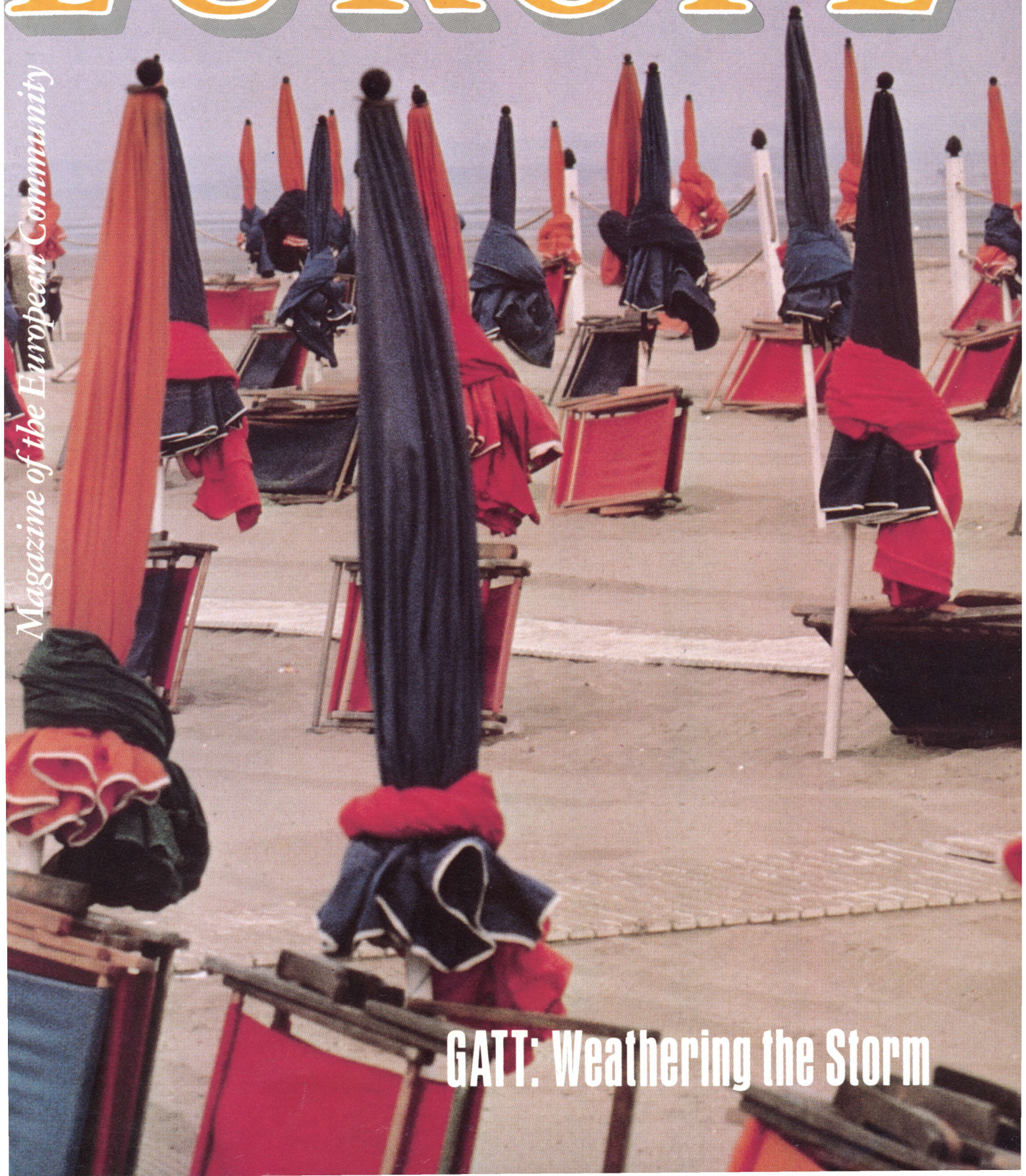


NOVEMBER-DECEMBER 1982 No. 234

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EUROPE

Magazine of the European Community



GATT: Weathering the Storm

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Publisher's Letter

As the autumn leaves fall and the winter storms approach, a gleam of light appears to be shining through the tangled web of US-EC relations. The dispute over EC steel exports to the United States has been resolved. The United States and concerned Western European countries have taken steps toward an equitable and workable approach on the pipeline and on the limitation of exports to the Soviet Union.

While problems remain regarding the agenda for the General Agreement on Tariffs and Trade (GATT) ministerial meeting in Geneva, there is a determination on the part of all parties to take measures to resist rising pressures for protectionism, despite great political temptations to the contrary as the worldwide recession lingers on and with it the specter of record or near-record unemployment in the world's industrialized nations.

In these economically and politically difficult times, Governments need to rally together to reaffirm their faith in the open world trading system embodied by GATT, a system that has brought the world unparalleled prosperity. The GATT—one of the major initiatives after World War II to help rebuild the world economy (the World Bank being the other)—is not perfect, but it has held because it has molded a workable set of rules for international trade and because we are unlikely to find as effective a system to replace it.

Political constraints continue to confront Governments on both sides of the Atlantic, hindering the settlement of numerous problems remaining in the transatlantic relationship—particularly in the areas of agriculture and security.

Nevertheless, recent events lead one to hope that the perseverance and goodwill shown by the United States and the EC in diffusing their steel dispute will serve as a model for US-EC cooperation in healing other rifts that threaten to rupture their traditional and vital alliance.

In our cover story, John Starrels examines the prospects for the GATT ministerials in November and our lead article describes how the steel dispute was settled. Other articles discuss some secondary snags in US-EC relations such as the Vredeling proposal on worker information and consultation rights.

The member state report this month spotlights France and the challenges faced by the Mitterrand Government in its effort to extricate France from the recession while enacting economic and social reforms. In addition, art critic Michael Gibson gives his analysis of a surprising trend in French culture.

Mr. Piet Dankert, President of the European Parliament, offers some thoughtful reflections on security and defense, while Sir David Nicholson gives his views on new directions for European business.

EUROPE

Magazine of the European Community

NOVEMBER-DECEMBER 1982 No. 234

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STEEL PEACE, AT

The United States and the European Community appeared to have poured some oil on the troubled waters of the Atlantic last month with an 11th-hour settlement of their long-standing steel dispute. The settlement was concluded October 21, just in the nick of time to avert the countervailing duties on European steel that the US Commerce Department would otherwise have been required to impose. The EC agreed to limit its steel exports to the United States for three years on the condition that the American steel industry withdraw a series of trade complaints against EC exporters that had set the stage for the imposition of penalty duties on a significant number of European steel products.

Both sides in the dispute heralded the settlement as a welcome note of harmony amid a recent string of sharp disagreements between the United States and the EC over steel, agricultural policy, high interest rates, and East-West trade. The steel arrangement "should significantly diffuse trade tensions between the United States and its European allies," said Sir Roy Denman, head of the EC Commission's Delegation to Washington.

The steel dispute had been brewing since last January when seven major US steel producers lodged a series of complaints with the US International Trade Commission and the US Commerce Department against 11 countries. The complaints alleged that these countries, including Belgium, France, Italy, Luxembourg, the Netherlands, the United Kingdom, and West Germany, were exporting government-subsidized steel to the United States or were selling steel at less than the fair market price.

The agreement "removes one of the most severe trade frictions between the United States and the European Community and demonstrates that we can work together for an amicable settlement of difficult disputes in an atmosphere of cooperation, understanding and friendship," said US Commerce Secretary Malcolm Baldrige at a White House news briefing following the settlement. EC Commission Vice President for External Relations Wilhelm Haferkamp called the accord new proof of a basis for cooperation between the United States and the EC and said it should encourage both parties to work with the same patience and perseverance to find solutions to their other problems.

Under the present arrangement, the EC agreed to limit its steel shipments to the United States through the end of 1985 to an average of 5.46 per cent of the US market in 1981. Ten categories of steel products are covered, ranging from a 2.2



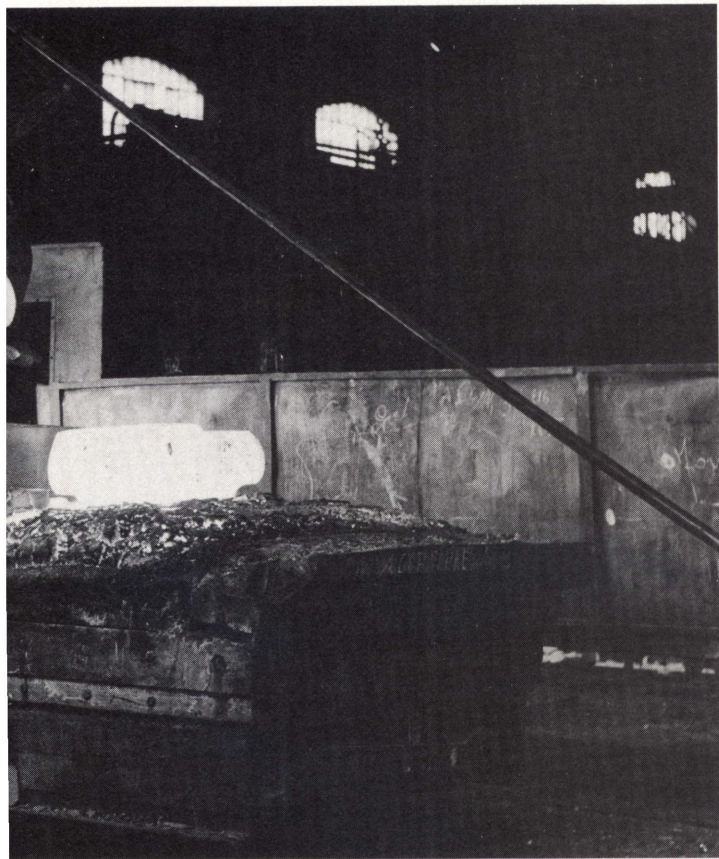
per cent share for tin plate to a 21.85 per cent share for sheet piling. The agreement also provides for an exchange of letters between the United States and EC aimed at developing a procedure under which the two would consult on developments in trade in pipes and tubes, products of major concern to the American industry.

In other product categories, the pact will limit the EC's share of the US market to 6.81 per cent for hot rolled carbon and alloy sheet and strip; 5.11 per cent for cold rolled carbon and alloy sheet; 5.36 per cent for carbon and alloy plate; 9.91 per cent for structurals; 4.29 per cent for wire rod; 2.38 per cent for hot rolled bars; 3.27 per cent for coated sheet and 8.9 per cent for rails. The EC, whose overall share of the US steel market was about 6.2 per cent in 1981, will monitor exports of these products to the United States through an export licensing system.

The accord reached on pipes and tubes, however, does not

LAST

*11th hour
deal
ends long
dispute.*



provide for a similar licensing system. Rather, the EC will undertake not to exceed a 5.9 per cent share of the US market for pipes and tubes—the Europeans' average share of that market in 1979/81—unless the U.S. industry proves unable to meet domestic demand for those products. In light of current market forecasts, the Community says it is unlikely that its pipe and tube shipments to the United States will exceed that average.

Clearly, both the US steel industry and the EC found the agreement a more attractive solution to their steel troubles than the alternative of letting US trade law take its course. That course would have led to duties on European steel ranging up to over 26 per cent of the sales price. According to EC Commission Vice President for Industrial Affairs Etienne Davignon, the deal will give European steel exporters secure trade with the United States, an important and lucrative market for European steel. In addition, it will allow the EC to

continue its efforts to restructure its steel industry.

The settlement will also give employment in the US steel industry a shot in the arm, at least in the short term, according to Baldrige, who concedes that limiting imports of European steel by no means will solve all the US industry's problems. He noted that the US industry would have to continue steel plant modernization programs in order to achieve longer term solutions to its productivity problems. Baldrige asserted that 25,000 to 30,000 US jobs could have been saved had the steel pact been in place last year, but declined to speculate what impact the new settlement would have on future employment in the US steel industry.

"Despite heavy sacrifices by European producers suffering from the current endemic conditions of unemployment and depressed demand, they will nevertheless honor the temporary agreements reached by their Governments with Washington in the interest of trade harmony with the United States because of the overriding importance of EC-US trade to both markets. . . . We hope that Washington will pay the same attention to imports from other sources as it has to those from the EC, because they have just as much effect on the American market," said the Washington information office of EUROFER, the confederation of European Coal and Steel Community member-state producer organizations.

Some steel industry analysts have pointed to the settlement—and to the ripple of formal or informal restraint agreements with other steel exporting nations they see likely to spring from it—as a step toward cartelization of the world steel market. Thus, they say, the steel settlement may be more of a balm for US-EC relations than a boon for the industrialized world's embattled steel sector. Meanwhile, apart from the declaration of peace over steel, trade conflicts between the United States and the EC persist.

The United States has been campaigning against the export "subsidies" provided to European farmers under the EC's Common Agricultural Policy (CAP) and is expected to make this a major issue at forthcoming trade talks in Geneva. US officials have blamed CAP export refunds for depressed farm product prices on both US and world markets. The EC, on the other hand, has maintained that these export refunds are recognized as legal under the General Agreement on Tariffs and Trade, to which both the United States and the EC are signatories.

In another area of contention—US sanctions aimed at stalling construction of the Soviet gas pipeline—some type of progress could be at hand. President Ronald Reagan recently hinted at some flexibility in his Administration's stance on the sanctions. In a pre-election campaign sweep through the Midwest, Reagan said he would "enthusiastically consider" any proposal to replace the ban on the export of US technology with equally effective sanctions less onerous to US and European manufacturers.

It is not yet clear whether the United States and the EC will be able to heal the rifts between them on agriculture, the pipeline, and other potentially divisive issues as convincingly as they seem to have done on steel. But whether or not the steel settlement turns out to be a true rekindling of US-EC cooperation, it at least appears to have reduced the number of quarrels within the Western alliance by one.

TRADE

to free or not t

GATT is the question

JOHN STARRELS

From November 24 to 27, all 90-odd Trade Ministers whose Governments are members of the General Agreement on Tariffs and Trade (GATT) will meet together at the organization's headquarters in Geneva, Switzerland, for the first time since 1973. This event, being held at a time of global recession and stagnating trade, is the first major gathering of the GATT membership since the culmination of the Multilateral Trade Negotiations (MTN), which successfully concluded in 1979. Whether the West's trade system remains open and competitive will in some measure be determined by the outcome of this pivotal gathering.

The major participants—the United States, Japan, the European Community, and a number of advanced developing countries (ADCs)—have been preparing the Geneva agenda since January. Last minute changes, of course, can be introduced into the program. As of now, however, two major agenda items will be discussed:

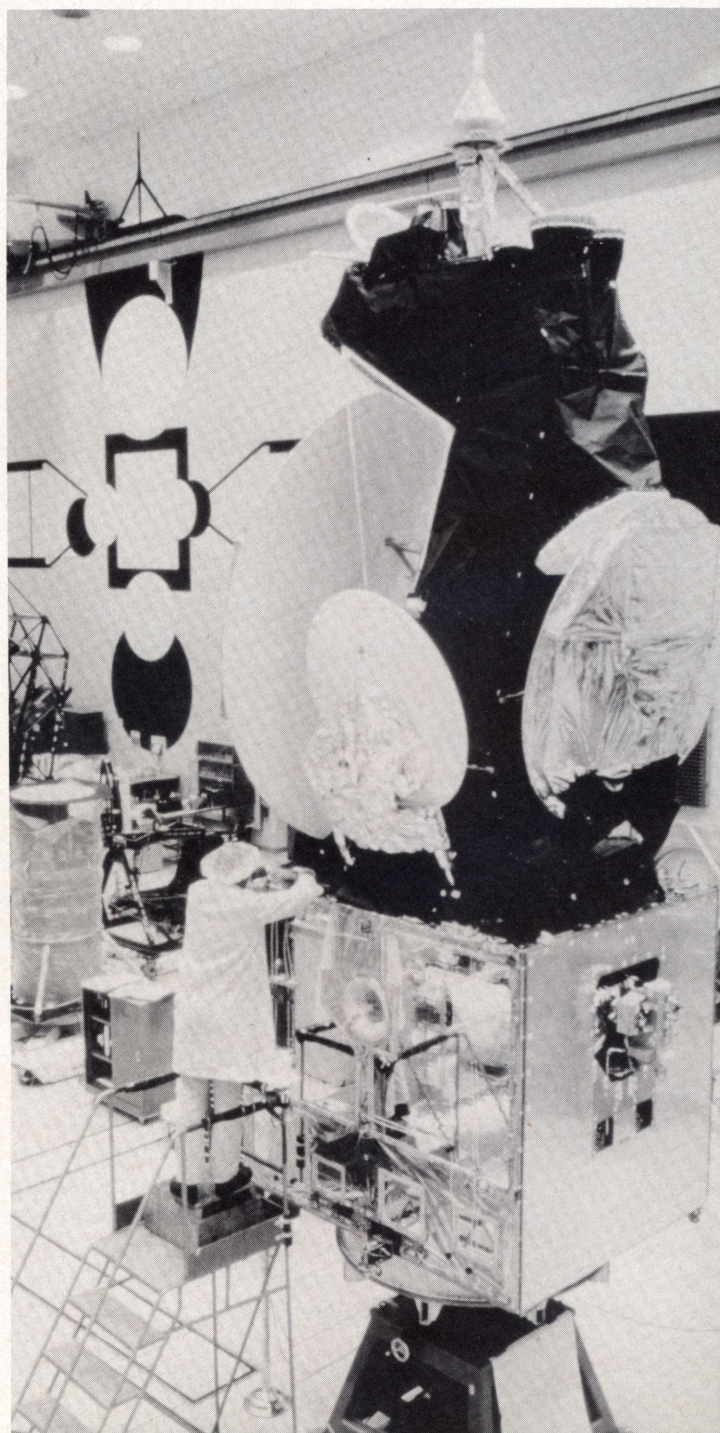
- Steps needed in the near- and medium-term to insure open and competitive trade among the organization's members.
- The establishment of a future program of work for GATT.

Trade liberalization. Since the GATT's inception in 1948, major strides have been made in the effort to eradicate tariff and, more recently, non-tariff barriers to trade. But much remains to be done. At the top of the GATT ministerial meeting's agenda will be the controversial "safeguards" code—the chief piece of business which was not attended to during the MTN.

In a period of growing protectionist sentiment, such as the present, Government recourse to import-restrictive measures poses a serious challenge to the principle of free and open trade. Yet even the United States, which is commonly acknowledged to be the most ardent in support of these principles, has agreed that individual members have the right and responsibility to protect their home industries when they are temporarily "injured" as a result of foreign imports. GATT's Article 19 already allows for such emergency measures, but some of its members, including the United States, believe that a safeguard code would introduce a necessary element of "specificity," which has been lacking up to now. What's needed, in short, is agreement within the GATT on the precise nature of such actions—under what conditions they can be resorted to, and under what conditions they can be subject to multilateral surveillance and monitoring. Article 19 unfortunately does not pass such rigorous tests.

GATT's Director General, Arthur Dunkel, has recently ac-

The emergence of trade in services, such as telecommunications, creates new areas of work for GATT members. Pictured here is the INTELSAT V communications satellite at Ford Aerospace in Palo Alto, California. Photo by William Megna/Courtesy of COMSAT



o free

knowledge that “it wouldn’t be realistic to expect an agreement on safeguards at Geneva.” But the November meeting should still afford the contending parties—notably the United States and the European Community—an opportunity to air their differences constructively. The US delegation, to be led by Ambassador William Brock III, has already proposed a “conceptual compromise” on the safeguards issue. In effect, Washington will accept Brussels’s insistence that safeguards action can be taken against one country—without reference to a broader international agreement. In return, the United States will call upon the Europeans at Geneva to accept the idea that future actions of this kind nevertheless will be subject to multilateral surveillance and monitoring through the GATT.

The other major subject to be focused on in this part of the program involves an American proposal to alter the trade relationship between the industrial market economies and the advanced developing countries. Brock will propose that a number of the ADCs (such as Brazil) be required to pay a higher tariff when they export goods to their more advanced American, European, and Japanese counterparts. The US position, originally put forward at the May meeting of the Organization for Economic Cooperation and Development (OECD), is that the ADCs no longer need duty-free entry on a wide range of articles. In practice, the proposed new tariff rate will be between the “zero” duty under the existing US formula—the Generalized System of Preferences—and the rate prevailing for America’s industrial partners. In return, Washington will call upon the ADCs to make substantial reductions in their trade barriers to Western goods. US officials emphasize that this proposal, which is bound to be controversial, will only be carried forward if other major developed countries—Japan and the European Community—accept it.

Other matters to be discussed at Geneva under the trade liberalization agenda include proposals to improve the dispute settlement process in the GATT and ongoing American complaints that the Community is “unfairly subsidizing” its agricultural exports—to the detriment of US overseas sales. However, the safeguards and developed/developing country tariff issues clearly will be priority items on the November agenda.

A future GATT work program. The GATT’s Trade Ministers will also make decisions regarding the organization’s future work program. Among the more important subjects to be discussed will be trade in services (insurance, telecommunications, and banking), trade-related investment matters (such as

domestic content rules and export performance requirements), and trade in high technology. If the GATT members can agree among themselves on these complex subjects, the organization will authorize the creation of study groups which will examine how the existing trade rules affect these new areas.

Of special concern for the Americans, Europeans, and Japanese is the emerging field of service trade. According to the International Monetary Fund, trade in services, or “invisibles”, grew spectacularly in the late 1970s and early 1980s. Between 1978 and 1979, for example, the world’s total sales expanded from \$350 billion to \$448 billion, a jump of 28 per cent. Yet the Multilateral Trade Negotiations did not address the subject. In the future, however, the GATT will be forced to confront a variety of difficult questions in this area: Can invisible items, such as insurance, telecommunications, and banking be subject to the same GATT rules as those which now apply for trade in durable goods? Or will the emergence of the service trade issue pose new obstacles to relations between the industrial West and the developing South?

For example, a number of multinational corporations, headquartered in Western countries, have found themselves at odds with national insurance and patent laws in some developing nations. To what degree can these conflicts be settled under the GATT’s auspices? Progress in service trade will not be easy to make. Nor is there reason to believe that the four day ministerial meeting will result in major agreements on this tricky question. Nevertheless, the importance of so-called “invisible” trade promises to grow. So one can expect the GATT to devote more attention to the subject.

Prospects. The last meeting of the GATT’s Trade Ministers took place during a period of almost universal boom. However, the OPEC oil embargo, accompanying price rises, and subsequent economic downturn in both the developed and developing world have made it increasingly difficult since then for the membership to support a system of open and competitive trade. National legislatures in Western Europe and the United States are presently entertaining restrictive measures, whose long-term effect could be to limit trade between the GATT membership. And in contrast with happier periods, there’s the prospect of major political warfare between the United States, Japan, and the European Community—not only over specific trade matters, but over the general conduct of trade itself.

The present confrontation between Washington and Bonn, London, and Paris over the Soviet-European pipeline, for example, could set a dangerous precedent which could directly hamper the future prospects of formulating new and more liberalized trade rules within the GATT. As one high-ranking trade official remarked recently in Washington, success of the forthcoming ministerials “is going to depend 80 per cent on the political climate and political will and, frankly, the political climate right now is not good.” Of course, it is to be hoped that the organization’s members—and particularly those from the United States, Western Europe, and Japan—are aware of these dangers and will act accordingly. But if they don’t, prospects for future multilateral cooperation within the GATT will be grim indeed. €

John Starrels writes regularly for the Los Angeles Times syndicate.

TRADE

EUROPE'S SUPE

EFTA, expands links with EC.

H. PETER DREYER

On January 1, 1983, the industrial free trade agreements concluded between the European Community and the individual member states of the European Free Trade Association (EFTA)—that is, Austria, Finland, Iceland, Norway, Portugal, Sweden, and Switzerland—will have been in effect, for the most part, for 10 years. This fact may not arouse great excitement in either camp: After all, these accords have worked satisfactorily and smoothly throughout and, by and large, have met the objectives set out for them. Nevertheless, their performance marks an important milestone in the development of European integration.

To better appreciate the upcoming “anniversary,” it might be useful to mention that next year represents another, highly relevant one. In 1983 it will be 25 years since negotiations took place between the six-nation EC, which had begun operating in 1958, and those West European countries which could not or would not join it. Their aim was to create a Greater European Free Trade Zone. It was the breakdown in late 1958 of those negotiations which led, within another 18 months, to the creation of EFTA, then, of course, also including the United Kingdom and Denmark.

It can be argued without fear of contradiction that, when the latter two joined the EC 10 years ago, and the industrial free trade agreements were signed with the other EFTA nations, what had not been possible in 1958 was at long last achieved after all: a huge free trade zone (for industrial goods) encompassing more than 300 million West Europeans.

Initially and inevitably, facilitating the flow of trade in general, and gradually dismantling tariff walls in particular, became the principal target of those agreements. But, perhaps just as inevitably, now that customs duties have all but disappeared (the only remnant being those on pulp and paper imports from EFTA countries and they too will be gone soon), matters other than trade are coming to the fore. To a certain extent, this matches the experience within the EC itself. There also the emphasis during the early years was on doing away with customs duties and fashioning a common external tariff; once this was done it became possible, as well as desirable, to turn to other activities and to broaden the objectives and the operational scope considerably beyond what the Treaty of Rome founding the EC had envisaged originally.

This is not to imply that in either case the development of trade as such was or is at all important; far from it. Given geographic conditions and old, established patterns of merchandise flow, the commercial relationship between the EC



EC-EFTA relations have extended beyond the original trade agreements to include jo

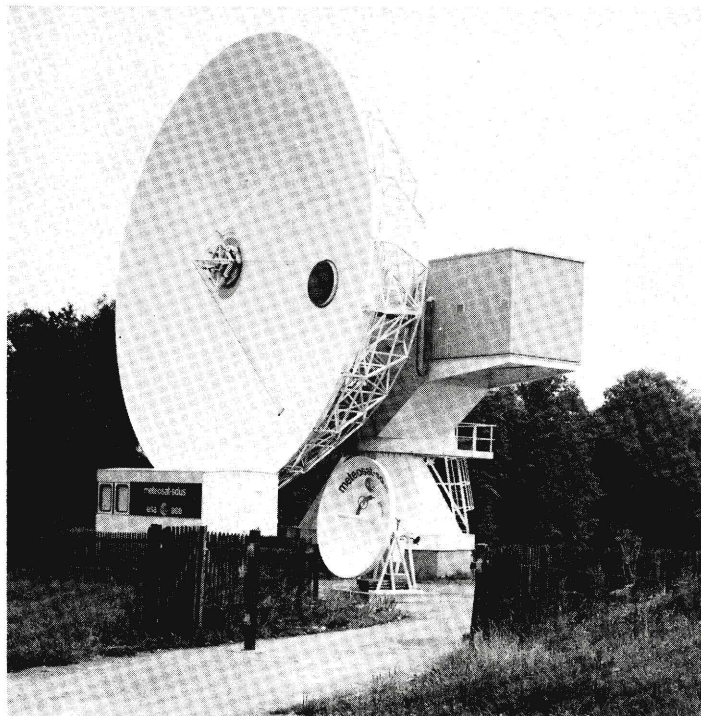
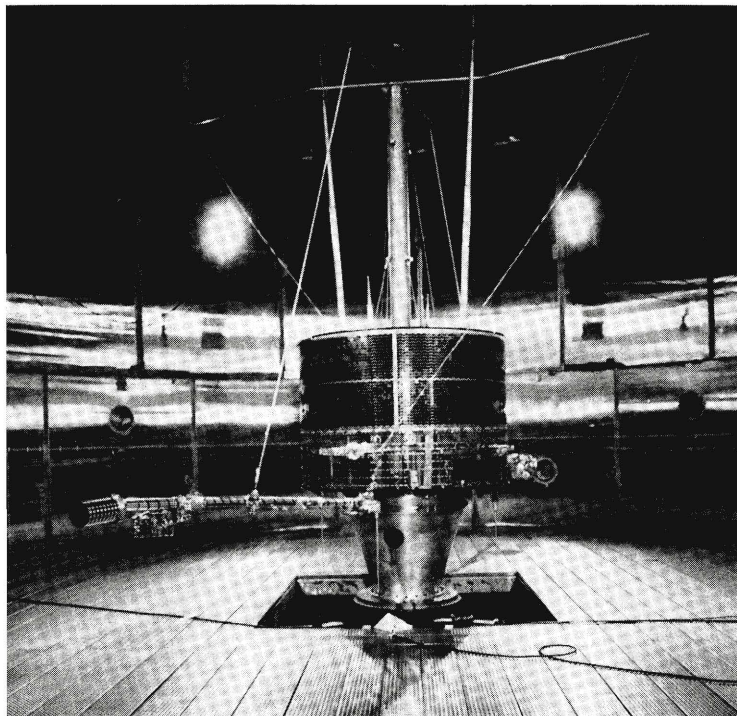
and the EFTA countries has long been an intimate one, which the free trade accords were intended to consolidate and to expand.

Three sets of figures will illustrate how close these links are and how vital it was to keep them that way:

- Of the EC exports to the outside world, around one quarter commonly goes to EFTA countries (or far more than either to the United States or Japan), and from the EFTA countries comes almost one fifth of comparable EC imports, again considerably more than is brought in from the United States or Japan. Looked at through EFTA eyes, the picture is more striking still: From the EC came 52 per cent of EFTA member countries' imports (1981); to the EC went 51 per cent of their exports.

- Trade between the two groups has fully kept up with the enormous expansion of trade figures in the past decade. Between 1973 and 1980 the EC's total exports, including those effected between EC member states, rose from 171 to 479 billion European units of account (about \$666 billion for 1980); in both those years, and indeed during most of the

RZONE



Scientific and technological research projects in areas such as transportation, telecommunications, and meteorology.

years in between, the EFTA share of EC exports remained an even 12 per cent. Much of the same picture emerged on the import side where the overall rate of increase—up from EUA 17 billion to EUA 526 billion—was even faster, and where the EFTA share was around 9 per cent in both the first and the last year, as well as during the interval.

- The EFTA countries form the only region in the world with which the EC has consistently achieved a substantial trade surplus; in 1980, for instance, it totaled EUA 9.1 billion. These surpluses, it should be added, have gone a considerable way in recent years toward offsetting the very large deficits which the EC has incurred in its trading with both the United States and Japan.

However central the trade aspects are, and presumably will remain, it had never been assumed that they would govern the make-up and the implementation of accords to the exclusion of everything else. Into five of the seven agreements—Finland and Portugal were the exceptions—so-called “evolutive” clauses were inserted. These left the door open for extending relations into fields not initially covered by the accords, pro-

vided this would be found to be in the joint interest of the EC and the individual EFTA country concerned.

What was hardly anticipated 10 years ago, though, was the enormous use to which these clauses in fact were put as the years passed. Varying somewhat from one EFTA country to another, this has been the case especially for Sweden, Norway, and Switzerland. Yet even Finland, which because of its neutrality constraints would not have an evolutive clause in its accord with the EC, has seen fit to take a “pragmatic approach” and, among other things, to participate in a series of joint scientific and technological research projects within the COST (Cooperation in the Field of Scientific and Technical Research) framework. COST programs, covering such areas as data processing, telecommunications, meteorology, oceanography, transportation, and metallurgy, have also been joined by Austria, Norway, Sweden, and Switzerland.

The newly created bonds have turned out to be very diverse. For example:

- Sweden participates in the EC’s research program on thermonuclear fusion (JET); it is becoming involved in the EC’s

data transmission network (Euronet); it holds regular meetings with the EC to exchange information and discuss questions relating to sea and air transportation; it does the same in such diverse fields as the protection of the environment, public assistance, short- and medium-term economic forecasting, and related economic topics—a list which, while impressive, is not exhaustive.

- Norway, in addition to taking part in some of the same activities as Sweden, also has regular contacts with the EC on energy policy issues.
- Switzerland, the COST program aside, has also signed participation agreements on JET and Euronet as well as on the exchange of information on environmental research; it has joined

Commission voiced its wish to take the discussions beyond purely bilateral commercial problems. It would be in the Community's interest—and by implication presumably also in that of the EFTA members—to expand the horizon of contacts to the point where they would include foreign economic policies in their entirety.

True, not all EFTA countries are equally anxious to extend the parameter of the relationship to the extent that it might constitute a new European dimension. Because of their traditional neutrality concept, the Swiss undoubtedly have the biggest reservations. The Austrians, while presumably welcoming the development, may consider it prudent not to say so too loudly. At the other end of the scale, however, Norway and Sweden can be said to have been moving for some time al-



Some EFTA members participate in Euronet, the EC's data bank network.

the European Patents Convention; and it has concluded an agreement on the freedom of establishment for casualty insurance companies.

All such activities, of course, and quite a few more initiated and carried out in a similar vein, can still be described as having a commercial flavor of sorts and as being a perfectly logical extension of trade and related interests between neighboring countries. But, in fact, the cohesion process between the EC and the EFTA has moved beyond the economic sphere these past 10 years and has slowly come to assume political dimensions as well.

The most recent, in June 1982, of several EC Council of Ministers statements on the "EFTA connection" reflected this unambiguously. Not only did it refer to the desirability of stepping up cooperation with the EFTA countries and its own willingness to examine any suggestions which would point that way, it also stressed the political importance which it attributes to the solidarity which has gradually developed. "In a world of crisis, where the preservation of free trade worldwide is increasingly threatened," it said, "solidarity within Western Europe and cooperation in addition to bilateral relations really come into their own."

This unprecedented political touch also was evoked a little later by the EC Commission. Noting how much it appreciates the pragmatic approach of EFTA countries, which permits them to cooperate with the EC in areas of common interest, the

ready in the direction outlined by the EC authorities.

Evidence of this can be found in the fact that Norway and Sweden have upgraded one or two annual mixed committee meetings—which all EFTA members each have had with the Commission since the beginning—to where it is held at the ministerial level. On top of this, the visits paid to Oslo and Stockholm by members of the EC Commission and, conversely, to Brussels by Norwegian and Swedish Ministers have become distinctly more numerous of late. And last, but far from least, Norway, which is a member of the North Atlantic Treaty Organization, after all, has shown growing interest these past two years in becoming associated in some form with the EC's political cooperation efforts.

Where is the EC-EFTA relationship headed? Obviously, that cannot be predicted with any precision. What can be said, though, is that since it has shown itself to be a live and adaptable relationship rather than a rigid one, since it has generated a dynamism of its own, there is no reason to assume that this process has now run out of steam. Most probably therefore, just as there have been so many changes in the relationship this past decade, there will be more to come in the years ahead. Very likely the extent of these changes will depend on nothing so much as those which the EC itself succeeds in achieving. €

H. Peter Dreyer reports from Brussels for the Journal of Commerce.

anxiety in the Boardroom

US firms air objections to the "Vredeling proposal" on worker relations.

ALEXANDER TROWBRIDGE

Earlier this year, *Europe* magazine published an article in which Ivor Richard, EC Commissioner for industry and social affairs, explained the controversial draft EC directive on worker consultation, usually known as the "Vredeling proposal." This proposal, whether enacted in its original form or along the lines of the amendments voted by the European Parliament, will have a substantial impact on the operations of all multinational corporations doing business in the European Community. This is especially true of the multinational corporations (MNCs) headquartered outside the Community, the vast majority of which are based in the United States. I have been invited by the editors of *Europe* to present a perspective on this issue as it is seen by industry from this side of the Atlantic, and to explain why many American companies are concerned with the development and implementation of this proposal. Several prefacing remarks are appropriate, I believe.

We recognize that US business has no right to tell EC member states individually, or the Community as a whole, how to structure industrial-relations policies or how to run an economy. American-based MNCs which operate in Europe are guests of the respective host countries and we do business in accordance with local laws. We are there because the European market is an attractive place to produce and to sell goods.

On the other hand, it is entirely appropriate that American companies and business organizations should feel free to advise European Governments and Community institutions on the probable economic effects of contemplated changes in policy. In September, Richard visited the United States and met with representatives of American-based MNCs and business organizations. After outlining his views on the Vredeling proposal, Richard was presented with the reaction of US business firsthand.

While only one voice, we believe the advice of American companies is important to Europe. American direct investment has provided a critical input of capital, technology, and management techniques, all of which have contributed strongly to the post-war European economic miracle. And even critics of US-based MNCs, such as France's Jean-Jacques Servan-Schreiber, believe that American companies have taken the initiative in thinking in terms of a Europe-wide market, thus helping create an economic basis for the European Community. For this reason also, many member companies of the National Association of Manufacturers which have European operations are active in national business federations in coun-

tries where they have subsidiary operations. In this article, I do not speak on behalf of these European business organizations, though we are frequently in basic agreement on subjects of shared concern, such as the Vredeling proposal.

Even though the growth during the 1950s, 1960s, and early 1970s has turned into a recession- and unemployment-plagued 1980s, most US companies operating in Europe still want to maintain or expand their investment commitments. Of course, the worldwide recession which currently grips most of our economies continues to force an international restructuring and rationalization of corporate operations. As citizens of Europe, US companies have a vested interest in the EC economy and reducing the unemployment figures that Richard described as 12 million currently, projected to rise to 15-20 million by 1985. The key, however, to encouraging US-based MNCs to maintain or increase their commitment to Europe is to increase flexibility for corporate planners, not to impose greater rigidity with respect to the legal framework for company operations.

Companies Accept Goal of Improved Labor-Management Dialogue

In his remarks published in *Europe*, as well as in several meetings with business executives, Richard has emphasized that the Vredeling directive is essentially a "modest proposal" aimed at increasing the involvement of employees regarding economic structural change. To quote from the Commissioner's *Europe* article, "In summary this directive aims to give workers in companies with subsidiaries the rights to information on company policy which is likely to affect workers' livelihood or well-being. That seems to me to be a quite admirable objective."

In fact, American companies operating in Europe have no quarrel with this general objective. A large number of major US-based MNCs have publicly agreed to abide by the voluntary guidelines for multinational enterprises established by the 24-country Organization for Economic Cooperation and Development in 1976. These guidelines call for the sharing of information on worldwide corporate performance with employees, and for consultation with employee representatives regarding the mitigation of adverse effects caused by a decision to reduce production or to close a facility.

It is widely accepted, in discussions that we have had with EC officials as well as others familiar with the European business scene, that most of the general information on a company's worldwide plans and performance which would be of use

to employee representatives is already provided by American companies in public reports made to the US Securities & Exchange Commission. And, of course, US-based companies already operating in countries such as Germany and the Netherlands must provide information to employee representatives in compliance with local employee consultation laws.

Why then should there be any concern with the "modest" Vredeling proposal to extend mandatory systems of consultation to the entire European Community? In the first place, many international labor-relations specialists from US-based MNCs believe that a mandatory consultation system for the entire European Community is at the very least premature, given the broad differences between national labor markets—not only in terms of different labor relations practices, but also very different political contexts.

Concern Caused by Specific Terms of Original Proposal

Beyond this general preference for a flexible and voluntary system of consultation, most companies were seriously concerned by the specific terms of the original formulation of this proposal, drafted by Richard's predecessor, Henk Vredeling, and later approved by the Commission in 1980. The terms of this proposal went far beyond the information and consultation requirements even as established in the existing Dutch and German systems. These provisions would have made it very difficult for management to make the timely decisions required by rapidly changing economic conditions, would have made it difficult to implement worldwide production or rationalization decisions on an equitable basis for all employees, and would have required disclosure of confidential information highly useful to corporate competitors. In sum, the original directive would have created new barriers to the timely and efficient disposition of corporate resources in Europe and worldwide, and would have had the effect of punishing MNCs for having created employment opportunities in Europe.

It is hoped that the final version of any ultimate EC directive would be attentive to complaints that both European- and non-European-based companies have voiced regarding specific problems with the original proposal. Richard has stated in his *Europe* article and before the European Parliament that he understands some of the criticisms of the original draft proposal, and that he plans to amend certain specific provisions

Provisions of the Vredeling proposal would require that workers be given advance notice of certain management decisions affecting their future. Belgian workers are pictured here. ©Martin Rogers, Woodfin Camp



following the European Parliament's final vote on an amended version. On October 12, the European Parliament adopted a set of amendments to its version of the directive, which would appear to meet some of industry's specific criticisms. Nevertheless, from the point of view of the American company in Europe, we still think that there is no need for a Community-wide consultation directive. Therefore, I regard it as a very positive sign that Community organs and representatives are willing to reconsider the main features of this proposal, with a view to minimizing its role as an impediment to efficient and economic management practices. On the other hand, experience with the European Community in the past shows that rapid changes in economic conditions can lead to some surprising changes in Community policies. Most American companies therefore are continuing to monitor carefully the outcome of the European debate on the Vredeling proposal.

Vredeling Proposal May Discourage New Investment

Richard and other members of the EC Commission have emphasized that this directive is not intended to be protectionist, with regard to preserving jobs in Europe which might be shifted elsewhere. But the fact of the matter is that a legally enforceable consultation mechanism, under currently proposed terms, can be used to obstruct the establishment of production facilities to exploit new market opportunities outside of Europe, or even the expansion of production facilities by American-based MNCs in hard-pressed regions in our own country.

This possibility is already giving pause to some companies considering new investments in Europe. The *Wall Street Journal* on July 9 quoted a British Employment Ministry official who warned that certain EC regulatory proposals now being considered—including the Vredeling proposal—"discourage American investment in Europe. If I were a director in New York," this official continued, "I wouldn't want to put my head on the block, just to be able to invest in the European Community."

Indeed, figures in the official US *Survey of Current Business* show a declining trend in recent US investment in the European Community, including a net disinvestment in new equity of over \$1 billion in 1981. Of course, such aggregate statistics can often be related to macroeconomic factors such as relative business cycles, but another *Wall Street Journal* article of August 12 reinforces my belief that such investment trends are also related to the growth of negative perceptions regarding the total investment climate in Europe.

These comments on investment flows should not be interpreted as a threat regarding future EC policy on employee consultation and related issues. Rather, they are simply meant to indicate that American industry is very concerned with the outcome of this issue. Certainly, we do not seek to impose our domestic US style of labor relations on the very diverse and distinctive national labor markets of the European Community. As Washington lawyer Steven Schneebaum wrote recently in *The New York Times*, "It is not the goals evoked by proponents of Vredeling which are opposed by business on both sides of the Atlantic. Rather, critics point to the extraordinary difficulties encountered in framing a coherent piece of legislation to attain those goals." €

Alexander Trowbridge is president of the National Association of Manufacturers.

US-EC RELATIONS

parliament softens the blow

JONATHAN TODD

At a time of rapid technological change and fundamental restructuring of industry in the EC, there exists considerable potential for conflict between management and employees over redundancies, plant closures and the introduction of new working methods. The EC Commission's proposed directive on worker information and consultation rights—the "Vredeling proposal"—represents an attempt to avoid this conflict.

It would aim to build a sense of partnership between management and workers by attempting to remove any sense of mistrust that might otherwise exist. The Commission has been working recently on a revised draft of the proposed directive on the basis of amendments proposed by the European Parliament at its October plenary session.

The Commission proposed that each subsidiary company operating in the EC should provide information to employees' representatives on the activities of both the parent company and its subsidiaries at least every six months. The Parliament decided that once a year was adequate. Moreover, the Parliament maintained that information concerning rationalization plans, manufacturing and working methods, and "plans and procedures liable to have a substantial effect on employees' interests" should not have to be disclosed on a regular basis.

Any "company secret or business secret" would be excluded from the information disclosed, according to the amendment proposed by the Parliament, but it wanted employees' representatives to have the right to ask for oral explanations of company activities, and obtain the required answer. The Commission's original proposal already featured a provision that employees' representatives would be required to maintain discretion concerning confidential information and would not be allowed to divulge business secrets. The Parliament proposed to extend these proposals specifically to experts whom the employees' representatives consult.

The so-called "bypass" clauses, one of the



Vredeling directive's most controversial aspects, should be amended considerably, according to the European Parliament. In the Commission's original proposal, should a subsidiary be unable to provide the required information, the parent company, even if outside the EC, would have to give the information directly to the employees' representatives, bypassing the subsidiary.

This procedure has attracted a great deal of criticism because of its implied extra-territorial application of EC law. The alternative proposal by the Parliament is that the employees' representatives could approach the parent company in writing. The parent company would then be obliged to give the relevant information, but via the management of its subsidiary.

In fact, the Parliament proposes to strengthen the directives by giving employees' representatives the right to apply for a court ruling requiring the parent and/or subsidiary to fulfill its obligations. A vague provision for "appropriate penalties" to be applied by the EC member states was all that figured in the original proposal.

The Parliament's proposed amendments would change the directive fundamentally. According to the original text of the proposal, the management of a parent company would have to forward to each of its subsidiaries within the EC precise information on any decision concerning the parent company or any subsidiary "which is liable to have a substantial effect on the interests of its employees."

Details would have to be given concerning the grounds of the decision, the consequences of the decision on the employees concerned, and the measures planned in the respect of these employees. The Commission proposed that the information would have to be forwarded not later than 40 days before adopting the decision.

The Parliament, however, proposed that the information be given only in the case of decisions affecting EC-based subsidiaries, and

only those directly concerned. Furthermore, the information would have to be forwarded not later than 40 days before implementing the proposed decision.

Once the subsidiary had the information, the Commission proposed it should communicate it without delay to its employees' representatives and request their opinion within 30 days. Where the representatives thought the decision would have a direct effect on the employees, the subsidiary's management would be required to hold consultations with them with a view to reaching agreement on the measures planned. Should the subsidiary fail either to communicate the information or to hold consultations, the employees' representatives would be authorized to bypass the subsidiary and open consultations, through authorized delegates, with the parent company.

The Parliament, however, suggested that consultations need only attempt to reach agreement. In addition, the Parliament suggested that the right to bypass the subsidiary be removed. Instead, the Parliament would like EC member states to create the possibility for employees' representatives to institute court proceedings to compel the parent or subsidiary company to comply. Nevertheless, there would appear to be less reason for companies to wish to avoid complying with the consultation procedures, were Parliament's proposed amendments to be implemented.

In an attempt to bring pressure to bear on the Commission to take heed of the amendments it had suggested, the Parliament declined to adopt its official opinion on the proposed 'Vredeling' directive in October. Instead, the Parliament voted to delay adopting its opinion until the Commission outlines the amendments it will introduce into its revised draft of the proposed directive. Without the opinion of the Parliament, the EC's Council of Ministers can discuss, but cannot adopt, the proposed directive. €

Jonathan Todd is the editor of Multinational Service in Brussels.

tax fight next?

European multinationals upset with assessment policies of American states.

GEOFFREY CARROLL

Though it is not as emotionally charged and does not command the same front-page headlines as the current pipeline or steel-trade disputes, there is yet another increasingly contentious issue between Western Europe and the United States. Known in general terms as "unitary taxation," it is exerting additional pressure on an already strained trading and investment relationship. At stake is the potential diversion of hundreds of millions of dollars of European investment in the United States, with all the accompanying jobs that would be created.

Many individual US states—27 of the 46 states which tax corporate income—use the unitary method of tax assessment for those corporations doing business in more than one state. Under the method, income subject to tax is generally computed on the ratio of payroll, sales, and property in the taxing state, compared to all states. When the formula apportionment of the unitary method is carried one step further and overseas affiliated corporations are included, that method of tax assessment becomes known as the "worldwide combined reporting system."

At present, 13 states are using the worldwide combined reporting system, but today's recessionary environment, coupled with the Reagan Administration's reduction of federal funds to the states, is causing many more to seriously consider such a unitary tax as another, much-needed source of revenue. Furthermore, the states that use worldwide combined reporting—California, Indiana, Illinois, New York, Massachusetts, Oregon, Alaska, Idaho, Colorado, Montana, New Mexico, North Dakota, and Utah—represent some of the most populous and commercially important regions in the nation. Since roughly 70 per cent of the direct foreign investment in the United States comes from Western Europe, the burden of the unitary tax falls on European-based corporations.

Essentially, the unitary apportionment system is an arbitrary method of assigning a portion of worldwide income of a group of related companies to each state on a formula basis. In the present international context, the

system is an alternative to determining the income actually earned with the state or to determining the total United States income of the corporate group, which may then be apportioned between the states. Using the unitary apportionment system, total worldwide income of all related companies as a group is allocated or apportioned, even though many of the companies may do no business whatsoever in the United States.

The allocation is made by formulas such as one based on the ratio between sales, property, and payroll in the American state and worldwide sales, property, and payroll of the entire corporate group. While the formula apportionment of the unitary system may work for activities within the United States, its application to overseas activities presents serious problems and insurmountable distortions that result from very different systems of accounting, languages, levels of productivity, commercial laws, cost of labor, cost of materials, elements of risk, and currency fluctuations.

Double taxation inevitably results, since using the unitary tax method on a worldwide combination basis can't help but tax income which is already being taxed by foreign authorities in Europe, and elsewhere, under the international arm's length, separate-accounting principle.

It is true, of course, that even under a consistent international tax structure, multiple taxation may occur. Countries frequently differ on the nature and amount of adjustment needed to reflect arms-length dealings among affiliated corporations and they disagree over the creditability of taxes. However, the common conceptual framework—as well as the provisions of tax treaties which have been jointly hammered out and observed—provide the mechanisms for resolving such disputes as may arise and for eliminating double taxation. Indeed, the international income-tax treaty network is based upon the principle of avoiding double taxation. Such economic double taxation as occurs under the established international tax structure is unfortunate, but that which it is not eliminated through treaty

mechanisms reasonably may be viewed as an unavoidable consequence of the interaction of the tax systems of sovereign nations. However, because worldwide combined reporting is antithetical to this established practice, any double taxation which it causes should be considered excessive on policy grounds, and individual American states should not be permitted to adopt a system which results in international multiple taxation merely because the federal, internationally-accepted system may also produce some double taxation at times.

A specific example of this unreasonable tax burden is seen in the case of the current dispute between the Shell petroleum company and the state of California tax board. Shell has engaged for many years in business activities, directly or through its subsidiaries, throughout the United States and in numerous foreign countries. For each of the years 1967 through 1972, Shell states that its California payroll, property, and sales did not exceed 20.5 per cent of its worldwide payroll, property, and sales. Yet in every one of those years the state of California tax board deems Shell to have earned in California an amount equal to at least 50 per cent of Shell's worldwide income. In three of those six years, the amount of income attributed to California by this approach would exceed Shell's consolidated worldwide income as reported to the US Internal Revenue Service, (IRS) and in one year, 1969, the income attributed to California would be more than four times as great as Shell's total consolidated worldwide income, as reported to the IRS. Over the six year period, the approach by the California tax authorities would attribute 92.6 per cent of Shell's worldwide income to California.

The unitary apportionment system is contrary to well established international standards of taxation. Since early in this century, the accepted and honored international understanding has been that each nation is free to tax its own nationals or companies on their income, from whatever source derived. A nation may not tax a foreign company on its worldwide income, but may tax only in-

come generated within the taxing nation. Moreover, the international understanding has been that the taxing authority must treat the domestic subsidiary of a foreign company and the legislative path, in both the US Congress and individual state legislatures. In the 96th Congress, identical bills were introduced in both the House and Senate which would limit the use of the worldwide combined reporting system. Hearings were held on the House bill in March 1980, before the Committee on Ways and Means, and on the Senate bill in June 1980, before the Finance Committee. Neither bill was voted out and identical bills were reintroduced in the House

acknowledged at the hearing before the Supreme Court in April of this year and the court therefore decided to rehear the *Chicago Bridge & Iron* case later this year, along with the *Container Corporation* case, for this latter case provided a more appropriate factual situation since multinational corporations involved in non-unitary lines of business were involved. However, arguments will not be heard before November 1982 at the earliest, as an independent entity, and may not combine it upstream with its parent and other affiliates of the parent.

This understanding is embodied in the model conventions of three major interna-

Cooperation and Development and other international trade organizations, after repeated and exhaustive studies, have consistently concluded that only the separate-accounting system is fair and reasonable in taxing international business. They conclude that the unitary apportionment system applied worldwide results in an unreasonable tax burden, multiple taxation of the same income, and heavy and unnecessary administrative costs.

Although so far the US federal Government and the individual states have not been able to resolve satisfactorily or to defuse the unitary tax question, several attempts have been made and efforts are still continuing to reach



Shell Oil is one company caught in the unitary taxation net. This is the firm's refinery at Deer Park, Texas. Courtesy of Shell Oil Company

and Senate in 1981 in the 97th Congress. Sen. Robert Dole, Chairman of the Finance Committee, has promised hearings this year and it is very likely they will now occur during the lame-duck session which begins November 29, although no concrete action is expected to be taken.

Congress is reluctant to legislate on this matter while several cases concerning the constitutionality of the worldwide combined reporting system are still pending before the US Supreme Court. The cases in question are the *Chicago Bridge & Iron Co. vs Caterpillar Tractor Co.* and *Container Corporation of America vs Franchise Tax Board*. Since *Chicago Bridge & Iron* was the result of an appeal by an intervenor in the state court action, the factual record of the lower court proceedings between Caterpillar and the state were not before the Supreme Court. This was

tional organizations whose work has spanned six decades, in three diplomatic communications from the EC to the US Government, and in a statement of position recently made by the US Government to the Supreme Court. The US Federal Government does not use the worldwide combined reporting system and has agreed in over 40 international tax treaties not to do so. Notes attached to treaties recently negotiated with England, France, and Canada make it clear that not only does the federal Government not use worldwide combined reporting, the contracting countries expect the federal Government to limit its use by individual states.

No other nation, in fact, uses the worldwide combined reporting system. The separate-accounting, or arm's length, method is used by virtually every other Government in the world. The Organization for Economic

and Development, these efforts have been made via the judicial route, in the US Supreme Court, and a decision is not expected until after the first of the year. While it is most difficult to predict the outcome of the Supreme Court rulings, it is likely that they will not provide complete relief from the vagaries of worldwide combined reporting and might not address the plight of overseas parent corporations with US subsidiaries.

With regard to individual state initiatives, Gov. James Thompson of Illinois recently reached a major compromise decision on the use of unitary tax by the state of Illinois which, if adopted by the state legislature, would be a substantial victory for the forces of those opposed to the spread of the worldwide combined reporting system. For many months, Thompson has been considering a bill before him which, if enacted, would have

outlawed altogether the use of unitary apportionment of corporate income taxes in Illinois. This particular issue split the very powerful Illinois business community and, in a very difficult political decision, Thompson decided to use an amendatory veto which would abolish the corporate unitary taxing method on out-of-country operations of firms operating within the boundaries of Illinois, but would retain the method for their operations in the United States.

The EC Commission is not against the unitary method of taxation per se. Indeed, it recognizes that there may be some validity

developments. First, within the borders of the United States, the continued use of the worldwide combined reporting method will have a negative influence on investment in those states that continue to embrace this principle. Several European multinationals have already either postponed or abandoned investments that they were considering in California due to that state's particularly aggressive application of worldwide combined reporting. It is common knowledge that European companies are anxious to invest in the US market. The United States offers the world's largest and politically safest consumer market; there

flows does seem somewhat shortsighted on the part of the states. Thus far, and for the near future as well, the major effect of the application of worldwide combined reporting may be to discourage foreign investment only in the states which use it. If the application becomes more widespread, however, a broader and more pervasive adverse impact on overall foreign investment in the United States is inevitable.

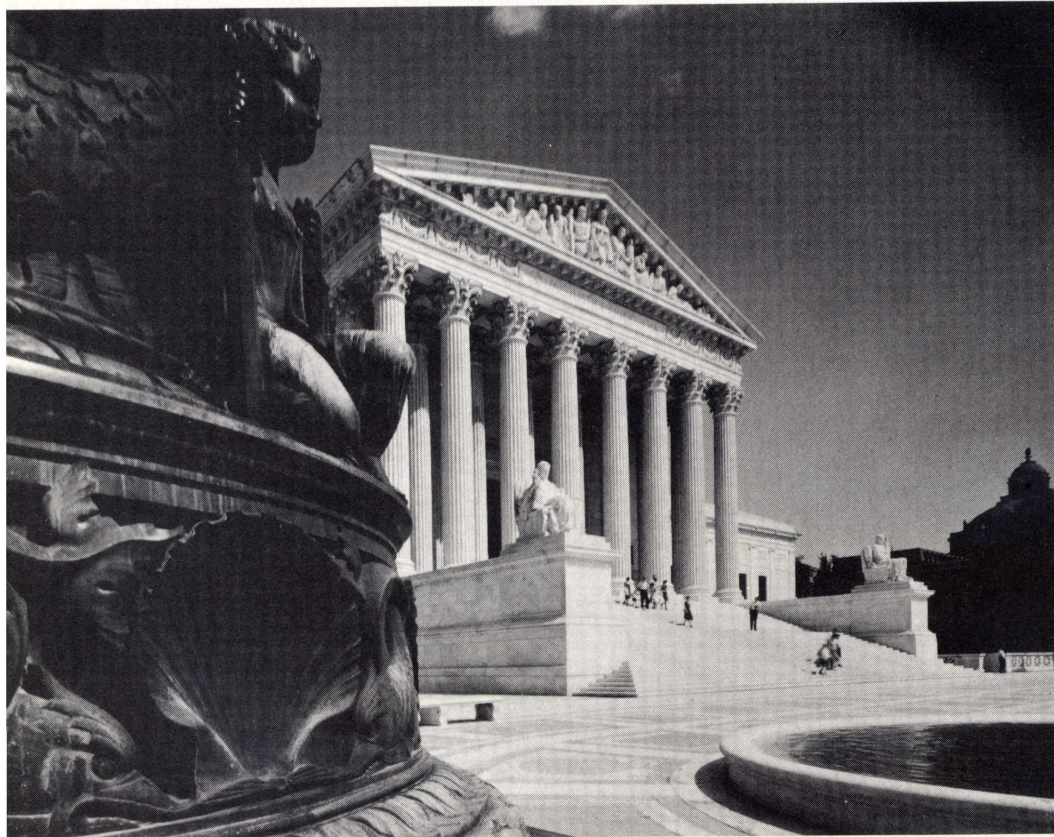
With regard to effects outside the United States, if the states persist in unfair treatment of foreign-owned corporate groups in this fashion, US companies should realize that they are likely to suffer retaliation, not only from other countries, but from their political subdivisions as well. The international tax-treaty partners of the United States have been receiving assurances from two consecutive Administrations that the United States would quickly resolve this internal unitary tax dispute. Little has actually happened, and as more states examine worldwide combined reporting as an attractive revenue source, pressure is growing simultaneously in foreign legislatures to take "reciprocal" action.

Of even greater concern to the United States should be that other foreign countries, particularly developing countries, may follow the California's lead and adapt the unitary tax concept in such a way as to impose a much greater tax burden on US companies operating worldwide.

If the unitary taxation concept spreads to other countries, US companies may be forced to provide confidential financial information and other data, just as certain individual US states are currently seeking from European-based companies. Consider for a moment the impact of an unfriendly nation insisting upon details of US plant costs, US research and development expenses, and other such information from a US company with extensive defense production, or one engaged in nuclear reactor construction. The provision of such information may be contrary to an entire series of US laws, just as the provision of information to any of the American states may violate the laws of the various foreign countries in which a foreign-controlled corporate group may be doing business.

With an international trading and investment system that is already under an inordinate amount of pressure, the strain caused by the unitary tax problem is an unnecessary additional risk. Since no other nation in the world permits the use of worldwide combined reporting, it is hoped that the United States will be able to correct this tax inequity before there is any diversion or curtailment of investment. **◀**

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The US Supreme Court, where cases involving unitary taxation are pending. ©Robert C. Lautman

and theoretical justification for the unitary approach regarding income earned within a homogeneous economic system, such as the United States. However, this unitary concept begins to lose whatever integrity it has when the formula apportionment of the unitary method is carried one step further and overseas affiliated corporations are included. It is therefore only the worldwide combined reporting that causes such strenuous objection. The bottom line is that unless the same basic rules for calculating taxable profits are followed generally by the main trading nations, it will be impossible to achieve the essential objective of providing a consistent and coherent international tax framework for trade and investment.

If nothing is done to resolve the current impasse, there will likely be several significant

are no serious nationalization threats and, compared to Europe, the United States possesses a reasonably mobile and efficient labor force. The potential amounts of capital investment and subsequent job creation resulting from European direct investment are rather substantial.

Roughly two-thirds of all foreign direct investment in the United States is from West European parent corporations. U.S. Department of Commerce figures put total foreign direct investment in the United States at the end of 1981 at about \$84.2 billion, of which \$55 billion came from European companies. In 1981 alone, European companies put close to \$11 billion in new investment into the United States, up from \$5.4 billion in 1980. Any policy, therefore, which results in a reduction, or redirection of these investment

“La Reaganomique, Non!”

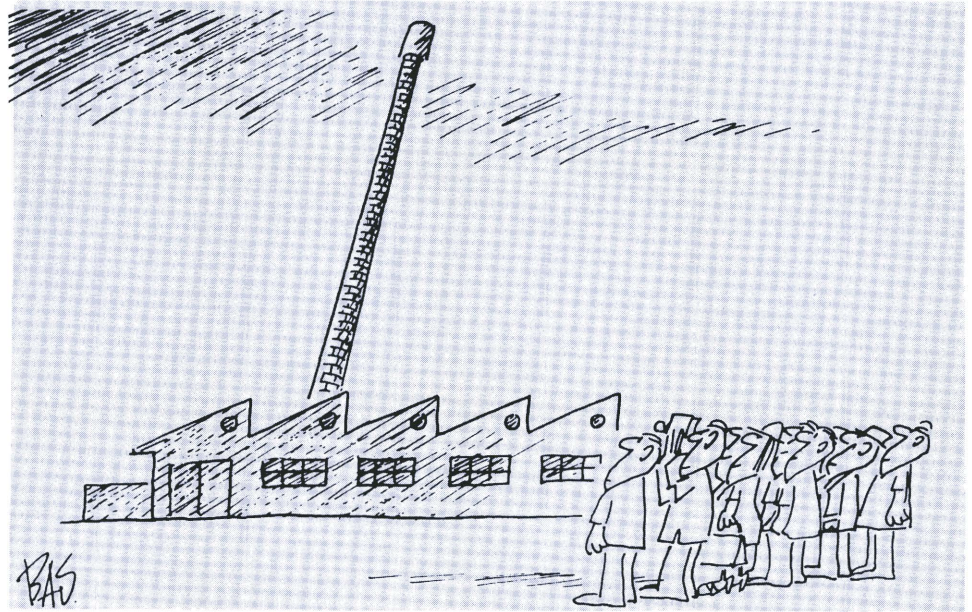
Europeans unhappy with US economic policy.

STEPHEN D. COHEN

In an interesting extension of the concept of international economic interdependence, American domestic monetary and fiscal policies have expanded into a major foreign policy issue among the industrialized countries. Specifically, the techniques and effects of what is known as Reaganomics have become a divisive element in US-European relations. Although an important issue in its own right, this dispute over macroeconomic policy is better appreciated when it is considered in context: It is but one of a number of nagging economic and political disagreements that have arisen between the Europeans and the Reagan Administration. These include trade disputes over steel and agriculture, the uproar over US sanctions aimed at the Siberian pipeline, and political disagreements over the deployment of US intermediate range nuclear missiles in Western Europe.

The central issue of this analysis of European reactions to Reaganomics is that the line between economics and politics is unusually blurred for what ostensibly is a straightforward financial question, involving observable levels of interest rates. Although the presumed external impact on Europe of US economic policies is widely discussed in the aggregate, the real impact is different according to which European country and what time spans are being examined. Since the causes of high US interest rates cannot be precisely delineated and weighted according to degree of importance, it is not illogical to suggest that their short- and long-term implications are more a matter for conjecture, not definitive measure.

There is no simple economic explanation for why interest rates began climbing in 1980 to record heights. Nor is there a universally accepted explanation of why, in the midst of a recession and reduced inflation in the US economy, they were so slow to begin a relatively modest decline. The surface explanation is simple: the Federal Reserve System's (Fed) Board of Governors has pursued a relatively tight monetary policy in support of its long-standing priority of lowering the rate of inflation. The Fed influences key domestic in-



New Pisa. ©Bas, Tachydromos, Greece

terest rates, such as the federal funds rate, through the purchases and sales of government securities. In addition, it is pursuing targets for increases in the money supply that are low relative to the growth of US gross national product (GNP) in nominal (current dollar) terms. In the absence of an unprecedented increase in the velocity of money, the gap between money supply growth and nominal GNP growth was reconciled by escalating interest rates.

High interest rates reflect a complex economic environment, which precludes the simple diagnosis that they were engineered in a deliberate, calculated effort by the Fed. There are other factors, outside of the immediate power of the Fed, that have influenced the level and direction of US interest rates. Among them is the demand for credit by the business sector. Liquidity problems, a sagging stock market and an even worse situation in the long-term bond market have collectively increased the propensity for corporate treasurers to raise money through commercial bank borrowing. The *anticipated* effects of heavy Federal government borrowing in the

wake of sharply rising US budget deficits, now expected to last well into the mid-1980s, have also influenced interest rates.

The nexus between high US interest rates and the need perceived by European officials to respond in kind has been the continuing strength in the dollar since early 1981. Given our integrated world capital market, large amounts of interest-sensitive funds have flowed out of Western Europe and Japan into higher yielding dollar deposits and debt instruments.

An oversimplified economic analysis would suggest an involuntary rush in Western Europe to raise interest rates, lest the differential cause European currencies to appreciate too much against the dollar. Such a trend would further increase inflation in Europe as the result of increased import prices, at least for those internationally traded goods (such as petroleum) whose prices are denominated in dollars. Given their relatively high ratio of imports to GNP, European economies are in fact sensitive to major swings in the dollar's exchange rate. The European embrace of higher interest rates and intervention in the

foreign exchange markets was indeed needed to slow the rate of the dollar's appreciation in 1981 and 1982. From October 1980 to August 1981, the dollar appreciated, on average, nearly 20 per cent. This dollar upsurge presumably would have been higher in the event of an easier European monetary policy.

The only common impact of high US interest rates on the economies of the West European countries has been the generation of criticism concerning the former's negative impact on the growth rates of the latter. An in-depth analysis would be done on a country-by-country basis because economic conditions and monetary policies have been different within Europe. Elsewhere, Japan's monetary policy continually was eased with no apparent deference to rising US rates, while the non-oil, less developed countries suffer mostly from higher interest rates in the international capital markets. There is no doubt that the escalation of US interest rates restricted the freedom of European policy-makers. In part, however, this loss must be attributed to the inevitable costs of international economic interdependence.

In discussing the real costs to Europe of high interest rates, it is critical to differentiate between time frames. The logic of higher interest rates in Europe and elsewhere is very much a function of the need to place price stabilization efforts ahead of growth stimulation efforts. For example, the 150 per cent increase in oil prices over the 1979-80 period generated a clear and present need to respond to the ensuing inflationary pressures. The need for high interest rates in West Germany, Europe's largest and most important economy, was far more justified in the spring of 1981 than it was in 1982. Declining inflation, continuing economic stagnation, and a sharply improved German current account balance were absent in the first period, but present in the second.

Inevitably, high US interest rates have provided European officials with a ready-made scapegoat for domestic economic difficulties and with arguments for adopting restrictive internal policies that were economically necessary, though politically unpopular. In some European countries, the link between local monetary policies and the advent of Reaganomics is tenuous. British inflation rates in excess of 20 per cent and the election of Prime Minister Margaret Thatcher put a tight monetary policy in place in the United Kingdom well before President Ronald Reagan's election. In France, the election of President François Mitterrand produced a shift to expansionary, job-creating macroeconomic policies, in apparent disregard for US interest rate levels or for the franc's exchange rate relative to the EC currencies.

The Europeans have recently demonstrated



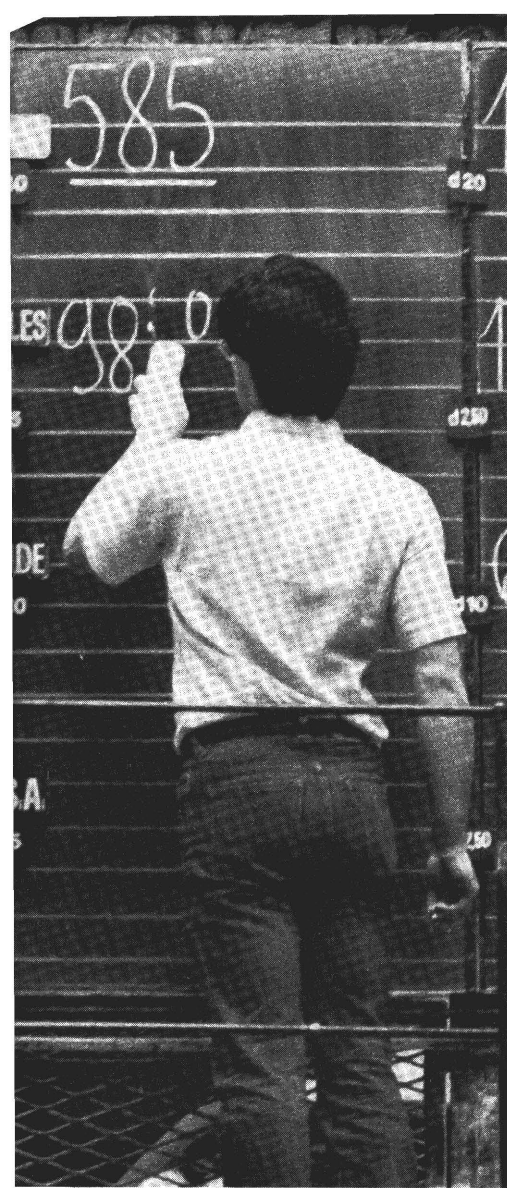
High US interest rates have caused European currencies to weaken against the dollar. Shown here is the Bourse in Paris.

the willingness and ability to follow a monetary policy relatively independent of the United States, with minimal exchange rate implications. In December 1981 and in January and March of 1982, multiple relaxations in interest rates were introduced in Germany, Britain, and the Netherlands. The fading prospects for a decline in US interest rates in early 1982 apparently induced these countries to test the foreign exchange waters to measure the cost of collective European reductions in interest rates. That no massive European currency weakness ensued suggests the absence of simple formulas linking the dollar and European currencies and the importance of collective monetary policy moves aimed at preventing intra-European currency gyrations.

A discussion of higher US interest rates and a strong dollar would be incomplete without noting other, albeit less important, reasons for the dollar's strength vis-a-vis the European currencies. The US current account (goods and services) position had improved sharply in the 1979-80 period. Concurrently, the upsurge in oil prices had contributed to quick and large deteriorations in the European and Japanese current account positions. Secondly,

the rightward drift (reduced Government involvement in the economy) of the Reagan Administration's economic policies is attractive to international investors. Thirdly, the political situation in Europe (France, Poland, and coalition problems in such countries as West Germany and the Netherlands) was and is not conducive to raising confidence in European currencies.

The publicly announced exchange rate policy of the Reagan Administration probably has been no more than a marginal factor in the dollar's strong performance in the foreign exchange markets. Effects aside, it definitely has been an additional source of European irritation with the Reagan Administration's economic policies. The United States, unlike the Europeans, has chosen to pursue an exchange rate policy based on a relatively clean float. Intervention in the foreign exchange markets is to occur only in the event of "relatively identifiable disorderly market conditions." Such occurrences were deemed virtually nonexistent in the first 18 months of the Reagan Administration. It is a personal wish that, for political and financial reasons, the Administration would not publicly articulate



iris. © G. Schachmes, Sygma

its disinclination to intervene in the foreign exchange markets, the virtue of its theoretical foundation notwithstanding. Public pronouncements of this posture aggravate financial officials abroad, provide speculations with too much information on US exchange market intentions, and resurrect European charges of "benign neglect" in US international monetary policy.

The European displeasure with the domestic and external US monetary policies outlined above is part of a longstanding historical pattern. Europeans viewed lax US monetary policy in the 1960s as a major factor in the deterioration of the US balance of payments position. More recently, the alleged "talk down" of the dollar in the early years of President Jimmy Carter's Administration led to harsh European criticism of a depreciating dollar. In the absence of perfect equilibrium in the US balance of payments position and sustained stability in the dollar's exchange rate, an American could cynically suggest that European displeasure with US monetary policies and any large movement in the dollar's exchange rate is inevitable.

No matter how much economic validity is

assigned to the Europeans' arguments and counterarguments about the origin and external impact of high US interest rates, the fact is that these rates have been the source of great annoyance in Western Europe. Reaganomics has become a political problem of uncertain duration in US-European relations because many Europeans believe their domestic macroeconomic policy options have become dangerously constricted by economic conditions on the other side of the Atlantic. Within the larger reality of international economic interdependence is the smaller reality that the American economy, on balance, can inflict more harm or good on the European economies than vice versa.

In February of this year, then West German Chancellor Helmut Schmidt told *The New York Times*: "The fabric of the economy and society is endangered by the deepest recession since the middle 1930s. What I fear is economic and social, and therefore political, unrest: political destabilization as a consequence of economic stabilization." It is difficult to resist suggesting that this is an extreme vision of current economic trends. In addition, this scenario is not the prime basis for suggesting changes in domestic US macroeconomic policies.

Internal factors produced both the policies of Reaganomics and current American economic conditions. Internal forces, not foreign policy considerations, will alter the nature of US macroeconomic policies. There are no known virtues, even in Reaganomics, for economic stagnation, high unemployment, high real interest rates, triple digit budget deficits whose projected magnitude and duration are constantly growing, and for an overvalued dollar that is inhibiting the international competitiveness of US exports. The major burden of these economic maladies falls on Americans. Similarly, Americans would be the prime beneficiaries of an improved US economic picture. There are no inherent contradictions between domestic and external US economic objectives at present. Delays in a further easing of US interest rates would be regrettable equally for domestic and external economic policy reasons.

Interest rate levels and foreign exchange rates can be measured with precision. However, the true effects—internal and external—of changes in these economic indicators cannot be measured in such objective terms. An American economist with a domestic focus and an American foreign policy analyst with a European focus probably would not even agree on priorities between US economic needs and Atlantic unity. It is therefore not surprising that Europeans and Americans disagree on the impact of Reaganomics on Europe. Nor is it surprising that both Reaganomics and its European critics suffer from

faults and fallacies. The search for the best possible economic policies is a slippery process on both sides of the Atlantic.

In sum, the following arguments might be usefully applied to the continuing US-European economic policy dialogue concerning interest rates:

- US interest rates became excessively high relative to prevailing domestic economic conditions. The apparent shift in Federal Reserve priorities toward lower interest rates is overwhelmingly based on internal (not external) considerations.
- A definitive critique of the impact of US monetary policies on other countries presupposes a definitive answer to a basic issue. To what extent should the United States accept a special obligation to the world economy when formulating domestic economic policies? Value judgments aside, it appears that domestic political and economic considerations dominate all countries' economic policy-making considerations.
- An economic analysis of the effects of US economic and financial policies in Western Europe must be disaggregated to respect differences in economic situations on a country-by-country basis.
- The recent decline in US interest rates of about one third from their 1980-81 peaks no more automatically produced equivalent declines in European rates than the increase in US rates triggered automatic and comparable rate increases in Europe. The concerted relaxation of interest rates by the Europeans in early 1982 is empirical evidence of some degree of "independence" on the part of European monetary policy. So, too, is the lagging relaxation in European interest rates in the wake of the late summer decline in American rates.
- Timing is an important factor in assessing the impact of tight monetary policies on Europe. At certain times, tight monetary policies are a necessary and proper element in the pursuit of price stability, given domestic economic trends. Also on the question of timing, it is possible that US interest rates could decline further at any time—for reasons which are not visible at present.

In the final analysis, the problems discussed here are about the economic strains now being faced by the American economy. Foreign considerations are important, but the top priority now is for the US Government, business, and labor sectors to create the atmosphere in which excessively high US interest rates decline for the long term and a balanced economic recovery emerges. €

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MEMBER STATE REPORT

FRANCE: putting

AXEL KRAUSE

"I will not give up an ounce of my responsibilities," said French President François Mitterrand in Tarbes, France, on Sept. 27, 1982. Speaking in clear, firm, and visionary terms during a major political tour of southwestern France, the Socialist leader was not just responding to heated, spreading attacks against his 18-month-old Government. He also was making it clear that he fully intends to pursue the goals for which he was elected in May 1981—easing France out of the recession, while enacting reforms of the beleaguered economy and of deeply-entrenched practices and abuses in the nation's social welfare and administrative systems.

Yet the message France's leader was transmitting to the nation—and the outside world—also reflected a recent, gradual shift rightward in "*socialisme à la française*." Conservative buzzwords of caution sprinkled throughout the Tarbes speech and others he delivered in the region set the tone: rigor, resistance, reconquest, austerity.

In the weeks leading up to the tour, and subsequently, the shift has been translated into adoption of a decidedly tough, pragmatic, and non-expansionary approach to reform, highlighted by last June's second franc devaluation and imposition of price and wage controls. But the moves also have become the target of mounting criticism and hostile demonstrations by conservative political, business, and professional groups throughout France. To the puzzled annoyance of top Socialist leaders, skepticism regarding the new austerity look also remains widespread in international policymaking circles, notably in the United States.

"The truth is that our policies now are actually converging with other, major Western nations, such as Germany, Britain, and Belgium, but we still do not seem to be getting our message across, particularly in Washington, American business circles, and the media," a powerful member of Mitterrand's cabinet says, declining to be identified. "It bothers us greatly that we are continually perceived as being expansionary and inflationist—still radical, rosy, and not serious, despite the recent changes," he added. There is no hiding what has been happening in France during a tense autumn, however, nor the mood and climate of the nation, succinctly described by *L'Express* magazine in early October as *maussade*, meaning cloudy, gloomy, and disgruntled, with a hint of sadness and disappointment.

Tough attacks against the Socialists from opposition leaders fueled the mood. Former President Valéry Giscard D'Estaing flatly predicted during a television interview in September that

French President François Mitterrand during a recent tour through southwestern France. ©J. Pavlovsky, Sygma



g the Socialists to the test

the future would show that socialism in France does not work, which echoed the views of Raymond Barre, his former Prime Minister and his even more outspoken rival, Jacques Chirac, the Gaullist Mayor of Paris. Meantime, former Interior Minister Michel Poniatowski triggered bitter controversy over his characterizing the Socialists as *charlots*—alluding to a Charlie Chaplin-like approach to policymaking, which was immediately disavowed by Giscard.

National opinion polls also have not been favorable. For the first time since he was elected, Mitterrand's popularity slipped, according to a poll published by France-Soir and the IFOP polling firm on September 24. Asked whether they were very satisfied with Mitterrand as President, 4 per cent replied that they were, compared to 6 per cent a year earlier. Asked whether they were very unsatisfied with the French leader, 14 per cent replied yes, compared to 11 per cent expressing that view a year ago. A similar impression emerged in the poll's testing of the popularity of Prime Minister Pierre Mauroy. Government political strategists, meeting with a small group of American journalists shortly after the poll was published, mini-

mized its importance, noting, for example, that the polling coincided with recent, highly-publicized terrorist attacks in Paris.

Addressing an enthusiastic crowd on his recent trip, in the town of Figeac, Mitterrand for his part firmly declared: "Count on me to stand fast." This was widely interpreted to mean that he has no intentions of changing his basic policies nor, more specifically, of calling early legislative elections. A week later, Raymond Aron, a highly-regarded conservative political commentator here, concluded: "The present constitution [designed by former French President Charles de Gaulle], good or bad, gives the President of the Republic a chance to learn by his mistakes." However, Aron added: "If Barre were somehow Prime Minister today, the franc would take on another color."

Thus, shrewdly and pointedly, Aron put his finger on what is probably the most crucial aspect—if not the bottom line—of the Government's predicament: How to fashion policies in the monetary and economic spheres that not only will succeed at home, but will convince the rest of the world, including the





With exports falling and imports rising, France's trade balance is in the red. Pictured here is the port at Bordeaux. ©Adam Woolfitt, Woodfin Camp

exchange markets, that socialism in France is on the right track. The franc has gradually and significantly weakened with respect to the US dollar and the German mark, perhaps unjustifiably, though the French economy also is gripped by recession, high unemployment, and one of the highest inflation rates among major industrialized economies.

Equally significant, in a nation where moods count for a lot, the nation's business executives have been regularly predicting a further deterioration in the business climate. In its monthly survey, the National Statistical Institute in September reported that most of the 3,000 business leaders surveyed said they expected a downturn in overall demand in the following several months, despite the relative stability witnessed in the first half. They cited the consumer-goods sector where foreign demand continues slack and inventories continue rising.

For the year as a whole, INSEE, the highly-respected statistical agency, has predicted a growth in gross national product during 1982 of 1.5 per cent, which is slightly below the Government's forecast of 1.7 per cent expansion. Meantime, with exports falling and imports rising, the nation's trade balance is expected to be substantially in the red in 1982, by roughly 90 billion francs.

The nation's budget projections for next year, while relatively modest compared to other European Community nations, again will show a deficit—rising to roughly 118 billion francs (about \$16.6 billion at current rates), equal to roughly 3 per cent of France's gross national product, from a 105 billion franc deficit in 1982. But many business and opposition leaders simply refuse to believe that the Government will succeed in holding down spending, particularly in light of the fact that the Socialists were swept to power committed to first slowing or stopping the growth in the nation's unemployment levels—

On the floor of La Bourse. Business leaders expect a downturn in overall demand in coming months. ©J. Pavlovsky, Sygma





goal is to bring inflation growth down to around 10 per cent by the end of the year. Mitterrand, in one of his recent speeches, asked why the rate could not be brought down even lower eventually, perhaps to around 5 per cent. According to the Organization for Economic Cooperation and Development (OECD), France's actual inflation rate in the 12 months ended July 30 averaged 11.9 per cent and was falling. But France's performance was still relatively lackluster: The EC's inflation rate in the same period averaged 10 per cent compared to 8.1 per cent for the entire OECD area, including the United States and Japan.

Behind the demonstrations, however, were deep-rooted fears that Delors was in fact beginning to move on his longer-range goal of severely limiting, or taxing, many of the nation's entrenched privileges—a subject for several, best-selling books recently. One of them, "Always More," by François de Closets, a leading French television journalist, painstakingly explains how workers, from blue collar to top executive, have gradually accumulated considerable numbers of privileges, perks, and private deals, all of which fuel inflation and hinder reforms. A book by Lionel Stoléro, an economist and a former Minister under Giscard, is called "France at Two Speeds," a reference to what he describes as the permanent, social-economic rift between the nation's industrial and its *tranquille*, privileged sectors.

Many analysts believe the Government will probably succeed in slowing inflation, particularly if there is no major push

A market in Provence. ©Dennis Stock, Magnum

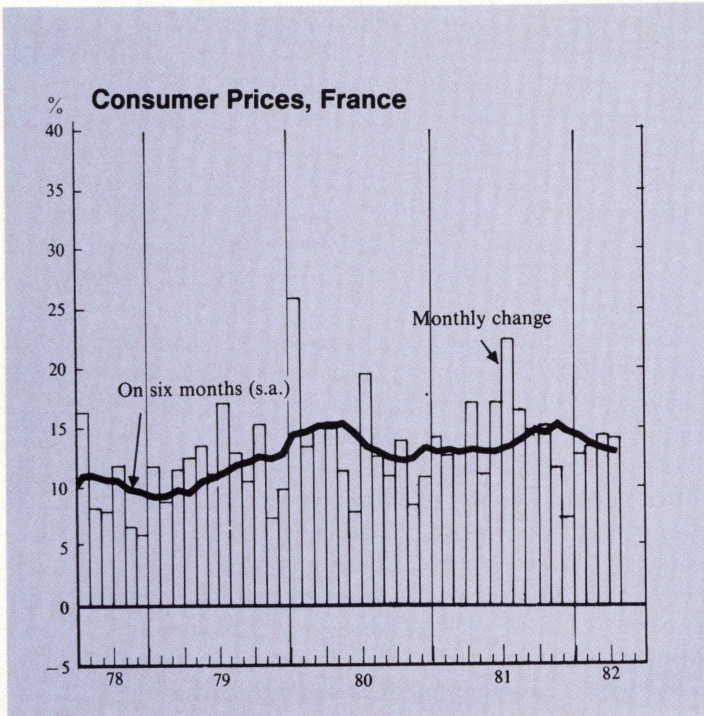


now at over 2 million people, or around 8.5 per cent of the working force.

Some of the recent buildup in frustration among the middle class has already spilled into the streets of Paris and in the months ahead there may be other demonstrations, according to many observers. They also note, however, that the nation's trade-union leadership has remained generally supportive of the Government's programs, along with the Communist Party which has several Ministers in the Mitterrand Cabinet.

In late September, some 30,000 persons—mainly white-collar workers, doctors, lawyers, architects, and pharmacists—marched in the nation's capital protesting the Government's drive against the soaring costs of administering the nation's social security system. They specifically protested plans to enforce savings in hospitals, increased taxes in many professions, and the wage-price freeze, which they claimed has been damaging their profits. "It is neither scandalous, nor immoral that doctors ask that their fees be allowed to rise," according to a front-page editorial in *Le Figaro* newspaper the following day, "but the essential point is that the Government is taking over responsibilities" which traditionally have remained with the middle-class professions. "The demonstration is not only an expression of a malaise, but for the Government, it is also a serious political warning," the conservative newspaper concluded. Paradoxical though it seemed to many observers, the demonstration came in response to the Government's attempt to cut the social security system's deficit by roughly 30 billion francs during 1983.

The move is but one part of the Mitterrand Government's determined effort to continue battling inflation, a drive being led by Jacques Delors, the widely-respected Minister of Economy and Finance, and by Prime Minister Pierre Mauroy. Their



by unions and businessmen for wage and price demands following the end of the freeze November 1. The Government has said it intends to limit price-wage increases to 10 per cent this year and to 8 per cent in 1983, which in combination with other austerity moves is causing some economic analysts to change their previously gloomy views.

The Wharton Econometrics forecasting group, for example, recently concluded that "with somewhat improved inflation prospects and accumulated fall in effective exchange rates over the three years 1981-83 of over 24 per cent, France is now

A café in Montmartre. ©Jean Gaumy, Magnum



expected to be in a more competitive situation by the end of next year than for many years in the past." Added the chairman of one of France's largest banks: "There are no macro economic reasons why the franc is under such continuing pressure—but it is, despite the progress being made in slowing inflation and unemployment growth here in France."

Indeed, from Mitterrand on down, the Government is convinced that there is no rational reason for anyone to doubt the President's September 15 statement, made after announcing a \$4-billion borrowing in the Euromarkets, for use in defending the franc. "The present disorders [in the exchange markets] are due to the disintegration of the former monetary system, to the serious indebtedness of several developing countries, and to the increase of the world economic recession," Mitterrand said. The pressures, he said, stemmed from "speculative fever which goes in turn from gold to main currencies, among which the franc. I have no doubt that month after month, the richness of the French economy will assert itself," the President concluded.

Within days of his announcement, a group of Ministers began official visits to the United States, starting with Jean-Pierre Chevènement, Minister of Research and Industry, and who is widely regarded as a potential successor to Mauroy. His main goal was to persuade the Reagan Administration and the US business community that the austerity program would succeed, making France attractive for new foreign investment. Mauroy also is considering a visit to Washington, possibly next spring, French officials said.

French officials also had another item on their agenda: the future of transatlantic relations, which have been strained over such issues as steel, agriculture, and the Siberian gas pipeline. In background conversations, senior French officials have repeatedly stressed their non-aggressive approach to the Reagan Administration. "We are not trying to create the impression we are opposing you Americans and we want no conflicts," a senior Government adviser told a small group of American journalists over lunch recently, one in a series of meetings organized by the Government for US correspondents based in Paris. "We do have our differences, but isn't that the way things are supposed to work in an alliance," he said.

Most of those present at lunch agreed that many top officials in the French Government have been overreacting to critical American views on how they—and the economy—are performing. They noted that France is not hesitating to pursue its own interests within the EC and in other international bodies, such as the General Agreement on Tariffs and Trade in Geneva (GATT). France, for example, has been cool to the idea of launching GATT's new round of trade negotiations during the week of November 22 and has vaguely hinted at postponement. The Reagan Administration, which on the other hand is a key backer, hopes the conference will lead to liberalization of trade in services, investments, and technology—a goal France questions. "How can you talk of such moves in the international arena when we are still in the midst of recession and when there is still no agreement between ourselves and our allies as to where we want to go," commented a senior French official. €

Axel Krause is the economic correspondent of the International Herald Tribune in Paris.

FRENCH CULTURE AMERICAN-STYLE

Decrying pervasive US influence, Michael Gibson urges renewed French leadership.

The French are saddled with the unexamined conviction that America is the land of the future—a belief expressed in the observation that “what happens in America today will happen in France in 10 or 20 years.” This is also true in the cultural sphere, although the time lag is a bit shorter. Naturally nobody who thinks seriously about the subject will actually come out with anything so gross, but that in itself means nothing.

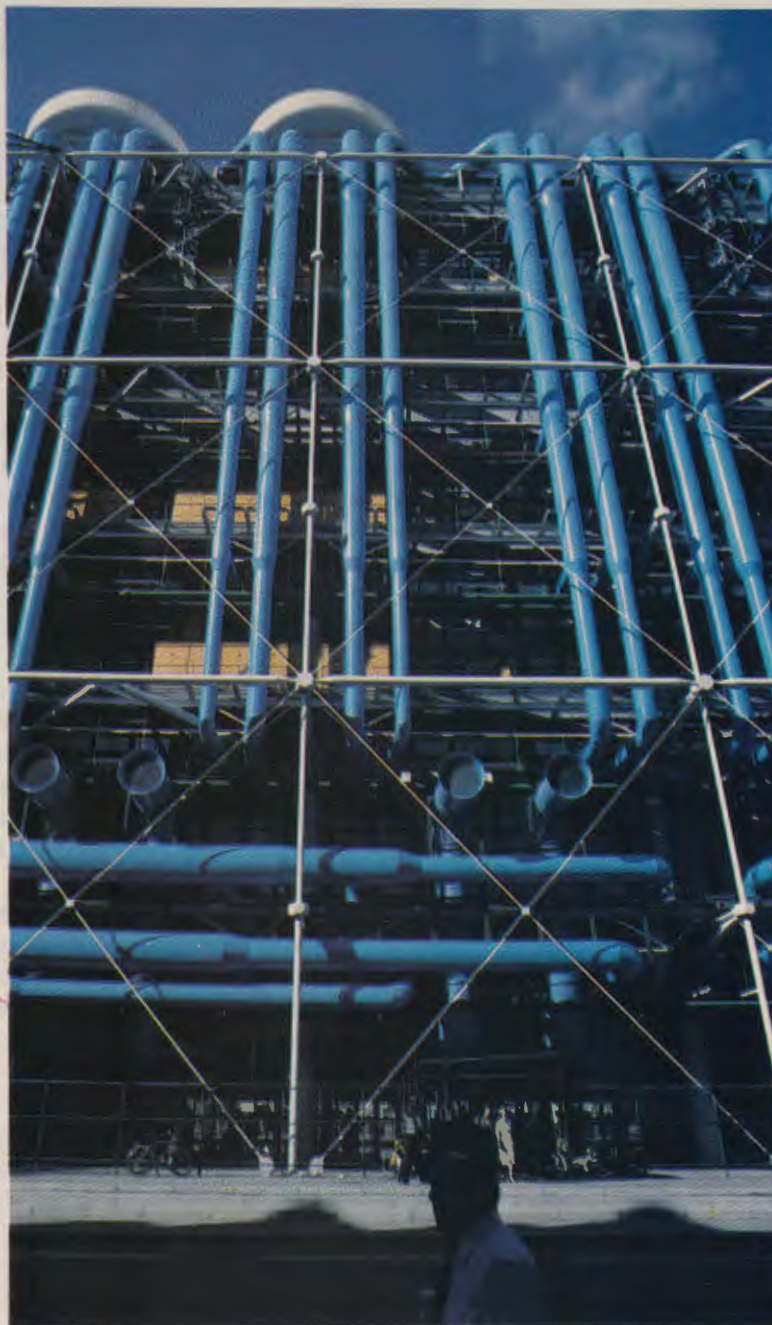
It is usually necessary to state the obvious. An artist I know went into an art gallery a couple of years ago and showed some specimens of his paintings. “We can’t take you,” the gallery owner declared, “your work is too European.” What sort of criterion is that? What is the nature of this ascendancy over America in the esthetic fantasies of Europe and what is its meaning?

Of course America is powerful and so is the dollar, a fact which ensures a measure of practical ascendancy. The sense of American wealth is further enhanced by the fact that rich Americans tend to travel more than the poor, especially across the Atlantic. But also America is constantly present in France through the mass media. French television is saturated with US-made serials: *Dallas*, alas, but also *Starsky and Hutch*, *Colombo*, *Spiderman*, and various bionic men and women. A French six-year-old holding up a crook with a make-believe gun will stand legs apart and both arms stretched out horizontally like American television cops, not in the rather less flamboyant stance of the French police.

Radio and the record industry are absolutely saturated with the type of music which originated in America, although it is now also composed and played by Frenchmen. Mass music—as against “elite music”—is modeled on the profile of English speech, and as a result the French language, which has no tonic accent, is often wrenched from its sockets by the imported beat. “Wow” or “wouaouh”, very un-French sounds, are the juvenile orgiastic cries heard in remote villages of Auvergne where no American has ever set foot.

In this way America is cast in the role of exotic dream-world and nurturing parent on the level of mass-media. But perhaps the deepest reason for the fascination with America resides in the underlying conviction that “America knows

The Georges Pompidou cultural center, also called Beaubourg, is a Parisian tribute to modernism. ©Erich Hartmann, Magnum





There is a "need for France to inherit her own past, without guilt, without arrogance . . ." Pictured above is the Paris Opera, a culmination of the Beaux Arts tradition. ©Alain Nogues, Sygma

where it is going and is on its way there, whereas France remains bogged down in the inextricable issues of a moribund past." I mention these views only because they represent the sort of clichés that are symptomatic of something else.

That "something else" is, in my view, France's painful relationship to its own past—the faiths, the passions, and the convictions which animated it and which today are not really forgotten, but denied and repressed. This repression is what the French mostly have in mind when they talk about "modernity."

It is naturally difficult to speak in sweeping terms of a subject so subtle and diverse, because France, like any other country, is a welter of contradictions. But the point is that the decision to follow the American lead is felt by some as a way out of all contradictions. This is all the more understandable since the fine arts in Europe are perceptibly drifting from a high-culture to a mass-culture attitude.

This is perceptible in three of the major European art shows that were held this year: Documenta in Kassel, the Biennale in Venice, and the Paris Biennale of young artists. The younger artists in many cases have cut themselves off from the culture of the past and find their references in rock music and pop culture, with their razzle-dazzle and their kaleidoscopic imagery.

Symptomatic of the drift to mass culture was the presence in Kassel of young artists who made their debuts spraying New York City subway cars during clandestine, night-time forays. It



In the gardens at the Palace of Versailles. ©Bruno Barbey, Magnum

can be argued that what was relevant as "subway art" tends to lose its impact as gallery art. As a result of a similar tendency (I won't say "trend") in France, a young draftsman who drew aggressive little comic strips for the intentionally offensive (and now defunct) weekly, *Charlie-Hebdo*, is now painting on canvases in the same style and showing his work in galleries.

I do not mean to say that this should be deplored, since it is no more than a symptom of the general loss of confidence in the value and vitality of the European inheritance. This loss of

confidence seems to be leading the people in charge to turn, in some cases, to the indigenous "barbarians" with the hope that they will provide an anemic culture with new blood. Typical of this underlying postulate is the sort of statement that comes from the pen of the fashionable thinker, or at least writer, Philippe Sollers, who begins a brief essay with the sentence: "Something advises us that mankind is currently uttering its last word." The only hope of reprieve, as he sees it, is in an "infinite irony." Shades of the Roman Empire on the skids. But when he writes "mankind," he does not seem to be thinking much further than the inhabitants of the Latin Quarter.

Now the indigenous barbarian—I use the term to designate someone beyond the pale of cultural and historical reference—is nurtured by the mass media and, consequently, by American images of action and American sounds. But all this is an exotic dream to him, a way of avoiding history, of exorcizing the complicated past by simply ignoring it. In this view, of course, America is a sort of archetype: a country with little past (so to speak), founded on a rational decision in the spirit of the 18th Century, and very much turned to the future, at least in fantasy. The barbarian believes in his own spontaneous impulses and this, (he gathers), is what America is all about.

All this is naturally an interpretation for which I must take the responsibility. It can't be scientifically proven, but it does, I believe, touch on something important: the need for France to inherit her own past, without guilt, without arrogance, without either ecstatic self-admiration or self-flagellation. There is, of course, a problem of identity and any person or country with a heavy past will all too readily tend to identify

with that past, to use that past in order to define himself (or itself) and show a self-confident stance to the world. But, at the same time, this past is a real weight, which is why the destruction of symbols of past values can be followed by a temporary sense of relief. Afterwards, as in China, it becomes apparent that one has been destroying one's own memory too. The trace of the thing is gone, but it is still active in the collective psyche.

The gist of the latent fantasy that dominates the complicated, collage-type images France can have of America is fundamentally that America has a relatively simple history—however quite untrue, and that it not hampered in its evolution by a top-heavy past. But this unreasoned belief leads to the corollary that the future is being decided now and in another part of the world, culturally and economically in America, and politically—in the long run—in the East. Such a belief breeds a refined weariness and passivity.

My own conviction is that France today, and Europe as a whole today, is not playing the cultural role it should be playing. It lacks the required energy because the temptation—in terms of substantial cultural content—is either to withdraw into the past and lose relevance and motivation, or to "withdraw" into the present and so cut itself off from the roots of its impelling originality. All life thrives on tension, and the life of France, culturally speaking, is in the tension between past and present, the inheritance—which awaits a new function and is not merely a venerable "heritage"—and the reality of today. €

Michael Gibson is an art critic in Paris

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EUROPE EUROPE EUROPE

^{T.M.}
PAC-MAN leads video game invasion of Europe.

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ANIKA MICHALOWSKA

The competitors in the finals came to Paris on September 18 from Norway, Finland, Belgium, Luxembourg, the Netherlands, Greece, Germany, Belgium, Spain, the United Kingdom, Sweden, Switzerland, Ireland, Italy, France, and even from distant Hong-Kong, South Africa, Puerto Rico, Israel, and Kuwait. They were the survivors of more than a 150,000 entrants in various local tournaments. All were hoping for the coveted title of World Champion 1982. What was the sport that has drawn so many hopefuls? Video games.

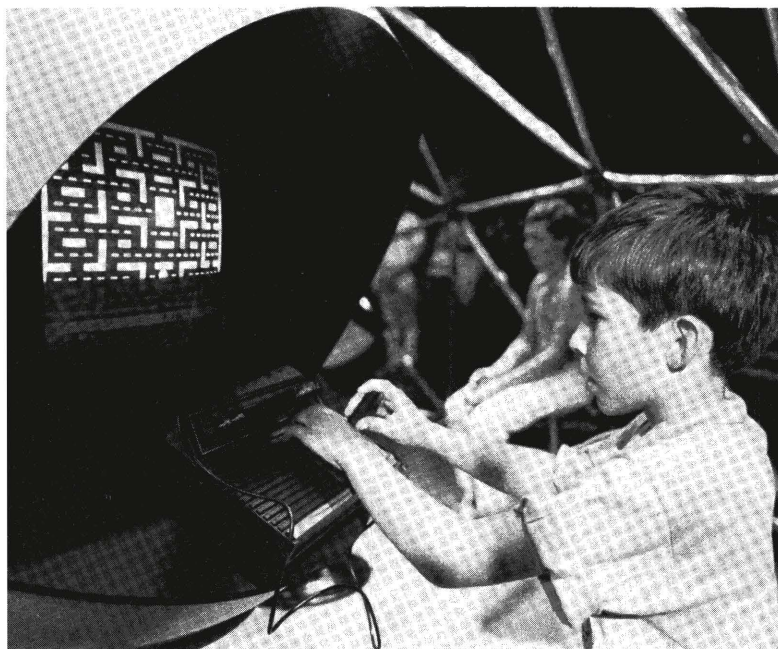
That day in Paris, the finalists were fighting against Pac-Man, a round yellow enzyme that scores points by gobbling up wafers, power pills, fruit, and four ghosts as it winds its way through a video maze. Introduced in the United States in 1981 as a coin-operated video game, Pac-Man swallowed in its first year an estimated \$1 billion in quarters. Although it is probably the most popular, Pac-Man is, however, only one of several hundred video games now invading the market. From Space Invaders and Frontier Gunman to Medieval Dragons, Racing Cars, and Warship, engineers at Atari, Mattel, Philips, and other electronic game manufacturers are putting into the highly intricate microchip circuitry of their game programs every conceivable story—to the delight of video fans. After saturating local bars and video arcades, video games are now

invading the home and their insidious appeal seems to leave few people untouched.

From Scandinavia to Greece, the whole of Western Europe is, like the United States before it, firmly in the grip of video fever. Addicts range from infants to senior citizens, from manual laborers to doctors and lawyers. Neither sex escapes, although women are said to be marginally less susceptible to electronic games. What became as a craze is fast boasting its own records and champions and its own folklore.

Atari started the trend in 1981 with the first World Electronic Game Championships with over twenty nations competing.

In the United States, video game athletes make the Guinness Book of World Records. Steve Juraszek, from Boston, played Asteroids for 16 hours at a stretch, ringing up a score of 15,963,000. (On Asteroids a good player rarely hits more than 10,000.) In the United Kingdom, a young player repelled Space Invaders for 13 hours before falling asleep at the screen. Penguin Books has deemed it worthwhile to publish a British edition of the US bestseller, "How to Win at Pac-Man." During the Dutch Pac-Man final, held last September in Schveningen, the seaside resort outside The Hague, one participant claimed he practiced every night until four o'clock in




Eric Moulin, the youngest finalist, from Monaco. Courtesy of Atari

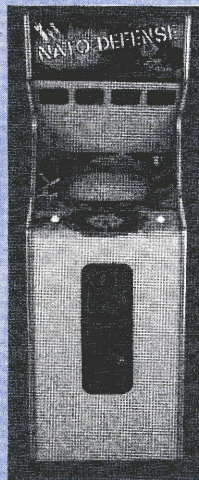


"Just think, ZXYXIL, in a very short time we will have conquered Earth."
 © Whittock, Punch, Rothco

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the morning for three weeks. In Italy, 20,000 spectators were present at the final in Verona during the Bar Festival (a pop-music event retransmitted by the Eurovision television network) which included a feverish Pac-Man ballet. Radio stations throughout Europe had a recording, "Pac-Man Fever," on their hit parades for weeks this spring and summer.

Although video games have started out in Europe in local bars and arcades, the take from machines in public sites has not reached anything like the volume achieved in the United States. Most manufacturers are agreed that the boom in video games in Europe will be as home entertainment—part of a general trend back to family and hearth as the hub of social life. That is why Atari's advertising campaign, for example, stresses the merits of its VCS as a game for everyone in a household to enjoy.

Beneath its surface interest as a social phenomenon, the video games contest is a deadly serious commercial battleground. Unlike Hula Hoops or other fads of yesteryear, home video mainframes and software are here to stay. In the United States, market penetration will have risen to almost 20 per cent of American homes by year's end and the games segment has become a major profit center for manufacturers and retailers. Compared to the United States, Europe is backward, with no more than 5 per cent penetration—though there are no reliable statistics—which leaves plenty of room for expansion.

The United Kingdom and Germany are the most developed markets, as they have had video games the longest. Then

comes the Netherlands, followed by France, which is just waking up to the craze. The Scandinavians are getting interested too. As the stakes rise and the competition between manufacturers heats up, marketing strategies are becoming more and more sophisticated in order to get the most of what promises to be a multi-billion dollar market.

To boost Christmas sales, both Atari and Mattel are running saturation campaigns on television throughout the fall in almost every European country. In France, Atari is showing two television spots a day at a cost of about \$1.5 million. In the United Kingdom, the trade press reports that the company will spend \$8 million during the second half of this year. Atari's archrival, Mattel, is planning a promotion campaign almost as heavy and Philips will spend nearly \$1.5 million on advertising this winter.

So far, only half a dozen companies have been producing between 90 per cent of the total games market. But in the United States, as well as in Europe, new hardware and software suppliers are making their appearance and product recognition and advertising support increasingly will be the keys to success. As the video game business explodes, even the movie companies are getting in on the act, launching video games to accompany film releases. Steven Spielberg's "E.T. the Extraterrestrial", which opens in Europe in December, will be marketed alongside an Atari "E.T." video game.

A new consumer-publication sector is developing as well, with game magazines devoting more and more space to electronic games and with new titles appearing that cover only electronic games. The latest in the second category is the French magazine *Tilt*, published by Les Editions Mondiales and modeled after the American *Electronic Games*. That launch can be regarded as a sure sign that the French market is taking off.

The industry sees video games as doubly important, in that they are also paving the way for a general increase in home computer use. Atari already claims: "We've brought the computer age home." All the major video game manufacturers are moving into the arena. Atari itself is launching its Series 400 and 800 home computers this Christmas in a full attack on a market it has hitherto not really bothered to develop. Intellivision-Mattel is planning a similar assault, going into direct competition with Commodore, Apple, and Texas Instruments. Philips is moving in too and Thomson is joining the race with its newly presented "To 7."

The advent of home computers will bring on a new generation of video games, more sophisticated and with a higher educational aim. That is the market segment Philips is developing with products such as "Videopac C 52." Thomson's "To 7" is a joint venture with Answare and a leading French book publisher, Nathan. Atari is also initiating cooperation with major publishers—in France, for example, with Hatier, Larousse, Laffont, and Bordas. The new generation of video games offers a major challenge to all manufacturers because success will be linked to the scope and quality of the software they offer and the way consumer distribution will keep pace with demand. €

Anika Michalowska is a special correspondent for Advertising Age and a number of international publications.

babel-matics

The translation business enters the high-tech age.

JOHN M. DUNN

"Translation," wrote English linguist George Barrow, "is at best an echo." Today in Europe, as elsewhere, that imperfect echo keeps growing dimmer thanks to an expanding language barrier which threatens to disrupt the flow of information and ideas among nations. For several reasons, this neo-Babel is causing the EC, individual European institutions, and a host of corporations who need help in translating an ever-growing mountain of paperwork to try something critics once called a sheer waste of time: machine translation.

Why use computers? Because, say their supporters, without them many European translators may never be able to keep pace with the relentless demand for translations. Says D. van Bergeijk, director of the International Translations Center in Delft: "The demand for translations is growing in Europe due to the growth of the activities of the institutions of the European Communities and intensified international contacts." As more nations expand their international influence, they tend to become nationalistic about using their native tongues to publish scientific, technical, and governmental reports meant for international consumption, rather than relying on the traditional *lingua franca*s, French, German, and English.

Clearly, such linguistic chauvinism exists in the EC, where, according to the Treaty of Rome, important paperwork must be translated into six official languages. "With every language added to the European Community, the language problem grows exponentially," says machine translation researcher Professor J.C. Sager of The University of Manchester Institute of Science and Technology (UMIST). "Before Greece joined there were six languages, and hence 30 language pairs, out of which, and into which, translation and interpreting was required. The addition of one language brings this to 42 pairs. If Spain and Portugal join there will be nine languages and 72 language pairs."

Even technology itself is culpable. As electronic on-line access to computerized data-bases spreads across national and linguistic borders, researchers are discovering that newfound information is of little value if it is available only in a foreign language they cannot understand. Thus, the language barrier is brought up to the glaring surface.

As the demand for technology spreads across the globe, so do business orders for accompanying documentation and technical information written in the mother tongues of its users. According to Bob Adams, vice-president of marketing for Weidner Communications, a Utah-based manufacturer of machine translation equipment, "There's a growing international-

ization of business going on and, until recently, there's been more awareness of it in Europe and Canada than in the United States. Many major Fortune 500 companies have come to us realizing that they can't be complacent anymore about foreign languages if they hope to sell to foreign customers. Machine translation is an emerging technology that's helping them." Weidner's European corporate customers include Xerox, IIT, Botes, Siemens, and a growing list of other firms who use the system to translate literature such as technical manuals, catalogs, and documentation into several European languages.

Though the EC keeps on hand some 1,100 translators, these linguistic legions are expected to have trouble keeping up with the growth of translation work. Already over a million translated pages annually are being generated within the Community. One estimate holds that before 1982 is over some \$50 million will have been spent in translating and interpreting services.

Even as far back as 1976, EC language experts foresaw the coming word avalanche and decided that machine translation might be the only way for them to keep their heads above paper. During that same year, the EC bought its first machine system, called SYSTRAN, based on a Russian-to-English model designed by Georgetown University researcher Peter Toma for the US Air Force. The EC version has provided bi-directional translation between English and French and from English into Italian. Though it has been used to translate a variety of language pairs for several large corporations, SYSTRAN use within the EC has been limited mainly to experimental purposes and to the translation of certain internal documents. Eventually the EC found SYSTRAN disappointing. For one thing, revision of raw translations took longer than what was needed. Secondly, the limited repertoire of languages made the system of limited use to an institution plagued with 42 language pairs.

So, in 1978, the Commission summoned leading European computer wizards and linguists to design an advanced machine translation system. Christened EUROTRA, this updated electronic polyglot is expected to out-perform its predecessor by being "multilingual" in design. Under development now, EUROTRA is hoped to make its debut in a pilot program in 1983 and to be more fully operational by 1988. Elsewhere in Europe, SYSTRAN systems are providing a variety of translations for the Euratom center at Ispra, Italy and the International Translations Center of Delft. Active research into machine translation is underway at the University of Saarland in West

Germany (SUSY system), the Universities of Nancy and Grenoble (the GETA system), and at Cambridge and UMIST in England.

Exactly how does it work? Though systems vary greatly in quality and performance, underlying principles of operation are usually similar. Actually, translation takes place in a system's software and not the computers themselves. Some programs such as SYSTRAN run on an IBM main-frame computer, while Weidner's works on a microcomputer.

First, the source language is either typed into the computer, fed in on magnetic tape, or optically scanned. Then a morphological analysis is made: prefixes and suffixes are separated to isolate words, word parts such as nouns and verbs are tagged, and sentence structure investigated. A word search is made to determine what vocabulary words the computer's memory already "knows." Unknown words appear on a printout in some systems which enable the user to feed new definitions back into the machine's nearly limitless lexicon.

Next, something called "parsing" occurs. Words are "compacted" into phrases, clauses, and sentences to facilitate translation by word groups rather than by individual words. Afterwards, transfer modules flash the dismembered language information to the "target" language stage, where electronic word-swapping finally takes place. The new words are then shuffled about to get proper syntax. Finally, the translated language appears side by side with its source text on a word processor screen, where a human translator does the final "post-editing" and polishes up the sentences before they are either printed out or stored on magnetic tape.

"Machine translation" says Sager, "is already being used without human post-editing, though as yet only for rough information scanning of scientific literature." But, it is "machine-aided" translation—not the abolition of human translators—which is the real goal of the systems' enthusiasts. A skilled human translator with a pencil, typewriter, and foreign-

language dictionary can average between 1,000 or 2,000 words per day. Many machine translation users claim that automated translation hoists that productivity as much as 500 to 800 per cent each day. Most systems generate a stunning 4,000 to 8,000, or more, words of raw translation per hour, with about a 75 per cent accuracy rate before human revision, much of which can be done during otherwise nonproductive night hours. EUROTRA specialists hope to boost their accuracy rate to 90 per cent by 1985.

The Weidner precision level can go up also. Michael Hundt of the MITEL corporation, a Canadian based telecommunications company that uses the Weidner system to translate 1400-page technical manuals into a string of European languages says: "Unlike other systems that I'm familiar with, Weidner allows the user to access and change or update the computer's dictionary. Once our entire vocabulary was entered the investment really began to pay off."

Machine translation does have its problems, however, including these three major linguistic headaches:

- *Homographs* "The ballerina needed a 'bar' at her disposal for important rehearsals." (A watering hole or a handrail?)
- *Anaphora* "The projectile struck the target and 'it' shattered." (What fell to pieces?)
- *Case/preposition* "The agreement shall be signed 'by the end of March.'" (How does a computer know that "end of March" can't sign anything?)

While researchers solve these semantic puzzles, translators can turn to still other computer-based technology to fight the language barrier. "Termbanks" (automatic terminology retrieval systems) such as the EC's EURODICAUTOM, the INFOTERM Center in Vienna, HISPANOTERM, and the automated terminology system of West Germany's Bundesprachamt (federal language office) are actually vast electronic dictionaries, some multilingual, which offer translators and other researchers instant access to the latest words being used in science, industry, agriculture, government, and other specialized areas. Such systems allow translators to save research time and to make more accurate translations.

As revolutionary as machine translation may sound, it is not really a new idea. Shortly after World War II, seasoned cryptographers applied their craft to foreign languages and, for awhile, the future looked bright. But then, in 1966, a devastating report on machine translation by a prestigious committee for the US National Academy of Sciences almost halted research on both sides of the Atlantic. However, some work did continue, which eventually gave birth to a new generation of advanced systems that are giving renewed hope to beleaguered linguists and translators today.

Despite the optimism, many human translators fear the potential of machine translation. Though it is true that computers will not replace their human counterparts for a very long time, if ever, the age of "machine-aided" translation has clearly dawned in Europe. Says G. C. Keil, computational linguist for UMIST: "Automation at all levels of professional translation is inevitable, and largely already here." €

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1982

John M. Dunn writes for a number of international publications.

speaking up on defense

Parliament President calls for common European policy.

PIETER DANKERT

Many of you who are familiar with the European Community—and therefore aware of the sensitivity that has traditionally surrounded any mention of the term security, or even worse, defense, in the context of the Community—may have been surprised that I should choose such an issue as the subject of my talk today. I can assure you that it is not to be provocative or to downplay the very serious social and economic issues that face the European Community, but because, at this moment in time, current tensions between the United States and Europe point urgently to the need for the Community to begin to take responsibility that it has long avoided. In other words, the situation demands that Europeans begin to develop a common and a more independent approach to the requirements of Western security.

If I refrain from describing US-European relations as being in a state of crisis it is because that term does not adequately describe the dynamic that is currently at work. The word “crisis” suggests the possibility of sudden and dramatic change—however, I believe that the problems we see today reflect trends which will slowly but irrevocably change the structure of Western security. It is how that change will take place, how Europe will respond, and the role that the Community should play that I am concerned with today.

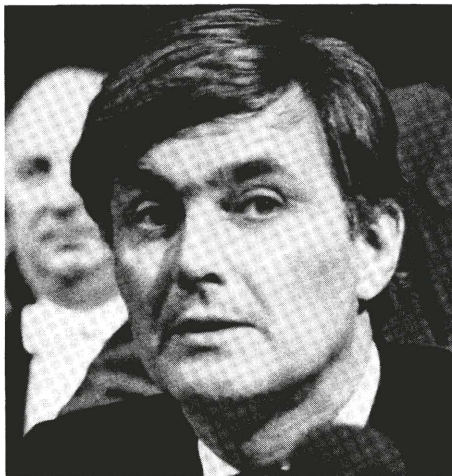
Looking at the current state of Atlantic relations it is evident that attitudes and perspectives on either side of the alliance are badly out of phase; our objectives and interests no longer run parallel, we no longer see the world in the same way. The phrase that “what unites us is greater than what divides us” has an increasingly hollow ring. However, in order to put the current situation in perspective, it is worth remembering that we have been here many times before. The Atlantic relationship has endured several severe

jolts and many of the current issues have been around for a long time.

But it is also worth noting that the reconciliation of past disputes has only been possible because both sides have demonstrated flexibility and a willingness to compromise and because a degree of diversity has been accepted as inevitable in an alliance of 15 sovereign and equal nations. Unfortunately the political environment that has permitted the Atlantic alliance to reconcile divergent views, or to accommodate an “agreement to disagree,” has changed in a dramatic fashion. Defense and the Atlantic relationship have become the object of intense public interest and of considerable public criticism. The combined effect of foreign policy disputes and worsening economic conditions has been to harden official attitudes and positions. Under the glare of public scrutiny, Governments have lost their ability and, in certain instances, their willingness to maneuver and to compromise in order to secure agreement and accommodation.

In my view, three factors are responsible for the new situation in which we find ourselves. Firstly, the sheer number of disputes that affect us—these are more wide ranging and profound than previously, and the result is that our political system is in danger of being overloaded.

Pieter Dankert, European Parliament President.



Secondly, the fact that we disagree on an issue that is fundamental to the existence of the alliance: the policies that the West should be following toward the Soviet Union. It is not necessary for me to analyze the many disputes that reflect the divergence of view concerning the scale of the threat and the response that is required, you are by now familiar with them.

What is important to stress here is that the ideological conviction of the Reagan Administration has effectively polarized a divergence which has long been apparent—notably the fact that through geographical proximity and historical experience, the Europeans have developed closer links to the East and that the political and economic environment created by these links has inevitably altered European perceptions of the so-called Soviet challenge. This process and its consequences has previously been effectively obscured and accommodated within the alliance framework. Where in the past there were ambiguities, where differences were left unexplored, now, under the relentless pressure of the Reagan Administration, the lines of division are sharply defined.

The determination of this Administration to impose its world view, and to exert what it considers to be effective leadership, leaves little room for compromise and accommodation. The low tolerance level for those who do not see things the same way makes the reconciliation of sensitive issues doubly difficult.

This is, after all, the crux of the gas pipeline issue. Both sides can rationalize their respective positions by reference to events in Poland or American grain sales, but the basic issue in dispute is more fundamental. It concerns the European refusal to accept the thesis prevalent in many quarters here that the West is in a state of permanent conflict with the Soviet Union, a condition that demands that all our policies be coordinated within a strategy aimed at checking, countering, or undermining the Soviet system. To most Europeans this approach is as unacceptable as it is dangerous.

Pieter Dankert is President of the European Parliament. This article is excerpted from a speech he made to the Mid-Atlantic Club in Washington, D.C. on September 23.

The third and potentially most significant factor in the changed political environment concerns public opinion. On both sides of the Atlantic, interest in defense and the Atlantic relationship has increased substantially. Governments now face the unenviable task not only of resolving disputes between themselves, but also of regaining the support of their publics, many of whom are disillusioned and frustrated with current policies.

In Europe, the anti-nuclear protest movement has become an established feature of our political life. It represents an influence that no Government can afford to ignore and already it has had a significant impact on alliance policies. Suddenly, well-established practices and policies are under challenge; suddenly, alliance policies which in previous years would have passed unnoticed are under scrutiny. Suddenly, alliance leaders have realized that public support for defense can no longer be taken for granted. The nuclear debate has brought defense out of the shadows, it is no longer the forgotten child of national policy.

I shall refrain from comparing the freeze movement here and the anti-nuclear movement in Europe. I shall only comment that for Europeans the growth of the freeze movement was a reassuring development, because it should have proved to Americans that the thousands of demonstrators in European cities last year were demonstrating out of real



Soldiers with the 5th Infantry Division arrive at Ramstein Air Base in Germany Courtesy of US Air Force

Defense policy is no longer the preserve of a small group of specialists talking a language and living in a world that only they understand. It is now a matter of mass consumption and participation. We will not be able to sustain public support if we allow our strategy to be dominated by scenarios that are at the extreme end of the threat spectrum and which have little relevance to political reality. If we are to regain public confidence, then our defense policies must be based on rational assessments and scenarios, which involve political assumptions that are consistent with the political experience of our societies.

Just as both sides of the Atlantic have experienced the anti-nuclear phenomena, so equally both sides are experiencing the problem of declining economic conditions and the effect that low or negative growth has had on the resources available for defense. Since the late 1970s, European Governments have consistently refused to respond to American pressure for greater expenditure on defense, arguing that economic conditions ruled out further increases.

Now, as the economic and social implications of the Administration's defense program become evident, it would appear that the United States is also experiencing the restraining hand of economic circumstance. Having determined to rebuild American military power, it is evident that even with the substantial increases in expenditure currently planned, the Administration will not be able to achieve all its objectives.

However, any satisfaction that we Europeans might derive from the sight of this Administration grappling with what, for us, has become a familiar dilemma of matching resources with requirements should be short-lived. The dilemma facing the Reagan Administration will certainly have serious implications for us. Not only will it increase the already severe pressure for Europeans to do more for Western defense, but, if hard choices have to be made within the American defense budget, then in the current political

environment pressure will certainly be strong to place these resources in areas of greatest need. And this is unlikely to be America's so-called "wealthy allies".

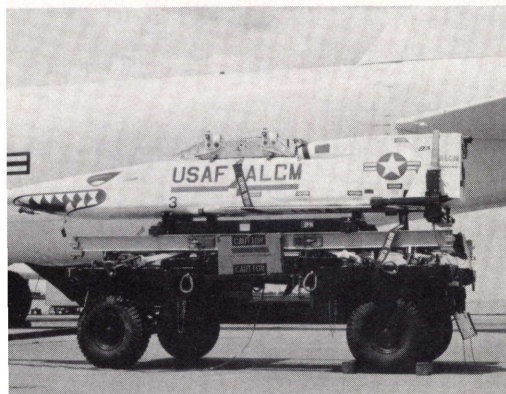
Public interest has added a new dimension to the question of Alliance security, not only because it has begun to challenge existing assumptions about defense, but because public opinion on both sides of the Atlantic has begun to question the continuing relevance of the Atlantic Alliance. The cumulative effect of differences over security, foreign, and economic policy has been to release, on either side, the stereotypes and misperceptions that lurk beneath the surface of the Atlantic partnership.

Here in the United States, the last two years have seen an almost endless stream of public criticism—as represented in the media and on Capitol Hill—concerning the worthiness of America's allies. The perception that the Europeans enjoy a "free ride" in defense, while, at the same time, refusing to support the United States in critical foreign policy initiatives has become all-pervasive.

This is, of course, a familiar refrain. The idea that the American commitment to the North Atlantic Treaty Organization (NATO) is a "gift" that the United States makes to Europe is never far from the heart of any American criticism of the Atlantic alliance. An interesting comment on the nature of the public debate here has been provided by the production by the Department of Defense of two successive reports on alliance burden sharing. These reports have presented a thorough and comprehensive analysis of the issue of burden sharing. The reports for 1981 and 1982 both emphasized the tremendous complexity involved in attempts to compare allied defense expenditures. But, both also stated that when all relevant criteria were taken into account, the European allies were doing "at least" or "roughly" their fair share for the defense burden. Yet despite this judgment, the perception that the Europeans do not provide enough for their own defense remains virtually untouched, and Congressional criticism continues as if the report on burden-sharing did not exist.

This critical approach to the NATO commitment will inevitably become more intense as America's economic worries become greater and as the need for choice in defense priorities becomes obvious. American frustration with the Atlantic relationship is further fueled by economic disputes with the European Community as these reinforce the American perception of the unbalanced nature of the relationship—in the economic field the Europeans are tough competitors, while in the security field they continue to appear as suppliants.

Criticism of alliance membership has also



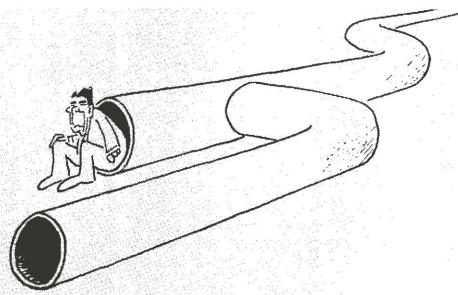
The cruise missile has been a controversial issue in the Atlantic relationship. Courtesy of the US Air Force

concern over nuclear policy and not because they were intimidated by, or subservient to—or even in the pay of—the Soviet Union.

There is an important lesson to be drawn from the current unrest, both here and in Europe, over nuclear weapons: Public support for national defense policies can only be sustained if the general public can identify with the objectives and the means of that policy. The special and terrible nature of nuclear weapons has inevitably made the task of explaining our defense strategy particularly difficult. However, the sudden public awareness of the implications of our current policies has made this task doubly urgent.

grown in Europe, but for rather different reasons. European public opinion has become critical of alliance membership inasmuch as it is seen to involve unacceptable policies such as the current dependence on nuclear weapons. As the nuclear guarantor of the alliance, the United States obviously becomes the chief villain in the anti-nuclear debate. Beneath this European criticism, there exists a fundamental and, in my view unjustified, resentment that alliance policies are dictated by the United States and are chiefly for the benefit of the United States. Hence, the argument that current American strategy is designed to limit any future conflict to European territory. The combination of this perception and a confrontational American Administration provides the ingredients for the general unrest that exists in Europe today.

The challenge that confronts Western political leaders is to rebuild public confidence in our security framework and to develop a security policy that is relevant to the experience and the expectations of our people and is consistent with our political and economic circumstances.



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Because of the basic differences that exist between the United States and Europe on these fundamental principles, I believe that the solution to this dilemma, both for Europe and for the alliance, is for Europeans to develop a common approach to the requirements of Western security—an approach that would derive from European assessments and European perspectives.

The development of a more coordinated European approach would have a number of advantages. Firstly, it would permit Europeans to play a more effective and assertive role within the alliance. The alliance will only continue to function if European influence can ensure that alliance policies take adequate account of European interests. In this respect, several important issues confront the alliance. Their resolution could be critical in sustaining public support for the alliance.

First comes the question of the role of nuclear weapons in alliance strategy and the related problem of creating a viable conventional defense posture in Europe. As a result of the anti-nuclear movement in Europe, there are signs that the alliance is looking for

ways to reduce the reliance on nuclear weapons. Some observers have advocated the adoption of a “no first use” strategy. Others have recommended the reduction of battlefield nuclear weapons in the belief that these systems no longer offer a practical or credible option for NATO. Parallel to this process is a new emphasis on conventional forces. We should avoid rushing to hasty judgments that a conventional defense is neither feasible nor affordable. We should first consider carefully what degree of insurance we require and then examine the implications for expenditure.

Secondly, there is the related issue of arms control negotiations. While we can have little impact on the START negotiations, the INF talks concern us directly. Because of the linkage between modernization and arms control, it is essential that the alliance arms control position remain credible. In this sense, while the zero option constituted a useful tactic in the public relations battle, few believe that it represents a realistic outcome. We must remember that there is now a third force at the negotiating table—our public opinion. The credibility of our position rests on us looking beyond the zero option to considering what balance of forces would now be acceptable. Europeans must not be confined to the role of spectators, even closely informed spectators. We must press for flexibility in these negotiations, because, without progress, deployments will be very difficult, if not impossible.

These are but two issues on which Europeans make their voices heard. However, European influence will only be effective if it is united. A more coherent European approach could have two important consequences in terms of dealing with the question of public opinion. Firstly, it could convince the American public that the Europeans are serious about their own defense and secondly it could generate public support in Europe by demonstrating that European security policy is derived from European assessments and analysis.

Finally, if one needs to seek further justification for the emergence of a more assertive and independent Europe, then one need look no further than the question of European dignity and self-respect. It is now time for Europe to adopt a responsibility commensurate with its economic status, time that it play a more influential role in world affairs, offering to many developing countries such as those of Latin America if not a third way, at least an alternative to the two superpowers.

Whatever the desirability of greater European cohesion in security policy, it would be wrong of me to ignore the very real problems that lie in its path. The most obvious of these concerns the grouping of European nations such a development would involve. I believe that responsibility for security must eventu-

ally be assumed by the Ten of the European Community. In this respect we must build on the progress achieved in European Political Cooperation.

Indeed, recognition of this necessity has already been signaled by the Foreign Ministers—when they met in London last October—and the Genscher/Columbo initiative contains a similar recommendation. As a measure of how far we have come, it would have been unthinkable 10 years ago that a German Foreign Minister should recommend a meeting of the Defense Ministers of the Ten within the context of European Political Cooperation.

I realize that for many professional Europe watchers, these ideas will seem fanciful and remote from political reality. However, none of us should underestimate the public pressures that are building and to which we, as politicians, must respond. In Europe, momentum in the direction of which I am talking is already discernible; it has begun with the peace movement and its examination of alternatives to our existing security arrangements.

Indeed it is ironic that the peace movement represents the first attempt toward developing a coherent European approach to security. If movement is discernible on the left of the political spectrum as a reaction to the excesses of the Reagan Administration, it can also be seen on the right, where many believe that Europe should prepare for the day when, frustrated with European passivism, the United States withdraws its troops.

In conclusion let me reiterate my belief that the challenges that face us today, particularly the need to respond to public opinion, demand a new response and new initiatives. The era of bilateral relations which has served us for the past 30 years is no longer sufficient to cope with the multitude of transatlantic problems and concerns.

Whatever the doubts, whatever the institutional difficulties, we in Europe must accept the responsibility we have for so long ignored—the development of a common approach to our own security. In my view it is possible to establish a consensus for Western security, but only if this policy reflects the political, social, and economic needs of the society it is protecting and if its means are seen to be proportionate to its ends. This policy can only be developed from within, it cannot be imposed from the outside.

Greater European coordination and coherence over security policy is consistent with the Atlantic relationship; indeed, it could greatly strengthen it. On the other hand, the trends toward separation are very evident, both in the nuclear discontent in Europe and the cries for troop withdrawals here. If we are to avert this process, then we must act now. ☞

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September 13, 1982

the **power** of imagination

Europe's energy hunt explores a wide variety of alternatives.

ADELINE BAUMANN

It is estimated that by the year 2000, some 10 per cent of European energy requirements will be met by solar energy, geothermal energy, and gasified or liquified coal, not counting expected savings of 15 per cent below current consumption. These estimates are not based on gratuitous or optimistic assumptions, but on the tangible results of research programs and demonstration projects carried out in Europe with the financial support of the Community.

The Community agreed on common aims for an energy strategy in 1974, after the first oil crisis, and nowadays no one doubts that the solution to the energy problem lies in setting up a proper EC strategy. Since 1978, the EC has been carrying out a policy of investment promotion, aimed at reducing European dependence on costly imported oil, with financial contributions to demonstration projects for renewable and alternative energy sources. These projects form an intermediate step between the research phase and large-scale, commercial use.

Solar installations.

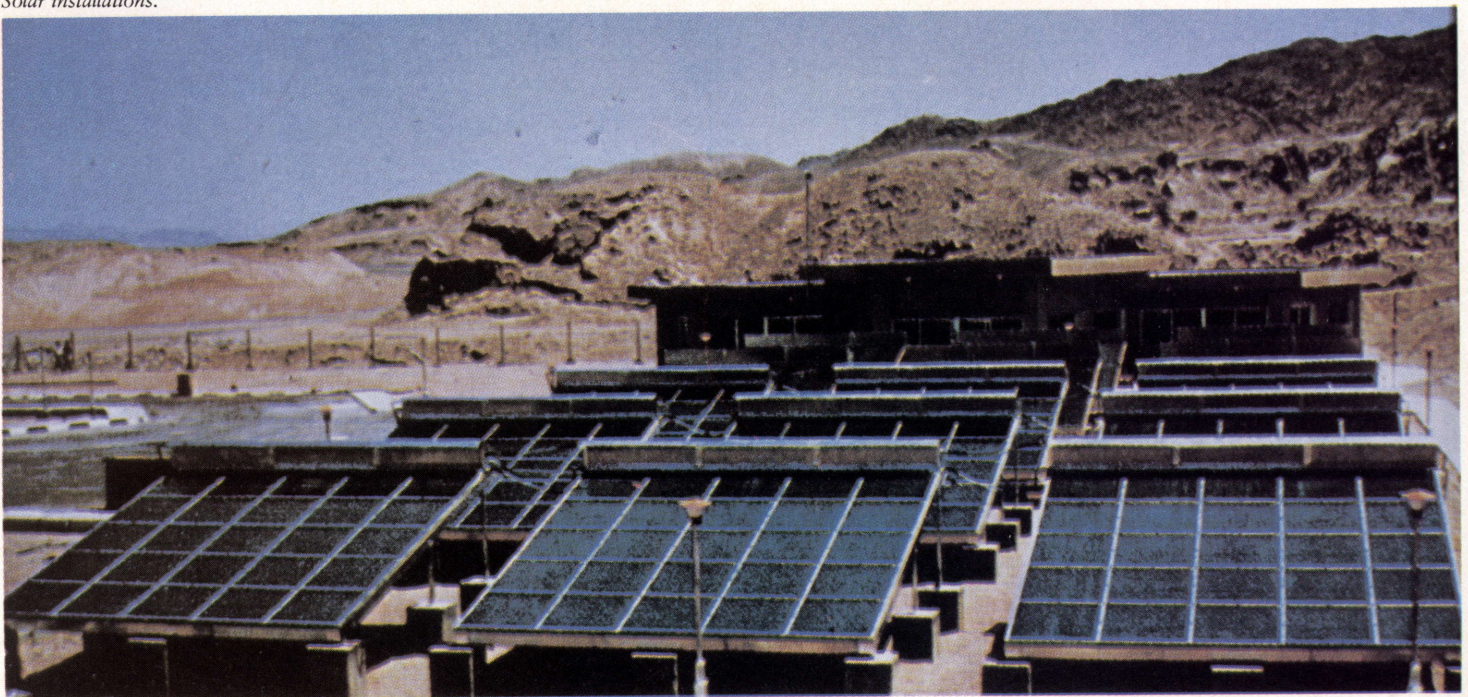
The process is simple. First of all, the Commission publishes invitations to tender in one particular sector. Eleven of these invitations to tender for energy-saving or alternative energy projects have been published by the Commission in the first three years of the various programs. It seems that the oil crisis has stimulated European imaginations, since nearly 1,500 tenders have been submitted. These schemes are then selected for their technical soundness, their innovations, and their commercial viability. As a result of this process, the Community has chosen more than 300 schemes. Some tenders have been withdrawn, perhaps because of repayment conditions laid down by the EC system for projects which go on to achieve commercial success.

The demonstration projects have been very successful in attracting new ideas, and the schemes chosen by the Commission represent an investment of over \$900 million. The EC program has also greatly helped to stimulate demonstration programs at the national level,

and most importantly has made it possible to avoid duplication of effort at a time when all European countries are faced with the same problems. The program also helps the best technology reach the European market, and in this period of restricted budgets it has often been vital for the completion of some projects. The first published results offer very encouraging prospects both for alternative energy sources and for energy saving.

Solar energy

"The amount of solar energy reaching the earth's surface in 20 days is greater than the total world reserves of fossil fuels," declared a British solar energy expert recently. Although it is not very regular, the sun is in fact an inexhaustible source of energy which only has to be properly harnessed. This stage has not yet been reached, but it is estimated that by the turn of the century some 5 per cent of European energy requirements should be met by solar energy. The 84 schemes chosen by

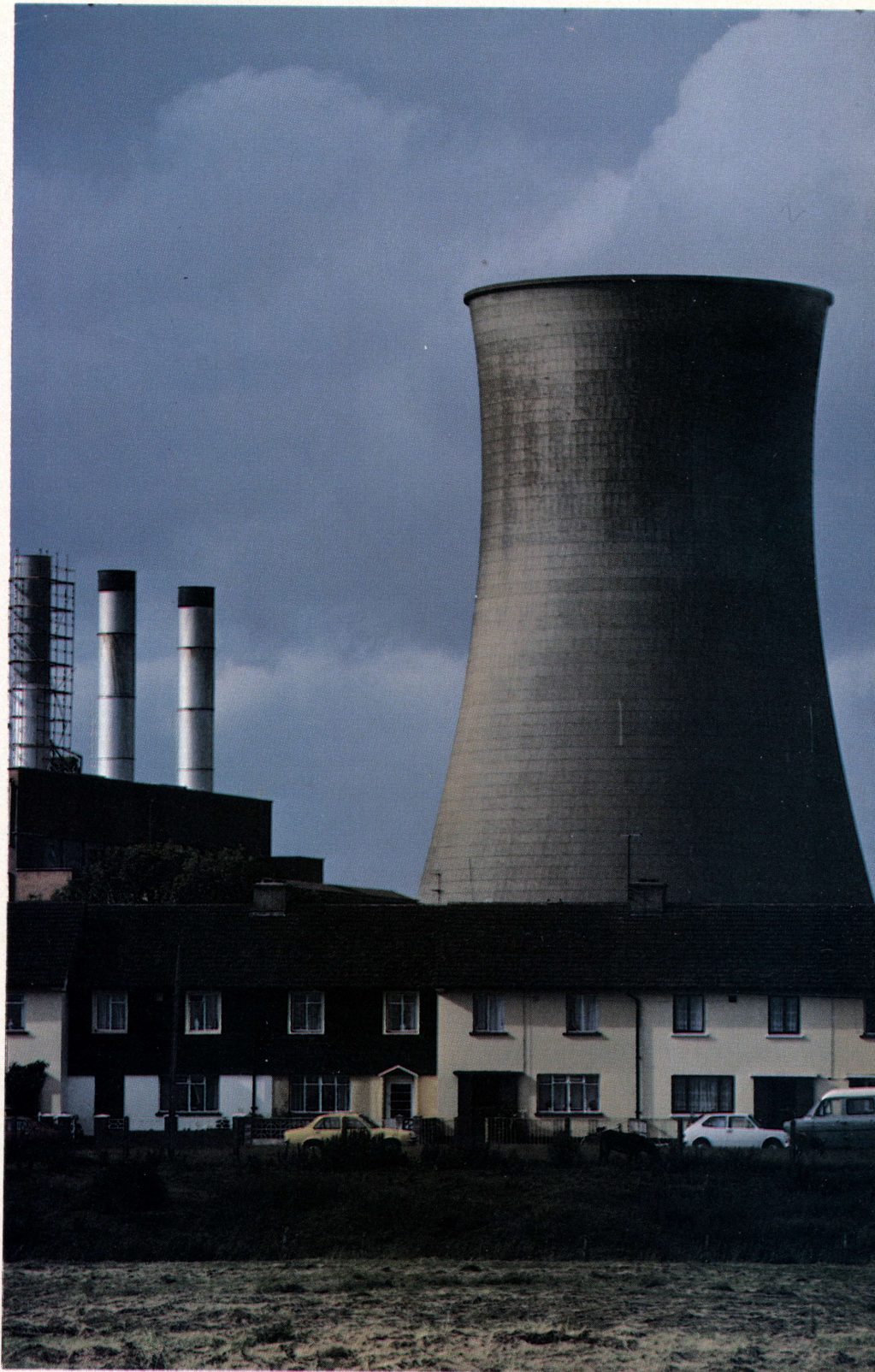


the Commission are proof of the hopes which the Community pins on solar energy applications.

Solar energy is already used all over Europe for heating sports centers and swimming pools. The technology here is already well advanced and no further EC demonstration projects are planned. Solar energy is also used for heating and air-conditioning industrial premises and offices in Lyons, France, by means of roof-mounted air collectors and heat storage, supplemented by a heat pump. An original experiment is being carried out in Denmark under the name of "Sol og Wind." This is a village of 27 houses and a communal building. The system uses 640 m² of solar collectors and two heat stores situated in the center of the village.

In the south of Europe, solar thermal energy has found many applications in agriculture. Two projects carried out in Italy are worthy of mention. The first of these is at Campurosso, where a greenhouse is heated by solar collectors mounted on beds of pebbles for heat storage. The second is in Sardinia, where the thermal energy and electricity necessary for drying agricultural by-products are supplied by sets of air-type collectors.

Photoelectric cell technology is especially promising. Here, solar energy is converted directly into electricity. However, the cost of these photoelectric cells is still very high. Of the four projects of this type chosen by the Commission, the successful micro-irrigation project in Bourriot-Bergonce, France, is worthy of mention. Here, photoelectric energy is used to drive a pump which irrigates land where corn and asparagus crops are rotated. The completed project has enabled the crop



A peat-fired electricity plant in Ireland. ©Cotton Coulson, Woodfin Camp



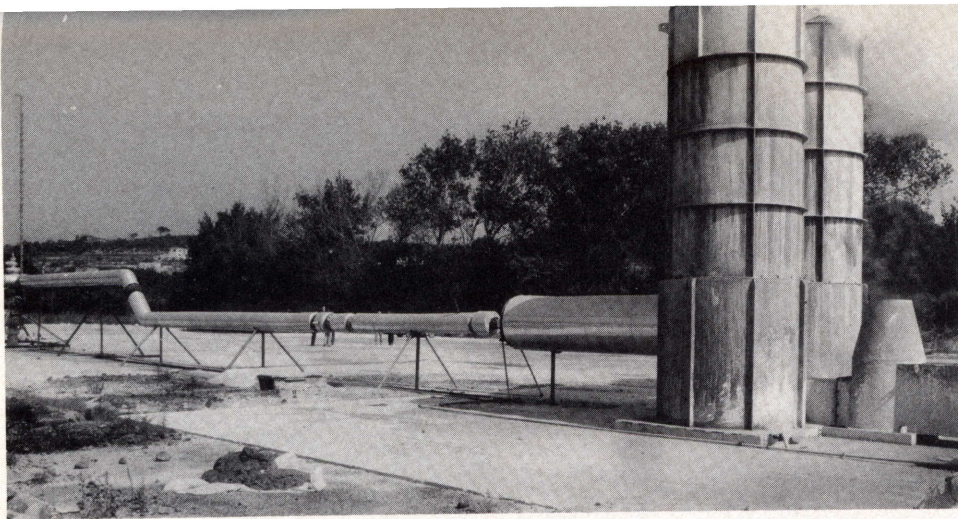
Irish workers harvesting peat. ©Cotton Coulson, Woodfin Camp

yield to be improved, and has attracted the attention of agricultural research centers and several developing countries.

Another form of solar energy is biomass. This includes various processes for converting renewable organic matter into energy, such as thermal gasification, fermentation, anaerobic

digestion, and others. Of the 15 projects chosen by the Commission, two are particularly promising. One of these is in Offaly, Ireland, where a specially designed power station is to make use of the vast peat reserves to be found in that country. The other project, in Plessis-Belleville, France, uses flax as the bio-

mass material in a gasification process and has the advantage that it can be used for other agricultural residues. According to an EC study, agricultural and forestry waste, together with energy crops, can make a significant contribution to the Community's energy requirements by the end of the century.



A geothermal energy plant in Italy.

Underground resources

Geothermal energy is still greatly dependent on public funds for its development, mainly because of the large financial risks entailed in the drilling stage, not to mention the technical problems and the risks of mining. The prospects for geothermal energy are favorable in Italy, France, and Greece. Forty-four projects of this type have received EC financial support. Geothermal energy is mainly used for space heating, as in Ferrare, Italy, and in Bordeaux and Beauvais in France. It is sometimes used to generate electricity from steam and mineral water, as in Milos, Greece.

The Commission attaches great importance to projects which substitute solid fuel for oil, with the aim of reducing European dependence on outside energy sources. The Community still has large reserves of coal, though they are difficult to mine since the seams are at great depths and some are under the North Sea. Reconversion to coal would now require sophisticated and expensive liquification and gasification technology. For this reason, joint demonstration projects and EC financial support are particularly welcome.

Present efforts are concentrated on coal gasification processes, seven of the 10 projects now under way being of this type. A

The Community has a number of projects involving increased use of coal which require sophisticated liquification and gasification technology.

new process used at Sulzbach-Rosenberg, West Germany, has the advantage of producing high-quality gas and of having very little effect on the environment. Other projects involve coal gasification under pressure deep underground, as in Faulquemont, France, and in Thullin, Belgium, and as in the German-Belgian *in situ* coal gasification project.

The program of alternative energy demonstration projects represents the first part of the EC's activities. The second involves making better use of the energy available. By the year 2000, energy saving measures could reduce current levels of consumption by 15 per cent. To reach this goal the consumption in the most energy-intensive sectors such as buildings, industry, and transport must be reduced and waste heat recovery encouraged.

Europeans pay dearly for their comfort, since in 1980 domestic and service sector heating used 252 million tons of oil equivalent, or around 35 per cent of the Community's overall consumption of primary energy sources. This energy is used, among other things, for space heating, ventilation, lighting, and domestic hot-water. In the building sector, savings are possible through better insulation, better temperature control, or better construction. Of the projects subsidized by the Community, 14 out of 16 are concerned with new housing. New space-heating and hot-water installations save between 30 per cent and 60 per cent of the energy consumption of conventional housing. One project involving more rational use of energy is aimed at improving the artificial lighting in an office block in Groningen, the Netherlands. By suitable use of fluorescent lamps, it has been possible to save 73 per cent of the energy normally consumed. In Rome, a new type of emulsifier has been used to improve boiler combustion and reduce smoke. Fifty boilers are now equipped with this emulsifier and the commercial prospects are good.

Industry is by far the biggest energy consumer. The Commission has given financial support to some 27 projects, most of which involve energy recovery. A large part of the

Community funding is devoted to the steel industry. The steel refinery in Feysin, France, has just completed a project which uses a process for separating out water from hydrocarbons in suspension. It has reduced energy consumption and made it possible to save 2,500 tons of oil equivalent per year. Here again, the commercial prospects are good.

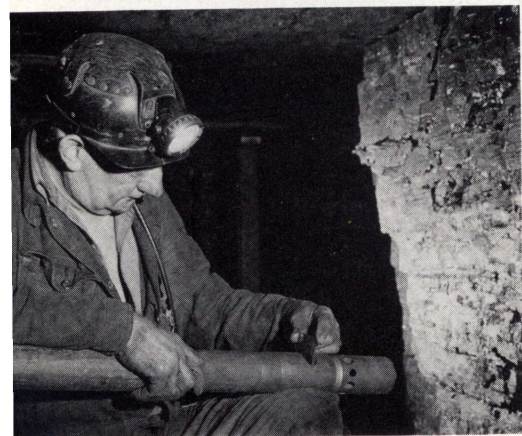
The coal industry also lends itself to energy recovery. A project in Warrington, United Kingdom, uses gas extracted from the mines by a continuous process. Previously, the gas was dispersed in the atmosphere. Substantial economies also can be achieved in the dairy industry by recovering waste heat, as in Ballineen, Ireland, where one project has saved a quarter of the energy normally consumed.

Finally, there is the transport sector, which in 1980 accounted for nearly 25 per cent of total EC energy consumption and more than 44 per cent of oil supplied. All the demonstration projects chosen concern road transport, which is explained by the fact that it accounts for nearly 85 per cent of the energy consumption in this sector. Substantial energy savings are possible through technical improvements, such as better aerodynamics, tire improvements, lighter vehicles, new transmission systems, and exhaust-gas energy recovery, not to mention alternative fuels. However, the proportion of projects relating to the transport sector submitted to the Commission is as yet relatively low.

A fortune wasted

Europeans produce nearly 2 billion tons of urban, agricultural, and industrial waste each year. At present almost all of this material is disposed of without further treatment, despite the fact that an estimated 70 per cent to 90 per cent of it can be reprocessed. It can be used, for example, to produce heat energy, animal fodder, or fertilizer. In short, energy savings and a better environment could result from a constructive use of this waste. Various techniques can be applied, such as combustion, gasification, and methane or alcohol fermentation.

A large number of such projects have been started as a result of the EC program. The only one of these projects so far completed is a reference center in the province of Pavia, Italy. It demonstrates biogas production by anaerobic digestion of animal, vegetable, and urban waste. After the success of this experiment, another project in Broni, Italy, still at the study stage, is looking for an effective method of treating local household waste. Waste materials represent a very important source of potential energy savings; it is estimated they could produce some 100 to 120 million tons of oil equivalent in the Community as a whole. €



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The role of business in building the Common Marke

ANDREW CROFTS

Not only is Sir David Nicolson chairman of Rothmans International and of BTR, an industrial giant with sales around £800 million (currently about \$1.4 billion) a year, he is also a member of the European Parliament and the founder-chairman of the American-European Community Association. As a result he has strong views on the way in which the world's businessmen should be uniting and leading the politicians forward, particularly in Europe.

"There is a tide flowing toward a total integration of Europe," he explains, "but it is an economic tide, not a political one. Businessmen have a great part to play and they should be aware of it." Sir David sees the success of Airbus Industries and the almost united fronts of the European steel and textile industries as indicators of how things will be in the future.

"It has to make sense for countries and companies to pool their resources," he says. "In the airline industry, for instance, there are now two main groups doing the purchasing and maintaining of spares for KLM, SAS, Swissair, UTA, Air France, Alitalia, Sabena, and Lufthansa. It has to be the right way to reduce overheads." Ironically the only airline still left out in the cold by these arrangements is British Airways, a company for which Sir David was the first-ever chairman in 1971. "I fought hard to link BA more closely with Europe," he says, "but the British are rather slow starters in the international arena.

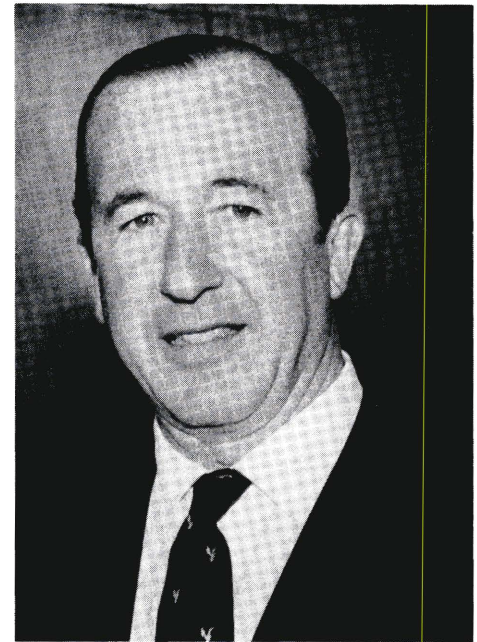
"It makes no sense at all, particularly in the technological industries, for each country to be running its own expensive RD programs. The only way we can tackle Europe's economic and employment problems is by stimulating European industry into new fields, just as NASA has caused the creation of Silicon Valley in the United States.

"If we were working at a European level we would be a power to be reckoned with. There is a growing demand for one independent European voice in foreign affairs. This voice appeared hesitantly in Iran, and then much more positively in the Middle East, and again in Poland and the Falklands. A total

ban on Argentine imports effected almost overnight made the immense power of the world's largest trading bloc visible to all.

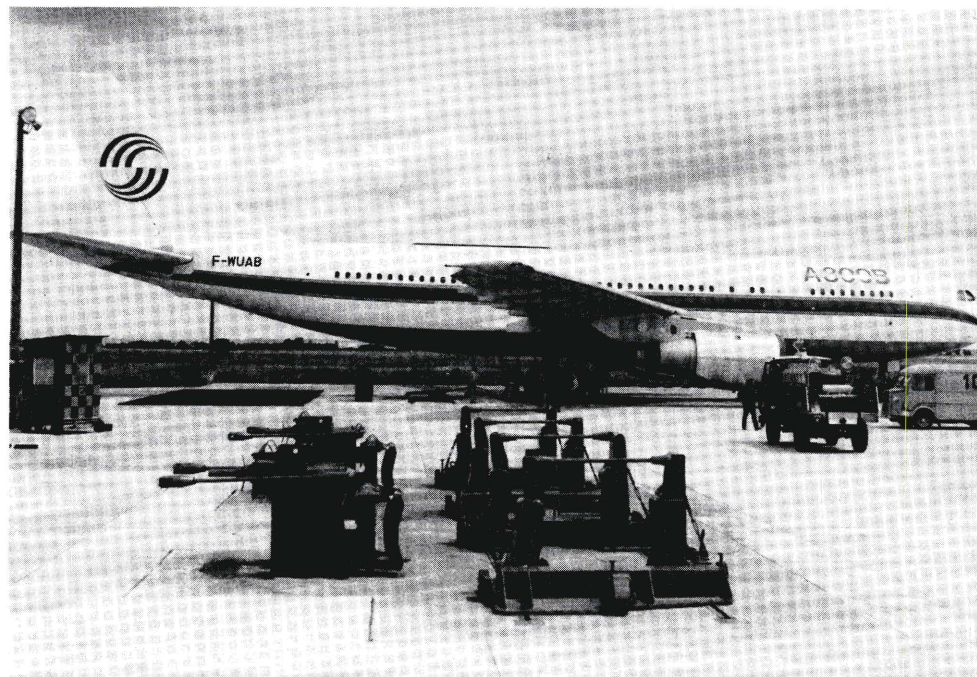
"Most of the progress is European integration, however, comes when the external pressures in the changing world eventually overcome political obstruction and nationalism and force action. What is missing so far is a proper 'blueprint' for the future. We must recognize the potential power of the Community and explain its possible benefits to the electorates."

Sir David believes that the example of Rothmans International is a good one for other companies to follow. "There have been a lot of examples of people trying to cooperate, like GEC trying to buy into AEG, or Dunlop and Pirelli trying to get together," he says. "These things didn't work out, but they are just growing pains and signs of things to come. Every national company should be thinking about linking up with other European companies."



Sir David Nicolson

Airbus Industries, an aircraft consortium of companies from several European countries, is a good example of cross-border cooperation by business. Eastern Airlines flies the A300 model in the United States.



OF EUROPE, LTD.

"Rothmans International was one of the first European groups of companies to form, merging tobacco companies in Holland, Germany, Belgium, and Britain, as well as the United States and Canada. Although we are registered in London, a major part of our business is on the continent, with 50 per cent of our cigarette market in Belgium and Holland, and only 15 per cent in Britain.

"Each country has its own strong, local brands, as well as the international names like Rothmans, Dunhill and Stuyvesant. In Holland, for instance, the Turmac company produces Cabellero cigarettes. Each company also brought subsidiaries with it. In the case of Turmac there were subsidiary operations in Switzerland. At BTR we have gone from sales of £20 million a year to £800 million in 15 years by acquisition of factories around Europe."

Sir David staunchly believes that, eventually, there will be a United States of Europe every bit as tightly knit as the United States of America. "At the moment the budget for central government isn't nearly big enough," he says, "the EC's being only 0.8 per cent of the total budgets of EC members states, against 30 per cent spent centrally in America. Even if we were to increase it to 2 per cent it would transform the shape of the community, but even that is still a long way off."

"The main trouble is that Europe has a lot of traditional market problems. To begin with there are the obvious language barriers, as well as deep differences of laws and traditions. It is a more difficult operating environment.

"The European Investment Bank has been quietly growing, and in a surprising way. It had to double its capital again in 1981. I don't believe that it operates entirely in the right areas yet, and it is mainly concerned with rather cautious lending, on a 50-50 basis with national Governments in areas of infrastructure and energy, and with large public sector involvement.

"But people are beginning to think now of how to use its muscle to provide cheap loan



"What will it be today, gentlemen? Will we talk ourselves into a recession or out of it." ©Craig, Rothco

finance via the banking sector to the private sector for the start up of innovative and high technology industries and for the development of new ideas. This must be a move in the right direction."

Sir David believes that one of the reasons Britain has lagged behind other European countries is its slowness to adapt to losing an empire. "The Dutch were much quicker, after losing their empire," he explains, "to realize that their future was as Europeans. Britain went on believing in a Commonwealth for too long.

"United, Europe is the biggest trading bloc in the world. Although it could be self-sufficient, like America, in everything except energy, it has managed to avoid becoming insular. It relies, to a great extent, upon products from the developing world and puts far more money into aid than any other comparable power."

Just as he believes Europe is moving inexorably to becoming a united force, Sir David also believes that the business community is leading Europe toward becoming a one-language nation. "We are already moving toward a situation in business," he explains, "where most people speak English. It is not so in evidence in politics, where there is a question of national prestige. Interpreters represent the most enormous expense in the European Parliament and I believe it is a situation which is bound to change slowly."

As Europe becomes a major united power it seems likely that it will be challenging America's right to set the rules for the whole West. "The arguments over the Soviet gas pipeline are very worrying, as they illustrate the basic differences in attitudes to Communism between Western Europe and America," says Sir David. "Europe is not as frightened of Russia as America is, and West Germany is very concerned with reunification with East Germany. The pipeline is a visible sign of detente to many people in Europe, but at the same time we don't want to break the Atlantic alliance."

Because of his strong feelings on the subject, Sir David formed the American-European Community Association in 1980. Its goals are the improvement of mutual understanding and cooperation of the peoples of America and Western Europe; the dissemination of information to people in the United States concerning the EC, its make-up, its aims, its policies, its achievements and its future; and the encouragement of free trade policies, political cooperation, and scientific, technological, commercial, and industrial exchange. "I believe that we should all recognize that our future is very largely in the hands of businessmen," says Sir David. ◀

Andrew Crofts writes from London for international business magazines.

around THE capitals

Luxembourg

If countries could be represented as families, you might think of Luxembourg as a rather well-off but aging, childless couple. The house is paid for, the job cogent, the pension guaranteed. But what about the heritage? What comes after? Put bluntly, the truth is that, like most couples in such a situation, Luxembourg would like to see more of its own sons and daughters around it.

Luxembourgers rejoice in statistics, but there are three sets that they could do without. First, the small native population is getting even tinier. The last official count puts the number of residents at 364,606 and the birth rate of 1.23 per cent is lower than that of any other country in the world.

Following from this, the population is, on average, older than that of most other countries. If you exclude foreign-born residents, more than a fifth of the Luxembourgers are over 60—again top of the world league. Of course, this also reflects the good care Luxembourg takes of its people.

Third, the proportion of foreigners in the resident population is larger than that in any other country and it is growing. By the year 2000, according to some projections, the number of native Luxembourgers could fall to around 225,000, while the number of foreigners could rise to 120,000 or so. This

would mean that one in every three residents would be foreign.

These demographic projections seriously worry many Luxembourg leaders. The fears are threefold: What will happen to the Luxembourgers' native identity? Where will the workers of the future come from? And how can the country's social security system continue to support the strains of an aging population?

The obvious answer to the first problem would be to control immigration, but that makes a solution to the second much more difficult. In fact, there is no serious discussion of limiting immigrants. Even if the tolerant character of the Luxembourgers would permit such a step, the facts are that the Grand Duchy's industry would quickly come to a standstill if foreign workers were declared unwelcome. Just as intolerable would be the loss to Luxembourg of the EC institutions currently housed there. The several thousand, well paid employees of the Common Market working in Luxembourg are, according to some unofficial estimates, providing about 10 per cent of the country's total purchasing power.

This suggests that the only real solution is to boost the native Luxembourg birthrate, a goal successive Governments have pursued in recent years. Family allowances have been raised and extra funds provided for mothers, though this in turn has meant increased demands on the social security system and raised a question mark over how much longer the present highly sophisticated and comprehensive scheme can continue.

The subject has become one of the priorities of the Government and is expected to dominate the debate on the national budget in the parliament this year. Proposed modification to the system involve cuts in retirement benefits and increased financial demands on employers. One official has joked that the country could solve its problem in one fell swoop by introducing an "age tax" to help pay for more babies. He didn't want to be identified, but one suspects that probably quite a few of his colleagues would agree that his is the general direction in which Luxembourg has to go.—ALAN OSBORN

Brussels

He retired three years ago, but the name of Eddy Merckx is seldom absent for long from the sporting and gossip pages of the Belgian press. Acclaimed in his day as the world's greatest cyclist, and by any measure Belgium's outstanding sportsman, Merckx today devotes most of his time to running his highly successful bicycle manufacturing company.

Still only 37, Merckx has become one of Belgium's most acclaimed and widely recog-



©James Sugar, Woodfin Camp

nized international personalities. The latest guessing game is to wonder just how much he did, and does, earn. The stimulus is a book "World Paychecks" by David Harrop, which claims that Merckx today earns the equivalent of \$1.5 million a year. Professional cycling is big business in Europe, but, even so, most observers agree that the figure is an exaggeration. Merckx himself says his earnings are less than a tenth of that sum.

Whatever the real figure, the truth is surely that Merckx has shown as much shrewdness and energy in the management of his finances as he did behind the handlebars. In his day he could command \$20,000 merely for appearing in a race and was said to be earning \$300,000 a year from prize money and sponsorships. If the prizes are absent today, the commercial endorsements seem to remain as lucrative as ever, as do the calls on Merckx for radio and television commentaries. His own bike-frame manufacturing business employs 15 people and turns out 100 racing frames a week.



No one begrudges him this success. An English cyclist once commented that, "to see Eddy come downhill, on a winding mountain road, at more than 60 miles per hour, was one of the thrills of a lifetime." His specialty was the sudden break of speed, whether in a hair-raising dash downward or in a convulsive escape from a pack of straining competitors.

His record, unsurpassed in world cycling, speaks for itself. He was world champion four times, and, far more significant for cyclists, five-time winner of the grueling Tour de France race. Although the French hero Jacques Anquetil also won the tour five times, Merckx holds the outright record of 34 stage wins. Merckx also won the Giro D'Italia five times and has a record of seven victories in the Milan-San Remo Classic and one each in the tours of Spain and Switzerland.

These efforts took their toll of Merckx's slender frame and even though he was, by the standards of many tour riders, a shrewd calculator of the risks, the spills happened. In 1969, he crashed off a cycle track in France and spent several days in a coma. He fractured an arm in 1971 and broke his jaw in a fall in the 1975 Tour de France. He finished a narrow second in that race and many of his fans claim it as almost a moral victory for him.

Retirement came only after a last desperate effort to secure a sixth Tour de France win in 1978. Plagued by back injuries and boils before the race, Merckx completed all the stages even after it had become clear he had no chance of winning. Almost immediately afterward he announced that his doctors had forbidden him to race again in high-level competition. In fact, he went into almost total retirement as far as competitive cycling was concerned.

While the city of Brussels itself—with its many cobbled, small roads and racetrack-like highways—is a nightmare for cyclists, Belgium generally is a peddler's delight. Cycling, especially in its competitive form, commands a huge and enthusiastic following throughout the country. All of which makes it appropriate that the country's most famous sportsman should be a cyclist and helps explain why it is that, when the sporting and leisure magazines can no longer write about Eddy's exploits on the road, they turn to his money. ALAN OSBORN

Athens

A quiet revolution is due to take place this winter in school, public services, and printing presses all over Greece. The accents and breathings that liberally decorate a page of written or printed Greek are scheduled to disappear forever. They will be replaced by a single stroke, or dot, according to preference,

on each word to indicate the right pronunciation.

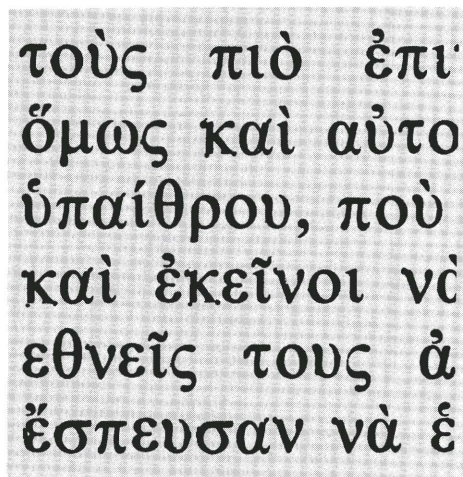
Premier Andreas Papandreou's Government passed a law introducing "monotony," as the new system is called, last January, but complicated linguistic and grammatical negotiations to work out just how far the new measures should go have occupied a team of professors working under Ministry of Education auspices ever since.

Now "monotony," first proposed by progressive scholars more than 60 years ago, will start being implemented at the beginning of 1983, much to the relief of schoolchildren, typists, and any Greek who fears accusations of illiteracy if he gets the abstruse rules of accenting wrong.

There are only three accents: the acute, grave, and circumflex, known to every reader of French, and two breathings, used in the past to show whether an opening vowel was aspirated, since the Greek alphabet lacks an "aitch." However, according to most experts, there are five rules for placing accents, another seven for accenting nouns and pronouns, and five more for accenting verbs—with dozens of exceptions to every rule.

A Ministry of Education official recently admitted that the average Greek schoolboy may spend up to 4,500 hours of study in his 12-year education absorbing the arcane rules of accenting. The effort seems largely unnecessary for choice of the correct accent doesn't affect pronunciation. All three simply indicate where the stress should go. The two breathings no longer have any phonetic value.

Accents were first introduced by the scholars of Alexandria in Egypt in late antiquity and later flourished in Byzantine Greek. The



Greeks of Pericles' Golden Age wrote only in capital letters without accents or breathings. Accents caught on when Greek became the *lingua franca* of the eastern Mediterranean following Alexander the Great's conquests and helped foreigners read aloud or declaim in approved Athenian style. In those days an acute accent indicated a rising tone in speech;

a grave, falling tone; and a circumflex a combination of the two.

The new simplified system is welcomed by Greece's business community as long overdue. It will mean that a full set of Greek type can be reduced by one third, from almost 200 items to around 60. First estimates suggest that some \$214 million in printing expenses could be saved every year, and typing time, according to a recent study, could be cut by up to 35 per cent.

The measure comes six years after the previous Government enforced demotic or popular, spoken Greek as the official language of administration and education, replacing the neo-classical Katharevousa form beloved of purists. Despite the arrival of "monotony," there are no plans for the moment to go further and replace the 24-letter Greek alphabet with its Western equivalent. Most Greeks, according to Ministry of Education officials, still regard their unique alphabet as sacrosanct. KERIN HOPE

London

What to do with the decaying dockyards in the east end of London has long piqued the imaginations of planners and developers. The area sprawls across hundreds of acres along the Thames riverfront, a relic of an age when ships were king. The advent of containerized shipping finally sealed the docks' fate in the 1960s and the quays that flourished as the doorsteps of London life now lie abandoned.

Some of the imposing warehouses built during Queen Victoria's reign have been converted into luxury townhouses and apartments, commanding champagne prices in otherwise beer neighborhoods. St. Katherine's docks, put below the lee of the Tower of London in the 1820s, have been turned into a successful tourist complex with a hotel, marina, restaurants and shops.

Most of the docklands remain fallow and still singularly unserved by public transportation to any satisfactory degree. Making them the site for a future Olympic Games was one proposal which never took hold. Now there is talk of bringing in the airplane.

One scheme being suggested would make a small airport on the most isolated stretches. It would handle short takeoff and landing planes like the Canadian-built DHC-7 turboprop, which is relatively quiet and has a high rate climb. A feasibility study said a dockyard airport might be used by up to one million people a year by 1990. It could cost as little as \$7 million to build and become operational as early as 1985, with an initial expectation of 150,000 users.



The old St. Katherine's docks, below the Tower of London, where some warehouses have been turned into luxury apartments. ©Keystone

The bulk of the passengers would come from the City, the nearby financial district. The study estimates they could save an average 20 per cent in travel time on flights to other cities in Britain and up to 40 per cent on trips to Paris or Brussels. What particularly interests the London Docklands Development Corporation is the prospect that the airport project could create 4,000 to 5,000 jobs in one of the capital's highest unemployment zones.

The feasibility report said an 800-yard runway for short takeoff and landing aircraft could be located on the central pier between the Royal Albert and King George V docks, in the most inaccessible and isolated part of the docklands. The disused docks would be a noise buffer, although airport proponents say that heavy trucks passing through the area create more disturbance than the planes would. Local residents are being polled for their thoughts. If protests aren't heavy, the airport backers hope to seek planning permission before Christmas.

London's docklands originated during the rule of the first Queen Elizabeth. She established "legal quays" on the north bank of the Thames between London Bridge and the Tower as the only place where ships legally could land their dutiable goods. Parliament in 1663 allowed alternative "sufferance wharfs" on both banks.

Port activity grew so heavy in the 18th Century that the Thames below London Bridge was a maritime traffic jam for weeks at a time. There was much pilfering and river pirates raided stranded ships and lighters with ease. It became necessary for the ships to discharge directly into guarded quays where goods could be stored in secure warehouses. The first of these great docks, the West India, was opened in 1802. The London and the East India docks

quickly followed.

In another development concerning air travel, passenger-carrying blimps could be making a comeback in Britain next year. A British company wants to start short pleasure trips from London and other big cities in a new 20-seat Skyship, the vanguard of what it believes is a new era of airships without the safety and maneuvering problems that more than 50 years ago sent the leviathan passenger dirigibles into oblivion. Today's modern technology and incombustible gasses have rekindled British interest in airships as a quiet and relaxed way to travel. If Skyship takes off with the public, the company has in mind a 200-seat version to fly between London and Paris. PETER J. SHAW

Rome

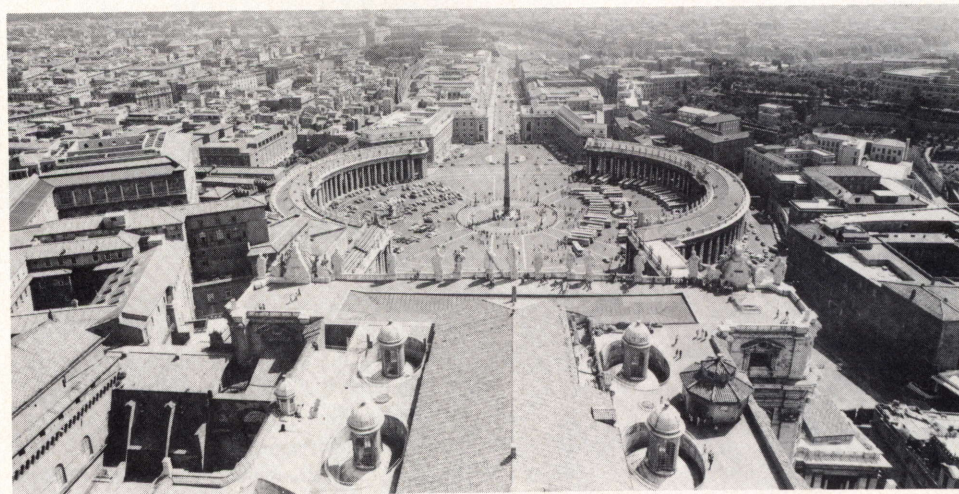
Within a few months, the distinguished looking, but now ailing, figure of Umberto II of Savoy, the last King of Italy, could once again be on Italian soil. A parliamentary committee has voted unanimously to discuss changing

the Italian constitution to allow the 78-year-old former monarch to return.

The King was sent into exile in 1946 when Italians voted by a narrow majority against the continuance of the monarchy. He and his male descendants were forbidden ever to set foot on Italian soil again. The ex-King went to live in Cascais, in Portugal, where he maintained a ceremonial ritual for a few close associates, and occasionally conferred antiquated titles on his supporters inside Italy.

For years Italian Governments remained hostile to the idea of letting the ex-King return to his native land, fearing that he would lead a monarchist revival which would endanger the young republic. Two of the most important themes of post-war Italian politics are the desire to avoid the mistakes of the past, and the need to foster the institutions of the Italian republic.

One event reviewed as a mistake of the past, one of the greatest, is the way Umberto's father, Victor Emmanuel III, exasperated by the inanities of the established politicians of the day, made Benito Mussolini Prime Minister and remained supine when the Fas-



cist dictator led Italy to disaster. As a result the republic has a constitution so replete with checks and balances that few of its institutions have much power or, thus, command much respect.

For that reason it may seem remarkable that all the Italian political parties are now in favor of lifting the ban on the return of the former King and his family. The Communist Party has given its assent, after some hesitation, and the President, 86-year-old Sandro Pertini, is in favor, despite having devoted much of his life to resistance against Fascism. This is despite the fact that Umberto last year offended him by addressing him in a letter as Mr. Pertini, rather than President of the Republic, and thus appeared not to recognize his office.

But the fact of the matter is that monarchism is now a spent force in Italy, even in its former strongholds in the south, and there is no danger of a monarchist revival around the former King. Indeed Umberto himself only ruled for a few weeks in 1946, after his father belatedly abdicated. What's more, having been excluded by his father from any responsibility in the past, he showed little aptitude for the task of constitutional monarch.

Now it has come to be seen as sign of the republic's maturity that it can consider lifting the ban, as a sign of compassion and magnanimity to an old man anxious to see Italy before he dies. But it may not be until early 1983 that Umberto of Savoy returns to Italy. In order to change the constitution, as is required in this case, both houses of parliament have to give their approval by a clear majority and there must be an interval of three months between the two votes. One party, the left-wing radicals, has already suggested that the ex-King should come back anyway, as an act of civil disobedience, and see if anyone does anything to stop him. JAMES BUXTON

The Hague

While they wait for a new Government coalition to be formed, the Dutch await with trepidation possibly drastic cuts in social welfare benefits. The Netherlands has one of the most generous social-security systems in the world, especially since visions of tremendous revenues from the Groningen gas fields began dancing in Dutch heads. Social Security expenditures represent nearly 25 per cent of the Dutch national income, according to the latest statistics.

No one knows how long the power struggle over a new coalition will last, but there is a general sense of urgency regarding the country's financial affairs since the budget deficit has now reached 10.4 per cent of the national income. The unemployment rate

now stands at 12.6 per cent of the working force, with prospects of more of the same, or worse.

Industrial investments fell by 11 per cent in 1981 and the number of bankruptcies rose to 7,000. It has been announced already that civil servants' salaries will no longer be indexed and that cuts will be made in social benefits and public health expenditures.

Planned cuts in the art world have caused an outcry among musicians. The fact that the Dutch Ministry of Cultural Affairs is considering a dramatic 20 per cent reduction in the size of the cherished Concertgebouw orchestra has brought protests, not only from the Dutch musicians, but from world-famous

conductors, including Zubin Mehta and Antal Dorati. These artists were among those who signed an open letter published in a number of European dailies, which informed the public of the "imminent threat" and called for support "to save the Concertgebouw orchestra's quality."

Dutch art and music are generally subsidized. This makes tickets to concerts considerably less expensive in the Netherlands than in New York, Paris, and London. The 94-year-old Concertgebouw orchestra is much loved as a national treasure and, indeed, has an international reputation for excellence.

A 20 per cent cut would involve the loss of 25 musicians, and thus bring the orchestra down to 92, which is considered a sacrilege by many. Bernard Haitink, the orchestra's chief conductor, was so angry that he threatened to resign if the cuts go through. "Nonsense," said some impresarios, "Haitink has already been playing with the idea of switching to Vienna." But Haitink, outraged, said he had "sleepless nights and lost his appetite" with this threat hanging over his head.

Meanwhile, no one knows what political coalition will emerge to form a new government. The socialists are the strongest party, with 47 seats in the 150-member second chamber of the Dutch parliament. But Christian Democrats and Liberals together now control 81 seats: 45 for the former and 36 for the latter.

All three parties want to cut the public sector deficit. It is certain that a Christian Democrat-Liberal alliance—the most likely combination—will not shrink from heavy cuts in the social security system. NEL SLIS.

Copenhagen

A change of government without an election is something that very rarely happens in Scandinavia. But the minority socialist Government of Denmark handed over power to a non-socialist Government in September, making Poul Schluter the first Conservative Party Prime Minister in this country since World War I.

Though many predict that the new minority Government of four non-socialist parties will only be allowed a brief life span, the mere fact that it was possible is a fact that deserves attention, for it represents a major shift in Danish politics. It is the first time that the non-socialist majority in the Danish Parliament, from the centrist radical Liberal Party to the virulently anti-tax Progress Party of Mogens Glistrup on the right, has cooperated *de facto* to establish an alternative to the Social Democrats.

Something must have happened, and something has. Before the last elections a



year ago, any attempt whatsoever to tamper with the benefits of the welfare state was vetoed, not only by the socialist parties, but also by several non-socialist parties. But the last proposals of the Social Democratic Government actually included cuts in a number of welfare payments and would have led to a further reduction of real wages in Denmark, already down by 8 to 10 per cent over the past two to three years.

What shocked the Social Democrats and others were new figures showing the costs of the welfare state running wild, as registered by the budget deficit and the foreign debt. The newest predictions show a budget deficit of 12 per cent of gross national product in 1982—among the highest in the world—and 14 per cent in 1983 if no cuts are made. Foreign debt, public and private, is now larger than Poland's, though the Danish ability to pay is not in doubt.

A prime candidate for cuts by the new conservative Government is unemployment compensation, which can amount to \$11,000 per person for three years. After three years the government is required to offer a job for nine months and then a further period of three years with unemployment benefits is possible. The process, in principle, repeats until employment is found or the person in question retires. With a small number of people out of a job, the cost is acceptable; with a large number of people who stay unemployed for years on end, the price tag is clearly unacceptable.

The new Government probably will try to cut the budget deficit by a quarter, though how deep the cuts will go is still being debated. It will be a slow process and plans to try a moderate dose of Reaganomics have been quietly shelved. No tax cuts are planned, but a variation on U.S.-style deregulation will be attempted, curbing the influence of bureaucrats on business and citizens.

One of the very first initiatives may well be to create a private or semi-private competitor to the present radio and television monopoly. This would not only be a popular decision, it would also be possible to implement without incurring new state expenditure. And once made, such a decision would be virtually impossible to reverse when the next socialist Government came in. LEIF BECK FALLESEN

Bonn

With Shakespeare's *Antipholus of Ephesus*, the West Germans these days are convinced that "there is something in the wind." That something, German scientists believe, has to be inexpensive energy. Hence, windmills and sailing ships are back in fashion.

In a polder just north of the point at which the Elbe river empties into the North Sea, the world's biggest windmill is to be operational by spring. The "growian"—standing for *gross windenergieanlage*—is essentially a propeller made of two 50-meter blades mounted on top of a 96.6 meter steel tower, and driving an electricity generator. The propeller is supposed to begin turning in a moderate breeze, reaching its optimum speed in a strong breeze, under which conditions it will generate about 3 megawatts of electricity.

When scientists first proposed the scheme, some futurists envisioned a long row of "growians" along the North Sea coast. But in



fact, only this one will be built in Germany, for testing, and it will be dismantled after a three-year trial.

Dr. Guenther Clausnizer, chairman of the board of the company that will build and operate the windmill under the auspices of the Federal Ministry for Research, says it is clear that a highly industrialized country with an extensive electricity grid could not efficiently use wind as a source of generating energy. But he does believe the experiment will demonstrate that smaller versions of the "growian" could well be of use in lesser developed countries, holding out the prospect that the windmills would become a German export hit later this decade.

The Federal Ministry for Research for some time has been financing the development of a small sailing vessel to carry cargo among the islands of Indonesia. After a prototype built in Indonesia on Hamburg designs has been tested for about a year, the vessels will be turned out in serial production by Indonesian yards. Each will be about 65 meters long, with hydraulically operated sails and able to carry 2,000 tons of cargo.

The German association to promote sailing navigation says its members have designed a much larger, seagoing, sailing vessel that will carry 12,000 tons of cargo. "It will look like a five-masted bark," association spokesman Manfred Aberle said in Hamburg. "It will be 160 meters long by 22 meters wide, have a draught of 10 meters, and carry 8,000 square meters of sails."

The bark will have an auxiliary diesel-powered engine to propel it through the windless horse latitudes, or through the busy English Channel, where ships must stick to lanes, making tacking impossible. When not in use, the screw will be retracted, in order to reduce drag. Aberle says that whereas most proposals involve simply sticking a mast on a motor vessel in order to use wind as supplementary energy, his group's ship "has been designed from the keel up as a sailing vessel."

Announcement of the project stirred interest in Britain and Canada, too, Aberle says. The association's board, which includes two former masters of sailing ships, expects one or even two such vessels to be ordered this winter. Speed is not essential in moving bulk cargos such as grain or coffee, Aberle says. The main consideration has to be the cost of the voyage. He reckons that while it now costs 512,000 deutsche marks to fuel a motor vessel carrying 12,000 tons of cargo from Hamburg to Rio de Janeiro and back again, "our sailing ships will reduce those fuel costs by 500,000 marks, and certainly it's worth extending the voyage by 14 days in order to save that kind of money."

WELLINGTON LONG

EC Bonds on US Markets
Current success brings visions for future programs

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

US CAPITAL MARKETS—NOW BEHOLD A SOURCE OF LONG- and short-term financing for the European Communities. The European Economic Community's debut in US markets brings to the fore many problems and potentialities.

Europe's Money, America's Interest
The first anniversary for EMS

ROBERT GERALD LIVINGSTON, *president of the former Marshall and NiW, Arlington, and author of numerous articles on Europe*

In mid-March the European Monetary System is two years old. Technical and complex in nature, the EMS is little understood for what it most importantly is: a political

Reinquishing some control over national monetary policy amidst general opposition by most European central bankers, but the political leaders prevailed. They argued

and common political ideology and approach of German Chancellor Helmut Schmidt and French President Valéry Giscard d'Estaing, self-confident former finance min-

DIRECT INVESTMENT

THE SPARTANBURG EXAMPLE
How an old Southern town became "Euroville"

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

MORE THAN 40 EUROPEAN COMPANIES HAVE INVESTED what he wanted in Winterthur in Switzerland. With over \$1.8 billion in Spartanburg, South Carolina. More than 1,500 Europeans are believed to live in this Swiss Riviera company and Sulzer Brothers of Winterthur

A NUCLEAR DIFFERENCE

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

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

THERE IS NO SHORTAGE OF SUBJECTS ON WHICH THE US desire to promote European unity clashes with other American political or economic goals, particularly where

worldwide availability of material easily made into nuclear bombs. Nearly two and a half years ago work began in the Senate on a bill to deal with this situation, with

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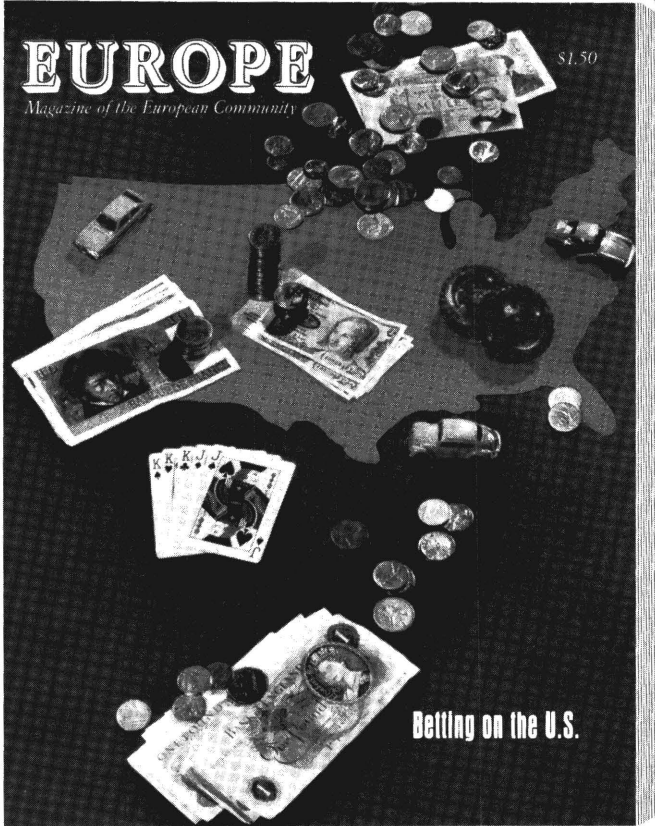
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smoking less ir

INA LEE SELDON

"Ten million Europeans may die because of smoking between now and the year 2000," warns the British Medical Journal. Proportionately fewer of those Europeans will be Swedes, Norwegians and Finns, however, because Sweden, Norway and Finland have passed tough anti-smoking legislation. It is proving remarkably effective in reducing the number of smokers, and, more importantly for the future, in curbing the smoking habits of young people.

These three Scandinavian countries have much in common to encourage them to pass such legislation. None has a strong tobacco industry. All are alarmed at the premature death rate due to tobacco-related cancers and the growing number of cases of coronary heart disease, chronic bronchitis, and other smoking-related illnesses. Their national departments of health are firmly committed to heading off a smoking epidemic. And surveys have shown that public opinion favors restrictions of all kinds—bans on advertising, explicit warnings on tobacco packets, restricted sales to young people, and other measures. The smoking rate among young people, especially teenage girls, is alarming.

Responding to this public mood, and to the World Health Organization's guidelines to "make non-smoking the norm," these Scandinavian countries have placed partial or total bans on tobacco advertising and health ministries have developed educational campaigns aimed primarily at teenagers and women, the major targets of much of the tobacco industry's advertising. In some cases, regulations have been laid down for the workplace. These measures send a clear message to the public that these Governments have no doubt that smoking is harmful to health.

SWEDEN

Sweden has long been a pioneer in efforts to curb smoking. One of its most recent laws regarding tobacco, the 1977 Cigarette Labeling Act, has led to an innovative approach for warning smokers against the health hazards of smoking. Judging from recent statistics, the

SCANDINAVIA

Anti-tobacco drives are strongest in Europe.

act has helped reduce smoking among teenagers, the main target of Sweden's anti-smoking efforts.

Since 1977, 16 different messages on cigarette, cigar, and chewing tobacco packets sound a clear warning.

For example:

SMOKING DAMAGES THE LUNGS

It starts with a smoker's cough and it may end with lung cancer or other lung diseases

or:

SMOKING DURING PREGNANCY MAY HARM THE CHILD

The messages are changed periodically so that the public does not become too familiar with the texts and ignore them.

The act also stipulates that the tar, nicotine, and carbon monoxide (CO) yield in smoke be listed. The CO yield is required because recent research shows that CO might be the most harmful component in tobacco smoke. Some brands that are low in tar and nicotine give off high concentrations of CO, so that a partial listing might be misleading. Also listed is the average smoke yield for brands in Sweden so that consumers may compare their brand to the average.

The message, the color of the ink, the list of harmful components, even the size of the warning—2 by 5 centimeters—are regulated by the National Board of Health and Welfare. The act is backed up by the board's information campaigns and limitations—without an outright ban—on advertising.

The act and the educational campaign are credited with a decline in smoking among several age groups, but is most dramatic among teenagers. In 1977, 25 per cent of the boys and 40 per cent of the girls smoked. By 1980, those figures had dropped to 21 per cent and 33 per cent, respectively. Among 13-year-olds, nine per cent of boys and 11

per cent of girls smoked in 1977. In 1980, those percentages were whittled down to 5 and 6 per cent respectively.

NORWAY

In 1975, the Norwegian Parliament completely banned advertising of tobacco products, prohibited the sale or handling of tobacco products to anyone under 16, and required that all packets for both domestic consumption and export be labeled with a symbol and a text warning of the dangers of cigarette smoking.

Other related legislation concentrated on eliminating smoking in industries where the interaction of smoke and the environment have been shown to increase the risk of cancer. In the asbestos industry, for example, smokers are no longer eligible for employ-

ment and smoking is not allowed in the workplace.

In 1980, the price of cigarettes was increased, through taxes, by 30 per cent, putting the price of a pack of cigarettes at about \$3. At the time of the increase, the National Council on Smoking took large ads in all the Norwegian newspapers admonishing, "Now it is more expensive to damage your health."

The ban, the taxes, and a vigorous educational campaign have begun to clear the air. The male smoking rate has dropped: before the 1975 law, 52 per cent smoked; the rate is now 42 per cent. The steady, gradual increase in smoking rates among women has leveled off. And, most importantly for the future, schoolchildren are smoking less. Since 1957, when surveys were first taken, smoking among teenagers had risen steadily, especially among girls. By 1975, when the new laws were passed, almost 30 per cent of 15-year-old girls smoked and the rate was 23 per cent for boys. By 1980, girls were down to 21 per cent, and the rate among boys had leveled off.

FINLAND

The 1976 Finnish Tobacco Act was a drastic measure. It banned all forms of tobacco advertising and promotion. It set aside up to 0.5 per cent of the tobacco tax revenue for health education, research, and evaluation, aimed primarily at young people. A massive publicity campaign complemented the act. Health education, including a strong emphasis on the dangers of smoking, became a key responsibility of the compulsory schools.

The Finns took such dramatic steps because they were faced with a geometrical increase in smoking rates among young people. In 1973, 19, 35, and 42 per cent, respectively, of the 14-, 16-, and 18-year-olds smoked, according to the Juvenile Health Habit Study. By 1979, two years after the act went into effect, the rate among 14-year-olds had been almost halved to 8 per cent.

Ina Lee Seldon is a freelance writer who frequently reports on health.

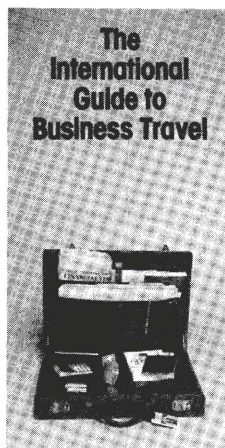


EURO TRAVEL

Good books for Christmas

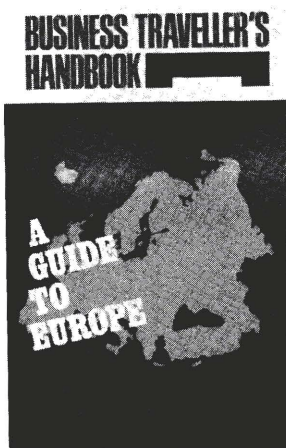
DIANA SCIMONE

Few Christmas presents provide such enduring charm and use as travel books. Each time the recipient leafs through your gift—be it riding on the Métro in Paris, sprawled on a beach in Corfu, or curled in an armchair back home—you'll be lovingly remembered. This year's crop of travel books includes some good selections.

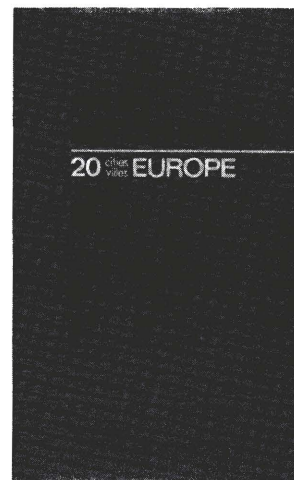


Business travelers need to know more than just where to find a restaurant serving authentic *paella* in Barcelona or how to get *pastis* stains removed from a suit in downtown Toulouse. It is crucial to be aware of local business customs, politics and economic trends. **The International Guide to Business Travel** is a pocket guide covering 16 major markets around the globe. Each listing includes the country's history, an up-to-date economic profile, and a list of newspapers and periodicals. The section on language and general customs provides the kind of sociological information most guides do not include, but that business people need to know. ("The Dutch are reserved on first acquaintance and may seem almost brusque or rude in some situations, but this is due to a rather rigid sense of etiquette and efficiency that guides their behavior.") The slim guide is handy to keep in a briefcase on overseas trips. (**The International Guide to Business Travel**, edited by Gene Santoro, Mayflower Books, Inc., 1981, \$5.95).

An even more comprehensive tome on business travel is **A Guide to Europe**, part of the Business Traveler's Handbook series published by Facts on File. (Other titles in the series cover Africa; Asia, Australia and the Pacific; the Middle East; and the United States and Canada.) Included for 33 countries from Albania to Yugoslavia is information such as total imports, major industries and agricultural products, visa requirements, addresses of major banks, public holidays, social customs (a much shorter section, however, than is included in **The International Guide to Business Travel**), import and exchange control regulations, business events, useful business addresses, and other facts and figures travelers will need to do business in Europe. (**Business Traveler's Handbook: A Guide to Europe**, edited by Jane Walker, Facts on File, Inc., 1981, \$11.95).

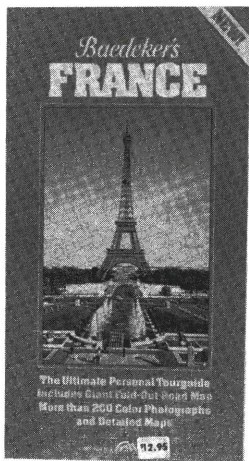


What do you do if you're in Paris and suddenly find you have an absolute craving for a *confit* (a complicated bit of French cuisine made from duck)? You can scan the local yellow pages, accost your concierge, or attempt to converse with a local. Or you can whip out your newly purchased Michelin's **20 Cities of Europe**, turn to page 158 and find you have a choice of 23 restaurants serving the delicacy. The guide also lists and rates (with Michelin's infamous stars) hotels and restau-



rants by city. It is especially handy for those on multi-city tours who can't squeeze into a suitcase four or five of Michelin's somewhat bulky regular guidebooks (after all, if you're just going to Milan, you don't need information on Naples). Though the restaurant listing for Paris is the only one giving breakdowns by food, the other city listings are quite comprehensive. (**20 Cities of Europe**, Michelin et Cie, 1982, \$12.95).

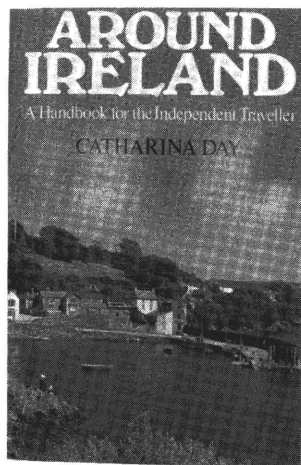
Last year over 4 million people traveled alone. Without someone else making decisions, they often find traveling a hassle instead of the pleasurable experience it should be. Enter **Europe for One**. Unlike other solo travel books, this one is written for those who can't give up their 9-to-5 jobs to take a six-month trip Eurailpassing their way across the continent. It discusses the nagging little problems that solo travelers (including solo business travelers) are suddenly faced with in a foreign country: Lodging For Loners, Sightseeing Solo, Table for One, and Meeting People. Few of the book's suggestions are earthshattering, but they are usually things harried travelers and those planning a trip might not otherwise think of. It's handy to have them all in one neat little package. (**Europe for One**, by Neil Chesnow, E.P. Dutton, Inc., 1982, \$8.25).



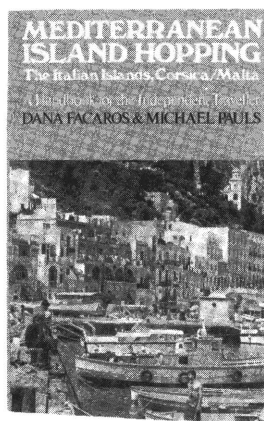
“Baedeker” is a word that has come into common usage in much the same way that “Xerox” and “Kleenex” have. But not all guidebooks are **Baedekers**; the real McCoy's have been published in Germany since 1844 and have consistently maintained a fine worldwide reputation. The company has recently published a new series of paperback books continuing the tradition of writing from the field rather than from a city-bound office. Each of the 300-page “ultimate personal tour guides” contains an introduction to the country, specific city and town listings (including sights, architecture, hotel and restaurants), individual city maps and a giant fold-out road map. Countries available so far are France, Germany, and Spain, with others due out in 1983. (**Baedeker's**, Prentice-Hall, Inc., 1982, \$12.95).

“I don't know much about medicine, but I know what I like.” (S.J. Perelman) If you know that you don't like getting sick in a foreign country (and few things are worse than lying in bed in a far-off hotel room, watching the ceiling swirl above you, wondering if you'll live to see yourself home), then fortify yourself with a copy of **The New Traveler's Health Guide** (“new” refers to the second edition, not the condition of the travelers). The authors, both medical doctors, cover such frequently asked questions as what immunizations are necessary, what medicines to bring along, what to do about motion sickness, special precautions for cold or tropical climates, medical attention abroad, and travel insurance. (**The New Traveler's Health Guide**, by Patrick J. Doyle, M.D. and James E. Banta, M.D., Acropolis Books, Ltd., 1982, \$4.95).

Two books in Regnery Gateway, Inc.'s island hopping series are excellent and well-packed with information. **Around Ireland: A Handbook for the Independent Traveler** is the type of guidebook with which you could easily curl up and lazily drift off—in your



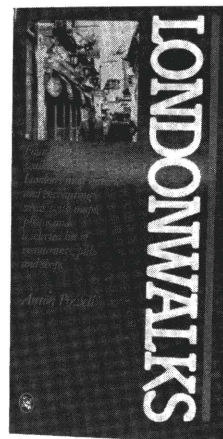
armchair—to Eire's shores. Rather than just the usual lists of hotels and restaurants (which the book does have, too), the book includes quite readable sections on Ireland's history, legends, language, and traditions. There are also tips for tracing your ancestry, suggestions on how to stay at a farmhouse or ride in a horse-drawn caravan, and even a guide to local expressions you might hear (if someone invites you to a “fog feed,” prepare for a lavish meal, but if you're asked for a “jar,” it's just for a couple of drinks). This is a must-read book for anyone going to Ireland. (**Around Ireland: A Handbook for the Independent Traveler**, by Catharina Day, Regnery Gateway, Inc., 1982, \$12.95).



Another in this same series is **Mediterranean Island Hopping**, which includes the Italian islands, Corsica and Malta. This, too, is a guide to more than just restaurants, hotels and sights. Like Ireland, Italy has a certain character; if you miss it, you miss Italy. This is especially true in the smaller towns that make up the 32 islands off its coasts, many of which are culturally separate from the mainland. Besides Capri, Sicily, Sardinia, and other well-known islands, the book describes the history, culture and sights of smaller, though no less interesting, isles such as Marettimo whose west coast sparkles with a “veritable dreamland of fantastic cliffs and grottoes,” and Egadi where tuna is still caught according

to ancient custom. (**Mediterranean Island Hopping**, by Dana Facaros and Michael Pauls, Regnery Gateway, Inc., 1982, \$12.95. Also in the series are guides to the Spanish, Greek, Scottish, Canary, and Channel islands.)

Europe abounds in delightful, out-of-the-way inns which most visitors would give their eyeteeth to stay in—if only they could find out about them ahead of time. Margaret Zellers, travel editor of *Signature* magazine, has written a series of books on inns, including **Austria: The Inn Way**. Many of the inns listed are in large cities (such as the Hotel König von Ungarn in Vienna and the Goldener Adler in Innsbruck), and most can be reached by public transportation, making the books useful for business travelers. Each book in the series briefly covers currency, transportation, dining, language, fairs and festivals, and even a sample letter (in English and German) to help you reserve a room at the inn. (**Austria: The Inn Way**, by Margaret Zellers, Geomedia Productions, 1982, \$4.95. Also, **Switzerland: The Inn Way**, 1980.)



Even a 10th-time visitor to London will agree that it is a city with something left to discover. A huge, sprawling metropolis, it, like many other European cities, does not reveal itself to the casual visitor, or one who confines sightseeing to tour buses and museums. To truly feel the pulse of a city, you must see it on foot. **Londonwalks** is the second in a series of books which guide the traveler through districts rich in history and charm. Written by a professional London walking tour guide, the book glows with bits of royal scandal, tales of notorious crimes, and anecdotes about otherwise unnoticed buildings. Each of the four walks described takes about 2½ hours to complete, although you could spend longer by dawdling, or take just a portion if you have only an hour or so. (**Londonwalks**, by Anton Powell, Holt, Rinehart and Winston, 1982, \$8.95 in paperback, \$15.95 hardcover. Other cities in the series are Paris and Jerusalem, with Florence scheduled for future release).

Diana Scimone is Europe's travel correspondent.

NEWS OF THE EUROPEAN COMMUNITY

INTERNAL AFFAIRS

Regional Fund Spending

Regional Fund operations in the European Community in 1981 were marked by a significant 52 per cent increase in total assistance to less developed areas and by some major innovations, according to the seventh annual report on EC activities released this fall. Spending for programs in the EC member countries increased to EVA 1.7 billion during the year surveyed. This was credited with creating or maintaining at least 60,000 jobs.

Most of the funds continued to be allocated according to national quotas and largely for infrastructure projects such as water supply or other similar ventures. But 12 percent were designated for investments in industry or the service sector. In all, EVA 1.6 billion went for 2,759 investment projects. The year was marked by Greece's emergence as a new recipient of the funds, and by the beginning of the second generation of multiannual regional development programs which member states submit to the EC Commission as a framework for assistance.

In 1981 the regions which obtained the highest per capita level of aid from the fund were Greece, the Italian Mezzogiorno, Greenland, Ireland, and Northern Ireland.

Cigarette Pacts Banned

Practices in the Dutch cigarette trade that have restricted competition at wholesale and retail tobacconist level

since the early 1970s were banned by the EC Commission last July. Almost all the cigarette manufacturers and importers in the Netherlands, along with their trade associations, had been involved in the restrictive practices.

The main targets of the Commission's ruling included horizontal price agreements between manufacturers, consultation between manufacturers and the wholesale and retail trade over increases in 1980 on excise duties and prices for cigarettes, and a tobacconists' bonus scheme. A number of fines were also imposed on firms which had participated in the price agreements.

Social Security Extended

Beginning last July, the regulation on social security benefits for employed persons who move about the Community was extended to include the self-employed. All EC citizens now enjoy free access to health care or reimbursement for such care in the event of illness or accident while on holiday abroad. The new regulations also make it possible for all pensioners to receive their benefits no matter what member state they live in.

Seal Import Ban Sought

The EC Commission has recommended a ban on imports of skins from the young of certain seal species to help prevent further declines in seal populations seriously depleted by ex-

cessive commercial hunting. The proposed ban, which would need the approval of the EC's Council of Ministers before becoming law, would take effect on March 1, 1983, the start of the 1983 seal hunting season. It would apply to young seals commonly known as "whitecoats" and "bluebacks." A provision of the General Agreement on Tariffs and Trade that permits nations to impose commercial restrictions for "moral reasons" would form the legal basis for such a ban.

It followed a resolution approved by a large majority in the European Parliament last March. A common regulation appeared necessary after several member-states introduced, or were examining, restrictive commercial measures under pressure from public opinion. Trade distortions within the Community could have resulted from these individual policies.

Moreover, this measure was considered unavoidable by the Commission since consultations with Canada and Norway did not result in an agreement that would have, to a certain extent, outlawed the killing of baby-seals and the methods currently used. The cruelty of these practices is what caused the public to demand official intervention.

Disclosure Ruling Stands

The European Court of Justice has rejected appeals by the Italian, British, and French Governments of an earlier Commission decision requiring national authorities to be prepared to furnish information about their dealings with public enterprises. The three countries had argued that the Commission could not act without recourse to

the Council of Ministers.

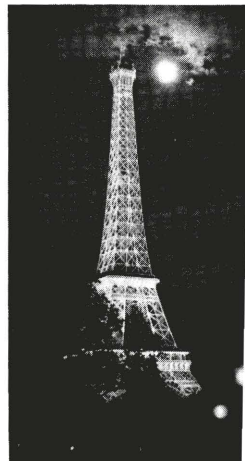
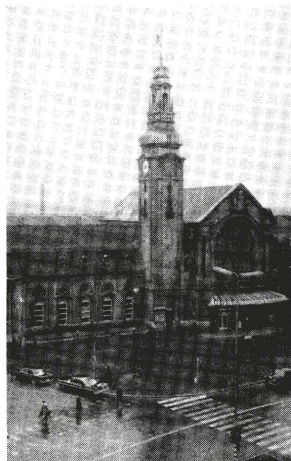
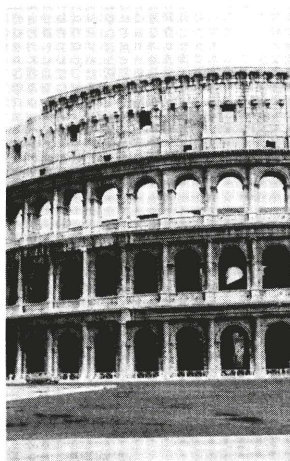
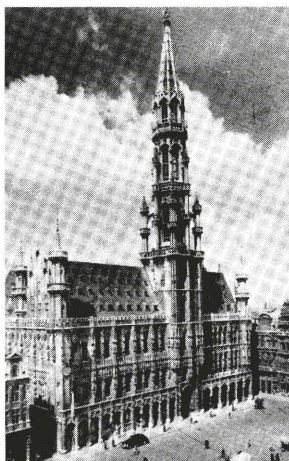
The Court sustained the Commission's claim that the ruling fell in an area of competition where it had autonomous powers of decision under the treaty establishing the EC. The Commission's goal was to require full disclosure of assistance by national governments to public-assisted companies to ensure fair competition between such firms and normal business ventures. The measure did not cover a number of major public services such as transport, water, and electricity, but was confined to more commercial undertakings.

Community Reform Debated

Discussions on the reform of Community institutions dominated the July session of the European Parliament. Much of the debate revolved around a report drafted by former EC Commissioner Altiero Spinelli which argued for enlargement of the powers of the Parliament and for more Community programs and policies. In the end, a large majority voted in favor of the recommendations and 21 members abstained. The discussion was seen partly as a prelude to reelection campaigns in two years. Other debates focused on the EC budget, relations with the United States, political conditions in Turkey, and the fight against terrorism.

Hairdressers Given Rights

By January 1984, hairdressers, who constitute a large body of European tradesmen, will be able to establish themselves freely in any EC member state which regulates their trade. The Council of Ministers has adopted a di-



rective giving hairdressers the right of establishment and the freedom to provide services. This action completes the coverage by Community directives adopted since 1964 of almost all activities considered as small trades by EC countries.

Cultural Policy Planned

A new EC strategic plan for the promotion and protection of cultural activities in the member countries was taken up for the first time at a meeting of the Commission in Brussels on September 28. While the Commission and Community have not ignored cultural problems in the past, it was decided as long ago as 1977 that a proper framework was lacking for the setting out of detailed proposals. It was considered that free trade of goods and services in the Community should include cultural works and that freedom of movement and establishment should also include artists, authors, and other cultural workers.

Among the different activities proposed for the Community were removal of border formalities for works of art, an inventory of art objects to help protect against theft, various reforms to help the establishment of foundations and to reduce tax levels on art works, reviews of legislation on copyrights and other artists and performers' rights, social security benefits for artists, protection of craftsmen against plagiarism, better information for workers and employers in this field, and aid for young artists and craftsmen for training.

Uncommon Car Prices

The Treaty of Rome seeks to establish a common market for all goods and services in the Community, but car prices still vary considerably between member states. In the United Kingdom, for example, they average 20 per cent more than in the Federal Republic of Germany for a variety of reasons, including value-added tax rates and dealer margins.

It is hardly surprising therefore that British and Irish car buyers have been flocking across the Channel, with the result that car imports into Britain alone have jumped from a few thousand in 1979 to more than 50,000 last year. Some car dealers have refused to sell right-hand drive cars for re-export

to Britain and Ireland. Others have resorted to quoting prices far in excess of those normally charged in the market. In many cases, manufacturers have been in collusion with their local dealers.

The Commission has already acted to stamp out the practice. In August the Commission issued an interim order to Ford Werke AG of Cologne to ensure that trade in right-hand drive Ford vehicles between member states should not be prevented. This situation will be reviewed at a later date. However, the Commission does not want to precipitate a drastic cut in market prices and is therefore considering the introduction of a measure which would enable buyers to purchase anywhere in the Community, when the price difference between their own country and the country of purchase is more than 12 per cent.

Alcohol Ads Criticized

Alcoholic-beverage advertising encourages consumption and contributes to the general climate of ever-increasing availability of alcoholic drinks, according to the Consumers Consultative Committee (CCC), which says the code of ethics for the advertising of wines and spirits adopted in Helsinki in 1980 was not stringent enough.

Measures dealing with the advertising of alcoholic beverages should be part of a broader consumer protection policy within a Community framework, a policy that emphasizes preventive action, recommended the CCC. The committee also said that advertising restrictions should be set up without delay and perhaps go as far as a general ban on the advertising of alcoholic drinks, as is done in some Scandinavian countries.

Terrorism Fight Urged

The European Parliament has passed a resolution calling for an end to political asylum and for the automatic extradition of those suspected of politically motivated crimes. Many left-wing members voted against the measure, insisting that political asylum is an integral part of democracy. According to them terrorism had not been adequately defined and could include legitimate national liberation movements and democratic struggles against dictatorship.

The Commission, meanwhile, was asked by Parliament to define guidelines for mutual assistance in criminal matters. Commissioner Karl-Heinz Narjes promised that a draft would be ready in time for the next meeting of the Community's Justice Ministers.

Poetry Center Discussed

A group of powerful members of the European Parliament has called for support for a European poetry center in the Belgian University town of Louvain. The group wants EC sponsorship of Louvain's European Poetry Library, which opened in 1980 and which hosts a European poetry festival. As well as bringing poets together from all over Europe, Louvain also boasts a poetry research, documentation, and translation center, which may help to free poets from the narrow confines of national audiences and to make their work more commercial.

The members of Parliament, who represent a mixture of political groups and nationalities, all feel that Europe's literature could benefit from closer links between writers and poets from different countries and from publication of their works in other EC languages.

Road Deaths Soar in Europe

Europe's road accident toll is soaring, with more than 48,000 people killed in EC member countries and almost 1.5 million injured in 1980. National statistics recently published by "Eurostat" show that West Germany, for example, had a total of 380,000 accidents in 1980, or one third of all accidents in the EC. France had more than 240,000, followed by the United Kingdom, Italy, Belgium and the Netherlands. Denmark, Ireland and Luxembourg are at the bottom of the list.

Generally speaking, there are more injuries than deaths on the road, notably in Germany, the United Kingdom, Ireland and Denmark. But accidents are becoming increasingly serious in France, Italy, the Netherlands, Belgium, and Luxembourg, where the number of deaths is higher. Far more people were killed or injured traveling in cars (800,000), rather than on two-wheel vehicles. Nevertheless, almost 125,000 of those injured were riding bicycles, and 33 per cent of them were less than 14 years old. More than

210,000 pedestrians were victims of traffic accidents in 1980.

Measures to reduce the number of road accidents were recommended at a recent meeting attended by Justice Ministers from 21 member countries of the Council of Europe. Proposals included the improvement of road networks, the separation of different vehicles, and better road safety rules. One participant called for the introduction of a mechanism to prevent a car from starting if the driver had had too much to drink. The device would be fixed on the dashboard and the driver would have to blow into it before starting the car.

Aid for Agriculture Granted

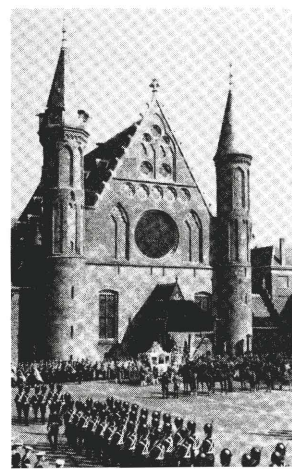
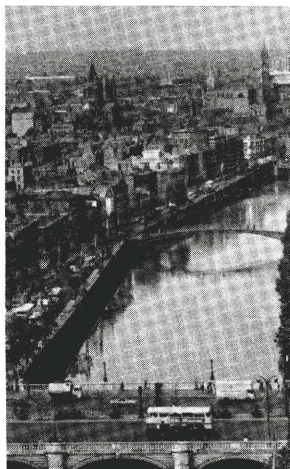
Over ECU 99 million was recently granted by the EC Commission as a first installment of 1982 agricultural aid for improvement of the conditions under which farm products are processed and marketed. About 40 per cent of this amount was approved for projects in the Mediterranean, such as construction of wine cooperatives and modernization of grain storage facilities.

In its report for 1981 expenditure in agriculture, the Commission showed that the amount last year fell short of the original farm appropriation of nearly ECU 12.9 million, and that for the first time since 1974, expenditure was less (by 3 per cent) than for the previous year. The report indicated that spending declined because growth in the output of many products lost momentum and because of more efficient market management and firm prices on world markets for a number of products.

Public Tenders Computerized

The EC Commission has announced the start of a new electronic data facility for businessmen and industrialists. This new service, Tenders Electronic Daily, will provide immediate information on calls for tender from public bodies in the EC member states and for projects funded by the Community. Information will be accessible on the existing "Euronet" computer-based data network.

Such a system will have substantial repercussions in business circles, since the value of public works and supply contracts which will be entered into



the system is estimated at about \$12 billion a year. It also will help the Community to choose the best bids. The new service will enable businessmen in Galway or Salonika and industrialists in Copenhagen or Palermo to have access to an enormous range of markets instantaneously, simultaneously, and at the same charge.

EC Eyes Soccer Rules

Soccer fever has even reached the EC institutions. The European Parliament has asked the International Soccer Federation to ensure that more Third World teams play in the next World Cup. And the EC Commission is examining the question of free movement of

soccer players within the European Community through investigations into whether national soccer federations have eliminated the nationality clause from their regulations.

Ivor Richard, EC Commissioner in charge of employment and social affairs, is spearheading the investigation. In February 1978, national football federations agreed to progressively eliminate the nationality rules which limit the number of Community players allowed to play in teams from other EC countries. Richard was warned that if the nationality clauses are maintained, the Commission will look into possible measures to put an end to discriminatory practices based on nationality.

ECONOMY

Help for Small Business

Company failures in the Community have reached an alarming level, and the number of bankruptcies is increasing all the time. In the Federal Republic of Germany, traditionally the Community's industrial stronghold, some 16,000 firms reportedly are expected either to go bust this year or at least be in need of a drastic overhaul. In 1981, 80 per cent of the 11,500 firms which folded up in Germany employed fewer than 50 workers.

Small and medium-sized companies (SMEs) are being hit hardest. Surveys have shown, however, that SMEs are not only more innovative than large companies, they also create a greater number of new jobs. Consequently, both the European Parliament and the Economic and Social Committee are advocating that SMEs be helped weather the recession. They are urging that more money be made available through the Community's lending institutions, the European Investment Bank and the Ortolli Facility.

The Economic and Social Committee wants the maximum level of support raised from 50 per cent to 75 per cent of capital requirements, along with improved interest rate terms and

deferred repayment for two years after loans are granted. It also advocates tax relief, especially on retained profits. Self-financing has always been a characteristic feature of SMEs and it should be encouraged.

In the past, lack of information has often meant that SMEs lose business. The Committee has now proposed that a European Information Network, specifically catering for the needs of SMEs, be established.

New Tourist Policy Drafted

The EC has proposed a new, common policy to help boost the Community's tourism sector. It would include financing from EC social, regional, and agricultural funds, and a number of related measures in the customs, transportation, social security, and health insurance sectors. Pending Commission proposals to simplify customs clearance procedures and to reduce air fares would also help. Any action, however, should respect environmental concerns to ensure protection of the architectural and cultural heritage of Europe.

In introducing the new program, EC Commissioner Giorgios Contogeorgis said that tourism directly affects about 4 million people in the Community

and perhaps three times as many indirectly. It represents about 7 per cent of all consumer expenditures and 4 per cent of the EC gross domestic product. In some member states, tourism also amounts to 20 per cent of all balance of payments receipts.

Reconversion Loans Signed

A number of reconversion loans to British companies affected by unemployment in the coal and steel industries were signed in late July. Such loans are made at favorable interest rates for projects that create new jobs in these sectors. Recipients of loans were Cleveland Offshore Limited, for the extension of fabrication facilities for large structural steel assemblies, which will create about 280 jobs; Danks engineering, for extension of a boiler manufacturing facility that will bring on 380 additional jobs; and Mitel Telecom, as part of a larger loan toward the establishment of a new manufacturing facility for telephone equipment, which should generate about 1,700 jobs.

EC Oil Bulletin

The average increase in CIF prices of crude oil between the end of 1978 and mid-September this year was over 140.6 per cent, as a result of decisions taken by the oil-exporting countries. The pre-tax prices of the principal oil products (crude oil and imported finished products) increased by an average of 80 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.

Investments Policy Studied

Commission reports putting the level of investment in EC member states at about 20 per cent of the gross domestic product (GDP) were the basis for recent discussions between Finance and Economics Ministers. The reports also indicated that Japanese investment stood at about 30 percent of GDP, and that sluggishness in investment had hit both traditional industries and new technologies. General plans for further promoting investment were presented and the ministers agreed to formulate a Community policy to promote productive investments.

Plastics Problems Discussed

Several top European plastics and petrochemical producing companies met with leaders of the EC Commission in mid-July to discuss reducing over-capacity in the industry, currently producing at only about 60-65 per cent of its total capacity. Losses had been estimated at about \$2.5 billion annually. Among the companies participating were ICI, Shell, Rhône-Poulenc, EMI, Hoechst, and Solvay.

Poverty Levels Up

The last time there was a head-count of the number of people in the Community living below the poverty line the final tally came to more than 30 million. That was in 1975. With the drastic turn economies have taken since, today's figure must be well above that.

The official figure, however, is still 30 million which represents more than 11 per cent of the Community population. In addition, studies indicate that some 5 million people live off social security benefits while 7 to 8 million more are eligible for them but do not apply.

Through its five-year action program, the Commission has already given financial support to projects throughout Europe which sought to develop new ways to help those beset by poverty. In addition to the traditional poor—the elderly, disabled, and single-parent families—the recession has given rise to the “new poor” in the form of the long-term unemployed.

UK Small Businesses Helped

A special program for 1981-85 and costing ECU 25.7 million was approved in July by the EC Commission to help develop small and medium-sized businesses in several areas of the United Kingdom adversely affected by the restructuring of the shipbuilding industry. Of the total cost, ECU 17 million will come from the European Regional Development Fund to help with operations including infrastructure improvements, consulting firms, common services, promotion, and access to capital.

Inflation Rate Eases

The rate of inflation fell below the 10 per cent mark in the Community last July for the first time since early 1979. This development reflected a continual decline in prices in most member states. Only in Luxembourg and Belgium, where a currency devaluation last February fed domestic prices, were there significant rises in inflation during the first half of 1982. Unemployment rose in April and May after declining during the first half of the year. In July, unemployment stood at 9.7 per cent of the civilian labor force, or 10.8 million people.

Regional Fund Grants Made

The EC Commission recently approved the second allocation of Regional Fund Grants for 1982, giving help to 765 investment projects in the Community. The new allocation includes development of the telecommunications network in Greece; two projects in the computer industry in Ireland; construction of a bus manufacturing factory in Italy; and modifications to a nuclear waste reprocessing plant in the United Kingdom.

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New Plan for LDCs Proposed

As part of its recent, thorough review of EC relationships with the third world, the EC Commission on October 1 proposed a new aid program for some 30 developing countries not directly associated with the EC through a specific treaty. The program is aimed at developing countries outside the context of the Lomé or other regional conventions and bilateral treaties. The Commission noted that the 30 or so countries in this non-associated category represent a population of about 1.3 billion, of which some 1.2 billion live in just 15 countries having the lowest levels of income on earth.

The total amount of aid recommended by the Commission totaled EVA 290 million with most, or about 74 to 78 per cent, going to Asia. The Commission also recommended the possible addition of new countries which had not received such aid in the past, such as the People's Republic of China. Seventeen to 20 per cent of the funds would go toward Latin America and some 5 to 6 per cent to African countries. The Commission also recommended that the aid continue to be primarily oriented toward rural and agricultural-food development.

Zaire Mine Gets Help

A special loan of ECU 40 million from the Lomé Convention's new Sysmin mining program was approved by the EC Commission last July for financial assistance to the major copper and cobalt producing company in Zaire. Aid will go toward financing mining extraction equipment and metallurgical plant, acquisition of rolling stock, partial renewal of the internal transport infrastructure, and improved living conditions and accommodations for mine workers.

Revised GSP Proposed

A revised Generalized Scheme of Preferences (GSP) was proposed by the EC Commission to improve the access of developing countries to the EC market. The modifications include an extension of the list of agricultural products benefiting from duty-free entry into the Community and a 15 per cent increase for all non-sensitive industrial products. The GSP is a system of preferential access to the EC for the world's developing countries; it was established in the early 1970s. The new proposal would cover the 1983-85 period.

Development Funds Granted

Recent European Development Fund grants include: ECU 9.8 million for the development of irrigated rice production and ECU 16 million for rehabilitation of irrigated areas along the Blue and White Niles of Sudan; nearly ECU

12.9 million for rural development of an underpopulated part of Cameroon; ECU 10 million for improvement of air navigation safety in Africa and Madagascar; and ECU 10 million to supply water to a chemical industrial complex in Senegal.

Other projects to receive financing were health infrastructure improvements in Mauritius; institutional reforms in Rwanda; and a regional telecommunications network involving Fiji, Kiribati, Papua New Guinea, and Tuvalu.

Brazil Mining to Get Aid

Community participation in the co-financing of a \$5 billion iron mining project in Brazil was approved in mid-July. An EC loan for ECU 600 million would be part of an agreement under which some of the mining project's output would be destined for the EC steel industry, which has already signed such contracts with the mining firm.

The total output of the giant project is estimated at 35 million tons by 1987, and contracts would assure delivery of about 13.6 million tons to the European steel industry. The loan reportedly will be used to finance the construction of a 900-kilometer railway from the mine to the port of Ponta Madera. Controversy surrounded the Community's decision to invest in this mining project, because it is outside the Lomé Convention member countries.

Emergency Aid Approved

Emergency aid decisions made in early September by the EC Commission included ECU 400,000 for relief to flood victims in Benin; ECU 500,000 to help control the drought affecting all the islands of Cape Verde; and ECU 90,000 to help control a cholera epidemic in Ghana.

A grant of ECU 400,000 approved last July brought EC aid to Lebanon to nearly ECU 9.8 million. ECU 10 million was also granted for aid to refugees in the African countries of Somalia, Ethiopia, Sudan, Chad, Zaire, and Zambia. An allocation of emergency food aid worth over ECU 8.5 million was proposed for Afghan refugees in Pakistan.

Stabex Funds Released

Based on a forecast for losses of export earnings in cotton, the EC Commission decided in early September to advance ECU 600,000 from Stabex funds to Swaziland. Reduced cotton production has been the result of a severe drought in that part of Africa. A total of ECU 850,000 was also approved for Tonga for anticipated losses in coconut oil, copra, and bananas caused by hurricane damage last march.

Study Grants Made

The EC Commission announced in September the awarding of 93 grants for joint study programs in the 1982-83 academic year. Joint study grants began in 1976 with the aim of stimulating and increasing the mobility of students, staff, and expertise between EC member states. The number of applications this year was up 10 per cent, indicating that the interest in cooperation in education is still on the rise.

Research Grants Announced

The German Marshall Fund of the United States offers grants for research projects in US-European contemporary economic, political, and social developments fields. Projects may focus either on comparative domestic or international issues.

The Fund seeks to assist US scholars who have completed a doctorate by the time of application. Fellowships are intended to help recipients do research full-time for up to one year. For further information, contact: The German Marshall Fund of the United States, Research Fellowship Program, 11 Dupont Circle, NW, Washington, DC 20036. Phone: (202) 797-6430.

Multinationals Seminar

The World Trade Institute will hold a seminar—"The European Economic Community: Issues Confronting US-Based MNCs in the 1980s"—on December 8-9, 1982, at the World Trade Center in New York. Participants include leading corporate and banking executives and representatives from the EC Commission.

Topics will include: Europe Today, European Treatment of MNCs, MNCs in Europe Today, Intra-EC Protectionism, EC Expansion beyond the Ten, International Trade and Financial Disputes, Europe Seeks Major International Merger Partners, and European Targets on Growth Industries for the 1980s.

The course fee, which includes luncheons and all meeting material, is \$570 for the first registrant, \$535 for each additional registrant from the same company. For further information, call Daniel H. Moffit, Program Manager, at (212) 466-3175. To register, call (212) 466-4044, or write to the Registrar, the World Trade Institute, One World Trade Center, 55W, New York, NY 10048

US-EC Research Grants

The German Marshall Fund of the United States is offering fellowships for research projects on contemporary economic, political, and social developments involving the United States and Europe. Candidates must be American scholars and have completed their doctorate by the time of application. The fund particularly wishes to support younger fellows. It will not finance preparation for any degree.

Completed applications must be mailed no later than November 30, 1982. The fund will announce awards by letter on March 15, 1983. For application forms and additional information, contact: The German Marshall Fund of the United States, Research Fellowship Program, 11 Dupont Circle, N.W., Washington, D.C. 20036, Tel: (202) 797-6430.

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BOOKS

India, EC Agree on Textiles

The EC and India have agreed on the terms of an accord regulating the flow of textile products between the two and ending an important phase of negotiations between the EC and the world's major textile producing nations.

The accord with India, which was the first with an Asian exporting state of importance, brought to 18 the number of such agreements. However, eight other major producers, including Hong Kong, South Korea, and Macao had refused the terms proposed by the Community on the amount of shipments entitled to enter the EC. Hong Kong has indicated it was willing to continue to negotiate on the subject. The eight producers still opposed to such accords represent more than half of the shipments of low-cost textiles to the EC.

The talks followed the international negotiations on a Multifibre Arrangement to regulate world trade in textile and cloth products. The Community, which is one of the world's largest importers of textile products, has since been negotiating specific bilateral conditions for purchases from other textile producing countries. The European textile industry is currently in very bad shape.

Council Head Meets Arafat

President of the EC Council of Ministers, Uffe Ellemann-Jensen of Denmark, told the top foreign policy aide of the Palestinian Liberation Organization (PLO) during a meeting in New York in October that the European Community was prepared to expand its relations with the PLO if the organization would renounce violence and ter-

rorism. The Danish Foreign Minister gave the message to the PLO's top diplomatic representative, Farouk Kaddoumi, during a meeting in the margins of the annual session of the United Nations General Assembly.

Helleman-Jensen is not the first EC leader to meet with Kaddoumi or with PLO leader Yasser Arafat, but the meeting did come after the crises and massacres in Lebanon and demonstrated a desire by the Community to elevate its dialogue with participants in the Middle East as a contribution to finding a peaceful solution.

EC, Brazil Sign Pact

The European Community and Brazil have signed a bilateral accord of a new type to intensify their political and economic links. The pact, which came into force on October 2, was designed to provide a more stable institutional context to the relationship which has been formed in the past decade. Both parties undertook to promote trade by working to reduce non-tariff and para-tariff barriers.

In recent years, the European Community has become Brazil's largest export market, although the proportion of Brazil's world exports to the EC has dropped from 30 per cent in 1977 and 1978 to 18 per cent in 1980. Imports from the United States are usually higher than those from the Community and the trend has been toward increasingly large Community trade deficits with Brazil, amounting to \$3 billion in 1981. The main commodities exported by Brazil have been soya products, iron ore, coffee, tobacco, wood and charcoal, cocoa and cotton. Brazil is also the EC's largest market in Latin America.

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

The European Community and Development Cooperation. By Gerrit Faber, Van Gorcum and Co., Assen, the Netherlands, 1982. Available from Humanities Press, Inc., Atlantic Highlands, N.J. 257 pp. \$15.20.

Analysis of the integration of Third World development policies within the EC and the likely effects on social and economic progress in developing countries. Discusses the Lomé Convention, the Euro-Arab dialogue, the Generalized System of Preferences, food aid policy. Also looks at development policies in individual member states and prospects for integration.

The Lending Policies of the International Monetary Fund. Policy Analyses in International Economics, No. 1. By John Williamson. Institute for International Economics, Washington, D.C., 1982. 72 pp. \$6.00.

Questions basic policies of the International Monetary Fund (IMF) including the role of the IMF, its cooperation with the World Bank, the design and monitoring of adjustment programs and conditions for lending. Proposes an increase in the financial resources of the IMF.

US Trade with the Third World: The American Stake. Occasional Paper No. 28. By John Mathieson. Stanley Foundation, Muscatine, Iowa, 1982. 28 pp. Free.

Brief discussion of US trade and interdependence with the Third World, analyzing costs and benefits to the United States such as access to raw materials and effects on the consumer and on US markets. Argues against protectionist policies for improving the economies of all nations.

The Handbook of Basic Economic Statistics. By the Economic Statistics Bureau of Washington, D.C. Bureau of Economic Statistics, Inc., Washington, D.C. \$120.00 per year, \$10.00 per issue.

Published monthly. Includes cumulative economic data from 1913 to the most recent figures from the US Government. Tables cover employment and earnings, production, profits, prices, business indicators, social security operations, gross national product, and national income.

Economic Issues and the Atlantic Community. Edited by Wolfram F. Hanrieder. Praeger Publishers, New York, 1982. 184 pp. \$22.95. Articles by various authors on economics,

trade, and foreign policy. Some topics covered are problems of trade in the Atlantic community, international inflation, impact of multinational corporations, and the political uses of economic policy.

France in the Troubled World Economy. Edited by Stephen S. Cohen and Peter A. Gourevitch. Butterworths, Boston, MA, 1982. 199 pp. \$29.95.

Essays from various authors on France's economic, industrial, and agricultural strategies in the 1980s. Topics raised include the financial system and industrial policy, France and the Third World, external challenges to agriculture markets and the textile industry. Comments added on the new Socialist Government.

Agriculture in Western Europe—Challenge and Response 1880-1980. Second Edition. By Michael Tracy. Renouf, USA, Brookfield, VT, 1982. 419 pp. \$30.50.

Traces weaknesses and problems of West European agricultural policy and pressures for reform in light of unstable markets. Focuses on Britain, France, Germany and Denmark, their policies before and after World War II, the formation of the Common Agricultural Policy, and government intervention. Tables included.

Strategies for Change: The Future of French Society. By Michel Crozier. The MIT Press, Cambridge, MA, 1982. 230 pp. \$17.50.

Identifies three sources impeding change in French society—the educational system, public administration, and the recruitment of leaders—and proposes ideas for progress. Opposes practices and goals of the bureaucracy and studies it in Western society.

Foreign Policies of Western Europe. Edited by Bengt Sundelius. Westview Press, Boulder, CO, 1982. 239 pp. \$22.00 cloth, \$8.50 paper.

Comparison of the foreign policies of Denmark, Finland, Iceland, Norway, and Sweden. Organized by policy area, gives background details on the international and domestic environment, factors of international security, and economic conditions.

The European Community and New Zealand. By Juliet Lodge. Frances Pinter Publishers, Wakefield, NH, 1982. 249 pp.

Reviews New Zealand's relationship with the European Community since

ENERGY

Nuclear Waste Cooperation

A cooperative agreement between the European Atomic Energy Community (Euratom) and the US Department of Energy was signed in Brussels in October covering information exchange in the field of management of radioactive wastes. The cooperation agreement initially will last five years, with the possibility of renewal thereafter. It complements other cooperation between Euratom and the United States in fields such as nuclear safety and safeguards research and development.

Both Euratom and the US Department of Energy pursue programs of research into management and storage of radioactive waste and these will now form the basis for their joint effort. Cooperation will be carried out

through the exchange of scientific and development in this field. The agreement also covers the exchange of scientific equipment and provides for protection of intellectual property on both sides.

Loan for Peat Power

A loan of ECU 23.3 million from the New Community Instrument was announced in early August for expansion of two peat-fired power stations in Ireland. The new generating plants are being installed at Shannonbridge and Lanesborough to raise output by about 60 per cent. Expected growth in electricity demand there is linked largely to industrial activity. This project will also help the Electricity Supply Board to reduce by about 115,000 tons per year its dependence on oil imports.

1973, with particular emphasis on problems between 1973-1980. Covers New Zealand's sheep meat and dairy imports arrangements with the EC.

The Uncertain Ally: British Defense Policy 1960-1990. By M. Chichester and J. Wilkinson. Gower, Brookfield, VT, 1982. 246 pp. \$38.00.

A 20-year review of the management of British defense and strategic policy, considering factors in policy making, relations with the North Atlantic Treaty Organization and the United States, the role of the Royal Air Force and Navy.

Administering Foreign-Worker Programs. By Mark J. Miller and Philip L. Martin. Lexington Books, Lexington, MA, 1982. 224 pp. \$21.95.

Details guest-worker programs in Europe and related policies, including work and residency permit systems, protection of indigenous labor, and counting of migrants. Also covers rights of workers and social policies in education and housing. Includes important agreements and treaties.

Poverty and Social Security in Britain Since 1961. By Wilfred Beckerman and Stephen Clark. Oxford University Press, New York, 1982. 94 pp. \$21.00.

Measures the impact of social security on poverty in Britain and estimates potential level of poverty without social security and other benefits. Addresses main concepts of welfare policy, the efficiency of social security payments and traces the pattern of poverty in Britain since 1961. Tables.

Documents in Communist Affairs—1981. Edited by Bogdan Szajkowski. Butterworths, Boston, MA, 1982. 347 pp. \$65.00.

A collection of significant speeches, reports, broadcasts, communiqués, and statements on communism, with special attention given to events in Poland and China. Includes background and analysis of developments in these two nations, as well as sections on Africa, the Middle East, Latin America, the Soviet Union, and Western Europe.

The Rules of the Game: Reform and Evolution in the International Monetary System. By Kenneth W. Dam. University of Chicago Press, Chicago, 1982. 382 pp. \$27.00.

History of the international monetary system from a legal perspective, addressing questions of reform—consciously planned change—and evolution. Looks at problems with the gold standard, the Bretton Woods system, fixed and floating exchange rates, and Euromarkets.

Rebel Europe: How America can live with a Changing Continent. By James Goldsborough. MacMillan Publishing, New York, 1982. 187 pp. \$12.95.

Looks at the changing relationship between the United States and an inte-

grated, more independent Europe. Argues for increased flexibility and co-operation in US policies toward Europe and its ties with East bloc countries. Also discusses the role of the United States in the defense of Western Europe.

Regional Development in the European Community: A Canadian Perspective. By Ian McAllister. Renouf, USA, Brookfield, VT, 1982. 233 pp. \$13.95.

Comparison of several regional issues facing the EC and the provincial governments of Canada. EC policies and programs are evaluated in terms of Canadian application, including the European Investment Bank, the European Regional Development Fund, the European Social Fund, and the Common Agricultural Policy. Tables, maps, and graphs.

Historical Dictionary of Fascist Italy. Edited by Philip V. Cannistraro. Greenwood Press, Westport, CT, 1982. 657 pp. \$49.95.

Alphabetically arranged entries give information on political, military, and diplomatic events, organizations and individuals important in Fascist Italy from 1919 to 1945. Cultural topics and media are also covered, as well as leaders and organizations of the anti-Fascist movement. Articles cross referenced.

The Two German Economies. By Herbert Wilkens. Gower Publishing Co. Brookfield, VT, 1981. 180 pp. \$44.50.

Comparative assessment of the national products of East and West Germany, studying the achievements of the East German economy and the reasons for them. Explains limits of comparison because of different accounting procedures, secrecy, and problems of valuation. Individual and social values are also taken in account.

Cooperative Marketing in European Agriculture. By Gordon Foxall. Gower Publishing Co., Brookfield, VT, 1982. 116 pp. \$29.50.

An examination of cooperative marketing in the EC, emphasizing second- and third-tier organizations which support cooperative management of agriculture on the Continent. Chapters devoted to each member of the Community describe development and background of cooperative marketing in that country. Marketing strategy of the United Kingdom is also discussed.

The Making of the European Monetary System: A Case Study of the Politics of the European Community. By Peter Ludlow. Butterworths, Boston, MA, 1982. 319 pp. \$29.95.

A diplomatic and economic history of the European Monetary System (EMS), beginning with debates in the early 1970s. Covers Copenhagen, Bremen, and Bonn summits, the "snake" limiting currency fluctuations, and

other technical developments, as well as domestic political debate about the EMS in member-state countries.

Why Electoral Change? The Case for PR Examined. By John Szemeray and Sir Angus Maude. Conservative Political Centre. London, 1982. 56 pp. \$4.00.

An analysis of proportional and preferential representation as alternative electoral systems. Using case studies of other European Governments, argues against change for Britain's present system of direct representation.

Europe Against Poverty: The European Poverty Programme 1975-1980. By Jane Dennet, et al. Renouf, USA, Brookfield, VT, 1982. 250 pp. \$26.75.

Review of the history of the anti-poverty program initiated by the EC in 1975. Describes various projects undertaken by the Community, with separate chapters on their implementation in individual member states. Assesses benefits of integrated policy and treatment of related problems such as unemployment.

British Political Finance 1830-1980. By Michael Pinto-Duchinsky. American Enterprise Institute. Washington, D.C., 1981. 339 pp. \$10.50.

Traces the role of money in British politics from the 19th Century to the present. Presents detailed financial records of Britain's political parties and discusses the structure of power within the parties, the rise of the Labor Party, modern electoral systems, and trends in party membership.

The Dream of Christian Socialism: An Essay on its European Origins. By Bernard Murchland. American Enterprise Institute, Washington, D.C., 1982. 76 pp. \$4.25

Covers the religious socialists of the early 19th Century in Britain, France, and Germany. Reviews the history from the early concepts of socialism and examines it as a modern alternative to Marxism and capitalism.

Managing the Large Organization. By David S. Brown. Lomond Publications, Inc., Mt. Airy, MD, 1982. 307 pp. \$27.50.

Study of the unique management needs of a large organization, dealing with problems of size and complexity, hierarchy and authority, reforming the bureaucracy, and new approaches to problem solving.

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.

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.

Published for the Commission:

Metabolic Adaptation of Extraterrestrial Life: The antenatal role of carbohydrates and energy metabolism. Edited by R. de Meyer. Martinus Nijhoff Publishers, Boston, MA, 1981. 371 pp. \$58.00.

Proceedings of a workshop held in Brussels, December 19-21, 1979, sponsored by the Commission of the European Communities.

Energy from Biomass. Solar Energy R & D in the European Community, Series E, Vol. 2. Edited by W. Palz and G. Grassi. D. Reidel Publishing Co., Boston, MA, 1981. \$26.00.

Proceedings of the workshop on biomass pilot projects on methanol production and algae, held in Brussels, 22 October 1981.

Photochemical, Photoelectrochemical and Photobiological Processes. Solar Energy R & D in the European Community, Series D, Vol. 1. Edited by D.O. Hall and W. Palz. D. Reidel Publishing Co., Boston, MA, 1981. \$32.50.

Proceedings of the EC contractors' meeting held in Cadarache, France, 26-28 October 1981.

Safety Problems Related to Sodium Handling in Liquid Metal Fast Breeder Reactors and Large Test Facilities. Edited by H.M. Kortowski. Harwood Academic Publishers, 1981. \$37.50.

Lectures from a course held at the Joint Research Centre, Ispra, Italy, November 12-14, 1980.

Electronic Document Delivery—II. Edited by J.R.U. Page. Learned Information, Oxford, 1981. \$45.00.

Proceedings of a workshop and exhibition organized by the Commission of the European Communities, Directorate-General for Information Market and Innovation, Luxembourg, 18-19 December 1980.

Research and Development on Radioactive Waste Management and Storage. Harwood Academic Publishers, New York, 1982. \$19.75.

First annual progress report of the European Community Program 1980-1984.

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Speeches made at the official celebration at the Palais des Académies in Brussels on March 29, 1982.

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port. *Bulletin of the European Communities, Supplement No. 2/82*, Commission, Brussels, 1982, 116 pages\$5.00

Documents Relating to the European Monetary System. *European Economy No. 12*, Commission, Brussels, July 1982, 129 pages.....\$9.40
Analyses how the European Monetary System has functioned in its first three years and presents a dossier of the studies and discussions on the development of the system, including hitherto unpublished technical studies and documents.

Practical Guide to the Use of the European Communities' Scheme of Generalized Tariff Preferences. Commission, Brussels, April 1, 1982, 354 pages\$14.50
Part one describes the general characteristics and mechanics of the Community's system. Part two lists, product by product, the preferential advantages granted to developing countries.

Changes in the Structure of the Retail Trade in Europe. *Commerce and Distribution Series: No. 8*, Commission, Brussels, 1982, 49 pages.....\$6.50
Conclusions of a study on shopping facilities in the city and suburb, development of large-scale retailing, and supplying rural areas.

Reference Tariffs for Goods Transport. *Transport Series No. 6*, Commission, Brussels, 1982, 135 pages...\$7.50
Describes how the markets for the carriage of goods by road within and between member states are regulated. Analyses the operation of the current system of compulsory bracket tariffs and examines an alternative system of reference tariffs.

Bibliography on Energy. *Documentation Bulletin B2/1*, Commission, Brussels, 1981, 123 pages.....\$2.00
Bibliography of Community reports, studies, regulations, and other provisions relating to energy policy and individual energy sectors.

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sions relating to regional policy. Includes the full text of principal regulations.

Guide pratique: Article 177 C.E.E. Commission, Brussels, 1982, 136 pages\$5.85
Guide for the practitioner on the use of Community provisions for prejudicial rulings from the Court of Justice on matters of Community law affecting cases before national courts. Available only in French.

Eurostat Review 1971-1980. Statistical Office, Luxembourg, 1982, 238 pages\$13.00
Time series of the principal statistics published by the Community: general economic indicators, national accounts, balance of payments, population and social conditions, industry and services, agriculture, and foreign trade. Comparatives for Spain, Portugal, Sweden, the United States, and Japan.

Forestry Statistics 1975-1979. Statistical Office, Luxembourg, 1982, 143 pages.....\$11.50
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National Accounts ESA Aggregates 1960-1980. Statistical Office, Luxembourg, 1982, 135 pages.....\$9.50
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Energy Use in EEC Agriculture and Food Processing. *Energy Series No. 5*, Commission, Brussels, 1981, 82 pages\$3.80
Study to assess the amount and types of energy consumed in producing and supplying food to the Community, to identify the activities and sectors of the economy consuming this energy, and to determine broad trends in energy use in agriculture and food processing industries.

Agricultural Markets: Prices 1973-1981. Commission, Brussels, 1982, 207 pages.....\$7.00
Time series for the official prices used in the operation of the common agricultural policy: levies, intervention, threshold, sluicgate, and minimum import prices.

Factors Influencing Ownership, Tenancy, Mobility and Use of Farmland in Ireland. *Information on Agriculture No. 84*, Commission, Brussels, 1982, 118 pages.....\$5.00

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Fourth Symposium on Neutron Dosimetry. *EUR 7488*, Commission, Luxembourg, 1981, 1311 pages\$67.00
Proceedings and papers of a symposium held at Munich, June 1-5, 1981.

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Reports of the Scientific Committee for Pesticides. *EUR 7581*, Commission, Brussels, 1981, 69 pages\$6.70
Reports on pesticide residues in cereals, foodstuffs of animal origin, and fruit and vegetables; use of ethylene oxide as a fumigant; use of camphechlor as an insecticide; and the marketing and use of 2,4,5-T.

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Evaluation of three programs: cellular aging, extracorporeal oxygenation, and congenital abnormalities.

Bibliography on Legislation in the Veterinary and Animal Feedingstuffs Sectors. *Documentation Bulletin B/7*, Commission, November 1980, 43 pages\$1.55
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Europe Today—State of European Integration 1980-1981. European Parliament, Luxembourg, 1981, 617 pages\$15.00
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