

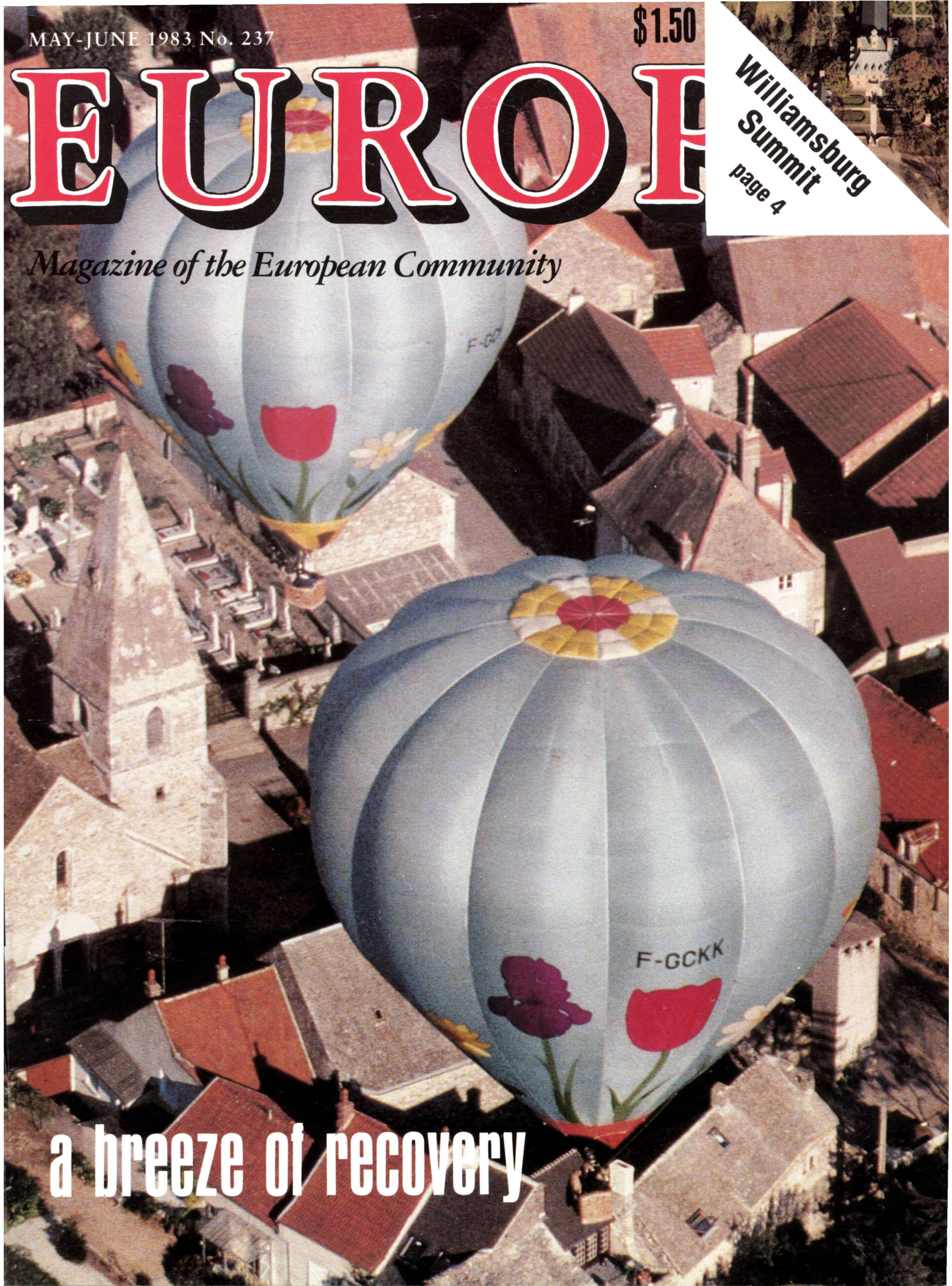
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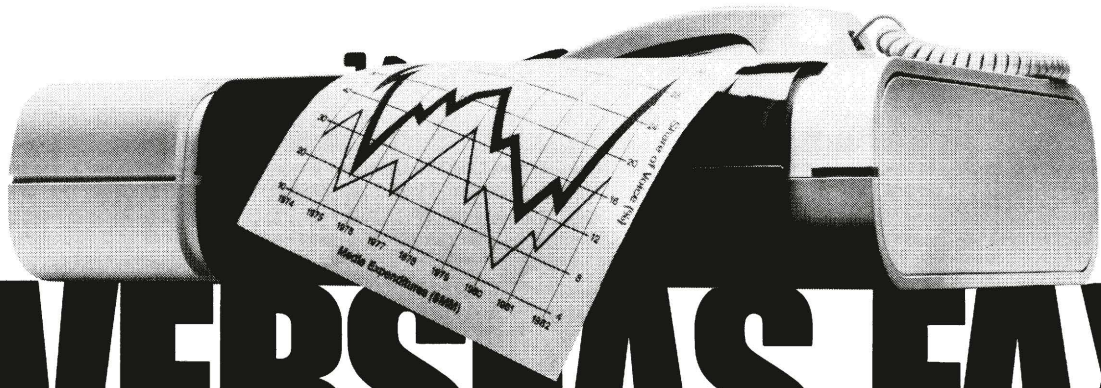
# EUROPE

Williamsburg  
Summit  
page 4

*Magazine of the European Community*



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# EUROPE

Magazine of the European Community

MAY-JUNE 1983 No. 237

## US-EC RELATIONS

- 4 **Pride, Pomp, and Circumstance** REGINALD DALE  
*Western leaders gather at Williamsburg this month amid a cast of thousands.*
- 6 **Vital Statistics**  
*Summit participants as seen in numbers.*
- 8 **Sowing the Seeds of Peace** BETH EASTMAN  
*U.S.-E.C. talks continue for a solution to agricultural trade problems.*
- 10 **Just What Is the CAP?** HOWARD SMITH  
*Explaining the E.C.'s Common Agricultural Policy, a source of friction with the United States.*
- 12 **Clashing Over the Environment** ERWAN FOUÉRE  
*International implications of U.S. environmental policy are causing increased tension.*
- 15 **An E.C. Success Story** NIGEL HAIGH  
*Europe is catching up to the United States in concern for the environment.*

## BUSINESS

- 18 **Saving the Banking System** ANNE VORCE  
*Measures are being taken in Europe and internationally to prevent any worldwide collapse.*
- 20 **The VAT Tax** LEWIS BEMAN  
*America could learn something from the Europeans' experience with this much proposed levy.*
- 22 **European Markets Rally Too** TIMOTHY HALLINAN  
*Stock exchanges across the Atlantic have generally followed New York.*
- 24 **ESA: A Rival to NASA?** DAVID DICKSON  
*The European Space Agency has contracts with U.S. firms to launch satellites.*
- 27 **Cooperating in Space** GEORGES FRAYSSE  
*U.S. and E.C. collaborate in earth mapping.*

## MEMBER STATE REPORT: THE NETHERLANDS

- 28 **The Pain of Recession Hits** WALTER ELLIS  
*The Netherlands, used to 25 years of unbroken economic progress, is being forced to adjust.*
- 31 **Rotterdam: The "Port of Europe"** GERARD JOVENE  
*An immense petrochemical and freight complex.*
- 32 **Saying No to Cruise Missiles** WALTER ELLIS  
*The Dutch are the people most opposed in Europe to the deployment of new nuclear weapons.*

## EUROPEAN AFFAIRS

- 35 **A Different Sort of Union** ADOLF STURMTHAL  
*Labor practices in Europe have few similarities with the American way.*
- 37 **Development à la Mediterranean** F. RICCARDI  
*E.C. policy seeks unusual solutions to the problems of Europe's underbelly.*
- 38 **Assimilating Greece**  
*The Community's 10th member presents special problems.*
- 39 **The European Parliament** DICK LEONARD  
*A unique legislative institution.*
- 40 **Around the Capitals**
- 46 **Balloons Over Europe** DIANA SCIMONE  
*On the 200th anniversary of manned flight, a guide to the festivities and to the companies currently offering trips.*
- 49 **Women Hard at Work** JUDITH PATERSON  
*Although there are less of them in Europe than the United States, they get better social programs.*
- 51 **News of the Community**
- 55 **Book Reviews**
- 57 **The Community's Bookshelf**

Cover: A balloon trip through Burgundy in France is a delightful way to spend a vacation.  
Courtesy The Bombard Society.

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NEW ISSUE

February 25, 1983

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# Publisher's Letter



*The leaders of the world's seven leading industrialized democracies—the United States, France, the United Kingdom, Canada, the Federal Republic of Germany, Japan, and Italy—will gather in Williamsburg, Virginia, at the end of this month to take up issues vital to their mutual interests and to world prosperity. However, while only seven countries will be represented directly at the 1983 Williamsburg Western economic summit, there will be eight world leaders in attendance. Why does this numerical discrepancy exist? Because of the European Community.*

*The E.C. is the eighth summiteer, a fact that many commentators seem to forget. The European Community has been represented at every Western economic summit since the Downing Street summit held in London in 1977. (The Community did not attend the first Western summit held in Rambouillet, France, in 1975 or the San Juan, Puerto Rico, summit of 1976.) Shortly after the London summit, E.C. Foreign Ministers agreed that the E.C. should be a regular summit participant. They decided that the E.C. should be jointly represented by the Presidency of the E.C. Council of Ministers, which rotates among the 10 member states at six-month intervals, and by the President of the E.C. Commission.*

*The Presidents of the Council and Commission represent the interests of the Community as a whole—both the four big member states (France, Italy, Germany, and the United Kingdom) which send their own delegations to the summits and the six smaller states which are not individually present (Belgium, Denmark, Greece, Ireland, Luxembourg, and the Netherlands). For the Williamsburg summit, the E.C. will be represented by German Chancellor Helmut Kohl, since the Federal Republic of Germany is currently occupying the E.C. Council Presidency, and by the President of the E.C. Commission, Gaston Thorn.*

*In this issue of Europe we raise the curtain on the Williamsburg summit with an article by Reginald Dale examining some of the politics of summitry and the difficulty of setting the stage for intimate talks among world leaders in the midst of thousands of staffers, journalists, and scene shifters.*

*In two other articles we look at the efforts by the United States and the E.C. to bring an amicable end to their dispute over farm product export trade, trends in the E.C.'s farm exports, and in the domestic pressures at play in the evolution of the E.C.'s agricultural policy.*

*On the environmental front, Erwan Fouéré observes that one of the unexplored facets of the controversy surrounding the Reagan Administration's policy toward environmental protection is that policy's international implications. Until recently, says Fouéré, the United States and the E.C. had made steady progress on standardized international controls on toxic and hazardous chemicals, but U.S. moves toward deregulation threaten to undermine existing agreements and create potential trade differences. In a related article, Nigel Haigh explores the E.C.'s own environmental policy and the forces that have shaped it.*

*Euromissiles figure prominently in our member state report, which in this issue spotlights the Netherlands. Walter Ellis reports that the 1979 decision to station new nuclear weapons on Dutch soil by the end of this year is proving profoundly unpopular among the Dutch people. In another feature, Europe profiles Rotterdam, the Dutch city that has become the "Port of Europe" and the European hub of the petroleum industry.*

*Other articles examine the European Space Agency, which could one day rival NASA in the launching of satellites; the Europeans' experience with the value added tax currently being proposed in Washington; and the status of working women in America and Europe.*

*Last but not least we pay homage to the gentle sport of ballooning, which this year marks its 200th year. Diana Scimone chronicles the adventures of some of the earliest pioneers of manned flight and tells how modern adventurers can get into the act during the much-heralded balloon bicentennial.*

*Armin Lohberg*

# PRIDE, POMP, &

## *US hosts economic summit at historic Williamsburg*

REGINALD DALE

On the face of it, it would be hard to conceive of two more contrasting monuments to Western history than the palace of Versailles and the old town of colonial Williamsburg. Versailles: For all its unrivaled glories, the ultimate, extravagant symbol of an arrogant and doomed monarchy. Williamsburg: Pretty, homespun, small-scale, the epitome of early Virginia. At about the same time that the mob was ransacking Versailles, bringing an old civilization crashing down in flames, the humble settlers of Williamsburg were setting out to build a new world—also born of revolution—against another monarchy.

Today's Americans, who are organizing this year's ninth annual world summit in Williamsburg at the end of May, are hoping that the contrast with last June's retrospectively disastrous meeting in Versailles will be almost as marked—at least metaphorically. They are not, of course, drawing such blood-thirsty parallels. President François Mitterrand of France, as a Socialist, took a lot of flak for holding a summit in such decadent, though glamorous, surroundings. More seriously, the choice of venue confirmed in dramatic fashion the tendency for recent summits to degenerate into events of pagantry and media extravaganza, rather than to provide a secluded setting for totally informal discussions about the world's economic problems—and their own political ones—between the leaders of the United States, the United Kingdom, the Federal Republic of Germany, France, Italy, Canada, and Japan and the President of the E.C. Commission.

By choosing what officials call the "simple, American-style atmosphere" of Williamsburg, Washington is making a determined effort to buck this trend—although many previous hosts have tried to do the same and failed. Each country cannot resist trying to outdo its predecessor by showing off one of its most prestigious showplaces. When it was their turn, the Japanese held the talks in a palace in the center of Tokyo, the British chose Number 10, Downing Street, the Italians Venice. The Canadians started off well by holding the first session in "the world's biggest log cabin," 50 miles from the bulk of the world's press, but then spoiled it by moving the whole show into the famous gothic Parliament building in the center of Ottawa.

President Ronald Reagan first looked for a site in his beloved California, but was told that there was nowhere large enough to house the expected 6,000 to 8,000 people that could be surrounded by a tight enough security screen. The Europeans also preferred the East Coast, as California would

have put them eight to nine hours away from their capitals, instead of only five to six in Williamsburg, and there is often a need for telephone calls home. The Japanese will have to put up with a time difference from Tokyo of 14 hours instead of 11 in California.

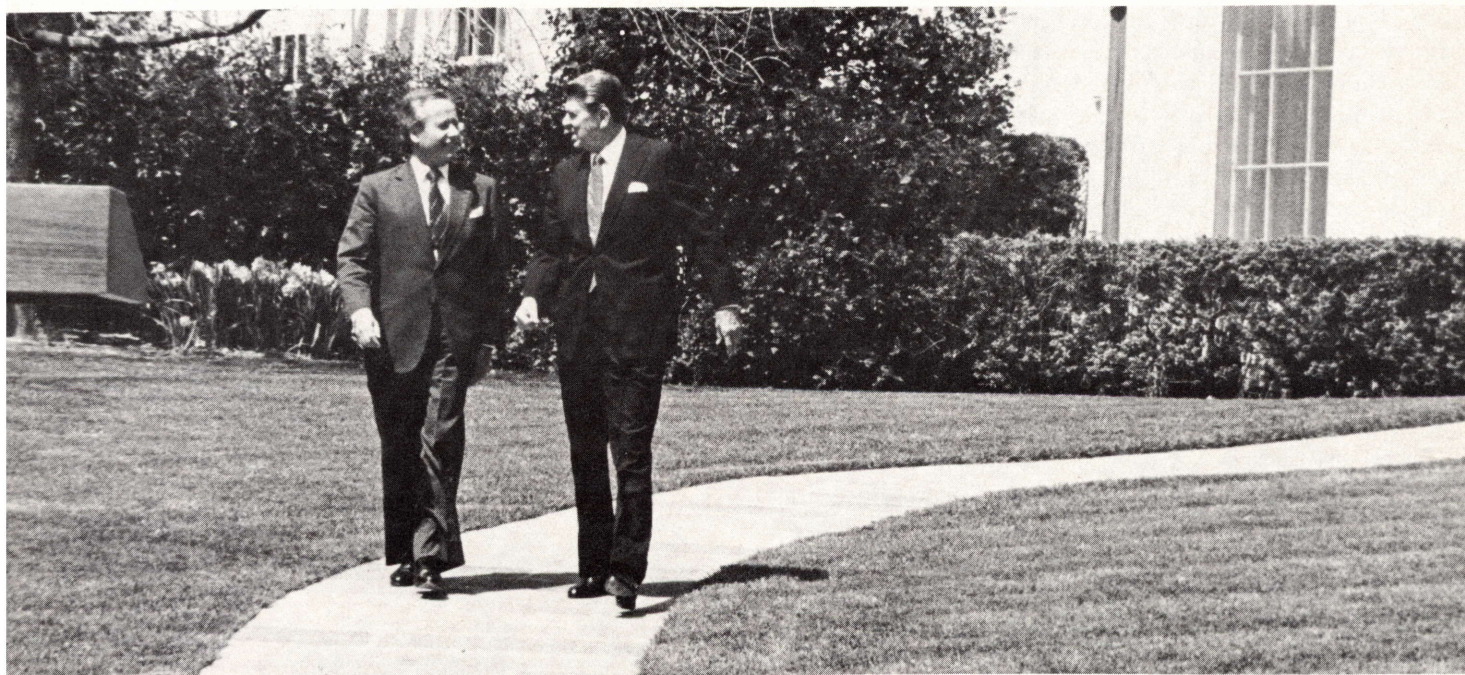
Colonial Williamsburg is relatively easy to make secure, and there should be enough accommodations. But the old town, founded in the 17th Century and painstakingly restored with the help of Rockefeller money, still represents one of the classic showpieces in the style of past summits. In its own way, Williamsburg is just as flashy as Versailles. With its hordes of tourists, and actors parading in 18th Century costumes, it has been described as an American colonial "theme park." As one commentator wrote recently, "The place looks like a television stage set." This is Reagan's summit, and he wants to make the most of it.

The American hosts nevertheless believe that the atmosphere will be conducive to relaxed, informal consultations. Allen Wallis, the State Department official responsible for preparing the ascent to the summit with his colleagues from the other countries—"sherpas" in summit jargon (after the local Nepalese guides who help mountaineers up Mount Everest)—puts it this way: "Each head of Government will have his or her own colonial house and they can talk over the back fence". Other officials point out that despite the beautiful historic buildings (including the original Virginia State Capitol, the first American legislature, and the elegant Governors' Palace), the atmosphere will be far from "grandiose"—an obvious, though unspoken, dig at Versailles.

There is no doubt that the Americans are seriously trying to change the working format. They believe that the summit agenda have progressively become too rigid, and that there has been far too little time for the Presidents and Prime Ministers to spend alone together. They think that officials have tended to preempt the discussions between the leaders by tying them down with predrafted communiqués, containing too many pet bureaucratic subjects. Foreign and Finance Ministers, who also regularly attend, have been far too much in evidence, they say.

The leaders themselves often have too many other things to think about to concentrate on the details of a summit agenda until a few days in advance, and then find that they have to spend most of their short time together haggling over the wording of the final communiqué. This time, Washington is insisting that there is to be no predrafted communiqué—although there will be a joint "statement" at the end. The idea

# CIRCUMSTANCE



*E.C. Commission President Gaston Thorn met with President Ronald Reagan April 21 to prepare the Williamsburg summit.*

is to allow the leaders to decide among themselves the subjects they want covered, and roughly what they want to say, and then put their officials to work to put it in writing. The Americans admit, however, that they are still far from sure whether it will work.

Critics of procedures at past summits have argued that the meetings are too short for in-depth discussions and should be extended from two days to three. Williamsburg, however, will stick to the traditional pattern. The leaders are to arrive by helicopter on the afternoon of Saturday May 28. They will then be driven off in horse-drawn carriages in strict order of reverse precedence (to ensure that the most senior, in protocol terms arrives last). In this case, it is Mitterrand, who is the only one of the guests to be head of both state and Government. They leave, having ruined the American officials' Memorial Day weekend, on the afternoon on Monday May 30. If meals are included, the Americans plan to have the leaders meeting completely on their own—with no ministers or officials, only interpreters—for something over half the time available. Unless it rains, they will also be able to chat freely in smaller groups wandering around the town or walking to meetings.

So what will they be talking about in these idyllic surroundings? That has already created the summit's first major problem. In order to get away from a rigid agenda, the United States has proposed only two broad topics—international macro-economic problems and East-West economic relations. All the other traditional subjects, like energy and trade, can be fitted into wider-ranging discussions under these two headings,

and not be artificially compartmentalized as in the past, say the American hosts.

The difficulty is that the Japanese and some of the European Governments have immediately interpreted this as meaning that Reagan intends the summit to be dominated by an East-West discussion in which he will try to wring new concessions from his partners, most notably in the shape of commitments to further restrict their trade with the East, and particularly exports of high technology. That was the most divisive issue at the Versailles summit, when the differences were only thinly papered over. Within days, the paper tore apart under the strains of the underlying differences, leading to the bitter rift over the Siberian gas pipeline to Western Europe, which took months to heal, again through judicious use of paperwork.

The Europeans and Japanese do not want to go through it all again. The underlying differences remain, and will not be resolved in 48 hours at Williamsburg. Indeed, they will only be exacerbated if Reagan presses unacceptable demands. Out of the many points in dispute, three are perhaps most symptomatic:

- The Europeans, and in particular the Federal Republic of Germany, still largely believe in détente and are in favor of closer relations with their Eastern neighbors for both economic and political reasons.
- The Europeans point out that they supply most of the Western high technology exports to the Soviet Union, while U.S. exports are mainly agricultural. The United States has no in-

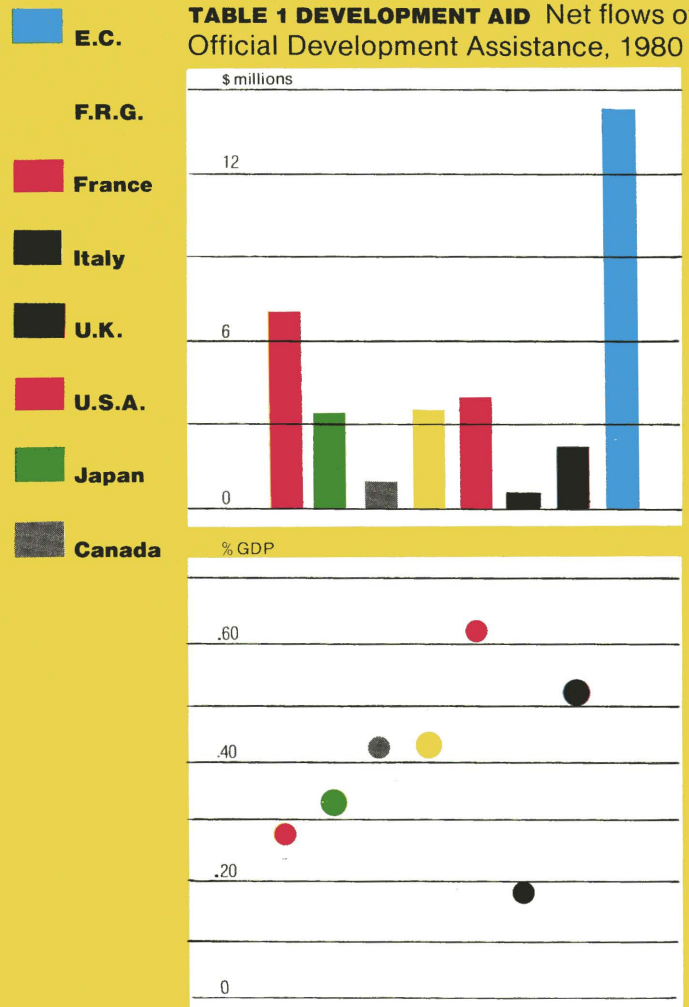
tion of reducing its farm exports to the Soviet Union—indeed it is trying hard to increase them. So the Europeans would bear the brunt of any new trade restrictions.

• The Europeans say that at a time of stagnating international commerce, recession and near-record unemployment, the aim should be to promote trade not strangle it. The United States says that this is all due to a misunderstanding and that the intention was never to devote half the summit to East-West issues. Nor does Reagan want to spend the time negotiating deals or specific agreements, they maintain. The Europeans, nevertheless, say that it would be better to avoid contentious issues at the summit—issues that would in any case be better handled at official level. They would prefer to concentrate on the world's larger and more pressing problems—international economic recovery (and especially the U.S. role in it), unemployment, the growing dangers of protectionism, the Third World's development problems, exacerbated by recession and high interest rates, and the international financial crisis that could erupt again with devastating force at any moment.

Of the 8,000 or so people going to Williamsburg, up to three quarters will be media representatives and their technicians. Out of the \$7 million the summit is expected to cost, over \$1 million alone will be spent on providing an international press center. If the meeting were to be held at the North Pole, the press would still be there—not only do editors insist on coverage, but international correspondents do like to see their friends and colleagues from other countries at least once a year. That, of course, is one of the main reasons why, however hard the Americans try, they may find it impossible to restore the intimate atmosphere of the first summit at Rambouillet in 1975. €

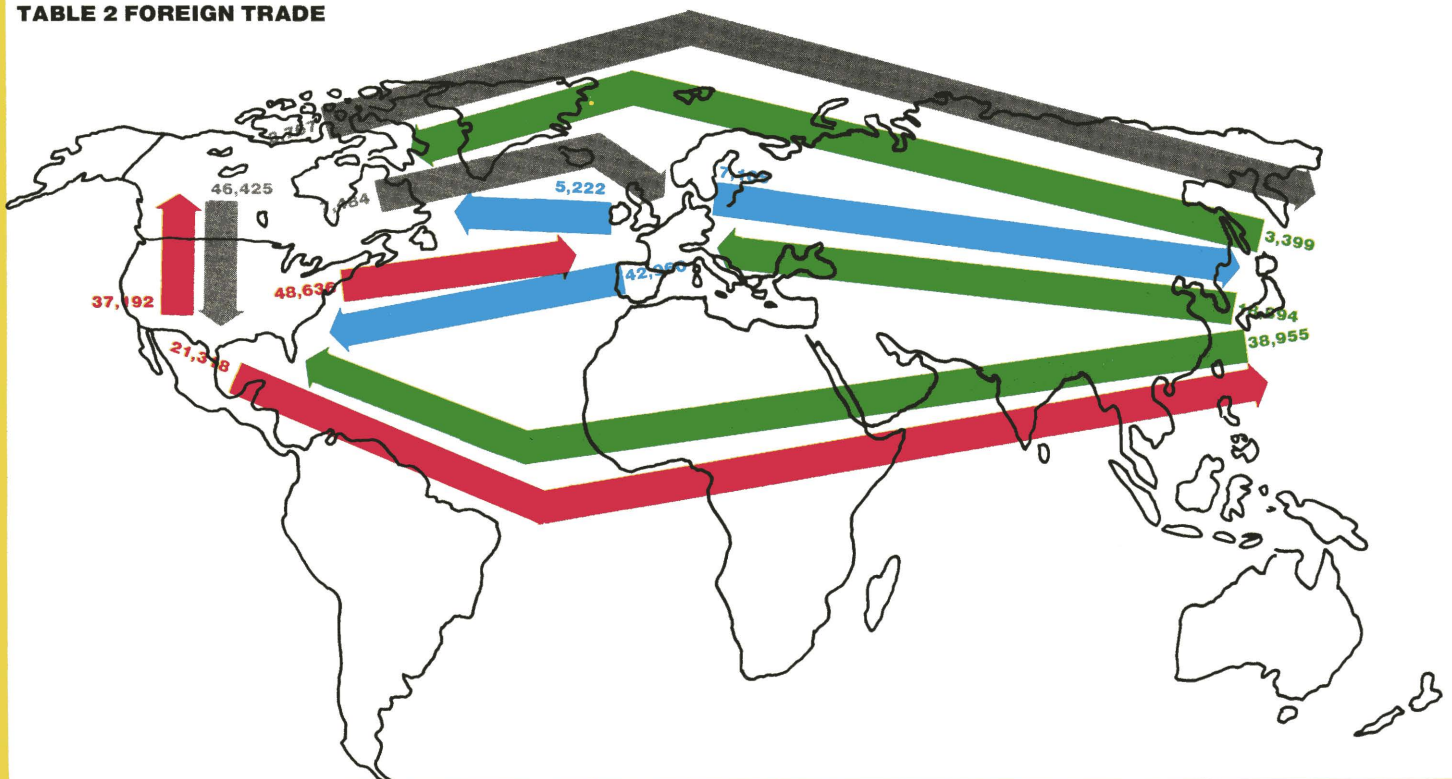
*Reginald Dale is U.S. editor of the Financial Times.*

**TABLE 1 DEVELOPMENT AID** Net flows of Official Development Assistance, 1980



1) 1979 2) includes \$1.25 billion from E.C. own resources, but does not include Luxembourg or Greece  
Source: OECD Review of Development Cooperation, 1981

**TABLE 2 FOREIGN TRADE**

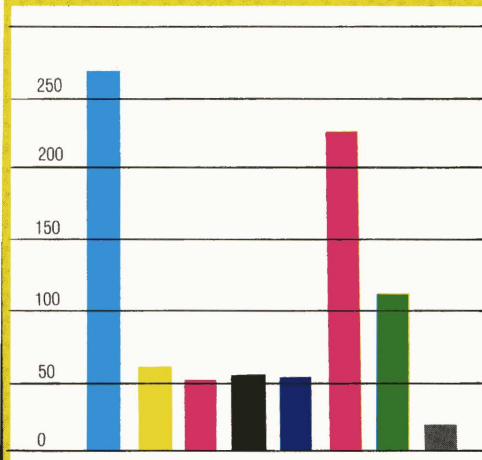


FOB value, in millions of U.S. dollars (1981)  
Source: Monthly Bulletin of Statistics of the United Nations

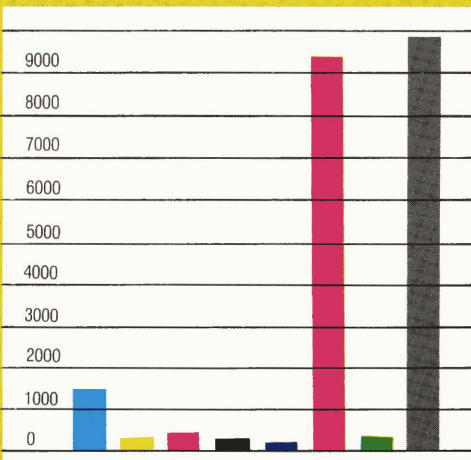


**TABLE 3 BASIC STATISTICS**

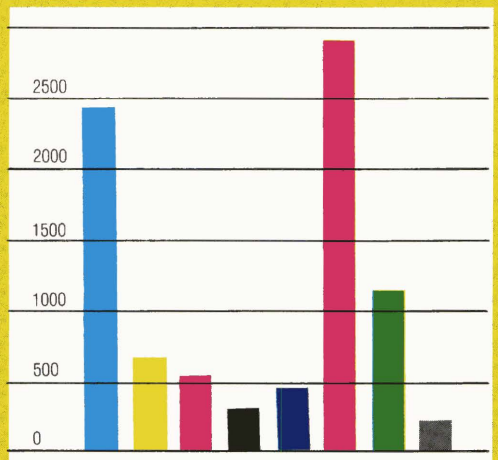
Population<sup>1</sup>



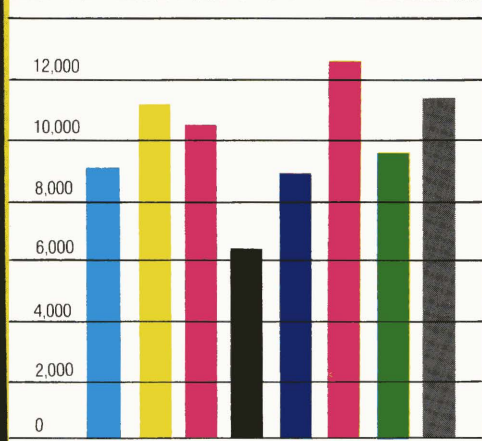
Area<sup>2</sup>



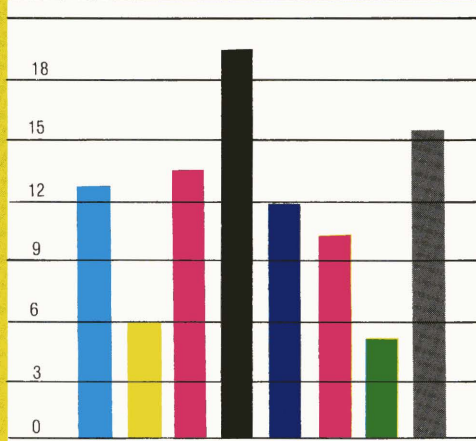
G.D.P.<sup>3</sup>



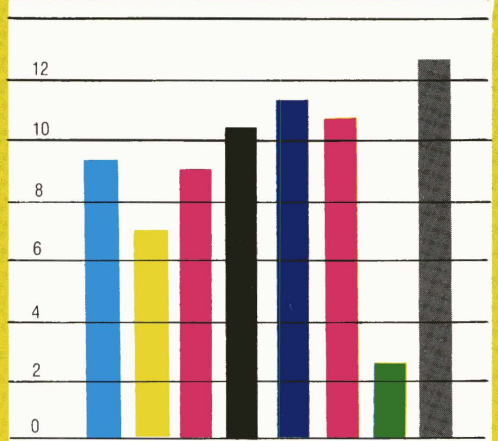
G.D.P./Capita<sup>4</sup>



Inflation Rate<sup>5</sup>



Unemployment Rate<sup>6</sup>



1) in millions  
2) in thousands sq. km.

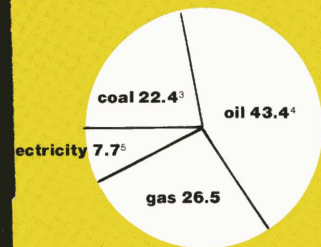
3) in billions of US\$, 1981 market prices  
4) US\$, 1981

5) % change in consumer price index, 1981  
6) as a % of civilian working population, 1982  
Source: OECD Main Economic Indicators—Feb. 1983 and Eurostat

**TABLE 4 ENERGY**

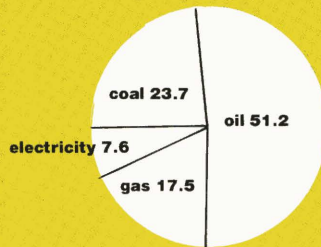
**U.S.A.**

Total energy requirements 1,809<sup>1</sup>  
Degree of energy dependency 17.1<sup>2</sup>



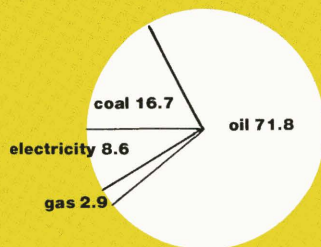
**E.C.**

Total energy requirements 973  
Degree of energy dependency 54.3



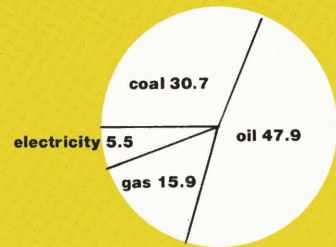
**Japan**

Total energy requirements 348  
Degree of energy dependency 89.5



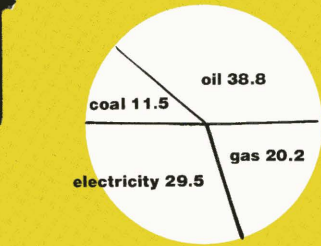
**Italy**

Total energy requirements 272  
Degree of energy dependency 57.5



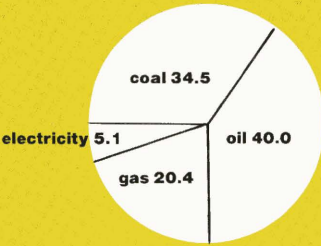
**Canada**

Total energy requirements 228  
Degree of energy dependency —



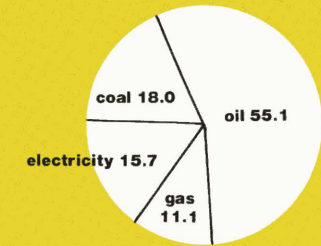
**U.K.**

Total energy requirements 201  
Degree of energy dependency 6.3



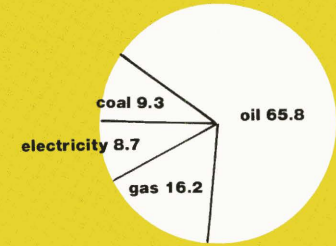
**France**

Total energy requirements 198  
Degree of energy dependency 79.2



**Italy**

Total energy requirements 142  
Degree of energy dependency 87.3



1) in millions of tons of oil equivalent  
2) net imports as a per cent of total consumption

3) includes other solid fuels  
4) includes crude oil and petroleum products

5) includes hydro, geothermal, and nuclear  
Sources: Energy Balances of OECD Countries and Eurostat Review, 1980

# As ye sow,

SOLUTION TO FARM TRADE DISPUTE PROVES ILLUSIVE, BUT TALKS CONTINUE

# so shall ye reap

BETH EASTMAN

Despite some hints at real progress, the most tangible sign of success to emerge from the ongoing agricultural peace talks between the United States and the European Community is that the talks themselves have survived an especially turbulent period for trade relations between Washington and Brussels. The bilateral meetings, begun in January, were started in the hope of bringing an amicable end to the nagging transatlantic quarrel over farm-export trade. That quarrel revolves around the E.C. subsidies that enable European farmers to sell their goods abroad. The E.C. says these subsidies pay only the difference between the price various farm goods can bring on the world market and the generally higher prices at which the E.C. supports these same goods at home. The United States claims, however, that the E.C. has used these export subsidies to undercut prices and to drive American exporters out of lucrative markets.

It is not just a question of who sells a few shipments of wheat or chickens. Both the United States and the E.C. have strong political and economic reasons to be preoccupied with agricultural trade. So compelling are those reasons that policymakers on both sides of the Atlantic have long worried that the U.S.-E.C. agriculture row, if unchecked, could prove a big enough powder keg to touch off a full-blown trade war. Just such concerns sparked a mutual decision by the United States and the E.C. last December to try talking their differences out, instead of slugging them out in a costly subsidy contest that either side could ill-afford.

That decision came during a visit to the E.C. Commission in Brussels by U.S. Secretary of State George Shultz and a contingent of American Cabinet officials. Both sides agreed to avoid taking actions which would disrupt international trade and to bear that pledge in mind when making decisions on their respective farm price support programs. They also pledged to see what solutions to their grievances might be found within the bounds of their "existing systems"—a phrase that made clear that neither side was prepared to make a significant change in its trade policies to accommodate the other.

The last point reflects the high stakes involved in the agricultural trade flap. For the United States—the world's largest exporter of farm products—agricultural trade is a multi-billion-dollar business that pumps money into the pockets of farmers, rural communities, transportation concerns, banks, and other middlemen. In 1981, the United States exported \$37 billion worth of farm products. For the E.C., agricultural

exports are also big business, but furthermore are essential to the functioning of the E.C.'s Common Agricultural Policy (CAP), without which the E.C. claims its very survival as an institution could be threatened. The E.C. spent \$4.9 billion in 1981 (45.3 percent of its agricultural support budget) to make its agricultural exports feasible.

Although the decision to hold intensive talks on agriculture was a conciliatory gesture, at best it has led to a brittle truce. Trouble came in January, hot on the heels of the first session of talks, when the United States announced it would use farm export subsidies of its own to sell 1 million metric tons of U.S. wheat flour to Egypt at well below the prevailing world market price. The sale angered Europe, which had for 20 years been the chief source of Egypt's imported flour. The E.C. reacted to the sale by announcing it would not discuss flour with the United States when bilateral agricultural talks resumed in February and criticized the U.S. action as counter to the spirit of those talks. The E.C. took its complaints on the flour deal before the General Agreement on Tariffs and Trade (GATT), charging that the U.S. action had effectively locked the Community out of a major market.

The U.S. flour sale was part of what U.S. officials had described as an "aggressive export policy," implemented in a bid aimed at maximizing farm exports to reduce huge U.S. surpluses and to strengthen farm-product prices. The deal with Egypt was preceded by a series of agreements with other nations in which the U.S. agreed to subsidize the interest rates charged on private credit purchases of U.S. farm products. "We are also examining other possible markets for agriculture that we think we would have if it were not for the unfair trading practices of some of our partners," U.S. Trade Representative William Brock told the U.S. Congress' Joint Economic Committee in early February.

E.C. Agriculture Commissioner Poul Dalsager told the E.C.'s Farm Ministers shortly thereafter that the Commission had warned the United States that any further actions similar to the flour-subsidy agreement would not only have fateful consequences for the future of bilateral farm talks, but for U.S.-E.C. relations in general. "The Commission wishes to avoid an escalation (of trade tensions)... but if that is not possible, it will react in an appropriate manner," Dalsager was reported by an E.C. spokesman to have told the ministers amid rumors of an impending U.S. deal to sell subsidized dairy products to Egypt.



*Policy-makers on both sides of the Atlantic are worried about the possibilities of a full blown agricultural trade war between the United States and the E.C.*

© Charlton Photos

Appearing before the U.S. Senate Foreign Relations Committee just days after the February session, Shultz stressed the importance of avoiding a costly subsidy battle with the E.C., but he added: "We have deep pockets if we have to have an agricultural subsidy war." Shultz said that temporary, trade-distorting measures such as the U.S. wheat flour transaction with Egypt could be justified on the grounds that "when all the world is mad, 'tis folly to be sane . . . [but] constructive negotiations—in which we meet unreason with reason—present the only lasting solution to protectionist problems such as export subsidies."

In an already strained atmosphere, an arbitration panel established under the GATT came forth in late February with its report on a two-year-old U.S. complaint over E.C. wheat flour subsidies, one of several U.S. farm subsidy cases pending before that international forum. The United States had sought to have the GATT declare these subsidies illegal under international trading rules. The E.C. had maintained that the flour subsidies complied with GATT rules permitting agricultural export subsidies so long as they did not lead any trading nation to obtaining an unequitably large share of business.

Although the GATT panel's ruling gave the E.C. flour subsidies something less than a clean bill of health, it nonetheless concluded that there was insufficient evidence that the subsidies had allowed the E.C. to undercut U.S. prices. A spokesman declared the E.C. satisfied with the panel's conclusion. However, chief U.S. trade negotiator Brock criticized what he called the panel's "unwillingness and inability" to deal forcefully with the U.S. complaint and said that the panel's refusal to draw the legal conclusions dictated by the facts cast "great doubt on the effectiveness of the GATT's dispute-settlement process."

In March, Cabinet-level delegations led by Brock and E.C. Commission Vice President Wilhelm Haferkamp, who is responsible for external relations, met in Washington to evaluate the progress of bilateral farm talks. In a joint statement to the press, the two sides indicated that the talks had been worthwhile and would serve as a valuable basis for further work. However, they made clear that the talks had not yet begun to explore in detail any avenues for solving U.S.-E.C. differences.

Both sides would like to find a timely settlement to the thorny agricultural-trade issue to head off pressure in the U.S. Congress and in U.S. and E.C. farm constituency groups for actions or counteractions that could spell further trouble. The agricultural dispute already seems destined to cast its shadow over any discussion of trade matters during the forthcoming Western economic summit, in which the United States (as well as Canada and Japan) and the E.C. and four of its member states—the United Kingdom, the Federal Republic of Germany, France, and Italy—will participate. In fact the agricultural row appears likely to remain the central issue in U.S.-E.C. relations for the foreseeable future. Only time and tempers will tell if the dispute will simmer down or boil over during what could shape up as a long—and possibly, hot—summer for diplomats and trade policymakers in both Washington and Brussels. €

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*Beth Eastman is a contributing editor of Europe magazine.*

# just what is the CAP?

## *Agricultural policy is central to the Common Market*

HOWARD SMITH

In recent years the E.C.'s Common Agricultural Policy (CAP) has been the frequent butt of criticism—from Europeans attacking high expenditure for the sake of farmers, often seen as a privileged class, and from Americans for its effects on trade. The following report, based largely on the E.C. Commission publication "The Agricultural Situation in the Community: 1982 Report," aims to give an idea of what place farming occupies in the E.C.'s economy in terms of employment, income, trade, and, of course, food supply.

There has been a dramatic decline in employment in E.C. farming over the past 20 years, with only 8.7 million people working in agriculture in 1980, compared with 19 million in 1960. The trend away from farm work has been particularly strong in Belgium, France, Luxembourg, and the Federal Republic of Germany since 1970, and reflects the move toward larger holdings. Amalgamation of small farms of less than 10 hectares has been a feature of the past decade in these countries, and it is this which has cut labor requirements.

The trend toward lower employment could continue as they move toward an average farm size closer to that in the United Kingdom, Denmark, and the Netherlands. Figures in the annual report demonstrate that where small farms predominate, as in Germany, France, and Italy, there is a relatively high percentage of people working on farms whose actual working time is less than a quarter of the normal working week outside agri-



*A worldwide recession has caused a dramatic decline in income for the Community's farmers.* © U.S. Department of Agriculture

culture. Thus, as the average farm size increases, the numbers employed tend to decline.

The age structure of the farming population also gives an indication of the likely future trend of employment. In Italy, for example, 30 percent of farm holders are over 65 years old, and the proportion is also high in France, Ireland, and Luxembourg. In time their farms will be amalgamated or added to existing units, which will again encourage the movement away from labor-intensive farming. Between 1975 and 1980 the number of farms in the Community fell from 5.9 million to 5.67 million at the most, and more recent figures for Italy, Ireland, and Greece will probably show an even greater decline when they become available.

As far as farm incomes are concerned, 1981 saw a continuation of the decline in real terms which set in at the end of the 1970s. By the end of 1981 the average farm income was worth only 88 percent of its 1974 value in actual buying power. However, the trend was far from uniform throughout the Community, and it should be stressed

that there was probably a considerable upturn in farm earnings in 1982, particularly in Belgium, Luxembourg, and Denmark, although there were also improvements in Germany and the Netherlands. Nineteen eighty-one effectively marked the end of the serious decline in farm income, since the fall that year was relatively small compared with the drop that had taken place in 1980, when incomes were 7 percent lower than in the previous year. In countries such as Denmark and the Benelux nations, the long awaited improvement in earnings had already begun in 1981, helping to offset the still continuing downward trend in Germany, France, and Italy.

National trends in farm income largely reflect the profitability of the dominant types of production in each country. In the Netherlands and Belgium, for example, average farm incomes showed an increase in 1981 largely as a result of the high profitability of pig and poultry production, which account for a high share of those two countries' total agricultural output.

Overall figures for the Community for 1981 show that the level of labor income for

this kind of intensive livestock production was substantially greater than in most other types of farming (except vine growing). Earnings in these sectors of the farm economy are also generally higher than those in comparable jobs outside agriculture, according to the annual report.

However, it now appears that net farm incomes in several other types of farming are slowly starting to close the gap. Income performance since mid-1981 has started to pick up in field crops, grazing livestock, mixed livestock, and mixed crop/livestock operations. On the other hand, there is still no sign of any improvement in the net income of farms with either mixed crops or "permanent crops," i.e. fruit or vineyards.

There is also a long way to go before farm incomes in the Community as a whole catch up with earnings in comparable jobs in other sectors of the economy. In the United Kingdom the difference is fairly narrow, as it is also in the Netherlands, but in Germany, Ireland, Denmark, and Italy farm incomes still lag a long way behind. In fact, in these four countries three-quarters or more of all farms have a labor income which is less than 80 percent of that which could be found in comparable jobs outside farming.

While farm incomes may now be showing signs of recovering from three years' decline, however, the Community has run into trouble with its exports of agricultural products onto a depressed world market. This is especially true now that "In general terms, Community production is running at high or record levels

in the major product sectors, in particular for cereals, rape seed, sugar, milk, sheepmeat, pigmeat, eggs and poultry, wine and apples."

For several of these products, demand is simply not keeping pace with the growing supply which the CAP has encouraged over the past 20 years in the drive for self-sufficiency and satisfactory farm incomes. The 12.2 percent price increase agreed in May 1982, which was needed to prevent any further decline in farm incomes, has, according to the report, "given a stimulus to most agricultural sectors." But while production has risen, consumption has declined or stagnated, particularly for temperate products such as cereals, sugar, beef, and some dairy products. At the same time world markets are depressed and import demand from the Community's traditional customers has slackened.

Therefore it appears likely, says the Commission, that spending on agriculture could begin to rise again in 1983 as a result of a necessary increase in export refunds to bridge the gap between E.C. prices and depressed world prices. This would follow two years where the growth in spending has been kept in check.

The Commission warns that the open-ended spending of the past cannot continue. Stocks of major products are on the increase again and "world markets will become more difficult." There are already guaranteed price thresholds for cereals, rape seed, milk and processed tomatoes to discourage any further growth in production—after a certain point the producer will now have to bear some of

the cost of disposing of excess goods on the world market. Similar measures should also lead to a cutback in sugarbeet area in 1983, says the Commission.

This is not, however, to say that the Commission intends to withdraw from the world export market. In the long term E.C. farm prices will be aligned with international prices, so that spending on export refunds will be cut back substantially. However, in the medium term it is doubtful that the world market will grow significantly; over 1973-80 the E.C.'s major export growth markets were the Third World and the state-trading countries, and it is these which are now most indebted and have trouble finding hard currency or credit.

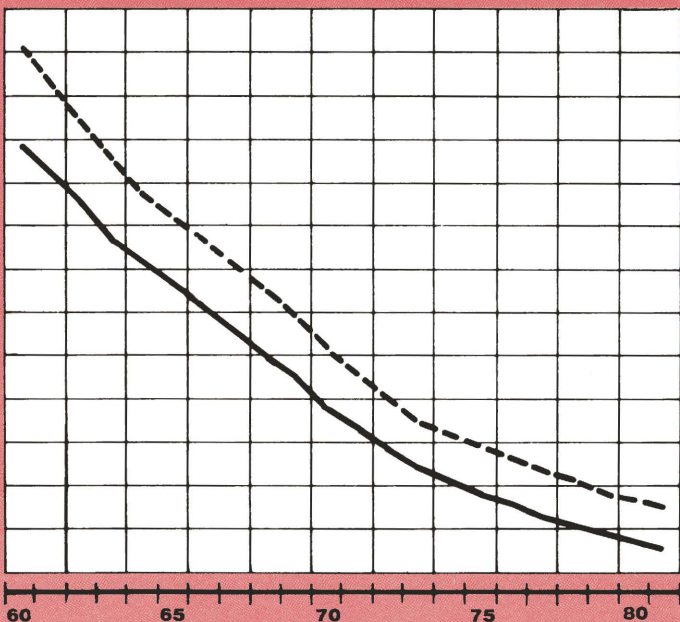
At the same time there is increasing competition on the world export market, particularly from the United States. This could also mean a reduction in third country sales opportunities. The present CAP arrangements will therefore have to be adapted, says the Commission, in order to ensure that increasing production can still be sold either within the E.C. or on the world market, but at reasonable prices and without endangering farmers' incomes. The Commission cautions, "As in other sectors of the general economy where the rise in unemployment continues unabated, it will not be possible for agriculture to be shielded indefinitely from the realities of the market place." €

Howard Smith is a freelance writer based in Brussels.

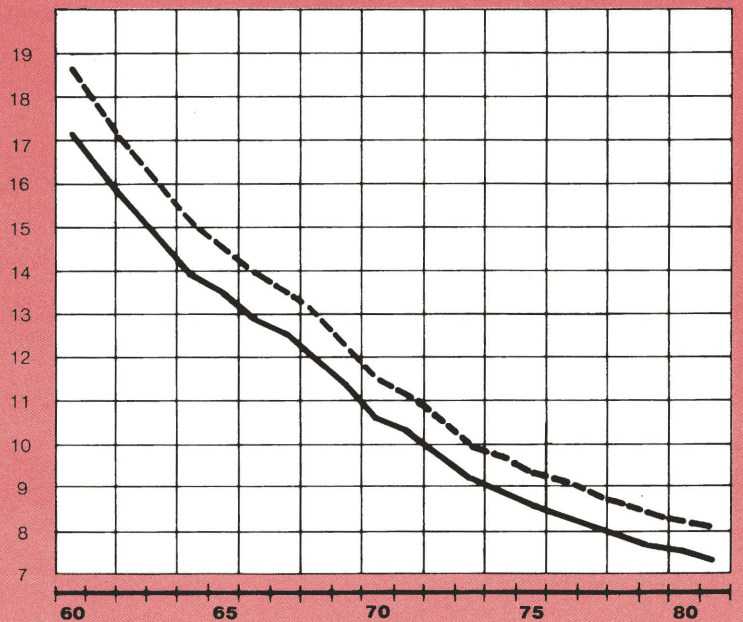
## TREND OF EMPLOYMENT IN AGRICULTURE 1960-81

(persons employed in 'agriculture, hunting, forestry and fisheries').

NUMBER OF PERSONS Mio persons



PROPORTION OF TOTAL CIVILIAN EMPLOYMENT %



# Clashing

ERWAN FOUÉRE

In the continuing controversy surrounding the U.S. Environmental Protection Agency (EPA) and, more particularly, the Reagan Administration's underlying attitude to environmental protection, one of the few aspects which hasn't received much attention is the effect of this attitude at the international level.

Most environmental issues today have an international dimension, affecting bilateral and multilateral relations within the world community of nations. There are transboundary pollution problems, such as the acidification of the environment occurring in North America and in Europe and there is emergence of potential barriers to trade if environmental control measures applied by trading partners—for example, measures controlling the marketing of chemical substances—are not subjected to international harmonization. These are some of the many issues reflecting the growing economic and ecological interdependence among nations. They are also examples of the increasing way in which environmental issues impinge on foreign-policy considerations.

It was thus inevitable, with the present U.S. Administration's commitment to deregulation, as well as its tendency toward a general relaxing of environmental controls, that conflictual situations on an international level would increase. The relations, whether on a bilateral or a multilateral level, between the United States and the European Community, strained enough as they are over agriculture and other sensitive issues, have not been immune from this trend.

Perhaps the one area most affected has been control over the marketing of chemical substances. With some 70,000 chemicals on the commercial market, according to Organization for Economic Cooperation and Development (OECD) estimates, and an estimated 1,000 new chemicals entering the market each year, the Community, the United States, and many other OECD countries (where 80 percent of overall world trade in chemicals is concentrated) recognized several years ago the urgent need for improved controls on toxic and hazardous chemicals. They also sought international harmonization of such controls, both for health and environmental protection and in the interests of avoiding potential barriers to international trade.

The results of these efforts have so far been impressive. Both the Community and the United States, as well as many other OECD countries, now have comprehensive legislative measures in place. Harmonization on an international level has been progressing at a steady pace, at least until recently. The Community, in fact, initiated negotiations in 1978 with the



# on the environment

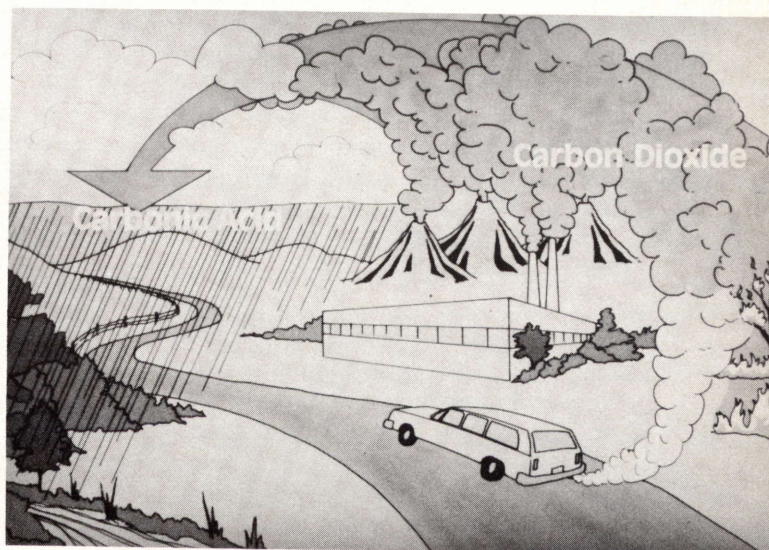
## *US, Europe follow increasingly divergent paths*

U.S. authorities aimed at ensuring the greatest harmonization possible of their respective measures. The considerable degree of cooperation and coordination of views reached in the succeeding years provided a major input into the work under way since 1978 in the framework of the OECD. The first stages of that culminated in a high-level meeting on chemicals held in May 1980. There, agreement was reached on several measures aimed at harmonizing chemical control policies, including the mutual acceptance of data generated in the assessment of chemicals in all OECD countries.

At the second high-level meeting held last November, however, the mood was radically different. Major difficulties arose over the refusal of the U.S. delegation, headed by the then EPA Administrator, Anne Burford, to accept a binding commitment to apply the OECD draft decision on the minimum pre-marketing set of data. This document sets out the minimum information which, as a rule, should be provided by the manufacturer to allow an initial assessment of a new chemical before a decision is taken to put it on the market. In an area where trade plays an essential role, a uniform implementation of this decision by OECD members was of vital importance. The compromise formula ultimately reached was reluctantly agreed to by the other OECD countries and by the Community for lack of anything better.

The effect of this approach was compounded with the charge levelled by the United States at the Community during the past year that the E.C. legislation—the so-called Sixth Amendment—did not provide adequate protection to the manufacturer of a chemical substance for confidentiality of the data which the legislation required him to furnish before placing the product on the market. It also added that this problem might not have arisen had the Community had a more “transparent” legislative and decision-making process.

While there is certainly always room for improvement in information procedures, this approach caused some surprise at E.C. headquarters, if only for the fact that no comparable demands on the confidentiality issue had been made by European chemical industries. In fact, as had been stressed by the Community representatives during the bilateral discussions (which are still continuing), the chemical industries of the E.C. member countries were closely involved at every stage of the elaboration of the Community's legislation. The Sixth Amendment is thus the fruit of a unique partnership between industry, national authorities from each of the member states, and the Community institutions. It is designed to provide a uni-



form framework for the pre-marketing notification and testing of new chemical substances. It also underlines a fair degree of openness in the process by which policies are developed within the Community institutions.

Underlying the U.S. Government's concerns, which are mainly a reflection of demands from a number of U.S. industries, there would seem to be a certain lack of understanding of the way in which the Community's decision-making process operates. There also seems to be a lack of appreciation of the delicate balances contained in the legislation—protection of man and environment, while maintaining a viable chemical industry; avoidance of economic and trade distortions, while promoting efficient use of available scientific and administrative resources.

What is of increasing concern within Community circles in this continuing controversy is that with the reauthorization of the U.S. legislation (the Toxic Substances Control Act) pending before Congress, further inroads into the major efforts for international harmonization still under way within the OECD could emerge. These could seriously undermine already agreed principles and create potential trade difficulties. The E.C. accepts that flexibility in the application of internationally agreed measures is certainly a valid criteria in order to take account of specific problems—so long as the general principles are not tampered with. Nevertheless, the Community still attaches crucial importance to the international harmonization of chemicals control and the development of international agreements

*Within Europe, there is pressure among E.C. member states for greater Community-level efforts to reduce sulphur emissions.*

on the regulation of toxic chemicals. These can lead to consistent worldwide protection of the environment, to elimination of potential barriers to trade, to a stable regulatory environment for the chemical industries which play such a vital role in present day society, and to reductions in resources expenditure through the efficient use of laboratories, scientific expertise, and governmental regulatory programs.

Another area of potential, if not real, conflict is the issue of acidification of the environment, or acid rain as it is commonly known. In North America it is perhaps the one issue of transfrontier pollution which has gained increasing attention and it is now a frequent item on the agenda of U.S.-Canada meetings at senior diplomatic and political levels. It is also perhaps the clearest manifestation of how environmental issues are playing an increasingly sensitive role in foreign policy. This is in spite of the fact that environmental protection has generally been regarded, perhaps erroneously, as a politically neutral area of public policy, and that it continues to attract extensive bipartisan support from public opinion. This public concern undoubtedly has been underestimated by the Reagan Administration, even though all the recent polls have shown that in the present economic climate—whether in North America or in Europe—measures to improve the environment continue to enjoy a very high degree of support.

Canada has been complaining in this instance that the United States—from whose territory it is estimated about half of the atmospheric pollution causing the acidification originates—is dragging its feet in refusing to deal effectively with the problem. This is in spite of a U.S.-Canada memorandum of intent signed in August 1980 which set out a joint plan of action. The U.S. Administration however contends that more scientific research is required to determine the real causes of the acidification affecting the aquatic environment, soil, and vegetation before any regulatory action can be agreed to. The effects of this approach are being felt not just in Canada, but also in Europe, where the acid rain problem is of equal, if not greater, concern. The Scandinavian countries, in fact, have made it a leit-motif of their foreign policy since the early 1970s. This is understandable since they especially are suffering the consequences of increased acidification of their environment.

The United States, Canada, the Community, and all the East and West European countries (except Albania) are contracting parties to the Convention on Long Range Transboundary Air Pollution signed in Geneva in November 1979. The convention provides the framework for scientific research, for monitoring programs, and for the development of strategies and policies aimed at reducing emissions of sulphur and other pollutants identified as causing acidification. It entered into force last March. Although interim discussions among the signatories to the convention have been continuing since November 1979, the first meeting of the contracting parties takes place this June. Within Europe, meanwhile, the Federal Republic of Germany, which has seen the already serious effects of acidification in the Black Forest region, is putting strong pressure on its E.C. partners for greater Community-level efforts to reduce sulphur emissions. Under the E.C.'s Third Environmental Action Program adopted last February, the Community is now committed to developing policies for



*Cleaning up after an oil spill.* © SYGMA

establishing emission standards from major polluting sources as well as to tighten norms for gaseous emissions from motor vehicles.

An international consensus at the scientific and political level on how to deal with the problem of acidification was given a major boost with the ministerial conference held in Stockholm in June 1982 and attended by most of the signa-

*The acid-rain issue is perhaps the clearest manifestation of how environmental issues are playing an increasingly sensitive role in foreign policy. Shown here are environmentalists measuring acid levels.* courtesy Canadian Embassy







tories to the convention (with the notable exception of the Soviet Union and three other East European countries). A reading of the conclusions and recommendations agreed at the conference give reason for hope that the parties to the convention will begin serious consultations next June to establish concerted programs, initially for the reduction of sulphur emissions. "The acidification problem is serious and, even if deposition remains stable, deterioration of soil and water will continue, and may increase, unless additional control measures are implemented and existing control policies are strengthened," the document states.

Recent indications, however, show that regardless of this international consensus reached at Stockholm, the U.S. Administration still contends that, on this and on other issues which are currently on the international agenda (such as depletion of the ozone layer), further scientific research is required before any action, whether precautionary, preventive, or remedial can be taken or even considered.

While it is certainly true that on most environmental issues, we will rarely if ever have a perfect understanding of their nature, their causes, or their consequences, it would be unwise to use this as an excuse for delaying any form of action. As was pointed out during a recent OECD conference on global environmental issues: "In the absence of scientific consensus, political consensus, especially at the international level, is hard to achieve. However, if Governments wait for scientific near-certainty, it will often be too late for them to act at all, either because of the inertia of natural phenomena or because of the time lags associated with policy development and international negotiation."

More and more countries are now recognizing that sound environmental policies are not only vital in themselves, but are an essential part of sound economic development. They realize they must prevent problems from arising rather than aim at

clearing them up afterward. The adoption of anticipatory environmental policies is certainly not easy. By their very nature they require action before damage to the environment has created a demand for it. Yet the difficulties encountered are in general far outweighed by the advantages. And, as many studies have shown, preventive policies are far less costly than the curative. The Community has made this a central theme in its action program along with the need for integration of environmental considerations into other policies such as industry, energy, or overseas development aid.

Progress in dealing with the growing and emerging threats to the environment on an international level, however, will become increasingly difficult in the absence of a political consensus among the world's leading nations. The United States used to be the undisputed leader on the international scene in promoting environmental protection and pioneering such major studies as the Global 2000 report, which focused attention on global resources, environment, and population trends. It is now seen as effectively stalling, and is frequently criticized for its approach, even by countries with which close cooperation in this area had always been taken for granted. The effect of this on its image abroad is undoubtedly negative. This is all the more regrettable when one considers the key contribution, both from a scientific and a political point of view, which the United States has the capacity to offer. The title of a conference being held in Washington this June under the auspices of the Global Tomorrow Coalition is telling: "Global Resources, Environment, and Population: *Rebuilding U.S. Leadership.*" The Global Tomorrow Coalition is a consortium of U.S. organizations sharing a common concern over the issues posed in the Global 2000 report. The conference will be addressed by, among others, Russell Train, a former EPA Administrator, and Mostafa Tolba, executive director of the United Nations Environment Program.

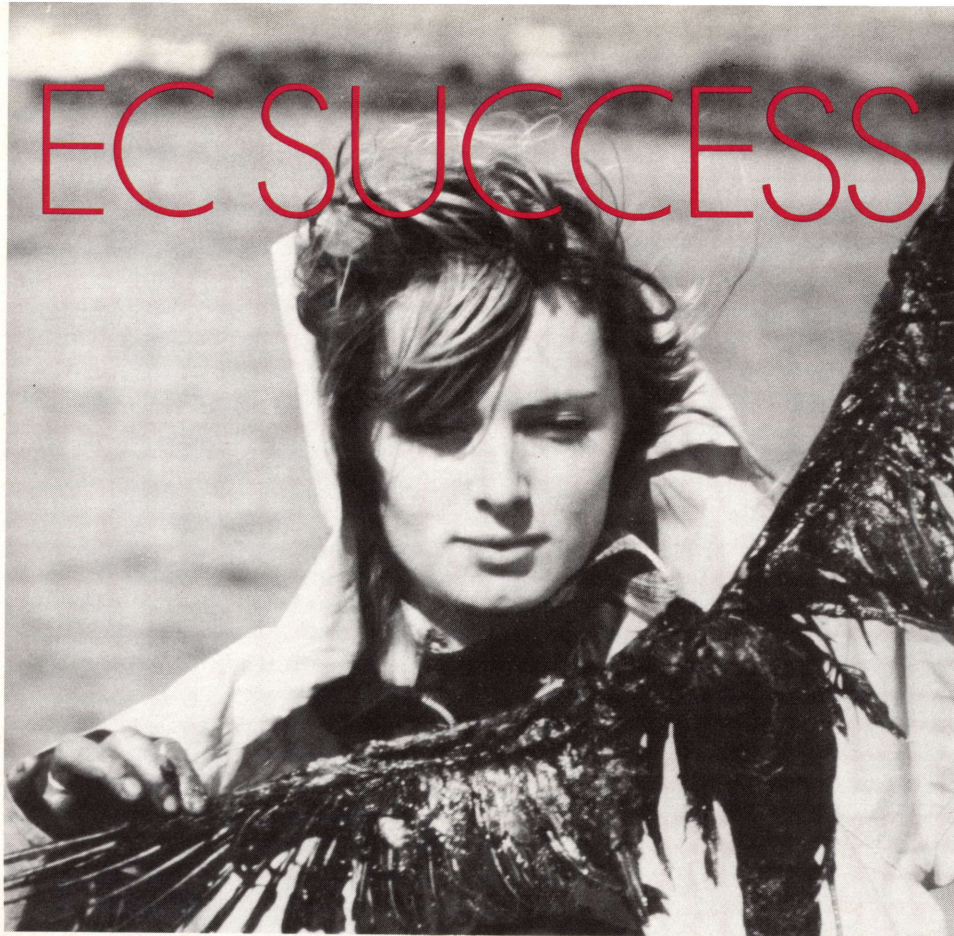
The appointment of Ruckelshaus as the new EPA Administrator may change the present situation. Greater attention, it is to be hoped, may be paid to the U.S. role in dealing with international environmental issues and to the positive effect this would have on U.S. foreign policy and its image abroad. This presupposes, however, some degree of commitment within the State Department, which has virtually taken over during the last two years the role in international scientific and technical discussions which previously was largely played by the EPA.

A new international approach by the United States, it is hoped, would reestablish the degree of close understanding and cooperation between it and the Community which was progressively developed under the exchange-of-information agreement existing since 1975. This cooperation contributed a great deal to the elaboration of internationally agreed measures on some of the urgent problems of the day. An adequate response to the enormous and pressing challenges before the world community of nations today will require an unprecedented degree of global cooperation and commitment. Future generations will never forgive us if we do not undertake this response. €

*Erwan Fouéré, currently a guest scholar at the Brookings Institution in Washington, D.C., works on international environmental issues at the E.C. Commission.*

# EC SUCCESS

# STORY



The E.C.'s "Third Action Program on the Environment" ensures that southern European countries adopt the same kind of policies on the protection of wild birds that have long been customary in northern Europe.

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NIGEL HAIGH

Environmental policy has proved to be one of the quiet success stories of the European Community and, by adopting a resolution just before Christmas on what is being called the "Third Action Program on the Environment," the Council of Ministers has recognized the importance of maintaining the momentum. The Commission had proposed the program one year earlier, but only six months before that it was still not clear whether any such program would see the light of day. The program is therefore important not just for what it actually says, but because it resolves an uncertainty.

Although the Community's environmental policy is still less than 10 years old, a surprising amount of E.C. legislation has been produced which is now having important effects on the environmental policies of every E.C. member state. Some countries have indeed founded their own environment policies on the framework provided by the Community and even those countries which had policies in existence long before the Community's have often benefited from the stimulus of E.C. legislation.

Sometimes Community policy has revealed weaknesses in national policy, sometimes it has provided a stimulus to unblock a national

measure that had run into difficulties. But, more important still, the existence of the Community has sometimes enabled results to be achieved which individual member states could never have achieved by acting independently. One example is the European ban on the import of whale products, another is the directive which ensures that southern European countries adopt the same kind of policies on the protection of wild birds that have been customary in northern Europe for a long time. There has also been important legislation in the fields of water and air pollution control and in the testing of potentially dangerous chemicals.

What does the Third Action Program promise for the future and what if anything is new about it? First of all, it must be said that the new program is certainly not revolutionary. One of its aims is to ensure continuity with the first two action programs, to complete outstanding matter, and to monitor the implementation of the legislation that has been agreed under the earlier programs. There is, of course, no point in Community legislation unless it is put into force in the member states and begins to have the desired results.

To check that this is indeed happening is

## *Action program on the environment works well*

therefore an essential part of the Community's environmental policy and it is becoming a growing task as more Community legislation begins to take effect. Interestingly, this task is now seen not just as a matter for officials, but as a matter for the public too and the new program notes the influence that public opinion can have in ensuring that national and Community laws are indeed implemented. This is one reason why the Commission proposes to support those non-governmental organizations that concern themselves with the environment.

While steady development of what has been started is one theme of the program, there are some new ones as well. Firstly, there is the important assertion that environmental policy is not a luxury, to be pursued only in times of prosperity. It is instead, in the language of the Community, a "structural policy" which must be continued at all times to prevent natural resources from being despoiled and to ensure that future development potential is not sacrificed.

Secondly, there is the idea of transforming what was initially a "remedial" policy into what is becoming more of a "preventive" policy. By this is meant that it is not enough simply to have legislation to reduce pollution and nuisances once they are being caused, but that it is necessary to be one step ahead, as it were, and to ensure that the potential environmental effects of any kind of development or policy are thought about in advance and thus reduced or prevented from happening at all if this is possible.

To state this as a broad idea is easy enough, but the Commission recognizes that the working out of the idea will be far from easy and will involve much effort and several new departures. Fortunately, the Community has already achieved one success in applying this idea. In the chemical field there is now a Community-wide procedure for testing the health and environmental effects of any new chemical before it can be marketed. The procedure is such that the test results in one member state are accepted in another, and thus, the additional purpose of a common

market for the chemical industry is also served.

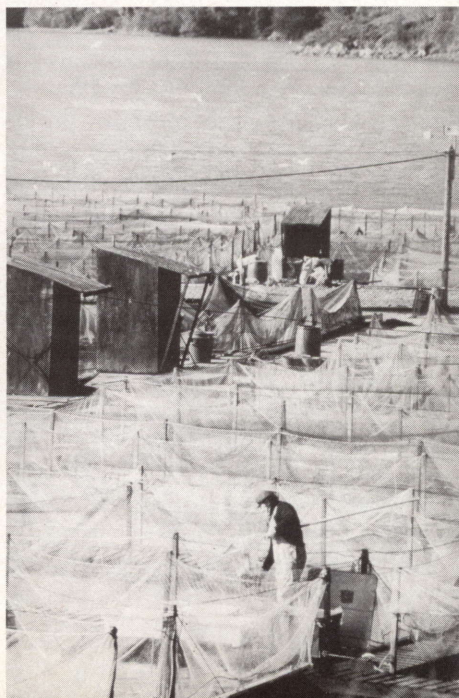
Another element of this "preventive" policy is already the subject of proposed Community legislation. If it is approved, public or private developers proposing to build certain types of polluting industries or major civil engineering works will have to submit with their applications for authorization rather more information about the effects of their developments than is presently required by most member states.

An essential part of the procedure is that this information would be made public and that the reactions of the public would have to be taken into account in reaching a decision. The program proposes the extension of this idea—which is known as environmental assessment and resembles an American environmental impact statement—in particular by applying it to measures undertaken by the Community itself and which might have significant effects upon the environment. This last point has major implications.

So far the environmental policy has been a fairly self-contained activity within the Commission in Brussels, with the legislation proposed by the Commission's directorate-general for the environment having rather little effect on other E.C. directorates-general, whatever effect it might be having in the member states. The new policy, however, will involve the directorate-general for the environment much more in the affairs of other departments and will entail attempts at influencing the agriculture, the transport and the energy policies—just to mention three policies that do have major environmental consequences.

In pursuing this new approach the Commu-

*Some countries have founded their own environmental policies on the example provided by the Community. Shown here are salmon cages off the coast of Brittany, France © SYGMA*



nity will be helped by a further development. Until now, the main activity of the Community in the environmental field has been in establishing a body of law. Other Community policies, meanwhile, also have a lot of money spent on them. As everybody knows, the Common Agricultural Policy involves considerable expenditures and there are also the Regional Development Fund and the Social Funds.

The environmental program has proposed that there should be a special financial instrument—in other words a fund—for the environment, initially covering two fields: the promotion of so called "clean" technology and the protection of nature in environmentally sensitive areas. A very small sum of money was introduced by the European Parliament into the 1982 budget for these purposes on an experimental basis and, to formalize this, the Commission has recently proposed a regulation which now awaits a decision by the Council.

Perhaps the most important new idea in the program is that environmental policy must be considered as an aspect of a policy for natural resources and should be approached through an overall strategy. One whole section of the program is indeed titled "Developing an Overall Strategy" and another "The Protection and Rational Management of Land, the Environment, and Natural Resources." This is a bold idea, though it must be admitted that the program is a little vague as to what actions will actually flow from it.

To some extent, the idea provides further justification for trying to connect the Community's environmental policy with its other policy areas, as we have already noted. It also means recognizing that the resources of the environment are, on the one hand, the basis of economic and social development while also, on the other hand, setting limits to it. Natural resources therefore have to be well managed and this requires introducing the idea of quality into economic considerations which have traditionally been largely quantitative.

It is indeed surprising that although the Community is an economic community and for the last 10 years has had an environment policy, there has so far been very little analysis in a specific Community framework of the relations between the economy and the environment (although, attempts have been made to do this at national level).

It should not be thought that the program contains nothing but abstract ideas—there are plenty of quite concrete proposals as well. Particularly topical at the moment is the matter of air pollution, given the widespread concern over the effects of acid rain on lakes and forests. Here the Commission proposes working toward the setting of emission standards

for certain sources of air pollution including those with high stacks and also working toward stabilizing and then gradually reducing total emissions. New controls are also proposed on the growing problem of the international transport of toxic waste.

Another passage from the earlier program that has been given new emphasis concerns action at international level. E.C. member states, and sometimes also the Community, are involved in the work of many international organizations and frequently they adopt a common position on issues. The program says that the Community will continue to speak in these bodies with a single voice, using to advantage the influence it has acquired in other areas of international cooperation.

One area where the Community will be particularly active is in the pollution and development problems of the Mediterranean region. In its dealings with underdeveloped countries the Community should now, according to the program, regard environmental protection as an integral part of its development aid.

The Council, as we have noted, adopted its resolution on the program within almost a year of receiving the proposal from the Commission—compared with the two years it spent considering earlier programs. This is quite fast for considering a confidential document and the explanation is that the Council has not, as previously, gone through the program with a fine tooth comb, seeking to amend passages it disagreed with or found too ambitious. Instead, in its resolution the Council has simply approved the "general approach" of the program, so as not to tie its hands subsequently, and has then listed 11 priority areas in which it wishes to see action.

Some of these are themselves fairly broad, although others are as specific as "noise pollution and particularly noise pollution caused by transport" and "combatting transfrontier pollution." In general, however, they cover quite enough ground to keep the Commission busy until 1986—which is when the program ends—and the resolution cannot in any event take away the Commission's right to put forward whatever proposals it deems appropriate.

The Council's priorities are therefore useful guidelines for the Commission as to the kinds of subjects on which the Council will look favorably. It is significant that the very first of these is "integration of the environmental dimension into other policies" which, as we have seen, is one of the most important but also potentially one of the trickiest for the directorate-general for the environment. It is no doubt glad, therefore, to have such backing from the Council. €

*Nigel Haigh is a member of the Institute for European Environmental Policy.*

# BANKING ON RECOVERY

*Measures taken in Europe  
to prevent any financial collapse.*

ANNE VORCE

Despite the emergency measures adopted in 1982, the international banking crisis is far from over for the European and other industrial countries. Unexpectedly, stagnant growth continues, real interest rates remain high and recovery still lies ahead for most of the world. Although world financial collapse in the dramatic sense of the Depression may never occur, serious, though lower key, financial problems are likely to persist. As a result, the international financial system could stay in a precarious position for several years. In addition, recent riots in Brazil's financial center are worrisome and may foreshadow the political response to financial arrangements.

A host of confusing proposals to alleviate the crisis are being considered. On a worldwide level, the international financial community, international institutions, and economists are not only cooperating to find long-term solutions, but also worrying whether the earlier *ad hoc* steps will hold the system together. On the U.S. domestic level, commercial banks, central banks, and policy-makers are working together to adopt national solutions. What are these proposals? Will they prevent further financial deterioration? How will Europe be affected?

First a word about present conditions. Europe's banking problems are similar to those of the industrial countries. Like their counterparts in the United States and Japan, European financial institutions have been strongly buffeted by weak domestic and international economic conditions. Despite the emphasis placed on international debt problems in most recent articles, industrial country creditors face severe pressures from both domestic and international sources. The sharp increase in corporate bankruptcies, the financial difficulties of their most important domestic clients, and economic problems among sovereign borrowers have all placed an enormous strain on the balance sheets of most European banks. As a result, their asset quality has greatly deteriorated over the last few years, and many banks are now increasing their provisions for bad debts, partly in response to central bank pressure.

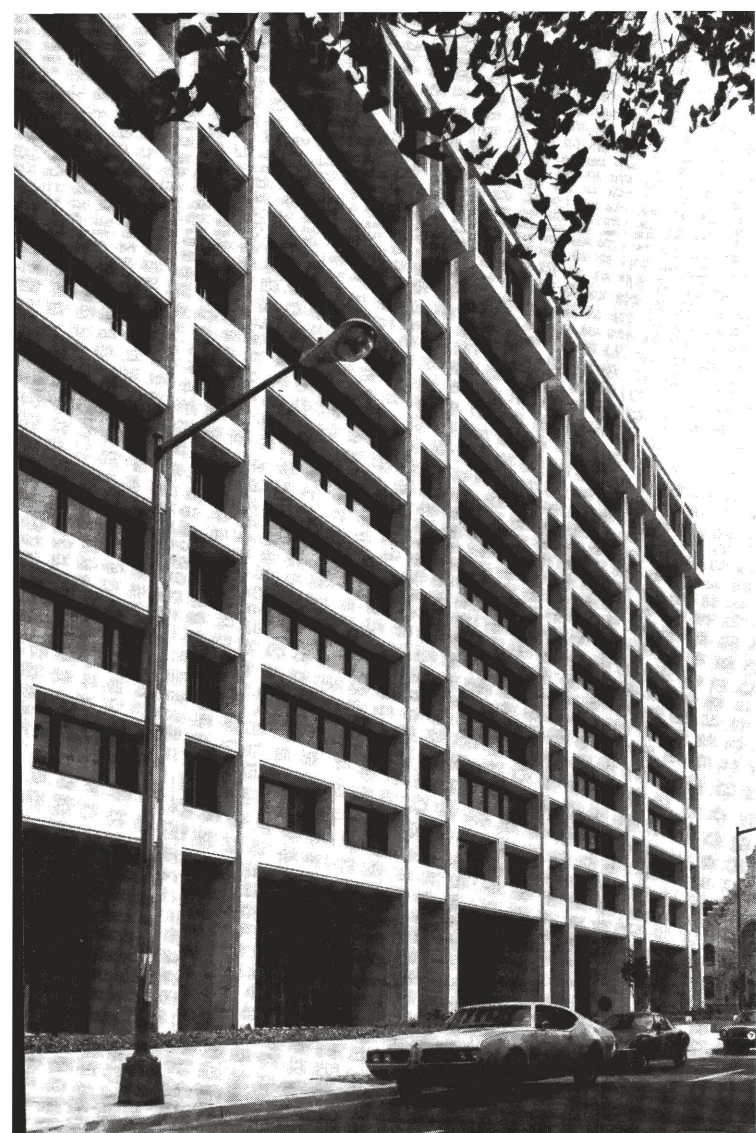
In general, European banks have been heavily affected by domestic corporate developments and debt problems in Eastern Europe. However, the extent of exposure varies according to the role of the banking system in the country, to commercial ties and to foreign policy considerations. For example, banks in the United Kingdom have traditionally assumed a major international role, and their exposure in British industry has been relatively smaller. As an important international loan

center, the United Kingdom is host to numerous foreign banks as well. Consequently, British-based banks and the Bank of England have hammered out crucial international loan rescue packages, with the recent Mexican package the best example.

In the Federal Republic of Germany, the banks are significantly involved in both international and domestic debt problems. Because of traditional commercial ties and foreign policy considerations, the international exposure of the German banks is the greatest in Eastern Europe, although some large banks have large amounts in Latin America as well. In addition, the close relationship between banks and industry has meant that the fortunes of many German creditors are significantly linked to the health of German firms, as shown by the enormous financial pressures following the collapse of the giant company AEG-Telefunken. In France, the viability of the banking system is a different question because most of the banks are now state-owned. Italy continues to recover from the strains caused by the collapse of the major bank Banco Ambrosiano due to irregular and apparently illegal practices. Although Italian authorities covered the bank's Italian debts, they did not cover the losses to its subsidiary in Luxembourg, Banco Ambrosiano Holding.

There have been numerous short-term emergency measures adopted to hold the international financial system together until more fundamental solutions are applied, recovery begins, or both. European authorities have strongly supported these actions. The main feature has been the lead role taken by the International Monetary Fund (IMF) in shaping the rescue packages and in coordinating the financial participation of private banks, national Governments, and other international institutions. Because of its unique ability to insist on domestic adjustment by debtor countries to more realistic economic conditions as the term for its assistance, the IMF has been able to convince the commercial banks that certain problem countries will remain creditworthy, nonetheless. The Bank for International Settlements (BIS) and the key central banks have provided important bridging loans until commercial funds were committed as well.

When market responses (in Europe and elsewhere) to current debt problems threatened to undermine the stability of the international financial system, the IMF and other international and national authorities stepped in. Bankers—American as well as Japanese—have been particularly reluctant to in-



*The International Monetary Fund has taken a lead role in shaping rescue packages. Courtesy IMF.*

crease their exposure in Eastern Europe and Latin America, and have frequently been unable to distinguish between a liquidity crisis (which should be financed to help an otherwise credit-worthy country over a rough spot) and a direct threat to the recovery of principal. In some cases, such as Yugoslavia, a liquidity crisis was nearly precipitated by most bankers' fear of the "Polish effect" creating similar debt problems in the other Eastern European countries. And for Mexico, bankers in the United Kingdom probably would not have agreed to provide additional liquidity in conjunction with the IMF's emergency loan package without strong pressure from the Bank of England in late 1982.

The strategy of current international responses to the debt problems is to stop the general damage to the international financial system by concentrating on the difficulties of the major debtors (Mexico, Brazil, Argentina and a few others). Through the rescheduling of debt, additional liquidity from the commercial banks and assistance from the IMF tied to economic adjustment, the financial community hopes that problems will be minimized. Based on this approach, the anticipation of increased demand for Fund resources has led it to propose a 47.7 percent increase in member quota contributions and nearly a tripling of and enlarged access to the General Arrangement to Borrow (GAB), which is a major source of the Fund's emergency lending. These proposals must be passed

by fund members' legislatures. The third portion of a three-year loan from the Saudi Arabian Monetary Authority (SAMA) is also expected to be available this year. However, many observers feel that the resources will still be inadequate and that the Fund will have to borrow from private capital markets for the first time.

In addition to these emergency measures, European banks and national authorities are taking longer-term steps within their national frameworks to prevent further financial problems or a financial collapse. Regulatory issues are being discussed, but the debates in the European capitals have not concentrated on changes in domestic regulation, unlike the current policy debate in Washington. With regard to both domestic and international lending, the trend for lower ratios of capital to assets, one indicator of a bank's vulnerability to loss, has recently slowed, and the need for increased ratios is being considered by the financial community.

In terms of international lending, banks are increasingly addressing the impact of exchange rate volatility on their foreign currency portfolio. Greater provisions for sovereign loan losses are also being made. German banks are designating partial provisions (around 10-20 percent) against their Polish assets. Also in Germany, the central bank has requested that numerous financial institutions provide it with a notice of credits to foreign borrowers that are DM 50 million (about \$20 million) or greater.

National authorities are also attempting to address cross-border debt issues. Italian authorities fully backed depositors of the parent Banco Ambrosiano in Italy, but felt a limited responsibility for foreign subsidiaries because they were not able to supervise those activities. In response to the Banco Ambrosiano developments, authorities in both Luxembourg and the United Kingdom have indicated that they regard the foreign parent as having complete responsibility to support its subsidiary. Clearly, the divergent views over the so-called lender of last resort continue and further extensive talks in the appropriate international fora are needed to avoid other holes in the banking system's safety net.

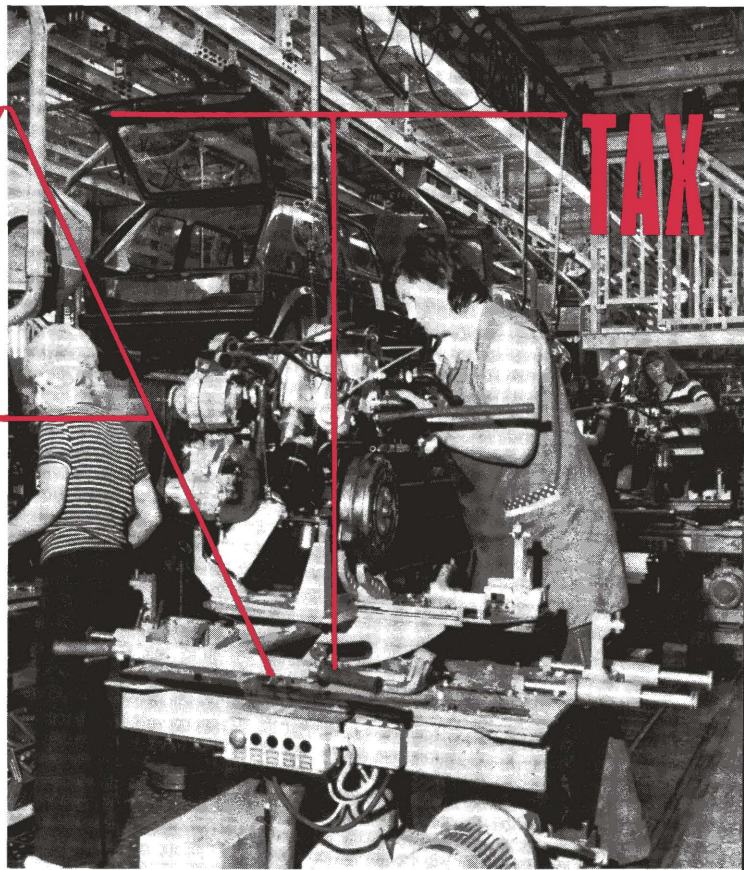
Numerous other plans for longer-term solutions abound. Most of these suggestions concern the recycling of the international banks' troubled assets, either through one of the established international agencies (such as the IMF or World Bank) or a newly created international financial intermediary. The main idea is to relieve the banks of their high-risk loans in order to minimize their losses, to limit financial uncertainties, and to free bank funds for greasing the wheels of eventual worldwide economic recovery.

These proposals are highly complicated, but may only be necessary if a major sovereign default is threatened. Furthermore, political opposition in most industrial countries would likely limit these plans. In addition, plans for improved information collection and sharing are being made by the private banks and Government authorities. However, most of these proposals are only partial solutions at best to current problems. What is needed to help the situation in Europe and other countries is a return to economic growth. Until then, these solutions can only be temporary. €

*Anne Vorce is a consultant in international economics.*

# THE

# TAX



## *The US could learn from Europe's experience*

LEWIS BEMAN

With the federal budget showing \$100-billion deficits as far as economists' computers can foresee, Washington has now committed itself to finding additional revenue to help balance the books. The most obvious place to look, of course, is in the more reversible parts of the huge 1981 tax cut. But some economists are urging that the United States follow the European experience and adopt a value-added tax.

The value-added tax—VAT for short—is essentially a sales tax that is levied at each stage of production and distribution. Rather than the consumer paying, say, a 10 percent sales tax on a \$5,000 automobile, the tax is collected in bits and pieces, first from the company that made the steel, then from the car manufacturer, then from the auto dealer. Each company simply takes its gross receipts, subtracts payments to other companies (which have already been taxed), and applies the tax rate to the result. The consumer ultimately bears the entire burden, but it is hidden away in the price of the product.

The value-added tax is basically the invention of the European Community, which in 1967 adopted it as a means of harmonizing the tax codes of its member countries. In most cases, it replaced turnover taxes, which have no parallel in the United States. For this reason, the European experience isn't necessarily a good guide to how an American VAT would work. Still, there are some general lessons that do apply.

In the first place, the VAT seems to have lived up to its academic reputation as a "neutral tax." By this phrase, economists mean that it does not distort economic decisions. The turnover taxes it replaced in Europe, for example, generally had no provision for deducting taxes paid at earlier stages of manufacturing or distribution. This put small business at a disadvantage relative to large integrated operations. In the United States, the corporate income tax tends to favor debt

*The value-added tax on a car is collected at each stage of production: from the company that made the steel, from the car manufacturer, and from the auto dealer.*

financing over equity and to subsidize losses. And the enormously complex web of deductions and exemptions for the individual income tax is a major force in the economy. A proportionate tax on value added hits all economic transactions just about equally, regardless of how they are financed or how profitable they are.

The chief attraction of the VAT is that even at fairly low rates, it is capable of generating enormous amounts of money. In Europe, the tax accounts for as much as 20 percent of total government revenues. In the United States, a 5 percent VAT could raise about \$100 billion, roughly the amount needed to eliminate what economists have come to call the "structural deficit."

The value-added tax has also proved to be a much more stable source of revenue than income taxes. This is natural since consumption falls less than income during recessions and rises less during booms. The stability of the value-added cuts two ways, however. Keynesian economists argue that reliance on a value-added tax would weaken the "automatic stabilizers" which inject fiscal stimulus or restraint into the economy just when it is needed.

One part of the European experience that has virtually no chance of being repeated in the United States was the relatively easy time Governments had in adopting a value-added tax. Only in Great Britain was it a sharply partisan matter. The political history of VAT in this country is already marked by controversy. The first discussion of the new tax system came during the Nixon Administration when Treasury officials made two very different suggestions about how the value-added tax might be used.

One looked toward installing a VAT on the federal level as a replacement for the corporate income tax. The other would

have had states adopt such measures instead of local property taxes. Neither suggestion got very far. About 10 years later, however, the Chairman of the House Ways and Means Committee came up with the idea of replacing Social Security taxes with a value-added tax. But when that plan was widely credited for his defeat in the 1980 election, Washington seemed to lose all interest in the subject.

Politically, a more serious argument against the value-added tax is that it tends to be regressive. Poor people spend a higher proportion of their incomes on consumption than do the affluent. Thus a tax on spending rather than earnings hits them proportionately harder. Either a tax credit or an exemption for necessities could mitigate this factor, of course, albeit at the cost of making the VAT less "neutral."

Political winds may also have changed sufficiently to make regressivity a less damning charge. Over the past four or five years, Washington has become much less concerned with using the tax system to achieve a more equal distribution of income and much more concerned with the effect of taxes on savings and investment. That shift was the motivating force behind the 1981 cut in the income tax rate from 70 percent to 50 percent, a measure, it is now generally forgotten, originated with the Democrats.

Indeed, some experts think that the income tax itself is evolving in the direction of a value-added tax. The rate structure has already been so compressed that proposals for a "flat tax" no longer seem so extreme. Similarly, Individual Retirement Accounts, by exempting earnings that are saved, have the effect of turning the income tax into a consumption tax for

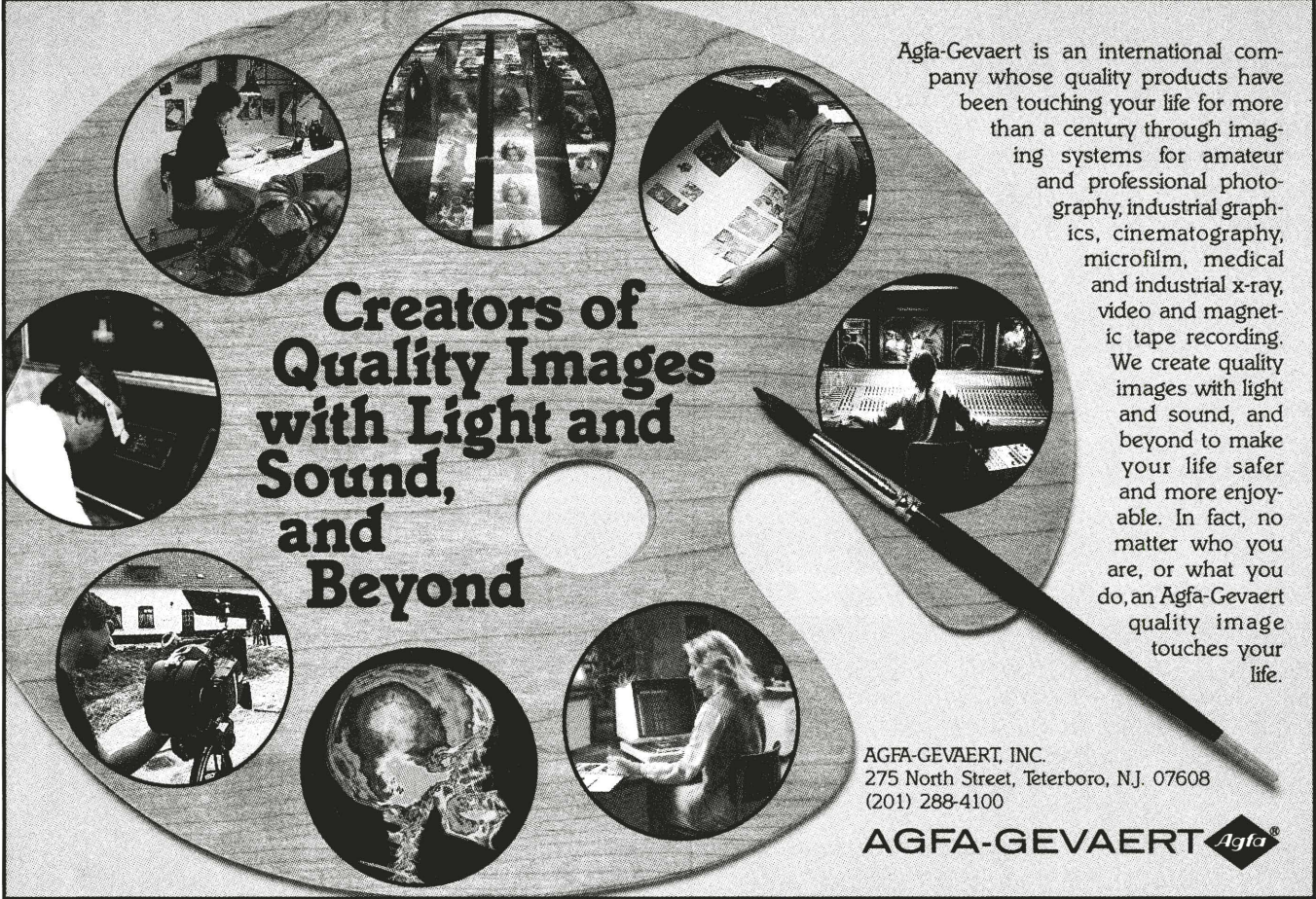
much of the middle class. About the only difference between a flat-rate consumption tax and a VAT would be the method of collection.

Ease of collection is one reason for the popularity of VAT in Europe, where income-tax evasion has sometimes seemed rather like a folk art. Under the usual enforcement procedure each business is held responsible for taxes due on gross sales, but can use the tax receipts of its suppliers to satisfy part of the government's claim. Thus businessmen have an incentive to police each others' taxpaying habits.

In the process, of course, the VAT is tacked onto the final price of virtually all products. And this leads to the most serious problem of all for the value-added tax: the fact that imposing it has almost always been inflationary. The problem is not just the initial spurt; there is a tendency, particularly in an overheated economy, for businesses to add their own markup to the new tax. In the Netherlands, for instance, inflationary pressures got so far out of hand that the Government resorted to price controls. Only in the Federal Republic of Germany, where the VAT was installed during a recession, was there no discernible increase in prices.

Thus, one lesson from the European experience is that, with a value-added tax, the traditional Keynesian notion of proper fiscal timing is the wrong way round. It is a tax that should be imposed near the bottom of the business cycle rather than near the top. And with the American economy now on the mend, the practicality of an American VAT may well depend on how long a debate is required to get it adopted. €

*Lewis Beman is a freelance writer in New York who specializes in economics.*



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# STOCK RALLY SPREADS TO

TIMOTHY HALLINAN

The rally that began on Wall Street in August of last year has spread to all the major European markets. Many specialists predict that the rallies on most of the European exchanges will last throughout this year, with one notable exception.

It is interesting to look back on what happened. In New York, the market hit its yearly low of 777 on the Dow Jones industrial average on August 12 and the next day began moving upward. A few days later on August 17, Henry Kaufman, the widely respected Salomon Brothers partner, revised his deeply gloomy forecasts of U.S. interest rates, and predicted a sharp decline in long-term bond rates despite large federal budget deficits. His message struck home. It was exactly what most investors wanted him to say, and they were quick to take him at his word. They launched a stampede into stocks and share prices leapt upward.

The New York market became more volatile than any time in its history. The Dow rose or fell—but mostly rose—by 10, 20, and even 30 points in a day and one day set an all-time record of 43 points, or almost 4 percent. By the end of March of this year, the Dow was up by 45 percent—one of the steepest climbs in its history.

The London stock market was well tuned in to events on the other side of the Atlantic Ocean. The *Financial Times'* industrial ordinary share index turned up and, with a couple of small dips, kept moving upward. By the end of March it had climbed 21 percent over its low during the preceding August.

Psychologically speaking, Tokyo is much further from Wall Street than London and, although the Japanese market obviously welcomed the good news from New York, the rally that began in August was cautious. The same might be said of the Frankfurt market. It hit its low for the year in the week following New York's turn-around and then climbed rather steeply, helped by the victory of German Chancellor Helmut Kohl and his political allies at the polls on March 6.

The Belgian market began its rally in December and the French market in January. But French investors felt themselves confronted by a Government which made little or no effort (some thought) to address their interests and, although the rally they saw on the Paris Bourse was statistically as strong as the rally in London, they felt it was more

vulnerable. In fact, many international investors wrote off the Paris rally as a misreading of France's short-term economic problems, believing that a Socialist Government in Paris would face exactly the same range of problems as have confronted Labor Governments in Britain. As long as the French inflation rate is steeper than in the Federal Republic of Germany, they reason, the French franc will stay weak and the French Government will remain hostage to exchange rate crises.

The Milan stock exchange has long had the reputation of being Europe's "insiders' exchange," and, so (being a very, very small exchange), subject to manipulation. In July of last year it hit bottom after its long, steep tumble from its all-time high in June of 1981 and then launched its rally in January this year. Unless unforeseen eventualities occur, most investors expect this rally will continue, and are confident that the insiders will do everything they can to help it on its way.

The lags between the rallies on the different markets in Europe received close attention from astute investors. It was abundantly clear that any upturn in the American economy would improve the economic and financial climate in both Europe and Japan and that "matching" rallies would take place on markets outside of the United States. The lag

in both Brussels and Milan gave many international fund managers an important opportunity, which they promptly seized.

In Stockholm, however, they went overboard. Normally a country in which dividends are taxed at an effective rate of more than 90 percent has few attractions for investors, particularly after the election of a Socialist Government pledged to an unprecedented shift of privately held companies to union ownership. Notwithstanding all this, the Swedes launched their own—and at the time, unique—bull market in April of last year and the news from Wall Street in August simply reinforced it. By the end of March of this year, the widely quoted Jacobson and Ponsbach index had risen from its low of 563 to 1317, or by 134 percent.

It has been frequently argued that his boom represents a recovery to more normal prices and trading levels from the deep decline of the preceding years, when the market was immersed in gloom. At its lowest level in 1977-78, the total value of the shares sold on the Stockholm market fell to less than 40 percent of the companies' asset value—an unreasonably pessimistic assessment.

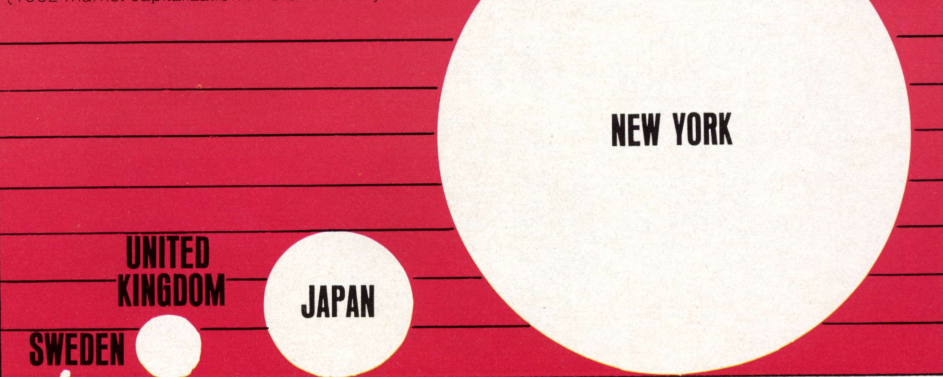
Much of the Stockholm market's rally has been based not on economic advances, but on Government policy, which has prompted a

Few people appreciate the enormous difference in size between the stock markets in New York and Europe. At the end of 1982, the New York market had a capitalization of \$1,284 billion; the Tokyo market, \$379 billion; the London market, \$183 billion; the Canadian market, \$100

billion; the German market, \$65 billion; the Swiss, \$44 billion; the French, \$28 billion; the Dutch, \$21 billion; the Italian, \$19 billion; and the Swedish, \$16 billion. Thus the size of the London market was 14 percent of New York's, the size of the Swedish market, 1.2 percent.

## How the Markets compare in size

(1982 market capitalization in U.S. dollars)





# EUROPE

steady flow of domestic capital into tax-shelter plans. But soon after the bull market started, this source was augmented by funds from overseas. In so small a market as Stockholm's, this has exerted a powerful upward pressure on prices. As money that moves in can also move out, leaders of the Swedish investment community have long been worrying out loud that a single down-turn in prices could quickly become a stampede. In the words of one analyst, Stockholm was a "mature bull market." Others called it a bull-market trap.

Two conclusions emerge from this new "global bull market." One is that the world's bourses are becoming more closely knit all the time, so what happens on the largest market is likely to affect all the others in the same direction—and also vice versa. The other is that the movement of international funds into and out of very small markets like Stockholm's can very quickly become exceedingly disruptive, Stockholm's position, one may say, is unique, because of its small size, but it shows that even Tokyo's market, the second biggest in the world, is small compared to New York's and what happens to Stockholm can happen also to Paris, Frankfurt, and Milan. Wise investors will be wary. €

*Timothy Hallinan writes on international investing.*

## The Leading Indexes

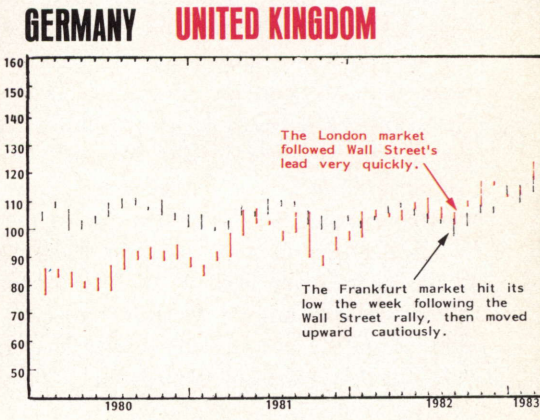
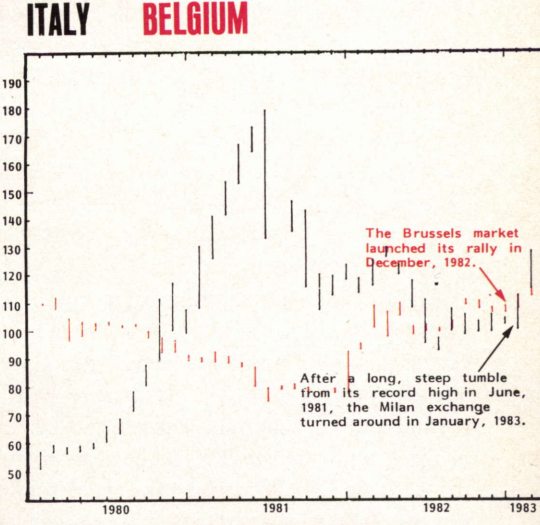
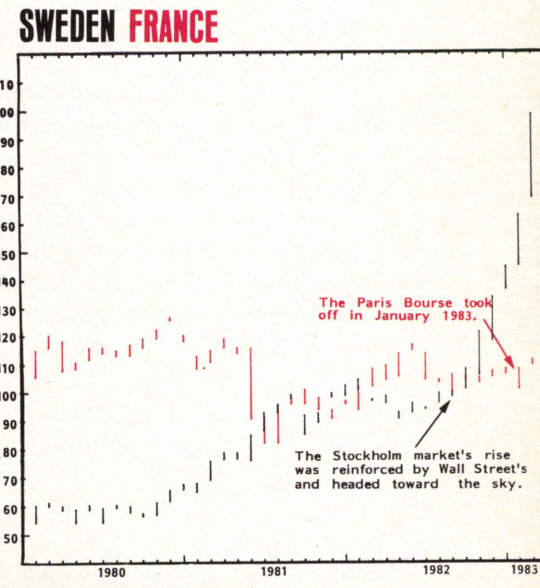
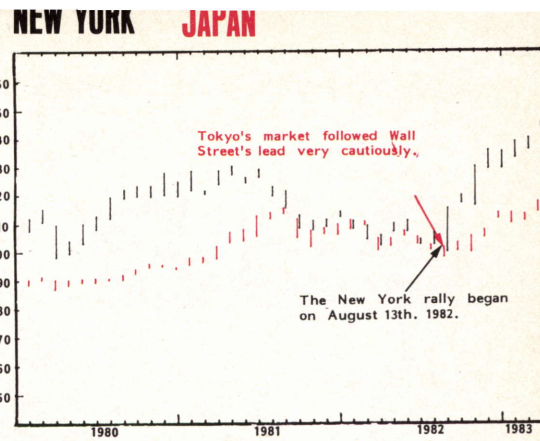
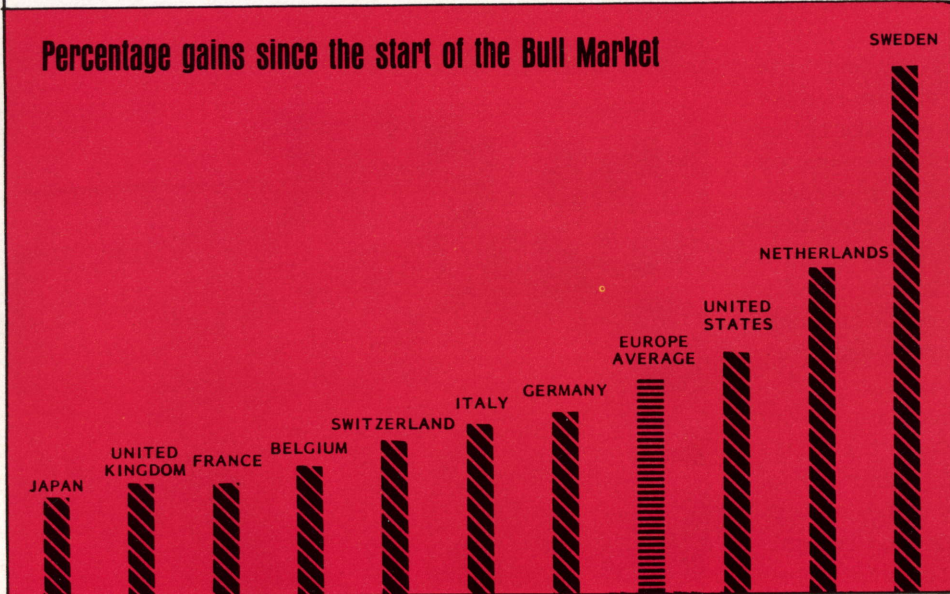
These charts show the movements of each market's leading index of share prices. For New York, they show the Dow Jones Industrial Average; for Belgium, the Belgian Stock Exchange Index; for France, the CAC General Index; for the German Federal Republic, the Commerzbank Index; for Italy, the Banca Commerciale Italiana; for Sweden, the Jacobson and Ponsbach Index; and for the United Kingdom, the Financial Times Industrial Ordinary Share Index. For the Japanese market, which is included here for comparative purposes (being the world's second largest market), I have used the New Tokyo Stock Exchange Index.

In order to make the movements of these indices comparable, each index has been recalculated with its weekly closing price for the week before the beginning of the New York stock market rally in August, 1982, as Base 100. This means that at that moment in time, each of the eight indices has a similar position on its chart.

The vertical bars show the monthly trading range of the weekly closing price of each index. The arrows show the beginning of each market's current bull market.

This chart shows the relative sizes of the world's largest markets at the end of 1982.

### Percentage gains since the start of the Bull Market



# esa

European  
Space  
Agency

# will it one

DAVID DICKSON

Europe's space officials—both scientists and administrators—will be keeping their fingers tightly crossed on June 3. This is the date on which the European space launcher Ariane is scheduled to make its next lift-off from its launching-pad in Kourou, French Guyana, placing into orbit two operational satellites, one a communications satellite funded jointly by the European Space Agency and the organization Eutelsat, the other a radio amateur telecommunications satellite.

The previous launch of Ariane last September, the fifth overall and the first of what are listed as six "operational" flights after the initial testing period, was an embarrassing failure. Three minutes after lift-off the engines to the third stage of the rocket stopped in mid-flight, sending both the rocket and the two satellites that it was carrying to the bottom of the Atlantic ocean.

Success of the next launch, which has been postponed from last December, is therefore vital if Ariane is to fulfill its promise as a major competitor to the American space shuttle and as an effective launcher for space vehicles ranging from telecommunications satellites to interplanetary probes. Space engineers at France's National Center for Space Studies (CNES) have been working overtime to ensure that a similar failure, thought to have been due to a lack of adequate safety margins in the design of the lubrication system to the rocket's turbopumps, does not occur again.

Ariane's launch schedule for commercial payloads—including several American companies which have taken advantage of the generous financing terms they have been offered—was already full to 1985, even before last fall's accident. The confidence of potential customers has been shaken but not broken; and a successful flight will do much to make up for the damage. It will also do much to reinforce ESA's reputation as one of the most successful examples of European cooperation in scientific research and development. ESA's success does not rest on Ariane alone; over the past decade, it has launched more than a dozen satellites from American launchers and it has also been responsible for the construction of the Spacelab, due to be launched by the National Aeronautics and Space Administration's (NASA) space shuttle later this year.

Ariane, however, more than any of the other completed or planned projects, is the biggest public symbol of Europe's challenge to what has up to now been U.S. dominance of space activities among Western nations. This will have been done despite a considerably lower level of funding; in aggregate, European nations spend about 0.05 percent of their gross

national product on space activities, compared to 0.3 percent in the United States.

ESA's successful development of a launcher will also stand in direct contrast to the history of one of its predecessor organizations, the European Launcher Development Organization (ELDO). This was formed in 1962 at the same time as the European Space Research Organisation (ESRO); both were intended to stimulate the space activities of European nations through shared support of joint activities and the coordination of national programs. Yet the two organizations were virtually independent of each other, and their fortunes were very different. ESRO concentrated almost entirely on the development of research satellites, and met with considerable success. The first, IRIS, was dedicated to the study of X-rays, and a succession of further satellites clearly demonstrated the advantages of astronomical readings taken from outside the earth's atmosphere.

In contrast, ELDO's attempt to produce a European launcher was a dismal failure. Each member country took responsibility for a separate part of the project. The rocket itself, known as Europa, was based on Britain's Blue Streak—which had recently been abandoned as a military project—for its first stage, with a French second stage and a German third stage. The Dutch provided the tracking equipment, Australia (not a member of the organization) the launch facilities, and so on. With no strong, central coordination, the project turned into an administrative and political nightmare. The climax came on

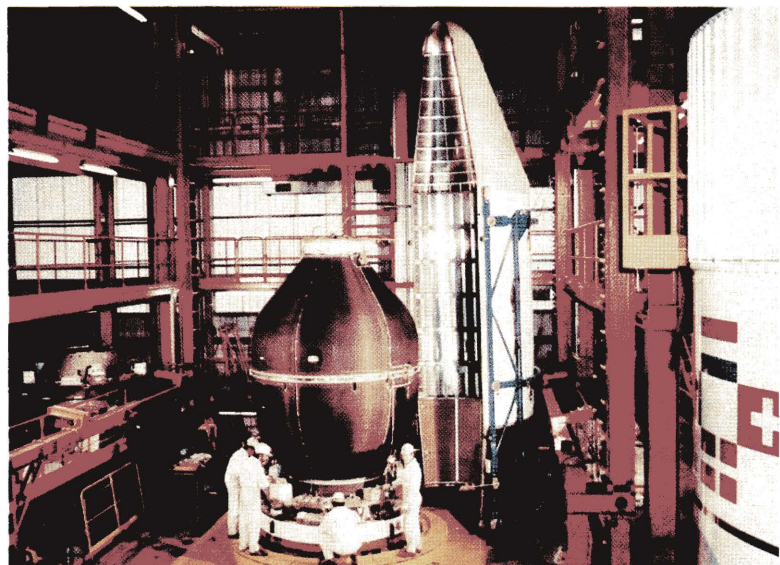
*The control room of the European Space Operations Center in Darmstadt, Federal Republic of Germany. courtesy of ESA*



*NASA's space shuttle will launch the Spacelab, developed by the European Space Agency, later this year. courtesy of ESA*

# day rival

# nasa ?



*Part of the launch system on the European Space Agency's Ariane rocket.*  
courtesy of ESA

November 5, 1971, when the rocket blew up shortly after take-off from the Kourou launch site on its crucial test flight. The whole project was abandoned a short time later.

The European Space Agency was founded out of the successes of ESRO—and the ashes of ELDO—at a meeting of the European Space Conference held in Brussels in 1973. ESRO's responsibilities had already been enlarged two years previously to include telecommunications and weather satellites; ESA was given the job of integrating responsibility both for launchers and satellites, as well as other orbital systems. ESA's founding members were the 10 countries which had previously formed ESRO—namely Belgium, Denmark, France, the Federal Republic of Germany, Italy, the Netherlands, Spain, Sweden, Switzerland, and the United Kingdom—each of whom signed a new convention which came into force in May 1975. Since then, membership has been joined by Ireland and, in 1982, by Norway; in addition, Austria and Canada each have special agreements with the agency.

The agency currently employs about 1,400 people. Its administrative headquarters are in Paris, partly reflecting the fact that France has been one of the keenest promoters of European collaboration in space. The center of space flight operations is at Darmstadt in the Federal Republic of Germany, its technical center (ESTEC) at Noordwijk in the Netherlands, and research is divided between ESA's research laboratories at Fra-

scati in Italy and ESA teams based with the CNES at Toulouse in southern France and at the Spacelab Payload Integration and Coordination Center at Porz-Wahn in Germany.

The 1973 meeting was crucial not only from an organizational point of view. It also agreed to add three major projects to the satellites already under development by ESRO. One was the construction of a completely new launcher, Ariane. The second was the Spacelab, designed as the major European contribution to NASA's space shuttle program. The third was the development of a series of maritime communications satellites, known as MARECS (the first of which was successfully launched in 1981, the second lost with the unsuccessful Ariane launch last September).

Learning from the mistakes made by ELDO, ESA adopted a new system for financing its projects. These are now divided into two categories. The agency has a core budget for its science programs, to which all member countries are required to contribute according to a pre-agreed ratio. Out of this are funded the agency's major scientific experiments, such as a star-locating satellite, Hipparcos, due for launch in 1986, and a planned encounter with the comet Halley (Project Giotto) when it returns to the solar system in 1986.

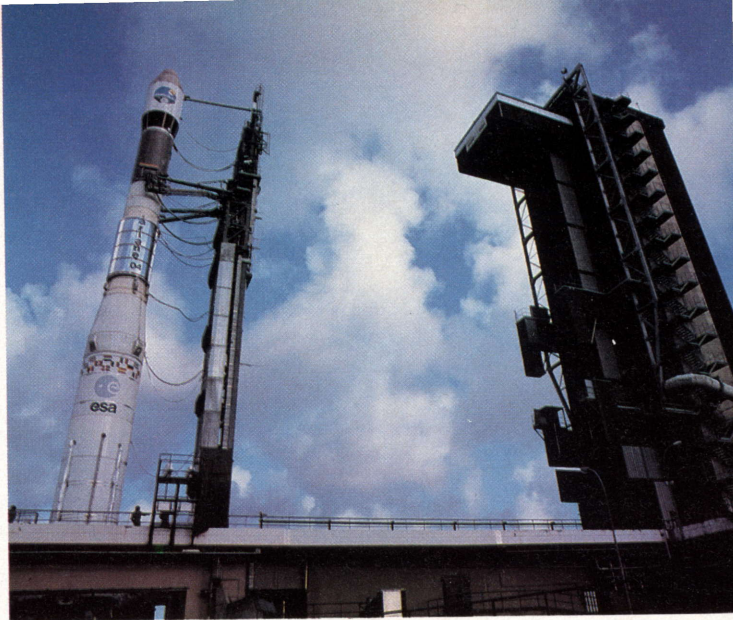
Giotto is one of a number of planned observations of the comet; others are being launched by Japan and the Soviet Union (NASA dropped its own plans two years ago as a result of budgetary pressures.) However it is by far the most ambitious, since it is intended to fly the spacecraft inside the comet's coma and within 500 kilometers of the surface; both of the others will be much further away, the Russians passing at 10,000 kilometers and the Japanese at 100,000 kilometers.

Giotto will carry more than 10 experiments, including a camera which will send back color photographs of both the coma and the nucleus of the comet. Other instruments include three spectrometers for measuring the composition of gas and dust in the comet's atmosphere. Such data is expected to provide clues not only about the composition of the comet itself, but also about the solar system, which is thought to have originated at roughly the same time.

Giotto will also have an important symbolic value. It will be the first planetary mission carried out by a European spacecraft launched—if all goes according to plan—from a European rocket, a truly independent entrance into the space age which American scientists, some of whom will be collaborating in experiments (though not as principal investigators), are already watching with mixed feelings.

The same ambivalence seems to exist in U.S. attitudes toward Ariane. On the one hand, the commercial competition for launch capabilities has been welcomed, particularly by potential customers who have an obvious interest in reducing costs as far as possible. On the other, if Ariane does prove to be a viable commercial enterprise—at present, heavy government subsidies make it unclear what will happen when the support is removed—then it will raise questions about NASA's decision virtually to abandon expendable launchers in favor of the space shuttle.

Bigger versions of Ariane are currently on the drawing board, designed to take into orbit some of the large telecommunications satellites anticipated in the late 1980s and 1990s. In addition, plans are being studied for a small, reusable space



*The fourth test launch of the Ariane in December 1981 at Kourou, French Guiana. © SYGMA*

vehicle called Hermes—a bit like a miniature version of the shuttle—which could be launched from Ariane and subsequently floated back to earth. Other plans are being worked on to decide on a follow-up to Spacelab, the orbiting laboratory being launched by the space shuttle later in the year. These cover essentially the development of a European retrievable carrier known as EURECA, whose main purpose will be to provide docking facilities for experiments which can be left in space for a considerable period of time.

Although the member countries of ESA remain committed to the continued development of an independent launch capability which will free them from dependence on American launchers (and launch schedules), collaboration with NASA is already being explored in several areas. One of the most important of these currently being studied through several contracts awarded in 1982 is Europe's potential involvement in American plans for an orbiting space station.

The possibility of such collaboration is one of the main topics of a new program initiated at the beginning of 1983 known as the Space Transportation Systems Long Term Preparatory Program (STS-LTPP) whose purpose is to look at the different options beyond Ariane and EURECA sufficiently closely to allow a long-term space transportation policy to be decided by the end of 1985. Three main themes, covering all the possible options, are being looked at:

- Maintaining an independent launch capability in Europe that is competitive with other existing or planned space transportation systems—in particular, the space shuttle.
- Providing Europe with the capability of carrying out orbital operations by means of in-orbit infrastructures developed either independently or in cooperation with NASA.
- Maintaining Europe's access to manned systems, opened up by Spacelab, both by participating in U.S. space-station activities and by studying the possible evolution of a European in-orbit infrastructure toward manned capability.

The extent of NASA's collaboration in future European experiments is uncertain. In principle, space science is accepted by the scientific community as one area in which the costs of individual experiments are so high that there is much to be gained from as broad an international collaboration as possi-

ble. In practice, however, ESA has recently had its fingers burnt when NASA dropped out of various collaborative projects as a result of internal budget pressures.

The most publicized case was the International Solar Polar Mission. This was to have involved two spacecraft, one funded by ESA and the other by NASA, which were to have been sent in complementary orbits around the sun in 1986. At the beginning of 1981, NASA announced that it was cancelling its half of the experiment because of the need to make cuts in the agency's space-science programs. European space officials, who thought they had a binding agreement from NASA, were outraged and protested strongly that the whole mission was being devalued, but to no avail.

Relations between the two agencies became frosty, a situation not helped by the additional costs to the Spacelab program caused by delays with the first space shuttle flights. They are now warming up slightly, but ESA remains cautious. One of the potential alternatives to ISO, a large satellite to orbit the moon, was dropped from consideration by ESA when it was realized that American support would be needed to fund the project and that, following the ISPM debacle, this could no longer be guaranteed, even if NASA itself was enthusiastic.

Just as with NASA, however, the relative emphasis that ESA

should be giving to space-science projects, as compared to those with a more immediate commercial objectives—such as telecommunications satellites or industrial processing in space—remains controversial. Some of the larger members of the organization, in particular the United Kingdom and France, are keen that the agency should maintain its strong emphasis on programs that promise pragmatic results, hence the United Kingdom's principal interest in satellites and France's in the future rockets needed to launch them. One of ESA's next substantial projects, for example, is a large telecommunications satellite (L-SAT) for which the major proportion of the funding is being provided by Britain and Italy.

Others, however, feel that greater emphasis should be given to space science, which currently receives less than 15 percent of ESA's \$730 million annual budget. They point out that at present there is only enough funding committed to the agency to permit one new space science project every other year. The demand is strong; 20 well documented proposals are already being studied as possible successors to ISO, most evolving from the combined efforts of a large number of scientists drawn from different institutes in several countries. €

*David Dickson is the European correspondent of Science magazine.*

## US, EC Cooperate in Satellite Mapping

GEORGES FRAYSSE

Since 1974, a series of collaborations between the National Aeronautics and Space Administration (NASA) and the Joint Research Center of the European Communities have taken place. After the successful launch of Landsat-1 by NASA in July 1972 and the promising results which followed immediately, it appeared important for the E.C. Commission to start a research program to evaluate the technology of earth observation from satellites. The E.C.'s Joint Research Center (JRC) decided to present a research proposal following an announcement of opportunity issued by NASA for the second satellite of the Landsat family—Landsat-2—which was launched in 1975.

This proposal, called Agreste (Agricultural Resources Investigation in northern Italy and southern France) was accepted by NASA. The objectives were to inventory rice in the Pô valley of Italy and the Camargue region of France, to forecast yields, to inventory popular trees in the Pô valley and the Garonne valley of France, and to inventory natural beech forests in the Maritime Alps region of Italy.

Several national laboratories in Italy and France were associated with these experiments. Under the formal agreement signed between NASA and the E.C., Landsat imagery was delivered to the JRC scientist responsible for the experiments while, in exchange, JRC results and reports were delivered to NASA. In the meantime, several meetings took place be-

fore the delivery of the final report to NASA, establishing friendly links between U.S. scientists, the JRC, and its Italian and French partners.

It is important to mention that NASA announcements of opportunity (particularly for Landsat 1 and 2) permitted many European scientists to acquire knowledge of remote sensing techniques. One must also recognize that the important development of earth observation in Europe today is partly due to the progress that resulted from the Landsats' data dissemination.

In 1975, in collaboration with many laboratories and institutes of the various E.C. member states, the JRC decided to enlarge its research field, initiated with Landsat, and to submit two other research proposals to NASA: Eurasep (European Association of Scientists for Experiments on Pollution), corresponding to the Nimbus-7 satellite, and Tellus, corresponding to the Heat Capacity Mapping Mission satellite (HCMM).

The main objectives were, for Eurasep, quantitative determination of chlorophyll-A, suspended matter, and yellow substance in marine coastal waters and, for Tellus, soil moisture evaluation and a study of regional heat. Many test sites in various coastal and inland areas of the E.C. countries were proposed. Both proposals were accepted by NASA.

Several meetings between NASA, the JRC, and its partners have taken place either in the

United States, or in Europe (at the E.C. headquarters in Brussels and at the JRC laboratories in Ispra, Italy). The final reports were delivered to NASA in 1980. The Explorer-A satellite (HCMM) is no longer in operation, but the Nimbus-7 satellite carrying a coastal zone color scanner is still operating and the JRC is continuing research on coastal pollution.

NASA is kept informed of the progress of this activity through a special working group, the Nimbus Experimental Team, which meets regularly in the United States. Recently, in collaboration with the European Space Agency (ESA), the JRC has participated in an announcement of opportunity concerning the new generation LANDSAT, or thematic mapper, launched in July 1982. Again selected by NASA, the ESA-JRC team has already presented preliminary results during a meeting in February at NASA's Goddard Space Flight Center near Washington, D.C.

As a conclusion, it is obvious that frequent contacts between U.S. scientists and JRC scientists have been established, to the mutual benefit of both parties. Earth observation is not only a fascinating technology—everybody is today familiar with those beautiful images of the earth observed from space—but it is a particularly well adapted field for collaboration between the United States and Europe.

*Georges Fraysse works for the E.C. Commission at the Joint Research Center in Ispra, Italy.*

# The Netherlands

## THE PAIN OF RECESSION HITS

WALTER ELLIS

Times of transition are generally confused. The removal of former certainties, like the pulling of a tooth under local anaesthetic, creates not only a gap but a sensation of numbness. The pain comes later. In the Netherlands, used for the last 25 years to unbroken economic and social progress, an understanding of the consequences of recession has dawned only slowly. And with the growing awareness has emerged a sense of hurt and frustration.

Prosperity—and plenty of it—has, like liberalism, been a fixed part of the Dutch image since the 1950s. The elaborate social welfare system, the dense network of freeways, the new schools, hospitals, and civic centers all speak eloquently of wealth and responsibility. The fact that the country for years has given 1.5 percent of its national income to the third world (a proportion equalled only by Sweden) is evidence of its broader concerns.

Today, however, with unemployment affecting some 17 percent of the work-force and with the Government straining every nerve to cut back on spending, the picture is changing. Social welfare has been slashed, road building is almost at a standstill, hospitals and schools are set to decline in number. Public-sector workers have had their wages pegged at 1982 levels and there is talk of an actual cut later in the year. Other workers are reduced to trading raises for job guarantees against a background of the highest rate of company bankruptcies since records began in 1900.

It should be emphasized, of course, that the Netherlands remains a prosperous country, with a strong and dynamic industrial base and a firm foothold in the new technology. It is also still an enlightened country, keen to cooperate with its European neighbors and anxious to assist the developing nations in their struggle with real and chronic poverty. So Holland has not become a vagrant: What it is is a society whose confidence has been shaken and which suddenly is having to face up to the kind of everyday problems from which it had thought itself permanently liberated.

The European Community and its institutions can do little to help solve the immediate problem, any more than Washington can bail out down-at-the-heel states of the union. The E.C. analyzes, diagnoses, and recommends. But with the recession affecting all 10 E.C. member states, it cannot provide a remedy for the Dutch disease. It can certainly help on the sidelines, with cash from the Regional Development Fund. It can also benefit the farmers. More to the point, perhaps, it can help negotiate a new framework for international coopera-



*The Dutch, used to 25 years of unbroken economic and social progress, are finally feeling the pinch of recession. The city of Rotterdam. © SYGMA*



*The tulip industry has contributed to the Dutch tradition of vigorous overseas trading.* © Photo Researchers

tion in trade. The recent deal between the Community and Japan on the sale of video cassette recorders is a case in point. The pact will help the Philips company and Philips helps Holland. For the rest, it is up to the Dutch to find their own solutions.

The present, center-right Government, made up of Christian Democrats and Liberals, is led by Ruud Lubbers, a 44-year-old Christian Democrat with a background in heavy engineering. As Prime Minister, Lubbers presides over a Cabinet that has introduced the most austere policy program of any Dutch Administration since the 1930s. He started out on the left of his party, but has moved steadily to the right with the passage of the years. The Liberals, under Ed Nijpels—still only 33 and, by his own choice, not a member of the Government—are generally speaking to the right of Lubbers and normally play devil's advocate in any discussion of economic and social reform.

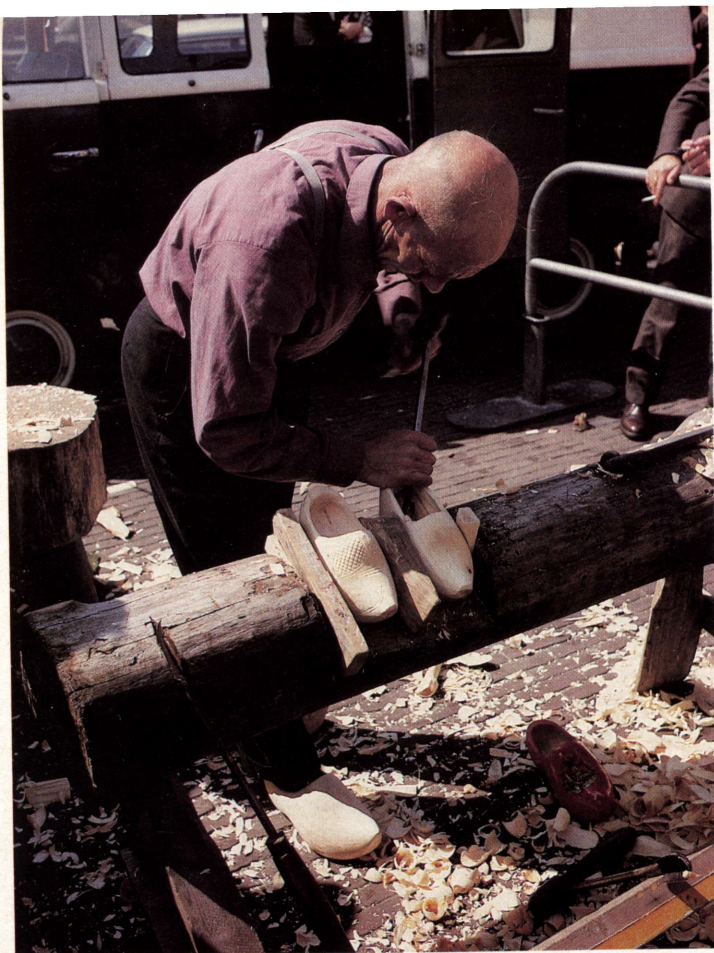
There are eight Christian Democrat ministers and eight state secretaries from the Liberals. This corresponds to 45 Christian Democrats in the 150-seat Dutch parliament and 36 Liberals. The opposition Labor Party is the biggest single faction in parliament, with 47 seats, and the balance is made up of splinter groups from all sides of the divide, from Communists to evangelical protestants.

Elections were held last September, following the break-up of the previous, center-left Government on the central issue of economic policy. Negotiations on forming the new coalition lasted a surprisingly short time for the disputatious Dutch—a mere seven weeks, compared with five and a half months the last time around. With a majority of 12 over the combined opposition parties, the Government should be safe from parliamentary attack and, in theory, should be set for three to four years of power. Yet, with the present political situation so volatile, anything could happen. The more pessimistic among the Government's supporters would not be surprised if another election came along in 18 months or so and point to the Netherlands Italian-style record of 19 Administrations since World War II.

The incoming Government faced two key problems when it took office last November: the economy and the deployment of U.S. cruise missiles. Economically, the Netherlands has withered fast since the heady days of the 1960s and early 1970s. Until about two years ago, the world recession was at least kept at bay by the revenue from natural gas. Now gas prices and sales have both dropped alarmingly and the slump has been given free rein. The budget deficit has soared and the jobless total is growing faster than anywhere else in the E.C.

Lubbers made it plain from the start that he regarded balancing the government's books as his number-one priority. A reduction in unemployment would follow a period of rectitude and reorganization, he argued. Accordingly, he and his colleagues in the Cabinet drew up a program that centered on major spending cutbacks. Last year, the Dutch budget deficit on government and local authority spending reached 9.4 percent of national income, or \$11.5 billion. The Government's total borrowing requirements (TBR) for 1982 came to 10.7 percent of national income, compared with 9.2 percent in 1981, and the current projection for this year's TBR is for between 12 percent and 13 percent. The target for 1983 was 11.9 percent of national income, and it was hoped to cut the deficit right back to 7.4 percent by 1986, a move the coalition considered reasonable in present-day circumstances. Unfortunately, "continued recessionary factors" are operating against the Government, and the Finance Minister, Herman Ruding, is urging even steeper cuts to get his policy back on course.

Existing cuts for this year are already sharp enough—\$4.9 billion in savings have been penciled in by Ruding—and the major spending departments (social welfare, education, health, housing and defense) have protested that any further round of reductions would make it impossible for them properly to carry out their tasks. Ruding, a hawkish Christian Democrat, is, however, unyielding, and it is thought likely that another \$750 million or so will have been sliced off budgets by the summer. Ruding even manages to shock the Liberals with his demands. More important, he is likely to have their basic support in the Cabinet. In practical terms, what the cuts mean



Less hard hit by the Netherlands declining industrial situation is traditional shoemaking. © Photo Researchers

is less money for those whose income is wholly or in part dependent on the state. All forms of benefits are being frozen or reduced. There is less money for hospitals and the health service. Schools are being squeezed and some 8,000 teachers are scheduled to lose their jobs.

At the same time, Jan de Koning, the Minister for Social Welfare and Employment, is trying extremely hard, and with some success, to persuade the trade unions that the good times

## THE NETHERLANDS IN FIGURES

Area .....	15,890 sq. miles
Population .....	14.4 billion
Gross Domestic Product (1982) .....	\$140.5 billion
Inflation rate (1982) .....	4.3%
Unemployment rate (1982) .....	10.1%
Trade (1982)	
Total non-E.C. exports .....	\$17.2 billion
Total non-E.C. imports .....	\$29.1 billion
Exports to E.C. ....	\$48.0 billion
Imports to E.C. ....	\$33.9 billion
Exports to U.S. ....	\$2.2 billion
Imports to U.S. ....	\$2.2 billion

are at an end and that they must moderate their wage claims. This year so far, the printers' and metalworkers' unions have voted to accept frozen salaries and reduced working hours. Normally, wages go up in line with inflation (now around 3.5 percent), with adjustments for productivity and profits, but this is no longer the case. The index effectively has been suspended. Retail stores groups and Philips, the electrical giant, have negotiated variations on the same theme. Employers are promising a degree of job security in return for a wage freeze and the reduction in working hours is intended to permit the hiring of more workers as soon as conditions permit. De Koning next wants to replace the minimum weekly wage with a minimum hourly wage, thus maintaining basic rates while lowering real wage costs.

The Dutch public has been stunned by what has happened to it in the last two years. A forecast of 1 million unemployed people within the next 18 months shocks the Dutch profoundly. They are used to the privileges of prosperity and appear to suspect that someone, somewhere has let them down. There is a feeling of unrest. Some crime is on the increase and football hooliganism has overtaken the soccer terraces. Even racism—previously antipathetic to the Dutch character—has begun to raise its head. There is already one avowedly anti-black member of parliament and a poll indicates that support for his party, the Centrum Partij, is growing.

But while no one would dispute that the situation in 1983 is the worst experienced by the Netherlands for a generation, not all is gloom. The Dutch tradition of vigorous overseas trade has continued to show positive results. Last year, the current account on the balance of payments was in surplus to the extent of \$3.6 billion—\$1.65 billion less than originally forecast, but still a solid achievement.

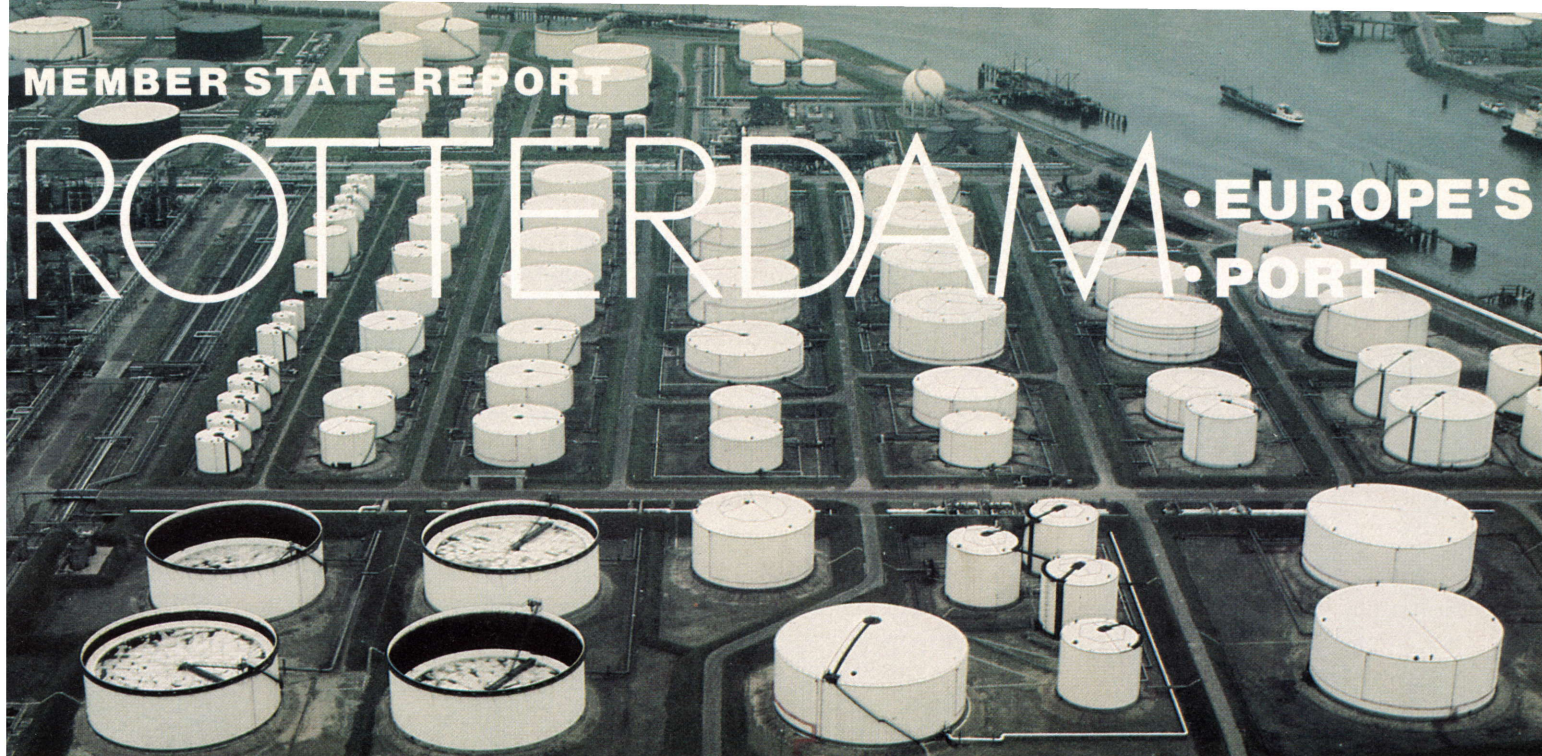
Inflation has also been kept securely in check and is expected to fall to an annual rate of only 2.5 percent by the end of the year, one of the lowest in the Western world. The guilder is strong. Within the European Monetary System (EMS), it is one of the most dependable currencies, closely aligned with the German mark. It is true the guilder and the mark fell out of line by 2 percent in March following the changes in the EMS brought on by the weakness of the French franc, but the basic strategy remains intact. And not only is the guilder strong, making imports of raw material relatively cheap, exports manage to remain competitive because of steady improvements in productivity. When the world recovery comes, the Netherlands will not be found wanting.

No amount of central planning and trade union cooperation, however, can increase the volume of world trade and no one so far has been able either to make Dutch shipyards as cost-effective as those of South Korea or to get gas revenues back up to the levels of 10 years ago. With firm government and a little bit of luck, the Dutch can stabilize themselves around a reduced level of economic expectation. Future growth can rest on that foundation. For an inventive and hard-working people, such a prospect will surely come to be seen for the positive invitation it is. Yet the sense of loss will still be there. All Europe has suffered from the international slump, but the Dutch simply are not used to the sensation. €

Walter Ellis is a Financial Times correspondent in the Netherlands.



# ROTTERDAM • EUROPE'S PORT



GERARD JOVENE

*Rotterdam is the premier European center for petrochemical industries. Pictured here is a Shell refinery. © SYGMA*

The port of Europe. That is the name currently given to Rotterdam in the Netherlands. It is a city which 35 years ago no longer existed, almost entirely destroyed in 1940 by the raids of the Luftwaffe bombers of Germany's Third Reich, before the port itself was demolished by the retreating Nazis in 1944.

Now Rotterdam, the number-one port of the world, is a city with a population of 600,000 at the confluence of the Rotte and Maas rivers near the Rhine delta. A deep canal links it directly to the North Sea.

Each day, 100 ships leave the docks, to be replaced by 100 others which come to unload cargos destined for the whole of Europe. Thirty-eight thousand boats pass through each year. Around 300 million tons of merchandise transit via the depots of Rotterdam, which cover 5,000 hectares or half of the entire surface of the port complex. The greatest part of this tonnage is oil traffic—nearly 170 million tons per year, almost half of the European Community's annual oil imports.

Five refineries make Rotterdam the premier European center for petrochemical industries. Their treatment capacity is 85 million tons. Rotterdam thus has become the leading market for "spot" oil transactions. It is a free market, controlled only by the law of supply and demand and outside of the prices set by the Organization of Petroleum Exporting Countries. Every day, buyers for the huge international companies pay cash for millions of tons of oil stocked in Rotterdam's reservoirs.

The back country of the first port of the world extends, thanks to the Rhine, as far as Basle in Switzerland, and it soon will continue to the North Sea when the Rhine-Main-Dan-

ube Canal is opened to traffic. The port of Rotterdam serves a population estimated at 160 million and merchandise unloaded in Rotterdam moves away very speedily, very often via river barges going as far as 500 kilometers inland. And yet this city has been a port for only around a century. Before, it was a little fishing village, then it became a port for the export of agricultural products to Great Britain. Only in 1872 did Rotterdam change dimensions.

Planned by the engineer, Pieter Caland, a canal cuts across the dunes between the city and the North Sea and Rotterdam started to grow rapidly. The population quadrupled in 50 years, reaching 600,000 people by 1936. Now, Rotterdam is a completely new city. Only a few vestiges of the past, jealously preserved, remain. The city, the hub of a communications network, nevertheless has a charm which could make many an ancient city proud. The Municipal Council, with a Socialist majority, watches over the city, where the ancestral traditions of the Dutch nation are meticulously guarded. Tradition rubs up against modernism and, while subway trains run underground, the cosmopolitan streets still have trams and are covered with bicycles.

Fifty-six thousand of the city's inhabitants, or a tenth of the population, are foreigners. They belong to 93 different nationalities, and their presence gives Rotterdam a curious and exotic coloring. Interracial marriages no longer surprise the population, no more than the various and audacious Christian churches which watch over public morality. Prostitution flourishes in the infamous Katendrecht quarter and creates serious problems for the

municipal council, which would like to renovate this part of the city. At one point there was a proposal to settle the prostitutes in old ships, anchored in the port, but the plan was finally abandoned.

As everywhere in the Netherlands, the essential concern of the city governors and the inhabitants of Rotterdam is ecology. A priority telephone line is reserved so citizens can call at all hours to signal a nuisance, a noise, or an odor. A few moments later, a truck specially equipped with detectors and measuring instruments localizes and analyzes the source of the pollution. And the office of the Environmental Control Agency acts to rectify the situation. The extraordinary density of the chemical industries in the city entails intense vigilance.

There is a threat to the port and it comes from the East, beyond the Urals. The giant 300,000-ton tankers which currently come in from the Middle East would no longer have any reason to come ashore at the terminal point of Rotterdam if the immense deposits of Siberia turn out to be real. The present complex of pipelines from Rotterdam toward Frankfurt in the Federal Republic of Germany and from Rotterdam to Antwerp in Belgium, may very well, one day, turn in the opposite direction. Crude oil, coming directly from the Soviet Union, could replace that coming from the countries now belonging to OPEC. This is still but a hypothesis, but it is a plausible one and would completely upset the present traffic of Europe's seaport, which owes a great part of its wealth to the vitality of the oil "spot market." **E**

*Gerard Jovene is a freelance writer in the Netherlands.*

# saying **NO** to cruise missiles

*The Dutch people strongly oppose new nuclear arms in Europe*

WALTER ELLIS

In March, when Ruud Lubbers, the Dutch Prime Minister, was paying his first official visit to President Ronald Reagan in Washington, his thoughts must have strayed more than once back across the Atlantic to where his Christian-Democrat parliament caucus was meeting in the Hague. What the Premier's supporters were discussing was enough to cause him an anxiety attack. They were trying to decide whether or not to ally the Christian-Democrats with the Dutch anti-nuclear peace movement. In effect they were considering joining a vast alliance against Government policy on siting U.S. cruise missiles in the Netherlands. As the man who had to carry the can for that policy, Lubbers was not only worried, he was angry. Nor was the prospect of the main Dutch Government party turning against its own policy and joining street demonstrations in support of unilateral nuclear disarmament calculated to go down well with his host.

In the event, the caucus decided against opposing its own stated policy by 29 votes to 14. Lubbers had been extricated from a position with the potential for extreme embarrassment. It had been, though, a tight-run thing. He praised his colleagues back home and, visibly relieved, returned to discussions with the U.S. President, not only on cruise missiles, but on trade, the Middle East, and economic recovery. The relief, however, may prove short-lived. A decision to deploy the 48 cruise weapons assigned to Holland by the North-Atlantic Treaty Organization (NATO) in 1979 is supposed to be dependent on the outcome of the current East-West arms reduction talks in Geneva.

If the talks are seen manifestly to have failed, the Dutch are supposed to give the go-ahead for installation. But that decision would not be taken by the Government. The prerogative would be parliament's and it is almost certain that a majority of members would vote to say no. A no vote would provoke a crisis in the Government, cause widespread unrest in the country, and add strength to the protest movement throughout Western Europe. The cohesion of NATO itself would be threatened.

The most amazing thing about the cruise controversy is that the Dutch ever allowed themselves to be forced into their present position. Hardly anyone in Holland wants cruise missiles. Lubbers certainly does not. He told George Bush, the U.S. Vice President, during the latter's recent "rally to Reagan" trip to Europe that the Netherlands was "not committed" to deployment. He agreed that the build-up of Soviet SS-20 missiles in central Europe made it more and more likely

that cruise missiles would have to be established as a counter, but hedged and fudged every question about the nature of the 1979 agreement. What it boils down to is that the Government knows full well that it is pledged to site the weapons if the Geneva talks collapse. For political reasons, it cannot say

*Half a million people are expected at a demonstration planned for the Hague next fall to protest the deployment of new nuclear missiles. © Gamma*



so, and meanwhile it needs parliamentary support in depth to tackle the country's economy.

Even the compromise is becoming frayed round the edges. Lubber's predecessor as Prime Minister, Andries van Agt, announced last year that preparations for the siting of the missiles would begin in 1983, but that a decision on the weapons themselves would be left until a final view had been taken on Geneva. Lubbers inherited that policy and, for a time, adopted it as his own. Now the preparations, too, have been deferred. All that the Defense Ministry will reveal is that a decision on possible sites must be taken by May 1984. No soil has yet been disturbed. Nor is it likely to be. The faster the pro-nuclear lobby runs toward a starting date, the further into the future that starting date recedes.

Revealingly, when Jan Faber, chairman of the Interchurch Peace Council, a leading opponent of nuclear weapons, produced a report by the U.S. Congress naming an airfield in southern Holland as a possible site for cruise missile deployment, the Dutch Defense Minister blew his top. Job de Ruiter told members of Parliament that Faber had behaved irresponsibly and had created needless anxiety among ordinary people. The report, by the Armed Services Committee of the House of Representatives and which he admitted the Government had not seen previously, was merely a discussion paper. No site had been chosen and no decision was imminent.

What De Ruiter was patently afraid of was not merely that wrong information would be given credence, but that the protest industry would be given a focus for its activities. A Dutch "Greenham Common" was the last thing he needed. Whether or not protestors will follow the example of the British "Women for Peace" movement and make a single site a symbol of their cause is not yet clear. The location named by Faber is what is called a "co-located operating base for time of tension and hostilities"—in other words, a potential forward airbase in the event of war. Known as De Peel, it is on the border between the southern Dutch provinces of Brabant and Limburg, some miles distant from any major center of population. Pickets there have so far been desultory. That, though, could change overnight if further evidence emerges that it really is a site for the hated weapons.

In 1981, more than 400,000 demonstrators converged in the city center of Amsterdam to protest about the then more distant prospect of cruise missile deployment. The Dutch capital came to a standstill and the event, though peaceful, was given considerable international publicity. A similar, but even larger demonstration is planned for the Hague—Holland's administrative headquarters—on October 29. As many as half a million people are expected to attend, not just from Holland but from neighboring Belgium, France, and the Federal Republic of Germany. Other marches and meetings will take place elsewhere between now and then.

The truth is that the 1979 decision to station nuclear rockets in Holland is proving profoundly unpopular. Dutch people are traditionally liberal. They are also, at heart, neutralists. Many agree that the West must be defended against potential aggression from the East, but only a minority is ready to stand up and say that Holland should take its place in the front line. An opinion poll several months ago indicated that 73 percent of the Dutch are against nuclear weapons at any price, and,

against such obstinacy, Lubber's uncertain commitment to deployment if Geneva fails can be seen as a very pale strategy indeed.

The IKV, which channels much of the popular resentment against nuclear weapons, was formed in the 1960s by the nine major Dutch churches. During the first years of its life, it was a quiet, undemonstrative body, concerned with the moral aspects of war and peace. Then, in the mid-1970s it became considerably more activist and launched its campaign to "help rid the world of nuclear weapons, starting with the Netherlands." It claims more than 20,000 members, organized in 400 local groups, and it forms the spearhead for action by a much larger movement, similarly opposed to cruise missiles, but with widely different starting points.

The peace movement as a whole includes, in addition to the IKV, the Roman Catholic Pax Christian organization, the Stop the Neutron Bomb Group, Women for Peace, and Women Against Nuclear Weapons. The latter two have close and obvious links with the women now protesting at the Greenham Common cruise missile base in England. Outside the ranks of the peace industry, the Dutch people as a whole appear more willing than most to support the anti-nuclear stance taken up by the activists. Getting half a million people onto the streets of the Hague in October would be no mean achievement. Holland, after all, has a population of only 14 million, and the equivalent number of protesters in the United States would be a staggering 8.5 million.

In the towns and cities, bourgeois feeling is often as strong on the nuclear issue as, for example, student opinion. The City Council of the Hague pointedly declared itself a nuclear-free zone last year on the eve of an official visit by the then German Chancellor, Helmut Schmidt. As Schmidt was in town specifically to persuade the Dutch to accept early deployment of cruise missiles, the point was not lost. Similar "free zones" have been established up and down the country. Most recently, the area council of De Peel announced to the world that its entire membership, Christian Democrats, Liberals, and Socialists, were determined to do all in their power to prevent the establishment of a cruise missile base.

Not surprisingly, in parliament the broader implications of a rejection of cruise are taken into account alongside the domestic considerations. The Liberal Party, a right-of-center grouping which is currently junior partner in the governing coalition, believes fervently that, in the event of a collapse of the Geneva talks, Holland must be prepared at once to meet its NATO obligations. A majority of Christian Democrats feel the same, and it is clearly written into the Government's policy program, published last November, that cruise missile deployment is a definite option.

Nevertheless, with a likely overall majority in parliament against deployment and with a large and vociferous peace movement ready to take to the streets, it is certain that Lubbers will do everything he can to avoid taking what could be a fateful decision for his Administration. The Premier and his colleagues have backed Geneva, they have backed the zero option and now they are in support of President Reagan's latest proposals for a reduction on the number of medium-range missiles deployed in Europe by the United States and the Soviet Union. Anything for a bit of peace. €

New Issue  
March 2, 1983

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# union differences

*US and European labor practices differ widely*

ADOLF STURMTHAL

On both sides of the Atlantic, labor movements are highly diverse. The AFL-CIO has affiliates as different in theory and practice as the automobile and the construction unions; unions in Sweden act and think quite differently from those, say, in Sicily. Still, some common traits can be found in most, though not all, unions here and there. It is of course true that unions in all Western countries aim to raise the economic status of their members by improving wages, benefits, and working conditions. But there are considerable differences in the methods by which they try to achieve these objectives, as well as in the scope of additional aims they may pursue, and in the priorities they assign to them.

The most obvious contrast between the unions on the two sides of the Atlantic is in the relationship of unions to political parties. It is true that practically all unions are involved in politics, whether they like it or not. But the emphasis given to political action, to legislation, and to administrative actions as means of achieving these aims, differs widely. American unions have consistently refused to form a labor party or to affiliate with one of the traditional parties. A large majority of the Continental European unions were founded by leaders of political parties, especially—but by no means exclusively—by socialists and, later, Catholics.

The main exception is Great Britain where the opposite occurred: The unions established their own party, the Labor Party, to defend their existence and the effectiveness of their operations. Another, though partial and highly passing, exception was France, where one wing of the trade union movement—the syndicalists—rejected political parties under a banner of union self-sufficiency. But this is now mainly history, and little but tradition is left of syndicalism, except perhaps in Spain.

For the most part in Europe, the term “labor movement” refers not just to the unions, as it does in the United States, but also includes political parties, as well as a multitude of related organizations such as workers’ education associations, consumers’ cooperatives, banks, housing construction companies, and so on. Because Continental European unions are heavily oriented toward politics, they place a far greater emphasis on legislative and administrative action for resolving industrial relations disputes than is the case in the United States and in Great Britain. There, collective bargaining holds center stage and absorbs the most union resources. It includes not only the negotiations leading to a contract, but also its enforcement and, to varying degrees on both sides of the

Atlantic, the handling of individual grievances arising out of the implementation of the contract. Indeed, in the United States at least, grievance handling is regarded as a vital part of union activity since it establishes close contact between the union and its membership. This applies also to a large extent to the United Kingdom.

In the last two or three decades the distinction between bargaining for a contract and legislative enactment has become somewhat blurred. In some countries—France is a leading example—agreements have been concluded between the central organizations of labor and management on a number of issues which then became the basis for laws proposed by the Government and enacted by the legislature. In a different way, “concerted action” in the Federal Republic of Germany consisted of formal negotiations on allowable wage increases by committees combining representatives of management, labor, and Government with some academic experts. While this formal procedure enshrined in a law has fallen victim to labor-management conflicts on other issues, informal discussions are still taking place and management, in particular, appears ready to resume “concerted action” whenever the unions are willing to do so.

The reasons for European unions’ lesser emphasis on grievance handling appear to be threefold. Firstly, there is a legal tradition that relies on courts as the primary device for the settlement of disputes. Thus, many disputes that cannot be settled in an informal way may end up in special labor courts. Private arbitration as practiced in the United States is rare. In the second place, European unions have much smaller staffs in relationship to the number of their members than their American counterparts and thus could not possibly handle the multitude of disputes that arise in the daily life of an industrial plant or office.

At least equally relevant is a fundamental difference in the organizational structure of unions in the United States and Europe. American unions are firmly based in the plant or enterprise. Their representatives have free access to the working place, though they are of course not permitted to interfere with the work process. It is customary for a full-time union official to appear occasionally in an unionized plant and discuss grievances with workers, foremen and other management representatives, as well as with the workers. The lowest level of union organization is, at least in the case of larger firms, the plant local. European unions as a rule do not have plant locals. Their lowest level of organization is based on a city or



*Unions on both sides of the Atlantic have managed to cooperate fruitfully within the International Confederation of Trade Unions, shown here meeting in Brussels last May. COURTESY OF AFL-CIO*

region rather than a single plant. This results from the relative poverty of some, though by no means all, European unions, from the large number of small enterprises, and, last but not least, from the hostility of employers who often refuse admission to union delegates where they are not legally bound to permit them to enter.

This has led, on the Continent, to the development of a special type of labor representation in the plants, unknown in the United States and sharply rejected by the U.S. unions. This is the "works' council," and it is not part of the union structure. Elected by all workers, whether union members or not, the council is not subject to union discipline, even when all or most of the council members are affiliated with the union. The councils originated in Germany and Austria-Hungary during and after World War I, and were received with distrust by at least some of the unions as possible competitors for the workers' allegiance. Still, they became so firmly anchored in the workers' life that they sprang up spontaneously in German cities as soon as Allied troops occupied them at the end of World War II. (They had been forbidden during the Nazi era.) From Germany, the institution, with some variations, spread to many other countries, although British unions have kept free of works' councils and established their own network in the plants of shop stewards, responsible to the unions.

In addition to grievance handling, works' councils perform a major function in collective bargaining which the U.S. unions refuse to delegate to any non-union body: They bargain for the effective wages and working conditions in their plants. The rates determined by the union contract are regarded as starting points for the negotiations carried on by the councils. This results from the fact that contracts in Europe are commonly nationwide or regional in scope and thus cover a multitude of plants with different characteristics and rates of profit. The arrangements made by the councils, often informally, try to adjust the contract terms to the particular conditions of individual enterprises or even plants. These contracts cannot be enforced by way of the courts. There is thus a gap between contract and effective rates. In periods of tight labor markets this is often a significant phenomenon. To this the United States offers few counterparts.

Another council function, especially relevant at this time,

concerns the ease of layoffs or dismissals of groups of workers. In the United States, layoffs can be made with relative ease and without following any special procedures unless the contract provides rules for mass layoffs. In general, seniority determines personal fate in layoffs and rehiring. Most, though not all, European countries, provide for lengthy advance notice of group layoffs, for consultation with the works' council, for severance pay for permanent dismissals for so called "social plans" to take care of dismissed personnel, and, especially, for far-reaching arrangements to avoid layoffs altogether. Thus, generalized shorter hours of work, attrition arrangements, negotiated severance pay, early retirement, internal transfers, and other moves are normal first responses to business slowdowns before actual separations from the enterprise occur. The relative permanency of employment in Europe contrasts with the situation in the United States. Moreover, seniority plays a lesser part in the European selection process while social considerations, advanced mainly by the council, are predominant.

Space restrictions prevent discussion of the interesting developments in "codetermination" on the Continent; a form of labor participation in management which American unions—with the exception of the special case of Chrysler—have so far rejected. They prefer the mixture of opposition and cooperation of the American industrial relations system, just as many British unions do.

In spite of these and many other variations in methods and long-term objectives, unions on both sides of the Atlantic have managed to cooperate fruitfully within the International Confederation of Trade Unions (ICFTU) and the International Trade Secretariats (ITS), as well as within the official International Labor Organization based in Geneva. There have been temporary breaks and personal friction, yet, in the end, common concerns and ideas have prevailed again and again.

All unions favor measures to expand the economies of their countries, but no international concerted action has yet emerged. Given the limited influence that unions have at present upon the Governments of many Western countries, protective measures appear more likely to gain popular support, even though they are in contradiction with the traditional internationalism of the unions. There is agreement, however, on opposition to a high-interest policy and on criticism of the Western Governments for their refusal to engage in joint action to reflate the economies. It is widely understood in trade union circles that the United States would have to take the lead in such a reflationary policy, but also that the current leanings of the U.S. Government are opposed to massive measures of this kind. Wage reductions, which in unionized plants in the United States require the agreement of the union, can frequently be effected in Europe by the withdrawal of concessions made beyond the contract terms, to the works' council. The system thus allows for greater elasticity both upward in good times, and downward in periods of economic difficulty. No major unified international action by organized labor has yet been undertaken to force a reflation upon the Western economies. Informal conversations, however, are under way. €

*Adolf Sturmthal is a professor at the Institute of Labor and Industrial Relations of the University of Illinois. He has written numerous books on U.S. and European trade unions.*

# Development à la Mediterranean

## EC has special solutions for Europe's underbelly

F. RICCARDI

The Mediterranean basin has a history, a civilization, and a culture of its own, with specific occupations and products. The E.C.'s Mediterranean regions—southern and central Italy, Greece, Corsica, and the south of France—represent an area apart as far as the rest of the Community is concerned. They have special problems arising from a level of economic development below that of the Community average. The “integrated Mediterranean programs” which the E.C. Commission has proposed after several years of analysis and study are the Community's most ambitious attempt to date on how to provide an overall response to the problem.

The Commission has certainly been aware of the Mediterranean regions' problems for some time and measures to help the area under the Community's regional, social, and agricultural policies have existed for many years. But their impact has been limited, if not to say non-existent. The development gap between most of the Italian Mezzogiorno and Corsica, on the one hand, and the E.C.'s central regions has grown larger rather than smaller. As Commission Vice President Lorenzo

Natali, who is responsible for Mediterranean policy, has observed: “What is even more worrying is that this deterioration has occurred during high growth periods, the legendary 1960s and early 1970s. The phenomenon could get considerably worse in the course of the current economic crisis.”

Commission experts see the problem in essentially pragmatic terms. The Mediterranean regions are generally characterized by the weakness of their industrial base, high unemployment, low activity rates, and a strong dependence on unskilled traditional agriculture. Agriculture suffers from a variety of major handicaps, including natural phenomena and underdeveloped production, processing, and marketing structures. The regions' fishing industry is equally handicapped, being largely obsolete and lacking both efficient processing and marketing structures and balanced resource management. The tertiary sector also suffers from a basic lack of administrative infrastructures. In addition, the population of inland areas is both declining and aging, bringing about a gradual deterioration of the socioeconomic fabric, which threatens to become irreversible.

The approach taken to combat the problem up to now has proven to be largely ineffectual. “Experience has shown us the limitations of an approach based on sectorial measures, which are not coordinated in an overall development plan,” says the Commission. This short sentence effectively condemns the so-called “development poles” theory, with which Italy has tried to develop parts of the Mezzogiorno. The idea is that a large industrial plant, for example a steel mill or a petrochemical complex, can create a large number of secondary jobs around it, breathing new economic life into a whole area. In reality, the situation turned out very differently. Industrial giants created artificially, without the economic environment to absorb them, have become “cathedrals in the desert” and have withered and died.

Ideas about how to “unstick” the economies of underdeveloped regions have changed radically over the years. Nobody in the Western world now thinks that a new steel plant or a petrochemicals factory would make him rich. Most of the developing countries can make the goods more cheaply and most steel industries today cost more than they earn. On the other hand, well-run agriculture and an efficient agribusiness sector for food processing—coupled with a parallel development of tourism, crafts, and services—can really create an economic environment that will provide improved living standards.

Instead of destroying the beautiful orange groves that bor-

### The Mediterranean Program at a Glance

**Duration** Six years—from 1985 to 1991

**Regions** Greece: the entire country, with the exception of urban areas—6 million people. Italy: the Mezzogiorno, Latium, the Marches, Umbria, and Liguria, with the exception of urban areas and northern and central coastal regions—33 million people. France: Corsica, Languedoc-Rousillon, Provence-Côte d'Azur, Midi-Pyrénées, and Aquitaine, with the exception of coastal and urban areas—12 million people.

**E.C. contribution** \$6.4 billion (\$2.8 billion to Italy, \$2.5 billion to Greece, and \$1.1 billion to France). The Community's contribution will be largest in the poorest areas. (Up to 75 percent of the total cost of individual projects in Greece, up to 65 percent in Italy, and up to 50 percent in France.) The remainder will be paid by the member state concerned. The three countries would have to contribute about \$4.3 billion.

der the ancient bays and inlets of history to build a steel plant—in a place where there are neither iron ore, coal, nor service industries—isn't it preferable and more logical to keep the oranges and lemons and to build small factories to produce jam (which currently comes from the United Kingdom) or orange juice (which currently comes from the Netherlands)? Instead of building new coal-fired power stations in warm regions, why not use the sun to develop solar energy and use windmills or small hydroelectric power plants to supply local needs?

This is the sort of thinking behind the Commission's new integrated Mediterranean programs. They are "integrated" in the sense that they will consist of coordinated and complementary measures operating simultaneously in the agricultural sector, which remains fundamental to the development of the region, and in other sectors, with the aim of creating jobs and increasing incomes. The proposed measures, added to existing national and Community programs should have a multiplier effect. They cover agricultural production, small and medium-sized industry, crafts, tourism, forestry, fishing, renewable energies, and training and they are designed to change the economic fabric of the region at grass-roots level.

The financial contribution asked of the Community is considerable: 6.6 billion European Units of Account (roughly \$6.4

billion at current exchange rates) over six years. This would only be possible if two things were to happen. Firstly, the Community's revenues would have to be increased considerably, because the scheme would not be feasible under the existing budget constraints. And secondly, the three member states concerned, Italy, Greece and France, would have to make a comparable contribution at national level, as the Community could not shoulder the whole financial burden of such a huge program on its own.

The Commission's role up to now has been to set the initiative in motion. If the member states can reach political and financial agreement on the plan, 1985 should be the starting date for what is an ambitious attempt to modernize and restructure a huge, homogeneous region of the Community. The plan would allow an estimated 50 million Europeans (33 million in Italy, 12 million in France, and 6 million in Greece) to improve their living standards to the Community average. This would be done by creating local employment so that job seekers would no longer have to emigrate to find work, while, at the same time, largely preserving traditional lifestyles, cultures, and the environment in an area which contains some of Europe's richest historical and cultural heritage. €

*F. Riccardi is an Italian journalist who writes for a number of European newspapers.*

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## Assimilating the EC's Newest Member

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The E.C. Commission said recently it would back up efforts by the Athens Government to bolster the ailing Greek economy, but stressed that the success of those efforts depended largely on Greece itself. "I believe that the capacity of the Community to assist the Greek authorities in their efforts to overcome the structural problems of the Greek economy... is considerable," said EC Commissioner Richard Burke, in March, explaining the Commission's position.

"I am also convinced that this capacity can be mobilized only to the extent that a corresponding determination on the part of Greece is applied to the major task of securing full participation of Greece in all aspects of the Community system," Burke said, explaining a series of Commission proposals for addressing economic and social concerns about E.C. membership raised by Greece in a 1982 memorandum to the E.C. Council of Ministers.

The so-called "Greek memorandum" said that E.C. membership had exacerbated Greece's economic ills by forcing it to compete on an equal basis with more prosperous and more efficient member states. The memorandum asked that special allowances

be made for Greece in its dealings with its E.C. counterparts to take into account Greece's economic disadvantages.

"The Commission is in general agreement with the description of the economic situation given in the memorandum and endorses the view that determined action is called for to deal with it," the Commission said in its response. However, the Commission stressed "there are underdeveloped aspects of the Greek economy for which the Community cannot be held responsible. All member countries have to cope, to different degree, with the difficulties of the economic crisis."

The Commission said its proposals to aid Greece had two objectives: to help the Government and people of Greece modernize and streamline the Greek economy and to accelerate Greece's integration into the Community. The package of proposals was readied after more than 200 Commission officials returned from an unprecedented series of special missions to Greece to enable them to better understand that country's economic and social problems.

Part of the aid scheme involves a \$2.5-billion integrated Mediterranean program proposed by the Commission in February un-

der which it will invest in developing the poorest areas of Greece between 1985 and 1991. The Commission also held out the prospect of E.C. funding for projects undertaken by the Greek Government in its own five-year plan for economic development and restructuring. Other measures proposed by the Commission included plans to reform the Greek taxation system, to aid transportation, to improve the efficiency of Greek agriculture, and to modernize Greek job training programs.

The Commission's proposals stopped short of proposing that Greece be given an indefinite exemption from any E.C. tax, competition, or trade rules that could in effect give Greece a special membership status within the Community. However, the response noted "the Commission is aware that compliance with the obligations flowing from Community membership is creating particular problems in certain areas and feels that a search—by both sides—for a solution to these problems is not only a duty, but also a key element in the process of integrating Greece into the Community." €





# THE EUROPEAN PARLIAMENT: a unique legislative institution

DICK LEONARD

With 434 members, the European Parliament has one fewer than the House of Representatives, and it costs rather less than half as much to run. Beyond that, its resemblance to America's lower house of Congress comes to an end. For one thing, its debates are held in seven different languages—English, French, German, Italian, Dutch, Danish and Greek—and every word spoken is simultaneously interpreted into the other six. Members, and spectators, who want to follow what is going on have to wear earphones which greatly inhibits the cut and thrust that enlivens debates in some national parliaments, notably Britain's House of Commons.

Furthermore, the Parliament has no home to call its own. Until 1981, about one-third of its plenary sessions were held in Luxembourg, and the remainder in the French city of Strasbourg, where it borrows the chamber of the 21-nation Council of Europe. Since July 1981 the members have decided not to meet in Luxembourg any more, but almost all of the Parliament's secretariat is still based in that city. The Parliament's committees, however, normally meet in Brussels, where both the E.C.'s main decision-making bodies—the Council of Ministers and the Commission—hold the great bulk of their meetings.

The life of a member of the European Parliament is, therefore, highly peripatetic. He rotates round a six-point circuit, comprising his home, his electoral district, his national capital, Strasbourg, Luxembourg, and Brussels. On April 26 and 27 this year, history was made when the Parliament met for the first time in Brussels for a special session to debate the problems of Europe's 12 million unemployed. Despite fierce resistance, from Frenchmen and Luxembourgers in particular, there is bound to be sustained pressure from other members of Parliament to make Brussels their permanent home. So far, the Governments of the 10 E.C. member states have always shied away from such a decision.

Partly this has been in deference to French Governments which have invested much money and more national pride in providing Strasbourg as a meeting place. But the suspicion lingers that the Governments may actually prefer a less effective Parliament wandering from place to place rather than a more purposeful body based in the city where Europe's decisions are made. National ministers want to keep their own hands firmly on the levers of power and do not want to share them with the representatives of Europe's 200 million voters.

This is apparent from the meager powers which the European Parliament has been allocated. There are basically four:

- To reject the annual budget—by a two-thirds majority—and to amend the “non-obligatory” part of it. This comprises about 30 percent of the budget, but none of the farm-support spending.
- To dismiss all 14 members of the Commission, again by a two-thirds majority. Commissioners cannot be sacked individually.
- To be consulted before Community laws (regulations, directives, decisions) can be made.
- To receive reports from the Commission and the Council of Ministers and to direct questions to these two bodies (2,877 questions were put last year).

The European Parliament is not the law-making body of the E.C. That role is played by the Council of Ministers, representing the Governments of the member states. This might have been acceptable to members of the European Parliament before 1979, when the first direct elections took place. Previously, the Parliament, which started life in 1952 as the 78-member assembly of the European Coal and Steel Community, was very much a part-time affair. Its members all held seats in national parliaments and were dele-

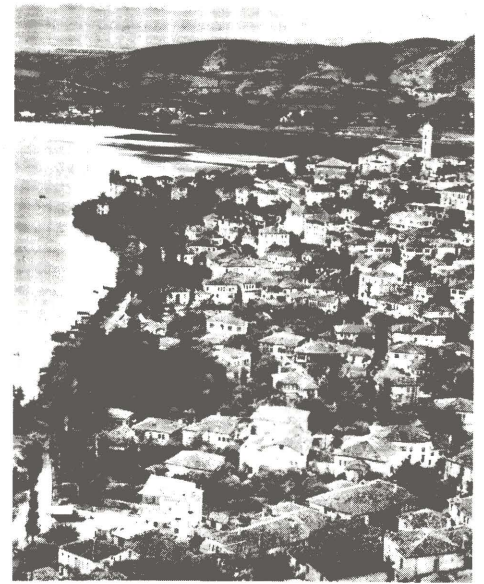
gated to go off for a few weeks each year to Strasbourg or Luxembourg to monitor the work of the Commission. The directly elected members of the European Parliament, however, are meant to be full-timers and they bitterly resent the peripheral role they are called upon to play.

It is hardly surprising, therefore, that they have seized every opportunity to try and prize more power away from the miserly grasp of the Council of Ministers. Twice—in December 1979 and in December 1982—they have turned down E.C. budgets and have used the resulting embarrassment of ministers as a lever for extending their own budgetary influence beyond that actually laid down in the Treaty of Rome establishing the E.C. They have also been helped by a ruling of the E.C. Court of Justice that no E.C. law was valid unless the Parliament had previously given its “purely advisory” opinion on the draft. By threatening to withhold an opinion when ministers are anxious to legislate, the members of the European Parliament are able to increase their influence on particular occasions.

The parliament sits in six political groupings, which are formed on ideological rather than national lines. The largest group is the Socialists with 124 members, and this is the only group with members from all 10 member states. There is, however, a right-of-center majority in the Parliament, made up of 117 Christian Democrats, 63 Conservatives, 39 Liberals, and 22 Progressive Democrats (mainly French Gaullists). There are also 48 Communists and 25 others. Despite the right-wing majority, the President of the Parliament is a Dutch Socialist, Piet Dankert. He owes his position to the outstanding tactical skill which he showed in leading the fight against national Governments over the annual budget.

The second Europe-wide election for the Parliament will be held in May 1984. The big question during the remainder of 1983 is whether the members of Parliament will attempt to use their other “nuclear weapon”—sacking the Commission. They are sorely tempted to do so in the run-up to the elections in order to draw attention to themselves. Otherwise, they fear that public interest in the election will be low, and that few people will bother to vote. E.C. Commission President Gaston Thorn and his fellow Commissioners are currently bending over backward to placate the Parliament, but unless the members of Parliament can find a cast-iron issue on which to censure the Commission, they may well find that such a move would blow up in their own faces. **€**

*Dick Leonard is chief Brussels correspondent of The Economist and a former member of the British House of Commons.*



Lake Kastoria in Greece.

## Athens

Decentralization is a major plank in the Socialist Government's program, although officials openly admit it will take more than one parliament's four-year lifespan to undo the effects of 150 years of decision making centered exclusively in Athens. The furriers of Kastoria, an isolated town in northern Greece which has produced fur garments since Byzantine times, are among the first to benefit from the new policy.

Hard times have befallen the Greek fur industry, which used to earn upwards of \$130 million annually in exports. Unemployment among fur workers is close to 20 percent and many of the 3,500 small, family-owned workshops are threatened with closure.

The world recession, combined with growing competition from big workshops in South Korea and Japan which employ much cheaper labor, have ended the boom years for Kastoria and its neighbor town of Siatista. The two districts hold a longstanding monopoly on the fur industry in Greece. But now the Government has stepped in with a \$12-million loan to make Kastoria a showplace center for the international fur trade, with regular auctions and exhibits. The money will go to improving communications, founding a school for furriers, improving local mink

farms, and establishing a financial infrastructure on a scale unheard of in provincial towns.

Local fur merchants say their industry employs more than three quarters of the district's workforce. The new measures, they say, should ensure both continuing employment and preservation of the furriers' traditional skills, which take half a lifetime to acquire.

The Kastorians specialize in transforming rejected scraps of mink and fox fur from foreign workshops into fur coats and jackets that cost a fraction of the price of equivalents in whole pelts. The Kastorians still work like their medieval ancestors, in basement workshops beneath their homes. They carefully match pieces of head, paw, belly, and tail fur, sew them together, then dampen and stretch them before cutting patterns. Kastorian skills are still unmatched in the Far East, an edge which the new measures are intended to maintain. But demand for furs at the cheaper end of the market has fallen off sharply.

The business in *kommata*, as the furs are called, goes back at least to the 18th Century. In those days, Kastorians working abroad collected the workshop sweepings and sent them back home for their relatives to work and re-export. The future, however, may lie in the furriers' ability to fulfill large orders and develop work in whole pelts, as well as in training designers who can keep ahead of chang-

ing fashions in furs.

At present tourists bypass Kastoria because, despite a picturesque setting on a lake ringed by mountains, the town has no ancient ruins. But the new measures should draw more visitors to admire Kastoria's unique series of Byzantine churches, which include some of the finest early frescoes in the Balkans. Enlarging the airport will assist international fur dealers to reach Kastoria workshops more easily. The plan is to combine tourism by direct charter flight from European centers with fur sales.

A fur coat, the merchants point out, will still come cheaper in Kastoria than in Paris, even when the price of a vacation in the town is subtracted. The furriers are divided on whether mink farms in the barren mountains above the town, which are snowbound for several months every winter, will produce pelts of top quality. But the experiment, they say, is worth trying. KERIN HOPE

## Dublin

The Irish Government last month set about planning a blueprint for Irish unity. Or should one say a greenprint for Irish unity? The body which will draw up the report, the so-called All Ireland Forum, is to give opinions only. Neither the British nor the northern unionists will be involved.

The forum suggested some months ago by the northern nationalist Social Democratic and Labor Party (SDLP), representing most northern Catholics, received Government and opposition backing and is to draw up a plan for a new Ireland (some form of united Ire-

land) which will guarantee the Catholic and Protestant traditions on the island. Northern unionists who were invited to attend refused, obviously not interested in planning for a unity they don't want.

It may well be argued that the time is well overdue for such a representation of the nationalist case. Nationalists north and south and indeed the immigrant diaspora in the United States, have long faced the accusation that they sing, march, and shout for unity, without ever considering that they, as well as northern unionists, would have to make major compromises to bring it about.

There is the immediate question of what it costs to keep Northern Ireland running. The British subsidy is at the moment well above \$1.5 billion annually and economists have suggested that taxpayers in the Republic would have to double their tax contributions to meet the burden of the Irish Treasury.

Then there is the accusation from northern Protestants that the Republic is a Catholic state, a state which reflects its Catholic nature in its constitution and its laws. The ban on divorce, abortion laws which are even more restrictive than in northern Ireland, and the still highly restricted access to contraception, are quoted to prove their point.

Northern Protestants, however, would argue that there has been plenty of time to remove the divorce ban from the Constitution on behalf of the Republic's own Protestants and that this hasn't been done. They would argue that the two main political parties in Dublin are now in the process of introducing a Constitutional guarantee for the abortion ban which is opposed by all the Protestant churches in the Republic. So much for the secular society.

Indeed, it must be asked to what extent the forum and its report are an answer to the immediate party political needs of the nationalists involved in it. John Hume of the northern SDLP has seen his party lose votes to the Provisional Sinn Fein, the political front for the Irish Republican Army, and he needs to prove to northern nationalist voters that action toward unity can be taken on the constitutional rather than the military front.

The SDLP has to be seen to be doing something. The Fianna Fail leader, Charles Haughey, has made no secret of the fact that he has little patience for waiting around until northern unionists deign to consider unity. Haughey has made it clear he believes the British should declare their intention of withdrawing, should be pressured to do so, and that northern unionists should apply themselves to negotiating the best deal possible in a new Ireland. Haughey sees the forum merely as a first step in the move to a constitutional conference to negotiate British withdrawal.

Prime Minister Garret FitzGerald's crusade to create a pluralist society and to desecarianize the Constitution lies in tatters following his campaign to constitutionalize the ban on abortion.

One wonders whether the concept of "unity by consent" is being quietly suffocated in the folds of the green flag wrapping itself inexorably around nationalist Dublin.

OLIVIA O'LEARY

## Copenhagen

A change of mood is often a more reliable indication of what is happening in a country than a set of statistics. And certainly the mood of many Danes has changed in recent months, from passive despondency to a guarded optimism. Most Danes now believe that the economic outlook will at last improve, and the basic statistics of the economy are beginning to bear out this assumption, though one in 10 Danes still has to find a job.

First to benefit, of course, is the incumbent Government, or rather the major party in the coalition Government, the Conservatives, led by Prime Minister Poul Schluter. Opinion polls show that his party is now almost twice as strong as it was when the last election was held in 1981.

Much of the change in the economical fortunes of Denmark can hardly be attributed to the Government, especially the fall in interest rates and the sharp decline in oil prices. But other things can, notably the removal of indexation of wages and the no-growth policy adapted in the public sector.

Taken together, the combined effects have been fairly dramatic, and although the fundamental problems of unemployment and large deficits in the budget and the balance of payments have by no means been solved, chances of doing so are better than for years.

For the main opposition party, the Social Democrats, this initial success of the Conservative-led Government presents no easy challenge. To make matters worse, trade unions and employers easily agreed on moderate wage hikes in the early spring, leaving no room for Socialist mediation in public or private.

The Social Democrats have instead chosen an aggressively critical stance in foreign policy, traditionally a consensus issue in Danish politics since Denmark became a member of the Atlantic alliance in 1949. The present Government has even been forced to give up positions that were defined by the Social Democrats when they were themselves in power.

Though certainly part of a Europe-wide trend, most commentators here see the shift

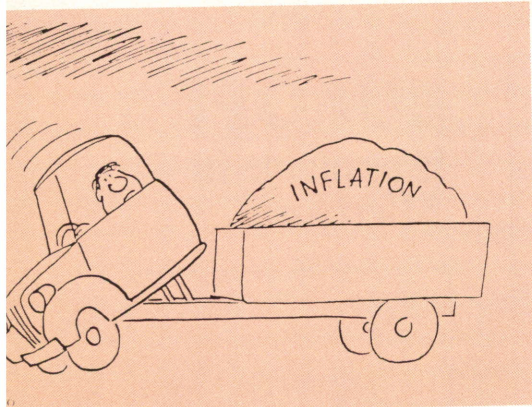
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in Social Democratic policies more in terms of an attempt to unite the party on at least something, rather than a permanent ideological change.

## Luxembourg

Kai Uwe von Hassel is a German Christian Democratic member of the European Parliament and the author of a resolution that seeks to transfer staff of the Parliament away from Luxembourg to Brussels and Strasbourg. Considering that all the Parliament's sittings and practically all its committee meetings now take place in the two latter cities, the resolution is understandable, but tempers are running high on the issue in Luxembourg. Rightly or wrongly the von Hassel resolution is seen there as the thin end of a wedge to prize the Parliament further away from Luxembourg. It would effectively end the claim on the assembly that the city has pursued with considerable vigor, but singular lack of success, for some years now.

The von Hassel resolution, which has not yet been debated by the full Parliament, but which has attracted, from Luxembourg's point of view, a dismayingly large number of signatories, is the third savage blow to the Grand Duchy's hopes in recent months. In February the European Court of Justice ruled that the members of the European Parliament were within their legal rights in deciding to hold all future sittings in Strasbourg rather than Luxembourg, denying Luxembourg's claim that the decision was invalid because the choice of location rested with the E.C. member Governments. The court found that in view of the member Governments' failure to fix a seat, the members of Parliament themselves were entitled to choose.

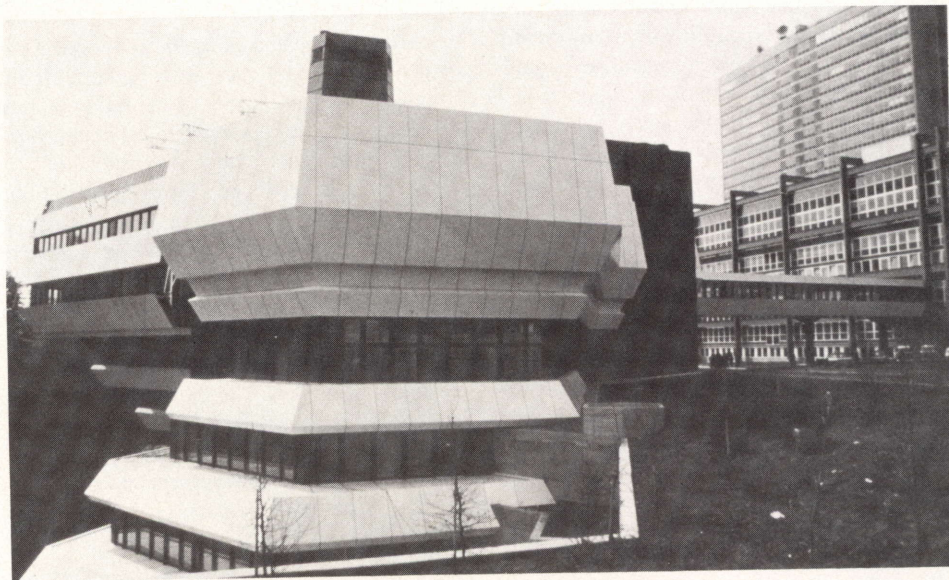
Literally within hours of this ruling, the members of the assembly struck again at Luxembourg. They decided that a special sitting in April devoted to unemployment—for which the Strasbourg building is unavailable—should be held in Brussels rather than Luxembourg. So eager were the members of

Whatever the motive, the result has been a more stable Government than the Danes had through the 1970s. No one doubts that the Socialists could have brought down the Government on foreign policy if this had really been in the cards, but it is now by no means certain that this option exists. If the Socialist Party were to form a Government it would need a coherent economic policy alternative to the non-Socialist parties; such an alternative exists only in a sketchy outline. Foreign policy is not considered an issue which would win marginal voters, even if the Socialists were to make this a major campaign issue.

So, by Danish standards at least, the minority four-party coalition Government seems assured of a fairly long life span, certainly far longer than anyone here would have dared to predict six months ago. LEIF BECK FALLESEN

Parliament to go to Brussels that they blithely disregarded the fact that the Belgian capital had no special assembly building available and would be faced with a frantic scramble to put together makeshift facilities in time.

The brutal message of these developments is that the members of the European Parliament simply do not wish to meet in Luxembourg. The city's legal claim to be the seat of the Parliament is still being pursued. It also



*The European Parliament center at the Kirchberg plateau in Luxembourg.*

has some practical consideration on its side. But in the face of the unrelenting opposition from members of Parliament, its cause seems hopeless.

What are the drawbacks of Luxembourg? There are none, really, it's just that the city authorities misjudged the way events would unfold in the late 1970s, as the first directly-elected European Parliament began to take shape. Luxembourg dithered for ages over the construction of a giant Euro-complex that would include residential accommodation for

members, as well as office and leisure facilities. This was eventually felled, largely because of public protest, but by then Luxembourg had left things too late. When the new, enlarged Parliament first took office in 1979, only Strasbourg could offer it a big enough building and Luxembourg's claims went by default.

Even so, Luxembourg might have been able to exploit its legal right to share the sittings with Strasbourg, once it had completed its more modest, but adequate, building, had it not been for the mounting drive among members of Parliament to settle on a single seat. In the three-cornered contest with Brussels and Strasbourg, Luxembourg always looked like being the first casualty.

If the fight to stay the official seat of the Parliament has seemed increasingly unrealistic in recent years, Luxembourg at least had the consolation of knowing it remained the home of the secretariat, the 2,500 or more staff which runs the assembly. Yet to most people outside the Grand Duchy this has seemed untenable, even absurd. How could any institution command international respect if it based its staff in one country, held its plenary sessions in a second, and conducted its committee meetings in a third? Put in these blunt terms, the commonsense of the von Hassel initiative seems impeccable.

Yet the human and economic problems involved in such a shift are considerable. The staff, most of them with homes and lives in Luxembourg, are understandably angry over the development. Strikes have been threatened. Relations with the members have deteriorated seriously. For the tiny country itself, the loss of the secretariat, as well as the sittings, could spell the need for painful social adjustments. It has been calculated that at its peak the Parliament, with all its attendant facilities, contributed some 10 per cent of the

total purchasing power in Luxembourg. This will assuredly not vanish overnight but it would be an imprudent economic planner who relied on such inputs for many years ahead. ALAN OSBORN

## London

Breakfast television has arrived in Britain and it looks as if it is there to stay. At least 2.3 million Britons have taken up early morning viewing. What they are choosing to watch is far from evenly divided. Both the non-commercial BBC and the commercial independent networks launched their breakfast shows early this year, but while the BBC's Breakfast Time is thriving, TV-am's Good Morning Britain is in trouble.

The latter has only about half a million viewers, far from enough to make it commercially viable. The BBC's offering, on the other hand, is watched by three times as many Britons. TV-am's chairman and chief executive, former Ambassador to Washington Peter Jay, has had to resign under pressure from unhappy financial backers. Considerable internal feuding about who should do what, when, and how has not helped matters.

TV-am was controversial from the outset.

When Jay and his team of five star presenters, including David Frost, applied for its franchise to do breakfast programming, there were doubts. The staff of the Independent Broadcasting Authority did not feel Jay and the so-called "Famous Five" were the right people to run a commercial breakfast channel—there would be too much show and not enough substance. The IBA board thought otherwise and granted the franchise.

The early months have seen critics accusing TV-am of taking itself too seriously at 6:30 in the morning, of being more pretentious and less endearing than what one called "the wooly sweated blandness" of BBC's Breakfast Time. That seems to be what the early morning audience wants: jolly informality, guests pleased to lounge or wander about the BBC studio as they will. Good Morning Britain, by contrast, is more brisk, more pointed, more adventurous in content, more tightly organized. That combination should in theory at least draw the viewers. But it hasn't.

Jay's temporary successor as chief executive is Jonathan Aitken, a journalist and conservative member of Parliament whose family has a 16.7 percent interest in TV-am, the largest single share. Jay always said his mission was to explain; Aitken said he'll change that mission to entertain and to revive interest.



BBC's "Breakfast Time" show is getting Britons fit. courtesy of British Broadcasting Corporation

TV-am peaked in its first week with 800,000 viewers and within a month had lost 500,000 of them. What went wrong? Apparently, aside from the overly weighty content, having too many big names has been a liability. The BBC breakfast team of a man and woman is constant, while TV-am juggles its stars. Market research suggests that in the morning, the British viewing public likes continuity. Aitken said he would seek a more popular show with better regularity of presenters. He himself will have to choose soon between politics and television management, since Parliament has decreed that independent

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television companies must not have any political bias.

Not having commercial breaks is seen as an advantage for the BBC. Viewers who switch on TV-am in the middle of an advertisement are often wont to turn to the BBC or to turn off the set. Early morning is proving to be a delicate time.

To keep solvent, TV-am, after some serious cost-trimming, will have to increase its morning audience share to at least 40 percent. Its costs have already gone \$9 million over budget and revenues this year are likely to be only half the expected \$30 million. Advertisers have been able to get as much as 75 percent off the original rates they were quoted because of the poor ratings performance. If present losses cannot be stopped by the end of this year, TV-am could fold.

Somewhat overshadowed by TV-am's plight has been the new, second commercial station, Channel 4, which gives Britain two BBC and two independent channels. Channel 4 had a rough start six months ago, but seems to have found its footing. It has been getting 4 percent of the overall audience and its target is 10 percent after three years, which would bring it in line with the BBC's second and more sophisticated channel.

The distinctive feature of Channel 4 is that it is supposed to cater to viewers whose interests not looked after by ITV, the original commercial network and rival of BBC 1. It gives a voice to minority groups and provides entertainment ranging from the worst of the vintage American situation comedies to the finest renderings of opera and drama. It screened American professional football once a week last winter and found it to be immensely popular.

Chief executive Jeremy Isaacs believes Channel 4 is adequately responding to pressures to "let new voices be heard, to let those outside the institutions contribute, to add conflicting opinions to a polite consensus." Broadcasting in a free and pluralist society, Isaacs contends, should allow all sectors of society to be "fairly represented" on television. PETER J. SHAW

## Brussels

It looks as though the harsh economic medicine prescribed for Belgium by a new center-right Government just over a year ago is having its desired effect. The judgment has to be provisional and anyone familiar with Belgian politics will warn you of the fragility of coalitions. But the main thing is that the Christian Democrat/Liberal Government led by Wilfried Martens is still in power and that it hasn't significantly deviated from its policy of severe retrenchment.

This frankly seemed improbable several times in 1982. The spectacle of steel-helmeted demonstrators fighting with riot police in the streets of Brussels last spring pointed to a summer of grave social unrest. It didn't happen. Nor was anybody bought off. For the first time since the immediate post-war years, Belgian workers suffered a real drop in wages in 1982. It would be foolish to pretend that the necessity for personal financial sacrifice is universally shared, but it would be just as short-sighted not to recognize that most people have had a tough year economically and that those who would bring down the Government have made no serious attempt to do so, be it through want of purpose or ability.

That said, the statistical evidence of success is still intermittent. More than half a million people are out of work. While increasing numbers of employers and unions are agreeing to voluntary arrangements for pay restraint and reduced working hours, consequent improvement in the numbers of those with jobs is proving elusive. Inflation remains high, though this was to be expected after the sharp 8.5 percent devaluation of the franc early last year.

Perhaps most worrying is the unexpected stubbornness of the budget deficit, reflecting increased spending on social security and lower-than-anticipated tax revenues. The Martens Government has placed control of the deficit at the top of its list of economic priorities, but there is growing anxiety that in order to achieve it there will have to be higher taxes or further cuts in public spending—both moves likely to reawaken social tensions.

Against this background, the foreign trade picture is improving as Belgian exports show some promise of regaining the buoyancy they had in the 1960s and 1970s. The main credit for this has to go to last year's devaluation, coupled with the cut in real wages in 1982 which significantly improved Belgium's costs in relation to those of main competitor countries like the Federal Republic of Germany and the Netherlands. While the Belgian franc was revalued by 1.5 percent in the E.C. cur-

rencies' reshuffle in March, both the German mark and Dutch guilder went up more and the net effect on Belgium's competitiveness will be small, perhaps even advantageous.

Any final judgment on the Government's success, however, will have to be suspended until the problem of Cockerill-Sambre, the giant steel group, is resolved. The Government has made future financial assistance to the loss-making company conditional on sweeping wage cuts and other cost-saving measures bitterly resisted by the unions. Complicating the situation is the fact that most of Cockerill-Sambre's employment is in French-speaking Wallonia and the question of further state assistance has divided politicians along linguistic lines. ALAN OSBORN

## Bonn

While some American workers accept wage standstills and others consider taking wage cuts in order to keep their jobs, labor leaders in the Federal Republic of Germany are talking about reducing the work week and lowering the retirement age. They believe these are better ways to redistribute the available work among a growing number of job seekers.

The chemical, paper, and ceramics workers' union, the Republic's third largest with 650,000 members, was the first workers' organization to "get the foot in the door of a reduced work week," as chairman Hermann Rappe put it at the end of March.

The new agreement concluded between the union and the association of chemical employers stipulates that the 40-hour work week will remain in force to the end of 1987. But from September 1 this year, all workers who are at least 58 years old will get an additional four hours off with full pay every two weeks, and from January 1, 1987, they will get four hours off each week with full pay. In effect, this means a 36-hour week for all 58 or older, without any reduction in pay.

Employers and works' councils may agree to lump the time off granted the older workers so that from 1987, they can get one full day off every two weeks. The union believes



that the arrangement will force owners of factories working in shifts to hire additional personnel to fill in for those working shorter weeks. The Association of Employers insists, however, that it accepted the deal primarily for social reasons and not to create new jobs. Nevertheless, as Rappe said, the union got a foot in the door, and others are expected to shove it wider open in the coming months.

The subject is topical, both because the unemployment level has now reached 2.5 million people or 10 percent of the work force (and it could peak at 3 million next winter) and because most of the *manteltarifverträge* or master framework agreements between unions and employers are about to expire and are on notice.

The framework agreements, which usually run for a minimum of four years, regulate such things as hours and conditions of work, overtime rates, and periods of dismissal notice and then are negotiated separately from the wage agreements, which normally run for 12 months.

Günter Döding, president of the food and catering union, set the goal for these talks when he proposed a plan "to get older workers to voluntarily withdraw from the work force in order to create jobs for young unemployed people and school leavers." Döding suggested the employees who stop working at 58 be paid 75 percent of their then net income as a transitional wage until they reached normal retirement age of 65 (for men) and began drawing their state insurance pensions.

The federal Ministry of Labor estimates that 550,000 men and women workers are 58 or older, and Döding believes that half of them would volunteer to stop working if the arrangement offered them was financially attractive enough. Labor union experts on the subject estimate that probably one-half of the jobs thus saved would be eliminated by rationalization or increased productivity.

Friedhelm Farthmann, the Social Democratic Minister of Labor in the state of North Rhine-Westphalia, published a study in mid-March reckoning that increased productivity would cancel out two-thirds of the job-creating effect of reducing the work week. By Farthmann's calculations, reducing the work week from 40 to 35 hours would therefore create 190,000 new jobs. But, he added, reducing the work week without cutting wages would increase wage costs by up to 6 percent per hour.

That is the point that bothers employers. Otto Wolf von Amerongen, president of the Chamber of Industry and Trade, pointedly praised American steel workers for having "accepted a significant wage reduction in order to keep their jobs, and as a contribution to the reduction of unemployment, in the knowledge that there is a clear relationship

between labor costs and unemployment."

Norbert Blum, Minister of Labor, thinks early retirement (but not a generally shortened work week) could contribute to reducing unemployment. His ministry is drafting a law to provide a legal framework for negotia-

tions to that end between industry and labor. He hopes to be able to introduce it right after parliament's summer recess, so that it could take effect in January, when the framework agreement with the metalworkers' union runs out. WELLINGTON LONG



Pending legislation would ban all sexist advertising in France. © SYGMA

## Paris

Sexist advertisements and publications are expected to be outlawed soon in the land that coined the phrase *vive la différence*. The French Parliament this summer is scheduled to vote on an anti-sexist bill drafted by the Cabinet of Socialist President Francois Mitterrand. The bill's passage is virtually guaranteed because of the outright majority Socialists hold in Parliament.

The bill's main focus is to eliminate sexual discrimination in hiring policies and it has long been sought by feminists in France. But the media's main focus has been on a clause in the bill that also would prohibit "degrading and debasing women in advertisements and publications." The measure outlines no procedures to determine what would constitute sexist advertising, nor punishments for those violating the law.

"The Government does not wish to put itself in the role of judge." French Minister for Women's Rights Yvette Roudy has said about the bill. "We simply want to provide the means for organized citizens who care about presenting an image of women that is neither degrading nor debasing. Feminist groups have sought this bill with ardor. We will see what they do with it." The bill has been dubbed "The G-string law" in the leftist French daily *Libération*, which in an editorial wrote that feminism in France "will not be helped by bringing in an atmosphere similar to that in Moscow."

The female form has long been appreciated in France, where bare-breasted women even appear on the currency. For its 100-franc (about \$15) note, the French Treasury chose a Eugene Delacroix painting for the back-

ground that depicts victory as a woman, one arm raised with a flag, the other holding a gun and her dress torn open to the waist. That bill has been banned in Tehran.

The generous use of nude and semi-nude women in French advertising has been causing a stir in the late summer of 1981 when a billboard company started a strip-tease campaign. "On September 2 I'll take off the top," a bikini-clad woman said on hundreds of billboards in Paris and other major cities in France. Two days later, the same woman appeared bare-breasted on the billboards proclaiming, "on September 4 I'll take off the bottom." The final poster showed the woman nude, her back to the camera, with the caption, "Avenir, the billboard company that keeps its promises."

The billboards prompted immediate protests from feminists and the Ministry for Women's Rights hinted at the time that steps might be taken to prohibit such advertising. Feminists were again outraged this spring when a conservative candidate for mayor in the Riviera resort of Nice used a takeoff of the billboard striptease in his campaign for reelection. The candidate's campaign poster showed a naked blonde, her arms and legs strategically bent, proclaiming, "As promised, after 21 months of Socialism, I have nothing left."

French lingerie ads also have come under fire from the feminists, especially those of one company that routinely shows male hands carassing a semi-nude model whose face is never shown. In an incident unrelated to the proposed new anti-sexist law, Miss France lost her crown earlier this year after it was discovered that she had once posed for semi-nude lingerie ads even though the photographs were never published. CAROLYN LESH



# balloons over e

DIANA SCIMONE

Assuming you discount the ill-fated flight of Icarus, this year marks the 200th anniversary of the first manned flight—a somewhat tenuous, although no less elegant, voyage in a hot-air balloon just outside Paris. All around Europe, celebrations are planned to commemorate with appropriate fanfare what was immediately dubbed the *annus mirabilis*.

The “year of wonders” got off to a flying start, as it were, in June 1783 in the tiny village of Annonay, France. There, two brothers, Joseph Michel and Jacques Etienne Montgolfier, managed to trap hot air inside a

giant bag made of paper and cloth. A crowd gathered at the launching site, although no one—including the Montgolfiers—quite knew what to expect. It wasn't long before they watched their contraption—110 feet in circumference with a volume of 22,000 cubic feet—rise gracefully 6,000 feet into the sky, insuring their place in history books forever. Alas, in spite of their careful preparations, neither brother had the nerve to hop aboard as it took off, so the world's first hot air balloon flew completely passenger-less.

Word spread from the provinces to Paris

of the marvelous happening in tiny Annonay and a good-natured rivalry to pilot the first manned balloon was off and running. A young physicist, Jacques Alexandre César Charles, began experimenting with hydrogen-filled balloons, a project financed by the citizens of the capital who eagerly paid one crown each to guarantee a spot at the inaugural launch. The fever of anticipation reached such a frenzy that the inflated balloon had to be secretly hauled to its lift-off site during the night. Forty-five minutes after take-off, the balloon descended on the farming village of





courtesy Bombard Society

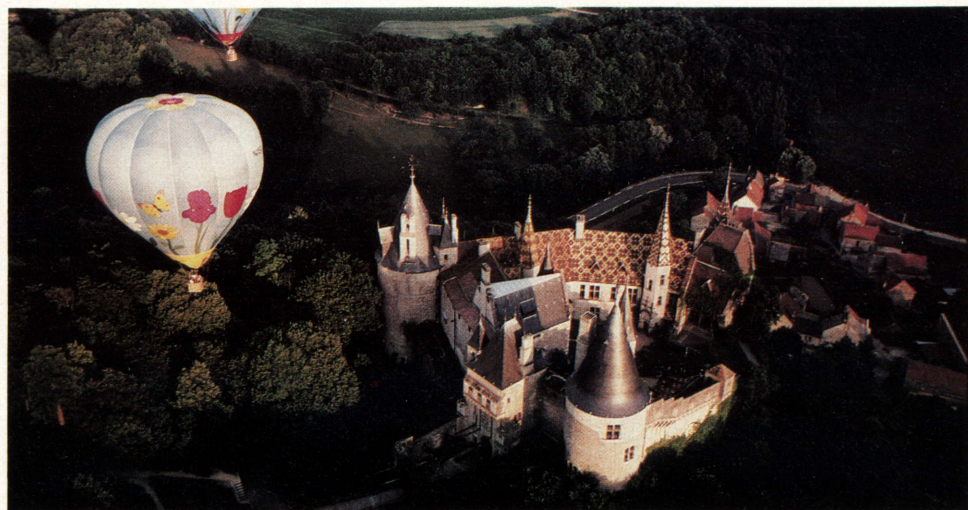
# urope

The flight was a resounding success (except for a broken wing on the rooster which endured an in-flight kick by the sheep), and the Montgolfier brothers were encouraged enough to allow a human to ride their next balloon. Louis XIV agreed and insisted that convicts be chosen as the first riders, but François Pilatre de Rozier objected, asking that he be allowed the honor. The King conceded, and de Rozier and his friend, the Marquis d'Arlandes, were ready. On November 20, 1783, the Montgolfier's giant blue and gold balloon was inflated in the Bois de Boulogne just outside Paris. The citizens were no less astonished than the two passengers, who watched countrymen and buildings alike shrink beneath them. Five miles and 25 minutes later, the first manned balloon touched down between two millhouses.

The "firsts" continued, and 10 days later the first manned, hydrogen-filled balloon was launched in Paris. Two years later, in 1785, Jean-Pierre Blanchard and Dr. John Jeffries set off above open waters and made the first balloon crossing of the English Channel. By then, almost no one doubted that balloons were here to stay, although most people, including Blanchard and his balloonist wife, Madeleine Sophie Armand Blanchard, saw them as sporting fun. But the sky-high wonders had other uses. As early as 1794, bal-

loon don't have a balloon in your backyard inflated and ready to launch, you can nonetheless take part in the festivities planned throughout France and other parts of Europe. Spectators, for example, will be kept happily occupied at the many balloon competitions. There will also be demonstrations, art exhibits, races (across the Sahara, the Mediterranean, the Atlantic, and at least one around-the-world trek), and reenactments in Annonay, Versailles, and other locales important to ballooning. Many countries, including France and the United States, have issued stamps to commemorate the celebrations.

The United States kicked off the bicentennial with an early-morning extravaganza near the Capitol in Washington D.C. during which Postmaster General William Bolger sold the first stamps in the balloon series to Malcolm Forbes, well-known balloon enthusiast and editor of *Forbes* magazine. The transaction took place while both men were aloft in Forbes' balloon, a giant-sized likeness of Forbes' castle in France, the Château de Balleroy. The world's first balloon museum is housed in the old stables of the Château de Balleroy. Many of the exhibits are unique and some of the larger ones were lent by France's national air and space museum. (Open daily, except Wednesday, March 1 through October 31; telephone (31) 21 60 61.)



Château Rochepot in the Burgundy area of France. courtesy Bombard Society

Gonesse, whose surprised residents had a rather drastic reaction: They attacked it with a knife until the air escaped and it crumpled into a harmless heap in the corner of a farmer's field.

The countryside debacle notwithstanding, the ballooning frenzy in Paris continued, and just 18 days later the Montgolfiers were ready to try again—this time in front of the entire court of King Louis XIV at Versailles. It was the first balloon to carry passengers: a duck, a rooster, and one undoubtedly frightened sheep.

loons were used to observe battlefields and provide wartime communications, and they continued to be an integral part of many military campaigns until World War I, when vulnerability to fighter planes made their use too risky. With the advent of passenger planes, ballooning lost much of its initial appeal, and remained a romantic memory—until the 1960s when balloonists perfected a technique to keep air inside the balloon hot.

Today there are thousands of balloonists all over the world who are celebrating the bicentennial of the first flight of man. Even if

If you are ready to make the jump from balloon spectator to balloonist, there are plenty of opportunities to try your wings. Package tours, run by balloon experts who arrange all the details, insure an exhilarating lift-off—no matter what your age or your athletic background (or lack of one). You can try ballooning on your own or you can go with a group. For example, the Centre Aéronautique de Bourgogne in France will take you up for a few hours of gazing at tree-tops. Experienced pilots take care of the details of your morning or afternoon adventure.

(Centre Aéronautique de Bourgogne, Résidence du Lac, Les Hêtres, 21200 Beaune; telephone (80) 22 62 25.)

Complete ballooning packages are offered by a number of tour operators, and include daily ascensions, gourmet meals, and, in the Montgolfier style, the obligatory champagne reception upon landing. Packages do not come cheap: six days of ballooning, including first-class hotels and gourmet food, can approach \$3,000—without airfare. Barge/balloon combinations are quite popular and can cost less, depending on the size and luxury of the staterooms.

The most well-known of balloon packages are offered by the Bombard Society. This is the seventh year the society has been conducting trips and it has just added the Loire Valley and Austria to its other destinations (mostly in France's Burgundy region). Some trips are in conjunction with barge excursions; most are straight balloon ascensions. (U.S. office: 6727 Curran Street, McLean, VA 22101; telephone (800) 862-3537 or (703) 448-9407.)

This year, ballooning adventures are being offered for the first time by Floating Through Europe, a company well experienced in barging. The balloon trips are an optional three-hour feature of excursions on the barge *Linquenda*. If you are not sure you want to spend your entire vacation ballooning, this is a good way to see if you like the sport first. (U.S. office: 271 Madison Avenue, New York, NY 10016; telephone (800) 221-3140.)

Still another balloon/barge package is offered by Horizon Cruises, also through the Burgundy region. In addition, the company conducts straight ballooning trips during which participants stay at the 9th-century town of Vézelay or in Joigny at the romantic Château de Cézy. Trips of three or six days are offered, so you can combine your ballooning activities with other sightseeing. (16000 Ventura Boulevard, Suite 200, Encino, CA 91436; telephone (800) 582-8450.)

Quiztour continues balloon ascensions, introduced last year, in the Burgundy and Chablis areas. (U.S. office: Salt and Pepper Tours, 310 Madison Avenue, New York, NY 10017; telephone (800) 223-1222.) Finally, the luxurious Brenner's Park hotel and spa in Baden-Baden, Federal Republic of Germany, has recently purchased a balloon which is available to guests. (U.S. office: 770 Lexington Avenue, New York, NY 10021; telephone (800) 223-6800.) No matter where you choose to make your first balloon ascent, it is sure to be a memorable and enchanting experience. €

Diana Scimone is Europe magazine's travel writer.

## Ballooning Bicentennial—1983

Most events are taking place in France, the site of the first balloon launch 200 years ago. The following is a list of the major events planned in that country.

- **All year** Museum of Balloons, Balleroy: Display of ballooning art and artifacts
- **April 30-May 1** Bordeaux: Collegiate balloon races
- **May** Paris: Display of commemorative ballooning medals
- **May** Le Bourget Airport, Paris: Inauguration of the Space Museum
- **May 26-June 5** Le Bourget Airport, Paris: 35th Paris Air and Space Show
- **May 29** Saint-Etienne: Balloon launch
- **June 1-12** Annonay: Celebrations include re-creations of original linen and paper balloons, colorful costume and torchlight parades, and historical events
- **June 5** Lille: 2nd annual championship of France in hot-air balloon competition
- **June 10-12** Balleroy: Traditional balloon rally at the Château de Balleroy
- **June 11-13** Lille: Franco-Belgian balloon race with over 50 participants
- **June 17-26** Paris: Balloon Week, during which 30 balloons will be launched simultaneously from historic sites around the capital. Events culminate on the 26th with the Gordon-Bennett Cup Challenge
- **Throughout Summer** Arc-et-Senans: Display at the Château de Roche on balloons, dirigibles, and other aircraft
- **July 7-August 28** Paris: Major exhibit at the Grand Palais of air and space memorabilia from balloons to satellites
- **August 26-September 7** Nantes: 300 balloonists meet for 6th World Championship and Festival
- **August 26** Paris: Reenactment of the first balloon launch
- **September 9-11** Nesles-la-Vallée: International balloon challenge
- **September 9-11** Epernay: 6th Mercier challenge
- **September 9-11** Vaux-le-Vicomte: 2nd Montgolfiade challenge in the castle's park
- **September 17-18** Maintenon: meeting of 35 balloonists and flight over the Château de Maintenon
- **September 19** Versailles: Reenactment of first "passengered" balloon flight with a rooster, duck, and sheep
- **September 24-25** Les Andelys: Birthplace of Jean-Pierre Blanchard commemorates his contributions to ballooning
- **October 1-10** Arc-et-Senans: 5th World Balloon Championship with related festivities
- **November 11-13** Anneyron: Balloonists meet in the hometown of the Marquis d'Arlandes.
- **November 21** Paris: Reenactment of the first manned flight at the Château de la Muette
- **December 1** Paris: In the Tuileries Gardens, balloonists recreate historic flight of Jacques Charles
- **December** Meudon: Inaugural ceremonies for Museum of Balloons and Dirigibles

### FOR MORE INFORMATION

The International Air and Space Bicentennial Organizing Committee is planning other events in other countries. Individual offices can provide information on national celebrations.

Bernard LeGrelle  
INTEREL  
7, Place Vendôme  
Paris 75001, France  
Telephone: (1) 296 1622  
Telex: 240-454

Kevin Traverse-Healy  
Kevin Traverse-Healy Ltd.  
Knights' Court  
6-8 St. John's Square  
City of London EC1 M4DE, England  
Telephone: (01) 251 6414  
Telex: 27950 (R.502)

Robert S. MacKay  
MacKay & Herminghaus  
Kurfürstendam 29  
1 Berlin 15, West Germany  
Telephone: (30) 881 1587 or 883 5829

U.S. Organizing Committee  
Air and Space Bicentennial  
1575 Eye Street, N.W.  
Washington, D.C. 20005  
Telephone: (202) 289-5392  
Telex: 248343 SEPT UR  
Bert Kemp, Director, Event Planning & Coordination

An excellent history of ballooning is published by Time-Life Books as part of its Epic of Flight series. *The Aeronauts* is full of colorful and often humorous anec-

dotes, and 131 vintage balloon illustrations gathered from sometimes obscure sources in nine nations. (\$12.95 from Time-Life Books, (800) 621 7026.)



# WOMEN HARD AT WORK

JUDITH PATERSON

Since the 1960s, when legislation made sex discrimination illegal in the United States and Sweden, and the 1970s, when the Commission began to put teeth in the E.C.'s anti-discrimination policies, working women have made considerable progress. How do the gains made in the United States compare with what has been achieved in Europe? Since 1950, the number of women employed outside the home in the United States has gone from 18.4 million (30 percent of the work population) to 47.1 million (43 percent). E.C. countries have experienced similar leaps, with the female proportion of the work force ranging from about 25 percent in the Netherlands to almost 43 percent in Denmark.

Despite a male-female wage gap that leaves women in the United States making only 60 percent of what men make—in Britain, the like figure is 70 percent; in the Federal Republic of Germany, 72 percent; in France, 77 percent; in Sweden, 90 percent—most women are happy with their jobs. In Europe and the United States, a high percentage say being a woman is not a disadvantage—nor do they feel discriminated against. A recent E.C. Commission survey substantiates these attitudes but reveals marked national differences. Women in Britain, Belgium, and Denmark feel the least disadvantaged; German women the most discrimination, followed by the women of Ireland and the Netherlands. Luxembourg, France, and Italy occupy the middle ground.

The report warns, however, that its optimistic message has to be measured against two mitigating factors: Over one-third of employed women work in government and public administration, where public policy keeps discrimination low, and many women work in an all-female environment. The study concludes that: 1) where competition with men exists there is

a much greater awareness of discrimination; 2) a “hard core” of about 13 percent (4 million) of E.C. women are intensely aware of discrimination; and 3) most women are ill-informed about national and E.C. efforts to ensure equal economic opportunity for women.

Wages and child care are the two issues that most concern all working women. Working mothers—who now head one in four families in the United States and one in three in the E.C.—bear a heavy financial burden. Unlike some E.C. countries—most notably the Scandinavian countries, France, and Belgium—the United States has yet to acknowledge the connection between a rapidly expanding female workforce and the need for a comprehensive public child care. Legislation continues to take a patchwork approach that often ties care to financial need. Yet, 42 percent of mothers with children under three and 54 percent with children between three and five are already in the labor force. By 1990, at least half of all preschool children will have mothers at work.

Dr. Nancy Smith Barrett, an American University economist and international consultant, notes what she calls a “major paradox” in the history of equal opportunity for women. Although the United States led the way by passing anti-discrimination laws and endorsing affirmative action during the 1960s, in practice it now lags behind some European countries by its failure to recognize that women work in “two economies”—the home and the labor market. Consequently, the United States still provides inadequate parental and child care leave, collective child care, flexible work schedules, and job-training programs for women.

Mary DeNys, the mother of two daughters, teaches English part-time in Virginia. As a part-timer—in a field dominated by

women—who has interrupted her career for long periods of time, Mary falls into three of the categories of women who experience the most financial discrimination. By working part-time many women give up opportunities for equal pay as well as equal access to insurance and pension plans. In Sweden, over half of all employed women work part-time, about one-fifth in Britain, France, and Germany. Close to one-third of all women employed in the United States work less than 25 hours a week. Mary is one of them. She is also among the high percentage of women who interrupt their work lives to have a family. Even in the E.C., where child care is apt to be more available and parental leave more lenient, over 38 percent voluntarily stop work for five years or more.

Although she may not know it, Mary's biggest economic handicap probably comes from her choice to enter a sex-segregated profession. Many economists think the concentration of women into a few low-paying occupations is what keeps women's salaries lower than men's despite anti-discrimination policies and the growing number of women in the work force. In all Western countries, women are bunched into a few poorly paid fields—usually nursing, teaching, clerical, and service work. Occupations dominated by women uniformly pay lower salaries than those primarily served by men, even though the value of the work would seem to be greater.

en's work" pays less than "men's work," the disparity is less pronounced in countries where traditionally female professions have been unionized. In the United States, most female-dominated occupations are not unionized, few women belong to unions, and women continue to make 40 percent less than men. In Sweden where 80 percent of the working population belongs to unions that have made equalizing women's salaries a high priority, women make almost as much as men do.

Activists are calling for policies that eliminate the disparity between women's and men's work. Recommendations involve both reassessing the value of certain kinds of work and training women for non-traditional jobs. So far, Sweden, Germany, and France lead the way in their efforts to augment equal opportunity reform with job training. Since 1978 the E.C.'s European Social Fund has allocated increasingly large amounts to vocational training for women.

Born in Fulda, Federal Republic of Germany, Lisa Levy got her education in Germany and the United States. In recent years she has worked in both countries. During the early 1970s, she worked as a psychologist for a child development center in Munich. As she sees it, German and American women suffer about the same amount of financial discrimination, but German women, she thinks, endure a greater psychological handicap because custom demands so much more of homemakers—creating painful conflicts for working women. "In the States," she says, "family responsibility is beginning to be shared. In Germany, men don't even know it is possible to do those things." In contrast to the Scandinavian countries and like the United States, Germany has absorbed large numbers of women into the workforce without developing comprehensive child care.

Introducing a book of essays collected for the Organization for Economic Cooperation and Development in 1980, Ronnie Steinberg Ratner said: "Few aspects of social life display as much uniformity among countries as do the patterns that indicate the separate and restricted positions of women workers." The collection makes clear both the disparity and the commonality between Europe and the United States. Although the differences between countries is great, some generalizations are safe: in all countries, women get paid less than men, work in sex-segregated occupations, hold fewer positions of leadership, have more household responsibilities and unsatisfactory child care. Although legislation remains advanced in the United States, a number of European countries are doing better in terms of family policy, child care, and job training.

Economists and feminists, although not always in agreement, continue to advance a variety of reforms in public policy, family life, and the workforce. Everybody, however, seems to agree on one thing: women are in the workforce to stay—in ever-increasing numbers. Professor Barrett sums it up: "The labor of women is no longer needed in the home the way it used to be. You can no more get women out of the workforce than you can go back to the family farm. The economy has changed. The technology has changed. The issue is not whether we are going to do it, but how we are going to do it." €

*Judith Paterson is a freelance writer in Washington D.C. who specializes in women's issues and political affairs.*



*It's an ongoing battle for women to exercise the profession of their choice.*

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Elementary school teachers, for example, usually make less than carpenters. Furthermore, salaries go down when large numbers of women move into occupations formerly controlled by men.

One-quarter of all women employed in the E.C. remain in "female" jobs, with the highest concentration being in the United Kingdom (30 percent) and the lowest in Germany (15 percent). Over half the women working in the United States are in predominantly female occupations; a similar statistic holds in Sweden, the nation most advanced in its effort to eliminate sex stereotyping. Although in every country "wom-

# NEWS OF THE COMMUNITY

## Thorn Calls Unemployment Acid Test for EC

The struggles against unemployment and deindustrialization are the E.C.'s top priorities and could be the Community's "acid test," E.C. Commission President Gaston Thorn told the European Parliament in Stasbourg earlier this year. Thorn painted a gloomy picture of the prospects for Europe's 12 million unemployed people and noted that the unemployment situation in Europe looked bad when compared to that of the United States or Japan. "Only Europe has had rising unemployment for 11 consecutive years," Thorn said.



E.C. Commission President Gaston Thorn

Thorn said the solution to the unemployment problem lay in improving economic and social conditions to bring about an increase in productive investment, in an opening up of the E.C.'s internal market, and in a strengthening of Europe's voice in world affairs. The Community must stimulate more job creation, particularly in terms of job training for young people, Thorn said. He said E.C. spending on jobs programs should be doubled and set a June deadline for the adoption of a Community action plan to combat unemployment and industrial decline.

## European Monetary System Reshuffles

E.C. Finance Ministers averted a crisis on foreign exchange markets and staved off a French threat to withdraw from the European Monetary System (EMS) by agreeing on a formula for re-



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defining the value of the eight EMS currencies. The March 21 compromise—which called for a 5.5 percent revaluation of the German mark and a 2.5 percent devaluation of the French franc—was the seventh realignment in the system's four-year history.

The EMS limits the amount most major European currencies are permitted to fluctuate against one another. Central banks of countries participating in the system are obliged to intervene to keep the value of their currency from fluctuating up or down by more than the prescribed limit. The British pound and the Greek drachma do not participate in the EMS exchange-rate mechanism.

The latest realignment capped several difficult weeks in foreign exchange markets, which more than once saw the French and Belgian francs, the Irish pound, and the Danish kroner plunge to their EMS floors amid speculative purchases of the German mark. Speculators, who saw the early March reelection victory of Chancellor Helmut Kohl as a good omen for the German economy, had shifted huge volumes in cash from other currencies into marks. The outflow of cash forced France to draw down its foreign reserve holdings drastically in an effort to support the franc against the German currency.

Germany, pointing to France's 9 percent inflation rate and its burgeoning trade deficit, resisted French pressure to relieve the strains on the EMS through a unilateral revaluation of the mark. Although many foreign exchange analysts considered the decision inevitable, France balked at the prospect of another devaluation of its franc, the third since the Socialist gov-

ernment of President François Mitterand came to power in 1981. A revaluation makes a country's exports less competitive on world markets, while making imported goods more of a bargain. A devaluation has the reverse affect.

After a weekend of tense and difficult negotiations that finished barely before E.C. heads of state convened in Brussels for a long-planned summit meeting, Finance Ministers agreed on a realignment package. In addition to adjustments in the value of the mark and the French franc, the package provided for revaluations of 3.5 percent for the Dutch guilder, 2.5 percent for the Danish kroner, and 1.5 percent for both the Belgian and Luxembourg francs and for devaluations of 2.5 percent for the Italian lire and 3.5 percent for the Irish pound.

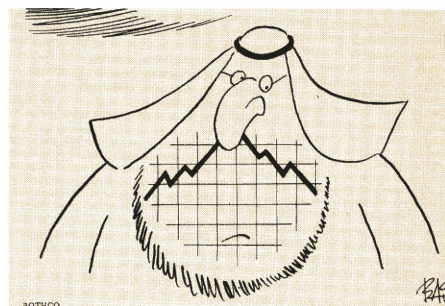
E.C. Vice President François-Xavier Ortoli praised the accord as a sign of political will to maintain the EMS and confirm and reinforce the solidarity of the Community. Ortoli said that a failure to agree on a realignment would have weakened the Community at a time when a strong E.C. was more important than ever to promote economic recovery.

## Oil Price Drop Creates New Energy Concerns

The pronounced drop in oil prices since the beginning of the year and the uncertainty over the long-range survival of OPEC have touched off a debate about the future course of Europe's energy policy. Until now, that policy

has centered around reducing the E.C.'s dependence on imported oil by encouraging energy conservation, by promoting alternative energy sources such as coal, and by developing domestic energy resources such as North Sea petroleum. Some E.C. policymakers now believe, however, that an era of cheap oil in some ways might do the industrialized world more harm than good. Several members of the European Parliament have given their support to motions calling for an urgent debate on the matter and they have asked the E.C. Commission for some concrete proposals for further action.

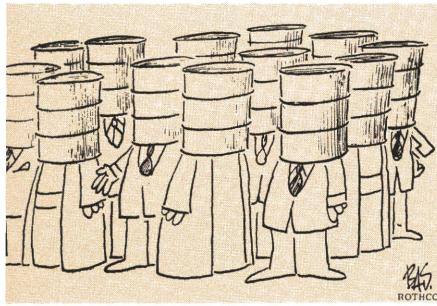
In March, the Organization of Petroleum Exporting Countries (OPEC) members lowered their benchmark price for crude oil for the first time in the organization's 23-year history in hopes of regaining control over the world petroleum market. Furthermore, production ceilings were lowered by 1 million barrels to 17.5 million barrels per day. However, many industry analysts felt that the cut in OPEC prices from \$34 per barrel to \$29 may have been too small to keep the cartel from being undercut by its competitors in the midst of the current world oil glut. Price-cutting among producers, warned European Parliamentarian Pierre Couste, could lead to an era of under-



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valued oil, which in turn could set the stage for another energy crisis.

Twenty-one other members of the European Parliament share Couste's concern over the implications of fluctuating oil prices and have called for closer links to OPEC in the form of a new "trialogue" between the industrialized countries, the oil-producing nations, and the developing treaty between the Community and the Persian Gulf states and they say that closer ties could result in oil prices that would



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“stimulate the world economy and promote energy savings.”

Ten years ago a dramatic surge in the price of oil—which then accounted for 61 percent of Europe’s energy supplies—plunged the industrialized world into recession and brought the oil-importing developing countries to the brink of economic disaster. But the prospect of cheaper oil holds dangers of its own. The biggest of these dangers is that a drop in oil

prices may ruin investments in alternative energy sources. If alternative energy investment dries up, Europe’s oil dependency on reliable energy supplies from the politically volatile Middle East could reassert itself. Speaking to petrochemical manufacturers in Brussels, Christopher Audland, E.C. Commission Director-General for Energy, said coal—already hit hard by the contraction of Europe’s steel industry—was the alternative energy sector most vulnerable to the negative effects on energy investment caused by the current oil glut. Audland argued against radical changes in the general approach of the Community’s energy strategy in response to cheap oil. So far, he said, that policy has been right on course.

The E.C. Commission declared in a recent report that it was too early to make any definitive conclusions regarding implications for the Community’s energy policy of the oil-price decline, but it cautioned that the situation required vigilance.

## Middle East and Economic Concerns Dominate EC Summit

The Middle East situation and a wide range of economic and trade concerns dominated the agenda at a March 21-22 summit of leaders from the 10 European Community countries. The E.C. heads of state expressed impatience with the lack of progress in talks aimed at securing the withdrawal of all foreign forces from Lebanon and urged both Israel and the Palestine Liberation Organization (PLO) to take steps toward meaningful peace negotiations. In their communiqué, the European leaders called on the PLO and the Palestinian people to contribute to the Middle East peace process by declaring themselves in favor of peace negotiations. They also urged Israel to prove a readiness for serious negotiations by refraining from enlarging its existing settlements on the West Bank or from starting new ones.

The leaders expressed hope that the forthcoming Western economic summit in Williamsburg, Virginia would lead to concerted policies aimed at ensuring a world economic recovery and ordered E.C. ministers to prepare the Community’s positions for the meeting with that goal in mind. They also stressed the importance of a further strengthening of world trade in promoting a sustained economic upturn

and warned that the ongoing U.S.-E.C. talks toward resolving agricultural trade disputes could be sustained “only on the basis of mutual respect of the agreements concluded following the Tokyo Round [of multilateral trade negotiations].”

On the home front, the Ten’s leaders agreed that the Community’s member states should take action to improve Europe’s employment outlook, particularly in the face of dismal outlook for employment among young people. They also urged action on the formulation of a Community transport policy and urged prompt attention to the cross-border pollution problem of acid rain.

The heads of state also called for substantial progress to be made by June in negotiations for the enlargement of the Community to include Spain and Portugal and urged each Government involved with those negotiations “to make a step in the direction of the others in order to clear the way before an overall compromise.” Negotiations for Spain and Portugal’s entry into the E.C., frequently have bogged down over disagreements about the terms of their membership and its implications for existing E.C. policies.

Left to right, Irish Prime Minister Garrett FitzGerald, French Foreign Minister Claude Cheysson, French President François Mitterrand, and Greek Premier Andreas Papandreu.

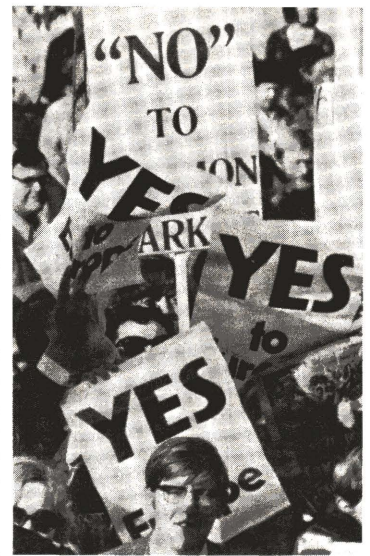


## How Common a Market Is It?

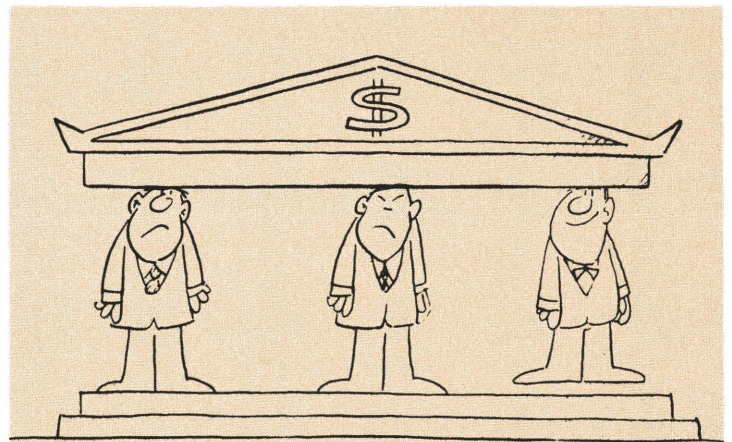
The Common Market may not be as common today as its founders might have wished, judging from a report released earlier this year by the E.C. Commission. Trade within the E.C. does not always work as smoothly in practice as it does in theory because of trade barriers erected between member states. In its report assessing the shortcomings of the internal market, the Commission said failure to eliminate these barriers could jeopardize Europe’s efforts to regain its industrial might.

The existence of such barriers—including arbitrary differences in technical standards between member states, time-consuming formalities for trucks at border checkpoints, and import timetables—tend to make European industrialists insecure about organizing their operations on a Community-wide basis, the report said. According to the Commission, barriers are sometimes more the result of bureaucratic negligence rather than deliberate protectionism.

After an initial burst of enthusiasm and spectacular achievements in the 1960s in eliminating intra-E.C. barriers to trade, including the abolition of customs duties, progress has slowed and needs new impetus, the report said.



The Commission recommended that E.C. member states take action to help stamp out internal EC trade barriers which run counter to the Community’s founding treaties. It suggested stepped-up exchanges of information among E.C. members that would enable member states or the Commission to ask for amendments to prevent these measures from serving as trade barriers. This would also give the Commission, if needed, a chance to propose standardized Community-wide legislation as an alternative to proposed national measures. The Commission also urged the E.C. to reduce the amount of time it takes for corrective action against illegal barriers to internal trade.



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## Inflation Rate Eases in EC

The E.C.’s annual inflation rate rose slightly in February 1983, primarily because of significant gains in consumer prices in Italy and Greece, the E.C.’s Statistical Office said last month. However, the slight increase was still good news compared with the previous year’s inflation rate. Inflation stood at an annual rate of 9.2 percent in February, up from 9.1 percent in January and 12.2 percent in February 1982. Economist attribute the three-percentage-point drop in the annual inflation rate so far this year to the tight money policies pursued by many of the 10 member Governments.

The consumer price index registered an average gain of 0.7 percent in February when compared with the Com-

munity’s January consumer price level. Seven of the E.C.’s 10 countries had increases below the average, with the Federal Republic of Germany registering the smallest monthly increase—0.1 percent. Larger increases in Italy and Greece, 1.3 percent and 1.9 percent, respectively, helped to up the average.

While inflation chalked up a modest rise in February, record post-war unemployment showed no sign of improvement. The number of jobless people in the 10-nation bloc totaled 12.4 million—10.9 percent of the labor force—and the same number as in January. This contrasted with the previous two years when unemployment peaked in January and then showed a seasonal decline the following month.

## New Emission Controls Sought by Parliament

A group of European Parliament members is seeking tighter controls on the amount of sulphur dioxide that can be released into the atmosphere in an attempt to protect the environment. The group, led by German Socialist Beate Weber, says that the sulfur emissions are still causing "catastrophic damage" to Europe's forests and architectural heritage by combining with water in the earth's atmosphere to create acid rain. The group says the situation is so bad it could pose a threat to human beings.

A motion introduced by the mem-

bers of Parliament asks for a commitment from E.C. member states to restrict emissions of sulfur dioxide from new large firing plants to an absolute maximum of 400 mg/m<sup>3</sup> of waste gas and for a modification over the next five years of all existing large plants to bring them into line with the new limits. They said that a new sulphur tax law should also be introduced based on the quantities of sulphur dioxide released into the air beyond that which would be released using the best purification equipment available.

The group also cited reducing the lead content in gasoline as another vital part of cleaning up Europe's air and said that the E.C. should follow Switzerland's example by introducing a two-stage program to eliminate lead from gasoline completely by 1986.

Current European directives limiting the permissible levels of sulphur dioxide and lead that could be released in the air came into effect in 1980 and 1982, respectively. Last July, E.C. member states agreed to an exchange of information on air pollution.

The Community reacted quickly to the crisis by allocating the equivalent of over \$5 million in emergency aid to help fund relief work for the displaced persons returning to their homes in Be-

the refugees may have become sick or died from hunger or exhaustion on the arduous 120-mile trek from the Nigerian border to the Ghanaian capital of Accra, where Ghana's Government



nin, Togo, and Ghana. In addition to its financial contribution, the E.C. also provided 5,000 tons of emergency food aid in the form of grain to be distributed to feed the refugees.

Relief officials believe large numbers

had established a camp to give the refugees food and first aid. E.C. relief efforts focused on providing food, medical supplies, and means of transport to move the refugees from Accra to their home villages.

## Community Aid Roundup

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

**Emergency aid programs—Federal and Islamic Republic of the Comores:** 150,000 ECU to residents on the islands, particularly Mohéli and Anjouan, whose lives were disrupted by cyclone Elynah, which left 20,000 homeless. The aid went to finance the supply of essential goods such as food, blankets and medicine. . . . **Chad:** ECU 500,000 in response to an international appeal from the U.N. Disaster Relief Office (UNDRO) to help aid victims of civil war and drought, which had created an increasingly severe famine. The aid was channelled through the organization "Médecins sans Frontières," which got ECU 180,000 to continue its program of medical relief work, and through UNDRO, which got ECU 320,000 to help it transport food to the affected areas. . . .

**Emergency food aid—Mauritania:** 5,000 metric tons of grain, valued at ECU, 1 million, in response to the food crisis in that country caused by last year's crop failure. The 1982 harvest was cut in half by drought and destructive bird and insect pests. . . . **Ecuador:** 5,000 metric tons of grains to provide relief for victims of severe floods that have ravaged food crops. The E.C. approved an initial instalment of emergency aid worth ECU 100,000 to Ecuador in January. The aid was funneled through "Deutsche Welthungerhilfe", the first organization to set up an aid program in that country.

**Grants from the European Development Fund: Lesotho:** ECU 714,000 for programs designed to improve the country's balance of trade by increasing export earnings. These include initiatives to promote exports of native commodities, to attract export-oriented investments, and to improve that nation's image as a tourist spot. . . . **Fiji:** ECU 2.0 million for the construction of rural roads. . . . **Papua New Guinea:** ECU 1 million to improve safety at Momote airport on the island of Manus through reconstruction and sealing of runway areas. . . . **Mali:** ECU 1.57 million for the purchase of ferries and tracks that will make it easier to cross the Senegal, Niger, and Bani rivers. . . . **Madagascar:** ECU 3.18 million to finance a study of the agricultural sector and to organize specialized agricultural and technical courses. . . . **Burundi:** ECU 9.0 million for the improvement and surfacing of roads serving important agricultural areas of the country. . . . **Jamaica:** ECU 3.26 million to provide for equipment purchase, staff training, and supervision of electronic data-processing facilities to improve Jamaica's ability to administer and collect taxes. Problems in tax administration are thought to be a factor in Jamaica's large deficit. . . . **Botswana, Lesotho, Malawi, Swaziland, Tanzania, Zambia and Zimbabwe:** ECU 2 million to make the region less dependent on other countries by providing technical assistance for the Secretariat of the Southern African Development Coordination Conference for carrying out economic cooperation projects.

## 1982 EIB Lending Up Substantially

Lending by the Luxembourg-based European Investment Bank (EIB), the E.C.'s bank for long-range financing, rose sharply in 1982, despite the worldwide recession, while its borrowings grew at an even steeper rate. The EIB loaned the equivalent of \$4.4 billion last year, up 22 percent from its 1981 lending level of \$3.8 billion, the bank said in a report on its 1982 operations. The bank's borrowings, however, increased by nearly 40 percent.

The bank said the significant increase in lending last year came in response to a call from the European Council—a forum of E.C. heads of state—for E.C. financing institutions to step up operations aimed at stimulating investment and employment. Loans to E.C. member countries in 1982 totaled \$3.9 billion, 26 percent more than the 1981 total. The largest recipients were Italy and the United Kingdom. EIB loans to non-E.C. countries last year totaled \$422 million, down 9 percent from 1981. Spain, which has applied for E.C. membership, was the largest outside beneficiary of EIB lending.



Yves Le Portz, president of the European Investment Bank.

The bank's borrowings in 1982 totaled \$3.2 billion European Currency Units (1 ECU = \$0.94). U.S. dollars accounted for the largest single share—about 24 percent—of the 1982 borrowings. EIB borrowings totaled ECU 2.3 billion.

## Community Helps Ease Exodus From Nigeria

The E.C. acted to ease a difficult exodus earlier this year when Nigeria issued a mass expulsion order against the estimated 2 million foreigners living within its borders without proper papers. Nigeria, a major oil exporter whose economic health has deterio-

rated seriously in recent months because of a downturn in petroleum prices, decreed the expulsion in late January, giving illegal immigrants two weeks to get out. The immigrants—mostly Ghanians—were left to face a difficult overland trek back home.

## EC Embarks on Aid Project to Help Beirut

The E.C. has undertaken a special aid project worth almost \$19 million to help rebuild the water supply network of the war-ravaged city of Beirut. The city's water network was one of the casualties of the prolonged fighting that followed the Israeli invasion of Lebanon in June 1982. An estimated 70 percent of the system, upon which Beirut's 1 million citizens depend for their drinking water, was damaged, raising fears for both the quantity and the potability of drinking water supplies for the Lebanese capital.

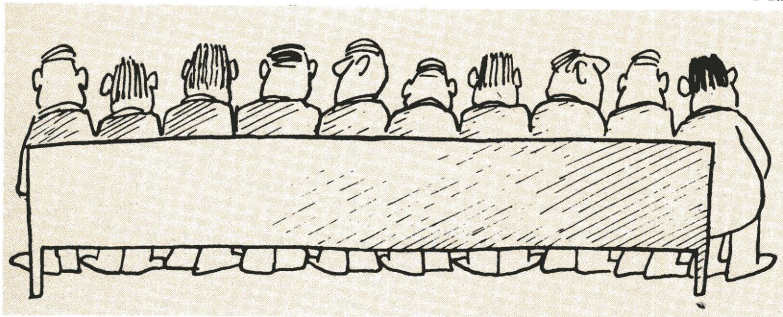
The special aid program, approved by the E.C. Council of Ministers in March, will cover the cost of constructing pumping plants and purchas-

ing water handling equipment. The aid comes on top of the E.C. financing already made available to Lebanon under an E.C.-Lebanon cooperation agreement and supplements a special, \$47-million loan to Lebanon from the European Investment Bank. The E.C. aid will be matched by a Lebanese contribution of about \$14 million.

E.C. policymakers had long expressed their desire to contribute to the rebuilding of Lebanon. They decided to help finance the water-system restoration project because Lebanese authorities had identified it as a top reconstruction priority and because it would benefit all Beirut residents, regardless of religion or politics.

## Who Pays for the EC?

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Who'll pay how much for the cost of running the E.C. when the cash needed to finance the Community's policies and program outstrips its current resources? That is expected to be the subject of a long-running debate among the E.C.'s member states in the months ahead. The Community needs to find a way to restructure its finances because its current sources of cash will be inadequate to meet the cost of the

planned entry of Spain and Portugal into the E.C. The Community draws most of its present resources from a maximum 1 percent of the value-added tax (VAT) levied by its member states and from agricultural and customs levies.

In a "green paper" released earlier this year, the Commission outlined possible ways to bolster the Community's finances in the future, but said it

would wait until it could get feedback from the Council of Ministers and the European Parliament before making specific proposals later this spring.

According to the Commission, the easiest way to generate additional Community revenues would be to increase or remove the present 1 percent ceiling on VAT. However, it noted that such moves have been resisted in the past by Britain and the Federal Republic of Germany. Other alternatives would be to implement systems that would tie the level of a country's E.C. contributions to its prosperity, as measured by gross domestic product, or to that country's agricultural output. At present, spending on agriculture accounts for about 65 percent of the Community budget. Industrial levies

such as those now paid by the coal and steel industry to partly finance the European Coal and Steel Community would be another option for boosting E.C. funds, the Commission said.

The Commission said that the Community's institutions—which include the Council of Ministers, the Commission, and the European Parliament—should be empowered to raise additional revenues without having to obtain the approval of national parliaments. While noting that this was a sensitive issue, the Commission said that E.C. institutions would have to have greater independence in their revenue-raising power if the Community is to develop into a viable political and economic entity.

## EC Proposes New Trade Complaint System

The E.C. Commission has proposed a new regulation empowering it to act quickly and effectively to defend E.C. trading interests against unfair foreign competition. The proposed regulation would permit E.C. industries harmed by unfair trade practices to bring their complaints directly to the Commission. The Commission, adhering to a set timetable, would study those complaints, determine their merits, and decide what, if any, countermeasures the E.C. should take.

The terms of the proposal make clear that any such countermeasures would have to be consistent with the Community's international trade commitments. Examples of possible countermeasures could include taking recourse to the General Agreement on Tariffs and Trade (GATT) to settle the dispute, raising customs duties on the product involved in the complaint, or the suspension of previously negotiated trade concessions.

The proposal would fill a gap in the E.C.'s current powers by permitting it to take action against trade-rule violations that hurt E.C. industries in international markets, as well as within the E.C. itself. It also would give the Community authority to act against some type of violations not covered by existing E.C. statutes. These include restrictive administrative practices contrary to international trade law, restrictions on raw material exports, and certain types of import restrictions.

The proposal would give the Commission powers similar to those invested in the U.S. Government by the US 1974 Trade Act. However, the Community, which has criticized parts of that U.S. legislation for being "subjective and arbitrary," claims its proposed new system would escape those shortcomings by providing a transparent means of handling trade complaints.

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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.

**Maturity and Crisis in the European Car Industry: Structural Change and Public Policy.** Industrial Adjustment and Policy: I. Sussex European Papers, No. 8. By Daniel T. Jones. Sussex European Research Centre, Sussex, 1981. 121 pp. £4.00.

Outlines important changes taking place in the European automobile industry, assesses the effects of past government intervention on the policies and performances of some companies, and discusses options facing automobile companies in the future, such as policy formation at a European level.

**Technical Change and Survival: Europe's Semiconductor Industry.** Industrial Adjustment and Policy: II. Sussex European Papers, No. 9. By Giovanni Dosi. Sussex European Research Centre, Sussex, 1981. 103 pp. £4.00.

Analyzes the performance of the semiconductor industry in West Europe. Argues that in order to close a technical gap, governments must promote more comprehensive policies to encourage market forces.

**The European Power Plant Industry: Structural Responses to International Market Pressures.** Industrial Adjustment and Policy: III. Sussex European Papers, No. 12. By John Surrey and William Walker. Sussex European Research Centre, Sussex, 1981. 90 pp. £4.00.

Looks at the situation facing European producers of electric power plants, and problems such as competitive pressures from Japan and the United States, import-substitution policies in the third world, and a widespread slowdown in business since the mid 1970s.

**Regional Development Agencies in Europe.** Edited by Douglas Yuill, Gower Publishing, Brookfield, VT, 1982. 449 pp. \$44.50. Information on the operation and function of selected regional development agencies in the European Community. Each chapter studies agencies in one country, following a uniform format for purposes of comparison. Information includes sources of funds, budget and expenditure, administration and historical background. Greece is not included.

**Dictionary of the European Communities, 2nd Edition.** By John Paxton. St. Martin's Press, New York, 1982. 282 pp. \$27.50. Concise definitions and explanations of Community related terms and organizations, with bibliographic notes on key individuals. Brief background or statistical information given when necessary; includes acronyms.

**The Successor Generation: International Perspectives of Postwar Europeans.** Edited by Stephen F. Szabo. Butterworths, Boston, 1983. 183 pp. \$45.00.

Analysis from various authors of the changes in the Atlantic alliance due to the emergence of a new generation of decision-makers. Discusses the importance of historical experience and perspective, and uses public-opinion surveys and studies in East and West Europe as bases for evaluation.

**Third World Policies of Internationalized Nations.** Edited by Phillip Taylor and Gregory Raymond. Greenwood Press, Westport, CT, 1982. 282 pp. \$35.00.

Survey of the economic and political policies of industrialized nations toward developing countries in Asia, Africa, and Latin America. Focuses on the widening economic gap between the two groups of nations, and attempts to merge economic political theory with reality and historical facts to analyze problems.

**United States Foreign Policy at the Crossroads.** Edited by George Schwab. Greenwood Press, Westport, CT, 1982. 268 pp. \$29.95. Papers presented at a City University of New York conference assessing the current effectiveness of American foreign policy. Areas considered were cold-war foreign policy; the impact of natural resources and international trade; third-world problems; nuclear issues.

**Regional Economic Development and Policy.** By David Pinder. Allen & Unwin, Inc., Winchester, MA, 1983. 130 pp. Cloth \$24.95, paper \$10.95.

An overview of regional problems and policies in the European Communities, emphasizing the complexities of regional economic systems and the policies that attempt to modify them. Points out areas of conflict between national Governments and the E.C. Commission, and foresees regional problems with the Mediterranean enlargement of the European Community.

**Possibilities and Limitations of a Regional Economic Development Policy in the Federal Republic of Germany.** EUI Working Paper, No. 31. By Klaus Topfer. European University Institute, Florence, Italy, 1982. 23 pp.

A talk on the weaknesses and limitations of regional development policy in the Federal Republic of Germany. Outlines goals of regional policies since the early 1970s, and explains how these goals are sometimes unrealistic and difficult to achieve.

**The Ability of German Political Parties to Resolve the Given Problems: The Situation in 1982.** By Dr. Karl Hohmann. EUI Working Paper, No. 29. European University Institute, Florence, Italy, 1982. 18 pp.

Speech on the problems and conflicts in modern society in the Federal Republic of Germany and the attempts of the major political parties in Germany to respond to them. Touches on a variety of subjects such as effectiveness of the party system, trade unions, youth groups and military service, and unemployment.

**Germany: Keystone to European Security.** American Enterprise Institute Foreign Policy and Defense Review, Vol. 4, Nos. 3 & 4. Edited by Joyce Lasky Shub. American Enterprise Institute, Washington, D.C., 1982. 71 pp. \$7.00.

Representatives of four political parties and other authors consider how the Federal Republic of Germany can enhance European security. Covers requirements for defense, the alliance between the United States and Germany, the relationship between economic and security policies, conventional defense, and détente.

**Le Droit de la Communauté Economique Européenne: Vol. 11, Dispositions financières.** By Antonio Sacchetti. Editions de l'Université de Bruxelles, Brussels, 1982. 112 pp.

A look at the interaction of Community institutions in the process of allocating the budget and the conflicts between national economic policies of the member states regarding Community funds. Comments also on the budget process and the responsibilities of the Court of Auditors.

**French Political Parties Under the Fifth Republic.** By Frank L. Wilson. Praeger Publishers, New York, 1982. 285 pp. \$26.95.

Examines the place of political parties in French politics, with their history of fragmentation and polarization. Analyzes how changes in the party system affect political institutions, public attitude toward parties, and the role of parties in parliament and the bureaucracy. Traces development of Gaullists and Giscardians and transformations in the Socialist and Communist parties.

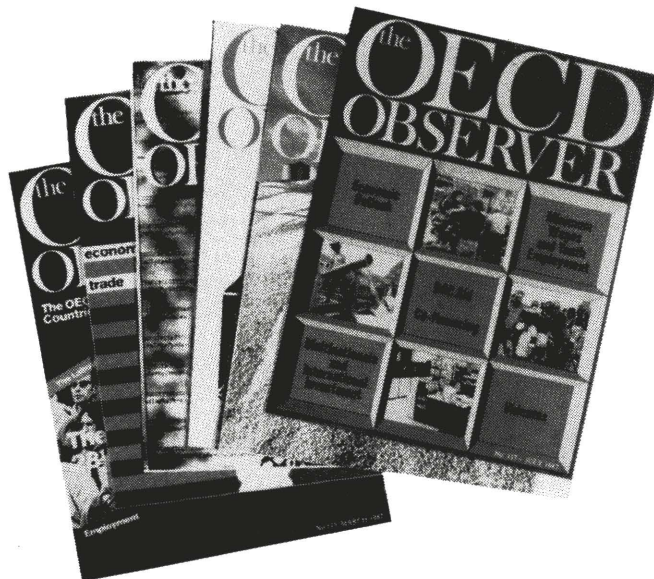
**National Laws and International Commerce: The Problem of Extraterritoriality.** Chatham House Papers, No. 17. By Douglas E. Rosenthal and William M. Knighton. Routledge & Kegan Paul, Boston, MA, 1982. 96 pp. \$10.00.

Deals with the problems of extraterritoriality. Specifics discussed are extraterritorial antitrust enforcement, overlapping regulatory claims, economic regulation for political aims, and different approaches to adjudication. Proposes changes in national policies.

**Developments in International Trade Policy. Occasional Paper 16.** By S.J. Anjaria et al. International Monetary Fund, Washington, D.C., 1982. 124 pp. \$5.00.

Update on the commercial policies of the major trading nations, including an overview of trade trends in industry and agriculture and changes for developing countries. Most major industries in the E.C., the United States, Japan, Canada, and Australia are discussed, including steel, electronics, textiles, grain, and dairy products.

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**Asbestos: Directory of Research and Documentation Centres, EUR 7809.** Edited by Sandro Amaducci. D. Reidel Publishing Co., Boston, MA, 1982. 389 pp. \$52.00.

Directory of 154 research centers and 68 documentation centers dealing with asbestos. Listed alphabetically and by country.

**Asbestos: Directory of Unpublished Studies, First Edition: Up to July 31, 1981.** EUR 7810. Edited by Sandro Amaducci. D. Reidel Publishing Co., Boston, MA, 1982. 338 pp. \$45.00.

Provides a summary description of the current state of asbestos research, including studies not yet published.

**Muscle Hypertrophy of Genetic Origin and its Use to Improve Beef Production.** EUR 6896. Edited by J.W.B. King and F. Méniéssier. Martinus Nijhoff Publishers, Boston, MA, 1982. 658 pp. \$76.00. Seminar in the

CEC Program of Coordination of Research held in Toulouse, France, June 1-12, 1980.

**Aujeszky's Disease.** EUR 7638. Edited by G. Wittmann and S.A. Hall. Martinus Nijhoff Publishers, Boston, MA, 1982. 295 pp. \$44.00. Seminar in the animal pathology series of the CEC Program of Coordination of Agricultural Research, held at Tübingen, Federal Republic of Germany, June 9-10, 1981.

**Immunology and Ageing. Development in Hematology and Immunology, Vol. 3.** EUR 7619. Edited by N. Fabris, Martinus Nijhoff Publishers, Boston, MA, 1982. 229 pp. \$37.50.

Proceedings of the workshop held in Portonovo, Ancona, Italy, September 25-26, 1980, as part of the E.C. Concerted Action Program on Cellular Aging and Decreased Functional Capacities of Organs.

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**The Economic and Social.** Economic and Social Committees, Brussels, 1982, 28 pages .....free  
Basic brochure on the composition and functions of the committee.

**Community Development Policy.** *The Courier* No. 76, Commission, Brussels, November-December 1982, 109 pages.....free  
*Reproduces the text of the Commission's memorandum of October 4, 1982.*

**The Community and the EFTA Countries.** *Europe Information* No. 61/82, Commission, October 1982, 24 pages .....free

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**Vade-mecum of Contract Research (Indirect Action).** Commission, Brussels, 1981, 46 pages .....free  
*Outlines types of contracts financed by the E.C. under its research programs, with samples of calls for tenders for contracts.*

**Greece's Accession to the European Community.** *Research and Documentation Papers, Economic Series* No. 4, European Parliament, Luxembourg, August 1982, 76 pages .....\$1.00  
*Stocktaking of the major issues connected with Greece's accession.*

**Report on European Political Cooperation and European Security.** *Working Documents* No. 1-946/82, European Parliament, Luxembourg, December 3, 1982, 76 pages .....\$2.00  
*Report by Niels Haagerup on NATO force modernization, arms control, and détente in Europe in the context of European Political Cooperation.*

**The Competitiveness of the Community Industry.** Commission, Brussels, 1982, 109 pages .....\$9.50  
*Assessment of the competitive position of E.C. industry compared to the United States and Japan. Factors examined include international trade patterns, wage costs, productivity, investment, technology and innovation, human capital, and corporate structure and finance.*

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**Alternate Training for Young People: Guidelines for Action.** European Centre for the Development of Vocational Training, Berlin, 1982, 103 pages .....\$4.25  
*Study by Jean-Pierre Jallade designed to provide guidelines on planning and implementing programs linking training and practical work experience.*

**Bibliography on Transport.** *Documentation Bulletin B/3*, Commission, Brussels, July 1982, 213 pages....\$3.00  
*Bibliography of Community legislation, proposals, documents and publications on transport with references to non-Community sources on E.C. transport policy.*

**University Research on European Integration.** Commission, Brussels, 1982, 466 pages .....\$17.00  
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