the PRC.

Less modest has been the expansion of West German trade and commercial ties with China. Indeed, the Federal Republic ranks as China's number one EC trade partner today. In 1981, it reached \$1.6 billion, with the PRC running a deficit of about \$260 million. Today, there are 27 West German firms in China. In May, the West German-Chinese joint committee met in Bonn under the auspices of Economics Minister Otto Lambsdorff and Chen Muhua, Foreign Trade and Economic Relations Minister of the PRC. The two Governments have negotiated a number of long-term agreements which prominently include two projects on the exploitation of raw materials by German firms now active in China. The West German prospecting company, Deminex, has also been active in petroleum prospecting there and has more recently raised the possibility of bidding for oil concessions in China's offshore areas.

China significantly reduced its imports of German steel tubes and plates in 1981, but "big ticket" items continue to be a priority for China in its trade with West Germany. For example, the PRC will receive its first 20,000-ton ship—the Fehne—from the West German Hamstorf Group this August. Moreover, West German firms in China have weathered the economic retrenchment measures which were suddenly announced by Peking last year.

Typical has been the experience of firms such as Schloemann-Siemag which recently renegotiated a \$547 million contract to supply the giant Baoshan steel complex, near Shanghai, with a continuous cold strip rolling mill. The revised contract commits the Chinese to honor their original order from this West German firm, with delivery of the rolling mill simply postponed for a couple more years. Over the past year, the Federal Republic and China have reached cooperative agreements on several hundred joint projects. And at the recent meeting in Bonn, the German delegation said that it would work to liberalize the Community's import rules to allow for easier entry of Chinese products.

Overall, then, the prospects are bright for expanded trade between the European Community and the People's Republic. Only Japan and Hong Kong-Macao rank above the EC in the volume of trade transacted between the Community and China. European firms are particularly anxious to increase imports of Chinese raw materials, notably oil. Alternatively, the Community is in a strong position to supply China with large amounts of chemicals, fertilizers, machinery, and high technology goods. Along with German firms, other members of the Community have intensified their commercial ties with China. Two French firms, for example, are actively exploring the PRC's petroleum reserves in the Bohai Gulf and in the North-Eastern Gulf of Tonkin. Britain's Cambridge Instruments Ltd. has recently negotiated a \$160 million sale of electron microscopes and ancillary x-ray equipment to Chinese research institutes. Nor have the Chinese ignored commercial opportunities in the Community. Notable are the sales activities of "Sino-Chem," a state-owned corporation based in Hamburg, West Germany. It specializes in supplying European clients with information on how to facilitate chemical, fertilizer, and petroleum product purchases from China.

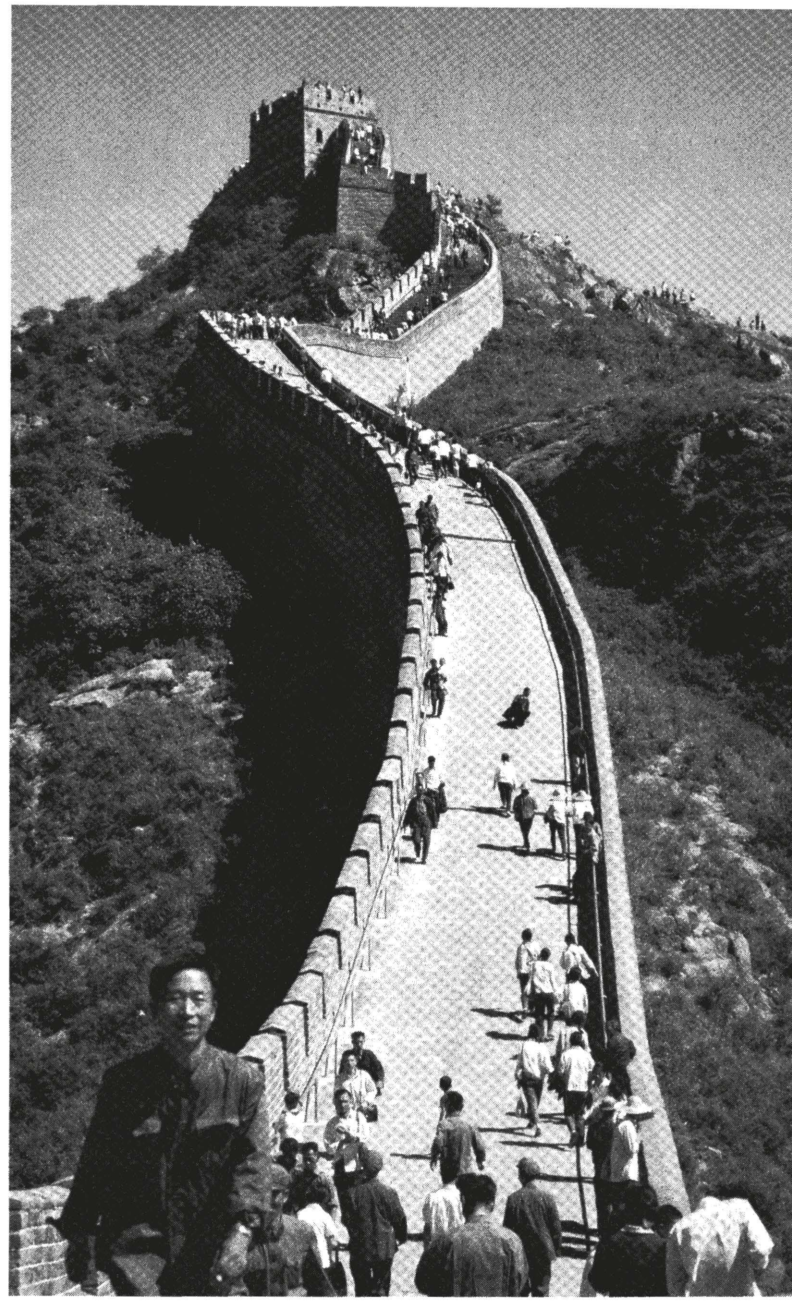
Trade relations between the Community and Peking are not constantly idyllic. Occasional friction between the two partners does arise. European producers have been especially sensitive to so-called "unfair" trade practices engaged in by the Chinese. In some instances, the Community's response has been to approve a member's request for import quotas. In one recent instance, the EC agreed to a French request to limit fast-rising Chinese imports of sandals into that member country. Indeed, imports of those sandals have reportedly climbed from 48,000 in 1978 to nearly three million last year. The new quota sets a maximum import limit of 1,650,000 sandals from the PRC.

More ominous are European charges that the Chinese have "dumped" some of their exports to the Community. A recent complaint filed by the European Council for Chemical Manufacturers specifically charged that PRC exports of oxalic acid had been dumped on the European market. The complainants reported that imports of this product has grown from 436 tons in 1978 to 7,883 tons in 1980. In May of this year, the EC's Commission imposed anti-dumping duties on the Chinese.

At the same time, Chinese leaders believe that Western countries have conspired to arbitrarily limit China's export sales to them. Thus, Peking demands that its producers receive fair access to the Community's markets. The EC's members have responded by working hard to ease China's entry into the European marketplace. Consider the progress achieved in the sensitive area of textile trade. In 1979, Brussels signed a five-year textile agreement with China. Earlier this year, a Chinese delegation, led by Li Dengshan of the Ministry of Foreign Trade, journeyed to Brussels for a mid-term review of the agreement. Most observers, including the Chinese, agree that the accord has been generous to the PRC.

Since the late 1970s, China's exports of textile products have more than doubled, reaching 65,000 tons in 1981. The 1979 agreement also, however, eases the entry of European textiles to China's market. And the Community's members have accordingly increased their shipments of these items to the PRC. At the same time, the Chinese have accepted a much stricter application of the so-called "basket extractor-mechanism" which allows Community members to introduce quotas on items previously not subject to quantitative textile import limits. As a result, Brussels has agreed to the imposition of new quotas on imports of Chinese tents into the Benelux countries and the shipment of clothing into the United Kingdom.

The EC Council of Ministers has also been responsive to Chinese efforts to increase their industrial exports to the Community. In December 1981, the Council agreed to extend to China the Generalized Preferences Scheme which provides for a total exemption of all industrial products from the Community's customs duties. This import liberalization measure should henceforth make it easier for China to export larger volumes of its light manufactured goods—where quotas do not already apply. And there is now a good prospect that the EC will soon offer to China at least a partial exemption from agricultural import quotas.



The Great Wall. © Samuel Yette.

As a developing country, China's future remains bright, though it is now clear that the original plans of China's pragmatic reformers have had to be scaled back from their earlier levels. Future negotiations will have to be conducted on China's willingness to extend investment protection for European firms now operating in what remains a Marxist economy. At the same time, the Chinese leadership is anxious to break down trade barriers which could discriminate against its exports to Europe. The PRC insists upon greater access to the Community's marketplace, not less. And because the two are aware of both the roadblocks and potentials in their relationship, Peking and Brussels will continue to expand their ties. €

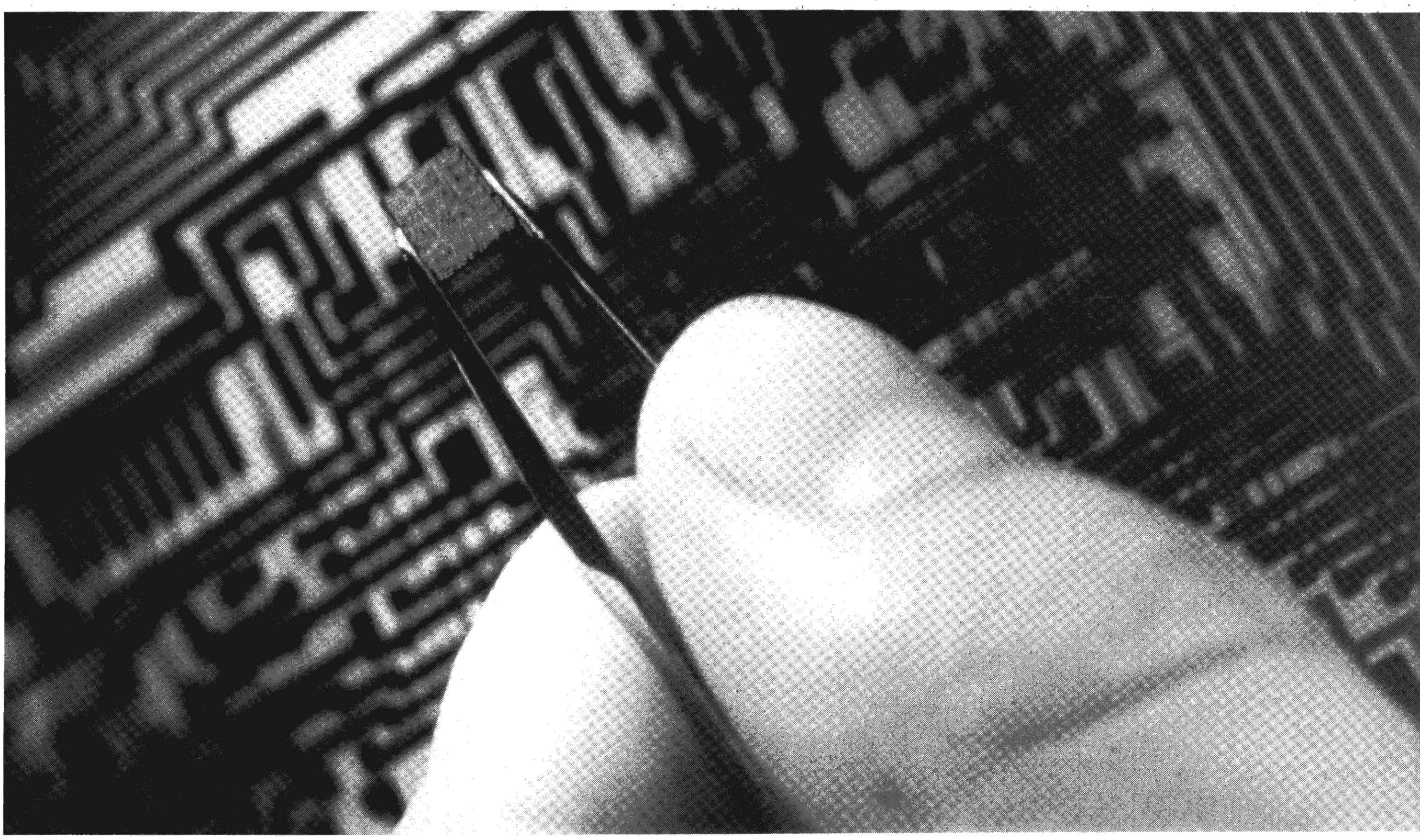
John Starrels is a freelance writer based in Washington DC.

TRADE

A YEN FOR JAPAN

US, EC firms seek greater market access.

HOWARD BANKS



© Edward Pieratt, Black Star

Complaints about Japan's xenophobic trade policies have two main roots: The country has increasing trade deficits with both the EC and the United States that no amount of talk will make go away and American and European companies find it next to impossible to gain access to Japanese home markets. The best, though long-term, way to deal with the former is through the latter of these two problems. If the Japanese would only buy more foreign goods, the present trading imbalance would be reduced. Surprising though it may seem, there have been one or two signs that small chinks are opening in the Japanese market.

While they should not be exaggerated, they are important since they come at the behest of the Japanese Government and after protracted pressure from the American and EC authorities. Perhaps the most significant was the television message in mid-May to the Japanese people from Japan's Prime Minister, Zenko Suzuki—timed to precede the Versailles economic summit and so head off some of the criticism the Japanese were anticipating. He told the Japanese to "extend a welcoming hand to foreign products," a sharp reversal of the until-now standard message that they should "buy Japanese."

His appeal came just after Japan had reduced tariffs on 215 products from computers and machine tools to microelectronic chips. These latest cuts were larger than the 1,650 tariff changes announced last December. Suzuki's announcement also said that Japan would attack one of its more subtle barriers to trade. Japanese companies simply have not imported cheaper versions of products that are also made in Japan. Steel from Korea never finds its way into Japanese cars nor low-priced recorders from Taiwan into the electronics shops. These practices, which restrict competition, are now to be countered by Japan's antitrust law, although that law is weak and virtually without teeth.

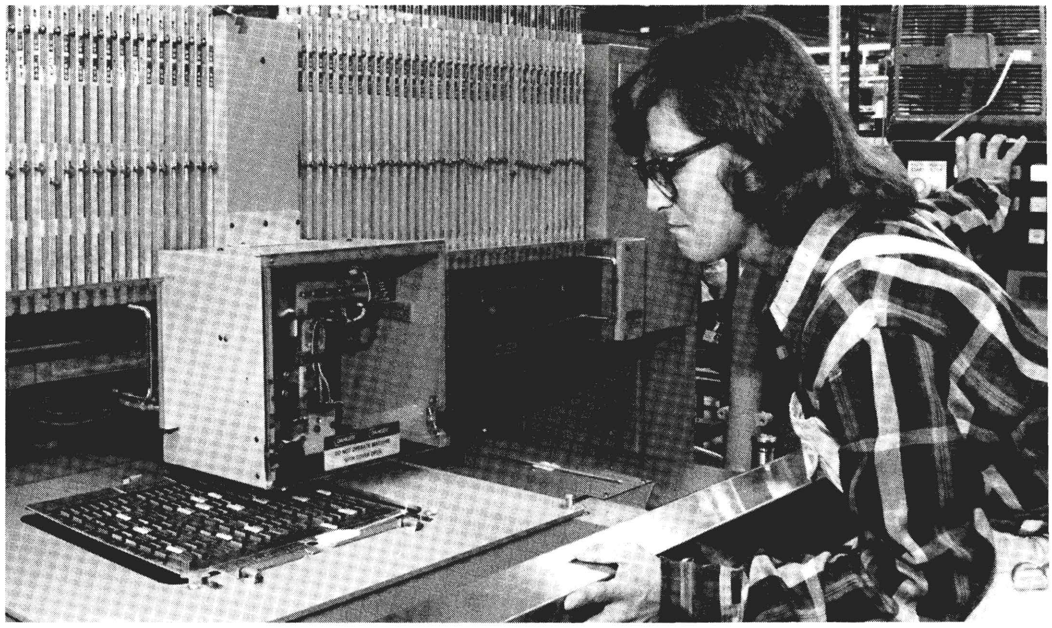
Japan has also started to open its capital markets a little, particularly to American borrowers. The Japanese Finance Ministry has eased the rules a notch on US companies borrowing from Japanese banks, and now the US Export-Import Bank will guarantee credits raised in yen for American exporters selling anywhere in the world. The rate will be much lower than the Ex-Im can offer in dollars (9.5 percent against 12.5 percent) and will increase the volume of American export trade that Ex-Im can back without denting its dollar denominated borrowing limit of $4 billion.

One of the tightest Japanese markets has been telecommunications equipment for Nippon Telephone and Telegraph (NTT) and even it has opened its market a tiny fraction. The American electronics company Motorola has now taken two small steps into NTT's fold. The first was directly as a result of pressure from the American government and from Robert Strauss, the US Special Trade Representative under President Carter. This gained Motorola the opening as a supplier of pagers—those devices that let you know there is a telephone message when you are away from your office. The company invested several millions (it will not say how many) in redesigning its product to suit the Japanese and "to make it perfect." There can be no failures on inspection when they are delivered, and they have to keep working.

In terms of money and management time, it will be many years before the investment can possibly pay off. But now, as a result of the first experience, NTT has accepted Motorola as a member of the research and development group of companies competing to supply a new mobile telephone system. Without political backing, as happened over the pager, it has been impossible for non-Japanese companies even to bid for such a contract because they were never accepted into one of these "clubs". This has been one of the more rigid of Japan's non-tariff barriers to trade in telecommunications equipment.

Significant though these changes are, they are still no more than chinks in the Japanese market. They still target specific markets and products and arrange which Japanese companies shall compete in such a way as to try to dominate those market sectors, and abroad not just in Japan. These arrangements are backed by Japanese law. Motorola's chairman and chief executive officer, Robert W. Galvin, is not shy of addressing these issues, even though his company is perhaps the leading example of a non-Japanese electronics company that stands a chance of breaking into the Japanese market. He acknowledges that there are risks in talking out, but believes they are worth taking.

Galvin wants the US Government to identify industries or sectors that are being targeted and he believes they should be legislatively protected. That could be done by making such an attack grounds for relief. He also questions whether changes are needed in the law that shields a foreign company from antitrust liability in America if the anti-competitive conduct is laid down by its own Government. He also wants the United States to match the EC's proceeding against Japan under the provisions of the General Agreement on Tariffs and Trade to consult with Japan over whether some of its policies "nullify or impair" GATT agreements.



Inside a large American computer-manufacturing plant. Courtesy of Honeywell Inc.

In electronics, targeting by Japan continues unabated in the semiconductor sector. In 1981, Japanese companies increased their share of the worldwide semiconductor business by some 25 percent, while American companies' share slipped 6 percent and European companies 14 percent, in a total market that was down 9 percent on the previous year.

In the dynamic RAM (random access memory) market, which is a bread-and-butter part of a chip-maker's business, for technical reasons it looks as though the Japanese-made share of the market has slipped a little. In the 64k RAM segment of the market, the most advanced RAMs so far on sale, last year the Japanese held 70 percent and in the first quarter of this year 65 percent. The reason for the decline is bizarre: The leading American semiconductor company, Texas Instruments, switched its production of 64k RAMs from Texas to Japan, where it was able to improve production yields and quality of this chip. In the trade statistics, however, these Japanese-made TI chips are counted as American ones.

So far the Japanese attack on the personal computer market has been weak, but they are taking over the segment called low-cost peripherals for these machines. This means things like printers and disc-drives for extra memory and so on.

American electronics companies are taking a leaf from Japan and getting together to compete more effectively. They have agreed to set up a cooperative research organization. By restricting it to very basic research (which is expensive for an industry that already spends 8-9 percent of revenues on research and development, and around 15 percent on capital investment), the semiconductor makers hope to avoid antitrust questions. Getting together in the firm of "double sourcing" deals, where one maker licenses another to make its design of chips, has been common. But now closer relationships are appearing.

Burroughs is adopting Intel's chip technology on an exclusive basis, in return for being taken into Intel's confidence about future product developments. National Semiconductor has a detailed agreement with Fairchild over the development of peripheral chips that go with its brand new microcomputer chip, the 16000. The two companies are investing heavily in their own part of the program, which will be interdependent. The American Government is doing its own bit to help, too. It is funding a joint program to develop a new super-chip with a million or so circuits on it. The bill: between $200 million and $300 million.

Another small sign of the times perhaps, was a speech made in March by Nachiro Amaya, the special advisor to Japan's Minister of International Trade and Industry. In view of the attacks on Japan's trading policies, especially in the high technology area, and of the calls in Congress for reciprocity, he called for international cooperation in research among companies in the EC, the US, and Japan. Could it be he sees that major technical changes are coming and does not want Japan to have to start targeting a whole new, still unknown, set of high technology markets? €

Howard Banks writes for Forbes.

selling it in Europe

SUSAN SCHMIDT

American businesses, especially in the high-technology electronics sector, appear to be taking a second look at the gigantic international trade fairs in Western Europe as organizers woo US industries with new trade opportunities. US Department of Commerce (DOC) also helps by periodically sponsoring US trade pavilions at the larger fairs. DOC encourages American firms to evaluate their export potential and to consider expanding their domestic market to Western Europe, the largest combined import market in the world. US exports to the EC in 1981 exceeded $52 billion, only slightly less than 1980's $55 billion. American imports from the Community, however, rose in 1981 to almost $42 billion, from $36,000 million in 1980 according to DOC statistics.

Monitoring specialized trade opportunities in foreign countries and regional sections of the globe is a key focus of the DOC's International Trade Administration. DOC trade experts view international trade fairs as a primary means of providing American businesses, small and middle-sized in particular, with opportunities to evaluate new markets, to survey foreign and domestic competition, to contract for international distributorships and sales representation, to form international partnerships, and to establish personal business contacts.

Major international trade fair organizers, on the other hand, seek the American business income and technology. First, it adds to their success in producing an international trade event, and, second, it brings in the valuable participation and exhibition of US industry. Many international firms and prospective buyers will participate in a trade fair if they know their competition will be taking part.

More than 800 international trade fairs are held annually throughout Western Europe, drawing millions of professional buyers, manufacturers, and exporters. Fair sponsors are typically government trade agencies, regional trade authorities, local commerce and trade associations, and private trade fair organizers. Most fairs arrange US representation for marketing and registration. At the larger and

Here at the Hanover Fairgrounds, site of the largest international trade fair, are 25 exhibition halls ranging in size from one-to-20 acres. Half the total 240-acre grounds is enclosed and air conditioned, and about 75 acres of open space is used for outdoor displays. This year 6,000 exhibitors filled the indoor show space, 335 of which were American companies. The significant increase over last year's 186 US participants shows the rapidly growing interest in the international trade arena as a means of surviving tightening domestic markets. Courtesy of Hanover Trade Fair

more successful of these fairs, the international presence is a primary objective. American participants thus can reach markets which extend beyond the general region where the international trade fair is held.

International trade fairs are generally of two major types—general and specialized. General fairs, which are the larger and usually consist of eight to 10 major subsections, are referred to as horizontal fairs. Specialized fairs are called vertical fairs. The choice between the two rests with the manufacturer, the export market being sought, and the individual reasons for attendance.

In this regard, the DOC's International Trade Administration assists American companies by recommending the trade events which best suit their markets. There are 47 DOC district offices across the United States serving the business community. These local district offices provide professional counseling by trade specialists to interested firms. Foreign markets for US products and services, financing aid to exporters, tax advantages of exporting and export licensing, and foreign import requirements are among the marketing and information services offered. In addition, state development agencies periodically organize trade missions and shows abroad for state exporters to display state-produced goods and services to foreign customers.

Outside the United States, DOC has organized the Foreign Commercial Services (FCS), with 124 locations in 65 countries conducting promotion activities at their posts and managing other DOC promotional programs. The FCS also analyzes industry section prospects and trade trends, monitors international trade codes, and assists American companies with major foreign contracts.

To further help American trade fair exhibitors and business visitors, the FCS operates its Agent-Distributor Service which recruits potential agents and distributors for businesses in advance of exhibitions. Through its Business Information Office service, the FCS provides credit reports on potential foreign distributors and purchasers. FCS officials are present at the major international trade fairs to coordinate US pavilions and to generate on-the-spot business contacts for American companies.

Hanover Fair '83
April 13-20
Hannover, West Germany

At the Hanover Trade Fair '82, the world's largest annual international trade fair and one of the eight major Western European trade fairs, 6,000 exhibitors filled the permanent 402,700 square-meter compound. Of these, 335 were American. More than 150 of these companies exhibited for the first time at an international trade fair. Many of the other US firms were established exhibitors who participate through their European affiliates and distributors. Last year, a total 186 American companies exhibited.

The number of American business visitors also jumped this year. The fair organizers reported that more than 7,000 US visitors attended this year's fair, showing an increase of almost 3,000 over 1981. The total number of Hanover Fair '82 professional visitors during the exhibition week of April 21-28 exceeded 600,000, from 118 countries.

Part of the increase in American exhibitors and visitors is directly attributable to a DOC-organized U.S. pavilion for office and data technology in what is called the CeBit section of the fair. This was the first year the DOC had sponsored a trade pavilion at the Hanover fair, making exhibition and participation simpler for companies new to the export market. Washington-based DOC officials said the CeBit pavilion was selected because the American computer industry is dominant and highly marketable, and because industry interest was very strong. Another DOC pavilion promoting US computer firms will be sponsored at the Data Kontor '82 Fair in Stockholm, Sweden, Sept. 30 to Oct. 6, 1982.

Such Government-sponsored events provide pre-show promotional services, prearranged exhibit space (often at discount rates) and design, and exhibit transportation, set-up, and maintenance services.

CeBit is one of the nine exhibition categories at Hanover, which include other sections covering electrical engineering and electronics, energy, plant engineering, material warehousing (CeMat), research and technology, factory equipment, and customer manufacturing. The CeBit category alone contains data processing, office communications, word processing, office printing and copying, microfilming, and mail handling equipment.

The DOC pavilion accommodated 56 American high-technology electronics firms, including a predominant number of computer software and word processor manufacturers. In the whole Hanover Fair CeBit section of 1,200 international exhibitors, 164 American companies were represented. FCS personnel from the Bonn office staffed the exhibit area and joined American representatives in sales negotiations.

The pavilion space, which was rented on a first-come, first-served basis, was open only to those US companies whose product or service met CeBit section guidelines. Prime space at this year's fair was filled eight months in advance. DOC has announced it will sponsor another Pavilion at the Hanover Fair '83.

Interested American companies can test their export potential through several other DOC-sponsored marketing services. The DOC produces catalog exhibitions, video-catalog presentations, and a new product information publication, *Commercial News USA*, which is printed in local languages and distributed bimonthly to 240 US Foreign Service posts. "Expansion to the international trade market is the only way some US companies will survive tightening domestic markets," a high-level DOC trade expert said recently. "Our goal is to assist them through what can be an intimidating experience." SUSAN SCHMIDT

seeds of

US, EC air disagreement

POUL DALSAGER *EC Commissioner responsible for agriculture.*

Harvesting wheat. © Ted Spiegel, Black Star

For about the last year and a half, US spokesmen have been conducting a persistent campaign against the EC's Common Agricultural Policy (CAP). Administration officials have been laying the blame for the crisis in American farming on the EC, with its "subsidized" exports that are alleged to be competing unfairly with traditional US exports. It is regrettable that we have not been able to reach with our American friends a common analysis of the factors affecting world trade in agricultural products, on the basis of which constructive cooperation could be established.

The fact is that all the industrialized nations "subsidize" their agriculture to a greater or lesser extent and in this respect there is very little difference between the United States and the Community. According to estimates by the Organization for Economic Cooperation and Development, total government expenditure on agriculture during the years 1976 to 1978 came to 39.2 percent of agricultural value added, on average, in the EC and its member states, as compared to 37.6 percent in the United States (this figure is based on the federal budget and does not take account of expenditure by the individual states).

In 1980, income support expenditure came to 0.41 percent of agricultural gross national product in the Community, as opposed to 0.35 percent in the United States. US federal expenditure on agriculture and food assistance to needy citizens

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discontent

ver farm policies.

JOHN R. BLOCK *US Secretary of Agriculture.*

US agricultural trade policies are based on the belief that expanded and liberalized trade is the only way to assure the best use of the world's agricultural resources and to get food where it is needed in a world of increasing interdependence. Therefore, we are disturbed by what seems to be an increasing beggar-thy-neighbor approach to international agricultural trade. Import barriers are proliferating, the use of export subsidies and other trade-distorting devices is spreading—aggravated by global inflation, lagging economic growth, and energy problems.

The situation has produced a lot of finger pointing between trading partners, and a good deal of the finger pointing has been between the United States and the European Community. This is not surprising; the United States and the Community are leading world agricultural traders—we are major agricultural export markets for each other and we compete vigorously against each other in the markets of other countries. At the same time, we share similar goals for our farmers—stability of income and a fair return on their investment of capital and labor. I believe the general objectives of our farm programs also coincide: assured, dependable food supply achieved as efficiently as possible.

Our trade differences stem from some of the policies and programs that we use to try to achieve these objectives, and these differences have been pointed up rather sharply in recent

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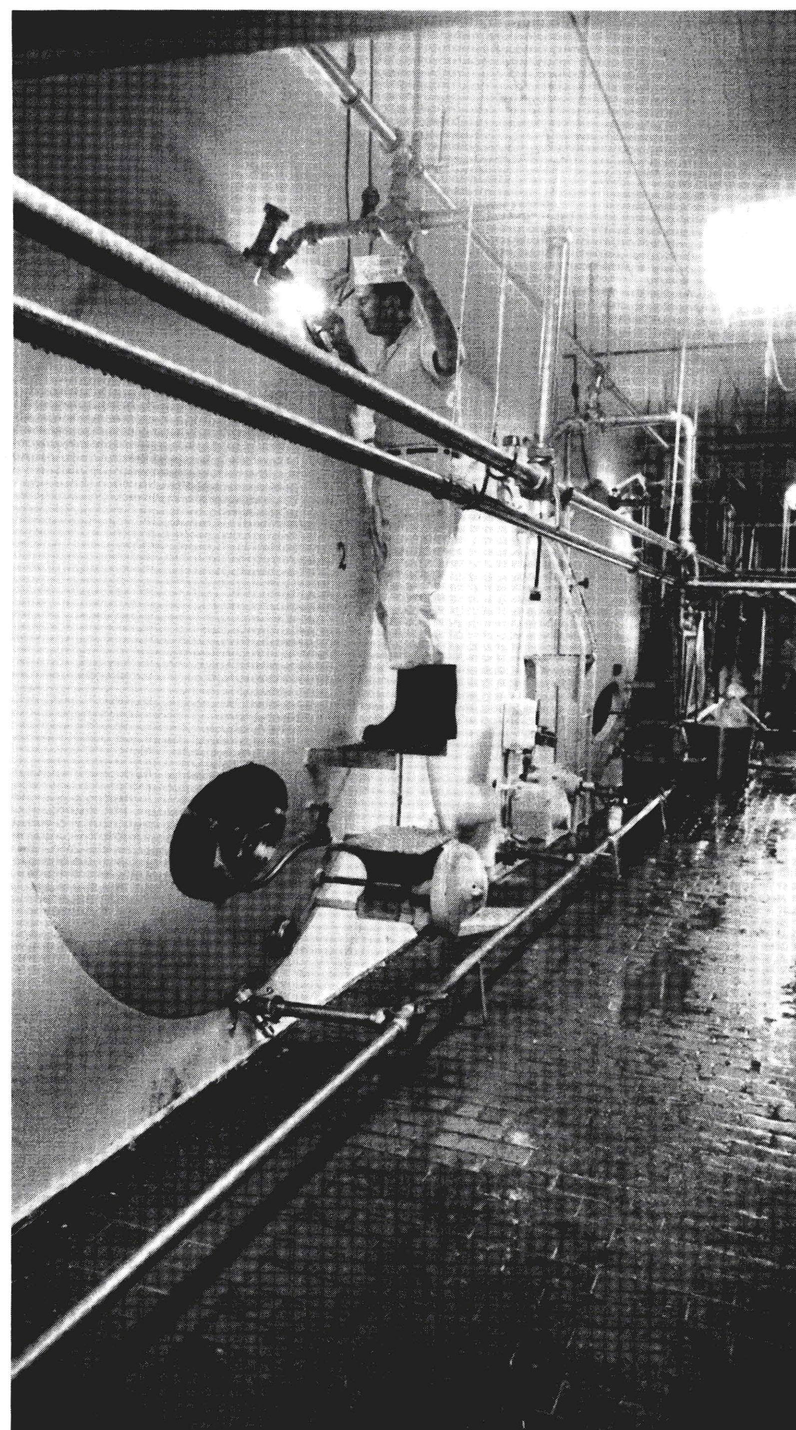
In the milk storage room. © Schaffer Seawell, Black Star



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months. The United States understands the need of the European Community to have its Common Agricultural Policy (CAP). However, we are seriously concerned about the effects of the current policy on international trade. Our problems are these:

- First, the farm price support levels that were set high at the inception of the CAP and which through the years have been kept high enough to encourage a continual increase in production in all member countries. There have been no limits on the amount of production that would benefit from support. This has resulted in huge surpluses which could not be consumed domestically.
- Second, the CAP was implemented so as to completely insulate the Community market from the rest of the world. There are no effective brakes on production, which is encouraged to rise even when the world market is depressed. Any resulting surpluses are moved onto the world market with export subsidies, which puts the price-depressing burden of additional supplies on the world market rather than the Community market. The high domestic farmer prices are protected by variable levies, so there is no inducement for EC consumers to utilize any of the surplus.

The United States is the world's leading wheat producer. © Charlton Photos

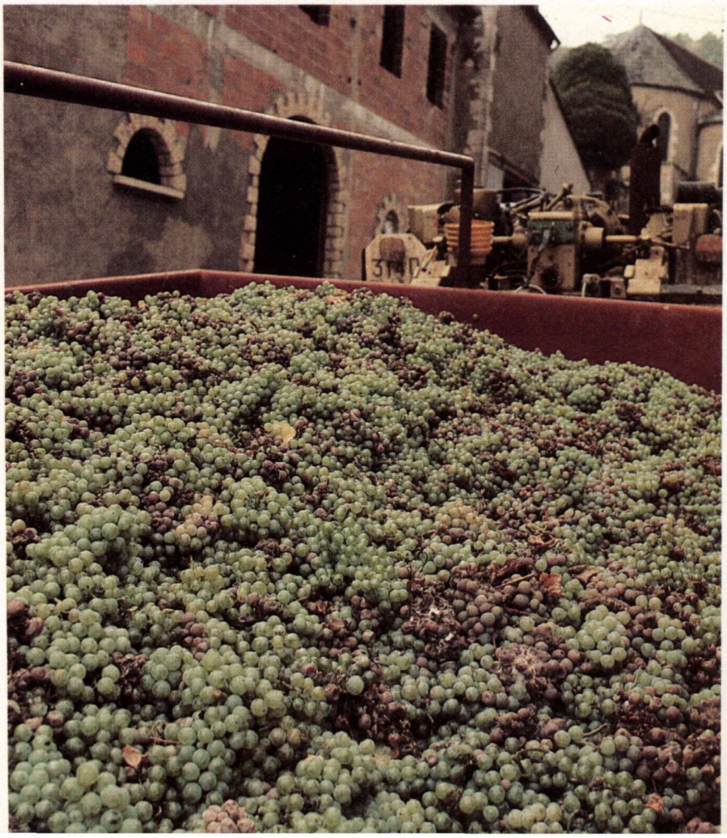
Poultry trade between the Community and the United States could also be a trouble area in the fall. © Claus Meyer, Black Star

In short, our problems with the CAP stem primarily from too much protection encouraging too much production, which is then exported through the use of the subsidies. Market conditions are not permitted to influence either production or consumption.

This policy has damaged US agricultural trade. It is true that US farm exports to the Community have risen since the CAP was established, but this has occurred because gains in US export commodities not subject to the variable levy have more than offset the decline in products that are. US exports of grain products to the Community have dropped in value from $2.2 billion in 1975 to $1.7 billion in 1981, and the tonnage declined from 15.6 million to 10.6 million tons. In the same period, exports of soybeans and some other commodities, notably corn gluten feed, which are not subject to the variable levy, have risen. Those two commodities now represent more than half of all US agricultural exports to the Community—and even their access is being threatened.

The impact of EC trade policies is becoming more serious for US trade interest in the markets of other countries. The EC has become a leading exporter of most major food products by means of export subsidies. Some examples:

Modernization and restructuration of European agriculture have kept productivity growing in the wine sector. © Kenneth Garrett, Woodfin Camp Inc.



The United States does not keep its borders completely open to cheese imports. Shown here is the Telanook Cheese Factory, an agricultural coop in Oregon since 1906. © James A. Sugar, Black Star

• The EC became a net exporter of grains last year, for the first time in its history. It is now challenging Australia as the third largest wheat exporter in the world.
• EC sugar exports have more than doubled in four years. This has had a serious impact on world and US market prices. It is fair to say that the costly, restrictive sugar support program that was passed by Congress last December and the subsequent import quota program are the result of the price depressing effect of EC sugar export subsidies.
• The Community has become the largest exporter of poultry, with 35 percent of world trade in broilers. Twenty years ago, the EC was the world's largest importer of poultry meat.
• The Community also is the second largest exporter of beef and veal. It is very close to overtaking Australia, despite the fact that its own per capita consumption is no greater than that of the Soviet Union.

The United States does not fault the EC for reaching and exceeding self-sufficiency in major agricultural commodities. If EC consumers are content to pay far above world prices, this is, after all, their own concern. Our concern is that the EC continues a policy of all-out production, which it continues to subsidize into export, disrupting trading patterns and challenging market shares of traditional exporters, including the United States.

The General Agreement on Tariffs and Trade (GATT) permits subsidies on primary agricultural products—but not to the detriment of other countries. Grain products in Australia, Canada, Argentina, and the United States have been hurt by EC subsidies. Producers of beef in Australia and the United States have shared the costs of the EC policy as have sugar growers in many countries. What this means, in our view, is that farmers, and in some cases taxpayers, in other countries are paying part of the cost to maintain the income of farmers in the European Community.

We think it is past time for the Community to take effective steps to neutralize the trade effects of the CAP. We would like to see the Community restrict production or store its excess production, making export subsidies unnecessary. We would like to see the Community act to align its prices more closely with world prices, competing on an equal basis to expand its exports of farm commodities.

We recognize that no major nation is perfect in its trading practices. If that were the case, there would be no need for the GATT and its dispute settlement mechanisms. The United States does not keep its borders totally open to cheese, for example, and that is of concern to the Community. The import quotas dictated by the sugar legislation of 1981 cause a problem for several of our trading partners, and we don't guarantee permanent and unlimited access for beef. But at the same time, we still maintain one of the largest agricultural import markets, and we want to work toward a world trading climate in which the trend is toward less protection and less distortion rather than more. American farmers can't compete with Governments in international trade, but they are willing and able to compete with farmers anywhere. We believe they deserve that opportunity. €

The Community is the second largest exporter of beef and veal. A French cattle market is pictured here. © Bruno Barbey, Magnum Photos Inc.

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in 1980 was $24.5 billion, as compared to $12.9 billion in the EC budget, though if one adds expenditure by member states for social and structural purposes, total public expenditure on agriculture in the Community came to $37.6 billion. However, taking into account the much higher numbers of people working on the land in the Community than in the United States (7.8 million as opposed to 3.3 million), US farmers benefited from a much higher level of expenditure per head ($7,330 as opposed to $4,780). No one would deny that there are differences, grounded in the different economic and social circumstances, between EC and US policies for agriculture.

In the EC a population of 270 million has to live off 100 million hectares (250 million acres) of agricultural land, whereas in the United States 220 million people live off 430 million hectares (1.07 billion acres) of agricultural land. It is obvious in these circumstances that one of the major concerns of the CAP must be to ensure security of supply and stable internal prices for all important foodstuffs. Hence the Community's system of organized agricultural markets and guaranteed prices, accompanied by variable import levies and export refunds. In this way, it has been possible to achieve a reasonable stability of domestic price levels on the Community market in the interests of both producers and consumers, while at the same time allowing the Community to continue as a major importer and exporter of agricultural produce against a background of strongly fluctuating world market prices.

The Community remains by far the most important net importer of foodstuffs and agricultural commodities in the world. In 1980 the Community had a deficit on its agricultural trade of $30 billion. The Community accounts for 24 percent of world imports of agricultural products and only 11 percent of world exports. In these circumstances, it is not unreasonable in purely economic terms that domestic price levels for agricultural produce are on the whole somewhat higher in the EC than in the United States, which is by far the most important net exporter of agricultural produce in the world. Higher food prices in the Community also reflect the inherited structural problems of European agriculture, with its much greater number of small farmers. It should be remembered that the CAP in little more than twenty years, has seen the most remarkable transformation of European agriculture. The number of people actively employed in the agricultural sector has dropped from 17 million in 1960 to under 8 million (excluding Greece, which has a farm population of approximately 1 million), whereas the numbers employed in US agriculture have remained almost stationary during that time. This demonstrates conclusively that the CAP has not served to protect inefficient farmers, but has been an active force for promoting structural change.

It is sometimes alleged or implied on the American side that the EC's Common Agricultural Policy, as it has evolved, is contrary to General Agreement on Tariffs and Trade (GATT) trading rules. This is simply not true. When the CAP was set up at the beginning of the 1960s, the EC negotiated the introduction of variable import levies in GATT, and gave appropriate compensation to the other contracting parties whose interests

Irrigating US farm land in Idaho. © David R. Frazier, Black Star

were affected, just as it did after Britain joined the Community in 1973. Our partners in the GATT have long accepted the basic principles and mechanisms of the CAP, including the system of import levies and export refunds. American acceptance of the CAP was formally confirmed in 1979 at the end of the Tokyo Round by the chief US negotiator. This explains European concern at recent statements by US Agriculture Secretary John Block and other Administration officials which seem to call into question that acceptance, particularly as regards EC export refunds, in spite of the fact that export subsidies for primary products are explicitly allowed under GATT.

What has happened? It is true that under the influence of economic growth food consumption in the Community increased rapidly in the 1950s, 1960s, and early 1970s. Since the mid-1970s per capita consumption has stabilized while population growth has slowed down, with the result that overall food consumption has been growing slowly. At the same time, the modernization and restructuration of European agriculture, with the accompanying technological progress and improvements in productivity, have continued unabated. Production has continued to increase, particularly for those products for which the natural conditions are favorable such as wheat and barley, milk, meat, beet sugar, and wine. As a result, the Community has over the last few years become a net exporter of these products.

It is understandable that this should bother US farmers who were accustomed to a dominating position on world markets, though the EC is not the only or even the major competitor that US farmers have to face on world markets. In addition to traditional exporters, such as Canada and Australia, there are for instance, Brazil and Argentina, which have put an end to

In the United States 220 million people have 1.07 billion acres of agricultural land,

the American exclusivity of soybean exports.

The Community, with its "subsidized" agricultural exports, is nevertheless being accused of not respecting GATT rules and blamed for the current difficulties of the U.S. farmers. These accusations are in no way justified. The variable export refunds, which are designed to bring domestic EC prices down to the world level, are not used to obtain a more than equitable share of world markets. This is in accordance with GATT and with agreements reached after long and difficult negotiations on the subsidies code in the Tokyo Round in 1979.

Taking into account the substantial increase in US agricultural exports, the growth of EC agricultural exports has not led to the Community increasing its share of world trade. For example, Community exports of wheat (including wheat flour) doubled between 1969-70 and 1980-81 to 14 million tons, but world trade expanded even more rapidly with the result that the EC share fell from 16.6 percent to 14.9 percent. Over the same period, US exports more than doubled from 16.5 million tons to 41.9 million tons—from 38.4 percent to 44.8 percent of the world market. The growth of EC exports can have had no effect on world wheat prices, which are determined essentially by the size of the US and Canadian harvests on the one hand, and the import needs of countries such as the Soviet Union and China on the other hand.

The biggest problem for US agriculture has in fact been the drop in prices for coarse grains, soybeans, and cotton. In these sectors, the Community is not a competitor, but a customer. The EC is the world's biggest importer of corn (9.9 million tons in 1980), soybeans (11.8 million tons) and soya cakes (7.2 million tons). As a matter of fact the Community remains the largest export market for US agriculture. In 1980, the EC had a trade deficit in food and agricultural products with the United States of $7 billion, up from $6 billion in 1979, and the deficit continued to increase in 1981.

270 million Europeans depend on only 250 million acres of farm land. © Charlton Photos

The claim that the EC's sugar policy is to blame for the US Administration's decision to introduce a new support scheme for sugar, with import fees and import quotas, is also hard to understand. Sugar prices on world markets have always been characterized by wide swings because of the residual nature of the world market. Recently other sweeteners have strongly affected the supply/demand equation. The problem on the US market lies in the increasing consumption of corn sweeteners resulting in decreased consumption of sugar. Between 1971 and 1981 internal US sugar consumption declined from 10.5 million tons to 8.9 million tons in 1981. The latter figure represents one third of the "free" world market for sugar.

The controversy over corn gluten is another area where we find it hard to understand the US position. Corn gluten feed is a by-product of the production not only of starch but also of sweeteners and alcohol from corn, both of which have been stimulated by the US authorities. Almost the entire US production of corn gluten feed now finds a ready market in the EC as a cereals substitute in animal feed. This is a result of the discrepancy between the cost of corn gluten feed and other cereals substitutes, which are imported duty free, and the relatively higher internal prices for cereals in the EC.

We are planning to gradually reduce the gap between EC and US cereals prices, which should in time reduce the incentive to import increased quantities of corn gluten feed. Meanwhile, the continuing growth in imports of cereals substitutes into the Community results in lower EC imports of corn, and higher EC exports of cereals and poultry, with negative consequences for both the Community budget and US farm exports. The Community has no intention of trying to cut back imports of corn gluten feed, but I am convinced that measures to stabilize imports at their present level, to be negotiated in accordance with GATT rules, would be in the interests of both the Community and United States, and we hope the United States will agree to sit down and discuss the matter with us.

Agriculture is facing difficult similar problems in the Community and the United States. These include depressed world markets for several major commodities, as well as inflation and high interest rates which have been hurting farmers' incomes on both sides of the Atlantic. In the United States, in addition, farmers suffer from high dollar exchange rates and high interest rates. The Community has always been a substantial exporter of agricultural products, but it has no desire to increase its share of world markets by cutting prices, which is as much against our interests as it is against those of our competitors. Indeed, the Community has adjusted its domestic policies for grains, sugar, and milk, since it has become a net exporter of these commodities. What we cannot understand is that after years of negotiations and cooperation in the GATT and elsewhere the European Community, which remains the biggest net importer of agricultural produce, should suddenly be branded as the cause of market difficulties in the United States and in the world. It is time to sit down together, to consider the problems on their real merits, and to resume our traditional cooperation, instead of indulging in pointless and counter-productive confrontation. €

what is "corn gluten"?

And why is everyone saying such terrible things about it?

FRANK WHITSITT

Views on the availability of a feed ingredient known as corn gluten vary sharply depending on which side of the Atlantic you're on. "There's never enough of it," says Bob Hollister, a commodities trader in Kansas City. EC officials, however, believe entirely too much of the product has been coming into their market.

Indeed, US exports of corn gluten to the EC have climbed several fold since the mid-1970s. From 37,000 tons in 1973, they leaped to 700,000 tons in 1974. By 1979 US exports to Europe had climbed to over 2 million tons and in 1981 they reached 2.85 million tons, with a value of over $500 million. This may be small peanuts compared to overall US farm exports to the Community, but the ramifications aren't. The corn gluten issue is large enough to ignite concern as to where the trend is leading and the eventual impact on EC production of competing products.

The export boom for corn gluten can be traced to its easy access to Europe. It enters duty-free just like soybean meal, beet sugar pulp, and other basic feed ingredients under an agreement reached in the early 1960s when such exports were nowhere near the size they are today. As a result, Europe's sophisticated feed compounders are able to incorporate corn gluten at relatively low cost into their animal feeds, either as a direct feed grain substitute or as a protein supplement.

Corn gluten's increased availability for export stems from the fact it is a by-product, or co-product, of the corn wet milling industry in the United States. This multibillion-dollar industry has enjoyed much growth in the last 10 to 15 years, mainly from big American corn crops and the rise of corn fructose as a competitive sweetener. Plants run at capacity. Until this sweetener spurt, corn gluten had been mainly an excellent domestic purchase. Domestic supplies have become very tight, however, with the emphasis on exports to Europe, where it's an even better buy measured against the EC-supported products it competes with.

Europe is the most attractive market for corn gluten because its variable levy and price support system holds feed prices artificially high, says Rob Johnson who manages public affairs for Cargill, one of the major exporters of corn gluten. Johnson says Europe's fears of continued high growth of corn gluten imports are exaggerated.

"The big growth has already occurred," he said. "While corn gluten exports to Europe have had nearly a threefold increase from 1976 to 1981—from one million tons to 2.9 million tons, we foresee only about a 25 percent increase to 3.6 million tons by 1985." He said this is because the corn wet milling industry is unlikely to grow as fast as it did in the previous five years and because the switch from mainly domestic use of corn gluten to the export market has been pretty much completed in the last five years.

But projections of the U.S. corn wet milling industry do indicate that there will be more corn gluten to move into foreign markets. At this point, that means Europe. Corn fructose's share of the sweetener market has been rising at a rate of 2 to 3 percent a year. In 1981 it was put at 36 percent. It is expected to supply between 45 and 50 percent of the

Iowa cornfields. © John Running, Black Star

domestic market by 1990, according to the Corn Refiners Association in Washington, D.C.

Corn gluten feed and corn gluten meal are two of the four types of feed products produced in the corn wet milling process. Corn gluten feed is a medium-protein (20 to 21 percent), medium-energy ingredient composed of the bran and fibrous portions of the kernel in combination with the starch and protein fractions not recovered in the primary separation process. It is widely used in complete feeds or concentrates for dairy and beef cattle, poultry, swine, and as a carrier for added micronutrients.

Corn gluten meal is a high-protein (60 percent), high-energy ingredient consisting of insoluble protein (gluten) separated in the corn wet milling process in combination with minimal quantities of starch and fibrous fractions not recovered in the primary separation process. Corn gluten meal is a valuable source of methione to complement other commonly used protein sources. Its high xanthophyll content makes corn gluten meal particularly valuable as an efficient pigmenting ingredient in poultry feeds.

Kyd Brenner of the Corn Refiners Association acknowledges that the industry has benefitted directly from free access to European markets for its gluten feed and meal and has an important stake in maintenance of those markets. "It meant $435 million in trade to the United States last year," he said.

American farmers, he added, have a stake in the gluten dispute as well as the industry. He cites a 1981 study by the congressional research service of the Library of Congress that contends the loss of corn gluten exports would have cost farmers $100 million in 1981 and $300 million in 1983.

The price of corn gluten in the United States ranged from $105 to $120 a ton in early June. "It wouldn't take too much of an increase to put us out of the European market," Brenner said of the possibility that corn gluten could come under quotas or duties.

Compared to the size of the US corn crop, the wet milling industry is not big. With the 8.3 billion bushel crop of 1981, it took about 500 million bushels, or just 5 percent of the harvest. It generally absorbs between 5 and 7 percent of the crop. "That's only a small part of the corn crop," Cargill's Johnson agrees, "but anything that starts crimping growth pinches the demand base and translates into lower commodity prices for American farmers."

About a dozen firms control the industry in the United States, headed by Corn Products Company (CPC), A. E. Staley, Archer-Daniels-Midland (ADM), Cargill, American Maize, Penick and Ford, Clinton Corn, and Hubbinger. "Everyone has expanded," Brenner said, "because of the growing demand for sweeteners." This puts pressure on the industry to find markets for secondary products like gluten. Europe up to now has filled the need, but the EC is showing signs of growing unease over how much gluten might be shipped to it.

"All of the hubbub over the push for gasohol during the Carter administration scared the dickens out of them (EC)," Brenner added. "They were talking about gluten imports reaching 10 million tons with the impetus of a US subsidy to the alcohol industry."

The push for gasohol has subsided, but talk of it stimulated thoughts in the EC of putting duties or quotas on corn gluten. Alcohol used to produce gasohol (90 percent gasoline and 10 percent alcohol) is produced conventionally through the distilling process where the entire kernel is fermented.

In the last year or so such EC concern about gasohol's impact on corn gluten imports has faded. But at the same time concern over the cost of EC's Common Agricultural Policy has risen. Such costs keep going up and the recent decision to increase farm supports in the Community by 10.7 percent could add to the pressure to do something about corn gluten.

"The EC says they are being forced into subsidizing exports because so-called grain substitutes (like corn gluten) are displacing use of their own grains in the Community," Johnson contends. "The evidence doesn't bear it out. Their high supports and variable levies at the same time have reduced the amount of grain they import. Corn imports from the United States, for example, are down 5.4 million tons from 1974 to 1981. That's almost three times the increase in corn gluten imports."

While corn gluten exports account for only a fraction of the total US-EC trade, the ramifications could be great on both sides of the Atlantic. The rich soybean market in Europe could be endangered, US officials fear, if they agree to negotiate on corn gluten. As of now, soybeans and soy products also enter Europe duty-free but that could change, Washington reasons. Moreover, should corn gluten suddenly become dependent on the domestic market alone, the additional supplies not only would depress the corn wet milling industry, but disrupt the soybean industry as well. €

Frank Whitsitt is the editor of Farmland News.

steel deadlock: a primer

HANŞ VAN DER VEN

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January 11, 1982 marked a new phase in US-EC trade relations: seven major US steel producers lodged a total of 132 complaints with the US. International Trade Commission and the Department of Commerce. Eleven countries, among them Belgium, France, Italy, Luxembourg, the Netherlands, the United Kingdom and West Germany were alleged to be exporting steel products to the United States that were being subsidized by their respective Governments and/or were being sold in the United States at prices below their fair value. The immediate consequence of this action was the suspension of the trigger price mechanism for the second time in two years.

Subsequently, the International Trade Commission issued a preliminary ruling that a significant part of the imports caused material injury to the domestic industry. On June 11, the Department of Commerce followed with a preliminary finding according to which countervailable subsidies had been granted to companies in Italy (18 percent), France (20 percent to 30 percent) and in the United Kingdom (40 percent). One Belgian company is affected to the tune of a countervailing duty of 20 percent; others to a lesser extent. Companies in Germany and the Netherlands were generally found to be either unsubsidized or subsidized to a negligible extent. Importers will be required to post bonds at customs warehouses in the amount of their alleged subsidization. These new trade restrictions, on a scale unheard of in the last decades, come at a time of hard social and economic adjustment and high unemployment in the EC and in the world.

The EC has already reacted rigorously, arguing that the US decision will virtually eliminate a substantial part of its steel exports to the United States, in conformity with US international obligations under the General Agreement on Tariffs and Trade (GATT), and that it will undermine efforts towards restructuring in the EC.

Is the United States exploiting its policy advantage of being a steel importer instead of an exporter by resorting to artificial import limitations, or is the EC exporting its unemployment to the United States by using unfair trade practices, as claimed by the US steel sector?

Long-term trends in the US steel market

Rising US imports and the US industry's outcry against them appear less dramatic if viewed in a broader time perspective. The net steel trade balance of the United States had changed from positive to negative as early as 1959. US imports have continued to rise since then: very rapidly in the 1960s, reaching a maximum import penetration rate of nearly 17 percent in 1968; then slowing down in the 1970s to reach an average import share of over 15 percent of domestic consumption, with a high of over 18 percent, or 21.1 million net tons, in 1978. Total imports in 1981 amounted to 19.1 percent of domestic consumption, or 19.9 million tons.

Most of the US industry's actions and anger, are directed at the European share of the imports. However, imports from the EC, taken as a percentage of total US imports, have been declining steadily—from 71 percent in 1959 to an average of 51 percent in the 1960s (to the benefit of the Japanese producers) and to 37 percent in the 1970s (to the benefit of new exporting countries such as Canada, Brazil, Korea, or Taiwan). The 33 percent EC share of total imports in 1981, while up from a very low 25 percent in 1980, is thus far from being inconsistent with past practices or trends.

Many factors having to do with the competitiveness or business strategy of the US steel industry itself have contributed to this general trend of rising US imports. The explosive growth of imports in the 1960s was initially the consequence of labor union action. Higher steel imports were triggered off by a 119-day strike called in 1959 by the United Steel Workers. In the following decade imports leaped up every three years when the new labor contract came up for renegotiation.

Furthermore, the US steel industry has consistently chosen not to compete with imports on a price basis, but to trade off volume for profits, thereby allowing bigger inroads for foreign steel. The United State's advantage in productivity has lessened. The failure to adopt new, innovative technology and modernized installations has led to inferior performance as measured by such indicators as energy efficiency, introduction of continuous casters, or output by modern melting processes. Since 1960, only one new integrated plant has been constructed in the United States.

Other reasons for the decline in competitiveness include the fading out of a raw materials cost advantage, and the skyrocketing of wages and fringe benefits for American steel workers. Total pay, 29 percent above the average for all manufacturing workers in 1968, rose to 75 percent above that average in 1980, compared to a European like figure of about 20 percent. If we add to this picture a drop in international transportation costs and a shortage of American capacity in the pipe and tubing sector, we have hit upon some of the basic reasons for the steady rise of total imports.

Protection of US steel market: nothing new

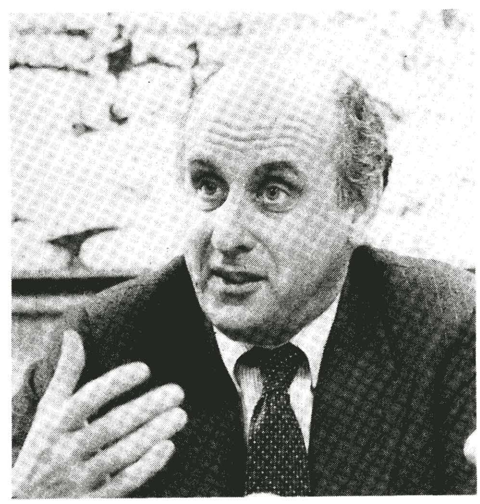
Actually, the recent filings of antidumping and countervailing duty complaints are in line with methods and goals used in the past by the US steel industry. Already over a decade ago, Japanese and European producers were forced into a "voluntary restriction agreements" (VRA) to limit exports to the United States. The first agreement, for the years from 1969 to 1971, was meant to provide a three-year breathing space for the industry to regain its competitiveness. The VRA's were extended and intensified for another three years, from 1972 until 1974.

In 1977, we saw a ritual similar to that of the 1968-69 political process: higher imports resulted in a very intensive lobbying campaign by the industry supported by the labor unions; the creation of a steel caucus in Congress; and the foundation of a coalition, (which the present International Trade Commissioner Eugene Frank then served as a consultant) of communities affected by the steel crisis. The steel industry was thus armed with a tremendous political clout and put great pressure on the Carter Administration to take steps against imports. Domestic producers led by US Steel, meanwhile, had filed a whole range of antidumping complaints, first aimed at Japanese exporters, but later also at European producers. If these complaints had been carried through, they could have caused EC retaliation, at a time when the multilateral trade negotiations were entering a crucial phase and some order in international trade was necessary to conclude successfully the Tokyo Round.

The Carter Administration came up with a compromise in the Solomon plan. Measures to assist the distressed steel industry were announced, including loan guarantees, tax incentives for modernization, "rationalization" of environmental policies, and community and labor assistance. But the most important aspect was the trigger price mechanism (TPM).

The trigger prices were calculated on the basis of production and exporting costs of the most efficient foreign competitors, assumed to be those of Japan. Presented as an import-monitoring system intended to "expedite relief from unfair import competition, but to do so in a manner which would not preclude competition in the US market," the actual purpose of the TPM was to obtain a high import-price level coupled with lower volume. For imports below the trigger price, a fast track antidumping investigation would automatically be initiated. For Europe and Japan, the system was acceptable in view of less desirable alternatives; for the US industry, the protection by TPM (plus the rest of the Solomon package) in exchange for a withdrawal of the dumping suits and a promise not to file new petitions was hardly a bad deal.

Initially, the TPM accomplished its political purpose by appeasing protectionistic pressure at home and foregoing retaliatory action abroad. Then in March, 1980, US Steel again filed antidumping suits against major EC exporters, leading to the immediate suspension of the TPM by the Carter Administration. US Steel cited a halt of the upward trend of the trigger price due to the appreciation of the dollar against the yen and high imports in the fourth quarter of 1979, compared to the first quarter of the year. Confident that the Carter Administration would wish to avoid a confrontation with the European Community, US steel was also emboldened to seek more favorable tax incentives and relaxed environmental regulations. Squeezed between the same political pressures abroad and at home that he had faced in 1977, but more vulnerable in the midst of a reelection campaign, Carter obtained a withdrawal of the antidumping suits by US Steel. But the price to be paid was high: an extended, more vigorous TPM, including an anti-surge provision and an important increase in the trigger price, plus a broad domestic program containing concessions from obligations under the Clean Air and Water Act and facilitating capital formation or investment for revitalization.



EC Industrial Commissioner Etienne Davignon.
© Nemo Niemann, Washington, DC

Exchange rate fluctuations

Against this background, the filing of antidumping and countervailing duty complaints (mostly against EC producers), as well as the immediate suspension of the TPM by the US Government last January, is hardly surprising.

It is simply a repetition of the pattern: In 1981 imports rose substantially over 1980, especially toward the end of the year, and the effectiveness of the TPM was undermined by a strong dollar against European currencies. Thus, the action of the US steel industry was to be expected. As mentioned previously, the trigger prices reflected costs of the Japanese producers. From early 1980 to late 1981 the yen appreciated against the dollar, having an upward effect on the trigger prices. European currencies, however, fell between 16 percent and 30 percent against the dollar, thereby greatly increasing the competitive strength of European exports in the US market and offering opportunities for some EC producers to export profitably at below trigger price sales.

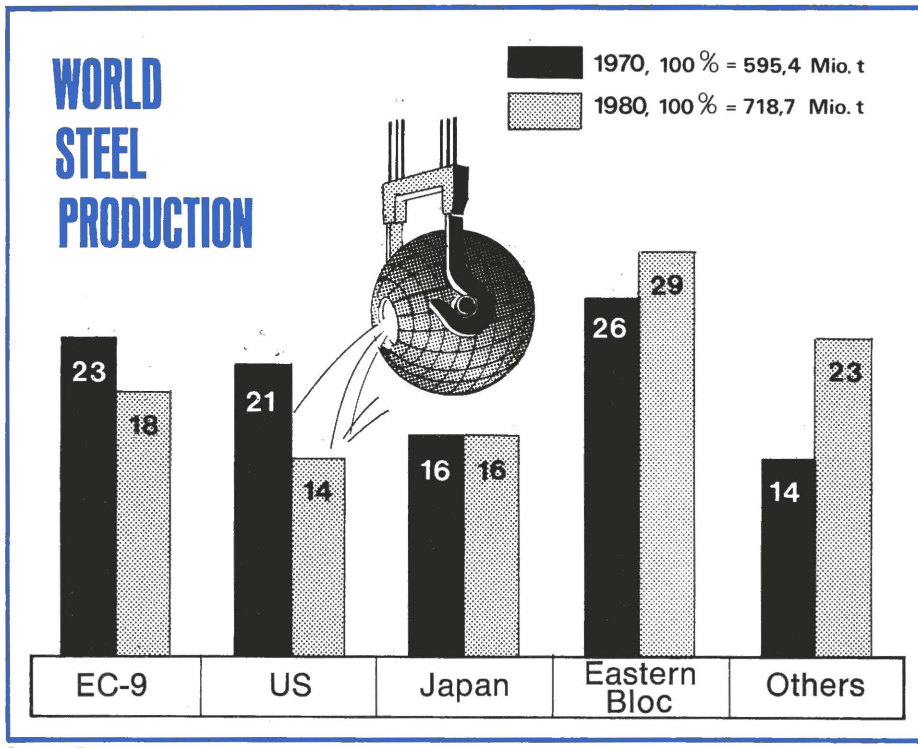
While the industry's reaction to higher imports is thus nothing new, the search for an adequate solution will be more complicated than before: the Reagan Administration's leverage over the steel industry to give up the pending suits is less than of its predecessor, given earlier concessions in taxation and environmental regulation, and given also more Republican resistance to giving financial or other assistance to a depressed industry.

We can ask ourselves two basic questions: first, how legitimate are the American allegations, and, second, what would be the result of stronger US protectionism? The question of the legitimacy of the American antidumping and countervailing duty complaints is a major source of employment for Washington lawyers today. The details and complexities of the suits vastly surpass the scope of this article. However, some comments on the legal environment and global validity of the claims can be made.

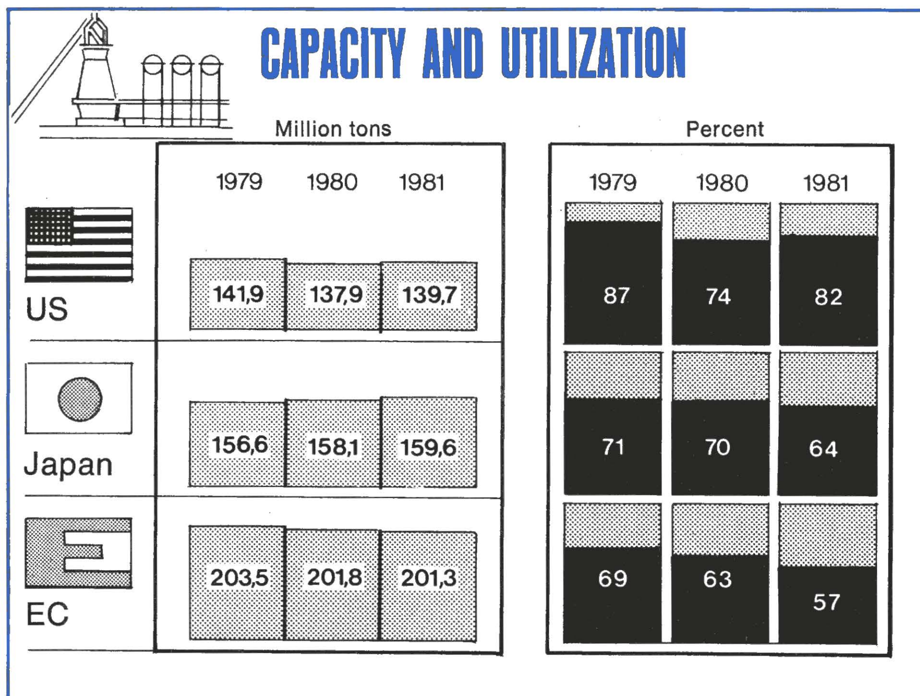
Legal protectionism

For an affirmative finding of dumping in the US market, two basic criteria have to be met: Imports must have been sold at less than their fair value and they must have been the cause of material injury to domestic producers. Regarding the first criterion, the Trade Act of 1974 fundamentally altered the rules for calculating fair value, as they existed in the United State's Antidumping Act of 1921. Under that act, a positive finding of export sales at less than fair value occurred when prices dropped below the home market price. The 1974 Trade Act introduced a second test of dumping: If home market prices are below costs over an extended period, they will be ignored for the purpose of establishing dumping and substituted by a "constructed value", consisting of estimated production costs, and an 8 percent profit.

This is not merely a technical change: In a sector like steel, characterized by high fixed costs and disturbingly high cyclical fluctuations, the fixed costs per unit produced



Source: Eurostat



Source: OECD

change over the business cycle, and are at a high when output is at a low. In such a sector, it is an absolutely normal and legitimate business practice to sell below full cost in a recession. In fact, in recent years and at the present time, several of the large US steel producers have been selling below their full production costs (as indicated by their losses), let alone that they have been able to capture an 8 percent profit.

From a macroeconomic point of view, the assessment of dumping on the basis of constructed value is unsatisfactory—in a recession, prices would have to be raised, which is inconsistent with economic theory and not the way toward economic recovery. By not allowing the comparison of export prices with home market prices in the determination of sales at less than fair value, a discriminatory element has been introduced in American trade law itself. Enforcement of the same can be, economically, pure protectionism, instead of the blocking of unfair trade practice.

This phenomenon has been termed legal protectionism. The EC has recently adopted a similarly constructed cost provision as an amendment to its dumping code, thereby posing the threat of identical injustice to US exports. Use of this dumping code could be especially harmful to a nations export when its currency is overvalued, as is the case with the dollar today.

A second function of the suits has been called procedural protectionism: during the investigation of the antidumping and countervailing duty suits, the final margin, and thereby the import price, is uncertain. This discourages American steel users from buying foreign steel. History has shown that exports to the U.S.-market are affected, regardless of the outcome of the suits.

Another point of uncertainty is the discretion of the International Trade Commission in its decision on material injury: Is the depressed state of the steel industry to be blamed on EC imports, or is it the result of high wages, inadequate investment, expanding imports from other countries, insufficient capacity in certain segments, or the sluggishness of the US economy, especially the automotive and construction industries?

Oil country goods

Yet another comment on the 1980-81 increase in total exports from the EC to the United States has to be made. While this is not the place to go into detail on the fluctuations of the various segments of the steel market, a split of total imports into tubes and pipes and other imports shows a different side of the import increase issue. Tubes and pipes, the so-called "oil country goods," account for a large part of the total increase of European exports; US capacity has been insufficient to satisfy domestic demand in this market segment.

So the overall picture is not as gloomy as American producers suggest. However, the high volatility of EC exports, which peaked in the last months of 1981, is a major—and understandable—source of concern for the US industry. In my opinion, this volatility is due less to the results of dumping, than to a reaction by EC producers to (1) the arrival of imported steel ordered during the strong US market in the first half of the year, (2) exchange rate fluctuations, and (3) an absolute shortage in the US market of tubular goods.

Subsidies

Earlier postponement of preliminary determinations by the Department of Commerce as to the existence of subsidization of imports reveals how extraordinarily complicated the issue of countervailing duties is. Competitiveness, type and level of Government involvement and financial assistance vary widely from country to country and from enterprise to enterprise: Only careful examination on a case-by-case basis can reveal the amount and nature of the subsidies. Therefore, I will limit myself to a few global remarks.

What does and what does not constitute a subsidy? Contrary to popular belief, if certain subsidies are equally available to all industries in a particular country, it is not a subsidy in economic terms. Furthermore, in a mixed economy, Government assistance has sometimes been given to comply with costly Government-imposed requirements. Can that be considered a subsidy? Or if the industry is state-owned, what are equity contributions and what is financial aid? and what about restructuring measures aimed at *reducing* production capacity?

Equally, or what about different types of rehabilitation assistance to ease the burden of adjustment and alleviate social and economic distress in strongly hit areas? Is the aid distributed in these areas, meant as a temporary measure to spread the high and concentrated costs of adjustment over the society as a whole, not a positive element of the Western welfare state? It is doubtful that many of these and other subsidies will have any impact on EC exports to the United States.

Conflicting interpretations of the countervailing duties statutes do not make it easier. Conceptional complexities have been abused by the US steel industry in overstating its cause. I do not mean to say that imposition of countervailing duties must be ruled out in any case: when there is clear evidence of artificial and substantial boosting of exports, restrictions could be imposed. However, the fact that subsidies abroad are at least partly offset by subsidies at home should make the Administration extremely careful: tax breaks, stretchouts of environmental legislations compliance, government loans or worker assistance are all examples of US-Government support.

American producers claim that the effect of subsidization of the EC steel industry has been the exporting of unemployment to the United States. However, total employment in the EC steel sector dropped from 699,000 in 1978 to 551,000 in 1981 even more sharply than in the U.S.

Restructuring the US steel industry

The official position of the US steel industry in the steel trade debate is that they are competitive in their own market, in favor of free trade, but against unfair trade. In fact, for the past 15 years, the real issue in the US steel market—as for the last six years in Europe—has not been one of fair or unfair trade, but one of adjustment, be it market-forced or Government-assisted, as against protectionism. Preference for free markets may be economically justifiable, but in democratic societies in which economic policies are the outcome of political pressures and compromise, it is hardly realistic t› think that sectoral adjustment problems can be solved by the market mechanism alone. This is also true for the

PIPE AND TUBING IMPORTS IN US MARKET

(in millions of net tons)

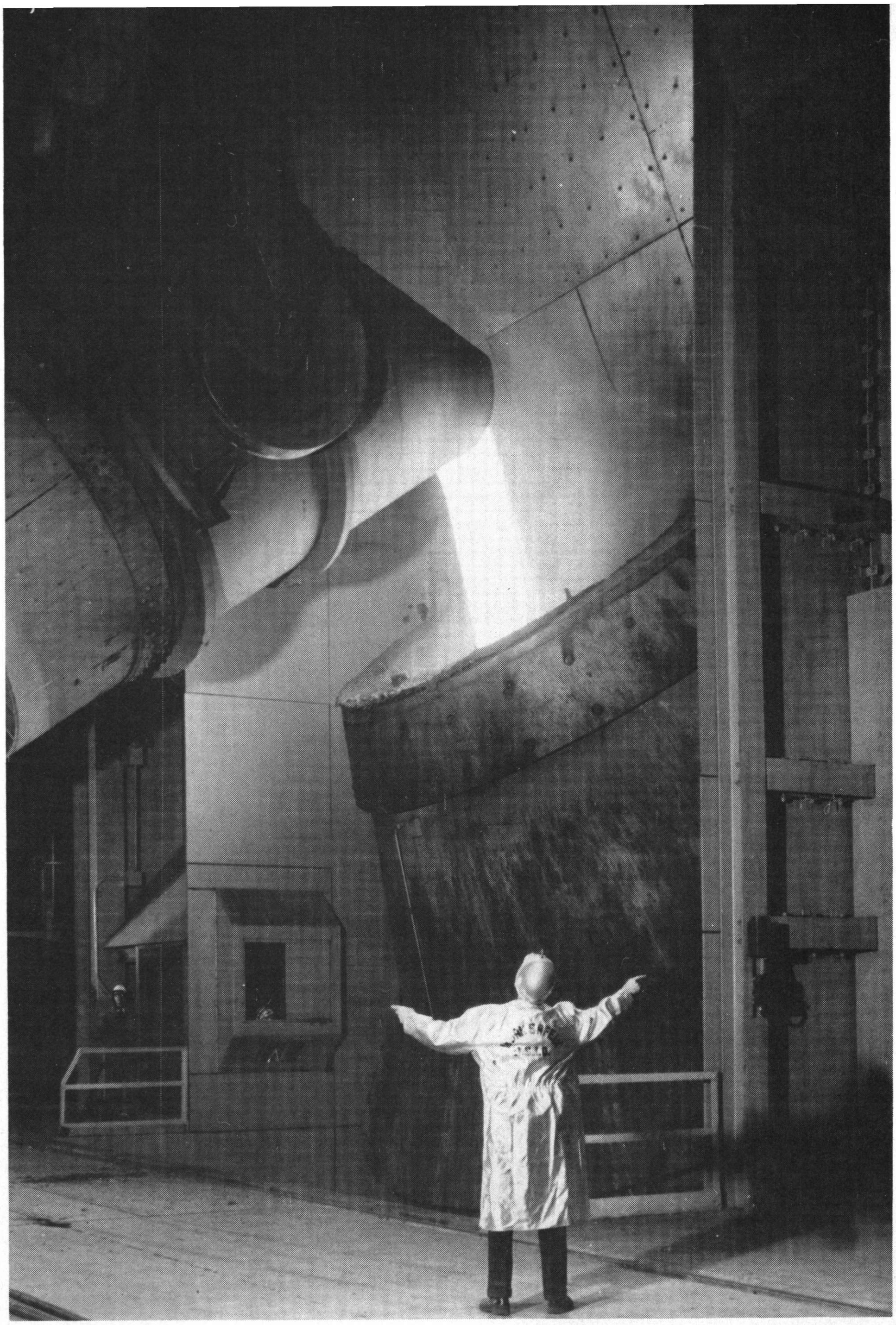
	1978	1979	1980	1981
Total Steel Imports	21.1	17.5	15.5	19.9
Steel Imports from EC	7.5	5.4	3.9	6.5
Non-Tubing Imports from EC	7.1	5.2	3.6	4.7
Tubing Imports from EC	0.4	0.2	0.3	1.8

EMPLOYMENT IN US/EC STEEL INDUSTRY

(in thousands of employees)

	1978	1979	1980	1981	1981/ 1978 in
EC[1] (9)	699	680	636	551	79%
US[2]	449	453	399	391	87%

1. end of the year
2. average number of employees
SOURCE: L'europe, 1.30. 1981
American Iron and Steel Institute.
Eurostat monthly bulletin.



courtesy of the American Iron and Steel Institute.

United States: We need only consider the VRA's, the TPM's, and, even more significantly, today's unofficial Japanese voluntary restriction to limit shipment to the United States to about six million tons a year (while being highly competitive and in possession of a huge surplus capacity).

The combination of politically enforced protectionism on the one hand, and ideologically inspired Government refusal to interfere in the domestic market place on the other hand, leads to continuing protectionism. The point is that protectionism, requested by and provided to the troubled steel sector, is given on the assumption that the steel sector itself needs financial stimuli to regain its competitiveness. It is not provided so that the funds derived can be spent elsewhere.

Consider the case of the US Steel Corporation. The company claimed that a greater cash flow was absolutely necessary in order to modernize its facilities. Yet, as the subsequent $6.5 billion take-over of Marathon Oil Company (of which $2.6 billion was paid in cash) made clear, the issue was not that US Steel didn't have the funds to modernize its aging steel plants. It was rather that the company did not consider *steel* an attractive investment choice.

Diversification out of steel into more promising sectors can be, from a corporate view-point, a completely correct and intelligent decision. But the US industry cannot have it both ways by reaping the advantages of protectionism without any real commitment to the Government to restructure its industry, thereby perpetuating the need for protection. Because industrial policy is a suspect concept in American political thinking, the industrial policy that emerges *de facto* in response to serious industrial disturbances, as in the automobile sector or steel industry, is ad hoc, non-conditional assistance, most often protection to failing industries. The costs of this policy are high: Domestic restructuring is not enforced, the burden of adjustment is passed onto steel consuming sectors and the need for future trade intervention is perpetuated.

The need for cooperation

Relying on American trade law, to the exclusion of international law, to settle the steel dispute is a dangerous course. In the current interpretation of the trade laws, foreign producers are discriminated against. They are also a tool too rigid to deal with a shrinking steel sector in the political-economic environment of the 1980s. A refusal to acknowledge these facts runs the risk of having highly adverse effects on the Atlantic partnership, effects which may exceed the relatively narrow interests of the steel sector.

In the EC, more than 20 million people are out of work, and more havoc seems to lie ahead. Protectionistic sentiment in the EC is fueled by today's recession. The same applies to the United States where "reciprocity" legislation, a fundamental departure from the multilateral character of the GATT, has been introduced in Congress. As with the unfair trade concept, reciprocity sounds legitimate, but in reality it could turn out to be a disguised form of protectionism. The reciprocity legislation is essentially aimed at reducing the trade deficit with Japan. At a time when the US trade surplus with the EC is $10.8 billion, the same thing could happen as with the dumping code: it would be difficult for Europe to resist the temptation to follow the United States in adopting similar legislation in this case aimed at reducing the trade deficit with both the United States and Japan.

All these developments, if not handled carefully, could well result in the collapse of the existing world trade order. Viewed in this broader perspective, an acceptable solution to the steel dispute would be helpful, if not necessary, in preventing any further heightening of tensions between the EC and the United States. This is particularly important because steel is one of Europe's main export products to the United States. €

Hans van der Ven is the Paul-Henri Spaak Fellow at Harvard University.

agreeing to disagree

H. PETER DREYER

Was it a breakthrough for European integration? Had the European Community managed to rid itself of the shackles which had hampered its progress on so many fronts throughout so many years? In other words, had the so-called Luxembourg Compromise suddenly fallen by the wayside? (This is an agreement reached in 1966, when majority voting in the Council of Ministers was scheduled, under the EC treaty, to begin. The substance of the compromise was that unanimity would continue to be required where any member state felt its "vital interests" were likely to be affected.)

Last May 18 the Council of EC Agriculture Ministers, by a majority vote and with the United Kingdom, Denmark, and Greece abstaining, adopted the farm price increases for the 1982-83 crop year. Basic agreement on those increases already had been reached by all EC member countries previously, but the United Kingdom had blocked, and was intent on continuing to block the ultimate decision pending a settlement of its budget refund claims.

The situation evolving when—unexpectedly for most—Agricultural Ministers chose to override Britain's veto was of course made more complicated by the uncertainty about how London would react. Would, for instance, the "Iron Lady" opt for following the 1965 example of General Charles de Gaulle and suspend the United Kingdom's participation in all EC affairs until further notice? Had the veto right perhaps been cast aside (if it had) at the cost of landing the EC in one of its deepest crises? Was it a case maybe of "operation successful, patient dead"?

In the event, such fears have proved unfounded. Dismay and anger notwithstanding to the contrary, Prime Minister Margaret Thatcher came out against any kind of "punitive action." Moreover, a few days later, the budget controversy was settled, albeit if only for the current year, thereby removing the substance of British objections to the farm price increases.

Partly on that account, and partly also because so many other more burning issues—the Falkland hostilities, the Versailles summit, a new war in the Middle East, to name only a few—have moved to the fore since, the initial fierce debate about the demise or survival of the Luxembourg Compromise has subsided somewhat. But most assuredly the problem has not gone away.

When determining whether or not this compromise was indeed compromised by the May 18 majority vote, it might be useful to play down the first—irate, bitter, or, for that matter, defensive—reactions of the *dramatis personnae*. They prove little more than that ministers also are human beings apt to give free rein to their feelings at times. If in the first flush of excitement, for instance, United Kingdom Agriculture Minister Peter Walker insisted that "never again may Germany, France, and Italy hide behind the Luxembourg Compromise", that approach was effectively canceled out by that taken a few days later by Francis Pym, UK Foreign Secretary. Speaking in the House of Commons and describing the agriculture vote as "an example of the Community working at its worst", the latter declared that it was his Government's objective now to ensure that nothing like this happened again.

Similarly, not too much weight probably should be given to the efforts right after the voting of other Agricultural Ministers, notably those from France and the Federal Republic of Germany, to describe their action as a special one arising from special circumstances, and thus in no way impinging on the Luxembourg Compromise. It is not too difficult to imagine others making the same plea should a comparable or maybe even not quite comparable situation arise.

Rather more to the point, is it a legal issue which is involved or a political one? By establishing that no country should be "voted down" by a majority of the others in any matter which it considers to be of vital interest to itself, the January 1966 Luxembourg Compromise was effectively nothing but an agreement to disagree. As such, the EC lawyers now say, it has no binding legal power at all: Juridically, it does not; it could not invalidate the rules laid down in the Rome Treaty establishing the EC.

Maybe it could not, but that had also been the situation before the May 18 vote. Have things changed thanks to the successful challenge represented by that vote? EC integrationists, so often frustrated in the past and now deriving great comfort from this challenge, will say that they have. Commission President Gaston Thorn has spoken of a new beginning.

But with his expert knowledge of Community affairs, he has also gone on record that there can be no question of an automatic majority vote procedure in the EC decision making process. He has warned against the possibility of the essential interests of certain countries—he was thinking more particularly of the little countries—being flattened by an automatic vote.

Actually, in what must obviously be a highly speculative field, it is permissible to go somewhat beyond this. To begin with, and as implicit also in Thorn's approach, the impact of the Luxembourg Compromise is bound to remain, as it has been to date, political more than legal. Secondly, even if not altogether in the sense conveyed by French, German, and other ministers in the wake of the vote, overriding the British veto was indeed something special.

Thirdly, and going from the particular to the general, there is no sign at this moment that any of those member countries which in the distant or more recent past have relied on, or specifically welcomed, the Luxembourg Compromise, has had a change of mind on that score. In very broad terms, and regrettable as this may appear to some, the trend has been rather in the opposite direction. During the EC's early years the concept of supranationality, of which majority decisions are a reflection, beckoned to many as a desirable objective. Since then the emphasis, if judged by actions though not necessarily by high sounding declarations, has consistently been on strengthening the sovereign powers of national Governments.

Few Governments in fact would view with equanimity the possibility that the Luxembourg Compromise might have disappeared, and this state of affairs is probably sufficient to keep it alive. Some Governments, such as the British, Danish, and Greek (all newcomers), will make no bones about this. If others, like the German and the French, prefer to be a little more reticent, it would be a grave error to assume that they think differently.

Does all this mean that the May 18 majority vote will be remembered only as an "incident," but leave no trace on EC developments otherwise? Not necessarily so. There remains at least the possibility that the memory of the occasion will serve as a reminder of what might happen *in extremis*. Just so, it may also spur member countries to greater efforts to reach all around agreement on controversial matters, but it would presumably be wishful thinking to expect much more than that.

H. Peter Dreyer is the European news editor of the Journal of Commerce.

Mr. Thorn Goes to

EC participates in economic summit.

MICHAEL LAKE

There is little doubt after the summit of Versailles that these affairs are worthwhile. The long preparation, by now institutionalized as part of the pattern of Western economic and political relations, is valuable in itself. It serves to focus attention on a few select issues of common interest or contention and the summit then imposes a time frame for dealing with them.

The meeting of the seven heads of State and Government and the representatives of the European Community at Versailles on June 4, 5, and 6 was more fruitful than some in the past. It achieved two compromise approaches to common problems and agreement on a third. One area, trade, remains difficult, not to say perilous, although the leaders repeated their commitment to resist protectionist pressures.

The first area of compromise is in economic and monetary cooperation. The problems facing the West are well known: we have disturbing and disparate rates of inflation; high and mostly increasing unemployment; and slow, low growth. While this summit did not result in an attack on high US interest rates, the joint communiqué acknowledged that interest rates are now "unacceptably high".

More important, however, is the agreement to intensify economic and monetary cooperation and to work toward a constructive and orderly evolution of the international monetary system. What lies behind this is disagreement between the United States and its European allies over the question of intervention on the exchanges. The United States has ceased to intervene on the exchanges, except in exceptional circumstances, since April 1981. The Europeans believe that American reliance on purely market forces to affect the rate of the dollar allows disequilibrium on the exchanges, affecting investment and trade patterns.

Under the compromise of Versailles the Americans will take part in a joint study of the impact of intervention on the exchanges. The Reagan Administration has already carried out its own study and concluded past intervention policy was not effective, was costly, and even contributed to disturbances on the money markets. The new multilateral study will take a year and thus ease pressure on the Americans. US Treasury Secretary Donald Regan insists, however, that he has an open mind on the new study.

The summit also agreed to a multilateral form of surveillance of the markets through the International Monetary Fund (IMF) and the five special drawing rights (SDR) currencies—the dollar, yen, pound, Deutschmark and French franc. This group may be shrunk or expanded from time to time. IMF surveillance has hitherto been bilateral with one other currency. The new arrangement provides a multilateral forum to argue whether or not conditions on the exchanges have become disorderly, or in the French translation, erratic.

The Americans insist they are ready to intervene when markets conditions are disorderly, as provided for in Article IV of the IMF Articles of Agreement, but views differ on what constitutes "disorderly". The test of this compromise remains for the future. The Community members of the European Monetary System regard the summit undertakings as complementary to their own.

The second compromise reached at the summit stems from American pressure on the Europeans to restrict credits to the Soviet bloc following the clampdown in Poland, Western credits toward construction of the Soviet gas pipeline to Europe, and the US Administration's conviction that cheap Western credits are being used to enhance Soviet industrial and military technology and power. President Reagan's concern to restrict credits led, in fact, to a deal being done—agreement on credits in return for agreement to work toward the launching of global negotiations on a range of North-South issues which the EC has been anxious to start.

Three days before the summit it became clear in discussions between the American authorities and the EC Commission that President Reagan was more ready to see these negotiations launched than he had been at either the previous economic summit in Ottawa or at the subsequent North-South summit in Cancún, Mexico. Two years ago the Carter Administration blocked the launching of these negotiations and at the last moment Britain and Germany backed the United States in order not to leave the Americans isolated. This had the effect of splitting the EC at the United Nations.

Several months ago the Group of 77 (G-77) developing countries at the United Nations in New York tabled new proposals which, by and large, the EC accepted as a good basis for launching global negotiations. In the Versailles communiqué the Americans also accepted them as a good basis for discussion. It seems that with several minor modifications to the G-77 paper, the Americans would end their isolation and the EC, for its part, would stick with the Americans in future consultations until the global negotiations are finally launched. This represents a breakthrough on the North-South issue and a desire by President Reagan to reduce issues of disagreement across the Atlantic. The United States used the Commission as

the channel to break the deadlock. But this agreement lay under a reserve until the summit participants had agreed on wording on the future provision of credits to the Soviet bloc, when both issues were agreed. Thus the bargain was struck.

The compromise on credits to the Communists creates another multilateral forum within the Organization for Economic Cooperation and Development to carry out regular surveillance on all aspects of the Western group's economic commercial and financial relations with the bloc. So, with the IMF surveillance group on currencies, the Versailles summit created two new juries where the allies can "blow the whistle" if they feel understandings at the summit are being ignored or flouted.

The leaders agreed that they should "limit" export credits on the basis of "commercial prudence," a phrase which the Americans believe bankers will understand, and which the Finance Ministers of the West will note particularly in guiding the opinions and actions of their Governments. What all this will mean to the Europeans in their trade with the Soviet bloc is hard to fathom. One senior European Government spokesman remarked: "Well, it won't be business as usual, but there is no need for our Government to change course".

The subject left simmering was trade. All parties professed their continuing commitment to fight protectionism, but for the EC serious problems remain. First, the recent Japanese measures to open their market more to imports will not solve the problem of their large export surpluses and difficult import markets. Japan currently imports only as much goods as Switzerland. Secondly, American action against EC steel and agricultural exports threatens to invite retaliation and even a dislocation of the free trade system. Now, the US Administration's decision to try to block sales of US equipment, manufactured under license in Europe, for the Siberian gas pipeline is an extra new threat to the system. The EC Council of Ministers has declared this step as running both against the agreements reached at Versailles and against international law.

Sir Roy Denman, the EC Commissions Director-General for External Affairs, told journalists in Versailles: "If these problems are allowed to fester and escalate they could affect the political relationship." The United States and the EC are each other's biggest customers, with the United States running a surplus of around $12-15 billion in 1981. Neither side, with millions of jobs at stake, can afford to lapse into a trade war. €

Michael Lake is head of information at the EC Commission's office in New York.

EC Bonds on US Markets

Current success brings visions for future programs

TIM CARRINGTON, *Washington correspondent for McGraw-Hill's Securities Week*

Europe's Money, America's Interest

The first anniversary for EMS

ROBERT GERALD LIVINGSTON

DIRECT INVESTMENT

THE SPARTANBURG EXAMPLE

How an old Southern town became "Euroville"

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

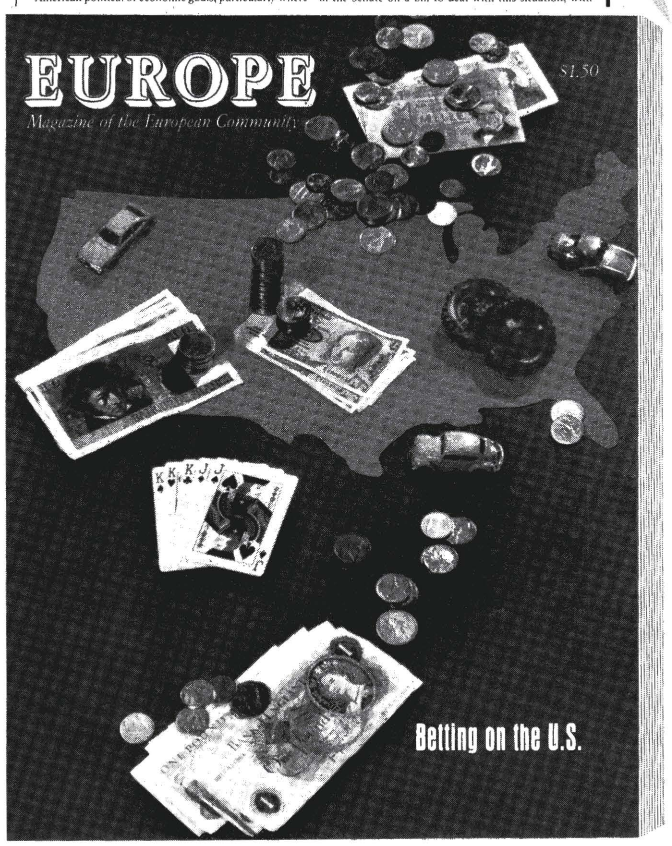
MORE THAN 40 EUROPEAN COMPANIES HAVE INVESTED in excess of $1.8 billion in Spartanburg, South Carolina. More than 1,500 Europeans are believed to live in this what he wanted in Winterthur in Switzerland. With orders from his firm and with his encouragement, both the Swiss Rieter company and Sulzer Brothers of Winterthur

A NUCLEAR DIFFERENCE

At stake is Europe's energy supply and/or the future of mankind.

SARAH MILLER, *Washington editor for McGraw-Hill's* Nucleonics Week

THERE IS NO SHORTAGE OF SUBJECTS ON WHICH THE US desire to promote European unity clashes with other American political or economic goals, particularly where worldwide availability of material easily made into nuclear bombs. Nearly two and a half years ago work began in the Senate on a bill to deal with this situation, with



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D7D

Denmark Holds EC Presidency

Major reflation effort seen during six-month term.

LIEF BECK FALLESEN

Copenhagen. © Tom Nebbia, Woodfin Camp Inc.

Whatever political influence the Danes may derive from their EC Presidency in the coming six months is certain to be focused on fighting unemployment, even at the expense of the fight against inflation. The Danes firmly believe that the time is ripe for concerted action, read reflation, and hope that the French will help provide the necessary political leverage.

The Danish and French Socialist Parties share the conviction that only a major public investment program will stimulate private investment, and the economies in general, effectively in the short term. A new Danish Government consisting of non-Socialist parties basically would not disagree, though it might perhaps stress private investment more. Few observers here seriously believe that the Danes, even with a French connection, have any real chance of procuring a major shift in the policies of the larger EC member countries. But the Danes will try, and apart from a traditional inclination toward Keynesian policies and a strong aversion to monetarism, be it US- or British-style, Denmark has respectable reasons to hope that somebody will do something soon.

The Danish economy, as in many other European countries, is in real trouble. As the relatively largest net importer of energy in the EC, Denmark has suffered harshly under the impact of two oil crises in the 1970s. Full employment has been replaced by one of the highest unemployment rates in Western Europe, close to 300,000 jobless in a population of just over 5 million. Years of balance-of-payments deficits have accumulated a foreign debt of more than $12 billion, making Denmark one of the larger debitors on the international capital markets (though this has not damaged Denmark's credit worthiness).

The rapid growth of unemployment in the second half of the 1970s explains most of the rise in the budget deficit, in 1982 expected to be a hefty 7.3 percent of gross national product—almost five times as high as the 1.3 percent projected for the United States by the Organization for Economic Cooperation and Development earlier this year. Interest rates are about 22 percent for Government bonds, and the prime rate hovers around 20 percent. Interest payments on the Government debt now equal the cost of unemployment benefits in the budget. And foreign debt service is now equal to the deficit on the balance of payments.

Officially, the Government has for the past five years attempted to curb growth in the public sector in an attempt to channel resources to the private sector. But a series of new taxes and other measures to hold down consumption and limit the deficit on the balance of payments has resulted in a loss of jobs in the private sector, while employment in the public sector has continued to grow.

At the realignment of the EC currencies in February the Danes did not get the larger devaluation that they wanted, and as Danish industrial wages are now again growing faster than in competitor countries, it is possible that Danish industry will loose markets. Some believe that if the French franc leaves the European Monetary System later this year, the Danes will follow suit. However, this is unlikely for several reasons: The most important is perhaps that it will be next to impossible to find any kind of political majority in Denmark for the policies required to make the devaluation a success. In advance of the coming year's collective wage negotiations the Government is trying to signal moderation in wage demands, threatening new taxes if this advice is not heeded. But whether this will have any real effect on the attitude of the dominant unions is still an open question.

In retrospect, even Government economists tend to agree that public expenditure was allowed to remain at too high a level after the 1979 oil crises, providing even more difficult problems to solve now. But at the time there was no political majority for sterner measures and many leading politicians had hoped for a short-lived crisis.

Despite these bleak remarks, Danish industry is still competitive—it is just too small to solve the bigger problems of the economy. It is also a positive fact that Danish economic policies have for the most part been kept free of large-scale subsidies. This has forced industry to adapt to the markets with only a few heavy industries like shipbuilding and steel getting Government support on a par with other countries.

Some industrialists believe that if the right niches are found, it will be possible to increase employment in Danish private industry substantially, even in the face of the global trend toward lower employment in manufacturing. Among these optimists is the owner of one of the fastest-growing Danish electronics companies, Christian F. Rovsing. He and colleagues in the electronics industry believe that Denmark could become a software plain, a Danish equivalent of California's silicon valley. Danish educational standards are high, and the software potential is internationally acknowledged. IBM has moved its European program library from France to Denmark and others may follow, even though the Government and some unions find it difficult to react to the rapid development of the new information technologies.

Generally speaking, however, the fact that the Danish unions accept new technology with far fewer protests than unions in most other European countries is an asset for Danish industry. The Danish metalworkers union is the most positive of all. Its chief economist, Steffen Moeller, says that Danish industry must automate or die, and he continually expects management to invest more in new technology. Machines only create unemployment when they are not introduced fast enough to maintain competitiveness and thus save the factory, he adds. Good labor relations are another positive facet of Danish industry. The most recent collective agreements on wages were concluded last year—without political intervention for the first time in years—with moderate wage hikes and few major strikes since. The problem, as mentioned, wages grow even more slowly outside Denmark.

The problems of defining a cohesive and effective economic policy reflect the fragmentation of Danish politics. The elec-

© Henri Cartier-Bresson, Magnum Photos Inc.

Summer homes near Copenhagen. © Thomas Nebbia, Woodfun Camp Inc.

toral system is proportional, and at any time 10 or more parties are represented in the Folketing, the Danish Parliament. The Socialist Party has lost votes throughout the 1970s, but most have been picked up by parties to the left and the balance between left and right as such has not changed much.

In the 179-seat Folketing there is, technically speaking, a non-Socialist majority. But this includes the out-of-favor anti-tax party of Mogens Glistrup, who led a strong political rebellion—the most successful, electorally, in Europe—against the welfare state and its high tax level in the early 1970s. The decline of the anti-tax party has been mainly to the benefit of the Conservatives and Center Democrats, led by the charismatic ex-Socialist Erhar Jacobsen.

There has often been talk of forming a majority government, consisting of the Socialist Party and one or more of the center and right-wing parties. A brief experiment in the 1970s, however, was not a success, and, barring a national emergency of a political or economic nature, it is likely that the trend in the 1980s in Danish politics will be a continuation of the 1960s and 1970s: weak Governments living fitfully from compromise to compromise.

Compromise is also a salient feature of Danish EC policies. There is a tradition of consensus among the major parties on EC and foreign policy to maximize Danish influence. This means that policies to a very large extent have been shaped by the biggest party, the Social Democrats, in office most of the time. The EC issue divided the party before the referendum on Danish membership in 1972, and there is still an influential group in the party, and in other parties in Parliament, insisting that Denmark has made only a limited transfer of powers to the EC and, thus, that there is no open-ended commitment to Community action.

This corresponds to official policy especially as regards foreign policy, which Danish Government has stressed is the prerogative of national Governments. Other EC members differentiate between EC policies and foreign policy coordination in the European political cooperation framework, but not as rigidly as the Danes. The latest example is policy toward Argentina. In the first instance the Danes accepted that there should be common sanctions on the basis of the EC treaty provisions on trade, but when the sanctions were extended in time, the Danes participated on the basis of national legislation. To many in the EC this is considered legal fluff, but there is a very political explanation to be found in Danish consensus politics.

The Danes generally try to limit supranational tendencies in the EC, especially any attempt to limit the right of veto considered by most EC countries to be embodied in the so-called Luxembourg Compromise of 1966. This principle of unanimous voting in the Council of Ministers whenever a vital material interest is involved played a prominent role in the political campaign before the Danish referendum on EC membership when it was stressed by the pro-EC parties as a perpetual safeguard mechanism. €

Lief Beck Fallesen is economics editor of Ranchio Denmark.

MEMBER STATE REPORT

Farm Policy a Key Danish Concern

K.A. BUSTRUP

In the second half of 1982, Denmark will chair the EC Council of Ministers. Serious problems, perhaps even crises, will have to be dealt with. One problem is increasing unemployment in the Community, two other main problems are the EC budget and the Common Agricultural Policy (CAP).

In many countries, Denmark is regarded as an "agricultural country." However, as with most other countries, Denmark has undergone a rapid change toward an industrial nation. The part of the population directly concerned with agricultural production amounts to only 6 percent. Nevertheless, the role of agriculture in the Danish economy and employment is important, as the agricultural sector as a whole accounts for 25 percent of total jobs in the manufacturing industries.

Two-thirds of agricultural production are exported. In 1981, the value of the exports amounted to nearly $4 billion, resulting in a net earning in foreign exchange of $3 billion, or about $600 per citizen.

EC membership is very important for Danish agriculture and the country as a whole. The CAP ensures a free market for agricultural products, and two-thirds of the Danish agricultural exports are sold in other member states, the United Kingdom, the Federal Republic of Germany, and Italy being the most important outlets.

Before Denmark's entry into the EC in 1973, Denmark had to pay levies when exporting to the original six member countries. Low prices in other markets meant that the Danish Government had to pay grants to the agricultural sector. Membership in the EC and thus participation in the CAP guaranteed Denmark an outlet for its agricultural production at reasonable prices. To Danish agriculture there is no alternative to EC membership.

The Danish economy has been hit hard by the oil price jumps in 1974 and 1980. The balance of payments deficit has increased considerably, and nearly 300,000 are out of work or have taken early pensions. The public sector has been allowed to expand quickly, which has meant growth in public expenditure, and the aggregate incomes in the economy have therefore increased faster than the underlying production. A larger and larger part of the Government budget deficit is absorbed through the sale of Government bonds, and this presses the long-term interest—the interest on mortgage bonds—to a higher level.

Two-thirds of Danish agricultural exports are sold in other member states. © Betty Crowell, Santa Barbara, California

Due to the heavy demand for capital, Danish agriculture has been hit severely by high interest rates. In 1981, Danish agriculture paid more than $900 million in interest. High interest payments are the main reason for a considerable number of forced sales (4,000 farms within the past 3 years) and a decrease in investment, which in 1981 amounted to only 30 percent of investments in 1978.

Two main problems in the EC are the future of the CAP and the EC budget. The two problems are to some extent related. The CAP is based on four principles: a free market, EC preference, common prices, and common financing of the CAP. Since the CAP is the only common policy, the CAP naturally absorbs a major part of the EC budget. The costs of the CAP amount to about $11 billion. Many regard this figure as high, but in comparison with the costs of agricultural policies in other developed countries, it is neither higher nor lower. The costs amount to 0.4 percent of the gross national products in the EC and the United States or to $120 per citizen in the United States and $130 per citizen in the EC. Due to structural differences, there is a larger disparity in the cost per farmer, namely $7,400 in the United States and $4,800 in the EC.

The future of the CAP will depend on the willingness to pay for it. Currently, payments to the EC are limited to 1 percent of the value-added tax, so new activities and initiatives have to be financed by savings, first of all within the CAP. The EC Commission has therefore introduced measures which will not only weaken the CAP, but also to some extent undermine the principles of the CAP. The measures include farmers' co-responsibility, production targets, and a prudent price policy.

Danish agriculture fears that a weakening of the CAP will lead to a higher degree of national measures, which could break apart the whole CAP, and finds this the wrong way to go. The CAP as it was created is good, but the lack of other common policies makes it difficult for the CAP to function well. The only one possible solution is to increase the EC's own resources. This will make it possible to establish new common policies and will be absolutely necessary if the accession of Portugal and Spain to the Community is to be successful. Transfer of large economic resources to these countries is necessary in order to help them achieve the same standard of living as in the larger part of the present EC countries. The United States helped Europe after World War II with the Marshall Plan; this is also the way in which the Community should make enlargement a success.

K.A. Bustrup is assistant director-general of the Agricultural Council of Denmark.

DENMARK IN FIGURES

Population	5.12 million
Area	16,629 sq. miles
Gross domestic product (1980)	$56.6 billion
Inflation rate (1981, CPI)	5.9%
Unemployment rate (1981)	4.8%
First quarter 1982	6.3%
Trade (1980)	
Exports	$16.95 billion (28% of GDP)
Imports	$19.61 billion (21.8% of GDP)
Exports to EC countries	$8.56 billion
Imports from EC countries	$9.65 billion
Exports to US	$790.9 million
Imports from US	$1.27 billion
Exports to Japan	$294.7 million
Imports from Japan	$412.8 million
Exports to others countries	$7.3 billion
Imports from other countries	$8.27 billion

The new Carlsberg glyptotek in Copenhagen. Courtesy of Danish Information Office, New York

THE *GLYPTOTEK* OF COPENHAGEN

Just behind the famous Tivoli garden in the heart of Copenhagen, you find one of the finest collections of sculpture and art in Scandinavia, housed in the new Carlsberg *glypothèque*. And in the beautiful castle northwest of Copenhagen you find one of the better portrait galleries in Europe, the National Historical museum.

Both are visible results of the patronage of the arts that has been characteristic of the twin Carlsberg and New Carlsberg Foundations for more than a hundred years. The Carlsberg brewery was, and still is, technologically one of the most advanced on the market—then, as now, a key to commercial success. But the founder of the brewery, J.C. Jacobsen, was more than an industrialist, he was also dedicated to the advancement of new scientific knowledge, and he believed that his great wealth gave him a special obligation to help the arts.

When the Carlsberg Foundation was incorporated in 1876 it was one of the first of the big internationally known foundations, preceding the Ford, Rockefeller and Guggenheim Foundations by a quarter to half a century. Representatives of the foundation also like to stress that, unlike many foundations today, the Carlsberg Foundation was not established as a tax shelter.

Today, many regard the Carlsberg Foundation as a national institution, living a quiet and useful life, owning 51 percent of the shares in the United Breweries of Carlsberg and Tuborg, merged in 1970, but leaving operational control to competent businessmen.

As one of Denmark's largest employers—9,500 employees—and with more than nine-tenths of the Danish beer market and a rapidly developing international production base, this would seem to be a fruitful strategy. It also indicates the intention of the founder to create a special bond and relationship between business and science.

The trustees of the Carlsberg Foundation are nominated by the Royal Danish Academy of Sciences and Letters, and the statutes of the foundation stipulate that support must be given to a broad spectrum of scientific research. J.C. Jacobsen was inspired by, among others, the famous H.C. Oersted—pioneer of electromagnetic research—to pay special attention to basic, as opposed to applied, research. Publicly funded basic research was severely limited at the time, and at least until World War II the Carlsberg Foundation grants accounted for a substantial part of all basic research in Denmark.

But the beer was never forgotten. The foundation statutes of 1876 also established the Carlsberg laboratory, where basic research concentrates on all aspects of beer production. The results of this research is published in scientific journals, and thus available to Carlsberg's competitors. Nobody denies, however, that the presence of the laboratory in Denmark is a valuable asset for the breweries. And a study of beer production has by necessity sponsored important new knowledge in the fields of chemistry, biology, and physiology.

The annual grants of the Carlsberg Foundation to scientists command some public attention, and considerably more in the academic world. By virtue of the academic composition of the board of trustees a grant is in itself a merit. It is typically given to persons with research projects with a life span of several years. Only Danish nationals are eligible for grants—the founder was a prominent nationalist—and research projects dealing with Denmark, Iceland, Greenland and the Faeroes Islands have a fairly high priority.

Danish society has changed profoundly in the past 100 years. Denmark has become one of the richest nations in the world on a per capita basis and, especially since World War II, many resources have been allocated to education and research. More money has also been made available to the arts, and the Carlsberg Foundation has had to adapt.

The trustees of the Carlsberg Foundation, who have distributed more than $55 million, believe that there is still much to do. Since funds for basic research at Danish universities are not likely to be increased in the near future, there will be a special need to help young talent. The bureaucratic nature of the public educational system also means that there is little room for the gifted amateur. For the Carlsberg Foundation, however, if the personal qualities and academic interest are present, lack of formal qualifications does not preclude a grant.

Public money for the arts will also be one of the first casualties of Government budget cuts. This will increase the need for the private work of the Carlsberg and New Carlsberg Foundations, which are limited only by profits at United Breweries—last year about $62 million on a turnover of close to $700 million, with more than half the production of beer being sold outside Denmark. €

LIEF BECK FALLESEN


Original Carlsberg.
When you thirst for greatness.
Since 1847, no beer in the world has been brewed with as much dedication to excellence as Carlsberg lager beer. That's why, for over 100 years, people who truly know great beers have considered Carlsberg The Crown Beer of Europe.
In fact, the quality of Carlsberg is apparent to people before they ever open a single bottle. Because the look of every Carlsberg is as great as the beer it holds.
Carlsberg. The beer for those of you who thirst for greatness.
Carlsberg
The Crown Beer of Europe
IMPORTED
BY APPOINTMENT TO THE ROYAL DANISH COURT
355 ML LAGER BEER 12 FL.OZ.
BY APPOINTMENT TO THE ROYAL DANISH COURT
18 47
Carlsberg Beer
IMPORTED BY: ALL BRAND IMPORTERS INC. LAKE SUCCESS, N.Y.
BREWED AND BOTTLED BY THE CARLSBERG BREWERIES
COPENHAGEN · DENMARK
THE ROYAL DANISH COURT
18 47
Carlsberg Beer
All Brand Importers, Inc., Lake Success, N.Y. Sole U.S. Importer ©

LIFE ON A SLOW BOAT

DIANA SCIMONE

I remember a midsummer's eve a number of years back dining with friends in Vienna's Grinzing. One member of our little group, whom I did not know, casually mentioned he had arrived in Vienna not by plane or train, but by canoe. He further went on to claim he had paddled this dubious vessel all the way from Hamburg. Although I did not believe him then, I have since discovered that it is indeed possible to go from the north of Germany to the eastern most part of Austria entirely by water. In fact, if you plan it right, you can travel Europe north to south and east to west—and never leave the water.

The continent is crisscrossed with canals built hundreds of years ago to cross the watersheds from one river to another. For many years this latticework provided the only means of getting goods from landlocked towns to ports thousands of kilometers away. Today, canals are still heavily used for industrial transportation in countries such as Holland and Germany. In other countries such as France, however, the small size of old locks (a scant 40 × 5 meters) prevents today's giant vessels from using them, though large locks near Paris and other major cities have been modernized and can handle industrial size vessels. Elsewhere, smaller barges still transport bulk products such as wheat.

But all is not work on the waterways of Europe. Canals are also the site of vacations for those wanting a leisurely holiday away from the crowded cities.

One such barge carrying passengers is the *Etoile de Champagne*. Captain Peter Evans had the ship built in 1979 to his specifications: 128 feet long by 17 feet wide—the exact size to fit the small French locks with just inches to spare. The ship can accommodate 12 passengers in six twin-bedded staterooms. On the upper deck, two surprisingly spacious public rooms are filled with cozy arm chairs, a shelf of well-read books, and even a piano.

The *Etoile*'s two cruise itineraries each last a week. The Chablis-Paris route takes passengers along the Seine and Yonne Rivers and connecting canals through the Burgundy region and Chablis district southwest of Paris. The other cruise is along the Marne and Seine Rivers through the Champagne district east of Paris. On both cruises a mini-bus takes passengers on daily excursions to see local sights. Here's what a recent trip through the Chablis country was like:

Photo by Diana Scimone

Saturday Our first glimpse of the *Etoile* finds it peacefully moored near a bridge on the Yonne River in Joligny. Captain Evans shows us to our cabins, then waits for us on the upper deck with champagne. Soon it's time for our first taste of the chef's handiwork: white asparagus with hollandaise sauce, veal with *duxelles*, freshly picked green beans, and tulip cups (molded from butter cookies just out of the oven) filled with strawberries.

Sunday I follow Tim, one of the crew, on his morning baguette and croissant search through Joigny. We climb a winding cobbled street in the brisk morning air as he points out the many 12th century half-timbered houses with their carved wooden facades. Barely a year ago, a gas explosion destroyed many priceless medieval buildings. A city-wide effort is now underway to restore them.

After breakfast, we hop in the minibus for a *dêgustation*, or winetasting, at a local Chablis winery, Domaine de la Maladière. A knowledgeable young woman explains the wine-making process as we wander through dark, damp cellars filled with musty bottles, casks, and giant stainless steel vats. We learn that 40 percent of Chablis is exported to the United States, and another 40 percent to England, Germany, Holland, and Belgium; a mere 20 percent stays in France. Our tour ends with tastings of three Chablis *Grand Crus* including a Grenouilles.

As soon as we return to our floating home, the *Etoile* begins to move a few kilometers downstream to Cézy. The nearby village of Bousson is having its annual Snail Festival today. It is a priceless array of small town brouhaha: young girls, attired in local costumes, whirling on rollerskates to French disco music; crepe paper flowers decorating every house and fence in town, and *bien sûr*, millions of *escargots* swirling in buttery garlic sauce. While the locals down the little creatures a dozen at a time, I confine my gastronomic consumption to the pastry booth.

Monday Bright and early, the *Etoile* moves through the first lock of our voyage. We watch with fascination as the *éclusier* cranks shut the wood and iron gates, sealing us in the lock. Slowly, slowly, the water trickles out, and we descend until level with the next stretch of water. The second set of gates is opened, and we are on our way. The *Etoile* passes fields of vibrant yellow mustard plants, trees choked with mistletoe, and the medieval town of Villeneuve sur Yonne. Two gateways guard this ancient hamlet originally built by Louis VIII as a royal summer residence.

Later we arrive in Sens for the Monday morning market. All seven of us follow chef Carol around as she selects fresh fish for our dinner. The oldest town of ancient Gaul, Sens is dominated by a cathedral considered to be the prototype of the great Gothic cathedrals.

If you want to try it . . .

The *Etoile de Champagne* cruises from March to November. In the United States, bookings may be made through Esplanade Tours, the U.S. agent (38 Newbury Street, Boston MA 02116; 800/343-7184).

Other companies offering barge trips in Europe include Continental Waterways (11 Beacon Street, Boston MA 02108) and Floating through Europe (501 Madison Avenue, New York NY 10022). Air France also has a combination barge/balloon trip. Besides Burgundy, other popular routes in France are through Bordeaux, Brittany, Alsace, and along the southern Canal du Midi. Barges also ply the Thames and Stratford Rivers in England, and throughout the Netherlands.

When shopping for a line, you'll find that prices vary considerably depending on services and on-board amenities. Pay attention to the passenger/crew ratio and the number of passengers per barge. Ask if your stateroom has private bath facilities, and if there is electricity, heat, and air conditioning throughout the night. (The *Etoile*, for example, has a special night generator so night owls can read.)

It's good idea to arrive in Paris a few days before the trip so your internal clock can catch up with you. Air France offers well-serviced daily flights on 747s from New York, Chicago, Houston, and Los Angeles, and on the Concorde from Washington and New York. A special round trip "Vacances" fare of $663 (on 747s, not the Concorde) is now in effect from New York. Once purchased, reservations cannot be changed, but unlike other specially-priced excursions, tickets can be purchased up to the day of departure, and you can stay in Europe from 14 days to two months. (800/221-2110).

While in Paris, you can stay at a hotel that is as historical as any city you'll visit on your cruise. Built in 1878, the Intercontinental is the only hotel in Paris boasting three meeting rooms classified by the French government as national monuments. You may stay in a room once occupied by Empress Eugénie during her mourning period following Napoleon III's death. (3, Rue de Castiglione, 75040 Paris. In the United States, call 800/555-1212 to get Intercontinental Hotel's toll-free reservation number for your area.)

For further reading on barge travel, try *Cruising the Inland Waterways of Europe* by Jarrett and Stanley Kroll (Harper & Row Publishers, Inc.) or Robert Louis Stevenson's *An Inland Voyage*.

Tuesday Without fanfare, we switch to the Seine at the point where it meets the Yonne. The mini-bus takes us to Moret sur Loing where Sisley, Renoir, and other impressionists painted. We, too, are inspired by the lovely weeping willows arched gracefully over the canals and bridges.

Wednesday A day of glistening sunshine—just right for visiting Fontainbleau, for many centuries the country residence of the French royal family. It was here that Napoleon was crowned Emperor and was later forced to sign his abdication. I stand on the grand staircase and imagine him waving goodbye as he is carted off to Elba.

Thursday Another day, another *château*. Today we visit Vaux-le-Vicomte, temporary home of Nicholas Fouquet, Louis XIV's Lord High Treasurer. Tim exhuberantly explains how in 1661 Fouquet received the King at his new estate. Louis took one look at the castle, decided no one should have a showier home than the King, and three weeks later threw Fouquet in jail for the rest of his life on trumped up charges. As soon as the iron doors shut, Louis proceeded to hire Vaux-le-Vicomte's architects, painters and gardeners to design a royal palace all his own. And so Versailles was born. The now privately-owned Vaux-le-Vicomte, like many monuments and castles scattered in relatively out of the way places throughout France, suffers from a lack of tourists. There is talk of closing the lovely *château* and carriage museum indefinitely.

Our final cruise into Paris is breathtaking. We take turns snapping pictures of Notre Dame as it whizzes by. Ten minutes later we dock for the last time at the *Etoile*'s permanent berth near the magnificent turn-of-the-century Alexander III Bridge, just in sight of the Eiffel Tower. After our farewell dinner, we exchange addresses and sign the *Etoile*'s guest book; our names join others such as William F. Buckley, Jr., Mary Tyler Moore, H.J. Heinz, and Ambassador Henry Cato.

Friday With much regret, we consume our last croissants, then board the mini-bus for return to our Paris hotels. The crew readies the *Etoile* for a cruise down the Marne into the Champagne country and another group of passengers. €

around THE capitals

Paris

French television has been much in the news since French President François Mitterrand's presidential victory a year ago. Soon after the election his Socialist Administration quickly set the stage for the television fare that was to be offered when Minister of Culture Jack Lang said the French networks would be broadcasting more cultural programs and documentaries. What followed were such things as prime-time programs on French philosophers, with less American-made television series and a greatly reduced number of Hollywood-produced films, especially the Westerns that have always been popular among the French. This in a land where "Dallas" is the top show and where John Wayne is a big favorite.

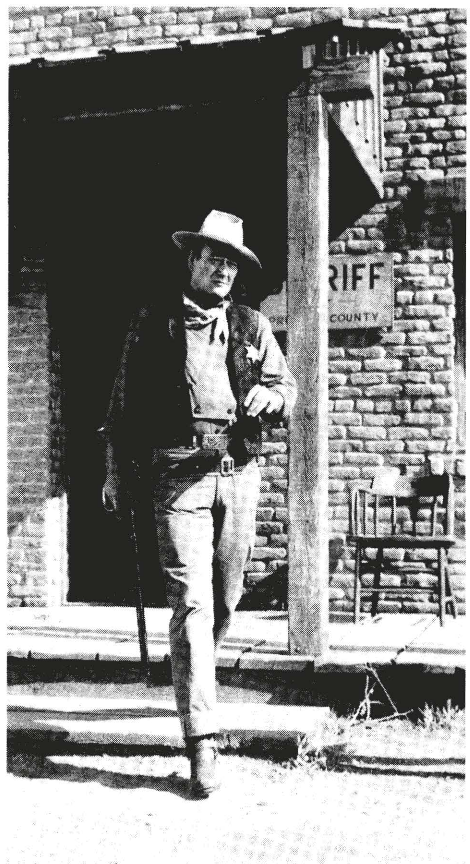
"To heck with culture," said a television viewer who responded to a poll published in the French mass circulation daily *France Soir*. "After a hard day's work, we want to be entertained, not lectured to. Television is not the place for culture."

A poll in the Sunday French newspaper *Journal du Dimanche* indicated that almost 90 per cent of those surveyed thought television programming was worse under the new Administration. The film industry also has reported a more than 30 per cent increase in cinema receipts since Mitterrand's election.

Although the three French networks conduct no official rating of shows, newspaper polls have indicated "Dallas" is the top show, while the least favorite is a program called "Right to Respond," a panel discussion that has taken up such topics as freedom of the press and agricultural breeding.

The viewer's complaints have not fallen on deaf ears. Mitterrand has ordered the network heads to get back in touch with viewers' tastes. As a result, a few more American programs and cowboy films have returned to the French air waves.

In radio, the changes have been more drastic since Mitterrand's election. For the first time since World War II, the Government has allowed private radio stations to operate, although without advertising. It was a step



© Culver Pictures, Inc.

that had been expected under Mitterrand, who once appeared on a pirate Socialist radio station while President Valéry Giscard d'Estaing was still in office.

Since the state's monopoly was lifted, dozens of small radio stations have sprung up in sparse quarters around Paris. They include stations for homosexuals, for feminists, for political opposition groups, and even an American-language station.

With the radio waves more liberated these days, the French appear to want the same changes in television. The *Journal du Dimanche* poll indicated three out of four persons surveyed wanted private television networks that would compete with the state-owned ones. CAROLYN LESH

London

Worrying times, these are, for British traditionalists. Advertisements have begun appearing on the doors of London's famous taxicabs and the venerable summer game of cricket, it is said, has become so dependent upon commercial sponsorship that there are doubts it can long continue to support itself "in a style befitting gentlemen."

Changing laws have made London's taxis the latest purveyors of advertising-on-wheels. Londoners had become accustomed to sprawling ads on the sides of the red double-decker buses—they've proved a boon for revenue-hurting London transport and a snip for the merchandisers at about $2 a day.

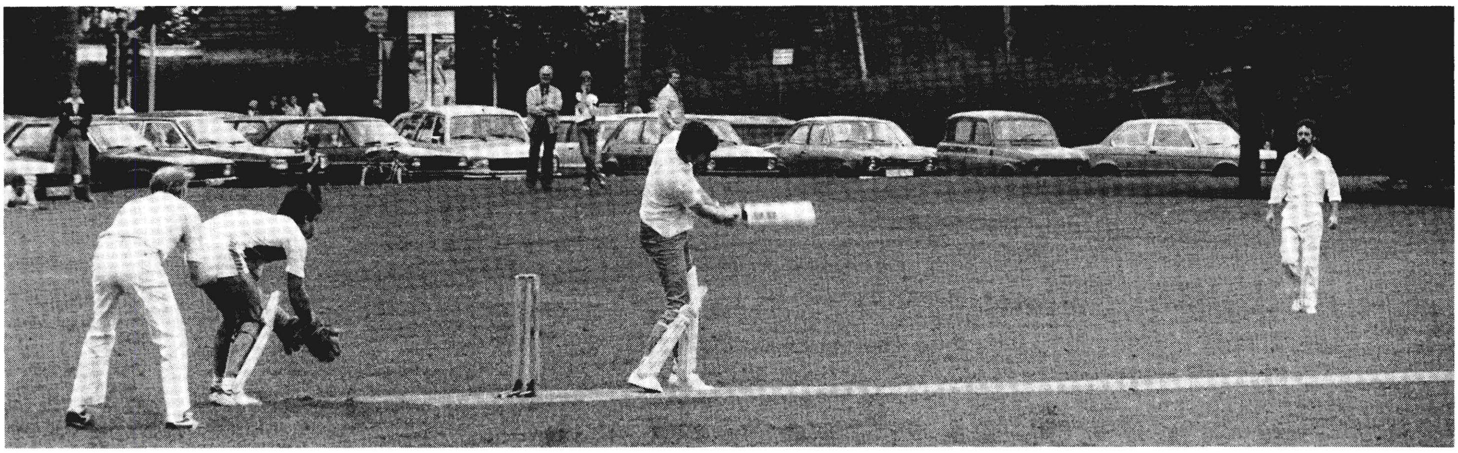
The taxi ads are half that cost, but their critics have done some homework. Whatever happened, they grumble, to the law banning advertising in London's royal parks. Hyde Park has always been a favorite taxi shortcut.

The advertisers get value for their money, given central London's omnipresent traffic jams and standstill exposure is plentiful. Not all of London's 12,500 licensed taxis are being adorned with ads, however. The majority are owned by their drivers, some of whom think it rather crass to plaster their doors with admonitions to buy racy tabloid newspapers or smoke certain cigarettes. Passenger reaction has sometimes been testy, too. The most a driver can make from door ads on his cab is around $400 a year.

The face of English cricket, too, is changing as the game comes increasingly under commercial sponsorship to keep many teams alive. Three-day matches are giving way to one-day competitions which better suit the sponsors. Attendance has dropped by 20 per cent since the mid-1970s and spectators are less keen to endure the several-day matches where draws are often the norm. The one-day games have altered cricket tactics. Defensive batting is discouraged in favor of trying to score runs quickly.

This is sensible stuff to those who find cricket a yawn, but in turn the bowlers and fielders have become less adventurous and super-defensive. The purists find this a travesty that spoils the subtle beauties of the game. It is argued that the one-day competitions reflect poorly when England competes internationally. Strategies that work in the quick matches are not easily unlearned on the pitch during the longer test competitions.

Cricketers remain among the world's most badly paid professional sportsmen. A player for one of England's 17 first-class country clubs, the equivalent of baseball's major leagues, earns an average $13,000 a year—about a tenth of what a National Leaguer can make in a season. If selected to play for the England team, he'd double his money but



© Luke Golobitsh, Bonn

that's about all. Only cricket's handful of superstars approach $100,000 a year.

A players' strike in English cricket to demand more pay is unthinkable. It wouldn't be, well, cricket. Can the strong principles survive? As *The Economist* magazine observed: "Cricket is now almost midway between its traditions of gentlemen at play on the village green and the high-powered commercial world of modern sport. So far, it has adapted its traditions to the modern age with surprising grace."

Britain's fastest-growing television sport is snooker, a complex variety of pool played with 15 red balls and six balls of other colors. The highest-earning British sportsman is a snooker pro, the former world champion Steve Davis. Last year Davis made over $1 million. Snooker has always been popular in Britain's clubs and pubs, but it didn't attract a mass following until it was discovered recently by television. Now it's become as addictive as Wimbledon. Over 15 million viewers saw the world snooker championship final match played recently in Sheffield.

PETER J. SHAW

Brussels

Everybody knows there are language difficulties in Belgium. Do you open a conversation in French or Dutch? Or, as a tourist in doubt, do you play it safe with "spaced-out English," as an American company's brochure advises? Any one of the three languages should in fact get results in most parts of Belgium and certainly in Brussels. Yet tucked away in some 25 villages on the border with West Germany is a little colony of about 65,000 German-speaking Belgians whose claims to linguistic and cultural independence are just as stubbornly upheld at those of the two major language groups.

Fired by the devolution process which began in 1971 and which has now yielded a real measure of cultural and economic autonomy to Dutch-speaking Flanders and French-speaking Wallonia, the German-speakers have recently stepped up their own claims for more self-rule. The 1971 constitutional revision formally recognized three language groups in Belgium, but the string of small communities lying east of the Liège province are economically part of the depressed Walloon region and the villagers are protesting this.

At the end of World War I the "Eastern districts" of Eupen and Malmedy were returned to Belgium following reannexation by Germany a few years earlier. The territory had been detached from Germany and annexed to Belgium at the end of World War I.

Following the 1971 changes, an advisory council for German culture was established and school education was officially to be conducted in German or German and French. But the steps taken in 1980 to set up regional executives with considerable powers in education, culture, and, to some extent, economic planning in Flanders and Wallonia did not meet the demands of the German speakers. The effect has been to stimulate calls for self-rule on the scale enjoyed by the two much larger language groups.

Leading the move is the "party of German-speaking Belgians" which claims to represent about 30 per cent of the electorate in the region. A small minority in the region campaigned for a return to Germany during the years between the two world wars, but it is now generally accepted that the overwhelming desire of the inhabitants is to remain Belgian. Their fire is directed less against Brussels than against the Wallonia regional executive. "We are not Walloons and we never will be Walloons. We want a special status for German-speaking Belgium. That is not megalomania, but a possibility," said one of the speakers at the rally.

The Government has so far given a sympathetic hearing to the German-speakers' claims, though the press of parliamentary business has meant that no legislation has been enacted. Moves to give the region a directly-elected council and an executive with the same powers as those in Flanders

and Wallonia have been promised. There is general recognition that the farm-based eastern districts have little in common with their neighboring province of Wallonia, the traditional center of heavy industry in Belgium and now the scene of the worst excesses of the economic recession afflicting the country.

The Government recently submitted to Parliament a proposal to modify the constitution so as to make it possible to set up an elected council and an executive for the German-speaking community, almost similar to the ones the two other language groups have.

The council would have the power to vote decrees dealing with cultural matters, education, its relations with the other language communities, and part of the economic competences now handled by the Walloon regional council. The exact scope of these competences is to be defined in a separate law to be approved by the national parliament.

The party of German-speaking Belgians has called for a referendum on whether the area should belong to the Walloon region or should become a separate district under control of the national Parliament.
ALAN OSBORN

The Hague

The Netherlands is suffering from an onslaught of muskrats. They threaten the agricultural fields, which lie below sea level, as the animals dig holes and corridors in the banks of protecting dikes. The intricate system of dikes and sluices facilitates the overflow of water to the North Sea and protects the polders from flooding. But the system increasingly is being undermined by muskrat holes and recently tractors have toppled and cows stumbled into holes that are as big as rabbit holes.

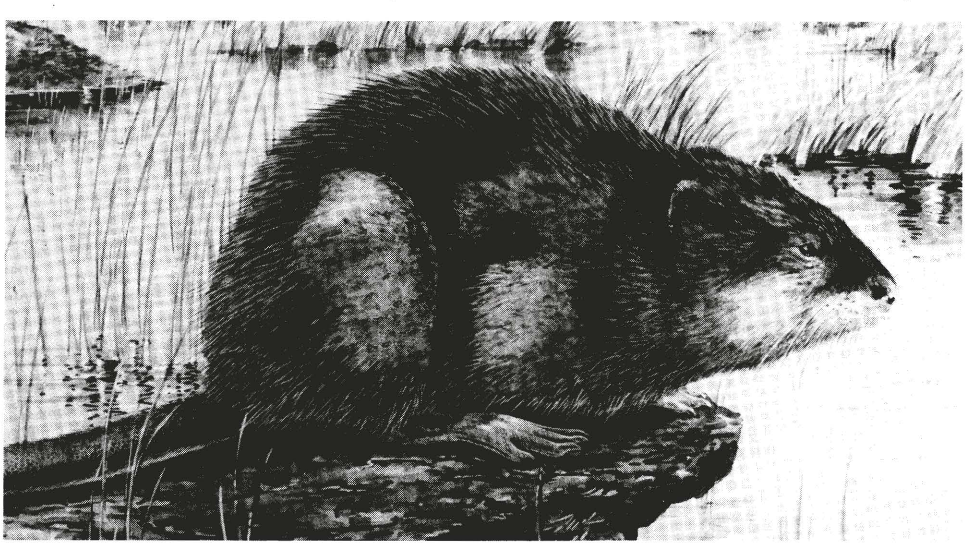
Originally muskrats came from North America to Europe in the early 20th century to be bred and hunted for their beautiful red-brown fur. There are now plenty of them in France and neighboring West Germany and Belgium. Just as rabbits became a plague in Australia, the same is true for the muskrats in Europe, where there were no beasts of prey to kill them. Muskrats are hunted more and more in Europe, but they are getting particularly numerous in the Netherlands and have become a plague here. Since they prefer to make their holes and corridors by the waterside, the Netherlands has become their paradise.

As mating time approaches in spring, the muskrats start to stake out their territory with drops of musk oil from the glands behind their tiny ears. If not disturbed a muskrat pair can produce up to 18 baby rats annually. Within six months these are reproducing.

The muskrat lives on water plants and roots of sugarbeets and cereals. To protect themselves from frost they build winter huts where they store their food. Their holes are invariably on the banks of polder dikes, while the entrance is under water. If the water level drops, the rats dig a new entrance and close the old one.

Under new legislation the Agriculture Ministry has raised the budget for the anti-muskrat campaign from 5.5 million to 7.5 million guilders annually. The number of official rat catchers, who work with traps, has been raised from 184 to 400. Some 140,000 muskrats were caught in 1981. Two dollars are paid to any person catching a muskrat and tests are now being made with police dogs to see whether they can be trained to catch the animals. NEL SLIS

Courtesy of the US Department of Agriculture



Luxembourg

It was unusually difficult to get a hotel room in Luxembourg in May. When I asked a reception clerk why he replied: "It's the devaluation. The German and American tourists have come back in large numbers." This was to be confirmed by long waits in banks and at restaurants. Given decent weather this summer, this looks like proving a record year for Luxembourg's tourist business.

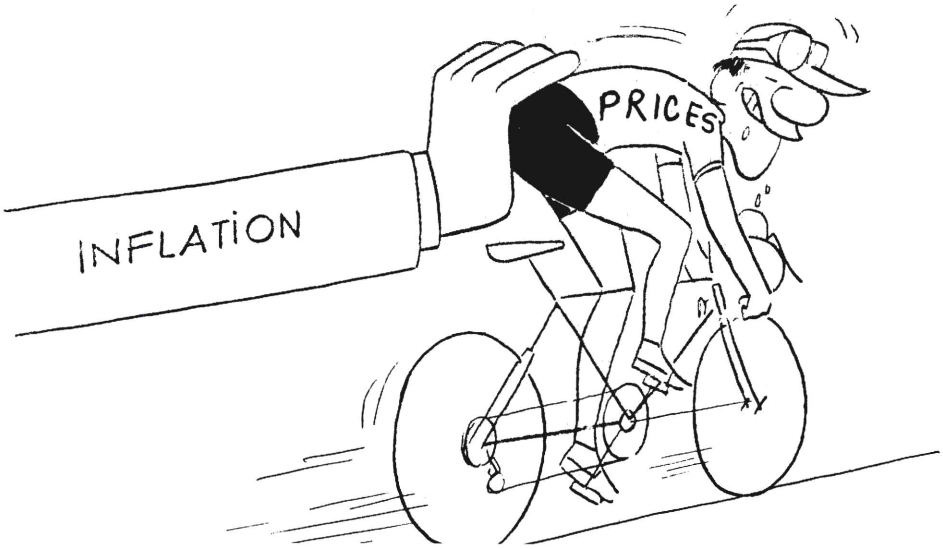
Unfortunately the rejoicing over the unplanned and unwanted devaluation of the franc by 8.5 percent in February is not widely shared. Indeed it has led to some of the toughest economic measures ever being taken by the Government in its efforts to prevent the move having disastrous consequences for unemployment and inflation.

Luxembourg was drawn into the devaluation by Belgium, with which it is linked in a currency union. Economically Luxembourg neither needed nor welcomed the change. The inquest on the decision to go along with Belgium has been prolonged, but the grudging conclusion has been that Luxembourg's best interests are in preserving the union, even if the conditions of the agreements should be changed.

Domestically this has meant that harsh decisions have had to be taken. A country which imports 80 percent of its domestic consumption is in no position to take a devaluation lightly. There had been hopes that the tripartite conference of Government, employers, and trade unions could have reached agreement on the measures necessary. But it couldn't, and the Government has thus acted alone and brought about a real split between itself and the parliamentary opposition and the trade unions.

The main thrust of the Government's approach has been the containment of inflation and to this end it has imposed a selective price freeze until the end of the year. Much more controversially, however, it has suspended the automatic linking of salaries and wages to the cost of living and replaced it with a kind of "half-compensation" system. This could mean a cut in real wages of over five percent this year.

The Socialist opposition boycotted the vote on the legislation. The trade unions called for a national protest. The result was that on April 5th we saw that rare event in Luxembourg—a national strike call. Although the white collar unions generally turned up for work, the strike brought public transport, public services in general, the steel industry, and most of private enterprise to a halt. Pickets were set up at the borders to stop outside workers from coming in. Luxembourg had seen nothing like it



since the pre-war years.

All this takes place against the background of the continued running down of the steel industry. In 1981 Luxembourg's industrial production fell by 6.8 percent and that of its steel sector by 16.8 percent. Higher prices for steel have helped the industry so far this year, but the run-down in employment continues. In 1974 there were 27,600 people employed by the industry. Early this year the figure stood at 18,000. It is a testament to Luxembourg's innovative and sophisticated social security system that these job losses have not led to greater political frictions.

None of this is to suggest there will be political upheaval. The country is too small, its politicians too well-knit to regard the idea with much seriousness. Things will go on much the same as before. But the events of the past few months have served to remind the public here that for all its special characteristics, Luxembourg cannot remain forever immune from the social and economic pressures affecting its larger neighbors. ALAN OSBORN

Athens

While Athenians complain about smog, polluted beaches, and the damage done to traditional Greek life by fastfood restaurants and a surplus of foreign residents, they generally ignore one major blessing—the city's continuing lack of violent crime.

Despite rapid urbanization, Greece still enjoys Europe's lowest crime rate, and its prison population is the lowest of any European country except Holland. The majority of homicides, according to one expert, are still crimes of honor or the final outcome of longstanding village disputes over property.

Bank hold-ups are rare and handbag snatching rates a newspaper mention. The overall arrest rate hovers around 3,000 per 100,000 inhabitants, about half that of the United States. Although three killings in the city were apparently motivated by Middle East politics in the past three years, leftwing terrorism has not spread to Greece from neighboring Italy or Turkey.

What makes the streets of Athens safe? To some observers the answer lies in the survival of traditional family values in the concrete sprawl that now houses more than one third of Greece's inhabitants. The kinds of social pressures that encourage conformity in village life, they say, have survived the transfer to crowded city conditions.

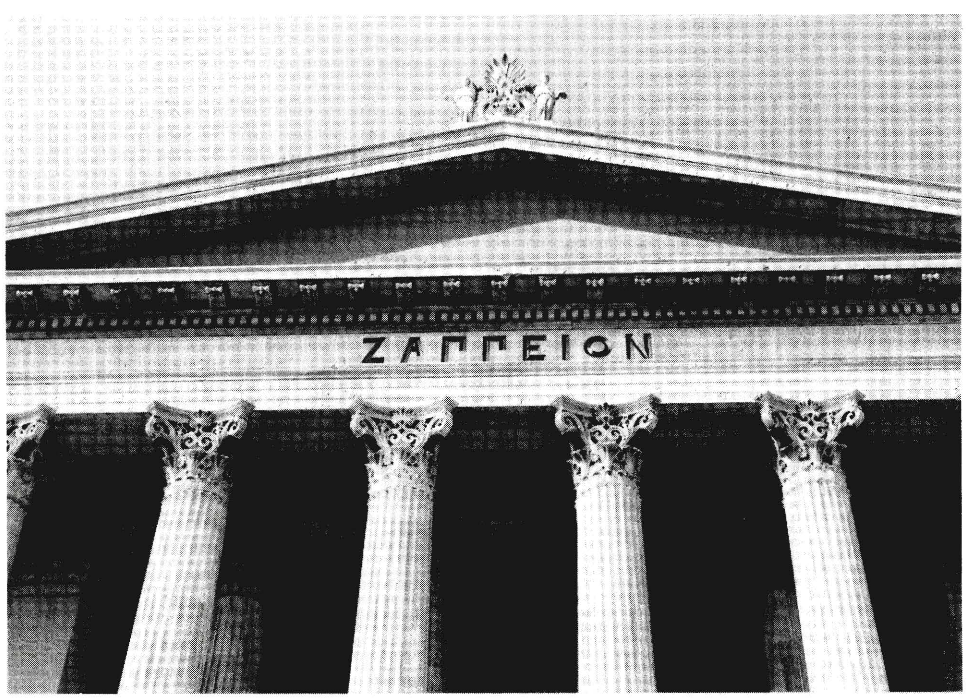
To others it is a matter of constantly improving economic standards over the past 20 years. Anthropologists point out that most migrants to Athens are neither poor nor dispossessed. Instead, country families often wait until they have bought an apartment in the city before moving there permanently.

Once in Athens, new arrivals from the same region or island tend to congregate in the same district. Close neighborhood contacts thus fostered may account for the lack of vandalism and juvenile crime in the city, where court cases involving minors are less than 5,000 yearly. But sociologists also point to the twin safety valves of emigration and seafaring, which siphoned off potential troublemakers—young men with few prospects or ties at home.

Traditional patterns of wrongdoing, however, may now begin to change. Economic growth has slowed, a new generation of fully urbanized Greeks is reaching adulthood, and the Socialist Government is intervening more in people's lives. The Finance Ministry launched a crackdown on tax evasion at the beginning of this year that included a special office to process denunciations of alleged offenders by their fellow citizens. Traditional sinecures at state institutions for those already employed are also being outlawed.

As unemployment rises in Athens and squatters are occasionally evicted from derelict neoclassical houses in the city center, there are some disturbing indications of imported vice, police say. Urban youth is starting to experiment with drugs and, according to the city police, heroin is now easily available, often through foreign pushers. Earlier this year dozens of cheap hotels in the Plaka district under the Acropolis were closed.

But what goes on in the old quarter of Athens does not yet seem to affect the average city resident, who may worry about the handful of burglaries that take place on holiday weekends, but rarely bothers to lock his car. KERIN HOPE



Rome

Although everyone had been expecting it, it still came as a surprise. On a steamy morning in early June, Confindustria, the Italian private sector employers association, called a press conference at its Rome headquarters and announced that it was backing out of its long standing agreement with the unions to index wages to the inflation rate. It would no longer honor the *scala mobile* (sliding scale), as it is called here.

For 11 months the Government of Prime Minister Giovanni Spadolini has been trying to persuade unions and employers to agree on a way of holding down labor costs which would include at least some modification of the *scala mobile* system. The indexation mechanism means that inflation is virtually institutionalized in Italy and it has the effect of reducing differentials between different types of workers—thus diminishing incentives—and leaving little space for wage contract negotiations.

Because the index takes account of all price rises and changes in indirect taxation it means that, as one of its critics said, "Every time the Arabs put up the oil price Italian workers get a pay rise," while it nullifies attempts by the Government to cut purchasing power by raising tariffs on state services. Yet wage indexation is also a symbol of the pact between management and workers that ended the period of labor unrest from 1969 to 1974—unrest that halted Italy's post-war economic miracle.

Confindustria was exasperated after a year in which the unions, divided among themselves, had refused even to broach the subject in negotiation. Under their agreement the employers had only till the end of June to give notice that wage indexation would end next February. Yet the long-awaited announcement still came as a shock: virtually spontaneous strikes broke out within a few minutes of the announcement.

The following day there was a four-hour general strike at all private employers' plants. Critics of the leadership of Confindustria, while not disagreeing with the principle, said that its sudden action had given back to the unions the unity and sense of purpose they had lacked for nearly a decade.

Where the employers did seem to be at fault was in not accompanying their announcement with a set of proposals for a more moderate form of indexation—such as the removal of energy costs, tariff charges and indirect taxation from the basket—since few people believe that Italian workers will end up with no wage indexation at all.

The danger is that by concentrating attention on the emotional issue of the *scala mobile*, the employers are ignoring issues which are arguably more serious for Italy's competitive position in the world: high labor costs due to enormous social security and pension contributions and a public-sector borrowing requirement amounting to 12 percent of gross domestic product. JAMES BUXTON

Bonn

It's been an article of German faith that Turkish workers are tenants not landlords. Not only that, they are tenants to be charged somewhat more than one would demand from a German renter, to cover the additional "foreigner risk." Automobile insurance companies, too, routinely add 25 percent to a Turkish worker's premium, (that is, if they agree to insure him at all. Yet citizens of West Berlin and of West Germany learned recently that some Turks not only have become landlords, but are within their full legal rights when they evict German tenants to make room for their own folks.

West Berlin

The case involved five related Turkish Christian couples with a total of 28 children. They tired of living in cramped, sub-standard quarters—often sleeping five persons to a room. So, having saved their money for 10 years, they bought an old apartment house in the West Berlin district of Kruezberg. Then they set out to evict the German tenants so that they could use the dwellings themselves. The German tenants, naturally, went to court, where they lost.

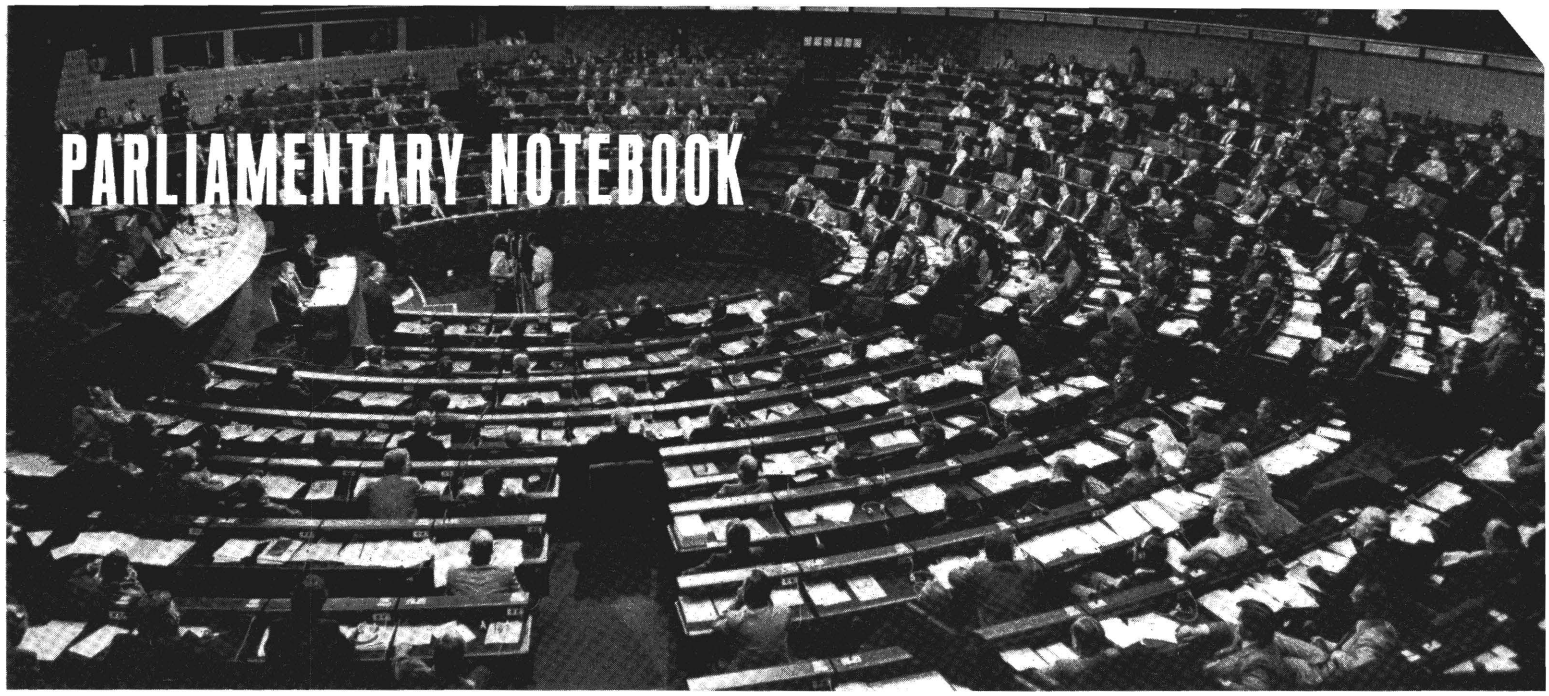
Germans talk a lot about "the foreign worker problem," and their political leaders warn ominously that their voters could turn xenophobic if steps aren't taken to resolve it. Actually, "the foreignworker problem" is synonymous with "the Turkish worker problem." No one is considering sending the 620,000 Yugoslavs, the 600,000 Italians, the 300,000 Greeks, or the 183,000 Spaniards home. But the Germans are trying to figure out how to send at least some of the Turks home, and the Berlin judgment surely will fuel that process.

A federal Government working group recently suggested one way to reduce the community of 1.3 million Turks would be to pay all of their moving costs plus a bonus of around 10,000 deutsche marks per family to those that elect to go back to Turkey. But the working group admitted that the problem would be complicated by, among other things, the fact that at least 800,000 Turks have made long-term savings arrangements with German banks and with German building savings and loan associations to take advantage of federal savings bonus schemes. Not only would the departing Turks want this money, plus the interest and bonuses, they also would want the premiums, plus interest, that they have been paying into the state unemployment, health, and pension insurance plans.

In short, it would be an expensive proposition, not only in terms of cash, but in terms of lost production. The central federal office for political education points out that about half of the below-surface workers in West Germany's coal mines are foreigners and that without the foreigners, automobile production would stop—of the 49,388 workers in Ford's factory in Cologne, for instance, 12,314 are non-Germans.

The central office also dealt with the shibboleth that Germany can solve its unemployment problem by shipping an equivalent number of foreigners home. The fact is, the central office said, that few of the Republic's German jobless have the skills that the employed foreigners have, and so could not replace them if they left. WELLINGTON LONG

PARLIAMENTARY NOTEBOOK



GEORGE CLARK

Traveling across Europe from Dunkirk to Strasbourg through a countryside bright with spring flowers and with the champagne vines above Epernay bursting into new life, I came to understand better why so much time is spent at the European Parliament on agricultural questions. There was intense activity on the fertile land.

And as I passed names of sad memories—Ypres, Armentiéres, Béthune, the Somme, Vimy, Arras, Cambrai, St. Quentin, Verdun—and the rows and rows of crosses in the deserted, trimly kept war cemeteries, I realized how important it must be to have a community where, in Churchill's words, "jaw-jaw" takes the place of "war-war" in Europe.

Nevertheless, the war in the South Atlantic cast its shadow on the debates in Strasbourg. In the April session, members of the European Parliament from all EC countries, with the exception of some Italian and French Communists and a few British Labor Party members, had condemned the Argentine invasion of the Falkland Islands, in line with the United Nations resolution 502, and had approved the EC decision to impose an embargo on imports from Argentina.

Then, as the peaceful negotiations to get an Argentine withdrawal seemed unlikely to succeed, the prospect of armed conflict and the loss of many lives caused many members of Parliament to have second thoughts.

To complicate the issue, there was a sudden surge of anger over the British Government's use of the veto in the Council of Ministers to block the annual European farm price settlement (which was to give farmers an average 11 per cent increase in income from early April) as a method of forcing the other member nations to offer a better deal to Britain on its general budget contribution.

In this curious, roundabout way, Parliament's debate on the continuation of sanctions against Argentina got tangled with the argument about farm prices and about Britain's future in the Community. Voting reflected a definite change of mood. In April members had voted 203 to 28 in support of the British response to the Argentine invasion and in favor of the European sanctions. In May it was 131 votes to 79. Most of the Socialists switched their votes because they did not want an escalation of violence and preferred greater emphasis on economic and diplomatic pressure.

In debate on the farm price deadlock, sensation came when the 60 British Conservatives, led by Sir Henry Plumb, decided to reject the policy of British Prime Minister Margaret Thatcher and her Cabinet and recommend that the British veto on the proposed price fix should be overridden, the matter to be settled by majority vote in the Council of Ministers. This is what eventually happened, a week later, much to the chagrin of the Government in London.

The members of Parliament who want the Community to march toward federalism were jubilant. They believe that progress toward a European solution on a variety of issues is continually stymied by the use of the veto in the Council of Ministers who, they say, often treat the advice given by Parliament with contempt. The veto was created by the so-called "Luxembourg compromise" of 1966 to mollify French President Charles de Gaulle, who wanted a right of veto on any decision when a country's vital national interests were at stake (see page 29). With the veto gone, the power of national Governments would be cut down and greater moves toward a European political entity would be possible.

French members of Parliament of all parties, their farmers' welfare in mind, fervently argued for an end to Britain's veto. They, and the Irish, called attention to the huge sums of money which had been held back from payment since the beginning of April. Subsequently, however, French diplomats were expressing doubts about making majority voting a general rule. After all, in the past, the French have been most assiduous in defending their national interests. So it is only the beginning of a new chapter. It does not mean the Community is about to break up in confusion. A compromise over Britain's excessive budget contribution was predicted.

Another debate, long awaited, on women's rights in Europe was recorded for the first special parliamentary television program to be broadcast from the European Space Agency's satellite. Many women journalists had flown in, and galleries were crowded with women, though the debate was largely boycotted by male members of Parliament. No women members of the Commission existing, Ivor Richard, the EC Commissioner for employment and social affairs, had the task of reporting on the fate of the "action program" submitted by the Commission to the member states last year.

A succession of women speakers had already attacked it as vague. Richard regretted that preparations for a special meeting of social affairs ministers had been "difficult". He added: "It seems distinctly possible that the Council of Ministers may avoid its political responsibilities and fail to give a clear commitment to action on equal opportunities for women." Protests interrupted Eric Forth, a Scot who represents an English constituency—a man of few words—when he summed it all up. "This is a classic example," he said, "of throwing words at a problem and cruelly raising expectations which are not going to be fulfilled." €

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

MEDIA SEMINARS

Partners at Odds: A New Divide?

Journalists, government officials debate EC-US strains.

The seventh annual US-EC media seminar, billed as a curtain-raiser to the Versailles summit (see page 2), took place this year at the University of South Carolina under the joint auspices of the EC Delegation in Washington and the Foundation for American Communications. Debating a theme of "Partners at Odds: a New Divide?", 24 prominent US and European journalists and a cross-section of high level government officials and academics took a frank look at the problems currently straining US-EC relations.

The conference, which alternates each year between Europe and the United States, convenes in a quiet atmosphere where participants can address the issues away from the distractions of their day to day responsibilities. Past venues have included the *château de Canisy* in Normandy, the Wye Plantation on Maryland's Eastern Shore, and Waterbury, Ireland.

This year's participants were housed in the beautiful, early 19th century "horseshoe" area of USC's Columbia campus and they attended sessions in the contrastingly modern Capstone tower—with its revolving rooftop restaurant—a short walk away through flowering Southern magnolias. With occasional breaks for such local specialties as barbeque, liver hash, shrimp and corn pie, and "hoppin' John," (black-eyed peas), participants tackled the weighty issues on the agenda in a relaxed spirit.

In a dinner speech opening the conference, US International Communications Agency head Charles Z. Wick traced US-European relations since World War II, urging the "successor generation" not to lose sight of the ideals that inspired their predecessors. The EC Commission's director-general for external relations, Sir Roy Denman followed the next morning with an opening overview of current problems. He regretted the lack of Europeanists in the present US Administration and criticized it for its aggressiveness toward foreigners. He called US authorities' attitudes toward the General Agreement on Tariffs and Trade (GATT) "uncertain" and, when asked whether those rules weren't made under better days, he said the Americans' vows were made for "better or for worse" and the Americans should stick to what they agreed to.

USC's Jonathan Davidson; Richard Lyng, US Deputy Secretary of Agriculture; and James Proven, a British member of the European Parliament, pictured during a panel discussion.

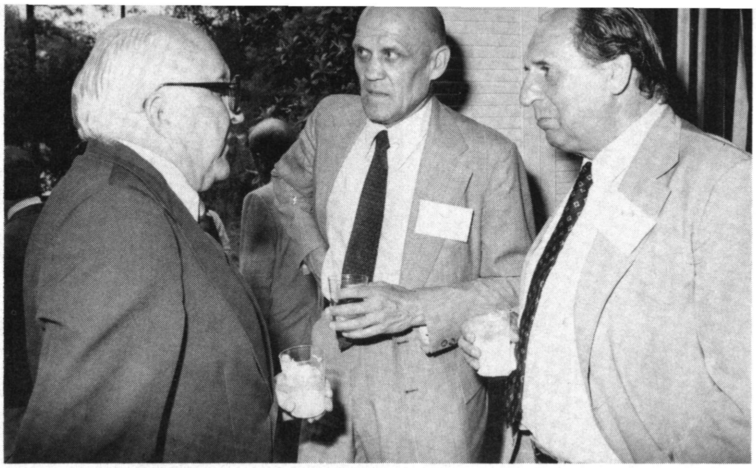
At the first session, on energy, Harvard economics professor Joseph Kalt explained the recent oil glut and the Commission's deputy director general for energy, Michel Carpentier sought to dispel misunderstandings over energy policy between the Americans and the Europeans. While the Community was able last year to produce at home over 50 percent of its primary energy needs, it still remains highly exposed to developments in world oil markets—the like figure for the United States in 1980 was 85 percent and it's getting better—and must find ways to limit its risk.

This topic led to debate with the journalists over the Siberian natural gas pipeline, a subject which came up often during the conference as various Reagan Administration representatives sought to explain US opposition to the pipeline. The European attitude was perhaps summed up by Ulrich Steger, a West German Social Democratic parliamentarian, when he said that the real threat to the Atlantic alliance is not a question of security, but one of economics; that the major threat to Western values and democracies comes not from the Soviet Union, but from dependence on Middle East oil.

In a session of his own, economist Paul Samuelson warned of another "spectre haunting Europe," as he put it: the flight of manufacturing production to the Pacific Basin. Stressing that the laws of comparative advantage are steadily grinding away at European countries, he drew an analogy with another, US manufacturing exodus, from New England to the Sun Belt. The only solution, he noted, is constant innovation.

An interesting break in the proceedings came with a retrospective from USC's collection of Movietone News clips, detailing events leading up to the EC treaties. Old film footage of Jean Monnet, Robert Schuman,

Dr. James Holderman, USC President (left) and EC Commission Director-General for External Relations Sir Roy Denman.



Pictured at the opening reception are William E. Rone, The State newspaper, Columbia, SC (left); Claude Moisy, Agence France-Presse; and Henri Pierre, Le Monde.

and Paul-Henri Spaak—founding fathers of the EC—was especially interesting for those not present at the creation.

In a session on the "Rift in the Atlantic Alliance," the US Administration was represented by Dennis Blair, National Security Council member for Western Europe. He remarked that all his decision papers are marked "consult Congress" and "consult the allies," illustrating the strong communications between the United States and Europe. Blair also noted the depth of citizen support for the alliance; there are no elections to be won on anti-American or anti-European platforms, he said. He called President Reagan's recent European trip a turning point for the Administration.

Speaking with Blair was David Watt, director of the Royal Institute of International Affairs. He distinguished three points of friction:

- a shift in the economic power balance between the United States and Europe;
- a shift in power away from the United States and Europe toward the Third World, due to oil and emerging industralization;
- a shift in strategic power away from the United States and Europe and toward the Soviet Union.

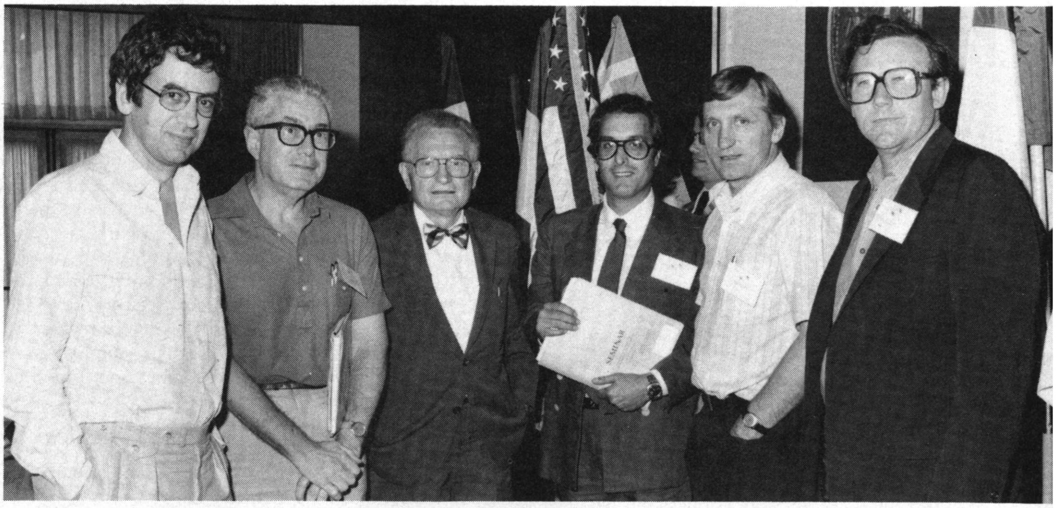
Watt said the biggest problem right now is that the United States and Europe have no common, alliance position on the Soviet Union. Is it an enemy to be eliminated or a fact of life to be dealt with?

Speaking on the recession, EC Commissioner Ivor Richard, who is responsible for employment and social affairs, said the biggest danger facing us is a two-class society: those with work and those without. He believes the solution requires direct government intervention and that the available work will have to be reapportioned, even after the recession. Trade unions will have to accept a role and the responsibility of participating in corporate decision-making and government intervention.

On linkage, US Assistant Secretary of Commerce Lawrence J. Brady said the Americans have been talking with the allies about restricting high-technology exports and expect to have substantive agreements within a year. Sir Roy Denman meanwhile, asked for a little less ideology from the Americans over European dealings with the Soviets. Deputy Secretary of Agriculture Richard E. Lyng, while reiterating the United States' and Europe's great need for each other, enumerated some major US concerns over Community policies.

Former Under Secretary of State Myer Rashish and Jean-Marie Guéhéno of the French Ministry of External Relations handled a session on North-South issues. Rashish bemoaned a lack of a coherent US policy and a failure to follow up on the promise of the Cancun economic summit. Gueheno urged a dynamic perspective in North-South relations: We must anticipate problems rather than merely react when they arise.

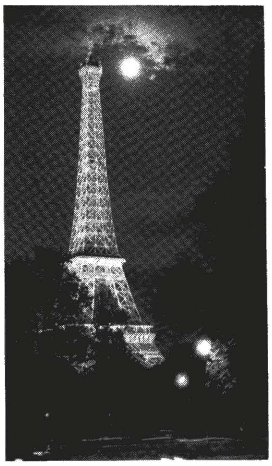
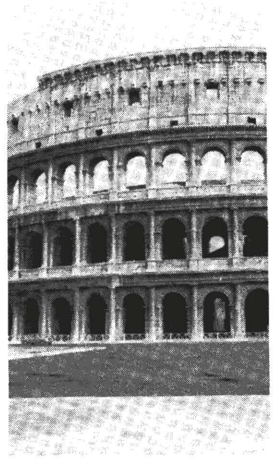
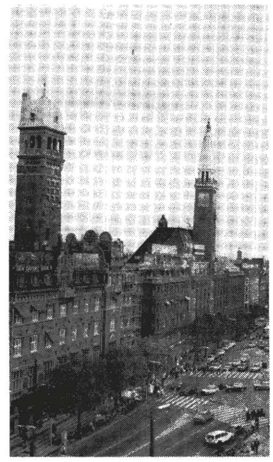
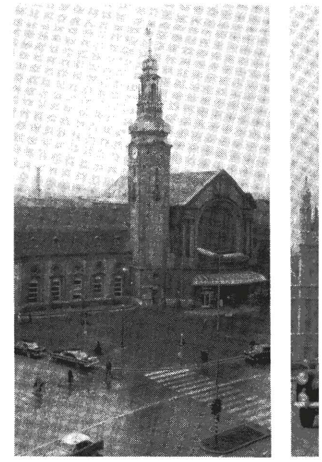
On this note, many participants took off for nearby Charleston, with its Spoleto festival and beach resorts.



Participating journalists include (L-R): Michael Naumann, Die Zeit; Mel Elfin, Newsweek; economist Paul Samuelson (a speaker); Fabrizio Del Piero, ANSA; Bruce Van Voorst, Time Magazine; James Hoagland, The Washington Post.

A reception at the President's house, University of South Carolina.

NEWS OF THE EUROPEAN COMMUNITY

INTERNAL AFFAIRS

Border Simplification Sought

A draft directive to simplify inspections and formalities at national frontiers in respect to the transport of goods between EC member states was recently sent to the EC Council of Ministers. For road transport alone, the waiting time at internal frontiers increases transport costs by about ECU 1 billion annually, up to half of which could be saved through improvements in the organization and application of the 70 existing inspections or procedures. Cross-frontier problems in general can also add up to 7 percent of some consumer prices in the Community. The recent draft directive is one of a list of 10 priorities in transport that were adopted by the Council in March 1981.

Euratom Bond Floated

An ECU 11.25 million Euratom bond loan was recently negotiated between the EC Commission and a Luxembourg banking syndicate. This issue is the fourth call made by Euratom on this market, and an application has been made for official listing on the Luxembourg stock exchange. The proceeds of the loan will be used in accordance with the Euratom treaty.

Competition Report Released

In its annual competition policy report released in early April, the EC Commission stressed that Community policies must be sensitive to their effects on the competitiveness of a Community economy that is closely integrated into the world economy. As for state aids, the Commission judges them by criteria designed to ensure that the firms involved are restored to sound economic health.

The EC policy is that member state assistance to its industries must not jeopardize the unity of the Community market. Strict conditions for granting aid must be observed, particularly for industries in crisis, such as steel, textiles, and shipbuilding. The Commission looks favorably on aid that promotes the adaptation of firms to the new conditions governing the energy market and to stricter environmental protection requirements, or which help promote technological development.

In its report the Commission said it has continued its policy of imposing fines in cases of restrictive or abusive practices designed to isolate national markets, but it grants exemptions for desirable forms of cooperation and for certain types of agreements benefiting small and medium-sized undertakings.

Social Fund Actions Taken

Over ECU 624 million was allocated in May for a second group of Social Fund projects in 1982. A first allocation of ECU 11.7 million was approved in March.

In the second group, ECU 333 million goes for regional operations, and young people's projects will benefit from ECU 186 million. Other beneficiaries are the disabled, women, operations concerning technical progress, groups of enterprises, textiles, agriculture, and pilot projects. Most of the first allocation went to local training projects in France, the United Kingdom, and Italy.

In March the Commission began discussions on proposed changes in the Social Fund to simplify it and make it more adapted to the needs of the member states. To achieve this, priorities would be defined in advance so that expenditures could be allocated on a scale of priority rather than specific approval for each program. Top priority would be the most disadvantaged populations and regions, including those over 18 who are unemployed, those seeking jobs for the first time, women, the handicapped capable of working, workers threatened by unemployment and those requiring relocation, people working in small firms needing technical help, teachers, and career experts. A separate section amounting to 10 percent of funds would also be reserved for specific actions such as pilot programs and training experiments.

Temporary Workers Helped

A directive seeking to protect both temporary workers and permanent employees in situations where temporary labor is used was approved by the EC Commission in early April. This threefold measure includes: provisions for comparable benefits and pay for temporary workers; reduction of the misuse of temporary labor and restrictions on its use; and requirements for businesses engaging in the supply of temporary workers.

Among the disadvantages faced by temporary workers are the lack of social security coverage and lower pay. The new directive would also protect regular employees facing heightened competition for scarce jobs.

Core Chemical List Published

A list of about 34,000 commercial chemical substances marketed in the Community before mid-September 1981 was recently published. The listing, called the European Core Inventory, is a major phase in the development of new EC consumer protection legislation adopted in 1979 that requires the notification of any new chemical substance placed on the market prior to that date. This directive establishes a preventative program for controlling pollution from chemical substances, and its main purpose is to establish a framework for testing and managing chemicals before they enter the market.

Publication of the core inventory is a step toward completing the European Inventory of Existing Chemical Substances which will list those substances not subject to new chemical notification. The next phase is a nine-month period, ending in December, during which people who marketed substances in the Community between January 1, 1971, and September 18, 1981, may request to have them included in the list of existing substances.

Freight Transport Analyzed

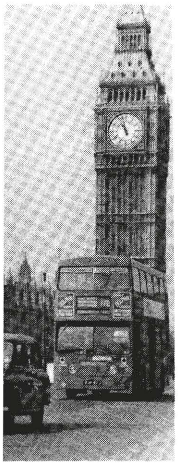
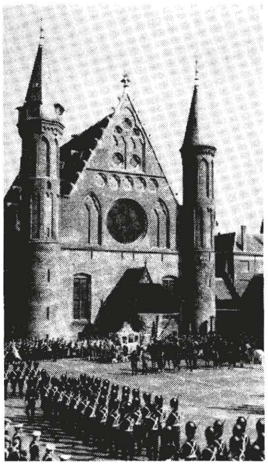
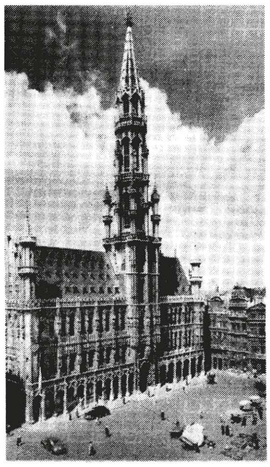
Detailed results of an analysis of freight transport between member states during the fourth quarter of last year was recently completed by the EC Commission. Road, rail, and inland waterways recorded negative growth rates of −1.3, −9.3, and −4.3 percent respectively. The rate of decline slowed, however, compared with data from the previous year.

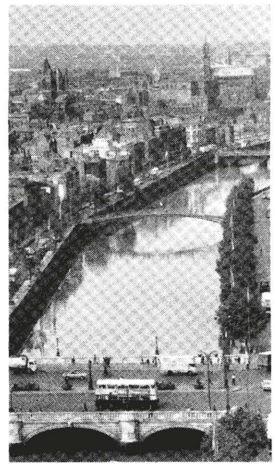
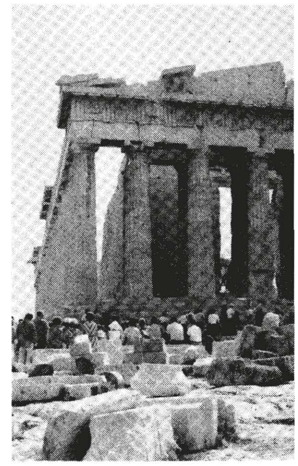
In general, large decreases in traffic flows in 1981 were due to substantial falls in transport of dry bulk goods, such as coal and coke, ores, and construction materials. Rail and inland waterways tend to be more dependent on these goods than road transport. The trend, therefore, is for road transport to increase its market share at the expense of inland waterways.

Last year, the first in Greece's EC membership, led to a large increase in rail traffic to and from the other member states. Road traffic between Greece and the rest of the Community, which is more important in tonnage terms than rail, also increased, but on a smaller scale.

Funds Released for Britain

Funds totaling over ECU 1.6 billion were released in late March by the Commission for investment and infrastructure programs in the United Kingdom in the 1981-82 financial year. Special infrastructure projects for seven regions account for over ECU 1.4 billion, and nearly ECU 195 million will be used for general road building. The new decisions bring the total value of supplementary measures for the United Kingdom since December 1980 to over ECU 3 billion. Such measures were agreed following Prime Minister Margaret Thatcher's complaints about her

country's disproportionate contribution to the EC budget.

In further aid to Britain, a recent decision by the European Regional Development Fund will release ECU 33 million to a five-year program aimed at promoting new employment-creating activities in UK zones adversely affected by the recession and restructuring of the steel industry.

Motor Show Rules Exempted

The EC Commission decided in early May to renew an exemption from competition rules authorized in 1977 to the International Permanent Bureau of Auto Manufacturers (BPICA) which includes national associations of motor vehicles manufacturers, assemblers, and importers in 20 European countries.

TRADE SHORTS

Farm Agreements Sought

Authorization to start negotiations on multiannual framework agreements in agricultural supply with Algeria, Egypt, Morocco, and Tunisia has been requested by the EC Commission. Such agreements would help stabilize supplies and outlets, not only for cereals, but also for other products such as milk products, meat, oils, and fats.

Argentine Import Ban Over

The EC embargo on Argentine imports adopted last April because of that country's takeover of the Falkland Islands was lifted on June 20 on the condition that no further incidents occur. The EC is Argentina's second largest customer after the Soviet Union. In 1980, Argentine exports to the Community amounted to $2.7 billion and represented about 27 percent of overall exports. The Community is also Argentina's largest supplier of goods and provides over 27 percent of Argentine imports.

EC, Japan List Differences

Following the Community's decision to take Japan to the General Agreement on Tarrifs and Trade (GATT) because of a trade imbalance, Japan asked the Community to specify its trade difficulties, and the EC Commission listed its complaints. It stated that Japan's policy of not importing goods other than raw materials (to any large degree) had bypassed the intent of the GATT objectives to achieve mutually advantageous trade between its members. The Commission also listed steps that should be taken by Japan to encourage imports, such as agreeing that public corporations import more, that changes be made in the Japanese distribution system, and that tariff levels and import quotas be reduced. Changes affecting quality standards and the reserve role of the yen were also recommended.

Tight Money For Soviets

Finance Ministers agreed in late April to place the Soviet Union in a category where it would receive less advantageous terms for export credits, partly as a result of the economic measures adopted by most Western countries after Soviet involvement in the Polish military crackdown. This position was translated into policy at a May meeting in the Organization for Economic Cooperation and Development.

Put on Turkish Yarn Levy

On another trade front, the EC-Turkish Association Council met in Brussels in April in a vain attempt to head off a dispute between the two parties. The Community later imposed an anti-dumping levy of 12 percent on imports of Turkish cotton yarn, and Turkish authorities threatened to retaliate by restricting shipments of a number of products from the Community, including some steel products.

AID

EIB Makes Loans

The European Investment Bank made loans in late April to Cameroon and Spain for development projects. ECU 10.7 million was granted to Cameroon for the construction, enlargement, or improvement of four edible oil mills there. For financing of smaller scale infrastructure works, Spain was granted a loan of ECU 20 million.

Emergency Aid Granted

Exceptional aid of ECU 300,000 was granted in late April to Niger to help families of small traders to start up their businesses again after losing everything in the recent fire that destroyed the market in Niamey. Emergency food aid of 5,000 tons of cereals and 500 tons of milk powder was provided to Mozambique because of drought in the north and torrential rains in the south that have destroyed part of the 1982 harvest, particularly in rice. Tonga was granted ECU 100,000 as part of a Government program to assist 45,000 people who lost their homes following a cyclone in March.

Development Aid Given

Over ECU 160 million in grants and loans was allocated last March and April from Development Fund resources. The aid goes to several African, Caribbean, and Pacific states and Overseas Countries and Territories that have association agreements with the Community. Among the projects to benefit are a coffee improvement project in Ethiopia; dam construction on the Senegal River which is a regional program for Mali, Mauritania, and Senegal; railway improvement in Tanzania that will benefit Burundi, Rwanda, and Zanbia, as well; and multiannual training programs in Ghana, Sudan, Botswana, Tanzania.

Sysmin Mining Fund Opens

A grant of ECU 55 million announced in April to Zambia for its copper and cobalt industries was the first operation of the new EC Sysmin revenue guarantee fund for mining exports from developing countries belonging to the Lomé Convention. This fund is a follow-up to the Stabex system which covers agricultural products subject to declines in export earnings.

The first transaction involved a low-interest loan to finance most of a modernization project for the Zambian mining industry and related facilities. The project is expected to be completed in two or three years and is aimed at improving the competitiveness of Zambian mining operations and allowing an increase in export earnings.

Belize Accedes to Lomé

The former British dependency of Belize in Central America became a member of the Second Lomé Convention in early March. With a population of about 145,000, Belize became self-governing in 1964 and independent last September. It is the 62d African, Caribbean, and Pacific state to join the Lomé Convention and the 11th in the Caribbean region.

Since 1976, Belize and the Community had had an ongoing program of cooperation. Under the Lomé agreement, in addition to benefiting from trade and aid provisions, Belize will receive about ECU 5.5 million in financial and technical cooperation. Discussions were expected to begin soon on the use of these resources.

Development Assembly Meets

About 400 European non-governmental organizations (NGOs) met in late March to discuss their cooperation with the Community in the field of development, whether in the cofinancing of projects, the distribution of food or emergency aid, or in informing the public about development issues.

Between 1976 and 1981, the Community confinanced about 1,000 microprojects with these organizations. In 1976 an initial budget of ECU 2.5 million was allocated to the Commission for these purposes, and in 1980 the annual budget had risen to ECU 14 million. By the end of last year, the Community's total contribution was ECU 56.6 million out of a total joint investment of ECU 163 million.

In 1981, the Community contributed ECU 13.5 million in cofinancing for 164 projects; 128 projects had to be postponed for lack of funds. The main beneficiary sectors were training (32 percent of funds) and agriculture (26 percent). The NGOs also participated in countries where the situation is difficult: 10 projects in Nicaragua, four in the West Bank and Gaza, and seven in Zimbabwe.

China Gets Energy Assistance

A contract between China and the Community was signed recently for cooperation in the energy field between the two. According to the contract, European experts will stay in China until October to continue training on energy planning; Chinese managerial staff will receive further training at the Joint Research Centre in Ispra, Italy; and a study of methods for evaluating energy supply and demand in rural and industrial areas of China will be carried out.

This agreement followed a month-long tour by Chinese energy officials to energy plants in most member states. A series of talks had also been arranged to enable the Chinese to examine technical problems in the energy sector, in particular: developments in coal extraction technology; mine safety; coal gasification and liquefaction; safeguards at hydroelectric dams; refining methods; and energy savings.

Help for Refugees Discussed

During a recent visit to the EC Commission by the United Nations High Commissioner for Refugees Poul Hartling, he said that the Community was the second largest contributor to this UN program. In 1981 the United States contributed $138 million, the Community $114 million, and Japan $52 million. The Community's contribution came mainly in surplus food.

Hartling indicated to the press while he was in Brussels that the refugee population now stand at about 10 million: 4.5 million in Africa, 2.5 million in Pakistan, and the rest in Southeast Asia and Latin America. He said the total is slightly lower than last year and noted that the refugee problem in Zimbabwe had been resolved and that numbers were declining in the Horn of Africa. The UN Commissioner also said that the Community's original forecast of $71 million for Afghan refugees in Pakistan should be increased. The 2.5 million there represents the largest concentration of refugees in the world.

ECONOMY

Steel Firms Link up

The Commission decided in early April to authorize the link-up between the French steel companies, Usinor, Sacilor, and Normandie. As part of its general nationalization program, the French Government increased its equity shareholdings in Usinor and Sacilor from 64.6 percent to 92.6 percent and from 76.9 percent to 86.7 percent respectively.

This was a further move in a strategy begun in 1978 when the French Government decided to acquire substantial majority stakes in these two steel companies under its restructuring program for that industry. At the time, this was considered a temporary operation linked to the completion of the program and both firms were to retain full freedom of activity.

At the end of 1981 when the firms decided on increases in their capital, only the state subscribed, and as a result, its involvement was no longer temporary. Usinor and Sacilor also sought authorization from the Commission for a joint venture, Société Métallurgique de Normandie (Normandie), which planned to acquire the steel-making division of Société Métallurgique et Navale Dunkerque Normandie. Scrutiny by the Commission of both operations has shown that they will not produce negative effects on competition, even though the entity formed by Usinor, Sacilor, and Normandie will be the leading producer in the Community. The Commission made its authorization subject to conditions necessary for maintaining competitiveness in the EC market.

Loans Made to Create Jobs

A global loan of DM20 million was granted to the German Westfalenbank AG, Bochum, in mid-March. The Westfalenbank will relend the funds to small and medium-sized firms for setting up or extending establishments, principally in North Rhine-Westphalia. The loan is expected to help finance investment projects that will create about 400 new jobs in an area affected by job loss in the steel and coal sectors.

Krupp Stahl AG received a low-interest conversion loan to finance the extension of a bright steel production plant as a replacement for the Siemens-Martin steelworks and the rolling mill for semi-finished sheet steel which have been closed down. At least 230 new jobs will be created, partially compensating for the 600 jobs lost.

BF500 million was approved as a loan to the Caisse Nationale de Crédit Professionel for on-lending to provide small and medium-sized Belgian businesses and craft firms with investment finance to help create new jobs for workers made redundant in the steel industry and coalmining.

About 500 new jobs are expected to result from investment projects helped by a loan of DM25 million to the Bayerische Hypotheken- und Wechsel-Bank AG in Munich. The bank will relend these funds to small and medium-sized firms for setting up or extending businesses, particularly in the central part of the Upper Palatinate which has a high unemployment rate due to the crisis in the steel and coal industries.

EC Oil Bulletin

The average increase in CIF prices of crude oil between the end of 1978 and late May this year was 156 percent, as a result of decisions taken by the oil-exporting countries. The pre-tax prices of the principal oil products (crude oil and imported finished products) increased by an average of 88 percent over the same period.

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

Industrial Output Up

Industrial production figures released in April showed an increase for EC member states at the end of January over the previous month and also over

January 1981. The figures put production at an index of 114.9 against the 100 level set for 1975.

Production of intermediate and consumer goods in 1981 followed the decline in industrial output while investment or capital goods registered an increase of .8 percent on top of an increase of 3.9 percent in 1980. In January this year German production jumped 5 points while the other major countries recorded slight drops, except for Italy which had a 2.5 point increase.

Steel Plan Extension Urged

An extension of the EC steel emergency plan was recommended by the Commission in late April. Because of the continuing crisis in the steel sector, Industry Commissioner Etienne Davignon advised that the plan for quotas and prices be prolonged for 18 months. An extension to include steel products not originally included in the plan was also recommended.

Forecasts for demand in steel remain below 1981 levels, and experts foresee that the steel industry will continue to operate below capacity. Production quotas and minimum prices were established by a Community decision to stabilize a depressed market characterized by uncontrolled price competition.

Transport Outlook Given

Activity in road transport is expected to grow in 1982 while rail and inland waterway carryings will decline, according to an economic outlook for 1982 for freight transport released by the EC Commission.

Total inland transport declined by 0.4 per cent in 1980 and by an estimated 2.7 per cent for 1981. Growth in freight transport tonnage depends on general economic activity and in particular in the coal, steel, and construction sectors. Any overall increase in 1982 is likely to be less than 1 per cent, said the report, with overall transport activity (measured in ton-kilometers) growing faster than actual tonnage because of the structural changes in the distribution of goods.

A drop of 1.5 per cent in dry bulk cargo is expected this year because of lower demand for steel products and consequent lower ore and coke movements. Other tonnage should grow at about 2.5 per cent. Total tonnage of construction material will remain at the 1981 levels, assuming there is some increase in public spending on construction. Manufactured production is expected to grow by 3.5 per cent.

The market situation for road, rail, and inland waterways is influenced by their dependency on dry bulk cargo. Dry bulk represents about 30 per cent of the traffic in road transport, but is over 60 per cent of rail and waterway traffic. Rail traffic may drop by 1 per cent, in spite of an increase in general economic activity, while road carryings, which serves a wider spread of traffic, are expected to grow by at least 2 per cent. The resulting market shares in 1982 will probably be 40 per cent for road, 44 per cent for inland waterways, and 16 per cent for rail.

Unemployment Still Rises

Unemployment in the Community climbed a total of 450,000 during January to 10.7 million, according to figures released by the Commission in mid-February. The rise affected all 10 member states and brought the percentage of jobless to 9.7 per cent. A rapid rise in Germany brought the figure there to nearly 2 million, a rate close to those of France and Italy. Registered unemployed persons in the United Kingdom were about 3 million.

Americans Trace European Ancestry

Nearly 52 million Americans trace their ancestry solely or partly to Germany, according to a study recently released by the Census Bureau. The bureau based its analysis on a survey made in 1979. Because many of the people surveyed reported multiple ancestry, such as German-English, the sum of the various groups is more than the total. Over 45 percent of the sample listed single ancestry.

The number of people listing Irish or part Irish in the survey works out to 44 million when spread over the whole population. English came in next at 40 million. Other European ancestries included: Scottish, 14.2 million; French, 14 million; Spanish, 12.5 million; Italian, 11.7 million; Polish, 8.4 million; Dutch, 8.1 million; Swedish, 4.9 million; Danish, 1.7 million; Swiss, 1.2 million; Austrian 1.1 million; Greek, 1 million; Portuguese, 946,000; and Belgian 448,000.

AGRICULTURE

Feed Restrictions Proposed

After years of discussion on the issue, the EC Commission recently proposed restrictions on imports of livestock feed products into the Community. The new plan would limit imports of Asian manioc to 5.9 million tons in 1982, approximately the same level imported in 1981, and would put a ceiling of 3 million metric tons on the duty-free imports of corn gluten from the United States, slightly higher than the amount shipped in 1981.

Both actions stemmed from requests by cereal growers who argued that such imports should be limited if the Community is also trying to limit internal production of cereals used for livestock feed. The issue has been discussed for years with Thailand and Indonesia concerning manioc, and the duty-free ceiling with the United States comes at a time of intense debate over farm trading practices (see page16). The EC Commission suggested that compensation should be offered to the United States in return for limiting the zero duty on corn gluten.

Surplus Prevention Proposed

A temporary system of preventive withdrawal from the market of dessert apples and pears that expired last year was proposed as a permanent measure by the EC Commission in late April. A report on the 1979-80 marketing year showed that the system had these advantages: it relieved the market of surpluses at the start of the marketing period, which had a stabilizing effect on prices; it enabled produce meeting the lowest quality standards to be withdrawn; and withdrawals were made at a lower price than if intervention had occurred later in the season.

If quantities which can be withdrawn from the market are known in advance, the system works to facilitate disposal of them in free distribution to charitable institutions, schools, and hospitals; use for non-food puposes; use in animal feed; and distillation. Previously, disposal of surplus produce has often not been decided until the moment of sale when the fruit must be used quickly while it is still fit for consumption.

ENVIRONMENT

Recycling Congress Held

Each year about 2 billion tons of waste materials are generated in the Community, and the annual rate of increase is from 3 to 5 percent. Between 70 and 90 percent of this waste could be reused, but up to 90 percent is usually thrown away. A discussion of the recycling problem was taken up by the Third International Congress on Waste Recycling held in Berlin in late April.

With the growing shortage of raw materials and rising energy and raw materials prices, the recycling problem is of growing importance. For example, the Community imports between 80 and 90 percent of its iron, tin, and zinc requirements, and 60 percent of its paper and cellulose. Most of the Community's waste contains potentially valuable substances, such as metal, glass, rubber, oil, textiles, paper.

Environment Group Meets

The Committee of International Development Institutions for the Environment (CIDIE) met in Brussels in late April to discuss implementing a declaration signed in 1980 by nine development financing institutions and the Community which linked environment to economic development. The committee members noted increasing acceptance of the idea that environment and development are inextricably linked and pointed out evidence of its application in the context of development policies and programs financed by their institutions.

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.

Foreign Tax Planning. By Marshall J. Langer, ed. Practising Law Institute, New York, 1982, 654 pp. $25.00.

Course handbook for 1982 Foreign Tax Planning Program in the United States. Topics highlighted are US Model Income Tax Treaty, definition and status of aliens and non-residents, withholding tax on payments to foreign persons, and protection of US assets of foreign investors.

The Other European Community: Integration and Co-operation in Nordic Europe. By Barry Turner and Gunilla Nordquist. Weidenfeld & Nicholson, London, 1982. 307 pp. $30.90.

An appraisal of the attempts of the individual Scandinavian countries to work together through the Nordic Council. Describes the origins of *Norden*; the development of social democracy; lack of economic unity and the effects of recession; movement towards industrial and cultural democracy.

Vacation Study Abroad. Edited by Gail A. Cohen. Institute of International Education, New York, 1982. 180 pp. $8.00.

Contains 900 spring, summer, and fall study programs offered by US colleges and universities and foreign and private sponsors. Programs for all ages are described in detail.

US College-Sponsored Programs Abroad: Academic Year. Edited by Gail A. Cohen. Institute of International Education, New York, 1982. 191 pp. $8.00.

Describes over 800 semester and academic year study-abroad programs sponsored by US colleges and universities. Includes basic facts about study abroad, details of specific programs, and bibliography.

In Italy: Postwar Political Life. Edited by Furio Colombo. Karz Publishers, New York, 1982. 240 pp. $29.95.

Italy's party, union, and financial leaders, through interviews, review postwar policies and current political crises in Italy. Discusses the Catholic and Socialist parties, Italian Communism, and the economy. Interviews with former Prime Minister Guilio Andreotti and others.

The East European Economies in the 1970s. Edited by Alec Nove, et al. Butterworths & Co., Boston, 1982. 353 pp.

Traces development of economic policy in Eastern Europe, examining reforms of the 1970s. Various authors offer individual country studies on the Soviet Union, East Germany, Poland, Czechoslovakia, Hungary, Bulgaria, Romania, Yugoslavia, and Albania.

Price Control and the Maintenance of Purchasing Power in Western Europe. European Trade Union Institute, Brussels, 1981. 109 pp.

Description of mechanisms which can limit or alleviate the negative effects of inflation on wage and salaries; begins by analyzing calculation of price indices in Western Europe, then describes price control mechanisms in 16 European countries, and the positions and strategies of national trade union organizations.

Britain's Top 2,000 Private Companies 1982. Jordon and Sons, Ltd., London, 1982. Available from Gale Research Co., Detroit. 264 pp. $78.00.

Provides statistical summaries of the financial and operating performance of the 2,000 private British companies with the highest sales last year. Twelve tables rank the companies according to various criteria.

A History of European Integration, Vol. 1 1945-47: The Formation of the European Unity Movement. By Walter Lipgens. Oxford University Press, New York, 1982. 723 pp. $98.00.

Chronologically follows the beginnings and early development of the movement toward integration in Europe; outlines situation immediately following WWII and examines federalist groups in Western Europe and the effects of the East-West conflict.

Current Issues in Ship Financing. By Joni L. Nelson, ed. Practising Law Institute, New York, 1981. 560 pp. $25.00.

Course handbook for a 1981 program on ship financing held in New York. Issues raised included aspects of acquisition and financing of vessels in Panama, Sweden, and the United Kingdom; trends in flags of convenience, and questions on ship financing insurance.

The Economics of the European Community. Edited by A. M. El-Agraa. St. Martin's Press, New York, 1980. 338 pp. $37.50.

A basic analysis of the EC; gives general background information about its development, institutions, and policies. Discusses the theory of customs unions and effects of the formation of the EC on member states and the world. Also deals with hidden barriers to trade and problems of policy coordination and harmonization.

US Foreign Policy and the Third World, Agenda 1982. By Roger D. Hansen et al. Praeger Publishers, for the Overseas Development Council, New York, 1982. 249 pp. $7.95.

Latest in the Council's series of annual assessments of US policy toward the developing countries. Stresses view that the United States must not consider the developing countries solely in an East-West framework and proposes initiatives in several areas: reappraisal of "national security," liberation of trade policies, food policy, and development assistance. Statistical annexes included.

The Economies of the Balkan Countries. By Nicholas V. Gianaris. Praeger Publishers, New York, 1982. 188 pp. $23.95.

Reviews the economies of Albania, Bulgaria, Greece, Romania, Turkey, and Yugoslavia, and examines trends toward closer cooperation among them. Evaluates them in terms of planned and market economies, resources and productivity, and in relation to the EC and Comecon. Includes historical background and tables.

Parry and Hardy: EEC Law, Second Edition. By Anthony Parry and James Dinnage. Oceana Publications, Inc., Dobbs Ferry, NY, 1981. 531 pp. $50.00.

Consisting of largely new material, this second edition covers the European Court of Justice and the legal order of the Community; the free movement of goods, persons, capital, transport, and intellectual property; short reviews of other Community policies; and aspects of the Community's external relations, including a survey of EC agreements with third countries.

NATO: Final Communiqués 1975—1980. NATO Information Service, Brussels, 1981. 159 pp.

Texts of final communiqués issued by ministerial sessions of the North Atlantic Council, the Defense Planning Committee, and the Nuclear Planning Group. Includes synopsis of communiqués and names of chairmen of sessions.

Political Life and Institutions in Norway. By Jon Gunnar Arntzen and Bard Bredrup Knudsen. The University of Oslo, Oslo, 1980. 151 pp.

A concise overview of Norway's history, geography, and political system. The structures and functions of the different branches of Government are examined, as well as interrelationships between different political institutions. International issues—the EC, security policy, and Soviet relations—are also covered.

EEC Dairy Facts & Figures. Milk Marketing Board, Surrey, UK, 1981. 195 pp. $3.50 prepaid.

Nineteenth edition. Detailed reference for examining and interpreting current developments in the production, distribution, and consumptions of milk and milk products in the EC. New in this edition is information on major dairy organizations in member states, details of EC cheap sales of butter, and information on expenditure under the EAGGF Fund.

European Integration: Select International Bibliography of Theses and Dissertations, 1957—1980. Second Edition. By J. P. Siemers. Martinus Nijhoff Publishers, London, 1981. Available from Kluwer, Boston, Inc. 412 pp. $99.00.

Extensive bibliography of theses and dissertations on European integration, with an emphasis on the EC. Subjects cover history, politics, law, finance, industry, agriculture, transport, and more. Indexes are arranged by subject group and keywords. Titles in English, German, Italian, Japanese, and other languages.

The European Community: A Guide for Business and Government. By Brian Morris et al. Indiana University Press, Bloomington, Indiana, 1982. 303 pp. $32.50.

Attempts to explain European Community law and bureaucracy in practical terms, providing overviews of all broad areas of European constitution and policy. Arranged for reference, more than 500 subjects are listed with relevant Community information, names and addresses. Contains explanatory charts of how Common Market policies actually work in practice.

European Interest Groups and Their Relationships with the Economic and Social Committee. By the Economic and Social Committee of the EC. Saxon House, UK, 1980. Available from Renouf USA, Brookfield, VT. 464 pp. $74.50.

Examines the structure, role, and activities of 22 Community umbrella interest-group organizations, especially their decision-making style and membership, organizational aims, and channels through which they can influence the Community's legislative and executive work, and their links with the Economic and Social Committee. Includes list of sources.

Reports of the European Communities, 1952-77: An Index to Authors and Chairmen. Compiled by June Neilson. Mansell Publishing, Ltd., New York, 1981. 561 pages. $48.00.

Lists published reports of the European Communities by author's or presiding chairman's surname. Full bibliographic details included, English and/or French translations of titles, and specific subject index. Subjects emphasized are agriculture, commerce, economics, education, industry, and law.

The Multinational Automobile Industry. By George Maxcy. St. Martin's Press, New York, 1981. 290 pages. $32.50.

Looks at multinational enterprises using the example of the world automobile industry. Includes discussion on the multinational enterprise in general, the development of the multinational automobile industry, and the state of that industry in various economies.

Political Change in Europe: The Left and the Future of the Atlantic Alliance. Edited by Douglas Eden and F. E. Short. St. Martin's Press, New York, 1981. 163 pages. $22.50.

Series of essays examining the advance of left-wing parties and groups in Europe and its effect on the relationship between Western Europe and the United States. Topics include the British Labour Party and trade unions, the French left, the West German Social Democrats, and European and American attitudes.

Environmental Law Symposium. Edited by Peter Schroth. American Bar Association, Chicago, 1981. 256 pages. $25.00.

First volume in a projected annual series. Consists of articles by attorneys, professors of law, and engineers. Subjects covered are oil pollution in international waters, toxic chemicals and hazardous wastes, prevention of significant deterioration, US waters, and advice to attorneys on handling an environment case.

Greece at the Polls: The National Elections of 1974 and 1977. Edited by Howard Penniman. American Enterprise Institute, Washington, D.C., 1981. 220 pages. $15.25 cloth, $7.25 paper.

Account of Greece's return to democracy; chapters deal with political modernization in Greece, the new electoral law, the political parties and campaigns, as well as foreign policy issues important in the elections.

Accounting Systems and Practice in Europe. Second Edition. By K. Michael Oldham. Gower Publishing, 1981. Available from Renouf USA, Inc., Brookfield, VT. 271 pp. $51.00.

Survey of the aims and practices of the accounting systems in the main trading nations of Europe. Considers recent developments at both national and European level, EC harmonization and special areas of conflict. New chapters on Greece, Portugal and Spain included.

International Marketing Data and Statistics, 1982. Seventh Edition. Euromonitor Publications, Ltd., London, 1982. Available from Gale Research Co., Detroit. 330 pp. $170.00.

Comparative statistical data for 100 countries, measuring 60 factors of population, trade, etc. Sections include production, economy, consumption, housing, health, and education. Countries arranged by region.

European Marketing Data and Statistics, 1982. Eighteenth Edition. Euromonitor Publications, Ltd., London, 1982. Available from Gale Research Company, Detroit. 350 pp. $170.00.

Reference for up-to-date statistics and information on social, economic, and consumer trends in Europe. Covers 26 countries in Eastern and Western Europe; sections include population, employment, production, standard of living, leisure and tourism, market sizes. Country profile, including map, provided for each country covered.

After the Second Oil Crisis: Energy Policies in Europe, America, and Japan. By Wilfrid L. Kohl. D.C. Heath & Co., Lexington, MA, 1982. 297 pp. $29.95.

International contributors explore the impact of the 1979 oil price shock on industrial nations' needs and policies. Examines change in world demand for oil, prospects for alternate forms of energy, and new energy policies.

The Community's Bookshelf

To order the publications listed below, please check the desired items and fill out the order blank. Mail to the European Community Information Service, 2100 M Street, NW, Suite 707, Washington, DC 20037, (202) 862-9540. In the New York area copies can be ordered from the European Community Information Service, 245 East 47th Street, New York, NY 10017, (212) 371-3804. Telephone orders are also welcome.

☐ **About Europe.** Commission, Brussels, 1982, 23 pages .... free
Basic brochure on the history, institutions and policies of the EC. Aimed at the secondary school level and available in bulk.

☐ **Publications of the European Communities: Catalogue 1981.** Office of Official Publications, Luxembourg, 1982, 63 pages .... free

☐ **Aims and Priorities of a Common Research and Development Policy: Study.** Economic and Social Committee, Brussels, 1982, 59 pages .... free

☐ **Kenya—European Communities Cooperation.** *Europe Information Development*, Commission, Brussels, December 1981, 15 pages .... free

☐ **Coffee, Cocoa, Bananas.** *European Information Development*, Commission, Brussels, January 1982, 18 pages .... free
Summary of Community trade policies for three tropical products.

☐ **Public Opinion in the European Community.** *Euro-barometre No. 16*, Commission, Brussels, December 1981, 176 pages .... free
Results of the survey conducted in October and November 1981.

☐ **The European Community Textile Industry.** *European File No. 7/82*, Commission, Brussels, April 1982, 7 pages .... free

☐ **The European Community's Energy Strategy.** *European file No. 8/82*, Commission, Brussels, April 1982, 7 pages .... free

☐ **The European Community and State Aids to Industry.** *European File No. 9/82*, Commission, Brussels, May 1982, 7 pages .... free

☐ **Public Opinion and Europe.** *European File No. 10/82*, Commission, Brussels, May 1982, 7 pages .... free

☐ **Agriculture and Foreign Policy.** *European Community News, No. 10/82*, Press and Information Service, Washington, D.C., April 1982, 12 pages .... free
Speech by Claude Villain, Director-General for Agriculture of the Commission at the University of Minnesota, April 30, 1982, on US-EC agricultural trade.

☐ **Trade Relations Between Industrialized Countries in Times of Crisis.** *European Community News No. 11/82*, Press and Information Service, Washington, D.C., May 1982, 8 pages .... free
Speech by Sir Roy Denman, Director-General for External Relations of the Commission, to the Houston Chamber of Commerce, May 8, 1982.

☐ **European Coal and Steel Community Financial Report 1980.** Commission, Luxembourg, 1982, 53 pages .... free
Report on the 1980 borrowing and lending activities of the ECSC and the main characteristics of the balance sheet.

☐ **Eleventh Report on Competition Policy.** Commission, Brussels, 1982, 194 pages $10.50
Report on the application of competition rules to enterprises, state aids, and the development of concentration in the EC in 1980.

☐ **Catalogue of Community Legal Acts and Other Texts Relating to the Elimination of Technical Barriers to Trade for Industrial Products and the Nomenclature for Iron and Steel Products (Euronorm).** Commission, Brussels, 1981, 112 pages $5.40
List of directives adopted and pending proposals, with references to their publication in the Official Journal of the EC.

☐ **The Second ACP-EEC Convention and Related Documents.** Council, Brussels, 1981, 549 pages $5.10
Texts of the convention, signed at Lomé on October 31, 1979, minutes and declarations appended during signature, and declarations made during the negotiations.

☐ **Investment in the Community Coalmining and Iron and Steel Industries: Report on the 1981 Survey.** Commission, Luxembourg, 1982, 107 pages $19.00
Situation at January 1, 1981. Information on actual and forecast capital expenditure and production potential of coal and steel sectors in the member states.

☐ **Study of the Evolution of Concentration in the UK Data Processing Industry With Some International Comparisons.** *Evolution of concentration and competition series: No. 43*, Commission, Brussels, 1981, 206 pages $7.25
Study of the data processing industry with particular emphasis on the United Kingdom. Includes company profiles, political and legal aspects of national policies affecting the computer industry, and market shares for both hardware and software.

☐ **International Sectoral Comparisons Including Analyses on the Beverages Industries in Germany and Europe.** *Evolution of concentration and competition series: Nos. A44 and B44*, Commission, Brussels, 1980.
Vol. 1: General Theory and Empirical Research Applied to the European Industry—The Beverages Case. 270 pages $9.50
Vol. 2: A Study on Evolution of Concentration in the Beverages Industry in the Federal Republic of Germany, 138 pages $6.25
Volume 1 is a general review of the European industry based on the methodology devised by Remo Linda for measuring concentration. Volume 2 contains more detailed data, by company, on the beverage industry in West Germany.

☐ **Planning Vocational Preparation Initiatives for Unemployed Young People.** European Centre for the Development of Vocational Training, Berlin, 1982, 143 pages $2.90
Handbook, based on experiences and views of practitioners and policy-makers, to assist in the preparation of vocational training projects and programs.

☐ **Report on the International Code of Marketing of Breastmilk Substitutes Adopted by the World Health Assembly.** *Working Document No. 541/81*, European Parliament, Luxembourg, September 30, 1981, 19 pages ...... $.50
Report by Luciana Castellina.

☐ **Fisheries: Catches by Region 1968-1980.** Statistical Office, Luxembourg, 1982, 229 pages $19.00

☐ **Demographic Statistics 1980.** Statistical Office, Luxembourg, 1982, 179 pages $12.00

☐ **National Accounts ESA: Detailed Tables by Sector 1970-1979.** Statistical Office, Luxembourg, 1982, 323 pages $22.00
Yearbook 1981.

☐ **EC Raw Materials Balance Sheets 1979.** Statistical Office, Luxembourg, 1981, 33 pages $2.70
Supply balance sheets for 20 mineral raw materials showing degree of external dependence and self-sufficiency.

☐ **Regional Statistics: The Community's Financial Participation in Investments 1980.** Statistical Office, Luxembourg, 1982, 53 pages $5.00
Regional dispersion of Community funds through its various financial instruments intended to promote regional development.

☐ **Transfer and Exploitation of Scientific and Technical Information.** *EUR 7716*, Commission, Luxembourg, 1982, 363 pages $26.50
Proceedings of a symposium held in Luxembourg, June 10-12, 1981.

☐ **Grants and Loans From the European Community.** *European Documentation No. 7-8/1981*, Commission, Brussels, 1981, 83 pages .... free
Describes the Community's financial instruments for socio-economic development, their objectives, operation, and criteria for eligibility.

☐ **European Investment Bank.** European Investment Bank, Luxembourg, January 1982, 6 pages .... free
Leaflet on the objectives, resources, and operations of the EIB.

☐ **Fifteenth General Report on the Activities of the European Communities in 1981.** Commission, Brussels, 1982, 344 pages $7.00
Provides a general picture of Community activities over the past year.

☐ **The Agricultural Situation in the Community: 1981 Report.** Commission, Brussels, 1982, 419 pages. $21.50
Analysis and statistics on the general situation and market outlook for agricultural products.

☐ **Customs Tariff 1982.** *Official Journal of the European Communities, Vol. 24, L 335*, Office of Official Publications, November 23, 1981, 382 pages $17.00

☐ **Twenty-Eighth Review of the Council's Work.** Council, Brussels, 1981, 289 pages $7.60
Covers the period January-December 1980.

☐ **Programme of the Commission for 1982-83.** Commission, Brussels, 1982, 43 pages $1.50

☐ **Yearbook of Regional Statistics 1981.** Statistical Office, Luxembourg, 1981, 258 pages $27.40
Regional data on population, employment, social indicators, economic aggregates, economic sectors, and Community investment aid.

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The Community in the World

Basic Statistics

COMMUNITY SIZE AND PLACE IN THE WORLD 1980

	Eur 9	United States	Japan	Greece
Area (thousands of square miles)	589	3,600	142	50.6
Population (millions)	260.5	223	117	9.5
Total Civilian Labour Force (millions)*	109.5	102.9	55.9	3.4
% Agriculture*	7.7	3.6	11.2	30.8
% Industry*	38.9	31.4	34.9	30
% Services*	53.4	65.1	53.9	39.2
% Unemployed	6.2	7.1	2	1.1
Birth Rate (per 1,000)*	12.2	15.8	14.2	15.7
Death Rate (per 1,000)*	10.6	8.7	5.9	8.7

* 1976 data 1979 statistics Source: European Communities Statistical Office (SOEC)

PRODUCTION SELECTED INDUSTRIAL PRODUCTS 1979

	Eur 9	United States	Japan	Greece
Crude Oil (1,000 tons)	87,300	479,000	450	0
Petroleum Products (million tons)	524.3	716.9	226.2	14.8
Newsprint, Paper, Board, Pulp (1,000 tons)**	24,094	53,397	16,500	196
Cement (million tons)	135	70.5	87.8	12.1
Crude Steel (1,000 tons)	140,195	126,111	111,748	1,000
Passenger Cars (1,000 units)	10,598	8,434	6,176	0

**1978 statistics Source: SOEC, FAO

PRODUCTION SELECTED AGRICULTURAL PRODUCTS 1979

	Eur 9	United States	Japan	Greece
Cereals (1,000 tons)	113,417	299,257	870	4,093
Beef and Veal (1,000 tons)**	6,383	11,137	403	120
Milk (1,000 tons)	104,136	56,074	6,450	1,695
Eggs (1,000 tons)	3,958	4,077	1,990	137
Pork (1,000 tons)**	9,282	6,050	1,284	119
Cattle (1,000 head)	77,969	110,864	4,120	976
Pigs (1,000 head)	75,275	60,000	9,491	830

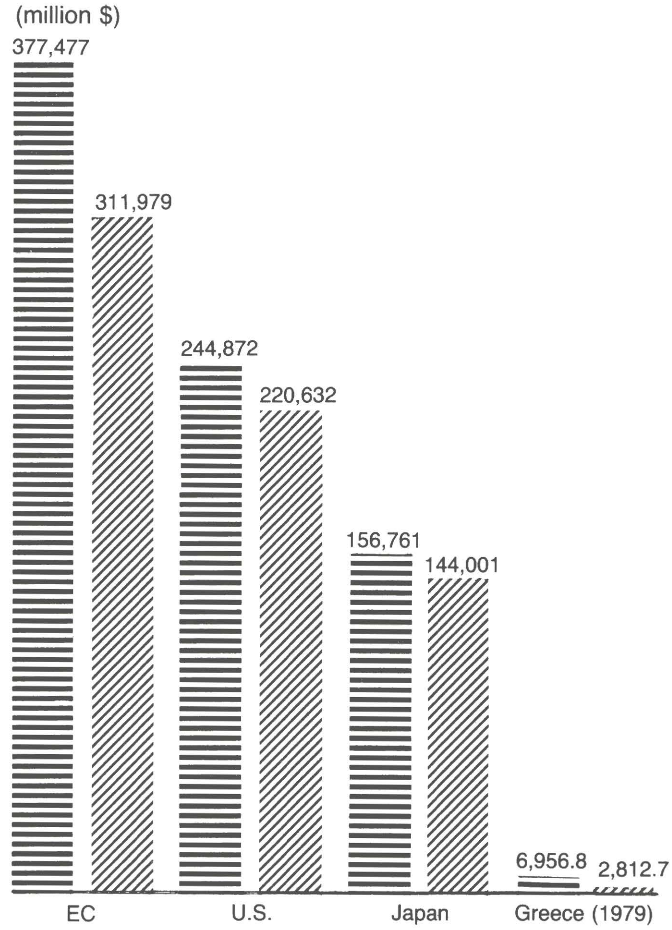
**1978 statistics Source: SOEC, FAO

GROSS DOMESTIC PRODUCT 1980

	Eur 9	United States	Japan	Greece
GDP (billion $)	2,749.1	2,556.7	1,046.1	41
% increase from 1979 (in real terms using '75 standard)	1.5%	−0.1%	5.0%	0.75%
Ratio of exports to GDP	11.3%	8.6%	13.8%	7.30%
Ratio of imports to GDP	13.7	9.6	13.8	18.1

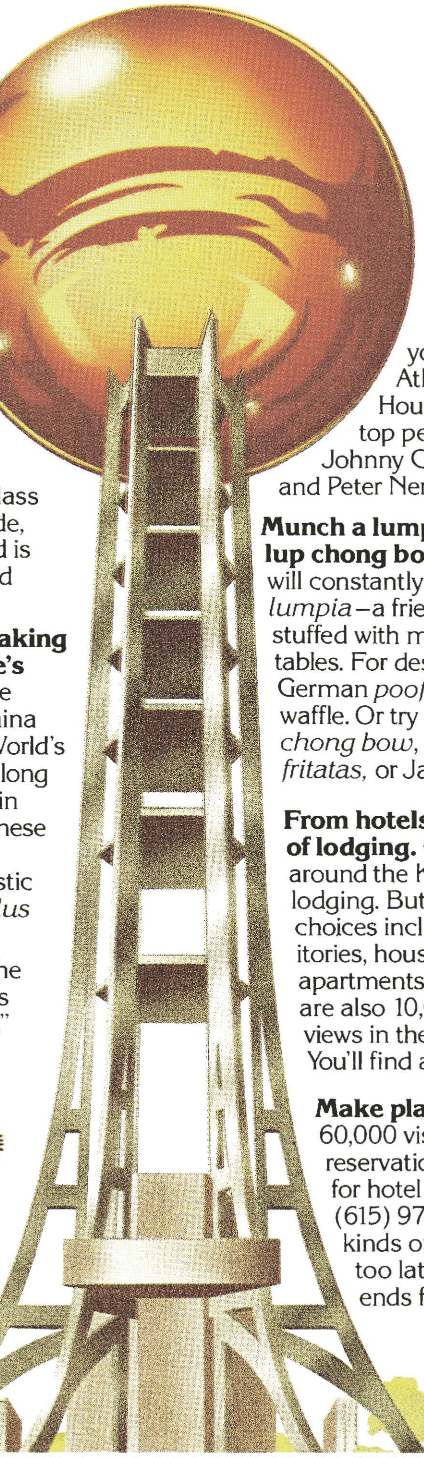
Source: OECD, USDC, SOEC
*Greece is a 1979 figure)

EXTERNAL TRADE 1980 IMPORTS EXPORTS (million $)



Get in on the adventure, thrills and discovery of The 1982 World's Fair.

If you miss it this year, you've missed it forever!

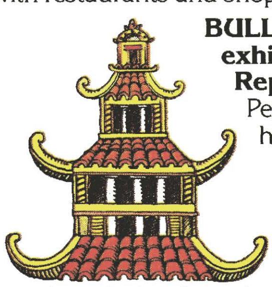


Starting May 1, there will be more to see and do in Knoxville, Tennessee, than anyplace else on earth.

The 1982 World's Fair will have over 40 corporations and 19 nations exhibiting. That's more international participation than in any of the last three World's Fairs in the United States!

The response is already extraordinary. Plan *now* to be there!

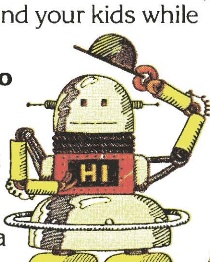
Start with a soaring ride to the top of the Sunsphere.™ That huge, glittering gold and glass ball, 27 stories up, is the Sunsphere. From inside, your view of all 70 bustling acres of Fairground is breathtaking! Explore 5 levels of walkways filled with restaurants and shops.



BULLETIN: A history-making exhibit from the People's Republic of China. The People's Republic of China hasn't exhibited at a World's Fair since 1904. The long silence finally ends in Knoxville. The Chinese will be there with spectacular artistic creations dating from the 14th century B.C., *plus* a remarkable piece of the Great Wall!

Parades and photogenic critters. Around the Fairgrounds, marching bands and troubadours will cross your path. So will costumed "critters," who put a friendly paw around your kids while you take pictures.

Meet a friendly robot who takes you to Japan. At the Japanese exhibit, robotic machines greet you and escort you to a theatre in motion. You'll get the sensation of *sailing* down a river in Japan.



From pickin' and stompin', to symphonies and ballets. An aerial gondola will take you to the Fair's Folk Life section. There will be 15 events daily, from bluegrass and gospel, to fiddle contests! Elsewhere you'll find symphony orchestras from Atlanta and Austria. And ballets from Houston and Japan. There will also be top performers, including Bob Hope, Johnny Cash, Hal Holbrook and Peter Nero!

Munch a lumpia, a poofer, or a lup chong bow. Exotic cuisine will constantly tempt you. Sample *lumpia*—a fried Filipino roll stuffed with meat and vegetables. For dessert, have a German *poofer* or Belgian waffle. Or try Chinese *lup chong bow*, Spanish *fritatas*, or Japanese *shumai*.

From hotels to houseboats, you'll find lots of lodging. Over 30,000 hotel and motel rooms around the Knoxville area will provide traditional lodging. But there are also over 4,000 other choices including cozy private homes, dormitories, houseboats and luxurious condominium apartments, all within 50 miles of the Fair! There are also 10,000 campsites with magnificent views in the nearby Great Smoky Mountains. You'll find accommodations at every price range.

Make plans now! With an anticipated 60,000 visitors every day, the earlier you make reservations, the better. Call (615) 971-1000 for hotel and motel information, or (615) 971-4000 for information on other kinds of housing. Don't wait till it's too late. Because on October 31, the Fair ends forever.

THE 1982 WORLD'S FAIR™/MAY 1-OCTOBER 31/KNOXVILLE, TENNESSEE

Knoxville! You've got to be there.™