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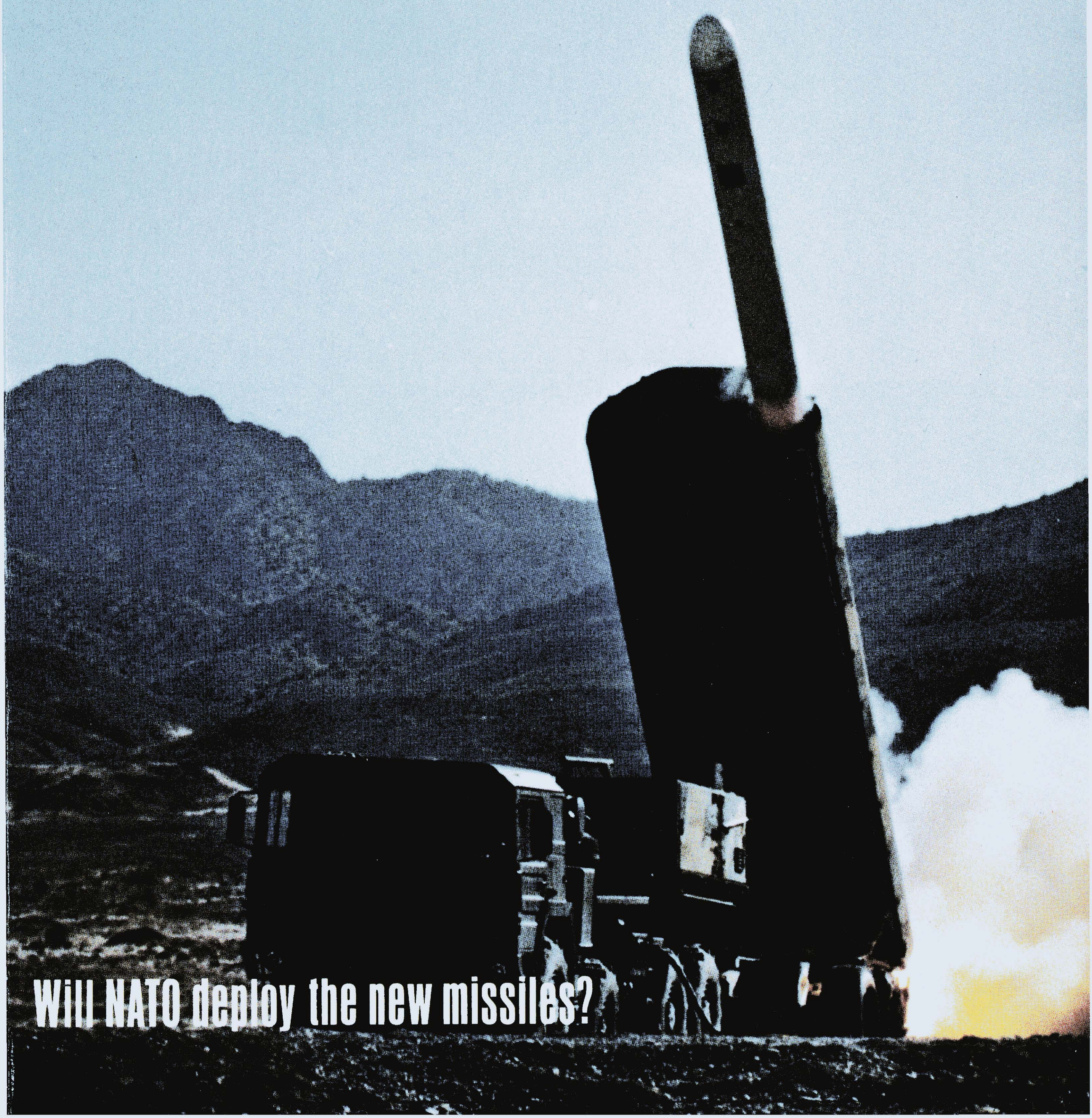

Will NATO deploy the new missiles?

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US-EC RELATIONS

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Cover: A cruise missile. Courtesy Department of Defense.

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Publisher's Letter

This issue of Europe appears at a moment when agricultural differences continue to dominate U.S.-E.C. relations. If anything, these tensions have been exacerbated by the recent U.S. decision to sell 1 million metric tons of U.S. wheat flour to Egypt at highly subsidized prices. (European exporters have traditionally dominated the Egyptian wheat flour market.) The flour deal with Egypt came as quite a surprise to the Community, concluded as it was in the midst of an ostensibly constructive and friendly series of discussions between U.S. and E.C. officials aimed at burying the hatchet over their farm-trade disputes. One can only hope that there will be no more such "shots across the bow," since further actions of this kind would be damaging for both sides and would seriously jeopardize the chances for a successful conclusion to the ongoing U.S.-E.C. farm talks.

While the farm trade spat simmers, E.G. Lewis, a visiting fellow at the Georgetown University Center for Strategic and International studies, examines another sort of conflict in this issue's cover story: "The Battle for Europe." Although the treaties that established the European Community give the E.C. no jurisdiction over defense matters, the importance of the present debate over strategic arms reductions and the basing of intermediate-range missiles in Europe is difficult to ignore. Lewis provides a rundown on how Government and opposition leaders in the Federal Republic of Germany, Italy and the United Kingdom feel about arms control and the planned deployment of U.S. cruise and Pershing II missiles on European soil and forcefully presents the case for deployment. In our next issue, we will explore the other side of the story, the anti-missile argument.

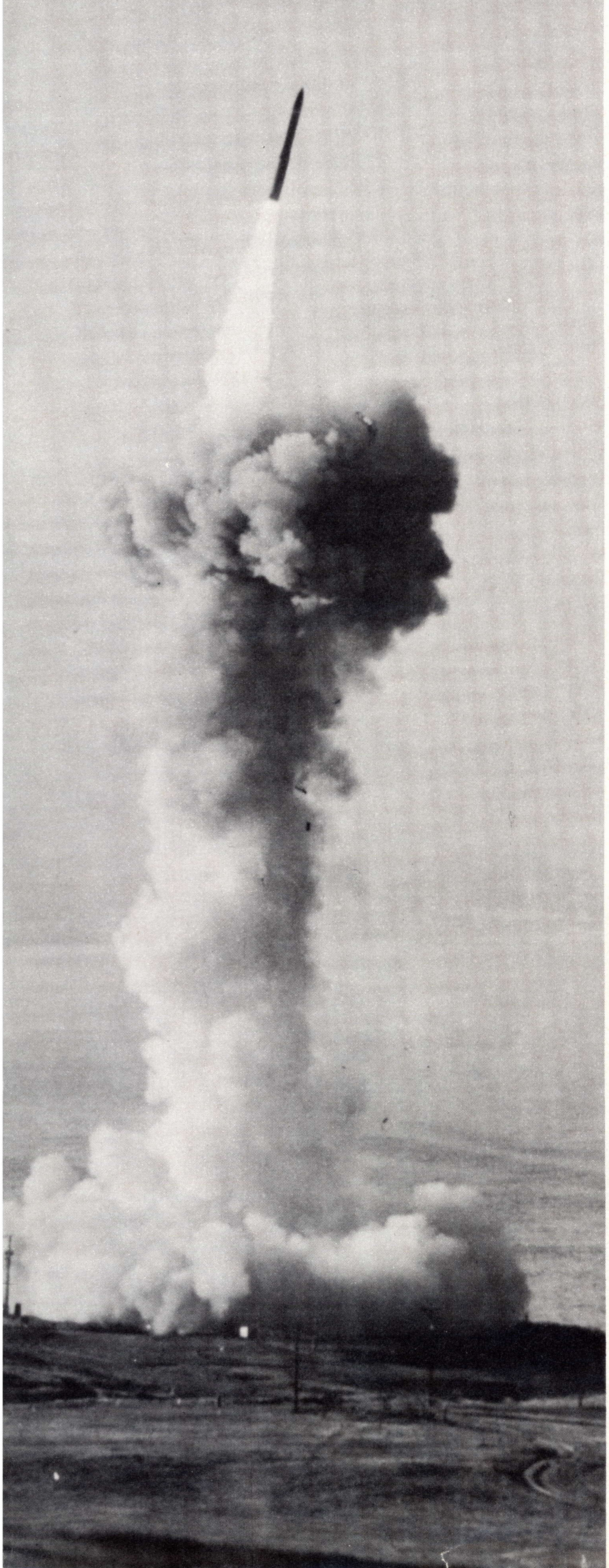
On another front, Europe looks at the E.C.'s unique approach to North-South relations and why U.S. officials sometimes find that approach somewhat hard to appreciate. The Community is presently preparing for negotiations later this year to draft a successor to Lomé II, the current blueprint for its relations with over 60 developing countries in Africa, the Carribean, and the Pacific. Malcolm Subhan reports that the present worldwide recession may make it difficult for the E.C. to increase its financial assistance or the scope of its trade concessions to its neighbors in the developing world.

In this issue, Europe also takes the opportunity to celebrate an anniversary—the ten year anniversary of the United Kingdom's entry into the E.C.—with an expanded version of our regular member state report. Ian Davidson profiles the Conservative Government of British Prime Minister Margaret Thatcher and the potential pitfalls it faces on the road to the next parliamentary elections over issues ranging from relations with the E.C. to the future of Hong Kong. In another article, former British Foreign Secretary Lord Carrington explains why he feels E.C. membership has been a good thing for his country. Finally, Kenneth Sleet sheds some light on the British economy's current preoccupation with the tenuous health of the pound sterling, the direction of interest rats, and a threatened collapse of oil prices.

Elsewhere on the economic scene, we examine the European Currency Unit (ECU), the market basket of nine E.C. currencies that is becoming an increasingly popular denomination for financial instruments. Joly Dixon explains why the ECU has lately become the world's fourth most popular "currency."

Lastly, in this issue of the magazine we debut a revamped "News of the Community" section, which we hope will make it easier for our readers to better understand and keep tabs on goings-on in the Community.

the battle for Europe



Will **NATO** *deploy the cruise and Pershing missiles?*

E.G. LEWIS

From January 22 to February 5, 1983, 12 American journalists and five scholars from Georgetown University's Center for Strategic and International Studies participated in lengthy discussions with 49 German, Italian, British, and North Atlantic Treaty Organization (NATO) leaders—both Government officials and opposition party spokesmen. The following article evolved from the statements made and impressions gained during these meetings.

In his famous 1977 speech to International Institute for Strategic Studies, German Chancellor Helmut Schmidt sounded the alarm to his Western allies over the Soviet testing of the new SS-20 intermediate-range ballistic missile by seriously questioning the effect of the Strategic Arms Limitation Talks (SALT) on the future state of the intermediate-range nuclear force balance in Europe. With its increased mobility and accuracy, a range of approximately 5,000 kilometers, and three independently targetable warheads per missile, the SS-20 was rightfully seen by Schmidt as a significant, Euro-strategic, political and military threat to NATO to which the United States and the alliance had not responded. The SS-20 was not just a replacement for the aging SS-4s and SS-5s, but rather a significant step forward by the Soviets in their attempt to decouple the U.S. nuclear umbrella from the other NATO allies.

In a show of solidarity, the NATO countries finally responded to the Soviet SS-20 deployment and agreed to a dual-track strategy on December 12, 1979. On the one hand, they supported theater nuclear force talks between the United States and the Soviet Union. On the other hand, they favored the continued modernization of the Western nuclear missile arsenal. Ultimately, these new missiles, including the 2,500-kilometer Tomahawk ground-launched cruise missile (GLCM) and the 1,800-kilometer Pershing II, would be deployed beginning in December 1983 if no substantive progress had been made in the U.S.-Soviet negotiations.

On November 18, 1981, President Ronald Reagan announced the new U.S. proposal for the Intermediate-Range Nuclear Forces (INF) talks—the zero-zero proposal. This zero-option proposal, an expansion of an earlier European initiative, would require the Soviets to dismantle *all* SS-20s, SS-4s, and SS-5s and would force the United States to cease plans to deploy GLCMs and Pershing IIs. Thus, the essentials of the U.S. negotiating strategy were: to consider only land-based, intermediate-range missile systems; to consider the SS-20 systems on a global basis, rather than only in a European scenario; and to obtain real parity between U.S. and Soviet systems.

Paul Nitze, the U.S. negotiator at the INF talks, held his now famous "walk in the woods" with his Soviet counterpart, Yuli Kvitsinsky, on July 16, 1982. In attempting to break the deadlock in the negotiations, Nitze injected his own form of flexibility by proposing ban on the Pershing IIs and a minimal deployment plan of 75 SS-20s and 75 GLCM launchers in the European theater. The plan, however, was soon rejected by both Governments.

The latest Soviet offer was presented by Yuri Andropov on December 21, 1982. The Soviets stated their willingness to reduce the number of SS-20s, in addition to retiring the SS-4s and SS-5s, in the European theater (by dismantling, destroying, or moving) to approximately 162 or the equivalent number of British and French strategic nuclear systems. Andropov further indicated that a future agreement relative to aircraft (although not specific in kind) must be reached and that this agreement would have to be linked to the land-based missile agreement. Thus, to accept Andropov's proposal, three conditions would have to be met: first, no new U.S. intermediate-range missile deployment in Europe; second, a qualitative and quantitative freeze on forward basing systems in Western Europe; and third, acceptance of the Soviet formula for land-based missile parity with respect to the British and French nuclear weapons. Finally, last January 31 in West Berlin, Vice President George Bush read President Reagan's offer to meet Andropov anytime and anyplace to sign an agreement to ban all land-based, intermediate-range missiles, in effect implementing the U.S. zero option proposal.

The Dual-Track Decision

During recent discussions with key European leaders, the dominant themes were the current INF negotiations and the future degree of adherence by the NATO countries to their December 1979 dual-track decision. In addressing the INF talks, the major issue was: Should the United States be more flexible, in light of the recent Andropov proposal, in its approach to the negotiations. In other words, should the United States zero-option proposal be scuttled in favor of a "more reasonable" alternative proposal?

German Chancellor Helmut Kohl stated that his position is very clear on the zero-option strategy: "I wish to have neither U.S. nor Soviet missiles deployed in the European theater." He further declared, "This strategy is the best thing to wish for and I have no intentions of [seeking] changes to this proposal before the March 6 elections" in the Federal Republic of Germany. Dr. Manfred Wörner, the German Defense Minister, did not believe that the U.S. strategy was an "all or nothing position," stating that the zero option was an optimal position which, through the negotiating process, may not be the final outcome. Each side must be prepared to compromise, but the compromising must be done *behind* the negotiating door. "The zero option was the allied position and this position has not changed," he emphasized. Wörner strongly urged that the top priority for the allies in dealing with the Soviets should be "to stay firm and together in their strategy."

Dr. Hans-Jochen Vogel, the German Social Democratic Party (SPD) candidate for Chancellor, emphasized that the zero option has no realistic chance of success and that "every option is open, with deployment as a superfluous issue. There were constructive elements in the recent Soviet proposal." Vogel believed that the number of Soviet missiles should be brought down as low as possible, but did not agree that the Soviets would have a monopoly of rockets, since the British, French, and United States already had missile systems in Europe. Dr. Horst Ehmke, vice chairman of the SPD parliamentary group in the German Bundestag, believes "it would be completely wrong not to answer the Soviet proposal."

From Italy, Dr. Giulio Andreotti, member of the Christian Democratic Party and head of the committee on foreign affairs in the Chamber of Delegates, emphasized that "the U.S. position in the INF negotiations is clear; you can't simplify the zero option any further." With respect to changing the zero-option strategy and compromising with the Soviets, Italian Prime

Thirty thousand women protested last December against the construction of silos for cruise missiles at the U.S. Air Force base at Greeham Commons, England.

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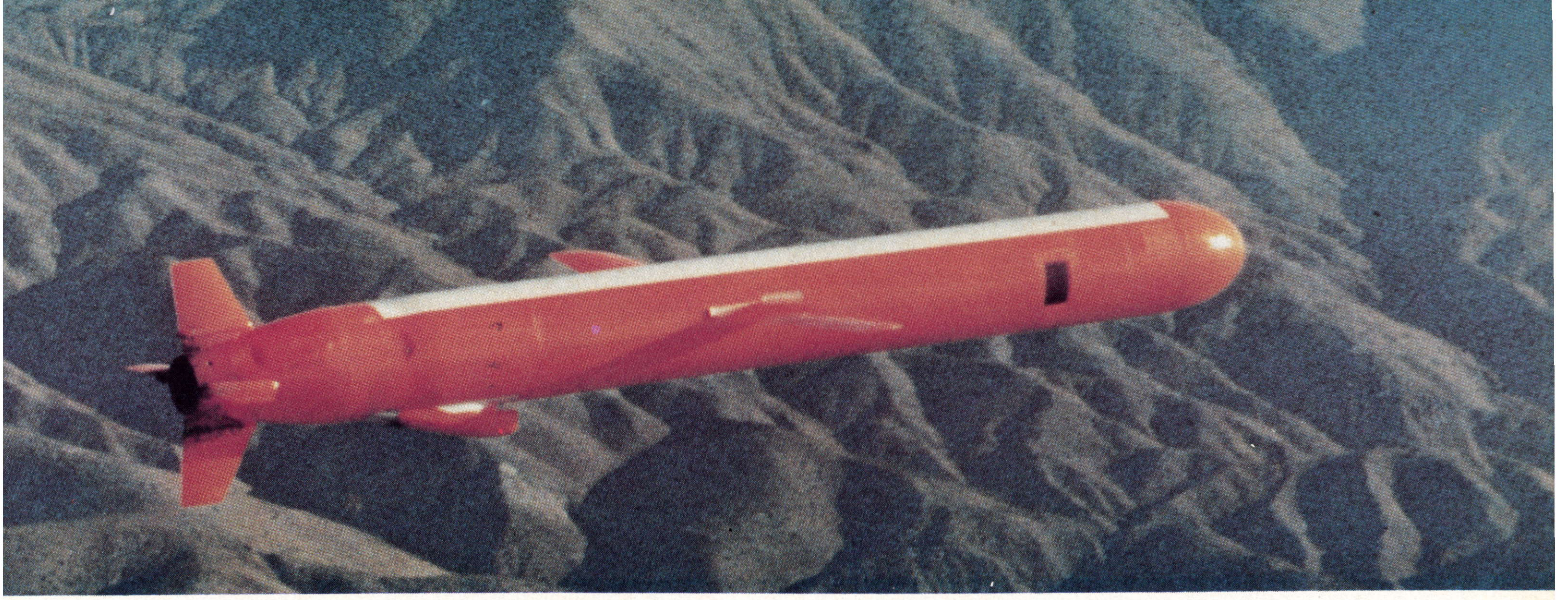


The Tomahawk ground-launched cruise missile is shown in test flight over Utah. Courtesy of U.S. Air Force.

Minister Amintori Fanfani remarked that "if one doesn't know the state of his adversary and becomes more yielding, then he is already lost." He also referred several times to an old Italian proverb, "In order not to be eaten by the wolf, one must not become a sheep." Flaminio Piccoli, president of the Christian Democratic Party believes that "in accepting the zero option strategy, the Italian Government must continue to support the U.S. strategy; if not, then war will come." On the other side of the coin, Giancarlo Pajetta, vice chairman of the foreign affairs committee and the number two man in the Italian Communist Party does not favor Reagan's zero option proposal. "It is more realistic to go to a controlled balance," he said, taking into consideration such missiles as the British and French strategic nuclear systems.

The Italian, Norwegian, and German members of the EUROGROUP representatives to NATO left no doubt that the allies must stand firm on the zero-option strategy, as defined by the United States in consultation with the other allies, in order to convince the Soviets to negotiate seriously. It is also extremely important to indicate the allied willingness to consider other possible options *if* they were balanced and based on equal rights.

Responding to perceptions that she may be moving away from the zero option, British Prime Minister Margaret Thatcher categorically states, "No, no, no, no. The zero option is the best outcome, the best possible result." She believes that if such an agreement can't be reached then the next best step would be a balanced and verifiable disarmament pact. However, she would rather it didn't come to that. Don't ever give up the zero option. The U.S. position [in the INF negotiations] is perfectly clear—very, very comprehensive." According to Michael Heseltine, the U.K. Secretary of State for Defense, "the zero option is the best offer at the moment, but we [the West] are ready to talk with the Soviets." As Douglas Hurd, Minister of State for Foreign and Commonwealth Affairs, reiterates: "The zero option is the right thing to do; it is the aim and we should not back off. Any agreement must be balanced."

British Labor Party deputy foreign affair spokesman Roland Moyle, says the zero option was welcomed by his party in November 1981. "The party supported the zero option as the initial opening [U.S.] position at the Geneva talks," he said, "however there is a lot to be said for the Russian point of view [Andropov's proposal]. The British and French nuclear deterrents should be included in the equation on the Atlantic treaty side in negotiating away the intermediate nuclear weapons." Furthermore, he believes Britain "should not have its own strategic nuclear deterrent." Finally, the leader of the Social Democratic Party, Roy Jenkins, believes the zero option may be the best option, but it is not the only option. It is a good opening bid, but not necessarily the closing bid for real negotiations. He doesn't have the impression that the United States is absolutely locked in on the zero option and he doesn't think the West will get the zero option unless negotiations with the Russians are conducted in a very tough fashion.

The INF Negotiations

With respect to NATO's dual-tract decision, the major question asked of the various European leaders was: If, by December 1983, the INF negotiations show no signs of reaching a serious negotiated agreement, will you exercise the second part of the NATO dual-track decision and begin deploying the GLCMs and/or Pershing IIs in your country? Kohl left no doubts. "My position and the CDU's course of action are quite clear," he said. "By the end of 1983, we will analyze the INF negotiations in Geneva; if they aren't working, then we will fulfill our duty and (begin) deploying the Pershings IIs and GLCMs." The SPD's Ehmke said that "if nothing happens in the negotiations by the fall, then keep on negotiating." He does not exclude deployment, however, although he does believe Pershing IIs probably would be replaced by some Pershing IBs and some cruise missiles.

Fanfani indicated that since the Italian Government was committed to NATO's dual-track decision, then Italy would deploy the missiles at Comiso if there is no INF agreement. Andreotti and Piccoli fully supported this view. However, Pajetta insisted that, if the negotiations fail, his party will not support the dual-track decision. "We will vote and demonstrate against missile deployment." The NATO EUROGROUP representatives state categorically that this decision is not a conditional one. "If there are no concrete results in the negotiations by the fall, then the NATO countries will deploy the missiles." However, they also indicated that within the various NATO organizations, "there will be a continuous political assessment of the negotiations."

Thatcher emphasizes that the dual-track decision stands. "We will have to deploy if there is no agreement," she said. "All of us in NATO have to stick together and always support NATO. It is the shield and guarantee of freedom for every NATO country, particularly in Europe. We must honor and abide by its decisions." Heseltine, Hurd, and Francis Pym, the Secretary of State for Foreign and Commonwealth Affairs, reiterated the British Government's firm position on the dual-track decision. On the other side, Labor Party spokesman Moyle emphasized that if his party were in power, "it would oppose the stationing of GLCMs in Britain and would close American and British nuclear bases." At the same time, he said, the Labor Party is committed to continued U.K. membership of NATO and "absolutely committed to NATO decisions." But if there is no agreement in Geneva, "a Labor Government would not necessarily be committed to modernization and deployment. We would attempt to change those (previous) decisions."

MISSILES AND WARHEADS AT ISSUE DURING THE INF NEGOTIATIONS (as of January 25, 1983)

Country	Type Missile	No. Missiles	No. Warheads
USSR	SS-4, SS-5	270	270
	SS-20 (counter Europe)	243	729
	SS-20 (Asian deployed)	90	270
U.S.	Pershing II	108	108
(future)	(FRG—108)		
	GLCM—Tomahawk	464	464
	(FRG—96		
	Italy—112		
	Gr. Britain—160		
	Belgium—48		
	Netherlands—48)		

Jenkins, for his part, feels that the dual-track decision was a substantial factor in bringing the Russians to the table for serious negotiations. "If we were to say now that we weren't going to deploy the cruise missile—I would not do this—it would mean a great deal to the Russian interests" (and hurt the negotiations). He hopes that by the end of the day, "we would have achieved a negotiation which meant that the cruise missile would not have to be deployed or, at any rate, on a very much more limited scale."

In addition to these critical issues, these leaders, both inside and outside Germany, expressed considerable concern over the potential impact on NATO of the March 6 German election. Although the economy was the primary issue for the average German voter, Kohl strongly believes German national security was an issue of fundamental importance. Although it was not intended to fulfill this role, this election may very well prove to be the linchpin for the ongoing INF negotiations and NATO's dual-track decision.

Although dissenting views were presented, the views of the German Defense Minister, I believe, came closest to expressing the consensus of the European leaders regarding the INF negotiations and the dual-track decision. The NATO allies must remain firm, must stick together in dealing with the Soviets. Only then can the Soviets be convinced that the West means business—that it can't be divided—thus forcing the Soviets to approach the INF negotiations more rationally and seriously in order to obtain true arms reduction.

Yes, the West must be firm, but it must also demonstrate flexibility. Any compromising must and should be carried out behind closed doors at the negotiating table with the Soviets and in full consultation with the NATO allies, not in the newspapers. As Roy Jenkins implied, the dual-track strategy was substantially responsible for bringing the Soviets to the negotiating table. It may then just take actual, initial deployment of the Pershing IIs and GLCMs to thoroughly convince the Soviets to stop their war of words and to get down to serious negotiations to effect a balanced and verifiable agreement in short order.

It should be kept in mind that initial deployment of the U.S. missile systems does not mean complete deployment. Total deployment would require several years, during which time the leverage of the NATO allies will continue to increase and eventually, it is to be hoped, convince the Soviets to negotiate seriously. Furthermore, it is clear that any time an agreement were to be signed, the deployment cycle could be halted and existing on-site missile systems could be returned to the United States if this were a provision of the negotiations.

In order to support the necessary political will to play "hardball" with the Soviets, the citizens of the NATO alliance must gain a thorough understanding of many complicated arms control issues. Unfortunately, as Dr. Alois Mertes, Minister of State in the German Foreign Office, rightly argues, too much emphasis has been placed on counting troops and missiles, instead of trying to fully assess and comprehend long term Soviet political policies and aims.

Additionally, the NATO allies have been losing the propaganda war to the Soviets. Thatcher emphasized that, in the West, we must be continually responsive to public opinion. But to whom do the Soviets respond? For too long, the NATO allies have failed to educate their own people on the key issues, allowing the Soviets to run roughshod over Western public opinion. It is time for the alliance to face the Soviets in unison, to prevent the Soviets from widening existing cracks in the alliance. It is time to plug those cracks. Let the Soviets know exactly where they stand. Let's start taking the Soviets to task for *their* failure to negotiate seriously.

These actions, if taken, will allow the individual NATO countries to develop the requisite national will and determination to hold the alliance together and weather the storm of INF negotiations and the modernization and deployment issues through to their logical conclusion. Then, if required to maintain a position of solidarity in facing the Soviets, the Governments in NATO, with the fullest support of their people, will have the "guts" to deploy the GLCMs and Pershing IIs. As both Kohl and Thatcher questioned: Is peace with freedom and justice worth defending or is the alliance prepared to surrender passively to Soviet hegemony? The German election could very well be the torch of leadership or the blanket of despair for NATO. €

E.G. Lewis is a visiting fellow at Gerogetown University's Center for Strategic and International Studies.

US-EC RELATIONS

other atomic rumblings

US AND EUROPE DISAGREE OVER NUCLEAR ENERGY POLICIES

JOHN MAXWELL HAMILTON

Since coming to office in 1981, President Ronald Reagan has sought to heal festering disagreements with the European Community over nuclear energy. This year provides several critical tests of whether he is succeeding—or whether the United States and the E.C. will fall further out of step. The chief complaint voiced by Euratom—the nuclear arm of the European Community—has been the unreliability of the United States as a nuclear trading partner. E.C. officials still bitterly recall President Richard Nixon's 1974 decision to close U.S. order books for enriched uranium while his Administration considered (and ultimately rejected) a plan to turn government-run enrichment services over to the private sector. It was four years before the United States resumed enrichment services.

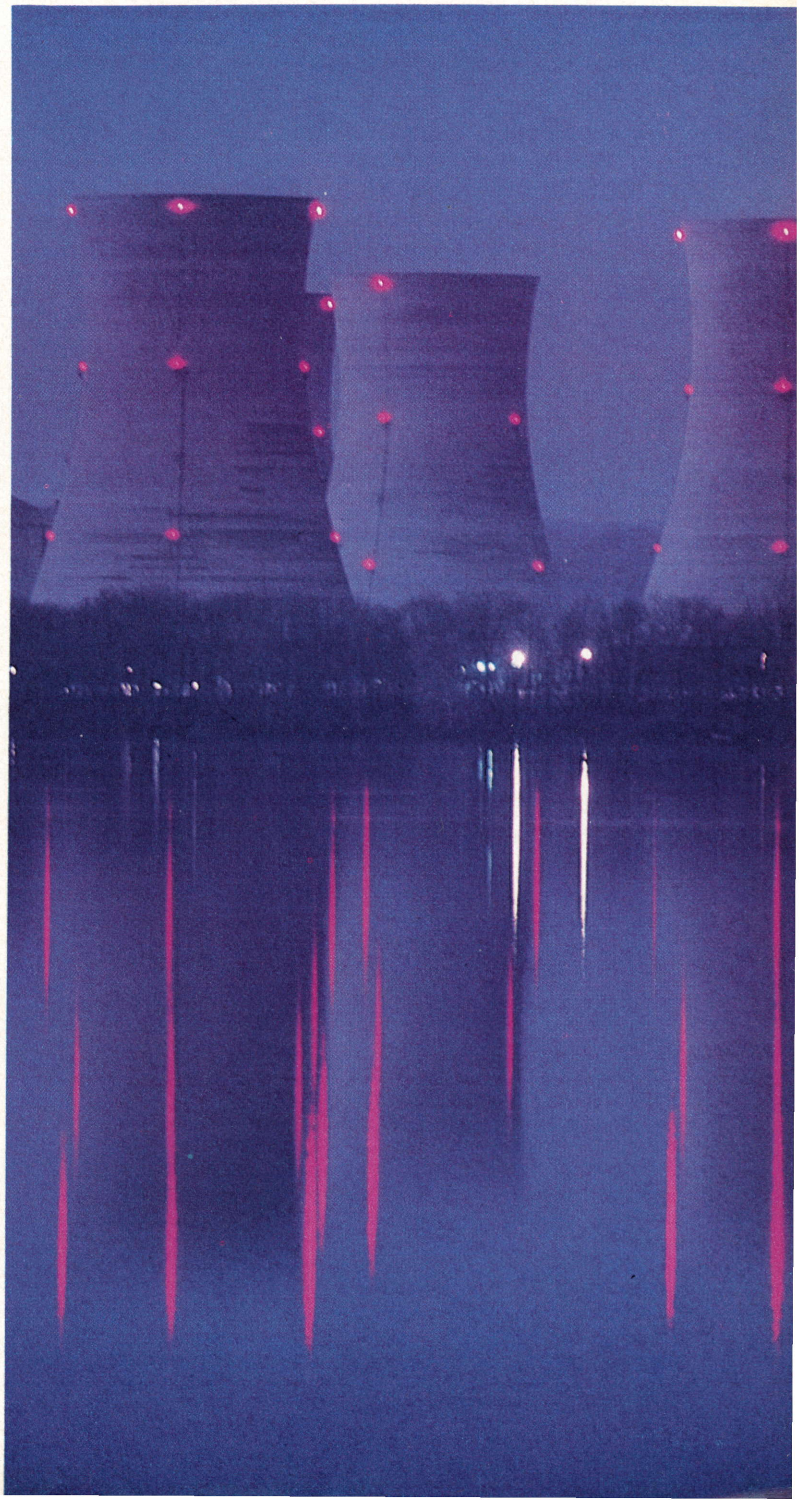
The biggest irritant, however, has been the Nuclear Non-Proliferation Act (NNPA), passed by the Congress in 1978. Strongly supported by President Jimmy Carter as a way of controlling fuel and equipment useful in manufacturing nuclear weapons, that legislation placed new restrictions on U.S. nuclear exports. Among other things the NNPA declared that nations must seek U.S. Government approval before reprocessing American-supplied uranium. Reprocessing is the technique for separating plutonium from irradiated uranium; plutonium is useful both as a nuclear fuel and as an explosive in nuclear weapons.

Thanks to a waiver provision in the NNPA, Euratom is allowed to reprocess without U.S. approval until a new agreement for cooperation is negotiated. But the need for a waiver, as well as the pressure to renegotiate an agreement that does not otherwise expire until 1995, anger Euratom member states who argue that the United States is reneging on a legally binding agreement.

Beyond that, officials at Euratom's Brussels' headquarters complain that NNPA restrictions are not appropriate in view of the European Community's nuclear non-proliferation credentials. While some nations attempt to avoid inspection of their nuclear facilities by the International Atomic Energy Agency (IAEA), Euratom has buttressed IAEA safeguards with its own inspection system. According to Euratom, its inspectorate is almost as large as the IAEA's, although Euratom has half as many facilities to monitor.

Behind E.C.-U.S. disagreements, which have spilled over into cooperative efforts to keep nuclear weapons out of the hands of other nations, lie different perspectives on nuclear power. Relatively large supplies of non-nuclear energy, fears

European countries see their future economic health linked to the atom, unlike America, where many have become disenchanted with nuclear energy. © Robin Moyer, Black Star



about nuclear power plant safety, and a steady stream of news reports on cost overruns in nuclear power plant construction have contributed to widespread American disenchantment with atomic energy. Indeed, United States utilities have not ordered a single new nuclear power plant since 1978 and no orders are expected until at least the end of this decade.

Many European countries, however, see their future economic health linked to the atom. For some energy-poor members of the European Community, say Euratom officials, nuclear power is 65 percent cheaper than coal. Though his campaign platform had an anti-nuclear plank, French President François Mitterrand authorized the construction of six new nuclear power facilities just after coming to office in 1981. By 1990, say French energy officials, more than one-fourth of all their power will be generated by nuclear fission.

The United States still supplies enriched uranium to Belgium, Italy, France, the Netherlands, and the Federal Republic of Germany, making sales in 1981 amounting to $150 million. But the European Community is more aggressive in developing new nuclear technologies, especially those involving commercial reprocessing. As a result, the United States' ability to use technological superiority as a way of dictating E.C. nuclear policies has declined. For its part the American nuclear industry worries that not only will its markets in Europe vanish, but that it may eventually be altogether unable to compete with countries like France, the United Kingdom, Belgium, and Germany in making nuclear sales elsewhere in the world.

Not surprisingly the election of President Reagan, a known supporter of nuclear power, rallied the American nuclear industry. The industry-supported Atomic Industrial Forum went so far as to call for major revisions to the NNPA to "enhance the reliability of U.S. commitments and the efficiency of the export licensing process." Although the Reagan Administration quickly ruled out plans to amend the act, it lost no time in presenting a new nuclear policy that would ease restrictions on nuclear trade with close U.S. allies. "In contrast to the uniform approach that held sway previously, our approach will be a differentiated one," said Assistant Secretary of State James L. Malone, who heads the bureaucracy responsible for nuclear diplomacy.

In an attempt to execute this "return to realism," Reagan asked the Nuclear Regulatory Commission to speed up the export licensing process and lifted the requirement that the White House review all decisions to export highly enriched uranium, which, like plutonium, can be used as a nuclear explosive. In addition, the President promised not to interfere with foreign reprocessing programs and he has not beleagured his West European peers with requests that they toughen their nuclear export policies.

The most dramatic Reagan initiative, however, came early last year with the announcement of a new plutonium policy. To the horror of Americans who oppose any policy condoning plutonium, Reagan offered to give Japan and Euratom approvals of up to 30 years for the reprocessing of U.S. uranium. In exchange, these allies would negotiate new agreements for nuclear cooperation.

Cooling tower of a nuclear power plant in France. © J. Andanson, Sygma

The idea, of course, was to meet the reprocessing approval requirements of the NNPA without alienating major trading partners, but it hasn't quite worked out that way. As much as Euratom officials welcome the United States' differentiation policy, they have greeted the plutonium policy coolly. As one senior Euratom diplomat explained last fall, the American approach would implicitly give the United States rights over Euratom nuclear activities. While it is irksome to continue nuclear cooperation under the provisions of a waiver which must be renewed annually, he said, that in itself was not sufficient reason to agree to new terms.

State Department officials concede that it may be difficult to get a new agreement soon. Euratom has agreed to discuss the plutonium policy, but those talks will not begin until the United States has reached a new agreement with Japan. Meanwhile, the Americans believe they hold a better bargaining position with the Japanese and movement in the talks is painfully slow. If substantive discussions are not underway with Euratom by the middle of this year, say Administration officials, 1984 presidential campaign distractions may preclude agreement before the end of Reagan's term.

Meanwhile the European Community has taken some heartening steps from the American point of view on nuclear non-proliferation. In 1981, Euratom started its own non-proliferation working group to consider steps to control the spread of nuclear weapons. Great Britain has initiated discussions with the United States and other nuclear supplier nations, most located in Western Europe, to place greater restrictions on the export of uranium enrichment technology to proliferation-prone countries.

Euratom nations also have supported U.S. efforts to upgrade safeguarding technology at the International Atomic Energy Agency. And last fall, when a number of third world nations banded together to oust Israel from the IAEA general conference in Vienna, almost all Euratom member states walked out with the United States in protest.

At the same time, however, there have been serious disagreements. European Community members criticized the United States for its prolonged absence from the IAEA following the Israeli incident. It balked when the United States presented a 27 page list of reprocessing technology that should be subject to stricter joint export controls.

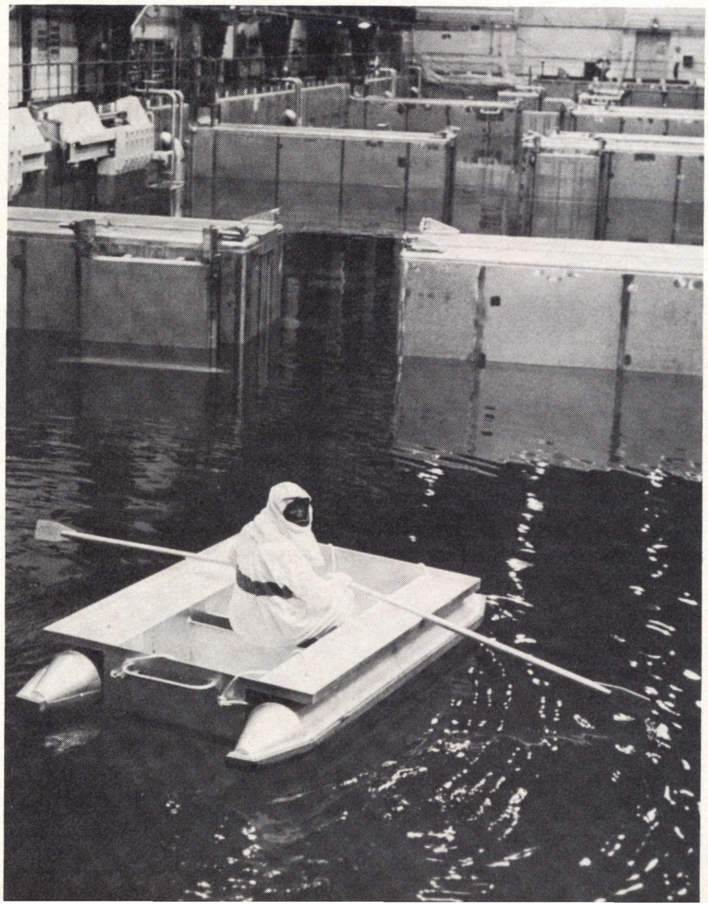
Most serious in many American eyes is the failure to win agreement to crack down on countries that pose serious proliferation risks. Over American objections, Belgium agreed to supply nuclear technology to Libya, which has for some years been eager to acquire a nuclear bomb. France, Belgium, and the Federal Republic of Germany have given noncommittal responses to a personal request from Secretary of State George P. Shultz not to permit the export of a commercial power reactor to Pakistan, which is also known to be interested in acquiring nuclear arms. While most agree that the reactor would not enhance Pakistan's ability to produce such weapons, the State Department believes that any willingness to cooperate with that Asian country's nuclear program would be a serious blow to a nuclear non-proliferation regime which aims to deny all atomic energy equipment and fuel to countries that do not maintain high non-proliferation standards.

Failure to reach an understanding on these issues could ultimately undermine the Reagan Administration's ability to win Congressional support for easing export restrictions. Administration officials have had little success so far in convincing critics that their plutonium policy will result in greater cooperation on nuclear non-proliferation matters from Euratom and Japan. Saying that the policy has thus far amounted to "all quids and no quos," Representative Jonathan B. Bingham (D-NY), a chief author of the NNPA, introduced a bill last year that would stiffen the Administration's approach and initiate a series of additional nuclear export restrictions. That bill, passed with bipartisan support in the House Foreign Affairs Committee during the last hours of the 97th Congress, was reintroduced last month. In addition, Illinois Senator Charles H. Percy, chairman of the Foreign Relations Committee, is expected to introduce amendments to the NNPA.

Whether Reagan can strike a delicate balance that pleases Congress, which wants more export controls, and Euratom, which wants fewer, is uncertain. State Department officials say that such diplomatic initiatives as the attempt to block the Soviet natural gas pipeline to Western Europe have made the European Community intractable on any matters involving export controls. Moreover there is concern that the President himself has not been willing to take up nuclear issues with allies, thus leaving the impression at home that he is simply not serious about nuclear non-proliferation and therefore can't be trusted. If trends like this continue, most agree that United States-Euratom nuclear cooperation will continue to limp along. €

John Maxwell Hamilton is a Washington, DC-based journalist specializing in U.S. foreign policy.

The European Community is more aggressive in developing new nuclear technologies, especially those involving commercial reprocessing. Pictured here is a reprocessing plant in The Hague. © Alan Nogues, Sygma



US-EC RELATIONS

protectionism: NOBODY'S PERFECT

MARTIN BARON

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Last year the United States ran a $19-billion trade deficit with Japan. Japanese cars, such as these being unloaded in Newark Harbor, contributed to the problem.

Four years ago, one of the hottest little trade disputes in Washington revolved not around steel, automobiles, or agriculture, but around that compact symbol of domesticity, the clothespin. The U.S. clothespin industry, employing scarcely more than 400 people in four plants in Maine and Vermont, had mounted a classic lobbying effort against cheap imports from places like Poland, China, Hong Kong and Taiwan. The U.S. Government, though ostensibly an advocate of free and fair trade, used its power to restrict the foreign competition. Quotas were imposed on clothespin imports for three years. A year ago, President Reagan extended the quotas two years more.

As the American public and its politicians inveigh against trade barriers erected by Japan and Western Europe, the story of clothespin quotas may be worth remembering. If the U.S. Government responds so readily to lobbying by the tiny clothespin business, it is little wonder that the Japanese Government bows to pressures for import quotas from its beef and citrus industries, which together employ 750,000 farmers.

The clothespin story, specialists say, makes an even more important point: When it comes to trade barriers, the United States is no saint. In one fashion or another, explicitly or disguised, the United States has a broad array of restraints on imports. With Congress threatening to approve a handful of tough protectionist bills this year, raising the possibility of a fearsome worldwide trade war, trade specialists are challenging the widespread notion that the United States freely opens the door to its markets while other countries unfairly slam the door in the face of U.S. exports.

"We get in these ideological, passionate fits when we're not in a position to argue that well. . . . The overt (trade) restrictions we have are pretty big," said Harold B. Malmgren, former deputy U.S. Special Trade Representative and now a consultant in Washington. "To put the matter bluntly, our hands—as a nation—are not clean when it comes to championing freer flows of world trade and investment," Murray L. Weidenbaum, former chairman of the President's Council of Economic Advisers, wrote in a recent study issued by the Center for the Study of American Business at Washington University in St. Louis where he is a professor.

The United States has tough obstacles to sugar and dairy imports. From time to time, it invokes its own beef-import restrictions. Washington has prevailed on its trading partners to abide by "voluntary" quotas on steel and automobiles. The American textile and apparel industry is shielded by both quotas and tariffs. Foreign-flag, foreign-owned ships are barred from transporting goods between American ports.

While the United States complains that other Governments give undue and unfair preference to domestic manufacturers, "buy American" provisions in federal and state legislation do much the same. The United States gives a tax preference to its exporters that is an acknowledge violation of the world's key international trade agreement. And foreign nations charge that the U.S. legal and regulatory apparatus, presumably symbols of fair dealing, are often exploited to harass their exporters and stymie import competition.

Even without new legislation, the clamor for new import barriers is expected to get louder. In February, for example, the U.S. International Trade Commission recommended that import duties for heavy motorcycles from Japan and other countries be boosted from 4.4 percent to an initial 45 percent to protect the Harley-Davidson Motor Co. of Milwaukee. There was no finding that the Japanese had engaged in unfair trade practices, although Harley-Davidson accuses them of that, only that the Japanese products were hurting the U.S. firm's business. The President must make the final decision on new tariffs.

U.S. officials argue that American restraints pale by comparison with those of our major trading partners—Canada, Japan and Western Europe. "Next only to Hong Kong, the United States is the freest and most open market in the whole world," said Lionel Olmer, Under Secretary of Commerce for International Trade. "Sure there are protectionist tendencies . . . (but) the United States stands as a paragon of virtue in a turbulent sea of protectionism."

Some recent studies from independent analysts, however, conclude that the United States may be less virtuous than advertised and that Japan, most notably, may be less sinister. Gary Saxonhouse, an economics professor at the University of Michigan, recently argued in a report that "Japanese non-tariff barriers are no more restrictive, and quite possibly less restrictive, than those imposed by its trading partners . . . (and) it is quite possible that the removal of all non-tariff barriers among the world's major market-oriented economies would benefit Japan substantially more than its trading partners."

Even U.S. Government officials expect that removing Japanese trade barriers of all types would lead to only $1 billion to $5 billion in additional U.S. exports to Japan—hardly erasing the $19-billion trade deficit with Japan last year.

A recent study by William Cline of the Insitute for International Economics in Washington concluded that tariff levels among the major industrial nations are roughly the same and that available measures of non-tariff barriers, including mandatory and voluntary quotas, show "there can be no automatic presumption that the United States has a substantially more open market than those of its major trading partners."

Cline's study found that major non-tariff barriers in the United States cover 34 percent of the market for manufactured goods compared with about 10 percent in Canada, 7 percent in Japan, 20 percent in the Federal Republic of Germany, 33 percent in France, and 22 percent in the United Kingdom. Critics argue, and Cline admits, that the comparisons are unfair in some important respects. Most important, they do not measure the severity of import restraints. France limits Japanese auto imports to 3 percent of its market. In the United States, Japanese auto imports are nearly a fourth of the market. Indeed, the willingness of the United States to allow several of its domestic industries—from manufacturers of television sets to tape recorders—to be overwhelmed by imports is testimony to a courageous free-trade stance, many U.S. officials believe.

Amid the despair over the mammoth U.S. trade deficit with Japan, the American public may forget that the United States has traditionally run a hefty trade surplus with the 10-nation European Community. From 1979 through 1981, in fact, the cumulative U.S. trade surplus with Europe outdistanced the deficit with Japan by more than $4 billion. Last year, even with an exceptionally strong American dollar making U.S. exports more expensive and less competitive, the surplus with the Common Market countries totaled $3.5 billion.

Despite the shortcomings of his study, however, Cline said the results "cast some doubt" on the common wisdom that Japan is more protectionist than the United States. Others argue that Cline's numbers fail to address the hidden import barriers, adeptly used by the United States' major trading partners. As tariffs and quotas were seen as obvious sins, nations have drawn on more subtle, but equally effective devices.

Japan, many analysts contend, exploits a complex matrix of customs regulations and standards to keep out certain imports. American pharmaceutical companies, for instance, have been frustrated by Japan's failure to accept the results of key clinical tests performed in the United States. Other nations have mimicked Japan and also turned the tables. "Other institutions operate very openly. There aren't all these hidden forms of restrictions," Geza Feketekuty, senior assistant U.S. Trade Representative, said.

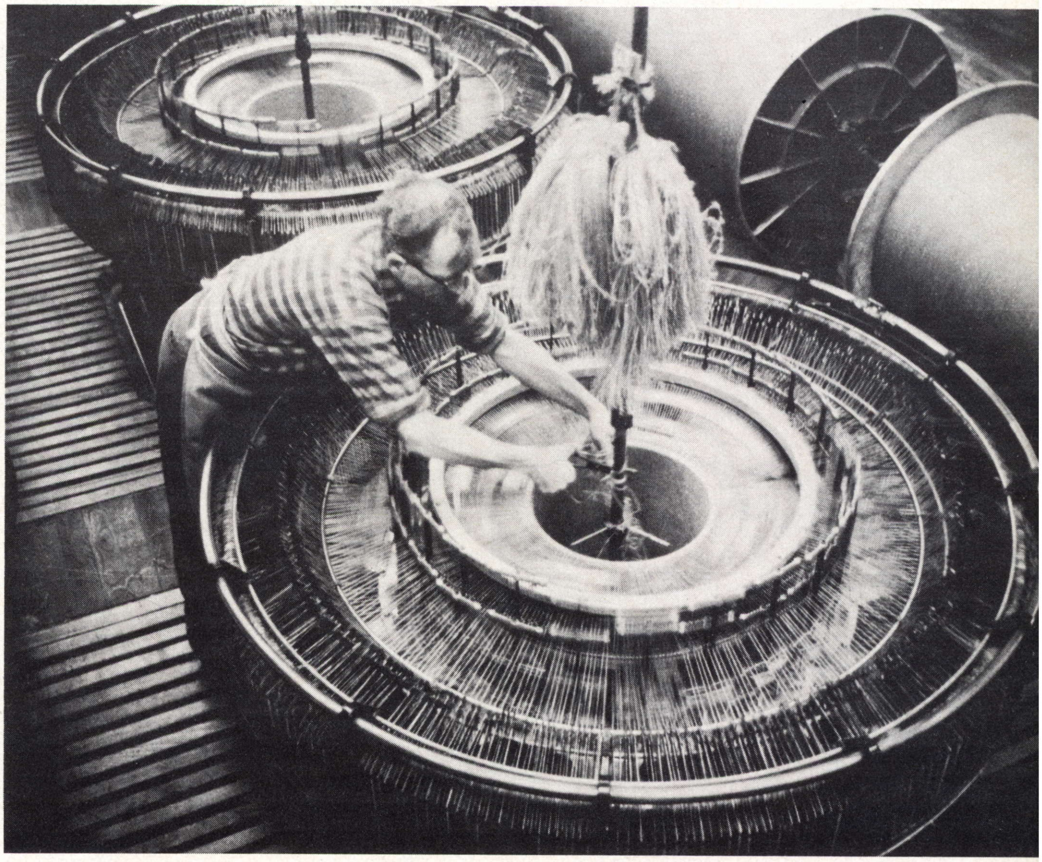
Despite U.S. complaints about a buy-domestic psychology in Japan, the United States has its own hidden trade barriers in the form of federal and state buy-American legislation that in government purchases gives strong preferences to domestic manufacturers. Beyond that, experts say, there must be countless times that politically sensitive Government officials steer away from controversy by buying from U.S. producers.

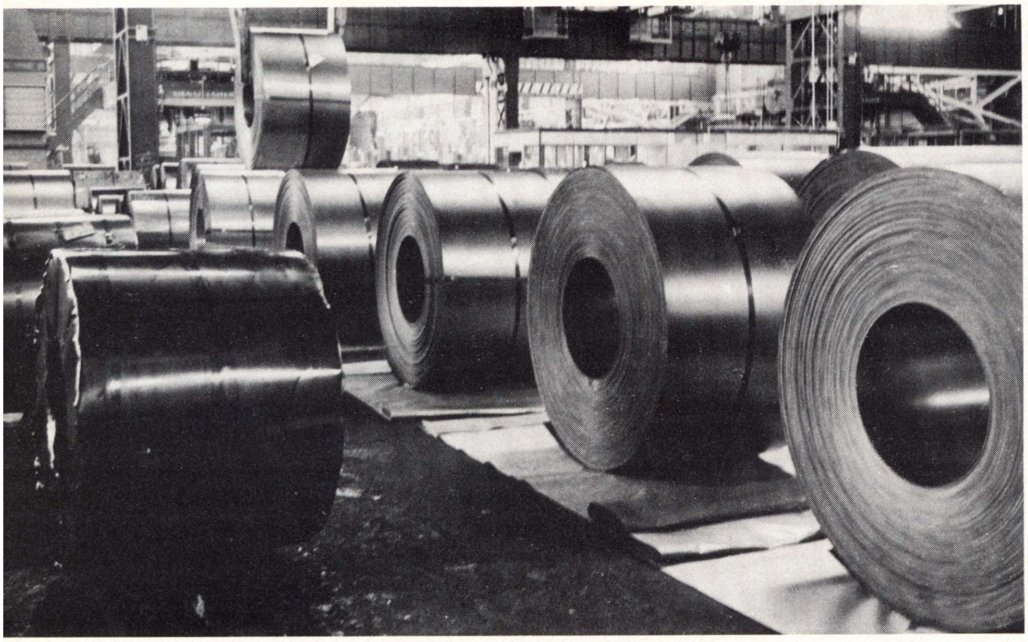
A survey last fall by the Japan Economic Institute, a Washington research organization financed by the Japanese Government, found that at least 36 states limit government purchases of foreign-made products through buy-American legislation, regulation or informal policies. Twenty four limit the use of foreign steel in highway and bridge construction and other public projects. Seven bar governments from purchasing foreign-made cars or trucks.

Over the Administration's objections, Congress last year also slipped a buy-American provision into the bill for increased gasoline taxes to finance road and bridge construction. The bill requires that American steel, cement and other manufactured products be used unless the construction projects would cost 25 percent more than with the use of imports.

Canadian cement producer John Fowler said the law will hurt, especially in upstate New York where Canadian firms regularly supply cement. "Where will it stop? Maybe

The United States protects its textile and apparel industry from imports through stiff quotas and tariffs.





Last fall, under the threat of new U.S. tariffs on steel imports, Europeans agreed to restrict sales to 5.12 percent of American consumption.

the states will jump on the bandwagon and do the same thing," the president of Lake Ontario Cement Ltd. in Toronto said.

The Europeans are particularly upset that Congress last year, in appropriating money for the Defense Department, inserted a buy-American provision for specialty metals when weapons are made in the United States. Olmer of the Commerce Department conceded that such buy-American provisions are "arguably a subsidy." He added, however, that "government procurement in foreign countries is, by and large, off-limits to U.S. suppliers. So whatever they get in this country, they ought to be damn glad they get."

The Europeans are occasionally accused of dumping products in the United States—exporting them for a price lower than long-run costs or the selling price at home. Europeans, however, have from time to time charged U.S. manufacturers with doing the same thing. Early this year, the E.C. imposed anti-dumping duties on exports of nitrogen-based fertilizers exported by three U.S. firms—Allied Corp., Transcontinental Fertilizer Co. and Kaiser Aluminum Domestic and International Sales Corp.

Moreover, the corporate umbrella under which most U.S. exports trade is conducted—the Domestic International Sales Corp.—is generally considered a subsidy and a violation of the General Agreement on Tariffs and Trade (GATT). By selling through that umbrella, U.S. firms can have taxes on income earned on exports deferred indefinitely. The United States is now looking for an alternative device that accomplishes the same purpose but "is not GATT-illegal," U.S. trade official Feketekuty said.

More significant are tough U.S. restraints on certain agricultural imports. Although the United States is generally considered remarkably open on agriculture, restrictions are tight in areas where the Government supports farm prices. Strict quotas in the United States have kept imports to less than 2 percent of U.S. dairy production. Last May, Reagan imposed import quotas on sugar for the first time since 1974. Together with existing duties and fees, the quotas subsidize the nation's 14,000 sugar producers and cost consumers an estimated $3 billion annually.

While U.S. politicans often imply that the nation's $43-billion trade deficit stems from other nations' unfair trade practices, one of the key reasons for the imbalance—automobile imports—is not the result of any kind of improper export device. Yet the United States was able to put pressure on Japan to limit auto shipments here to 1.68 million annually during the two years beginning April 1, 1981. Japan will decide before March 31 whether to extend the quota period. "Nobody ever said the Japanese were subsidizing automobiles," said Cline of the Institute for International Economics. "There are so many auto workers that the political process led to protection."

The Commerce Department's Olmer argues that such restraints are justified, if only because Japan once excluded U.S. automobiles while it developed its own industry. "The fact of the matter is that Japan would collapse if our markets were not open to it," Olmer said.

Stiff U.S. protection against apparel and textile imports is also based not on any allegation of subsidies or dumping by overseas producers, but on the fact that U.S. producers would be hurt by the competition. Quotas for imports from Hong Kong, Taiwan, and South Korea were set in the early 1960s—a political concession from President John F. Kennedy so that he could get approval for other tariff reductions.

The United States this month imposed quotas on textile and apparel imports from China when the two nations could not negotiate an agreement. China quickly retaliated by refusing to sign new contracts for U.S. cotton, soybeans and man-made fibers. More controversial was the agreement last fall to restrict European steel shipments to the United States. The U.S. International Trade Commission found that subsidies to the European steel industry were causing material injury to American producers. Under the threat of new tariffs on imports, the Europeans agreed to restrict sales to 5.12 percent of U.S. steel consumption. Europe had been supplying 6.3 percent.

U.S. Government officials argue that such quotas, by redressing the effect of foreign subsidies, do not constitute protectionism. The Europeans, however, contend that the International Trade Commission is excessively liberal in interpreting what is "material injury" to domestic producers.

Are U.S. steel producers hurt because of European subsidies or because of high U.S. wage rates and other factors? France, for example, argues that its steel shipments to the United States constitute only 1 percent of the U.S. market. "How could 1 percent affect the whole market?" asked Pierre Colmant, Minister of Commercial Affairs at the French Embassy in Washington. "We believe the interpretation by the U.S. Government is really pretty loose."

Yet some American observers argue that the United States is not vigilant enough in implementing its trade laws. One U.S. law—Section 201 of the 1974 Trade Act, known as the escape clause—allows the President to impose import restraints if the International Trade Commission simply finds "injury" from imports.

Washington-based trade consultant Stanley Nehmer recently argued that the President rarely takes action. He noted that, out of 45 cases completed since 1974, the trade commission found injury from imports in 26 cases. Only in nine of them has the President seen fit to provide import relief, Nehmer said.

"This is not the record of a protectionist trade policy," Nehmer said last summer. "It is a record of a trade policy that is inconsistent with the spirit if not the letter of the trade statues as Congress passed them, and certainly inconsistent with the promises made to Congress, industry and labor." €

Martin Baron reports for The Los Angeles Times. *This article is reprinted from that newspaper.*

US-EC update

RECENT DEVELOPMENTS IN TRANS-ATLANTIC RELATIONS

Washington has a full agenda of European issues as it prepares for the next summit meeting of Western leaders to be held in Williamsburg, Virginia, this May. With this issue, we begin a regular column updating developments in various aspects of U.S.-E.C. relations.

The Congress

Congressional participation in trans-Atlantic activities is on the increase. Indeed, some of the most original thinking going on in Washington is coming from Capitol Hill. Consider a new study by Library of Congress analyst, Stanley R. Sloane. Aptly titled, "A Uniting Europe and U.S. Interests," the work was commissioned by Senator Charles McC. Mathias (R-Maryland). The study reflects some of the most influential Congressional thinking on American-European relations. And some of it is provocative. On the sensitive issue of defense, for instance, Sloane suggests that increased political cooperation among Community countries might "strengthen . . . Western political cohesion" and encourage a larger European responsibility "for its own defense." The study is scheduled for release this spring.

Congressional participation in U.S.-European affairs is also reflected in the growing popularity of inter-parliamentary forums such as the North Atlantic Assembly and the regular meetings between delegations from the U.S. Congress and the European Parliament. More intimate communications forums also have been established. Noteworthy is the "Congress-European Parliament Project." It's the brainchild of Clifford Hackett, longtime Hill staffer, and J. Robert Schaetzel, former U.S. Ambassador to the European Community. Created in 1981, the project is supported by grants from several foundations, including the German Marshall Fund and Ford.

Unlike larger gatherings, the "Congress-European Parliament Project" is designed to facilitate exchanges of opinion between small groups of European and American legislative leaders. The last meeting took place in Brussels this past January where the American delegation led by Sen. Mathias met with the heads of the Socialist, Christian Democratic, and Communist groups in the European Parliament.

Spot checks with the Senate Foreign Relations European Affairs Subcommittee and the House Foreign Affairs Subcommittee on Europe and the Middle East suggest a full schedule of hearings this spring. The list includes: allied cooperation in East-West trade, foreign assistance for Greece and Turkey, U.S.-Soviet negotiations on the reduction of intermediate range missiles in Europe, and U.S.-European trade tensions.

Pending Legislation

Two major legislative matters will dominate Washington's European agenda over the coming months: agricultural trade and renewal of the Export Administration Act of 1979.

Growing Congressional dissatisfaction with the European Community's alleged unfair export trade practices in agriculture is crystallizing around efforts by North Carolina Senator Jesse Helms to initiate appropriate legislation. Helms, the chairman of the Senate Agricultural Committee, and his colleagues are mulling over 12 separate bills. According to committee staff director, George Dunlop, they are designed to "demonstrate conclusively and decisively that Congress will do whatever is necessary to ensure equity in America's trade relations."

Topping the list is Helm's own bill, the "Agricultural Export Equity Act of 1983" (S. 251). It would require sales of surplus U.S. dairy products at competitive prices. The practical effect is to ensure that American products are sold at prices below those charged by European competitors. S. 251 also requires the Secretary of Agriculture to report on countries who subsidize their agricultural exports. Staff director Dunlop refers to this anticipated exercise as an effort to compile a "sinners list." The list in turn could be used by the U.S. Government to take retaliatory action against the offender. "We've received overwhelming support for these actions back home," maintains Dunlop. The committee is expected to report out an appropriate bill by March 15.

The Export Administration Act regulates U.S. shipments of goods and technology to Governments deemed hostile to the United States. Its main focus is to monitor exports to Eastern Europe and the Soviet Union. Last June, Reagan used his authority under the act to unilaterally embargo sales of equipment by European licensees and subsidiaries of American companies for the 3,600 mile Soviet gas pipeline. The President subsequently called off the embargo, but undercurrents of tension in trans-Atlantic relations remain.

Opinions in Washington are divided over whether—and if so, how—the Export Administration Act should be revised. The Commerce Department, which exercises lead responsibility for overseeing strategic exports, has yet to adopt an "official position." Unofficially, however, a major internal struggle appears to be shaping up between two groups in the department: the "Fortune 500" faction, led by Assistant Commerce Secretary Lionel H. Olmer, and the "National Review" opposition, led by Lawrence A. Brady, Deputy Assistant Secretary For Trade Administration. Olmer was, at best, a lukewarm supporter of the U.S. pipeline embargo last year. He now reportedly supports a more relaxed posture on U.S. high technology exports to Soviet bloc countries.

His position has received powerful backing by an emerging coalition of Washington-based corporations and trade associations—including the National Association of Manufacturers. Brady, however, has an influential ally in Richard N. Perle, Assistant Secretary of Defense for International Security Policy. Both Brady and Perle maintain that existing export controls must be substantially tightened. The first hearing on renewal of the Export Administration Act took place before the Senate Banking Committee in February. More are expected to be held over the coming months. The act must be renewed by September 30 when it expires.

JOHN STARRELS

trust busting

US could learn something from EC approach.

JONATHAN TODD

The European Community's antitrust policy has been subject to much criticism, especially from the United States, partly because of the heavy fines imposed under it. On the other hand, several recent developments have shown that these criticisms may be unjustified and that the United States, in fact, could learn from certain aspects of the E.C. antitrust policy. For example, the E.C. approach tends to be more flexible than that followed in the United States, and is more related to actual distortions to trade or competition than to prohibition per se, with each individual case judged on its own merits.

A recent example of this flexible approach involved National Panasonic U.K. Ltd., a subsidiary of the Japanese company Matsushita. The company's fine was lowered by the E.C. Commission because, after the infringement had taken place, it had introduced an E.C. antitrust compliance program. American companies operating in the E.C. perhaps should consider seriously following Matsushita's example by introducing similar programs.

When the E.C. was established in the late 1950s, its founders were keen to ensure that the tariff barriers abolished within the Community would not be replaced by market-sharing agreements and export bans by private companies. They were also aware of the need to prevent monopolies being established to exploit the newly created E.C. market unfairly. As a result, an antitrust policy was created at the Community level, with the E.C.Commission responsible for its implementation.

The E.C.'s basic antitrust rules are laid down by the Treaty of Rome. Cartels are dealt with by Article 85 of the treaty, which forbids "all agreements between undertakings, decision by association of undertakings, and concerted practices which may affect trade between [E.C.] member states and which have as their object or effect the prevention, restriction, or distortion of competition within the Common Market." Exemptions are allowed under certain conditions for small-scale cooperation agreements between small companies with combined turnover and market shares below a certain threshold, for exclusive distribution and purchasing agreements, for subcontracting agreements, for information exchanges between companies, for joint studies, and for joint use of equipment. Coordination of reductions of capacity may be permitted in industries where there is a long-term fall in demand for a product.

The abuse of monopoly power is forbidden by Article 86 of the treaty, which states that "any abuse by one or more undertakings of a dominant position within the Common Market or in a substantial part of it shall be prohibited as incompatible with the Common Market in so far as it may affect trade between member states." Article 86 may also be applied to mergers.

The proposed regulation on the control of mergers by the Commission has yet to be adopted by the E.C.'s Council of Ministers. The 1973 ruling of the E.C. Court of Justice in a case involving the U.S. company Continental Can established that certain mergers constituted an abuse of a dominant market position, if the merger were aimed at increasing the company's dominance. An investigation into the holdings acquired by Philip Morris in Rothman's International in the United Kingdom is currently under investigation by the Commission.

Unlike U.S. antitrust legislation, E.C. rules do not impose prohibitions as such on horizontal activities by companies. Instead, the Commission adopts a more flexible approach, and where there are economic or other justifications for what might outwardly appear to be anticompetitive activities, it will raise no objections. A recent example was the authorization of a joint venture for manufacturing and distributing radioactive material and products in the Federal Republic of Germany between two competing companies.

Amersham Buchler GmbH and Co. Kg. was a joint-venture company set up by Amersham International Ltd. of the United Kingdom and the German company Buchler GmbH. Previously, Buchler had acted as sole distributor of Amersham's products in the Federal Republic and when the joint venture was established, Buchler transferred its radioactive product business to the joint venture. However, in the Commission's view, the joint venture was likely to enable Amersham to produce and market a much greater variety of products in the Federal Republic than before. Furthermore, it would create the basis for creating a nuclear-waste disposal service, which is vital to the marketing of radioactive products. The Commission decided that the joint venture would therefore benefit consumers by the increase in competition resulting from Amersham's improved market penetration.

The accusation is sometimes made that the Commission imposes excessively large fines on companies for antitrust infringements. In fact, the fines imposed by the Commission are not penal fines. The Commission does not apply the principle of treble damages, unlike U.S. antitrust authorities. Instead, the Commission claims that its fines policy is based on judgment and balance, rather than on calculation. In practice, E.C. fines

in EUROPE

tend to be set at between 1 percent and 10 percent of the turnover of the product in question on the particular market where the infringement took place, the exact amount being determined by the duration and gravity of the infringement, and the intent, the respective participation, and the financial standing of the companies involved.

In certain cases, the fines imposed may seem harsh in comparison with the United States because of the difference in priorities between E.C. and U.S. antitrust rules. The Commission tends to take a very hard line on attempts to divide the Common Market by means of export bans, whereas the U.S. authorities tend to be more concerned with economic policy considerations. In fact, the highest fine ever imposed by the Commission (around $6.5 million) was on four companies involved in restricting imports into France of hi-fi equipment manufactured by the Pioneer Corporation of Tokyo. The imminent ruling of the E.C. Court of Justice on the appeal against this fine will be important in deciding whether the Commission's strict approach in this area is justified.

Far from aiming to impose the largest fines possible, the Commission is above all concerned with the removal of illegal practice. In fact, a great many of the competition cases in which the Commission is involved are solved without any fine being imposed, by the company concerned amending its trading practices to the Commission's satisfaction. A good illustration of this pragmatic approach was the recent Matsushita case.

In 1976 and 1978, National Panasonic U.K., a subsidiary of Matsushita, prohibited one of its distributors from reexporting Masushita products from the United Kingdom to other member states. At that time, Matsushita products were considerably cheaper in the United Kingdom than elsewhere in the E.C. The Commission regarded this as an attempt by the company to allow its distributors in other member states higher profit margins and as a serious infringement. However, since mid-1981, Matsushita has implemented a program to ensure that the distribution of its products within the E.C. was in strict conformity with E.C. competition rules. When setting the level of the fine, the Commission took into account as a mitigating factor the existence of this compliance program. Otherwise, the $430,000 fine would have been considerably higher. €

Jonathan Todd is the editor of Multinational Service *in Brussels.*

The ECU: a new, international currency?

JOLY DIXON

The long-term objective of the European Monetary System (EMS), is monetary integration and the establishment of a strong and stable monetary identity for Europe, perhaps eventually including a common currency. Progress has been slow, however, and continues to be so, but one instrument of the EMS, the European Currency Unit (ECU), is enjoying a certain success.

In the three years that it has been in existence, the EMS has achieved a remarkable degree of exchange rate stability between the participating currencies, but its success in leading to price stability has been much more limited. The new EMS must not be confused with the projected economic and monetary union, let alone with a common currency. Its immediate limited objective is to create a zone of monetary stability in Europe by closer monetary policy cooperation. It will initially be used as an instrument for combating excessive fluctuations in exchange rates and hence for reducing a factor of uncertainty in trade and payments between E.C. member states. In addition, through a more stable exchange-rate policy, it will endeavor to create room for an economic policy geared to achieving a greater measure of internal and external stability.

The system combines well-tried practices from the currency snake and a new ECU-based procedure for keeping currencies more closely in line than previously and for preventing them from drifting apart. The ECU, which lies at the centre of the European Monetary System, is used as the denominator—or *numéraire*—for the exchange-rate mechanism, as the basis of the divergence indicator, and as the denominator for operations under the intervention and credit mechanisms. It is thus the new European unit of account, which is not yet a generally accepted means of payment, but is intended to be used increasingly as such, initially between member states' central banks and subsequently, perhaps, in connection, with international capital movements.

The ECU is a basket of nine member states' currencies. The intention is that the Greek drachma should be included in the ECU basket within five years of Greece's accession to the Community, i.e. before January 1, 1986. The amount of each currency in the basket corresponds to the economic importance of the country in question. In this way, the weight of each currency influences the value of the ECU basket, which is calculated each day by the Commission on the basis of quotations on the relevant national foreign exchange markets.

All the E.C. central banks hold 20 percent of their gold and dollar reserves in the form of ECUs and there has been considerable use of ECUs for settlements between the central banks. ECUs are created through a system of three-month renewable swaps, and at the start of the system about ECU 25 billion were created. With the rise in the price of gold, this amount rose to a peak of nearly ECU 50 billion in early 1981. Subsequently the number has declined to around ECU 42 billion. The Community central banks may use these ECUs for settlements in the same way as they use any other reserve asset.

The official ECU can only be held and used by the central banks of the Community. Private markets are, however, showing an increasing interest in using the basket definition of the ECU for a wide variety of financial transactions. The official and the private ECU are two distinct instruments, but they each gain from the other's presence. Although the ad hoc construction of any basket of currencies is always possible, official backing for the definition and the calculation method for the equivalent in national currencies has proved to be an essential ingredient in developing markets in such instruments.

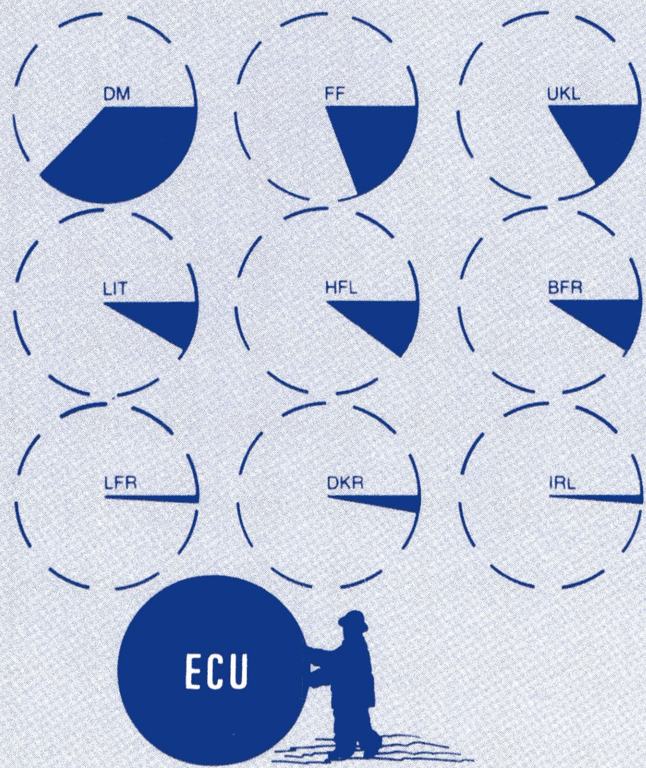
Defining the ECU as a basket of Community currencies has attractions for both borrowers and lenders, mainly associated with the fact that, compared with any individual currency, it offers a greater degree of stability. The table below shows the composition of the ECU, and the percentage shares of each currency in March 1979 at the start of the EMS and in February 1983. The currency amounts in the definition have so far remained fixed. They are reviewed from time to time and will be changed at the latest by December 31, 1985, when the Greek drachma will be included in the basket. Any changes are made in such a way as to ensure that the exterior value of the ECU is not affected by the change itself. With fixed amounts and varying exchange rates resulting in a fluctuating equivalent of the ECU in any currency, the percentage share of each of the currencies varies over time. A currency which increases its value relative to the others accounts for a growing percentage of the basket and vice versa for a currency losing value.

The advantages of the ECU over any individual national currency stem from the fact that, being a weighted average of a number of currencies, the variation of the value of the ECU in terms of any currency in the basket is likely to be less than that currency's variation relative to any of the other currencies. The exchange risk associated with the ECU is therefore less than that of any individual currency, which can be an important factor despite the development by financial institutions of many ways of protecting operators from currency instability. Indeed, forward markets and other hedging possibilities are not readily available to the smaller, less sophisticated, or long-term operator—as the simple examples of a British resident with a second home in France pur-

Composition and Percentage Shares in the ECU

Currency	*Fixed amount*	*% Share* March 1979	*% Share* February 1983
German mark	0.828	33.0	36.0
French franc	1.15	19.7	17.7
Pound sterling	0.0885	13.6	14.5
Dutch guilder	0.286	10.5	11.3
Belgian franc	3.66	9.3	8.1
Luxembourg franc	0.14	0.3	0.3
Danish krone	0.217	3.0	2.7
Irish punt	0.00759	1.1	1.1
Italian lira	109.	9.5	8.3

WHAT IS THE ECU?



The ECU is composed of the following amounts of national currencies:

0.828	German mark (DM)	3.66	Belgian francs (BFR)
1.15	French francs (FF)	0.140	Luxembourg franc (LFR)
0.0885	pound sterling (UKL)	0.217	Danish krone (DKR)
109	Italian lire (LIT)	0.00759	Irish pound (IRL)
0.286	Dutch guilder (HFL)		

chased with a medium-term loan, or an individual planning to retire in a different country, demonstrate. ECU-denominated instruments can provide diversified asset.

As well as providing currency diversification the ECU provides a good store of value. Its overall loss of purchasing power over time is linked to the inflation rates in the Community. As a weighted average of Community currencies there will be more loss of purchasing power than in the most stable country, but less than in the least. The aims of the EMS are also important in this respect. As it succeeds in achieving monetary stability in Europe, the strength of the ECU will improve.

As it is always possible to split it into its component parts, each of which is a national currency, all the usual financial operations can be carried out in ECUs in exactly the same way as for any single currency. It might be thought that this would put the ECU at a disadvantage because of the higher transaction costs involved for the financial intermediary with the multiplicity of the number of transactions. In practice, it has been found that these costs tend to be small, especially as familiarity with the necessary operations increases and as the number of transactions rises. As the ECU market develops, it will be increasingly possible to avoid having to deal in each of the component currencies to provide cover. If, for example, a financial institution can match an ECU borrower with a lender, the cover is automatic.

There has recently been a substantial increase in the use of the ECU by financial institutions. For a number of years, a Belgian commercial bank has accepted term deposits in ECUs, but until recently these deposits were obtained mainly from the international wholesale market, where amounts are in millions rather than thousands. In early 1982, the bank concerned decided to enter the domestic retail market and put ECUs on the same footing as any foreign currency. In most E.C. member states, it is also possible to have a current bank account in ECUs. These accounts, like any foreign currency accounts, are subject to domestic exchange control legislation, and so are not available to residents in some countries. The Community institutions and especially the Commission, which has both receipts and payments to make in ECU, have a number of such accounts, which are used extensively.

In 1981 there were six ECU bond issues totaling nearly ECU 250 million, with yields to maturity between 12.96 and 14.57 percent. During 1982 the market took off. Total ECU issues amounted to nearly ECU 2.5 billion, making the ECU the fourth most used currency. The issues included borrowing by the Governments or state-owned industries of three E.C. member states—Italy, France, and Ireland—and by a number of E.C. institutions, notably the European Investment Bank. There have also been two ECU issues in the North American market. The short-term market has also been covered. In February 1981, a U.K. clearing bank issued one-month certificates of deposits (CD) for an amount of ECU 10 million. Several CDs have been issued during the last year, and the minimum amount required per certificate has been reduced to meet the needs of an expanding market.

The banks most active in the development of ECU transactions are actively examining setting up an ECU clearing system which would considerably help the development of ECU transactions. Only net balances would have to be covered or split into the component currencies. The idea is to balance ECU transactions and then settle the net amounts through ECU accounts held by the participating banks with a central bank. The banks concerned have contacted the Bank for International Settlements (BIS) in Basel and it is very likely that the BIS will agree to act as the central bank to the system.

Other financial institutions are also becoming involved in ECU transactions. Some of the main Italian insurance companies have launched ECU-denominated life policies. A number of multinational companies express internal prices and conduct their accounting in ECUs. The Faellesbanken, the central bank of the Danish savings banks, has, since 1979, offered ECU denominated loans to its customers. These activities are being facililitated in a number of countries by official actions recognizing the ECU as having the same status as a foreign currency. In Italy, for example, its conversion rate in lire is quoted at the exchange rate fixing session. Rates are also published daily in the Official Journal of the Commission and in a number of financial newspapers.

These developments of ECU use provide interesting new opportunities and challenges. The size of the market is still small, but its growth rate has been impressive and can be expected to remain so with the consolidation of the EMS. The creation of a European Monetary Fund, which could be a sort of supranational central bank with the ECU as its currency, has been delayed, and the EMS itself may well face more difficulties until there is greater convergence of the economies of E.C. member states. In the long run, however, the pressure to create a stable monetary identity in Europe will remain. €

Joly Dixon is responsible for financial affairs at the E.C. Commission's Delegation in Washington.

discover AMERICA

How US states attract investment from Europe.

H. PETER DREYER

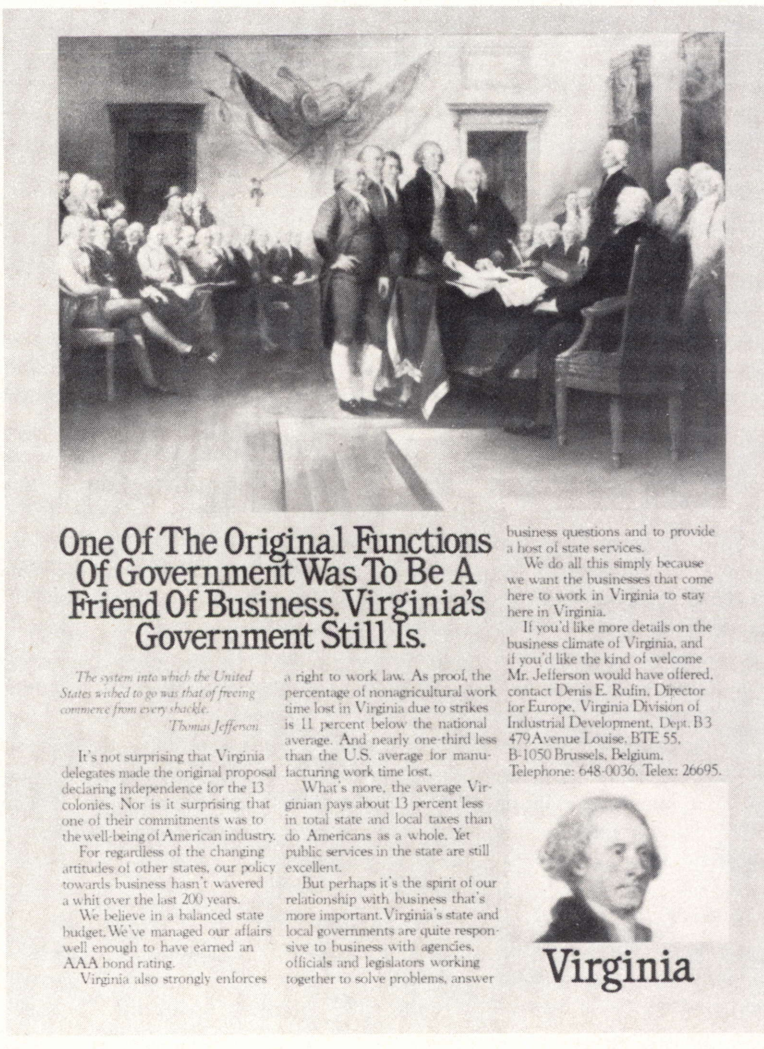
"A subsidiary of the (German) Kloeckner-Werke, nestled in the hills of Louisa, just south of Gordonsville, Virginia, is in the midst of a $15 million expansion that will allow it to double its production of rigid-PVC plastic film and sheets. Kloeckner-Pentaplast of America Inc., which opened its first production line in September 1979, has set its sights on becoming the largest manufacturer of polyvinyl chloride film and sheets in North America."

Thus began a press release, issued earlier this year, from the Brussels-based European office of the state of Virginia. If the announcement did not exactly cause turmoil on the economic news scene, it was because the transaction it described has become a commonplace in the past 12 to 15 years. It has hundreds of precedents, and in their great majority these are the results of the efforts undertaken by the offices which so many American states now operate in Western Europe.

It was not always so. Beginning in the 1950s, and at a sharply accelerated pace throughout the 1960s, it was U.S. companies which came to Western Europe in large numbers, either buying into existing European corporations or creating their own new production facilities. They had sound reasons for doing so. European wages were low in comparison to those in the United States; European countries, enjoying a boom never before experienced, offered huge sales opportunities at a time when the U.S. home market was largely saturated; and American firms often possessed extensive capital resources, which were further boosted by a considerably overvalued exchange rate for the dollar. And, while this U.S. "invasion" was frequently resented and criticized by Europeans, there were very few European Governments which did not, in fierce competition with one another, try to attract American investments by offering a large variety of inducements and incentives.

Toward the end of the 1960s, however, the scenario changed quickly and drastically as what might be termed the "investment fundamentals" evolved. Faced with a rapidly growing payments deficit, Washington began to worry about the outflow of funds caused by U.S. corporate investments. Meanwhile, the sky was no longer the limit in the European markets and the differential between U.S. and European wage costs narrowed. In some countries the discrepancy was actually reversed due to the far higher social charges customary in Europe. Last, but far from least, comparative cost structures underwent a massive shift as, starting in 1971, the dollar was "dethroned" and suffered consecutive formal and de facto devaluations practically throughout the past decade.

All these factors—adding up, in effect, to a totally new ballgame, provided the background for a novel investment slant which only a few years earlier would have been unthinkable and, a few exceptional situations aside, would have made no economic sense. Europeans began discovering the U.S. market— which, with the dollar now lower, they could afford to enter—where wage rates might be below those they knew at home and where there was a degree of political and so-



States such as Virginia run vigorous advertising campaigns to attract foreign investment.
Courtesy of the State of Virginia

cial stability conceivably superior to that in their own countries. Added to all this was the conviction that, if they wanted to sell their wares in the huge U.S. market, it was far better to produce them there also.

Yet "reverse investment," as it came to be called, appealed to Americans also. They saw it as a means of bolstering economic activity in their country, of getting more mileage out of existing facilities, and of reducing the frightening payments deficit. And while such efforts certainly enjoyed the blessing of the U.S. Government—during several years in the early 1970s Washington even added one reverse investment counselor in its Brussels and Paris embassies who were jointly responsible for all of Western Europe—it was always clear that the practical work could be handled only by the individual states. Federal authorities advising a would-be investor to go to Indiana rather than Massachusetts would be sure to cause trouble.

Already in the mid-1960s the state of New York had set up an office in Brussels, mainly to promote exports to Europe of goods made in New York. Virginia, however, was the first state to arrive on the scene—again in the Belgian capital—with an organization oriented primarily toward selling the Old Dominion state to European would-be investors. It did so in 1968, and in the following years a veritable migration of other states to Europe took place. It was not unusual for a state's Governor to travel to Europe for the formal opening of the office and combine this with a goodwill tour through several E.C. and other countries.

As of the latest count no fewer than 30 states (plus the Commonwealth of Puerto Rico) now are represented in Europe. To these must be added the offices which nearly all major U.S. ports maintain in Europe, in some instances under the same roof as their state's representation. Brussels, no doubt because it is also the E.C. headquarters, always has been, and still is, host to more U.S. states than any other West European city. And it is to Brussels that nearly all major industrial states have gone. A minority has preferred the Federal Republic of Germany; a scattering of state offices, moreover, is found in Switzerland, France, the United Kingdom, and Denmark. The rule, in any event, is that each state office "takes care" of all of Western Europe.

Which states have stayed away? Mostly they are those from the West Coast and the Rocky Mountain region, even if there exists an "Old West Regional Commission" combining the efforts of Montana, Nebraska, Wyoming, and the two Dakotas. This vast area as a whole is apparently not particularly interested in attracting European investors, and they, in turn, are not usually attracted to locations which are fairly distant from the principal U.S. market conglomerations.

The potential investor, of course, will look at many other factors as well, such as the availability of labor, especially skilled labor, and the degree to which it is unionized. He will also have to choose between the widely varying incentives held out to him—usually a mix of tax privileges, credits at low interest rates, and the sale or rental of suitable building sites on preferential terms. In addition, the investor normally will benefit from the state's business advisory and related services; in turn, as the state offices in Brussels all claim, they will actually dissuade from entering the United States any investor whose products in their opinion would not stand a chance. Such counsel probably was more important in the early years, as the considerable European ignorance about the U.S. market has gradually given way to a greater extent of sophistication.

Just which of the many state offices has performed best through the years is impossible to ascertain, as their base conditions differ and their results are not usually made public. But Denis Rufin, who has run the Virginia office since its inception and can rightly claim that it is one of the leading states—together, presumably, with Illinois, Michigan and Ohio, all operating out of Brussels—presents an impressive record which would assuredly be among the best.

"So far," he says, "we have brought 237 foreign firms to Virginia. They created 30,000 new jobs and their aggregate investment was about $1 billion."

What European industries have seen fit to come to the United States? What has happened to European investments in the more recent years when the "fundamentals" underwent still another, though perhaps less drastic change, and the recession came to be felt strongly on both shores of the Atlantic? To neither question can there be a comprehensive and conclusive answer.

It is true, of course, that it is high technology rather than "smoke-stack" industries from Europe which have chosen to come. All the same, the range of the products they wished to introduce to the U.S. market has been a very large one, and they may have been innovative ones or products which the European company assumed it could manufacture in the United States at competitive prices. Also, the investment decision may have had various motivations, such as a desire simply to add another leg to the existing domestic production base, or to be close to the actual or potential U.S. customers (notably for products requiring after-sale servicing), or to have an American foothold for easier access to Latin American markets, to name only some considerations.

Secondly, the stagnation of industrial investments felt everywhere in the West due to the current recession has also affected the flow of European investments to the United States, officials from all the various state bureaus in Europe concur. And they also agree that the financial and other rewards of such investments may have peaked in 1979 and become distinctly less evident since. Since then, after all, the dollar has become much more "expensive," U.S. inflation rates have topped those of many European nations, and wage-cost structures are no longer as favorable by comparison as they had been for several years, for all that social and other fringe benefits have stayed much higher on the whole in Europe.

Spartanburg, North Carolina, is headquarters to over 50 foreign companies, including this Swiss engineering plant. Courtesy of Sulzer Bros., Inc.

Nevertheless, while European investments in the United States have slowed these past few years, they have definitely not ground to a halt, as already indicated. Talks with the European representatives of several states show that they confidently expect investment to pick up again once the recession gives way to a definite recovery. Nor are the fundamental aspects viewed as an insuperable hurdle. The implementation of investment decisions often takes a couple of years; investors might reasonably speculate that by then the dollar may have weakened once more.

Be that as it may, the principal state representations apparently have no plans for curbing their activities in present circumstances; often the opposite may actually be the case. It could be significant that this year—and this for the first time—five big Ohio cities will participate in the Hanover Fair this spring, adding to the efforts of their state's office. €

H. Peter Dreyer writes from Brussels for The Journal of Commerce.

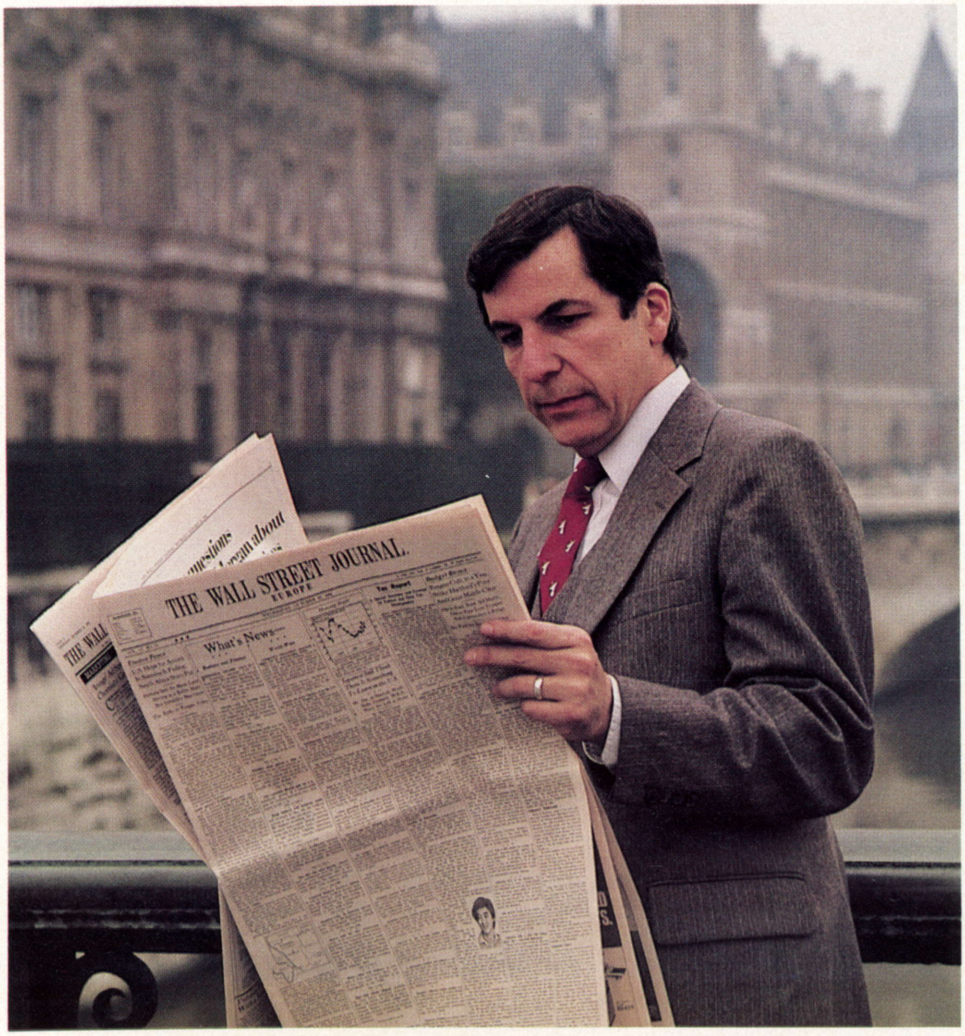
EUROPE'S BUSINESS PRESS

The Wall Street Journal challenges other English-language dailies.

JASPER BECKER

"Why is the financial director of a Greek shipping company phoning Hamburg about today's edition of an English language newspaper"? queries an advertisement appearing around Europe. It is for the *Financial Times*, but since January 31, it might equally have been referring to *The Wall Street Journal/Europe* (WSJE). Now found in newsstands in all commercial centers, it's appearance—severe and austere, evoking a mental image of a bespectacled, conservative gentleman—has bred speculation that a hot circulation war is in the making. Will Europe's businessman be entertained by the same sort of cut-throat rivalry that has spawned Bingo quizzes and page-3 pin-ups among British tabloids?

It is hard to imagine that sort of fight going on, given the nature of the combatants, but the market for the English-speaking reader in Europe is certainly getting more and more crowded and tough each year. The choice is wide, especially for the businessman. Not only is there a full complement of worthy national newspapers, like the *Frankfurter Allgemeine Zeitung* in the Federal Republic of Germany or the *Il Sole* in Italy, but there already exists a paper for the American expatriate, the *International Herald Tribune* (IHT). For the past 97 years it has been offering a non-national view of world affairs and now boasts a circulation of 140,000 in 164 countries. But the WSJE's most serious rival in Europe must be the international edition of the United Kingdom's leading financial newspaper—unmistakable with its imperial pink newsprint—the *Financial Times* (FT), which since 1979 has been producing "Europe's business newspaper" from Frankfurt.



Tailored to the needs of the international executive in Europe, The Wall Street Journal/Europe appears every business day. Courtesy of Dow Jones & Co., Inc.

On the magazine front, the competition is no less fierce, and the number of readers prepared to go beyond their national news magazines is even greater. *Time* has a circulation of 400,000 in Europe, *The Economist* 60,000, and the European editions of *Newsweek*, *Business Week*, *Fortune*, and others no less.

It is a phenomenon that was inconceivable before the last war and it reflects, much to the annoyance of the French, the preeminence of the English language and the growth of international trade. All these publications are chasing the same reader, the top-earning, high spending, international businessman, the prime target for luxury goods, travel, commercial, and financial advertising. Political influence, on the other hand, is rarely their objective, whatever their cultural influence may be.

The more purely business oriented newspapers are all based on an assertion made in the introduction to the first edition of the WSJE—"Business is international." It must therefore follow that business news is an internationally tradeable commodity. What the Greek financial director must know is much the same as his client in Hamburg will be interested in. And beyond that, the chairman of Sony in Tokyo will need to read the same news as the president of General Motors in Chicago. In other words, neither language nor culture need be an obstacle if you are selling international news. It also creates a situation where the three international newspapers are now competing with each other as to which can claim to be the most international of them all.

It is all the more revealing therefore, to be able to observe how the WSJE concept of international news differs from that of the FT. American business journalism is challenging British. On the face of it the two papers have every reason to be interchangeable. Both started at much the same time as daily news sheets for the London and New York stock exchanges. They both progressed from mere fact sheets on stock and commodity prices to writing company news and eventually achieved status as national newspapers.

Achieving that status was all the more remarkable for *The Wall Street Journal* (WSJ), since it alone has that distinction in the United States. With a much smaller market to grow in and dogged by industrial problems, it was more likely for the FT, with a U.K. circulation of 200,000, to be the first to move into Europe. Managing director Richard McClean claims, though, that the paper's progress abroad has been fortuitous. Its success in British terms is no less remarkable than the WSJ's since it is the only newspaper on Fleet Street to be making profits. None the less, it was the flagship of the Dow Jones empire which took the plunge first when it launched its Asian edition in September 1976. The FT only went European in 1979, followed shortly by the IHT in Asia.

Each of the three has the makings of something called a global newspaper in it and a three-cornered fight around the globe is on the cards, thanks largely to the opportunities opened up by satellite communications. For the moment, though, the WSJ is making the most of the new technologies' possibilities, while the FT is only now trying to tackle the U.S. market. It's present circulation in the United States is only 5,000, but it recently signed up to provide news for a two-hour cable television program called "business times." And the FT has signed a syndication deal with the *Houston Chronicle*, to be followed by others, introducing business news inserts in leading U.S. and Canadian newspapers.

The editors of both the WSJE and the FT are adamant that there is no rivalry. "We don't see ourselves in direct competition. There is room for the WSJE and we welcome it," says McClean confidently. "I think the FT has overreacted. Sure, there will be some overlap, but this is more likely to be with the IHT, which might lose some of its European circulation of nearly 80,000," says Norman Pearlstine, the publisher of the WSJE.

With so many of its readers being Americans, the IHT is indeed likely to be hard hit, since those anxious to obtain a wider business coverage will be tempted to change. Highly regarded in Europe as the best all around international paper, it suffers from the small size of its staff, leaving it heavily reliant on news agency reports and on *The Washington Post* and *The New York Times* for editorials. And it definitely lacks the in-depth analysis of business affairs to compete directly with the WSJE.

Even so, the FT is taking no chances. The paper has made some changes, although Terry Damer, the marketing director of the international edition, claims that they were in the pipeline anyway. A third section of the paper, dubbed "International Market," now includes in full the New York and American stock exchanges and a noticeable smartening-up of both European and non-European news has also been evident. Added to this are more features, such as a series on ITT and ATT, and the introduction of a non-financial story on the front page. But Pearlstine is happy that his WSJE will reach the right readership. "We have a better coverage of the United States and Asia and we offer a truly international and neutral view of the world, a notion which might be hard for Europeans to accept."

The FT, he thinks, is more British than European, which is true in so far as there is plenty of British coverage for the 20 percent of its readers who are British. And there is also room for allegations that the WSJE is a paper written for Americans by Americans. Pearlstine defends himself by pointing out the number of non-American correspondents hired.

Actually, this question may be irrelevant for many readers who, irrespective of their nationality, want an American slant on important trade or defense issues. What will certainly grow less important with time, though, is the supply of financial data, as desk-top data communications spreads. What counts then is clearly the analysis, interpretation, and presentation of news and a certain entertainment value. Indeed, much important business information is too dull to get into newspapers. This is a gap well filled by publications like *Business Europe*.

As far as presentation goes, Europeans might well find themselves irritated by the few concessions made to European tastes, but then the WSJ's style has been no obstacle to success in the United States. The European edition exactly follows the Asian and American editions. By contrast, the FT claims to be better laid out, with many more divisions so that the reader can easily find what interests him. It also includes many areas not covered in the WSJE such as a marketing page, a technology section, and so on. The FT now runs to around 36 pages plus frequent supplements and a Saturday edition, while the WSJE so far has managed an average of 18 pages. This is partly explained, however, by a lower amount of advertising.

It will clearly take time for the WSJE to find the right editorial mix, as it has the FT, which today still only has a circulation in Europe of 65,000. The WSJE hopes to reach a 12,000 circulation figure within the first month or two and move up to 25,000 in the next 5 or 6 years. "But, let's face it, when you think that the WSJE's U.S. circulation is 2 million, a few thousand here of there makes little difference. What matters to us is who our readers are, not how many," says Pearlstine. At 25,000 the venture will break even, as it did in Asia. Although there, by comparison, the IHT has reached a circulation of 20,000 in just 18 months. Pearlstine is unworried, though, by any comparisons. The product will be changed as they go along in response to reader's letters, which has so far been congratulatory. And Dow Jones looks on the venture in the very long terms.

Certainly for European readers, the mix until now has been sometimes curious. In a page of Asian news, for instance, there is no mention of the riots going on in Assam, India. Perhaps more revealing is the paper's distant attitude to E.C. affairs, an area of interest to all European readers and an area in which the FT provides heavy coverage, with three full-time correspondents. A recent feature on the European Parliament took a rather ironic and disparaging view of the institution. "It still gives me the feel that it is written by Americans for Americans in America," comments Adriaan Appels, director of advertising at ITT Europe. As an advertising vehicle, though, its importance was seized upon when ITT rushed out an early advertisement in its forthcoming corporate campaign.

Against these criticisms must be set the paper's easy, light style, the no frills news reporting, and the high standard of the editorials. Add to this, the enormous scope given by the paper's ability to draw on the world's largest network of correspondents. The first editions have included some fascinating feature stories on such things as the plot to assassinate a leading terrorist and his close links with the American intelligence services or the story of Chinese-Americans tracing their ancestors in China.

Financially, the vast resources behind the paper will ensure its modest objectives will be reached. But will it answer the question posed on the front page of each edition: "What's news"? Fortunately there is no need to have a single answer to that question. Instead there will now be in Europe both a British and American perspective on that question available side by side. €

Jasper Becker reports from Brussels for Advertising Age's *European edition,* Focus.

helping THE THIRD WORLD

The Community's development policies are unusual.

MALCOLM SUBHAN

Of the numerous voices that can be heard whenever North-South relations are discussed at international conferences, the most unexpected perhaps is that of the 10-nation European Community. It is unexpected because the E.C. is unlike the other participants—it is neither a state, nor an organization set up by the international community. Not surprisingly, therefore, many developing countries have found it difficult to understand the Community and, on occasion, have challenged its presence at the conference table. And yet because the Community is in a category of its own, it has been able to invent new ways of helping developing countries and to create institutions based on a partnership between equals.

To understand where the Community its headed with its development policy, it is useful to have some background on what has been accomplished to date. If the E.C. has been able to innovate, it also has been constrained by the history of its member states. As a result, its development policies, while forward looking in many ways, also perpetuate divisions within the third world which go back to colonial times. This was probably inevitable, given the origin of these policies. The fact is they owe a good deal to France. When the Treaty of Rome setting up the European Economic Community was being negotiated in 1957, the French insisted that it make provision for their colonies. This last-minute demand took the others by surprise, but resulted eventually in Part IV of the Rome Treaty. Under Part IV, the colonies and overseas territories which four of the six member states possessed at that time were given "associate" status. This entitled them to free access to the E.C. market for their exports and financial and technical aid, through a fund specially set up for this purpose—the European Development Fund (EDF).

Part IV was soon overtaken by a major political event: the granting of independence to the colonies. The six-nation Community could have told the 18 newly independent states that it would treat them like any other developing country—which in effect would have meant ending their preferential access to the Community market and winding up the EDF. Instead, the E.C. negotiated with them a five-year convention of association. The Yaoundé Convention, signed in 1963, was important for two reasons: It was the first agreement between industrialized and developing countries to cover all aspects of their economic relationship and the substantial concessions the E.C. had granted the colonies unilaterally were now incorporated into a contractual agreement negotiated with the 18 independent states.

International solutions are helping to rehabilitate, modernize, and expand industries in developing countries.

The Yaoundé Convention was a significant step forward in North-South relations. Paradoxically, the first serious attack on it came in 1973 and it was mounted by the very countries that stood to benefit from it: the independent, developing members of the British Commonwealth in Africa, the Caribbean, and the Pacific. They were entitled to all the benefits of the Yaoundé Convention under an agreement reached during the negotiations for Britain's entry into the E.C. Matters came to a head in the negotiations for an agreement to replace the Yaoundé Convention. Several Commonwealth countries dismissed the very concept of association as "neo-colonialist" and the Convention as a neo-colonialist charter. Their attitude probably reflected the very different ways in which the French and British had run their colonies and helped them adjust to the world at large after decolonization.

The negotiations which resulted in the first Lomé Convention (1973) were therefore extremely testing, both for the nine-nation Community and the 46 African, Caribbean, and Pacific (ACP) countries. They were highly political also, with the Africans coordinating their negotiating position through the Organization of African Unity. The ACP countries were more aggressive, more demanding than the 18 associated states had ever been. The result was a Convention which incorporated the positive elements of the two Yaoundé Conventions while breaking new ground. It respected the political sovereignty of the ACP states and their economic and social objectives. The E.C. member states not only renewed the trade concessions granted under the Yaoundé Convention, they went a step further and renounced their claims to reciprocal treatment for their own exports.

Where the US and the EC Differ

Certain aspects of the E.C.'s development policies have been criticized by the United States. As an advocate of free trade, it took a jaundiced view of the proliferation of preferential trade agreements. Tariff concessions to the Mediterranean countries on citrus fruit clearly put U.S. exporters at a disadvantage. Nor can the United States be altogether happy with the way in which the Community's program of aid to the "non-associated" countries is being extended in Central America. Only last month the E.C. Commission decided to finance a program of rural development in Nicaragua. Earlier, the European Parliament welcomed the Commission's desire to work with Central American Governments which showed a genuine desire to implement agrarian reforms.

The United States and the E.C. also have differed in their approach to the North-South dialogue, to which the Europeans attach much more importance. Many of them feel the Reagan Administration's faith in the virtues of free trade and private investment to be exaggerated, especially where the poorest countries are concerned. These countries need increased financial help in the form of grants or soft loans. The United States, however, has been pressing the World Bank to use commercial, rather than development, criteria in its lending.

The feature of the Lomé Convention which attracted most attention was its mechanism for stabilizing export earnings. Under this mechanism, known as Stabex, the E.C. undertook to offset any shortfall in the income from exports of some 34 agricultural products and iron ore to the Community. With Lome II, signed in 1979, the number of agricultural products was raised to 44 and a separate mechanism (Sysmin) devised for six minerals, including copper, phosphates, bauxite, and manganese ore.

Financial aid has been a key feature of all the conventions. It amounted to $4.3 billion under Lomé I and was increased to $6.9 billion for Lomé II. Much of the aid is in the form of grants and soft loans, although over $1 billion is being made available under Lomé II by another E.C. institution, the European Investment Bank.

Negotiations for a successor to Lomé II will open this September. They will take place between a Community of 10 member states and over 60 ACP countries. Although preparations have begun on both sides, they are still at a preliminary stage. The member states are likely to stress the need for continuity. Despite their dissatisfaction with the way in which some of the key provisions of Lomé II, including Stabex, are working, it is unlikely the ACP countries will demand radical changes.

Even so, the Community may find the preparations for this year's negotiations the most difficult ever. Because of the continued economic stagnation it probably will find it difficult to increase its financial aid to a level acceptable to the ACP countries and Stabex, therefore, may have to be revised. The nascent protectionism in the E.C. may force it to limit certain trade concessions. But the preparations are likely to be difficult for yet another reason. The Lomé Convention is only one strand of the E.C.'s development policy, even if it is the most important by far (especially in terms of the resources it commands).

With some exceptions the other strands are not as well developed, even when they involve such large areas of the third world as South and Southeast Asia, Brazil, Mexico, and others. There are a number of reasons for this, but the most important perhaps is the concentration on the ACP countries. (Jealous of their prerogatives, the latter are unwilling to share them with even the poorest Asian countries.) Since 1972, the E.C. has developed a number of instruments with the aim of strengthening and expanding its relations with other developing countries. But this has been done piecemeal and in response to external demands, such as that from India for a trade agreement which was first voiced in 1962, but was not met until 1974. Major trade concessions were granted to all developing countries in 1972 but in the context of an international agreement.

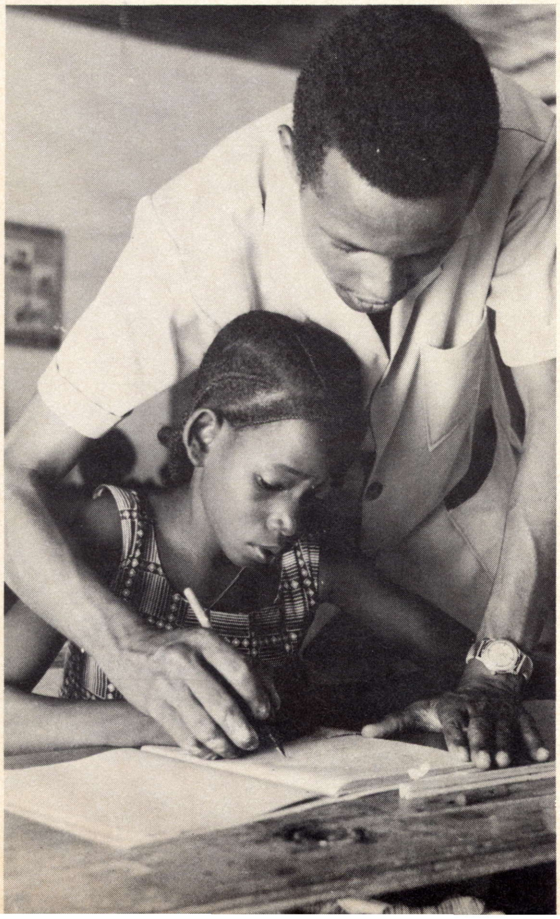
The most important instruments are the association agreements, on the one hand, and the cooperation agreements on the other. The former were negotiated with the seven Arab states of the southern Mediterranean and Israel between 1975 and 1977. They provide for free access for most manufactured goods and tariff reductions for agricultural products. Provision is made for financial aid, which amounts to some $1 billion for 1982-86.

Perhaps more interesting, at least conceptually, are the co-

The 1973 signing of the first Lomé Convention, which eventually provided $4.3 billion in financial aid to developing countries.

operation agreements with a number of Asian and Latin American countries, including India, the 5-nation Association of South East Asian Nations (ASEAN), Brazil, and Mexico. They are essentially "framework" agreements which provide a legal basis for cooperation not just for trade, but also on industry and science and technology. Unfortunately the sums available to promote such cooperation are minuscule. The E.C. does extend financial and technical aid to countries in Asia and Latin America, in particular to the poorest, for rural development schemes, including food production. The principal beneficiaries are India and other South Asian countries which will receive the lion's share of the $235 million earmarked for 1983.

As the E.C. is a major agricultural producer, its food aid program is substantial by any standard. In 1983 it is expected to cost some $550 million, a 10 percent increase over the previous year. With developing countries becoming more dependent on imports such a program clearly is needed, but it is a "dangerous necessity" in the words of the E.C. Commissioner responsible for development, Edgard Pisani. "Food aid," he declared recently, "must be used to bring about the disappearance of food aid."


The future of a country is in its young.

The Community obviously has developed a variety of instruments for promoting a closer relationship with countries that cannot accede to the Lomé Convention, but they are not enough to reduce the imbalance in its policy toward these countries. The imbalance is all the greater if the countries with association agreements are removed from this group. This imbalance is reflected in Pisani's recent memorandum on E.C. development policy which deals principally with the ACP and Mediterranean countries. The concentration on these countries needs no justification; it is dictated by history and geography as much as by economics. But it does confront the E.C. with a dilemma. Despite the economic crisis, the Community remains the world's largest trading entity; it is also among the richest and technologically most advanced regions of the world. What sharpens the dilemma is the growing realization within the E.C. that Asia and Latin America have more to offer in economic terms.

This explains the importance of the cooperation agreements. Effectively used, they can create the conditions in which economic agents can bring about the transfer to Asian and Latin American countries of the financial resources and technology they need. But the E.C. will have to assure them that it will not close its frontiers to their exports once they become competitive. The Community, having assumed the burden of helping over half the developing world, would like other industrialized countries to share the responsibility toward developing countries in Asia and Latin America. Not surprisingly, it wants to see the North-South dialogue restarted. Not only would this reduce the pressure on the Community from these countries, it also would make it easier to find international solutions to their development problems. €

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Japan and the EC

Imported Japanese automobiles, which are limited to 3 percent of the French market, arrive in Cherbourg. © Sygma

Japanese Prime Minister Yasuhiro Nakasone's three day visit to the United States in January improved the climate, if not yet the substance, of American-Japanese relations. In contrast with his predecessors, Nakasone was "unusually bold, direct and outspoken," wrote *The Washington Post*, in responding to anxious questions put to him on trade and defense matters in Washington by scores of Congressional and industrial leaders. Nakasone candidly admitted the need "to find a breakthrough and proceed on a new road" if the close relationship between his country and the United States is to be preserved.

Tokyo is also finding that relations with the United States are not the only source of diplomatic concern for Japan these days. Ties with Brussels are also frayed, as European leaders reiterate American charges that the Japanese are taking unfair advantage of their Western partners. On the surface, Japan's relationship with the European Community appears tranquil. Tokyo's uncertain commitment to self-defense, for instance, is not a sore point with Brussels, as it is with Washington. In fact, the Japanese and Europeans find themselves in agreement on a number of policy matters: Mideast negotiations, for one, and the inadvisability of embargoes against the Soviet Union, for another. But when it comes to trade, the Community is, if anything, even more adamant than the United States in demanding a different Japanese approach.

During periods of economic distress, it's easy to find scapegoats. And the Japanese are prime candidates. Their trade surpluses with the United States and the Community were $20 billion and $14 billion, respectively, in 1982. And unless Japan's currency, the yen, begins to strengthen (in turn increasing the relative prices of Japanese goods), those trade surpluses will probably increase in 1983. Endowed with newer technology and fewer budgetary commitments to the welfare state, Japan has begun to overtake the Americans and Europeans in the production and marketing of products—from basic steel to biotechnology. So it's not surprising that Japan's former mentors occasionally resort to charges that that country's continued economic success—in the midst of a severe global recession—is attributed to a mythical "Japan Inc." which is dedicated to conquering the entire world market.

The European Community also has a specific list of grievances against Japan. In March 1982, for instance, the E.C. began considering action against Japan under Article 23(2) of the General Agreement on Tariffs and Trade (GATT). At issue is Tokyo's alleged failure to lower barriers to European exports. The United States has made similar charges and the Japanese are having a hard time convincing their Western partners that they are wrong.

In an effort to head off Community action under Article 23(2), Tokyo announced a series of tariff reductions on 72 products last December 24. The list ranged from cigarettes to chocolate biscuits. Then in mid-January, Nakasone announced plans for further tariff cuts on 50 agricultural and 28 industrial items. But the Community remains convinced that Japan is dragging its feet on the issue. Even now, European automakers find it devilishly hard to crack the Japanese market when customs officials insist upon making vehicle-by-vehicle inspections. So unless the new Prime Minister demonstrates an ability to surmount ingrained protectionist practices at home, the GATT may end up ruling in Brussels' favor. And with that, Japan could lose its reciprocal trading privileges.

Meanwhile, individual E.C. member states are calling for negotiated import restraint agreements with Japan. A number already exist. Notable is the one which effectively keeps Japanese automobile exports to several thousand units a year per individual European country. The present demand by European Governments is for import restraint agreements on light vans, motorcycles, machine tools, color televisions and tubes—sectors where the Japanese have made spectacular market gains in Europe as of late.

Nor are unilateral actions being ruled out. In November 1982, for instance, France decided that market penetration by videotape recorders—90 percent of which come from Japan—had reached a crisis stage. In an effort to choke off the flow, Paris decreed that these goods must be cleared through one tiny customs station located in Poitiers. The Japanese have taken the French before the GATT, accusing them—not surprisingly—of engaging in unfair trade practices. But the momentum toward further restrictions on Japanese exports destined for the Community promises to grow.

Nakasone is fully aware of Europe's smouldering anger over his nation's trade practices. And he wants to do something about it. In January, while the new Prime Minister was in Washington attempting to calm U.S. concerns, two of his ministerial colleagues were attempting to achieve the same result in Europe. During the first part of the month, Foreign Minister Shintaro Abe traveled to Bonn, London, and Paris in search of a diplomatic solution to the trade impasse.

The results were mixed. Michel Jobert, France's Minister of External Trade, bluntly told Abe that the present imbalance in his country's bilateral trade with Japan—$1.7 billion in 1982—was "not tolerable". But the Federal Republic of Germany's new Chancellor, Helmut Kohl, sounded a more conciliatory note. Pledging that he would fight against future protectionist actions against Tokyo, Kohl, along with Britain's Prime Minister, Margaret Thatcher, nevertheless called for "further positive signals" (a polite euphemism for more export restraint) on trade from Japan.

Abe's departure from Europe was soon followed by the arrival of Sandanori Yamanaka, the head of the powerful Ministry of Trade and Industry (MITI). In a two day symposium in Brussels put on jointly by MITI and the E.C. Commission, Yamanaka called for increased Japanese-European industrial cooperation as a way out of the impasse. In fact, a growing number of industrialists in both countries are doing just that by entering into joint ventures. British Leyland's Triumph Acclaim Car, for instance, is built under license from Honda.

With the number of unemployed people in the Community over 12 million, the Japanese are hoping that more joint ventures of this type will deflate charges that their exports are throwing Europeans out of work. If and when the trade balance between Japan and the Community improves, joint ventures may indeed prove to be the appropriate deterrent to protectionism.

What about the future? Can Japan and Europe resolve their serious differences over trade? Probably. Foreign investment is growing in Japan. And that's a trend which Tokyo can point to when European critics say its home market is closed to foreigners. A number of those investors are now coming from the Community. In August 1982, for instance, 18 European firms alone established enterprises in Japan or acquired shares in domestic companies.

Over the long term, developments at work in the global economy will have a significant effect on the climate of economic relations between Europe and Japan. But Brussels and Tokyo should not leave their fate to forces over which they have, at best, imperfect control. In some measure, these two partners must take charge of their mutual agenda. In an address before the Japanese parliament soon after his return from Washington, Nakasone sounded the appropriate note: "There are already moves afoot in the other industrialized countries for protectionist legislation aimed at Japan. If these are translated into reality, not only will Japan be visited by a severe recession, but the world economy will inevitably go into decline." €

European Governments are looking for import restraint agreements on light vans, motorcycles, machine tools, color televisions and tubes—sectors where the Japanese have made spectacular market gains in Europe as of late. © Sygma

John Starrels is a writer for The Los Angeles Times *syndicate.*

UK

AFTER THE FALKLANDS WAR, MARGARET THATCHER FACES MANY POLITICAL LANDMINES

IAN DAVIDSON

Not long ago, Margaret Thatcher, the British Prime Minister, made an unscheduled trip to the Falkland Islands in the South Atlantic, to review the scene of an equally unscheduled British military victory last summer. Having ensured, accidentally as it were, that her visit coincided with an adequate contingent of the British media, she managed by her dramatic flight south to precipitate strangled screams of rage in Argentina, as well as a new flush of jingoism in the popular British press.

The most widely reproduced photograph of the trip showed her standing, with her handbag and her headscarf, on the wrong side of a barbed wire fence which carried a notice warning of the dangers of unlocated and unexploded Argentine mines. *The Economist* weekly magazine gave it the cover treatment, with the caption "I can walk on water too."

In many ways, this photograph epitomized the Thatcher who has succeeded, against all the odds, in mesmerizing Britain. Many people hate her, many more think she is wonderful; no one, however, doubts that Thatcher *is* the British Government. And until this writing, no one can doubt that she has shown an almost magical gift for getting away with errors and shortcomings which ought, by rights, to have brought down any other Prime Minister. She walks in minefields. So far, the mines have not gone off.

Let us start with the Falklands war. After the islands had been recaptured from the Argentine invaders, the Government agreed (under pressure from the opposition parties) to set up an enquiry into how this anachronistic conflict had come about. A committee was established under the chairmanship of Lord Franks, a former British ambassador to Washington, and in the middle of January it produced its report, which was duly published and debated in the House of Commons.

The report gave Thatcher's Government total exoneration from all culpability: It could not have foreseen the Argentine invasion, and it could not have prevented it. Yet the totality of the report, which goes back many years, to the first emergence of the Falklands as a serious Anglo-Argentine bone of contention in 1965, shows clearly that the Thatcher Government was as profoundly negligent as all its predecessors in believing that evasion was a serious policy.

Over a 17-year period, no British Government was prepared to make a clear choice: Either accept, in the face of the vociferous hostility of the tiny Falkland Islands lobby, that sovereignty would in the end have to be ceded to Argentina, or else devote those military resources which would be necessary to ensure that they could be protected against attack.

View of Big Ben from Westminster Bridge in London. © Malcolm J. Gilson

Instead they clung to the delusion that empty negotiations would indefinitely defer the necessity of making such a choice.

The Franks report does not fudge the facts of this history. It simply evades making a political judgment on a political question, and its not-guilty verdict is a technical sophistry. A public opinion poll showed that 70 percent of the British people thought the verdict was wrong and all serious newspapers assailed the committee—all of whose members were former Cabinet ministers or public servants—for having served up an establishment whitewash for the establishment. But the bottom line is that Thatcher's inquiry gave her the verdict she wanted.

By now, the Falklands must be a wasting electoral asset. There are still the occasional human-interest stories of widows being flown by a compassionate Government to visit the war graves on the islands, but on balance the enduring residue of the war will be the annual £400-500 million bill for garrisoning Fortress Falklands, as Thatcher calls it. In the meantime, there are a large number of other minefields in which Thatcher aims to walk unscathed.

The first of these minefields is the next general election, which must be held by the spring of 1984, and may be held any time from this June on, when adjustments to the constituency boundaries should have been completed.

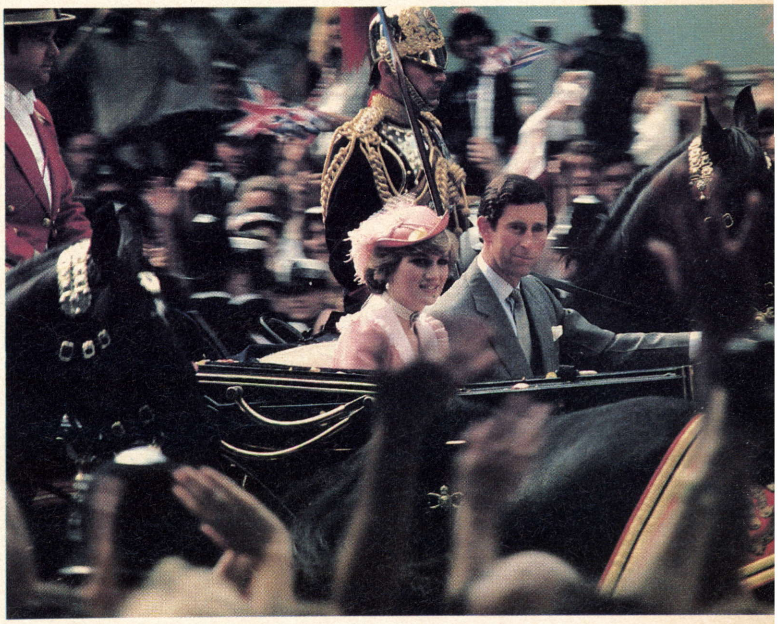
Most people tend to assume that Thatcher will win this election whenever she decides to go to the country. The opinion polls show the Conservative Party well ahead of its rivals, with 44 percent support, compared with only 35 percent for Labor and 20 percent for the alliance between the Liberals and the Social Democratic Party. On the face of it this is an extraordinary situation, considering that the country has well over 3 million unemployed, and the outlook is for very slow economic growth and a further increase in unemployment. But it probably has three explanations.

The first is that the Labor Party is in a state of almost complete disarray, and its leader, Michael Foot, is proving incapable of putting matters right. The second is that, while Thatcher's stringent economic policy may have failed to deliver the goods in terms of prosperity, it has certainly brought the rate of inflation down rather impressively, to a level of around 5-6 percent. The third factor is Thatcher herself. Some people describe this as "the Falklands factor," but it goes much wider than the glory picked up in that brief struggle. Rather it is a sense of respect for the power of her personality.

For all these reasons Thatcher's natural inclination may be to disdain tactical calculations of the timing of the next election, and carry on serenely until the end of her five-year term. But the joker in the pack could turn out to be unemployment. Ever since the recession began, political commentators have wondered at what point rising unemployment would provoke an electoral revolt against Thatcher, or even the outbreak of civil disturbances. The figure of 2 million came and went, then 2.5 million, then 3 million; the political climate remained astonishingly calm. Yet senior Conservative ministers are uneasily aware that the unemployment issue is like a tightly coiled spring, and that at any time something could trigger its sudden release.

The next minefield is the future of Hong Kong, a large part of which is held under a lease from China which expires in 1997. That may seem a long way off, but since a key element in the Hong Kong economy is the property market, which operates on 15-year leases, the time for deciding the future is already beginning to run out.

Thatcher's visit to Peking and Hong Kong, toward the end of last year, seemed set to conjure up a crisis with the Chinese Government. Hong Kong's bustling capitalism is a major benefit to the mainland, since its purchases of food and raw materials provide China with a very large proportion of its foreign exchange earnings. But when Thatcher started talking about the sanctity of the leasehold treaty (which the Chinese have long disputed), Peking was provoked into asserting equally publicly that it would be satisfied with nothing less than sovereignty after the lease expires.



The Prince and Princess of Wales. © Black Star

The alarm precipitated in the colony by this public discord has now abated, and British and Chinese officials have reverted to the diplomatic discretion of secret meetings. Any rational observer can see that in the end the Chinese Government will get what it wants, because Britain has no legal basis and no physical means of resisting. It only remains for the Chinese Government to decide exactly what it does want—a Hong Kong fully incorporated, for ideological reasons, into the mainland, or a status quo arrangement under which Hong Kong would be allowed, for economic reasons, to be internally and economically self-governing under a Chinese flag. Either way, Britain has no future in the colony. Any rational observer can see this; but does Thatcher see it? It is not yet clear.

With any luck Hong Kong can be kept off the front pages until after the elections, but there are two other minefields which will inevitably have to be crossed during the campaign: the Euro-missiles controversy, and the long-standing quarrel about Britain's contributions to the European Community budget. British opinion is, and has long been, staunchly in favor of membership in the North Atlantic Treaty Organization (NATO) alliance, and the latest polls show that the electorate is opposed three-to-one to unilateral nuclear disarmament (the policy advocated by Michael Foot and his Labor

Social Democratic Party members, (l to r) Roy Jenkins, David Owen, William Rogers, Shirley Williams. © Becky Sutton, Sygma

Party). But a fairly narrow majority is also opposed to the deployment of new cruise missiles, and if the Germans were to start backing away from the NATO plan after their elections in March, Thatcher's position could become much more difficult.

Her position is almost certain to become more difficult in the case of the long-running dispute over what the British Government regards as its excessive net contributions to the European Community budget. The bang-crash tactics employed by Thatcher during her first two years in power thoroughly alienated the other E.C. member states and, though a calmer approach is now being adopted, matters have been enormously complicated by the intervention of the European Parliament.

During the past three years, the other Governments have reluctantly agreed to ad hoc rebates to reduce the size of the excess U.K. contribution. But the Parliament, with an eye on its next elections, in 1984, is now refusing to pass the Community budget unless the E.C. Council abandons these ad hoc payments and introduces some permanent system.

In principle, there is nothing the British Government would like better—provided, of course, the permanent system were sufficiently favorable. In practice, the dispute is holding up the payment of last year's rebate and any negotiation on a new system would risk stymieing this year's rebate as well. Since the Labor Party is bound to make its anti-Community policy a central plank in its election platform, Thatcher risks an awkward choice between failing to get the money Britain is owed and precipitating a major row with the other member states by simply withholding payments into the Community budget. If that were to be the choice, it is easy to see which way Thatcher would go: Meekness is not one of her character traits. €

Pro-Labor, anti-tory demonstrators march along the streets of London. © Sygma

Ian Davidson is the Political Editor of the Financial Times *of London.*

MEMBER STATE REPORT

at a crossroads

CONSERVATIVES' ECONOMIC POLICIES FACE CRUCIAL TEST.

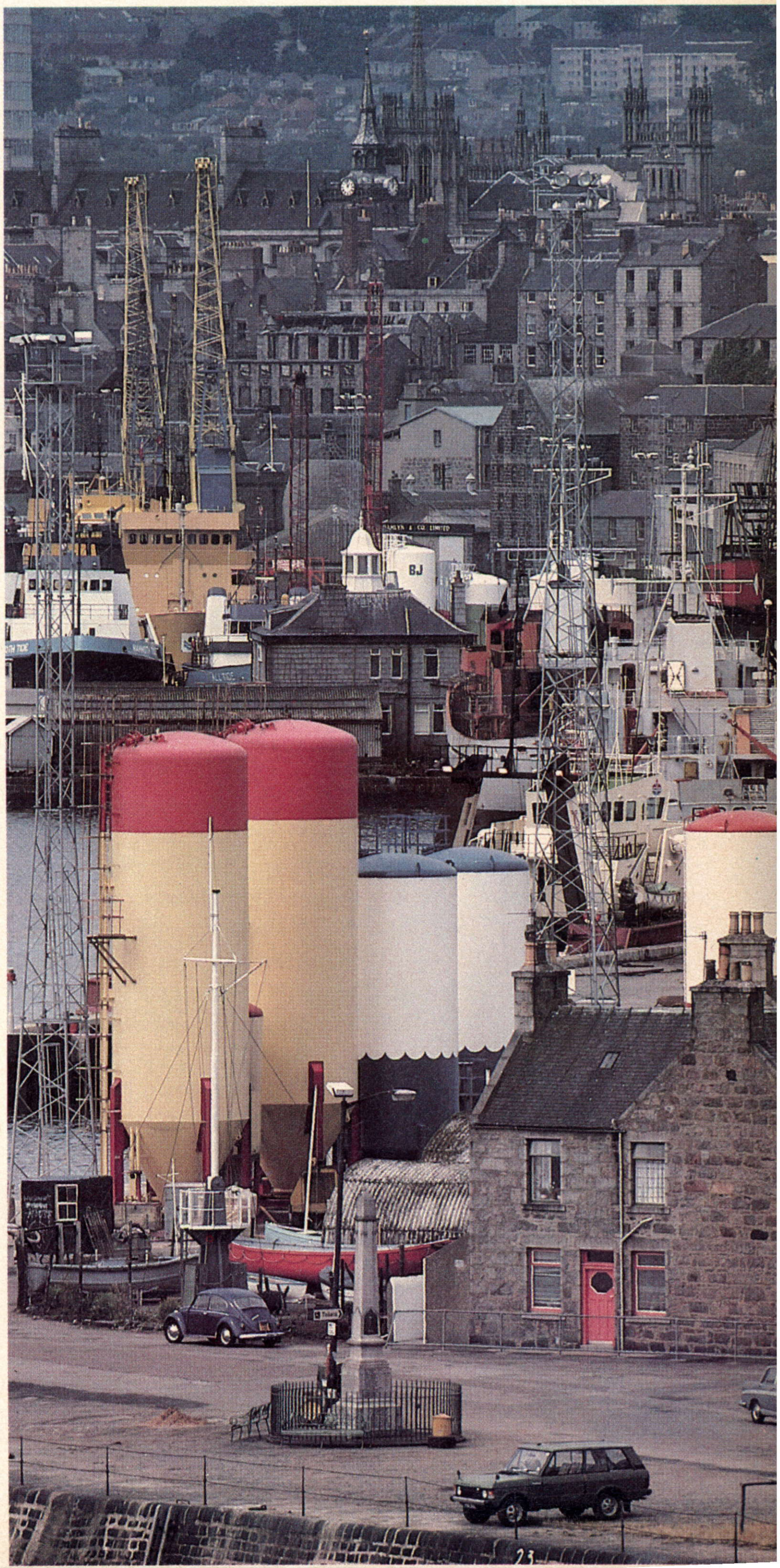
KENNETH SLEET

When asked for a view of the British economy, I am immediately put in mind of the Englishman who stopped his car in Cork to ask a passing Irishman the way to Kinsale. "If I were you," the Irishman replied, "I wouldn't start from here." It would be much easier to tell from the economic map where Britain is and where we are going if we were not bemused by the prospect of a general election, if the oil market were not in turmoil, if we had any real confidence in our reading of the U.S. federal budget deficit and the course of U.S. interest rates.

So far apart are the Conservative and Labor Parties on central issues that if Labor won a majority and its leader Michael Foot were installed in Number 10 Downing Street, all bets are cancelled. Labor is committed to unilateral nuclear disarmament. Who can estimate the fallout from a neutralist Britain and the damage it would cause to our political and economic relationships with the United States? Labor is committed to taking Britain out of the European Economic Community. The consequences for manufacturing industry if Britain lost tariff-free acces to its largest export market are literally incalculable. What would happen to foreign investment, mainly American, which is heavily influenced by the fact that Britain is inside the E.C.? Again, incalculable.

Though not yet committed, Labor is identified with the economic strategy drawn up by Peter Shore, the party's "shadow" Chancellor of the Exchequer and a probable successor as leader. Shore's prescription is directed to reducing unemployment to 1 million people in five years. The mixture is massive government spending and currency devaluation. His original dose was 30 percent, but as the pound has dropped more than 10 percent, it is presumably now 20 percent. True, Shore has gone quiet. I suspect his colleagues have told him that British voters do not take kindly to promises of devaluation. The pound is not entirely discredited as a patriotic symbol and people understand that if the pound goes down, the cost of holidays abroad goes up.

As I do not believe Prime Minister Margaret Thatcher's Conservative Party will lose the election, I do not lose any sleep over Labor's nuclear missile policy or Peter Shore's economic strategy. The E.C. issue is more complicated. Labor is against British membership and a majority in the parliamentary Conservative Party remains in favor, despite the Community's low popularity rating. The interesting question is whether the Prime Minister's commitment is 100 percent. Or, to put it the other way: Will her commitment reach 100 percent only when the E.C. is recast in the way she would like?



Aberdeen, Scotland. © Adam Woolfitt, Woodfin Camp

British Steel Corporation's industrial complex between Sheffield and Rotherdam. © Photo Researchers

Her hostility to the Common Agricultural Policy (CAP) and her warlike attitudes on the size, shape, and division of the Community budget are familiar enough. She wants both the CAP and the budget changed. How she goes about trying to change them will depend more on the outcome of the German election than any other single factor. If Helmut Kohl is still federal Chancellor after March 6, Conservatives in Britain foresee a fruitful phase of collaboration in Community affairs with a Christian Democratic German Government. The sharp point is that Britain's membership is not in serious doubt while Mrs. Thatcher is Prime Minister.

Our immediate concerns are collapsing world oil prices, sterling's fortunes, and the course of interest rates. A strong political will exists to prevent bank interest rates from rising, certainly before the general election, because another increase in rates would force up the politically sensitive home loans rate. Stern words from the Prime Minister to London Bank chairmen and skillful money-market massage by the Bank of England may or may not be enough to hold them, but no-one seriously disputes the fact that any reduction in rates can only follow a fall in the U.S. rates.

Therefore, we speculate intensely about the future value of the dollar, the "real" nature of federal reserve monetary policy, the "true" money-market implications of the U.S. Government's budget deficit, and the financing of American economic recovery. The theoreticians expect the dollar to drop—though to be fair they are not alone—because it is overvalued and because the U.S. balance of payments will deteriorate as business gets up steam. The prediction is for a subsequent hardening of U.S. interest rates. The puzzle is how other countries will react. If the dollar is weak then a hard currency country might be wise actually to cut interest rates to prevent its currency from appreciating and to keep the benefits of a devalued dollar. In that scenario is the United Kingdom a hard currency country? If the present government stays in power and sticks to the same paths of fiscal and monetary rectitude, the answer is "yes, probably."

This conjecture leads naturally to oil, and from oil we slide easily to British competitiveness and balance of payments. Probably only a country with a puritan tradition and constantly changing weather would persist in looking on self-sufficiency in oil as a mixed blessing. North Sea oil has transformed the United Kingdom balance of payments on current account and, through the investment of surpluses overseas, oil

UNITED KINGDOM IN FIGURES	
Area	94,247 sq. miles
Population	56 million
Unemployment rate (1982) (first three quarters)	11.83%
Inflation rate (1982)	8.7%
Trade (1982)	
Total Exports	$87.33 billion
Total Imports	$90.59 billion
Exports to U.S.	$11.72 billion
Imports from U.S.	$10.57 billion
Exports to E.C.	$36.28 billion
Imports from E.C.	$39.93 billion

is steadily transforming the capital account. North Sea oil and natural gas are contributing about £14 billion to the current account. In 1981, the account was in surplus to the tune of £6.17 billion, in 1982 to the tune of £4.69 billion. This year the international monetary fund is forecasting £2.6 billion. The surplus, undeniably, is shrinking, but, with oil prices dropping, the natives seem unable to take any comfort from the fact there will be a surplus in 1983. Until recently, expert opinion, including that within the British Treasury, said the surplus would disappear completely. The critical area is not oil, but the balance of non-oil trade.

In 1982 Britian's share of world exports of manufactured goods dropped to 8.3 percent. In 10 years, we have lost a fifth of our share of the world market, thanks in large part to the rise in the sterling exchange rate between 1979 and 1981. Compared with 1979, non-oil exports last year were 1 percent lower in volume, while the volume of non-oil imports went up 6 percent. The latter figure may be half the truth, since 1979 was a year of inventory accumulation, whereas last year inventories were flat. The fear is that Britain can keep out of the red only as long as recession lasts. With the first signs of recovery, the country will be awash with imports and the balance of payments will again have that old waterlogged blues look. The 11 percent devaluation of sterling since November is that fear made real.

Looking at the International Monetary Fund index of relative U.K. labor costs, Britain is now as competitive with other Organization for Economic Cooperation and Development Countries as it was in 1966, the year before the labor government devalued. The post-1967 experience should destroy any illusions that a major devaluation now is likely to afford anything more than temporary relief. After a fall of a fifth in relative unit labor costs since 1980-81, there are grounds for believing that Britain can be competitive in non-oil trade. If the economy is to grow securely out of recession and again approach something nearer full employment, the problem is the scale and quality of the capital investment Britain needs.

It is also worth pointing out, especially in the context of British self-doubt and foreign disbelief, that the return of economic growth does not automatically bring with it a resurgence of inflation. We are particularly apprehensive about inflation because it has come down so rapidly, from 12 percent a year go to under 5 percent. History shows long periods of above average growth with low inflation rates. The most recent is 1952-64 when the Korean War inflation followed by 3 percent average annual growth with 3 percent inflation. Between 1933 and 1938, the British economy grew an average of 5 percent a year, while inflation averaged 2 percent. If history is bunk, then it is just as foolish to extrapolate from recent baleful historical experience as it is to take comfort from what happened in the "remote" 1930s and 1950s.

Official forecasts for the British economy are straightforward enough. The economy this year will probably show 1.75 percent (real gross domestic product). Retail prices will probably rise 6 percent, at most for the year as a whole. Unemployment will rise to 14 percent of the working population and the balance of payments surplus will be down $2 billion at $4 billion.

The underlying realities are much more interesting than the forecasts and less subject to error. The long delayed assault on British overmanning and restrictive practices is under way. At a time of falling output, this has involved plan closures and the loss of much productive capacity. It is fashionable to refer to this phase as "the de-industrialization of Britian." But it is arguable how much of the lost capacity, in steel for instance, would have found a role again. Efficiency has improved and the feeling against the anarchy of our traditional methods of pay bargaining and the destructiveness of political strikes is sufficiently strong to carry us, in time, to a rational system of industrial relations. As the Latin Horace said: "He has accomplished much who has made a beginning." €

Kenneth Sleet is City Editor of the Daily Express *in London*

MEMBER STATE REPORT

CARRINGTON A

Withdrawal would be "disastrous."

In this interview with David Wood, ***Lord Carrington***— *the former British Foreign Secretary who resigned to show that he carried responsibility for his department's miscalculations in the Falkland Islands war—asserts his belief in the usefulness of U.K. membership in the European Community.*

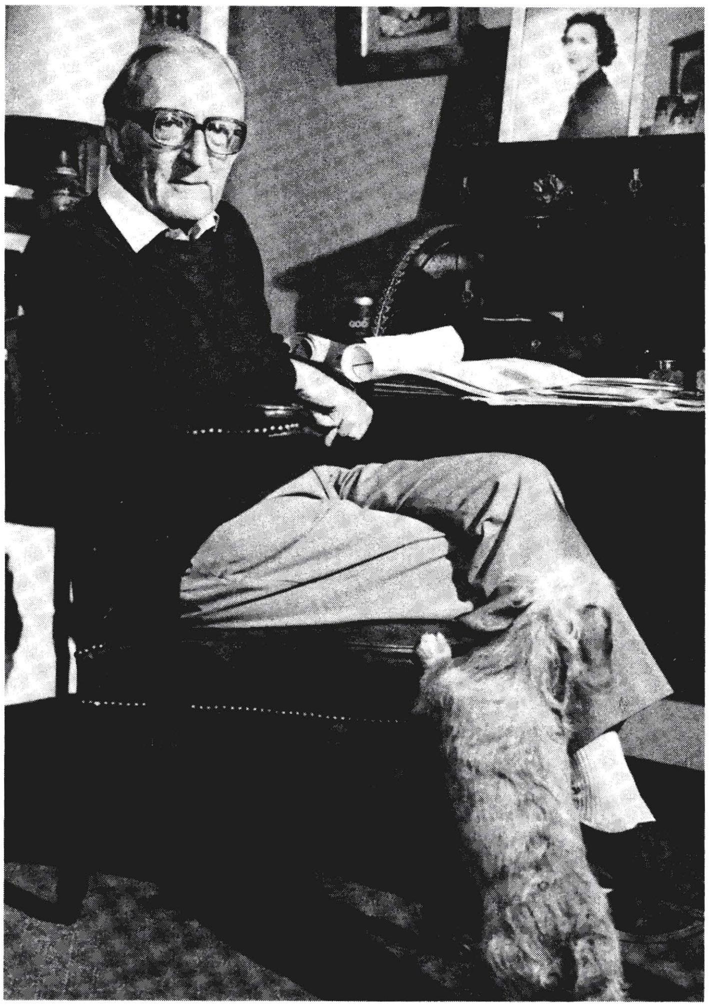
When I interviewed Lord Carrington in the London headquarters of GEC, he was still as much the politician as the businessman he has once again become. He declared his passionate commitment to "Europeanism." He explained how, by "bad luck, or bad management," the United Kingdom had joined the European Community at a time when a world trade recession limited the benefits to political, rather than economic, expansion. He also looked rather wryly at the European Parliament and that "odd animal," the E.C. Commission in Brussels.

In or out of Government, Lord Carrington's candor and common sense have made their political mark. I first asked him what he thought of the Labor Party's commitment to withdraw from membership of the European Community. Withdrawal, he said, would be disastrous. Let me quote him:

"The consequences of our withdrawing from the Community would be horrifying economically and politically. If you look at the trend of our trade—between 40-50 percent to the Community—I can't see how the Community would allow us to negotiate a solution which would enable us to have all the advantages of trading tariff free within the EEC, without abiding by the rules or paying the subscription. Nor do I see why they should. If we were to pull out it would be a major setback for companies after 10 years of adjusting and orientating themselves to the Community."

"And politically it would be disastrous. Politically, the success story over the past three or four years has been political cooperation," he said. Lord Carrington placed much emphasis on the importance of political cooperation, no doubt with memories of the leading part he played in developing and nursing it. "Curiously enough," he remarked, "even when the United Kingdom ministers fought over the budget, the quarreling never spilled over into the political side."

"Of course, by being members of the Community we have been able to influence the way things have gone. We have benefited by being involved in influencing things the right way. If you look at the shambles Europe was in after the 1939-45 war, it is a remarkable achievement that 10 European countries got together."



How, though, do "Europeanists" in British politics answer the argument for withdrawal, or, indeed, overcome any apathy or wilting commitment there may now be in the British electorate? "The worrying thing," Lord Carrington replied, "is that it was easy, or comparatively easy, to run the Six [original members of the E.C.] when the world economy was expanding. But when you have a depression, it is much more difficult for the countries of the Community to subordinate national interests to the common good. Our bad luck or bad management was to join just at the time when the oil hike took place, so that as a country we never had the advantage of the expanding years. We got the crisis years. Present disappointment is largely due to that."

SSESSES THE EC

As Lord Carrington put it, "the depression caused the Community, in economic terms, to run out of steam. Consequently, the Common Market has never been completed, not least in areas like banking and insurance, that are important to Britain. There is stagnation in the economies of the European countries, and everybody—myself in particular as a member of the E.C. Council of Ministers—came to the conclusion that the only way to get up momentum was political."

That preoccupied and worried not only Lord Carrington as Foreign Secretary, but also several other Foreign Ministers, including Hans-Dietrich Genscher of the Federal Republic of Germany and Italy's Emilio Colombo. "The Genscher-Colombo ideas were fairly unexceptional, but it was an attempt to make it look as though Europe still had some vitality in it."

Lord Carrington accepted the destination for closer political unity as wise and timely, although he had characteristic reservations about the route. He found, for example, that for his taste the Germans loved "concepts," whereas his inclination was practical, if not frankly pragmatic. "We think of letting the Community grow organically, rather than in conceptual ideas. They are setting out to have a blueprint, which we look upon with hesitation. We sometimes look less eager than we really are."

He went on to show that he is not to be numbered among those who want to see the Community with an independent defense capability. "I would not go along with that. The involvement of America in European defense is vital in the military sense, because I can conceive of no way the Americans would be prepared to pay for a European nuclear deterrent that would be credible vis-à-vis the Russians. Nor do I think the political thesis would be very attractive. The involvement of America is enormously important as a cement in the alliance—particularly with the Germans, who would be very nervous about a European defense community which did not include the Americans."

Nevertheless, he conceded that it was illogical that the European Community did not talk about defense. He was cool about a defense role, because there were 10 member countries of the Community and 15 member countries in the North Atlantic Treaty Organization (NATO). There must be care not to exclude Norway, or the Spanish. The French, he said, were supersensitive about it; and it was a great problem that the Irish Republic does not belong to NATO and insists on keeping its neutrality. In the Council of Ministers, Lord Carrington said, the compromise was that they could talk about security, if not defense, and security included such questions as the arms limitation talks. "I would be nervous about moving too quickly beyond that."

What concerns him about West European defense is the peace movement, consisting of different groups of people genuinely alarmed about the proliferation of nuclear weapons. Lack of any contact for three years or so between the superpowers—partly because of Soviet invasion of Afghanistan—had an effect. "To a certain extent we have a breathing space while the Geneva disarmament talks go on. But I can't see an early result. If that is so, we have to be vigorous in our defense, vigorous in showing where the blame lies. It is unilateralism that I complain about. It is all about lack of trust—we don't trust the Russians, they don't trust us. The only way you can get any sense in that situation is to build up, over a period, elements of trust, by arms limitation in the interests of both sides. And unilateral arms limitation is not the way to do it."

I asked him how he saw the Community's institutions developing. Plainly, he believes that the European Parliament will have to stay content with its present powers, and that member countries should appoint to the Commission men and women of the very highest ability. Of the Parliament he says: "It was there. Therefore, we ought to do what we possibly could to keep it involved with the Community. If you ignore it, it will in the end cause you a great deal of trouble. But I don't really believe, in the present state of the Community, that any of the countries concerned are going to give up a part of their sovereignty to a European Parliament. Nor do I see any member country which would be prepared to allow the Council of Ministers to be overridden by the European Parliament. That is the national safeguard."

"The problem is that you have set up an institution, and given it a credibility and authority, because it is elected by the will of the people. And yet, in the nature of things, it is extremely difficult to see how you can give it any power. All you can say is that on occasions it has influence."

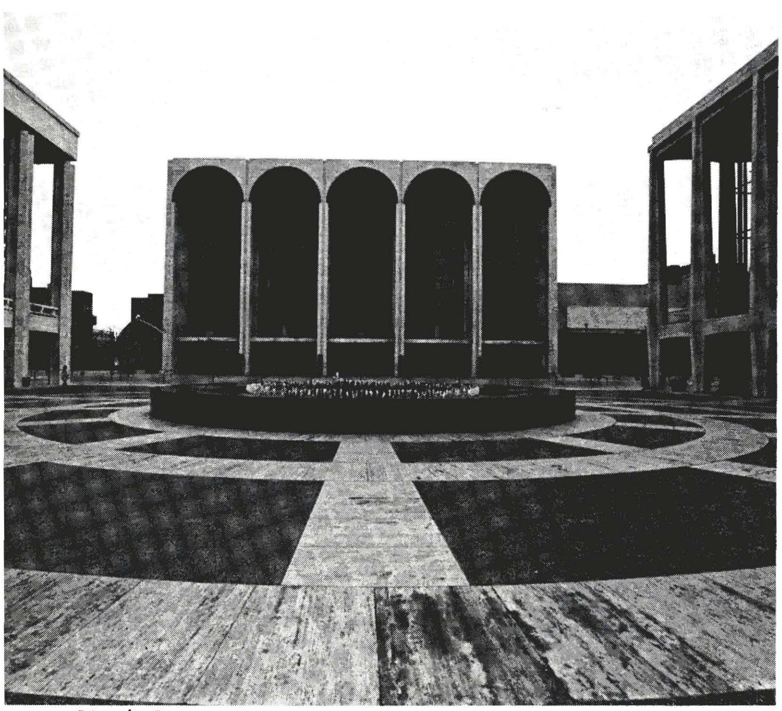
The E.C. Commission, he says, is "a very odd animal," both political and non-political. "What is important is that member countries send their very best people, because it will be up to them to provide the fuel to sustain the Community. We have to work very hard at it to see the Community does not come apart at the seams. It is hard work to keep your friendships in repair." €

David Wood is a former European Editor of The Times *of London.*

BRITAIN salutes the big apple

Festival brings paintings, sculpture, dance, music.

ALEXANDER COHANE



Lincoln Center © Uniphoto

A feast of a festival, "Britain Salutes New York," will be running nonstop in all five boroughs of New York City from mid-April through spring and summer, with the high spots of the festival being booked for Manhattan between April and July. The festival celebrates the 200th anniversary of the signing of the Treaty of Paris that ended the war between Britain and the United States.

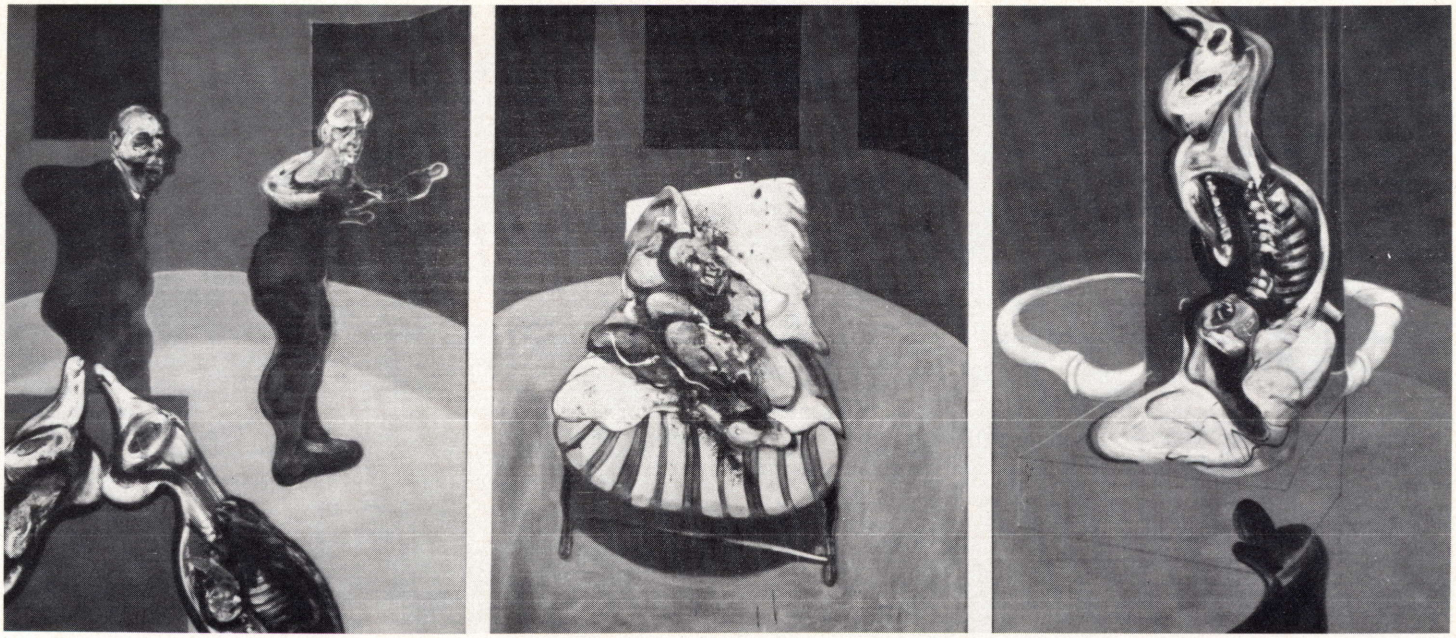
"Constable's England" will be perhaps the most glorious of the many splendid events—180 or so in all—that comprise the festival. Sixty of Constable's landscape paintings and sketches are to be on view at the Metropolitan Museum of Art on Fifth Avenue from April 14 to July 31. Also at the Metropolitan, from May 14 to September 25, will be the first complete retrospective since 1946 of the sculpture, carvings, and drawings of Henry Moore. Henry Moore is 85 years old and still working. Both floors of the Lehman Wing of the museum will be needed to give an adequate survey of his life's work.

Not just at the Metropolitan, but along almost the whole length of upper Fifth Avenue there will be salutes to Britain. Up at 103rd street, the Museum of the City of New York has prepared an historic review, "British New York 1664-1783." Unlike most festival events, this one will continue until the end of November. Andrew Carnegie's old mansion at 91st Street, now the Cooper-Hewitt Museum, will present 200 *objets d'art* by Carl Peter Fabergé on loan from the royal collections at Sandringham. Only once before, at the Victoria and Albert Museum in London, has such a Fabergé collection been placed on public view. The Cooper-Hewitt display is open April 15 to July 10.

Two blocks down from the Cooper-Hewitt Museum, in Frank Lloyd Wright's still audacious, whirligig masterpiece, the Guggenheim Museum has arranged a group of modern British paintings and sculpture from its own collection. These will include the triptych "Three Studies for a Crucifixion," by the celebrated Anglo-Irish painter Francis Bacon. The exhibition is being sponsored, aptly enough, by the Guinness-Harp Corporation.

Almost next door, in the beautiful Beaux Arts building of the National Academy of Design, there will be two exhibitions. The first is made up of paintings from the Royal Academy, including works by Constable, Gainsborough, Reynolds, and Turner. These paintings will later travel to seven other American cities. The second exhibit contains 50 paintings by an honorary American citizen, Winston Churchill. Churchill's paintings will also move on, to Washington, for the Treaty of Paris bicentennial celebrations in that city this fall. Midtown, at the Morgan Library at Madison and 36th Street, some 70 Holbein portrait drawings on loan from Windsor Castle will be displayed under the title, "Holbein and the Court of Henry VIII." These famous drawings may be seen at the Morgan from April 21 to July 30.

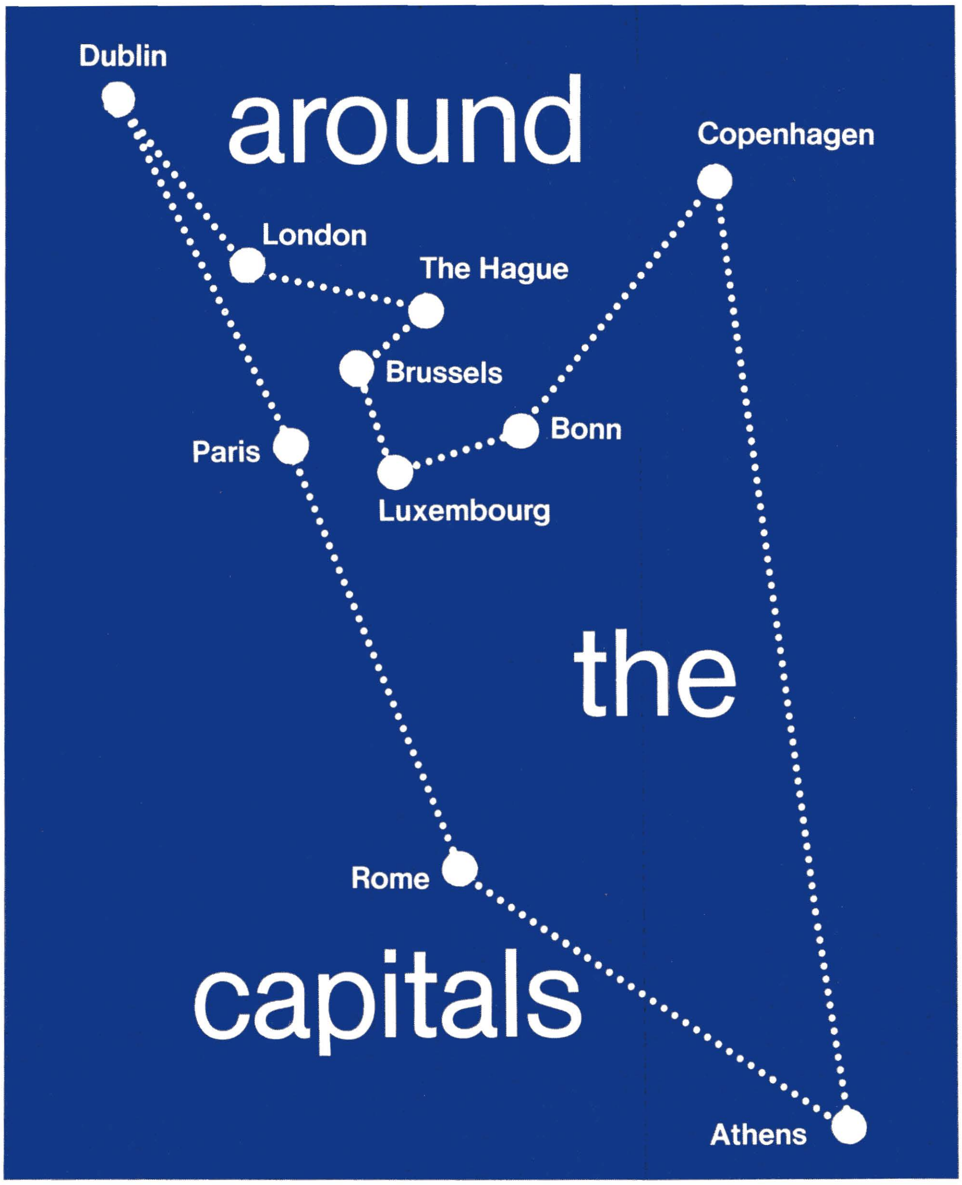
On the west side of Manhattan, the Royal Ballet will be dancing, for one week only from April 18-23, at the Metropolitan Opera House. Meanwhile, at the Martin Beck theater on 45th Street, the Royal Shakespeare Company will be giving "All's Well That Ends Well" for ten weeks. The Monteverdi Choir will sing Gabrieli, Schutz, Bach, Monteverdi, Cavalli, and Purcell in the Cathedral of St. John the Divine. On the



Francis Bacon, "Three Studies for a Crucifixion." Courtesy of The Solomon R. Guggenheim Museum.

Great Lawn of Central Park, for two days in May, the Glenfiddich Scottish Games will take place. Celtic reels, a "tattoo," kilted running races, a parade of the clans and other events will bring a revivifying whiff of heather to the turf of Central Park. More quietly, up in the Bronx, the New York Botanical Garden will present an American version of the Chelsea Flower Show. This Anglo-American splash of color, like Herrick's daffodils, will stay but a little while, opening on April 20 and closing on May 20.

These, and many, many more delightful entertainments make up the festival "Britain Salutes New York." The festival is a joint public and private enterprise. British and American companies have sponsored most of the events and there is also support from public sources such as the British Council and the U.S. National Endowment for the Arts. €



London

Consider an England without its band of red-coated horsemen and hounds chasing foxes across a country landscape. Opponents of fox hunting are trying hard to make it that way and claim they have the hunting folk running scared. The fox's best friends are led by the League Against Cruel Sports, which wants all hunting with dogs banned throughout Britain. The league protests that fox hunting is the "barbaric" sport of a "selfish minority intent on chasing wild animals to death."

Championing the hunters is the British Field Sports Society. It argues that hunting with packs of hounds is the most humane and ecologically sound method of controlling the fox population. The anti-hunting lobby, the society says, portrays hunters in a "totally misleading way, calculated to distort the true picture of the sport."

The battle has simmered for two decades and recently flared into a propaganda war for the hearts and minds of the politicians. The stakes are high because the opposition Labor Party last fall promised to outlaw fox hunting with dogs if it returns to power. A national election is due before the middle of next year. The ruling Conservatives don't object to what has been traditional sport in England since at least the 15th Century. The society plans to campaign intensively throughout 1983 to get Britons to vote for pro-hunting candidates at all levels.

Fox hunting is an emotive issue in both camps. The hunters see it as part of the country way of life and a matter for individual conscience and choice. The opponents of blood sports think setting one animal in pursuit of another is immoral—the hunters believe morals are a matter for individual conscience and choice. Hunting proponents believe morals are a matter for "personal decision within the law."

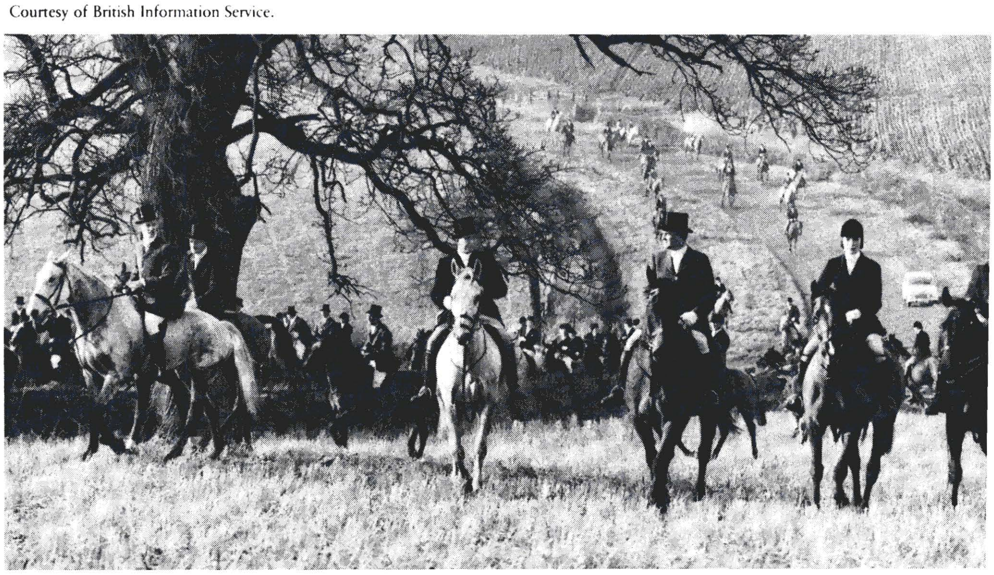
Most contentious of all are the arguments over fox culling and the animal's suffering in the process. The hunters maintain that foxes are vermin that must be controlled and that hunting with dogs is the best way—there is a chase and the fox either escapes completely unscathed or is killed instantly when caught by the leading hound. The fox suffers far more when it is snared, gassed, or shot and just wounded, they contend, and illegal poisoning is worst of all.

Abolitionists reply that there is no hard evidence showing rural fox populations need to be controlled and say the "control argument" is but an excuse to "kill animals for amusement." Hunters retort that what they enjoy is not the kill, which they rarely see, but the working with the hounds and riding across country wherever the fox leads and whatever the obstacles, hazards, and uncertainties.

If so, counters the League Against Cruel Sports, why not spare the fox and adopt "drag hunting," or following an artificially laid scent? It is popular on the European continent and, says the league, "offers a humane alternative and retains the packs of hounds, horses, and pageantry." The British Field Sports Society feels that "the uncertainty of the chase is its charm. Interest in watching hounds work would be lost in drag hunting."

Lack of discipline is another charge leveled by both sides. Opponents of fox hunting argue the hounds, although trained to obey the master of the hunt's voice and horn, often chase after and sometimes kill other animals, including innocent household pets. The hunters, they declare, have followed hounds across private property, into gardens, through herds of frightened livestock, and even into a graveyard during a funeral service. The hunters say they do everything possible to stay

Courtesy of British Information Service.



where they belong and pay promptly for any damage they cause. They in turn accuse the protesters of sabotaging their hunts and of attacking foxhounds and horses.

Ironically, the greatest peril to fox hunting could be its own current popularity. Once limited to the landed gentry, it has become more egalitarian and some hunts are becoming too large. As the usable countryside shrinks, hitherto obliging farmers cannot always sustain the damage and may have to ban the cries of "tallyho" from their land. PETER J. SHAW

Bonn

Although clarinettist Sabine Meyer may have been simply caught in a power struggle between conductor Herbert von Karajan and the Berlin Philharmonic Orchestra when he tried to have her accepted on staff, her situation did remind many of the long way German women still have to go before they reach equality with men.

No equal rights amendment was necessary in the Federal Republic of Germany since Article Three, Paragraph Two, of the basic law adopted for the country in May 1949 declared that "men and women shall have equal rights." Nevertheless, a lot of the legislation needed to blow life into that constitutional guarantee was delayed until Social Democrat Willy Brandt's reform-minded Government came into office in 1969. And public life remains essentially a male dominion. Before von Karajan tried to force Meyer on the Berlin Philharmonic, the 120 orchestra members had previously accepted but one woman colleague.

Here and there, some women have achieved high public office. Social Democrat Annemarie Renger was president of the Bundestag, the lower house of parliament, and was thus hierarchically (although not in the public perception) the republic's second-ranking official, right behind the head of state, from 1972 to 1976.

Financial journalist Julia Dingwort-Nusseck advanced to the presidency of the Lower Saxony State Central Bank and Christian Democrat Birgit Beuel became that state's Minister of Economics, but they are the exceptions. Rarely have more than 10 percent of the members of the Bundestag been women and their representation in that chamber actually is decreasing.

On the other hand, women have won tremendous legal victories. Brandt's reformers pushed through penal code changes that essentially allow abortion on demand. They also reformed the marriage laws to permit women to escape unhappy marriages without risking their financial futures. In fact, men complain that this latter reform has gone too

far—a woman can now abandon her husband and children to go off with another man and still demand, and get, half of her husband's wealth. This has been the ruin of more than one family-owned business, and some deputies are considering how to reform the reforms.

A major victory for women, or so it seemed at the time, was the 1979 extension of paid leave for women from six weeks before giving birth to six months afterward. That reform helped women employed in large firms that have enough staff to cover for absentees, but it often effectively excluded them from employment in small firms.

More women, meanwhile, are going to school. The "Deutsches Studentenwerk" reports that 40.6 percent of university and 30 percent of technical college students are women, up from 36 and 20 percent as recently as 1979. And they are making progress in the church. The Evangelical Church, for example, says the number of female pastors is up from 2 percent of the total in 1964 to 7.3 percent. Almost one-third of all students who have passed their first theological examinations are women.

Young women, however, tend to drop out of apprenticeships much more often than do men. One study says this may be because they often are steered into apprenticeships for which they are over-educated, although another suggests most of them drop out because they find the job physically overtaxing. If the latter is true, then there may indeed be a limit to the equality with men that German women can achieve and that may be one reason why no German women are lobbying for the right to join the armed services, other than as nurses or doctors.

The writers of history, meanwhile, continue to disregard women. Female students assigned to study German resistance to the Nazis—during this 50th anniversary of Adolf Hitler's rise to power—complain that the historians make almost no mention of the women involved. And the left-of-center *Frankfurter Rundschau* reports that of that city's 2,800 streets, boulevards, and squares, only 16 are named for women. WELLINGTON LONG

Athens

Since Homeric times, when Odysseus spent 10 years finding his way home from the Trojan War, nostalgia for Greece has been a part of the culture among Greeks who have been forced to live abroad. In recent years, Greeks who went to the United States and Western Europe to seek their fortunes have returned home in increasing numbers. Now the political exiles who fled to eastern Europe after the defeat of the Communist rebels in Greece 34 years ago have been offered the chance to join them.

The Socialist Government's decision to allow free repatriation of around 30,000 Greek political exiles and their families is intended to close a dark chapter in the country's post-war history. But a large question mark hangs over their future in Greece, where the state pension fund is burdened with debts and an 8 percent overall unemployment rate rises to more than 23 percent for younger graduates. There is some doubt about how many exiles will actually take up Premier Andreas Papandreou's offer.

Since 1974 when the Communist Party became legal and the road back to Greece was opened, some 32,000 former fugitives have been permitted to return. Their applications were individually screened by security officials in Greece, a process which led to long delays. But another 4,500 exiles who have already received permission to come home have postponed doing so because of the financial and social problems they find in Greece.

Social security rights, often the source of a comfortable income for Greeks who return from the West, cannot yet be transferred from East European countries, with the exception of Bulgaria. Even in that case, Greeks who have returned from Bulgaria say they only receive part of their pension.

Skilled technicians and graduates, who make up a large proportion of the original exiles' families, say their diplomas may not be recognized in Greece or are considered inferior to similar Western qualifications. More than 70 percent of the Greeks who remain in Eastern Europe are under 40, and were either born there or are too young to have taken part in the 1947-49 political upheavals.

Exiles who go back to their original homes, often in rural areas, may find their property confiscated long ago or acquired by relatives.

Premier Papandreou has promised to restore Greek citizenship to former exiles in a process uncomplicated by the bureaucracy of the past. The Government also wants to bring bilateral negotiations on transfer of social security rights to a swift conclusion, perhaps covering the payments through imports from the Soviet Union, the German Democratic Republic, Hungary, Czechoslovakia, and Poland where most exiles live.

Negotiations are being opened with the Greek Orthodox church, which owns large tracts of unused land scheduled for eventual takeover by the state, to provide property for the exiles' return. But free repatriation, long awaited by the former fugitives, seems to have brought no rush of immigrants. Many are more likely to take advantage of the Government's willingness to allow them home for a preliminary visit with no commitment to remain. KERIN HOPE

Paris

The French have launched another attack in their battle against *franglais*. Alarmed by the invasion of English words into technical vocabularies, the French Government is attempting to purge anglicisms from the research papers of French scientists.

The Government has admitted defeat in ridding everyday speech of such old standbys as *le weekend*, *le parking*, and, more recently, *le jogging*, but it is drawing the line on the scientific use of such American computer lingo as *le hardware* and *le software*. The purge comes in response to surveys indicating as many as 75 percent of French scientists submitted research papers in English to conferences held in France.

To combat the problem, French Research and Technology Minister Jean-Pierre Chevènement has sent a letter to leading French scientific organizations requesting their members to "systematically" publish in French at conferences held in French-speaking lands. The request annoyed many French scientists, who contend that if they publish papers exclusively in their native tongue they will be limiting their audience.

Although French is the second language after English in international diplomacy, it is ranked only 11th in terms of the number of people who speak it around the world. English, Spanish, Arabic, Portugese, the languages of China, Russian, Hindi, Japanese, German,

and Malaysian all outrank French.

The Government's request to publish in French also has bewildered many of the nation's scientists who point out that there are often no French equivalents for the technical words coined by Americans. Not to be put off, the Government has set about bringing such French words into existence. The French Industry Minister has published a list of French computer words recently created with assistance from the 40 "immortals" of the prestigious Académie Française, a group of noted writers who also act as a watchdog over the purity of the French language.

Le logiciel has become the accepted term for software and *le matériel* for hardware while *la banque de données* is the French term for data bank. Some of the changes are mere cosmetic transfers of the English concept into French spelling. A multiprocessor has become *un multiprocesseur* while the English "on line" has been translated as *en ligne* and "listing" is now *un listage*.

Chevènement has complained that all too often French researchers "work for the glory of being published in English journals." The Research and Technology Minister has said he envisions creating a program to sensitize the French-speaking scientific community to the problem and to upgrade the quality and distribution of French scientific journals.

Frenchman Alfred Kastler, the 1966 Physics Nobel Prize winner, believes, however, that there is little the Government can realistically do to curb the regression of French in scientific circles. "Faced with the invasion of English, the commands of the Government are inoperative," Kastler said. CAROLYN LESH

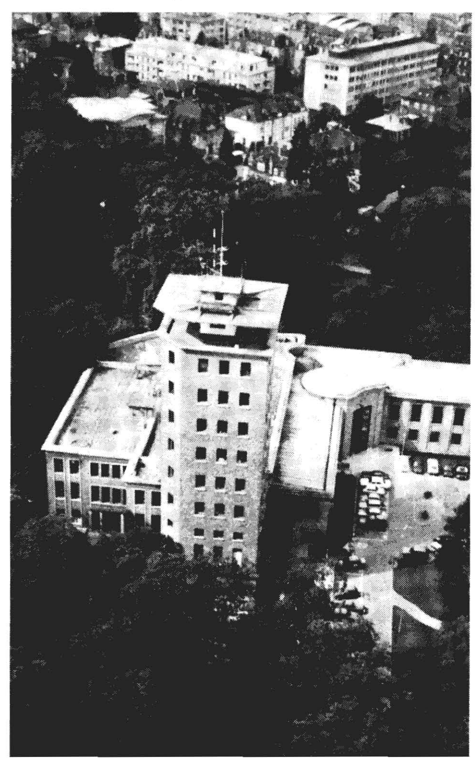
Luxembourg

The airwaves are humming in Luxembourg and in a very literal sense. Radio Television Luxembourg (RTL) is facing major decisions about its future and, when you consider that the company is the country's largest single taxpayer, it's no wonder that the vibrations are being felt throughout the economy. Indeed they go even further because like most successful Luxembourg enterprises, RTL has imprinted itself across a large section of the map of Europe. When you recall that the Government leaders of France and the Federal Republic of Germany, as well as Luxembourg itself, have held special meetings to discuss RTL's plans you have a measure of the company's commercial and cultural reach.

Radio Luxembourg has been beguiling listeners in France, Germany, Belgium, and Britain for most of the half century since its creation. Some wonder whether commercial radio would ever have come to Britain, for instance, had the public there not been primed for it by habitual listening to Radio Luxembourg's seductive late-night blend of ads and pops. Many viewers in northern France and Belgium might add that RTL today provides their best television entertainment.

The relationship between this energetic, highly professional enterprise and the staid broadcasting authorities of neighboring countries has always been uneasy, but it only reached the level of a major political dispute some three years ago when RTL announced plans for a satellite-beamed commercial television station openly designed to capture audiences throughout most of northern Europe. Reports suggested that networks in France and Germany acted to put pressure on their Governments to get the plans blocked.

RTL *in Luxembourg.*



Whatever the truth in this, the fact is that for several years now the expansion plans of RTL have become enmeshed in a high level political tangle. The latest blow to the Luxembourg company's ambitions landed last year when France announced plans to establish its own satellite television system to operate from 1985. Whether the French move was a retaliation against Luxembourg or simply inspired by the commercial and technological gains to be won from such a service, the fact remains that it presents a potentially severe competitive blow to RTL.

The RTL management is now pondering whether to take up the French offer of a single channel broadcasting frequency on their satellite, which could substantially limits its ability to beam programs in German or English, or whether to pull out of the enterprise altogether. RTL is a privately owned company and in this sense owes no loyalty other than to its shareholders (mainly French and Belgian). RTL has made major investments in recent years in such areas as joint film production with companies in other countries, animated television productions, and experimental broadcasts in local languages. While much of this may have been based on the assumption of a satellite broadcasting facility, one suspects that the management may also have had a keen idea of which way the political winds were blowing.

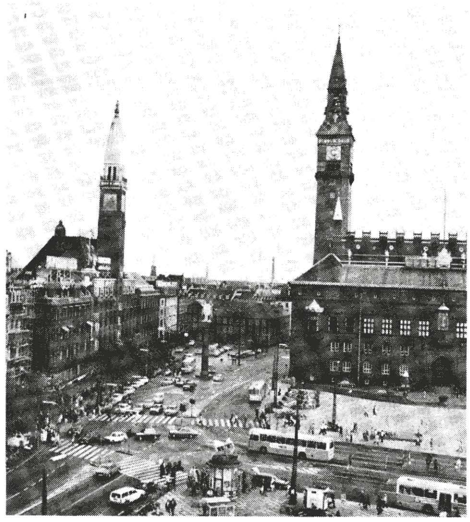
Which leaves the Government of Luxembourg in something of a quandary. It cannot control the RTL decision. It would not like to see Luxembourg's domination of the popular European airwaves slip away by default. So it is suggesting that if RTL does back out then another company might be invited to take up the option.

An Anglo-American consortium has been suggested as one likely candidate, although there is probably an element of saber-rattling here. It is difficult to contemplate the loss of a company that has probably given Luxembourg more recognition and popularity than any other single enterprise in the postwar years. But the reality, political or economical, is not encouraging. ALAN OSBORN

Copenhagen

While Sweden's new socialist Government has reaffirmed the Swedish tradition of regulating as much of human behavior as possible—the newest example being the decision to protect gullible minors by allowing the film "E.T." to be shown only to adults—Denmark, on the other hand, is trying to deregulate both business and public administration.

Danish business is facing another difficult year and the conservative-led Government of



Poul Schlueter is now trying to boost the morale of the business community by scrapping costly environmental policies and looking through the statute books to get rid of as much red tape as possible.

Making life easier for business is just part of a far more ambitious frontal attack on Danish bureaucracy. Though Danes are generally fairly pragmatic about rules and regulations, the inertia of public administration and the multitude of laws implementing the welfare state in the 1960s has caused a profusion of bureaucratic rules deemed necessary to make the laws work.

Now an official report on the bureaucracy claims that this is not so. There are 216 rules and regulations dealing with just welfare payments to sick workers. More than two thirds of these rules are completely superfluous and could be replaced without prejudice to the law, according to a committee of public servants and employer and labor union representatives.

The special government agency responsible for increasing the efficiency of public administration believes that this is just the first proof that thousands of unnecessary rules and regulations, many of them mutually incompatible, will surface in other fields. Local authorities alone have identified more than one thousand problems in interpreting existing rules and regulations, which may be eased or solved by the repeal of or drastic changes in existing rules and regulations set by central government.

The Government hopes that its program to deregulate the Danes will have a double reward: it will allow more efficient implementation of the rules and regulations that are kept on the books and it will give business and the ordinary citizen a better understanding of how and why they are regulated.

For a liberal-conservative Government having to increase taxes in times of economic crisis this sort of move is by no means without political appeal. For observers outside Scandinavia it is a further reminder of the fact that, although there are many similarities between the Scandinavian countries, there are also some striking differences. LEIF BECK FALLESEN

Rome

The popularity of Pope John Paul II—the first non-Italian for 400 years—is currently being put to the test in Rome. Last November, after a long meeting of Cardinals, the Pope announced that 1983 would be a Holy Year, to celebrate the 1950th anniversary of the death of Christ. Nobody had expected it—it is entirely up to the Pope whether such anniversaries are celebrated in this way or not—and no one had been told in advance. When Sig Ugo Vetere, the Mayor of Rome, was told by an assistant that the Pope had just declared a Holy Year, he said to him: "this is no time for making jokes."

Holy Year actually began on Ash Wednesday when the Pope ceremoniously opened the Holy Door of St. Peter's which is only used during Holy Years. Holy Year will start slowly, but by the end of the summer between 8 and 12 million extra pilgrims are expected to have come to Rome, prayed at the

prescribed shrines, walked through the Holy Door into St. Peter's, and confessed their sins. The Pope may have thought that Romans would be pleased.

It meant that apart from his visits to Latin America and Poland he would be devoting much more of the summer to Rome than he normally does. It meant excellent business for the hotels, *pensions*, and *trattorias* of Rome, even though many pilgrims are poor and will try to stay and eat in the many religious hostels. For the Italian Government, it meant a welcome boost to Italy's foreign exchange earnings from tourism, already vital to the balance of payments.

For the City Council of Rome, however, the Holy Year was bad news. The council feared that it would cause a serious and expensive setback to its plans to make a dramatic assault on both the city's terrible traffic problem and on the need to restore and better display the city's archaeological heritage, especially that from the ancient Romans. The plan involves banning cars from large areas of the old center of Rome, and closing the Via dei Fori Imperiali, the important main road that crosses the imperial forums of ancient Rome. The object is to open up the area underneath and beside the road to archaeologists, in due course creating an archaeological park out of the present, rather scruffy, forum area which lies between the Colosseum and the Capitol.

Mayor Veters' view is that the situation is so bad that something must be done now. If excuses are made because of the Holy Year, the whole plan will slip and, what with the precariousness of local as well as national Governments in Italy, it may never be implemented. So in mid-March the closure notices are due to go up on Via dei Fori Imperiali, and if there is chaos when Holy Year gets fully underway a few weeks later at Easter, then who will be to blame? It will not be the first time that the religious and temporal powers in Rome will have been at loggerheads. JAMES BUXTON

Dublin

The Pro-Life Amendment Campaign (PLAC), after two years of hard lobbying, scored a notable victory when the Irish parliament began debating a bill on a referendum to insert a clause in the Irish constitution outlawing abortion. There are two unusual aspects about such a development. First, it runs counter to the trend in most other European countries, where legislation on abortion has been gradually liberalized in recent years. Second, abortion has been totally forbidden in Ireland since 1861 and there has been virtually no move to change the law by any important interest group. What is more, the proposed constitutional change will make no alteration whatever in the existing legal situation concerning the outlawing of abortion.

Why then should the country be getting stirred up over a campaign to prohibit something that is already prohibited? The U.S. Supreme Court is partly to blame because the people behind PLAC, including some of the country's leading gynecologists, fear that if the 1861 law is ever challenged before the Irish Supreme Court it may follow the reasoning of its American counterpart back in 1973 and rule that the unborn child has no guaranteed constitutional right to life.

Very few people in the country believe that the Irish Supreme Court would ever give such a ruling, but PLAC points out that the Irish constitution dating from 1937 only speaks of the rights of the "citizen" and thus seems to exclude the unborn. In addition, Ireland is a signatory of the European Convention on Human Rights and there are fears, according to Justice Minister Patrick Noonan, that the convention in future might be interpreted as guaranteeing a woman's right to abortion.

Opponents of PLAC argue against an expensive nationwide referendum to make a change in the constitution that will have no effect on the existing legal prohibition against abortion and will leave unchanged the situation whereby an estimated 3,500 women travel each year to Britain to have abortions there. They say it is merely a waste of time and money and distracts the country from far more pressing economic problems, including a 14 percent unemployment rate. It is also argued that the proposed constitutional change will be seen as imposing Catholic moral teaching on the 5-percent Protestant minority.

The various Protestant churches have in fact publicly opposed the holding of a referendum, while insisting this does not mean any alteration in their abhorrence of "abortion on demand." Their main objection seems to be against "using constitutional prohibitons as a means of dealing with complex moral and social issues." These are better dealt with by legislation in the view of the Protestant Churches.

These Protestant objections are a blow to both the present Fine Gael-Labor coalition Government and the Fianna Fail opposition, which in fact drafted the amendment that is now before parliament. All three parties are firmly committed to the eventual reunification of Ireland by peaceful means, including the removal of laws which can be seen to Northern Ireland Protestants as sectarian or enforcing Catholic morality. Unfortunately both Garret FitzGerald, the present Prime Minister, and Charles Haughey, leader of Fianna Fail, gave pledges to PLAC to hold an anti-abortion referendum when a general election was approaching in April 1981 and apparently failed to realize the effect it would have on the Protestant churches.

The consequences are now more serious for FitzGerald, as he is also identified with a "crusade" to promote Irish unity precisely through removing legal and constitutional measures which are objectionable to Northern Protestants. In fairness, he appears convinced that the Irish constitution lacks adequate protection for the unborn and that the proposed amendment would not enforce exclusively Catholic moral teaching, a view which some leading Protestant churchmen have said they share.

The whole affair is becoming something of a nightmare for politicians especially in the coalition parties, where demands for a free vote on the controversial bill are increasing. For non-politicians, the issue is seen more and more as divisive and unnecessary, although the vast majority of people who oppose holding a referendum would also oppose the introduction of abortion on demand as it operates in the United Kingdom and the United States.

Here there are genuine and sincerely held differences of opinion spanning the religious and political divide which Irish society and legislators have not had to face up to before. The Catholic Church has remained on the sidelines, deliberately. It has not sought the amendment, but the hierarchy "applauds the ideals" of PLAC. The bishops, no doubt wisely, have decided to stay our of the fray, unlike in 1948 when their interference in a proposed state scheme for mother and child care caused a political crisis which has still left its trace in Irish life.—JOE CARROLL

Brussels

Asked to comment on his country's international trade prospects at a recent press conference, a Belgian banker surveyed his audience and remarked with a wry grin: "Right now I'd say our fastest growing imports were foreign journalists." I expect most journalists here would counter with a remark about bureaucrats and interpreters, but his point is a reasonable one. In the 10 years since the United Kingdom, Ireland, and Denmark joined the European Community the number of full-time foreign television, radio, and press men and women in Brussels has more than doubled to somewhere around 300. Greece's entry swelled the ranks and already there are a score or so of Spanish and Portuguese correspondents located here to monitor their countries' protracted negotiations for E.C. membership.

The biggest single boost in recent years to Brussels' status as a base for international journalists came in January this year when *The Wall Street Journal* launched its European edition. Edited in Brussels and employing 50 full-time reporters and editors in Europe, the *Journal*'s arrival has powerfully fortified Brussels' challenge to Washington as the world's largest multinational press center.

The comparison isn't entirely fair though, as the relatively meager contingent of American journalists here will suggest. Brussels is indeed the headquarters of the North Atlantic Treaty Organization—and as such a lure for military and defense correspondents—but by far its biggest newsmaker is the European Community in its various institutional shapes. To some extent, you could say it thus represents an extension of domestic Government reporting for its member countries' newspapers and agencies.

The spectacle of the Brussels press corps in full cry can be an awesome one for visiting

American politicians and officials, especially when questions are rattled off in any one of seven different languages. But again appearances are deceptive. The number of "traditional" staff foreign correspondents based here by national publications is probably not much more than in Paris, say, or Bonn. The uniqueness of the press in Brussels lies in the large number of specialized correspondents covering subjects ranging from agriculture and fishing to trade, energy, and industry. Many free-lance operators serve a string of publications, while at any given moment there are probably a score or more of writers doing research for books.

The daily output of information from the E.C. Commission and the European Parliament provides ample pickings for most correspondents, but to many news organizations the main charm of Brussels is its highly developed system of communications and the scope this affords for access to stories throughout Europe. If Paris or Bonn have more appeal for American foreign correspondents in terms of the items which engage their readers' interest, the situation is obviously different for a publication aimed at an exclusively European readership.

For Brussels at any rate, the launching of a new newspaper is a welcome development, not least for the additional exposure it will give, as a kind of by-product, to Belgium's own domestic activities. You can already buy the national newspapers of a dozen or more different countries in Brussels on the day of publication and anyone who complains of being ill-informed here now can surely only be regarded as illiterate. ALAN OSBORN

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le jazz

LEONARD MALONE

For more than five decades, jazz musicians from the United States have been traveling to Europe to play their music before audiences that have traditionally responded with more respect and affection than those back home. Some musicians, like the great tenor saxophone player Ben Webster, have been received with such hospitality that they have decided to remain there. A more recent development, however, is the emergence of a growing number of first-class European jazz players who are making their own considerable contribution to the jazz genre, no longer willing to merely imitate their American counterparts.

It will come as no surprise then that jazz festivals in Europe have been, and continue to be, major musical events for Americans and Europeans alike. Not only do they provide a rich opportunity to hear music by the best jazz musicians in the world, but jazz fans from many countries are drawn to the festivals to enjoy the warm camraderie of other enthusiasts like themselves.

Perhaps the best example of this is the jazz festival in Montreux, Switzerland—the best known of all the European festivals and the only one that rivals the great Newport Jazz Festival in New York City. It is considered a great honor for musicians to play at Montreux because they know they will be able to mingle with the best in the world. Some of the legendary performances in jazz history have taken place there and there are more than a hundred major jazz albums that have been recorded at Montreux.

While Montreux provides the setting for the best-known festival, it is the city of Copenhagen, however, that has come to be known as the "jazz capital" of Europe. It has provided jazz musicians with a year-round home base to which they can return after performances all over Europe. Copenhagen's reputation is largely due to a rich jazz tradition established at the legendary Montmartre Club, which opened in 1960; to its successor, the "New Montmartre," which opened its doors in 1976 as the "biggest jazz club in Europe;" and to the summer festival, this year scheduled for July 8-17 and which, according to director Poul Bjornholdt, differs from the other summer festivals "because the city itself serves as a stage for the festival."

A "reputation," however, is one thing and the reality is often quite another. The paradox of the situation in Copenhagen is that there are both Scandinavian and American musicians of international standard living there, but not enough jazz places or mass public interest, for all that matters, to accommodate all this talent. The result is that many of the musicians refer to Copenhagen as a "base," and do what jazz musicians have always done: that is, travel to where the work is. In this case: Norway, France, Germany, Italy, Spain, and lately Japan.

Today there seems to be an increased interest in jazz in many European countries. In Oslo, Norway, for instance usually associated with jazz because of the innovative musicianship of tenor Jan Gabarek—there are now three jazz clubs, and two major summer festivals: the Molde and Kongberg Jazz Festivals.

Another example is the interest in new wave and avant garde jazz in the Federal Republic of Germany. Free Music Productions in Berlin is an organization directed by musicians that arrange workshops and concerts with musicians from all over Europe. In the small town of Moers, outside of Dusseldorf, the town's city council subsidizes new wave music as a prestige project. People like David Murray, George "Blood" Ulmer, and Anthony Braxton have been active in their projects.

In France a new club on Paris' right bank, "New Morning," has recently opened. Pianist Martial Solal is still a pivotal figure in the French jazz scene. The tradition of Django Reinhardt is being carried on by the gypsy generation of guitarists; namely Christian Escoudé and the brothers Elliot and Boulou Ferret. France is also known for its summer festivals: International names are always featured at the annual festivals in Antibes, Juan les Pins, and in Nice.

The North Sea Festival, that takes place every summer, just outside of The Hague, is probably the biggest jazz spectacle ever, featuring as many as 600 musicians. Italy also has a small festival every summer, in the medieval city of Pemggia located in the beautiful Toscana region. Gigi Campi's musical cooperative, "Music Unlimited" will have a small festival in San Remo from April 8-10 featuring Ernie Wilkins' "Almost Big Band,' Eddie "Lockjaw" Davis, Francis Boland's group, and Johnny Griffin.

Spain perhaps doesn't have many local

Musicians jamming at the New Montmartre club in Copenhagen. © Kirsten Malone

in europe

Spanish musicians of international standard, outside of the gifted blind pianist Tete Monteliu who is noted for his many fine recordings with Ben Webster, but it has perhaps one of the most active jazz audiences in Europe. Sevilla, for example, celebrated its first annual jazz festival in November, 1982, presenting three nights of music featuring the groups of Arthur Blythe, Chico Freeman, Dollar Brand, and the Mingus Dynasty. Each concert of 2,000 seats was sold out.

San Sebastian in the northern Basque region is currently planning its 18th jazz festival, which, according to tradition, will take place around the 20th of July. The neighboring town, Vitoria, will follow up with a series of concerts. Two years ago these cities arranged a series of concerts that were attended by enormous crowds. For example, 15,000 people turned out for a concert featuring the Chick Corea Quartette (Joe Henderson, Gary Peacock, Roy Haynes). The first jazz festival in Madrid took place in October, 1982. Usually these jazz events are presented at the student's residence center in the north west part of Madrid which seats about 800 people. However, when Sonny Rollins appeared last in Madrid, he played to capacity crowds of about 8,000 in Madrid's Sports Palace.

For any real understanding of the jazz scene in Europe, however, one must return to Copenhagen and review some of the remarkable developments that have taken place since 1960. It was in that year that bass player Oscar Pettiford decided to live in Copenhagen and it was his initiative that eventually led to opening one of the most remarkable periods on the European jazz scene. In cooperation with his Danish partner, Anders Dyrup, they started the Montmartre and a new era of jazz in Europe had begun, the roots of which can be clearly heard today. In 1961 the popular bass player died and, for a period of time, his dream of having an international jazz club died with him. The Montmartre, which had become immensely popular during Pettiford's time and had featured Stan Getz for long term engagements, closed.

The following year, however, the club was re-opened under the auspices of an American pianist living in Copenhagen at the time, Harold Goldberg, and a Dane, Herluf-Kamp Larsen. Eventually Goldberg returned to the States and the Montmartre continued under the direction of Herluf-Kamp Larsen until the latter part of the 1970s. During those years, one of the most important periods of jazz in Europe became the reality of Pettiford's dream: an international jazz club, featuring established U.S. musicians as well as the best that European jazz could offer. A whole history of jazz passed through Montmartre's doors during that golden period, beginning with a three-month engagement with the late piano virtuoso Bud Powell.

France is known for its summer jazz festivals in Antibes, Juan le Pins, and in Nice. © Photo Researchers

Dexter Gordon first came to Copenhagen's Montmartre in 1963 after he had just left Ronnie Scott's jazz club in London. He has described this period as "one of the most fruitful periods in my life. . . . " Herluf had the kind of jazz policy at the time wherein he would book a musician for long term engagements. Another aspect of this policy was that he would book groups featuring Cecil Taylor, Archie Shepp, Don Cherry, Albert Ayler, and other "avant garde" musicians—even though he knew he would be taking an economic risk, because he felt they were important musically.

Because of this kind of policy it would be quite common during that time to have musicians of such contrasting styles as Don Cherry, Sonny Boy Williamson, Roland Kirk, Dollar Brand (Ibrahim Abdullah), Don Byas, and many others in town at the same time. With all these musicians around it was only natural that many unusual and impromptu jazz sessions resulted. On one occasion, Sonny Boy Williamson sat in with the house rhythmn section that was usually composed of pianist Kenny Drew, who had come to live in Copenhagen in 1963, bassist Niels-Henning Orsted Pedersen, then only a teenager, and Danish drummer Alex Reil. During this era it would not be uncommon to experience three of the greatest tenor players in jazz history onstage at one time: Dexter Gordon, Don Byas, and the maestro—Ben Webster. It was precisely due to this kind of bountiful musical activity that many U.S. jazzmen became attracted to Copenhagen. Ben Webster first came to Copenhagen in January, 1965, and was scheduled to stay in the Danish capitol for only a week. Instead he remained there until his death in 1973.

Today Copenhagen is home base for such established musicians as trumpeter Idrees Sulieman, Sahib Shibab, guitarist Doug Rainey, trombonist/singer Richard Boone, drummer Ed Thigpen, pianists Kenny Drew, Horace Parlan, and Duke Jordan; also big-band arrangers and composers Billy Moore, Thad Jones, and Ernie Wilkins live and work out of Copenhagen.

In 1975, Herluf-Kamp Larsen was forced to close "the old Montmartre" because of severe economic problems. A musical vacuum was felt in Copenhagen that gave even the blues the blues. However, those 15 years of intense musical activity and the enormous influence the American musicians had upon the Danish and European jazzmen left its mark. €

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tracing your roots

HOW TO FIND THOSE EUROPEAN ANCESTORS

DIANA SCIMONE

"In due season we went there with our axes, to have it proved to us that America truly and literally is a land flowing with milk and honey. Lotten and Christine came to our aid with pails, pots, pans, and any other vessels we could ladle our sweet treasure into. And it was necessary to have such things in readiness. With a terrific crash the tree plunged to the ground, the bent top buried itself deep in the earth, a part of the trunk splintered to pieces, and we had to start scooping up the honey."

The Memoirs of Gustaf Unonius (1810-1902), immigrant leader and founder of the Pine Lake Settlement in Wisconsin.

Lotten, Christine and the rest of the Unonius family were not alone in thinking the land on the western shore of the Atlantic was overflowing with milk and honey. In the latter half of the 19th and early part of the 20th Centuries, Europeans by the millions packed up their belongings into a few boxes and crates and traveled across an unknown ocean expecting if not fame, at least a modest amount of fortune. Today, their descendants make up the melting pot that is known as America, where there is a growing interest in learning more about the roots to the past. Many amateur genealogists hope to find a titled ancestor, discover a remote connection to someone famous, or just learn a bit more about great-grandmother Calabrese or old uncle Tonoose.

If learning more about your ancestors entices you, you can expect a fascinating—and rewarding—search. A few genealogists with European backgrounds have traced their roots back to the 3d or 4th Century, although unless you have royal connections, you're not likely to be as lucky. Most of the records existing today are for landowners and nobility. If, however, you do find volumes on a certain elusive relative, it could also mean he was a criminal with a well-documented past—a good retort to those who boast blue-blooded lines.

No matter what part of the world your ancestors came from—whether Europe or elsewhere—the best place to start your search is on this side of the Atlantic. Begin with yourself—the first "twig" on your family tree. Genealogists suggest sketching a rough diagram of who is related to whom in your family, and filling in as much information as far back as you can. The four key elements on your tree should be names, relationships, dates, and places (of birth, death, and settlement). Next, talk to relatives, especially the older ones.

Many genealogists find it helpful to rummage through family attics and storage areas looking for clues to the past among old records such as insurance policies, Bibles, portraits (look on backs for dates, places, etc.), tax forms, military papers, deeds and the like.

When you have retrieved as much information from these "primary" sources as you can, it is time to proceed to "secondary" sources: the vast record-keeping facilities found throughout the United States. You can start in your own hometown or in the city or county where your ancestors first lived in this country. Libraries and local and state historical societies can be very helpful. At city court houses, you will find probate and tax records, wills, birth and death announcements, and even criminal and civil proceedings. Don't forget the local church or synagogue which can also provide vital information.

Most professional genealogists travel to Washington D.C. at one time or another in their search because of the federal government's centralized record storage facilities. The National Archives, for example, keeps naturalization records, passenger lists (a few are available before 1820, many after), mortality schedules, passport applications, some census records, claims for pensions and bounty lands, and other such information. The Archives also has branches in 11 cities around the country and publishes a newsletter, *Sources/Prologue*, listing new additions to its holdings. (National Archives, Reference Services Branch, Washington D.C. 20408; 202/523-3220).

Another good source in Washington D.C. is the Local History and Genealogy Room of the Library of Congress. Among its collections are microfilms of many sources in Europe, such as original book material, as well as family histories compiled by amateur genealogists around the country. (Local History and Genealogy Room, Library of Congress, Washington D.C. 20540; 202/287-5537).

The National Society of the Daughters of the American Revolution maintains a genealogy library in Washington D.C. with a specialized collection of over 65,000 books and pamphlets and more than 30,000 manuscripts, including published rosters of Revolutionary War soldiers and patriots, cemetery inscriptions, abstracts of Revolutionary War pension files, and periodicals. Librarians do not do research for visitors, but people who are not members of the society may use the reference facilities by paying a nominal fee. (National Society of the Daughters of the American Revolution, 1776 D Street, N.W., Washington D.C. 20006-5392; 202/628-1776).

Another excellent library, also open to visitors for a small fee, is found at the headquarters of the National Genealogical Society. Its collections include published and unpublished works relevant to genealogy, local history and heraldry. Membership in the society is open to professionals and amateurs, and members have mail access to the Library's holdings. (National Genealogical Society, 1921 Sunderland Place, NW, Washington D.C. 20036; 202/785-2123).

If you prefer to have someone else do the nitty-gritty work for you, you can hire professional researchers and genealogists who are familiar with the ins and outs of Washington red tape and genealogical methods. For a list of certified professionals, write to the Board for Certification of Genealogists, 1307 New Hampshire Avenue, N.W., Washington D.C. 20036 (enclose $2.00 and a large, stamped envelope).

Once you have traced your ancestors back to the point where they arrived in the United States, you are ready to begin your search in Europe. Two international groups can point you in the right direction: International Genealogical Club, c/o Baron Jean de Micel, 61 rue d'Amsterdam, 75008 Paris, France; and Society of Genealogists, 37 Harrington Gardens, London SW7 4JX.

Throughout Europe, state government archives can be very helpful, although you will have to be able to read the language in order to understand old documents. The Scandinavian countries are particularly well-organized for visiting genealogists. For example in Växjö, Sweden, the Utvandrarnas Hus (House of Emigrants) documents "American Fever," the period between 1846 and 1930 when over 1 million Swedes emigrated to North America (Utvandrarnas Hus, Box 201, 35104 Växjö, Sweden). Denmark similarly records its emigration at the Danish Worldwide Archives (2 Konvalvej, DK 9000 Aalborg, Denmark).

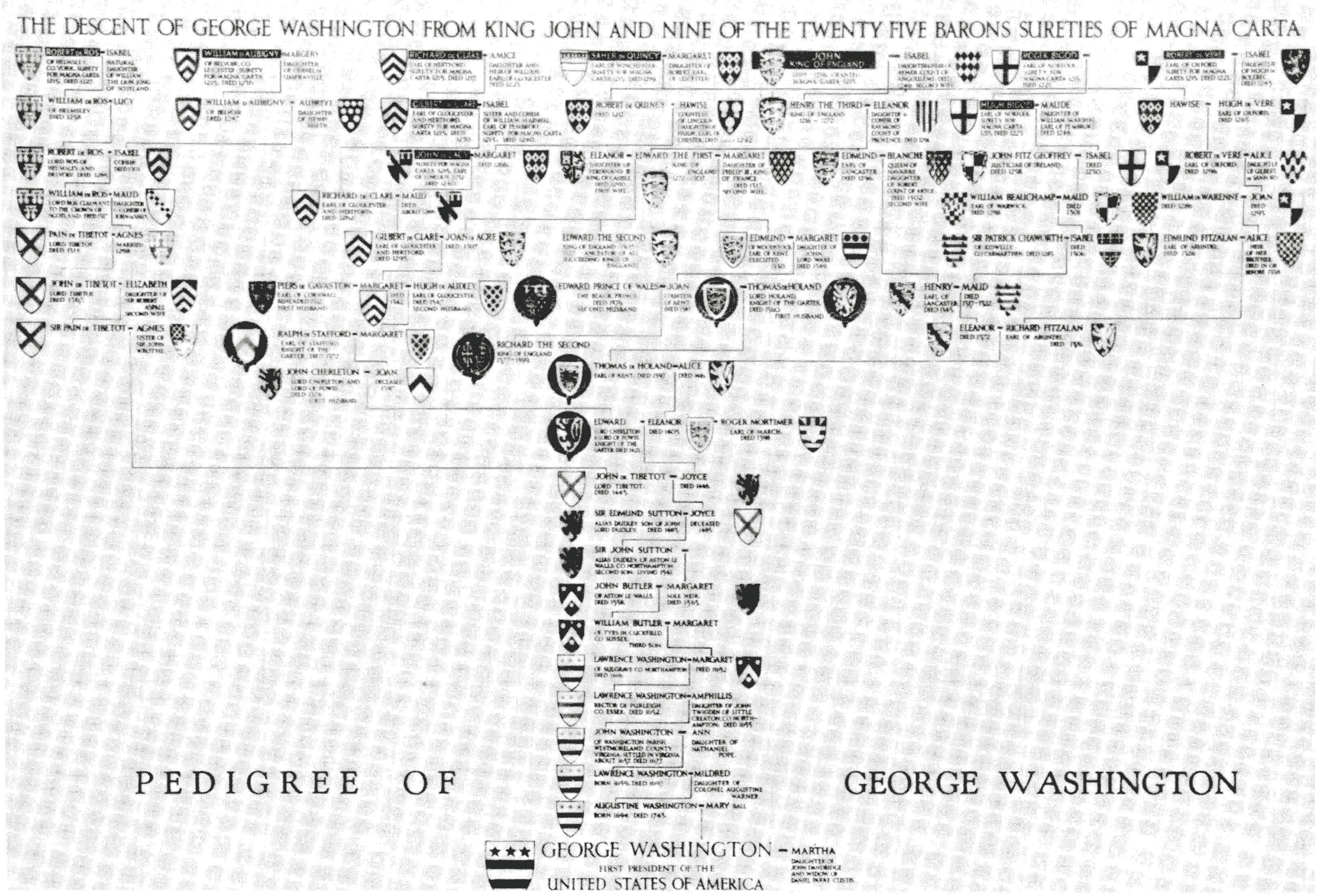
If you would like to join other amateur genealogists in your search, Scandinavian Airlines has organized Heritage and History Tours which stop at these and other genealogical facilities in Norway, Sweden, Denmark and Finland (Scandinavian Airlines, 800/221-2350). Other genealogy trips to both Scandinavia and Scotland are offered by Passage Tours (1022 Nicollet Mall, Minneapolis, Minnesota 55403; 800/328-7110).

Those with ancestors from Britain can join tours which have been run for the past eight years by Bill Linder, a former director of central reference at the National Archives in Washington. The annual excursions include lectures on British research by noted genealogists, and personal consultations and orientation at the Society of Genealogy Library. (Tour to Britain, 8306 Cottage Street, Vienna, Virginia 22180; 703/578-3049). Linder's tours are usually run back-to-back with similar excursions to Scotland (write DRH Associates, 2255 Cedar Lane, Vienna, Virginia 22180).

Once you have finished your search (which can take 25 years or longer), you may want to publish your findings and submit them to genealogical libraries around the country and in Europe. The American Genealogical Research Institute sells family histories on many names from Abbott to York, as well as genealogical "starter" kits which include a comprehensive book, *How to Trace Your Family Tree* (AGRI, 1235 Kenilworth Avenue, N.E., Washington D.C. 20019; 202/399-0100). Another how-to book for amateurs is *Finding Your Roots* ($4.95 from Action for Independent Maturity, 1909 K Street, N.W., Washington D.C. 20049; 202/728-4466). For other genealogical resources and materials, write to Hearthstone Bookshop which specializes in local and ethnic history and Americana, and stock books, periodicals, maps, charts and family tree forms ($1.00 for a catalogue to Hearthstone Bookshop, 108 S. Columbus Street, Alexandria, Virginia 22314; 703/549-8211).

The quest for your past can be educational, enlightening—and sometimes surprising. Though you may have a goal of filling in every branch on your family tree, keep in mind that the fun is in the actual search—a task that can take you a lifetime, but is guaranteed to provide hours of fascinating digging. €

Diana Scimone contributes regularly to Europe.



NEWS OF THE COMMUNITY

US, EC Fight Over Flour

The "flour deal" was one of the many topics discussed when E.C. Commission President Gaston Thorn met with U.S. Vice President George Bush last month.

A recent decision by the United States to subsidize the sale to Egypt of 1 million tons of U.S. wheat flour has complicated the already difficult task of finding a peaceful settlement for U.S.-E.C. agricultural trade disputes. The U.S. action was a retaliatory move against farm product export subsidies granted by the E.C., which for the past 20 years has been Egypt's leading supplier of wheat flour.

The 1-million-ton sale would substantially increase the U.S. share of the Egyptian market for imported flour. During the 1981-82 agricultural marketing year U.S. flour exports to Egypt totaled only 630,000 tons, of which 560,000 tons were provided in the form of food aid. By contrast, the E.C. shipped Egypt 1 million tons of flour in 1981-82, including food aid totaling 200,000 tons.

The United States agreed to sell subsidized flour to Egypt to counter E.C. subsidies it contends have won E.C. exporters an unfair share of business and have contributed to depressed world wheat prices. A panel set up under the General Agreement on Tariffs and Trade (GATT) is examining those U.S. charges. The E.C. claims its export subsidies have not given E.C. farm products an unfair advantage in world markets. The subsidized flour sale was announced by Washington in January, only a few days after the United States and the E.C. ended their first round of talks aimed at patching up farm trade differences and avoiding a potential agricultural trade war. Both sides had described the initial talks as constructive.

The E.C. reacted to news of the U.S. flour subsidy by announcing it would not discuss wheat flour with the American delegation when bilateral farm trade talks resumed in Brussels on February 10. The Commission said it would use the February meeting to seek to prevent further escalation of U.S.-E.C. farm trade conflicts. In addition, the Commission said it saw no reason in light of the new U.S. subsidy program to pursue discussion on U.S. GATT complaints over E.C. flour subsidies.

The new flour subsidy agreement obligates the United States to sell, and Egypt to buy, 1 million tons of flour at $155 a ton, substantially below the already depressed world flour price. In addition, the agreement commits Egypt to give preference to U.S. flour in any additional flour purchases it makes over the next 12 to 14 months.

E.C. Commission President Gaston Thorn told U.S. Vice President George Bush last month during Bush's visit to Brussels that the E.C. would be forced "to take (the flour deal) to the General Agreement on Tariffs and Trade as incompatible with GATT rules and to reserve the right to take counter-action of any further action of this kind were taken." Thorn said the U.S. action did not seem compatible with the spirit in which the United States and the E.C. began talks last December on their agricultural disputes.

Fish Policy Marks Milestone for EC

The adoption of a comprehensive Common Fisheries Policy (CFP) by the 10 member states of the European Community marked a new milestone in the development of the E.C. and put to rest one of the Community's most colorful internal squabbles in recent years. The new policy was adopted on January 25, 1983 after over a year of difficult negotations. These negotiations were imperiled late last year when Denmark, believing it had been short-changed by the proposed fishing quotas, refused to accept before December 31 a compromise package agreed to by its other E.C. partners. That was the deadline by which national fishing regulations were to take effect in E.C. waters if Fisheries Ministers failed to achieve a Community-wide policy.

Shortly after the deadline, the United Kingdom imposed a ban on commercial fishing by Denmark in North Sea coastal waters. The ban was directed against Danish fishermen fishing near the Orkney and Shetland Islands north of Scotland, an area rich in haddock and cod, and off the west coast of Scotland, where mackerel abound. In defiance, Danish fisherman and trawler owner Kent Kirk, a member of the European Parliament, set sail for Britian with 20-odd journalists in tow to challenge the ban. Kirk was subsequently intercepted by British patrol vessels and sentenced to a heavy fine amid a swirl of publicity.

Meanwhile, in a series of special meetings, E.C. Commission President Gaston Thorn and the E.C. Council of Ministers negotiated with the Danish Government in an effort to unblock Denmark's resistance to the common policy. Denmark gave its approval to the pact after receiving assurances that it would have first claim in the future on up to 20,000 tons of mackerel per year from Community entitlements in jointly controlled third-country waters such as those off the coast of Norway.

"We are content with the results achieved. A compromise between 10 countries with conflicting interests is a tremendous achievement," said Danish Prime Minister Poul Schlueter after his country gave its go-ahead to the new policy. The fisheries policy is designed to keep E.C. waters productive by limiting the total permissible catch of major commercial fish varieties and allocating these among member states. The policy gives E.C. fishing fleets fair access to all Community waters. It permits other member states to exercise their "traditional" fishing rights inside the 12-mile coastal zones within which each member state is permitted to control fishing.

EC Participates in Textile Accord

The E.C.'s Council of Ministers has given the go-ahead through the end of 1986 for the Community's continued participation in the Multifiber Arrangement (MFA), which governs an estimated 80 percent of world trade in textiles. The Council made its decision late last year after the E.C. successfully concluded bilateral agreements with 26 of its 27 third world textile suppliers.

The MFA allows industrialized nations to restrain their textile imports from countries where textile production costs are low, thus protecting their own domestic textile industries. However, the MFA may only give the Community's textile industry a short breathing space. The General Agreement on Tariffs and Trade plans to study international textile trade in developing and developed countries with an eye toward promoting freer trade in that sector. The study should be completed sometime in 1984.

Earlier this year, the E.C. had threatened to quit the MFA. The withdrawal of the Community, one of the world's largest textile consumers, from the textile pact could have placed the future of the entire agreement in jeopardy. The Community has announced that it will take unilateral measures to ensure its textile imports from Argentina this year do not exceed the 1982 level. Argentina was the only textile supplier with which the E.C. failed to reach a bilateral agreement.

Little Growth Seen in Output

An anticipated decline in inflation—expected to drop to a single digit figure this year—will give investment and consumption a shot in the arm, but won't be much of a stimulant for the Community's economic output, according to the EC Commission's annual economic report. The report projects a rather weak 1.1 percent increase in output for 1983, the fourth year of the current recession. However, the Commission sees unemployment rising to 12 million, as well as increasing budget deficits and the prospect of a long period of slow growth for E.C. member states.

Why is the picture so gloomy? The Commission blames it on both external factors, such as oil-price shocks, and on the failure of European economies to respond quickly to changes in the economic environment. Lack of technological innovation, failure to integrate European markets, high interest rates, and a strained international trading environment also play a role in the bleak outlook.

What's the solution to these problems? The Commission advocates a long-run "insurance policy" to counteract the current trend. This policy would include special efforts to cut dependence on imported oil. Public finance policy also should be reformed so that investment, and not current expenditure, is given first priority, the Commission said. It said real job-creation programs also should be implemented, hand in hand with measures to reduce labor costs and to mend structural weakness in vulnerable industrial sectors—steps it said would improve the climate for investments and business profits. The report said the growing divergency of the economies of the Community's 10 member states jeopardizes the future of the European Monetary System and that public policies should reflect the need to bring these economies into line.

Environmental Action Program

An ounce of prevention is worth a pound of cure—at least that's the theory behind the Community's Third Action Plan (1982-86) for the Environment, published late last year. The document outlines an overall strategy for actions to improve and maintain environmental quality. These actions would be taken at all levels of authority, from local and national to Community-wide.

The Commission's plan calls for greater monitoring of pollution and closer application of the "polluter-pays principle," a concept designed to encourage industries to take anti-pollution measures and to stimulate innovation. It also calls for introducing environmental impact assessment as one of the steps in the planning process for both public and private development projects and for new products and technologies. As a step in this direction, the plan proposed a new E.C. directive which would require environmental impact assessment measures to be incorporated into the laws of E.C. member states.

The Commission warned against cutting corners and looking for an "easy way out" when it came to safeguarding environmental quality. Environmental policy should be carried out without regard to short-term conditions that might make anti-pollution requirements look too burdensome.

EC to Fund Greek Antiquities

Greece will get a $153,000 low-interest loan from the European Investment Bank (EIB), the EC's bank for long-term finance, to set up an archeological museum on the Greek island of Milos. The loan is part of the Community's effort to preserve Europe's cultural heritage and is the first such project to benefit from EIB financing.

The museum will provide the proper environment for conserving and displaying Milos' archeological treasures, some of which date to around 3000 B.C. The museum is expected to give a substantial boost to the island's tourism industry, one of its most important sources of revenue. The total cost of the project is estimated at $303,600. The 15-year EIB credit will carry an interest subsidy of about 5 percent drawn from the Community budget.

Commission Proposes Modest Increase in Farm Prices

The EC Commission has proposed only a modest increase for the 1983-84 agricultural marketing year in common internal prices for most European farm products. However, whether the actual increase in farm prices for the coming season will be as modest as that sought by the Commission will depend on the Community's Council of Ministers and will be a telling test of the political will within the E.C. to reform the Common Agricultural Policy (CAP). The Commission has promoted reforms in the CAP designed to make administering the policy less costly and to bring closer to the world price levels the relatively high internal prices for commodities the Community exports.

The Commission proposed a general increase of 5.5 percent in agricultural prices, with lesser percentage increases for some of the Community's most economically important crops. The farm price package put forth by the Commission would increase next season's farm produce prices by an overall average of 4.4 percent, compared with an average increase of 10.4 percent for 1982-83.

At their first round of discussions on the Commission's farm price package in mid-January, a few of the E.C.'s Agriculture Ministers indicated that the proposed price increases were insufficient, though most agreed that the Commission's price package would be a good basis for an eventual compromise on farm prices. Britain's Agriculture Minister, Peter Walker, said he advocated even smaller increases for some items than those recommended by the Commission.

The Commission's price package would limit the actual increase in support prices for some products in 1983-84 to less than the basic 5.5 percent, including milk (3.2 percent), grains (3.0 percent), and rapeseed (4.5 percent). EC production of those commodities last year exceeded pre-established limits, triggering a downward adjustment in their 1983 support price increases.

The Future Secure for Foie Gras

Gourmets the world over can continue to look to the E.C. for a secure supply of foie gras now that a committee of the European Parliament has vindicated the practice of force-feeding geese to fatten their livers. Although people concerned with the welfare of animals have cited the practice as cruel and disgusting, the Parliament's Committee for Environment, Public Health and Consumer Protection has found evidence that geese may enjoy

Geese, says the committee are always hungary. Originally a migratory species, geese accumulated fat in their bodies, especially around their livers, before beginning migration. Once they were domesticated, human beings began to exploit the bird's gluttonous tendencies. In its recent report on the fattening process, the Parliamentary group observed that the fattening is done by a person who "gently but vigilantly helps the bird" eat its daily ration. The report stresses that when the "fattener" arrives on the scene, geese often actually begin calling out for more food.

France is the world's leading producer of foie gras, an industry that provides jobs for about 20,000 farmers. Hungary, Poland, Bulgaria, Czechoslovakia, and Israel are also major producers, followed by Japan, Spain, Mexico, Argentina, and Brazil, which are all stepping up production. The Council of Europe has rejected calls for an EC ban on the fattening of geese for the production of foie gras paté.

A Reprieve for Baby Seals

Thanks to a prospective E.C. ban on imports of their pelts, Canada's baby seal population apparently will get a reprieve from the annual seal hunt, which claims about 187,000 of their number per year. Canadian Government officials have confirmed that most Canadian sealers don't intend to pursue baby seals this season because of the economic risks impslicit in the potential ban.

The idea of a ban on baby seal pelts has enjoyed wide public support in Europe, where the hunt has been criticized for the cruelty of the clubbing death that befalls its young victims and for contributing to the depletionof seal populations. However, the spectre of a Community-wide import ban has angered Canadian officials who have steadfastly defended the hunt as a legitimate method of culling seal populations and as an important source of income for some of the most disadvantaged segments of Canada's human population.

Last year E.C. Environment Ministers recommended a voluntary ban on imports of baby seal skins until March 1, 1983, when a final decision on future import restrictions would be made. After failing to win a commitment from Canada and Norway to call off their yearly hunts, the E.C. Commission last October recommended that the E.C. place a ban on imports of baby seal hides. Included in the proposed ban were products made from the pelts of baby harp and hooded seals, known respectively as "white coats and bluebacks." A petition calling for such an import ban attracted 5 million signatures and the support of 90 percent of the European Parliament.

The United Kingdom and the Federal Republic of Germany are the E.C. member states with the closest commercial ties with Canada, and thus could suffer most economically from a Community-wide pelt ban. Britain is the Community's main importer and processor of baby seal skins, an industry that provides hundreds of jobs. In Germany the deep-sea fishing fleet relies heavily on Canadian waters for 14,000 metric tons of cod

At present, despite import restrictions already in place in some member states, the E.C. remains a major market outlet for Canadian and Norwegian sealers. An estimated 70 percent of the baby seal pelts taken in Canada are sold to Western Europe.

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Those Pessimistic Europeans

Will 1983 be a better or a worse year than 1982? Most Europeans think it will be worse, according to a recent survey of public opinion in the Community. Continuing the trend set in recent years, pessimists in their assessment of what the future will hold (38 percent) outnumbered optimists (25 percent) among the 9,689 Europeans surveyed for the latest edition of *Euro-Barometer*, a public opinion survey conducted twice each year on behalf of the EC Commission.

The new *Euro-Barometer* survey revealed that most Europeans expect industrial relations to deteriorate this year, with an increase in strikes and industrial disputes. Most also expect a substantial amount of trouble in international relations this year, although their majority is smaller than in the previous year's survey. In the longer term, the number of Europeans who said they felt there was a danger of world war in the next 20 years now has fallen to 18 percent, compared with 24 percent at the end of 1981 and 34 percent in late 1980. The Irish (25 percent) showed themselves a bit more apprehensive about the threat of world war than other Europeans, while the Greeks (9 percent) and the Danes (10 percent) said they thought that prospect less likely.

On the economic front, the survey revealed that 38 percent of the interviewees felt that the financial situation of their own household had grown worse in the past 12 months (compared with 15 percent who made the opposite claim), while 62 percent felt that the general economic situation of their country had deteriorated (compared with 14 percent who thought it had improved).

How happy are Europeans? The recent findings show that 18 percent surveyed claimed to be "very happy," 59 percent to be "fairly happy," and 21 percent "not too happy." The Dutch were well in the lead in the happiness sweepstakes, with 44 percent claiming to be very happy. The Greeks and Italians, however, showed themselves less satisfied with their lot in life, with only 10 percent and 9 percent, respectively, claiming to be very happy.

As for European attitudes towards the Community, there is still a vague consensus in favor of the unification of Western Europe—an average of 70 percent "for" and 14 percent "against." The majority were in favor of a united Europe in all 10 member states, including Denmark and the United Kingdom, the two where sentiments ran most strongly against European unity. However, this pro-Europe sentiment has declined almost everywhere since 1973, particularly in the Federal Republic of Germany. Ten years ago the Germans were far more ardent supporters of a united Europe than the French; today the opposite is true.

Courtesy of French National Railroads

Commission Proposal Would Improve Transportation

New road, railway, and inland waterway links between E.C. countries may soon get a $630 million boost from a five-year experimental program designed by the E.C. Commission to improve the quality and ease of transportation within the Community. If approved by Transport Ministers in the member states, the proposed program could eventually form the basis for a long-awaited E.C. Common Transport Policy. The main objective of the proposed program is to fund projects which because of their size could not be carried out by national authorities without help from the Community, according to E.C. Transport Commissioner Giorgios Contogeorgis.

The first part of the two-stage program would begin this year, with nearly 50 million in Community funds earmarked for four major construction projects in five countries. Road improvements head the list and include the route between Athens and the Yugoslav border and the Rosslare-Dublin-Belfast road in Ireland. Improvements in the northwest-southeast transit route through Austria would also be funded under the scheme. The fourth project for 1983 would be the modernization of the Rotterdam-Cologne-Stuttgart rail link between the Netherlands and the Federal Republic of Germany.

The E.C.'s Council of Ministers has already approved part of the plan. The Commission would like to see the annual expenditure double to about $100 million in 1984. Projects for next year would include modernizing the Zuid-Willemsvaart canal between Belgium and the Netherlands, improving the North-South rail link between Copenhagen, Frankfurt and Milan, and electrifying the Colchester-Harwich railway line in the United Kingdom. Modernization of Britain's east coast ports, a motorway linking Luxembourg to Trier, Germany, and other projects aimed at improving communications between northwestern and southeastern Europe.

"Vredeling Proposal" Revision

The E.C. Commission is expected to unveil a revised text of its controversial directive on worker information and consultation rights—known as the "Vredeling proposal"—during the first half of 1983. That initiative would give workers employed by a European subsidiary of a multinational company the right to be informed and consulted on the company's financial situation, policies, and business decisions likely to affect their livelihoods, such as plant closings or worker lay-offs.

The Commission currently is in the process of redrafting the Vredeling proposal to take into account amendments recommended by the European Parliament and voted during the Parliament's December session. The Commission has said it would be in contact with both business and labor organizations during the redrafting period.

According to E.C. Employment and Social Affairs Commissioner Ivor Richard, the revised draft would exempt from the proposal's disclosure requirements "any information whose disclosure would substantially harm the company's prospects or substantially damage its interests." Richard pronounced the Commission in favor, at least in principle, of many of the amendments recommended by Parliament. Many of these amendments were designed to allay fears that the proposal in its original form might

EC Commissioner Ivor Richard

have placed too heavy an administrative burden on business, throttled foreign investment in E.C. countries, or risked compromising vital business secrets. The goal of the proposed information and consultation rules is to make multinationals more responsible to their local work forces.

Richard, the Commissioner responsible for Vredeling, planned his recent mid-February visit to the United States to discuss the proposal's future with American officials and business representatives. Some executives of multinational corporations, particularly American ones, have shown themselves quite hostile toward the Vredeling idea, fearing that the directive would rob them of management perogatives.

Poland, Lebanon Benefit from EC Help

Poland and Lebanon were the chief beneficiaries of the approximately $88 million the European Community spent to provide relief to victims of natural disasters and other hardships beyond its borders last year under E.C. emergency aid programs. The figure does not include the substantial value of food aid the Community provided from its own stocks in response to food emergencies.

The EC spent $25 million to combat shortages of food and other essential commodities in Poland during 1982. Community aid, channeled through private relief organizations, financed shipment to Poland of 600 truckloads (10,000 tons) of foodstuffs, medical supplies, and other necessities. The E.C. donated nearly $9 million through the International Committee of the Red Cross and the UN Disaster Relief Office to assist some 230,000 people in strife-torn Beirut and southern Lebanon. Relief efforts also aided flood victims in Bolivia, Yemen, Nicaragua, Honduras, Tunisia, and Spain and provided drought assistance to Algeria and Morocco.

In addition, the E.C. donated $47.7 million in 1982 to aid refugees in Southeast Asia, Pakistan, Angola, central Africa, and Central America. Most of this refugee aid was administered by the Office of the United Nations High Commissioner for Refugees.

EC Adopts Corporate Breakup Rules

"It was a perfectly delightful stockholders' meeting until the stockholders showed up." © H. Martin, Punch

The E.C. recently adopted a set of rules designed to protect the interests of employees, creditors, and stockholders of public corporations undergoing a breakup, or division. The rules—known collectively as the Sixth Company Law Directive—were approved by the E.C. Council of Ministers last December. Aside from safeguarding stockholders and other interested parties, they also simplify the process of splitting up or restructuring a publicly held company. According to the E.C. Commission, the directive should encourage the formation of a Community-wide capital market.

The directive enables an existing company to transfer all of its assets and liabilities to two or more existing or newly created companies (in exchange for stock in those companies) without having to go through costly, complex, and often lengthy legal proceedings. It allows member states to relax certain procedural requirements in cases where a break-up, or division, takes place under close court scrutiny.

A breakup, split, division, or scission, as the transaction is variously called, is similar to a merger (mergers were addressed in an earlier E.C. directive), but is considered somewhat riskier for a company's creditors. Unlike a merger, in which one company's assets and liabilities are totally absorbed by another, divisions split between more than one successor company the assets out of which any claims against the divided company would be paid.

For this reason, the newly adopted directive stipulates that the successor companies would be jointly liable if one of their number failed to satisfy one of the divided company's creditors. For the protection of shareholders, the directive mandates a report by independent experts on whether the share exchange ratio at which the split took place was justified and it requires a report from management on the transaction's affect on employees.

Community Aid Roundup

The E.C. Commission has recently authorized the following emergency and development aid projects (1 ECU = $0.97).

Emergency aid programs—*Lesotho*: 75,000 ECU to assist victims of the recent fighting in Maseru that followed an attack by South African armed forces on December 9, 1982.... *Ecuador*: 100,000 ECU in aid to help the estimated 50,000 to 60,000 people who have suffered crop or property losses and communications disruption in the wake of flooding that devastated several of Ecuador's coastal provinces. The aid was channeled through a private organization, "Deutsche Welthungerhilfe," and covered the purchase of food, medicines, tents, blankets and other items for flood victims.... *Yemen Arab Republic*: 1 million ECU to assist the thousands of people affected by a December 13 earthquake in the Dhamar region, including some 300,000 to 400,000 people left homeless. Some of this aid was assigned to the Belgian Red Cross for financing of relief operations undertaken jointly by the E.C. Commission and the Belgian Government. The remaining aid was placed at the disposal of the League of Red Cross Societies as a contribution to its aid program.... *Viet Nam*: 300,000 ECU to help the estimated 1.9 million Vietnamese (including 640,000 children) affected by typhoon Nancy, which hit Viet Nam from October 19 to 21. Thousands of houses were destroyed, along with hospitals and schools, and an estimated 300,000 tons of crops were lost. The aid was provided in response to an appeal made to the international community by the United Nations Disaster Relief Office.... *Mali*: 300,000 ECU to a government program for the purchase and transport of animal feed to help the numerous families whose diets depend almost exclusively on their livestock. Drought has severely depleted grazing and other customary sources of livestock feed.... *France and Italy*: 1.5 million ECU and 250,000 ECU, respectively, to provide assistance to those worst hit by flooding which struck 41 departments in southwestern France and Italy's Lunigiana Valley last December, inflicting enormous property losses.... *Greenland*: 500,000 ECU to offset the economic disruption caused by unseasonable ice floes that have prevented the estimated 50 percent of the population dependent on fishing from pursuing that traditional occupation.

Grants from the European Development Fund—*Mali*: 300,000 ECU to train rural extension workers. ... *Sierra Leone*: 7.5 million ECU to increase the number of people benefiting from the ongoing Koinadugu Integrated Development Project started in 1978 to improve living conditions in rural areas.... *Guinea*: 7.15 million ECU in financing for renovation and expansion of the plastics factory at Conakry. ... *Ethiopia*: 22.5 million ECU to expand areas served by hydroelectric power.... *All Caribbean members of the Lomé Convention*: 8 million ECU to promote tourism.

Aid for Non-associated Developing Countries—*Thailand*: 3.3 million ECU for research to improve the quality and range of oilseed varieties available to Thai farmers.... *Andean Pact*: 500,000 ECU to finance a two-year study to determine what types of energy projects would most benefit the Andean sub-region and the five member countries of the Andean Pact.

Freer Nuclear Trade Sought in EC

The E.C. Commission recently proposed steps it said would help free up intra-E.C. trade in nuclear energy related materials and services and bring Europe closer to the ideal of a "nuclear common market." The Commission called for amendments to the 25-year-old treaty that established the European Atomic Energy Community (Euratom), one of the three Communities that makes up the E.C.

Euratom was formed in 1957 to promote peaceful uses of nuclear energy after the Suez Crisis drove home the extent of Europe's dependence on imported oil. The treaty is designed to ensure that all users within the Community get regular and equitable supplies of nuclear fuels and ores. Today nuclear energy generates about 20 percent of the electricity produced in the E.C.

The proposed amendments generally would prohibit member states from placing restrictions on the free movement of nuclear fuels within the Community's frontiers. They would end the buying and selling monopoly on these fuels that the 1957 treaty granted to the Community Supply Agency. However, they would affirm the Community's authority to conclude international supply agreements on behalf of its member states and to subject bilateral agreements between its member states and non-EC countries to prior approval requirements.

In addition the Commission proposed a system for safeguarding the Community against disruptions of nuclear fuel supplies, which could include the possible establishment of decentralized strategic stocks and provisions for price and import controls in the event of supply disruptions.

The Commission said its proposals were needed to adapt the 1957 treaties to the realities of today's market place for nuclear fuels and services and that they would benefit both EC states with well-developed and lesser developed nuclear energy capabilities. The amendments would give those member states with fully developed nuclear industries wider outlets for their products. In addition, they would give member states lacking the technology for a complete nuclear fuel cycle more secure access to fuels produced in other member states. This would prevent these countries from having to make a disproportionately large investment in technology to finance a small nuclear program, the Commission said.

Law Group Launches US-EC Scholarship Fund

The Brussels Seminar Inc., a non-profit corporation formed to promote legal scholarship and U.S.-E.C. understanding, has just launched a scholarship fund for U.S. law graduates to study the law and institutions of the European Economic Community. The fund will help underwrite the expenses of those who attend the annual Brussels Seminar on Law and Institutions of the EEC, held each July in Brussels at the Institute of European Studies, Université Libre de Bruxelles, and Vrije Universiteit Brussel.

Twenty-five qualified participants, selected from among U.S. law students who have completed at least two years of legal training, will receive scholarships to help defray the costs of their studies during the three-week academic program beginning next July. The faculty of the seminar includes key officials of the U.S. mission to the E.C., the Council and Commission of the European Communities, and law professors from the Belgian universities.

Additional information about the scholarship fund campaign can be obtained by writing or calling the Brussels Seminar Inc., 1800 M. St. N.W. Washington D.C. 20036, (202) 452-8100. Contributions are tax deductible.

At the Halfway Point in GATT

The advent of 1983 marked a milestone for the tradition of liberal international trade that has been responsible for much of the free world's prosperity since the end of World War II. On January 1, 1983, the world's major trading nations reached the halfway point in implementing tariff reductions they agreed to during the Tokyo Round of Multilateral Trade Negotiations held from 1973 to 1979 under the auspices of the General Agreement on Tariffs and Trade (GATT). The Tokyo Round was the most comprehensive round of trade negotiations launched since the inception of the GATT.

As the new year dawned, the nations who participated in the Tokyo Round made the fourth of eight annual tariff cuts they agreed to in those sessions. Coincidentally this fourth series of cuts took effect on the 35th anniversary of the GATT's entry into force on January 1, 1948. The series of eight cuts is scheduled for completion at the beginning of 1987. By that time the industrial countries which took part in the Tokyo negotiations will have reduced their tariffs on imported manufactured goods by about one-third from their pre-Tokyo Round levels.

Most tariff cuts on agricultural products agreed to in Tokyo follow approximately the same schedule of reductions as those for industrial products. The value of agricultural trade covered by these cuts was about $12 billion in 1976 and is now appreciably higher. A number of countries are following faster schedules for reducing tariffs on the products they import from developing countries. In addition, some 20 developing countries have granted tariff concessions of their own.

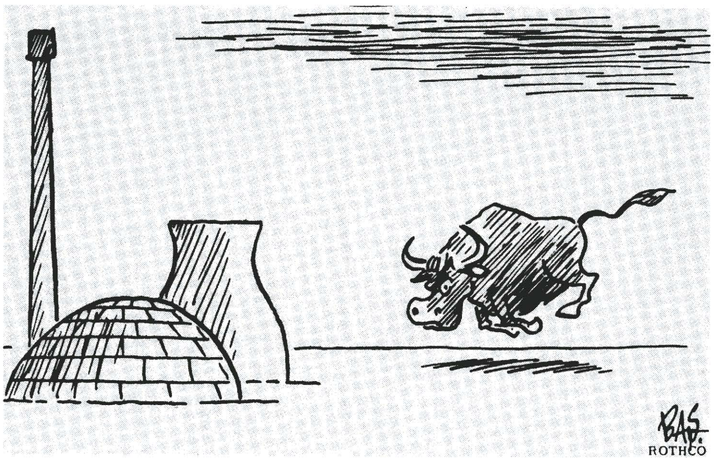
EC Enlargement: Still Talking

A day-long seminar between French and Spanish ministers held early in January ended with promises of better understanding between the two countries, but with no concrete progress on the issue of Spain's entry into the European Community. France has been reluctant to approve Spain's entry without significant changes in some E.C. programs and policies, an attitude that has plagued French attempts to establish better relations with Madrid.

French External Relations Minister Claude Cheysson and Spanish Foreign Minister Fernando Moran, who led their respective delegations to the Paris meeting, declared themselves ready to open a new era in relations between the two countries. "The things that unite us are much greater than those which separate us. We are not going to let ourselves be obsessed with particular problems," Moran said. Cheysson commented that he was struck by the common ambitions shared by Spain and France.

Both ministers said the seminar was successful in identifying common ground and putting into perspective quarrels between their Governments over such topics as Spain's accession to the E.C. and French policy toward Basque guerrillas. Spain has accused France of harboring Basque guerrilla suspects operating in the Pyrenees, but stronger cooperation between Spanish and French security forces and changes in France's political asylum policy have helped soothe the dispute.

Cheysson made clear at a press conference following the meeting that France stood by its claim that Spanish entry into the E.C. would threaten farmers in southern France, whom he said would be faced with a flood of cheap wine, vegetables and fruits from Spain. France and its other partners in the Community affirmed their political commitment to the entry of both Spain and Portugal into the E.C. at last December's European Summit meeting in Copenhagen.



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EC to Continue Restrictions on Some Soviet Goods

The E.C.'s Council of Ministers has decided to extend through the end of 1983 restrictions it imposed on some Soviet-made goods last spring to signal its disapproval of the Soviet Union's role in the imposition of martial law in Poland. Polish authorities announced the suspension of martial law last December only after many of the martial law restrictions were incorporated into Polish civil law.

The Council extended the Community's import restrictions on some 60 categories of Soviet goods shortly before their original expiration date of Dec. 31, 1982. Those sanctions, which reduce annual E.C. imports of Soviet products by an estimated $144 million, apply to items such as caviar, other fisheries products, and chemicals. The E.C. Council of Ministers is expected to discuss the situation in Poland before the end of February to determine whether the import sanctions should be modified or rescinded.

BOOKS

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

Doctrine, and the Politics of Alliance: Theatre Nuclear Force Modernisation in NATO. By Paul Buteux. Westview Press, Boulder, CO, 1983. 158 pp. Paper $17.00.

Examines nuclear policy-making in the North Atlantic Treaty Organization (NATO), arguing that NATO's strategic posture is more a result of political than military objectives. Points out the effect technological change has had on NATO's strategic and political premises and discusses recent proposals to introduce the neutron bomb and intermediate-range nuclear weapons in Europe.

The Right of Initiative of the Economic and Social Committee of the European Communities. General Secretariat of the Economic and Social Committee. Editions Delta, Brussels, 1981. 217 pp.

Study of the new possibilities of influence acquired by the EC's Economic and Social Committee (ESC) in 1974, when it was given the right to deliver opinions on its own initiative. Contains a summary of the opinions issued between 1972 and 1980, and examines the new relationship between the ESC and other Community institutions.

Who's Who in the World, 1982-83. 6th Edition. Marquis Who's Who, Inc., Chicago, 1982. 1178 pp. $89.50.

Biographical directory with more than 24,000 listings of international notables from government, science, business, the arts and other fields.

Allies in a Turbulent World: Challenges to U.S. and Western European Cooperation. Edited by Frans A.M. Alting von Geusau. Lexington Books, Lexington, MA 1982. 174 pp. $24.95.

Authors reflect on the increasing erosion of the U.S.-European alliance, and the changing European perception of the Soviet Union. Major issues of the alliance are discussed, such as the need for joint crisis management, the current questions on strategy, deterrence, and arms control, and attempts to coordinate economic policies.

The Birth of NATO. By Sir Nicholas Henderson. Westview Press, Boulder, CO, 1983. 130 pp. $17.50.

Written by a member of the seven-power working party that drafted the North Atlantic Treaty, this account reveals the mechanics of international diplomacy, the importance of personalities and outside events, and the roles of Britain and the United States in the North Atlantic Treaty Organization negotiations.

Promoting World Recovery: A Statement on Global Economic Strategy. Institute for International Economics, Washington, D.C., 1982. 37 pp. $6.00.

A statement on the world economic crisis signed by 26 economists from 14 countries, calling for an international policy to lower inflation and careful management of expansion. Specific recommendations aiming at realignment of exchange rates and trade liberalization are covered.

Protectionism: Threat to International Order, The Impact on Developing Countries. Commonwealth Secretariat Publications, London, 1982. 152 pp. £2.00.

Report by a group of independent economists appointed by Commonwealth heads of Government to investigate the impact of protection on developing countries' trade. Considers both industrial and agricultural products, voluntary export restraints, the growth of tariff and non-tariff barriers and the adequacy of existing arrangements to deal with resulting disputes.

Government Support for Exports: A Second Best Alternative. By Penelope Hartland-Thunberg and Morris H. Crawford. Lexington Books. Lexington, MA, 1982. 104 pp. $16.95.

Deals with the inconsistencies in U.S. trade policy between export promotion schemes and the principle of free trade. Argues that foreign competitors enjoy advantages through financing and other non-tariff supports allowed by the General Agreement on Tariffs and Trade and presents the case that the United States should support its own exports in order to restore a market balance.

Enterprise Law of the 80s: European and American Perspectives on Competition and Industrial Organization. Edited by Frederick M. Rowe, et al. American Bar Association, Chicago, 1980. 254 pp. $15.00.

Proceedings of an international symposium, with emphasis on competition policy in times of economic crisis and new developments in industrial organization and corporate management in the E.C. and the United States.

National Economic Security: Perceptions, Threats, and Policies. Edited by Frans A.M. Alting von Geusau and Jacques Pelkmans. John F. Kennedy

Institute, Tilburg, the Netherlands, 1982. 253 pp. 25 D.Fl.

A study of various issues and policies that affect the national economic security of a nation. Questions to what degree economic vulnerabilities threaten military security, political autonomy and stability, and determine national policies. Offers suggestions for collective economic security through international cooperation.

EEC Dairy Facts and Figures, 1982. Milk Marketing Board, Surrey, UK, 1982. 192 pp. £4.00, prepaid.

Eleventh annual summary of the E.C. dairy industry including tables on key E.C. prices, agricultural employment, milk utilization, trade, and consumption. Special section on dairy industries in Spain and Portugal.

The Impact of EEC Legislation on British Business. Conference of British Industry, London, 1981. 40 pp. £2.00.

Industry's side of how E.C. legislation is affecting British business. Although the report criticizes the effectiveness of harmonization efforts, and calls for more selectivity and re-ordering of priorities, it remains essentially pro-Community.

Hungary: An Economic Survey. Occasional Paper No. 15. By Patrick de Fontenay, et al. International Monetary Fund, Washington, D.C., 1982. 59 pp. $5.00.

A background paper prepared when Hungary became a member of the International Monetary Fund in 1982. Covers basic information on population, natural resources, and political system, as well as more detailed studies of the domestic economy and the state of industries such as construction, mining, energy, and agriculture. Also reviews the budget, exchange rate developments, external debt, imports, and exports.

East-West Relations: Prospects for the 1980s. Edited by Giuseppe Schiavone, St. Martin's Press, New York, 1982. 217 pp. $32.50.

Consideration of the benefits and disadvantages of closer interdependence between East and West by various authors. Papers deal with basic political and economic issues of East-West relations and prospects for trade at bilateral and multilateral levels. Cooperation in technology and environment fields is included.

Conservative Politics in Western Europe. Edited by Zig Layton-Henry. St. Martin's Press, New York, 1982. 352 pp. $25.00.

Examines and explains the success or failure of conservative parties in major West European countries, especially in the post-war period. Links the economic downturn Europe experienced in the 1970s to a resurgence of conservatism, and emphasizes the continued strength of leading conservative parties in Britain, Sweden, Norway, France, Italy, Denmark, and transnational party cooperation in the European Community.

Japan and Western Europe: Conflict and Cooperation. Edited by Loukas Tsoukalis and Maureen White. St. Martin's Press, New York, 1982. 222 pp. $25.00.

Outlines past and present events in the relationship between Japan and Western Europe, starting with a history of European influence in Japan and including chapters on Japan's own economic and industrial policies, trade imbalances between Japan and the European Community, issues of protectionism and exchange rates, the role of the United States, and, finally, the possibilities of encouraging more cooperation between Japan and Europe in the management of international trade and monetary relations.

Political Forces in Spain, Greece, and Portugal. By Beate Kohler. Butterworth Scientific, Boston, 1982. 281 pp. $59.95.

Looks at the enlargement of the Community, taking into special account the political and social factors present in Greece, Spain, and Portugal. Argues that the admission of these nations into the Community is based more on political than economic reasoning, and that it is the political forces that should be evaluated for their effect on integration. Gives detailed discussion on Government and party framework for each country.

Free Movement of Goods in the E.E.C. By Peter Oliver. European Law Centre, London, 1982. 278 pp. £34.00.

A guide to Articles 30-36 of the Treaty of Rome, which cover the free movement of goods in the European Community. Author consolidates various rules and references from many cases and texts and the book is arranged according to specific practical problems. Analyzes the meaning and application of the principles of "quantitative restrictions" and "measures of equivalent effect" in both imports and exports, the covers relevent Community legislation and implications of the Cassis de Dijon case.

A Contemporary Crisis: Political Hostage-Taking and the Experience of Western Europe. By Clive C. Aston. Greenwood Press, Westport, CT, 1982. 217 pp. $27.50.

This study focuses on how hostage-taking incidents, a new form of crisis, can be handled by traditional crisis management techniques. Analyzes the similarities and patterns evident in major cases such as the 1972 siege at the Munich Olympics, the seizure of the U.S. Embassy in Tehran, and the kidnapping of General Dozier in Italy in 1981. Outlines factors that restrict the response of Governments and suggests management techniques. Includes a chronology of political hostage incidents since 1970.

Published for the Commission:

Production and Utilization of Protein in Oilseed Crops. EUR 6894. Edited by E.S. Bunting. Martinus Nijhoff Publishers, Boston, 1981. 382 pp. $52.00.

Proceedings of a seminar in the EEC Programme of Coordination of Research on the Improvement of the Production of Plant Proteins organized by the Institut für Pflanzenbau und Pflanzenzüchting at Braunschweig, Federal Republic of Germany, 8-10 July, 1980.

Migration Phenomena of Radionuclides into the Geosphere: A Critical Review of Available Information. EUR 7676. By B. Skytte Jensen. Harwood Academic Publishers, Cooper Station, NY, 1982. $25.50.

Prepared as part of the EC's Indirect Action Programme (1975-79) on "Management and Storage of Radioactive Waste."

Directory of Environmental Research Projects in the European Communities, Parts I & II. EUR 8079. Commission of the European Communities. Peter Peregrinus, Ltd., Herts, UK, 1982.

Design and Technology of Solar Heating and Cooling Systems for Buildings. EUR 6599. Edited by E. Aranovitch. Elsevier Sequoia, Amsterdam, 1981. 280 pp.

Lectures of a course held at the Joint Research Centre, Ispra, Italy, June 11-15, 1979.

A Plutonium Recycling Scenario in Light Water Reactors. EUR 7768. Commission of the European Communities. Harwood Academic Publishers, Cooper Station, NY, 1982. $29.50.

Report on the EC Indirect Action Programme (1975-79) on "Plutonium Recyling in Light Water Reactors."

European Communities Oil and Gas Research Development Projects: First Status Report. EUR 8043. Compiled by Derek Fee. Graham & Trotman, London. $50.00.

The Community's Bookshelf

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

☐ **The European Community and the United States.** *Europe Information No. 57/82*, Commission, Brussels, May 1982, 27 pages............................free

☐ **Information Report on Relations Between the European Community and the United States.** Economic and Social Committee, Brussels, September 28, 1982, 56 pages.......................free

☐ **The European Community and the People's Republic of China.** *Europe Information No. 60/82*, Commission, Brussels, June 1982, 24 pages........free

☐ **The European Community and India.** *Europe Information No. 62/82*, Commission, Brussels, October 1982, 10 pages.....................................free

☐ **Portugal and the European Community.** *Europe Information No. 58/82*, April 1982, 17 pages.........free

☐ **An Education Policy for Eurpe.** *European Documentation No. 4/82*, Commission, Brussels, 1982, 31 pages...free

☐ **Public Supply Contracts in the European Community.** *European Documentation*, Commission, Brussels, 1982, 28 pages............................free *Outlines the possibilities and procedures for tendering for public supply contracts in the E.C.*

☐ **European Competition Policy.** *European File No. 2/83*, Commission, Brussels, January 1983, 7 pages......free

☐ **Community Demonstration Programmes in Energy Saving and Alternative Energy Sources.** *European File No. 1/83*, Commission, Brussels, January 1983, 11 pages.......................free

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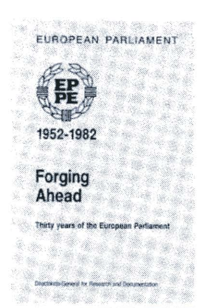

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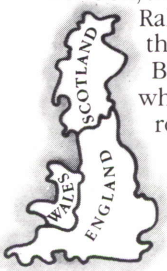

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