

SEPTEMBER-OCTOBER 1983 No. 239

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Cover: U.S.-E.C. disagreement over farm policies threatens to explode into a major fight. ©Carlton Photos

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around the

capitals



Bonn

Film makers in the Federal Republic of Germany are up in arms at what they claim is an attempt by Chancellor Helmut Kohl's conservative Government to censor their productions. Actually, Interior Minister Friedrich Zimmermann proposes only to change the rules under which it subsidizes film making in order to favor movies appealing to a mass market over those more narrowly aimed. But to a majority of the Federal Republic's film makers, that is synonymous with censorship.

In Germany, as on most of the European continent, theatrical productions always have been undertaken under royal or state patronage. Even most privately-owned stages here demand and receive regular grants from federal, regional or municipal governments. So it was but natural that the state also should subsidize film making. Beginning in the 1950s, it was done by granting cash prizes to the makers of good films so that they could make more. Since the federal parliament passed the Film Promotions Act in 1968, an action soon copied by all of the state legislatures, state aid includes not only the prizes, but also straight grant subsidies to production and distribution companies and to cinema owners.

Federal and state grant subsidies to film producers and distributors last year totalled about 70 million marks (about \$27 million), and a similar amount will be paid out this year. That works out to about 1 million marks (about \$385,000) per film made in the Federal Republic of Germany. In 1982, 70 feature films were made here, 13 of them co-produced with foreign companies.

The fact is that few German-made cinema films ever make money. Although most of the more than 30 films made by the late Rainer Werner Fassbinder received rave reviews in New York, for instance, very few of them recovered their costs. Fassbinder, by the

way, never saw any contradiction between accepting state grant subsidies, which he did repeatedly, for films that regularly attacked German society as rotten.

German-made films have, of course, suffered from the general drop in movie-going since the advent of television. During the early 1950s, 800 million cinema tickets were sold annually. By 1982, the number of tickets sold had dropped to 124.5 million, and that was about 12 percent fewer than the previous year. In addition, German-made films generally compete badly with foreign-made movies, both because so few are made in Germany and because so many of those that are produced in Germany lack popular appeal.

In 1982, films shown in German cinemas brought in about \$116 million. Of that amount, 55.4 percent was earned by American films, 11.7 percent by French films, 11.3

percent by films from the Federal Republic, 9.6 percent by Italian films, and 4.8 percent by British films.

Film makers sensed real trouble, however, only when Friedrich Zimmermann, the Bavarian who became Minister of Interior when the Christian Democrats ousted the Social Democrats from office in Bonn in October, suddenly cancelled part of a promised grant of \$115,000 to Herbert Achternbusch, who writes, directs, and acts in his own films. At issue, said Zimmermann, was Achternbusch's film, "Das Gespenst" (The Specter), in which he plays Christ returned to today's earth. The Interior Minister said he agreed with the Protestant and Catholic Bishop's conferences that the film "disparaged" Jesus Christ and thus offended most German taxpayers. Such a film, Zimmermann argued, therefore did not deserve to be financed in part by the taxpayers. "But this isn't censorship," Zimmermann said. "Any citizen is quite at liberty to see the film in any cinema and draw his own opinion while helping to finance the film by paying for his cinema ticket."

In fact, despite the huge amount of unpaid publicity Achternbusch's film thus enjoyed, few moviegoers seemed willing to help pay for it. The *Frankfurter Allgemeine Zeitung* re-



Scene from "Kamikaze 1989," directed by the Federal Republic of Germany's Wolf Gremm. courtesy TeleCulture

ported that at the height of the controversy, an afternoon performance in Munich's Schwabing district—center of the city's university, intellectual, and artistic life—drew eight customers.

Fifty leading German directors disagreed with Zimmermann. Once the state has decided to subsidize film making, the directors said, then it must subsidize movies from tax

revenues just as it buys weapons from tax revenues. The state cannot say that it will subsidize bland films with taxpayer's money, but will not subsidize irritating films with taxpayer's money," the directors said. "That would be censorship."

The directors also objected that Zimmermann overrode the recommendation of an independent, unpaid board that Achternbusch's film receive the grant. The Minister retorted that he was responsible to Parliament and to the federal accounting office for all monies spent by his shop. Furthermore, said Zimmermann, "We ought not to forget that film making is part of the private economy and in principle should itself assure its profitability. State subsidies should not be seen as crutches for the infirm, but as a means of helping restore a convalescent to health."

The film makers remain angry and dissatisfied. They have called a national congress for September to coordinate their protests against what they allege is yet another attempt by Chancellor Kohl's Government to change the character of German Society. WELLINGTON LONG

Luxembourg

You might be given a toaster just for opening a bank account in Des Moines, but things simply don't work that way in this country. To most casual visitors, banking in Luxembourg is rather like an esoteric religion whose strange rites are conducted in grim, fortress-like buildings. I once heard an American tourist complain that she couldn't even get a quote on some obscure over-the-counter stock in a Luxembourg bank, let alone place a buy order. "And they call this place one of the leading financial centers in Europe," she commented bitterly.

So they do, and with excellent reason. The banks in Luxembourg are to Main-Street money shops roughly what a commodities trader is to a food supermarket. The retail customer knows little of their activities, but without them the business of eating daily or sustaining the world's finances would be a lot more difficult. In particular, Luxembourg has mastered that particular branch of the art of international banking known as the Euro-dollar business, in which U.S. dollars are deposited and re-lent outside the United States.

The solidity of bank buildings in Luxembourg often gives the impression that the country has been processing people's money since currencies were invented. In fact, however, its eminence is of comparatively recent making. It really began to take off in the early 1970s when the big German banks set up house in order to avoid national reserve requirements and domestic lending ceilings

which sharply restricted their commercial operations.

There is no central or national bank in Luxembourg and, in that sense, no "big brother" looking over the shoulder of the private banks. It would be wrong to infer from this that the country is a tax haven, though, as Prime Minister Pierre Werner said recently, "Luxembourg nevertheless has introduced certain fiscal measures that are conducive to the mustering of capital." In particular, said Werner, this applies to holding companies, where special tax exemptions have been applied since 1929.

The growth in Luxembourg banking has been spectacular over the past 15 years, during which period the number of banks established has multiplied more than four times to 115 and the total assets held in the city have soared from \$20 billion to nearly \$1,100 billion. The Germans still dominate the business, holding half the total assets, followed by Luxembourg/Belgian banks, Scandinavians, and the French and the Swiss. The American banks were, for a time, a considerable power, but they soon determined that London offered a more congenial center, with the result that only 3 percent of present assets are U.S.-owned.

The chances of further growth on anything like the scale of recent years are, however, now frankly poor. No new banks have been opened in the city since 1981. Luxembourg did well to weather the international banking storms last year, but the conditions that made it a record year for banking profits—such as the trend in world interest rates—can hardly be relied on to recur. Moreover, there remains an ever-present danger that the German authorities will one day move to bring the activities of overseas banking subsidiaries into



the central bank's lending regulations, which would end, virtually overnight, Luxembourg's charm for the latter.

Given that more than one in every 12 of Luxembourg's working population is employed in the financial sector and that banking contributes about four fifths of the Grand Duchy's entire corporate tax revenues, the implications of these developments are worrying and it is small wonder that diversification

is under active consideration. In particular, there is talk of extending banking activities into the "retail" sector, perhaps in competition with Switzerland for the business of the private customer.

Luxembourg faces two serious disadvantages, however. Its membership in the European Community will bar it from stepping too far out of line in offering tax or other inducements to private clients while it lacks, at present, the wealth of portfolio expertise necessary to service such accounts. No one doubts the country has the enterprise or the ambition to launch an assault on new markets, but, as one American banker here comments, "Another golden period of growth like the past dozen years or so is going to call for phenomenal effort and more than a little luck." ALAN OSBORN

Paris

The Eiffel Tower has gotten a new lease on life at the age of 94. The symbol of Paris emerged this summer from a \$27-million renovation project that began two and a half years ago, after architects determined the tower was in danger of crumbling. The 300-meter tower was the tallest man-made structure on earth when it was opened at the Paris Centennial Exhibition of 1889 to mark the 100th anniversary of the French revolution.

At its birth, the architectural wonder that Gustav Eiffel built weighed 7,500 tons. But, over the years, one addition after another built of brick and concrete pushed up the Eiffel Tower's weight to 11,000 tons. Engineers warned the tower's legs could no longer adequately support the weight and advised a diet.

During the renovation, the *Grand Dame* of Paris has shed 1,000 tons in a process that included replacing its concrete flooring with steel plates. While the work was going on, huge green nets stretched across the tower to protect the people below from falling objects. At least one of the tower's three platforms always was open to the public while workers reinforced the tower's steel girders and replaced its aging hydraulic elevators with electric ones. The Eiffel Tower also has obtained a cinema, reception hall, and a post office in the renovation project. Its three new restaurants—all with spectacular views—are under the direction of Paris' famed Maxim's.

One hundred million tourists have visited the tower that has been a haunt of lovers, protestors, artists, film makers, and suicides in the nine decades it has dominated the skyline of the City of Light. People have climbed the Eiffel Tower backward, on their hands on stilts, piggyback, and naked. The mayor of Montmartre once rode down its steps on a



The Eiffel Tower. courtesy French Government Tourist Office

Amsterdam

Amsterdam's squatter community has evolved from an outlaw element blamed for civil unrest to a broad-based community bent on building its own counterculture. The city now hosts Western Europe's largest squatter population—estimated by City Hall at 5,000 to 7,000 people.

Henk Kersting, a well-known Dutch lawyer specializing in squatter problems, believes that the phenomenon is a result of two problems in the city which became the international hippie capital in the 1960s. Those years loosened many of the social structures in this Calvinist country and, as a result, youths began to leave home at a younger age, looking for a life and apartment of their own. Many of them were drawn by the bright lights of the big city.

Waiting for them was a housing shortage which has plagued the city since World War II. Compounded by the action of speculators who had a vested interest in vacant dwellings. Kersting noted that it is not unheard of for one building to change hands four times in 24 hours, raising the cost many times.

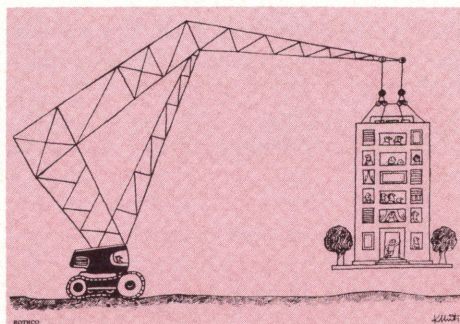
bicycle. It also has been used as a giant advertising billboard and strung with lights like a Christmas tree.

The tower has also been deadly, more than 360 people have jumped to their deaths from it. A pilot was killed while trying to fly his plane through the tower's arches and a Hungarian tailor once made a fatal leap when he attempted to demonstrate a combination raincoat and parachute.

Gustav Eiffel, a master engineer who also helped design the Panama Canal, built the tower for \$1.5 million. It took 200 men 27 months to construct it. "I should be jealous of the tower," Eiffel said shortly before his death in 1923. "It's more famous than I am." But the tower has not always been popular. During its construction, it caused an uproar among Paris artists. In an open letter, they called it "a dizzy, ridiculous tower dominating Paris like a gigantic factory chimney." French writer Guy de Maupassant once noted, "I fled Paris and even France, because the Eiffel Tower ended up bothering me so much."

The tower almost didn't make it past its 20th birthday. It was scheduled to be torn down in 1909 and was saved from destruction only when the French army discovered the tower would make an excellent communications station. During World War I, it was the tower's aerial and wireless station that intercepted a radio message that led to the arrest and execution of Mata Hari as a spy.

CAROLYN LESH

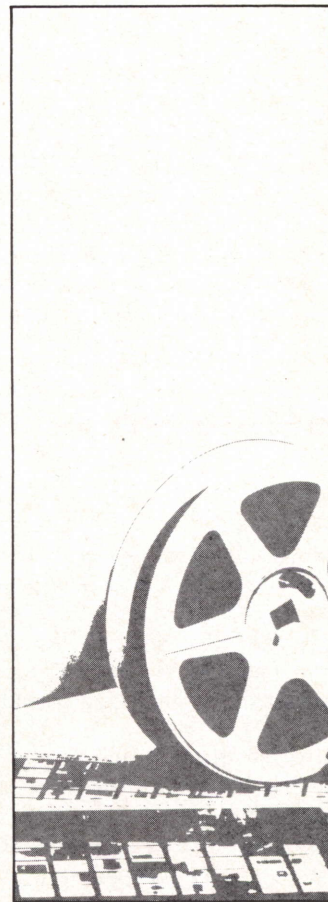


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The young people jamming the city since the 1960s were quick to note the number of antiquated dwellings standing empty and for sale and they used crowbars to move right in. To fight this, the absentee landlords often furnished the empty building to give an appearance of occupancy and even have hired guards known as *knokploegen*, for the empty buildings, which range from empty canal houses to obsolete factories.

Aiding the squatters is a 1973 court ruling that their occupancy of empty buildings is not illegal, only the act of breaking in is against the law. Once the squatters are in, however, their eviction involves a lengthy, and often costly, legal process for the landlords. At present more than 50,000 people are on municipal waiting lists for housing in Amsterdam, about the same number of unemployed in that city of about 700,000. Many of the squatters live on minimum social security benefits of 935 guilders (about \$328) a month.

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Despite the blame they get for occasional outbursts of street violence, such as that attending the inauguration of Queen Beatrix in 1980, the squatters are primarily a peaceable shadow society within a society. In its varied makeup, the squatter population parallels straight society, with its lower and middle classes, its dropouts and professionals, its welfare recipients and entrepreneurial class.

Amsterdam's squatters are loosely organized by neighborhoods and many of the larger buildings they occupy resemble communes, with their own maintenance setups and even informal welfare organizations. Numerous social agencies—some government-financed—provide help and information to the squatters, who even have their own publications. One of them, the "Squatter's Handbook," deals with such varied subjects as how to break into a house and how to obtain legal aid when you're caught. NEL SLIS

Copenhagen

To be expelled from the Danish Parliament, the *Folketing*, is uncommon enough. To try to continue a political career from a prison cell is unique and, to most serious political commentators, a quite preposterous proposition. But this is what Mogens Glistrup, the 57-year-old founder of Denmark's fourth largest party, the Progress Party, intends to do.

Sentenced by the Supreme Court of Denmark in June to three years imprisonment, a large fine, and permanent disbarment, Glistrup reacted with characteristic defiance. He finished a public denouncement of Danish justice by what many considered a far-out analogy, shouting "we shall overcome" in front of the Supreme Court.

Glistrup is expected to start serving his prison term in the early autumn, almost certainly putting a full stop to a 12-year political career, one of the most colorful in Danish history. Citing the almost total lack of visible parliamentary success—less than a handful of bills proposed by the party have been enacted by Parliament—many claim that Glistrup's party has been a total failure.

Without prejudicing the verdict of history, this would seem to be a premature, and perhaps unjustified, opinion. Even the former socialist Government had started to adopt a more critical approach to the public sector and public expenditure growth. And the conservative-led Government which came to power last autumn is now actually trying to reduce the public sector and cut taxes, stealing the fire—and the voters—of the Progress Party. The opinion polls in fact show that virtually all change in Danish politics is within



Christiansborg Castle, seat of Parliament and the Supreme Court in Denmark.

the non-socialist and socialist groups, not between them.

However, in the short term at least, Glistrup will control at least one vote in Parliament from the outside—namely the vote of a member of the party who has publicly committed himself to Glistrup's highly critical view of the conservative Government. The Government needs all the votes it can get to survive, and, though almost all members of the party's parliamentary group have decided to support the Government, disavowing the leadership of Glistrup in the process, there may still be suspense in some of the important votes in the autumn, notably the vote on the budget.

The polls show the Prime Minister, Poul Schlüter, would double the number of conservative seats if he calls for an election. Until now, however, he has resisted the temptation, claiming—not without reason—that the remarkable resurgence of the Danish economy would suffer during the uncertainties of an election period. LEIF BECK FALLESEN

Dublin

A wedding in Dublin on July 30 illustrated neatly the workings of the dynastic principle in the politics of republican Ireland. Mark FitzGerald, son of Prime Minister Garret FitzGerald, married Derval O'Higgins, daughter of the Chief Justice and twice unsuccessful presidential candidate, Tom O'Higgins.

The marriage forged another link between two of a group of leading families in the Fine Gael Party, a group already linked by many ties of blood, friendship, and professional association and which is powerful in the Catholic Church, the professions (especially the law), academic life, and politics.

Fine Gael, now governing in coalition with

the minority Labor Party, has a right wing and a social democratic wing and corresponds very roughly with the Republican Party in the United States. The populist Fianna Fail—which, again very roughly, corresponds with the American Democrats—is the biggest party. It has had much the biggest share of office, including two uninterrupted 16-year periods in Government, in the state's 61-year history. But Fine Gael remains the establishment party, and the FitzGerald and O'Higgins families are at the core of the establishment.

Garret FitzGerald's father, Desmond, served in the state's first Government in the dangerous 1920s along with O'Higgins' uncle, Kevin, who was murdered in 1927 by unidentified assassins. The Prime Minister was William T. Cosgrave; the Attorney-General, John A. Costello. In the 1950s, John A. Costello was Prime Minister for a total of six years. His ministers included Thomas O'Higgins, father of Chief Justice O'Higgins, and Liam Cosgrave, son of William T. Cosgrave.

From 1973 to 1977, Liam Cosgrave headed a Government which included Garret FitzGerald as Foreign Affairs Minister and Declan Costello, son of John A. Costello, as Attorney General. Those three then held the three offices which had been held by their respective fathers 50 years earlier.

When Garret FitzGerald himself became Prime Minister, he appointed as his special adviser a close friend, Alexis FitzGerald, head



Irish Prime Minister Garret FitzGerald and Chief Justice Tom O'Higgins.

of a prominent law firm. The two are not related, but Alexis FitzGerald's first wife was the daughter of the former Prime Minister, John A. Costello. And Mark FitzGerald works for a real estate company headed by another Alexis FitzGerald, nephew of Garret FitzGerald's friend and adviser.

The dynastic principle prevails in other Irish parties too. It is common for widows and other close relations to "inherit" the Dail (lower house of Parliament) seats of former deputies, sometimes down to the third generation. Some families have unbroken Dail service of over half a century. The former Prime Minister and leader of the Fianna Fail party, Charles Haughey, is himself the son-in-law of another former Prime Minister, Sean Lemass.

Other parties, and other families, cannot ri-

val the network of the leading Fine Gael families, Ireland's nearest answer to America's "Eastern Establishment"—from which, however, they differ in one important respect. They are not, for the most part, rich; and even the great FitzGerald-O'Higgins dynastic wedding was no glittering society affair, but quiet and without ostentation. JAMES DOWNEY

Brussels

A New Yorker will have found the condition of many Belgian cities disturbingly familiar this summer, and not just because of temperatures in the 90s. The problem has been one of the real and threatened bankruptcy of municipal authorities on a scale that presents real hazards to the managers of the national economy in Brussels.

There frankly can't be many people with less enviable jobs in Belgium at the moment than Philippe Maystadt, the 35-year-old Budget Minister, trying on the one hand to reduce the state's massive public-sector deficit and on the other to keep the cities running, handle the mounting financial strains posed by the seriously ailing Cockerill-Sambre steel-making giant, and finally tackle the monumental social security deficit. His success or failure "will determine the timing of the next political crisis," commented a Belgian newspaper in July.

You had to be in Liège, the industrial center of French-speaking Wallonia, to get a real taste of the afflictions that can face a city that suddenly has run out of money. For two months this summer, the 7,000 municipal employees were put on quarter pay and the public services were cut to a level consistent with city day-to-day income from such things as parking meters. Nine employees, representing the police, firemen, and clerical staff went on a hunger strike while garbage men dumped 10 truck loads of trash in the city streets and set fire to it. Firemen then turned water hoses on civil guardsmen ordered to clear the rubbish.

Liège's problems stemmed from its inability to meet interest and debt repayments on obligations, which in turn arose from the large increases in wages agreed in recent years for city workers by the socialist mayor. The Government's price for rescuing the city through further loans and subsidies was exacting. Automatic cost-of-living raises for city employees would be forfeited until wages had dropped to the level of those of central government workers. Local taxes would be raised and any further financial plans would require approval by Brussels.

Liège was not alone however. It was calculated in July that only 62 of Belgium's 589



communes actually had enough money to meet their bills. Even the largest of the local authorities, the thriving port of Antwerp, was in the line for assistance. A Brussels radio station complained that Government leaders lacked any idea of how city inhabitants lived. Three regional leaders were asked the price of a ride on the Brussels transport system and all wildly underestimated it.

The bill from the local authorities occurs at a time when the social funds are under unprecedented strain from the high level of unemployment. This is unlikely to ease given that the steel industry will have to sack 8,000 workers in the near future to meet E.C. Commission demands for capacity cutbacks in the industry. Already there is an annual deficit of over \$1.2 billion in the social security system.

Against this background, the Government is determined to halt the growth in public spending which has given Belgium the highest public-sector deficit in the Community. Its success so far has been one of the center-right coalition's most striking achievements. From 16 percent of gross national product in 1982, the deficit fell to 12.25 percent last year—the first drop since the early 1970s. Public spending is expected to rise by a moderate 4.9 percent this year, a substantial fall from the 16 percent of 1984. The improvement has been praised by the Organization for Economic Cooperation and Development, but even that stern authority wonders if the Government's plans might not be too ambitious. Certainly it will be a small miracle if the public-sector deficit does not resume its upward course this year given the long line of claimants on central government funds. ALAN OSBORN

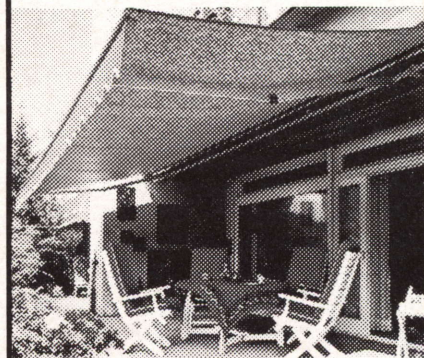
Athens

In the century and a half since Athens became the capital of the infant Greek state, a dusty Ottoman village has grown into a pollution-ridden modern city that sprawls over most of the Attica peninsula. There were no official celebrations this summer for the anniversary, but the Environment Ministry came up with what should prove an enduring birthday present—a master plan for Athens and its surroundings, only the second in the city's modern history.

A Berlin-trained Greek architect, Stamatis Cleanthis, designed Athens' first city plan together with a German colleague, Edward Schaubert, after it was selected as the capital of a newly independent Greece ruled by a German monarch, Otto of Bavaria. This time, Greek architects and planners have paced every inch of Athens and the Attica district, recording a diversity of constructions from ancient roads and medieval towers to modern factories and supermarket complexes.

The results are mapped and displayed in a special exhibit that illustrates what the new master plan intends to achieve. It should receive government approval later this year. The plan seeks to impose strict restrictions on building in and around Athens and to bring

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the city's ancient past back into focus. Many famous classical landmarks are hidden now in ugly industrial areas, forgotten by all but the most dedicated antiquarian.



Constitution Square in downtown Athens.

It envisions a broad belt of park land cutting through the city center and enclosing classical ruins and more recent architecture along pedestrian walkways. Public buildings, among them most of Greece's ministries, would move from inconvenient areas to new sites along the ancient sacred way that led to the Acropolis. It is presently lined with shabby factories and auto repair yards. New hotels will not be permitted in the city, but a few small countryside inns are planned for travelers who want to retrace the history of Attica by walking through it.

Few Athenians have quarreled with the new master plan for the city, which now has 3.4 million residents, or one third of Greece's population, and which also is the site of two-thirds of Greek industry. Nevertheless, the Environment Ministry's new measures to protect the city's surroundings from further inroads by property speculators—illegal summer homes built this year were pulled down—provoked an uproar.

The master plan aims at curbing construction both in the forested hills around the city and along the Attica coastline. More than 230,000 illegal summer homes—ranging from prefabricated huts to luxury villas and apartment blocks—have gone up in Attica over the past 20 years in an illicit construction boom.

The tradition began around Athens a decade earlier, when villagers coming to work in new industries erected illegal homes in the western suburbs which eventually were absorbed into the city. So when the government bulldozers moved in, uprooting fences around private homes that blocked access to the beaches and leveling concrete skeletons of new summer homes, there were angry demonstrations. Owners claimed their illegal houses should be included in the master plan, but the experts are adamant there is no more room in Attica for unplanned eyesores.

KERIN HOPE

London

For most tourists coming to London the center of attraction is often Piccadilly Circus where people sit under the statue of the winged God of Love, Eros, and watch the world go by. But a new magnet is drawing them nowadays half a mile away to Leicester Square. There, another statue beckons the tourists. It is a tribute to a little man with a bowler hat and a curved cane who was born in London in 1889 and made the whole world laugh—Charlie Chaplin. What draws the biggest crowds, however, to Leicester Square is a small wooden hut painted in green and yellow—the Half-Price Theater Ticket booth.

The idea was borrowed by Vincent Burke of the Society of West End Theaters from the booth in New York's Times Square where the "two-fers" scheme—two tickets for the price of one—was first launched on a regular daily basis. And the word has got around fast among tourists to London. Six days a week a long line snakes across Leicester Square with people waiting to buy cheap theater tickets—two out of every three of them Americans.

Often it is extremely difficult to make a choice from the galaxy of star-studded productions. London's theater is currently at its most glittering with, among other offerings, an elegant, much-acclaimed revival of John Osborne's "A Patriot For Me" with Alan Bates in the lead; Glenda Jackson in a new play by Botho Strauss called "Great and Small;" Tom Stoppard's award-winning play "The Real Thing;" and what is hailed as the best British musical since "Jesus Christ Superstar," Willy Russell's "Blood Brothers."

Burke, whose society represents 46 London theaters—which other capital city could boast of such a figure?—said the scheme is so popular that up to 10,000 tickets are sold each week. "We are delighted not to have empty rows of seats in our theaters. It pleases theater-lovers because they get a bargain." The booth is open from noon until 2 P.M. for matinee tickets and from 2:30 P.M. until 6:30 P.M. for tickets to evening performances. No advance booking can be made. Tickets are sold only for performances on the same day.

A blackboard outside the booth tells people which theaters have made tickets available for that day. The terms are half-price plus a handling charge of 50 pence, which makes the best box seat only \$8. Burke explained: "It all depends on the various box-office managers how many tickets are released for sale on any one day at the booth. Sometimes it could be as few as 20 tickets, other days it could be over 100; and there could a choice of up to 20 theaters. The idea was to encour-



age young people to go to the theater at prices they could afford and half the people who turn up at the booth are under 35 years old. It was also intended to enable the not-so-young who could not afford to go very often to the theater to get there more frequently by cheap tickets." There is no resentment against tourists claiming the bargains because for the six months of spring and summer London's theaters are sustained by visiting Americans taking up half the seats.

One theater which stays aloof from the Leicester Square bargain offers is the prestigious National Theater on a majestic site on the south bank of the Thames. It runs its own discount scheme. Each time there is a new production on any one of its three stages—and that means about 16 times a year—there are arrangements for a special bargain night when all tickets are sold on the day of the performance at \$3, which is 20 percent of the normal cost of the best seat. It has meant bargain tickets for lavish productions of "Guys and Dolls," "You Can't Take It With You," and the new David Hare play "A Map of the World."

For the largest auditorium there are 1,000 tickets on sale from 8:30 A.M. on the day of performance—and the management often offers coffee and biscuits to those with a long wait. The bargains are made possible by a donation of \$75,000 left by an anonymous theater-lover. His legacy is for special occasions. For the tourist-of-all-seasons the best advice is: Make for Leicester Square for cheap theater tickets and take the chance to admire the little statue which was unveiled, appropriately enough, by that great octogenarian actor of the English stage, Sir Ralph Richardson. JOHN DICKIE

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Shall they beat their plow

European agricultural reforms could trigger renewed dispute with the Americans.

NANCY DUNNE

The United States and the E.C. agree more than they disagree in their dispute over farm export subsidies, yet the squabble threatens to explode into an agricultural trade war, engulf other areas of commerce, and strain the unity of the Atlantic alliance. The latest irritant in the battle is a proposal by the E.C. which would result in a tax on the consumption of oils and fats within the Community and limit the import of corn (maize) gluten feed. "There is nothing else the Community could do to prompt a stronger U.S. response," a U.S. Department of Agriculture (USDA) official said.

The proposal is contained in a scheme which would otherwise bring joy to the heart of John Block, the U.S. Secretary of Agriculture. For more than two years he has attacked the E.C.'s use of export subsidies, which he says has driven Americans out of their traditional overseas agricultural markets. In his view, while the United States has spent billions to take farmland out of production, the European Community has encouraged increased planting by raising domestic prices and selling the surplus cheaply in foreign markets.

After insisting that the 20-year-old Common Agriculture Policy (CAP), the backbone of the E.C., could not be changed,

Proposed reforms to the E.C.'s Common Agricultural Policy virtually would end its existing system of unlimited price supports. Shown here is a farm in Belgium.

the E.C. Commission is now considering reforms which virtually would end its existing system of unlimited price supports. The mushrooming costs of the CAP, which rose 30 percent in 1983 alone, have driven the E.C. to propose moving prices gradually closer to market levels. The move would reduce and perhaps eliminate the need for budget-busting trade subsidies. "The accent must be placed more and more on production at a competitive price," the Commission concluded.

While the plan, if it is adopted by the E.C. Council of Ministers would reduce the costs of the CAP—perhaps by as much as 15 percent, or \$23 billion, in 1984-85—it would also reduce agricultural incomes. Objections from the politically powerful European farmers could kill or seriously dilute the proposals. Block is scarcely less outraged than E.C. agricultural interests. He sees the scheme to tax oils and limit corn imports as a move to shift the burdensome costs of the CAP to the backs of American farmers. Yet, in principle, he agrees with the proposed reforms. He has said repeatedly: "Market forces, rather than Governments, are far more effective regulators of agricultural production and the flow of trade."

Sir Roy Denman, head of the Delegation of the Commission



Wshares into swords?

of the European Communities in Washington, likes to point out that the European Community is the United States' best regional customer for agricultural goods. Indeed, only the desire to protect that \$8.2-billion market has restrained Congress, particularly the House of Representatives, from taking major retaliatory actions against E.C. export subsidies. However, the E.C. proposals jeopardize more than half the market's value. Last year the Community spent \$748 million for American corn, \$2.8 billion for soybeans, and \$891 million for soybean meal.

The Commission's proposals do not represent a sudden change of direction. In 1981, the E.C. concluded that "It is no longer reasonable or possible to provide unlimited (open-ended) guarantees of price and intervention when the outlets do not exist." Opposition prevented change, however, and the Community spent billions growing crops it no longer needed and had to pay to export. The Commission proposes to control expenses by fixing production limits beyond which producers will assume a share of the costs of disposal. Objections are expected to be strongest from producers of milk, the E.C.'s largest cash crop. The Commission proposes to recover the costs of disposal by lowering milk prices 12 percent.

While in the future milk producers will enjoy a full price guarantee for quotas based on a 1982 reference period, they will pay a levy based on the disposal costs for what they produce over that limit. Their pain will be widely distributed. "If the Community is to demand greater discipline of its own agricultural producers, it must be prepared to take parallel action in respect to imports. . ." the Commission said. Hence, the proposed tax on fats and oils and quotas on soybeans.

Should the United States seek to retaliate, E.C. milk producers are the most likely target. The massive American "dairy mountain" could be released from stocks and dumped on the open market. "It would cripple the Community overnight," said Joseph Zak, division manager of the American Soybean Association. U.S. poultry and egg producers, who contend that the E.C. has been stealing away markets in the Middle East through the use of trade subsidies, have generated wide support in the Senate for action on their behalf. One proposal is to give government-owned dairy stocks as bonuses to foreign customers purchasing U.S. poultry and eggs.

Approval of the E.C. proposals could well dislodge legislation awaiting action in Congress. One bill would provide \$300 million in the next two years to subsidize U.S. farm exports. Another requires the Government to sell a portion of its dairy



These same reforms would jeopardize certain U.S. farm exports to Europe, according to American officials. Particularly hard hit would be soybean farms such as the one above. Last year the Community spent \$2.8 billion for U.S. soybeans and \$891 for U.S. soybean meal. © Charlton Photos

surplus in the next three years, with half the proceeds going for "export enhancement" programs. The Senate has already passed an amendment to the International Monetary Fund bill requiring the U.S. director to oppose loans to countries found to use predatory subsidy practices unless the borrowing country agrees to phase out its subsidies over a period of three years.

The Americans, however, are beginning to learn that tough countermeasures can boomerang. Their pursuit of the Egyptian wheat-flour and dairy markets has proved to be an expensive "hit and run operation." Because the USDA lacked enough government-owned stocks to provide wheat bonuses to Egypt, the department actually had to go on the open market to buy up wheat for its 1 million-ton wheat-flour sale. At the insistence of the U.S. Maritime Administration, exporters then had to ship half the wheat-flour in expensive U.S. ships.

The United States has not disclosed the cost of the subsidized sale of 28,000 tons of butter and cheese to Egypt announced early this month, but half the amount must also be shipped on U.S. vessels. The Administration's subsidized or "blended" credit program cost almost \$1 billion this year before the department ran out of money. The USDA is now pondering a retreat from the Egyptian wheat-flour market. Although the Egyptians have expressed interest in buying additional amounts after the 1 million ton sale is completed in October, the department has not yet decided if it can afford the subsidy costs.

Block had reasons for speaking with conviction when he said in Rio de Janeiro: "The long run futility and high cost of export subsidization are becoming apparent to more and more nations. Whenever countries strike to undercut one another with bigger and bigger subsidies, the consequences are a general reduction in world price levels as well as a tremendous drain on national coffers."

The Reagan Administration can ill afford that drain. It is now presiding over the most expensive farm program in his-

tory. Loans to farmers who put crops in government storage, payments when prices fall below "target" levels, and the commodity surplus giveaway in the payment-in-kind (PIK) program will cost about \$21 billion for fiscal 1983. The program may emerge as a colossal blunder. Together with the summer heat wave, PIK has reduced U.S. grain production 19 percent, and maize output is expected to sink to its lowest point since 1974. While the resulting higher prices are good news for the farmers whose crops have survived the drought, food costs are expected to shoot up—with the Reagan Administration taking the blame. Block has tried to reduce the cost of the farm program by freezing target price levels, but, thus far, Congress has refused to cooperate. The President could decide that more money for agriculture spending in the form of subsidies or subsidized credit is out of the question.

Both the United States and the E.C. unquestionably would prefer a peaceful settlement of their dispute, if only one could be found. Negotiations thus far have only produced talks between a bilateral working group, begun on July 26, to define and clarify General Agreement on Tariffs and Trade rules governing subsidies and other forms of export assistance. Leaving aside the proposals objectionable to the United States in the E.C. plan, the two sides ought to be able to find common ground. Despite political pressures from their farm constituencies, both are seeking to reduce price supports and control dairy production.

Both recognize that farm production capability has far outstripped demand, and both have accepted the fact that Governments cannot forever afford to subsidize inefficient, marginal farming operations. The CAP is on the edge of bankruptcy. The United States has a \$200 billion budget deficit poised menacingly over the economic recovery. Neither wants trade war and neither has yet found a way to avoid it. €

Nancy Dunne reports from Washington D.C. for the Financial Times of London.

Last January, the European Community charged the United States with unfair trade practices when the United States subsidized the sale to Egypt of 1 million tons of American wheat flour. Shown here is wheat being loaded for export. courtesy USDA



ORGANIZED TRADE

Will U.S. plan to merge Commerce Department with other agencies enhance protectionist tendencies?

JOHN STARRELS

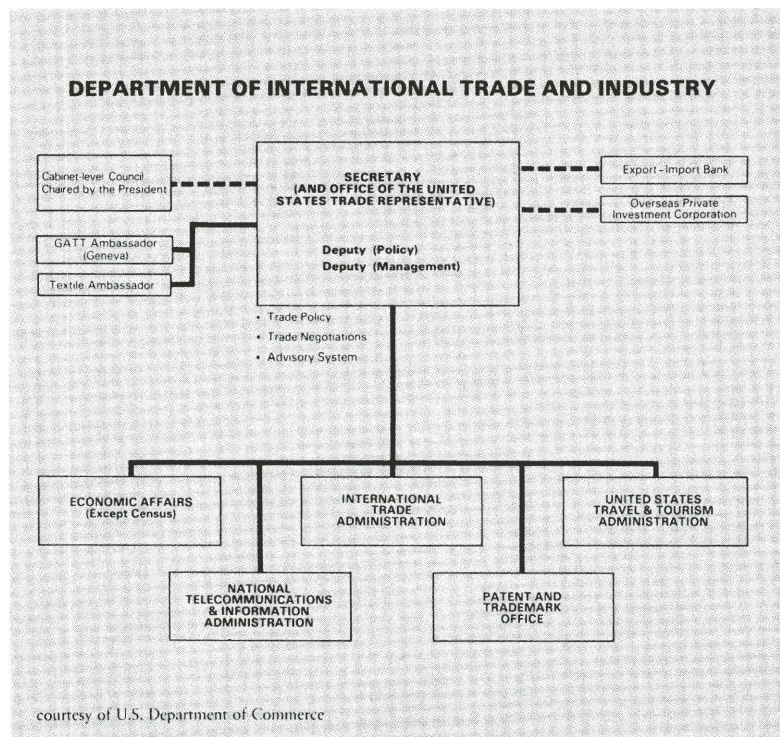
This past April 25, U.S. Commerce Secretary Malcolm Baldrige announced the Reagan Administration's intention to establish a brand new Department of International Trade and Industry (DITI). Modeled in the image of Japan's formidable Ministry of International Trade and Industry MITI, the White House goal is to establish a "lean and mean" department, designed to pull together America's dispersed trade policy responsibilities, to enhance U.S. international competitiveness. The head of the proposed department would have the title of U.S. Trade Representative, while also serving as vice chairman of the Export-Import Bank and chairman of the Overseas Private Investment Corporation. Reagan's proposal specifically calls for merging the trade responsibilities of the Commerce Department with the current Office of the U.S. Trade Representative (USTR). Together, they would equal DITI.

This idea seems long overdue. Over the past several decades, America's trade responsibilities have dramatically multiplied. As *The New York Times* wrote in the immediate aftermath of the White House announcement: "Exports and imports are increasingly important to the economy. The share of foreign trade in total activity has more than doubled in 10 years. The shrinkage in our export surplus in the last two years explains more of the recession than home-building or auto sales." Added to this is the fact that the United States is engaged in serious efforts with its Japanese and European partners to maintain the dynamism and integrity of the international trading system. For all these reasons, then, it's hardly surprising that the U.S. Government is increasingly concerned with the organizational dimension of American trade policy these days.

However, would establishment of a DITI enhance protectionist tendencies in the United States? Maybe. Since announcing its intention to submit appropriate legislation to the Congress, the Reagan Administration has reportedly promised representatives of a number of industrial sectors—textiles, for one—that their political support for a new department would be rewarded with increased clout in determining White House import policies. Commerce Secretary Baldrige, however, denies that the White House is engaging in such sales tactics. As the chief Administration salesperson of the DITI, he has affirmed the Administration's commitment to, in his words, "keep protectionism down to the lowest possible level."

For America's Japanese and European Community partners, however, the spectre of protectionism—at any level—will not easily dissolve. Trade between the United States and the Community alone reached a whopping \$92 billion in 1981. Any

adverse movement in the direction of trade limitation cannot but excite the nervous attention of this nation's close associates. So how serious is the charge that DITI would enhance those protectionist pressures? To answer this question, two considerations require attention: the background leading up to the April 25 reorganization proposal; followed by the experts' opinion as to whether—and if so, how—the DITI concept is inherently protectionist.



Reorganization History

The White House proposal to create a Department of International Trade and Industry is a direct result of America's lagging trade performance. Until the Mid-1970s, the United States ran comfortable surpluses in its trade account. As world oil prices exploded, and as import competition in the American market grew, however, the terms of trade shifted against the United States. Charging that this country was losing its ability to compete, many people in and outside of Washington began to argue that the United States needed a centralized approach in conducting its trade policies. Their solution: a new trade department.

In 1979, the Carter Administration came forward with a compromise, of sorts. The Administration agreed with critics, especially those in Congress, who called for more coherence and direction in the conduct of U.S. trade and commercial policy, but the White House was opposed to the creation of a new department. In place of that idea, the Administration convinced Congress that the establishment of a new division of labor between the Commerce Department and the Office of the U.S. Trade Representative was the best alternative.

Under the Trade Reorganization Plan of January 1980, these two agencies were given main responsibility for the implementation (Commerce) and formulation (U.S. Trade Representative) of American trade policy. The big losers from the reorganization were the Department of State and the Treasury Department which respectively lost the Foreign Commercial Service and enforcement of the nation's import laws—both to Commerce.

But the Reagan proposal to create a DITI represents official dissatisfaction with the 1980 Reorganization Plan. The White House wants to go further in centralizing trade policy than the Carter Administration did. Why? Baldrige and USTR's head, William Brock, provide an answer: "Trade policy formulation, negotiation, regulation, and promotion are closely intertwined We need the institutional strength that comes from combining authority for policy coordination and negotiations with real organization power and resources. Our other major functions in government—foreign affairs, defense matters, financial matters, and others, have strong Cabinet departments responsible for both developing policy and carrying it through to completion. So should trade."

Senator William Roth (R-Delaware), who along with Abraham Ribicoff co-authored a bill to create a trade department in the late 1970s continues: "Does it make any sense for this nation to conduct its trade policy out of two different offices—Commerce and USTR? Indeed, it does not!" "We need," Roth concludes, "to speak with a single trade voice." His new bill incorporates the Administration's proposal and Roth is publicly confident that the Senate will pass it by mid-fall of this year. In the meantime, Congress will be mulling over the Administration proposal. As it does so, one of the more important questions deserving serious Congressional mulling is whether the DITI idea contains the potential of protectionist politics within it.

The Protectionist Potential

Up to now, the White House reorganization proposal has been met with something less than thunderous applause. True, the business community has come out in favor of the plan, in a way. "Trade reorganization is long overdue," acknowledges Michael Samuels, who heads up the U.S. Chamber of Commerce's international division. "But," he adds, "if it turns out that the proposal will encourage protectionist practices, then we'll have no compunction about reevaluating our position." And that's the nub.

With the National Association of Manufacturers, the Chamber of Commerce favors U.S. Government efforts to stimulate American export competitiveness. By integrating the Commerce Department's export promotion functions with the negotiating clout of the USTR, a new Department of International

Maintaining the integrity of the international trading system is an increasingly major concern for all Governments. Pictured here from left to right at a quadripartite meeting are: Japan's former Minister of International Trade and Industry, Sudanori Yamanka; Canada's Minister of State for International Trade, Gerald Regan; U.S. Trade Representative William Brock; and E.C. Commission Vice President responsible for external relations Wilhelm Haferkamp.





"The Reagan Administration has reportedly promised representatives of a number of industrial sectors—textiles, for one—that their political support for a new department would be rewarded with increased clout in determining White House import policies. Commerce Secretary Malcolm Baldrige, however denies that the White House is engaging in such sales tactics." Shown here is an automated dye machine in an American company. courtesy ATMI

Trade and Industry might be able to accomplish just that. At a price, perhaps. The price being protectionism. Explains Henry Owen, coordinator of the annual economic summits during the previous Administration: "The White House proposal will further weaken the State Department's trade role—a role supportive of free-trade positions. More immediately, it will also serve to enhance the influence of the Commerce Department, which is already the American Government's most ardent advocate of import control policies and retaliatory trade actions. This department would, if anything, gain influence within a DITI."

The focal point of concern on the part of those people who worry about the protectionist potential of a DITI involves the future status of the Office of the U.S. Trade Representative. As former Deputy U.S. Trade Representative, Robert Hormats says: "I am concerned about any move which might reduce the direct access of trade-policy officials to the President." Hormats wonders whether the reorganization plan—which in effect calls for the dissolution of both Commerce and the

USTR—would remove a voice of moderation from the executive office of the White House.

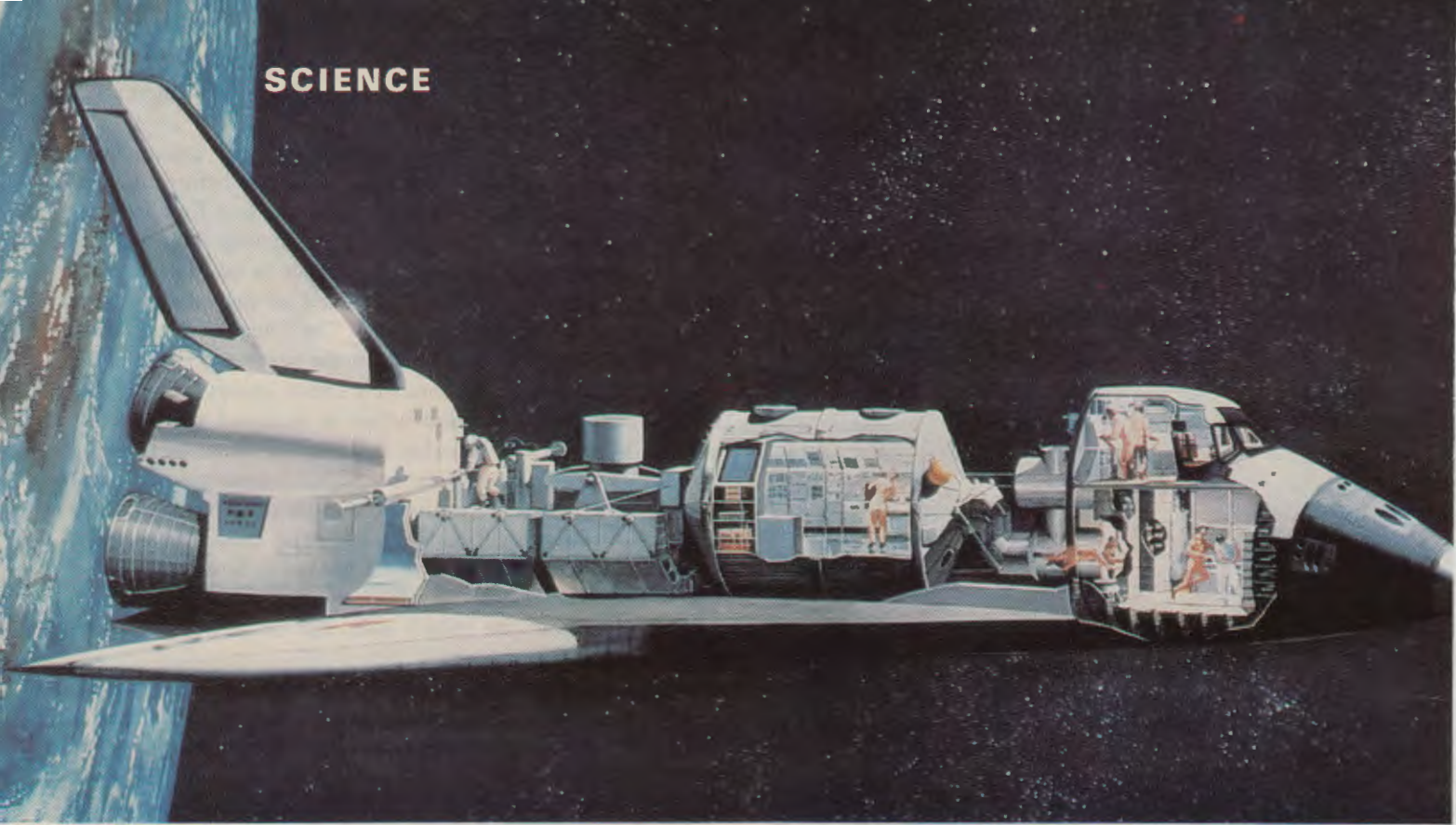
Commerce Secretary Baldrige meanwhile, has attempted to blunt such speculation. In testimony delivered before the Senate Committee on Governmental Affairs in late June, for example, Baldrige emphasized that "the lead role of the Office of the United States Trade Representative in trade policy and trade negotiation. . . will be continued as the primary trade functions of the new department." The "access" issue, however, has not been resolved yet. In the present organizational scheme, the Trade Representative's Office enjoys direct access to the President. A position which is accorded greater influence by virtue of the fact that the head of the USTR runs the powerful Trade Policy Committee. What would happen to the USTR and its Committee in the Administration's plan? "A small White House staff will handle trade issue coordination," answers Baldrige. Over the next few months, however, he and Brock will undoubtedly be called upon to provide more details on just how the USTR's role will be protected in the proposed new department.

There are powerful currents of opinion supportive of the White House trade reorganization proposal as well. Lester Thurow of the Massachusetts Institute of Technology, speaks for a growing number of "industrial policy" advocates when he says "I am sympathetic with efforts designed to combine similar functions into one agency. And that's my understanding of what the Reagan Administration is trying to achieve in its trade reorganization package." Asked whether the DITI concept would enhance protectionist forces in the United States, Thurow replied that creation of such a department "would not, in itself, enhance or weaken these forces."

Moreover, there are many trade experts who believe that such a department would go a long way in the direction of putting America's trade house in order. As these people see it, one of the most valuable features of the White House proposal is its deliberate fusing of the trade policy functions performed by Commerce and the USTR. As former Undersecretary of Commerce for International Trade Robert Herzstein expresses it: "The division of functions between the U.S. Trade Representative and the Secretary of Commerce inevitably creates a measure of overlap and confusion." And what is the result? "Unnecessary rivalries and inefficiencies in dealing with our trading partners and our own industries," Herzstein explains. He's not alone in thinking this.

In the midst of ongoing trade disputes between the United States and the European Community—over speciality steel imports into the U.S., for one; heightened competition for agricultural market shares in the Third World, for another—the last thing the Atlantic partnership needs is another confrontation over trade. Would a DITI enhance those unappetizing prospects? No one knows for sure. Much would depend on the trade policy of the Administration—and the viewpoint of the person who headed up the new department. In the meantime, however, don't be surprised if America's erstwhile Japanese and European partners end up following the course of this debate with greater interest than the Americans do. For in the end, they have a good deal to gain or lose over this issue. ☾

John Starrels is a freelance writer based in Washington D.C.



The Spacelab program is the largest cooperative venture between the European Space Agency and the National Aeronautics & Space Administration. It has involved an expenditure of around \$900 million by 10 European nations. COURTESY ESA

BOUND FOR SPACE

The October Space Shuttle mission will carry Europe's Spacelab.

IAN PRYKE

If all goes well, the end of October will see the ninth launch of a Space Shuttle from the Kennedy Space Center in Florida. In the payload bay of the orbiter will be the Spacelab, Europe's contribution to the U.S. Space Transportation System. Spacelab has been developed and built, over the past decade, by European industry, working under the overall management of the European Space Agency (ESA). Some 40 European companies, under the prime contractor VFW-ERNO of Bremen (now MBB-ERNO), have worked on the program, the industrial work force peaking at around 2,000. The total program has involved an expenditure of around \$900 million by 10 European nations—Austria, Belgium, Denmark, France, the Federal Republic of Germany, Italy, the Netherlands, Spain, Switzerland, and the United Kingdom with the Federal Republic being the main contributor, providing over 50 percent of the total budget.

The Spacelab program is the largest cooperative venture between ESA and the National Aeronautics and Space Administration (NASA) to date, and is the subject of both an intergovernmental agreement between the participating European na-

tions and the United States, and of a memorandum of understanding between the two agencies. Under the terms of these agreements, ESA is providing to NASA, free of charge, a Spacelab engineering model, flight hardware, two sets of ground support equipment and engineering support for the first two flights. NASA for its part is providing the launch and the mission support for the first (joint) mission and is in the process of purchasing a second flight unit and additional experiment racks from Europe, to provide an inventory of Spacelab hardware adequate to meet the requirements of currently foreseen missions.

Following delivery to the United States of the Spacelab hardware that had been designed, developed, and constructed in Europe, ESA stationed teams of agency and European industry personnel in two NASA centers. One team is based at the Kennedy Space Center and is involved with the preparation of the Spacelab hardware and the European component of the payload for the first flight. A second team located at the Marshall Space Flight Center at Huntsville, Alabama, is involved in other aspects of the first mission, including ground operations. The teams will also be involved in providing the engineering support, through the second mission.

The first ESA/NASA joint Spacelab mission scheduled for the launch at the end of October (target date is the 28th) was conceived with two main objectives:

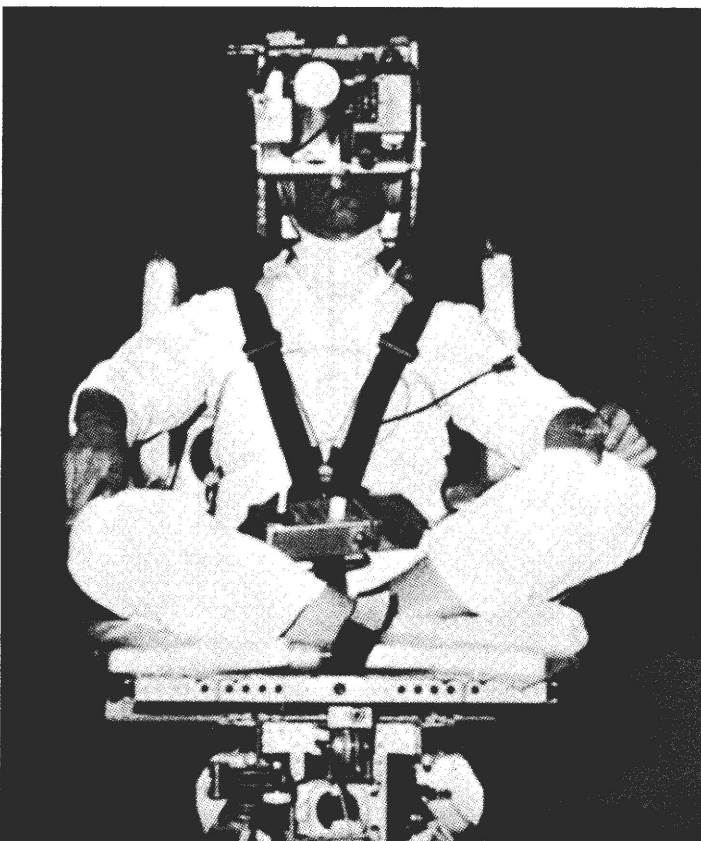
- To verify the Shuttle/Spacelab system and Spacelab subsystem performance under flight conditions.
- To perform a multitude of experiments in diverse science, applications and technology disciplines, so demonstrating the utility of the Spacelab as a research facility.

For this mission, which is scheduled to last for nine days, with a landing at Edwards Air Force Base in California, Spacelab will be flown in the so called "long module (two segments) plus single pallet configuration."

The Spacelab has been designed as a facility for the performance of man-tended experiments in low earth orbit. It consists of three principal components, namely:

- A pressurized module where scientists and technicians, normally referred to as payload specialists, can work in a shirt-sleeve environment, on experiments that make up the payload of the specific mission being flown. The module is cylindrical in shape with a diameter of 4 meters and consists of one or two segments each around 3 meters in length. A two-segment module provides a working environment in excess of 22 cubic meters, and can carry a payload of about 4.5 tons. One segment, known as the core module, houses essential Spacelab subsystems such as electrical supply, computers, thermal control, and has some space for mounting experiments. A second segment would be used exclusively for experiments.
- An unpressurized pallet, approximately 3 meters long on which experiments can be mounted for direct exposure to space. A number of pallets (maximum 5) can be utilized, depending on the overall payload requirements of a mission.

The Space Sled was designed to further research into various bodily cavities and hollows such as the inner ear. Originally scheduled for the first Spacelab mission, it will be part of a later flight. COURTESY ESA



- An instrument pointing system which is a gimbaled structure on which can be mounted observation instruments that require a pointing accuracy better than can be provided by the shuttle orbiter itself.

The Spacelab hardware remains in the orbiter payload bay throughout a mission. It has been designed in a modular manner such that the various components can be configured to best meet the requirements of a specific mission. The module is reached from the lower flight deck of the orbiter by means of a NASA developed transfer tunnel.

The available payload resources such as electrical power, mass, crew time, and so on have been allocated on a 50-50 basis between ESA and NASA. These resources will be divided among a total of about 70 different experiments which will be operated during the course of the mission. In terms of numbers, Europe is flying many more experiments than the United States, though the U.S. experiments are, in general, larger and hence individually account for a greater percentage of resources. The U.S. component of the payload will also include experiments from Japan and Canada.

In accordance with the memorandum of understanding between ESA and NASA, the six-man crew for the mission will be international in nature. The commander (John Young), pilot (Brewster Shaw) and two mission specialists (Owen Garriot and Roger Parker), come from NASA's astronaut corps. Two payload specialists, representing the investigators whose experiments are in the payload, will also fly. One is an American biomedical engineer, Byron Lichtenberg, and the other is European, Ulf Merbold, a German physicist. A further two backup payload specialists, one American (Michael Lampton) and one Dutch (Wubbo Ockels), will work in the payload operations control center at the Johnson Space Center in Houston, Texas, throughout the mission.

Work is already underway on future Spacelab missions. Spacelab is scheduled to fly in a long-module configuration (Spacelab 3) in November 1984 and in a pallet-only configuration (Spacelab 2) in March 1985. In total the current Shuttle manifest lists nine Spacelab missions between now and September 1988, plus a number of uses of individual pallets to carry a variety of payloads. Of particular interest to Europe is the German D-1 mission (long module only) scheduled for June 1985. Dr. Ockels, the backup payload specialist for the Spacelab 1 mission, and a German candidate, who still has to be selected, will serve as payload specialists on the mission, which is primarily dedicated to medical and material science studies in the microgravity environment. The European Space Agency will provide certain experiment facilities for the payload.

It is to be hoped that the advent of Spacelab will initiate an era of continuing involvement in manned spaceflight by the nations of Western Europe. To this end studies are now underway at both a European and national level to determine the role, if any, Europe should seek in the event that the United States decides to pursue the development of a manned space station, as its next major goal in space. Decisions on the space station can be expected within the next few years. €

Ian Pryke is assistant to the head of the European Space Agency's office in Washington, D.C.

U.S. TRADE DEFICIT AND THE

C. Fred Bergsten believes the soaring imbalance could lead to

The U.S. trade deficit hit a record level in the second quarter of this year and Administration officials have stated publicly that it may soar to \$100 billion in 1984. Even factoring in the sizable U.S. surplus on services transactions, the red ink in the current account is likely to reach \$75 billion—five times the pre-1983 record.

The more rapid economic recovery in the United States than in Europe and elsewhere, and the constraint on imports deriving from the debt crisis in a number of developing countries, are contributing to this deterioration in the U.S. trade balance. But the main problem is the massive overvaluation of the dollar in the exchange markets. Since late 1978, the dollar has risen by more than one-third in value against the Japanese yen while U.S. inflation ran at least 20 percent more than in Japan—producing a stunning deterioration of over 50 percent in U.S. price competitiveness against its major rival in international trade (and explaining much of the U.S.-Japan economic conflict). On average, the current overpricing of the dollar has the same effect as placing a tax of 20-25 percent on all U.S. exports and paying a like subsidy on all foreign products (including tourism) imported by Americans.

The impact on the U.S. economy itself is severe. The deterioration in U.S. net exports (in real terms) accounted for three quarters of the decline in the total economy from early 1981 through late 1982, more than double the effect of the housing slump and by far the greatest single cause of the recession. Data Resources Inc. has estimated that the gross national product (GNP) is already off more than \$100 billion as a result, with much greater losses ahead. By 1984, 2 to 3 million jobs will have been sacrificed. Any offsetting benefits through lower inflation will be reversed, and then some, when the dollar eventually falls back to (and perhaps beyond) equilibrium levels. The U.S. recovery will be significantly retarded, and its sustainability threatened, by the continuing deterioration of America's international position.

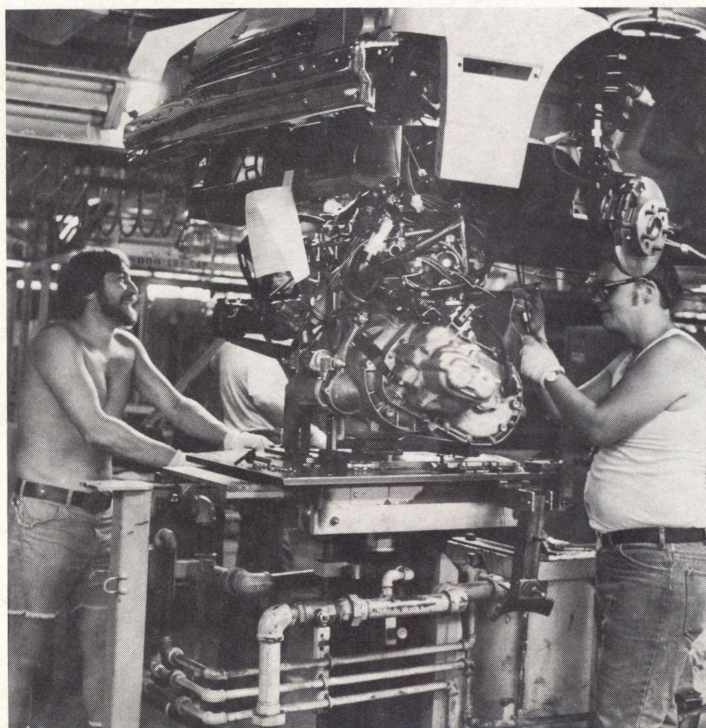
Moreover, since a country's exporting firms are by definition its most competitive, some of the most important U.S. industries bear the brunt of these losses. Hi-tech progress is crucial to America's economic future, but leading companies such as Hewlett Packard, TRW, and Wang have testified to the enormous trade losses they are suffering. Key companies in basic industries such as Caterpillar, Cincinnati Milacron, Dupont, Ingersoll Rand, and the entire auto and steel industries are hurt badly as well. Agricultural exports are retarded. Eliminating the enormous price disadvantage now facing U.S. pro-

ducers in the world market place is much more important to revitalizing the international competitiveness of American industry than creating a new "industrial policy," however defined.

The situation is getting worse, however. The dollar has recently risen to new highs against the European currencies and remains overpriced by at least 20 percent against the yen. Given the lags between currency movements and trade flows, the trade deterioration will thus continue at least into 1985 even if the problem were now corrected quickly.

Moreover, there appears to be a growing tendency in the United States to rationalize the problem rather than promote efforts to correct it. For example, the chairman of the Council of Economic Advisers, Martin Feldstein, has suggested that the United States may experience large trade deficits as long as it experiences large budget deficits. He has noted that, in the absence of major policy changes, the budget deficits will probably remain at about 6 percent of GNP. Since net private savings are only about 7 percent of GNP, virtually all private investment would be "crowded out." The only escape is to attract large ongoing inflows of capital from abroad, which Feldstein and others advocate as a "second-best" approach in a world of continuing high budget imbalances.

Basic industries such as automobile manufacturing are hurt badly by the overvaluation of the dollar and this contributes to the deterioration of the U.S. trade balance. Here, a General Motors assembly line. courtesy General Motors



WORLD ECONOMY

deindustrialization, increased protectionism, and new currency and debt crises.



The main factor contributing to America's increasing trade deficit is the massive overvaluation of the dollar in the exchange markets. Above are traders in Frankfurt earlier this year. © Bossu, Sygma

Such inflows will occur, however, only if U.S. interest rates remain substantially higher than those abroad and if the strength of the dollar is viewed as likely to persist. The result would be continuing, or even growing, dollar overvaluation and still further declines in U.S. jobs and profits. Such an outcome would perpetuate the decimation of America's international competitiveness.

From a purely American standpoint, this approach suffers fatally from three internal inconsistencies. First, it is hardly plausible to expect the pickup in investment needed to sustain the economy if the strong dollar continues to undermine the competitive position of most of the firms counted on for such investments. Second, such huge external deficits will generate massive protectionist pressures; the postwar history of U.S. trade policy shows that dollar overvaluation, even more than unemployment, is the most telling "leading indicator" of deviations from free trade. Third, the exchange rate of the dollar would almost surely plummet in the face of such deficits unless there were continuing increases in U.S. interest rates, which would intensify our domestic ills still further, to offset the fear of future currency weakness.

Nonetheless, current policy seems to have largely adopted this latest version of "malign neglect." As a result, Americans

and foreigners alike are reminded once more that most U.S. officials view international trade as largely irrelevant. Observers throughout the world wonder why the richest country of all should become a quasi-permanent importer of capital and French President François Mitterrand can argue that foreigners are being asked to finance America's budget deficits. The specter of perpetually high U.S. interest rates raises new doubts as to the possibility of resolving the global debt problem without major disruptions and promises steady pressure on the monetary policies (and thus economic fortunes) of our industrialized allies as well.

It should be noted that some observers, in Europe and elsewhere, seem to welcome dollar overvaluation as a kind of "global Keynesianism" because of its spur to their own competitive positions. In doing so, however, they forget several key elements of the situation. First, the same high interest rates which prop the dollar depress their economies by hamstringing the flexibility of their own monetary policies; it is conceivable that a few small countries might benefit more from trade expansion than they lose from domestic monetary tightening, but such an outcome is highly improbable for most larger nations. Second, the U.S. protectionism induced by the exchange-rate problems will both restrain any resulting export

benefits for other countries and carry far-reaching costs for all trading nations. Third, the resulting intensification of the debt problem will also hamper export markets directly and increase the possibility of severe systemic dislocation.

The best answer to the dollar problem is of course prompt action now to reduce substantially the outyear deficits in the U.S. Government budget, which now look like remaining in the \$200 billion range "for as far ahead as the eye can see," to quote Office of Management and Budget director David Stockman. This would permit a reduction in U.S. interest rates and cut substantially, if not reverse, the huge inflow of capital which is propping up the dollar. Unfortunately, there is at present little sign of the political compromises needed to achieve such an outcome, including both responsible action by the Congress and a willingness by the Administration to slow its defense buildup and support recouping some of the revenue losses from the massive tax cuts of 1981.

If there is no decisive budget action, the dollar misalignment will have to be addressed directly. Intervention in the currency markets cannot reverse the basic trend but coordinated purchases of yen and deutsch marks by the Federal Reserve and foreign central banks can keep things from getting worse. When market forces push rates in the proper direction, as they inevitably do from time to time, coordinated intervention can also accelerate the pace and extent of the correction. For the longer run, we will need to move to "target zones" or some other reformed international monetary system which avoids the seemingly endemic overshooting of the present exchange rate regime.

The United States may also have to work with its allies to initiate adjustment from their side, including more expansionary fiscal policies in countries (especially Japan and the Federal Republic of Germany) where inflation is under control, the external accounts are in surplus, budget deficits are low relative to national savings, and growth remains sluggish. To strengthen the yen, as in 1979-80, Japan for a time could also both borrow heavily abroad and curtail its huge capital outflows through administrative guidance. Such help from other countries would of course be more likely if the U.S. authorities pledged in return a serious effort to break the budget logjam and agreed to intervene seriously to support corrective movements.

Whichever course is chosen, urgent action is required. Absent corrective steps, the United States will face huge (and probably growing) trade deficits "as far ahead as the eye can see." American job and profit losses will mount. U.S. firms will increasingly be forced to invest and source their sales abroad. America will suffer deindustrialization. Recovery will be severely retarded in the short run, stable growth undermined in the long run, both in the United States itself and abroad. Protectionism will flourish. The debt crisis will be heightened. Resolution of the currency problem is thus central to a lasting revival of the American and world economies in the 1980s. €

C. Fred Bergsten is the director of the Institute for International Economics in Washington, D.C.

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DEVELOPMENT: lessons from Europe

E.C. system provides the security of a legally binding treaty on trade and aid.

MARC PIERINI

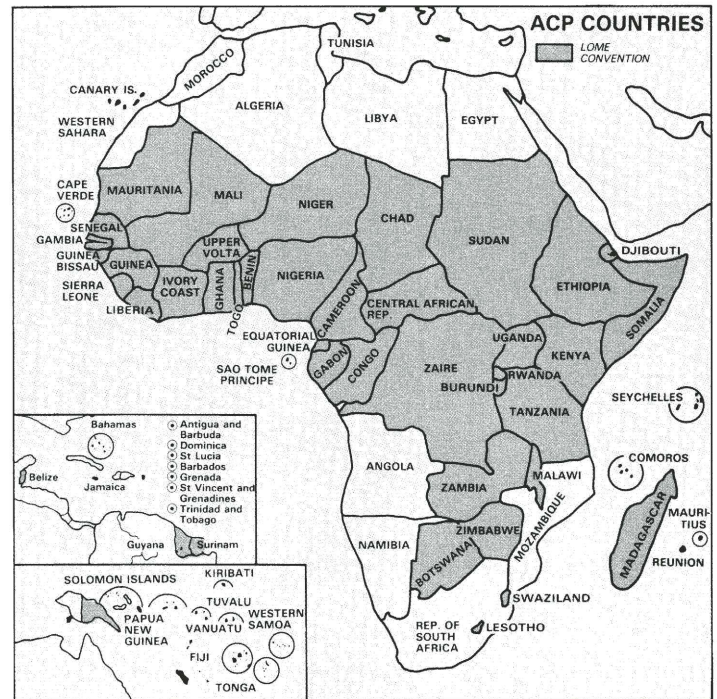
A third Lomé Convention? What, however, is the Lomé Convention? It is an economic treaty linking the 10 member states of the European Community and 63 developing countries in Africa and the Caribbean and Pacific basins (the "ACP" states). Together these 73 countries represent over 600 million citizens and half the nations of the world. The first five-year trade and aid convention was signed between the E.C. and the ACP states in Lomé, Togo, in 1975, and a second in 1980. Renegotiations for a successor arrangement start this fall. Why is it important for the partners, and for the world, that this Lomé Convention be renewed?

The "Lomé policy."

At present, all, or virtually all, industrialized countries and other donors are granting financial and/or trade concessions to developing countries on a purely unilateral, revocable basis. The essence of what has come to be known as the "Lomé policy" is to insert these trade and aid measures in a medium-term, legally-binding treaty, so as to give the beneficiary developing countries more security and more predictability in their dealings with their E.C. partners.

What are the distinctive features of the Lomé Convention?

- It has a *contractual form*. Because the convention is a treaty ratified by each signatory's parliament, it guarantees over the 5-year period the availability of the agreed levels of finance (4.6 billion European Currency Units or ECU—currently about \$4.1 billion—in grants and soft loans, plus 800 million ECU in loans for the current convention) and trade concessions (99.6 percent of ACP exports to the E.C. enter duty-free). Similarly, the "Stabex" scheme guarantees the stabilization of ACP countries' earnings from their exports of agricultural commodities to the E.C. At country level, an "aid-programming" exercise allocates a guaranteed amount of finance to a set of operations proposed by the recipient government, according to its own priorities and discussed with the E.C.
- It is a *multipurpose agreement*. This includes trade provisions covering tariffs and trade promotion; financing arrangements for national and regional projects, Stabex, "Sysmin" (a scheme which provides aid for the rehabilitation of mining operations); emergency aid, interest subsidies, and risk capital; possibilities of investment protection; industrial cooperation and promotion of joint ventures; and assistance to science and research activities.



This map shows the countries linked to the E.C. in the Lomé Convention trade-and-aid treaty.

- It provides for a *permanent dialogue* between the partners. This is done at technical and political level, through joint E.C.-ACP bodies involving both governments and parliaments.
- It addresses, on an equal footing, a *group of developing countries*, thus preventing discrimination on purely political grounds.

High stakes.

Why is it so important, in the views of Europeans, to renew and improve the present Lomé Convention? The motives are multiple.

First of all, there is an imperative humanitarian duty: half of the 63 ACP states have an average gross domestic product per capita of \$240. For the Community, the figure is around \$10,000. By all measures—literacy, education, life expectancy, and so on—most of the ACP states are lagging dramatically behind other developing countries. For these countries, more than for their more advanced neighbors, factors contributing to stabilize the external economic environment are essential.



The first Lomé pact was signed between the E.C. and 63 African, Caribbean, and Pacific states in 1975.

The Lomé Convention is aimed precisely at a greater stability of trade, aid flows, and export receipts.

The second motive is the fact that the Lomé Convention was in 1975, and still is in 1983, the one and only comprehensive and durable framework for North-South relations. The United States' Caribbean Basin Initiative (CBI), for example, incorporates trade concessions, an aid package, and some measure of tax incentives, but represents a totally different philosophy of a North-South relationship.

Lessons for the U.S.?

Unlike the CBI, Lomé is negotiated, not unilaterally granted. The Lomé aid package is a five-year operation, not a once-and-for-all affair. Lomé has a mutually agreed legal framework and joint management procedures. Lomé provides for regional cooperation and integration among recipient countries. And, Lomé is not politically selective. The Lomé Convention broke new ground in replacing the usual one-way relationship between developed and developing countries. Lomé's medium-term, binding arrangement has helped protect the E.C.—ACP relationship from the vicissitudes of the world economic crisis.

The third factor is political. History and experience show us that hunger, poverty, deprivation, and social injustice often lead to political unrest and foreign intervention. Economic and social progress in Africa, in the Caribbean Basin and in the South Pacific Basin is of vital importance for the future of peace and democracy in the world. By contributing to economic security and to regional integration, the Lomé Convention is a powerful instrument for achieving these goals in poor countries.

Southern Africa is a particularly relevant example: For the first time, Angola and Mozambique—the only two black Afri-

can states that are not members of the Lomé Convention—will fully participate in the upcoming negotiations and eventually will join “Lomé III.” This would have not only a sizeable effect on the amount of financing available under Lomé III, but also a major political significance as it will contribute to the efforts of the “front-line states” toward regional cooperation.

The E.C.-ACP negotiations starting this fall are due to produce an agreement by February 28, 1985, termination date of the present convention (Lomé II). On the basis of proposals put forward last March by the E.C. Commission, the 10 member states agreed last July on a common negotiating position. The Commission will now start negotiating on their behalf with a group of 65 countries (the present 63 ACP countries plus Angola and Mozambique).

As agreed by the E.C. Foreign Affairs Ministers on July 18th, the European Community is indeed proposing to keep the essential features of the Lomé Convention, such as its contractual, multipurpose, group-to-group relationship and dialogue. They also agreed to retain in its totality the duty-free access to the E.C. for ACP exports, as well as the aid-programming process.

At the same time, the depth of the worldwide recession requires both the European and the ACP partners to conduct a thorough review of the past achievements and shortcomings of their relationship. The former have already been mentioned, the latter are not insignificant.



“By contributing to economic security and to regional integration the Lomé Convention is a powerful instrument for achieving peace and democracy in the world.” Here, during the signing of the current Lomé Convention on October 31, 1979, local citizens demonstrate their support for the treaty.

Together with food aid and aid to countries outside the Lomé Convention, E.C. Official Development Assistance, or ODA, amounted in 1982 to about 1.6 billion ECU (disbursements). To get a clear picture of the Community's aid record, one should also take into account its 10 member states' bilateral aid and their contributions to multilateral institutions. The aggregate level of development assistance from the Ten and the Community was over 12 billion ECUs or 0.53 percent of their combined gross national product. This is twice the U.S. record (0.27 percent) and close to twice the Japanese level (0.29 percent).

Some shortcomings.

The question "how much have the two Lomé Conventions actually done for the economic and social development of the ACP States?" can be asked. There are, as the Commission pointed out in its March proposals, a good many negative answers:

- Despite the guaranteed free access to the E.C. market (without any reciprocal obligation), some of the traditional ACP exporters have lost market shares to less privileged developing countries.
- Despite a guaranteed price for their exports to the E.C., ACP sugar producers did not progress faster toward development or toward a lesser degree of dependence.
- Despite (or because of) an expeditious and no-strings procedure, the Stabex scheme has done little to improve the commodity producers' capacity to adjust to changing trends in world demand and competition.
- Despite the contractual guarantee of a given level of aid over a five-year period and a liberal aid-programming procedure, E.C.-financed projects were too often conceived in isolation and as a substitute for self-help, rather than integrated in a clearly defined strategy for autonomous development. Similarly, outside the convention, food aid was rarely integrated in food policies designed to eliminate dependence on imports.

Reasons for these shortcomings can be found on both sides. It is obvious that some of the cooperation instruments offered by the European Community were not sufficient to cope with the volatile international economic environment of the last decade. On the ACP side, especially in sub-Saharan Africa, the

worldwide recession has laid bare the structural economic handicaps and, in many cases, pointed to misguided economic policies.

If E.C. and ACP countries collectively want to give new strength to their relationship, there must be some hard thinking in the months ahead. For the ACP countries to get out of the severe recession and to make the best of the fragile world recovery, for the Europeans to retain the support of their parliaments and public opinion for increased levels of development aid, it will be necessary to make a fresh start on a number of issues.

The E.C., for its part, is setting an example by proposing *inter alia* two new measures to remedy the problems described earlier. First, the Community is proposing, as an option, to help its Lomé partners set up and implement sectoral policies and strategies (food, energy, transport, and others) rather than merely perpetuating case-by-case project financing. Second, the Community is proposing to focus the Stabex scheme on the structural deficiencies in the sectors concerned, rather than merely provide cash transfers unrelated to the problems which triggered them. In the same spirit, but outside the Lomé Convention (i.e. not linked to the renegotiation schedule), the Commission is proposing a reform of the Community's food aid system in such a way as to link it more directly to the recipient's food policy and to provide food products better adjusted to the local needs. €

Marc Pierini is responsible for development affairs at the E.C. Commission's Delegation in Washington.

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MEMBER STATE REPORT

ITALY

Deciphering a puzzling country.

LUIGI BARZINI

Luigi Barzini is a journalist and author of the authoritative The Italians. This article is excerpted from his book The Europeans. Published this summer by Simon and Schuster, the study is a profile of the British, German, French, Italian, and Dutch peoples and urges greater efforts toward European unification.

Italy is universally considered a particularly unpredictable and deceptive country. Some people even believe that this is the only absolutely certain thing about it. They are, of course, right some of the time, but also wrong as often. There are no sure guides to what Italy is and what it might do next. Italians themselves are almost always baffled by their own behavior. The only people who have no doubts and hold very definite and clear ideas about the country and its inhabitants are foreigners who streak through it in a few days, possibly for the first time in their lives. Everything around them confirms what they have always known about Italy and the Italians—their tastes, habits, cuisine (strictly olive oil, garlic, and tomato sauce), their Governments (inefficient and short-lived), love life, talents (artistic), virtues (private), vices (public), and political inclinations.

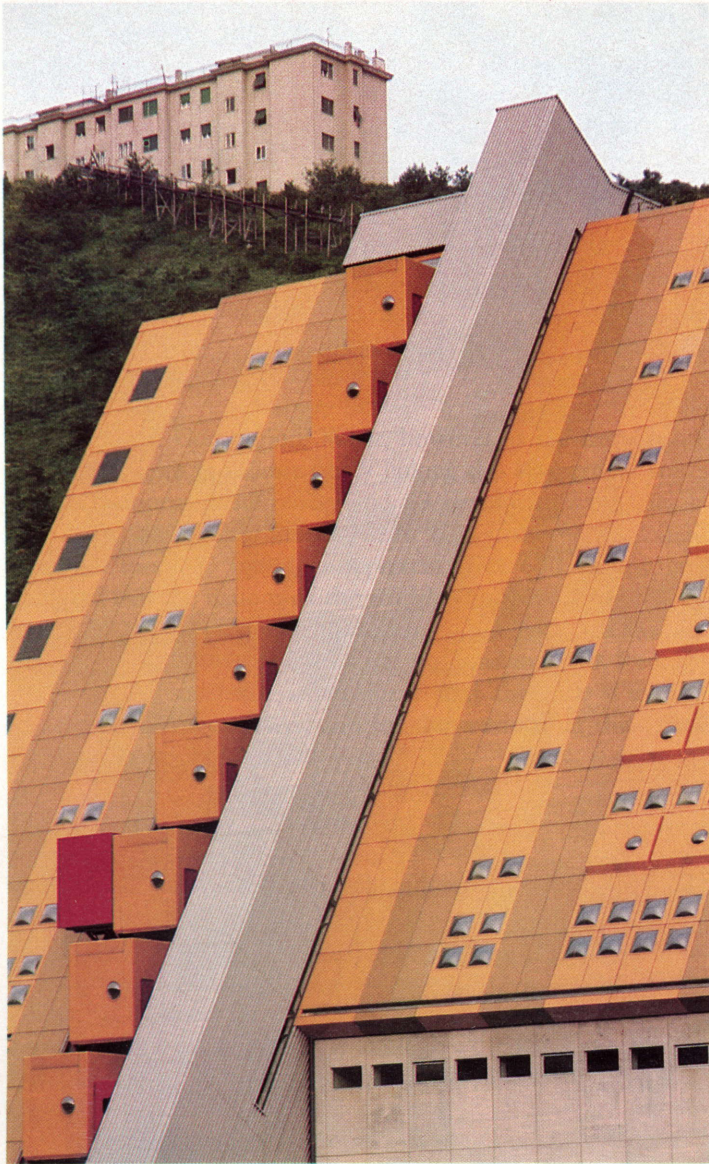
Foreigners who linger longer and those who come back

begin at a certain point to be disturbed by vague doubts. They suspect that things and people may not always be what they appear to be, and Italian words may not invariably mean what the dictionary says. Those who settle here (journalists, businessmen, art historians, husbands or wives of Italians, affluent expatriates, opera singers, archeologists, retired diplomats) end by discovering that there are no hard-and-fast rules. One must be *en garde* all the time, learn the hard way to distinguish between when one must be wary and when one can relax. Above all, one must remind oneself to resist the seduction of the famous fatal beauty, of the all-pervading charm, and of the inevitable compassion that the poor people, so mistreated by fate, history, economic forces, ill fortune, and bad rulers, inspire. Some foreign residents realize at one point that many Italians never and all Italians, given the right circumstances, do not behave like proverbial Italians.

They can be as surprisingly honest, punctual, faithful, tidy, efficient, truthful, and courageous as highly esteemed people with a better international reputation. The only rule to follow, these foreign residents discover, is the old Italian proverb that says, "*Fidarsi è bene, non fidarsi è meglio*" (to trust is good, not to trust is better). An illustration of this bewildering qual-

Saint Mark's square in Venice. © Cynthia Foster





Modern housing in the Lagaccio quarter of Genova. © Selarandis/Black Star

ity of life was years ago put in a nutshell by a foreign correspondent. He said, "In Moscow one knows nothing but understands everything, in Rome one knows everything but understands nothing."

All this is, of course, true. It is not true, however, what many foreigners believe, that Italians enjoy and are at their best living precariously in a disorderly country ruled by inept and impotent, or arbitrary and corrupt Governments. They never liked it. As Ignazio Silone wrote once, "There are no sadder people than those gay Italians." For centuries, since the early Middle Ages, they have dreamed the same impossible dream of being one day governed with freedom and justice, of being able to dedicate their energies solely to their work and not to the task of avoiding cramping and frustrating laws or defending themselves from dangerous and powerful enemies. They dreamed of living an honorable, transparent life in peace in an honorable, transparent country in which there should be no need to lie. The dream can be traced down the centuries in many documents, books, poems, and paintings, from Dante's *De Monarchia*, Machiavelli's *Il Principe*, Giuseppe Mazzini's

and Vincenzo Gioberti's *Oeuvres*, down to a large number of contemporary essays, newspaper columns, and political programs. The visible symbols of all this are the 14th century frescoes by Ambrogio Lorenzetti in the Palazzo Pubblico in Siena. They are called "Il Malgoverno" and "Il Buongoverno." The "bad government" is filled with battles, turmoil, ruins, corpses, and desolation. The "good government" shows farmers plowing, craftsmen working, fat cattle, vineyards loaded with grapes, and beaming happy faces. Italian history could in fact be interpreted as a vain and sickening search for *Il Buongoverno* down the centuries.

This necessity to decipher the Italian puzzle is by no means a frivolous private problem. Sometimes it can be a matter of momentous importance for the whole world, the chance for

Italian farmers make up 13.3 percent of the total working population, the third highest rate in the Community. Shown here are Trulli farmhouses in Alberobello. © Steve Elmore



ruinous miscalculations. Before the last world war, experts saw Italy as a solid, well-organized, disciplined country, and treated it gingerly as such, a country ready for war at the drop of a helmet under the leadership of a charismatic leader with a Napoleonic and Periclean mind, Benito Mussolini. Lenin, Churchill, and Adolf Hitler believed him to be one of the outstanding characters of the century and perhaps of all history. In reality Italy was demoralized and flabby, deluded by a flood of improbable propaganda, armed with ancient Austrian guns captured in 1918, a few fragile tanks, and a handful of planes. It had no radar. The Fascists were, in the words of Benedetto Croce, "men who thought themselves gifted because they were ignorant, and strong because they lacked the ancient love with which one's country should be treated." The infallible leader was in reality an incompetent self-taught elementary school teacher, catapulted to a position too high for his particular talents, a gifted rabble-rouser, completely isolated from reality in his last few years. He could not bear intelligent criticism and factual objective information that contradicted his own preconceived and unchangeable ideas. He

listened only to brazen flatterers, the only people he saw and trusted. He believed only his own newspapers and radio. Like a visionary, he followed his intuitions blindly in a crisis. The final result is well known. . . .

Miscalculations, sometimes irreparable, are also constantly made by foreigners in their estimates of the Italian political and economic perspectives. Inevitably, cures for Italian ills based on authoritative diagnoses, cures that might be excellent for other countries, are disastrously wrong. In the late 1950s and early 1960s, when the Italian economy was enjoying a boom and political problems were being gradually solved, save one, the Communist threat, foreign specialists decided the only hope for the country was not what common sense would have recommended, the strengthening of the coalition of center parties, which, with American help, had rapidly reconstructed the country after the war (all efficient Governments are, whatever they call themselves, center Governments).

Foreign experts thought that a new center-left Government would be the right medicine, a coalition of Christian Democrats and Socialists. It must be honestly pointed out that, as usual, these foreigners were deceived by Italian words, which seldom mean exactly what they seem to say. Italian Socialists of that generation were not what these people imagined. They were also very dissimilar from the Italian Socialists of today. They were then incredibly behind the times. Most of them were verbal extremists. Many clung to the 1870 myths of *La Commune* and to the excessive impossible hopes of the beginning of this century, some were anarcho-syndicalists, others were pure anarchists and a few were terrorists at heart. They believed the economy was the only motor of history but knew almost nothing about economics. They were openly pro-Communist, resigned to accept Soviet leadership in international affairs, resigned also to see the Italian Communists take power, and worked strenuously to help them destroy what was left of the bourgeois liberal state. The secretary of the party, Francesco de Martino, repeatedly threatened, "We'll

nationalize everything in the country except barber shops." (The odd exception was probably because Professor de Martino, being Neapolitan, presumably did not use a razor, but like most middle-aged southerners, was shaved every afternoon after the siesta by a friendly barber, whose autonomy from the state he was understandably determined to preserve for the safety of his own hirsute jowls.) Contemporary Italian Socialists are younger, more experienced, better read, and more up-to-date. While still tormented by a minority of incoherent enthusiastic extremists, they are now carefully approaching the political beliefs of the German and British Social Democrats. They are wary of doctrinaire abstractions, afraid of failure and of cutting themselves off from reality. They are now, for the first time, tentatively in favor of the bourgeois liberties, private initiative, and the market economy, as *pis-allers* anyway; in favor of the North Atlantic Treaty Organization, the Italian armed forces, the Common Market, eventual European integration, and the West in general. They fight the Communists, their principal rivals, with determination, for each vote, and are preoccupied and frightened by the Soviet Union and its "Socialist" experiment but also regard it with derision and contempt. . . .

Italy and Europe

That the country did not have the unity, the capacity, and the desire to solve its one problem—that of encouraging (and not obstructing) the increase in the production of wealth by private or state-owned industries, in order to support a higher standard of living, economic, moral, cultural, and social progress, and an adequate welfare organization—was evident to Alcide de Gasperi, the best Italian statesman since the war. I once walked down a Roman street with him, one summer afternoon in the late 1940s after lunch, and asked him why he was so keen on achieving quick European unification. I shared his enthusiasm and his impatient hopes for sentimental and cultural reasons. I always thought of myself as a European and

The Italians export over 500,000 tons of salt a year to the rest of the world, valued at \$4.8 million. These are salt mounds drying in Sicily. © Friedmann/Photo Researchers, Inc.





Positano on the Amalfia coast in southern Italy. © Steve Elmore

had always longed for a European fatherland without frontiers. I knew he did too.

He was born in Trento, a subject of Franz Joseph, an Italian-speaking citizen of Austria-Hungary until 1918, a member of the Vienna polyglot Parliament before that, and therefore conditioned to thinking not in the narrow terms of a nation but in terms of a vast, multilingual, multiracial, political conglomerate held together by the Crown and by one of the most intelligent and enlightened bureaucracies Europe had ever seen. He was furthermore a pious observant Catholic, accustomed to thinking also in terms of a supernatural empire spiritually hovering over each single nation, the Church. He was undoubtedly a good patriotic Italian, but by no means a blind nationalist.

All this I knew, but what I wanted him to tell me that hot day were the practical political reasons by which he justified his desire to see Europe unified soon, tomorrow morning if possible. In other words, how did he believe the United States of Europe would lighten his almost impossible burden as Italian Prime Minister in a dramatic moment of the country's history? He stopped, looked at me with his patient brown eyes, as if I had asked a tiresomely obvious question. His drooping jowls made him look vaguely like a hunting dog. Waving his briefcase in the air to emphasize each word, he said, "I must have a united Europe to absorb in her vast bosom three problems we Italians alone will never be able to solve and on which our future depends. One is the presence of the Church among us, a state within the state, oil and water. It has interfered with Italian internal affairs since the unification and made the creation of a well-governed and law-abiding nation more difficult." (This would have seemed to a non-Catholic a strange thesis from a Catholic statesman, if one did not remember, as I did, the difficulties he had always had with the Curia. He tried to do his best to serve and to reconstruct Italy, guided by his religious ideals. The Curia rightly thought only in terms of the Church's immediate welfare and future development. They seldom agreed.)

He went on, "Two. We want to hand over to Europe our 2 million chronic unemployed and God knows how many of our underemployed." (Nobody else had so many at the time. Unemployment in normal prosperous years results from a scarcity of capital and an excessive abundance of available labor. We then had the willing labor and needed the capital and know-how of richer neighbors.) "In the larger context of Europe, the percentage of our unemployed would become insignificant. Three, the percentage of the Communist votes, dangerously high here, would reassuringly decrease in a united Europe until they would no longer represent a frightening menace." We resumed walking in silence under the sun. Understandably, he did not need to mention one more reason that was then in the minds of most Italians, including his and mine. We needed a united Europe also to hide in it, make other people forget the Fascists' shabby and dishonorable conduct of foreign affairs and our disreputable defeat.

In other words his Europe was one more magic remedy for Italy's persistent and probably incurable disease, the *ingovernabilità*. Would the people more easily obey European laws and respect European authorities than their own? Possibly. They sometimes behave noticeably better when foreigners observe them. Cities where many tourists go or where foreigners choose to reside are usually cleaner, less noisy, and more orderly than the obscure ones that no strangers visit. Italians behaved impeccably in the old Austrian provinces, Venetia, Lombardy, Istria, and de Gasperi's own Trentino, where the paternal authorities (Italians all) were awesome and inflexible and the laws could not easily be circumvented. They are exemplary administrators today in the Swiss canton, Ticino, where their French and German countrymen keep them under observation and where they proudly want to show they are as good as all other Swiss. They are among the best officials and bureaucrats in the E.C. organizations in Brussels. Europe, for de Gasperi, as for many other people and possibly for me too, was evidently, the contemporary form of the ancient dream, that of *Il Buongoverno*.

And these are among the reasons why the Italians of all parties were and are among the most fervent champions not merely of the integration of Europe but of its unification, its setting up in business as a third superpower. This is why the creation of the Treaty of Rome, [creating the Europe Communities] was initiated by Gaetano Martino, the Foreign Minister, at the Messina meeting in 1955 when all hopes seemed lost, and signed symbolically in 1957 in the Roman Campidoglio. This is why the Italian ministers in Brussels do not make waves, often accept decisions unfavorable to their country without complaining, and act as arbitrators and pacifiers between contending parties. As a result the E.C. favored the French, German, and Dutch agricultures and penalized the Mediterranean products (olive oil, wine, tomatoes, citrus fruits). Italians think all sacrifices are acceptable if they help the unification of Europe to advance even an imperceptible forward step. They hope to rid themselves and their countrymen of the century-old Italian nightmare, the chaotic conditions that make the dichotomy between "public lies and private truths" inevitable. ☾

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A Government With a Difference

New Socialist Prime Minister symbolizes change in Italian politics.

JAMES BUXTON

Early last month Bettino Craxi became Italy's first Socialist Prime Minister. The untutored observer might think therefore that Italy had joined France, Greece, and Spain as Mediterranean countries now making an historic break with their past and going resoundingly Socialist. That is not the case. Craxi presides over a five-party coalition Government in which Socialist Party ministers are in a small minority and which is dominated, like every Italian Cabinet since the war, by the Christian Democrats. The new Government has an ambitious program agreed by all its member parties. But whatever promises Craxi may have received, the record shows that Italian Governments on average last no more than about eight months.

Yet the very fact that Craxi became Prime Minister is significant. This symbolized the change that has come over Italian politics in the past few years and it raises the crucial question of what will happen when he goes. The question is alarming or intriguing, according to whether you are concerned that Italy may be in danger of losing its vaunted underlying stability or whether you believe that the country is long overdue for a shake-up in its political system.

Craxi has been the most dynamic force in Italian politics for most of the past few years. He became leader of the Socialist Party in 1976 and the attainment of the position of Prime Minister for the Socialists has always been his major objective. He believed it was crucial to the task of putting the Socialist Party on a par with the two Italian mass parties, the Christian Democrats and the Communists, and perhaps one day overtaking the Communists to become the main party of the left.

The Socialist Party bided its time outside Government in the 1976-79 Parliament as the Christian Democrats edged toward closer and closer cooperation with the Communists, but stopped short of allowing the Communists into the Government, the strategy toward which the Communists had been working with their historic compromise policy. During this time, Craxi rebuilt the Socialist Party, drawing it for the first time decisively out of the ideological shadow of the Communists and strengthening the right wing of the party at the expense of the left. The party gradually began to acquire a more modern image, perhaps better attuned to a more secular and modern-minded electorate.

Nevertheless, the Socialists still won just under 10 percent of the vote in the 1979 general elections. However, with Communist party cooperation no longer available, the Christian Democrats needed Socialist support to be able to govern.



Bettino Craxi, Italy's first Socialist Prime Minister since the republic was established after World War II. © Sygma

This was somewhat grudgingly given between 1979 and this year. The activism of some socialist ministers and Craxi's relentless pressure on the Christian Democrats—he was responsible for bringing down all but one of the six Governments of the period—contributed heavily to the erosion of Christian Democrat morale.

Underlying popular support for the Christian Democrats, it seems, may have been declining for about a decade, with the weakening of the party's rural base as people drifted to the cities and with the increasing secularization of much of Italian Society. The party's electoral support, however, held solid at about 38 percent, partly out of fear of the Communists. But the party was weakened by successive national scandals and in 1981 had run out of plausible Prime Ministerial candidates. In that year, the Prime Minister position passed to Giovanni Spadolini, leader of the tiny (3 percent of the vote in 1979) Republican Party. His tenure as Prime Minister, ending 37 years of Christian Democratic leadership, helped pave the way

for that of Craxi. In practice, however, it meant 17 months in which many problems were raised, but few solved. This was due largely to the fierce jealousy of the two main coalition parties, the Christian Democrats and the Socialists.

In May 1982, a rearrangement of forces in the Christian Democratic Party produced a new leader, Ciriaco de Mita. De Mita comes from the Christian Democratic heartland of southern Italy, but, despite being a traditional party boss down there, he swiftly propounded a new kind of christian democracy. He sought an end to party factionalism and to padded payrolls and unjustified pensions as a means of getting votes, he suggested an open mind to the possibility of the Communists coming to power in alternation to the Christian Democrats, and he proposed an austerity policy to deal with Italy's major economic problem, inflation.

When Spadolini fell last November, de Mita put together a new Government with the Socialists under the veteran Christian Democrat Amintore Fanfani, who first became Prime Minister in 1954. The Fanfani Government was more cohesive and effective than any of its recent predecessors, but it did not last long because, in April this year, Craxi insisted on redeeming what he claimed was a pledge that it would be only a short-term affair. In June, Italy went to the polls, a year before the end of the five-year term of Parliament.

Craxi went into the elections at a disadvantage, having brought down a Government that at least gave signs of seriously tackling economic problems, and with his party having been increasingly tainted by allegations of corruption in the preceding year or so. Italians seemed to be tiring of his seemingly endless impudence and apparent lack of interest in the serious issues. In the elections, support for the Socialist Party rose only one and a half points, to 11.4 percent, a poor outcome after seven years of striving. But contrary to the expectations of almost every pollster and politician, the Christian Democratic vote in the election crashed more than five points to just under 33 percent—the lowest level—the party had ever touched. Even though the Communist vote fell back marginally, to just under 30 percent, the Communists came—by default—nearer to overtaking the Christian Democrats than ever before.

It seemed in retrospect that de Mita's policy in the election campaign of concentrating his attacks on the Socialists had made the voters forget the Communist "peril"—a traditional reason for voting Christian Democratic. The Christian Democrats' "new look" was perhaps a little too new to be convincing. But those voters who did not increase the standing of the neo-Fascist Italian Social Movement, which won nearly 7 percent of the vote, gave their support to Spadolini's Republicans, who, like the Christian Democrats, are insisting on tough measures to deal with inflation. The Republican share of the vote went up two points to 5 percent—an important swing in Italian electoral terms.

The electoral arithmetic was such that the Christian Democrats needed the Socialists more than ever if they were to remain in position of power and they could no longer deny Craxi the position of Prime Minister. Yet the 49-year-old Socialist leader can only have felt desperately hemmed in and vulnerable as he finally moved into the Palazzo Chigi, the Prime Minister's office in the center of Rome.

The Socialists fought the election on a vaguely worded economic program which tended to make unemployment a more important target than inflation and did not talk of painful measures. Yet everything that the Prime Minister was told as he prepared his Administration pointed to the need for sharp action to reduce inflation—running at 16 percent and less bearable than before since other E.C. countries have cut their inflation rate so much. A key element in doing this would be reducing the public-sector deficit (amounting to 16 percent of gross domestic product) which can barely be done without tackling the politically sensitive areas of big spending on pensions and health.

The Republicans insisted on tough economic measures as a condition of joining the Government and the Christian Demo-



The Socialists fought the election on a platform favoring more employment over inflation. The tomato processing industry, shown in this modern plant in Naples, is an important part of the Italian economy. © Foote/Photo Researchers



Ciriaco de Mita, leader of the Christian Democrats. © Giansanti/Syigma

crats are for now broadly sticking to the economic line they took in the elections. It has even been suggested that the Christian Democrats preferred to let Craxi take the responsibility for implementing unpleasant measures now, partly to save a Christian Democratic Prime Minister the unpopularity of doing so himself, in the minds of at least some Christian Democrats, in the hope that Craxi destroys himself in the process.

Craxi also has the task of supervising the installation of 112 cruise missiles in Sicily from December onward, if there is no progress in negotiations with Soviets officials. His party supports the dual-track strategy (of negotiating, while preparing to deploy the missiles if necessary), but strains could easily emerge if there is a turbulent autumn of anti-missile protest in the Federal Republic of Germany. Italians have shown little interest in the cruise issue and the only major party officially



Enrico Berlinguer, leader of the Italian Communist Party. © Fornaciari/Gamma

Election results for the main Italian Political Parties

	1976	1979	1983
Christian Democrats*	38.7	38.3	32.9
Communists	34.4	30.4	29.9
Socialists*	9.6	9.8	11.4
Social Democrats*	3.4	3.8	4.1
Republicans*	3.1	3.0	5.1
Liberals*	1.3	1.9	2.9
Radicals	1.1	3.5	2.2
Italian Social Movement	6.1	5.3	6.8

* in present coalition

opposed to the missiles, the Communists, has kept its opposition muted. But if the issue were to flare up, Craxi, who has no administrative experience in government, could be vulnerable.

Craxi may try to square the economic circle by offering the unions more jobs in government offices—there are, believe it or not, important sections of the civil service which are desperately unmanned—in exchange for wage restraints and perhaps for an attempt to reduce further the workings of the *scala mobile* indexation system. He wants to make changes in the way Parliament and government work. Most people accept that these changes are long overdue, but that does not mean that they will have an easy passage through Parliament.

Limited as his room for maneuver is, however, Craxi will undoubtedly bring a different style to the job of Prime Minister. He is not really charismatic, but he has a certain iconoclasm that will make a change from the stuffy self-importance of other Prime Ministers. He likes to present himself wearing jeans and a denim jacket without a tie, and he has a sense of humor. He will undoubtedly want to make people think that a Socialist Prime Minister is something different.

There are so many variables in Italian politics that it is impossible to predict how the Craxi Government will fare and how long it will last. But the election result showed that the Socialists are still a long way from becoming a party of mass appeal in Italy. The future of Italian politics therefore depends heavily on how successful the Christian Democrats are in recovering their self-confidence and electoral strength and that, in itself, depends partly on how they decide to behave in the Craxi Government. It is not yet certain whether the party will continue to follow the austere path mapped out by de Mita or will revert to something closer to the easy-going policies of the past.

If the Christian Democrats and the other member of the coalition fail to get on together in Government, under Craxi, there are two main alternatives in the medium term: a revival of cooperation between the Christian Democrats and the Communists or the so-called “alternative of the left” by which the Socialists would join the Communists and other parties of the left and center. The latter would be in the most dramatic event in Italian politics since the early post-war days, but, though technically possible, it doesn't really look likely. The Italian electorate in June 1983 showed itself more disposed than before to change, but however much you examine the minute electoral swings, there was no swing to the left. €

James Buxton reports from Rome for the Financial Times of London.



A strong international presence is an essential component of Italian foreign policy. In 1980, Italy acted as host to Western leaders at the sixth annual economic summit in Venice. Left to right: Saburo Okita, Pierre Trudeau, Helmut Schmidt, Valéry Giscard d'Estaing, Francesco Cossiga, Jimmy Carter, Margaret Thatcher, and Roy Jenkins of the E.C.

Seeking International "Presence"

Italian foreign policies bring increased leadership role.

STEFANO SILVESTRI

Italy is playing a more important role these days. In some cases, the country seems ready to assume burdensome and unpopular responsibilities, as when Italy became the first nation to announce it had already chosen a site—Comiso—for the basing of the new North Atlantic Treaty Organization (NATO) missiles. There are Italian troops now in Lebanon and Italian sailors patrol the waters of the Gulf of Aqaba, south of the Sinai. Postwar Italy has never spent much on defense, but even this tradition is slowly changing; if the proposed 1984 defense budget is approved by Parliament, this will mean in practice that over the next five years the Italians will have honored the commitment made by the North Atlantic Treaty Organization nations to increase their military spending by an annual rate of 3 percent, in real terms.

Meanwhile, Italy has sought to aid the armed forces of Somalia. It has completed agreements with Egypt and Tunisia. It has signed a treaty guaranteeing the neutrality of Malta. And it has initiated a modernization of its air force and navy to assure a greater presence in the Mediterranean, a move made all the more necessary because the American presence has been diminished, with the reduction of the Sixth Fleet, in order to make room for other commitments from the Persian Gulf to the Caribbean.

Last March, an article appeared in *The Wall Street Journal* titled "Will Italy Become the New Strong Man of Europe?" It ended with another question: "But do the Italians want Italy to be the new strong man of Europe?" This is the first problem. The second is: Even assuming that they want to be so, could they realistically do so? The answers to these questions are not easy, and they depend upon a level-headed estimation of the effective role which Italy can play in Europe and the Mediterranean.

It is not by chance that we mention Europe and the Mediterranean in the same breath. One of the most serious problems which has faced Italy, one which has divided Italian public opinion more in the past, has been exactly that of a choice between a "Mediterranean" and a "European" orientation to the country's foreign policy. In the postwar period, the desire to closely anchor the newborn Italian republic to the great traditions of democracy led the Government to a decisive European choice (thereby including a renunciation of the defense of any part of the old colonial empire). The subsequent choice in favor of entry into the Atlantic alliance confirmed this "European" tendency, in that the alliance came to be seen as a necessary link to the major Western democracies and as a means of avoiding the fate of the Balkan nations.

These were timely and necessary choices, which then found their best European dimension in the enthusiastic Italian participation in the process of European integration, whether successful (from the European Coal and Steel Community to the Common Market) or a failure (the European Defense Community). Nevertheless, these choices were also in part irrational, as they overlooked the geographic position and even the economic characteristics of Italy. How could we ignore today, after so many years, just how much Italy underestimated at its birth the defects of a European Common Agricultural Policy which almost completely disregarded Mediterranean agriculture? Other examples abound.

Italian foreign policy, in Europe and in the West, has been above all a policy based on ideological choice: the redemption from the Fascist adventure and the desire to find a stable and secure position which would give continuity and strength to the new institutions of the republic. Italian foreign policy was thus often a function of, and a cover for, the internal weaknesses of the nation. For example, participation in NATO and in the alliance with the United States was considered not only an international, but also a domestic, necessity. It was needed to delineate better the boundaries between the majority in power and the Communist, pro-Soviet opposition, and to strengthen the Government. The enemy was not so much, (or even primarily), external as it was internal. This weakness obviously prevented Italy from exercising a role equal to its economic power or human dimension. From this first period of Italian foreign policy came three characteristics of its diplomatic behavior: close ties to the West, international "presence," and social-Christian rhetoric.

The policy of close ties to the West, in particular with the United States and the Federal Republic of Germany, at times creates political difficulties (as in the later 1970s, when Washington feared eventual Communist entry into the Italian Government), and, more often, economic difficulties. This is the case currently as the Italian inflation rate seems to be out of line with that of the major allies and the Italian Government does not seem to be in a position to impose upon the nation the same kind of tough medicine that President Ronald Reagan and Prime Minister Margaret Thatcher have imposed upon their citizens. It is exactly in times like these, however, that this policy of close ties to the West comes better to light. The risk of an "estrangement" in the economic field is compensated, with ever greater determination, by a tighter politico-military alliance, reconfirming adhesion to NATO programs and relaunching a European policy.

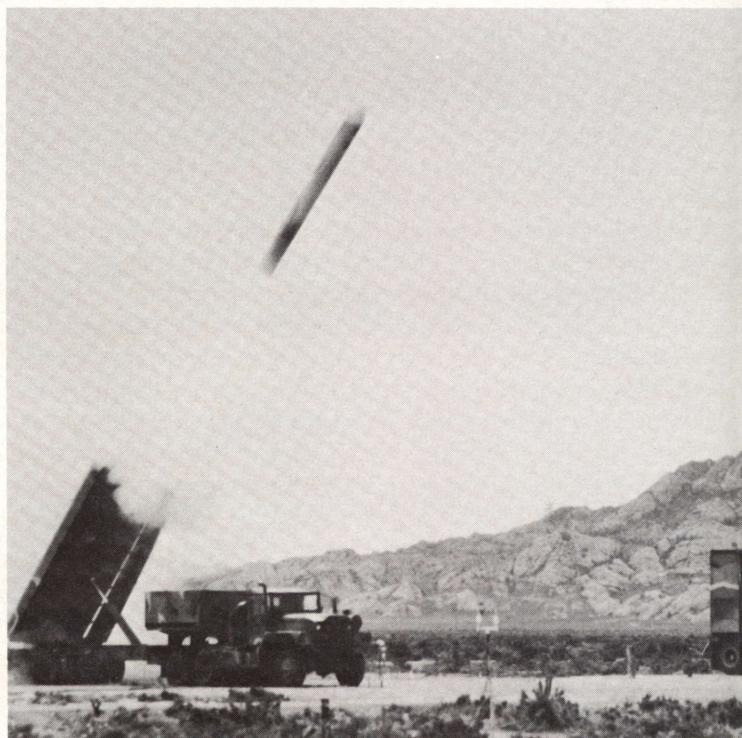
A strong international presence is the other side of the close ties with the West. In part, it is simply the public dimension, the demonstration of the ties; it involves always occupying a seat at every possible summit meeting, especially those of major importance, such as the Western economic summit. A given international policy line, however, does not always correspond with such a presence. This is for two reasons: First, the many structural weaknesses of Italy give little credibility to any autonomous Italian proposals; second, and more serious, Italian Governments rarely have a precise line on foreign policy. Their brief average life-span makes it difficult for them to pursue a coherent design; it is rare for the same Prime Minister to be able to participate in more than two summit confer-

ences. One is the norm.

This lack of effectiveness in foreign policy, combined with the strong ideological nature of the choices involved, opens the ground for flights of rhetoric and efforts in unrealistic directions; this is what we have defined as social-Christian rhetoric. One could also define this as the survival of a Mediterranean soul within the chosen European and Western orientation. This tendency is characterized by aspirations to "mediation" proposed several times, even in the most improbable situations, in conflicts ranging from the Arab-Israeli wars to Vietnam—along with a desire to find a separate place for Italian foreign policy, a place which derives from Italy's Christian history, its Mediterranean roots and its socialist aspirations. It is not by chance that in this social-Christian rhetoric are often found Christian Democratic politicians, united with Christian-Communists and true-blue Communists, all wishing to locate a "third way" which would permit them to escape from the dilemma of a choice between the United States and the Soviet Union.

For years it seemed that Italy would not be able to escape from this dilemma and thus would be condemned to a second-rank position and unrealistically ambitious speeches. Now, however, an escape has emerged—and with it, naturally, have come, new risks. The fact is that in recent years, two developments have occurred. First, the United States, though still extremely powerful, no longer has the monopoly of power which it enjoyed almost undisturbed for more than 20 years and which made it the only arbiter in the world outside the Iron Curtain. We are now in a situation of equilibrium, or strategic parity, accompanied by great changes in other regional balances. The importance of America's allies in ensuring the stability of the system has therefore increased.

Second, the European Community, at first enlarged by the entry of the United Kingdom, Denmark, and Ireland, has now also admitted Greece and is preparing to incorporate Spain and



Portugal. A Community that was clearly unbalanced in an Atlantic and Central European sense is now acquiring a consistent Mediterranean flank. On the one hand, this perhaps will permit the Community to unite its European dimension with its Mediterranean one for the first time in many centuries—in reality, since the end of the European-Mediterranean balance ensured by the Spanish Empire of Charles V and Phillip II.

On the other hand, this will require a profound structural transformation of the Community itself if it does not wish to lose its unity. That is, the Community can no longer be simply a customs union with some commercial and agricultural policies tacked on and little else. It must become an ever more political community, with its own foreign and security policies and a more integrated economic policy. This is not to say that all of this could be realized. Nevertheless, this time, with some hesitation, the Italian Government seems to have taken into account the importance of the stakes involved. Thus have come such moves as the initiative on European union proposed by former Italian Foreign Minister Emilio Colombo and former German Foreign Minister Hans Dietrich Genscher and the cautious Italian support for every program which would strengthen the Community (with a clear preference for a consolidation of cooperation in the field of foreign policy).

A more coherent European policy would have an additional advantage for the Italians, in terms of their domestic politics. It would permit them to overcome old ideological barriers and abandon the social-Christian rhetoric of the “third way.” If the ideological choice between East and West had a clear function of dividing the governing majority and the opposition (a division over which was built the ambiguous bridge between socialism and Christianity), the European choice was, to the contrary, one largely shared by all Italian political forces, including the Communists.

It is true that at times the Communist Party confuses its vision of Europe with a “third way” which is neither American

nor Soviet and searches in vain for a formula to fit this vision. But this is an “ambiguity” which is not as important as it was in the past. It can easily coexist with a serious European and Western policy in much the same manner that other European “ambiguities,” from French Gaullism to former German Chancellor Willy Brandt’s *ostpolitik*, have coexisted. This is all the more true in the Italian case, since the Communist Party will still find it difficult to become the principal party of Government for years to come.

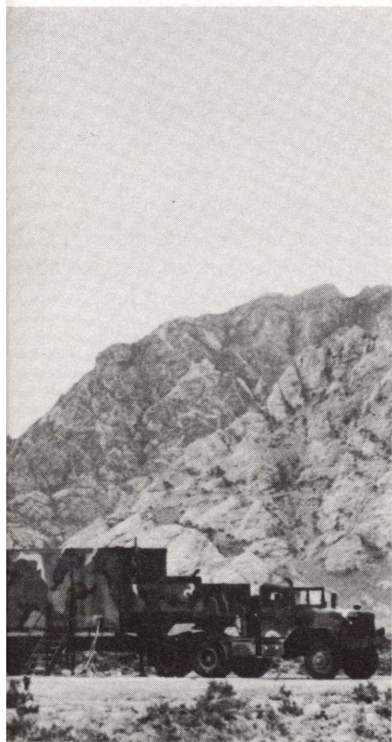
There is, as we have said, also a risk. This derives from the possible failure of European integration and a slackening in Community policy—in sum, from the failure of the Community to widen its functions despite its enlargement to include other nations. In this event, Italy could find itself more isolated than it is today. Italian participation in the “European club” would lose its importance and reveal that the costs of participation outweighed the benefits. Italy’s problems might then be better addressed through nationalistic choices (neo-protectionism, neo-mercantilism) rather than through a common European policy.

The greater importance of Italy—or rather, the growing realization of the objective importance of Italy in the control of the Mediterranean—could facilitate the birth of a new nationalism, a nationalism which has already manifested some signs. In no way would this lead to the neutralism confusingly cherished by some social-Christian voices. Italy does not have the economic solidity, the military power, nor the domestic political consensus needed for a policy of neutralism. A new policy could assume the form of a progressive distancing of Italy from Europe, compensated by a tighter alliance with Washington.

Such a policy, however, could not last for long before it would start to feed upon its own factors of weakness and contradiction. Some of these factors would have to do with internal politics: a rebirth of the old ideological divisions between pro-Americans and pro-Soviets. The probable disappearance of Euro-communism and the return of the old politics of division would come at a politically delicate moment, when the Christian Democrats no longer possess the electoral power they had in the 1940s and 1950s, and the problems of economic and institutional weakness can no longer be solved through foreign intervention as no new Marshall Plans are in sight.

Other factors would have to do with international politics. A greater Mediterranean character to Italian politics, in the absence of a parallel European commitment, could accentuate Italy’s military role, even if in only an auxiliary sense. This immediately brings to mind a parallel with the colonial policy attempted by Italy in the 20th century, and in particular the Fascist conquest of Ethiopia. During those years, Italian nationalism found an outlet in a late-colonialism that laid the basis for the subsequent Fascist adventure. This nationalism was confirmed, not by accident, by Italy’s participation in the Spanish Civil War. Today, Italian nationalism might assume different characteristics, but it could lead to similar adventures, and in the long run contribute more to the destabilization than to the security of the Mediterranean. ☾

Stefano Silvestri is a journalist and vice-president of the Italian Institute for International Affairs.



Italy has shown its willingness to assume potentially unpopular responsibilities, as when it became the first nation to choose a site for the basing of the new North Atlantic Treaty Organization missiles. Shown here is a ground-launched cruise missile. courtesy Department of Defense

What Next for the Christian Democrats?

FRANCESCO D'ONOFRIO

Professor Francesco d'Onofrio has been a member of the Christian Democratic Party for many years. Originally from Campania—like the present national secretary of the party, Ciriaco de Mita—the 44-year-old d'Onofrio teaches public law at the University of Rome. He received his master's degree at Harvard University under the supervision of Henry Kissinger. He is part of the "brain trust" with which de Mita intends to surround himself in order to put the Christian Democrats on a modern and objective basis. He was interviewed for Europe magazine at the end of July, one month after the June elections and during the negotiations for the formation of the new Government, by Lucio Leante, a journalist with the Gazzetta del Mezzogiorno di Bari.

Professor d'Onofrio, what will be the main effect—together with the defeat of the Christian Democrats—of the recent elections on the Italian political system?

I would say that the major qualitative change lies in the reduction of the electoral gap between the Christian Democrats and the Communist Party. Today, this distance is really minimal, even though the Communist Party lost votes as well. The distance between the Christian Democrats and the Communists is the cornerstone of the Italian political system, which would substantially change if the gap were to be closed or be in favor of the Communists.

What are the causes for the Christian Democrats' loss of votes?

Economic crises oblige governing parties to tighten the purse strings, a factor for which the electorate will punish them. This happened in France, in Britain, and in America. The difference in Italy is that the Christian Democrats cannot be ousted from Government. Any replacement of the Christian Dem-

ocrats, in fact, including the Communist Party, would jeopardize Italy's international alliances. Given that the Italian electorate identifies the Christian Democrats as the only party in power, it follows that only they were punished in the elections.

Did the presence of leftist Governments in most major cities contribute to the defeat of the Christian Democrats?

Certainly. We have neglected the big cities, favoring our presence in the smaller ones. In the major cities, we get at this point only about 20 percent of the votes because the cultural model has become more and more liberal in the cities. This requires a renewal, both of men and ideas, in the Christian Democratic Party.

Which one of the possible electoral systems would you prefer for Italy?

The French example—that is the two-round majority system. During the first round of elections the candidate with the absolute majority of votes is elected. If no one obtains this majority, a second election is held so that coalitions capable of winning can be formed between the first and the second ballot. Because minority parties still can be represented in Parliament, through appropriate alliances, it is the system in which these parties are least penalized.

Would a new electoral system have repercussions even on the morality of public servants in Italy?

Certainly. By reducing the field to fewer candidates, the enormous electoral spending and the coattail effect that are often at the base of the degeneration of the average Italian member of Parliament would be avoided. To this end, the size of the electoral districts should also be reduced and the incompatibility between parliamentary status and a position as a Cabinet minister should be established, as it is in the United States. But I doubt that this last proposal will be accepted.

What are the weapons that the Christian Democrats will use for the party's recovery?

Our ability to obtain a larger consensus. But even for this we want an electoral system which forces minority parties to choose a majority party with which they want to govern and which gives voters the power to adequately show which sort of coalition they want to govern.

But there is also a political factor. Why is it that in the major cities, the Socialist Party and the smaller parties prefer to form alliances with the Communists rather than the Christian Democrats?

The middle ground parties would rather ally themselves with the weakest of the two major parties in order to obtain more power at the local level.

But this happens also where the Communists are stronger than the Christian Democrats.

Yes, and in these cases the thing that is most surprising is that the Socialist Party is against a Government of the left, while the Social Democrats and the Republicans are pushing toward an agreement with the Communists thus contradicting their strictness on public expenditure and their Atlanticism in foreign policy.

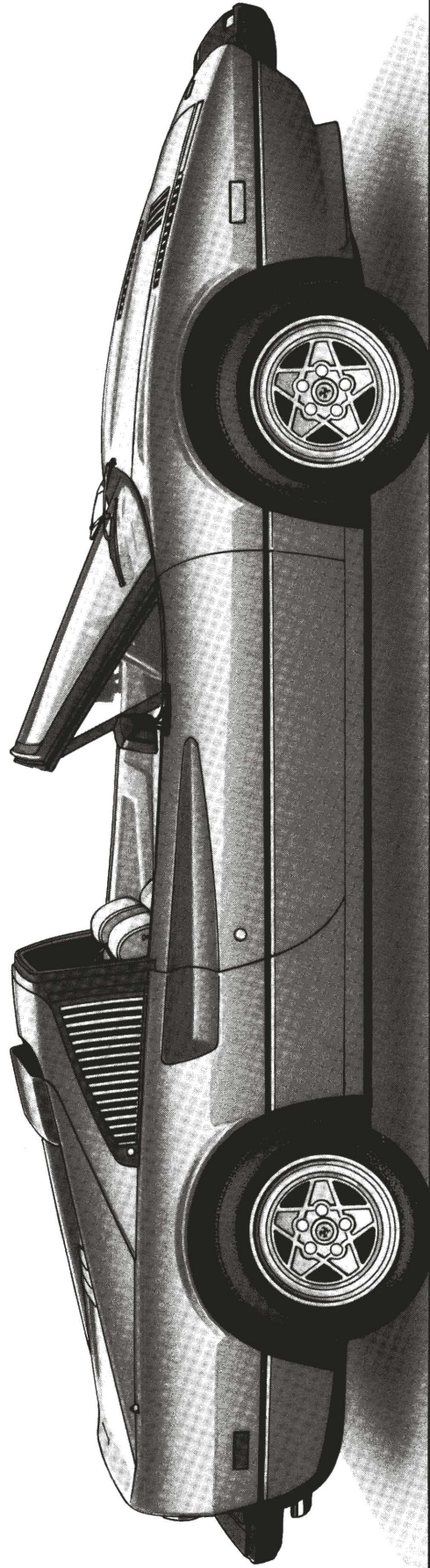
How does the Christian Democratic Party feel about a Socialist Prime Minister?

The average Christian Democratic voter has conflicting views on the Socialist Party because he views it as a volatile ally due to its role in the local government. Nevertheless, the Christian Democrats' decision to endorse the experiment of Prime Minister Bettino Craxi was accepted by the entire party. Certainly if we were to perceive in the Socialist presidency the intention of doing in Rome what is done in the provinces—that is, a Government with the Communists—we wouldn't stay to play the game. Secondly, we ask if Craxi's Socialist Party intends to move toward homogeneity, at least of intentions, between the national and local Governments.

After the latest elections, there has been a lot of talk about reforming the Italian electoral system. What do you think about this?

The present electoral system is particularly well suited for giving a picture of the social-political reality, because it guarantees political representation for everybody, but it is not a good instrument for deciding who should rule. The major risk of a proportional representation system is increasing inability to govern, because all sides of a complex fragmented society are represented. In the most recent elections, a political party for retired people almost gained seats in the Parliament. Next time we may have ballots for salesmen or artisans. An American analogy would be if female or black parties could be represented in Congress. €

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Sai

Americans drink more wine from Italy than from any other country.

DIANA SCIMONE

Wine cognoscenti often think of Italy as a patchwork quilt; if seen from above, its vineyards would resemble an intricate pattern of hills and mountains in the Alpine north, sun-drenched hills in Sicily, lush meadows along the seacoast, and colorful plains inland. With such a diversity in geography, soil, and climate, it is not surprising that Italy produces a variety of wines that far outdistances any other country.

Italian wines can be light-bodied whites such as Est! Est!! Est!!!, Frascati, and Pinot Grigio; full-bodied reds such as Amarone, Barbaresco, and Gattinara; sparkling wines such as Asti Spumante and Spumante Brut, and even some unusual dessert wines such as Gran Mandarino di Sicilia, a liqueur made from tangerines.

Here are some surprising facts about Italy's wine production:

- Italy produces over 2 billion gallons of wine a year—more than any other country;
- Americans drink more wine from Italy than from any other country;
- Over 467 million gallons of Italian wine are exported each year.

Italy produces over 2 billion gallons of wine a year—more than any other country. Over 467 million gallons are exported. © Gamma



ute!

In the past, Italian wine was made in limited quantities and only by small wineries. Now, however, wine is produced mostly by larger enterprises, such as cooperatives with hundreds of grower-members, which can easily afford up-to-date equipment and the latest in scientific technology.

To protect wine names from misuse, in 1963 Italy set up a system of protective rules. Wine cannot be made or sold under any of the over 200 names of origin approved so far unless it is produced in a precisely defined area, by traditional methods, from certain grapes, and in the correct proportions. It also must be bottled according to exact rules.

Wines meeting these standards carry a *denominazione di origine controllata* (DOC) rating on the label which denotes wines with "particular reputation and worth." The 200 DOC varieties yield an annual production of 180 million gallons. A "simple denomination" is a lesser, though still good, rating, while the newer classification "controlled and guaranteed denomination of origin" or DOCG, is reserved for wines of extraordinarily high quality.

In addition to these ratings, all Italian wines sold in the United States bear a red seal on the neckband imprinted with the letters INE, indicating they have passed rigorous tests. A national committee, made up of growers, producers, dealers, and members of the national union of consumers and of professional wine associations, administers the wine regulation program.

About half the Italian wine that Americans drink is red, half white. "Pinot Grigio is a very popular, 'chic grape' at the moment," reports Sidney Moore, president of Mayflower Imports, Inc. in Washington, D.C.

"Italian *chardonnays* from different regions of the country are also of some interest to the market at the moment." As for red wines, Moore says her customers are buying Chianti Classico, which she says is a very fine, consistent wine, as well as Piedmonts from different regions. Three years down the road, she predicts American will be drinking Sicilian wines, non-sparkling sweet wines made from *moscato* (the same grapes used in Asti Spumante), and Tocai, a fresh white wine from Friuli, near the Yugoslavian border.

While many Italian wines are exported, many others are not—bad news for oenophiles on this side of the Atlantic, but a good excuse to travel to Italy to taste them at the source. Many wineries—both large and small—open their doors to the public. You can expect a tour of the facilities (if it is a small vineyard, the owner himself will probably show you around) and an explanation of the winemaking process. Afterward you'll have an opportunity to taste the fruit of the local wine. The wineries will have bottles of their best products on sale, although you needn't feel pressured to buy.

Since most vineyards are small and family run, it's a good idea to call or write ahead of time for an appointment. If you happen to stumble on a winery in your travels, however, it's certainly worth a try knocking on the front door. You might like to plan your visit so you can take in a local wine festival. Most are in the fall during the harvest, although there are plenty of colorful celebrations year round. (See sidebar.)

Younger oenophiles with a summer or fall to while away will enjoy helping out with the harvest. The work is difficult, the hours are long, and participants usually have purple hands for weeks afterward, but those who've



A tour of Italian vineyards can be a great way to see the countryside. courtesy Italian Wine Center

Italian Wine Festivities

- March/April, Alba (Cuneo province): Easter Wine Fair
- April, Pramaggiore (Venezia): National Wine Fair
- April, Casarsa della Delizia (Pordenone): Friuli Wine and Folk Festival
- May, Vittorio (L'Aquila): Wine Festival
- June, Gradisca (Gorizia): Wine exhibit and awarding of Gran Premio Noe to best wine of area
- July, Ravello (Salerno): Grape Festival
- July, Gattinara (Vercelli): Gattinara Wine Fair
- July, Bosses (Aosta): Sagra del Prosciutto wine and prosciutto festival
- August, Roseto Degli Abruzzi (Teramo): Interregional exhibition of DOC wines
- September, Sant'Andrea Bagni (Parma): Grape Festival
- September, Asti (Asti): Duja d'Oro Wine Festival with awarding of "Douja," an ancient pitcher, to prizewinning wines.
- September, Oristano (Oristano): Sagra di Santa Croce festival and gastronomic fair
- September, Lavis (Trento): Wine and Fruit Festival
- September, Bertinoro (Forlì): Festival of Hospitality with tastings of local wines
- September, Valdobbiadene (Treviso): Spumante Wine Fair
- October, Lillanes (Aosta): Sagra della Castagna with local wines.

done it speak fondly of their days as Italian viticulturists. For more information on the harvest, contact the Italian Wine Center, 499 Park Avenue, New York, New York 10022, or telephone (800) 221-1066/67 or (212) 980-1100.

The center also publishes three free information guides. The 24-page **Italian Wine Guide** lists over 200 wines by region and includes a fold-out map and a wine quiz (answer all the questions correctly and you'll receive a diploma.) **Vino Bianco** profiles 130 Italian white wines, and has information on terms found on wine labels. The pocket-size **1983 Italian Vintage Chart** rates 26 wine vintages and will save a lot of questions the next time you drop by your local wine shop. The center also sells a comprehensive book, **The Traveller's Guide to the Vineyards of Italy**, which lists over 350 wineries, including addresses, telephone numbers, contact person, hours of operation, nearby dining and hotel accommodations, and a calendar of local festivities. €

Diana Scimone is Europe magazine's travel writer.



E.C. Commission President Gaston Thorn answering questions.

Covering the Community

Brussels press corps finds access is often better than in national capitals.

JOHN PALMER

Long serving prisoners released from jail often have serious problems in adjusting to life in the world outside. The phenomenon—sometimes linked to a reluctance to actually leave prison itself—is known as “institutionalization.” It would be wrong to draw any comparison between life in prison and work as a journalist covering European Community affairs for eight years. If Brussels is a prison, it is an extremely well upholstered lockup. But the process of institutionalization is not unknown and results in the journalist who finally quits the E.C. scene doing so with very mixed feelings.

First the good points—of which there is no shortage. Brussels is an extraordinary and fruitful vantage point from which to observe and report on the international scene. The fact is that from Brussels it is possible to keep tabs not just on the European Community and its many institutions, but also the North Atlantic Treaty Organization and—indirectly—other international decision-making bodies such as the General Agreement on Tariffs and Trade, the Organization for Economic Cooperation and Development, or the International Energy Agency.

As far as the E.C. work is concerned, there are many advantages not available to the bulk of European journalists working from their national capitals. The most important is that policy-making at the European level is a much more transparent, open, and accessible process than in most national capitals. This is only partly because of a conscious desire of the politicians and Eurocrats to make it like that. If journalists have better access to sources and prime material, it is because E.C. Governments—and E.C. institutions—are more often than not, in competition with each other and cannot afford to let their side of the story go untold. (If they do, someone else will tell it.)

Thirdly, the sheer physical conditions in which European Community correspondents work—while by no means perfect, we will come to that—are often much better than is available elsewhere. And, for the lazy journalist (of which there are some), there is no end of opportunities to sit back and be spoon-fed by an army of professional press, information, and public-relations people.

The press room in E.C. headquarters in Brussels.





Journalists covering the Commission have an informal discussion with President Thorn.

Honesty compels me to balance all of this with the bad news. The E.C. story is all too often (at least in appearance) technical, complex, and difficult—if not downright esoteric, as in adjustments in Monetary Compensatory Amounts. It is an uphill battle—not helped by the approach of decision-makers at the E.C. Commission and the E.C. Council—to bring out the underlying politics which make the technical data minimally accessible to one's readers.

In this respect, the Commission is its own worst enemy. Although well advised and served by its press-relations experts, Commissioners invariably “chicken out” of speaking their minds or exposing their underlying political thinking in controversial issues. They generally speak in public as boring, politically supine Eurocrats.

Inevitably this colors the image which the Commission—and most of its members—have in the minds of those members of the European public who bother to try and follow E.C. affairs. Of course, life would be stormy if the Commission spoke its own mind more often and risked the wrath of the E.C. member states, however at least it would help to bring into existence that “European public opinion” to which it pays lip service, but which in reality barely exists.



For a start the Commission should allow its members more latitude to express in public their private opinions. Secondly it should be seen taking a more active role in the more “political” aspects of E.C. policy-making such as foreign-policy cooperation. At present the Commission may not like all the coverage it gets, but it is probably more relevant to say that it is “over exposed” by journalists who are over dependent on the Commission for their stories. What is really needed is to open up the Committee of Permanent Representatives—the group of E.C. member-state ambassadors accredited to the Community which prepares much of the Council’s work—to much fuller journalistic briefings by all delegations and to get access for journalists to those parts of Council meetings where law is being made for the public (at present, indefensibly, behind closed doors).

Perhaps one day the European Parliament will become an alternative focus, of comparable importance to the Commission, for E.C. journalists. But that depends on a political evolution in the powers of the European Parliament which will make journalists feel less guilty than at present that they are affecting something of a confidence trick on the public by presenting the Strasbourg assembly as a real Parliament at all.

And the Commission itself? At present Commissioners, senior officials, and press spokesmen get far too easy a ride at conferences and briefings. The E.C. press corps needs to imbibe far more of the critical, skeptical, and demanding stance of the American media and be far less ready to accept “received wisdom.”

It would help if briefings were allowed in English as well as in French, partly because it is outrageous that while English can be used at meetings at all levels in the Commission, it is banned in the *salle de presse*, or pressroom. But, more important, it would encourage wider participation by the great majority of accredited correspondents who remain silent at present.

That said, I know that I will no sooner have left Brussels and the “Berlaymont” and “Charlemagne” buildings that house the Eurocrats than I will regret my decision. The past eight years have been among the most fulfilling and stimulating of my career and I will miss the camaraderie and friendship of the Brussels press corps very much. €

John Palmer, as European Editor of The Guardian, covered E.C. affairs from Brussels for the past eight years.

Rushing to "Cable" Europe

American firms are looking across the Atlantic for new markets.

GARY ROTHBART

As the locomotive driving the development of cable television in Western Europe steams up, a host of American companies are scurrying around the platform for a chance to board the train. America's leading program suppliers see the chance for a new expansive market for their product. Equipment suppliers look at West European cable prospects as an opportunity to take part in the advancement of technology as well as reap financial benefits.

According to CIT Research, a London-based consulting firm, the cable television industry in Western Europe could grow from a \$1.5 billion-a-year business to a \$5 billion-a-year industry by the end of the decade. Estimates of the number of West European television households that will have cable by 1990 range from a low of 13 million (roughly double the current number) to 47 million.

In England, the Government of Prime Minister Margaret Thatcher has given the go ahead for limited cable system development by private companies as early as this fall. Soon to follow is expected to be France, where Prime Minister Francois Mitterrand's Government forecasts a state-built cable system serving 1.5 million homes in three years and another 1 million television households by 1992. Experts predict that not far behind will be the Federal Republic of Germany, Finland, Norway, and Sweden. Switzerland, Belgium, and the Netherlands are already substantially "cabled."

The most sanguine projections about the size of the West European cable market pale in comparison to the opportunities the American companies have within their own national borders. The American cable industry has revenues of \$5 billion this year—the same amount projected for Western Europe seven years from now. Industry specialists are predicting the American cable industry will be a \$20-billion business by the end of the decade.

Still, the prospects in their own country aren't enough to satisfy the gargantuan appetites for more opportunities for the American companies. American movie studios are excited by the prospects for geometrically increased channel capacities in West European countries accustomed to just two or three channels of television for only part of the day. Hardware manufacturers who outfitted American cable systems with 1983 technology are watching what sort of advancements will develop through the construction of 1986 and 1987 systems in Western Europe.

Most American investment in West European cable television is bound to come in the form of joint-venture partner-

ships. It is clear the Americans can barter their experience for help sifting through the different morasses of government regulations, currency exchanges, languages, and cultural foibles about the use of the television medium. Each European Government, recognizing the development of cable television as a chance to stimulate national economies and create jobs, has its own restrictions on foreign involvement.

In the software area, some of the largest American companies are banding together with leading European counterparts. United Cable Programmes partners include Rediffusion and Visionhire Cable, two of the leading cable system operators in Western Europe, Rank Trident Satellite & Cable, and Plessey Co. Visionhire is already partners with an American company, Viacom International, which owns and operates Showtime, America's second largest movie channel, and Viacom Cablevision, the seventh biggest cable system operator in the United States. Plessey already owns 13 percent of the outstanding stock of Scientific-Atlanta, an American company with revenues of \$337 million a year and one of the world's leading manufacturers of satellite signal receiving equipment. Other American partners in United Cable Programmes are leading movie studios Paramount Pictures, Universal Pictures, and MGM/UA Entertainment Group.

The leading American cable program services are independently talking to European cable operators about sale of their product on the continent. These include HBO, Showtime, the Cable Health Network, Daytime (a channel geared to women), ARTS (a cultural channel), and Nickelodeon, a channel for children. But sales opportunities for these services may be hampered by the cost of converting programming produced using the 525-line-per-screen American standard to the 625-line-per-screen European television standard.

Some American companies have chosen to get a foot in the European door by selling licenses to their products to West European companies. Zenith Radio Corp., one of the world's largest makers of television sets with annual revenues of more than \$1.2 billion, has a licensing agreement with Solara of Finland. C-Cor Electronics, a relatively small maker of distribution products (revenues of \$24 million) has an agreement with Scancom of Norway.

Other American companies have chosen to go the individual route by establishing their own offices or branches in European lands. M/A-Com, makers of satellite receiving equipment with revenues of \$583 million; Anixter Communications, the world's leading distributor of equipment with

revenues of \$441 million a year; and Texscan, a maker of subscriber equipment with revenues of \$40 million, have all established their own branches in Western Europe.

Fewer American companies seem interested in involvement in the system operation end. Cox Cable Communications, the fourth largest system operator in the United States, has a 20 percent interest in Cablevision Scotland. Partners include the Bank of Scotland and Ferranti PLC. Cox has been the most aggressive of American cable operators in exploring the opportunities in Western Europe. For the past eight years, it has been a 50 percent owner of cable systems serving 80,000 homes in Denmark.

In Europe, operators would find themselves in the same league with some of Western Europe's communications giants such as British Telecom, Standard Telephones and Cable, the Thomson Organization, Radio Rentals, Ltd., Thorn EMI Ltd., not to mention the various most powerful national telephone administrations.

Technological competition will come from direct-to-home broadcast satellite, which can cover all of the West European continent with the beam of a single signal. That industry is expected to gear up by 1986. You can be sure the American program suppliers will be knocking at the direct-broadcast satellite companies' executive suites for opportunities in that future industry. Whether it is cable or direct broadcast that wins the race will ultimately depend on one question—how much money are West European television viewers willing to spend for more television?

Other unanswered questions about the importation of programming from the United States movie studios revolve around copyright and royalties. How much does a program supplier deserve for his product without an accurate means of

Watching European TV in America

A lesson in Cordon Bleu cooking, a visit to Honfleur in France to see where the 19th century French Impressionists first began painting, and an interview with France's most famous mime, Marcel Marceau—all in one day, in the United States, and in French? Yes, and there is much more as an increasing variety of European programming is made available to Americans by U.S. cable television companies.

One such firm, Satellite Programming Network (SPN), transmits to some 7 million households through its affiliates. It is just one of several networks which are providing a diversity of cultural programs from around the world. "Telefrance USA," the cornerstone of SPN's international programming block, offers its viewers four hours a night of French stage plays mini-series, interviews, documentaries, film festivals, and lively music specials.

Other SPN European programming includes "Holland on Satellite," "Scandinavian Weekly," which focusses on the five Nordic nations of Norway, Sweden, Denmark, Finland, and Iceland; and "Mediterranean Echoes," with features about the cradle of Western civilization.

American cable television companies view the European market as a financial opportunity just waiting to be tapped. © Dennis Brack/Black Star



measuring the audience? How can the French Government say with assurance how many homes in the bordering Federal Republic of Germany are tuned into a satellite signal that knows no boundaries between nations?

European Governments are pushing cable television, not only to create jobs and stimulate their economies, but also to build the telecommunications systems of the future post-industrial world. They are looking for systems that carry information, not reruns of Hollywood movies. American companies offering their expertise and experience really have very little history at this sort of thing themselves. The American cable

industry, which grew explosively upon movies and sports, looks to Europe for guidance on information-based services such as videotex. Technically, meanwhile, nearly all American cable systems are of the copper wire, tree and branch distribution configurations, not the more sophisticated, more expensive glass fiber star configured systems the European Governments are planning. Both the Americans and Europeans lack a successful model to follow. And if the Americans have their way, the discovery process will be international. €

Gary Rothbart writes for Cable Age in New York.

A common European TV channel is proposed

ERIC MEYER

In a few years from now, will there be a channel called "Common Market TV" on European television screens, broadcast by satellite over the whole continent, simultaneously translated into all the E.C. languages, and produced by an E.C. office? The E.C. Commission recently declared itself in favor of setting up a broadcasting station and an organization of this type. In an important "interim report," published last Spring, it gave a positive response to the call made by the European Parliament on March 12, 1982 in favor of a televised E.C. program.

In reality, the Commission's report is placed in a much wider context, since it considers the foreseeable development of television in the 10 E.C. member states under all its aspects: technical (equipment), commercial, and legal (production and exchange of programs).

It is technical development which will be the most rapid. Fiber optics will make possible the general introduction of cable networks. Satellite broadcasting will enable national broadcasting stations to leapfrog across borders and will create multinational broadcasting stations from nothing, designed solely for export. Video cassette recorders will enable people to record their favorite programs.

The result, according to the experts, will be that in 1990, each European seated in front of a television set will be able to choose from among 30 cable television channels and three television channels sent directly by satellite. Add to this the traditional three national television stations, with 10 hours of broadcasting per station every day, and you get more than 1 million hours of broadcasting available every year.

The E.C. Commission draws two conclusions from all this. First of all, the technical standards, the equipment, and the legal provisions for the production and exchange of audio-visual material, which have all been developed to suit national criteria, will have to be

readapted quickly to take account of this "blurring" of national frontiers in order to be applicable throughout the Community. Further, a certain degree of cooperation in the production of television programs will be necessary, both to avoid the non-European stations having a complete stranglehold on this new range of channels which will soon be available and to create an internal television market which is less dependent and which is capable of scoring successes abroad: When will we see the likes of "Dallas" made in Europe?

The generalization of standards, which is already well advanced, has received less attention from the Commission, which simply notes that the member countries of the European Broadcasting Union (better known as Eurovision) are preparing to adopt a unique system of individual television reception by satellite, using parabolic antennae and converter-decoders. There is still the problem of the coexistence of two different color broadcasting systems, PAL and SECAM, to be overcome, but the Commission is of the opinion that it will be possible to harmonize these two systems.

Turning to legal questions, the Commission wants a "reference framework" which will include the "economic and financial aspects of the situation created, including the question of advertising." More precisely, the Commission is preparing to concentrate its effort on the "trans-frontier broadcasting of national and international programs between member states," in the spirit of the Treaty of Rome establishing the European Community.

Thus, the Commission wants to support the setting up of an E.C. broadcasting station, less by creating something new than by encouraging systems which are already available. Among these are:

- The "L-Sat" satellite (to be launched in 1986 by the European Space Agency using the Ariane rocket), on which one of the

two transmitters has been offered to Eurovision for a period of 3 years in order to carry out test broadcasts over Europe;

- The EURIKON experimental program, carried out in 1982 under the aegis of Eurovision, in which 5 national television stations each broadcast one week of special programs via satellite to the 15 stations participating. Other, more ambitious experiments are to follow.

What the Commission would like to see is a European service made up of the member organizations of Eurovision, with the material and legal support of the E.C. and consisting of a program planning service, an international news service (all these personnel being seconded from the member organizations), and a simultaneous translation service. As the Commission sees it, the main purpose of such a E.C. television station would be to provide information to complement that supplied by the peripheral stations and which would take the form of "complete, well-balanced European programs whose 'European viewpoint' would be inspired by the ideals and the realities of Europe's cultural unity, while giving due attention to all the Community's regions."

With this intermediate report, the Commission has thus carried out an "in depth" study of the television of the future, arriving at a realistic method for setting up a "Common Market TV" system to start in 1986. On reading this report, however, one is struck by the very cautious tone of its authors: The report is only "intermediate" (and not definitive), addressed to the European Parliament (and not to the Council, the decision-making authority), and as a sequel to its study, the Commission announces the publication of a "green paper" (and not the tabling of a draft recommendation to the Council, for example).

Eric Meyer is a freelance writer based in Brussels.

obscure chapter in U.S. history. Historians tell us that America's first German settlers were a band of 13 families from the city of Krefeld who set out under the leadership of Franz Daniel Pastorius to find religious freedom in the New World. They were interested in joining a religious community being founded there by Englishman William Penn.

On October 6, 1683, the 32 Krefelders arrived in what is now Pennsylvania after a 75-day voyage in cramped quarters aboard an unremarkable ship named the "Concord." The new arrivals trudged to a site six miles beyond the village of Philadelphia and began their race to complete shelters before the onset of winter. "It may neither be described or believed under what conditions of need . . . this German township was founded," wrote Pastorius of the Krefelder's first year in the new settlement they named "Germantown." However, prosperity soon overtook the little community and it became known throughout the colonies for its weaving. Although news of their success encouraged other Germans to come to America, the Krefelders themselves were all but forgotten by the history books.

The rise of America's first German settlers from historical obscurity to a starring role in tricentennial events in both the United States and the Federal Republic of Germany apparently owes much to fears in both Washington and Bonn that the German and American peoples are in danger of growing apart and forgetting their common roots and values. That concern has heightened in response to the hostile reactions of many young people in the Federal Republic to their Government's support for North Atlantic Treaty Organization plans to deploy U.S. Pershing II and cruise missiles in Europe should arm talks with the Soviet Union fail. "A good many (German) young people have not the slightest idea of America," said Kohl during a visit to the United States last year. " . . . They don't know anything about history, about ideas, about reality."

During tricentennial festivities earlier this year in Cincinnati, Ohio, Charles Z. Wick, head of the U.S. Information Agency and Reagan's personal representative to the German-American Tricentennial Commission, acknowledged his worries in more specific terms. "Today, many . . . (younger Germans) believe that the United States is following self-centered policies that produce problems for other countries, the Federal Republic included. Interest rates, budget deficits, defense spending and restrictions on East-West trade are seen as manifestations of a selfish US attitude towards the rest of the world."

"We must provide young Germans with persuasive proof that American policies not only serve American interests, but also that U.S. and German interests—economic, political and military—are congruous and mutually supportive," Wick asserted. On their visits to the Federal Republic of Germany this year and in speeches before German audiences, U.S. officials, including Vice President George Bush, have used the tricentennial to stress the Western values and belief in democracy shared by the United States and the Federal Republic of Germany and to contrast these with conditions in the Soviet bloc. "We must remember that our peace and prosperity are ceaselessly threatened by hostile ideologies and states . . . The main threat comes, as you know, from the Soviet Union," Bush said in his speech at tricentennial ceremonies in Krefeld in June.



As long as the immigrants still considered themselves an ethnic unit in their new homeland they formed their own social network. Self-help organizations based on reciprocity developed into commercial enterprises and eventually led to the elimination of the word "German" from company names. print courtesy German-American Tricentennial Commission

Although the exigencies of international relations may have given impetus to the tricentennial celebration, the enormous contributions Germans have made to U.S. history and culture can certainly stand on their own. The acquittal of German printer and journalist John Peter Zenger on a libel charge in 1735 was the first important victory for freedom of the press in the American colonies. A colonial jury acquitted Zenger on the theretofore unprecedented grounds that his newspaper's scathing attacks on the policies of Colonial Governor William Crosby were based on facts.

Four decades later when America's founding fathers signed the Declaration of Independence from England, the newspaper that broke the story was Philadelphia's German-language *Philadelphisch Zeitung*. By the time the Revolutionary War broke out, there were already 200,000 Germans in America. One of these was Baron Fredrich Wilhelm von Steuben, a Prussian military officer who served as drillmaster to General George Washington, turning Washington's rag-tag army into a disciplined fighting force.

The Napoleonic Wars in Europe triggered a major wave of German immigration, starting in about 1825. By 1900, the number of Germans entering the United States had mushroomed to an average of about 100,000 a year. The first part of the 20th century proved a disaster for U.S.-German relations as two World Wars pitted the two countries against each other. American hostility against Germany during World War I became so intense that sauerkraut was officially renamed "liberty cabbage" and the teaching of German was banned in many states. The approach of World War II caused a new generation of Germans, many of them Jews, to come to the United States to escape Nazi rule. However, Hitler's defeat in 1944 signalled a new era in U.S.-German relations in which

the two nations worked side by side to rebuild a war-ravaged Federal Republic of Germany and laid the foundation for the German-American friendship that continues today.

While international relations may have undergone their ups and downs in the past 300 years, the number of German-Americans on the American honor roll has increased steadily. Two U.S. Presidents—Dwight D. Eisenhower and Herbert Hoover—claimed German descent. The giants of the American industrial revolution included such German-Americans as John Jacob Astor, John Rockefeller, Meyer and Daniel Guggenheim, Henry Steinway, Henry Heinz, and Walter Chrysler. Another German, Walter Reuther, was a driving force behind the labor movement that helped cut these giants down to size.

Baseball greats Babe Ruth, Lou Gehrig, and Casey Stengel contributed to the popularity of America's national pastime and the work of German-born scientist Wernher von Braun was instrumental in putting an American on the moon. On the artistic front, famous German Americans have included novelists Thomas Mann, John Steinbeck, and Kurt Vonnegut; musi-

cians Kurt Weil and Oscar Hammerstein; and painters Josef Albers and Lionel Feininger.

Although the above list barely scratches the surface, it helps to illustrate the extent to which Germany, directly or indirectly, has helped enrich American life and lore. The contributions of these and other German-Americans have been the focus of lectures, exhibits and performances throughout the year and similar observances will continue into the fall. The tricentennial celebration will climax on October 6 with a visit to Philadelphia by German President Karl Carstens. There, near the site of the first German landing, U.S. President Ronald Reagan is expected to join Carstens for a ceremony underscoring the strength of U.S.-German ties and expressing the hope that the goodwill between the two nations will continue long after the tricentennial beer fests, craft fairs, art exhibits, concerts, banquets, parades and polka parties have faded from memory. €

Beth Eastman is a contributing editor of Europe magazine.

A Tricentennial Sampler

The following are just a few of the many events planned all across America this fall in conjunction with the German-American Tricentennial celebration. Where appropriate, contacts are listed for those desiring additional information about specific events.

Alabama: Mobile—OKTOBERFEST featuring German food, drink and music and a polka contest. Other activities for the entire family. Noon to 5 pm on *Oct. 1* in Doyle Park, Rosedale Road.

Arkansas: Little Rock—ART EXHIBIT featuring the work of German impressionist painters Liebermann, Slevogt and Corinth. *Sept. 9 through Oct. 30* at the University of Arkansas Art Museum.

Arizona: Phoenix—OKTOBERFEST in Heritage Square on *Sept. 25* from 10:00 am to 6:00 pm. . . Sun City—Lecture by former German Chancellor Helmut Schmidt on *Oct. 17* at 8:00 pm in Sun City West's Sundome Auditorium.

Colorado: Denver—GERMAN HERITAGE FESTIVAL with concerts, children's corner cultural exhibits, performances by Opera Colorado on *Oct. 1-2* in Elitch Gardens. Contact/ Institute for International Education, (303) 837-0788.

District of Columbia: Performance of part I of GOETHE'S FAUST by Source Theatre Company in outdoor space at 13th and G. Sts. NW, *Sept. 9-18*. Contact/ (202) 462-1073. . . "WASHINGTON NATIONAL OKTOBERFEST" featuring German food and drink, Bavarian bands and other musical entertainment, *Sept. 30-Oct. 9* on the Georgetown Waterfront. Contact/ (202) 835-0700.

Florida: Cape Canaveral—LAUNCHING OF SPACELAB-1 mission with German astronaut Dr. Ulf Merbold on board. *Oct. 28* at the Kennedy Space Center. Merbold,

sponsored by the European Space Agency, is the first non-American participant in a U.S. space mission.

Kansas: Kansas City—TRICENTENNIAL OKTOBERFEST with food, dancing and entertainment by German band on *Oct. 8* at the Kansas National Guard Armory. Contact/ Edmund Scherer, (913) 897-3403.

Missouri: St. Louis—HISTORICAL EXHIBIT ON GERMANS IN ST. LOUIS at the Visitor's Center, Jefferson National Expansion Memorial from *Oct. 7-Nov. 13*. The special Tricentennial exhibit will be opened by German President Karl Carstens on his visit to St. Louis.

New York: Buffalo—TRICENTENNIAL FEST at Schiller Park on *Sept. 3-4*. Contact/ Irene Wingerter, (716) 692-8172. . . New York City—OKTOBERFEST at Floyd Bennett Field, Brooklyn, *Sept. 20-Oct. 2*. Contact/ Gateway National Recreation Area, (212) 338-3625.

Pennsylvania: Philadelphia—TRICENTENNIAL VOLKSFEST on *Sept. 3-5* at the Cannstatter Volksfest-Verein, 9130 Academy Road. The fest will feature German songs, dances and food specialties. . . TRICENTENNIAL OKTOBERFEST on *Oct. 2* at the same location. Contact/ (215) 332-0120.

Texas: Dallas—"GERMAN DAY IN TEXAS", honoring the visit of German President Karl Carstens on *Oct. 9*. Festivities will include performances of German dances and folk songs. Contact: German consulate, (214) 631-1640.

Wisconsin: La Crosse—OKTOBERFEST on *Oct. 1-6* at La Crosse Festgrounds. Event features pageant, half-marathon, sporting events and bands. . . Madison—DEDICATION OF INSTITUTE FOR GERMAN-AMERICAN STUDIES by German President Karl Carstens on *Oct. 12*. Contact/ (608) 262-7546.

Scotch Whisky

*Neat or with a little water;
just don't spell it with an 'e'*



courtesy Scotch Whisky Association.

RICHARD GRINDAL

In a small town in Scotland, along a mile of highlands, stand eight whisky distilleries. They use water from the same hills, behind the town, peat from the same moors, and identical distillation methods, yet the Scotch that each produces has a distinct, unique bouquet and taste.

Of such enigmas has the history of Scotch evolved. It is a dramatic blend of folklore and fortune-making, of tyranny and tax evasion, of smuggling and skullduggery, and of Scottish persistence and skill that has given the world its most popular liquor. The spirit has been distilled for at least five centuries and was used first as a medicine, later to seal trade bargains and as a form of currency between Scots. Today it has become a beverage appreciated by people around the world.

About 85 percent of the Scotch produced is exported, one third of that amount arrives each year in the United States, the largest import market. For the first quarter of 1983 U.S. imports were up 32 percent, a marked increase on the previous three years when, like all alcoholic beverages, Scotch imports suffered from the worldwide recession. Although more Scotch is sold in the United States, one of the fastest growing markets is France, where the spirit, surprisingly, outsells Cognac. Spain and Australia are two other rapidly expanding markets.

Today the Scotch warehouses that nestle in the valleys of the land of heather-clad moors, glens, and lochs contains roughly \$8 billion worth of goods; an inventory that would make any industrial tycoon dry in the throat. Worldwide exports exceed \$1.7 billion a year, making Scotch the world's most commercially important noble spirit.

The 119 distilleries scattered over the mainland and islands of Scotland are often relatively small, privately owned businesses producing double-distilled, pot-still whiskies made entirely from malted barley. These malts, as they are called, are highly individual, even though they may be produced within a few hundred yards of each other. While a few are sold under their own labels almost 98 percent go to be blended into the consistent quality brand name whiskies that we instantly recognize.

There are more than 2,000 registered blends of Scotch available and connoisseurs love to argue the merits of their favorite brand. The single malt (unblended) whiskies have a select coterie of aficionados and for them a Scottish bar like The Potstill, Hope Street, Glasgow, might offer as many as 100 different single malts to be savored either neat or with a little plain water.

No two brands of Scotch look alike. One might be as brilliant as topaz or the color of ripe wheat. Some Scotches are pale as citron, others have a mellow tone of amber or a flash of burnished brass. But one thing all Scotch brands have in common is that they must be aged for at least three years. In fact, the majority await their buyers much longer. If a Scotch is sold as an 8-year or 12-year variety, the number must refer to the youngest single whisky in the blend. So even a 12-year-old Scotch is likely to contain whiskies that have matured for a much longer period. Once Scotch is bottled it stops maturing and remains stable for years.

The origins of Scotch are as misty as the fogs that hang over the sites of the first stills, believed to have been built by Christian mis-

sionary monks who settled in the now famous Dufftown, Islay, and Mull of Kintyre regions. In the monasteries, they used the local barley, sparkling water, and peat fires to produce *aqua vitae*, as it was then called. They perceived its recuperative powers as a divine gift and began a cottage industry that spread to farms the length and breadth of Scotland.

During the Napoleonic Wars, soldiers rubbed their limbs with whisky. Funeral bearers traditionally took five glasses before "the lifting" and, in some areas, it was customary for wedding guest to wash the new bride with the spirit. Today, the same Scottish climate, water, and peat are the three local necessities for making Scotch, although the barley (needed in greater quantities than the country can produce) is now often imported from England and sometimes from overseas.

In 1505, by which time *aqua vitae's* medicinal qualities had been recognized, Edinburgh's surgeons were, for a short time, given a monopoly to produce and sell the liquor. It was another century before the name whisky (from the Gaelic *uisge beatha*) came into use. In 1643, Parliament realized it had a ready-made source of revenue in the flourishing whisky-producing trade, and the first tax on Scotch was imposed.

Thus began more than 200 years of tax evasion, illicit stills and smuggling. In 1777, of the 403 stills in Edinburgh, only eight were licensed, yet there were more than 2,000 licensed houses serving the 100,000 population. It was the illicit distillers and smugglers who kept up the quality of Scotch at a time when, sabotaged by taxation, the legal distillers could not compete.

By the 1790s, closer controls on the pro-

cess of distilling and the way duty was applied came into force, but illicit stills on the hill-sides and in the glens and caves continued to flourish—every Scotsman believed he had the inalienable right to make whisky and the spirit was consumed at a vast rate. If the duty had actually been paid, however, only the rich could have afforded to drink Scotch. The freebooting days only began to wane in 1823 when the Excise Tax led to the general availability of reasonably priced Scotch. With the lowering of taxes the pot stillers grudgingly began applying for licenses and the whisky business achieved a more legal basis.

Whisky drinking, however, was still considered a rather less-than-respectable occupation outside Scotland—until 1848, that is, when an enterprising distiller who had his business at Lochnagar, only a mile or so from Balmoral Castle, invited Queen Victoria and Prince Albert to visit and taste his Scotch. The Queen later wrote in her diary that, after climbing a mountain with her husband, “I had a little whisky and water, as the people declared pure water would be too chilling.” Soon afterwards the distiller was appointed supplier of whisky to the Queen and awarded the Royal Warrant. This benefited other distillers too, for Scotch was at last respectable “south of the border.”

The way in which Scotch is made—from malted barley in a pot still—has remained unchanged. But in the 1830s the Coffey still was patented, using malted and unmalted barley together with maize in a continuous process. The patent distillation process injected new life into the industry by producing a whisky that was lighter in body and in flavor than the traditional full-bodied pot-still whiskies. By blending grain whiskies from the patent still and malt whiskies from the pot still together, it was possible to produce a Scotch that remained consistent in flavor at all times and which was more suited to the tastes of people living in warmer climates.

The blender came into his own, and soon he began to sell his blended whisky in countries overseas, beginning the expansion of sales which in a hundred years was to make Scotch the most widely consumed national drink in the world. Today, a blend will contain anywhere from 20 to 50 different whiskies, laid down in a formula that may have been based on years of experimentation, and is kept as a jealously guarded secret.

One of the most important men in the whisky business is the blender or “nose.” He judges whisky by its bouquet and might “sniff” as many as 400 samples during a day to see if they are of a high enough quality to add to his blend. Young boys are given aptitude tests to see if they will make likely “noses.” If they can pick the odd man out of several similar whiskies, they go on to sterner

tests, but most “noses” in the industry are mature men with many years of experience. Sniffing machines are in operation in some distilleries, but a human “nose,” thousands of times more sensitive than a machine, is relied upon for most important blending decisions. Scotch whisky had a great boost in popularity in the United States during the period of Prohibition. Large quantities of Scotch were shipped there by smugglers, mainly from the Bahamas, and were greatly appreciated by Americans, who distrusted the illegally distilled domestic spirits available in the speak-easies. One of the leading smugglers was Captain Bill McCoy, who delivered Scotch directly from Nassau to the bootleggers. He was a man of integrity who shipped nothing but the genuine article, and the reputation of his Scotch was so high that it came to be known as “the real McCoy.”

The quality of the casks in which Scotch is aged is also of the highest importance. Oak casks which have contained sherry are the most desirable, but they are getting in shorter supply each year. Second best are casks which formerly were used to make bourbon. Until a few years ago most distilleries allowed workers two drinks of Scotch per day straight from the barrel. Today employees carry home a

free bottle of Scotch every few weeks to share with their family.

The Scotch Whisky Association, formed in 1942, keeps a vigilant eye on its own industry and insures that Scotch can be made only in Scotland. According to an Act of Parliament, the expression “blended Scotch whisky” means a blend of several distillates, each of which is entitled to the description Scotch whisky. In this way, Scotch drinkers everywhere can be certain they are always getting the real McCoy.

Scotch, today, has come to be known as a symbol of a civilized, contemporary lifestyle from Boston to Bangkok. It is a drink drenched in history and savored by those who appreciate the combination of nature’s products and traditional skills, blended with the slow, evolving passage of time. When I visit the United States, I am often asked: “How should I drink my Scotch?” Purists would usually answer “neat” or “with a little water.” But I usually say: “Drink Scotch whisky whichever way you enjoy it. Just remember that you never spell it with an ‘e.’”

Richard Grindal is executive director of the Scotch Whisky Association and a writer of mystery novels.

In Search of the Perfect Scotch

There are about 119 distilleries all over mainland Scotland and the islands and many of them welcome visitors, either by appointment or during daily visiting hours. Most distilleries close down for a few weeks during the late summer “silent season,” depending on individual choice.

There are three main whisky-producing areas and the greatest concentration of distilleries is to be found in the valley of the River Spey in northeast Scotland. This is where the famous Speyside whiskies are produced and you can taste these Highland malts on the Whisky Trail that runs through picturesque rural countryside with sheep and heather vying for space on the moors.

Within half an hour’s drive of Dufftown, along the River Spey (one of Scotland’s finest salmon fishing stretches), you can find about 50 distilleries. A few that are well worth visiting are Glenfiddich and Mortlach in Dufftown, and Glenfarclas, The Glenlivet, Macallan, Cardhu, and Tamdhu, a little further West near Aberlour.

The distilleries on the islands make a whisky with a special peaty character. Best known are those on the island of Islay (pronounced eye-la) in the Hebrides, off the coast of Scotland. One can reach Islay on a 45-minute flight from Glasgow or a

two-hour ferry ride from Kennacraig.

Whisky has been the principal business of Islay for more than 100 years, and when in full swing the eight distilleries produce some six million gallons a year. Bowmore is perhaps the most famous Islay distillery. The water used here travels some seven miles through peat bogs and gives the spirit a remarkable flavor. The beautiful Isle of Skye has one distillery, Talisker, and there are two in the Orkneys, Highland Park and Scapa.

For those who don’t have time to travel so far afield, there are also fine distilleries in the Lowlands, such as Glengoyne and Auchentoshan near Glasgow and Glenkinchie and Rosebank, only a 40-minute drive from Edinburgh.

Distillery tours vary in their convenience and the skill of presentation, but all show how whisky is made and all tours end at the hospitality room where a dram or two of the company’s product is offered. To get the real flavor of the whisky trade, you should visit a distillery when the peat fires are burning and the barrels are being rolled like thunder through the warehouses.

For assistance in arranging your distillery tour, be sure to check with the Scotch Whisky Association, 17 Half Moon Street, London, W1.

NEWS OF THE COMMUNITY

Specialty Steel Talks Begin in Geneva

The United States and the E.C. have begun talks in Geneva over the E.C.'s demands to be compensated for the export losses it expects to suffer as a result of recent U.S. import restrictions on specialty steel. Specialty steel is a high-quality, corrosion resistant metal used in a vast number of consumer goods, ranging from automobiles to kitchen appliances.

Specialty steel producers on both sides of the Atlantic have been hit hard by several years of recession. Specialty steel is one of the sectors most vulnerable to recession because demand for the product comes from industries which produce durable goods—goods whose purchase consumers can easily postpone until better economic times arrive.

On July 5, President Ronald Reagan announced that the United States would grant its domestic specialty steel industry protection from imports through a combination of tariffs on imported stainless steel sheet, strip, and plate and quotas on stainless steel bar, rod, and alloy tool steel. In a statement on the decision, U.S. Trade Representative William Brock said the American industry was granted "import relief" on the basis that its "difficulties stem from persistent excess productive capacity, some of it uneconomic and supported by subsidies, as well as trade restrictive and distortive practices used by many of our trading partners to protect their industries and stimulate exports."

The U.S. decision followed a May 5 ruling from the U.S. International Trade Commission that imports, as a whole, had grown by a large enough amount as to cause serious injury to domestic manufacturers and to threaten their ability to make the necessary investments to remain competitive.

The E.C. hotly criticized the U.S. action, saying the recession and not imports had caused the U.S. specialty steel industry's problems. "The American specialty steel industry has been protected almost continuously since 1972 by a strict quota system that has kept annual imports from the E.C. at the artificially low level of about 30,000 tons. It is therefore not surprising that in 1982—the first year in which a free market was reestablished—E.C. exports jumped sharply to reach about 88,000 tons," said a spokesman for the E.C. Commission.

The E.C. Commission and the Foreign Ministers of the 10 E.C. member states condemned the import relief action as a violation of the General Agreement on Tariffs and Trade (GATT) and as counter to the commitment made at the Williamsburg economic summit last May to halt and even dismantle protectionist devices. The E.C. took its complaint to the GATT, saying that the U.S. import restrictions did not conform to the rules under which international trade law allows a country to protect a domestic industry from foreign competition.



The U.S. action came at a bad time for Europe's steel industry. Although specialty steels covered by the new U.S. measures account for only a small portion of Community steel exports, these steels are among the Community's most profitable steel products. The E.C. produced about 2 million tons of specialty steel in 1982, from which exports totaled about 440,000 tons. The E.C.'s exports to the United States were 88,000 tons, accounting for about 9 percent of U.S. consumption during that year.

One of the chief E.C. objections to the U.S. restrictions is based on the concept of double jeopardy. The E.C. says it has been punished twice for the same "offense." Earlier this year, the United States assessed penalty duties on specialty steel from three E.C. countries—France, the Federal Republic of Germany, and the United Kingdom. These were designed to relieve the injury the United States said these

countries were doing to its domestic steel industry. Why, says the E.C., should E.C. steel be subject to the new global restrictions when it is already subject to duties designed to offset any injury its shipments caused the U.S. industry?

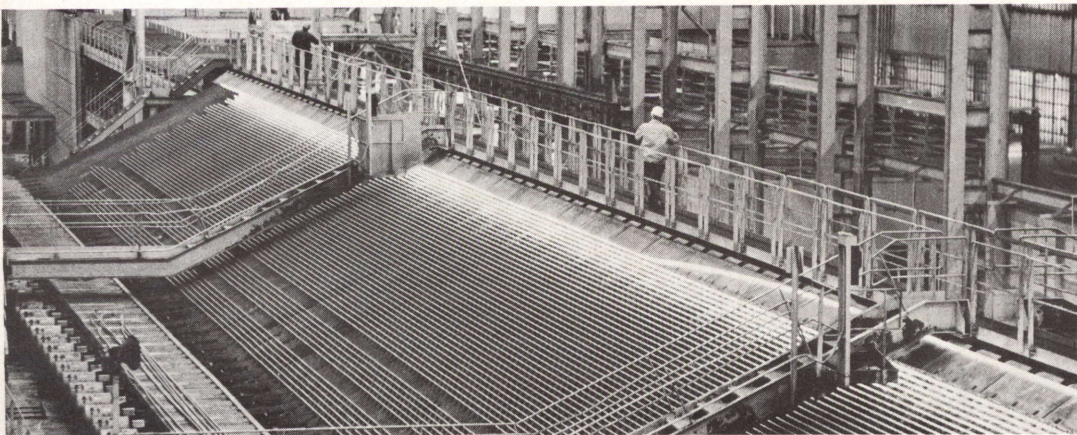
The U.S. Administration has acknowledged that it could be liable in some cases under international trade rules for the new import curbs. U.S. Trade Representative Brock told reporters in July that the restrictions could hit some companies that were trading fairly. "However, I would want to reserve judgement on whether the E.C. is entitled to compensate," Brock told questioners. According to Sir Roy Denman, Head of the E.C. Delegation to Washington, compensation the E.C. might receive could include the right to raise tariffs on specific U.S. exports to the E.C.

U.S., E.C. Officials Toast New Understanding on Wine

American and E.C. officials in July hoisted vintages from both sides of the Atlantic to toast a new U.S.-E.C. understanding that is expected to expand wine trade between the United States and Europe. "Someone once said that wine is bottled sunshine. Let us rejoice that for one day at least in a stormy year the sun has broken out across the Atlantic," said Sir Roy Denman, head of the E.C. delegation to Washington at a signing ceremony held at the U.S. Treasury Department.

The new understanding relates to discrepancies between present U.S. and E.C. wine-making laws that in the past have put a damper on trans-Atlantic wine trade. Certain wine-making practices permitted in the United States are not allowed in Europe, while certain European methods are not authorized in the United States. In an exchange of letters climaxing nearly 10 years of highly technical consultations, both the United States and the E.C. expressed the will to adapt their own wine standards to accommodate wine-making practices used by the other side.

"This understanding will ensure U.S.



producers the same access to the Community's markets as their products have here in the United States," said U.S. Assistant Treasury Secretary John M. Walker at the official signing ceremony. Walker said the past eight years of talks between U.S. and European officials had helped to harmonize U.S. and European regulations in many areas, had open the door for the United States into E.C. markets, and had enabled U.S. wine sales to the E.C. to expand. He also said U.S. standards for American wines had improved enormously as a by-product of the discussions.

One example of how the new understanding will work involves American methods used to clarify and pre-

ment would exclude any wine-making practices thought to pose a risk to human health.

In its letter, the United States expressed a willingness to prevent geographical designations applied to wine from deteriorating into generic names for given types of wine—a concern among European vintners. Reciprocal recognition of geographical names used to designate wine is considered extremely important to international trade in that sector.

The new understanding will establish a solid framework for further growth in U.S.-E.C. wine trade, officials agreed. To date, this trade has been somewhat lopsided in favor of the E.C. In 1981-82, E.C. member coun-



European Council meeting in Stuttgart.



From left to right: John M. Walker, U.S. Assistant Treasury Secretary; Sir Roy Denman, head of E.C. Delegation to Washington; Rex D. Davis, President of the National Association of Beverage Importers and Steve Higgins, Director of the Bureau of Alcohol, Tobacco and Firearms, at the signing of a new understanding on wine trade.

serve wine. Although the E.C. maintains reservations about the effects of some of these practices and does not permit them under its own wine-making laws, it has agreed for a transition period to accept American wines made according to these techniques. E.C. officials stress that this commit-

ment would exclude any wine-making practices thought to pose a risk to human health. tries sold a total of 400 million liters or wine to the United States, making the United States their largest foreign market. However, U.S. wine exports to the E.C. have grown substantially in the past several years—from about 100,000 liters in 1975-76 to 7.5 million liters in 1981-82.

Money Concerns Top E.C. Agenda

"We have avoided a serious crisis and now have to make a fresh start," said E.C. Commission President Gaston Thorn after the thrice-yearly European Council meeting of E.C. heads of Government in Stuttgart this June. For the first time ever, an E.C. summit had to be extended by 24 hours, from two days to three—a reflection of the serious nature of the problems addressed at the session.

The key item on the agenda was money, an item likely to be on the front-burner in Community affairs between now and the next E.C. summit, scheduled for December in Athens. "There is really no time to lose," Thorn said, since the E.C. has only until December to pave the way toward making Athens the birthplace of a "second-generation Europe."

The E.C. leaders announced at the Stuttgart meeting that the E.C. member states—through their Foreign Ministers and Finance Ministers—would begin a major negotiation to tackle the complex and interrelated issues involved in the E.C.'s existing and foreseeable financial problems. They ordered a report on the results of this negotiation

in time for their Athens meeting.

The stickiest issue before European officials remains the question of how the E.C. will finance its future activities and select its priorities. At Stuttgart, the E.C. leaders agreed to a diagnosis and partial prescription for the E.C.'s financial difficulties: The E.C. budget must be reformed and agricultural spending controlled. The present system of financing needs to be changed to provide a permanent solution to the perennial problem of Great Britain's budget contribution. Also, new funds have to be found for programs to attack problems like youth unemployment and the tendency of European countries to lag behind competitors in developing new technologies.

However, agreeing on the specific means the Community should employ to reach these goals is expected to be a long and politically painful process for the Community's members, many of which have conflicting national interests in these areas.

Time and events have recently put the E.C. under even more pressure to resolve its money woes. In May, the E.C. Commission presented a draft

1984 budget that brought the Community close to running out of cash under present constraints on its income. Under the current rules, the Community may claim for its own use no more than 1 percent of the amount of value-added taxes (VAT) collected in member states. These VAT collections are the most important source of E.C. funds, or "own resources."

However, in June it became clear that the E.C.'s financial problems could reach crisis proportions before 1984 arrived, owing to unexpectedly high spending requirements for agricultural and other programs for 1983 and unexpectedly low revenues resulting from the recession. To address this imbalance, the Commission proposed a second supplementary budget calling for additional expenditures of 2.3 billion ECU (about \$2 billion) in 1983—spending that would bring the E.C. to the upper limit of its resources.

At a special session in July, E.C. Budget Ministers tentatively agreed, after acrimonious and grueling debate, on a compromise supplementary budget for 1983. The compromise measure—opposed by the U.K. delegation,

with the Danes abstaining—contained a smaller provision for increases in agricultural spending than sought by the Commission and cut 80 million ECU from the 385 million-ECU budget rebate that Britain was promised by its E.C. partners last October.

The Council compromise left the supplementary 1983 budget proposal only 54 million ECU below the lid on Community expenditures and left the British delegation complaining bitterly that other delegations had gone back on the British rebate they approved last year. After sitting continuously for nearly 32 hours, the Council also agreed on a draft 1984 budget with projected expenditures of 24.8 billion ECU, somewhat less than the 25.5 billion ECU proposed by the Commission.

The budget headaches are far from over, since both the 1983 and 1984 initiatives will need approval from the European Parliament before the Council can take final action on them. But the difficulty in arriving at even these tentative and temporary answers for the E.C.'s short-term money problems clearly highlight the desperate need for more long-term financial reform.

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E.C. Urges International Action on Brand Counterfeiting

Is the world awash in bogus Cartier watches, fake Levi jeans and ersatz Gucci handbags? Maybe not, but product counterfeiting has become such a serious problem for both legitimate manufacturers and consumers that the E.C. thinks it's time for a crackdown. In a recent report to the General Agreement on Tariffs and Trade (GATT), the E.C. said that an international initiative against counterfeiting is urgently needed to stop counterfeiters from exploiting the opportunities offered them by international trade.

The report said that while trademark counterfeiting has long been a concern in the fashion and luxury goods sectors, counterfeiters are branching out into other areas. Counterfeit trademarks have been found in dozens of countries on products as diverse as aircraft parts, chemicals, pharmaceuticals, wines, and medical appliances.

All indicators point toward continued growth in counterfeiting in the years ahead, especially given the large profits available this practice. The E.C. said it would welcome the chance to discuss the problem, as well as possible solutions, with its trading partners. It said it believed international action to be the most affective way of curbing the activities of counterfeiters, but stressed that such action should be carefully put together to avoid creating new non-tariff barriers to trade in genuine goods.

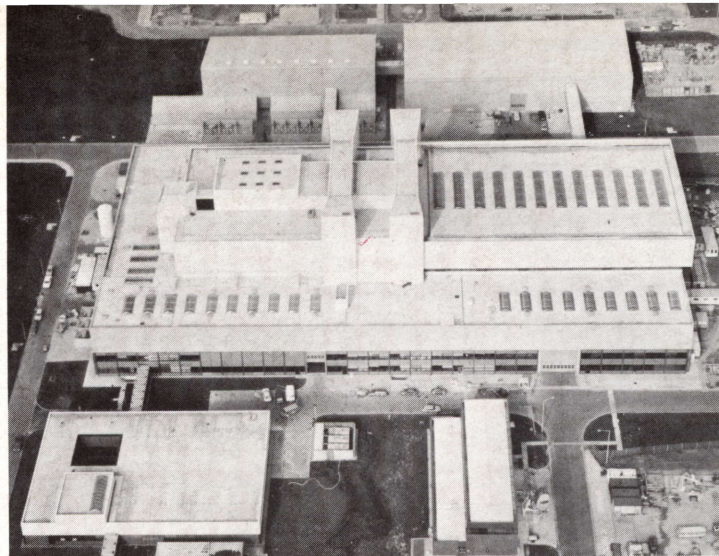
The Community said that counterfeiting causes consumers and legitimate manufacturers enormous sums of money annually. An estimated 300 million counterfeit records and tapes were sold worldwide in 1980 at a value of between \$1 billion and \$1.5 billion. French perfume manufacturers estimate their losses from counterfeiting at over \$62 million, or about 10% of total annual sales. U.K. automobile

part manufacturers say that counterfeiting costs them about \$200 million a year in lost exports. Coffee farmers in East Africa claim to have lost \$20 million worth of their crop as a result of using counterfeit fungicide.

In addition to sales losses, counterfeiting has a significant impact on employment. The E.C. said that losses of 6,000 jobs in Europe and 14,000 jobs in the United States can be attributed to counterfeiting in the automotive-parts industry alone. It said some bogus products also pose a significant threat to the public health and safety because of their inferior quality. Examples include heart pacemakers with counterfeit components, counterfeit jeans dyed with carcinogenic substances, counterfeit fire detection systems for aircraft engines, and counterfeit medicines that contain no active ingredients.

The E.C. said trademark owners and legitimate manufacturers at present have few tools available to prevent imported counterfeit goods from reaching the market. Tracing counterfeiters is often a long and expensive proposition. The E.C. also reported that manufacturers who find their goods being counterfeited often tend not to publicize the discovery because they fear damage to their own reputation. They also fear that suspicion of counterfeiting could deter potential customers from buying their products.

The report said that although industrialized countries seem to have suffered the most from having their goods counterfeited, developing countries are increasingly feeling the effects of the practice. It said an influx of counterfeit products can stifle nascent industries in developing countries by "stealing" away domestic and export markets. They also threaten damage to the reputation and sales of legitimate subsidiaries, joint ventures, and licensing operations located in developing nations. The perception that a given market for legitimate products will be spoiled by counterfeiters can be a severe disincentive to investment and local subcontracting in the developing world, the E.C. said.



Joint European Torus laboratories in Culham, England.

JET Test Hailed as Landmark in Fusion Research

A successful first test earlier this year of an E.C.-sponsored research project will pave the way for a seven-year series of experiments designed to help scientists learn to exploit the commercial potential of nuclear fusion. Fusion—the source of the sun's heat—is a process in which the nuclei of two light atoms are fused together in a reaction that produces tremendous amounts of energy.

Scientists hope to be able one day to harness the heat released by man-made fusions to generate electrical power. Fusion, thought to be a potential source of clean, safe and virtually inexhaustible power, is not expected to become a commercially viable method of producing electricity until well into the 21st century.

The June 25th test of the newly completed Joint European Torus (JET) facility in Culham, England culminated a five-year construction program carried out by an international team drawn from the 11 European countries participating in the project. The construction program received 80 percent of its funding from the E.C. and was coordinated by the European Atomic Energy Community (Euratom).

The JET, the largest facility of its kind, is known in scientific circles as a tokamak. A tokamak is a system of magnetic fields designed to hold the super-heated materials needed to make fusion possible away from the walls of the vessel in which the reaction is to take place. Without such a system, the walls of the vessel would be unable to withstand the temperatures at which fusion occurs. To produce the conditions required for fusion, gaseous fuels must be heated to temperatures of greater than 100 million degrees centigrade (212 million degrees Fahrenheit) by passing large amounts of electrical current through them in a ring-shaped vacuum chamber.

During the first test of the JET facility, 60,000 amperes of electrical current were passed through a low-density

hydrogen gas for $\frac{1}{10}$ of a second, thus converting the gas into a so-called plasma state. The JET program calls for the amount of current employed to be progressively increased to around 5 million amperes.

In subsequent years, additional equipment will be added to the facility to enable it to raise the temperature of the hydrogen plasma to around 50 million degrees centigrade (122 million degrees Fahrenheit) for periods of about 10 seconds. If all goes as planned, fusionable gas will be added to the machine to produce fusion. These fusion reactions themselves will raise the heat inside the vessel further and will be a source of heat for producing electricity.

"The future success of JET will depend on all the associated laboratories in Europe playing their part in the experimental program as well as the continuation of the enthusiastic support by the E.C. Commission," said project director Hans-Otto Wuster. In addition to contributions from the E.C., the JET project receives funding from the United Kingdom, other E.C. member states, Sweden, and Switzerland.

The ECU: Don't Leave Home Without It?

It could be that the European Currency Unit (ECU) is about to clear another hurdle in its bid to become a full-fledged European currency. Once regarded as little more than a book-keeping invention of the Common Market, the ECU in recent years has gained increased popularity in financial circles. It has recently become the world's fourth most popular denomination for loans, bond issues and other transactions. Five French financial institutions recently announced the formation of a company to study and de-

U.S. Customs officials use a steam roller to destroy 4,000 fake Cartier watches. courtesy Cartier



velop an ECU travelers check. The five—Crédit Agricole, Crédit Commercial de France, and Société Française du Chèque de Voyage—will receive close technical assistance in their new venture from the American Express company.

The inauguration of a traveler's check in ECU would contribute to the gradual extension of the ECU's use, the institutions said in a statement announcing their plans. They noted that the ECU had begun to play a wider role in lending and international trade financing. The ECU is a basket of the currencies of nine of the EC's 10 Member States. The weight of each national currency in the basket de-

pends on its nation's relative economic importance.

The ECU is in increasing demand among international institutions and companies because it offers greater stability of interest and exchange rates than do the individual national currencies in the ECU basket. Although the E.C. Commission hopes that the ECU eventually will attain the status of a true E.C.-wide currency, most of the growth in its use has occurred spontaneously, at the initiative of banks and other institutions. The ECU includes all E.C. national currencies except the Greek drachma. The drachma is slated to become part of the ECU basket before 1986.

would be responsible for informing the workforce at large.

The new version of the measure contains provisions allowing companies to require worker representatives to treat certain types of information as confidential. Secret business information would be entirely exempt from the disclosure requirements. Under the proposal, information would be considered "secret" if its disclosure could damage the company's interests or lead to failure of its plans. A panel would be established to settle any disputes as to the secrecy or confidentiality of a given piece of information.

Should the parent company propose

a decision that would have a major impact on those employed in an E.C.-based subsidiary, the parent firm would have to warn the subsidiary's management before reaching a final decision. It would be required to tell the subsidiary the basis for the decision and its impact on the employees involved. Such major decisions would include plant closings, lay-offs, and the introduction of new technologies. Management would be required to consult employees on these initiatives. Employee representatives, however, would have no "veto power" over company plans.

E.C. Commission Unveils New Worker Rights Measure



The E.C. Commission has unveiled a new version of proposed Community-wide legislation designed to make European subsidiaries of multinational corporations more accountable to their local work forces. The controversial legislation would require these subsidiaries to inform—and in some cases consult—their workers about company policies or business plans likely to affect their job security or working practices. The new version of the legislation was the product of several months of redrafting during which the Commission sought out the views of both business and labor groups.

The original version of the "Directive on Worker Information and Consultation Rights"—known informally as the "Vredeling Proposal"—was strongly opposed by business, including US interests. Critics charged that it would rob company management of legitimate prerogatives and could compromise confidential business information, thus discouraging foreign investment in Europe.

The Commission in June presented an amended version of the proposal designed to address these concerns and to reflect recommendations from the European Parliament. The amended

proposal is now before the Council of Ministers, the E.C.'s top decision-making body. The measure would need the Council's unanimous approval before becoming law.

Speaking to the press on the proposal, E.C. Commissioner Ivor Richard, who is responsible for employment and social affairs, called the new draft, "a step forward in the essential process of developing Europe's labor protection legislation." He referred to the measure as "an idea whose time has come."

The new draft would make the legislation applicable only to corporations or corporate groups employing 1,000 or more workers in the E.C. The original measure would have been applicable to all firms employing more than 100 E.C. citizens. In its present form the legislation would require a parent company to give its E.C. subsidiaries information on the company's business activities, financial situation, and prospects at least once a year. This information would have to be relayed to worker representatives. Over the course of the year, any updated information supplied to company stockholders would also have to be shared with worker representatives, who

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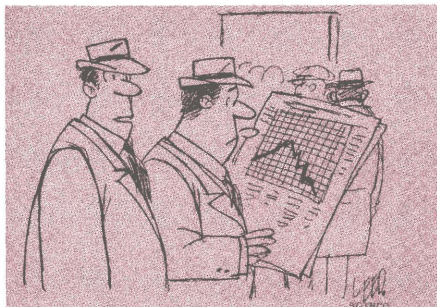
E.C. Preparing Endangered Species Initiative

The cause of preserving Europe's endangered species may be about to find a new champion in the guise of the E.C. Commission. The Commission currently is in the midst of a study aimed at preparing Community-wide legislation for the protection of species on the endangered list. Although hampered by limited funds and personnel, the Commission has already conducted research on one such victim of civilization: the European brown bear. The last of the brown bears are found in Greece, Italy, and the Pyrenees mountains in France and Spain.

More recently, attention has centered on the fate of the Corsican mouflon, an attractive horned creature from which today's domestic sheep are descended. The Commission will be asking French authorities to provide detailed information on the dual threat to the mouflon's survival presently posed by both poaching and cross-breeding with sheep. Despite protective legislation, however, concerns remain that the species could be in danger of dying out.

E.C.'s Employment Outlook Remains Gloomy

Europe may have gained some ground this past year in its battle against inflation but is expected to make little progress in the near term in reducing its burgeoning unemployment problem. In a recent report, E.C. Commission economists said economic recovery in the 10-nation bloc will be slow in taking hold and could be relatively weak by comparison with recovery in other parts of the industrialized world—at least through 1983 and 1984.



"The only thing I know for sure about the unemployment rate is that I'm part of it." © Leed

Although inflation is expected to moderate over the next year, there are no prospects for improvement in the unemployment situation, the report said. Gross domestic product in the Community is expected to grow by an average of only 0.5 percent in 1983

Community Aid Roundup

The E.C. Commission recently authorized the following emergency or development aid projects (1 European Currency Unit or ECU = \$0.87:

Emergency Aid Programs—Ethiopia: 2 million ECU for the relief of famine victims. As of late May, the E.C. estimated that 3 million Ethiopians were affected by the drought, including an estimated 1 million thought to be in need of immediate relief. Those most seriously threatened by famine were children. The situation was, and continues, especially severe in the northern provinces of Gondar, Wollo, Tigre, and Eritrea. The aid, granted under the Lomé Convention, was used to purchase food, locally and in neighboring countries, as well as to send medicines to the area and to organize air and road transport. Several organizations took part in the E.C.-sponsored relief operations, including the Consortium of Dutch Interchurch Aid, the Lutheran World Federation, Das diakonische Werk, ICCO, Danchurchaid, Christian Aid and UNICEF. . . . **Botswana:** 200,000 ECU in aid to cope with a flood of Zimbabwean refugees who are crossing the border into Botswana following recent troubles in Matabeleland. An estimated 3,000 refugees have arrived in Botswana since December 1982. The aid will be used to purchase necessities for the refugees such as tents, bedding, and household articles. . . . **Zimbabwe:** 1.5 million ECU in drought relief. Zimbabwe is suffering from a drought that has also affected many other African states. The situation is especially serious because this is the second consecutive year of drought in the regions. The current drought is said to be the most devastating since the beginning of the century. The E.C. aid took the form of a contribution toward a program established by the Zimbabwean Government, in conjunction with voluntary relief organizations, to distribute food free of charge to the most vulnerable segment of the population and to plan water supplies and livestock rescue operations. The vulnerable segment of the population comprises about 2 million people. . . . **Peru:** 320,000 ECU in emergency aid for the victims of floods

that have struck the northeastern region of Peru. Over 500,000 people were in need of relief. The aid was channeled through Deutsche Welthungerhilfe and the League of Red Cross Societies.

Emergency Food Aid—Peru: 2,000 metric tons of grain intended for victims of floods that occurred in the spring of 1983. These include about 35,000 people in the Tumbes region and 48,000 in the Piura area. The aid is valued at 300,000 ECU. . . . **Lesotho, Mozambique, Zimbabwe:** A total of 4,800 tons of grains, plus vegetable oils and beans or peanuts to aid victims of drought in that region of southern Africa. Lesotho received 2,500 tons of grain, valued at 375,000 ECU. Allocations to Mozambique included 2,300 tons of grain and 350 tons of vegetable oil, valued at a total of 555,000 ECU. Zimbabwe received 500,000 ECU for the purchase of supplies of beans and/or peanuts.

Aid to developing countries not members of the Lomé Convention—Nepal: 3.7 million ECU for a project to construct 100 drinking water supply systems in the hills of Nepal's central region and 1,000 shallow-bored wells and 1,200 public and family latrines in the plains area of Terai. These facilities will serve a total of about 300,000 people. . . . **Intergovernmental Committee for Migration:** 1.4 million ECU for a project design to select and transport 75 Latin American nationals to Costa Rica, the Dominican Republic, Honduras, Nicaragua, and Panama. The Latin American nationals who will participate in the so-called "reintegration program" are specialists—middle-rank or high-level technicians and skilled workers—for whom there is an acute need in the countries involved. Their skills are needed to promote development in these five countries, particularly in the rural sector. . . . **E.C. Commission Development Initiative:** 4 million ECU for preparation and follow-up of development projects and programs in all developing countries not associated with Lomé. The funds, designed to benefit all non-associated countries receiving E.C. aid, will be used to finance studies and technical

assistance, on an expedited basis, and to enable the Commission to place development specialists in the regional delegation of countries receiving aid.

Grants from the European Development Fund—Mali: 10.3 million ECU for road improvements. . . . **Nigeria:** 17.1 million ECU for a multiannual training program to provide superior and middle-level technical training designed to promote the country's economic development. . . . **Zaire:** 26 million ECU for road improvements. . . . **Gabon:** 2.15 million ECU for a project to supply an ocean-going cargo and passenger vessel to improve the sea link between the islands of Sao Tome and Principe and the Gabonese Republic. . . . **Seychelles:** 2.4 million ECU to improve existing facilities at the Victoria Hospital. . . . **Malawi:** a 23-million-ECU grant plus at 10-million-ECU special loan to construct a paved, all-weather road that will form an international link with Mozambique, Zimbabwe, and the rest of southern Africa. . . . **Botswana, Lesotho and Swaziland:** 504,000 ECU to train custom service staffs. . . . **Kenya:** 1 million ECU for a multiannual training program designed to provide training and technical assistance for Kenya's efforts to reach food self-sufficiency. . . . **Gambia:** 1.64 million ECU for a training program in the economic, agricultural, and health sectors. . . . **Mauritania:** 1.5 million ECU to enable Mauritania to continue mining surveys to uncover profitable deposits of minerals. . . . **Dominica:** 49,846 ECU to help the island develop a floriculture industry. . . . **Trinidad and Tobago:** 3.3 million ECU for a training program to help alleviate shortages of technical and support personnel resulting from the rapid industrial growth brought on by oil revenues. . . . **Burundi:** a 10-million-ECU loan on special terms to construct a hydroelectric power station in northwestern Burundi. . . . **Djibouti:** 918,000 ECU for improving the water supply system for the town of Djibouti. . . . **Sudan:** 1.4 million ECU for a regional research project which is to provide housing for equipment to detoxify oil cake contaminated with aflatoxin. . . . **Mali:** 142,932 ECU for the construction of grain warehouses.

and 1.6 percent in 1984, with economic performance varying widely among the member states. The average inflation rate in the E.C. is expected to fall to 6.4 percent in 1983 and 5.7 percent in 1984. This compares with a Community-wide average of 8.8 percent in 1982.

However, unemployment is expected to continue its rise in the E.C., reaching 10.9 percent this year and 11.5 percent in 1984. The jobless rate showed some signs of improvement

this summer, dropping from 10.3 percent in May to 10.2 percent in June, but economists cautioned that part of the decline was caused by seasonal factors. The jobless figure excluded Greece, which calculates unemployment on a different basis than the other nine states.

The E.C.'s statistical office said that the annualized rate inflation stood at 8.2 percent in June, down from 8.6 percent in May. The June rise was the lowest since 1978—before the second

oil price shock touched off a fresh inflationary spiral.

Despite these declines, inflation in Europe has remained high compared with other industrial economies. Over the first four months of 1983, prices in the 10 E.C. countries rose an average 3.2 percent, compared with 1 percent in the United States and 0.6 percent in Japan. Average inflation rates in the E.C. over that period varied from 0.4 percent in the Federal Republic of Germany to 9.5 percent in Greece.

E.C. Commission Orders Sharper Cutbacks in Steel Capacity

The E.C. Commission has ordered the Community's member states to pare their steelmaking capacity by an additional 8.3 million tons. The orders came after member states failed to come up with enough cuts on their own to meet the Commission's goal of reducing the E.C.'s steel production capacity by almost 30 million tons by 1985. The reductions are part of a program under which the E.C. is trying to return Europe's ailing steel industry to health and wean it away from government-backed subsidies.

According to the Commission, the E.C. must pare an absolute minimum of 26.7 million tons of steel capacity if it is to succeed in putting the industry back on the road to profitability by 1986. However, E.C. member states thus far have come forward with plans to cut only 18.4 million tons in capacity, 8.3 million less than the Commission's target.

The Commission said these plans were inadequate and called on eight of the 10 E.C. countries to make further reductions. The new cuts will undoubtedly mean further steel plant closures and worker lay-offs. According to Commission experts, as many as 100,000 jobs may disappear in the European steel industry by the end of 1985, bringing total job losses in that sector since 1974 to nearly 400,000.

"It has not been an easy task and at no point did we lose sight of the human and social implications of the decision," said E.C. Industry Commissioner. Vice President Etienne Davignon, who is responsible for industrial affairs, of the newly ordered cutbacks. "What we want to avoid is long-term unemployment, even if short-term jobs

have to be sacrificed," Davignon said.

The Commission decided where to order the latest cutbacks under a formula contained in the "code of aids" adopted by the E.C.'s Council of Ministers in June 1981. In essence, the idea was to cut capacity the least in those countries where the steel industry was getting the least government aid and to make larger cuts where the industry required substantial support from government coffers.

In addition, under the code, the Council agreed that the Commission should permit government aid to the steel industry only if those aids were linked directly to restructuring—that is, reshaping the industry to increase its potential for long-term profitability.

Some E.C. member states were asked to make further reductions than others under the new orders. Italy was asked to make the largest additional cuts—3.4 million tons. However, the restructuring plan Italy had originally submitted to the E.C. Commission had proposed only small reductions in capacity—2.3 million tons in cuts out of total capacity of 36.2 million tons. The Federal Republic of Germany—the E.C.'s biggest steelmaker was asked to cut another 1.2 million tons; Belgium, 1.4 million tons; France, 630,000 tons; the Netherlands, 700,000 tons; and Luxembourg, 410,000 tons. In comparison with 1980, the cuts ordered by the Commission to date translate into production capacity reductions of 19 percent in the United Kingdom, France, Belgium and Luxembourg, 16 percent in Italy, 13 percent in the Netherlands, and 11 percent in the Federal Republic of Germany.

Panel to Study Farm Subsidies

Efforts by the United States and the E.C. to defuse their long-standing disputes over farm-product export trade could get a shot in the arm from a new working group set up by both sides to study subsidies and other types of government-backed agricultural export assistance. The decision to establish the informal study panel was announced in June and grew out of six months of consultation between the United States and the E.C. on the farm-trade problem. Those consultations were begun in January in an effort to head off calls on both sides for a full-scale agricultural trade war.

The working group is expected to report by the end of 1983 on whether current international rules governing agricultural trade could be fine-tuned in a way acceptable to both the United States and the E.C. Officials said the working group would not seek changes in the present rules, but would instead look for ways in which existing rules could be further defined or clarified.

Existing rules permit the use of government export subsidies for agricultural products so long as those subsidies do not enable any party to take more than a fair share of the world market. However, the United States and the E.C. have been at loggerheads in recent years over their interpretations of what constitutes a "more than equitable" share of the world market. Three years of bumper grain harvests have fueled the dispute by making it harder for major exporting countries to sell their farm surpluses abroad.

At issue are E.C. export subsidies, which the United States claims take business away from U.S. farmers and undercut world farm product prices. However, the E.C. says it uses the subsidies only to bridge the gap between the E.C.'s high internal farm prices and the lower prices of the world market-place. It says the subsidies are a vital part of the Common Agricultural policy.

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

IMF Conditionality. Edited By John Williamson. Institute for International Economics, Washington, D.C., 1983. (Available from MIT Press, Cambridge, MA) 679 pp. \$30.00.

More than 20 papers assessing the controversy over the terms on which the International Monetary Fund extends its credits. Analyzes the fund's overall role in the process of financial intermediation and looks at ways stabilization policies should be conducted and at the criteria against which programs should be judged. Separate section outlines case studies of 12 fund programs, evaluating their success or failure.

Dumping and Subsidies: The law and procedures governing the imposition of anti-dumping and countervailing duties in the European Community. By Joseph Cunnane and Clive Stanbrook. European Business Publications, Brussels and London, 1983. 244 pp. £35.00.

A comprehensive review of Community anti-dumping and subsidy law, how Community procedures work from an administrative and legal view, and an explanation of "normal value" export prices and subsidies. Includes a complete list of anti-dumping and anti-subsidy decisions since 1980, as well as pending complaints, and texts of relevant E.C. legislation and General Agreement on Tariffs and Trade Articles.

International Monetary Fund Glossary: English-French-Spanish. International Monetary Fund, Washington, D.C., 1982. 292 pp. \$10.00.

A trilingual dictionary of economic and political terms, phrases, and institutional titles most used by the International Monetary Fund. Includes abbreviations, acronyms, and currency units of various countries.

Britons in Brussels: Officials in the Commission and Council Secretariat. By Virginia Willis. Policy Studies Institute, London, 1983. 109 pp. £3.50 incl. postage.

A study of Eurocrats in the Commission and Council of the European Communities, focusing on British officials. Questions to what degree officials act as agents for their own country and how the European bureaucracy differs from an institution like the United Nations; also deals with basic procedures of recruitment and appointments.

The Soviet Bloc, Energy, and Western Security. By Jonathan B. Stein. Lexington Books, Lexington, MA, 1983. 97 pp. \$18.95.

An analysis of the economic policy decisions on energy facing the Soviet Union and its allies, and effects on Western nations. Lists factors that hinder the development of Soviet energy potential and addresses the degree of seriousness of the Soviet energy problem debated in U.S. intelligence organizations. Special chapter on the Siberian pipeline included.

World Economic Outlook, 1983. Occasional Paper No. 21. International Monetary Fund, Washington, D.C. 1983. 242 pp. \$8.00.

Annual report from the International Monetary Fund on the international economic climate for 1983 and 1984. General survey of inflation, interest rates, external debt, as well as studies of specific economic activity in developing and industrial countries. Includes tables and chart.

The European Monetary System: The Experience 1979-1982. Occasional Paper No. 19. By Horst Ungerer and others. International Monetary Fund, Washington, D.C., 1983. 41 pp. \$5.00.

Brief outline of the developments of the European Monetary System from its start in March 1979 through December 1982. Describes main features, assesses performance through exchange rate stability, examines proposals for changes in the system and its relationship with the International Monetary Fund.

The Atlantic Alliance and its Critics. Edited by Robert W. Tucker and Linda Wrigley. Praeger Publishers, New York, 1983. 192 pp. \$24.95.

Essays by three Americans and three Europeans on the instability and inherent problems of the Atlantic alliance. Discusses how the changed military balance and domestic social factors influence the alliance; also covers thoroughly its history and development.

Institutions and Policies of the European Community. Edited by Juliet Lodge. St. Martin's Press, New York, 1983. 264 pp. \$32.50.

A collection of essays intended to serve as both an introduction to and critical analysis of the European Community. Topics covered include the Community's institutional composition

and decision-making mechanisms, its major internal policies, and its role in the international system.

Prospects for Adjustment in Argentina, Brazil, and Mexico: Responding to the Debt Crisis. Edited by John Williamson. Institute for International Economics, Washington, D.C., 1983. Available from MIT Press, Cambridge, MA, 63 pp. \$6.00.

Papers concerning the international debt and the stabilization efforts of the three largest borrowing countries: Argentina, Brazil, and Mexico. Includes the role of the International Monetary Fund and currency exchange problems.

Public Service Unions and the European Community. Edited by Emil J. Kirchner. Gower Publishing Co., Brookfield, VT, 1983. 156 pp. \$35.00.

Comparative study of the activities of public-service unions in the countries of the European Community, with an emphasis on the reaction of civil servants to the workings of the E.C. in relation to their unions. Evaluates to what degree national civil servants are affected by E.C. legislation, and what impact membership in the E.C. has on structural and operative characteristics of each union.

Acid Rain in Europe and North America. By Gregory S. Wetstone and Armin Rosencranz. Environmental Law Institute, Washington, D.C., 1983. 244 pp. \$14.00.

An interdisciplinary study of acid rain pollution as an international problem. Surveys policies pertinent to production and control of acid pollution in six European countries and in North America. Analyzes both actual and potential avenues in the international legal and organizational systems that will promote cooperative efforts to resolve the problem of acid rain pollution.

Common Crisis North South: Cooperation for World Recovery. By the Brandt Commission. The MIT Press, Cambridge, MA, 1983. 174 pp. \$4.95.

Describes the different elements of crisis facing the world today in trade, energy, and food, calling for emergency measures to halt worsening of these conditions. Specifics covered are balance of payments, interest and exchange rates, arms spending, food aid, energy research, and enlargement of the International Monetary Fund.

The Competitive Status of the U.S. Auto Industry. Committee on Technology and International Economic and Trade Issues, National Academy of Engineering. National Academy Press, Washington, D.C., 1982. 203 pp. \$13.95.

One of six industry-specific studies conducted by the committee to identify global shifts of industrial technological capacity and related competitive advantages. Gives brief history and as-

essment of the U.S. auto industry, analyzes trade flows and industry structure, the role of government regulation and public demands, the workforce, and strategies for the future.

European Marketing Data and Statistics, 1983. Euromonitor Publications Ltd., London, 1983. 368 pp. \$190.00.

Latest annual update of detailed information on social, economic, and consumer trends in Europe. Covers 30 countries in Eastern and Western Europe, with tables on production, trade, consumption, market sizes, and retailing. Includes maps, index.

Social Democratic Parties in Europe. By Anton Pelinka. Praeger Publishers, New York, 1983. 190 pp. \$26.95.

Overview of the ideology and evolution of social democracy in Europe, beginning with its concept and origins, indicating important turning points in its development, and reviewing structure, electorate, and membership, as well as its place within the political systems of Europe today.

A Political History of Postwar Italy: From the Old to the New-Center Left. By Norman Kogan. Praeger Publishers, New York, 1983. 177 pp. \$23.95.

Updating an earlier edition, follows events in Italy from 1965 to the present, including the continuation of postwar economic recovery, the activities of the Socialist and Communist parties, trade union developments, and the changes in Government.

Space in the 1980s and Beyond: 17th European Space Symposium. Edited by Peter Bainum. American Astronautical Society, San Diego, CA, 1981. 92 pp. Cloth \$40.00, paper \$30.00.

Based on papers presented at a London conference on European space activities. Topics were a long-term space program, space communications and transportation, new technology, and lunar and planetary exploration.

Higher Education and Manpower Planning: A Comparative Study of Planned and Market Economies. By O. Fulton, et al. International Labor Office, Washington, D.C., 1982, 127 pp. \$11.40.

Study based on the links between education, the labor market, and employment policy. Appraises the usefulness and limitations of manpower planning in general, especially in relation to educational planning, and discusses various approaches and techniques of application in seven East and West European countries.

Economic Diplomacy between the European Community and Japan 1959-1981. By Albrecht Rothacher. Gower Publishing Co., U.K. 1983. Available from Gower, Brookfield, VT. 377 pp. \$41.00.

Describes corresponding changes in trade policies in Japan and Europe; analyzes bilateral negotiations and the

political structure in which foreign-policy decisions are made. Traces developments in relations through chronological stages beginning in the mid 1950s and ending in 1981. Tables, diagrams included.

Commercial Technology Transfer from Eastern Europe to the United States and Western Europe. By John W. Kiser III. Kiser Research, 2029 Waterside Drive N.W., Washington, D.C. 20009, 1980. 115 pp. \$60.00.

Examines the dimensions of commercial technology transfer from Czechoslovakia, Hungary, the German Democratic Republic, and Poland to the United States and several West European countries. Describes specific transfer case histories in various technologies and problems in selling technology. Also looks at intra-Comecon cooperation.

Multinationals and Political Control. By John Robinson. St. Martin's Press, New York, NY, 1983. 536 pp. \$40.00.

Looks at the governmental control over multinational corporations and outlines the development of international arrangements designed to regulate multinational activity. Considers organizations such as the E.C., the Organization for Economic Cooperation and Development, and the United

Nations and the policies of each toward multinationals.

The Lomé Conventions and their Implications for the United States. By Joanna Moss. Westview Press, Boulder, CO, 1983. 218 pp. \$19.50.

Reviews Lomé provisions which guide trade and economic relations between the E.C. and 63 African, Caribbean, and Pacific (ACP) nations, and evaluates the results of the first Lomé agreement (1975-79). Also looks at the trade advantage the Lomé accords give the E.C. over the United States with ACP nations.

The West German Social Democrats, 1969-1982: Profile of a Party in Power. By Garard Braunthal. Westview Press, Boulder, CO, 1983. 334 pp. \$25.00.

A detailed examination of the Social Democratic Party (SPD) during its years in power; focuses on the effects of domestic social and economic forces on the party and on its organization, membership, leadership, and ideology.

Report on the Potential for Technology Transfer from the Soviet Union to the United States. 2nd edition. By John W. Kiser III, Kiser Research, 2029 Waterside Drive N.W., Washington, D.C. 20009, 1980. 79 pp. \$40.00.

Studies the potential for technology transfer from the Soviet Union to the United States, and the presumption that the Soviets have useful technology to offer. Tabulates total transfer to

date, and concludes there is room for growth in technology trade, albeit with difficulties. Reprinted together with sequel report, 1980.

Published for the Commission:

Solar Energy Applications to Dwellings. *Solar Energy R & D in the European Community: Series A, Vol 2. EUR 8046.* Edited by W. Palz and C. den Ouden. D. Reidel Publishing Co., Boston, 1982. 420 pp. \$54.50.

Proceedings of the E.C. contractors' meeting held in Meersburg, Federal Republic of Germany 14-16 June 1982.

Energy Conservation in Transport—New Engines and Flywheels. *EUR 8435.* Edited by H. Ehringer, G. Hoyaux, and P.A. Pilavachi. D. Reidel Publishing Co., Boston, 1983. 163 pp. \$28.00.

Proceedings of the contractors' meetings held in Brussels on 21 and 28 October 1982.

The Needs of New Technology-based Enterprises. *EUR 8437.* Luxembourg, S.A.R.L., Luxembourg, 1983. 314 pp. \$28.00.

Proceedings of the symposium held

by the Commission of the European Communities, Directorate-General "Information Market and Innovation," Luxembourg 17-19 November 1982.

Energy Conservation in Industry—Applications and Techniques. *EUR 8436.* Edited by H. Ehringer, G. Hoyaux, and P.A. Pilavachi. D. Reidel Publishing Co., Boston, 1983. 425 pp. \$52.00.

Proceedings of the contractors' meetings held in Brussels on May 10, June 17, and October 1, 7, and 22, 1982.

Photovoltaic Power for Europe: An Assessment Study. *Solar Energy R & D in the European Community, Series C, Vol. 2. EUR 8366.* By Michael Starr and W. Palz. D. Reidel Publishing Co., Boston, 1983. 198 pp. \$32.50.

Up-to-date assessment from experts and industry of photovoltaic power potential in Europe.

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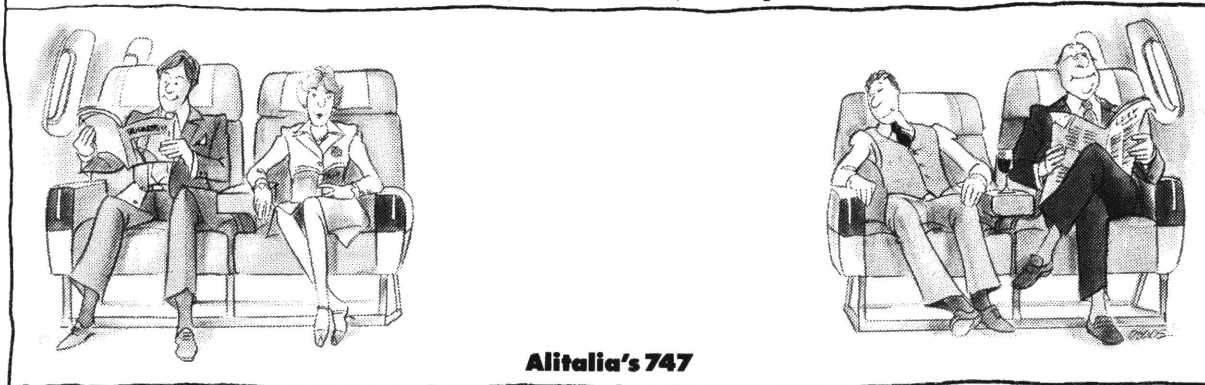
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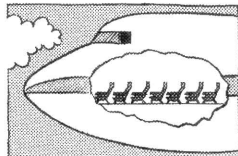
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