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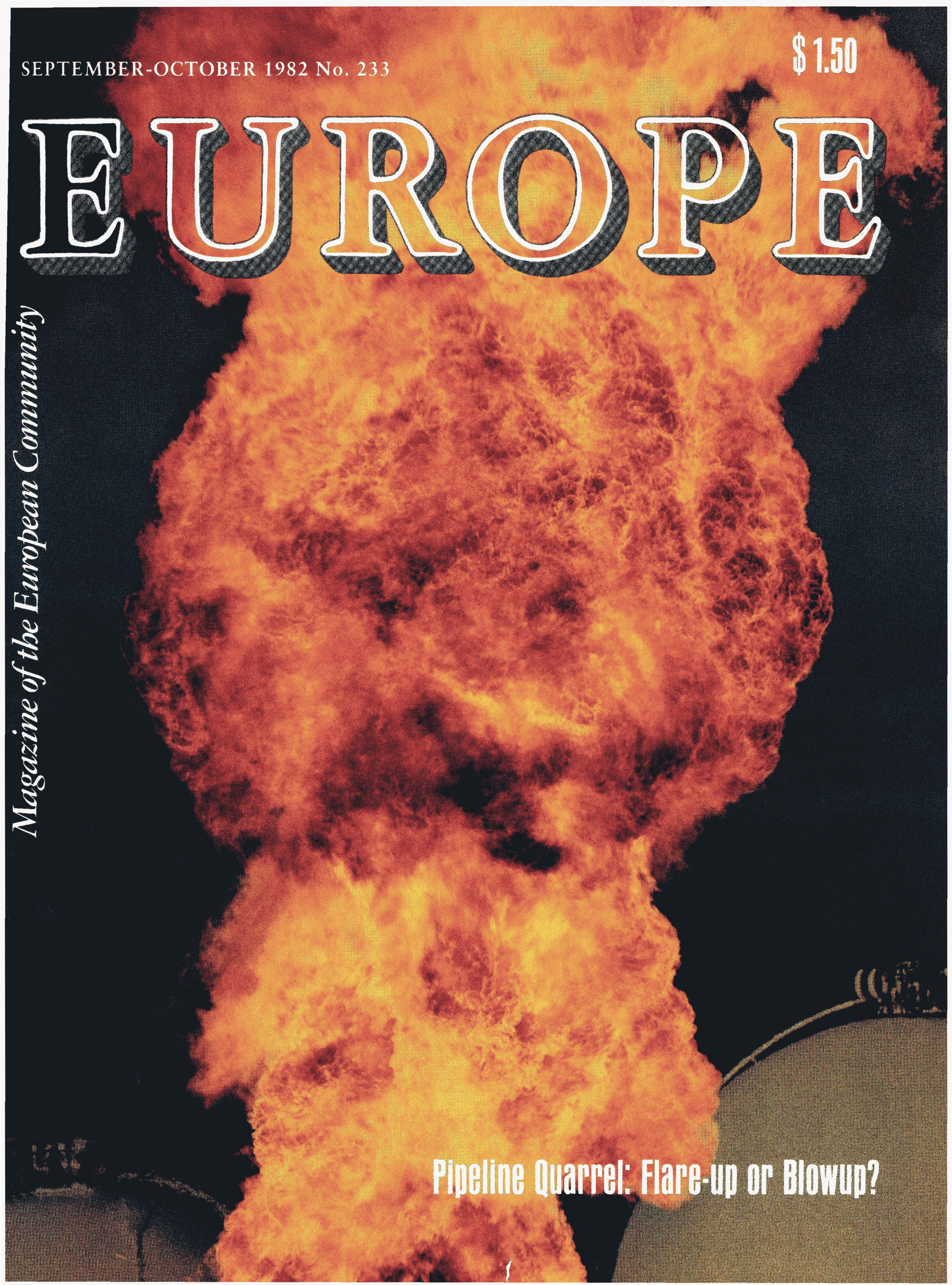

Pipeline Quarrel: Flare-up or Blowup?

Publisher's Letter

The problems confronting US-EC relations have become more critical and intractable in recent weeks. The reality, the tragic reality, is that a trade war may now be even more difficult to avoid. The consequences would be incalculable. Our objective should remain to contain and, where possible, to defuse the present disputes.

Roland de Kergorlay, in a valedictory article, suggests that "correcting wrong perceptions constitutes perhaps the key to ensuring the continued health of our sometimes strained relationship." In his view, we must make a concerted effort to trust each other and avoid recriminations against each other. Let us hope his views will be heeded. Also in this issue, Roland de Kergorlay explains the importance of the Fowler-McCracken Commission as a forum for greater transatlantic understanding.

In our cover story, international lawyer Charles Maechling Jr. makes a compelling case for Western Europe's anger over President Reagan's export controls on US-licensed products for the Siberian pipeline. The legal, political, and economic arguments against it—so strongly felt that they have led to an official EC protest—are examined in detail.

As the conflict in Lebanon draws to an end—permanently, we hope—we trace another of the EC's more successful efforts at political cooperation: a series of Middle East peace initiatives, begun in earnest in 1980.

Our member-state report this issue concentrates on the Federal Republic of Germany, with a look at the extent of state involvement in business and the rise to political power of the "greens," a coalition of environmentalist parties.

Finally, a survey of European stock markets analyzes investment opportunities for Americans.

Denis Corboy

EUROPE

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SEPTEMBER/OCTOBER 1982 No. 233

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SIBERIAN PIPE D

Charles Maechling Jr. argues against the Reagan Administration's embargo.

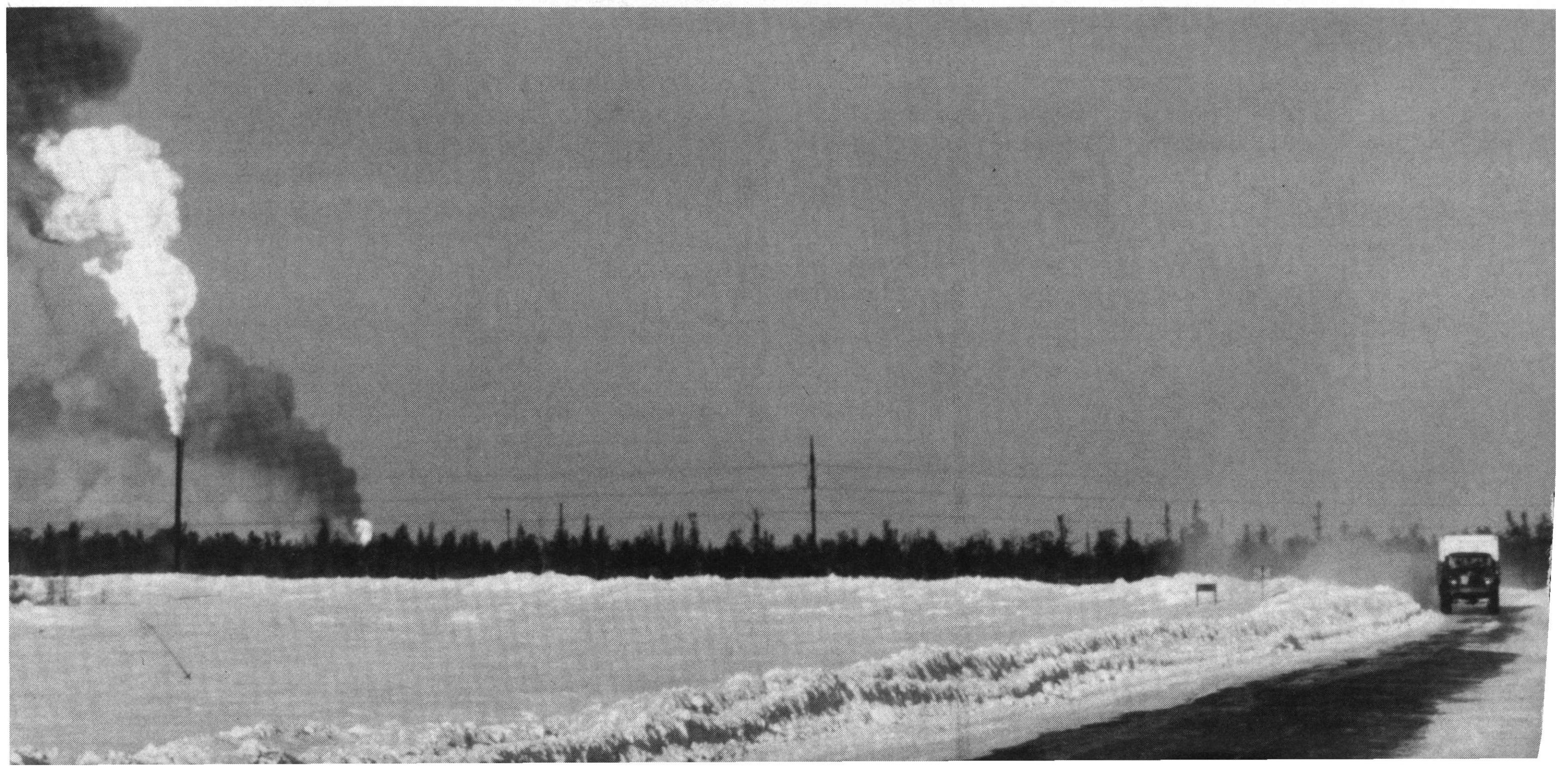
No event since World War II has so damaged the trans-Atlantic partnership as the Reagan Administration's embargo of June 22, 1982, on equipment sales by European licensees and subsidiaries of US companies for the 3,600-mile Soviet gas pipeline to Western Europe. In unilaterally taking a step that legal scholars on both sides of the Atlantic regard as an unwarrantable overreach of American domestic jurisdiction, the United States has created a politico-economic tangle that will not be easy to unravel.

The unfortunate aspect of the controversy is Washington's apparent incapacity to understand the principles underlying the determination of the leaders of Great Britain, France, West Germany, and Italy to ignore the embargo and proceed with the contracts. At issue is not only the way crucial decisions of the trans-Atlantic partnership are reached, but the very concept of sovereignty itself.

In framing the June 22 order as an equalizer for the embargo earlier imposed on direct sales by US manufacturers, President Reagan's advisers were apparently unaware of the controversy surrounding previous American efforts to export its laws to foreign territory. The extraterritorial jurisdiction issue has been a point of contention and an irritant in relations with European Governments for 40 years. Prior efforts have mostly been in the areas of anti-trust enforcement and regulation of the maritime industry, but have also included attempts to enforce economic sanctions. Generally regarded as disguised attempts to impose American economic and political policy on foreign Governments, and consequently as infringements of sovereignty, they have been uniformly unsuccessful, except when met by the voluntary compliance of the countries concerned.

As set forth in the Community's Aug. 12 brief, accompanying the EC note of protest, international law takes a dim view of efforts by one Government to control the activities of foreigners within their own territory. The European subsidiaries and licensees targeted by the embargo, regardless of ownership or dependence on American technology, are legally European and, as such, exclusively subject to their own national laws. The US Supreme Court seems to agree. Whereas the Court has consistently ruled that the United States can exercise jurisdiction within its own territory and over its own citizens and corporations wherever located, and even has jurisdiction over foreign entities whose activities have a significant economic impact within US territory, the court has never expanded this principle to allow jurisdiction over foreign goods and entities in order to achieve a US national purpose. Only recently the Supreme Court confirmed this principle in a case involving Japanese employment practices, holding that Ameri-

A Siberian gas field. © Howard Sochurek, Woodfin Camp



REAM?

can subsidiaries of Japanese firms are exclusively subject to US law. In addition, the United States has never tolerated control over its own exports through foreign boycott.

Prior confrontations between the United States and its trading partners have resulted not only in diplomatic protest, but in specific protective action. Britain is one of over a dozen nations—Australia, Canada, Norway, France, and Belgium are others—that at one time or another have enacted statutes or decrees to enable their companies to avoid compliance with US laws and court orders. Britain's 1980 Protection of Trading Interests Act is the toughest and most comprehensive of these measures, empowering the Trade Secretary to make compliance with foreign orders illegal in an unspecified range of situations, but other Governments have taken more limited action.

In a classic case involving economic sanctions, a French court even went so far as to appoint a temporary administrator of the French subsidiary of the Fruehauf Corporation to force it to fulfill a contract for truck assemblies destined for mainland China that had been barred by the US Treasury Department under the Trading With the Enemy Act, even though the subsidiary was 70 per cent owned by the US parent and five of the eight directors had been nominated by Detroit. This action forced the US Treasury to concede that since the parent was no longer in control, neither the parent nor the American directors of the subsidiary could be penalized. Three years after this case, when the US Treasury issued regulations to enforce UN sanctions against Rhodesia, it exempted foreign subsidiaries whose control by the parent was limited to ownership of shares.

Technically the Export Administration Act, which is the authority for the June 22 order, allows the President to act unilaterally and alone. But, under this act he is required to take all feasible steps to secure the prior cooperation of foreign Governments. And, in practice, the act has to be read in the context of the partnership relationship and the COCOM system of licensing whereby 15 North Atlantic Treaty Organization nations, plus Japan, have for 30 years collaborated in regulating exports of armaments, strategic materials, and military technology. For the United States to take unilateral embargo action at a time of economic distress for European heavy industry without consulting its principal allies and trading partners is without precedent. Moreover, President Reagan downgraded the pipeline issue in the June meetings with European leaders and at the Versailles summit to the point of not

Delivery of pipe for construction in Siberia. © Howard Sochurek, Woodfin Camp raising it at all—then sprang it as a major foreign-policy stroke on his return to Washington.

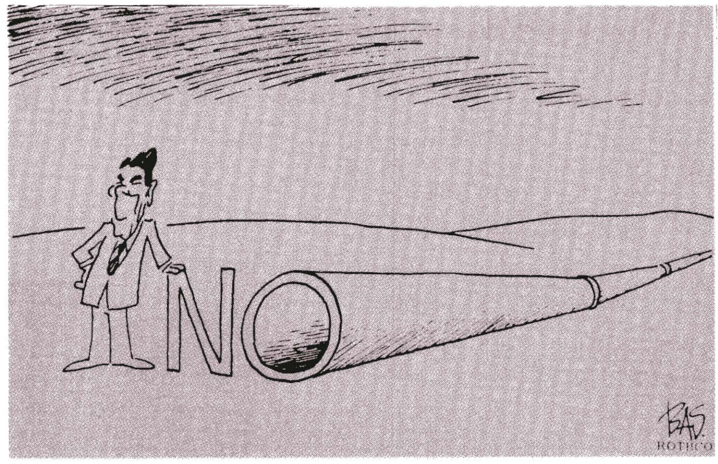
The retroactive nature of the embargo could have devastating economic consequences. The basic contracts for the turbines and compressor stations were signed months ago—in the case of the John Brown of Britain, as far back as September 1981. By now a network of second- and third-tier subcontractors and parts suppliers also have binding commitments, and would suffer severe losses from cancellation. Over $10 billion in orders is at stake, not to mention the prospect of orders later on for additional legs of the pipeline. By the terms of the license agreements, licensees were required to be cognizant of US Governmental regulations, but the agreements contain no undertaking to comply with embargo orders not even contemplated at the time the license agreements were executed.

Forfeiture of performance bonds would be only one penalty facing the principal turbine manufacturers if they comply with the embargo; costly and time-consuming settlement of subcontractor claims, with the probability of litigation, could drag on for years. The Reagan Administration's rather cavalier dismissal of the legal consequences of contract breaches by the major pipeline contractors is not easy to reconcile with its pleas of sanctity of contract and reliability of supply in the case of US grain exports to the Soviet Union.

As it now stands, unless the embargo is rescinded, or quietly allowed to drop, it will certainly be nullified in one way or another by the European Governments affected. The British Secretary of Trade, Lord Cockfield, has already issued orders under the 1980 Protection of Trading Interests Act forbidding John Brown and other British companies from complying with the embargo; other Governments are following suit in their own way.

The companies involved are caught between the devil and the deep blue sea. If they comply with the embargo, they could be penalized by the Soviets, impair their prospects for East European business, and face litigation at home. If they ignore the embargo and proceed under the contracts, in theory they lay themselves open to fines of five times the value of the American components and technology, criminal prosecution and prison terms for company executives who come within reach of US justice, and the possibility of blacklisting to prevent their future access to American equipment and technology. Of these penalties the threat of fines and criminal prosecution can probably be dismissed as bluff. Given the shaky foundations of the embargo under international law, and the need to prove intent in criminal prosecutions, no indictment would stand up against a bona fide showing of *force majeure* in the form of valid injunctions by a foreign Government. But other forms of retaliation could be more serious.

Of the 125 turbines under contract for the pipeline, only Alsthom-Atlantique of France was also under license to produce the all-important rotors—traditionally retained for manufacture and sale by General Electric itself. Since American G.E. rotors are no longer available as a result of the earlier embargo on pipeline sales from the United States, the problem of where to obtain rotors is crucial. A few are still available, and sooner or later others will be manufactured elsewhere, but in the meanwhile the United States can not only embargo rotors



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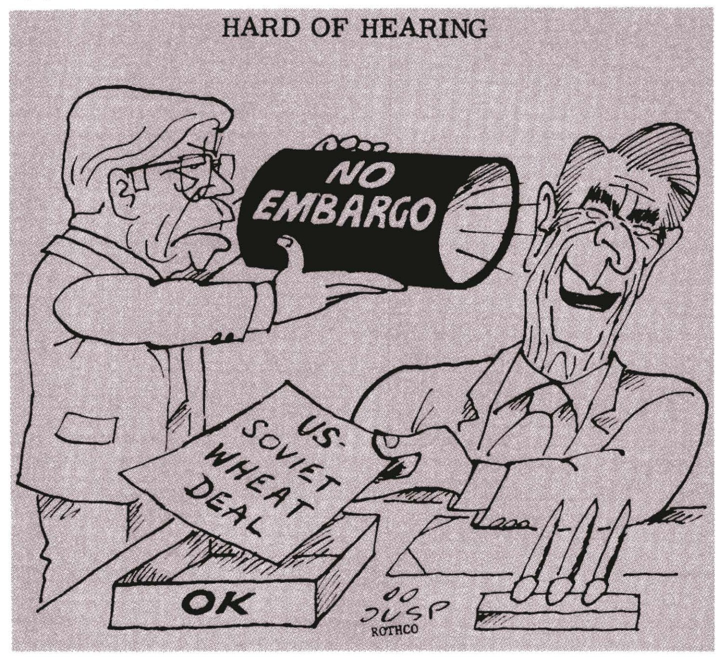

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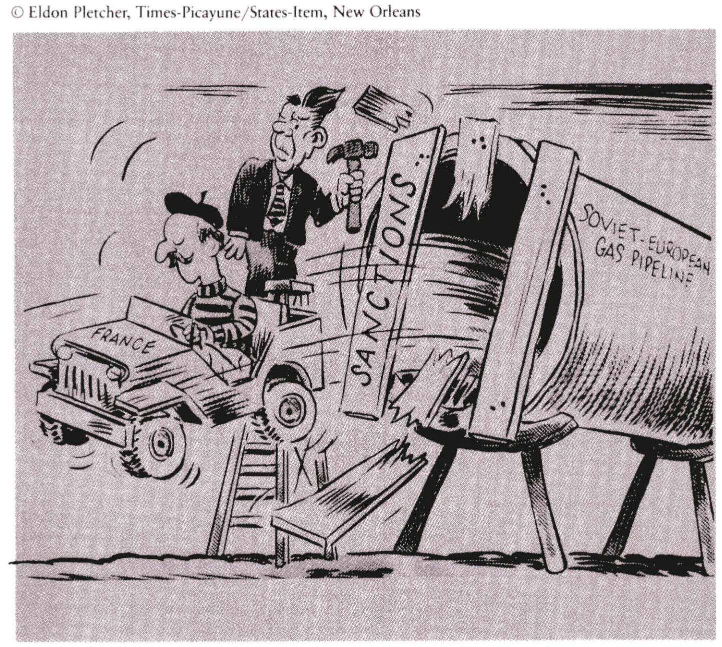

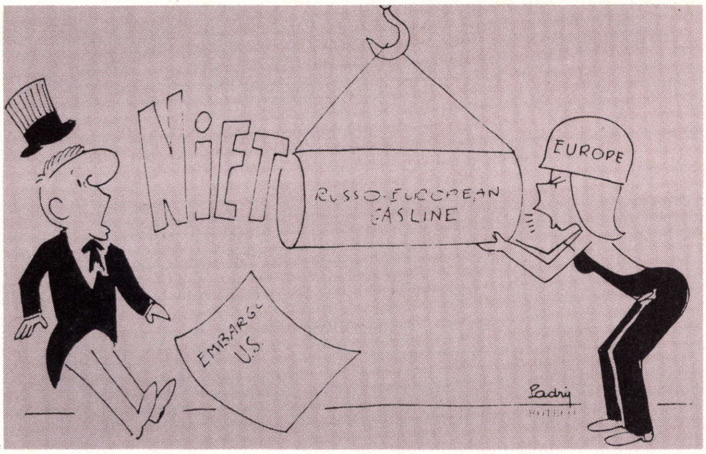

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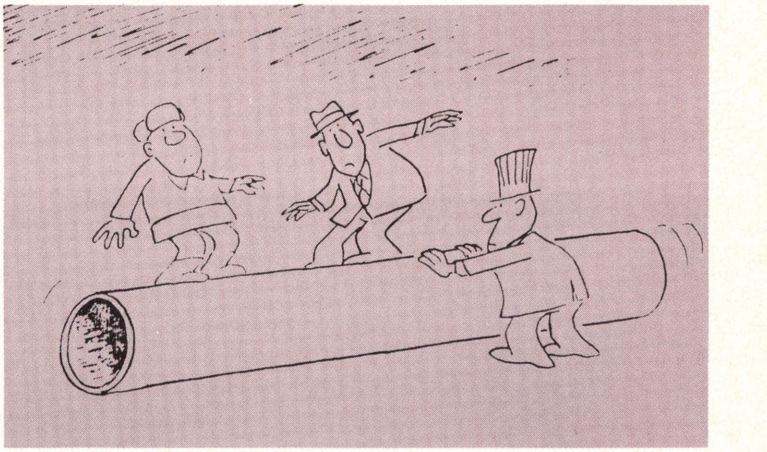

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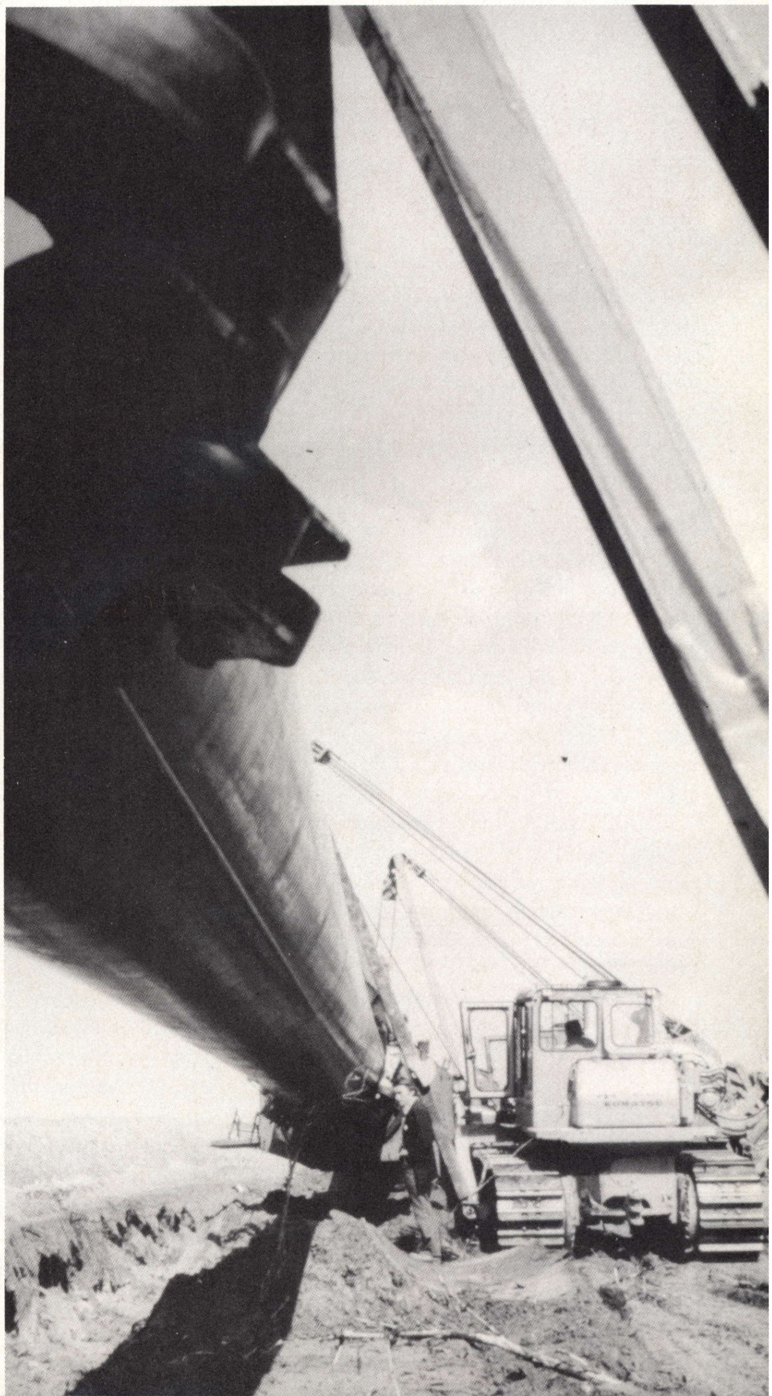
destined for the pipeline, but also rotors destined, for example, for John Brown turbines on order for Abu Dhabi, Oman, and other customers. The rotor hold-up also handicaps AEG-Kanis and other European manufacturers from making timely deliveries of complete turbine assemblies. There are a variety of other ways in which the United States could interfere with the manufacturing and marketing of non-pipeline products of embargo violators.

The embargo is already not only counter-productive but destructive to the concept of trans-Atlantic partnership. The first victims have been American turbine manufacturers and pipeline equipment companies like General Electric, Caterpillar Tractor, and Dresser. Loss of business stemming from the original embargo on US products has produced a scream of protest in the high-unemployment areas of the Northeast and Middle West, and provoked legislation to repeal it that was recently approved by the House Foreign Affairs Committee.

Moreover, the United States has no monopoly on this technology. The G.E. MS5002 turbine, putting out 25 megawatts of power, has been on the market for 10 years and, apart from size, is not of unique design. The ban on rotor sales could delay construction by as much as two years, but even this is far from certain. The Soviet Government is now threatening either to produce 25 megawatt turbines itself, or to change the specifications of the pipeline by providing 10 megawatt compressor stations at more frequent intervals. If this happens, industry on both sides of the Atlantic would be the loser.

The politico-strategic justification for the embargo seems equally difficult to substantiate. Although in some areas of Western Europe the pipeline will supply as much as 90 per cent of local gas consumption, total West European energy dependence on Soviet gas in unlikely to exceed 8 per cent at any time. To the extent that the pipeline promotes greater interdependence between East and West and relaxes tensions, the West as well as the East benefits: Historically, periods of detente have produced far more extensive Soviet concessions in every area, from trade to family reunification, than have periods of acrimonious confrontation. The same era that produced the post-war zenith of European prosperity also produced liberalization of the Hungarian economy, loosening of Rumanian ties to the Kremlin, and the early growth of the

Construction of a gas main six years ago that will be connected with the new Siberian pipeline. © Tass from Sovfoto, New York



Solidarity movement in Poland. Any delays resulting from the embargo will make hardly a dent in the Soviet economy, except perhaps to stimulate turbine production. Nor will they have any effect on the quite unrelated internal situation in Poland.

Of all the weapons in the West's arsenal, economic sanctions in general, and the pipeline embargo in particular, are most in need of hard-headed cost-benefit analysis. In an interdependent world they are more likely to boomerang than to hit the target. All that the unilateral pipeline sanctions have accomplished to date is to further alienate Europe from the United States, and make collective economic action in the next East-West crisis even less credible as a weapon. In addition, the United States cannot maintain its leadership role so long as it reserves the right to impose self destructive economic policies on its partners. Unless the embargo is rescinded, the United States will lose much of its leverage to achieve uniformity in economic dealings with the East, much less to obtain future sanctions of the kind imposed by the EC on Argentina during the Falklands crisis.

The ultimate victim of this controversy is family unity. The last decade has seen the growing separation of the United States from the concerns of Europe, and the increasing tendency of American policy-makers to base policy not on the concrete realities that confront European politicians, but on strategic abstractions and ideology masquerading as principle. The most urgent need today is a common set of assumptions as to the economic and political measures best calculated to restore economic health and political unity to both sides of the Atlantic. If this can be achieved, the damage done by the embargo will be of short duration. €

Charles Maechling Jr., an international lawyer and former law professor, is a resident scholar at the Carnegie Endowment for International Peace.

EC Files Legal Protest

The European Community on August 12 delivered a note and a lengthy set of legal comments to the US State and Commerce Departments on the export administration regulations issued by the United States on June 22 and affecting the Soviet pipeline. The text of the note follows.

The European Community wishes to draw attention to the importance that it attaches to the legal, political, and economic aspects of the United States' measures, including their impact on the commercial policy of the Community. As to the legal aspects, the European Community considers the US measures contrary to international law, and apparently at variance with rules and principles laid down in US law.

As to the political and economic aspects, it is clear that the US measures are liable to affect a wide variety of business activities while their primary purpose is to delay the construction of the pipeline to bring Soviet gas to Western Europe. The European Community holds that it is unlikely that the US measures will in fact delay materially the construction of the pipeline or the delivery of the gas.

The pipeline from Siberia to Western Europe can be completed using Soviet technology and production capacity diverted from other parts of their current program. Furthermore the recent US measures provide the Soviets with a strong inducement to enlarge their own manufacturing capacity and to accelerate their own turbine and compressor developments, thus becoming independent of Western sources. Gas could still flow to the Community starting as scheduled in 1984 owing to the existing pipeline system, sufficient to cover the requirements of the early phases of the delivery program.

One of the main elements of the Community's policy of reducing the vulnerability of its energy supply is based on diversification of sources. Gas from the Soviet Union will help to conserve the Community's own stock of gas, oil, and other fuels, and will reduce the Community's reliance on other foreign sources. Use of Siberian gas will not create a dangerous dependence on that source. Even when gas is flowing at the maximum rate, in 1990, it will represent less than that 4 per cent of the Community's total energy consumption.

Whatever the effects on the Soviet Union, the effects on European Community interests of the US measures, applied retroactively and without sufficient consultation, are unquestionably and seriously damaging. Many companies interested as subcontractors, or suppliers of components, have made investments and committed productive capacities to the pipeline project, well before the American measures were taken. Though they may use no American technology, they will suffer complete loss of business if the European contribution to the project is blocked. Some of these companies may not survive. Major European companies that can survive the immediate loss of business, will nevertheless suffer from lower levels of capacity utilization and loss of production and profits, while workers will be laid off temporarily or permanently.

In the longer term, the European Community companies may be damaged by the disruption of their contracts concluded in good faith, because they may cease to be reliable suppliers in the eyes not only of the Soviet Union, but also of their actual and potential business partners in other countries. One inevitable consequence would be to call in question the usefulness of technological links between European and American firms, if contracts could be nullified at any time by decision of the US administration. Another consequence to be feared is that the claim of US jurisdiction accompanying US investment will create a resistance abroad to the flow of US investment. Thus, these export control measures run counter to the policy aims of the United States of easing the transfer of technology and of encouraging free trade in general. There will be other far-reaching effects upon business confidence. These measures thus add to the climate of uncertainty that is already pervading the world economy as a whole.

The European Community therefore calls upon the United States authorities to withdraw these measures. €

And Then There Is Steel...

In early August the United States and the EC signed an agreement, after long and difficult negotiations, limiting European steel exports to the American market. Although it was subsequently rejected by the US steel industry as not enough, the Commerce Department's final ruling August 25—which found subsidy levels well below the preliminary findings issued in June—may cause American steel makers to reconsider the agreement. US Secretary of Commerce Malcolm Baldrige said in releasing the new figures that he believed the agreement "would provide the US industry with greater stability than would be afforded by incessant litigation."

The agreement stems from a number of import-relief suits filed by seven American steel firms back in January and aimed at 11 countries, including 7 EC nations. On August 5, the United States and the EC agreed to recommend to their respective steel industries acceptance of a steel "arrangement." The arrangement is based on the premise that trade stability over a period of time is essential to permit the restoration of competitiveness of steel industries in Organization for Economic Cooperation and Development countries. It recognizes on one hand, the fundamental importance of the European Coal and Steel Community's (ECSC) restructuring policy and, on the other, the efforts of the US industry to modernize and effect structural change.

The arrangement would go into effect Oct. 1, 1982 and remain in effect until Dec. 31, 1985. It would be conditioned on the US industry's withdrawal of all pending suits by Sept. 15, 1982 and its assurance that no additional import-relief suits would be filed for the duration of the arrangement.

Export licenses would be required for Community exports of the following 10 product categories: hot-rolled carbon sheet and strip; cold-rolled carbon sheet; carbon plate; carbon structurals; carbon wire rod; hot-rolled carbon bar; coated sheet; tin plate; carbon and alloy rail; and stainless sheet, strip, and plate. Export licenses would be issued to Community exporters for each product, subject to an export ceiling equal to a specified percentage share of the US market as projected by an independent forecaster. The overall US market share for the 10 "covered" products from the EC would be 5.756 percent based on 1981 data as compared to the actual 1981 market share of 6.25 percent for those 10 products combined.

For each product, a US market projection would be established for an initial period (October 1982 to December 1983) before Sept. 15, 1982. On this basis, an export ceiling for each product would be calculated by applying the specified product market share percentage. Quarterly adjustments would be made in the projected market figures and appropriate adjustments would be made to export ceilings for each product.

Export licenses would be issued against the export ceiling for the initial period or a specific calendar year. Shipment would have to be made within 3 months of issuance. Violators would be subject to punative measures by the ECSC. The United States, for its part, would require presentation of the export license as a condition for entry into the United States. Products not accompanied by a valid license would be prohibited entry.

The arrangement would allow "advance use" of export licenses, but no earlier than Dec. 1 of the previous year and only up to 8 percent of the export ceiling for the given year. Export licenses issued in one year may be "carried over" for use in the first 2 months of the following year—up to 8 percent of (a) the export ceiling of the previous year or (b) 80 percent of the export ceiling for the initial period.

The arrangement would also permit an increase in the volume of one product, provided that it be offset by an equivalent volume reduction for another product for the same period. An increase or decrease in the product ceiling for any one product could not exceed 5 percent. Transfer among carbon and stainless products would be prohibited.

Quarterly consultations would take place "on any matter arising out of the operation of the arrangement." The consultations would include a thorough review of the supply and demand situation in the United States for each of the covered products. If both sides determine that, due to abnormal supply and demand factors, the U.S. industry is unable to meet U.S. demand for a particular product, additional tonnage would be allowed for up to 10 percent of the unadjusted export ceiling for that product.

The export license system would be monitored on both sides of the Atlantic. The EC and the United States would exchange information on a quarterly basis about the issuance and receipt of export licenses and about actions taken with respect to violations. €

The US and the EC:Re

ROLAND DE KERGORLAY

The summer of 1982 may prove to have been one of the hottest in recent memory for United States-West European relations. The transatlantic relationship has been beset in the past few months with a series of difficult and apparently intractable challenges in the economic area that many observers believe could lead to a profound reevaluation of the nature of the relationship.

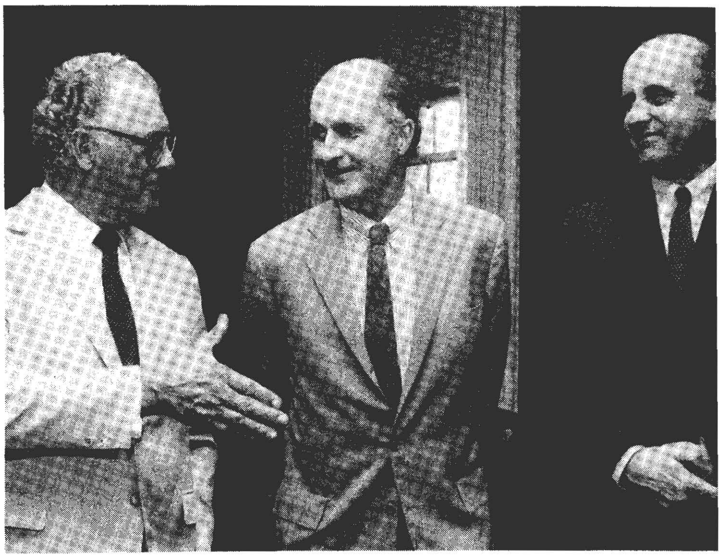
Trade relations have been soured by the decision on the part of the US Department of Commerce to impose countervailing duties on certain European Community steel exports to the United States. This action came on the heels of what has widely been perceived to be highly rhetorical and unreasonable attacks on the EC's Common Agricultural Policy (CAP). In addition, the decision by the US Administration to place restrictions on the sale of European pipeline-related equipment which contains components manufactured under US license or produced by US subsidiaries, has created not only an uproar in Western Europe, but also the perception that the United States is insensitive to Europe's economic plight and to the complexities of its policies toward the Eastern bloc.

Of course, trade disputes in the industrial and agricultural areas and disagreements on the way in which to conduct East-West relations are not new developments in the continuing saga of United States-West European relations.

What makes the current crisis more acute is the economic and social environment in which it is occurring. Western Europe and the United States are in the throes of the most serious economic recession of the post-World War II period. High unemployment and low growth on both sides of the Atlantic and high inflation in most European countries have created a mood of uncertainty and pessimism. The convergence of not-so-new problems, at the same time and in such difficult economic circumstances, is exacerbating relations more than usual.

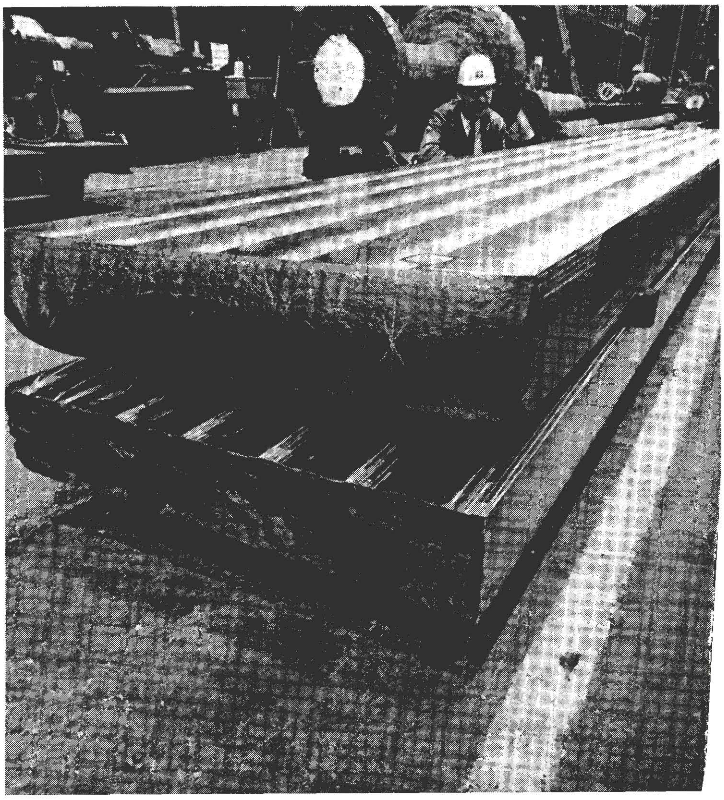
Most worrisome, perhaps, is the growing incapacity—or unwillingness—to understand each other. Such an attitude is all the more counterproductive, as we are inclined to address the same issues from divergent perspectives. One partner's medicine tends to become the other's poison.

The southwestward shift in the demographic and political center of gravity in the United States, the growing orientation of American business and commerce toward the Pacific Basin, and the waning of the so-called "Atlantic generation" do not suffice to explain the breakdown in communication and understanding that seems to be afflicting the relationship.



Meeting in Washington last month to discuss a US-EC steel agreement that was subsequently rejected by the American Steel Industry: EC External Affairs Commissioner Wilhelm Haferkamp (left), US Commerce Secretary Malcolm Baldrige, and EC Industrial Affairs Commissioner Etienne Davignon. © UPI

The serious economic recession has recently worsened the steel dispute between Europe and the United States. Pictured here are tool steel slabs. Courtesy of American Iron and Steel Institute, Washington



ations at a Watershed

Commitments to strict ideological principles in economic policy and a proclivity to ascribe blame for one's domestic economic troubles to one's alliance partners accentuate the tensions between the United States and its West European friends. A persistence of such attitudes could lead us to confrontation and destroy the institutional and other arrangements that have ensured prosperity and peace for over a generation.

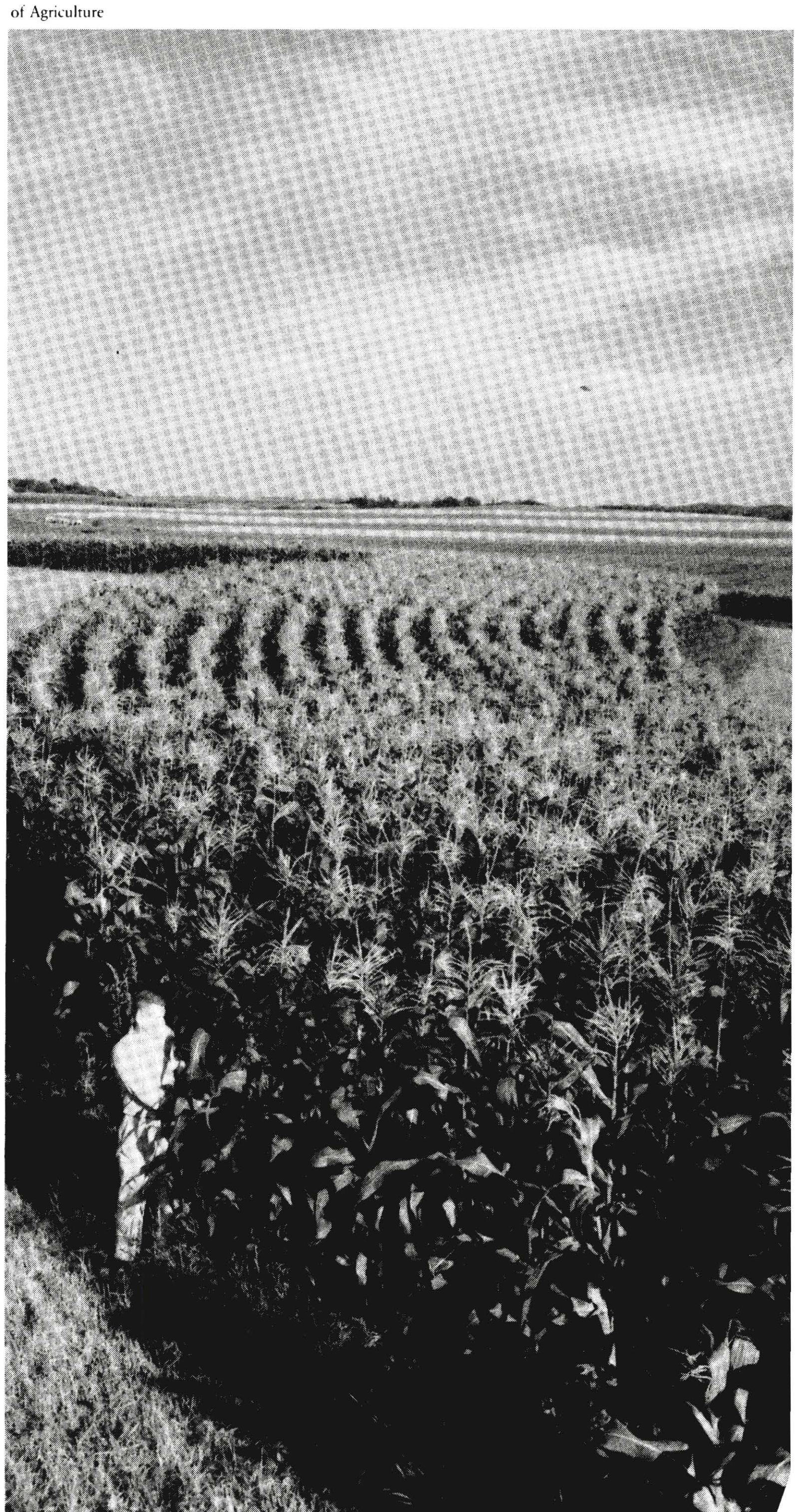
There is no greater concern for the EC today than the preservation of an open international trading system. It has been the *sine qua non* of European integration and economic growth. Western Europe's dependency on trade is a major determinant in the formulation and implementation of many of its economic policies. In the EC's view, it is essential that policymakers on both sides of the Atlantic reaffirm their faith in the General Agreement on Tariffs and Trade (GATT), playing by, and sticking to its rules.

The member states of the EC have a combined gross national product of close to $3 trillion—about the same as that of the United States. The EC and the United States appear to have become economic equals. This development has created both problems and opportunities. Although the EC and the United States are each other's major customer, they are also competitors, particularly in third markets. This situation has led to a number of trade disputes centering on the practices of the CAP. What is unfortunate is that the US Government has made an excessive use of GATT mechanisms to such a degree that there exists the real risk that those mechanisms could become severely strained and possibly ineffective.

The situation is further exacerbated by US Administration statements that, should certain disputes not be settled according to American wishes, the United States would seek a revision of the trade rules currently in effect. To overuse the mechanisms of GATT or to challenge its basic rules, for the sake of placating domestic economic interests which may be experiencing difficult times, could lead to countermeasures or other actions and the progressive unravelling of the post-war international trading system.

The risk of trade conflicts between the United States and the EC is greater in times of economic downturn and dislocation, and when trading partners perceive—rightly or wrongly—each other to be intransigent or motivated by unreasonable pressures. Many observers have claimed that the Department of Commerce action on EC steel exports could be the first shot in an eventual trade war across the Atlantic. It is true that, with the flurry of GATT cases on agricultural products,

Trade in agricultural products is also an area of dispute. Courtesy of US Department of Agriculture



US TRADE WITH TRADE PARTNERS 1976-1980
($ '000 million, fas basis)

	Exports	*Imports*	*Balance*
US trade with EC-9			
1976	25.4	17.8	7.6
1977	27.1	22.2	4.9
1978	32.0	29.0	3.0
1979	42.6	33.3	9.3
1980	53.7	36.0	17.7
US trade with Canada			
1976	24.1	26.2	-2.1
1977	25.8	29.6	-3.8
1978	28.4	33.5	-5.2
1979	33.1	38.1	-5.0
1980	35.4	41.5	-6.1
US trade with Japan			
1976	10.1	15.5	-5.4
1977	10.5	18.6	-8.0
1978	12.9	24.5	-11.6
1979	17.6	26.2	-8.7
1980	20.8	30.7	-9.9

the potential enactment of reciprocity legislation and domestic content legislation, and continuing high US real interest rates and dollar volatility—among others, the decision regarding steel imports takes on the trappings of a major transatlantic trade conflict. The recent arrangement limiting certain steel exports, agreed to by the EC Commission and the US Government, demonstrates the political awareness of this and the need for progress toward resolving the steel trade issue, as well as a willingness to work together at the official level to prevent such an outcome. One can only hope that the other parties concerned will act as responsibly.

The significance of West European trade with the Eastern bloc comes both from the content and volume of that trade and from the differing political views regarding the necessity of maintaining and developing trading links with the East. Western Europe has more to lose from disruption of trade with Eastern Europe than does the United States. The reasons for the development of East-West trade are to be found in the principles that inspired the whole concept of detente in the 1960s and 1970s. These principles are not merely commercial. They are based on a belief that isolation of the Eastern bloc nations will not bring about the political conditions conducive to reform in Eastern Europe and to greater peace, stability, and security on the European continent.

At the same time, Americans should not be misguided into thinking that Western Europe has relinquished the necessary vigilance and defense effort that are critical to ensuring the deterrence of the political and military might of its powerful neighbor to the East. Sharing a continent and a long historical experience with a superpower breed both prudence and pragmatism in one's dealings with that superpower and its allies. Commitment to the Atlantic Alliance and its objectives remains unequivocal in Western Europe, although questions are inevitably being raised about its future course.

Dealing with the problems at hand is certainly our most arduous challenge. Clearly, consultation and dialogue must continue and be intensified. Officials on both sides of the Atlantic have suggested some institutionalization of the consultative process at the highest levels of Government (e.g. meetings of Foreign Ministers on a regular basis to address pressing problems, thereby providing a measure of continuity in the consultative process).

Moreover, there needs to be a greater sensitivity toward one another's political and economic circumstances in the formulation and implementation of policies, and a greater confidence in one another. Wrong perceptions about each other's motivations and actions create an atmosphere of suspicion and doubt that is detrimental to the transatlantic relationship.

An additional factor has emerged which has had an impact on the effective conduct of transatlantic relations. As foreign economic policy has become a more important and integral part of American foreign policy, more actors have participated in, and provided inputs into, the foreign policymaking process. Because more agencies have shared in policy formulation, there has been a gradual fragmentation of responsibilities and a greater possibility of disagreement over policy objectives. There exists a perception in many European quarters today that some elements of the US Government are more understanding of and attuned to European concerns and positions than others. While intra-Governmental feuds are not new, to the extent that, in recent times, a firm guiding hand appears to have been absent, they have resulted in contradictory, or at least ambivalent, signals about what US policy objectives and instruments would be. This often causes frustration and irritation.

Thus, the shoe appears to be on the other foot. In the past, Western Europe had often been accused of not speaking with one voice—creating difficulties for US policymakers. One cannot deny this fact, although the last few years have witnessed the emergence of greater political cooperation among the member states of the EC, in recognition of the growing need to have unified positions, and a single voice, on major policy issues.

It is imperative that each partner clearly indicate what his intentions are to the other, and avoid unilateral decisions on important issues, so that confidence in one another can be retained and recriminations against each other avoided.

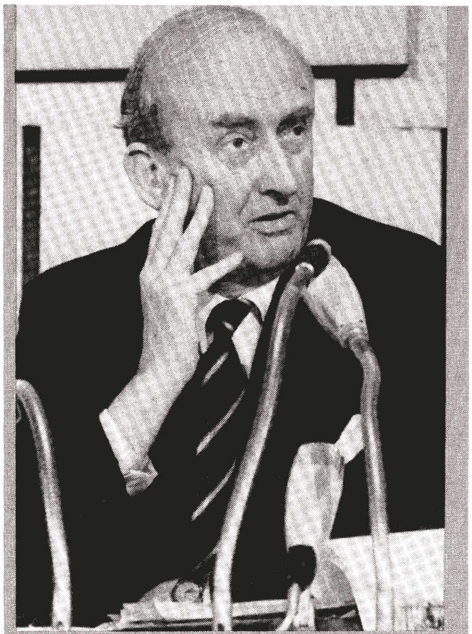
The problems of the European-American relationship revolve not only around the substance of the challenges the alliance is called upon to face, but also around the manner in which we deal with each other. Changes in attitude and a willingness to trust each other more may be difficult to accomplish, because they are such intangible steps to take. Correcting wrong perceptions constitutes perhaps the key to ensuring the continued health of our sometimes strained relationship.

We cannot afford to underestimate the serious difficulties confronting the alliance today. Were we to do so, however strong it has proven to be in the past, its future might be jeopardized. But, in the end, our common democratic traditions and values should hopefully help us overcome our differences and improve our mutual understanding of each other, thereby preserving our relationship and friendship. €

Roland de Kergorlay has just left his post as head of the EC Commission's Delegation to the United States.

New EC Envoy to Washington

REGINALD DALE



Sir Roy Denman was born in 1924 and educated at Harrow Grammar School and St. John's College, Cambridge, England. From 1943 to 1946 he served in the British Army as a Major in the Royal Signals Corps.

Sir Roy joined Britain's Board of Trade in 1948 and was assistant private secretary to the successive presidents of the Board of Trade from 1950-52. From 1957-60 he was First Secretary at the British Embassy in Bonn and from 1960-1961 was a member of the British Delegation to the United Nations in Geneva. He then served as a Counselor in the same office from 1965-67.

In 1967 Sir Roy became Under-Secretary at the Board of Trade, a post he retained until 1970, when he was appointed Deputy Secretary of the Department of Trade and Industry in London.

In 1970-72 he was a member of the British team negotiating for his country's entrance to the EC. He was also a member of the British Overseas Trade Board from 1972-75, before becoming Second Permanent Secretary of the British Cabinet Office. In July, 1977, he became Director General for External Relations at the EC Commission in Brussels.

In its new head, Sir Roy Denman, the EC Delegation in Washington has acquired a tough-talking bon viveur and raconteur—and arguably the world's most experienced trade negotiator. With US-EC trade and economic relations at their lowest ebb for years, perhaps ever, Sir Roy is likely to find as much need of his trade expertise in his new job as he did in his last one, as the EC Commission's Director General for External Relations in Brussels.

Not so long ago, he began a speech on the "world trade outlook" with a personal reminiscence. As a junior officer fighting in the Burmese jungle in World War II, his unit found itself surrounded, outnumbered, and running short of essential supplies such as whiskey and ammunition. It was pouring with tropical rain. The young Denman asked his sergeant what he thought of the "outlook." "The outlook, sir, is so . . . awful that you'd have to be a . . . idiot to ask," came the reply.

Two years have passed since that succinct assessment and US-European trade relations have deteriorated still further—to a point which Sir Roy believes to be the worst since the war. There seems little hope of persuading the US steel industry to drop legal action that could lead to massive punitive duties on European steel exports—and possible European retaliation against American farm exports.

The United States continues to insist that the Community is unfairly subsidizing steel and agricultural exports. The Europeans are enraged over President Reagan's sanctions against the Siberian pipeline, through which they plan to buy Soviet natural gas, and they argue that the United States is far from guiltless on the subsidies front—for instance, through the export-promoting mechanism of the Domestic and International Sales Corporation.

Sir Roy, who has been dealing with these issues for many months, is gloomy about the possibility of negotiating a trade-off. He believes that the strains in the transatlantic relationship are likely to get worse before they get better. Only last May, he delivered a comprehensive and blistering attack on US trade policies in a speech in Houston. It was one of the most outspoken of a career in which he has never been known for mincing his words.

He accused the United States of going "a million miles beyond" what was negotiated in the Tokyo Round of the multilateral trade negotiations, hinted broadly that Washington was disregarding General Agreement on Tariffs and Trade rules, and said that the Reagan Administration was trying to unload its problems on "foreigners in general and Europeans in particular."

His barbs, however, have not always been directed at the United States. He caused outrage in Japan, just before the 1979 Tokyo summit, by writing in an internal Commission working document, promptly leaked to the press, that Japan was "a country of workaholics who live in what Westerners would regard as little more than rabbit hutches". He is still unrepentant, pointing out that Japanese officials privately agreed, and that he is himself a "workaholic."

As one of the senior members of the team that negotiated British entry into the Community in the early 1970s, he could be just as scathing about his future partners. He would show the traditional trade negotiator's delight at scoring a point off the French, or the Germans, or indeed the Commission, on some obscure tariff provision that 99 per cent of humanity has never even heard of. In 1977, the poacher turned gamekeeper, taking over as the Community's chief trade troubleshooter in Brussels. His negotiating opponents have never doubted his skills, or his ready wit and his joie de vivre. He likes to live well and feels few qualms about people knowing it. A British newspaper once described him as the sort of man who can order the best wine in most of Europe's leading restaurants without ever having to look at the wine list.

Sir Roy has an enormous reservoir of literary and historical quotations to back up the more technical points he makes on trade issues—although there is one recent allusion he may prefer to forget. In his Houston speech, he recalled Mark Twain's remark about Thomas Carlyle's attitude toward Americans: "At bottom he was probably fond of them, but he was always able to conceal it".

Sir Roy insists that he doesn't have to conceal his liking for Americans. He recently told the Wall Street Journal: "I'm looking forward to dealing with them, with a dry martini in my hand." €

Reginald Dale is US editor of the Financial Times.

in pursuit

John Palmer traces the history of EC initiatives

One of the most striking featues of the evolution of the European Community in recent years has been the development of European "policital cooperation." Although the Ten are still some way off having a common foreign policy, there is more coordination of foreign policy on major world issues than at any time in the 25 years of the existence of the EC. Nowhere has the emergence of a distinctive EC foreign policy been more strikingly illustrated than over the Middle East. For the past five years the EC has taken a stand on Middle East issues which has been strikingly in contrast to that of the United States, a situation which has led to no little trans-Atlantic friction.

The crisis in Lebanon focused attention in the most dramatic way on the differing policy proscriptions for peace in the Middle East advanced by the EC and the United States. In the European view, if the Israeli invasion of Lebanon and the threat to exterminate the PLO has underlined the limits on Europe's ability to influence developments in the region, it has also borne out many of the stands taken by the EC in recent years.

There is no convenient date to trace the beginning of specific EC involvement in the Middle East. Several Common Market countries, notably Britain and France (but to a lesser extent Italy and Greece), brought with them traditions of long historical influence in the Middle East. That history, it is true, was sometimes far from being a happy one. The Anglo-French involvement with Israel in the attack on Egypt in 1956 earned not only universal condemnation from the Arab world, but also the forthright opposition of the United States. At that time popular opinion in Western Europe was predominantly sympathetic to Israel. This owed much to feelings of guilt among a generation of Europeans who had acquiesced in the Nazi holocaust against the Jewish people and who had refused them entry at the time of their persecution.

The Six-Day War of 1967 and the further conflict between Israel and its Arab neighbors in 1973 created feeling of growing unease about Israeli policy. This was dramatically heightened when the potential economic power of the Arab world was unleashed with the quadrupling of the international oil price in the autumn of 1973. By coincidence the leaders of the then nine EC countries were holding a summit conference in Copenhagen when a senior delegation from the Organization of Petroleum Exporting Countries (OPEC) arrived unexpectedly to discuss the OPEC decision. That encounter and the feeling among EC states that they had too long ignored Arab oil power led to the creation of the so-called "Euro-Arab dialogue."

The dialogue led to a series of meetings at both official and ministerial level between the governments of the European Community states and those of the Arab League. Although the primary objective of the dialogue, in the EC view, was the development of economic and commercial cooperation—with the European hope that this might eventually include discussions on energy policy, the Arab side secured the right to discuss "political issues."

This of course was a euphemism for discussions of the Palestinian problem. In the years that followed, the EC countries were made increasingly aware, notably by the so-called "moderate," pro-Western Arab Governments, that the Middle East would remain a dangerous center of international instability without a political settlement which involved recognition of the national rights of the Palestinian people.

At the same time, and despite episodic acts of terrorism by Palestinian splinter groups, public opinion in Europe was becoming much more sympathetic to the demands of the neglected Palestinians driven from their homeland a generation before. There was increasing shock at Israeli policy of massive military retaliation in Lebanon, at the suppression of Palestinian protest in the occupied West Bank and the Gaza strip, and over the deliberate flouting of United Nations resolutions by Israel's policy of annexation of occupied territory such as the Golan Heights and the spread of Jewish settlements throughout the West Bank.

The first official recognition that the Palestinian people had the right of national self determination came at the EC summit in London in June 1978. But it was not until the famous Middle East declaration made at the Venice heads-of-Government meeting in June 1980 that the European Community began to spell out its policy for a settlement of the Palestine problem in any detail. In essence this policy—sometimes described as the European "Middle East initiative"—involved the demand for Israeli withdrawal from all occupied Arab land, recognition of Palestinian self-determination, guarantees for Israel's right to exist in secure and recognized frontiers, and the "involvement of the Palestine Liberation Organization in the peace-making process."

In the months and years that followed, the EC tried to persuade both the PLO and its Arab allies to recognize Israel and to get the Israelis' to recognize the Palestinians' right to a state of their own and the PLO as representative of the Pal-

# of peace

e Middle East.

© Michael Nelson, Gamma-Liaison

German Chancellor Helmut Schmidt and British Prime Minister Margaret Thatcher in Venice in June 1980, where European leaders met to formulate a Middle East peace initiative. © Edoardo Fornaciari, Gamma-Liaison

estinians. The EC was ready to ensure recognition of Israel, while moving gradually toward official recognition of the PLO—a process always most advanced in France, Greece, and Italy.

This policy not only brought vigorous condemnation from the Israeli Government of Prime Minister Menachem Begin, but the strong disapproval of the United States, which saw the US-sponsored Camp David process involving peace between Egypt and Israel as the only way to a wider settlement. The Europeans were openly skeptical whether Camp David could solve the central issue of the Palestinian West Bank and Gaza and were openly critical of apparently unlimited US financial, political, and military backing for Israel no matter how deplorable its policy might be.

Even so the EC agreed to give their blessing to the participation of forces from Britain, France, Holland, and Italy in the US-run peace-keeping operation after Israel's withdrawal from the Sinai. Nevertheless, under both President Jimmy Carter and President Ronald Reagan, a clear gap on Middle East policy opened up between the EC and the United States. The Europeans became increasingly concerned that failure to solve the Palestinian problem would eventually endanger the pro-Western Arab states. But they were encouraged throughout 1980 and 1981 with evidence that many Arab states were willing to support an eight-point peace plan put forward by the then Saudi Foreign Minister, now King, Fahd.

Although this plan, involving conditional and mutual recognition of Israel in return for recognition of the PLO, was never formally adopted by the Arab League, EC Foreign Ministers such as Britain's then Foreign Secretary Lord Carrington regarded it as the most hopeful way of working toward an eventual political solution.

It soon became clear to the Europeans, however, that whatever their influence among important Arab states and even many PLO leaders, they had no means of delivering Israel to the negotiating table. By early this year, the more ambitious schemes for European diplomatic initiatives had given way to recognition that the United States must first be persuaded to change its policy toward Israel.

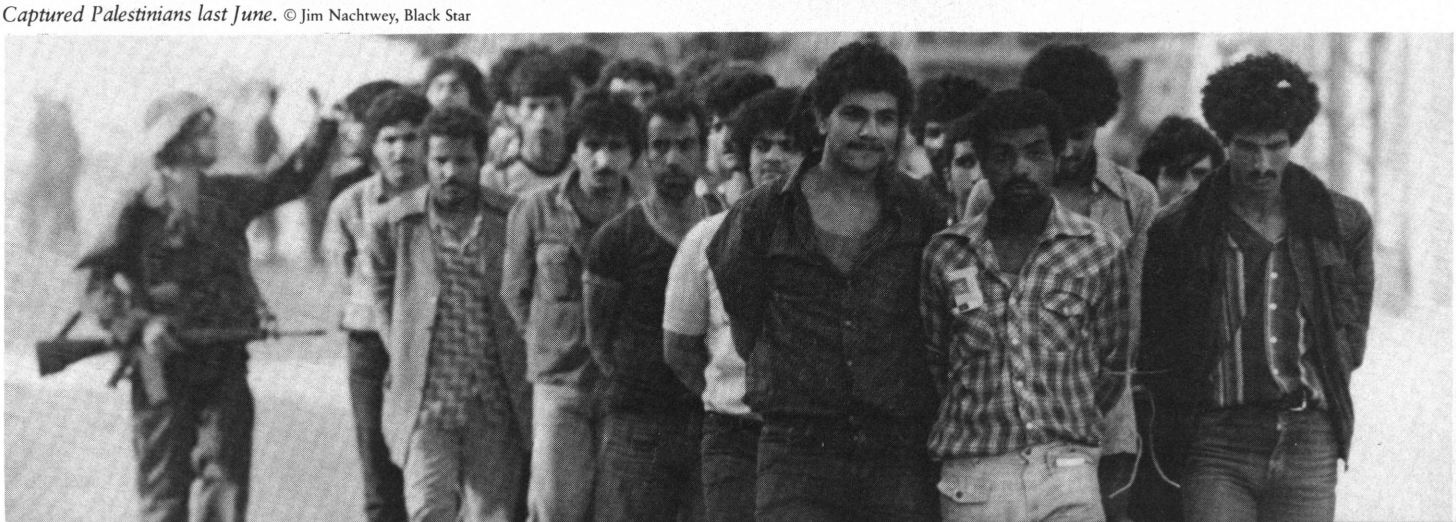
At first the Israeli invasion of the Lebanon was seen in Europe as a dreadful setback to the hopes of peace in the region. The EC condemned Israel's actions in very strong terms while France and Greece—with cooperation from Egypt—tried to commit the UN Security Council to a resolution under which Israel would withdraw before the departure of PLO fighters in beseiged West Beirut.

Despite US opposition to the European approach, the resignation of the US Secretary of State Alexander Haig and his replacement by George Shultz was seen in European capitals as presaging a significant change in US Middle East policy. This was further increased as a result of US efforts to negotiate some degree of political recognition of the claims of the PLO in return for a settlement of the future of PLO fighters in Lebanon and a complete withdrawal of Israel.

At the time of writing it is far from clear to what extent Europe and US views really are converging. But it does appear that the United States does accept the basic EC thesis that there should be mutual recognition of Israel by the Arabs and of Palestinian rights and the PLO by Israel. Both sides also accept that there can be no lasting peace in Lebanon without a Palestinian settlement. But it remains to be seen whether the United States will be any more successful than Europe in bringing both sides in the Middle East dispute to the negotiating table. €

John Palmer is European editor of The Guardian.

Captured Palestinians last June. © Jim Nachtwey, Black Star



MEMBER STATE REPORT

GERM

The collapse of West Germany's giant AEG-Telefunken manufacturing empire inevitably revived discussion of the state's role in business. Leaders of the metal worker's union, the largest union in Germany and indeed in the free world, urged the state to stick its finger into the leaking AEG dike by becoming part owner of the company. They thought this solution would provide AEG's 123,000 workers a guarantee against loss of jobs.

But Chancellor Helmut Schmidt's Government said it would limit itself to "flanking actions" such as underwriting export order performance bonds. "The state is not a shop for the repair of failing businesses," Social Democrat Schmidt and his liberal Economics Minister, Count Otto Lambsdorff, were said to have told metalworkers' representatives who called on them as AEG neared insolvency.

Christian Democratic opposition leader Helmut Kohl allowed that "saving jobs is not the same thing as saving a company," while the Federation of Industries said that only a free-economy resolution of AEG's problems could assure its jobs or any fraction of them in the long run.

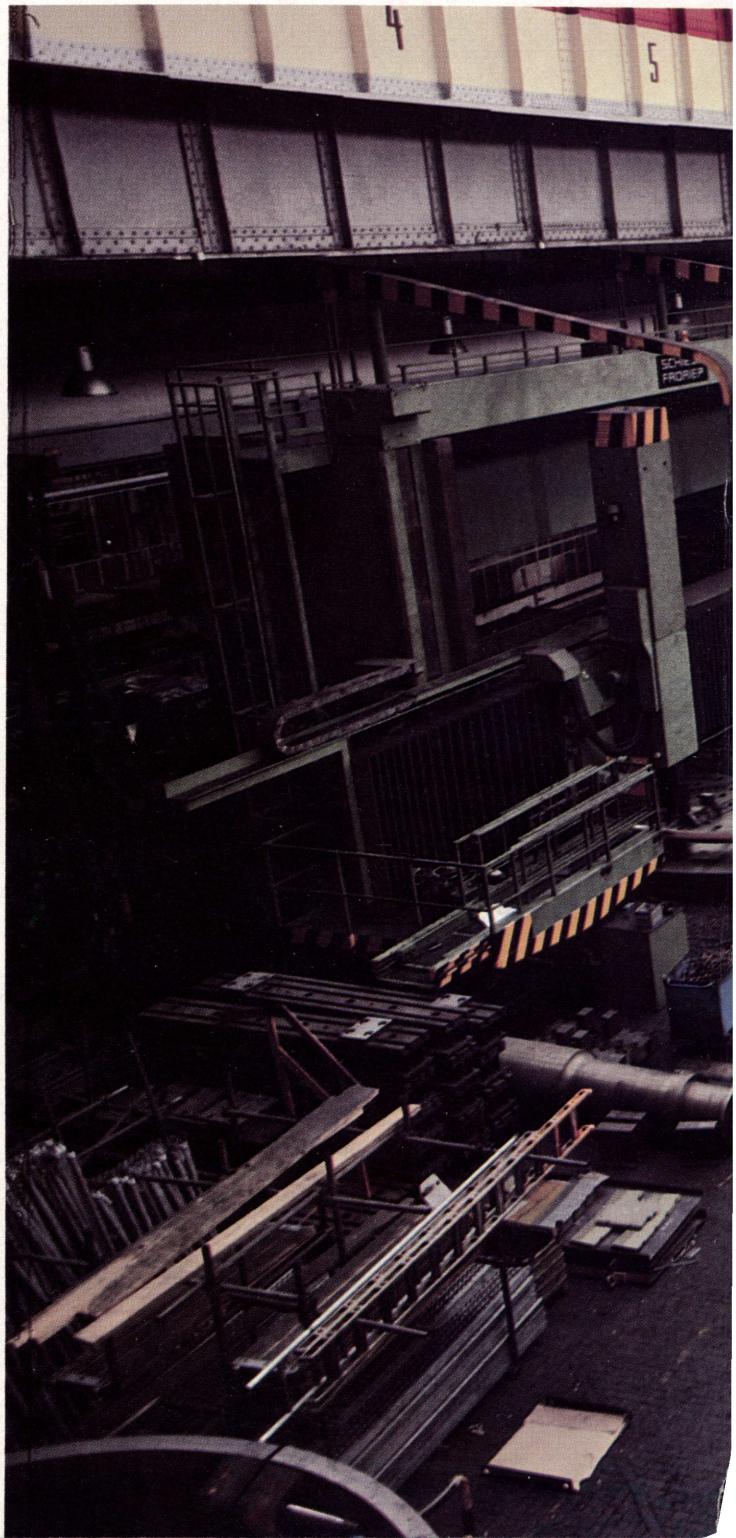
A spokesman for small businessmen warned that they would react angrily to a Government willing to spend millions of tax marks to save a badly-managed big company while allowing 10,000 or 12,000 small- and medium-sized enterprises to go to the wall in this year of economic stagnation.

The dust stirred by the AEG crisis temporarily obscured the fact that enterprises owned wholly or in part by the Federation already generate about 10 per cent of the gross national product and employ about 8 per cent of the work force.

Such enterprises produce about one seventh of the Federal Republic of Germany's electricity, operate about 15 per cent of the Republic's oil refinery capacity, pump about one-quarter of all gasoline sold through service stations, make about one-fourth of the glass manufactured in the Republic, operate one of its big five chemical concerns, and produce one-third of its aluminum and 30 per cent of its automotive vehicles.

All of this has come about even though all three parliamentary parties long ago swore off "socialization" or "public ownership" of the means of production as a matter of principle.

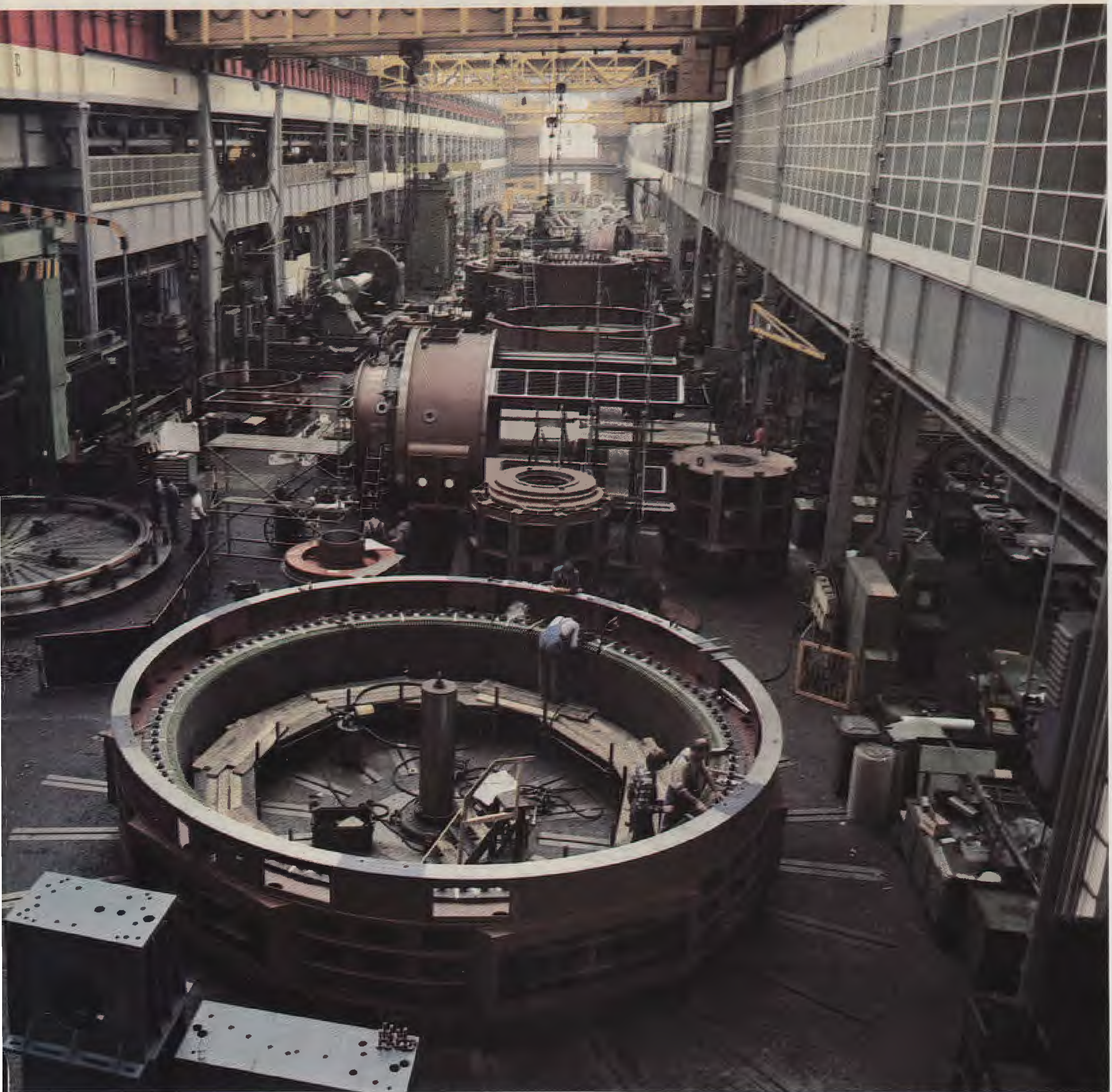
And the Federation in fact has diluted some of its largely inherited ownership of industrial production by selling "people's shares" in some of the largest enterprises and holding companies to small earners. The dream of "public ownership," or "socialization" of the means of production as the best assurance against "fascistic capitalism," was widespread at



ANY

Frank Carmichael reviews the extent of state involvement in business.

Siemens plant in Berlin. © Cotton Coulson, Woodfin Camp



the end of World War II.

Even the Christian Democratic Union (CDU) called for it in 1945, as a means of giving German society "a new start." Some CDU leaders also thought that in the ruins of defeat, Germany no longer could afford "the luxury" of a capitalist society.

But Konrad Adenauer, West Germany's first federal Chancellor, moved as early as 1947 to water down that program. By the time he formed the first federal Government in 1949, the Christian Democrats were committed to the minimum of planning and control of key industries necessary to guarantee a "social market economy." Public ownership as a policy had been eliminated from the party's platform.

The Social Democrats remained committed to "socialization" of heavy industry until the mid-1950's, when they reached an all-time electoral low and moved to slough off Marxism. Erich Ollenhauer, then the party leader, said the experiences the British Labor Party had had with its nationalization of steel and coal convinced him that State ownership and operation essentially were undesirable and unworkable.

Instead, the West German political parties and the labor unions pushed through far-reaching democratization of industrial management by granting workers the right of co-determination in the form of seats on the supervisory boards.

The Federation, nevertheless, has become the Republic's largest entrepreneur. VEBA has for years been the Republic's largest company. The Federation owns 43.75 per cent of it, although at one time it owned the whole thing. Prussia created VEBA in 1929, as a holding company for its state-owned mining and power-generating companies. It had acquired these companies mainly in the Ruhr, only after bitter fights with their private shareholders, before and during World War I.

During the 1920's VEBA expanded into chemicals and shipping. At the end of World War II, the victorious allies dissolved the state of Prussia. VEBA operated in a legal vacuum, until 1949, when the basic law drawn up for the new Federal Republic of Germany declared that "interests of the former land of Prussia in enterprises under private law shall pass to the Federation."

But the Federation inherited more than VEBA. It also became sole owner of the huge "Hermann Goering Works" at Salzgitter. The Nazi regime had created that enterprise to exploit the huge iron ore deposits in Central Germany by mining and using them in steel mills on the spot. It also owns, directly or indirectly, 100 per cent of VIAG, another Prussian creation specializing in power generation.

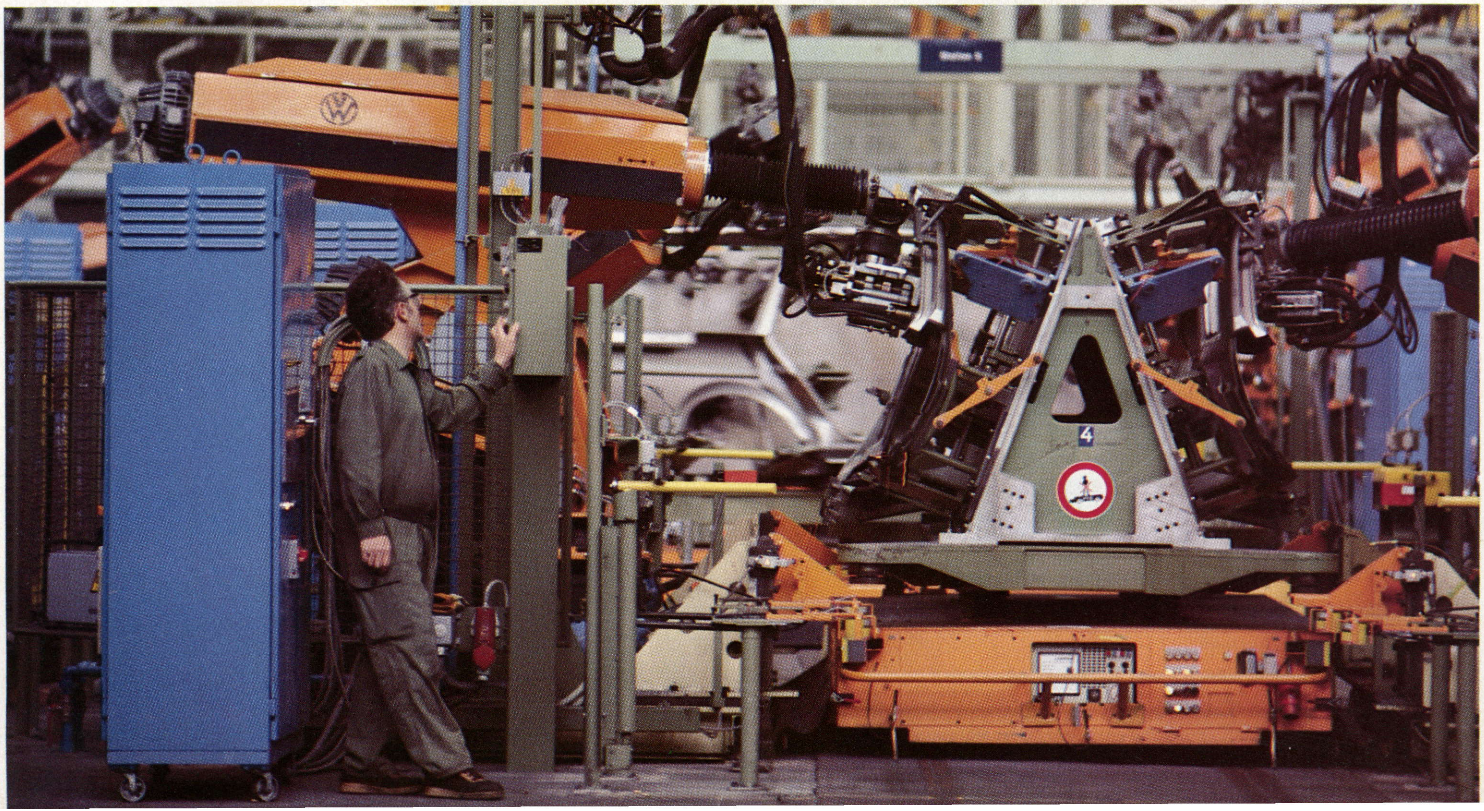
The giant Volkswagen concern also came out of the war into a legal vacuum. The Nazis created the company in 1938, making it the property of their labor front. Then, the victorious powers dissolved the labor front, as they did all Nazi organizations. Arguments about Volkswagen's future ownership lasted for years, complicated by the fact that tens of thousands of Germans had paid for their Volkswagen's in advance during the war on the understanding that they would get the cars after the fighting ended. Thus, they were considered to have a claim on the firm's assets.

In 1950, the politicians finally decided that the state of Lower Saxony, where the main Volkswagen plant is located, should get 20 per cent of the company, and the Federation 20 per cent, with the rest to be sold publicly as "people's shares."

In the first years following the creation of the Federal Republic, most outsiders never heard of VEBA, and even many insiders considered it no more than a coupon-clipping office. But VEBA managers themselves thought otherwise, and they were putting the holding company's stamp on its subsidiaries and generally expanding activities and production.

In the early 1960's the US Government released the assets of Hugo Stinnes seized at the start of the war. They included important coal mining and trading interests, as well as glass and chemicals production. But Stinnes' heirs ran into financial

Volkswagen became a "people's" company by default when the Nazi labor front which owned it was dissolved after the war. Pictured here is the Volkswagen plant at Wolfsburg, Germany. © Sepp Seitz, Woodfin Camp



BMW in Munich. © Yves Jeanmougin/VIVA, Woodfin Camp

difficulty, and their banking creditors began a search for possible buyers.

Coincidentally, the Christian Democrat Government was putting together a plan to increase VEBA's capitalization by selling "people's shares" in it. Officials thought that while the Government might run into heavy political sailing if VEBA was seen to be buying the failing Stinnes family company, the taxpayers probably would swallow the deal if it could be presented as if Stinnes was somehow going public.

The labor unions hated the idea of VEBA going public, describing it as "a squandering of federal wealth." But the Government pushed ahead with its scheme, surrounding it with rules making it impossible for anyone but low- or medium-income earners to be a first buyer of the shares. The offer caught the public imagination. Three million persons subscribed for the shares, so many that the issue had to be increased. VEBA suddenly had more investment capital than it had dreamed possible, and the purchase of Stinnes had caused hardly a political ripple.

In the late 1960's the Gelsenberg Corporation, which was getting into oil refining and exploration, began looking for a buyer. For a time, a French oil company seemed likely to get it. But this dismayed many in the Government, then a coalition of Social Democrats and Liberals, and in particular it appalled the then Minister of Finance, Helmut Schmidt.

Schmidt was more than pleased when the German utility company, RWE, bought Gelsenberg. RWE clearly did not intend to hang onto Gelsenberg and when an Arab oil boycott followed on the heels of Yom Kippur War in 1973, Schmidt first arranged for the Federation to buy the 51.3 per cent share of Gelsenberg that RWE had acquired from it, and then merge it with VEBA.

That made VEBA Germany's largest industrial concern, which it remains to this day. The companies in which it has an interest employ 542,000 persons, 461,000 of them in industry. Its gross income plus dividends last year was about $94 billion.

Schmidt had intended that Gelsenberg be converted into a company with enough international weight to wheel and deal in the oil markets on a level with the sisters. Gelsenberg, however, had made some bad decisions, suffered some setbacks, and has lowered its sights. Nevertheless, it remains a major trading company in Germany, and is involved in some interesting foreign oil prospecting and exploration.

Schmidt's motives in 1973 were the same as Prussia's had been 65 years earlier when it began secretly buying into coal-mining and power-generation companys—political and strategic, they had nothing to do with the old-fashioned Marxist idea that the people should control the means of production through state ownership.

His Social Democratic party is formally committed to support of the free market economy, "real competition," and free entrepreneurial development, with no more state planning than necessary. Way over on the left, particularly the youthful left, of the Social Democratic party, the cry still goes up for socialization of industry and even of department store chains. But few pay attention.

Much more serious is the metalworkers' union's insistence that, as it sees it, free-economy solutions having failed in the case of AEG, state participation is the only solution. Critics say that behind this reasoning is the Union's belief that it's easier to prevent the Government than it is a private company from eliminating jobs in order to increase efficiency and break even financially.

Though Schmidt moved quickly to bring Gelsenkrichen into the state's fold 9 years ago, he did it not to preserve jobs, but in an attempt to improve Germany's strategic position on the internationl energy market.

AEG-Telefunken—on the day in August it declared itself insolvent and asked the courts to negotiate an arrangement allowing it to discharge its debts at 40 per cent of value—employed about 100,000 persons in Germany, 23,000 abroad. Experts estimated that up to another 100,000 domestic jobs depended indirectly on AEG.

Schmidt nevertheless insisted that he would not let the Federation bail AEG out of its troubles. He took that position despite rising unemployment, a scheduled series of key state elections, and a federal election no later than the fall of 1984.

On the other hand, he also is aware that the high-technology divisions of AEG are tempting to foreign investors such as General Electric Company of Britain and United Technologies of the United States, who might try to grab off those plums as the French tried to snatch Gelsenberg 15 years ago.

We will see whether Schmidt continues to be adamant or whether he remains unyielding only until he yields. €

Frank Carmichael is a free-lance writer based in Bonn.

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"Green" Power

Environmentalists show growing influence in German politics.

WELLINGTON LONG

There was considerable laughter, 22 years ago, when Willy Brandt suggested that the German Social Democratic Party's platform include a plank promising to "restore blue skies over the industrial Ruhr." He thought this would help in his first attempt to lead the party to victory in national elections.

No one's laughing now, as ecological groups lumped together in the "green" movement push themselves into local and state legislatures, winning a good chance of capturing a block of seats in the federal parliament in 1984. The big losers are Brandt's Social Democrats, who have ceased to grin, and Foreign Minister Hans-Dietrich Genscher's Free Democrats, some of whom have broken out in a cold sweat.

When the ecological movement recorded its first electoral success in 1979, a weak joke made the rounds—1st Social Democrat: "The 'greens' are coming." 2nd Social Democrat: "Wake the party after they've gone again." In the event, the "greens" are still coming and the party is wide awake.

More than a thousand "greens"—sometimes running under pictures of porcupines, beavers, gophers, sunflowers, or other ecological symbols, but all members of "the alternative" to the established parliamentary parties—have been elected to communal councils and city and state legislative bodies. The founding fathers of the Federal Republic of Germany threw up a constitutional hurdle to the multiplicity of parliamentary parties they thought had contributed to Weimar's early demise.

To win seats in any state assembly or in the Bundestag, the lower house of the federal parliament, a party must receive more than 5 per cent of the popular vote.

But in June, when the republic's leading demoscopic institute did its monthly survey—including the question, "If Parliamentary elections were held next Sunday, for whom would you vote?"—7.7 per cent opted for "the greens." In the same opinion survey, Genscher's Free Democrats, who have placed third in the parliamentary sweepstakes since the first election in 1949, suddenly sagged to fourth place, with only 6.8 per cent.

In some states in which the "greens" already have cleared the 5 per cent hurdle, the Free Democrats have failed to do so, and there are those who think that Genscher's liberals may trip over the federal barrier in 1984 as well. This would mean the end of the partnership with the liberals that has kept a Social Democrat in the federal chancellery since 1969, and the restoration of the impatient Christian Democrats to power. That's the prospect that finally awakened the Social Democrats, although they may have slept too long.

The "greens" got their start at local level during the 1970s, when "citizen's initiatives" sprang up around the republic to fight off perceived environmental threats such as roads, airport runways, power generation stations, nuclear-waste disposal plants, and industrial pollution.

These eventually coalesced into a national movement of generally left-wing groups bound together by common opposition to economic growth, nuclear power, centralization of government, the parliamentary system, and Washington's defense policies.

The movement's first major electoral success came in 1979, when it managed to seat four deputies in the Bremen house of representatives. It's greatest success followed less than 3 years later, when it won nine seats in the Hamburg house of deputies, denying a legislative majority to both of the "establishment" parties, the Social Democrats and the Christian Democrats.

The "greens" refuse to even consider joining hands with any other party in a Government coalition. National Chairwoman Petra K. Kelly says that "should the 'greens' one day start sending cabinet ministers to Bonn, then they no longer would be the 'greens' I helped develop."

Kelly's goal is "a fundamental anti-war party, a non-violent ecological party that enters no coalitions." In practice, this means that at the most the "greens" might tolerate a Social Democratic Government, provided it first agreed to close all nuclear power plants, scrap growth plans such as harbor enlargement or other infrastructure development, close any factory still emitting any pollution, and launch immediate and massive social housing and job creation programs.

Kelly admits that the "green" posture probably initially means restoring the Christian Democrats to power. But she says she is more concerned with "problems of mankind's survival" than with whether she makes it impossible for the Social Democratic Party, of which she used to be a member, to govern.

"Greens" talk a lot about "basis democracy" and "direct democracy." The first phrase involves binding every "Green" legislator to decisions made by his "basis"—what is known as "the imperative mandate"—and replacing the "green" legislators at least once during each parliamentary term. "Direct democracy" reflects the "greens's" conviction that elected parliaments actually are no more than obligarchies.

Gertrud Schilling, a "green" leader in the state of Hesse, has said the movement "has as its aim the abolition of the parliaments and the practice of direct democracy," that is, introduction of a system calling for all major policy decisions to be made by plebiscite. These demands grew out of the sour feeling of an increasing number of young persons that the established parties, and in particular the Social Democrats and the liberals, were ignoring their actual problems, concerns, and fears.

Much of the "greens" support comes from voters under 30 years of age. Schmidt calls it "more a movement of protests against all manner of things than a party." He says it is going through a fermentation process which may or may not bring it to maturity.

Christian Democratic election analysts say that the "greens" do best in upper middle-class residential areas, badly in worker's districts where men fear "green" anti-growth and anti-pollution policies will wipe out their jobs, and worst of all in heavily Catholic areas—"Catholics and 'greens' don't mix," says one Christian Democrat.

Petra Kelly recently told the weekly magazine, *Der Spiegel*, that she thought it best if the movement continued to pull in about 6 or 7 per cent of the vote. That way, it could remain "uncompromisingly committed to its basic principles. But sometimes," she confessed, "I am afraid that the 'greens' might suddenly win 13 per cent and become a party seeking power." €

Wellington Long lives in Germany and writes for a number of US publications.

MEMBER STATE REPORT

back on loca

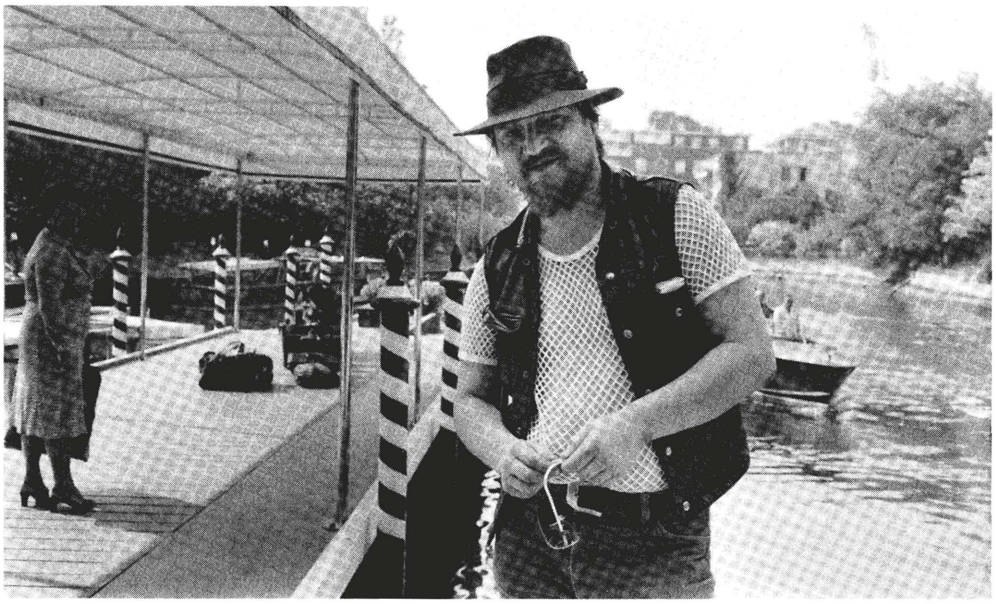
Fassbinder led rebirth of German cinema.

RUTH McCORMICK

The recent, untimely death of West Germany's best-known contemporary film director, Rainer Werner Fassbinder, has been noted and mourned around the world, just as that of another brilliant, still-young German filmmaker, Friedrich Wilhelm Murnau, was just over 50 years ago. In these 50 years, Germany and its film industry have passed through enormous changes, from the Depression and the burst of artistic creativity of the Weimar Republic, to war, tyranny and the suppression of the arts under National Socialism, to humiliation and efforts to rebuild a society under the allied occupation, to the "economic miracle" of the 1960s and 70s.

Although the first great pioneers of film were France and the United States (followed by, to a lesser degree, Italy and Sweden), by the 1920s it became apparent that the most interesting and innovative work in the field was being done in Germany and the Soviet Union. In 1919, a film called **The Cabinet of Dr. Caligari** appeared, eventually gained international recognition, and brought the term "Expressionism," which had hitherto been associated with painting and literature, into common usage in relation to cinema.

The use of *chiaroscuro* lighting, "unrealistic" studio sets, a dance-like acting style, oblique camera angles, and selective editing to enhance dramatic effects were all characteristic of Expressionist cinema, and became the speciality of German filmmakers like Fritz Lang, F. W. Murnau, Paul Wegener, Paul Leni and G. W. Pabst in their early works. Films like **Caligari**, Lang's **Destiny**, Murnau's **Nosferatu**, Wegener's **The Golem** and Leni's **Waxworks** were concerned with the supernatural and fantastic, while films of the later 1920s turned increasingly to a kind of realism—along the lines of Griffith, but attempting greater psychological depth and social criticism—which influenced filmmakers all over the world. By the end of the 1920s, many of Austria and Germany's most talented directors—Ernst Lubitsch, Murnau, Max Ophuls, and Joseph von Sternberg among them—had already left their increasingly troubled homelands to work abroad, usually in the film



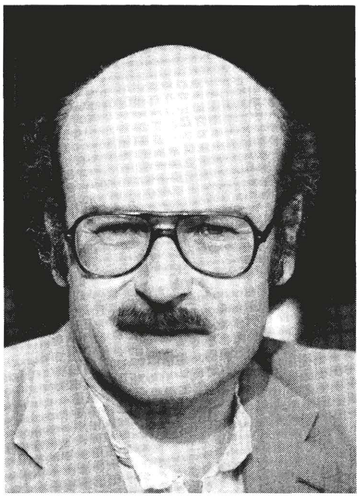
Ranier Werner Fassbinder, who died recently, is pictured here in Venice two years ago. He was Germany's best-known contemporary film director. © Edoardo Fornaciari, Gamma-Liaison

mecca, Hollywood.

After the rise of Hitler, there was a mass exodus of creative talent from the Reich. Fritz Lang headed to Hollywood, along with Robert Siodmak, Douglas Sirk, Fred Zinneman, Billy Wilder, and William Dieterle. By the late 1930s, German cinema had been reduced for the most part to heavy-handed propaganda and mindless entertainment. While some of the remaining directors were people of some talent, the only major filmmakers left in the Third Reich were Leni Riefenstahl and the increasingly silent Pabst.

As a result, there is a break in the historical development of German cinema that does not exist in that of the other former Axis powers, Italy and Japan, where the political and artistic repression was not so all-encompassing, and where dissenting artists were able to "sit out" the war and continue their work under the occupation.

After the war, there were no Rossellinis or Viscontis, no Kurosawas or Mizoguchis, left in Germany to carry on a cinematic tradition.



Two successful directors, Margarethe Von Trotta and her husband Volker Schlondorff, photographed this year at the Cannes Film Festival.

© Micheline Pelletier-Lattes, Gamma-Liaison

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This situation, along with the virtual takeover of the German distribution network by the allies and the dismemberment of the old studio system, resulted in German film production being limited, from the mid-1940s to the mid-1960s, mostly to "regional" films and pale imitations of Hollywood. With a few notable exceptions like Bernhard Wicki's **The Bridge** (1960), "German" became synonymous with "mediocre," or worse, in film.

By the early 1960s, there were a number of young, independent filmmakers in Germany, working, for the most part, in the documentary and experimental fields. Some had already made short films that had garnered prizes in international festivals and they wanted to move on to making feature films. Frustrated by the lack of sufficient funding, disappointed by the poor quality of most German films, angry about Hollywood domination of the market, and inspired by the French and Czech "New Waves," 26 of these young artists came together at the 1962 International Festival of Short Films at Oberhausen to issue a manifesto demanding that the German Ministry of the Interior (which is in charge of cultural affairs) cooperate in the establishment of a "new" German cinema, since the old was, in fact, dead. Their slogan, which they borrowed from the French, was *Papas Kino ist tot.*

Under the energetic leadership of Alexander Kluge, a writer, lawyer, educator as well as filmmaker, the Oberhausen group was able to lobby successfully in the Bundestag for Government support of their proposals. The German film "establishment" was unhappy, but there was little it could do; its films were not being seen. By 1965, the Board of Curators for Young German Film was formed to fund the work of new filmmakers, and in 1967 a film subsidies bill was passed, allowing state funding for a wider variety of cinematic projects.

Important films began to appear: Kluge's **Yesterday Girl**, Hans-Jurgen Pohland's **Cat and Mouse**, Fassbinder's **Katzelmacher**, Peter Fleischmann's **Hunting Scenes in Lower Bavaria**, Werner Herzog's **Signs of Life**, Volker Schlondorff's **Young Torless**, and Jean-Marie Straub's **Not Reconciled** were among the first, in the mid- to late 1960s, to receive critical and international festival recognition. Eventually, much of the funding for the new films came from the television networks, and a large number of the finest German films were shown first on television, and then released to the cinemas. More recently, "star" directors like Fassbinder, Schlondorff, and Wenders have been able to obtain funds from foreign sources (in the case of Wenders, from Francis Coppola's Zoetrope Studios), and tax shelter monies have been made available for a number of productions.

In the 1970s, German cinema had a real cult following abroad, and directors like Fassbinder, Herzog, and Wenders were more appreciated in France and the United States than in their own country. International film festivals always featured the work of the German directors who, however, had trouble getting their films distributed at home. Finally, a few films, like Fassbinder's **Effi Briest**, Schlondorff's **Katharina Blum** and Herzog's **Aguirre, The Wrath of God** actually made money in West Germany. In 1979, two films, Fassbinder's **The Marriage of Maria Braun** and Schlondorff's **The Tin Drum**, broke box-office records abroad in the foreign film category, and **Tin Drum** was the first German film to win an Academy Award

Klaus Kinsky (left) and Claudia Cardinale starred in Werner Herzog's (right) "Fitzcarraldo." © Bertrand Laforet, Gamma-Liaison

for best foreign film.

Francis Coppola, among others, has maintained that German cinema is the strongest national cinema in the world today, and he may be right. In general it is dynamic, ideosyncratic, and usually oriented toward strong criticism of the status quo. Schlondorff makes "classical" films, often adaptations of literary works, in a leftist humanist tradition. Werner Herzog, with his newest film **Fitzcarraldo**, seems to continue to pursue his vision of man out of the mainstream, at the edge of impossibility. Wim Wenders, who brings his quiet intensity to films that might be described as road movies in the tradition of Goethe, has two films **Hammett**, about the American author, and **The State of Things**, about filmmaking itself, about to be released.

Margarethe von Trotta, who began her career as scenarist, actress and co-director with her husband Volker Schlondorff, has made three films, all very well-received, about political/feminist issues. Her latest, **Marianne and Julianne**, which concerns two very different sisters each involved in political activism, won the Golden Lion at last year's Venice Film Festival. Hans-Jurgen Syberberg, whose long and controversial **Hitler: A Film From Germany** played to large audiences around the world, has just completed an equally innovative version of Wagner's **Parsifal.**

Peter Lilianthal, long respected in Europe for his work in both documentary and fiction forms to portray struggles against oppression in various times and places, has finally gained recognition in the United States with his moving account of Jewish life during the Nazi regime, **David.** There are many other talented filmmakers, Edgar Reitz, Herbert Achternbusch, Helke Sander, Helma Sanders-Brahms, Reinhard Hauff, Werner Schroeter, Ulrike Ottinger, Hark Bohm, Klaus Wborny among them, who bring their special visions to the world of film, and who will eventually gain the recognition they deserve. And there are more, younger filmmakers, on the way.

When Fassbinder died, Herbert Achternbusch remarked, "The motor which drove German cinema has stopped." At the time of his death in May at the age of 36, Fassbinder was beginning work on his 42nd film. The variety of these films—from the minimalist **Katzelmacher** to the elaborately "Hollywoodian" **Lili Marleen**, from small, searing social dramas like **Merchant of the Four Seasons** and **Ali: Fear Eats the Soul** to elegant literary adaptations like **Effi Briest** and **Despair**—was enormous, and he dealt in one way or another with just about every social and political issue of contemporary German life. He preferred to study society through the microcosm of interpersonal relations, and drew his inspiration from such diverse sources as avant-garde theater and Hollywood melodrama, neo-Marxist social theory and psychoanalysis. He angered some and moved others, sometimes overwhelming us with the beauty of his productions, sometimes teasing and schocking us into questioning our most cherished assumptions and values.

Fassbinder died leaving one film, **Querelle**, based on the novel by Jean Genet, unreleased in Germany, and three others which are still to be released in this country. His 15-hour television adaptation of Alfred Doblin's monumental **Berlin Alexanderplatz** (his own most cherished project) will be presented in New York this fall through the auspices of Goethe House. **Lola**, a rollicking social satire based loosely on **The Blue Angel** is scheduled to open this month, and **The Yearning of Veronika Voss**, which took first prize at this year's Berlin Film Festival, and which concerns a film star of the Hitler era trying to adjust to life in the 1950s, will probably be featured at the New York Film Festival this September.

Although it is a tragedy that such a productive, fruitful career should be cut short so early, Fassbinder's impact on the world of film will be with us for a long time. By the same token, we can look forward to a continuing stream of fine films from the Federal Republic of Germany for the forseeable future. €

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EUROPE'S MANY MARKETS

Stock exchanges vary by country, but push is on for common practices.

LAURIE JOAN ARON and PAUL H. ARON

The development of the European Economic Community would be greatly enhanced by the development of a common securities market, allowing a more efficient and rational flow of capital to meet Europe's needs. Although single markets have been established in such areas as Eurobonds, the development of a free-scale single market will take more time. The historical, cultural, economic, and legal differences among European countries have produced a wide variety of institutions for raising capital.

It's not difficult to imagine, from a Wall Street perspective, that the New York Stock Exchange, established under a downtown tree in 1792, is a world model for stock exchanges —that high-volume trading, $1 trillion in market capitalization, the central place of equities and of brokers, and the vast analytical gristmill are natural characteristics of all stock exchanges. They are not. Each country's history and culture have shaped its capital market institutions.

The distinguishing characteristics of stock exchanges are their degrees of influence by brokers, banks, and the Government. The variations stem from the historic sources and needs for capital in each country, and from the course of economic and political development. The degree of market participation by individuals and institutions, the market capitalization and turnover, the growth in the number of new issues, and the mix of debt and equity securities arise from these differences.

Before 1914, the London Stock Exchange was the major source of capital. World War II and the subsequent loss of the United Kingdom's colonial empire ended the London Stock Exchange's tenure as the dominant such institution. In 1947, even before the independence of India, the United Kingdom, as a nation, found itself in a net liability position. The United States became the dominant supplier of capital.

Although the United Kingdom's market capitalization has slipped to third place behind New York and Tokyo, it is still 45 per cent the size of the UK gross national product (GNP). The US figure is almost 100 per cent, but the French only about 7 per cent. The London exchange remains larger in market capitalization than all other EC markets combined. The community of professional analysts is the largest in the EC as well, numbering 1,600, compared to 275 in Germany and 572 in France. In the United States and Canada, different from Europe both demographically and institutionally, Financial Analysts' Federation membership numbers almost 15,000. Despite the fall to lesser importance of its exchange, however, the United Kingdom retains a major role.

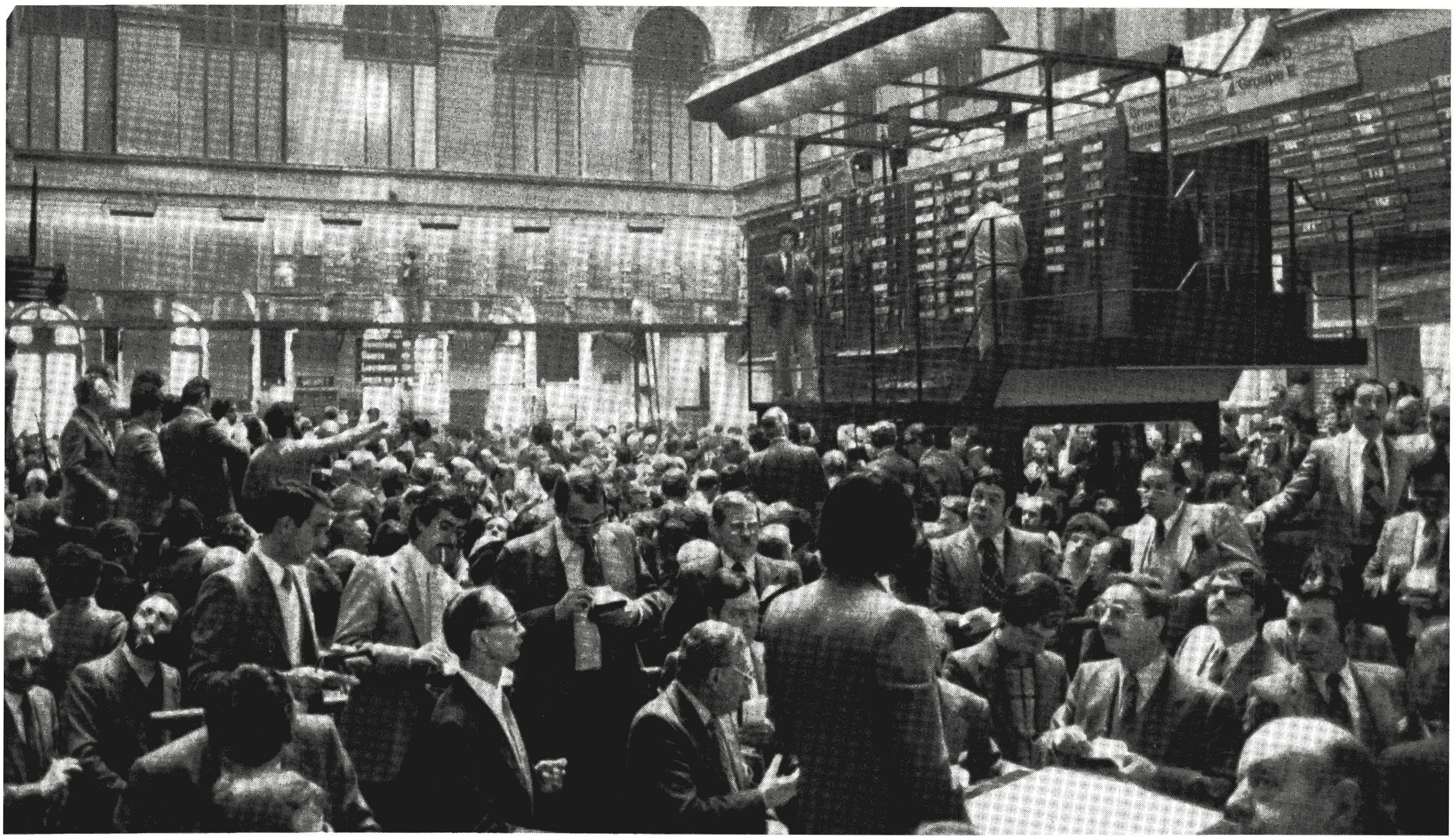
The United States and the United Kingdom have many stock exchange characteristics in common. Both have self-regulatory and largely broker-dominated institutions. The United Stock Exchange, created by merger of the London Stock Exchange and the regional exchanges, functions as a private club, not subject to government regulation. Exchanges in the United States are, perhaps, quasi-public institutions, operating in an administrative partnership with the Securities and Exchange Commission. Exchange members are individuals in both the United States and the United Kingdom; a majority of US owners must be primarily securities brokers or dealers, while in the United Kingdom, they can be only brokers, who deal with the public, or jobbers, who trade on their own account. Brokers can trade only through jobbers.

The New York Stock Exchange is an auction market employing floor brokers to buy and sell and specialists to make markets in various issues, stabilizing prices. In London, trading is carried on through a unique system of brokers and jobbers. Jobbers are principals only, under no obligation to help support prices; they maximize their own profits by adjusting prices. British brokers, as in the United States, are compensated through commissions.

France, like Spain, Belgium, and Italy, has a completely different kind of stock exchange and the Government plays a leading role in the market. France is steeped in the Napoleonic Code—the legal justification for the Government's extensive influence—and characterized by the small-business position of many proprietors and farmers. Since many of France's important industries, like fashion and wine, manufacture luxury products with small-scale, flexible operations, there is relatively little need for equity financing. Capital accumulation, is, instead, a major source of financing.

Any kind of large-scale industrial or financial company in France has an intimate relationship with the Government. After World War II, the French Government nationalized 150 companies, representing what had been 25 per cent of market capitalization. But the French Government was involved in indsutry even before Marx as a means of competing with industrially superior Great Britain, enlisting protective tariffs and encouraging investors. Today the trend continues, particularly in the technology area where France plays an increasing role.

With Government ownership, family interests, and holding companies, there is a very thin float and very slow trading action left for other investors on the French exchange. Two-



La Bourse *offers limited investments to the French after Government ownership, family interests, and holding companies have taken their share of the securities market.* © Keystone

thirds of all trades are done in 10 companies. Most trading is in bonds. The French, whose first investment preference is gold and jewelry, make fixed-income securities their second choice. Over 99 per cent of trading occurs in Paris, although there are regional exchanges. Additionally, France's professional securities analysis community is small, with relatively little information disclosed by French companies to work with.

Germany's eight stock exchanges do not reflect the size of the German economy. Although together they constitute the fourth largest world securities market, their market capitalization of $70 to $75 billion is small compared to the German GNP. Only 21 stocks account for two-thirds of the turnover, and only about 30 are traded actively.

Equity financing could not compete with bank financing in fueling Germany's relatively late start in industrialization and colonial expansion. Early industry could not provide a high enough return to issue equity. Instead, it was built on debt and, with little of the world left to colonize by the time Germany entered the imperial race, German industry plowed earnings back into the business, lessening the need to issue equity capital.

Involvement in the two World Wars deepened the relationship between business and the banks, especially of capital goods producers. Post-war inflation destroyed individual savings and prompted a stringent anti-inflationary policy, further discouraging investment in equities. A damper on equity investment in Germany has been the limited disclosure provided to the public by German companies. Accounting practices allow insufficient enlightenment. Banks have special relationships with companies allowing them access to financial information that analysts do not get.

The Netherlands, a small, rich country, has a small domestic capital market which behaves much like the one in the United States. Like the United Kingdom, the Netherlands maintains a major international investment presence. As in France, the float in the market is limited, and like the German example, banks have a great influence. The Netherlands fills available market niches in its tradition as middleman.

Stock exchanges are not static institutions. They change with circumstances: new capital needs, a changing investor population, the regulatory climate. The direction of change in a world shrinking through advances in telecommunications and the continuing search for international investment opportunities is toward a common investment language. Differences in disclosure hamper investment knowledge and international harmonization of accounting procedures must occur for a single securities market to emerge.

The European Community has worked toward forging common accounting standards since it was founded in 1957. Currently, the Fourth EC Commission Directive, proposed in 1971 and approved in 1978, provides the blueprint for harmonized financial accounting principles. Its implementation, with other directives under consideration, will open a new era for investment in EC countries. The difficulties and complexities of establishing a single securities market are in many ways no different than those that were involved in creating the Common Market. It is hoped that the future will see a single securities market, making its contribution to European and world development. €

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BULLISH ON E

THOMAS WATTERSON

For more than a decade, the people who manage the international stock portfolios of America's mutual funds acted like the land of the rising sun was also the land of rising profits. If it was growth they wanted, these fund managers looked to Japan and other "Pacific-rim" nations with rapidly expanding and profitable economies. Stock exchanges in Japan, South Korea, the Philippines, Hong Kong, Singapore, Malaysia, and Australia all had the strength a growing mutual fund was looking for.

This year, however, the mutual funds seem to have rediscovered Europe. Where once they could only look at the economies of the United Kingdom, France, West Germany, the Netherlands, and Scandanavia and find trouble, they now see the same countries and find a few hints of recovery and a number of places to invest millions of their customers' dollars.

At the same time, the nations of the Far East are feeling the effects of several negative developments. These include Western protectionism against Japanese exports, a slowdown in consumer spending, falling commodity prices for Australian and Malaysian minerals, and a drop in world trade activity in Hong Kong and Singapore.

As a result, said Gavin Dobson, managing vice president at Kemper, Murray, Johnston—the international subsidiary of Kemper Financial Services Inc.—over 45 per cent of the fund's portfolio is now invested in European stocks. A year ago, the fund only had about 25 per cent of its money there. Japan on the other hand, which held 36 per cent of the portfolio at the beginning of the year, now has just 21 per cent of Kemper's international assets, Dobson said. Similar cuts have been made in other Pacific nations, he added.

At the T. Rowe Price International Fund, "over half of our portfolio is now in Europe," says Mark White, the Fund's vice president. "It would be going too far to say we're pulling out of the Far East completely," the portfolio manager at another fund said. "But we have definitely made more investments in Europe in the last six months."

While these and other funds have not abandoned the Far East—and, indeed, expect to increase their holdings there in the future—for now, at least, they believe the economies of Europe have gotten as low as they are going to go, leaving plenty of room to grow and several companies with the strength to grow with them. The investors are also impressed and attracted by the austerity measures taken in Europe to cut Government spending and corporate overhead.

Europeans "have gotten serious" about overcoming their economic problems, after several years of letting unemployment and inflation rise, while exports and productivity declined, according to William Holzer, senior research analyst at Scudder, Stevens, Clark's International Fund. For instance, Europeans are now looking for ways to spend smaller shares of their gross national product on social programs.

In the Netherlands, for example, "there does seem to be a political consensus forming to make some cuts," White said. Many of the social programs added in recent years were made possible by revenues from exports of natural gas. But since energy prices have dropped, and the Dutch have cut exports to conserve what gas they have, there has been less money for these programs. This makes it "very tough to start scaling back a system whose largess is beyond the scope of the country to provide it," White said.

Part of the reason for Europe's change in attitude, Dobson observed, is that "the European economies have been in recession a lot longer than those of the United States and the Far East. They underwent a great deal of corporate shedding starting in 1980 and 1981. The pruning that is now well underway in Europe has not really started in the United States and is far off in the Far East."

One reason the European economies got into trouble, the fund representatives agree, was high US interest rates and the correspondingly strong US currency. The fact that US interest rates are still high and that the dollar is still strong is one reason the investors are still hedging their bets in Europe. "If anything, the dollar's gotten even stronger," White said. "Though it has recently come back a bit, the whole scene continues to be dominated by US interest rates. What happens in Europe turns on what happens with the US budget and interest rates. Any European recovery can't get very far without some improvement there."

Some of the most attractive prospects for investment, the fund managers said, are in Great Britain, France, and West Germany. In Britain, White said, "everything is in place for a recovery." Prime Minister Margaret Thatcher's austerity measures seem to be having a noticeable effect, he said. "There are signs that the British industrial sector is in much better shape now after the battening down of the hatches under Mrs. Thatcher."

Lately, he notes, a few British companies are seeing a small gain from that nation's success in the Falkland Islands. British Aerospace, which manufactures the Harrier Jump Jet, is one beneficiary of the military effort there. Another British company doing well after the Falklands War is Racal Electronics, which makes military radios that were used by both the British and the Argentines during the conflict. These sophisticated radios, Dobson said, have the ability to automatically switch frequencies several hundred times a minute, "making it extremely hard for anyone to listen in."

In France, Dobson noted, his favorite investments are Club Med, the international resort chain, and Moët Hennessey, which makes champagne and perfume. He said a large percentage of the income of these companies is in currencies other than the French franc, making them "well-insulated from the recent declines and revaluations of the franc." White, on the other hand, has not yet found France a good place to invest. "We weren't in France six months ago," he stated, "and we're still not." The policies of the Mitterrand Government, he explained, do not permit French companies to operate in such a way as to let them pay large enough dividends to their stockholders.

Both White and Dobson have no trouble

UROPE

agreeing on West Germany. They and others look to West Germany and Great Britain to lead Europe into whatever recovery it will enjoy after a long period of stagnation. "Germany continues to look very good," White said. "It has done a good job building up the export sector." While he did not name specific companies, he said there are several good prospects in Germany's heavy industrial and technical companies.

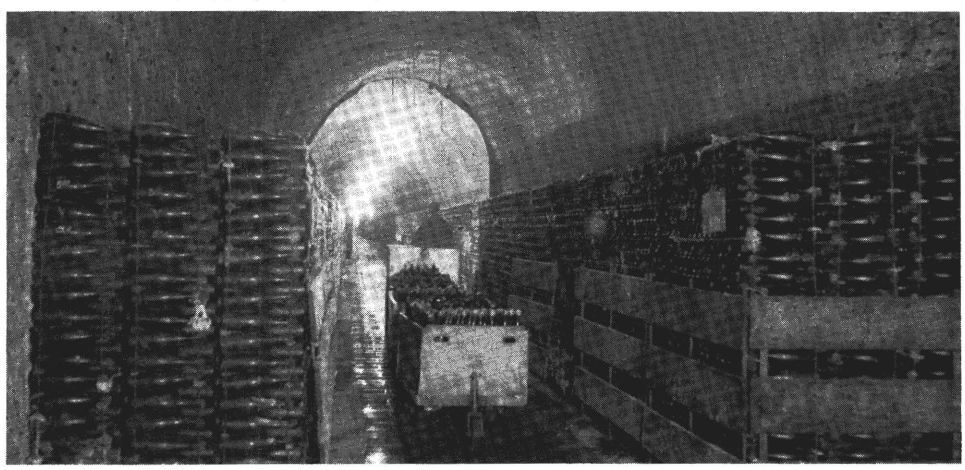
One reason West Germany has been able to build up its export sector, Dobson believes, is that at one point, "the Deutschemark got so weak against the Japanese yen that it made German goods cheap in Japan." Thus, he says, Germany is now experiencing an export-led recovery. Two of the companies he favors in this climate are Volkswagen, the auto manufacturer, and Hussel, which makes high-quality perfumes, confections, and jewelry.

In the rest of Europe, for the most part, investors are looking for specific stocks, and their purchases reflect confidence more in the particular companies, rather than the countries they call home. In the Netherlands, the favorite for Dobson is Philips, the multinational electronics giant. In Norway, Helly Hansen, which makes high-grade sporting gear for sailing is favored, and in Sweden, the "one-stock shot" is A.B. Cardo, which is researching different ways to use beet sugar. For White, two of his investments are Novo, a Danish insulin manufacturer, and Fortia, a "high quality" pharmaceutical firm.

How long the recovery in Europe can last and continue to make investments there attractive is difficult to tell, the investors said. Again, much of the answer depends on what happens in the United States. "I think it's critical that US interest rates come down," Dobson said. "As soon as you get an easing of interest rates here, you'll see a weakening of the US dollar and 'hot' money (money just looking for the highest possible interest rates) flows out." €

Thomas Watterson writes on economics for the Christian Science Monitor.

The British Harrier jump jet performs © Keystone



Champagne cellars at Epernay, France. © Keystone

Volkswagen plant in Germany © Sepp Seitz, Woodfin Camp

AAA-Rated Investment: EC Bonds

RICHARD RAE

Investment alternatives to US Treasury Bill and AAA-rated US corporate bonds are not easy to pinpoint, but they do exist. For various reasons US investors have overlooked the existence of debt carrying the sovereign guarantee of the 10 member states of the European Community. The fixed interest securities offered by agencies of the EC, have been floated in the international capital markets over the past two decades without any significant support from US investors. Due to the US Securities Act of 1933, American investors are still prevented from acquiring new issues at the primary stage, but can purchase these when distribution is deemed to have been completed, usually after 90 days.

The development of this Eurobond market has produced an ever increasing pool of mature debt into which US investors are able to buy without falling foul of US securities legislation. Up to date, yields on these "Euros" have been higher than those obtainable on similar US Treasuries, with yield pick-ups varying between 25 and 75 basis points. The present income on EC-backed debt exceeds that on comparable US Treasuries by between 50 and 75 basis points.

Alternatively, to opt directly for bonds from individual members of the EC limits the availability of bonds and increases risk exposure in the event of the country's default. West Germany and the Benelux countries do not have any outstanding Eurobonds denominated in US dollars. The other six members do have sovereign debt in the market, but only bonds from the United Kingdom, France, and Denmark carry the much sought-after AAA rating from the two major US rating agencies.

France is the most prolific borrower of all EC members, but in yield terms offers no greater return than other EC-backed issues carrying the broader country risk distribution. In currency terms, investors can choose from Swiss franc, Deutsche mark, French franc, Dutch guilder, Luxembourg franc, Belgian franc, and Sterling denominated bonds, as well as Japanese yen and Kuwaiti dinar offerings or even acquire the official EC currency unit, the ECU, presently used for the Community's internal accounting purposes.

The bonds are usually traded in minimum units of 1,000 each, denominated in the respective currency of issue. For simplicity's sake, only investments in US dollars have been reviewed, particularly as the bulk of borrowings has been in the US currency.

To appreciate the quality of EC-backed debt, presently represented by four borrowing entities, the guarantees have to be examined more closely. The bonds available with the direct sovereign guarantees from the present 10 member states—that is Denmark, France, the Benelux countries, West Germany, Ireland, Italy, Greece, and the United Kingdom—are restricted to those from the European Economic Community (EEC) and the European Atomic Energy Community (Euratom).

These two entities, which carry the sovereign guarantee of the Community members, have total outstanding debt of approximately $1.6 billion and $1 billion respectively. Both borrowers are protected annually through specific provisions in the EEC budget for the capital and interest payments falling due in the financial year under review. Of the two, only the EEC has been rated AAA, for the simple reason that Euratom has not been a borrower in the US public bond market.

Bonds for the European Investment Bank (EIB) and the European Coal and Steel Community (ECSC), on the other hand, are not issued with any specific guarantees from the member states, but, through their legal status, contain an implied guarantee from the 10 members. The EIB has been the more prolific borrower with close to US $15 billion of debt outstanding.

The establishment of the bank under the 1957 Treaty of Rome provides that member states supply part of the capital. To date, only $1.4 billion or 15 per cent of the full requirement has been paid up. The balance of $12.9 billion is therefore in theory payable by the members if the EIB were unable to meet its commitments or wished to increase its lending efforts without correspondingly raising borrowings. Impressive also is the fact that during its 24 years existence the Bank has not incurred a single loss from its lending operations.

The European Coal and Steel Community operates as an independent, self-sufficient entity within the Community and, having been set up in 1952, now forms the nucleus of the subsequently formed EEC. Its bonds are not covered through any direct guarantees from the EC members, but, in the unlikely event of the ECSC being unable to meet its obligations, member states would most certainly step in to support the agency—provided of course that all other funding means have been exhausted, namely the ECSC's own internal reserves of close to $500 million and the option to raise additional levies on the Community members' coal and steel production. Total ECSC borrowings presently amount to around $6 billion. Outstanding debt from both the EIB and the ECSC has been rated AAA by the two major U.S. rating agencies.

Bonds floated by these borrowers are traded almost exclusively over the counter, despite being listed on many major stock exchanges in Europe and New York. The bulk of borrowings were made in the European capital markets with US dollar issues dominant. New York has intermittently played host to such offerings, with the last Yankee issues floated in July 1979 for the ECSC ($125 million, at 9¾ per cent, due 1999), the EEC in 1979 ($125 million, 11.6 per cent, 1999) and the EIB in 1981 ($125 million, 14⅝ per cent, 1999). A recent EC agency Eurobond floated was for the EIB, ($200 million, 15½ per cent, 1992), in July 1982, which US investors should be able to purchase in the secondary market from October onward.

In yield terms, the ECSC debt tends to return marginally less than any of the comparable three, but the EIB does offer the greatest variety of bonds, with a wide range of coupon and maturity. The sheer size of the bank's borrowing program and its issued debt exceeds the total debt of the 3 other borrowers by two to one, making EIB bonds perhaps the most plausible alternative to US Treasuries and AAA US corporate offerings. €

Richard Rae is a reporter for AGEFI Press *in London.*

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$350,000,000

International Bank for Reconstruction and Development

$250,000,000

13.45% Five Year Notes of 1982, due September 1, 1987

$100,000,000

13⅝% Ten Year Notes of 1982, due September 1, 1992

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THE FOWLER-McCRACKEN COMMISSION AND THE EUROPEAN COMMUNITY

ROLAND de KERGORLAY

Though the concept of the Fowler-McCracken Commission found its origin in President Gerald Ford's Administration, it did not actually move into full operation until the first year of the Reagan Administration. The Fowler-McCracken Commission is a bipartisan US intiative that has two major objectives. The first is to improve Government-business cooperation in the conduct of US international economic policy and the second is to create a dialogue and better understanding between the private and public policy leaders in Western Europe and the United States on questions on international trade and investment.

The Fowler-McCracken Commission is not a national lobbying group and it does not intend to champion any single parochial economic interest. Rather, it should be seen more accurately as a forum for divergent, conflicting views in the search for fresh analysis of the critical issues presently confronting all actors in the international economic system.

Though this group is primarily a national commission and is giving first priority to an examination and critique of the international economic system as viewed from the United States, it would be a mistake to think that the efforts of the Fowler-McCracken Commission are aimed against America's trading partners. The participants in the Fowler-McCracken Commission are fully aware that the problems confronting Western Europe and the United States cannot be solved by simply adopting short-sighted policies that temporarily divert trade or financial flows at the expense of the other trading partners.

The United States, like Europe, is now at a crossroads between further decline and national renewal, and the task of the Fowler-McCracken Commission is to bring leadership from the public and private sectors on both sides of the Atlantic together to try and chart a better course of action. The EC obviously has a major interest in the revitalization and reindustrialization of the US economy, for we all profit from a strong and growing United States. But the United States must take into consideration the impact of the policies it is implementing on the domestic economies of its allies. International interdependence is today's fact of life.

The Fowler-McCracken Commission is operating in cooperation with an impressive variety of Government, business, economic, foreign policy, and educational groups, ranging from the White House and Cabinet agencies of the Reagan Administration to the Conference Board, National Governor's Association, and Council of the Americas. Senators and Congressmen from both political parties support the aims of the Fowler-McCracken Commission, including, among others, Senators Lloyd Bentsen (D-TX), Paul Laxalt (R-NV), William Roth (R-DE), and Congressmen Barber Conable (R-NY), Sam Gibbons (D-FL), Robert Michel (R-IL), and James Jones (D-OK).

The Commission is directly sponsored by the Washington-based International Management and Development Institute (IMDI), and its chairmen are Henry Fowler, former Secretary of the Treasury under Presidents Robert Kennedy and Lyndon Johnson, and Paul McCracken, former chairman of the Council of Economic Advisers under President Richard Nixon.

IMDI is a nonprofit, non-lobby educational institute headquartered in Washington, DC. Its mission is to build closer bonds of unity among men and nations through better government-business understanding through educational programs which include Washington policy seminars involving Government and business leaders, monthly briefings on the critical issues facing international business, top management roundtables, research, and publishing.

Even mentioning but a few individuals from the Executive Branch that are part of the commission, we find Treasury Secretary Donald Regan, Commerce Secretary Malcolm Baldridge, Agriculture Secretary John R. Block, Budget Director David Stockman, US Trade Representative William Brock, AID Administrator M. Peter McPherson, USICA Director Charles Z. Wick, and Eximbank Presi-

Henry Fowler, former Secretary of the Treasury under two Presidents.

Paul McCracken, former chairman of the Council of Economic Advisors

Roland de Kergorlay.

dent Draper. The Fowler-McCracken Commission has strong corporate support, including the chief executive officers from corporations such as Chase Manhattan, Gulf Oil, Continental Illinois Bank, Dow Corning, Dresser Industries, Merck & Co., and PPG Industries.

In 1980, as the representative of the European Community, I was asked to join the Commission as an international counselor, joining such distinguished and accomplished men as Arthur Dunkel, director general of the General Agreement on Tariffs and Trade, Sir Campbell Fraser, chairman, Dunlop Holdings Limited, and Dr. Arthur Fürer, managing director, Nestlé Corporation.

The Fowler-McCracken Commission is engaged in a multi-phase effort to achieve its stated objectives. Phase I was successfully completed in the spring of 1982 with the issuance of a report entitled "The Renewal of America in the 1980s." Phase I was devoted entirely to defining Governement-business priorities and alternatives in the field of US international economic policy.

This initial phase was an organic process which brought together primarily US policy leaders, both private and public, who share responsibilties in defining and implementing international economic policies. After much discussion and debate, the Fowler-McCracken Commission adopted the following five goals as the priorities of the group, and accordingly established Policy Committees to address each aim:

- A policy committee on trade and investments will generate fresh policy proposals to substantially expand international trade for the benefit of the US and world economies.
- A policy committee on innovation productivity will stimulate discussion on how Government and business, together, can cut through bureaucracy, remove red tape, stimulate research and development, and increase the competitiveness of the US economy for all with a stake in America's economic renewal.
- A policy committee on energy will assess how to chart a better course for energy.
- A policy committee on Government-business cooperation in the developing world will appraise how private business can productively and profitably contribute to the urgent needs of the Third World.
- A policy committee on building global understanding of US trade and business policies will examine "here in the United States and with America's trading partners what they can learn from us, what we can learn from them and what we can do together to build the solid economic underpinnings for a lasting peace."

Phase II began in June 1982 with a series of meetings on Capitol Hill in Washington, DC, which sought to lay the framework which will enable the Fowler-McCracken Commission to carry its message to different regions of the United States and Western Europe and into the developing world.

This phase of the commission's work will focus both on the United States, where the Commission will strive to create a national consensus so crucial at this turning point in national and world affairs, and on Europe. The Commission expects to hold substantive "workshop" sessions in Boston, New York, Chicago, Los Angeles, and Dallas-Fort Worth in the spring of 1983. In parallel, two rounds of workshop session will be held in major European capitals during 1983.

We in the European Community welcome the opportunity to actively participate in Phase II of the Fowler-McCracken Commission's work. We believe that we will be able to provide an input to the valuable educational process that the commission will be undertaking throughout the United States and Western Europe. The EC intends to take part in the five regional "workshop" sessions scheduled for the spring of 1983 and to use this opportunity to ensure that EC views and policies are presented and fully understood.

Only if we come to a common understanding of our mutual interests and needs can we achieve the consolidation of an economic relationship from which all of us can benefit fairly. We are dedicated to improving the environment and prospects for transatlantic trade and investment, and will support all efforts which seek to foster this objective. Active EC support of the programs of the Fowler-McCracken Commission provides the group with a broader international focus and represents yet another step in what we consider to be the proper direction.

After the commission completes it five-city tour of the United States, the EC is looking forward to hosting a major European "executive workshop" meeting in Brussels in the fall of 1983. We would hope to be able to involve the participation of senior EC Commission officials in many of the sessions, as well as representatives from the European business and financial communities.

In addition to the support of the EC Commission, apparently plans are already underway to involve the French Government, the Atlantic Institute, the French employers organizations, and the American Chamber of Commerce in Paris. Following what is hoped will be a successful penetration into Western Europe by the Fowler-McCracken Commission, Phase III will commence with the objective of distributing the message of the commission to the developing world, without whose cooperation any consensus is meaningless.

I personally believe that the work of the Fowler-McCracken Commission comes at an auspicious time. It comes at a moment when there is a great deal of misunderstanding and mistrust flowing between the members of the Atlantic Community. We must dampen the level of rhetoric and jointly reaffirm our commitment to bolster the authority of existing institutions. Thus far, our trade disputes and other economic altercations (including interest rates and exchange rates) have not escalated to the level of a full-scale war. We have conducted a successful holding action within the framework of GATT and other institutions, such as the Organization for Economic Cooperation and Development and the International Monetary Fund, so that relative order on the international trade and monetary systems has prevailed.

We have now come to a point, however, where this damage control operation needs to give way to the next step in the process of communication and dialogue—one that will strengthen the GATT arrangements, lessen the degree of friction across the Atlantic in the trade and monetary areas, and improve understanding of each other's policies. This must be done promptly and through a variety of forums.

The Fowler-McCracken Commission promises to be one of the more important forums for helping to bring greater understanding in these areas. €

Roland de Kergorlay has just left his post as head of the EC Commission's Delegation to the United States.

The Fowler-McCracken Commission in Brief

The Fowler-McCracken Commission is a bipartisan national effort directed toward "Improving Government-Business Cooperation in the Conduct of US International Economic Policy." Cochaired by former Treasury Secretary Henry H. Fowler and former Chairman of the President's Council of Economic Advisers Paul W. McCracken, the commission is designed to help restore the competitiveness and productivity of the US economy, expand international trade and investments, chart a better course for energy, and strenthen America's economic ties worldwide.

The International Management and Development Institute is sponsoring the Fowler-McCracken Commission in cooperation with leading governmental, business, economic, foreign policy, and educational groups—ranging from the White House and five committees of the Congress to the Foreign Policy Association and the National Governor's Association.

Forging an EC Med

New proposal urges political vision and wider approach.

F. RICCARDI

The EC's Mediterranean policy is not operating to the satisfaction of its partners. This is not a comment made by a journalist or a representative of one of the countries in question: It is part of a communication to the EC Council of Ministers and to the European Parliament from the EC Commission. The report was put together under the responsibility of Vice-President Lorenzo Natali, who is the Commissioner in charge of Mediterranean policy and EC enlargement. The policy clearly needs to be revised and given a new breath of life, not only in view of the EC's future enlargement (to include Spain and Portugal), but also if the EC's relationships with its neighbors in the southern Mediterranean are to be preserved. Unless such action is taken, the deterioration of relations could have far-reaching consequences. Even if EC enlargement were not imminent, and negotiations with Spain and Portugal were to slow down, the Community must reconsider its Mediterranean policy, give it new momentum, increase its financial aspects, and give it more courage and generosity.

The need for a "global policy" in the region, over and above individual agreements with one or another neighboring country, was recognized in the 1960s and the first tentative guidelines were defined and progressively applied in the early 1970s. It was based on a combination of trade measures and provisions for economic and financial cooperation, with a certain balance being maintained in the concessions accorded different countries, given their relative wealth, population, and requirements.

The hoped-for results were never obtained, however, and the EC could not really contribute effectively to either the economic and social development or the political stability of the zone. The trade deficit of the Mediterranean countries with the EC actually increased instead of falling, conflicts emerged, and an uneasiness in relations set in. The reasons for this are multiple. They are based more on circumstances than any deliberate bad faith on the part of any of the partners.

The international economic situation played a major role in this area: A policy devised in the boom years, when Europe needed migrant labor, could not succeed in leaner times. In fact:

- Mediterranean agricultural exports toward the Common Market had to slow down because of the need to maintain the EC "preference" for similar products;

- Mediterranean industrial exports could not develop as planned because the crisis forced the EC to protect its market in the very sectors where the Mediterranean countries are competitive (especially textiles);
- immigration (which is not a solution in itself, but could have resolved some problems in the short-term) was interrupted because of increasing unemployment within Europe; and
- budgetary restrictions prevented the EC from implementing the financial cooperation chapter as fully as it would have liked.

Unfortunately, the negative circumstances have not disappeared. The memorandum drawn up by Commissioner Natali does not hide the fact that the new Mediterranean policy will mean an overall effort, sacrifices, and political vision. If the Community only looks to its short-term interests, it will never find solutions that go to the heart of the problem. The Mediterranean region is essential for world balance. This is both for economic (it is a major route for the EC's oil supplies) and strategic reasons.

Europe has specific responsibilities given the fact that a number of its current regions (Greece, a large part of Italy, a part of France) and a future region (Spain) belong to the Mediterranean. The wide-ranging economic links are supplemented by historical, cultural, and other ties. This excludes any possibility of "disengagement." By not taking any action, the EC could, it is true, succeed in reducing the pressure on its market from Mediterranean agricultural and industrial exports. However, the Community would lose markets which are important today, and will be even more so in the years ahead.

TRADE OF SOUTH MEDITERRANEAN COUNTRIES WITH THE EC

	Exports to 9		*Imports from 9*		
	Value $ million	*% of total trade*	*Value $ million*	*% of total trade*	*Deficits $ million*
Egypt	1,135.6	42.7	2,559.6	38.8	1,424.0
Algeria	2,328.5	37.3	5,103.5	65.1	2,775.0
Morocco	991.7	59.0	1,878.9	51.4	887.2
Syria	518.9	47.8	901.3	35.4	382.4
Lebanon	41.3	5.1	847.1	39.1	805.8
Jordan	8.4	3.0	529.0	34.6	520.6
Israel	1,338.2	34.2	2,434.3	34.2	1,096.1
Tunisia	762.8	ND	1,633.5	ND	870.7
Cyprus	168.3	ND	422.3	ND	254.0
Malta	258.8	ND	438.2	ND	179.5

Source: IMF—Direction of Trade (1979).

terranean Policy

Europe's absence in the southern Mediterranean would, above all, have an incalculable political and strategic impact.

There can be no vacuum in that region: If the Mediterranean countries lose their natural outlets in Western Europe, they will be forced to look further away, in Eastern Europe, with all that this involves. The Natali memorandum stresses that "the Community of 12 remains the indispensable outlet for the exports of Mediterranean countries, and is indeed their natural partner in development. It is in its best interest to avoid increasing their economic and social difficulties, which might encourage the destabilization of the region. The Community should therefore show itself to the Mediterranean countries a reliable partner, whose trade and aid policies can be counted on in the long term."

What is a reliable partner? The Commission warns against the two opposite temptations which could arise in the Community (and which do, in fact, exist already). The first is to consider that trade concessions can solve all problems and that more trade is the answer to most difficulties. The second tendancy is to focus on financial aid and investment assistance and to neglect trade concessions.

In fact, the two types of actions are indispensable and complementary. France, Italy, Greece, and, tomorrow, Spain, must know that an effective Mediterranean policy will be impossible if they insist on closing their markets to citrus fruit, olive oil, wine, canned fruit and vegetables, textiles, and footwear produced in their neighboring states. Germany, the Benelux countries, and the United Kingdom, for their part, must know that even if the Common Market remains accessible to the products mentioned above—which do not compete with their production, leaving the burden to be borne exclusively by the Community's Mediterranean regions—an effort on financial aid and investments will still be necessary.

Even though the idea of a "double effort" is now recognized, it would be unthinkable that the Community open its doors to agricultural products exported by the southern Mediterranean. The concept of "EC preference" cannot be shelved just like that, and Spain, when it enters the Common Market should have a right to benefit from the preference just like other EC member countries. The solutions must be wider-ranging and more specific at the same time. The following are the main elements of the Natali memorandum:

STRUCTURE OF TRADE BETWEEN THE EC AND ITS PRINCIPAL SOUTH MEDITERRANEAN TRADING PARTNERS (1978)

	Exports to EC (in %)					*Imports From EC (in %)*				
	Morocco	*Algeria*	*Tunisia*	*Egypt*	*Israel*	*Morocco*	*Algeria*	*Tunisia*	*Egypt*	*Israel*
Fruit and veg.	33.3	0.8	4.8	2.2	26.1	0.4	0.6	0.4	-	0.2
Cereals	-	-	-	-	-	1.7	3.4	1.8	6.6	0.3
Manufactures (less textiles)	9.4	1.1	2.6	4.3	27.9	20.3	22.9	17.2	10.9	36.8
Min. fuels & non-food raw materials	27.4	94.9	33.1	79.2	12.6	2.4	4.1	3.9	2.9	2.0
Engineering & transport equipment	1.5	-	2.6	-	4.1	46.8	49.2	44.5	49.6	29.1
Textiles & clothing	13.0	0.1	32.9	8.7**	11.2	2.0	4.5	12.5	2.0	4.2
Other	28.4	3.0	24.0*	5.6	18.1	28.4	15.3	19.7	28.0	27.4
Total	100	100	100	100	100	100	100	100	100	100

* of which 7.4% is olive oil.
** including cotton
Source: Eurostat

The Clos Vougeot vineyard in France. Wine is an important product of the Mediterranean region.

Agricultural products. It is highly unlikely that Mediterranean agricultural products (wine, citrus fruit, olive oil, and certain fruit and vegetables) will find significant new outlets outside the Mediterranean basin itself or the Community. It is important, therefore, to prevent the formation of structural surpluses which would have to be destroyed (being neither easily salable on the world market nor much use in the fight against hunger in the Third World). It will be necessary to maintain traditional outlets in the Common Market for the southern Mediterranean countries by avoiding excessive EC production and to organize a consultation procedure for production levels on a Mediterranean basis in order to avoid structural surpluses.

This will not be easy because it will involve coordination between the Arab countries and Israel, between the current EC countries and states up for Community membership. Countries that still have not achieved self-sufficiency in food will have to develop production of such items as cereals, milk products, and meat instead of focusing only on wine, citrus fruit, and olive oil. Some of this reconversion will not be possible without Community assistance.

The industrial sector. Here the Community must agree to maintain duty-free access for Mediterranean products, even in the "sensitive," crisis-ridden sectors. The orderly expansion of trade is not possible, says the memorandum, unless "our partners have real opportunities to develop their exports in sectors where they are capable of producing." These sectors, according to the Commission, include textiles, footwear, processed foodstuffs (canned fish, fruit, vegetables), and, in some cases, refined petroleum products. Petrochemical and steel products could be developed in the future.

It would be hypocritical of the EC to declare that its frontiers are open to Mediterranean industrial products when, in fact, it applies restrictions in the above mentioned sectors—which are the only ones where the emerging industries of the southern Mediterranean are competitive in Europe. The application of duty-free provisions on aeronautics, data-processing and electronics equipment, automobiles, and any other areas where European industry is competitive would have no real economic significance. Certain restrictions in the textile sector must be extended, at least temporarily, because they have been agreed; but, generally speaking, the EC should forgo restrictive measures.

"Cooperation." This aspect of the policy must cover consultation on the production of typical Mediterranean products and some form of concerted action in the sensitive industrial sector. This must also involve a considerable financial effort on the part of the EC. Commissioner Natali warns that, "we should be clear that unless the money and resources for this cooperation, in which our partners place such hopes, are forthcoming, we may condemn them to total disillusion." The EC will have to mobilize significant sums of money—by utilizing its financial instruments and borrowing on the international capital markets—to permit the necessary restructuring which will allow the Mediterranean countries to process their own raw materials and reorient a part of their agricultural production.

The social sector. It would be rather naive to think that migration from the Mediterranean countries to the EC can be revived in the near future. Indications are that there will be surplus labor in Europe for several years to come and that the EC will not be in a position to call for help from migrant workers. The focus now should be on improving the integration of Mediterranean workers already in the Community and on giving them true equality in their living and working conditions. The EC can also help to train workers who want to go back to their countries of origin where, despite high unemployment rates, there is a shortage of skilled labour.

The success of such a global Mediterranean policy will depend on the efforts made by the EC to develop its own Mediterranean region which, given its geographical situation, is in direct competition with its southern neighbors, both in the agricultural and industrial areas. This is why, just a few weeks before it transmitted the "Natali memorandum" to the Council and the European Parliament, the Commission defined its ideas on the internal "Mediterranean programs" dealing with southern Italy, southern France, and Greece. Unless such action is taken to develop these regions, there could be opposition within the Community to the "global policy" just described. At the same time it is necessary that Spain and, to some extent, Portugal undertake to accept and respect—once they are within the EC—the guidelines and the policies indicated above.

The task outlined here promises to be tough from the political and the economic points of view. It will demand European goodwill, cooperation from countries up for EC membership, and the collaboration of Mediterranean countries—between themselves and with the EC. Is this too much to ask, is it only wishful thinking? On the other hand, can Europe afford not to harbor such dreams, given the fact that losing the "Mediterranean" could mean losing itself? €

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around THE capitals

Rome

Francesco Corbellini is one of those long suffering men who run Italy's state industries—trapped between a permanently dissatisfied public and politicians who expect impeccable service without being prepared to pay for it, either through loans or authorization for price increases. But even Corbellini, head of EBEL, the State electricity authority, had not expected the communication just before the summer holidays, from a senior Rome magistrate which accused him of manipulating power cuts and brown-outs over the past few winters to create a climate favorable to large rises in ENEL's tariffs.

Now it is certainly true that ENEL's prices have been going up quite sharply in the past year and a half and will rise further. But that is because the Government has belatedly realized that the organization, which is already in debt for nearly ($15 billion) desperately needs more income if it is to remain producing electricity at all. It is also true Italy did suffer three winters of power cuts, though it escaped them last year.

The basic reason for the power cuts was simple: A combination of Government inertia and local opposition had prevented ENEL from building enough power stations. Italian law makes it virtually impossible for a Government to insist, after due time for objections, that a certain project go ahead. Instead, everything has to be endlessly negotiated with authorities at every level. Constantly changing Governments lost the stomach for it, perhaps understandably.

So, toward the end of the 1970s, Italy began running out of electricity, particularly when the weather was bad. It is certainly true that ENEL was secretely pleased, because the cuts emphasized what it had been saying to the Government all along, but the suggestion that the authority staged the cuts is absurd.

Instead it concentrated on trying, not always very successfully, to get local authorities who were holding up the building or the start up of new power stations to drop their opposition. Near the mouth of the river Po, for example, a local council delayed for two years—until July this year—the start-up of one of the biggest oil-fired power stations in Europe because of fears about the effect it might have on a small number of eel fishermen. Only the disbursement of very large sums of money, with more to come after the plant starts working, ended the hold-up.

ENEL now has about enough capacity to meet Italy's needs, thanks to the coming onstream of new plant. But there will be another crisis toward the end of the decade unless something is done to meet rising demands, because work on only one large new power station has begun since 1975. The Government is trying to push through plans for new plants, both nuclear and coal-fired, but there is still a long and uncertain path to be trodden.

ENEL's financial status is not improving much either, because the latest rate increases, authorized by a more understanding Government, cannot offset so much accumulated debt. For much of last year ENEL could not pay its fuel suppliers, and work on new projects ground to a halt. JAMES BUXTON

Dublin

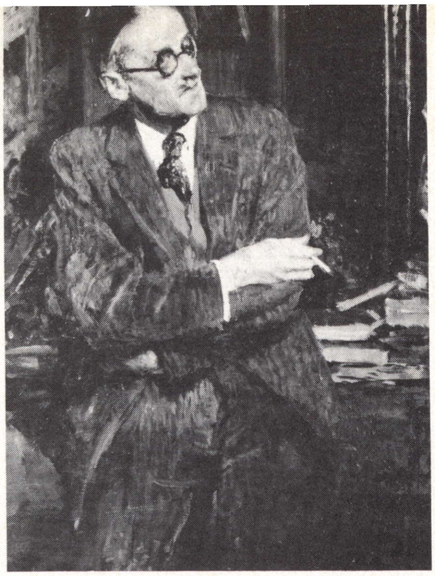
Never mind inflation, the economy, the political crisis, it has been James Joyce's summer in Dublin. Mind you, it did not always look that way. When the City Fathers met to consider how Dublin might best commemorate the centennial of the birth there of James Augustine Joyce, on February 2nd, 1882, they decided times were hard, there was no money, and there would be no commemoration. But voices were raised to say that would never do. A lot of thought went into things, and the City Council eventually agreed to name a bridge over the Liffey "Anna Livia" in the great man's memory. Not a new bridge, mind you. One, in fact that has been there since 1756, but had somehow remained nameless.

That there would be academic celebrations was never in doubt. Books were published, lectures held, symposiums attended. And a group of Joycean students and admirers did manage to organize a bust of Joyce, erected in St. Stephen's Green and unveiled by President Patrick Hillery. Money was again a problem, but a sponsor was found in American Express.

Money was short too at the national radio and television station, RTE. Announcing its centennial plans early in the year, the station said it could afford no more than $150,000. The centerpiece of the station's tribute, it was revealed, was to be a non-stop 30-hour reading of "Ulysses" on radio. The station was denounced. It was cheapskate, it was opting out. "Ulysses" said one scholar, was a very literate work, and the station was going to broadcast it to "a vast illiterate audience."

The marathon reading of "Ulysses" began at 6.30 on the morning of Bloomsday, June 16th, the day in 1904 in which Joyce placed the events of his epic. It ran, without break—no commercials, no station identification—for 30 hours, until noon the following day. And it was a resounding success. People listened to it whenever they could. It was acclaimed by the critics—a new art form in itself, said one. For thousands who had struggled through the book, it brought Joyce in all his humor alive. For others, many others, who had never read the book, it sent them out to buy it. Bookshops have since reported huge sales of "Ulysses," with stocks needing regular replacement.

What had been sharply criticized as a cheap excuse for Joyce commemoration became the shining highlight of all the events. It was neither a straight reading, nor a dramatization, but a reading with voices, a dramatized reading, prepared with scholarly attention to the text. Work on it began in January 1981, with a Joycean scholar retained to pre-



James Joyce (1882-1941) painted by Jacques Blanche. © The Bettmann Archive

pare the text, to eliminate as many of the many misprints as possible from the printed editions, and to sort out many complications which, in a book can be left to the reader to worry over, but on which decisions were needed for broadcasting. It was an enormous amount of work.

The entire reading went out on a special wavelength for Dublin listeners. A West German station ran it simultaneously and in full. The BBC, and stations in Canada, Switzerland, and Norway took bits and pieces. The whole is now available on cassette from RTE for £1,000. Inquiries are rolling in, from Korea and points west. As a contribution to the Joyce centennial it was a triumph, rivaled only by that of the Ormond Hotel, on the banks of the Liffey, mentioned in "Ulysses." There, the management was so carried away by the spirit of things that for one hour on Bloomsday it reduced the price of drink to Bloomsday (1904) levels. As that meant a pint of stout for about one US cent, it probably cost the hotel a bundle. DENNIS KENNEDY

London

A tide of tourism should sweep away much of the magic of a World War II legacy as the underground bunker complex in London's Whitehall—where Winston Churchill directed the victory over Nazi Germany—is to go public late next year.

The Cabinet war rooms had been one of London's most prized, and difficult to arrange, tours. The Government allowed occasional small groups to see them privately and to wander freely about them, much imbued with the sense of being in a wonderful time capsule.

It was possible to sit in Churchill's own chair in the Cabinet room, its square of tables still laid with the blotters, pencils, and notepaper left undisturbed since 1945. On the wall opposite was a strange map of Italy, drawn well over scale with large letters so Churchill could easily read it from afar. In the cubbyhole disguised as Churchill's personal toilet, one could pick up the secure telephone which he used regularly to talk to President Franklin D. Roosevelt.

Such shoulder rubs with history will end. The British Government is spending $2 million to convert the core of the bunker complex into a major tourist attraction. The Cabinet room, map room, and Churchill's bedroom-study, where he made most of his wartime broadcasts, will be fitted with glass walls. The paying visitors will walk by along a one-way passage. The Government thinks they will number at least 300,000 a year, just slightly fewer than annually visit Blenheim Palace, Churchill's birthplace. The herd-like arrangements are dictated by security: Thefts of the artifacts would otherwise be simple and there are sensitive Government offices just above the bunker.

Winston Churchill. Courtesy of the British Tourist Authority

The war rooms are only a small part of a maze of basements and tunnels lying as deep as 70 feet beneath the ground around Parliament. In the more subterranean vaults, most of the bunker staff had to live and sleep in cramped discomfort for weeks on end. What the public will see next year, though, are several rooms remarkably preserved just as they were 37 years ago.

When the Japanese surrendered, the bunker complex was locked up with its furnishings, maps, notices, and alarm systems untouched—and then virtually forgotten. So today there is still the sand bucket for Churchill's spent cigars behind his chair in the cabinet room.

The map room, the nerve center where access was limited to just 46 specifically listed people, is more evocative than any written history can be. There are maps of convoy movements, of the Normandy campaign, lists of aircraft losses, and log books still strewn on tables with pigeonholes labeled "secret," "most secret," and "the King." In Churchill's study-bedroom are the desk at which he sat while broadcasting and the narrow, hard bed in which he rarely slept. He and Lady Churchill both had bedrooms on the floor above the bunker and used them regularly.

The Government decided in May 1938 to establish the Cabinet war rooms in the basement under Government offices in Great George Street. Sites outside London were rejected. The rooms were opened in September 1939, one day before Britain declared war on Germany. The main rooms were only 11 feet beneath ground level and their original roof reinforcement was limited to large timber pillars. As the blitz worsened, iron girders and a thick concrete ceiling were added. It all looked very safe and Churchill no doubt felt secure. But one of the war's reputedly best-kept secrets was that the rooms probably would not have stopped a direct hit by a large bomb. This the great man was never told, even after the war. PETER J. SHAW

The Hague

A prominent historical site in the Dutch capital of Amsterdam has become the focal point of demonstrations aimed at halting the construction of a long-planned city hall and opera house. The demonstrators reject it as disfiguring the city, whereas Amsterdam socialites and cultural buffs have long complained about not having an opera house nor a worthy town hall.

Since World War II the Amsterdam city fathers have been ruminating over where to build a proper town hall. Funds were set apart for a city hall project and in 1968 Viennese architect Wilhelm Holzbauer submitted plans. These were rejected by the Government as "energy-devouring," but the municipal council insisted and got the grand idea of combining a tiny town hall, with an opera house, thus reducing heating costs. The Dutch word for townhall is *stadhuis*. In no time the Amsterdam people coined the word *stopera*.

The municipal council then selected as a site for the cultural-political amalgam a 25-acre area in the heart of the Dutch capital. It is Waterloo Square, so named after the famous battle where Napoleon was defeated. The square is on the edge of what was the "Jewish quarter" before World War II. It is the site of annual services commemorating the first strike under the German occupation, when Amsterdam dockers staged a mass walkout to protest the Nazis' arrest of the Jews.

Ever since World War II Waterloo Square has been a vacant lot that had become the unofficial parade ground of Amsterdam's political demonstrators and counterculture types. Among them was Willem van Willigen, who, after an adventurous trek through the African Sahel, decided to make the square a nomad city, with a restaurant, a day-care center, a botanical garden, and a drive-in cinema for cyclists. His vision was wrecked by the violence that accompanied the demonstrations during Queen Beatrix's inaugration ceremony two years ago.

In June the construction firm selected to build the "*stopera*," started setting up equipment, but on July 3, the date earmarked for laying the first cornerstone, a number of Amsterdam protest groups demonstrated against the project and burned the equipment. So the project is still on hold. NEL SLIS

Luxembourg

An anniversary salute seems in order for Luxair, 20 years old this summer and surviving very nicely in the recession-hit international airline business. If the idea of a country the size of Maryland with a population of 350,000 operating an international airline strikes you as odd, think how it must have seemed in 1962 when the company's one aircraft, a leased Fokker F-27, took off for Paris with one paying passenger.

But Luxair was created less out of the need to make money or create employment than to improve travel links between Luxembourg and other EC capitals. Not exactly an irresistable proposition for investors, you might think, yet by some small miracle of persuasion the Government managed to recruit capital from the two large private banks, the state savings bank, the steel industry, and Radio Luxembourg, among others.

In its first year of operation the Fokker carried 12,000 passengers between Luxembourg and Paris, Amsterdam, and Frankfurt. Growth was steady for a few years as the growing integration of the EC member countries brought about increased shuttling between the institutions. A second Fokker was added in 1965. By 1967, however, the state subsidy to the airline had risen more than threefold in two years as rising operating costs exposed the disadvantages of serving an essentially weekday business traffic. The little planes were virtually empty on weekends.

Luxair's development really dates from that year and the decision to go into holiday charter flights. The first was to Palma. Soon virtually the whole Mediterranean area was covered. In 1973 the company began its own holiday package-tour business—even selling holidays to passengers using other airlines to destinations well outside the Luxair orbit. By 1981 Luxair was carrying about 300,000 passengers a year, roughly half of them holidaymakers.

The fleet was expanded in response. Two Caravelles were acquired in 1969, to be replaced by Boeing 727s in 1978. There are now three F27s. These five aircraft sustain a scheduled service between Luxembourg and London, Paris, Rome, Amsterdam, and Frankfurt, as well as a holiday charter business reaching from Salzburg to Tel Aviv.

Even more striking has been the growth in Luxair's air freight subsidiary Cargolux, set up 11 years ago in partnership with Icelandair and a Swedish shipping company. Specializing in shipment of such awkward items as racing cars, giant Christmas trees, and even elephants, Cargolux claims to be the biggest air freight company in Europe and its turnover now handsomely outstrips that of its parent concern.

It's a safe bet that Luxembourg airport is best known to many Americans as the starting point for flights back to the United States (and vice-versa) in the days when Luxair's partner, Icelandair used it as the European base for its cut-price transatlantic flights. In the peak years up to 250,000 passengers began or ended their American flights at Luxembourg. But this traffic fell off rapidly as the North Atlantic fare structure broke down in the late 1970s—a disagreeable blow to Luxair which, unusually for an airline, operates the airport's profitable administration, catering, and duty-free activities.

Luxair's accounts are relatively unmarked by the red ink which has disfigured so many airlines' books in the past few years. Nevertheless a number of question marks hang over its future. An expansion of the airport runway—due to be completed in 1985—will permit increased growth in the freight business by offering a welcome to fully loaded Boeing 747s, but aircraft of this size are beyond the ambition of the passenger side at present.

Ideally Luxair would like to replace its ageing F-27's with aircraft of about 60-seat capacity, though no suitable planes seem to be on offer from manufacturers at the moment. Talk of a merger between Luxair, Sabena, and KLM (the Belgian and Dutch national airlines) surfaces intermittently in the three countries, but is not regarded as very likely in the near future. If the conventional view is that Luxair's years of dramatic growth are now behind it, events since 1962 have surely shown how rarely the company performs to expectations. ALAN OSBORN

Courtesy of Luxembourg Tourist Office

Brussels

When the curtain came down on the last performance of "La Clemenza di Tito" in July the applause at the Théâtre Royal de La Monnaie was for more than a stunning execution of a little known Mozart masterpiece. By common consent the audience was also celebrating the close of a remarkable season that has seen the Belgian national opera triumphantly restored to a leading place among the world's opera houses. Not all opera lovers here would agree that the transformation has been a complete success, but none would deny that it has firmly restored Brussels to the international musical map after an absence dating back to the pre-war years.

The splendid portico and columns of the Monnaie proclaim the building's antiquity and the role that the house has played in the political as well as cultural history of Brussels. It was here that riots broke out after a performance of "La Muette de Portici" in 1830, leading to a revolution and the founding of the Belgian nation. Throughout the 19th Century, the Monnaie vied with the Paris Opéra as the world's leading French-language opera house, staging many productions well in advance of popular taste and witnessing the debuts of several prominent singers of the age.

But the Monnaie was unable to recapture its eminence when it reopened after the last war. In a deliberate attempt to popularize opera, the management leaned heavily on familiar works and shunned the employment of international stars. With prices kept remarkably low, the policy resulted in impressive attendance figures, but at the cost of often inferior professional standards and a generally un-

imaginative repertoire. It should be said, however, that the Monnaie was also the launching pad for Maurice Béjart's 20th Century Ballet—an extraordinary success which made Brussels for many years a world leader in modern ballet.

The appointment of Gérard Mortier—a young, but widely experienced and ambitious Belgian—as director last year signaled sweeping changes in the character of the national opera. The well-known British conductor John Pritchard was chosen as musical director, assisted by Sylvain Chambreling from France. Mortier made clear his policy would be to bring in top international singers, to revitalize and extend the repertoire, and to expand the size of the orchestra. His declared aim was to construct an opera "worthy of the capital of Europe."

The professional judgment on his first season has been almost uniformly favorable. He has presented well tried works like "Tosca" and "Don Carlos" with a panache and imagination not seen in Brussels for more than a generation. Lesser known works (at least in Belgium) by Verdi and Mozart have commanded enthusiastic audiences, while a production of Wozzeck won international acclaim. At the same time the orchestra—so often plagued in the past by union disputes—has developed sufficiently to be able to give concerts by itself.

Yet there is an undercurrent of disquiet to the situation and it basically stems from money. There has been no increase in the Government subsidy for the Monnaie's reincarnation—indeed it gets less from the State than each of the main regional opera houses in Flanders and Wallonia. Nor has the city of Brussels proved a very generous benefactor. One result has been that prices have had to be raised sharply. About a third of the national opera's revenues come from the box office—a far larger proportion than that of any comparable company.

Even more serious, many observers feel, is the closing of the Opera Studio in the interests of economy. A program for bridging the gap between the renowned Royal Music Conservatory of Brussels and full-scale opera, the Opera Studio provided a means for young singers and musicians to perform publicly in a special *petite salle*. Its loss, together with the higher seat prices and the importing of foreign stars, is felt strongly. But for the most part the Brussels view seems to be that this is a price worth paying for the satisfaction of seeing the Monnaie climb back to its former greatness. ALAN OSBORN

Paris

If Escoffier could see them now. From the heart of the Latin quarter, to the tree-lined Champs Elysées and the foot of Montmartre, the French are lining up in increasing numbers at *les restaurants rapides*. In the 10 years since they were first introduced to France, fast-food outlets have been gaining ground in the land of *haute cuisine*.

Statistically, fast-food restaurants still represent a tiny fraction of the total number of restaurants in France. The 181 outlets operating in 1981 accounted for only 0.2 per cent of eating establishments. In comparison, fast-food restaurants represented 1.5 per cent of the market in the Netherlands, 2.5 per cent in Belgium, 2.9 per cent in West Germany, 3.3 per cent in Britain, and a whopping 4.1 per cent in the United States.

But industry sources project there will be nearly 1,000 fast-food places operating in France by 1990. Trends in the past few years give credence to those projections. France Quick, Kit Burger, Freetime, Chicken Soup, and Mister Cook have all joined the ranks of the burger brigade.

Even more impressive has been the onslaught of a French version of the quick, cheap fast-food formula developed by Americans. Referred to in the trade as *viennoiseries*, these fast-food emporiums offer such French staples as *croissants* and *brioches* stuffed with cheese, ham, or other fillings. With names such as Croissant Show, Brioche Dorée, and Mammy Croissant, the *viennoiseries* now ac-

For a while, it seemed like the Big-Mac attack might be a doomed mission. When the first MacDonald's restaurant was opened outside of Paris in 1972, critics contended the French would never eat hamburgers with their hands. For the next three years, the industry staggered along and claimed only 11 fast food places in all of France by 1975.

The number of *restaurant rapides*, however, has more than doubled in each of the last three years. In 1981, 92 new ones threw open their doors and this year promises to be as aggressive. Burger King, What a Burger, count for 54 per cent of the number of fast food outlets in France, compared with 35 per cent for hamburger places. Taking a cue from Americans, French entrepreneurs have started exporting the *croissant* chains to the States.

The Association de la Restaurant Rapide, which was founded last year to promote the fast food industry, attributes the market's growth to fundamental changes in the way French men and women work and live. "The mass entry of women in the job market and the general reduction of the lunch hour from an average of two hours to 45 minutes are the biggest factors," a spokesman for the association said.

With business burgeoning, France's first fast-food congress was held earlier this year in Paris. French Consumer Affairs Minister Catherine Lalumière made an opening made an opening speech at the Salon de la Restauration Rapide and noted the restaurants met today's needs as well as aided the economy by stimulating employment and manufacturing.

Even though they've now been around for a decade, many French fast-food outlets still like to proclaim *service gratuit* on their menu boards to underscore the fact that they do not levy the 15 per cent tip that automatically is added on to bills at traditional restaurants. CAROLYN LESH

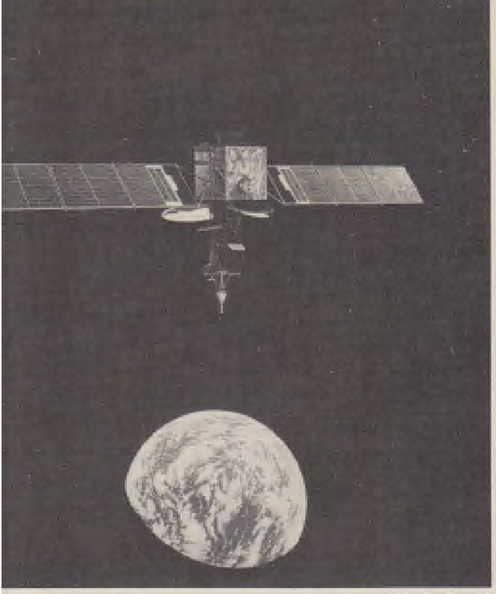
Copenhagen

Though boasting—still—one of the highest standards of living and education in Europe, Denmark still has to come to terms with the information society. More than half of all Danish households have cable television, making Denmark one of the most wired societies in the world. But the number of channels has deliberately been limited to a minimum, partly to limit the influx of popular US-produced series.

There is only one Danish television channel, Government-controlled, and the cables are only allowed to carry the Danish and—where reception is possible—the German, Swedish, and Norwegian channels. No commercials are allowed on Danish television, and program content is a carefully balanced mix of mainly US entertainment and locally produced cultural and current affairs programs.

But now the satellite technology is challenging the traditional policy of deciding what's best for the people. By the end of this decade 30 to 40 channels from all European countries will be available to most Danes, and the monopoly of Danish radio and television will evaporate completely.

The majority in Parliament fears that the hegemony of the US programs will be further



strengthened—because most people want to watch entertainment programs and US series dominate the market. Furthermore, most Danes understand English far better than they do German, not to mention French and the other continental languages.

The non-socialist parties want to meet the new challenge by allowing a second Danish channel, financed at least partly by commercials, to operate in competition with the existing channel. They say that five million Danes have a right to a choice between at least two Danish programs.

The Socialist-led majority is ready to consider a second channel, but a channel without commercials and operating on the same basis as the present channel. This, the majority hopes, would prevent a second channel from stealing too many viewers by adopting a more popular program policy than that of the existing channel. In the coming months the first experimental local radio and television stations are expected to go on the air, thanks to a new law.

There has been widespread interest in getting the licenses, even though no commercials are allowed and no hook-ups with cable television permitted, limiting the number of viewers to those few prepared to invest in special antennae. Many newspaper groups, however, believe that this is the first indication that the Government is bowing to the inevitable—a liberalization. They will invest money in stations to gain the necessary experience, and believing that the Danes will soon demand the same kind of local electronic news coverage that is taken for granted in the United States and a growing number of European countries.

If no legal basis is created for television financed by commercials, many observers believe that special Danish programs will be beamed toward Denmark from satellites, forcing the hand of the Government. But the Government seems determined to give up its ground as late as possible.

LEIF BECK FALLESEN

View of the Naero Canyon in Norway. © Diana Scimone, Washington

European Wheels

DIANA SCIMONE

It's a known fact on the underground travel circuit that the best spot in Europe to buy an inexpensive car is on the sidewalk in front of the American Express office in Amsterdam. On any given day there's a wide choice of used pop-top Volkswagen buses, well-seasoned (if rather rusted) sports cars, and Land Rovers that know their way across the Alps better than Hannibal's elephants did. But for those who want a bit more assurance of what they're getting into when renting or buying a car in Europe, it's best to patronize one of the more well-known establishments.

If you want to rent a car during your trip, you can conveniently make reservations ahead of time. Many US firms such as Hertz, Avis, Dollar, and National have fleets in Europe, and a phone call to their US offices before you leave home can reserve just about any make and model. Dollar Rent-a-Car's InterRent (800/421-6878), for example, has 1,200 locations in Europe and a fleet of 70,000 cars around the world. They offer unlimited mileage packages at reasonable rates. A Fiat 127, for example, rents for $145 a week in Italy, while an Opel Rekord in Denmark goes for $215 (all prices are subject to change, of course). To qualify for these rates, you must reserve 14 days in advance.

Another rental company is Kemwell (800/431-1362) which serves an average of 25 cities in just about every country in Europe. Their supersaver rates can run as low as $99 a week in Belgium, England, Germany, Italy, Luxembourg, Portugal, and Spain for a subcompact car such as a VW Polo. The only restrictions are that you must pick up and return the car at the same location, and you must pay in full 21 days in advance.

One of the more unique rental companies is Share-a-Car, Inc. with offices in Copenhagen. Run by Hendrik Hildebrandt out of his tailor shop, Share-a-Car boasts low overhead and can consequently rent camperbuses or cars with camping equipment at unheard of prices. For instance, a VW camperbus that sleeps four rents for less than $500 for two weeks, including 100 free kilometers per day. Daily car rentals are also competitive. For a slight additional price, Hildebrandt can have your car delivered to most European cities. Share-a-Car has no US office, but you can write them at 61 Studiestraede, Copenhagen 1554.

Other car rental agencies with US offices include Auto-Europe (800/223-5555), Budget (800/527-0700), Europe by Car, Inc. (800/223-1516), and Thrifty (800/331-4200). AAA also arranges car rentals for nonmembers as well as members.

You'll find rental car companies offer a variety of rental plans, each designed to fit specific needs. One-way rental means you pick up the car in one city and return it to another. Be sure to ask if this involves a drop-off fee, as often companies will not mention it until you make the final payment. Some rental plans include a per-kilometer charge, while others include unlimited mileage. Monthly leases are also available at rates lower than weekly charges would be. Rental costs vary by country, so it's a good idea to start your tour in a place with low rates; the most expensive country in which to rent a car is Switzerland, and the least expensive are Denmark, Spain, Portugal, England, and Luxembourg.

Legal liability insurance is required and is included in the price of rental. Most rental companies and travel agents recommend collision waiver coverage which can be purchased for a slight additional cost. Before

Diana Scimone writes regularly on travel for Europe *Magazine.*

leaving home, be sure to ask if your own medical and life insurance policies cover driving in foreign countries.

To drive in eastern Europe, Spain, and Greece, you'll need an International Driver's License (available from any AAA office for $5; bring 2 passport photos and a valid US driver's license). Your US driver's license is valid in the rest of Europe, but you'll need a translation in Italy and Finland.

If you'll be driving in Europe for a month or longer, and if you're in the market to buy a new European car, it can be quite economical to purchase a car in Europe, use it during your trip, and have it shipped home. Though you won't save much on the actual cost of the car (which includes often hefty shipping charges and customs duty), you'll save what you would have spent on a rental car, which can cost from $500 to $1,000 or more.

As with car rentals, there are a variety of plans for purchasing a car. Many European car dealers in the United States have overseas delivery programs. Mercedes-Benz, for example, has shipped 50,000 cars to the United States for individual buyers in the past dozen years. Prospective buyers contact their local dealership, select the model and options, and put down a deposit. The balance is due 30 to 45 days before picking up the car at the Mercedes-Benz assembly plant in Stuttgart-Sindelfingen, West Germany.

Mercedes-Benz does not finance cars purchased in Europe, but they will take a trade-in as partial payment. For cars purchased in Germany, there is a $500 to $1,000 value-added tax that is refunded if the car is exported within six months of pick-up. Mercedes-Benz will recommend shipping agents, but the final arrangements are up to the purchaser who must drive the car to a North Sea port such as Antwerp, Bremen, Bremerhaven, or Hamburg (or pay an extra fee to have it picked up in another city).

Mercedes-Benz dealers stress that the savings is not in the purchase price, but in the cost saved by driving your own car instead of renting one. For example, the sticker price of a Mercedes-Benz 240D automatic purchased from a dealer in the United States is $23,158, although a buyer could get it as low as $21,000. To purchase the same car in Europe and ship it home would cost about $21,000. But to rent the same car for a month in Europe would cost about $1,600. Thus the amount saved by purchasing the car first would be $1,600—the cost of renting.

Cars can also be purchased through companies such as Ship Side Car Delivery, Inc. Ship Side has a showroom at Schiphol Airport in Amsterdam. It's best to reserve a car in advance by calling the New York office (800/223-0919) ahead of time, but if you find yourself in Amsterdam and desiring a new car, Ship Side will process your application and provide you with car, title, registration, insurance, and license plates—often in just one hour. Ship Side requires a 25 per cent deposit if you order your car in advance, and the balance at time of pick up. As with Mercedes-Benz, there is no financing. As part of the purchase package, Ship Side handles shipping to the United States.

US cars are required to have certain environmental and safety adaptations that European cars don't have. For instance, cars that use lead free gas in the United States will need a catalytic converter; but because there is no lead-free gas in Europe, the converter must be installed at the time of shipment.

Shipping costs vary from port to port. The lowest prices are out of Amsterdam, where shipping costs for a small car will run about $400 to $500, double for a larger car such as a Mercedes-Benz. It takes about four to eight weeks from a European to a US East Coast port, longer to a West Coast port.

Once your car sets its tires on US soil, you're advised to pick it up as soon as possible. There are many horror stories about new cars sitting on the docks awaiting their owner's arrival. You'll also be required to pay US customs duty which is 2.8% of the value of the car paid in Europe; this must be paid in cash or travelers checks, not with a personal check. Finally, port fees will run about $50.

Courtesy of the Hertz Corporation

Five for the Road

A few suggestions to break in your new car:

1. **Romantische Strasse:** The famed "romantic roads" through Germany's Black Forest will have you singing. From Würzburg, go south on Rt. 27 to Tauberbischofsheim, take Rt. 290 to Bad Mergentheim, and then follow Rt. 25 as it winds its way through medieval towns such as Dinkelsbühl, Rothenburg and Nördlingen.

2. **Riviera:** Start in Fréjus, the westernmost point of what is considered the French Riviera, and work your way east. The Grande Corniche (N7), built by Napoleon over 150 years ago, offers unparalleled views of the Mediterranean. Cross the border into Italy as Ventimille turns into Ventimiglia, and continue east through the charming resort towns of San Remo, Portofino, and Rapallo.

3. **Costa del Sol:** From Granada, travel southwest on N342 to Malaga, then west along N340, stopping to cool off in the Mediterranean at the beach resorts of Torremolinos (scene of Michener's *The Drifters*), Fuengirola, Marbella, Puerto Bonus, and on to Gibraltar.

4. **Northern Lights:** From Copenhagen, go north on Rt. E4 to the Helsingør (Denmark)-Helsingborg (Sweden) ferry, than continue on Rt. E6 to Oslo. From there, head northwest on Rt. 7 through the breathtaking mountains. At Kinsarvik, cross the fjord by ferry boat, and then continue on Rt. 68 west to Bergen.

5. **Mont Blanc Tunnel:** There's not much of a view in this seven-mile tunnel through the Alps, but it's a feat of engineering worth the ride. From Geneva, take Route Frontenex southeast into France and to the tunnel. When you exit, you'll find yourself in Italy.

REFLECTIONS ON

World Cup '82

WILLIE GAILLARD

"The Malvinas are Argentinian, Gibraltar is Spanish, the English are pirates!" With this cry, a small, but vocal, group of Spanish soccer fans "welcomed" their English counterparts on the Paseo de la Castellana, the main avenue which leads to Madrid's Santiago Bernabeu Stadium. The English supporters chanted back provocatively "We are Basque! We are Basque!"

Even if not everything in soccer's 1982 World Cup was as controversial or as political as the status of Gibraltar, there is no doubt that there were political overtones at this major sports event. Cesar Luis Menotti, the Argentine coach who led his team to a resounding victory at home in the World Cup of 1978, was asked by Spanish reporters whether a good performance by Argentina's squad would help heal the wounds of the Falklands defeat. "Anyone who feels that way," he answered, "should be shipped straight to the loony bin. We're dealing with soccer here and nothing else."

Despite Menotti's disclaimer, the international press kept on reading Argentina's disappointing results in Spain as another demonstration of the deep crisis the South American nation is going through. The Spanish press also hammered at the wider meaning of its national soccer team's poor performance in a competition where everything seemed designed to help the Spaniards do well, from a "guided" draw of opponents to more than complacent referees and fanatically devoted stadium crowds.

An overdose of commercial interests intruding into the sport was also attacked. One could not walk a block in a Spanish city in July without coming face to face with a huge poster ad of the Spanish stars playing soccer in business suits from El Corte Inglés (Spain's version of J.C. Penney's). They were no longer soccer players, as a long angry, editorial piece in the very serious *El País* pointed out, they were "models from El Corte Inglés."

Spain's goalie and the teenagers' national hero, J. Luis Arconada, was on every wall, flying high in the air with a ball in his hands and splashed over a Coca-Cola poster, expounding his philosophy of life—"Winning is important, but always with a smile." Coca-Cola had also recruited Argentina's budding star, Diego Armando Maradona for a television spot "à la mean Joe Greene" featuring Maradona, his soccer shirt, a kid, and a bottle of Coke. Even the legendary Pelé was peddling "Café do Brasil" on fences.

© Bas, Tachydromos, Greece

The final game could have been a match between Adidas, the giant German sports-equipment manufacturer, and Coca-Cola. They footed most of the bill. Automobiles, washer-dryers, aspirin, brassieres, socks, cheese, holiday packages, airline tickets, the national railroads—everything was special for *Mundial '82*. Every 20 minutes, Spanish radio would fill cars and houses with the extravaganza's theme song, a jingle with a paso-doble beat and lots of flamenco-style hand-clapping.

From the beginning, the presence of former US Secretary of State Henry Kissinger added to the political flavor of the World Cup. He was in Spain on behalf of the US Soccer Federation, mobilizing support for playing the 1990 tournament in the United States. As the playing progressed, rumors grew about crowned heads, Presidents, and Prime Ministers who were willing to show up at the final game if their team was playing. Italian Premier Giovanni Spadolini, on his way to Madrid on an official visit to Spain, made an unscheduled stop in Barcelona to congratulate the Italian team after its second-round victory over Argentina.

When the two finalists were known—Italy and the Federal Republic of Germany—Spanish Premier Leopoldo Calvo Sotelo personally invited both German Chancellor Helmut Schmidt and Spadolini, while King Juan Carlos extended his welcome to Italian President Sandro Pertini. Both Schmidt and the buoyant 86-year old Pertini were seated with the King and Queen of Spain and Sotelo in the official box for the final game. They were joined by the Nicaraguan Sandinista leader Daniel Ortega and the Foreign Minister of Tunisia, both on official visits to Spain.

The final looked a lot like a summit meeting, with the giant color television screens at the stadium focusing the public's attention on the grins, laughs, and visible emotions displayed by the official guests of the Spanish Government. But despite the rich and powerful, the multinational corporations and the kings, the real show was on the fields where for the first time as many as 24 teams were allowed to compete in the final tournament.

Five teams, Kuwait, New Zealand, Algeria, Honduras, and Cameroon reached the final round for the first time in soccer history. Their presence reflected the opening up of the soccer world to the Third World and a shift away from a strict European-South American rivalry. Although none of these teams made it past the first set of matches, despite some brilliant exhibitions of talent and skill by Algeria, Honduras and Cameroon, they greatly contributed to the general climate of upsets which pervaded *Mundial '82*.

Cameroon tied both third-place Poland and champion Italy, while Algeria beat runner-up Germany and Honduras displayed top-notch technique and physical ability when its tie with Spain signaled the beginning of the local side's misfortunes.

Unlike the 1958 or 1974 editions, which respectively brought about the birth of modern soccer in Brazil and the Dutch "total soccer" explosion, the 1982 edition did not produce a major sensation as far as the evolution of the game is concerned. The more obviously talented teams, Brazil and France, did not reach the final, while the slow-starting, fast-breaking Italy was the only squad to withstand both 100° temperatures and an exhausting 30-day tournament.

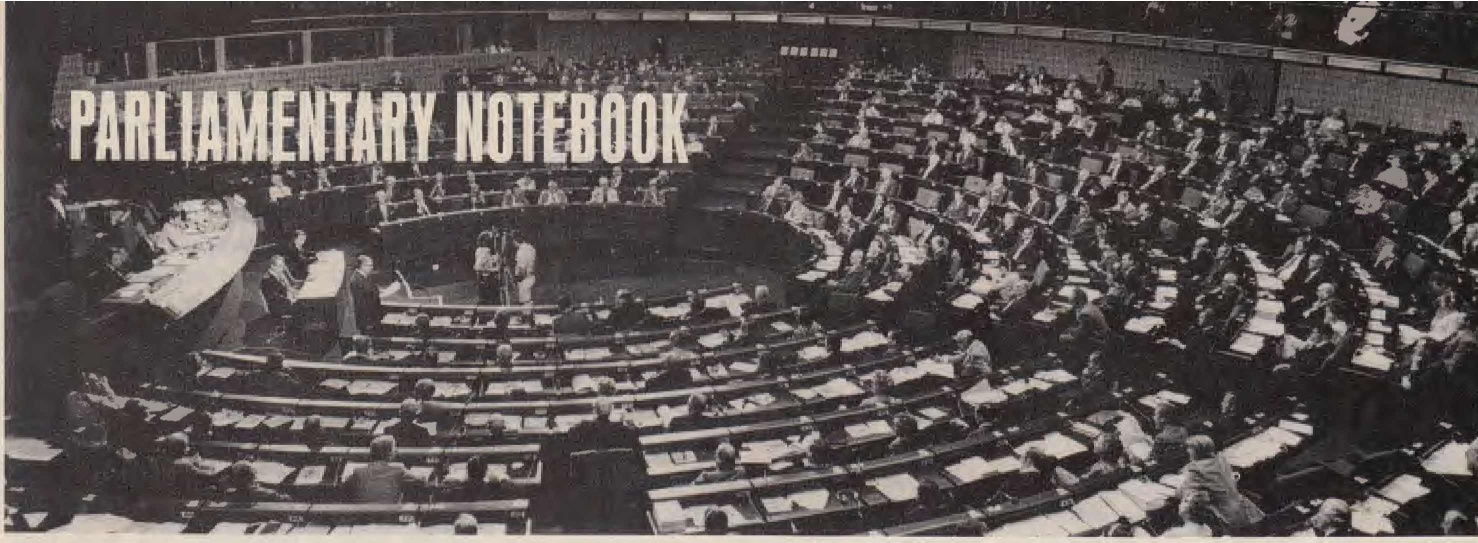
Italy's victory and Germany's second place represented the triumph of tenacity and physical ruggedness over Brazil and France's technical skill and flamboyant imagination—a victory of *realfussball* over *sambafutebol*. The 1982 World Cup also established European supremacy in the soccer world. For the first time since 1966, no South American team was present in the semi-finals.

After the month-long *fiesta*, it is now accounting time in Madrid, a much sadder occasion. There are already requests within the Spanish parliament for an official investigation of the private Mundiespana agency, an outfit with a capital of less than $80,000 which received a monopoly over ticket sales, hotel accommodations, and transportation for the *Mundial*. Foreign tourists were charged up to $5,000 by Mundiespana for two weeks of at best mediocre accommodations combined with sub-standard stadium seats, and dismal transportation.

The Association of Spanish Hotel and Restaurant owners has complained that World Cup '82, far from attracting tourists to Spain, actually scared away many non-soccer oriented potential customers. Furthermore, millions of dollars worth of goods bearing the official *naranjito* (little orange man) World Cup '82 emblem were left unsold, leading angry manufacturers and retailers to accuse Spain's sports authorities of neglecting the commercial promotion of the items.

Although everyone in Spain claims today that no large sports event like the World Cup or the Olympic Games produces immediate profits for the host country, Spaniards are still quite worried that *naranjito* might end up being a very bitter orange to swallow.

Willie Gaillard, a soccer-starved Frenchman living in Washington, D.C., followed the tournament around half a dozen Spanish cities this summer.



GEORGE CLARK

Recent Reagan Administration decisions—to impose a levy on European steel entering the United States and to stop US subsidiary companies in Europe making equipment for the pipeline that will bring Russian gas from Siberia to Western Europe—brought strong reactions from politicians at the European Parliament in Strasbourg. But the words were stronger than the deeds. Parliament passed a resolution "deeply regretting" the American action, but there was no mention of retaliatory trade action. The EC Commission and council of Ministers were asked to make every effort to dissuade the US Senate from approving the sanction.

Sir Fred Catherwood, a former economic adviser to the British Government, said the extension of US jurisdiction to European companies operating under license was intensely resented. "It will cost the old British firm, John Brown's, a £100-million contract," he complained. "The judgment of Europeans is that to depend on the Soviets instead of Algeria for 3 per cent of Europe's imported natural gas does not make Europe dependent on the USSR. It is outrageous interference to use American ownership of European companies to frustrate political decisions taken by the self-governing states of Europe."

Herr Otto von Habsburg, a Christian Democrat member of Parliament from Germany, whose father was the last emperor of Austria and Hungary, took the lead in urging a calm response. This tall, military looking man of 70 reminded those who wanted rash action that the United States is still Europe's greatest ally and had preserved peace in Europe. The dialogue must be continued, he said.

On the other side, Angelo Carossino, an Italian Communist, lambasted the Americans for their hypocrisy. They wanted Europeans to hold back in the sale of pipeline equipment, he said, but they themselves were not willing to forego selling huge quantities of cereals to the grain-hungry Soviets.

Socialist group leader Ernst Glinne (Belgium) said 150,000 European steel workers were now unemployed and it was wrong for the American steel industry to blame Europe for its own problems. EC exports took up only 6 per cent of the total US steel market. Other members of the European Parliament said the Reagan Administration was mistaken in thinking that European steel was heavily subsidized. In fact, most of the money paid out by EC member states went into redundancy payments, as steel works closed down.

On a private visit, Sen. Christopher Dodd, a Democrat from Connecticut and a member of the Senate Foreign Relations Committee, got the message clearly. One of the Parliamentarians recently in Washington on a delegation, Michael Welsh (UK, Conservative), said: "We got the impression that the EC and the US Administration were talking at, rather than to, each other, presenting unnegotiable and incompatible demands." He thought the steel dispute, once it was depoliticized, would be settled on a technical level, possibly with some quantitative limit.

"More serious is the question of the pipeline," he said. "The White House feeling is that the Soviet economy is in great trouble and anything the West can do to put it under pressure will push it into some form of collapse. Opinion in the Administration outside the White House, however, is that this is retaliation against the Europeans because they failed at Versailles to come up with a suitable package on cutting down credits to Eastern Europe."

For the EC Commission, Vice-Presidents Etienne Davignon and Wilhelm Haferkamp promised to defend Europe's interests and present a united front. They said the Americans appeared to be rescinding their obligations under the General Agreement on Tariffs and Trade and pointed out that many European companies had signed binding contracts for the pipeline equipment, subject to penalty clauses. Moreover, it was a fact that the United States had already sold some high technology to the Soviet Union.

The United States also came under attack from all the women members of Parliament who backed a motion regretting the rejection of the Equal Rights Amendment. They called attention to the need for the United States to comply with Article 2 of the UN convention on the elimination of all forms of discrimination against women, and expressed solidarity "with American women who have been fighting for more than a decade to improve their Constitution". €

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

Visitor Sees Crisis

The biannual meetings between members of the European Parliament and their counterparts in the US Congress this summer led ***Michael Welsh,*** *a Conservative parliamentarian from Lancashire, to the following conclusions on US-EC relations.*

After a week of intensive meetings in the United States, with exchanges covering senior members of the Reagan Administration, members of the foreign affairs and trade committees of both Houses of Congress, the business and financial communities and representatives of labor, one is left with the dismal feeling that relations between America and the European Community have deteriorated to the point of crisis. A senior State Department official reflected that the present disputes in the trade and economic sectors were harbingers of far more fundamental political disagreements which, if allowed to grow unchecked, could split the alliance itself by the end of this decade. He believed that it was essential for the structure of communication between the two sides of the Atlantic to be reformed so that mutual understanding could be restored.

The crisis, like so much else, has its roots in the recession. At the AFL/CIO we were handed a policy leaflet which could easily have been written in Congress. Workers' livelihoods were being destroyed by unfair foreign competition, jobs were being exported and the manufacturing base eroded through the negligence and weakness of Government negotiators. The only difference was that these were American workers and American jobs whereas we use identical rhetoric when seeking to defend the interests of workers in Europe. There could be no more telling exposure of the fallacy of protectionism than to see one's own arguments turned back in this way.

The direction of the US economy seems bedeviled by confusion and drift. Supply siders at the Treasury Department maintain that their objectives of reducing taxation, cutting Government spending on domestic programs while massively increasing it on defense, and bringing inflation down through control of the monetary base remains valid and compatible and it is simply a question of whether the political process will have sufficient resilience to accommodate the economic dynamics. (In other words, provided the Administration does not suffer a bruising defeat in the November mid-term election).

There appears to be some disposition to intervene more readily in the exchange markets, but while everyone agrees that high interest rates are stifling any chance of recovery and deepening unemployment no one pretends to have any idea as how they might be brought down. Meanwhile, at Commerce we were told that the US economy was programmed to grow at 4 per cent next year, the result of consumer spending stimulated by a tax cut in the summer.

Such a forecast, with its Keynesian overtones, was greeted with marked skepticism not to say derision on Capitol Hill; as one Congressman put it: "The Administration, and the President in particular, see these things in very simple terms and believe in straightforward solutions. They are incapable of addressing the complexities of the American economy and remain the prisoners of their own prejudices." This purblindness must have been a powerful factor behind the Haig resignation.

Nothing better illustrates the disharmony of European-American relations than the recently announced embargo on the use of US technology in the construction of the Siberian pipeline. There has been a serious failure on the part of some EC Governments to perceive how deeply the Americans feel the need for a common trade policy toward the East Bloc and the fecklessness of their attitude to US proposals has been immensely irritating to an Administration which sees containment of the Soviets as a principal objective of its policy.

Members of the European Parliament met with their counterparts in the US Congress in June. Here they pose on the steps of the US Capitol. © Vince Finnigan, Washington

The result is an instinctive response which not only puts jobs and investment in Europe at risk, but raises serious questions over America's right to force companies overseas to conform to the dictates of American regulation, even where this runs counter to the domestic law of the country in which they operate. The implications of such extra territorial legislation are extremely grave for our future relationships, but there is no indication that the President and his advisers had in any way thought this through when the embargo was announced.

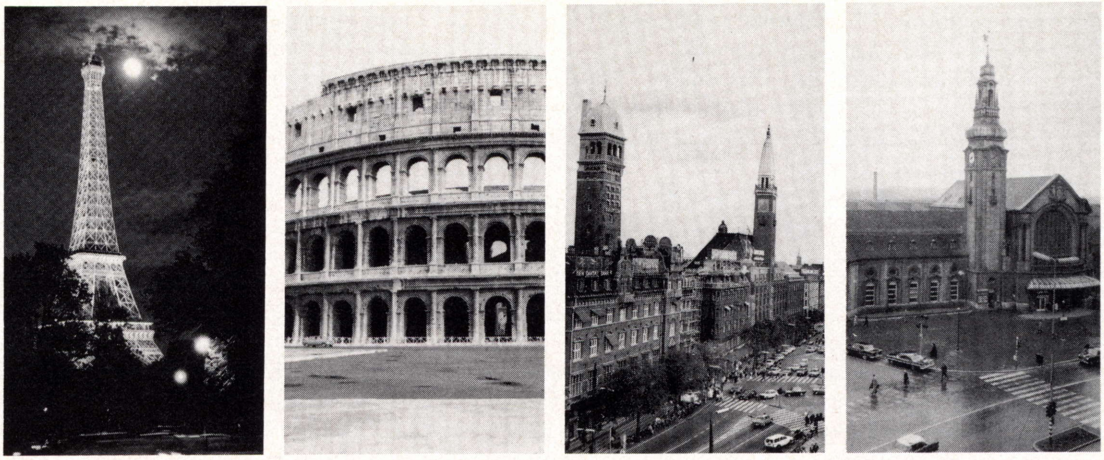
The relationship between the United States and Europe is not unlike a long established marriage which has been allowed to turn sour. We are talking at each other instead of communicating; an unhealthy obsession with our own concerns renders it impossible for us to pay any regard to the problem of our partners so that each facilely blames the other for mutual difficulties.

If harmonious relations are to be restored, both sides must be prepared to make concessions. The Europeans must give ground on the vital issues of East/West credits and artificially high cereal prices. In return, the Americans should be prepared to make constructive proposals for a common trade policy with the East Bloc and stop pretending that the problems of their steel industry, currently operating at 42 per cent of capacity can be laid at the door of imports from Europe amounting to a trifling 6.2 per cent of current consumption. Above all, Governments on both sides must resist the temptation to justify themselves to public opinion by outbidding each other in strident accusations and running like spoiled children to the General Agreement on Tariffs and Trade for justification.

All marriages have their vicissitudes, particularly when times are hard and there are no obvious signs of improvement. If irritation and squabbling are not to lead to rupture, both partners need to have the maturity to recognize the things they share are far more important than the disagreements and that they must maintain their unity in the face of common difficulties.

This is precisely the case with Europe and the United States. We have to be understanding, magnanimous and appreciate the dangers of taking the other for granted. If we are unable to achieve this *rapprochement* what is now unthinkable—divorce—will quickly become possible and then probable. Neither Europeans nor Americans could view such a prospect other than with terror and despair.

NEWS OF THE EUROPEAN COMMUNITY



INTERNAL AFFAIRS

1983 Budget Proposed

The EC Commission has proposed a budget for 1983 of ECU 21.9 billion. This amount would probably have to be increased to accommodate agricultural prices and the budget refund to the United Kingdom. The Commission's proposals take into account the fact that value-added tax revenues are expected to be some ECU 3 billion above spending in the coming year. Increases of 39 per cent for the Social Fund, 33 per cent for the Regional Fund, and 116 per cent for energy policy were proposed for 1983.

Amendments to the 1982 budget were announced at the same time, including a reduction of ECU 500 million in agricultural spending and increases of ECU 215 million in Social Fund expenditures, ECU 200 million in aid for food and Latin America, ECU 12 million for housing projects in Northern Ireland, and ECU 35 million for industrial research.

VAT Directives Proposed

Two Commission proposals regarding the value-added tax (VAT) were recently presented to the Council of Ministers. In order to simplify border formalities on imported goods, one proposal calls for measures to defer payment of the value-added tax by taxable persons and to restrict border formalities to the production of the required documents and a random check of the goods.

The other proposal aims to introduce common arrangements for the refund of the VAT to non-Community traders under the same conditions as those which apply to Community traders, while others may even refuse all refunds. These different approaches affect competition in trade between member states in relation to third countries, since some member states are more attractive as entry ports than others.

Soccer Inquiry Started

The EC Commission recently launched an inquiry into the issue of free movement of soccer players between member states. This action was taken to check on progress toward the elimination from the national soccer associations' rules of nationality clauses limiting the numbers of Community players in each playing division. Over four years ago the national soccer associations agreed in a meeting with the Commission to begin progressive elimination of nationality clauses in order to wipe our discrimination on that basis. Now the Commission wishes to know if the rules and regulations still contain nationality clauses and if so, the scope of remaining clauses, or the conditions of eliminated clauses.

Civil Service Rules Hit

Italian policemen in London, Greek civil servants in Paris, and Germans driving Dutch trains may be on the horizon. In a test case brought by the EC Commission against the city of Brussels and the Belgian national railways, the European Court of Justice has largely condemned their practice of only offering jobs to Belgian nationals. Out of 31 job categories listed, the Eurojudges ruled that only half a dozen could justifiably be reserved for Belgians, on the strength of the fact that they were senior posts requiring access to restricted Government papers on urban planning and public administration. France, the United Kingdom, and Germany all participated in the debate, opposing what they saw as a possible eventual influx of "foreigners" into their own public administrations.

Travel, Trade Simplification

Several proposals aimed at strengthening the internal market by simplifying formalities involved in trade between member states and streamlining personal checks at frontiers within the Community were adopted by the EC Commission in June. Measures to relax personal checks and to dispense with them altogether if the traveler presents proof of community citizenship are included in the proposals. In addition, steps to put an end to the wide variety of documents in use and to substitute a single document covering the whole of an operation would simplify formalities in intra-Community trade. Other proposals deal with aspects of transport and taxation.

New Tourist Policy Drafted

Guidelines for a new policy on tourism proposed in late June included action on pending proposals, as well as new steps designed to encourage growth in this sector. Commission proposals with a "tourist dimension" already before the Council for some time include increases in duty-free allowances for travelers, harmonization of the member states' legislative provisions concerning tourist assistance and civil liability for insurance for motor vehicles, improved transparency of air tariffs, and the action program on the environment.

The Commission also selected priority areas where combined national and Community action could be helpful. These include the extension of the tourist season, protection of architectural heritage in disadvantaged regions, and the promotion of social, cultural, and rural tourism. Since tourism directly affects about 4 million Europeans and represents about 7 per cent of all consumer expenditures, it has increasing economic importance in the Community as a whole.

Draft Toy Standards Reviewed

The Consumers Consultative Committee (CCC) recently adopted an opinion on new toy standards drawn up for possible inclusion in a Community directive on toy safety. The opinion states no objections to standards for the flammability of toys and their mechanical and physical properties, which had been amended along the lines requested by consumer organizations. As for the chemical properties of toys, the CCC requested the Commission to draw up a separate directive on this topic. The CCC pointed out that technical specifications and testing methods account for only part of the regulations governing this field and said that all legal provisions contained in the initial draft directive should be maintained.

Progress on Transport Made

EC Transport Ministers meeting in early June made progress in major areas, including the size and weight of trucks after nearly a decade of paralysis on the subject. Technical rules for airline operations, such as weights and maximum distances for airliners, were also discussed. Other issues covered concerned railways, inland waterways, and aircraft noise.

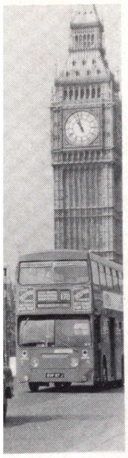
Working Week Reduced

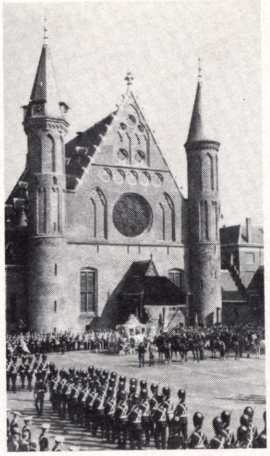
A report just published by the European Trade Union Institute revealed progress in reducing the working week, in lowering the retirement age, and longer holidays in several EC countries. Despite resistance to the idea, reduction of working hours is seen as one of the most effective ways of fighting rising unemployment.

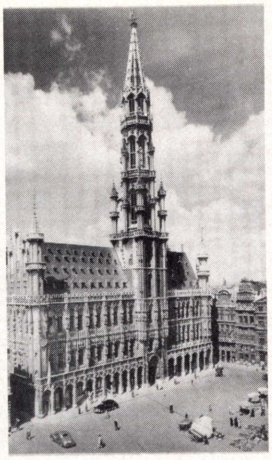
The Institute's report stressed that employers' attitudes toward reduction of working hours remains negative or even hostile. The United Kingdom is opposed to a reduction, but the French, Italian, Irish, and Danish Governments have adopted more favorable positions. Since the resolution on a reorganization of working time issued by the Council of Ministers in 1979, the EC Commission has presented several proposals on the protection of part-time workers and the introduction of early retirement plans.

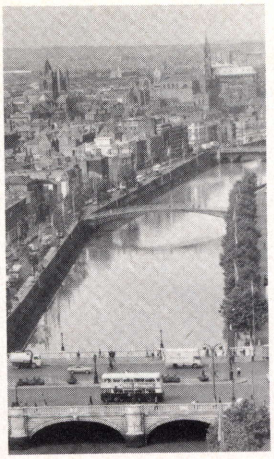
Preservation Fund Sought

Several concrete steps to save Europe's architectural and archaeological heritage were suggested in a recent report from the European Parliament. Each year the Community should select one site from a member state which would be the subject of a concentrated financial aid package aimed at historic pres-









ervation. To do this, the creation of a European Fund for the Conservation of the Architectural Heritage was proposed. This fund could be supplemented by other EC instruments such as the Social and Regional Funds. Other means of encouraging preservation might include altering tax laws to reduce financial burdens and training craftsmen and experts in the field.

Historical preservation is not only an artistic and intellectual necessity, but a sound investment, the Parliament report said. Major restoration and conservation efforts could stimulate employment and maintain valuable tourist attractions that help national and regional economies.

UK Gets Budget Refund

After months of difficult negotiations, EC Foreign Ministers meeting in late May reached a temporary accord on the amount of the Community refund to Britain for its 1982 contribution to the joint budget and also promised to settle the longer-term problem before the end of November. The amount agreed was ECU 850 million for 1982.

At this meeting the ministers had indicated that they wanted to reduce the mounting tension with a temporary solution and reserve final settlement until later. Months of sometimes bitter debate on this issue had been complicated by discussions on agriculture prices and reform and the EC embargo on imports from Argentina.

Budget Procedure Fixed

The Presidents of the three main EC institutions signed an accord in June laying out the procedure between them that is aimed at avoiding what has become a traditional annual institutional clash over the budget of the Community in recent years.

The accord between the Council of Ministers, the European Parliament, and the Commission covers the procedure for settling of differences between the three on the Community obligatory and non-obligatory expenditures, which have resulted in annual conflicts since the election of the European Parliament some three years ago. In general, the Parliament and the Commission sought increases in spending for Community social programs, while the Council sought to restrain such programs.

EC Study Grants Awarded

Three of 21 research grants recently awarded by the EC Commission for studies relating to European integration went to teachers at American institutions. Commission departments and a selection board examined 150 research projects and applications from universities in 24 countries. Results of this research must be presented to the Commission before October next year.

The recipients from American universities and their projects were as follows: B.B. Knudsen, American University in Washington, "Political Union in Western Europe and Atlantic Alliance: Compatible Elements or Increased Strain?"; Joseph Morris, Duke University at Durham, North Carolina, "The Political-Economy of European Industrial Collaboration: The Cases of Unidata and Airbus Industries"; and Brent Steven Steel, Washington State University at Pullman, "Ethno-Regionalist Threat to Supranational Integration: Impact on British Attitudes Toward the European Community."

Wine Market Examined

Organization of the wine market was discussed by Agriculture Ministers during their mid-June meetings. One of the problems involved in the regulations for the wine market is the sharing of costs of distilling wine surpluses. Another is a request for safeguards for the synthetic alcohol industry from the consequences of this distillation.

In a related report to the Council of Ministers last May, the Commission said that wine production is still not falling fast enough to keep pace with the steady decline in consumption. The 1976-77 marketing year saw new measures to improve the market by prohibiting new plantings, mainly in vineyards producing table wines. Quality wine production, however, is on the rise, and despite the reduction in acreage, yields from newly-planted areas are higher.

The trade balance for wine again showed a surplus in 1978-80 with an actual increase in exports. Italian exports outside the EC increased substantially, but French exports rose only slightly. In intra-Community trade, France's sales rose, while Italy's fell.

Agricultural Aid Granted

Aid worth over ECU 25 million for 295 projects in construction and modernization of inshore fishing vessels and the construction of aquaculture facilities was granted by the EC Commission recently as part of the common interim measure for restructuring of the Community fishing industry. Additional grants were made to provide for improving and building facilities for processing fishery products.

Forestry schemes in the Mediterranean zones of Italy and France, electricity and water projects in Italy, and modernization and construction of slaughterhouses and meat processing plants in several countries were also included in recent grants from the Agricultural Guidance and Guarantee Fund. In addition, the Commission provided funds for many other projects, such as improvements in the fruit and vegetable sector, wine-making, and oil processing. Italy received the largest agricultural apprpriations.

TRADE

Textile Bilaterals Signed

The Community completed textile negotiations in early June with several exporting countries. The first Southeast Asian country, Thailand, and the first state-trading country, Poland, initialed four-year agreements at that time. The agreements were negotiated on the basis of the Multi-Fibre Arrangement and include new provisions to prevent surge and circumvention of trade, as well as procedures for new limitations.

Bulgaria was also reported ready to initial its agreement, and a memorandum of understanding concerning trade in textiles during 1982-83 was initialed with Malta. Since the bilateral negotiations started in mid-May, agreements also have been reached with Sri Lanka, Pakistan, Peru, Uruguay, Bulgaria, and Poland.

Export Credits Accord Set

EC Finance Ministers met in late June to accept the major part of a compromise agreement covering interest-rate and duration terms of loans offered by Governments to prospective buyers of their exports. This move averted a major international competition on government-subsidized export credits. In recent months, discussions had centered on increasing the interest rates to more accurately reflect existing market rates. A related issue was whether or not to put the Soviet Union in a category with industrialized countries so that it would not benefit from the lower rates offered to developing countries.

The Community countries had agreed earlier to the reclassification of the Soviet Union, but had not accepted the rate increases proposed by other Organization for Economic Cooperation and Development (OECD) countries. France and Greece in particular had opposed higher rates and requested revisions in the OECD compromise. During these discussions, the US Government had threatened that an international credit competition could result if the Community failed to accept the terms of the OECD package.

Watch Levy Sought

In January the EC Commission decided to adopt temporary anti-dumping legislation on Soviet-made watches that were being sold in the United Kingdom at abnormally low prices. Now the

Commission has asked the Council of Ministers to impose a levy on these imports equivalent to 12.6 to 26.4 per cent of their value, according to the type of watch.

In 1980 the United Kingdom imported more than 1.8 million of these watches, but last year the figure fell to a little over 400,000 because of a high level of stocks. Still, Britain accounted for nearly all imports of Russian watches into the Community. Falling demand for watches since 1978 has hit Timex, the only UK-based watch manufacturer, harder than its competitor, Time Product, which imports cheaper Russian watches.

Links With Egypt Renewed

A new financial protocol allocating ECU 276 million to Egypt for a five-year period was signed in late May when Egyptian and Community ministers met in Brussels. The two parties agreed to extending their cooperative links in the economic field as well as in the search for peace in the Middle East.

ECONOMY

Public Spending Increases

Increased public spending and budget deficits in many countries were the reasons for a July communication from the EC Commission to the Council of Ministers recommending closer coordination of public finance policies. Many states are not benefiting as much as possible from their public investments and expenditures, said the report. Among the factors cited were large expenditures on administration and operation of programs.

Statistics accompanying the report indicated that public spending in EC member states had increased from 37.7 per cent of total gross domestic product in 1970 to 49.8 per cent in 1982. A number of countries were listed as having sizable public budget deficits and heavy borrowing requirements which should be improved as soon as possible. These countries were Belgium, Denmark, Ireland, Italy, and Greece. The deficits in France, Luxembourg, and the Netherlands were also reported up in recent years.

Unemployment Rises

Figures released in late May showed unemployment in the EC had risen at the end of April to 10.3 million persons, or 9.3 per cent of the civilian labor force. The statistics showed a slight rise in seven of the nine countries reporting, with the levels unchanged in both the United Kingdom and Ireland. Unemployment remained particularly marked in Germany, the Netherlands, and Luxembourg, but stayed moderate in Ireland and Italy. Unemployment among young people and women was higher in some countries, while in others, the unemployment rate for men was worse.

Workers Strike Less

Strikes in the Community decreased in 1981 compared to the previous year, according to a recent report by the European Trade Union Institute. In general, strikes these days are aimed at saving jobs rather than getting higher wages, a development linked to the high level of unemployment in the Community, more than 10.5 million people.

In Italy the number of working hours lost in strikes during the first half of 1981 was 47 million, down from the 68 million hours lost during the same period in 1980. Over 53,000 working days were lost in Germany in 1981, down from more than 128,000 the year before. Days lost in France also decreased by over 2 per cent for generalized conflicts.

Serious strikes did, however, break out in some EC countries during the last 18 months. Nation-wide strikes were declared in Greece in several sectors, and strikes against the Government's social and economic programs broke out in Belgium, at the beginning of 1982. New legislation proposed in the United Kingdom is aimed at curbing the power of trade unions in the industrial sector by banning sympathy strikes, political strikes, and acts of international solidarity. German employers have asked that injunctions applying to long strikes to be extended to short strikes as well.

Youths to Get Training

EC Education ministers have approved 25 pilot projects, with funding of about ECU 18 million, to help young people prepare for professional life, and the Commission has proposed a training program in information technologies.

The Commission's proposal for a program to improve the training and information of workers in the new fields of information technologies included funding of ECU 14 million for a number of projects during the 1983-87 period. The new initiatives would help small and medium-sized firms to want to modernize, large-scale enterprises in the service sector, unskilled and unemployed young people, and older skilled workers who have been made redundant.

EMS Currencies Realigned

During a Finance Ministers meeting in mid-June, a major realignment of currencies in the European Monetary System (EMS) was decided. The French franc was devalued by 5.75 per cent and the Italian lira by 2.75 per cent. In addition, the deutsche mark and the Dutch guilder were revalued by 4.25 per cent, putting the franc devaluation at 10 per cent and the lira at 7 per cent against the mark and guilder.

The move had been requested by France because of heavy speculative pressure that forced its national bank to invest heavily in reserves to support the currency. The EMS action was followed by an announcement by French Finance Minister Jacques Delors of a series of measures, including a wage and price freeze, to stabilize the economy.

EC Oil Bulletin

The average increase in CIF prices of crude oil between the end of 1978 and mid-July this year was nearly 138 per cent, as a result of decisions taken by the oil-exporting countries. The pre-tax prices of the principal oil produces (crude oil and imported finished products) increased by an average of 79 per cent over the same period.

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

First Yen Bond Floated

A contract was signed in mid-May between the Community and a syndicate of Japanese underwriters for the issue of an ECU borrowing in yen under the Community's facility. The bond issue —20 billion yen, 1982, 8 per cent—is the first in yen by the Community. The proceeds will be used by the EC Commission for the reconstruction of regions affected by the Italian earthquake in November 1980.

Another loan agreement was signed in early June between the Commission and a lending consortium in Luxembourg for a Euratom loan of 800 million Luxembourg francs—1990, 14⅜ per cent. Proceeds of the loan will be used by Euratom for investments.

Fishing Talks Resumed

A new departure in the difficult EC fishing negotiations was made in mid-June, based on a compromise offered by the Commissioner in charge of fisheries, Giorgios Contogeorgis. This new proposal, covering 10 years and involving catch quotas and access to territorial waters, was said to be relatively acceptable to the main protagonists in previous fishing disputes, but unacceptable to Denmark. In the past, Great Britain had insisted on maintaining exclusive rights on some of its territorial waters instead of accepting Community access. Denmark was reported to be dissatisfied with the proposed national quotas.

Jobs Action Promised

EC Social and Employment Affairs Ministers have approved policy declarations promising action in the fields of women's rights in employment and also in the fight against unemployment. Action will be taken on subjects such as reduction of working time, programs for small and medium-sized firms, and improvement of labor cooperation and operations. On equal opportunity, the ministers agreed with the thrust of an action plan proposed by the EC Commission and asked the Commission for a progress report on it.

In addition, the ministers have adopted a specific proposal setting standards to reduce the exposure of workers to lead pollution in their work environment. They agreed on a policy regarding more flexible retirement for workers in the Community, and they discussed restrictions on plant security against asbestos, a program to combat poverty in the Community, and the problem of worker health and safety standards becoming nontariff barriers to trade.

AID

Development Funds Approved

Several developing nations will benefit from over ECU 75 million in grants and loans approved last spring by the European Development Fund. The projects include coffee development in Tanzania, rural townships' water supply in Zambia, rural infrastructure and extension services in Guinea-Bissau, and animal disease control in Uganda. Other projects will help develop fishing, stock-farming, a gum plantation, and a rubber growing and processing operation.

Emergency Aid Granted

Recent aid from the Community to countries experiencing emergencies or natural disasters included ECU 1 million to Zimbabwe to help with free corn distribution and water supply during an unprecedented drought there. For help following cyclones or hurricanes, Madagascar, Tonga, Nicaragua, and Honduras also received allocations. Food Aid for the victims of droughts in Mozambique, Botswana, and Niger was granted, and Yemen and Nicaragua received aid to help the victims of recent flooding.

Polish Aid Proposed

ECU 7.5 million for Poland was proposed in June by the EC Commission. The aid will consist of foodstuffs and medicines to be delivered through the non-governmental organizations in the Community. This is the third time that the Community has provided humanitarian aid to the Polish people. Two earlier contributions amounted to ECU 10 million, enabling those organizations to send some 450 trucks loaded with food, hygiene, and medical products to Poland.

EIB Loans Approved

Recent loans from the European Investment Bank (EIB) amounting to nearly ECU 68 million will be used for development projects in several countries. The largest loan was ECU 40 million to Spain for construction of a railway loopline around Barcelona. ECU 16.6 million was approved in a loan to the Ivory Coast for improving international telephone facilities and latex production capacities there. Other projects were the extension of a hotel in the capital of Malawi; extension of the power station on São Vicente, Cape Verde; modernization and expansion of a dairy in Somali; improvement of generating installations in the Cayman Islands; and help for small and medium-scale industrial, agro-industrial, and tourism ventures in the Seychelles.

Food Aid Planned

ECU 184 million from the 1982 budget should be used to launch a three-way food aid operation for developing countries, said the EC Commission recently. The first part of the campaign will focus on improving the situation of refugees and displaced persons with provisions of food, medicine, and clothing. The second series of actions will concentrate on technical assistance and advice for countries wishing to fight hunger through the creation of food strategies such as rural development. The last part of the plan will focus on campaigns to protect the rural development of developing countries by promoting the rational use of firewood, protecting animals from disease, improving water supplies, reforestation, and training and extension services.

TECHNOLOGY

Euronet Connection Proposed

The EC Commission approved in mid-June a proposal to interconnect its telecommunications network Euronet with the Finnish national data network. Similar agreements were signed with Switzerland and Sweden in September 1979 and December 1981 respectively. The draft agreement for a Finnish connection to Euronet stipulates that Finland would contribute retroactively to the Community's investment effort in cash and in the form of technical services.

The aim of Euronet, which was inaugurated in February 1981, is to provide all parties with rapid, simple, cheap access to scientific and technical information from all sources. Since its first resolution on information networks in 1971, the Council of Minister's attitude toward links with non-EC European countries has been favorable.

Europe Strives to Catch Up

Next year the Community will undertake a series of pilot projects in each sector of the data-processing micro-electronic field. These projects, in cooperation with industries, universities, and research institutes will be part of a wider program covering the training of top technicians and measures relating to the harmonization of technical standards, the opening of national markets, and an improvement of the financial climate. The aim is to allow European producers to capture their share of the world market in this field.

Europe has consistently lagged behind the Japanese and the Americans in micro-electronics. Few trademarks are European, and the Community holds only 10 per cent of the world market. This has caused a trade balance deficit and a high degree of dependence on foreign technology, particularly in high-technology sectors. For these reasons the Commission encourages cooperation between EC companies and would like to increase the Community's direct contribution to high-tech research and development.

Port Data System Succeeds

An EC Commission initiative that led to the creation of the European Port Data Processing Association (EVHA) in 1979 has been a remarkable success. Financed jointly by the Community and the ports themselves, the computer system links the ports of Glasgow, Copenhagen, Hamburg, Bremen, Bremerhaven, Rotterdam, Antwerp, Le Havre, and Genoa. The system is aimed at lowering costs, reducing the risk of pollution, and increasing safety and efficiency in the shipping sector.

When a ship sails from any EVHA port, information—including the ship's name, destination, draft, dangerous substances on board, time of departure, and estimated time of arrival—is fed into the computer for later enquiry by the port of destination. The EVHA has also undertaken a special study of dangerous substances aimed at pooling existing data on the transport, loading, and unloading of dangerous cargoes to lessen the threat of pollution and risk to dock workers.

Applications from Barcelona and Stockholm to join EVHA are pending. EVHA is just one of many data processing projects supported by the Community. Among the 22 others are a scheme to link up European chambers of commerce and projects in law, and education.

ENVIRONMENT

Ozone Progress Reported

A Commission report on progress in Community policy to protect the earth's ozone layer was sent to the Council of Ministers in June. The communication said recent statistics show a reduction of over 34 per cent in the use of certain chlorofluorocarbons (CFC's) in aerosols between 1976 and 1981. In addition, the Commission has undertaken an action program aiming at the reduction of emissions of CFC's in refrigeration, foam plastics, and solvents.

Wildlife Convention Signed

The Community ratified for the first time a convention to protect endangered species of wildlife, especially migratory birds and rare plants, in a Council of Europe ceremony in early May. The treaty provides for the protection of about 119 plant species and 400 species of animal and bird life by requiring the signatory countries to take active steps to safeguard their habitats.

Baby Seal Study Agreed

A grant of ECU 50,000 was made recently by the EC Commission to the Nature Conservancy and other organizations to conduct a study on Canadian seals. The move followed a European Parliament resolution urging the Community to restrict imports of Canadian seal products and indications by the Canadian Government that European fishing rights in Canadian waters might be curtailed. Since then, the Canadian Government has agreed to independent study of the status of the seal population. Regulation of the methods of killing baby seals will be examined.

"2,4,5-T" Gets Go-Ahead

The Commission considers the weedkiller "2,4,5-T"—which has been strongly criticized, particularly because of its use in Vietnam as a defoliant and because of problems involved in its manufacture (encountered at Seveso, Italy, in 1976)—safe to use under very stringent conditions. The Scientific Committee for Pesticides told the Commission that under certain conditions, the sale and correct use in agriculture of this weedkiller is not dangerous to man, animals, nor the environment. On the basis of this opinion, the Commission did not consider it necessary to ban "2,4,5-T" but rather to restrict its use.

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.

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.

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.

The Future of the Dollar and the World Reserve System. By James Morrell. Butterworths, Boston, 1981. 145 pp. $26.95.
A study of the past and present problems of world monetary policy with emphasis on its relation to the US dollar. Reviews the origins and operation of the gold standard, the Bretton Woods system, and the reemergence of floating exchange rates. Also covers inflation, oil prices, and the rise of Euromoney markets. Charts and tables included.

European Security, Nuclear Weapons, and Public Confidence. By William Gutteridge. St. Martin's Press, New York, 1982. 236 pp. $27.50.
Examines European security and cooperation following the Helsinki and Belgrade conferences. Experts from various countries write on military aspects, the Baltic and Arctic regions, threats to European stability, and economic and technical cooperation.

Elites in France: Origins, Formation, and Continuity. Edited by Jolyon Howorth and Philip Cerny. St. Martin's Press, New York, 1982. 253 pp. $27.50.
Various essays on the subject of the "elites" evident in French history, politics, and culture. Studies origins, power, and evaluates their importance to an understanding of French society.

Social Movement and Protest in France. By Philip Cerny. St. Martin's Press, New York, 1982. 226 pp. $25.00.
Analysis of the dynamics of social protest movements in France since 1968; various contributors write on student activism, the role of trade union confederations, issues of anti-semitism and neo-Fascism, anti-nuclear protest and the rise of the political ecology.

The Left in France. By Neill Nugent and David Lowe. St. Martin's Press, New York, 1982. 275 pp. $25.00.
A study of the political evolution of the Left in France in light of the recent Socialist win. Covers the parties of the Left, their influence and relation with trade unions, differing bases of support and ideologies.

The Second Enlargement of the EEC. Edited by Dudley Seers et al. St. Martin's Press, New York, 1982. 275 pp. $29.95.
Analysis of the projected second enlargement of the EEC, stressing problems posed by the dilution of national sovereignty and the issue of unequal development. Looks at West European attitudes toward accession of Greece, Portugal, and Spain, and the economic effects of enlargement. Section also devoted to impact on third world countries.

Political Economy of Food Aid. By John Cathie. St. Martin's Press, New York, 1982. 190 pp. $25.00.
Outlines major issues and the development of bilateral and multinational food aid. Studies food aid policy in the United States and the EC, questioning its role as a tool in social and economic development.

A Poor Harvest. By Richard Gilmore. Longman, Inc., New York, 1982. 303 pp. $25.00.
Describes the workings of the international grain-trading system, its structure, methods of operation, and the role of the six largest grain trading firms. Discusses the public and foreign policies of the United States, the EC, Argentina, Canada and other grain-trading nations. Proposes institutions such as a US Domestic Food Bank and an International Food Bank.

The Common Agricultural Policy: Prospects for Change. By Joan Pearce. Routledge & Kegen Paul, Boston, 1982. 122 pp. $10.00.
Looks at the various proposals for reform of the CAP; outlines its origins, traces political and institutional development, describes operation of the price system, evaluates the results of the CAP, the revision of the budget and its implications.

The European Community and Latin America: A Case Study in Global Role Expansion. By A. Glenn Mower, Jr. Greenwood Press, Westport, CT, 1982. 180 pp. $27.50.
Profiles the EC and its political and economic relations with Latin America. Looks at internal conditions in both regions, political and security interests, and the management of EC-Latin American relations. Includes various tables.

A European Experiment: The Launching of the JET Project. By Denis Willson. Adam Hilger, Ltd. Bristol, UK, 1982. Available from Heyden & Son, Philadelphia. 178 pp. $23.00.
A chronological account of the events leading up to the approval of the Joint European Torus experiment by the EC Council of Ministers. Explains basic aspects of nuclear fusion research in an international political environment, European collaboration, and the design and plan of the experiment.

Resources for Health: Technology Assessment for Policy Making. Edited by H. David Banta. Praeger Special Studies, New York, 1982. 235 pp. $24.95.
Proceedings of a 1980 conference on health technology assessment in Italy. Contributors reported on relating resource allocation and technology assessment, problems in judging effectiveness, and application of assessment in health policy.

Reporting US-European Relations: Four Nations, Four Newspapers. By Michael Rice, et al. Pergamon Press, New York, 1982. 120 pp. $18.50.
A comparative study of news media in the United States, West Germany, Britain and France, through analysis of *The New York Times, Frankfurter Allgemeine Zeitung, The Times*, and *Le Monde*. Consists of critical essays on newspaper coverage of a specific period by representative journalists.

1982 World Economic Review: A Programme for Balanced World Development. International Confederation of Free Trade Unions, Brussels, 1982. 43 pp.
A brief analysis and a series of proposals on various economic policies, international and domestic. Advocates developing youth employment, urban renovation, stricter rules within the General Agreement on Tariffs and Trade, and a wider role for the World Bank and the International Monetary Fund.

Lomé Convention: A Trade Union Guide. International Confederation of Free Trade Unions, Brussels. 27 pp.
Gives the trade unions' opinions on the present Lomé Convention, outlining main provisions, the STABEX scheme for stabilizing export prices, and the Convention's operations in practice in trade, industry, agriculture, and investments. Annex includes list of products covered by STABEX.

Commerce and Industry in the Netherlands. Amsterdam-Rotterdam Bank, N.V., Amsterdam, 1982. 65 pp.
Brochure containing information for foreign businessmen interested in investments or doing business in the Netherlands. Includes maps, sections on imports, exports, banking and finance, taxes, legal forms of business enterprises, facilities, and regulations for investments.

Global Mini-Nationalisms: Autonomy or Independence. By Louis L. Snyder. Greenwood Press, Westport, CT, 1982. 326 pp. $29.95.
Examines the forces of mini-nationalism—movements by minorities to seek more political autonomy or national independence—in a cross section of societies. Looks at concept of nationalism and its characteristics, and includes studies of nationalistic movements in Scotland and Wales, of regionalism in France, Switzerland, and Italy, of separatism in the Balkans, and other examples in North America, Asia, and the Middle East.

Adjustment and Financing in the Developing World: The Role of the International Monetary Fund. Edited by Tony Killick. IMF, Washington, D.C., 1982. 232 pp. $12.00 (cloth), $8.00 (paper).
Paper presented at a 1981 IMF seminar on the various policy changes adopted by the IMF in the past decade; topics cover the role of the IMF and the Euromarket in financing developing countries, imbalances in economic development, the international monetary system and its possible reform, and changing policy interests and objectives.

Collective Bargaining in Western Europe 1980-1981 and Prospects for 1982. European Trade Union Institute, Brussels, 1982. 148 pp.
Third annual report on collective bargaining in Europe; describes trade union demands and settlements reached in 1981; economic background to collective bargaining, wages, purchasing power, non-wage benefits, health and safety, and trade union rights.

New International Communism: The Foreign and Defense Policies of the Latin European Communist Parties. By Lawrence L. Whetten, D.C. Heath & Co., Lexington, MA, 1982. 262 pp. $26.95.
A study of Eurocommunism in recent years; analyses political setting, national Communism. In-depth look at Italian, French, Spanish, and Portuguese Communist Parties, their similar-

THE PAST HAS ANOTHER PATTERN: MEMOIRS

by George W. Ball Norton $19.95

When Bertrand Russell was over 80 and someone suggested he write his memoirs, the philosopher is said to have responded that such a project might be premature: "Some day I may be President of Mexico." George Ball, who quotes this anecdote, seems to have a stronger sense of mortality, but his book is immersed in what can be called the privilege of opportunity: At almost every point in this long and varied career the author has had miraculously repetitive contact with destiny's hem.

As a lawyer, diplomat, and statesman, he was witness to an enormous sweep of events—from Lend-Lease and post-war Germany, to the birth of the European idea, through the Kennedy years, the Congo, Cuba, Cyprus, Portugal, Pakistan and Vietnam, all the time bouncing with equal facility from public life to the private sector. This avuncular character is with us yet, still at work: His accumulated wisdom is occasionally on display in the pages of *The New York Times*.

He has been, and is, above everything else a survivor and few of his contemporaries can have participated in such a variety of activities. (Some, like John Kenneth Galbraith and Paul Nitze, have been around in some parts of Ball's story, but have gone on to make more specialized reputations; many, of course, are long dead.) However the oddest, and on the face of it his least expected, familiarity with great events concerns all the initiatives of post-war reconciliation which were to lead in time to the Treaty of Rome and the founding of the European Community.

When Jean Monnet came to Washington, immediately after World War II, as president of the French Supply Council (a body whose job it was to help breathe life into the shattered French economy), he needed legal assistance and asked Ball to be his general counsel. From the initial employment period of only three months, a professional and personal relationship burgeoned and matured. The dapper salesman for the family brandy company in Poitou-Charente and the ambitious young lawyer from the Midwest worked together in perfect, complementary ways. Ball put down on paper, shaped, and formed all his mentor's ideas—a process which Ball describes as "collective spiral cogitation." As James Reston once wrote during a newspaper strike, "How do I know what I think until I read what I write?", so it was with Monnet—his thoughts crystallized when Ball rendered them on paper.

Quickly becoming indispensible to Monnet, Ball was invited to Paris where he was involved first in the work of the Committee of European Economic Cooperation, whose function was to develop principles for a European recovery program. Later he was involved with the Schuman Plan. Ball was literally a below-stairs operative: As a private US citizen he was obliged to be an almost secret assistant to Monnet and consequently was housed in what was, in effect, a broom closet under the staircase of his boss's office. He also had an escape route at the back of the house which he used to avoid European visitors who might have been indignant at the Yankee presence.

From this eccentric vantage point Ball came to doubt that there ever would be a United States of Europe, though he felt there was some utility in such a vision if it inspired the participants to take limited, concrete actions. Federal or confederal status, Ball believes, doesn't much matter as long as the momentum for some forms of togetherness is maintained; the process must be kept going. While characterizing Charles de Gaulle as a superb actor—"the Henry Irving of his day"—Ball sees Monnet as a superlative architect whose place in history will not be evanescent. "As a heritage he has left institutions that, though falling short of their original high purpose, still play a major role in European life."

Ball, who was to help establish a European presence in Washington which later became the EC Commission's Delegation, is understandably wistful about those early years of EC construction. He is also sorry that Britain didn't join the Schuman Plan at the outset. Had it done so, he says, that country could have taken the laboring oar in drafting the Treaty of Rome and the peoples of Western Europe might today be combining their energies in a broader framework that could give real meaning to the concept of an Atlantic partnership.

Ball has this melancholy reflection to make on this theme: "If I look back with regret at events since the early 1960s, it is not because I spent so much time and effort trying to advance the building of Europe, but because the effort has failed. Although, God knows, American Governments have made plenty of mistakes, our encouragement of a unified Europe was not one of them. Failure came from no fault of ours, but because, when key decisions were made, the European leaders of the moment lacked adequate vision; the puckishness of history prevented events from occurring with the right timing or in the right sequence. We were pursuing a worthy and—at the time—not a wildly unrealistic goal. Had our grand design been even partially realized, the world would be a better place today."

Few, I think, would disagree with that—especially as this fine book has been fortuitously published at a time of considerable tension and mutual recrimination in the Atlantic relationship. In Ball's view the French and the British were in large measure responsible for the early tarnishing of the European idea: the French because de Gaulle's willful strategems were, as the author puts it, founded on a belief that he could somehow make France a super power in spite of itself, and the British because they were so slow in coming to terms with their diminished post-war role and too long in cherishing the myth of a special relationship with the United States.

For a magazine such as *Europe* it's inevitable that Ball's reflections on the Community's beginnings—the parturition of Europe—and the small part he played in it should attract the most attention. However, this is only a relatively small section of an autobiography which marches down the years Ball was Undersecretary of State in both the Kennedy and Johnson Administrations.

Ball was, of course, a fierce critic of his country's involvement in Vietnam and finally resigned in 1966 when the war began to have the direct consequences for the United States. Looking back, he reflects that "piling Watergate on Vietnam was history's revenge for America's *hubris*."

This volume of memoirs is an extraordinary and lucid testament to the times and also to the modesty and perspicacity of its author who, a rarity for a public servant, can write with *élan*. In recent years, many practitioners of political autobiography have given this form an increasingly bad name. This is not the case with George Ball, whose book sets a rousing standard for excellence—as indeed he has in all the rich diversity of his life.

Reviewed by David Haworth.

ities and differences. Discusses Soviet role, and the development of a New International Communism.

ISS Directory of Overseas Schools. Edited by James L. Tatterson. International Schools Services, Inc. 1981. 278 pp. $12.50.
Listing of elementary and secondary schools abroad in which English is the language of instruction. Nearly 300 profiles with school address, tuition, and director are included. Indexes by country and city.

American Workers Abroad. Edited by Robert Schrank. The MIT Press, Cambridge, 1979, 189 pp. $6.95.
Reports of four groups of American workers who participated in a worker's exchange program in Europe. Groups include automobile workers in Sweden, longshoremen in Rotterdam, and policemen and nurses in London. Study aimed at observing reactions of workers to reoganization of their workplaces, habits, and objectives.

Europe Under Stress: Convergence and Divergence in the European Community. By Yao-su Hu. Butterworths, Boston, 1981, 120 pp. $29.95.
Interpretation of the problems economic divergence poses for the EC in the areas of agriculture, and monetary, energy, and social policies. Includes discussion of the Community budget, national interests, and economic stability.

The Underground Economy in the United States and Abroad. Edited by Vito Tanzi. D.C. Heath & Co., Lexington, MA, 1982, 340 pp. $29.95.
Considers the importance and impact of the undeclared exchange of goods and services in an economy. Compares various definitions and measurement techniques, analyses dependability of national accounts data. Economies studied in the United States, Canada, Australia, the United Kingdom, Norway, Sweden, the Soviet Union, and Israel.

Groups of Companies in European Laws: Legal and Economic Analysis of Multinational Enterprises, Vol. II. Edited by Klaus J. Hopt, Walter de Gruyter & Co., Berlin, 1982. 352 pp.
Information about the law, cases, and reform plans in the EC, Switzerland, and Scandinavia dealing with multinational enterprises. Authors discuss horizontal groups and joint ventures and labor and taxation aspects. List of relevant documents.

European Merger Control: Legal and Economic Analyses on Multinational Enterprises, Vol. I. Edited by Klaus J. Hopt, Walter de Gruyter & Co., Berlin, 1982. 276 pp.
Through economic and legal analysis, gives information about the legal situation and reform prospects of merger control law in the EC and Switzerland. Annex contains merger control laws of Germany, the United Kingdom, and the EC.

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.

☐ **Agricultural Aspects of Spain's Entry into the EC** Economic and Social Committee, Brussels, 1982, 107 pages ....free

☐ **Working Together: The Institutions of the European Community.** Commission, Brussels, 1982, 35 pages ....free

☐ **Directory of the Commission of the European Communities.** Commission, Brussels, May 1982, 113 pages ....free

☐ **The Economy of the European Community.** *European Documentation No. 1-2/82,* Commission, Brussels, 1982, 112 pages..........................free
Description of the progress of economic integration in the EC in various policy sectors.

☐ **Europe Against Poverty.** *European File No. 11/82,* Commission, Brussels, 1982, 7 pages...............................free

☐ **The JET Project and Nuclear Fusion.** *European File No. 12/82,* Commission, Brussels, 1982, 7 pages.....free

☐ **The European Community and New Zealand.** *Europe Information No. 56/82,* Commission, Brussels, February 1982, 9 pages..........................free

☐ **The European Community and Australia.** *Europe Information No. 55/82,* Commission, Brussels, February 1982, 13 pages...........................free

☐ **EC Summit Discusses the Middle East and Relations with the United States.** *European Community News No. 21/82,* Press and Information Service, Washington, D.C., June 1982, 5 pages ....free
Text of the communiqué of the European Council, June 28-29, held in Brussels.

☐ **European Investment Bank Annual Report 1981.** European Investment Bank, Luxembourg, 1982, 104 pages ....free

☐ **Report on a Directive on Procedures for Informing and Consulting the Employees of Undertakings with Complex Structures, in Particular Transnational Undertakings.** *Working Document No. 324/82,* European Parliament, Luxembourg, June 1982, 32 pages ....free
Report on behalf of the Committee on Social Affairs and Employment by Thomas Spencer on the "Vredling" proposal for worker consultation.

☐ **Report on Social Developments: Year 1981.** Commission, Brussels, 1982, 169 pages..........................$9.50
Outline of the main developments in the social field in the ten members and at the Community level in 1981.

☐ **Preferential Tariff Treatment Applied by the Community (Position as at 1 January 1982).** *Official Journal of the European Communities, Vol. 25,* C86, April 5, 1982, 296 pages .$16.00
Table of reduced duty rates for each position of the EC tariff schedule resulting from provisions in preferential trade agreements. Product descriptions are by tariff schedule alpha-numeric code only.

☐ **External Trade Statistics: User's Guide.** Statistical Office, Luxembourg, 1982, 42 pages..........................$4.00
Basic methodological information for using EC foreign trade statistics. List and description of printed publications and information on microfiche and magnetic tape with prices and subscription terms.

☐ **Forestry Statistics 1975-1979.** Statistical Office, Luxembourg, 1982, 143 pages...............................$11.50
1982 Yearbook.

☐ **Multilateral Measurements of Purchasing Power and Real GDP.** Statistical Office, Luxembourg, 1982, 61 pages $8.00
Study by Peter Hill on methological problems related to calculation of purchasing power parities and values of national acounts aggregates in real terms.

☐ **Energy Balance-Sheets Based on the Input-Output Tables (1975).** Statistical Office, Luxembourg, 1982, 93 pages $8.00
Study intended to improve informtion on energy flows and energy balance sheets as they relate to household consumption, intermediate uses of energy in industry and a breakdown of the main uses of energy (heating, transport, and so on). Countries covered are the Federal Republic of Germany, France, Italy, the Netherlands, and Denmark.

☐ **Energy Price Indices 1960-1980.** Statistical Office, Luxembourg, 1982, 52 pages $5.50
Evolution of the overall price of energy, in index form, from 1960 to 1980 for three consuming sectors, industry, road transport, and small consumers (households, commerce, etc.).

☐ **European Transport: Crucial Problems and Research Needs, A Long-Term Analysis.** *EUR 7833, Series FAST No. 3,* Commission, Luxembourg, 1982, 107 pages.............$9.00
Paper on possible future trends and events in transport and their impact on European society

☐ **Fourth Report on the Activities of the Committee for Information and Documentatin on Science and Technology of the European Communities (1978-1980).** *EUR 7658,* Commission, Luxembourg, 1982, 37 pages $4.00

☐ **The Evaluation of the Communities' Geothermal Energy, Production and Utilization of Hydrogen, and Systems Analysis: Development of Models R & D Sub-Programmes.** *EUR 7350, Research Evaluation Report No. 2,* Commission, Luxembourg, 1981, 81 pages $6.60

☐ **Third Information Seminar on the Radiation Protection Dosimeter Intercomparison Programme.** *EUR 7365, Radiological Protection No. 24,* Commission, Luxembourg, 1982, 208 pages $15.75
Papers presented at a seminar held in Grenoble, October 6-8, 1980.

☐ **Radiation Protection: Progress Report 1981.** *EUR 7800,* Commission, Luxembourg, 1982, 1069 pages $46.00
Outlines research work done in 1981 under contracts between the Commission and research groups in the member states.

☐ **La propriété intellectuelle et le droit international privé.** *Collection études: Secteur culturel No. 3,* Commission, Brussels, 1980, 152 pages $4.80
By Eugen Ulmer. Study on intellectual property rights and the conflict of laws. Covers copyrights and copyright agreements, industrial property rights, and licence agreements.

☐ **Ultrasonic Techniques for Describing Carcass Characteristics in Live Cattle.** *EUR 7640,* Commission, Luxembourg, 1982, 78 pages $6.00
Papers presented at a meeting in Copenhagen on June 2-3, 1980.

☐ **Study into the Emission of Air Pollutants Coming from the Use of Coal Within the United Kingdom.** *EUR 6853,* Commission, Luxembourg, 1980, 246 pages.......................$38.00
Examines the present and future patterns of coal production and consumption in the UK and their effects on future emission levels of sulphur dioxide, nitrogen oxides, and particulate matter.

☐ **The Energy Situation in the European Community—Review and Perspectives.** *EUR 7662,* Commission, Luxembourg, 1982, 97 pages $7.00
Part one assembles facts and figures on energy supply and demand in the Community. Part two is a round table discussion on centralized versus decentralized energy systems, energy investments, and post-industrial society.

☐ **Proceedings of the First European Symposium on Physico-chemical Behaviour of Atmospheric Pollutants.** *EUR 6621,* Commission, Luxembourg, 1980, 521 pages.......................$17.60
Papers and proceedings of the symposium held at Ispra, October 16-18, 1979.

☐ **Elaboration of Methods for Determining the Costs and Benefits of Implementing Health Protection Standards Concerning Sulphur Dioxide and Suspended Particulates.** *EUR 6852,* Commission, Luxembourg, 1980, 72 pages $13.50
Study to identify methods for estimating the costs and benefits related to the proposed EC directive on health protection standards for sulphur dioxide in the atmosphere.

☐ **Water Content of Frozen or Deep-Frozen Poultry: Comparison of Methods of Determination.** *Information on Agriculture No. 71.* Commission, Brussels, 165 pages $6.20
Comparison of two methods provisionally adopted by the Community to determine the quanitity of extraneous water absorbed in the preparation of frozen poultry.

☐ **Agricultural Price Statistics 1969-1980.** Statistical Office, Luxembourg, 1981, 292 pages.......................$15.50
Annual market prices for crops and animal products and purchase prices for the means of agricultural production.

☐ **Europe Today—State of European integration 1980-1981.** European Parliament, Luxembourg, 1981, 617 pages $15.00
Guide to the legislative acts of the EC and other documents, with brief commentary.

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