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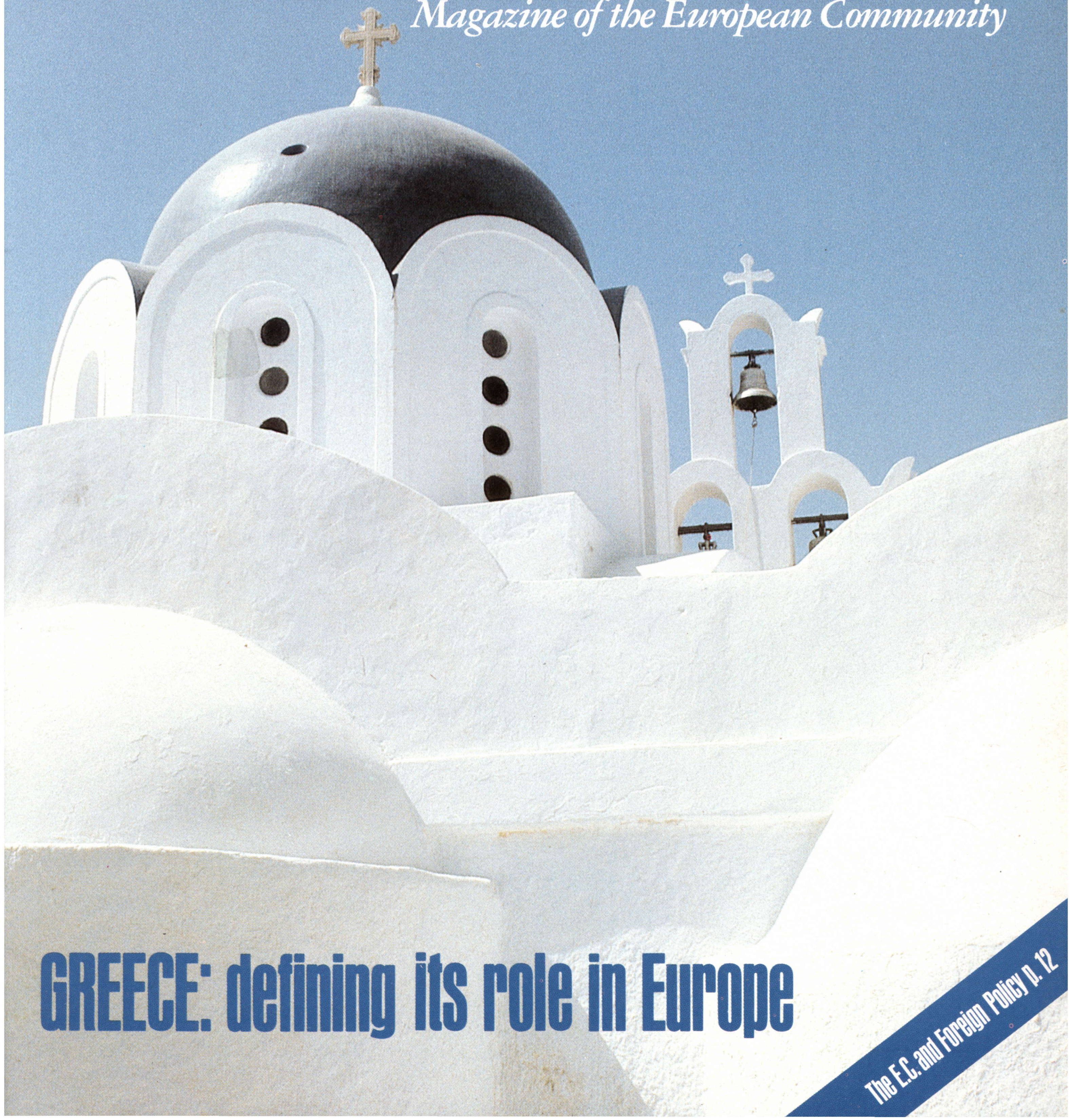

GREECE: defining its role in Europe

The E.C. and Foreign Policy p. 12

7624

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Cover: Santorini, Greece.
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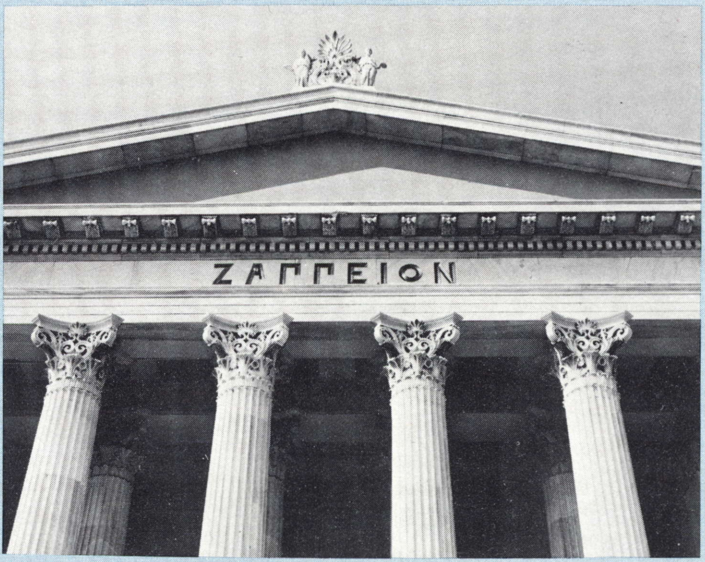
Publisher's Letter

The European Community has spent much of the second half of 1983 in looking toward Athens. This is partly because of the crucial European summit taking place there on December 4-6 and partly because up to the end of this year the Greek Government of Prime Minister Papandreou occupies the presidency of the E.C. Council of Ministers. The presidency, which rotates every 6 months between the E.C. member states, will be occupied by France and Ireland respectively during 1984.

The Athens summit will climax 6 months of preparation aimed to keep the Community both solvent and viable. The difficult and fundamental problems awaiting E.C. leaders at Athens have become one ball of wax—the E.C. budget and lifting the present ceiling on E.C. revenues, reforming the Common Agricultural Policy, and the enlargement of the Community to include Spain and Portugal. The decisions at Athens in December could well dictate the character and shape of the European Community for many years to come. In this issue Ferdinando Riccardi explains the background to this important summit.

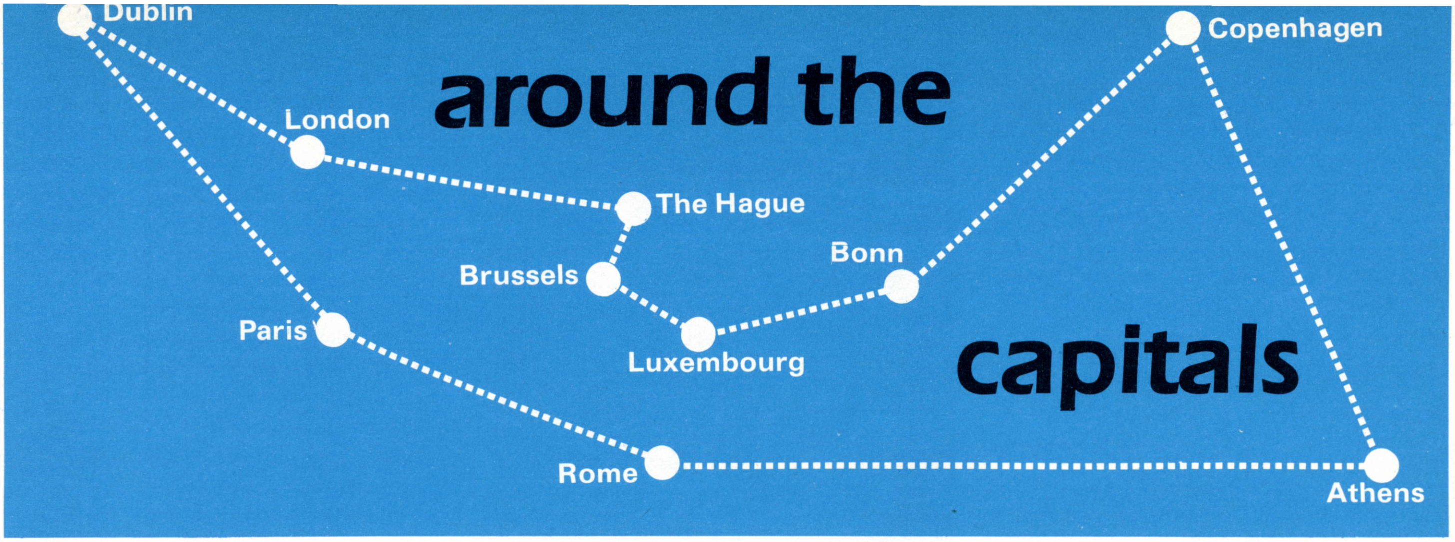
Greece, in its role as president of the Council of Ministers, has played an important part in keeping the pre-Athens negotiations on track, an especially difficult job at a crucial phase in the E.C.'s development. This issue of Europe *includes a member-state report on Greece, the E.C.'s newest and, arguably, most colorful member. Under Secretary Grigoris Varfis, who presides over the meetings of the Council, describes the Greek Government's aims and objectives. Kerin Hope of* the Associated Press *takes a journalist's look at the social and political metamorphosis Greece has undergone since Papandreou's Socialist Government came to power two years ago. In another article, Victor Walker, correspondent in Greece for* The Journal of Commerce, *sets out his views on the economic difficulties which confront that country and have led the E.C. to pledge massive aid to Greece to modernize its industry and agriculture. On the culture front, French art critic Louis Ronze examines the controversy surrounding the Elgin marbles, which once formed part of Athens' Parthenon. The demand by Greece for the return of the marbles, which have been housed in the British Museum since the early 19th century, has become one of the world's hot cultural issues.*



Zappeion Hall in Athens where the E.C. Council of Ministers meets and where the European Council summit of E.C. heads of Government will take place in December.

Denis Corboy

around the capitals



London

In the corridors of power at Westminster, one question is being asked with increasing frequency nowadays: Is the Prime Minister driving herself too hard? Margaret Thatcher revels in the nickname "Iron Lady," but more and more people around her are wondering how long her iron constitution can last if she keeps up her present pace.

The first alarm signal was in August 1982 when she was taken to the hospital for an operation on varicose veins in her legs—a sign of the strain she endures with so much standing at public appearances. A year later—last August—she had an emergency operation for a tear in the retina of her right eye. Although she pronounced herself "101 percent fit" immediately afterwards, there is growing concern at the way Thatcher—58 last October 13—refuses to ease up on a workload which would exhaust someone half her age.

Seven days a week she is absorbed with politics and goes for long stretches with less than six hours sleep a night. At the last E.C. summit at Stuttgart, she returned to her hotel at 1 A.M. after a working dinner, but stayed talking with her advisers for another hour and was then sitting up in bed at 6:30 A.M. reading the latest file of telegrams from British ambassadors round the world.

Thatcher is the sort of dedicated woman who ignores the jetlag of a 15-hour flight from Hong Kong after a 21,000-mile tour of Asia and goes straight into a Cabinet meeting at Downing Street. Her political intimates admit that she doesn't know how to relax. Harold Wilson would slip away from the burdens of the premiership to have a round of golf. Edward Heath would escape to sail his yacht. James Callaghan would go down to his farm and Lord Home would shut out the world's problems standing by a Scottish river with a fishing rod in his hands.

Thatcher cannot even enjoy a proper vacation. After a week away from her political command post she is anxious to be back at the helm. She cut short her convalescence in Switzerland after her eye operation. Her doctors have warned her that she will prolong her full recovery for months if she does not take more time to rest her eyes. She wears dark spectacles in private, but pays little attention to other advice.

Prime Minister Margaret Thatcher.

An occasional weekend at Chequers, the Prime Minister's official country residence, is the only break she takes—and even there she spends most of her time reading official papers. Some relaxation during parliamentary sessions can always be arranged. Edward Heath would disappear from Downing Street for a concert at the Royal Festival Hall. Lord Home would be tempted to the theater for a play by his brother, William Douglas-Home. But Thatcher shows little interest in concerts, plays, films, opera or ballet. In the past 18 months her only visit to the theater was to see a satire on herself and her husband called "Anyone for Denis?" As one of her aides admitted: "She is a workaholic. She exists on pure adrenalin, but that can't keep her going forever at this pace."

Some statesmen are what I call "A.M. people"—able to start work early in the day, but firm in calling a halt well before midnight. Lord Carrington as Foreign Secretary would spend an hour before breakfast working on Foreign Office telegrams, but he would insist on "shutting up shop" at 11 P.M. unless there was an international crisis.

Others are "P.M. people"—those who start later in the day, but can go on until 2 A.M. without flagging. Such a person was Winston Churchill (although he "cheated" in his later days by having a nap after lunch). The "Iron Lady," however, burns the candle at both ends. She keeps going—and she keeps her staff going—often well after midnight and is still first up in the morning at 6 A.M. or 6:30 A.M., as bright as if she had enjoyed eight hours sleep.

Several senior members of the Conservative Party are expressing anxiety at her unwillingness to shed any of the work by delegating some of her responsibilities and are suggesting that it would be wise to have constitutional provisions for someone to stand in for her—in case of incapacity or absence. Despite all the legal expertise in Britain which provided constitutions for all sorts of contingencies in over 35 countries which evolved from British colonies to independence, there is no provision in the British constitution for a deputy Prime Minister.

It is assumed that the most senior member of the Cabinet in the House of Commons, Sir Geoffrey Howe, the Foreign Secretary, would be the natural stand-in, but this would not be the case officially. Some Conservatives have suggested that there should be a Minister of State assigned to the Prime Minister's office to ease her burdens by taking day-to-day control of the running of Downing Street in her absence.

But Thatcher is not a woman to yield any

of her authority at this stage. Her firm "I'm in charge" attitude is an assertion of her readiness as the daughter of an English shopkeeper to "mind the shop herself at all times." As she once observed to me when I was feeling exhausted at keeping up with her on her travels and asked how she kept going: "The harder I work, the better I feel."
JOHN DICKIE

Paris

Paris is getting a new opera house for the first time in a century and the 14th time since the first opera house was opened in 1669. The Socialist Government of President François Mitterrand wants to make opera more accessible to the masses. Plans for a new opera house began brewing during the 1981 presidential campaign, when Mitterrand pledged to embark on a "cultural revolution" that would bring the public and the arts closer together.

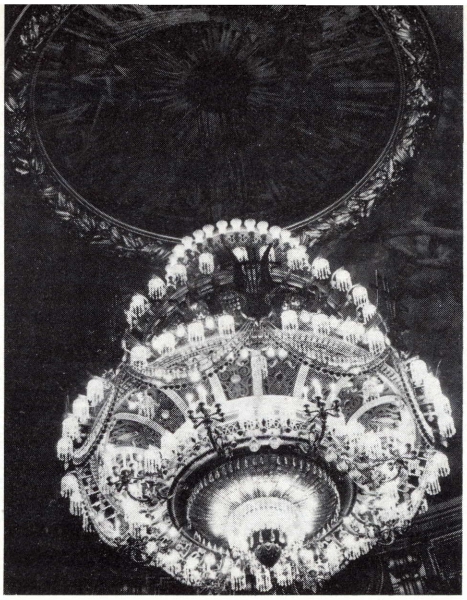
Under Mitterrand's project, construction of the new opera house is to begin early next year and be completed in 1988. It will be located in a working class district of eastern Paris at the Place de la Bastille, where the 1789 French Revolution began when the notorious Bastille prison was stormed and demolished.

The 2 billion franc (about $250 million) Opéra de la Bastille will replace the 108-year-old Palais Garnier, a lavish strucutre which sits in the heart of Paris across from the fashionable Café de la Paix. The Palais Garnier, which no longer can fill the public's growing demand for opera tickets, will be used only for ballet and other dance presentations in the future.

"Opera will become more accessible to the people at prices they can afford," Culture Minister Jack Lang has said of the Opéra de la Bastille project. Project director Fançois Bloch-Laine has added, "We want to create a functional, modern theater of lyric art which will triple the number of opera seats in Paris."

Not everyone is singing arias of praise for the project. Critics have attacked the cost and location. They contend France can ill-afford such a project in the state of its current economic situation. They have expressed concerns that a modern complex would mar the character of the old quarter and they fear that the construction site is too far from the mainstream of Parisian activity.

To make room for the new opera house, the government will demolish an obsolete train station, a cinema, a restaurant, and a block of apartments that now house 200 people. Some of those residents have formed an association to try to urge the government



The Palais Garnier, Paris' stately old opera house, is beloved for its elegance. courtesy French Embassy

to find a new site. "It seems unrealistic for an opera to receive such a high concentration of spectators daily in an inaccessible area," the newspaper *Le Monde* said. Government officials, however, point out that the Place de la Bastille is well-serviced by subway lines and that the cost of trying to enlarge and improve the existing opera house would be impracticable.

Few opera fans would deny that improvements are needed in Paris, where demand for opera tickets far outnumber the availability of seats in the ornate Palais Garnier. The Palais Garnier, one of the prides of the Second Empire, can seat 2,131 people. But only 1,500 seats have a full view of the stage and 400 seats have no view of it all. The Palais Garnier has seen better days since it opened in 1875. The paint on its walls is peeling, the velvet armrests of its seats are worn thin, the building has no elevators, and its doors are so narrow that sets have to be dismantled and then reconstructed on its stage.

The problems with seatings and production costs have made Paris opera tickets among the most expensive in the world. Opening night tickets cost up to $100 and a yearly subscription sells for as much as $700 for only six operas. Even so, competition for good seats is fierce and fans joke that a season opera ticket is one of the most prized assets left in a relative's will. The Opéra de la Bastille will be able to seat 3,000 people in the main theater. It also will have a 1,500-seat adjustable theater and rehearsal studios. Unlike the Palais Garnier, it will have facilities for making sets, props, and costumes on its premises.

The architectual design for the new opera complex is to be unveiled later this year. Whatever its design, the Palais Garnier will be a hard act to follow. Despite its production drawbacks, the stately old opera house is beloved for its elegance. Millions of tourists have visited the Palais Garnier in the last century to admire its many-hued marble, red velvet boxes with chaises longues and, more recently, the spectacular domed ceiling decorated by Marc Chagall in 1964.
CAROLYN LESH

Bonn

Even while some workers were raising demands that the steel and shipbuilding industries be nationalized, other voices were asking how soon the Federal Republic of Germany's Government of Christian Democrats and Liberals will start selling off some of the industries the state already owns. Calls for state ownership of the steel and shipbuilding industries were raised by some delegates to the annual congress of the huge metalworker's union. But they also made it clear that they really had in mind a state guarantee of all existing jobs in those troubled branches.

However, the right-of-center Government formed by Christian Democrat Helmut Kohl with the support of Foreign Minister Hans-Dietrich Genscher's Liberals on Oct. 1, 1982, had no intention of nationalizing any more industries. Indeed, in his main Government policy statement to the Bundestag after he won the March 6 parliamentary election, Chancellor Kohl declared that "we are leading the state back to its basic tasks, in order to enable it to fulfill them reliably." Most of Kohl's listeners interpreted this passage as a

Lufthansa, the Federal Republic of Germany's national airline. courtesy Lufthansa promise to begin selling off some of the 1,000 or so enterprises belonging to the state.

Bernhard Friedmann, the Christian Democrat who chairs the parliamentary expenditures auditing committee, said that too many of the businesses owned by the state competed unfairly with small private entrepreneurs who were forced to pay taxes in order to finance the losses of the state-owned companies. The sooner the state sold off those businesses the better, he said.

Liberal member of parliament Wolfgang Weng, who owns an apothecary shop in Stuttgart, agreed with Friedmann, adding that a lot of state-owned businesses would be more profitable if their boards of directors consisted not of "civil service employees just sitting around, but of men who have their noses to the wind." Gerhard Stoltenberg, the Christian Democratic Minister of Finance, probably shares these views. But he also is aware that the capital market in the Federal Republic of Germany already is slender, with most risk money preferring to take advantage of higher American interest rates. This hardly seemed the time to dump several companies on the market, he said, warning that he did not believe in "short-term action for the sake of action."

Some things, of course, the state cannot sell. The state is stuck forever with the railway system, and also with the post office, which in the Federal Republic of Germany is responsible for both postal and telephonic communications. It also operates a popular banking service, as well as several bus lines. Stoltenberg is thought most likely to fall back on a technique already successfully applied to Volkswagen in 1961 and to the huge United Electricity and Mining Corporation (VEBA) in 1965. In both cases, the state increased the corporation's capitalization, selling most or all of the new shares on the open market to private investors.

The national airline, Lufthansa, which happens to be a profitable enterprise, is considering increasing its capitalization from 900 million to 1.2 billion Deutsche marks (about $460 million) in the spring. The state owns 74.3 percent of Lufthansa's existing shares. By refusing to exercise its option rights to any of the new stock issue, the state could reduce its share to about 56 percent.

Stoltenberg might also agree to sell some of the VEBA shares the state still holds. The state retained 43.8 percent of VEBA after the 1965 action. German newspapers have reported rumors that the Finance Minister is prepared to sell enough to reduce the state's share once more, to about 25 percent. But, of course, investors are looking for dividends. This means that the Government will continue to be stuck with some companies it would love to shed. WELLINGTON LONG

Rome

In the Middle Ages, the church sold "indulgences." It would forgive your sins in return for a lump sum payment. For convenience and sheer capacity to raise revenue there was nothing to beat it. Italian Governments have discovered the same thing. The tax system may be creaky and find it difficult to provide the revenue the state needs, but there are ways around that. Last year, Italians were excused many past income tax offenses if they paid a lump sum in an amnesty. It was considered such a convenient way of getting a clear conscience and freedom from the attention of the taxman, that even people who had not knowingly committed a tax offense paid up.

The Navona square in Rome.

Now the Government is repeating the policy, but this time in another area where the law is broken—house building. It is estimated that since World War II, no less than 3 million apartments and houses have been built in contravention of the planning regulations or simply without permission, a substantial proportion of all the new homes built for a population of nearly 60 million. A further 10 million homes are thought to have illegal extensions and conversions.

At least half the Italian population has made a major shift since the war from south to north, from hillside to valley, or from country to town. The town halls of many cities were totally unable to regulate this transformation, to keep abreast of the flood of building permit applications, and to direct the development where it wanted it to go. In many cases, it was more lucrative for officials not to issue the permits and to turn a blind eye to what was going on—at a price paid under the counter.

Whole neighborhoods of cities were built illegally, especially in Rome, Naples, Palermo, and along the west coast, where thousands of holiday flats were put up. In many cases the new neighborhoods lacked proper services and the houses were badly built. But they were sold off and became permanent. Under the amnesty, owners of illegal buildings can pay a lump sum according to the nature of the original offence and when it was committed. The scale of charges rises sharply for buildings put up since 1977: A flat built since then will cost 9 million lire (about $5,600) to legalize. Anything built between 1942 and 1977 is fairly lightly punished.

Italians have only a few weeks to make their confessions, but the amnesty has already been heavily criticized by just about everyone. It is being said that it diminishes the dignity of the state and fails to distinguish between genuine speculators and those forced by the inertia of bureaucrats to go ahead with building illegally. And it is pointed out that the speculators who originally built the properties are usually going unpunished. It is the present owner who has to pay for the pardon. Nor does the amnesty do anything to straighten out the devastation of the countryside and the urban environment that speculation has brought. Rather, that devastation is being sanctified.

The decree, part of the budget recently announced by the Government of Bettino Craxi, Italy's first Socialist Prime Minister, is facing strong opposition in parliament from the Communists. Hardly anyone is very proud of it. But it does have one great advantage: It ought to bring the Government about $6.25 billion and that will go a long way toward stopping next year's budget deficit getting out of control. JAMES BUXTON

Brussels

A paraphrase of Richard II came to mind at the funeral of Leopold III in October "... and tell sad stories of the life of Kings." Leopold lived for 81 years, and reigned as King of the Belgians for 17 of them, but it's a safe bet that his place in history will be indelibly stamped by his actions during just 18 days in May 1940. Forty three years later, his death has unlocked old memories of the events that led to the near-collapse of the Belgian monarchy.

The restrained public mourning, the equivocal tone of the obituaries, and the publication of fresh memoirs underline the enduring controversy over the man branded by Churchill as a traitor, but defended by many of his countrymen as a maligned Belgian patriot. Some facts are undisputed. Others have gone with Leopold into the royal tomb at Laeken. Only in the dignified silence in which he spent his last 32 years did Leopold command widespread gratitude.

The undoing of the man acclaimed as the most popular crowned head in Europe came when the Germans invaded Belgium on May 10, 1940. Leopold assumed command of the Belgian army and on May 28th offered its unconditional surrender, without consulting his Government which had fled to exile in France. Churchill claimed that the shock capitulation had exposed the retreating British army to the enemy and endangered the evacuation from Dunkirk.

Leopold's defenders argue, however, that had the King followed his Government into immediate exile, the Belgian army would have promptly surrendered and the British forces would have had no escape. The British historian Sir Basil Liddell Hart has argued that "It could very reasonably be claimed that they were saved by King Leopold." Whatever the truth in this, the pattern of Leopold's life as a subsequent prisoner of the Germans was not considered particularly heroic by many of his countrymen.

King Baudouin. courtesy Belgian Tourist Authority

After the war, Leopold lived in exile in Switzerland for five years while political storms raged in Belgium over the "Royal Question." In 1950, a referendum was held on whether or not to restore the King. Leopold won the backing of 57.88 percent of the voters—a bare fraction over his self-imposed minimum of 55 percent. He came back anyway to be greeted by angry demonstrations, rioting, and a 24-hour strike in French-speaking Wallonia, where anti-royalist feelings ran strongest. Revolution was briefly threatened before the King bowed to the inevitable and agreed to abdicate in favor of his son Baudouin.

It is a measure of King Baudouin's quiet, self-effacing authority that the Belgian monarchy is now as secure as at any time since his reign began 32 years ago. This is all the more impressive in that the period has witnessed striking changes in the political and economic configuration of Belgium. The post-war years have seen a dramatic rise in the prosperity and power of Flanders, the Dutch-speaking half of the country, to the detriment of French-speaking Wallonia where the recession in basic industry has hastened the region's absolute and relative decline. This, in turn, has fuelled linguistic and cultural confrontations leading to the rise of regional self-government and making increasing demands on the authority and impartiality of the King.

A scholarly, youthful looking man with a passion for scientific research common to his ancestors, Baudouin has succeeded in restoring dignity to the Belgian throne, while at the same time stripping it of much of its earlier pomposity. His popularity is immense. How much of it is due to his own personality and that of his wife, the Spanish-born Queen Fabiola, and how much to a basic yearning for an effective monarchy is difficult to say. But outside of the French-speaking Socialist and Communist Parties, there is no anti-royal sentiment to speak of in Belgium today. Baudouin has no children and the technical heir to the throne is his brother Prince Albert, but the expectation is that the next monarch will in fact be Albert's son Phillip, a serious, studious man likely to build on the goodwill created by the present King. ALAN OSBORN

Luxembourg

What do the following have in common: an English Lord angry about high air fares, a Dutchman buying a sailing boat in France, an Irish importer of handicrafts, and the E.C. Commission? Answer: They have all, directly or indirectly, brought cases in the European Court of Justice in Luxembourg. The list could be extended. Governments, companies, and trade associations, as well as sexual-rights campaigners, fishermen, and farmers have all been numbered among the court's ligitants in recent years.

One might think this a confusing mishmash to put before the judges, but the cases are all linked by a common theme—the belief that the laws enshrined in the treaties establishing the European Community are being broken. If a lot of special pleading has been done, the fact remains that the court's judgments and *obiter dicta* are slowly, but surely, clothing the stiff legal framework of the treaties in practical meaning.

The 11 red-robed judges, drawn from the 10 E.C. member countries, proclaim the so-

European Court of Justice.

lemnity of the court. The building which houses them, looking like a giant matchstick toy, suggests its modernity. Yet for all its authority and relevance the court is surprisingly little known by the public in Europe. The occasional judgment makes it way into the newspapers, such as France being ordered to lift restrictions on British lamb exports, or Britain being told to accept shipments of heat-treated long-life milk from the Continent. But cases on the "transparency of financial relations between public authorities and public enterprises" do not command a widespread popular following. By far the majority of the suits brought in Luxembourg concern the interpretation of fine points of financial and trade law.

The importance of the court is that it is quite simply the supreme legal authority of the Community, its judgments subject neither to appeal nor to overrule by national courts or parliaments. In practice it is the "court of courts"—most of its work consisting of cases handed up by national courts and requiring the final sanction of the treaties. Its strength is the signature that each member country put to the treaties. Its weakness is its lack of any powers of enforcement or punishment.

Remarkably perhaps, the latter has seldom created lasting problems in the court's 30-year history. Skeptics sometimes point to the behavior of the French Government in 1980, when it said it would not accept the ruling on lamb and mutton. What might have followed is anybody's guess, but in fact the problem was solved by a political decision of the member Governments to set up new marketing arrangements. Italy is often accused of lacking respect for Luxembourg judgments, though in the end it has always accepted them, if some time afterward. That said, the lack of any punitive power has troubled many European lawyers though no one has produced any serious remedy.

More worrying to some is what they discern as a "federalist" leaning in the court's judgments. It is true that of all the E.C. institutions, the court adheres most strongly to the faith of the founding fathers with their taste for rapid and complete union of the member countries. The court can hardly be otherwise, shackled as it is to language written more than a generation ago.

The accusation is that the political realities of the past decade, which have dramatically changed conceptions of how the Community should develop, have largely by-passed the judges in Luxembourg. Their job has not been helped by the fact that easily the most familiar plaintiff is the E.C. Commission itself, which has a far greater interest in promoting integration than any of the member governments.

What could change this is greater awareness of the court and greater use of it by non-institutional litigants. The actions mentioned above are still very much the exceptions to the long march of recondite casework. One cannot imagine the judges relishing the kind of sustained criticism visited upon other Community institutions, but this may be the price which will have to be paid if the court is to rejoin the mainstream of political thinking in the E.C. ALAN OSBORN

Copenhagen

Socialists have not yet become an endangered species in Denmark. But if anyone a year ago had predicted that the president of the Danish Employers' Confederation, Benned Hansen, and the president of the most powerful Danish trade union, Georg Poulsen of the metalworkers, would agree that the traditional confrontation on the labor market is disappearing, very few observers would have paid attention.

Nevertheless, they did agree, and the past year has been one of the most peaceful in the history of the Danish economy. And this is despite the fact that real wages of Danish workers, by official government calculation, declined by 2.5 percent in 1983 and are expected to fall by a further 1.5 percent in 1984, while income of self-employed and retired people is expected to rise by more or less the same amounts. The metalworkers have never been noted for outspoken Marxist sympathies; in fact, they are some of the most bitter opponents of Denmark's now minuscule Communist Party. But their present stance is still a far cry from the very critical stand of other unions, notably those of unskilled workers, who believe that battle with the employers is an absolute must.

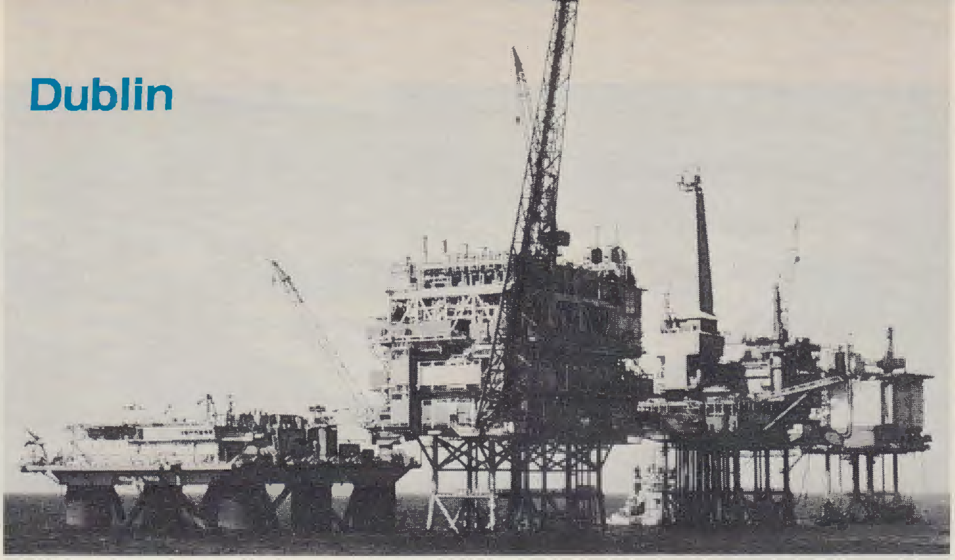
Even when the Conservative Government of Poul Schluter opened the fall session of the Danish Parliament with promises of new

austerity measures, very few workers responded. Of an estimated 60,000 people demonstrating in front of Parliament, only 8,000 were believed to be workers. The employers have responded to the developments by adopting a more positive approach to channelling pension-fund money to private companies. Fearful of union power and pension-fund socialism, the employers' organizations had blocked investments from these funds when they could. Now, however, they have changed their minds, and many bankers also welcome money that indirectly flows from union members. Giving companies a stronger equity base helps everybody, they say.

The statements of the metalworkers in the past months have emphasized the strong divisions in the Danish labor movement. The metalworkers have often taken an independent view. They are, for example, unequivocally in favor of introducing new technology on the factory floor and they accepted for the first time since World War II that pay in a medium-sized factory should be reduced to save the factory.

Whether the new stability on the labor market will translate into more stability in Danish politics remains to be seen. The Government has a fair chance of having its economic policies endorsed, but defense and security policies and the notoriously unstable parties needed for a Government majority in Parliament ensure that there will still be moments of suspense. LEIF BECK FALLESEN

Dublin



Ireland hopes that its exploration wells in the Celtic Sea will lead to oil riches such as those produced for the United Kingdom in the North Sea where this rig is working. courtesy Gulf Oil

Irish hopes are high that an oil find in the Celtic Sea off Ireland's South Coast by Gulf Oil this summer will go some way toward solving the economic problems of the European Community's second smallest and second poorest member state. The find was the talk of pubs and racecourses in the course of one of the sunniest summers Ireland has seen for years. The normally sleepy Dublin Stock Exchange exploded in a ferment as investors scrambled for shares in Atlantic Resources, an Irish-registered oil exploration company with a one third stake in the consortium which struck oil. Its partners are two U.S. companies, the Pittsburg-based Gulf Oil and Union Oil of California.

Atlantic's shares rose from about $0.48 to a high, as of press date, of $8.30, pushing the company's market value up from $8.3 million to $115 million and producing substantial profits for those who bought in July and August. The promise of Irish oil remains unrealized however, because neither the exploration consortium, led by Gulf, nor the Irish Government has declared the find commercial. The euphoria is so far based on just the results, admittedly good, of one "wildcat" exploration well. The Government has said that at least one or two more are needed before it can even be said that the field is commercial, let alone of giant proportions as some geologists think possible.

Gulf is to start drilling again at its site off County Waterford this month to prove the find up. The stock market is bracing itself for another outbreak of excitement around Christmas, based on the results from the next well. The Government is remaining cautiously optimistic about the find. A commercial discovery, no matter how small, would make a major difference to the Irish economy. It would take only a medium-sized field by world standards capable of producing 90,000 barrels of oil per day to make the Irish Republic self sufficient in oil.

Such a development would be just what is needed to boost the flagging economy. In the second half of the 1970s, Ireland's economy was the fastest growing in the E.C. Much of that growth was achieved though by heavy international borrowing. Then, and when international interest rates shot up in 1980, Ireland—like Brazil, Poland, Argentina, and many other nations with heavy debt—was hoisted on its own petard. While the borrowing difficulties have not turned out to be as serious as in some Latin American countries, they were nevertheless severe, necessitating a succession of restrictive budgets.

The average Irish person's standard of living has fallen by over 10 percent since 1980 and unemployment has risen from under 10 percent of the workforce to 15 percent. What's worse, economic forecasts for Ireland for next year and after predict an even more sluggish performance than for the E.C. as a whole. Hence the hopes engendered by the oil find.

The Government has adopted a cautious approach and, the find notwithstanding, is preparing another tough budget for 1984 involving sharp public expenditure cutbacks. It is also being said that it might reimpose property taxes on houses, which were abolished during the "good times" in Ireland in the late 1970s.

According to Ireland's Industry and Energy Minister, John Briton, a spending spree based on oil revenues that have not been proven would be disastrous. He is preparing, however, though to make the best of the find, if and when it materializes. In October, he visited London to talk to his British counterparts about tax policies in the North Sea. He plans similar information visits to oil ministers of the Netherlands and Norway shortly. He is keeping his fingers crossed that with time he will be joining that exclusive club of energy ministers in European oil-producing states. KEN O'BRIEN

U.S. wary of E.C. farm

U.S.-E.C. disputes over oils tax and corn gluten threaten to boil over.

BETH EASTMAN

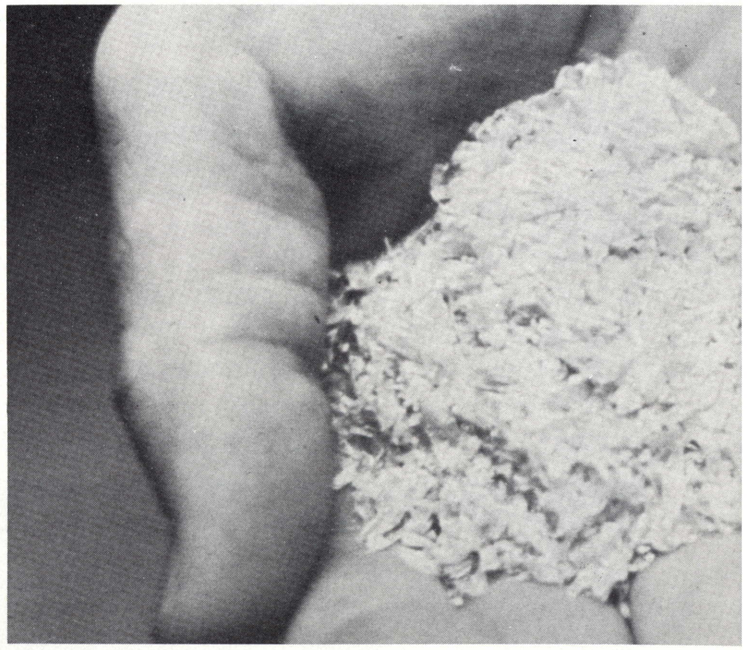
The cure recently prescribed by the E.C. Commission for the 10-nation group's agricultural and financial problems has raised hackles on the farm front—both within the E.C. and abroad—and may ignite an agricultural trade war that the United States and the E.C. have thus far side-stepped. The Commission's remedies were first outlined in a report on the E.C.'s Common Agricultural Policy (CAP), released in July, but specifics have only recently begun to emerge from the Commission's Brussels headquarters.

The Commission's CAP reform package, which proposes changes in E.C. domestic farm programs together with some agricultural trade measures, is designed to take account of changed market conditions and to cut the cost of E.C. farm programs, which presently eat up about two-thirds of the Community's increasingly tight budget. Between 1974 and 1979 E.C. expenditures to support farm prices increased at an average annual rate of 23 percent, about twice the rate of increase in Community revenues. The cost of administering the CAP is expected to grow by about 30 percent between 1982 and 1983 as large world crops, stagnant demand and low prices forced increases in the level of spending required to support farm product prices.

Last month the E.C. Commission announced a temporary freeze on some farm payments to E.C. member countries in a precautionary move designed to head off a possible multimillion dollar shortfall before year's end in the E.C.'s 1983 farm budget. The forecast expenditures put the E.C. at the legal limit of its income from value-added tax collections and customs duties.

Even assuming passage by the European Parliament of a $1.6 billion supplemental budget for 1983, the E.C. will have to keep a tight rein on CAP expenditures until the end of the year if the Community is to live within its means, E.C. Budget Commissioner Christopher Tugendhat warned recently. However, Tugendhat and other E.C. officials have stressed that the adoption of the Commission's CAP reform proposals offer the only long-range solution to the E.C.'s cashflow problems.

The proposals, a bitter pill for the Community's farming regions to swallow, could save the E.C. an estimated $2.2 billion if adopted at the start of the 1984-85 agricultural marketing year and would result in greater savings in subsequent years, according to E.C. analysts. The proposals would bring about these savings by mandating disincentives for overproduction of farm commodities and narrowing the gap between the world prices of farm goods and the E.C.'s internal



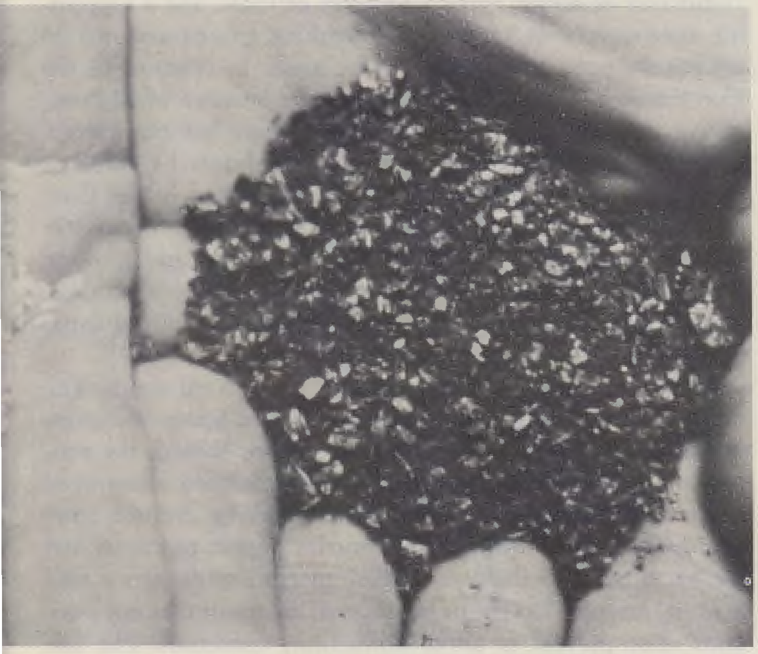
U.S. officials have warned of strong retaliation if the E.C. implements proposals to pu industry.

prices. Domestic reforms comprise the bulk of the package, but it also contains two initiatives the E.C. says are needed to keep imported farm goods from short-circuiting its farm policy reform efforts. It is over these two measures that the United States and the E.C. now find themselves at odds.

The first of these two measures is a proposal to negotiate a thus-far unspecified ceiling on the quantity of citrus pellets and corn gluten—both livestock feedstuffs—permitted to enter the Community levy-free. The second is a proposed 3-cent per pound tax on all edible vegetable oils and animal fats (other

U.S. policymakers fear a proposed E.C. tax on vegetable oils would lead to moves jeopardizing American soybean exports. The E.C. says it isn't so.

reforms



ceiling on levy-free imports of corn gluten (above), a by-product of the sweetener

than butter) consumed in the E.C. The United States has decried both measures as an attack on its valuable farm product markets in the Community, worth a total of about $8.3 billion in 1982. "It appears that once again the E.C. is ready to deal with its internal problems by transferring a major part of the burden of adjustment to other countries," said U.S. Secretary of Agriculture John Block shortly after the E.C. first unveiled plans for the corn gluten and oil tax measures.

U.S. officials have warned of "strong, concrete, and immediate" U.S. retaliation if the E.C. implements the corn gluten and oil tax proposals and has launched a diplomatic campaign against the two proposals. U.S. farm policymakers say the two measures could jeopardize about $5 billion worth of U.S. farm product exports.

However, E.C. officials have challenged that assertion in documents on the proposals submitted to U.S. legislators and trade policymakers, saying that neither move would have a significant impact on U.S. agricultural sales to the E.C. The E.C. farm reform package "represents a major shift in the direction urged for years by U.S. critics of the CAP and should be welcome news for U.S. farmers who have long complained about the European Community's 'extravagant' farm spending," the Community told these U.S. officials.

E.C. officials have stressed that the proposals to penalize E.C. farmers for surplus production by strictly limiting the volume of milks, grains, processed tomatoes, sugar, and oilseed qualifying for E.C. price guarantees would reduce the need for E.C. agricultural export subsidies. The United States has claimed these subsidized exports have enabled the E.C. to take traditional foreign markets away from the U.S. farmers. However, the E.C. says the new surplus disincentives would not work if the soaring exports of corn gluten feed, citrus pellets, and other grain substitutes continue displacing grain that would otherwise be consumed by Europe's livestock feed manufacturing industry.

"It should be made clear that, if the E.C. is to export less cereals and flour on the world market, this can only be realized by feeding those cereals to our own livestock at the expense of imported cereal substitutes," J. Hinnekens, president of the E.C.'s leading farm organization, COPA, told American farmers recently on a U.S. speaking tour.

U.S. exports of corn gluten feed to the E.C. have skyrocketed from about 700,000 tons in 1974 to a present level of about 3 million tons. U.S. officials have argued that this export growth is a natural result of the favorable price of corn gluten in relation to E.C.-produced feed grains. Corn gluten—a by-product of the sweetener industry—is not subject to the system of variable levies which the E.C. uses to keep the price of imported grains near those of domestically produced cereals. However, the E.C. says that it must stabilize its corn gluten imports near their present levels to prevent corn gluten from displacing an ever-increasing quantity of E.C.-grown grain, thus forcing that grain into the export market.

The Community says its proposed oil consumption tax would not affect U.S. exports because the tax would apply equally to domestic and imported oils. In fact, the E.C. claims the flat tax rate would affect the price of lower priced vegetable oils, like its own domestically produced rapeseed oil, more than the price of competing soybean oil it imports from the United States. However, U.S. trade policymakers fear that the oil tax could become a spring board for future moves that might jeopardize the $4-billion market for soybean products. The edible oil consumption tax was proposed by the Commission as a means of offsetting the impact on consumer prices of E.C. plans to subject dairy farmers to tough, new penalty levies for surplus milk production. These levies would otherwise make butter, which the E.C. produces in surplus, more expensive than other edible fats and oils and thus discourage its consumption.

The proposed new milk production levies and other measures that would put a generally more austere face on the CAP have gotten a cold reception from E.C. farmers. European farm groups have strongly criticized many of the measures that the E.C. previously has implemented to narrow the E.C.-world farm product price gap and make European farmers contribute to the costs of disposing of surplus production. Some have gone so far as to suggest that lower E.C. prices may not reduce the E.C.'s agricultural production, but merely make poor farmers poorer. €

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much more than a

The E.C. has emerged as a major

WILLIAM C. CROMWELL

Last spring and summer, the European Community delivered two strongly worded memoranda to the U.S. State Department criticizing the U.S. Export Administration Act of 1979 and the Reagan Administration's proposed revisions to it now before Congress. At issue is the act's current provisions which assert U.S. trade policy jurisdiction over foreign subsidiaries or affiliates of American companies, including the requirement that they comply with any trade sanctions that might be invoked unilaterally by the United States. The act was applied last year to prohibit subsidiaries and licencees of U.S. companies in Western Europe from providing equipment for the Soviet gas pipeline project. Europe-based companies which defied the ban, on orders from their host Governments to fulfill existing supply contracts, were barred from importing goods and services from parent companies in the United States. Though U.S. penalties were lifted last November, the issue remains a source of serious strain in transatlantic relations.

The proposed revisions to the act would broaden the existing authority by enabling the Administration to restrict imports from American-owned foreign-based companies which violate U.S. export controls applied for national security reasons. Warning that current U.S. policy was "bound to lead to conflict at the political and legal level," the Europeans stated flatly that "it is unacceptable that the U.S. Administration and Congress should assert jurisdiction over the activities of these companies in the Community."

The continuing transatlantic rift over trade policy, the bromides of the Williamsburg Western economic summit notwithstanding, highlights an important evolution in West European policy-making with potentially significant implications for the future of U.S.-European relations. A central feature of this change is the emergence of the European Community as a major institutional forum for the development of common policies embracing a growing range of issues.

While the European Community, as a customs union, has traditionally represented its members in international trade negotiations, in recent years it has grown in importance as a framework for more general foreign-policy cooperation. In the early 1970s, the E.C. countries undertook to consult each other on all major foreign-policy questions, to take joint actions when feasible, and, as a general rule, not to adopt final positions without prior Community consultations.

Elaborate diplomatic machinery has evolved to facilitate this political cooperation process, including regular meetings of the E.C. heads of Government and Foreign Ministers, a political committee of senior Foreign Ministry officials, and a supporting bureaucracy of experts and working groups assigned to coordinate policies in specific issue areas. In reaction to the Community's slow response to the Soviet invasion of Afghanistan in 1979, a crisis consultation procedure has been established which can be activated within 48 hours by three or more members. A recent study by Stanley Sloan of the Congressional Research Service, based on extensive interviews in Europe, concluded that "there is a substantial and growing European commitment to the process of foreign-policy coordination" and that it "demonstrates the greatest political dynamism" of all the Western consultation groups.

To be sure, much of this is more form than substance. The E.C. is a long way from realizing the United-States-of-Europe dream of the early architects of integration. Indeed, the economic climate over the past decade has prompted a revival of nationalism in the Community manifested by chronic rows over budgetary contributions, restrictive import practices, and the persistent veto threat if an E.C. measure endangers a vital national interest. On the political level, divergent national positions often prevent or dilute Community consensus. The Solemn Declaration on European Union endorsed by E.C. leaders at the Stuttgart European Council summit of heads of government fell far short of the ambitious European Act advanced by the Federal Republic of Germany and Italy.

In particular, such proposed measures as a secretariat for political cooperation, strengthened roles for the E.C. Council of Ministers and the European Parliament, a pledge to adopt final national positions only after Community consultations, and the acceptance of statements by the 10 as a binding common basis yielded to little more than a reaffirmation of intentions to consult embodied in previous declarations. Moreover, European dependence on the United States through the North Atlantic Treaty Organization (NATO) has channeled most defense issues into an Atlantic frame of reference, in effect discouraging the emergence of a distinctively European perspective and capability in this area.

Yet the short-term view may obscure the longer-range potential. In scarcely more than a decade, the E.C. has made significant strides toward developing common foreign policies. The Conference on Security and Cooperation in Europe, including its subsequent review phases, witnessed close and effective European coordination of positions. The 10 endorsed a French proposal for a Conference on Disarmament in Europe, scheduled to begin next year, which would strengthen confi-

common market

institutional forum for developing common foreign policies.

dence building measures between NATO and Warsaw Pact forces. The E.C. proposed a conference of involved parties to terminate foreign intervention in Afghanistan and to guarantee its independent and non-aligned status. In the Middle East, the Community's Venice Declaration in 1980 endorsed Palestinian self-determination and association of the Palestinian Liberation Organization in the Middle East peace process. More recently, the E.C. endorsed the Reagan peace plan whose call for Palestinian self-government in association with Jordan was seen as consistent with the objectives of the Venice Declaration.

In 1982, the E.C. endorsed British, French, Italian, and Dutch participation in the international monitoring force for the Sinai following Israeli withdrawal. The Europeans vigorously condemned the Israeli invasion of Lebanon and, while sanctions were not applied, the Community postponed signing a pending trade credit agreement with Israel. In an initial show of support toward Britain in the Falklands crisis, the E.C. imposed the most severe sanctions in its history by temporarily banning imports from Argentina. Regarding the Soviet gas pipeline project, the Community called for the withdrawal of U.S. sanctions against European based companies and denounced the measures as "an unacceptable interference in the independent commercial policy of the E.C." At the E.C. summit meeting in Stuttgart, European leaders took distance from U.S. policy in Central America by asserting that the area's problems "cannot be solved by military means, but only by a political solution springing from the region itself and respecting the principles of noninterference and inviolability of frontiers."

While defense issues per se are still addressed in the NATO context, the E.C. has gradually broadened its own agenda to embrace questions relating to "the political aspects of security" which are also dealt with by NATO. However, the greater frequency and intensity of E.C. political consultations has facilitated a jelling of European views which, according to a recent report by the European Parliament, sometimes preempts and downgrades consultations at the NATO level. Thus, when a Community consensus emerges, the scope for U.S. influence of national positions within NATO may be reduced.

Since the days of the Marshall Plan, American foreign policy has supported the goal of West European unity. It was assumed that the United States and Western Europe would share essentially similar and reinforcing views, thereby augmenting the strength of the West on global issues. Yet since the 1970s the European Community's political cooperation activities

The European Community has made significant strides toward developing common foreign policies in areas not covered by the Treaty of Rome establishing the E.C. For example, it endorsed a French proposal for a Conference on Disarmament in Europe to ease tensions between NATO and Warsaw Pact forces. Shown here are NATO forces on "Autumn Forge" exercises in the Federal Republic of Germany. courtesy Department of Defense have often revealed divergence rather than complementarity between the United States and Western Europe. Sharply differing U.S. and West European reactions to the 1973 Middle East War and the oil embargo prompted Secretary of State Henry Kissinger to object to an independent European policy when it "takes the form of basic hostility to the United States." Nixon bluntly accused the E.C. of a "gang up" against the United States. More recently, former U.S. Ambassador to the E.C. Thomas Enders observed in 1981 that "[European] political cooperation caters to the desire of some E.C. members to define their positions in the world at least partly in opposition to the United States." United Nations Ambassador Jeane Kirkpatrick bemoaned the E.C. "habit of voting together on almost all issues [and] often different from the U.S. position."

Indeed as the Community has coalesced economically *and* politically, U.S. affirmations of support for the process have become infrequent and ritualistic. While the U.S. must deal with the E.C. as an entity on trade matters, on other issues there is a pronounced preference in Washington for bilateral diplomacy with individual European countries and for multilateral exchanges through NATO, the Organization for Economic Cooperation and Development, and the annual economic summits. The United States has shown little interest in encouraging the European political cooperation process which, to the extent that it alters or displaces these traditional mechanisms, will strengthen Europe's leverage in the Atlantic relationship.

In the 1980s, U.S.-West European differences have surfaced on a plethora of economic and political issues: sanctions against the Soviet Union for its invasion of Afghanistan and support of martial law in Poland, the Soviet pipeline project (including the U.S. assertion of extra-territorial jurisdiction to Europe embodied in the Export Administration Act), East-West trade policy on export credits and transfer of sensitive technology, interest rate policy, steel trade, and agricultural export subsidies.

Strong bonds of Atlantic economic, political and security interdependence exert pressures to eventually resolve or accommodate to such problems. But as Europe chooses to speak with one voice, the prospects are for recurring strains in transatlantic relations. These strains will call for continuing adjustments in the U.S.-European relationship in which Western Europe's unified weight, when exerted, will be a formidable factor to be reckoned with by Washington.

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Recurring strains in transatlantic relations are evidenced by the controversy surrounding U.S. specialty steel import restrictions. The U.S. and the E.C. have failed to reach agreement on a plan that would compensate the European companies for losses in export earnings caused by these restrictions. Pictured here is a cooling bed for steel. courtesy American Iron and Steel Institute

US-EC RELATIONS

BARRIERS MULTIPLY TO TRADE IN SERVICES

Increased use of non-tariff measures is fueling transatlantic tensions.

JAMES DAVID SPELLMAN

Barriers restricting trade in services and regulating the local servicing of foreign markets through the establishment of subsidiaries have multiplied in the United States and the European Community. These barriers are primarily nontariff ones; their ubiquity, like that for merchandise, is the product of a neomercantilist outlook adopted by many industrialized states in recent years to lessen the effects of rapidly escalating oil prices, inflation, record unemployment, and recession. Although the disagreements between the United States and Europe in services trade have been less acrimonious than their disputes in agriculture and steel, U.S.-E.C. frictions are bound to escalate in tandem with the growing importance to their national economies of overseas sales of services.

Service industries encompass advertising, accounting, insurance, architecture, banking, licensing, consulting, franchising, communications, legal assistance, entertainment, computers, and transportation by plane, ship or vehicle. Services form part of a country's "invisibles" account (meaning the intangibles, in contrast to merchandise), which also includes income from non-service and service industries, government transactions, royalties, and license fees.

The value of world trade in services amounts to approximately $360 billion, or roughly one-fifth of the total value of world trade ($1,800 billion) in 1982, according to the International Monetary Fund (IMF). Transport and travel accounted for 40 to 45 percent, investments a third, and "other services" a quarter of global receipts between 1970 and 1980. Measured in value terms, world transactions in services have been expanding annually during the same period at 18.5 percent, marginally slower than the pace for merchandise (21.1 percent). The world recession brought a halt in international trade expansion in 1981 and a sharp decline in 1982—2 percent by volume and 6 percent by value—a preliminary General Agreement on Tariffs and Trade (GATT) study recently showed. Service flows roughly followed this trend.

The United States leads the service exporters, having exported $38.1 billion worth in 1982. But this figure excludes the income U.S. affiliates earned overseas in service industries: an estimated $99.95 billion in 1981. Total earnings from overseas subsidiaries plus exports amounted to $140.47 billion for 1981, approximately equivalent to the total of U.S. exports for agricultural products, capital goods, and automobiles that year. Throughout the 1970s, earnings derived from service exports increased annually on average by 19 percent, about twice the rate of growth during the 1960s. The largest sectors

In the banking sector of the services industry, the United States has raised its opposition to subsidies and below-market terms for loans given by France, the Federal Republic of Germany, the United Kingdom, and Italy to encourage the development of domestic industries. Shown here is the Hypo Bank headquarters in Munich. © Cynthia Foster/First Foto Bank have been wholesale and retail trade, finance, transportation, and communications.

Seven out of 10 Americans now work in public and private service jobs, as compared to 1940 when 45 percent did. Service exports in 1980 generated 2.3 million jobs or 37 percent of total export-related employment. By 1982, however, overall export-related employment slid to 4.9 million jobs, a 23 percent fall; service jobs declined to 1.8 million. Today one out of every 30 Americans holds a service job tied to U.S. exports. The substantial surplus in the balance of payments for the services sector in recent years has been offsetting the deficit in merchandise trade. This pattern is a near reversal from a decade ago, when U.S. imports of services rose faster than exports and the "visibles" account repeatedly posted substantial surpluses.

The importance of services transactions to the European economy is more difficult to gauge because of the shortcomings in data collection. Service receipts of the 10 E.C. member states collectively grew about seven times between 1970 and 1980, from \$42.16 billion to \$277.36 billion in 1980, while imports increased more than six times during the same period, from \$39.45 billion to \$258.39 billion. France exported \$31.7 billion in 1981, while in 1982 Germany exported \$29.4 billion, the United Kingdom \$28.4 billion and the Netherlands

Service industries, like this McDonald's franchise in Hiedelberg, form part of a country's "invisible" account, which also includes income from government transactions, royalties, and license fees. © Stan Rodbell/First Foto Bank

According to the International Monetary Fund, in 1982 the value of world trade in service industries, such as insurance, amounted to approximately \$360 billion, or roughly one-fifth of the total value of world trade. Pictured here is Lloyd's of London, the oldest insurance organization in existence. © Peter Marlowe/SYGMA

\$16.6 billion according to the IMF. Service exports for most E.C. states represent about 20 percent of their total exports. The proportion that the private services sector constitutes of the gross domestic product has averaged about 40 percent for the E.C. For almost all member states, at least 55 percent of the labor force works in public and private service industries. Greece, Italy and Ireland are the exceptions, where slightly less than half do. Data is lacking, however, to determine what percentage of these jobs is export-generated.

Whether services trade between the United States and the E.C. is managed to a greater or lesser extent than trade in agricultural commodities and manufactures, no one can say. What is known is that barriers directed at services, as with manufactures, have become increasingly country- and product-specific and more severe. Trade experts attribute part of the decline in the United States' share of world invisible trade from 25 to 20 percent to this protectionist drift. One reason for the proliferation of barriers, as seen by U.S. Trade Representative Bill Brock in a policy statement made last year, is that "no effective means have been developed for resisting such pressure and for removing barriers once they are created. Moreover, there are few mechanisms for minimizing, or for resolving disputes among Governments over the treatment accorded to service industries in their respective countries."

Service firms generally encounter five types of barriers: national market access controls; transaction and financial structure regulations; constraints on access to production inputs needed to provide the service; marketing obstructions; and government practices. Disruptions in both the foreign sales of and trade in services are sometimes not a direct result of policies intended to shield domestic industries from foreign competition, but rather a side effect of national security, monetary, or public welfare initiatives. Furthermore, services trade is often indirectly curtailed by barriers designed specifically to protect domestic goods since increases in foreign sales of goods generate overseas demand for services, and vice versa.

In the telecommunications and data processing sector, the United States alleges that Euronet, an E.C.-wide data communications network, curtails and excludes foreign vendors from the European market. The United States has raised its opposition to the E.C.'s imposing a 17-percent tariff on imports of integrated circuits and views the lack among most E.C. members of patent and copyright protections for both computer hardware and software as problematic for U.S. firms. Another complaint by the United States in this sector are the subsidies and below-market terms for loans given by France, Germany, the United Kingdom, and Italy to encourage the development of domestic industries. Banking restraints mentioned in the U.S. Trade Representative's draft inventory of problems American service firms face overseas, include the Bank of England's practice of limiting the maximum equity participation of those banks registered outside the E.C. to 15 percent for significant U.K. banks. Another problem the inventory cites is Greece's minimum deposit requirement of $10 million for each branch a foreign bank operates in Greece. French limitations on foreign equity in accounting firms and the Government's pressures on French companies to use accounting firms with no more than 20 percent foreign equity is also noted.

Complaints by the E.C. against the United States have apparently yet to be compiled in an inventory as extensive as that of the United States. Informal complaints lodged within the GATT and the Organization for Economic Cooperation and Development (OECD) focus on the problems which have arisen from the variety in state taxes and regulations of such industries as insurance and banking. Whatever liberalization measures are achieved, the E.C. can be expected to seek both federal and state commitments.

Multilateral efforts to resolve disputes in services trade have been fledgling ones. The United States pressed GATT members during the Tokyo round of trade negotiation to extend selectively the principles of nondiscriminatory treatment of trade partners, liberalization, and reciprocity to international trade in services. Its efforts failed. The nontariff barrier codes signed at the Tokyo round will only marginally benefit service exporters. The Government Procurement Code, for example, covers only those services which are incidental to and below the value of the products procured. The code does commit signatories to explore expanding the code to regulate service contracts. Another, the Code on Subsidies and Countervailing Duties, prohibits signatories from providing certain services such as transportation and insurance at subsidized rates.

Deeming these Tokyo round accomplishments inadequate, the United States decided, to seek at the GATT ministerial meeting in November 1982, a formal work program to "document and analyze barriers" and to "examine the applicability of basic GATT principles and procedures to trade in services" as a first step toward a "round" in the late 1980s. During the negotiations, the United States was compelled to dilute this proposal to gain the support of Japan and the E.C. The U.S. initiative which emerged amounted to establishing a working party to conduct a study. With the E.C.'s backing, the United States succeeded in overriding resistance from the Third World and obtained a ministerial declaration inviting GATT signatories to compile and share information on global trade in services. The results are to be reviewed at the 1984 session when delegates will consider "whether any multilateral action" would be "appropriate and desirable." One participant at the ministerial meeting called this result "the nearest thing possible to a vacuum."

The GATT result was the inevitable product of the political climate prevailing at the ministerial sessions. Enduring a world recession, states resisted committing themselves to measures which would liberalize foreign access to their markets at the expense of domestic producers. A dispute over the sale of pipeline equipment to the Soviet Union prevented the United States and the E.C. from jointly doing enough preparatory work to facilitate discussions at Geneva. Further, the E.C. was wary of committing itself to anything beyond a study.

The OECD adopted in the early 1960s two codes of conduct to liberalize invisible operations and capital movements, but both are so riddled with exceptions and reservations that they demand little from the signatories. Several committees have been subsequently established within the OECD to examine trade problems in particular service sectors as a step toward developing principles to govern international services commerce. This work, however, has languished in recent years.

Within the European Community, member countries have failed to pursue a program for liberalization in services trade outlined in Article 59 of the Treaty of Rome establishing the E.C. As Jeffrey Schott, a visiting fellow of the Institute of International Economics in Washington, D.C., wrote in the June issue of the *The World Economy:* "The requirements that (1) rules for key industries should depend on progress in other areas and (2) the development of common procedures to implement the agreement to liberalize trade in services should depend on agreement on internal directives, which has been very difficult to attain, have opened up major loopholes which in practice have stymied progress on the liberalization of trade in services." E.C. member states have ignored their commitment in Article 59 not to introduce "any new restrictions on the freedom to provide services" unless "otherwise provided in the treaty."

As the positions of European and American firms in foreign markets erode and as the potential for trade-induced growth is foreclosed, the international community still seems a long way from accepting the principle that services trade should be liberalized like manufactures trade. The problem confronting negotiators is how to strike a balance between the sovereign right of states to govern their internal economic affairs and the benefits which unfettered commerce create internationally. The most feasible strategy seems to be develop nontariff barrier codes like those established at Tokyo for services trade.

As a white paper from the Center for Strategic and International Studies argues: "Given the hestitancy of U.S. trading partners, a code approach appeals because it is selective, voluntary, gradual in process, and given to a significant degree of bilateral adjustment and accommodation. In other words, a nation's commitment to trade-offs between service sectors or between services and goods is not required up front — the principles come first. Parties can then ease into the commitment process." The current stalemate will persist and the protectionist drift will prevail until states are willing to commit themselves to progress. Whether this commitment will occur will ultimately depend on the strength of the world recovery. €

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The Candidates on Trade

The democratic contenders tend to be protectionists.

STUART AUERBACH

As a militant free trader, then Sen. Walter F. Mondale (D-Minn.) led a filibuster in 1970 that ultimately killed a labor-supported bill to restrict textile imports from Japan because he considered it protectionist. Twelve years later, courting labor's support in his race for the Democratic presidential nomination, former vice president Mondale trumpeted a different line as he painted a picture of American kids "sweeping up around Japanese computers" if the United States did not start "acting tough" on trade matters.

That speech to the United Steelworkers of America convention last fall catapulted trade into the front rank of presidential campaign issues for the first time since 1884, when Grover Cleveland, a Democratic free trader, narrowly defeated Republican James G. Blaine, who ran on a platform of high tariffs.

Other Democratic candidates also have sounded protectionist themes, and President Ronald Reagan has continued to speak out for free trade. Trade facts and figures have become almost a litany on Democratic and Republican hustings: Exports account for 5 million U.S. jobs and four of five new manufacturing jobs created between 1977 and 1980, two of five acres planted by American farmers produce crops for overseas markets, and total trade in goods has jumped from 8.3 percent of the gross national product in 1970 to 14.9 percent last year.

In the following statements, the Democratic candidates took varied positions on trade policy and ways to reverse last year's record $31.8 billion merchandise trade deficit. Nor did they coalesce on labor-supported domestic-content legislation, which would require certain percentages of U.S.-made parts in cars and trucks sold here and which provided the focus for last year's trade debate in Congress. The Reagan Administration and some Democrats attacked the bill, which passed the House but never reached the Senate floor, as the worst trade bill since the 1930 Smoot-Hawley Act raised tariffs to levels so high they have been blamed for worsening the Great Depression.

Thus, despite support for domestic-content legislation last year from four of the announced Democratic candidates, only Mondale and Sen. Alan Cranston (Calif.) embraced it fully in their statements. Sens. Ernest F. Hollings (S.C.) and John Glenn (Ohio), who supported the bill last year, failed to mention it in their statements.

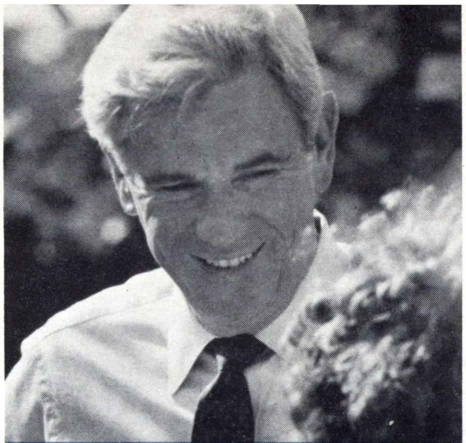
Neither did Sen. Gary Hart (Colo.), who took a more equivocal position last year by telling United Auto Workers president Douglas A. Fraser that he would support it only if it were the only way to save the U.S. auto industry. Without mentioning domestic content, Hart said in his statement that "protectionist solutions" for one industry's problems "can ricochet and produce worse problems in other industries."

Former Florida Governor Reubin Askew, President Jimmy Carter's one-time U.S. Trade Representative, was the only candidate who took a strong stand opposing the bill last year and in his statement to the *Post.*

Askew emerged as the freest trader among the candidates, calling for "freer trade on fairer terms" and attacking "misguided adventures into protectionism" while supporting "strictly enforcing" U.S. trade laws against unfair practices. Mondale attacked Reagan Administration policies as harmful to U.S. trade positions, while Cranston, Hollings, and Glenn approved strong measures against other countries' unfair trade practices. "The only way to remove a barrier is to raise a barrier," Hollings said. Glenn said the "injurious effects" of other nations' industrial policies "must be neutralized." Cranston, Glenn, and Mondale called for cooperative efforts to correct the imbalance between the strong dollar and other currencies, which raises the cost of U.S. goods overseas.

The rallying of Democratic candidates to the trade issue has provided a vivid example to the Republican Party of its potency in the coming presidential campaign and, moreover, has exerted an influence over Administration trade policies. U.S. Trade Representative William E. Brock, a former Republican Party chairman, suggested last winter that the Japanese should grant U.S. car makers two years of restraints on imports instead of one, to keep the issue from coming up amid next year's election.

Stuart Auerbach reports for The Washington Post. *This article is reprinted from that newspaper.*



ASKEW

Pursue Freer Trade On Fairer Terms

Unrestricted free trade exists only in textbooks. Even so, we must do all we can to pursue freer trade on fairer terms. For only through more open and more even-handed trade can we hope to have a more prosperous economy.

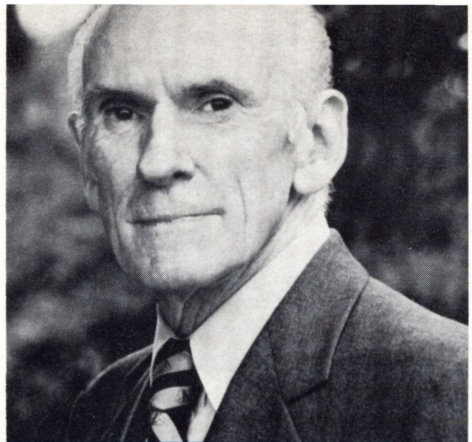
We must be tougher than ever before with our commercial competitors, seeking lower barriers to trade, vigorously opposing dumping and other unfair trade practices, countering some governmental subsidies to obtain the leverage to end them, and strictly enforcing U.S. trade laws.

But we must not indulge in an unnecessary proliferation of the import quotas, the orderly marketing agreements, the "voluntary" restraints, the "Buy American" laws, and all the other protectionist devices that already pervade the American economy.

The automotive "domestic content" bill [was] a good example of bad legislation. It could have raised new car prices as much as $1,000, cost three jobs for every one saved, reduced our agricultural and other exports by inviting retaliation overseas and distracted us from the necessary task of strengthening our auto industry by addressing its fundamental problems through an entirely new working relationship among labor, management and government.

While sounding good, reciprocity legislation could prove equally bad. Multilateral reciprocity is needed. But requiring equal access bilaterally on a product-by-product basis could generate new domestic trade barriers and inspire retaliation against U.S. exports.

Many of our trade problems reflect deeper structural problems. Our larger challenge is one of adjustment to a sweeping international transition during economically troubled times. Misguided ventures into protectionism will only postpone that adjustment and hasten our continuing economic decline.



CRANSTON

We Must Protect American Workers

The decline in American export activity over the last several years has cost our country between 1 and 2 million jobs. Clearly we must reverse this trend as part of our overall strategy for full employment and economic growth. To accomplish this goal, our Government needs to be more effective in promoting fair and free world trade.

Many American companies are facing foreign trade barriers and anti-competitive practices by foreign companies, such as lavish subsidies for investment and research and development, tariffs, and the "dumping" of goods overseas below actual cost.

The United States must work to build an international finance and trade system that better defines fair-trade relations among nations.

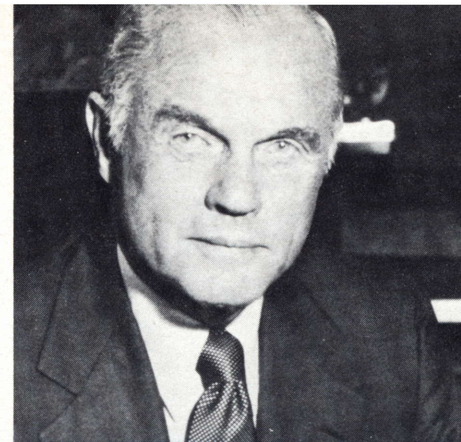
We need to convince our trading partners that it is in our mutual interest to engage in a serious reorientation of world trade. High on the agenda should be fair valuation of currencies and a more efficient mechanism for resolving trade disputes.

Congress should adopt legislation like the proposed reciprocal trade and investment act, which will provide the President with negotiating authority and access to expedited legislative relief in reaching fair-trade agreements.

Until foreign barriers are broken down and America's own economic recovery is in full swing, I believe that we must protect American workers from unfair foreign competition.

That is why I cosponsored the domestic-content legislation in the Senate which sent a strong signal to Japan and other countries that they must trade fair.

Without this clear signal, American industry and American workers will continue to lose out both in the international marketplace and here at home.



GLENN

Make Competition A National Priority

We need a balanced and coherent trade and industrial policy, based on these principles:

• The president must take the lead in making trade and industrial competitiveness a national priority. The tools to make an industrial policy work are in the executive branch.

• The injurious effects of foreign industrial policies must be neutralized. Whether we call this effort an industrial policy or whether we create a Department of Trade isn't important. What is important is unifying and building upon existing policies.

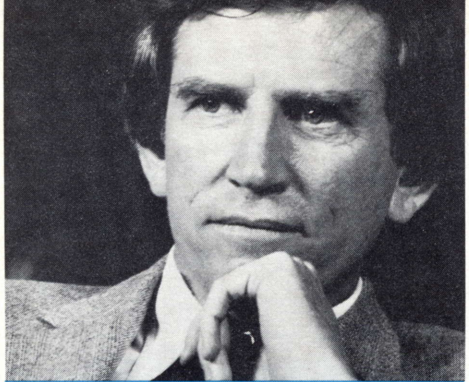
• We must give high priority to lowering interest rates by reducing deficits as the best way to bring the dollar back into line with other currencies and make our products more attractive. We can stabilize exchange rates in the international marketplace by coordinating our fiscal and monetary policies and providing adequate levels of international lending. This may also require cooperative intervention in exchange markets.

• We must promote American exports by providing adequate Ex-Im Bank financing at competitive rates, changing the tax code to encourage export activity, and reviewing our antitrust laws to ensure they are not antitrade. A special effort must be made to encourage smaller firms to export.

• We must not be shy about restricting blatantly unfair foreign imports that violate the spirit of fair trade and which are dumped, subsidized, or threatening to our national security. The General Agreement on Trade and Tariffs (GATT) permits such actions, and it's time we took them.

• We must build on our strengths in agricultural and services trade, bring services trade under the GATT, and control agricultural export subsidies.

• We must restore our historic commitment to education, research, and development—the keys to keeping us competitive in the future.



HART

Negotiations First, Restrictions Next

The only way our economy can grow is through a viable and open world trading system. We depend on trade and must vigorously enforce trade rules. But we must also recognize that protectionist solutions to problems in one industry can ricochet and produce worse problems in other industries.

We need a new trade policy. It should have three major goals:

• To achieve our full export potential. The United States should be tough about maintaining its export markets and in opening new markets for U.S. goods. We should seek a commitment to the principle of "national treatment"—rules and standards to be applied to our exports equal to those applied to local products.

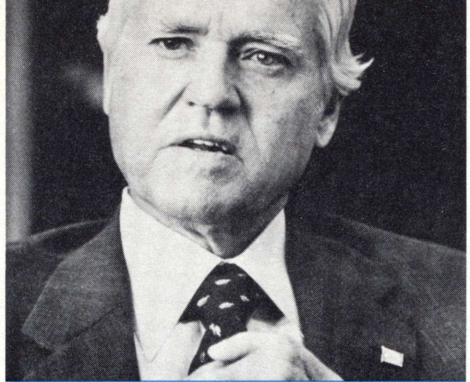
When our major industrial competitors close their markets to our exports, we should first negotiate. If that fails, we should use existing trade laws to restrict those countries' imports. . . .

• To manage import problems and vigorously enforce U.S. trade rights. Trade policy should be part of an industrial strategy designed to foster growth and to make U.S. industry internationally competitive. The President should have broad discretion to impose import curbs, when necessary, but these must be coupled with commitments to invest in new equipment and the retraining of workers.

This approach is preferable to enactment of permanent, statutory solutions such as local-content legislation.

• To strengthen and expand the international trading system. As a major export power and the architect of the post-World War II trading system, the United States has every reason to take the lead in expanding the international trading system.

U.S. policy should be to support international negotiations to reduce trade barriers, maintain U.S. leadership in the export of services and high technology and open new markets for agricultural goods.



HOLLINGS

Remove a Barrier By Raising One

No challenge we face, and we face many, equals our need to get America back on its feet in the global economic contest.

For 20 years, we have been losing our shirts in international production and trade.

Factories are idle and workers unemployed not just from Reaganomics, but because other nations which learned from us how to produce have gone America one better. They are using government as an active partner in coordinating business, labor, agriculture, and science to compete internationally.

And they have instituted protectionist trade practices such as local-content provisions, licensing, inspection practices, and outright subsidies.

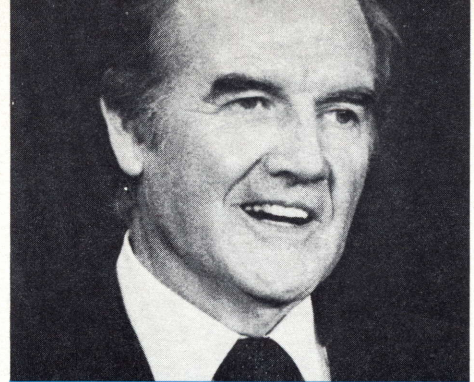
We are in a situation whereby the only way to remove a barrier is to raise a barrier.

The goal is to develop a fair basis for free trade. The less barriers, the more free trade. This is to the benefit of all.

I am not the candidate who is angry at the Japanese. I'm angry at Ronald Reagan and his predecessors for always representing the other Government as it intervenes in our market. And President Reagan compounds the problems: While other nations mobilize, he believes government is the enemy. That attitude is putting us out of business.

America hasn't forgotten how to produce and compete. Government has. Our competitors' success results from everyone pulling together for the national interest.

As President, I would change government's attitude. Bring together the various offices handling trade, assist in research, finance and education, develop a monetary policy to offset the competitors' advantage, and promote exports which are so important to the creation of American jobs. Only with government as a partner and a catalyst can we truly make America great again.



McGOVERN

Improve Capability To Compete Abroad

In the past decade, trade and trade policy have had more significant impact on the American economy than at any other time in U.S. history. In 1970, merchandise exports accounted for 4.3 percent of the gross national product (GNP) and imports accounted for about 4 percent. By 1982, however, exports accounted for 8 percent of the GNP and imports about 9 percent—the first time that the balance of trade shifted to imported goods. Increasingly, American workers and industries depend upon the export market for their economic survival. There is a need for an American trade policy which encompasses the mutual interests of the United States and its allies. Several steps should be taken to accomplish this task.

• First, the U.S. economy must be revitalized, which entails the improvement of domestic capabilities to compete with trading partners in Europe and Asia.

• Second, the United States should work toward upgrading the equitable facets of trade with our General Agreement on Tariffs and Trade partners and allies. A balance should and can be struck between the interests of domestic producers and that of relaxed import quotas and duties.

• Third, U.S. trade policy must be consistent with our long term national interest. We must promote development of new industries at home, but couple this with aid to developing nations whose economic survival is crucial to our own economic viability. The American Government must also not fail to consider the positions of our allies.

• Finally, we must use protectionist policy sparingly and only when absolutely necessary to ensure the viability of domestic industry. Economists generally agree that protectionist devices are detrimental in the long run to the overall economy, thus creating unemployment, spurring inflation and obstructing the effective allocation of trade within international markets.

MONDALE

Counter 'Dumping' With Proper Relief

The policies of the Reagan Administration have given us a badly distorted dollar, record trade deficits, an alarming slump in world trade, and an unprecedented decline in our international competitiveness, while undermining the reliability of the United States as an overseas supplier and virtually ignoring the massive export subsidies, non-tariff barriers, local-content legislation, and other restrictive practices of our trading partners.

To correct the distortion of the dollar, we must reduce the bloated Reagan budget deficits and cooperate with our allies to establish defensible ranges for currency values.

To bolster world trade, we need: global economic growth, reform of the international banking and financial system, and a fairer and more open regime of international commerce.

To restore America's credibility as a supplier, we must repudiate policy decisions such as the Administration's pipeline fiasco and their destructive rewrite of the Export Administration Act.

To counter unfair foreign trade practices, we should insist on equal access to the markets of those who now sell freely in ours. We should fully fund the Export-Import Bank and the Commodity Credit Corp. and use them to match the export subsidies of our trading competitors.

Where restrictive policies of other nations have made the United States a dumping ground, we must respond with appropriate relief and legislation including domestic-content laws.

We must be ready to employ industrial policies to counter the targeted policies of other nations and to boost our competitiveness across the board. Selective policies, linked to pro-competitive commitments by both labor and management, may well be vital elements of such policies.

BATTLE THREATENS OVER TAX ON MULTINATIONALS

Supreme Court ruling on "unitary" assessment used by some U.S. states could cause backlash in Europe.

JONATHAN TODD

The "unitary taxation" dispute is coming to a head. A year ago, very few people had even heard of unitary taxation, let alone knew what it was. However, in recent months, transatlantic tension on the issue has been growing, sparked off by the U.S. Supreme Court June 27 verdict in the Container Corporation's case against the California tax authorities that states had the right to take a corporation's worldwide earnings into account when assessing a subsidiary's liability for state tax. Current dissatisfaction in Europe with the U.S. Administration's handling of the issue has resulted in strong pressure for E.C. Governments to apply retaliatory measures against U.S. multinationals' subsidiaries in Europe.

According to the U.S. Treasury, the unitary method of taxation with worldwide combined reporting is used by about 13 individual states to determine the taxable income of a business operating across state and national borders. Under this approach, income from related corporations, whether domestic or foreign, is combined to determine the worldwide taxable income of the unitary business. A portion of this worldwide taxable income is then attributed to the unitary state on the basis of in-state business activity relative to total or worldwide business activity. If, for example, one third of the worldwide business activity—generally measured by sales, payroll, and property—occurs in the unitary state, one third of the worldwide taxable income would be attributed to that state.

The worldwide unitary method is different from the separate accounting or "arm's-length" method used by other states, the U.S. federal government, and most foreign countries. Under this alternative approach, a state taxes a multinational corporation by allocating income among related corporations according to "arm's-length" or unrelated party prices. European multinationals object to the fact that, in practice, the formulas used when calculating liability for unitary taxation with worldwide combined reporting are unsuited to assessing companies' overseas activities. They allege that the inevitable result of worldwide unitary taxation is an unreasonable tax burden, multiple taxation of the same income, and heavy and unnecessary administrative cost.

Moreover, they point out that the method contravenes not only the model double taxation convention recommended by the Organization for Economic Cooperation and Development (OECD) in 1977, but also the terms of more than 40 international tax treaties between the United States and third countries. A clause to prevent the application of the worldwide unitary method of taxation to non-U.S. multinationals was featured in the draft U.S.-U.K. double tax treaty, but was deleted in the process of adoption by the U.S. Senate. Therefore, in 1980, the U.K. Parliament only ratified the treaty on the understanding that federal legislation would be introduced to prevent worldwide unitary taxation of companies with foreign parents by individual states. Similarly, notes attached to the U.S. double tax treaties with France and Canada make clear that the contracting parties expect the federal authorities to limit the use of the worldwide unitary method of taxation by individual states. However, no such federal legislation has been implemented.

One of the reasons for successive U.S. administrations' hesitations in supporting federal legislation on unitary taxation by states was that the states were adamant that such legislation would infringe on their fiscal sovereignty. Meanwhile, opponents of worldwide combined reporting were told that the Supreme Court was likely to clarify its constitutionality when ruling on a number of cases involving unitary taxation. However, on June 27 of this year, when the U.S. Supreme Court ruled on the "Container Corporation of America vs California Franchise Tax Board," it affirmed by 5 votes to 3 that in the absence of specific legislation adopted by Congress, individual states were not required to follow the example of the U.S. federal government in their treatment of their foreign income. Although, in the footnotes, the court made it clear that the ruling did not apply directly to subsidiary companies with parent companies in third countries, it did not clarify what the court's attitude would be to any subsequent specific challenges to worldwide unitary taxation of companies with foreign parents.

Within a very short space of time, Florida interpreted the Supreme Court ruling as a green light for its own plans to implement worldwide unitary taxation and applied it from September 5 (backdated to January 1982). The reaction on the other side of the Atlantic was also swift. In view of the large number of U.K. based multinationals with operations in the United States, the strong protests from the British Government were perhaps to be expected. Soon after the Supreme Court ruling, the U.K. Chancellor of the Exchequer, Nigel Lawson, wrote to U.S. Treasury Secretary Donald Regan to express his concern. The matter was also raised with Regan by the British Foreign Secretary Geoffrey Howe during his July 13-15 visit to Washington. There were also protests from the E.C. countries as a whole. On August 1, the Greek Ambassador in Washington delivered a note on the issue to the Administration on behalf of all the E.C. member states (Greece being the current holder of the presidency of the E.C.'s Council of Ministers) to back up similar approaches on the issue made by the E.C. presidency in March 1980 and October 1981.

The recent protests lodged by the United Kingdom and the E.C. presidency shared a similar approach. First, there was regret that the U.S. Administration had not seen fit to file an *amicus curiae* brief in the Container Corporation case, to point out the foreign policy implications of unitary taxation. Secondly, it was pointed out that although the Supreme Court's ruling in the Container Corporation case did not apply directly to the worldwide unitary taxation of companies with parents outside the United States, the way was open for future Supreme Court rulings to confirm the right to do so. Thirdly, there was a request for the U.S. Administration to support proposed federal legislation to outlaw this form of taxation. For its part, the E.C. Commission decided that it would raise the issue at its next high-level consultations with the U.S. Administration.

The request for Administration support for federal legislation to outlaw worldwide unitary taxation for companies with both domestic and overseas-based parents was supported by the U.S. Cabinet's Council on Economic Affairs, reporting on the issue to President Ronald Reagan in September. The Cabinet council also recommended that the Administration support the request by Container Corporation for a rehearing of its case by the Supreme Court, so as to allow the Administration to submit an *amicus curiae* brief. Business circles in Europe were very disappointed when Reagan decided not to intervene in support of a rehearing and, rather than commit himself to support of legislation to outlaw worldwide unitary taxation, decided to appoint a special working party to report on the issue. Since his decision, the Supreme Court has announced that it will not reconsider its verdict in the Container Corporation case.

The U.K-based Unitary Tax Campaign, representing some 60 companies opposed to unitary taxation, has suggested that the appointment of the working party represents an attempt to bury the issue until after the next U.S. presidential elections. Meanwhile, British Prime Minister Margaret Thatcher, speaking on the eve of her visit to Washington at the end of September, warned that if the working group did not work fast enough, the Government would be under very severe pressure to take retaliatory measures. An indication of the level of concern in Europe over the issue is that Thatcher raised the issue of worldwide unitary taxation during her talks with Reagan. One form of retaliatory measure that has been suggested in the United Kingdom is a clause in next year's Finance Act that would deny relief from advance corporation tax for multinationals with their parent based in a state applying the worldwide unitary taxation methods.

As regards retaliation at the E.C. level, U.K. Chancellor Lawson warned Regan in Washington on September 27 that if the United Kingdom did not get satisfaction on the issue, it would plan joint action with its E.C. partners, especially France, the Federal Republic of Germany, and the Netherlands, which also have significant numbers of multinationals operating in the United States. Irritation at the U.S. Administration's handling of the situation has also surfaced in the European Parliament. Future debates there are likely to focus further attention on the issue and put pressure on the E.C.'s Council of Ministers to coordinate retaliatory measures. The issue could be raised at a meeting of the Council in the near future. In the meantime, informal contacts on the approach to be adopted on the issue are continuing between the embassies of E.C. member states and the Commission's office in Washington, D.C.

This summer, in a case involving Container Corporation of America (shown here) and the State of California, the Supreme Court ruled that states had the right to take a corporation's worldwide earnings into account when assessing a subsidiary's liability for state tax. courtesy Container Corporation of America

Quite apart from the threat of retaliation, U.S. companies should also be concerned at the possibility of other countries adopting worldwide unitary taxation as a means of raising revenue. Should its application in the United States, in contravention of existing double tax treaties, appear to be condoned by the U.S. Administration, other countries are likely to start applying this form of taxation themselves. As the United States is the home country of a very large number of multinationals likely to be affected by widespread use of worldwide unitary taxation, it would suffer directly from such a development. It would also suffer indirectly from the reduced levels of investment that would result from the widespread application of worldwide unitary taxation to multinationals. Recognition of the likely negative effects for U.S. companies of the continued use of unitary taxation with worldwide combined reporting has already influenced the American Chamber of Commerce, which represents some 220,000 U.S. companies, to lobby in favor of proposed federal legislation to eliminate this form of taxation. €

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NEW ISSUE

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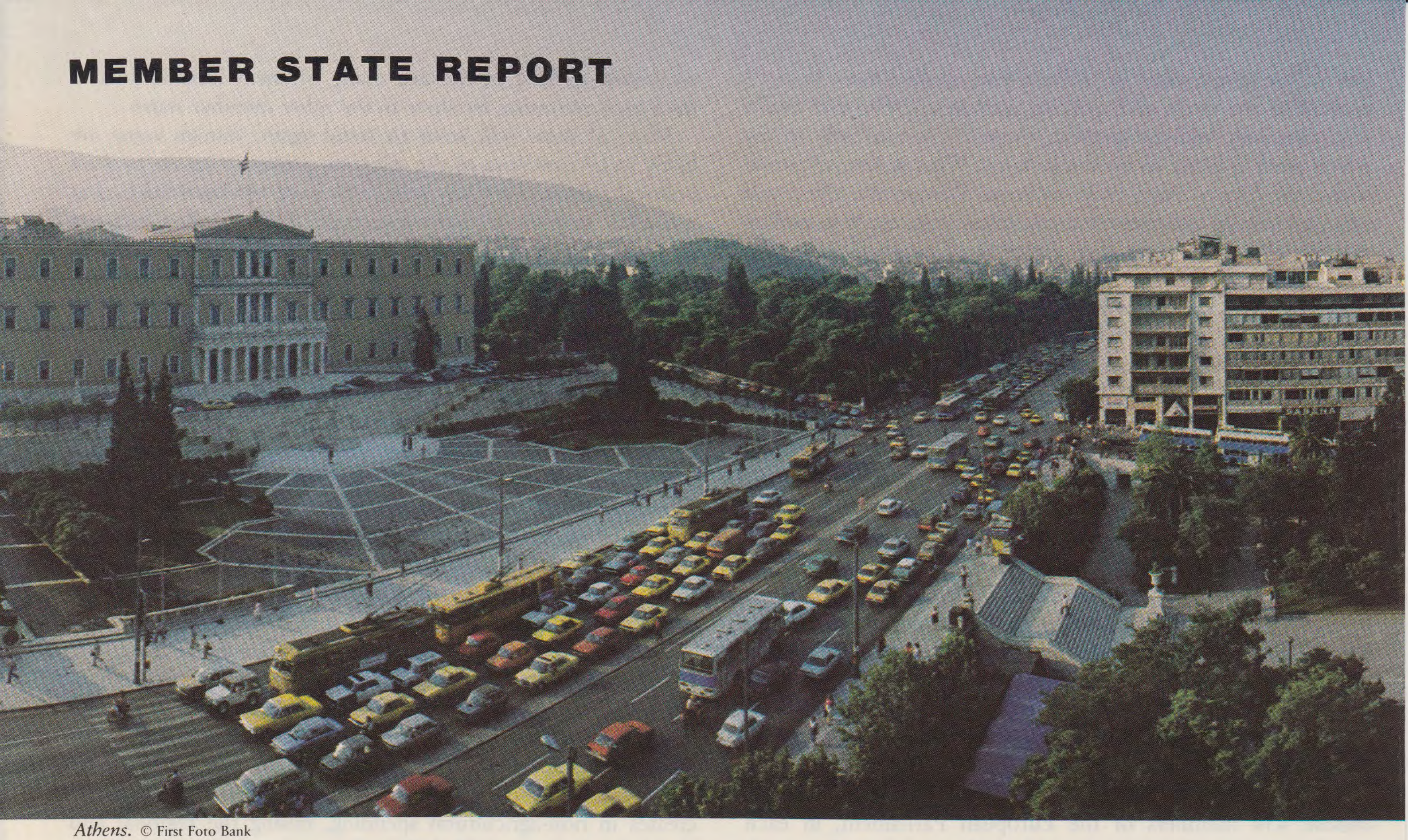

Athens. © First Foto Bank

GREECE

SOCIALIST GOVERNMENT HAS ENDED BITTER DIVISIONS BETWEEN LEFT AND RIGHT.

KERIN HOPE

On a warm evening in September a silver-haired man in his late 70s addressed a small crowd from the balcony of Athens city hall. He was "General" Markos Vafeiades, once Greece's most notorious Communist guerilla leader, who returned last spring from more than 30 years of exile in the Soviet Union under an amnesty granted to former political fugitives by Socialist Premier Andreas Papandreou. Political passions run high in Greece and memories are long. But Vafeiades' rare appearance in public passed almost unnoticed. The country's first Socialist Government appears to have succeeded in ending bitter divisions between right and left that dominated Greek political life for a generation after the 1949 defeat of a Communist rebel uprising.

Elected on an all-embracing slogan of *allaghi* (change) Papandreou's ruling Panhellenic Socialist Movement (PASOK) has pledged to modernize Greece. During two years in office, the Government has legislated away a considerable number of political and social anachronisms overlooked by its conservative predecessor. The Socialists have introduced civil marriage, abolished the age-old dowry system, reformed the divorce law, given women equal rights, and even made nudist camps legal. The influence of the arch-conservative Greek Orthodox Church on everyday life is now considerably curtailed, but the clergy has proved unexpectedly compliant.

An outcry is raised more against the Socialists' efforts to reorganize the judiciary, revamp the 19th-century university system, and lay the foundations of a British-style national health service. Exports are declining, investment lags, and inflation still hovers around the 20 percent mark, almost twice the E.C. average.

Papandreou promised that Greece would not become "a country of vegetables and hotels," and the Government has tried to attract the kind of high-technology investment it desperately wants, a process which takes time. Income from traditional money-makers like tourism and shipping has dropped, by 20 percent for the first half of 1983. Net benefits from the European Community, estimated at more than $800 million this year, will come in useful for covering the balance-of-payments deficit.

Even though there is a sense of uncertainty about the future among Greeks, who have been accustomed for years to increasing standards of living, Papandreou comfortably dominates the political scene despite the inevitable wear and tear of two years in power. The former economics professor at the dations have earned the plaudits of Sen. Gary Hart and former Vice President Walter Mondale, both of whom aspire to their party's presidential nomination in 1984.

Can the United States learn from the richer industrial-policy experiences of its European friends? Long before the issue of government-industry relations was posed in the United States in the 1930s, European governments have worked with their industrial sectors to develop a consensus on economic growth and stability. The problem for Americans in attempting to draw valuable lessons from the European experience—especially after World War II—is the diversity of approaches one finds on the Continent. These run the spectrum from France's traditional embrace of comprehensive, "rational" planning to the Federal Republic of Germany's more subtle framework of "organized private enterprise," which consists of a formalized system of government-private sector consultations.

Despite these differences, however, an overall consensus on industrial policy exists in Western Europe today. In the view of Raymond Vernon, who has studied state-industry relations on the Continent for years, that consensus is based on a realization "that there was some utility in looking at the various elements of the national economy all at once, in observing whether internal consistency existed, and in considering how more efficient combinations of national activity might be brought about." In summary form, here are some instructive lessons on industrial policy that Americans could learn from Europe:

The Virtues of Communication

A good deal of noise is made in the American press about the disastrous condition of Europe's basic industries. And who would argue that the Continent's automotive, steel, and textile sectors are not in serious economic trouble these days. Nevertheless, there's a good deal to be said on behalf of European traditions which encourage representatives of the public and private sector to talk regularly with each other. In Reich's words: "Government, business, and labor [in Europe] negotiate to devise public policies and business strategies that will propel their societies and economies forward." Lately, those strategies have been less ambitious. Nevertheless, most industry experts in the United States agree that more communication—in the form of consultations, such as the soon to be revitalized "Steel Tripartite Committee," and outright exchange of opinion—is a fundamental requirement in an American economy that is undergoing such extraordinary change.

Avoiding Expensive Sectoral Programs

As with Europe today, America's industrial foundation is in the process of undergoing significant change. Up to now, however, the United States has shied away from programs that make it possible for ailing sectors to survive—almost entirely at the taxpayer's expense. By way of contrast, consider the situation of Western Europe's ailing steel industry. Since the early 1970s, that industry has shed some 300,000 jobs, while its annual capacity has been cut by some 17 million tons since 1980. Nevertheless, a good deal of excess capacity still exists. And it does so in large degree because of the generous support policies of various European Governments. The European Community's Council of Ministers proclaimed a "manifest crisis" in October 1980 in recognition of the adverse conditions facing its members' steel sectors. And the Council has established production quotas on all large steel producing firms and an end to all subsidies by 1985. The United States, with its own ailing steel sector, would be wise to shy away from the European subsidy example.

Connecting Domestic Industrial Concerns With International Trade Responsibilities

Until recently, our European partners devoted more attention to the relationship between domestic prosperity and international trade and with good reason. Most observers agree that one element in Western Europe's dramatic recovery in the 1950s was the expansion of world trade. A good deal of Europe's trade, of course, occurs within the boundaries of the 10-nation European Community. But a significant portion does not. At the same time, however, membership in organizations dedicated to free and open trade, notably the General Agreement on Tariffs and Trade (GATT) requires careful adherence to rules which prohibit the types of subsidies that have been generously provided to European industries in the past. As America's Continental partners have learned—and as the United States is now learning—government assistance, in the form of import relief or export subsidies, frequently conflicts with those GATT rules.

Adjusting to the Competitive Rules

As the members of the European Community are aware, closer collaboration between government and industry is hardly a guarantee against economic reverses. In some instances, even passionate adherents of the free market will gulp and recommend public support for an endangered sector. Witness the London *Economist*'s recent article coming out in favor of limited public funding for the European Airbus Industrie in its lonely competition with Boeing. The *Economist* believes that between the evils of more government subsidization of yet another European airline, and the very real danger that Boeing could gain a monopoly position in the world market, the latter alternative is more acceptable.

Similarly, the European Community is insisting—not for the first time—that future subsidies for steel should be solely based on rationalization, modernization and the costs of closure. The facile distinction between competitive and non-competitive aid conceals more than it reveals. But the Community is right to draw that distinction between, say, temporary relief for Airbus (an industry that can compete), and never-ending subsidies for industrial dinosaurs. America's European partners will be watching the U.S. debate over industrial policy with great interest. Afterall, no matter what the Americans do, it's bound to have a tremendous impact on the Europeans. For that reason alone, the United States is advised to proceed with extreme care. €

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agenda for reform

E.C. heads of Government must make critical choices at Athens summit in December if Europe is to move ahead.

FERDINANDO RICCARDI

Several years ago, E.C. Commission Vice President Gaston Thorn called for a new "second-generation Europe"—namely an E.C. transformed and modernized, with simplified procedures and new aims. What started out as a slogan has become a political program. The Community and national authorities of the E.C. member countries have gradually come to realize what Thorn foresaw. Today no one questions the need to define new objectives and new "rules of the game," not only to give new impetus to the building of a unified Europe, but to prevent the deficiencies and absurdities casting doubt on the progress considered to have been made.

No one doubts any longer, for example, that without a serious and far-reaching reform of the Common Agricultural Policy (CAP), this pillar of the Community is likely to disintegrate under the weight of increasing costs, excessive surpluses, and imbalances in the burdens and benefits. Moreover, everyone knows that the present financial rules cannot hold out in the long term, since each country feels that it is paying more than its share for Community policies and this is not acceptable to either politicians or public opinion. The heads of Government of the E.C. member states have recognized that changes are urgently needed and they have drawn up proposals. They are to meet in early December in Athens at the European Council summit for further discussions. While final decisions probably will not be taken on all issues, the main course of action should be established. An overview of the various dossiers on the agenda in Athens might serve as a primer on the problems currently facing Europe.

The unified nature of the talks should never be forgotten. For obvious reasons, the proposals are separated for discussion and meetings may concentrate sometimes on one point and sometimes on another, but all the aspects are linked. There cannot be an agreement on an increase of the Community's own resources without an agreement on control of agricultural spending; the review of the E.C.'s Common Agricultural Policy is linked to the launching of other common policies; the problems in the negotiations for the accession of Spain and Portugal to the E.C. cannot be solved without certain guarantees for the Mediterranean regions of the Community. In short, the agreement can only be a comprehensive one. It is therefore mainly for the purposes of presentation and clarity that this article separates the various aspects, on the understanding that isolated solutions are not possible.

Agricultural Reform

The reform or review of the Common Agricultural Policy (CAP) is the essential starting point for the whole colossal operation, for political and economic reasons.

On the political front, there is no doubt that without a review of the CAP, several Community Governments would not accept the other aspects of a second-generation Europe, notably the increase in the Community's financial resources. Even if the Governments were to agree, the increase in the E.C.'s "own" resources would be rejected by some parliaments. Unless financial discipline is introduced into the CAP to ensure more control over spending, the increase in spending will be interrupted in a most radical fashion: The freezing of available resources will no longer just be a possibility, but a certainty.

This does not mean, however, that the review should be limited to and aimed at reducing spending. The rationalization of the CAP, 20 years after it was founded, is absolutely essential. Originally, the principal aim of the CAP was to make Europe self-sufficient from the point of view of food and to make it a great agricultural power on a world scale; this aim has been amply achieved. Today the E.C. not only covers its needs for essential products—from cereals and meat, to milk and sugar—it has become a large-scale exporter and has to dispose of its surpluses on the world market.

The reform or review of the Common Agricultural Policy is the starting point for the whole colossal operation. . . .

It is, therefore, the very success of the CAP, the achievement of its principal initial objective, which makes the review necessary. The policy cannot remain the same when the goal is to achieve self-sufficiency in food, if this goal has been overtaken. From now on, farmers must be made more responsible in the sense of being asked to produce what the market needs, adapting production to demand and available outlets—internal or external. The E.C., which in practice means tax payers and consumers, can no longer undertake to buy any quantity of any product at a guaranteed price.

Surpluses of powdered milk have reached a level of about four years' normal consumption, and desperate attempts are being made to reduce them by giving it to the Third World, denaturing the milk to make animal fodder, or any other means. Distilled wine, which is practically destroyed by conversion into alcohol for which there is no use, this year has exceeded 5 million hectoliters. Tobacco of varieties no longer required has accumulated in such proportions that people in Brussels are seriously thinking of burning it on a huge bonfire, as the most economical means of disposing of it.

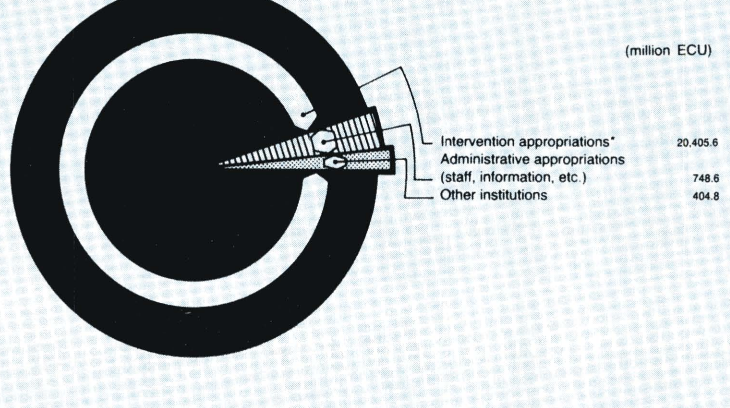
In certain sectors, such as grain and other cereals, E.C. production conditions are now such that the guaranteed prices can and must move closer to world prices, reducing the inflated price which ensures a constant income to a few people in privileged positions. Anyone who opposes a review of the CAP is in actual fact helping to destroy it, since without a review the whole structure is likely to collapse in a short time under the burden of surpluses and growing expenditure.

The Commission's proposals are an effort to make European agriculture more lively, more efficient, and better adapted to European and world demand. The effort of adaptation, enterprise, and modernization which is being asked of the E.C. farmers is accompanied by the need for certain sacrifices on the part of third countries exporting their products into Europe, which will have to accept that the E.C. import less of the food in which it is now self-sufficient or which it exports.

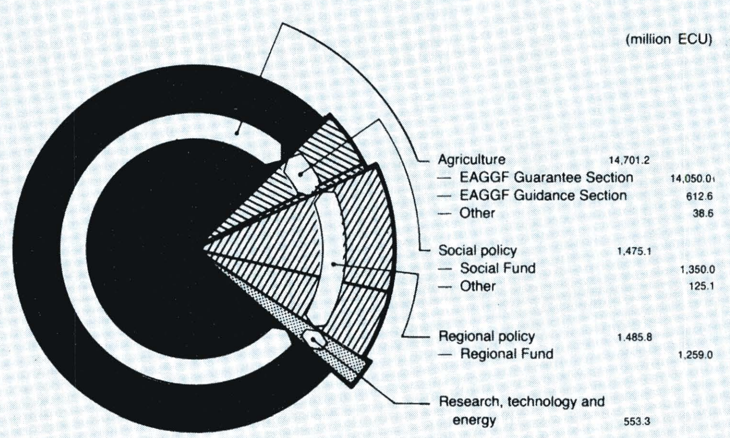
The complex package of measures proposed will allow tighter controls on spending, which in future will have to increase less rapidly than financial resources, in order to leave more funds available for other common policies. This, however, is not an end in itself, and the Commission has summarized the scope of the reform as follows: "The Community's objective cannot be to curb the development of its own agriculture. However, in the light of future prospects, the Community has no choice but to adjust its own policy of guarantees on production. Community agriculture must succeed, as is only logical, in expanding its own exports and maintaining its share of the world market. It must also accept a growing measure of market discipline to which other sectors of the Community economy are subject. In this dynamic approach, which rejects any Malthusian limitations on agricultural potential, the stress is being laid increasingly on production at a competitive price."

The effort to rationalize agriculture and balance supply and demand must be accompanied by a parallel campaign to make the most of the countryside. This involves both protection of the natural environment—it is too often forgotten that farmers play an essential part in this respect which benefits the whole population—and development of other activities related to the land, especially the use of agricultural substances as sources of organic chemicals (with the development of biotechnology), as materials to produce energy (biomass), and for forest production. The Community has deficits in energy and timber—they are the two main debit items in the E.C. trade balance—and yet there are real and substantial possibilities for alternative activities and employment in rural areas. Therefore, combining the various factors of rationalized and efficient agriculture with the other improvements, it is possible to raise the level of economic and social life in wide areas of Europe,

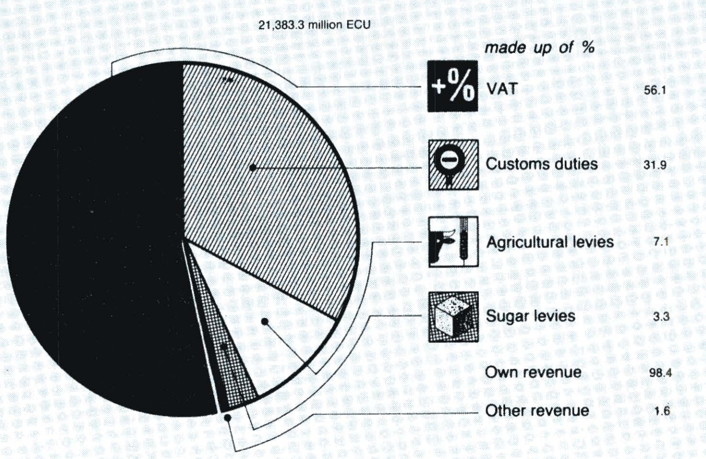
1983 DRAFT BUDGET OF THE E.C.



MAIN INTERVENTION APPROPRIATIONS



THE COMMUNITY'S REVENUE IN 1982



Source: Eurostat

without accentuating the exodus to the cities, which probably has already reached the maximum desirable limit.

Financial Resources

While necessary in itself, the review of the CAP is also necessary to make it politically possible to increase the financial resources at the Community's disposal, and hence to develop common policies. A unanimous consensus of the 10 national Governments and parliaments is essential in order to make this increase possible, a unanimity impossible without a review of agriculture. The future finance of the Community remains a serious problem in itself, on which conflicting interests and ideas clash.

The present machinery has been under discussion for years. Some countries contest it and the United Kingdom, in particular, has claimed and received a partial refund of its contribution to common expenditure, which it considers excessive and therefore unjust. Such calculations, it is true, are contested by the E.C. institutions, as they observe that there are no national contributions to common expenditure, but rather the own resources of the E.C., which the member countries simply receive and pay back the balance. They are therefore unjustified in talking of credit or debit.

Moreover, there is nothing so misguided as an evaluation of the advantages of belonging to the E.C. based exclusively on the origin and destination of expenditure, since the most important advantages cannot be assessed by any such calculation: the advantages result from membership in an open European market, the disappearance of frontiers, new investment opportunities, and expanding production made possible by the creation of the Common Market.

However, these considerations do not eliminate the need to define new criteria and new mechanisms to finance the E.C. for two reasons, one mainly political and psychological, the other concrete. On the psychological level, experience has shown that the impression a country may have of giving excessive finance to the E.C.—even if this is partly a false impression—has harmful effects on public opinion, which politicians have to take into account. Clear rules unanimously accepted as fair must be established, to eliminate mistrust and suspicion.

The creation of new financing is an essential condition for the development of common actions and policies. . . .

The second more concrete reason is that the new rules will enable new resources to be created, an essential condition for the development of common action and policies in the numerous fields in which isolated European countries have negligible or slight influence in the face of world competition, while a joint European effort will enable the Old World to compete on equal terms with the United States and Japan.

The negotiations on the future financing of the E.C. must therefore follow three converging aims:

- the introduction of strict discipline on agriculture expenditure (by reviewing the CAP), so as to reassure the authorities and public opinion of all the Community countries;
- the elimination of certain imbalances which at present are inducing at least two important countries—Great Britain and the Federal Republic of Germany—to regard the present situation as unsatisfactory and no longer acceptable;
- the definition of action and objectives for the future unconditionally accepted as necessary by all parties.

Under these circumstances, it is possible that in the context of global negotiations that the heads of Governments will finally agree to increase the E.C.'s own resources, or income which the member states relinquish at national level to be considered as belonging to the Community. The Commission has already proposed ways in which this increase could be made, namely an increase in the percentage of value-added tax which would then become a Community resource.

This increase would be carried out in a number of stages, for each of which the unanimity of the 10 and a special majority of the European Parliament would be obligatory. All governments would then have the guarantee of maintaining control over the increase in expenditure, thanks to the rule of unanimity, and the need for ratification by the national parliaments would disappear (such ratifications would however still be necessary initially to introduce the new system).

The possibility that this reform would be approved and implemented, as seems clear from the above, as a result of the negotiations on the reform of the CAP and the machinery for calculating national contributions, as well as the definition of new policies and new objectives, therefore represents the third great chapter in the global negotiations.

Common Policies

There are two aspects to what is defined in general as the relaunching of common policies: a critical evaluation, with possible reviews, of the existing structural policies, and the setting in motion of policies which are completely new or so far only outlined and embryonic.

Structural policies are essentially determined by the action of the Regional Development Fund (ERDF), the Social Fund, and the Agricultural Guidance and Guarantee Fund (EAGGF). One factor in particular so far has prevented these bodies from being as effective as hoped and intended: Instead of instigating new operations and initiatives in line with Community objectives, they essentially have contributed to financing national action which was already decided. Certainly, the action of the three funds has not been useless or ineffective: They have enabled certain projects to be speeded up, and they have allowed national aid organizations to release credit for additional projects. However, on the whole, they themselves have not promoted projects of European interest which without their intervention would not have existed.

On this basis the Commission, in its review proposals to the E.C. Council of Ministers, stressed two fundamental principles:

• The structural funds of the Community must be agencies of structural development and adaptation, rather than channels of financial redistribution;

• They must support actual Community objectives, not just contribute to projects decided at national level.

To understand the reference to "financial redistribution," it is necessary to recall what was said about the E.C. budget and its financing: since imbalances exist and certain countries consider themselves victims of the present machinery, the structural funds have frequently been used to compensate these countries, in other words to allocate additional finance to them in order to balance the accounts. In this way, the nature of the financed project clearly became secondary: the main thing was to arrange subsidies to the countries whose debit in relation to the European budget was too high.

Embryonic, or entirely new, policies must enable the implementation at European level of what E.C. countries can't do alone. . . .

Furthermore, the very method of ERDF distribution of finance encourages its use as a "financial redistribution channel." The endowment of this fund is in fact subdivided almost entirely into "national quotas," allocated to the various countries. Each country is guaranteed to receive its quota, to which it has a right, even if the truly "Community" interest of its projects is slight; and when the quota is used up there is no more finance, even if a country submits a project of unquestionable value. The Commission now proposes to eliminate the whole system of national quotas.

The launching or relaunching of other common policies involves more complex action and a clearly set out political will, since methods and objectives must be established and in the meantime funds must be made available from the budget. Fortunately, however, there is no need to start from scratch. Something already exists both in the energy sector and especially in research.

For the past three years, the Commission has been drawing up new projects and programs and the E.C. Council has already discussed the matter several times. In some significant cases, the economic forces of the Community countries are already involved in the work and are giving vigorous support. It can even be claimed that some projects are already popular in the fields concerned, such as the Esprit program, an ambitious attempt to enable Europe to challenge the United States and Japan in the vital area of new information technology.

It is not reasonable to expect the heads of Governments to have the new common European policies ready at the end of the year, but they must give a sufficiently clear and explicit political stimulus to ensure that the essential action will gradually be started. The fundamental criterion must be the joint implementation, at European level, of what the Community countries are not able to do alone, or to combine certain efforts to avoid wastage and duplication.

E.C. Enlargement

As an approximation and for convenience we can call our last dossier at the Athens summit the membership of Spain and Portugal in the Community. Their membership, in fact, was decided some time ago from the political viewpoint and the principle needs no further discussion between the 10. However, the possibility of implementation, that is, the satisfactory conclusion of the negotiations with the two Iberian countries, depends to a large extent on the agreements between the 10 on the various subjects mentioned. The membership of two countries which cannot be considered among the most prosperous on the Continent implies costs to the E.C., in particular an increase in regional and social expenditure, which it will only be possible to meet by the creation of new "own resources." The decisions on future financing are therefore a necessary precondition.

From the agricultural point of view, the membership of Spain raises a particularly serious problem in relation to olive oil. Spanish production is such that the pure and simple extension of the present Community System to that country would imply a massive increase in spending. A discussion of the institutional mechanisms of the enlarged Community is also essential, since these mechanisms, set up initially by a Community of six, are already ill suited to a Community of 10, and are likely to seize up altogether with the change to a Community of 12.

The E.C. cannot prolong an attitude of indecision or uncertainty toward the membership of Spain and Portugal, as they may withdraw their application. . . .

The current comprehensive talks will not in themselves settle the membership of Spain and Portugal, since the detailed conditions of membership must be systematically discussed and agreed upon with the two countries concerned, but they must create the necessary conditions. The E.C. cannot prolong an attitude of indecision and uncertainty toward the two applicants, as they may withdraw their applications for membership.

This survey of the main topics facing the E.C. during the last part of 1983 should demonstrate that new action is vital for the development of Europe. An invigorated and rejuvenated Community could come out of it, with new objectives, new common policies, new members, and a renewed and more positive consensus of all the members and public opinion. However, the failure of the talks will mean a Community with reduced responsibilities and operations, limited simply to the management of the Common Market, with no prospects for development. But this alternative would not be acceptable either to the Commission or to the European Parliament, close to renewal in the elections in June 1984, and it is to be hoped that this will not be among the objectives of any Government or any important political force. €

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The Palais de l'Europe in Strasbourg where the European Parliament holds most of its plenary sessions.

EUROPE VOTES THIS SPRING

The European Parliament gears up for June elections.

DICK LEONARD

From June 14 to 17 next year the second direct elections to the European Parliament will be held in the 10 member states of the European Community. Despite the provisions of the Treaty of Rome establishing the E.C., there will be no common system of election. The Parliament itself approved such a system in March 1982, but the Foreign Ministers of the 10 failed to endorse the system during more than a year of inconclusive discussions. The main responsibility for this failure undoubtedly rests with the British Government, Prime Minister Margaret Thatcher being personally determined not to agree to any form of proportional representation.

The consequence is that 10 different voting systems will again be used next June, though nine of them will be different variants of proportional representation. In five countries—Denmark (16 seats), France (81), Greece (24), Luxembourg (6), and the Netherlands (25)—the whole country will form a single electoral district. In France, there will be a 5 percent threshold below which no party will be able to secure representation. In three countries — Belgium (24 seats), the Federal Republic of Germany (81), and Italy (81) — regional party list systems will be used. In the Federal Republic, there will be a 5 percent threshold, and the three seats reserved for Berlin will be filled not by a popular vote, but by a ballot of the Berlin Parliament.

The single-transferable vote form of proportional representation will be used in Ireland (15 seats) and also for the three Northern Irish seats which come out of the British quota of 81. The remaining 78 British members will be elected in single-member constituencies under the familiar British first-past-the-post system (which is also, of course, used in Congressional elections in the United States). This system is almost certain to produce much greater anomalies in representation than will be the case in any other E.C. member state. Last time the Conservatives won three-quarters of the seats for one-half of the votes, while the Liberal Party polled more than 13 percent of the votes and won no seats at all. The distortions next time may well be as great, though it is too early to say which party is likely to hit the jackpot. What is almost certain is that the Liberal Party (with its Social Democratic allies) will again be heavily underrepresented, unless it succeeds in polling substantially more votes than either the Conservatives or the Labor party.

Not all E.C. citizens will be able to vote. Many living outside their home country will be disenfranchised, particularly if they are British. The best off will be those who come from Belgium, France, Greece, and Luxembourg. They will be able to vote by mail, wherever they are living, anywhere in the world. Denmark, the Federal Republic of Germany, Italy, and the Netherlands are making comparable arrangements for their expatriate citizens, but only if they are living in another E.C. country. Ireland is not making any such arrangements, but is giving the vote to foreign E.C. nationals resident in Ireland. The large number of Irishmen living in Britain will be able to help choose the British members of the European Parliament, but the British Government is not extending the same facility to other E.C. citizens. Nor is it making any provision for Britons abroad to be able to vote. The only ones able to do this will be diplomats and servicemen overseas, who are already registered to vote in British elections.

Although the ostensible purpose of the election will be to choose 434 members of the European Parliament, in each member country the campaign is bound to get mixed up with domestic political issues. Many voters are likely to use it as an occasion to mark their support for, or disapproval of, their own national Government, with little reference to the functions of the European Parliament. In France the two right-of-center parties led by former President Valéry Giscard d'Estaing and by Paris Mayor Jacques Chirac both will be battling against the Socialists and Communists, but each will be equally anxious to establish that their man is the natural challenger to President François Mitterrand in the next presidential election. Similarly, in Britain, the two main opposition forces, the Labor party, under its new leader Neil Kinnock, and the Liberal-Social Democratic alliance, will be locked in fratricidal strife to demonstrate which of them is the main challenger to Thatcher. Similar rivalries will operate in each of the other member states.

Those candidates who will be stressing pan-European issues and the role of the European Parliament are the incumbents who will be facing reelection. By no means all of those who were elected in 1979 will be running for a second term. Some of them have had enough and will not be offering themselves again. This is certainly the case with most of the household names which led the party lists in the first Euro-election. They included François Mitterrand, Willy Brandt, Leo Tindemans and Bettino Craxi. All of them gave up their seats long ago, while other famous figures—including the French and Italian Communist leaders, Georges Marchais and Enrico Berlinguer—have played very little part in the work of the Parliament. Of the leading political figures elected last time, perhaps only Mario Rumor, formerly Prime Minister of Italy, has been an important influence in the Parliament, becoming chairman of its key Political Committee. The real work has fallen mostly to middle-ranking politicians, many of them little known in their own countries, let alone in the other member states.

Most of these will want to stand again, though some are likely to be casualties of the selection processes set up by their political parties. Very few selections have yet been made, but it is a fair assumption that between one-half and three-quarters of the sitting members will present themselves again to the electors. What sort of record will they be running on? Each of them will have his personal milestones, but so far as the Parliament itself is concerned there is no hiding the fact that it has proved a disappointment. This was probably inevitable, given that the member states have granted it very few powers—much, much less than those enjoyed by any of the 10 national parliaments. In the circumstances, even parliamentarians of the calibre of Pericles or Demosthenes would have found it difficult to make their mark.

As it is, the members of the European Parliament can justly claim to have made a solid start. They have consistently fulfilled their responsibility of giving considered opinions on all the draft Community laws proposed by the E.C. Commission before these are sent for approval by the Council of Ministers. So far as the Community's budget is concerned, the Parliament has only limited powers, but these have been used to the full in skillful maneuvering which has in fact resulted in the Parliament's influence being extended into areas not envisaged by the Treaty of Rome. It also succeeded in securing major increases in non-agricultural spending, raising the regional and social funds from 1.25 billion European Currency Units in 1979 to 4 billion (about $3.5 billion) in 1982. The Parliament has acquired the right to receive a report back from the head of Government presiding over each of the thrice-yearly E.C. summit meetings and it is now consulted regularly on all important foreign policy questions.

There have been notable failures. First, in not pushing forward a claim to be relocated in Brussels, where most of the important E.C. decisions are made, rather than being forced to hold most of their plenary sessions in the relative backwater of Strasbourg. Secondly, far too much time was lost in formulating the proposal for a common electoral system. There is no good reason why this should not have been ready 18 months earlier, which would have made it much more difficult for Thatcher to thwart the will of the majority. And, more generally, too much time has undoubtedly been spent on debating topics, such as El Salvador and Chile, where the Parliament has no competence, at the expense of issues which are more relevant to its role.

Taken altogether, however, the Parliament has a respectable, if not outstanding, record and it is certainly one which compares favorably with that of the E.C. Council of Ministers, which has more than 10 times as much power, but which definitely has not shown 10 times as much wisdom. But it is not a record which has made much impact on public opinion, due to sketchy reporting by the media. It would be sad if this led to a low turnout in next June's election. The Parliament has an uphill struggle ahead and, in order to enhance its role as the democratic watchdog of the E.C., it needs to attract the wholehearted backing of the electorate. €

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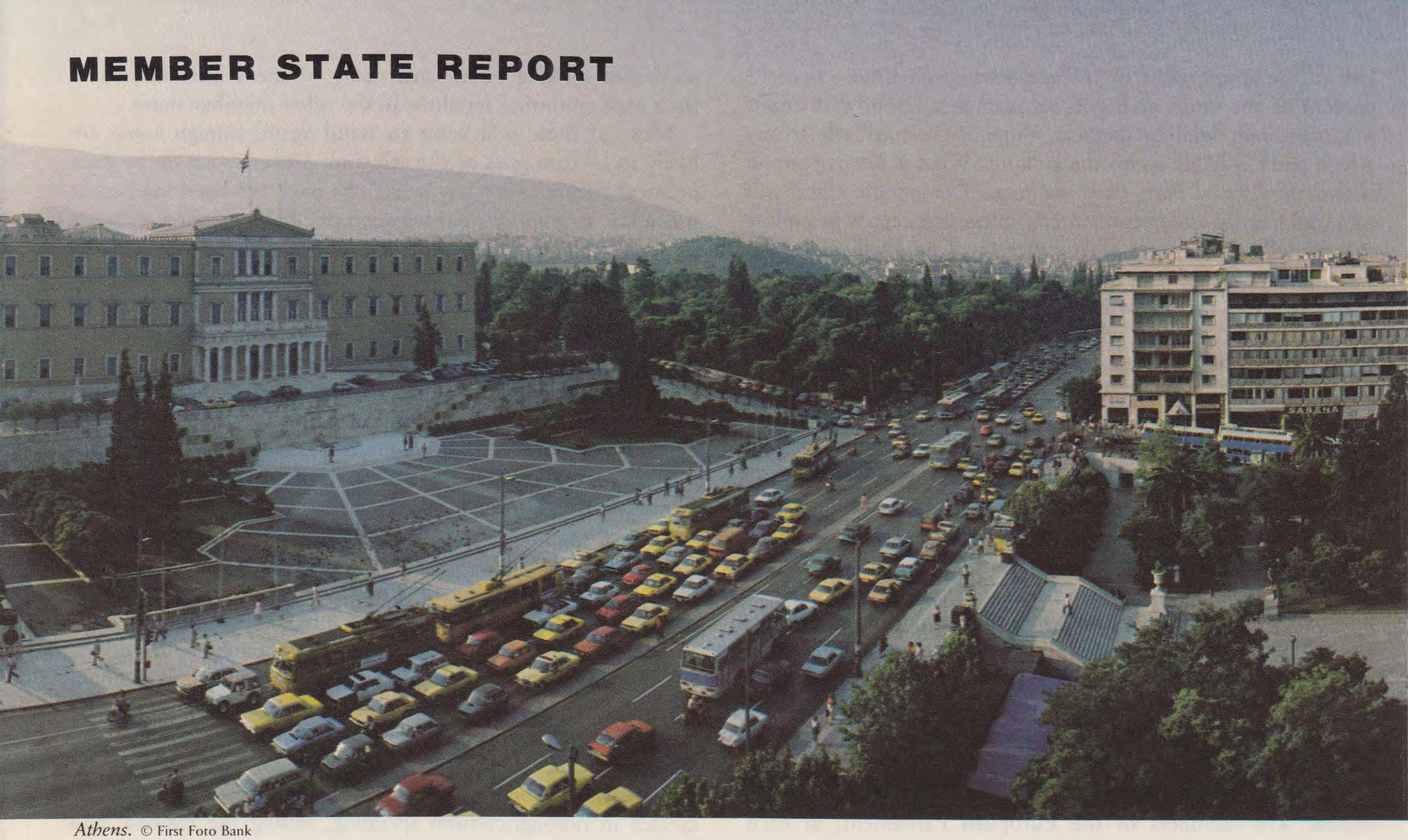


Athens. © First Foto Bank

GREECE

SOCIALIST GOVERNMENT HAS ENDED BITTER DIVISIONS BETWEEN LEFT AND RIGHT.

KERIN HOPE

On a warm evening in September a silver-haired man in his late 70s addressed a small crowd from the balcony of Athens city hall. He was "General" Markos Vafeiades, once Greece's most notorious Communist guerilla leader, who returned last spring from more than 30 years of exile in the Soviet Union under an amnesty granted to former political fugitives by Socialist Premier Andreas Papandreou. Political passions run high in Greece and memories are long. But Vafeiades' rare appearance in public passed almost unnoticed. The country's first Socialist Government appears to have succeeded in ending bitter divisions between right and left that dominated Greek political life for a generation after the 1949 defeat of a Communist rebel uprising.

Elected on an all-embracing slogan of *allaghi* (change) Papandreou's ruling Panhellenic Socialist Movement (PASOK) has pledged to modernize Greece. During two years in office, the Government has legislated away a considerable number of political and social anachronisms overlooked by its conservative predecessor. The Socialists have introduced civil marriage, abolished the age-old dowry system, reformed the divorce law, given women equal rights, and even made nudist camps legal. The influence of the arch-conservative Greek Orthodox Church on everyday life is now considerably curtailed, but the clergy has proved unexpectedly compliant.

An outcry is raised more against the Socialists' efforts to reorganize the judiciary, revamp the 19th-century university system, and lay the foundations of a British-style national health service. Exports are declining, investment lags, and inflation still hovers around the 20 percent mark, almost twice the E.C. average.

Papandreou promised that Greece would not become "a country of vegetables and hotels," and the Government has tried to attract the kind of high-technology investment it desperately wants, a process which takes time. Income from traditional money-makers like tourism and shipping has dropped, by 20 percent for the first half of 1983. Net benefits from the European Community, estimated at more than $800 million this year, will come in useful for covering the balance-of-payments deficit.

Even though there is a sense of uncertainty about the future among Greeks, who have been accustomed for years to increasing standards of living, Papandreou comfortably dominates the political scene despite the inevitable wear and tear of two years in power. The former economics professor at the

University of California in Berkeley also holds the defense portfolio and is the driving force behind Greece's singular foreign policy—a current source of concern to its E.C. partners during Greece's first Community presidency.

Problems in the Socialists' relationship with the Community no longer focus on Greek demands for a better deal and an implied threat that Papandreou might pull Greece out of the E.C. altogether. Political cooperation is the issue and Greece's refusal to impose sanctions on the Soviet Union over the Korean jetliner incident—although Greece expessed its sorrow and demanded an investigation through the ICAO—provoked negative reaction from other E.C. member states. Critics also say the Government, which relies heavily on American-trained special advisers, has failed to think through its ambitious structural reforms or to take their financial and social consequences into account.

Decentralizing the creaking bureaucracy is another major target, but provokes little adverse reaction. Interior Minister George Gennimatas, who has proved an able administrator in a Cabinet where only Papandreou had previously held a minister's post, has steered through parliament a mass of new legislation. The new laws enable provincial authorities to take planning decisions and to supervise development in their areas for the first time. They also include incentives for Greeks with professional and technical skills to move out of overcrowded Athens and Salonica where almost 40 percent of the country's 10 million inhabitants live.

Sometimes *allaghi* takes a concrete form. Last summer, Environment Minister Antony Tritsis, an American-trained city planner, carried out a threat few Greeks thought would materialize. Teams of bulldozers moved in to raze some illegal summer homes under construction around Attica, where more than 350,000 buildings went up without planning permission in the last decade. Opposition critics dismiss such tactics as publicity-seeking gimmickry. They are increasingly doubtful the Socialists will find the cash to carry out far-reaching reforms. Recession is biting deep, with unemployment in Greece now close to 10 percent of the work force and industrial profits at an alltime low. The Socialists say they want to stress

Greece's Prime Minister, Andreas Papandreou, comfortably dominates the political scene despite the inevitable wear and tear of two years in power.
© William Karel/SYGMA

the independence of Greek foreign policy after what they call "years of a conservative client relationship with the United States and Western Europe."

In practice, this means taking a different position on some issues of the political cooperation agenda. "We don't think E.C. political cooperation should become just another vehicle for expressing cold-war feelings of anti-Sovietism," a senior Greek Foreign Ministry official said. Greek initiatives for fact-finding missions to Central America and Lebanon have not come to fruition so far. But Haralambopoulos' letter proposing a six-month delay in deployment of cruise and Pershing-2 missiles in Europe—to give more time to the superpowers to reach an agreement limiting the nuclear arms escalation—managed to infuriate his E.C. colleagues. Greek officials say they are "disappointed by such a strong reaction to a purely procedural initiative" and claim they are unlikely to bring up any new initiatives during the remainder of the Greek presidency.

Instead, Papandreou's personal interest in the peace movement—unique among E.C. and North Atlantic Treaty Organization (NATO) leaders—will take another direction next January. Plans are well-advanced for a meeting of nuclear-policy specialists from Turkey, Bulgaria, Rumania, and Yugoslavia on turning the Balkans into a nuclear-free zone. The plan, first broached by Papandreou one year ago, calls for the experts' meeting to be followed by a gathering of Balkan Foreign Ministers and eventually a Balkan summit on denuclearization. Only Albania, Greece's isolated Communist neighbor to the north, has rejected the proposal outright as impractical so long as other Balkan countries belong to one or another superpower alliance.

Plans for a nuclear-free Balkan area have circulated for almost a quarter-century and the pervading mistrust among the Balkan countries is expected to ensure that nobody misses out on the Athens meeting. Western observers here, however, say Papandreou, like his predecessor Constantine Karamanlis, will find substantive agreement on any Balkan issue hard to achieve.

In other areas the Socialists have been more pragmatic. Where two previous conservative Governments failed, they have signed an agreement allowing American bases in Greece to remain for at least another five years. Papandreou's anti-Turkish rhetoric has cooled and a diplomatic dialogue has resumed between the two Aegean rivals, devoted to topics like improving Greek-Turkish trade and tourism relations.

The Government is also careful to point out that Greece has no intention of leaving NATO, despite the confusion caused by Greek withdrawals from alliance exercises in the Aegean at the last minute in two successive years because of NATO refusal to include the Greek island of Lemnos in the exercises. Political analysts say much of Papandreou's public utterings on foreign affairs are designed for domestic purposes—to some extent to satisfy PASOK party hardliners. "Our foreign policy is planned and executed according to domestic criteria . . . and the dogmatism with which the Government of change faces our external relations only creates fears for the future," according to a recent editorial in the Greek newspaper *Kathimerini*.

Observers say the Socialists benefit considerably from the absence of well-organized opposition from the conservative New Democracy Party. Its leader, Evangelos Averoff, 73, is under threat from more than half a dozen younger candidates in a long, drawn-out succession struggle. Much may depend on President Constantinos Karamanlis, who founded the party when he became Prime Minister in 1974 after the collapse of the Colonels' junta. A confirmed believer in European unity who masterminded Greece's entry into the E.C., he has wide-ranging mediating powers as yet unused. Nevertheless, the 76-year-old President plays an influential role behind the scenes. He is known to express concern regularly, in private, about Papandreou's differences with the European Community and NATO. To many Greeks, he is a reassuring influence on the Socialist Government. €

Kerin Hope is the Associated Press *correspondent in Athens.*

Papandreou on Foreign Policy

Since it was elected, our government has been following consistently a truly multidimensional foreign policy. A policy that is based on the fact that Greece is a small country that belongs at the same time to Europe, the Balkans, and the Mediterranean and on the belief that only within such a framework can we advance and safeguard our national independence.

In the Balkans, we continue a foreign policy that was initiated by George Papandreou and pursued successfully by President Karamanlis. This policy is based on our desire for friendship, peace and disarmament in this sensitive area that has historically been considered as the powder magazine of Europe. And it is with this aim that I recently took the initiative of writing to the leaders of the other Balkan countries about a concrete procedure which will hopefully lead to a summit meeting on a denuclearized zone in the Balkans, to which I believe there will be a positive response.

We are also a Mediterranean country with close ties with the countries of Southern Europe and the Middle East. Our steadfast aim is to continue with our traditional friendly relations with these countries and develop them further, so they can constitute an example of cooperation between peoples and governments and a decisive contribution to the maintenance of peace. With the countries of Southern Europe, we also share the common objective to redress the balance toward a fairer distribution of resources within the E.C. national level. On the other hand, we know that there is no automatic mechanism in the system that can bring about the convergence of the economies of member countries and the achievement of other national or common objectives.

We are undoubtedly a European country. However, to sum up, Greece belongs to Europe, the Balkans, and the Mediterranean and we consider all three roles equally important for the future of our country. But because we are at the crossroads of these three important regions of the world—because we believe we have a sensitivity to the problems of the Third World, we believe we can play a critical role in the key issue of our times—nuclear disarmament and peace.

membership has its drawbacks

It's not all roses as joining the Common Market poses problems for both the E.C. and Greece.

GRIGORIS VARFIS

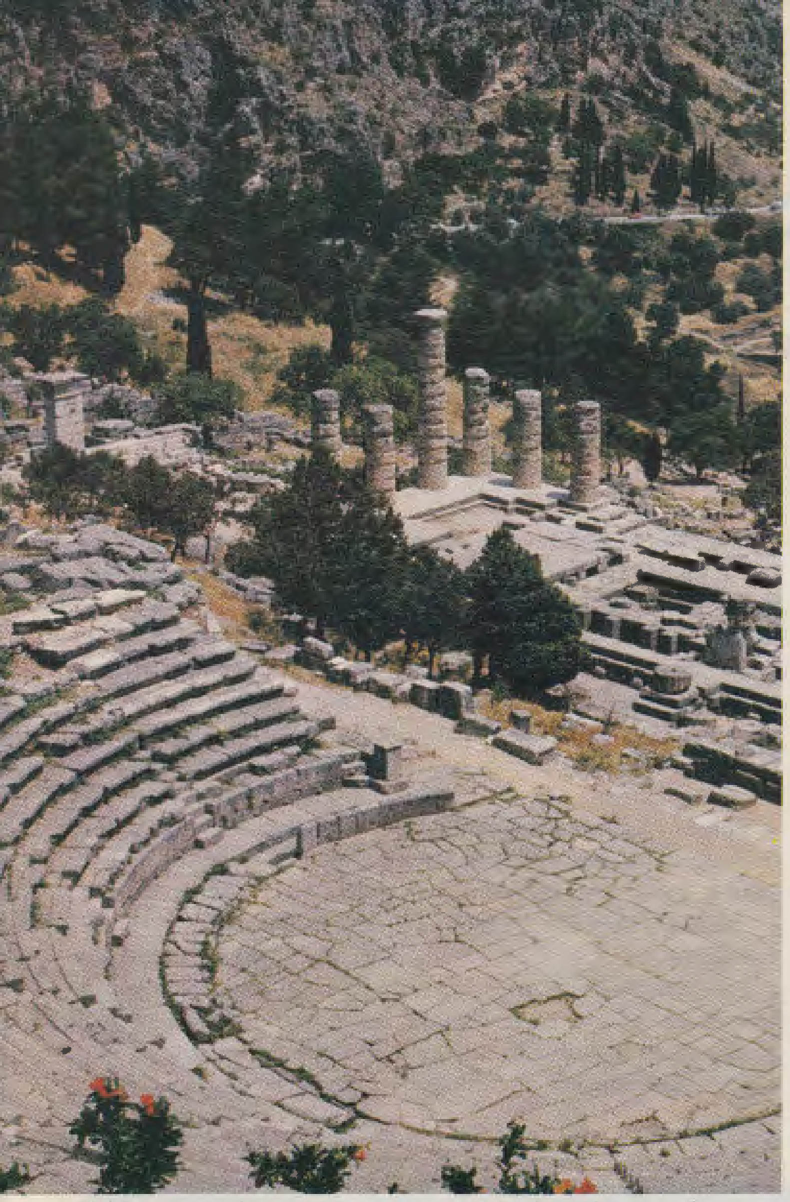
The Greek Government, together with the European Community, is examining the arrangements that are indispensable for the successful development of the Greek economy within the framework of the Community. This is a matter of major importance for the Greek Government. The E.C. structure was shaped to enhance the economies for which it was originally intended: a customs union favoring advanced economies of similar structure and a Common Agricultural Policy favoring agricultural products from the north of the European Continent.

When the original six E.C. members became nine, then 10 —thus increasing the Community's disparity—the necessary structural modifications did not follow suit. Thus Greece joined the Community while essential conditions to her smooth integration were not met, or could not be met, since the different structure of the Greek economy did not permit this.

In industry, Greece has a large number of small enterprises, an 80 percent dependence on imported capital equipment, a low level of investment in the processing plants. In agriculture, the farm population is still large, accounting for 30 percent of the total work force; there is an inadequate infrastructure for the marketing and processing of agricultural products; and agricultural holdings are small and greatly fragmented. Thus the convergence of the Greek economy with that of the Community economies depends basically on the reduction of structural imbalances.

This line of thought underlies the formulation of the Greek memorandum that was submitted to the E.C. Commission in March 1982. The special nature of the Greek economy was stressed and specific measures to deal with it were outlined. For Greek industry, the memorandum urged active support for a five-year program of industrial development, including a transitional period of protection for Greek products, special emphasis on investment, regional development programs, and the strengthening of the economic infrastructure. In agricul-

The Greek Government presented its application for membership to the E.C. in June, 1975. Negotiations began in July 1976 and led to the signing, in Athens on May 28, 1979, of the treaty joining Greece to the European Community.



Delphi, the seat of the most important ancient Greek temple and oracle of Apollo, considered by the ancient Greeks as the center of the world.
© Steve Elmore

ture, the memorandum sought the adaptation of the Common Agricultural Policy so as to remove not only Greek structural inadequacies, but also the unfavorable treatment by the Community of Mediterranean regions with respect to intervention prices, support levels, and the degree of protection for Mediterranean products.

In its reply, the Commission acknowledged the special nature of the Greek economy and endorsed the view that "determined action" is called for to deal with it. The Greek Government on its side acknowledged the "positive points" of the answer, despite the fact that the Commission's proposals constitute general guidelines which need clarification. The Stuttgart European Council meeting of heads of Government instructed the Commission to proceed to a full and constructive examination of the problems facing the Greek economy and further invited the Commission to "submit specific proposals in various sectors complementing its earlier proposals." It called on the Council "to examine the proposals with a view to concrete decisions before the next European Council."

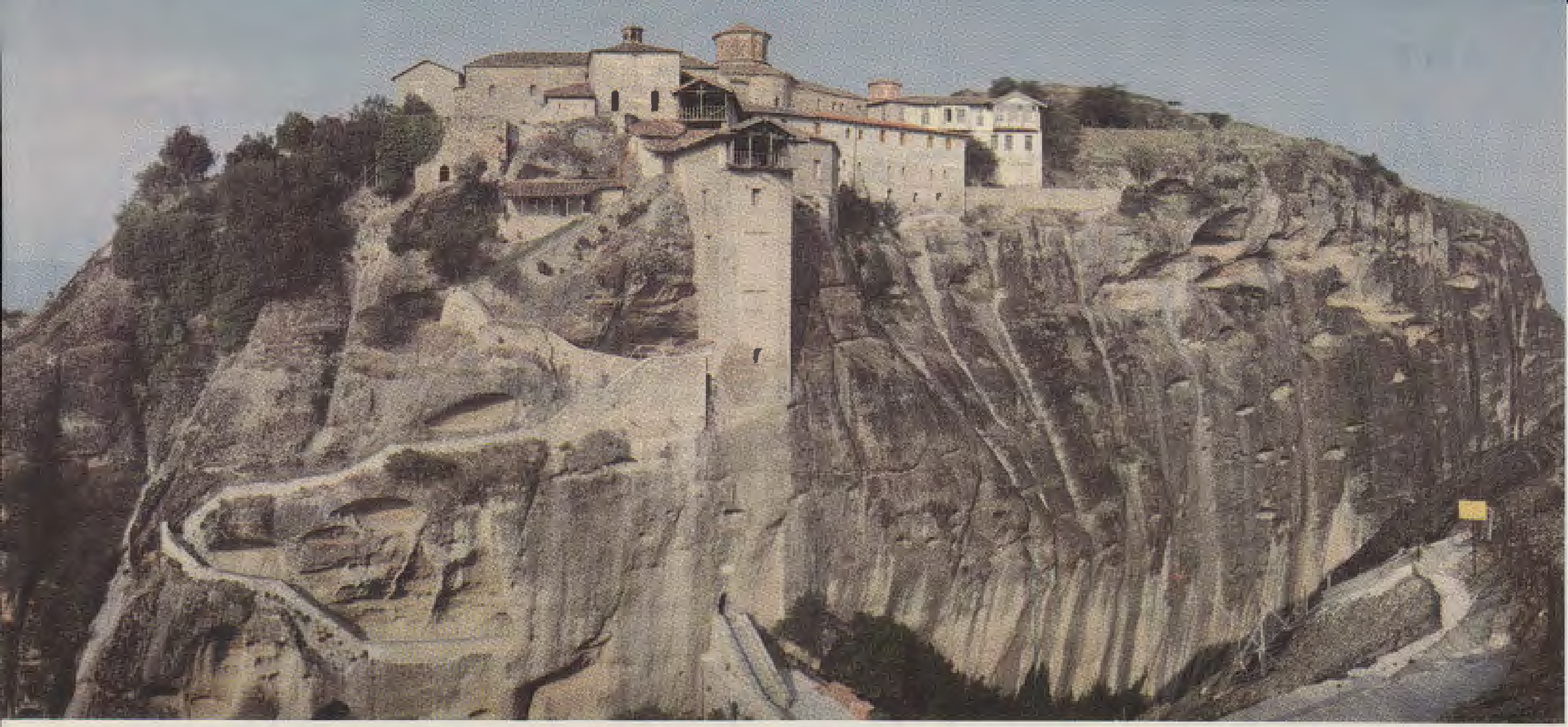
At present, Greece is in the process of implementing the proposals submitted by the Commission. The Commission assessment memorandum covers three general categories of measures and regulations:

• On the protection of Greek industry and the adaptation of the Greek tax system, it was agreed that the Greek Government will abolish by Jan. 1, 1984, all regulations discriminating against imported Community products. On the other hand, the competitiveness of the Greek economy will be protected by the introduction of a regulatory tax which will be gradually phased out by 1989.
• The integrated Mediterranean program for Greece provides that Community action should be both more extensive and intensive than in the rest of the Mediterranean areas of the Community. The process for the implementation of the program has begun and substantial results should be reached by the Athens European Council meeting in December.
• There are special proposals in the other fields of Community action necessary to meet the special nature of the Greek economy (transport, social infrastructure, and so on). For this purpose, an ad hoc Greek memorandum group was set up to examine and propose the necessary measures. The method of meeting the issues facing the Greek economy as mentioned in the Greek memorandum was outlined before the Stuttgart conference which had adopted its important decisions concerning the relaunch of Community policies by a global examination of the problems arising. It appeared that the Community lacked the necessary impetus to face its competitors, and the internal cohesion required for the convergence of Community economies. Thus, the memorandum is but a particular aspect of the issues arising for the greater cohesion of the Community and for the convergence of E.C. member states' economies.

Greece assumed the Community presidency last July for a six-month period during which vital issues, decisive for the Community's future, have been and will be debated: the E.C. budget and the increase of its "own resources," the accession of Portugal and Spain, the Common Agricultural Policy. It is in this context that the Greek presidency is playing a major role in an effort to find solutions to the most pressing issues facing the Community today. The special councils which were created for this reason are examining the issue of the future financing of the Community, the restructuring of the Common Agricultural Policy, new policies, and the Community's structural funds.

The Greek presidency also will contribute to the Community relaunch on the basis of a European industry which should have its own funds and financing instruments. This will permit its members to take part in the effort to assure successful development in Europe and the gradual phasing out of existing imbalances—regional, financial, or otherwise. The discussions will strive to achieve a new dynamism, not merely marginal corrections. Thus every country will realize that it stands to gain from the integration of Europe and not from narrow national considerations. With these procedures now under way, we hope that the essential, very important decisions will be taken, jointly, at the Athens summit meeting in December which will be crucial for the future of the Community." €

Grigoris Varfis is Greece's Undersecretary of Foreign Affairs responsible for E.C. affairs.



In 1982, tourists spent $1.5 billion in Greece traveling around to such monumental sites as the Meteora, pictured here. © Cynthia Foster/First Foto Bank

In the meantime, politicians and economists are debating the degree to which Greece's present problems can be attributed to Socialist policies. So far as tourism and shipping are concerned, the answer is not very much. Whether Greece is visited by 5.4 million or 5.5 million holidaymakers a year depends more on conditions abroad, especially in Western Europe, than on the higher costs of a package because of wage increases and inflation in Greece—which in any case are largely offset by drachma devaluation. Simiarly with the merchant marine, the income from the 3,911 Greek-owned ships of 46.86 million tons is largely a matter of the world freight market.

The answer may be rather different in industry. President of the Federation of Greek Industries Theodore Papalexapoulos said recently that industrial production fell by "an all-time record" of 5 percent in 1982. The financial statements of 2,180 of Greece's 3,200 manufacturing firms, published up to the end of August, showed that for the first time in the postwar era losses exceeded profits in industry as a whole, he said.

The 2,180 firms, he said, showed a net loss of 11.7 billion drachma (about $175.2 million then) last year, against a net profit of 16 billion drachma (about $288.8 million then) in 1981. Return on invested capital fell from 7.1 percent in 1976 to 5.4 percent in 1981, and in 1982 averaged a loss of 4 percent. Productivity declines in industry were 0.3 percent in 1980, 2.3 percent in 1981 and 5.1 percent in 1982. The Bank of Greece says a 33.5 percent increase in hourly earnings in manufacturing last year, in combination with a 3 percent fall in productivity, led to a 37.6 percent jump in unit labor costs, on top of an increase of 26.6 percent in 1981.

To the Government, this reflects a "bold" incomes policy in favor of the working class. It has now, finally, begun to insist on a link between future wage increases and productivity improvements, but trade unions have been led to believe that full wage indexation will be restored in 1984 after the partial and not very effective wage freeze forced on the Government this year. Industrialists complain of increasing costs, fluctuating tax policies, "savage" price controls, union encroachment on managerial prerogatives, a diminishing arena of action because of state takeovers of ailing firms, and favoritism shown toward state-owned units and cooperatives. They pose two questions: Where in these circumstances, is the motivation and the money to come from for new investment; and, without new investment, how can unemployment even be held at present levels?

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Somehow, and the Government admits,this, the public-sector deficit will have to be compressed, despite inelasticity of expenditures and the effects of recession on state revenues. It pins its hopes on a more effective assault on tax evasion, endemic in Greece because of the unusually large black economy. But more politically unpleasant measures may at some point become necessary, such as taxing farm incomes and bank interest and forcing the public corporations and utilities to pay their way by hiking rates and slashing surplus staff. As Papandreou put it this fall in an address to the Salanika trade fair: "What we are after is to create a favorable economic climate, providing the conditions needed for a developing free enterprise whose operation does not conflict with the general economic objectives and choices of the society as a whole. But private enterprise cannot be allowed to act unchecked. In a rationally operating economy there must be provision for economic sanctions against enterprises which either will not or cannot adapt in good time to changing technical and economic circumstances." €

Victor Walker is the Journal of Commerce *correspondent in Greece.*

The common factor is a diminished competitiveness throughout the economy. The value of Greek exports fell 13.3 percent last year, to $4.1 billion, and by a further 9.7 percent in the first seven months of this year. Markets are being lost because of international recession, but also because of the price, quality, and packaging of export products. Greek goods have been losing ground on the domestic market too, especially since Greece's 1981 E.C. accession. Noting in his annual report as Governor of the Bank of Greece that the removal of tariff barriers had highlighted productivity differentials between Greece and the other E.C. member countries, Arsenis complained that even traditional products incorporating unsophisticated technology, such as textiles, were being displaced on the Greek market.

There are two reasons why imports fell by 12.1 percent to $10.08 billion last year and by a further 9 percent in January-July: the effect of diminishing purchasing power on the demand for luxury consumer goods and the absence of the major industrial investments that would involve orders for capital equipment. Two poor seasons in a row cut receipts from tourism by 18.4 percent last year to $1.53 billion and by an additional 20.6 percent in the first seven months of 1983. With receipts from the merchant marine also down, by 9.4 percent to $1.65 billion last year and 20.3 percent in January-July, the net balance of invisibles provided less cover for the trade deficit.

The result: Although Greece was able to cut its oil bill by $920 million last year and a further $571 million in January-July, because of lower prices and stock depletion, and had net gains from financial exchanges with the E.C. of $550 million last year, against $148 million in 1981, and of $453 million in January-July, against $216 million in the corresponding 1982 period, it still had to borrow half a billion dollars more abroad last year than in 1981 and $200 million more in the first seven months than in January-July last year. E.C. Commission President Gaston Thorn, quoting a rather higher figure than Greek Government estimates, said in Athens at the beginning of the year that Greece would probably have a billion-dollar net benefit from financial exchanges with the Community in 1983. But the foreign borrowing requirement will still be up again.

This is the basic explanation for a reversal of policy on the E.C. During election campaigning two years ago, Papandreou promised a referendum on continued Greek membership that party slogans made clear could be expected to lead to a walk-out. There is no longer any talk of a referendum. To the contrary, the Premier told a recent meeting of PASOK members of parliament: "We cannot leave the E.C., since it's one thing to go in and another to walk out, in view of the rights and obligations created." In its simplest terms, for an E.C. member to borrow $1.8 billion or $2 billion abroad is one thing; for a former E.C. member to borrow $2.8 billion or $3 billion would be another.

The Greek effort now is to improve the conditions of its membership, which it is acknowledged both in Athens and Brussels was rushed through because of the determination of the then Premier Constantine Karamanlis, now President of the Republic, to get Greece into the Community in advance of Spain and Portugal. Karamanlis reacted with a rare display of presidential anger when an outspoken member of the Papandreou Cabinet claimed he had taken Greece "barefoot into the E.C.," but even senior Brussels officials admit privately to surprise that Greece did not hold out for all it might have during the long accession negotiations. That Karamanlis was right to attach overriding priority to jumping the queue has been demonstrated by the snags over Spanish and Portuguese accession, but if there had not been a touch of guilt in Brussels, the Commission might have responded rather less favorably to the requests contained in Greece's 1982 memorandum.

The Commission has come through with a blueprint for a relatively massive transfer of resources to the Community's weakest member, and assistance in a general modernization of the economy and administration. It is proposing to invest 2.5 billion European Currency Units (currently about $2.2 billion) in Greece between 1985 and 1991 through the Integrated Mediterranean Programs alone, apart from the wide-ranging assistance given to Greece to increase its share of available E.C. funding. What is not yet clear is whether the Greeks have taken sufficiently to heart the accompanying caution: "The capacity of the Commission to help overcome the structural problems of the Greek economy can be mobilized only to the extent that a corresponding determination on the part of Greece is applied to the major task of securing the full participation of Greece in all aspects of the Community system."

GREECE IN FIGURES

Area 131,990 sq. km.

Population 9.8 million

Selected Economic Indicators	1966	1981	1982
Income per capita, at 1970 prices and exchange rates, in $ (gross national income at factor cost)	778	1,455	1,441
Index of manufacturing production (1970 = 100)	75	192	182
Gross domestic product at 1970 prices and exchange rates (in million U.S.$)	6,567	13,870	13,893
Consumer price index (1974 = 100)	59	300	363
Balance of Payments (million U.S.$)			
Exports (fob)	404	4,772	4,139
Imports (cif)	1,149	11,468	10,079
Invisible receipts	636	6,495	6,092
Invisible payments	155	2,206	2,049
Balance on current account	−264	−2,407	−1,897

Percent Distribution of Greek Foreign Trade by Area (1982)	Imports	Exports
E.C.	46.9	46.3
Arab countries	26.2	24.2
U.S.A.	4.4	8.9
East European countries	5.3	7.7
Other West European countries	6.8	7.1
Rest of the World	10.4	5.8

In 1982, tourists spent $1.5 billion in Greece traveling around to such monumental sites as the Meteora, pictured here. © Cynthia Foster/First Foto Bank

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Victor Walker is the Journal of Commerce *correspondent in Greece.*

ART

WHO REALLY OWNS THE ELGIN MARBLES?

Pressures grow for returning masterpieces to their countries of origin.

LOUIS RONZE

With historical upheavals, and the changing fortunes of war, works of art have changed hands many times over the centuries, often in dubious circumstances. Should they now be returned to their country of origin, or would this compromise the cultural unity of the European Community?

A few months ago, three Greek members of the European Parliament put forward a motion for a resolution calling on Britain to return the Elgin Marbles, which include a large part of the frieze from the Parthenon. This collection is now kept in the British Museum in London. The motion was not accepted by the European Parliament, which did not discuss the matter. However, this does not mean that the problem does not exist. In mid-October, the Greek Ambassador in London formally delivered his Government's request to the British for the return of the marbles.

The Greek members' resolution may have failed, but it raised the general question of the return of certain masterpieces such as paintings, statues, and even entire buildings, which have left their country of origin, often in questionable circumstances. In a Europe now at peace with itself, this presents a possible cause of strife which, unless measures are taken to avert it, could embitter cultural relations. This is the last thing we need. However, the matter is so complex and obscure that, until now, all countries which have had to consider the problem have been content to deal with it case by case. Admittedly, the Council of Europe and UNESCO have urged effective protection of the artistic heritage against theft; but "restitution" has remained practically a taboo subject.

The E.C. Commission, for its part, has recommended ratification of a convention adopted by the UNESCO conference in 1970 dealing with "measures to forbid and prevent illegal import, export, or transfer of cultural assets." However, in its

Do the Elgin Marbles belong to the British or to the Greeks? © Scala Art

Today, certain parts of the Parthenon, for example, along with the Venus de Milo, are found in the Louvre. © Scala Art

communication of 22 November 1977 to the Council of Ministers, the Commission stated that "certain reservations could be attached to the ratification of this convention, aimed in particular at excluding any possibility of later revocation of its retrospective effect." This veiled allusion is the only reference to possible demands for restitution. Again, a recent meeting in Mexico of ministers of culture emphasized in careful terms the advantages of replacing important examples in their authentic environment. In their motion, the three Greek members of the European Parliament referred specifically to this text.

Before going any further, let us consider these famous Elgin Marbles. In 1799, Thomas, seventh Earl of Elgin and eleventh of Kincardine, was appointed British Ambassador to the Sublime Gate of Constantinople. A great lover of classical Greek art, he asked for, and obtained, permission from the Turkish authorities to make notes of the works of art on the Acropolis in Athens, Soon, he went one step further and asked for permission to export some of these works of art. At that time, the Ottoman Empire was totally disinterested in Greek art and Lord Elgin's request was granted. Doubtless, politics also played a role. In 1799, Turkey was confronted with the French invasion of its Egyptian province and sought the support of Great Britain. In 1803, Lord Elgin began to have part of the Parthenon frieze removed and crated at his own expense, but in the middle of this task he was recalled to London. It was only 10 years later that he succeeded in having his treasures transported to Britain.

Strangely enough, the only protests at the time came not from the Greeks, who were reduced to silence under the domination of the Sultan, but from an Englishman, the ardent Grecophile Lord Byron. He accused Lord Elgin of being a vandal, of seeking to enrich himself at the expense of the Greeks, and of misusing his diplomatic status to accept presents from the Turks. Nevertheless, it must be admitted that, in 1803, there was nothing to suggest that these masterpieces would have been safe from possible destruction if they had been left *in situ*. For in 1687 the Parthenon, which at the time had been transformed into a mosque, had already been seriously damaged by a Venetian bombardment, when the gunpowder stored in the sanctuary blew up. After the explosion, the Turkish Administration contented itself with patching up a small mosque in the ruins.

The quarrel between these two English peers eventually led to a parliamentary committee being set up to look into the affair. This committee cleared Lord Elgin of any blame, but nevertheless recommended that the government should purchase the collection and present it to the nation. This was done in 1816. Lord Elgin received £35,000, much less than the expenses he had incurred, and the "marbles" were lodged in the British Museum. The case of these famous works of art is by no means unique. Certain parts of the Parthenon decorations are to be found, for example, in the Louvre, where they are kept, along with the Venus de Milo and the Winged Victory of Samothrace.

The Greek members of the European Parliament asked for the return of the frieze because it is part of the Greek national heritage. Today, almost all countries attach great importance to the conservation of this sort of heritage, which is not

After the defeat of Napoleon, France was forced to return the horse-drawn chariot from the top of the Brandenburg Gate in Berlin and the four bronze horses (shown here) taken from outside St. Mark's in Venice. © Scala Art

limited to works of art alone, as was shown by the recent dispute between France and Algeria about the records of the former North African *départements*. For the Greek parliamentarians, the removal of the Parthenon frieze constituted an "illegal act" of spoliation, since the Greeks, being reduced to impotence under the Ottoman regime, were not able to oppose it, as they would undoubtedly have done 30 years later, when they had won their independence. But what exactly constitutes "spoliation?" Lord Elgin had not broken any law

The Winged Victory of Samothrace in the Louvre, Paris. © Scala Art

and had obtained all the necessary permissions.

This is not the case with many other masterpieces taken, for example, by the victors in time of war; although it may be wondered whether a concession which is confirmed in a peace treaty cannot be legally contested. It was in this manner that, after the defeat of Napoleon, France was forced to return the horse-drawn chariot from the top of the Brandenburg Gate in Berlin and the four bronze horses taken from outside St. Mark's in Venice. However, this latter case, which is far from being clear-cut, underlines all the ambiguity involved in a systematic policy of "restitution," since the Venetians themselves stole the horses from Constantinople when it was sacked by the crusaders in 1204. Could the Turks now ask for them to be returned to Istanbul?

These horses, however, have nothing to do with Turkish civilization: They belong to the hellenistic art of the third century B.C. In that case, could they be claimed by Greece? If, on the other hand, the Venetians are considered to be the legitimate owners, it is necessary to determine how much time must elapse before possession gives title, otherwise Egypt could very well demand the return of sculptures taken to Italy under the Emperor Hadrian to decorate his villa near Tivoli. The question is far from being simply theoretical, since the Louvre, for example, is now filled with works of art taken by Napoleon from various European countries and which did not form part of those returned in 1815.

Apart from the purely legal aspect of the problem there are other questions, the most important of which is the role that countries assign to their national heritage. It could be said that the national heritage serves to reinforce the identity and greatness of the community which created it. Secondly, this heritage now also serves to attract tourists, and is thus of considerable economic importance—a fact which is less often admitted.

The question becomes even more complicated inside the European Community, which also aspires to be a community of culture. Attention has been drawn to this aspect of the Community on severeal occasions by summit conferences of heads of state and government leaders—a fact which has almost been forgotten. Thus the final declaration of the 1972 conference, held in the Hague, emphasized that Europe is a "unique nurture ground of culture" and that it must be safeguarded.

In Copenhagen in 1972, another declaration on European identity stated that culture is one of the basic elements of the Community's identity. The different countries of the Community are thankfully not hermetically sealed cultural compartments, but a continuum in time and space. To give but one example, a large part of European art has drawn its inspiration directly from Greece. Greek works of art are thus part of our common heritage, and are equally well at home in Paris or in London, Rome, or Berlin. If this were not the case, demands could be made for the return to Metz of the famous equestrian statue of Charlemagne, now kept in the Louvre, by reason of its being a work of art in the Mosan style, which owes nothing to the art of the Ile-de-France province.

One last factor to be taken into account when considering the return of works of art is that their authenticity is only of relative importance. Reproduction techniques—whether for paintings, sculptures, or buildings—are now so advanced that the advocates of restitution and of the right of possession could well be satisfied by having copies distributed. The protests of those who demand the return of the original can well be imagined.

And yet, from force of necessity, custodians often do not scruple to take great liberties with the authenticity of works of art which visitors often come great distances to see in their "authentic" setting. The millions of tourists who come to admire the "Mannekin Pis" in Brussels, are seemingly unaware that the little chap they see there is only the seventh or eighth copy of the long-since-vanished original which was stolen, as were subsequent copies. Again at the Acropolis in Athens, the caryatids of the Erechtheum are also copies; but this fact does not in any way reduce the admiration of visitors, who may be unaware of it. What are we to make of all this? The most important conclusion is that the present dispersion of works of art across the Community must not serve as a pretext for renewed chauvinistic claims for their return, which often conceal motives of financial gain. €

Louis Ronze is a French art critic.

preying on birds

BERND FUHS

A lanner falcon. © Bruce Coleman

Poachers are decimating Europe's raptor populations to supply falconers.

Every spring, specialized gangs of poachers from the Federal Republic of Germany plunder their way across Europe, from the Mediterranean countries northward through the nature reserves to the cliffs of Scandinavia. Their prey: the eggs and fledglings of Europe's falcons and eagles. Their paymasters: the falconry and hawking fraternity, mostly in the Middle East. Ten years after the signing of a Washington protection agreement, and four years after publication of the E.C. Council's guidelines for the protection of wild birds, authorities are still virtually powerless. Despite detailed knowledge of the membership and *modus operandi* of the gangs, all attempts to bring them to justice have failed, because of the authorities' unwillingness to act. Can the E.C. help?

Those who are aware of the situation know that, along with the stream of people on Easter vacation, the first contingents of falcon and eagle eggs will have made their way across Europe, to end up in the incubators of "breeders" in the Federal Republic of Germany. The robbers, with their highly-specialized equipment, follow the warmer spring weather as it moves northward. In Italy, this means that the plundering of Sicily starts in early March, with the beginning of the falcons' laying season. As soon as Sicily has been raided, the plundering of the rocky breeding sites of the Appenine cliffs begins.

In the words of Nuremberg customs official Otto Schlegelmann: "We have learned a thing or two about this timetable. If the eggs are removed from the nests before the hen bird starts to brood, then they can be transported for 10 days without an incubator. Otherwise it is necessary to have a portable incubator available. Once the first eggs have safely been brought home and put in the incubator, then the thieves know that in another 14 days' time there will almost certainly be a second clutch, and so the second round of plundering starts at the beginning of April. If the thieves wait until the beginning of April to mount their expedition, then they can get both clutches in one go."

Since the falcons' breeding season varies according to latitude, the nest-robbing in the north follows a week or two later. As a rule, the breeding season in central Italy is about eight days later than in the south. This means that a gang of nest robbers can clean out the whole of Italy in three expeditions between March and April. Even if only 10 nests are robbed on each of these expeditions (the average clutch is two or three eggs or chicks), then the number of birds by which the countryside is poorer can be reckoned at between 60 and 90. The pattern is repeated in Yugoslavia, Greece, Turkey, and northern Europe. It is known that, in two years, a third of all falcon nests are emptied.

The rarer eagles and large falcons become, the more sought after they are. A few years ago, a good Scandinavian gyr falcon would have brought about $20,000; since then the price has risen to $40,000 and, in one case, a black marketeer is said to have been paid $80,000. A fertile gyr falcon egg will fetch $10,000.

Customs investigator Schlegelmann also knows how prestige is determined among oil millionaires. "A first-class sheik has to have gyr falcons and peregrines; a second-rate sheik will have saker falcons and lanners; and the rest have to make do with Eleonora's falcons or luggers. "In Western countries these are all protected birds, and may not be bought or sold."

Expeditions mounted by the German nest robbers are technically very well prepared. The tools of their trade are ropes and pitons, egg warmers, and incubators. They use boats and airplanes as well as motor vehicles. Some of them have now chosen to live abroad—their catches are smuggled out by middlemen, since the Federal Republic of Germany is now too hot for them. One of these exiles, a bird smuggler named Bartsch, explained to a German vacationer at a camp site near Istanbul how he catches birds of prey in Turkey. He described how he would take a kite (a carrion-eating bird of prey), sew its eyelids together, and to its talons tie a tennis ball to which fine loops of thread were attached. Whenever a falcon appeared, he would throw the blind kite into the air. Because it is afraid of bumping into an obstacle, the kite tries to gain height. The falcon swoops on the kite to take what it thinks is the kite's prey—the tennis ball—away from it. In doing so, the falcon gets tangled up in the loops of thread and falls to the ground with the kite.

In order to prevent this nest-robbing, the aeries of eagles in the wild are watched day and night from the time when the eggs are first laid until the young are fledged. The nests are surrounded by North Atlantic Treaty Organization barbed wire. Microphones, fixed high up in the nesting trees, betray the slightest sound of scraping or breathing made by any would-be robber trying to climb up.

In the Federal Republic, for example, only a few remnants of the once-numerous populations of large birds of prey now remain. Of 18 species, four have disappeared completely—the osprey, the lesser spotted eagle, the short-toed eagle, and the griffon vulture. There are only a few individuals left of four other species—the sea eagle, the golden eagle, the peregrine falcon, and the hen harrier.

Bernd Fuhs writes for the Kölner Stadt-Anzeiger.

SOCIETY

Two sister cities, Louisville, Kentucky, and Montpellier, France, recently signed a joint agreement to "increase import and export capabilities and to promote economic growth in each community."

Sister Cities

Unusual channel goes beyond

RICHARD OAKLAND

In 1710 Baron Christopher de Graffernried and a party of his compatriots, principally from the canton of Bern, Switzerland, founded New Bern, North Carolina. While the idea of sister city relationships was unheard of in 1710, the two Berns maintained sporadic exchanges until the 1960s when New Bern celebrated the 250th anniversary of its founding and the historical link found a new impetus.

Today New Bern and 720 other U.S. communities are affiliated as sister cities with 1,018 cities in 81 nations in a planned program of mutual cooperation and understanding of a national movement founded in the United States in 1956 by President Dwight D. Eisenhower. Of the total 721 American cities involved in the sister cities program, there are 342 links with cities in the 10 European Community countries—47 percent of the total, a signficant figure demonstrating the importance American cities attach to ties with Europe.

The basic affiliation idea is simple. When an American city joins with a community in another nation to develop friendly and meaningful exchanges, the relationship is formalized by a sister cities affiliation. Ideally, this involves a large number of citizens and organizations in both communities. Together the two cities pursue projects of mutual interest. The activities require hard work, imagination, persistence, and a long-term commitment.

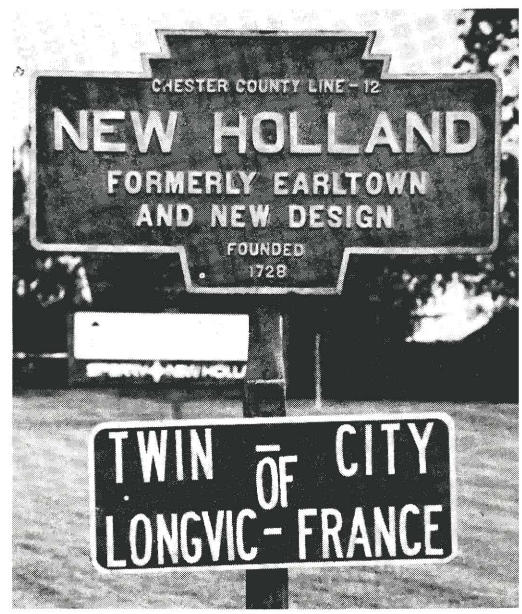
The concept of cities joining together to carry out mutual objectives is certainly not new. From the very beginning of recorded history, cities affiliated for mutually beneficial and common purposes; aid, commerce, trade, defense, and so on. With the advent of modern technology, nations and civilizations were being bound together as never before. Links between cities crossed countries, spanning oceans and continents.

Prior to World War II, links between U.S. cities and cities in other countries developed for two main reasons: The U.S. city was founded by settlers from the mother country—primarily Europe—or the two cities had the same name.

Nearly all sister cities initiated in the United States shortly after World War II began as gestures of material aid and the charitable motivation behind these programs is evidenced in the choice of overseas partners. Locations in France, the Federal Republic of Germany, and the Netherlands lead the list. A 1957 study by the International Advisory Council in New York showed that the choice of communities in those countries was dictated by two factors: first, the extent of devastation and need; second, the war role of the overseas town and/or its impact on American troops who shared that role.

Now 27 years old, the U.S. sister cities program has grown far beyond the goals of its infancy. When President Ronald Reagan accepted the honorary chairmanship of Sister Cities International—the national organization established to provide the vehicle for U.S. cities to participate in the sister cities program—he declared, "I have always had a deep belief that the problems of the world could be greatly lessened if people would start talking to each other instead of about each other." Reagan was expanding upon the belief expressed by President Dwight Eisenhower when he founded the sister cities concept as part of his People-to-People Program. Eisenhower said, "Two deeply held convictions united us in common purpose. First is our belief in effective, responsive local government as a principal bulwark of freedom. Second is our faith in the great promise of sister city affiliations in helping build the solid structure of world peace."

Because sister cities programs were initiated at the national level in many different countries during the same time period (starting shortly after World War II), approaches to structure and function vary. In Europe, the program enjoys great popularity and involves thousands of cities of all sizes linked with two, three, or more partners there. The links tend to be very formal, established by resolution and accompanied by documents detailing the kinds of exchanges to be undertaken. In the United States, the city government takes a secondary role—simply endorsing the program—with a citizens voluntary committee responsible for operations. In some countries, links must be approved by the national government.



Of the total 721 American cities involved in the sister cities program, there are 342 links with cities in the 10 European Community countries—or 47 percent of the total—a significant figure which demonstrates the importance American cities attach to ties with Europe.

As the 1980s unfold, the worldwide network of sister cities is expanding rapidly as more and more cities discover they can work with each other to find solutions to common problems which go far beyond the original concept of the program—to encourage better understanding between the people of the world. International boundary lines pose no barriers to urban problems. For developed and developing nations alike, the growth of cities and metropolitan areas follow similar patterns and present the same challenges to government officials and citizens.

While this basic goal still remains the main purpose of the program, cities have expanded their activities to increase urban cooperation beyond the traditional social and cultural endeavors into commercial and municipal exchanges as well. While trade promotion and

and Trade Promotion

social and cultural exchanges.

the stimulation of business is certainly not the primary purpose of a sister cities program, new or improved trade relations can be a natural by-product of contact made in the course of visits by sister city groups comprised of businessmen and manufacturers.

For example, Louisville, Kentucky, and Montpellier, France, recently signed a joint agreement to "increase import and export capabilities and to promote economic growth in each community." The cities and the two Chambers of Commerce agreed they would:

- coordinate the exchange and dissemination of available business information, including identification of various business markets;
- identify industries and enterprises with import and export potential;
- provide increased technical assistance and actively encourage businesses which are interested in developing and maintaining international trade relationships;
- coordinate and maximize aid available from government, public and private agencies, and other entities for such activities as cross-licensing and the establishment of trade shows;
- encourage an on-going working relationship among staff members of the cities and chambers involved; and
- exchange trade missions to build economic ties.

Louisville officials had a specific goal in mind when they established the program with Montpellier: "We're not talking necessarily about Ford and General Motors, but about people who make pottery and farm machinery. They will link through sister cities." More than 50 percent of the businesses in Louisville employ less than 100 people and these are the companies that benefit most.

Louisville sees the Montpellier program as a pilot. If it succeeds, similar economic trade agreements will be worked out with Louisville's four other sister cities: Mainz, Federal Republic of Germany; Dublin, Ireland; Tamali, Ghana; and Quito, Ecuador. As one of the first projects in the new trade program, Montpellier sent 40 French students to Louisville last year who spent the summer working at various Louisville area firms and Louisville sent 20 students to Montpellier.

Large cities are not the only ones to benefit from trade programs. Fredericksburg, Virginia, (pop. 16,000) and Fréjus, France, (pop. 32,000) both have the same problem of "trying to pump new economic vitality into aging downtown sections," as the Mayors of both cities said during an exchange visit. When the Mayor of Fredericksburg was in Fréjus last year, he and the Mayor of Fréjus decided to launch a program to share ideas on revitalization and history, but they also discussed the possibility of Fredericksburg becoming an outlet for olives grown in southern France as well as for crafts made from olive tree wood.

Benefits can be indirect, as well. For example, the Toledo, Ohio, sister city committee and the Toledo Museum of Art were instrumental in bringing the famed "El Greco of Toledo" exhibit to the United States. A study of the economic impact of the exhibit on the Ohio city's economy showed it added $12.6 million in revenues from increased tourism, purchases, and so on. In one of the longest running links between an American and a European city, the two Toledos affiliated in 1931.

The excitement of the sister cities program and its appeal to the cities of the world cannot be described in one project, however. The real excitement of this program involves the people and their commitment to solving some of the problems that plague our century—diplomatic, political, economic, and social questions that only people working together in concert can hope to resolve.

The sister city program is becoming a major factor in the thinking of national governments because it can draw on the talents and resources of tens of thousands of people and their institutions. Reagan launched his "International Youth Exchange Initiative" at the Versailles western economic summit in June 1982. This effort shaped the desire of the United States to strengthen its partnership with the other summit countries through "successor-generation" youth exchanges. This program is being promoted by a major advertising campaign of the Advertising Council which began in September 1983 and involves the active cooperation and support of community-based organizations for support and growth.

Through expanded youth exchanges it is anticipated that closer ties will be built among young people by involving more future leaders from the United States and abroad at an early and important stage in their lives. Giving these young people the opportunity to be exchangees and to host exchangees provides them with a unique experience to learn about people from different cultures and backgrounds.

Another large sector of exchange growth has been in the area of technical assistance from U.S. cities to their affiliates in less developed countries. Sister Cities International established a technical assistance program in 1977 as a complementary element to the overall sister cities program. Typically, sister cities establish a long-term technical assistance relationship with periodic short-term projects which, it is hoped, would result in modest, but significant, improvement in the quality of life of disadvantaged people living in urban areas of developing nations.

The late distinguished commentator and journalist Edward R. Murrow clearly articulated the sister cities concept in a speech he gave at the 1962 sister cities conference. He said, "A sister city affiliation is as simple to understand as is the art of conversation. Communication needs two things: one to speak, another to listen. What we seek is a dialogue. To have the people of one town speak directly to the people of another, and from that initial contact, to grow and to experience and to learn. There are those who would suggest that in the magnitude of our cataclysmic anxiety, linking two cities may seem only a little contribution. But as man's horizon extends as far as his own vision, as Anatole France put it, 'It is better to understand a little, than to misunderstand a lot.' "

Richard Oakland is in charge of the Sister Cities International office in Washington, D.C.

NEWS OF THE COMMUNITY

E.C. will Crack Down on Illegal Subsidies to Industry

The E.C. Commission recently announced it would get tough with E.C. member countries which flout E.C. competition rules by granting their industries unauthorized subsidies or other forms of illegal aid. Community law generally prohibits E.C. Governments from using their treasuries to bail out financially troubled industries because such subsidies give recipients an unfair competitive edge.

The Commission can authorize exceptions to the rules in cases where an aid package is specifically designed to restructure an industry's operation and to return it to long-term profitability. However, the law requires E.C. countries to get the Commission's approval before proceeding with such assistance plans.

E.C. Commissioner Frans Andriessen, who is in charge of competition policies, told an antitrust law conference in Oxford, England recently that the incidence of illegal government aids has been on the upswing. E.C. officials have acknowledged that the recession, high unemployment and, in some cases, intense competition from newly industrialized countries have increased the pressure on E.C. members for government hand-outs to avert plant closures and worker layoffs.

E.C. Commissioner Frans Andriessen is responsible for competition.

In announcing the crackdown, the Commission said it would use all means at its disposal to see that E.C. Governments scrupulously observe Community competition rules. It said it would begin demanding the repayment of illegal hand-outs and it warned E.C. industries receiving government subsidies of "the precarious nature of those paid out illegally." The Commission also said it would consider offsetting unauthorized national aids to farmers by cutting back the amount of subsidy those farmers received under E.C. sponsored farm programs.

E.C. Opens Negotiations with Developing Countries on New Aid Pact

The European Community opened negotiations last month with developing nations toward the renewal of the Lomé Convention, a unique trade and aid pact between the E.C. and the Third World. The new installment of the pact, known as Lomé III, will replace the second Lomé Convention, which expires in 1985. The Lomé Convention was first signed in 1975 and makes the E.C. a partner in the development of 63 African, Caribbean, and Pacific (ACP) nations. Two black African states, Mozambique and Angola, are participating in the negotiations for the first time, bringing the total number of ACP countries involved in negotiating Lomé III to 65.

Negotiations towards Lomé III opened officially in Luxembourg on October 6, between the ACP countries led by Archibald Mogwe, Foreign Minister of Botswana, and the E.C. represented by Yannis Haralambopoulos, Foreign Minister of Greece, the country that presently occupies the presidency of the E.C. Council of Ministers.

The E.C. goals for the new Lomé Convention include more efficient use of Lomé aid, with special emphasis on aid to rural regions to promote local food production. The E.C. Council of Ministers has also endorsed adding a human rights dimension to the new accord. However, the E.C. Commission has warned that while the E.C. is justified in its concern for the observance of human rights, it should seek progress in this area through persuasion rather than by seeking to impose its will on sovereign nations.

From left to right, Foreign Minister of Botswana Archibald Mogwe; E.C. Commissioner responsible for development Edgard Pisani; and Greek Foreign Minister Yannis Haralambopoulos discuss the new installment of the Lomé Convention.

The negotiations are expected to take many months because of differing priorities among the E.C. and the ACP states. The worldwide recession has intensified pressure on the E.C. to seek more efficient use of its aid contributions at a time when many ACP countries are in particularly dire economic straits. "The worst situation in the E.C. is still better than the best situation in the ACP countries," said ACP leader Mogwe in the opening round of talks.

Under the present Lomé Convention, ACP countries receive a variety of financial, emergency, and investment aids, plus trade concessions from the E.C. for their vital export products. In addition, the pact contains mechanisms that safeguard export earnings of the developing countries from shifts in world commodity prices and enable them to develop and maintain their capacity to produce and export minerals and energy resources.

Eurostat Celebrates 30 Years of Facts and Figures

The old adage that there are three kinds of lies—"lies, damned lies, and statistics"—has infuriated statisticians for years and none more so than those at Eurostat, the European Community's statistical service. This year Eurostat celebrates its 30th year of pumping out the statistical data that often forms the basis for E.C. laws and policy and is widely used by scholars, economists, social scientists, and even businessmen trying to gauge the potential of the European market.

Founded as the Statistical Office of the European Coal and Steel Community in an elegant, turreted townhouse is Luxembourg in 1953, Eurostat has grown from a small operation into a huge source of data on virtually every aspect of life in the E.C. From its first survey of labor costs in the E.C. coal and steel industries to more recent statistical initiatives in areas such as national income, employment, research, and international trade, demand for Eurostat data from both public and private users has grown by leaps and bounds.

In 1982 alone Eurostat launched a new Comtext external trade data base, it established a statistical register of fishing vessels, it published the first survey of the number of sheep in Europe, it compiled the E.C.'s first energy input-output tables and price indicies, and it compiled the first estimates of public expenditure for education and training throughout Europe. In addition, Eurostat provided the first study of the structure and activities of the firms involved in E.C.'s wholesale and retail trade.

Eurostat's key role in the development of Europe has been based on its success in manipulating national statistics in ways that provide meaningful comparisons between individual E.C. countries. Eurostat's ability to produce a prompt and up-to-date supply of comparative data has made thus the work of other E.C. institutions easier.

Eurostat's efficiency is demonstrated by the fact that it can process monthly employment figures for all of the E.C.'s member states in less than three weeks. "No other international body is able to produce comparable data as rapidly," the E.C. Commissioner responsible for the Statistical Office, Richard Burke, told an audience in Luxembourg earlier this year.

The development of Eurostat's data bases has closely mirrored the growth of the E.C. Commission's data processing services. Since the Commission's computer power is expected to increase ten fold between 1981 and 1985, Eurostat's activities may also expand. Burke said new customers would include Commission officials who are set to get better access to Eurostat data bases.

Commission Goes After Dangerous Toys

The E.C. Commission has declared war on ill-made or otherwise dangerous toys that could pose a serious health and safety threat to Europe's youngest consumers. In July, the Commission published three proposals calling for the introduction of safety standards for toys sold in European shops.

The proposals—if they become law—would require E.C. member countries to subject toys to rigorous tests in approved laboratories examining such criteria as their mechanical and physical composition, their flammability, and their chemical and electrical properties. Toys meeting established standards would be marked with a hexagonal E.C. symbol to indicate that they conform to prescribed technical regulations. Any toy failing to comply with the regulations would have to removed from the market.

Teddy bears that burst into flames in front of gas fires, mechanical mechanisms that can trip tiny fingers, and play figures decorated with poisonous paint are some examples of the dangers that have prompted the Commission to propose Community-wide toy safety standards. National legislation on toy safety varies widely among the E.C.'s member states.

The Commission's detailed toy safety proposals, first discussed in 1980, would require warnings to appear on certain types of toys. For example, skateboards would be required to bear the statement: "Warning, protective clothing should be worn." Other toys should be labeled according to the age group for which they were appropriate, their assembly requirements, and as to whether they should be used under adult supervision, the Commission said.

The proposal also defines what type of product constitutes a toy for the 14 and under age group—a definition that specifically excludes air rifles, fireworks, slings, catapults, and novelty jokes like sneezing powder and stink bombs. In 1981 the Commission published a report showing that sneezing powder containing a chemical called 3.3 dimethoxy-benzedrine could cause cancer and that stink bombs containing ammonium polysulphide could cause inflammation of the skin and eyes.

Machine Tool Makers Urged to Modernize

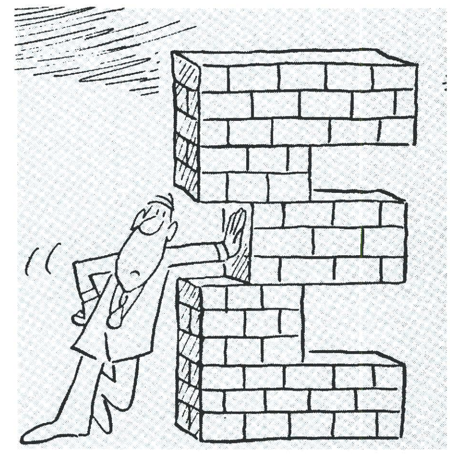
A takeover of world machine-tool markets by Japanese robots could be in the cards unless Europe increases its efficiency in that strategic export sector, according to a recent E.C. Commission report. The Commission recommended in a report to the E.C. Council of Ministers in February that European industry respond to the potential Japanese onslaught with better marketing, rationalization, investment, and modernization schemes and sharing of new technologies.

Europe is currently the world's largest producer of machine tools, accounting for 28 percent of total world output in 1981. It also uses more machine tools than any other industrialized power except the United States, buying about 20.4 percent of all tools produced. However, the E.C. share of this traditionally export-oriented market has been declining since 1971, at which time E.C. countries were producing over 40 percent of the world output. Conversely, Japan's share of world production rose from 11.9 percent to 18.4 percent over that period and the U.S. share increased from 12.7 percent to 19.5 percent. Export markets for machine tools have been particularly hard hit by the present worldwide recession.

Most international trade in machine tools occurs between industrialized countries. About 65 percent of the E.C.'s exports are destined for other markets in the rest of Europe, North America, and Japan, with the remainder going to developing countries. The Federal Republic of Germany is the E.C.'s leading machine tool producer. It accounts for more than half of the E.C.'s total production and for about 26 percent of world exports.

Community Headed for Budget Crisis

Few dispute the assertion that the method the E.C. chooses to solve its impending cash shortage will have a profound affect on Europe's future. But there is considerably less of a consensus on what that method should be amid signs that the Community is headed for a financial crisis. "We have our backs to the wall," says E.C. Commission President Gaston Thorn, describing E.C. financial problems.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The urgency of the situation is illustrated by the fact that the draft 1984 budget proposed by the Commission comes dangerously close to the present limits on the Community's means. The blame lies mainly with increases in agricultural spending, which is expected to run close to 66% of the E.C. budget this year.

At present, the E.C. derives funding for its policies and programs from three sources: agricultural levies, customs duties, and a portion of the value-added tax (VAT)—a form of sales tax—collected by each of its Member States. The Commission currently is authorized to claim up to 1 percent, and no more, of these VAT collections.

The Commission says that this ceiling on VAT collections must go and should be replaced with other safeguards against excessive spending. It has also proposed that the rate of its VAT collections from individual member states be tied to that state's share E.C. agricultural production—its per-capita agricultural production and share of the E.C.'s overall operating surplus.

The Commission's proposal would permit the E.C. to collect up to 1.4 percent of VAT collections or even a higher percentage in the event of unanimous consent from the E.C.'s Council of Ministers and a three-fifths majority vote of the European Parliament. The new VAT collections-rate formula would base an individual member state's contribution to the E.C. on both its relative wealth and the benefits it derives from E.C. membership. Thus far, the controversial proposal has not yet received the approval of the Council of Ministers.

Meanwhile, E.C. Budget Commissioner Christopher Tugenhat recently told Parliament that 1984 may will be the last year the Commission can put forward a credible E.C. budget within present spending constraints. The draft budget forsees expenditures of 25.5 billion ECU (about $24.2 billion) in 1984, up 17.7 percent from 22.8 billion ECU in 1983. The budget falls just short of the 26.2 billion ECU limit on the E.C.'s "own resources."

The 1984 budget reflects the increased costs of the Community's agricultural guarantee programs, increased funding for Community efforts to fight unemployment, and new Community initiatives in the areas of energy, research, transportation and industrial investment.

E.C. Proposes Measures to Protect Against Oil Spills

The E.C. Commission has presented a proposal to E.C. Environment Ministers that could pave the way for joint Community action to combat accidental oil spills at sea. Under the proposal, the E.C. Commission would coordinate the national contingency plans of its member states for coping with the environmental hazards posed by oil spills and would carry out periodic drills to test their capacity for fighting oil slicks.

According to the Commission, an E.C.-wide initiative for combating oil spills is urgently needed because of the growing threat of spills posed by the increase in offshore oil drilling operations on Europe's continental shelf. In addition, the Commission noted that a large portion of Western Europe's oil supply is transported by sea in tankers, some with a capacity of over 5,000 tons.

According to the international data available, about 20 percent of all the oil spills occurring between 1974 and 1981 have affected European coastal waters. The regional oil-spill combating center for the Mediterranean, based in Malta, recorded 72 accident alerts in the Mediterranean alone between 1977 and 1982. Twelve of these accidents involved oil spills that subsequently polluted the sea and beaches of the Mediterranean.

The Commission said the results of a study it sponsored on the issue of oil spills concluded that the lessons of past spills had not been fully appreciated by E.C. member Governments. In addition, neither Governments nor the industries involved appeared prepared to rethink their plans for combatting oil pollution, the Commission said.

The E.C. adopted an action program in 1978 on the control and reduction of pollution caused by oil spills at sea. In 1981, the Community decided to establish an information system to maintain an inventory of the methods that could be used for fighting oil spills. It also put member states under obligation to notify the Commission of the contingency plans they had drawn up to deal with spills. However, the Commission said the information it has received to date has been incomplete and that a new initiative is needed to give member states an incentive for drawing up contingency plans and coordinating them on an E.C.-wide basis.

Community Aid Round-up

The E.C. Commission recently authorized the following emergency or development aid projects (1 European Currency Unit, or ECU = \$0.85):

Emergency Aid—*Paraguay:* 100,000 ECU in aid intended for the victims of floods in the region of the Paraguay and Parana rivers. The sum was the E.C.'s contribution to an aid program run by the Pan American Health Organization, which undertook the purchase and transport of medicines, water tanks and small-scale equipment for the removal of refuse from areas affected by the flood . . . *Argentina:* 250,000 ECU for victims of flooding that affected several Argentine provinces, causing considerable damage to crops, livestock and infrastructure and left an estimated 150,000 people homeless. The aid, funneled through the League of Red Cross Societies, was earmarked for the purchase of foodstuffs, blankets, and equipment for building shelters . . . *Bolivia:* 350,000 ECU allocated to the Catholic Committee against Hunger and for Development to finance its aid program for the victims of the drought that has affected several regions in the Bolivian altiplano and threatened over 1 million people with famine through lost harvests. The money was donated for the purchase and transport of food and medicines . . . *Nicaragua:* 250,000 ECU for the relief of the estimated 50,000 people who have been forced by fighting to leave their homes on Nicaragua's northern frontier to find safe refuge elsewhere. The aid included 150,000 ECU channeled through Medecins sans Frontières for the purchase and transport of medicines and 100,000 ECU through Oxfam Belgium for purchase and transport of foodstuffs, household utensils, blankets, and equipment to provide shelters.

Aid to Non-associated Developing Countries—*Bolivia:* 16 million ECU to benefit the rural population of Potosi and Oruro, the two poorest districts in Bolivia's high plateau. The aid will be used to boost food production for the entire population of the two districts, half of which consists of town-dwellers, including impoverished miners who have to work under difficult conditions . . . *Ecuador:* 2.85 million ECU for the rebuilding of 11 bridges in the provinces of El Oro, Guayas, and Los Rios on the Ecuadorian section of the Pan-american coastal highway linking Caracas and Barranquilla (northern Colombia) with Valparaiso (Chile) via Peru. These bridges were destroyed or made impassable during exceptionally severe flooding in the winter of 1982-83. In all, 690 miles of

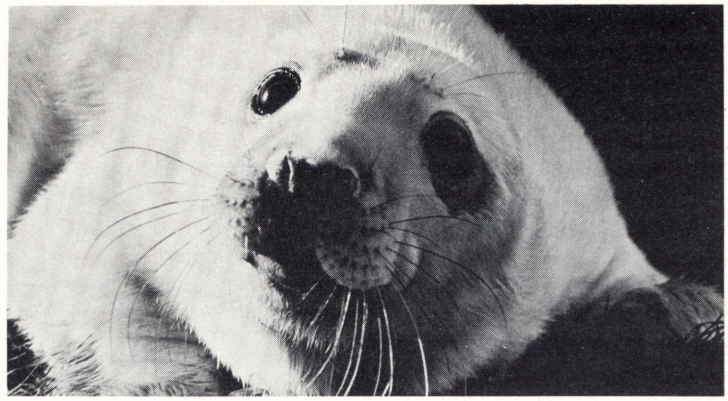
Is the U.K. Becoming a Nation of Wine Drinkers?

Beer, the traditional fare of British pubs, may have to compete on a more equal footing with wine for the hearts and minds—or at least, glasses—of British consumers in the wake of a recent ruling by the European Court of Justice. Earlier this year the Court ruled that the United Kingdom had violated E.C. law by charging a proportionately higher excise tax on wine than beer. The Court said the higher duty protected domestic beer production at the expense of wine the United Kingdom imports from other E.C. countries.

The story began seven years ago when the E.C. Commission sent a letter to the British government pointing out the discrepancy between the two tax rates. In August 1978, the European Court of Justice, based in Luxembourg, was asked to give its opinion on the matter and the case eventually came to trial.

The evidence of competition between beer and wine for the British consumer's pocket money is by no

Bottles of Felstar, English white wine from Essex. courtesy British Tourist Authority bridge have to be rebuilt on the exact sites of the damaged bridges . . . *Mozambique:* 1.075 million ECU to help finance a processing plant for fish caught by Mozambique's fleet. The plant is located in the bay of the port of Beira and will produce 2,000 tons of canned fish per year and process 1,600 tons of fish and shrimp waste into animal feed . . . *Interim Mekong Committee:* 750,000 ECU to provide technical assistance to the secretariat of the committee to prepare and execute development projects in the organization's member countries (Laos, Thailand, and Vietnam) and to bring a small pilot reforestation project in Laos to a successful conclusion . . . *Bangladesh:* 15 million ECU to finance imports by Bangladesh of fertilizer from E.C. countries. The equivalent of this sum in local currency, determined on the date the fertilizers are delivered, will be entered in a special account at the Bangladesh Treasury as an E.C. contribution to finance part of the local costs incurred in the "Deep Tubwells II" project. That project involves irrigation of about 320,000 acres of arable land in north central Bangladesh by means of 4,000 deep tubwells. It also includes efforts to provide local farmers with much needed inputs and credit . . . *India:* 1 million ECU for a pilot fish farming project in Jammu and Kashmir. Rainbow and other trout were introduced into these areas nearly a century ago and have survived in the mountain streams and spring-fed pools in Jammu and Kashmir. These pools provide the natural conditions under which the fish thrive. The pilot project is part of an experiment to apply simply fish-farming techniques in the two regions, where these techniques are untried as yet. These experiments are an effort to improve diet and income by speeding up the natural growth rate of the fish . . . *Commission of the Cartagena Accord, Bolivia, Colombia, Ecuador, Peru, and Venezuela:* 6 million ECU for a regional project to promote industrial uses of timber. The project consists of promoting, in that subregion of the Andean Pact, the industrial application of research carried out on tropical timber by the Commission together with its five member countries and with financial backing from the E.C. Although timber is a rich resource in these countries, it is not frequently used in the building industry, which prefers traditional imported materials. Research has increased the information available as to the advantages and techniques for using tropical timber as a building material. Under the project, this information will be transmitted to the building industry in the subregion by means of information campaigns, seminars, and training courses and by means of demonstration homes and other demonstration construction projects.



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means self-evident. In 1982 the average Briton consumed a prodigious 126.2 liters of beer, putting the United Kingdom behind only the Federal Republic of Germany and Belgium as one of the E.C.'s leading beer consumers per capita. During the same year, British wine consumption averaged only 5.8 liters per head. However, the court determined that "to an extent the two drinks are both designed to meet the same needs." The British Government had defended the higher tax on wine by arguing that consumer preferences could not be changed. But, the court replied that the fiscal policy of an E.C. member country could not be allowed to provide national industries with unfair advantages.

The results of an inquiry showed that the tax on wine increased appreciably relative to the tax on beer when the United Kingdom replaced its old customs duties. The gap grew steadily. In 1976-77 the tax on wine was on average five times higher than that on beer. In real terms this represented a tax surcharge of about 400 percent. Accordingly, wine has become a luxury in the eyes of most British consumers and cannot be regarded as a real alternative to beer. However, the Court ruling may help to reverse the trend.

E.C. Imposes Ban on Seal Skin Imports

The E.C. on October 1 went ahead with a long-planned ban on imports of baby-seal pelts to express concern about the environmental impact of seal hunting and to protest the often cruel hunting practices employed. The go-ahead for the ban came from the E.C. Commission in an August 23 report in which it concluded that examination of scientific evidence and talks with Canada and Norway—the two leading pelt exporters—had not produced justification for delaying or postponing the ban.

Environment Ministers from the E.C.'s 10 nations had voted in March to bar seal skin imports. However, they chose to delay the effective date of the measure until October in the hopes that talks with Canada and Norway would result in changes in seal hunting practices and allay other Community concerns about the hunt's impact on harp and hooded seal populations. European environmentalists had charged that the annual seal hunt in which the young whitecoat and blueback pups were taken risked seriously depleting seal numbers. Publicity about the clubs and hooked instruments used to stun and kill the helpless young animals also helped turn European public opinion against the hunts.

Until recently, Europe had been a major market for seal skins, even though some E.C. member states had chose to impose their own restrictions on imports. However, European demand for the skins all but dried up last year after E.C. ministers passed a resolution calling on member states to take steps to prevent further imports. That non-binding resolution remained in effect until the formal Community-wide import ban came into force.

Not surprisingly, even the threat of an E.C. ban seems to have had a sobering effect on the world's seal hunters and pelt buyers. Canada, which has steadfastly defended the hunt as a legitimate method of culling its seal populations and as an important income source for low-income Canadians, confirmed earlier this year that many Canadian sealers had given up the hunt because of the uncertainty over European demand for the pelts. According to the E.C. Commission, many of the main buyers of seal pelts announced before the 1983 hunt that they would not buy any skins from baby seals this year and might not be in the market again for two years.

The E.C. reported that only 50,000 whitecoat harp seal pups were taken in the northwest Atlantic in 1983, compared to an average in previous years of between 160,000 and 190,000. Its report concluded that scientific evidence indicated that an import ban by the E.C. would improve the conservation status of both harp and hooded seals. The Commission also recommended further research on both seal species to provide more complete scientific data as a basis for future population management decisions.

The Commission noted that neither Canada or Norway had taken steps to address the Community's objections to the killing of newborn seals. Had an E.C. import ban not loomed, there probably would have been a hunt for the young whitecoats and bluebacks as in previous years, using the same methods as in the past.

The E.C. rejected a request by Canada and Norway that it base its final decision on the ban solely on scientific data on the size of harp and hooded seal populations, rather than on such considerations as the humaneness of the hunting methods used by sealers. Canada has charged that the E.C.'s ban is illegal, but the E.C. claims the measure is justified under a provision of the General Agreement on Tariffs and Trade that permits countries to impose commercial restrictions on moral grounds.

Parliamentary Unit Finds Discrimination Against Women

Does the European Community need an Equal Rights Amendment? Yes, says the European Parliament's commission of enquiry into the situation of women in Europe. The commission wants an end to all legislation that fails to comply with the principle of equal treatment of women and it has called for recognition of the professional status of women who work with their husbands in self-employed professions.

The commission of enquiry—which has been examining the specific problems of women in predominantly self-employed professions such as agriculture, commerce and crafts—has found the plight of non-wage earners particularly disturbing. It has concluded that blatant discrimination against such women exists in most European countries and that their legal, financial, and social status is virtually unrecognized.

The probe found that the husband is most often considered the head of household. Even though the married woman who works in a family business may be simultaneously wife, mother, manager, stand-in agricultural worker, and a consumer of goods and services, she is often regarded as having "no occupation." This means that she is denied rights such as social insurance and can thus face serious hardship in the event she is widowed or divorced.

According to the commission of enquiry, women's rights should be recognized in matters of social security and legal gaps between the sexes should be filled as soon as possible in areas such as access to vocation training and further education.

"The least they could do is provide enough park benches for us unemployed."
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Guidelines on Working Time Offered as Part of Fight Against Unemployment

The E.C. Commission has drawn up a series of guidelines under which Community countries could use new weapons—shortened working hours and ceilings on over-time pay—in their battle against unemployment. The guidelines call for individual working hour cuts to be arranged so they do not contribute to increased production costs. In addition, the Commission said cuts in individual working hours should be made in a way to provide employment opportunities for the largest possible number of additional workers.

The proposed guidelines are part of the E.C.'s overall anti-unemployment strategy. Although initiatives to encourage investment and restructuring of ailing industries remain the central parts of this strategy, reduction and reorganization of individual work time are needed as a short-term curb for unemployment.

Several E.C. member states have already taken action to cut the average annual time a worker spends on the job. In some cases these efforts have involved negotiations beween labor and industry, while in others the Government has been involved. For example, in Belgium, the Government proposed in late 1982 a 5 percent reduction in annual working time and a requirement that employers enlarge their workforces by 3 percent, coupled with pay restraint measures. Within this outline, collective agreements have been signed covering most Belgian workers. The Belgian Government has estimated that 80,000 jobs will have been saved or newly created by the end of 1983 as a result of these measures.

How Should Nuclear Plants Die?

What should happen to nuclear power plants after they have outlived their usefulness? Although Europe's nuclear power industry is still growing, E.C. Commission scientists have already begun examining that question and the Commission has published plans for a second joint research program to determine what procedures should be followed in decommissioning obsolete nuclear power stations.

The E.C. began preliminary work on the problem in 1979 when its energy ministers approved a $1.78 million budget for a five-year program running through the end of 1983. Throughout the program, E.C. scientists have studied the question of how to safely dismantle old plants and what to do with the radioactive wastes, concrete, steel, and graphite they produce.

The newly proposed program will seek to test the new techniques for handling these radioactive by-products of the nuclear power industry under real conditions during large-scale decommissioning operations in E.C. member states. The proposed program would cost $9.47 million, nearly half of which would be paid by the Community. Its goal would be to set guidelines for designing nuclear plants in ways that would make their eventual decommissioning easier and to establish a set of safety checks and precautions to govern decommissioning procedures.

Natural Gas Supply Assured

How would the European Community fare if its foreign natural gas supplies were disrupted? Not badly, according to a survey recently conducted by the E.C. Commission. The survey found that the E.C.'s member states would be able to cope with a major disruption in their outside natural gas supplies for an extended six-month winter period. Only minor supply problems would arise at times of peak energy demand and then only under extreme circumstances, the survey said.

The Commission decided to carry out the survey because natural gas imports, particularly from the Soviet Union, will account for an increasing share of the Community's energy requirements in years to come. By 1990, imported gas is expected to account for about 44 percent of all gas used in the E.C., or 8 percent of the E.C.'s total energy use. At present natural gas accounts for about 17 percent of the Community's total energy consumption.

The Commission's survey showed that the Community could make up a shortfall in deliveries of imported natural gas by using supplies in storage, its own spare production capacity, interruptible contracts, and flexibility in import contracts.

U.S., E.C. Discuss Compensation for Specialty Steel Restraints

The United States and the E.C. failed last month at their third round of consultations to reach agreement on a plan whereby the United States would compensate the E.C. for losses in export earnings caused by U.S. import restraints on specialty steel. At the second session in Geneva in September, the United States had agreed in principle to compensate the E.C. for loss of exports to the United States caused by new import quotas and tariff hikes on imported specialty steel products announced in July.

The United States had told the E.C. it would complete as soon as possible a detailed analysis of the impact of the U.S. measures in response to claims that the curbs would cripple E.C. exports. The E.C. estimates the U.S. restrictions could cost the Community's steelmakers as much as $750 million in lost trade over their four-year life.

At an October 5 meeting in Geneva, the U.S. delegation to the consultations, led by U.S. Ambassador Peter Murphy, offered an E.C. delegation led by Horst Krenzler a compensation plan that the E.C. termed "incomplete, unsatisfactory, and not compatible with normal General Agreement on Tariffs and Trade (GATT) practice."

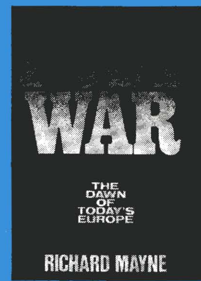
The plan involved compensation only on those products covered by tariff hikes and did not address those covered by quota restrictions. The E.C. criticized the U.S. method for calculating the amount of injury to the E.C. steel industry on which the compensation offer was based. The E.C. said the calculations included disputed deductions for alleged dumping and subsidies by the Community in its specialty steel trade with the United States.

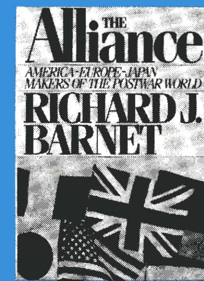
Furthermore, the Community argued that the calculations were based on an unrepresentative period for specialty steel trade between the E.C. and the United States. The E.C. Commission called for a further round of formal talks before the October 20 expiration date of the consultation period provided for under international trade rules.

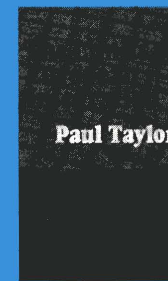
"We are meeting our GATT obligations and we are moving as quickly as we can to be responsive to the Community. I am not at this point prepared to say that the differences cannot be bridged," Murphy was reported to have told Reuters news agency in defense of the U.S. proposals.

The controversial U.S. specialty steel restrictions were designed to remedy injury done to the U.S. steel industry by allegedly unfair foreign competition. The E.C. protested the curbs immediately after they were first announced, saying that the new tariffs and quotas, coupled with earlier penalties would hit E.C. steelmakers disproportionately hard.

books in review







MICHAEL D. MOSETTIG

Post-War: The Dawn of Today's Europe, by Richard Mayne, Schocken Books, 336 pages, $16.95.

The Alliance: America; Europe; Japan—Makers of the Postwar World, by Richard J. Barnet, Simon & Schuster, 455 pages, $19.95.

The Limits of European Integration, by Paul Taylor, Columbia University Press, 325 pages, $15 (paper), $27.50 (hardcover).

Richard Mayne has had two associations with the development of post-war Europe, as an official in European organizations and as a contemporary historian of European unification. His latest—and seventh—book brings forth elements of both careers and combines history with a sprinkling of personal memories. **Post War** does not pretend to be the definitive work on the era that combined recovery and rebuilding from World War II, the Cold War, and the efforts to build a unified Western Europe. Mayne's account goes up to the signing of the Treaty of Rome in 1958, the agreement that led the way to the Common Market.

Rather than tackling the epochal period in all its aspects, Mayne instead brings his literary grace to an effort to take slices of history and life. He manages most effectively to bring alive the spirit and challenges of those years. His book includes enough excursions into the arts and literature and social trends to give the reader an impression of the times beyond politics, displomacy, and economics.

From the opening pages describing V-E day around Europe, Mayne evokes the aspirations of the survivors and those with the spirit to dream of a better life ahead. Subsequent chapters give the contours of the rest of the book—what the author has decided to include and what he has judiciously decided not to tackle. These include: occupied Germany, the efforts up to 1947 to create a return to normalcy in a European context and with limited American help, the Marshall Plan and the vast expansion of American influence, Jan Masaryk's death and the division of Europe into Cold War blocs, French and German efforts to restore prosperity through planning (though well disguised in the Federal Republic), the end of empire at Suez, and the creation of the Common Market.

The grand figures of those years—Konrad Adenauer, Jean Monnet, Paul-Henri Spaak, George Marshall and Dean Acheson—share space with writers, dramatists, artists and architects. Politics and economics blend with music and movies. Mayne's accomplishment is that all these elements come together so effectively into a coherent whole. Combining political history with an evocation of a time through its creative spirit is the hardest task of a historian. Mayne has shown himself a master of the craft.

And he makes some interesting observations along the way. Among them, that the British in the early post-war years tended to confuse economic planning with controls, a muddle that still haunts them. He explores the puzzle of how the spread of middle class consumption and the growth of the middle class did help eliminate some class differences in Europe without eliminating class distinctions.

Mayne's career includes a long association with Jean Monnet, including the translation of his memoirs. Appropriately, the concluding chapter of this book covers the starts and stops toward European unification, in which Monnet is a central character. Unfortunately, Mayne has not taken the opportunity to respond to the question that others are posing now—that Monnet's conception of creating political unity through institution building is basically flawed. Instead, in response to current pessimism, Mayne reminds readers that disappointments are nothing new in this enterprise and "contrary to general belief, there has never been a golden age."

Mayne's book, in fact, is a most useful antidote to current European pessimism. It is a powerful reminder to those West Europeans born after the war that they owe an incredible debt, not only to the celebrated statesmen of post-war Europe, but also to that generation that came down from the gun mounts in 1945 and devoted their energies to create a Europe that would not destroy itself yet again.

Richard Barnet, a prolific Washington writer, might have been better off picking up his narrative where Mayne concluded rather than trying to digest 40 years of U.S.-European-Japanese relations in one lump. The early chapters tend to be disjointed, with events out of context and without a coherent theme. But along the way Barnet does make two important points—first, the combination of neutralism and the desire for reunification predates the present leftists in the Federal Republic of Germany and is rooted in the immediate post-war period; and second, that a key theme in post-war European history is the clash between the ideas of Charles de Gaulle and Jean Monnet.

Barnet, the author of **The Lean Years** and co-author of **Global Reach**, really hits his stride when discussing the unraveling of American supremacy rather than the years of its achievement. In the latter he takes a mildly revisionist approach to Cold War history, but with an unusual added twist of citing European unification as an element almost as important as anti-Communism in motivating American policy.

Barnet is a skillful writer and particularly adept at weaving together political and economic strands. As economics became paramount in the diplomacy of the 1970s, next to the superpower nuclear rivalry, the book gains cogency and strength as it explores economic issues. In two pages, Barnet sums up the basic dilemmas and contradictions of the policies toward Europe of former U.S. Secretary of State Henry Kissinger. First, he notes, "a Europe united and independent was a serious economic rival, a Europe divided a political liability in facing the Russians." Subsequently, he develops the theme of how the partnership with Western Europe underwent a fundamental change once détente became the object of American policy.

Working off these themes and describing the Nixonian muddling of the Japanese relationship, Barnet carries the narrative of politics, economics and energy effectively through the Richard Nixon, Gerald

Ford, and Jimmy Carter years. The policies of President Ronald Reagan merit a brief review at the conclusion.

The strengths of Barnet's books have always been more descriptive than prescriptive. This book makes not the slightest pretense of suggestions for either American or European policy other than stating that the alliance has outlived its original inspiration and has held together this long only out of fear of the Soviets and suspicions about the Germans.

Paul Taylor's work—**The Limits of European Integration**—is aimed at a narrower audience than Mayne's or Barnet's. The prose style, printing, and price would dispel any aspirations to the contrary. Taylor, a member of the department of international relations at the London School of Economics, tries to make the arguable, but interesting, point that since unification is a political impossibility, the European states should drop that goal and concentrate on more achievable aims. Such should be the stuff of future debates within Europe.

Unfortunately, this book is more a reminder of another disturbing trend—that the worst aspects of American society eventually are adopted by the British. In this case, the topic of transfer is impenetrable academic writing. That this kind of denseness is being accepted in British universities is as much a cause of lasting trans-Atlantic alarm as steel price disputes and even cruise missiles.

Michael D. Mosettig is a producer on the McNeil-Lehrer NewsHour and a former UPI correspondent in Europe.

World Business Cycles. By *The Economist.* The Economist Newspapers Ltd., London, 1982. Available from Gale Reseach Co., Detroit. 191 pp. $65.00.

A survey of trends in economic indicators, covering the period from 1950 to 1980. Profiles of both the world and 84 individual countries include data for gross domestic product, consumer expenditure, interest rates, and industrial production. Also contains annual global production figures for 34 commodities for the same 30-year period and an 1850-to-1980 survey of business cycles in the United States and Britain.

Synopsis of Agriculture and Food Cases Before the Court of Justice of the European Communities, 17 September 1981-31 December 1981. By John Handoll. Agriculture and Food European Advisory Services Ltd., London, 1982. 125 pp. $80.00.

A summary of judgments handed down in food and agriculture cases by the E.C.'s Court of Justice during the last quarter of 1981. For each case, provides the operative part of the judgment, an outline of the facts of the case, and a commentary. Also contains references to new cases through April 11, 1982.

Yearbook of International Organizations 1983, 20th edition. By the Union of International Associations. K.G. Saur, Munich, 1983. Available from Gale Research Co., Detroit. 1500 pp. $168.00.

Listing of governmental and non-governmental organizations arranged by type of organization. Indexed by name, key word, and acronyms. Descriptions include information about each organization's history, activities, location, and chief executive officer.

United States International Economic Policy in Action. By Stephen D. Cohen and Ronald I. Meltzer. Praeger Publishers, New York, 1982. 213 pp. $28.95.

Attempts to provide a conceptual overview of U.S. international economic policy-making processes and to identify key trends and factors regarding the formulation of U.S. policy in the future. Addresses issues of major importance in contemporary U.S. international economic relations, including exchange rate policy-making, Japanese auto import competition, and U.S. policy responses to debt-relief demands from less developed countries.

International Who's Who 1983-84, 47th edition. Europa Publications Ltd., London, 1983. Available from Gale Research Co., Detroit. 1,530 pp. $130.00.

A biographical dictionary of over 15,000 individuals who have achieved international recognition in all fields, including diplomacy, science, business, the arts, and sports. Among facts listed are birth date, nationality, education, career history, honors and awards, publications, leisure interests, and current address.

Protectionism and Industrial Decline. By Vincent Cable. Overseas Development Institute, London, 1983. 274 pp. £10.50.

Analyzes the recent shift toward protectionism among developed countries undergoing industrial decline by focusing on the experiences particular to the United Kingdom. Affords a discussion of the political, as well as the economic, dimension of protectionism. Also includes case studies of British industries for which protection has been both sought and granted.

Employment Effects of Multinational Enterprises in Industrialized Countries. By the International Labor Office. International Labor Organziation, Washington, D.C., 1981. 100 pp. $10.00.

A synthesis of the results of a research project on the employment impact of multinational enterprises (MNE) in both home and host countries. Examines trends in direct employment in MNEs by country and by industry. Subjects also treated include MNEs and the structure of employment and the role of MNEs in the international restructuring of industry.

Das Europäishche Währungssystem: Bilanz und Perspektiven eines Experiments. By Hans-Eckart Scharrer and Wolfgang Wessels. Institut für Europäische Politik, Bonn, 1983. Available from Europa Union Verglag, GmbH, Bonn. 79 DM.

Aimed at reviving the political and scientific debate on the European Monetary System (EMS), this collection of essays comprises divergent opinions on whether the EMS should be developed and, if so, how.

Phased Retirement: The European Experience. By Constance Swank. National Council for Alternative Work Patterns, 1983. 228 pp. $13.95, paper.

A report intended to provide U.S. business and industry with examples of phased retirement programs that have been implemented in Europe. Surveys 17 gradual retirement plans of companies in both the manufacturing and service industries in five European countries. Also discusses issues, policies, and legislation that affect phased retirement programs in each country.

The European Economic Community—A Policy for Reform. By Neil Hamilton. Institute of Directors London, 1983. 64 pp. $17.00.

Sets forth a program of reform for the European Community which is based on the principles of free trade and free enterprise. Makes policy recommendations for the attainment of several goals, among which are the achievement of internal free trade, reform of the Common Agricultural Policy, and a reduction in the E.C. bureaucracy.

The United States and the European Community: National Economic Strategies and International Coordination. Edited by Michael Smith. University Association for Contemporary European Studies, London, 1982. £1.80.

A collection of papers presented at a conference organized by the University Association for Contemporary European Studies in conjunction with the U.S. mission to the E.C. The unifying theme emerging from the conference was that nationalist attempts to deal with the world economy of the 1980s contradict and threaten the generally accepted norm of international economic collaboration among industrialized Western nations.

The European Challenge: Europe's New Role in Latin America. By the Latin America Bureau, London, 1982. 243 pp. £3.95.

A collection of essays assessing the expansion of European political and economic involvement in Latin America since the 1970s. Topics covered include arms trade, financial flows between the two continents, human rights, and the role of European social democracy in Latin America.

European Yearbook 1981, Volume XXIX. Edited by Pierre Drillien. Martinus Nijhoff Publishers, The Hague, 1983. 771 pp. $140.00.

A French/English reference guide to European organizations. Provides detailed factual profiles on each organization's activities, achievements, publications, and staff in 1981. Also comprises a section containing critical articles that focus on timely issues in specific European organizations.

The Use and Usefulness of Trademarks in Developing Countries. World Intellectual Property Organization, Geneva, 1982. 205 pp.

Collection of lectures given at the Asian and Pacific Symposium organized by the World Intellectual Property Organization at Colombo, Sri Lanka in February 1982.

Wage Policy and European Integration. By Bernhard Seidel. Gower Publishing Co., U.K., 1983. Available from Gower, Brookfield, Vt. 286 pp. $58.00.

A revised English translation of a German study published in 1981. Investigates whether conflicts over wage rates between labor and management in the industrial sectors of four E.C. countries constitute a factor that impedes the European Community's progress toward the integration of economic and monetary policies.

Political Parties of Europe. Edited by Vincent E. McHale and Sharon Skowronski. Greenwood Press, Westport, 1983. 2 volumes, 1297 pp. $95.00/set, $65.00 volume.

A comprehensive reference guide to parties in Eastern and Western Europe. Organized by country, it provides information on the history of each party's foundation, its ideological evolution, and its impact on society. Includes data on national electoral history.

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☐ **The Third World Today.** *Information: Cooperation-Development*, Commission, Brussels, January 1983, 123 pages....................................free
Study by Robert Taylor. Profiles the economic problems of developing countries, including agricultural development, North-South trade and economic interdependence, industrialization and technology transfer, debt, and aid.

☐ **The EEC and the Pacific.** *Europe Information Development*, Commission Brussels, July 1983, 10 pages.........free

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☐ **Adjustment of the Common Agricultural Policy.** *Bulletin of the European Communities, Supplement No. 4/83*, Commission, Brussels, 1983, 39 pages ....free
E.C. Commission communication of July 29, 1983, on reform of the common agricultural policy.

☐ **Increasing the Effectiveness of the Community's Structural Funds.** *Bulletin of the European Communities, Supplement No. 3/83*, Commission, Brussels, 1983, 29 pages ....free
Commission communication of July 29, 1983, on improving the operations of the Social Fund, the Regional Fund, and the European Agricultural Guidance and Guarantee Fund.

☐ **Public Opinion in the European Community: Energy.** Commission, Brussels, October 1982, 79 pages ..free
Results of an opinion survey conducted between March and May 1982 in each of the E.C. member states. Covers attitudes about energy problems in general and nuclear energy in particular.

☐ **European Parliament Bibliography** 1981-1982. European Parliament, Luxembourg, 1983, 43 pages . . . free
Bibliography of books and periodical articles published in 1981 and 1982 on the European Parliament.

☐ **Balance of Payments Methodology of the United Kingdom.** Statistical Office, Luxembourg, 1983, 157 pages...............................$11.00
Explains the concepts, definitions, and methods used in compiling U.K. balance of payments statistics.

☐ **Treaties Establishing the European Communities, Abridged Edition.** Commission, Brussels, 1983, 542 pages $8.50
Second abridged edition compiling official texts in force on January 1, 1982, and containing all the articles of the treaties, but omitting most of the annexes and protocols, which are footnoted. Includes institutional changes due to Greek membership.

☐ **Bibliography on the Removal of Technical Barriers to Trade in Foodstuffs.** *Documentation Bulletin B/6*, Commission, Brussels, 1982, 35 pages $2.00
Bibliography of Community legislation and other documents relating to the harmonization of food law in the Community as of June 1982.

☐ **Bibliography on Community Relations with the Mediterranean Countries.** *Documentation Bulletin B/14*, Commission, Brussels, 1983, 177 pages $2.00
Bibliography of Community legislation, agreements and other documents relating to the Mediterranean countries, the Community's global Mediterranean policy, and enlargement of the E.C.

☐ **Eighth Symposium on Microdosimetry.** *EUR 8395*, Commission, Luxembourg, 1983, 1213 pages $52.00
Papers and proceedings of the symposium held at Jülich Federal Republic of Germany, September 27-October 1, 1982.

☐ **The Evaluation of the Community Programme on Forecasting and Assessment in the Field of Science and Technology (FAST) 1978-1983.** *Research Evaluation Report No. 6*, Commission, Luxembourg, 1983, 102 pages ...$7.50
Report of an expert panel on the quality, relevance, and usefulness of the FAST research, the management of the program, and utilization of resources.

☐ **The Treatment in the National Accounts of Goods and Services for Individual Consumption Produced, Distributed or Paid for by Government.** *Studies of National Accounts No. 1*, Statistical Office, Luxembourg, 1983, 43 pages $3.50

☐ **Exclusive Distribution and Purchasing Agreements.** *Official Journal of the European Communities, Vol. 26, L 173*, 30 June 1983, Office of Official Publications, Luxembourg, 11 pages $2.00
Texts of two Commission regulations defining the conditions under which distribution and purchasing agreements can be exempted from the antitrust rules of article 85 of the EEC treaty.

☐ **Directives on the Consolidated Accounts of Companies and Credit Institutions.** *Official Journal of the European Communities, Vol. 26, L 193*, July 18, 1983, Office of Official Publications, Luxembourg, 20 pages $2.00
Texts of the 7th directive on company law concerning consolidated accounts and annual reports for groups of companies and supervision of credit institutions on a consolidated basis.

☐ **External Trade 1958-1982.** *Monthly External Trade Bulletin, Special Number*, Statistical Office, Luxembourg, 1983, 117 pages.............$6.50
Summary tables on intra- and extra-Community trade for 1958-1982. Includes trade with major geographic regions and by principal product groups. Special table on agricultural trade for 1980-82 by product and by geographical areas.

☐ **Second Conference on the Scientific Bases for Environmental Regulatory Actions: Health—Environment.** *EUR 7952*, Commission, Luxembourg, 1982, 338 pages...........$20.00
Papers and proceedings of the conference held at Évry, France, December 14-16, 1982.

☐ **Factors Influencing Ownership, Tenancy, Mobility and Use of Farmland in the Member States of the European Community.** *Information on Agriculture No. 86*, Commission, Brussels, 1982, 144 pages $4.00
Comparative analysis, based on a series of studies for each E.C. member state, of structural changes in agriculture.

☐ **European Project on Electronic Traffic Aids on Major Roads: EUCO-COST 30.** *EUR 7154*, Commission, Luxembourg, 1981 124 pages ..$12.00
Report of a research project sponsored by 11 European countries and the E.C. Commission on the use of electronic aids for traffic problems on busy, high-speed roads.

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