EUROPE

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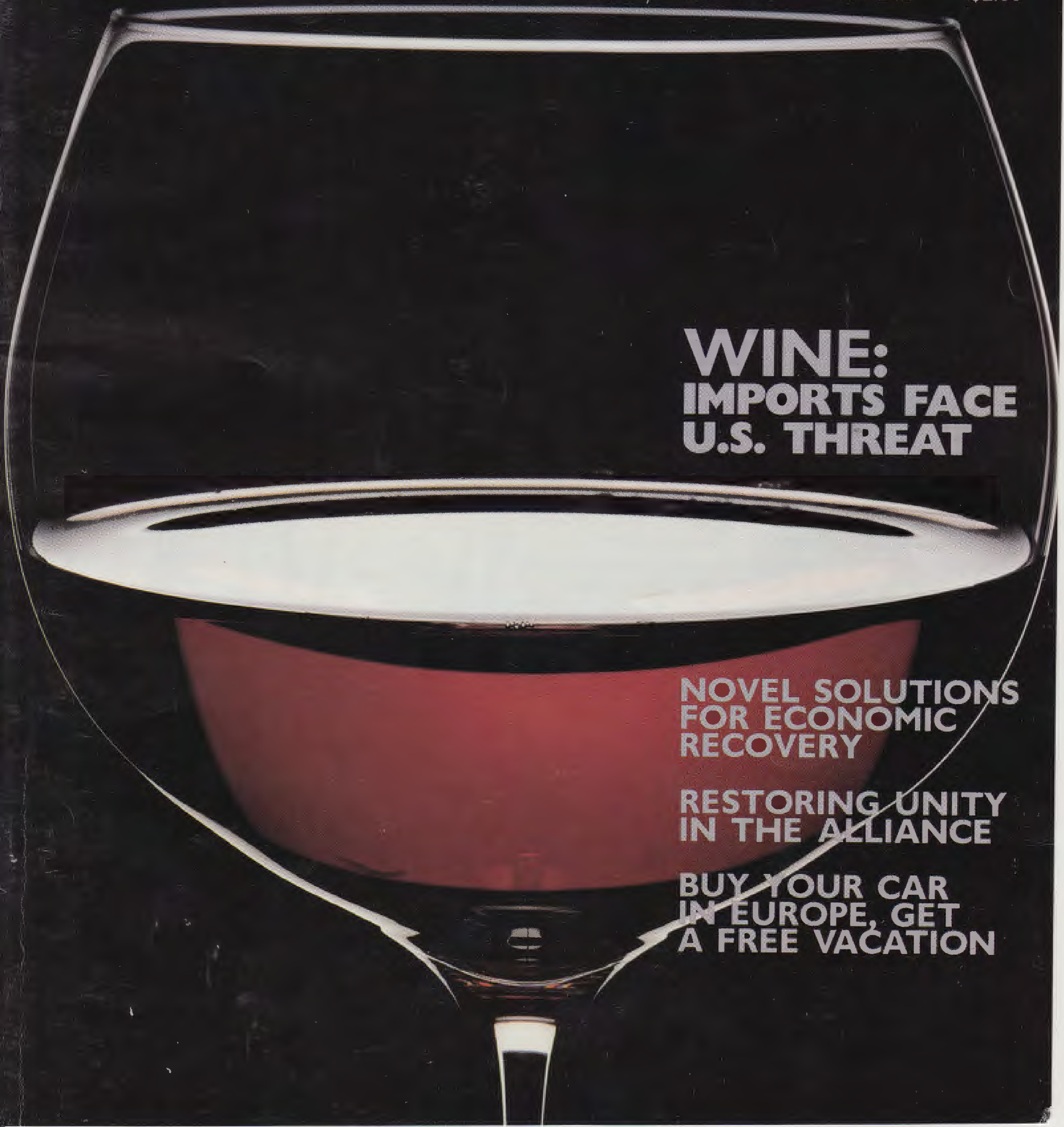

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MARCH/APRIL 1984 NUMBER 242

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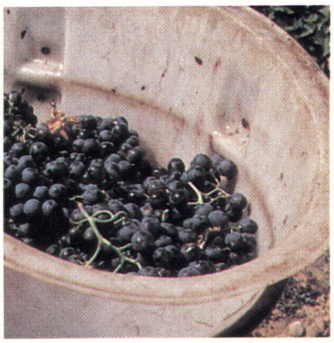

COVER: Wine, a drink of friendship, is the subject of some bitterness in U.S.-E.C. relations. Photograph by Clara Griffin.

Editor-in-Chief Webster Martin
Publisher Denis Corboy
General Manager Sarah Trott
Assistant Editor Susan Rielley
Contributing Editor Beth Eastman
Art Director Victoria Valentine
Publishing Directions

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The magazine is a forum for discussion, and therefore its contents do not necessarily reflect the views of European Community institutions or of the member states.

PUBLISHER'S LETTER

I believe there is a need and a place for a journal of opinion on U.S.-E.C. relations and European affairs. *Europe* endeavors to fill this need with a readable magazine that does its best to be objective. There is in every issue of *Europe* a little black box at the bottom of the table-of-contents page. Inside that box is a legend that reads: "The magazine is a forum for discussion, and therefore its contents do not necessarily reflect the views of European Community institutions or of the member states."

Some people may ask how it is possible for a Delegation of the E.C. Commission to publish a magazine that is a forum for discussion. The answer is that it is not an easy task. However, we hope you will agree that it is worth the effort.

Our cover story is on the wine dispute. Since it was written, the International Trade Commission (ITC) has determined that imports of ordinary table wine from France and Italy are not injuring the U.S. wine industry, thereby closing the case before the Administration. However, the Wine Equity Act still remains before Congress. Hopefully, the ITC decision constitutes more than a cease-fire.

In our guest column this month on the opposite page, George Ball, one of the architects of 20th-century American foreign policy, reflects on the present dangers to the Atlantic relationship. Ball, a U.S. Undersecretary of State under Presidents John F. Kennedy and Lyndon Johnson, says that "new ideas are required, new initiatives needed, and they must come from both sides."

While Ball outlines the dangers inherent in what is wrong with the present state of U.S.-European relations, John Starrels, in an article entitled "Strengthening a Vital Partnership," examines the things that relationship has going in its favor. Starrels concludes that while some U.S.-E.C. conflicts may be unavoidable in the present climate of critical economic adjustments, the United States and the E.C. still have a partnership which continues to serve their mutual long-term interests.

A more assertive Europe is vital on the military and defense fronts, too, according to Charles Maechling, a senior associate on the Carnegie Endowment for International Peace. In his article, Maechling says that Europe's citizens have begun to challenge the exclusion of the public from strategic planning and decision-making.

It is no secret that the E.C.'s economic recovery is lagging well behind the American one. But why? Stephen Marris, a British economist who served from 1975 to 1983 as economic adviser to the Secretary-General of the Organization for Economic Cooperation and Development, tackles that question in a timely article in this issue of *Europe* and offers some unconventional suggestions of his own for reversing that trend. Meanwhile, on other fronts *Europe* takes a look at the European Parliament as it prepares for its upcoming, second direct elections in June 1984 and examines new European initiatives for dealing with the increasingly serious environmental problem of acid rain.

Our member state report in this issue is on Belgium, a country known for its "frites," chocolates, and cultural diversity. Alan Osborn examines Belgium's linguistic divide, while Paul Cheeseright explains the problems facing Belgium's political leaders and takes us on a tour of Brussels.

Going on vacation in Europe? Mike Knepper, a former editor of *Car and Driver*, gives some tips on how you can save thousands of dollars when you buy a new car in Europe, and in his article about dance in Europe, David Vaughan reports that American modern dance is having a growing influence in European dance circles.

GUEST COLUMN/GEORGE W. BALL

NEW IDEAS, INITIATIVES NEEDED

I cannot write about the European Community or its predecessor institutions with anything approaching objectivity. I spent too many years working closely with Jean Monnet in the decades following the war to think of the Community in the limited commercial terms in which it is now considered.

Although the European Coal and Steel Community and the European Economic Community were designed specifically to harmonize and ultimately integrate a congeries of national economies, the driving motive of Monnet and his colleagues was primarily political. As we saw it in those days, Europe's two great civil wars had been caused by the rivalry of individual nation states, and, if Europeans continued to think in national—and increasingly in nationalistic—terms, one could not rule out another cycle of conflict. In addition, the threatening Cold War created a new imperative for European states to get together.

I believed all this deeply at the time—and I still do. But a further consideration seemed to me, as an American, of even greater importance. With the rapid disintegration of the great colonial systems, the individual European states that had long ruled the world were reduced in power and resources and increasingly restricted in their world interests. Yet Europe's contribution was indispensable to assure a peaceful world—or as much peace as possible.

The democratic peoples needed the wisdom, maturity of judgment, and resources with which old Europe was richly endowed. Yet that benefit would be unavailable so long as each moderate-sized European nation state pursued its own increasingly parochial interests, for none by itself could meet the requirements of scope and scale created by the emergence of two massive powers organized on a continent-wide basis. Thus, so long as Europe remained fragmented, its voice would lack authority and its will could not be expressed effectively in the solution of world problems. Europe's influence would thus be restricted, to a large extent, to regional affairs.

That seemed tragic to me. I did not want my own country left to play a lonely role of world leadership; no single polity was adequate to that task—and events since then have more than once validated my concerns. Had Europe maintained a more active involvement in the affairs of Asia, America might have avoided its long, irrelevant, costly embroilment in Vietnam. Were the United States today not insisting—with only muted objections from Europe—on going it alone in the tangled politics of the Middle East, the interests of the West could be better served by a diplomacy more experienced and less distorted by America's domestic politics.

Europe, organized on a modern scale, could provide a mature wisdom to counter and balance America's overly exuberant policies; just as an America, collaborating though still competing with Europe, might provide a spur to greater action and a corrective to some ill-advised European activities.

To be sure Europe and America would not see all problems and situations in precisely the same way, but the interplay of divergent views might produce a more balanced result; while in view of the common history and common values shared by our two countries, no fundamental divergence was likely.

All this seems sadly remote today. Unquestionably the Community has transformed Europe to a remarkable degree; certainly that is the impression if one compares the European economy of today with the chaos of the inter-war period. Yet one cannot avoid the poignant thought of what might have been or the wishful thought of what might still be. Viewed from America, Europe's resurgent nationalism seems to have reduced the dialogue in Brussels to little more than a commercial squabble in which the perennially troublesome problem of agriculture plays a central role. Thus one cannot totally dismiss a deep concern that even the economic, commercial, and financial contribution of the Community may suffer a persistent wasting away unless the current generation of European leaders ceases to concentrate so narrowly on the marketplace and begins to think of a more spacious world environment needed to maintain the peace.

I write this not merely because I am concerned about Europe, but also because I am concerned about my own country, particularly with the demographic trends that are shifting American political power more and more toward California and the West Coast and thus farther and farther from the Atlantic, there are serious dangers of a gradual attrition of America's interest in Europe and a progressive failure of understanding and communications.

In the years after World War II, Americans watched with fascination while the Europeans did interesting things—not the least of which was a composing of ancient differences and the development of a modern institutional structure through which their efforts and energies could be reconciled and combined. But the protracted long season of doubt and introspection forced on America by the Vietnam War turned the public attention away from Europe to a degree not yet rectified by subsequent events—and during that process the bright hopes for the Community have drastically dimmed.

Today Americans are still excessively occupied with their own affairs. When they do focus their gaze beyond their national boundaries, they are bemused by new aberrations such as Lebanon and Grenada that seem to bear little relevance to America's interests. All they hear from the White House is a doctrinal tirade against the Soviet Union as the source of all evil; all they hear from Europe are the disputatious noises from recent summit conferences that tend to revive the old revulsion against a continent of quarreling states.

In such a climate the danger is not of a revival of American isolationism—that is, I think, dead forever—but rather the emergence of a new American unilateralism that has been increasingly manifesting itself in recent years. The present trends will not be halted merely by an inaction or the effort to maintain the status quo. New ideas are required, new initiatives needed, and they must come from both sides of the Atlantic. €

George W. Ball, former U.S. Undersecretary of State, was closely involved with the early development of the European Community.

AROUND THE CAPITALS

BONN

CDU to Get Presidency

Although the Federal Republic of Germany's Chancellor, Helmut Kohl, has plenty of other trouble, his cup will runneth over on May 23 when the federal assembly elects his own man to be President of the Republic for the next five years. Election of 63-year-old Richard von Weizsaecker to the presidency will crown Kohl's leadership of the Christian Democratic Union to a position as the Republic's largest governing party at all levels.

The Christian Democrats then will head the federal state, the federal Government, seven of the 11 federated state governments, and a majority of the city administrations including those of Frankfurt and Berlin, long thought to be traditionally and forever "red." Kohl is convinced that the Christian Democratic Union, and its Bavarian sister party, the Christian Social Union, are together naturally the Republic's largest party, representing the bourgeois center that always has participated in or led German Governments except during the Nazi period.

Because the Christian Democrats emerged from all but one election since the Republic was founded in 1949 as its largest party, Kohl and his fellows felt that they were unjustly kept out of Government during the years of Social Democratic-Liberal rule from 1969 to 1982.

As an example of Christian Democratic frustration, the party was able five years ago to elect its own parliamentary captain, Karl Carstens, to the Presidency, but unable to form a federal Government. This was because the President is chosen by the federal assembly, which meets for no other purpose, and is made up of the popularly-elected Bundestag, the lower house of the federal parliament, and an equal number of delegates from the 11 state legislatures, chosen to reflect the party balances in those bodies.

This time, there is no doubt about the balance. The Christian Democrats will send 525 delegates to the federal assembly, compared to 422 Social Democrats, about 45 Liberals and about 37 delegates from the environmentalist Green Party. Indeed, the Social Democrats are not even bothering to offer their own candidate, although some observers claim this is because they believe that if von Weizsaecker leaves Berlin, the Christian Democratic Party there will fall apart, permitting the Social Democrats to recapture the city hall where Willy Brandt made his name.

Actually, both of the major political parties have been trying to make one or another Weizsaecker President of the Republic for years. Many Germans used to hold that the head of state ought not to be a man sullied by politics, but a scientist or professor. Richard von Weizsaecker's older brother, the physicist Carl Friedrich von Weizsaecker, fit that frame well, and because he has so often been critical of governmental policies regarding nuclear weapons, he was more than acceptable to the Social Democrats. But except for one brief moment of weakness, Carl Friedrich refused to consider letting his name be put in nomination.

courtesy German Information Center

Richard von Weizsaecker.

That left Richard, who has always moved with the left wing of the Christian Democratic Union, emphasizing the "C" in the party's title by being a lay leader of the Protestant church organization. In earlier years, Richard von Weizsaecker found himself out of step with the rest of his party on some issues, but he was always respected for his independence. In any event, all was forgiven when he went to Berlin and grabbed power there away from the Social Democrats, a task once compared in difficulty to Hercules' cleaning of the Augean stables. Kohl hand-picked him for the Presidency.—WELLINGTON LONG

ATHENS

It's a Dog's Life

When Odysseus came home to Ithaca after a 20-year absence, an aged hunting dog was the first to greet the ragged traveler as his master. But in modern Greece, the relationship between Greeks and dogs leaves much to be desired. In an effort to convince people that dogs are truly man's best friend, the Government has come up with new decrees, designed, in the words of the Agriculture Ministry, "to promote a spirit of love for animals."

The new rules may prove hard to implement. In the countryside, Greeks traditionally adopt a harshly utilitarian attitude to their animals. In Athens, many suburban districts are presently plagued by packs of stray dogs that snap threateningly at the heels of joggers and terrify mothers with young children. In future, anyone who abandons a pet dog will be liable to up to six months in jail, plus a fine, under

the new decree. Following the French system recommended by the European Community, dogs will be registered by their owners by means of a tattoo to be recorded on a computerized central list. Strays found without an identifying tattoo will be put down.

Plans for a central dog pound for the Attica region surrounding Athens have existed on paper for over one year. But local mayors approached for a site have raised objections to housing hundreds of lean and hungry strays in their constituencies. In the meantime, estimates for the city's strays, which roam from the slopes of Mount Hymettus as far as central Constitution Square late at night, range from 15,000 to 50,000 animals.

The complaints vary from protests by suburban residents kept awake at night by barking dogs to civil aviation officials' fears that packs of dogs breeding in wasteground surrounding Athens airport runways could become a safety risk. In the past, attempts to control the city's unofficial dog population ranged from laying out poisoned bait to a government bounty offered for putting down strays.

Current legislation, which rules that only sick animals can be destroyed under normal circumstances, is blamed for contributing to the stray dog problem. Animal welfare societies here say they put down only 3,000 injured or diseased dogs every year. But dogs with owners also lead a difficult life in Athens, living in apartment blocks and competing with children for the smallest amount of green space available in a European capital. They are banned from most parks except during siesta hours.

Veterinarians say the Greek lack of affection for canines may stem from a still-lively fear of echinococcosis, a parasite in sheep which can be spread by dogs and can prove fatal in humans. Although few cases are reported these days, Greek children are generally encouraged to view dogs with suspicion.—KERIN HOPE

The Brill bookshop in London.

AMSTERDAM

Publishers To The World

The high quality of Holland's graphic arts industry is a long-standing tradition. It is one of the reasons three leading American publications print parts of their European editions in the Netherlands. The International Herald Tribune, the Wall Street Journal/Europe, and Time magazine all have press runs in the country.

Little known generally, but famous worldwide in scholarly circles, is the Brill Company in Leiden, Holland's oldest university town. Founded in 1683, it continues to provide its scholarly audience with publications in some 50 languages, including Mandarin Chinese, hieroglyphics, and the wedge-shaped cuneiform of Babylonia, as well as Japanese and Arabic.

In keeping with the 17th-century Dutch practice of combining all aspects of the publishing industry, Brill still prints most of what it sells in a modern plant where it casts some of its own type faces—including a 16,000-character Mandarin Chinese alphabet. But even Brill's specialist printing operations have had to adapt to the huge changes in technology. Hand setting of type has disappeared, except for composition in Chinese and Japanese. All other scripts, from Greek to Russian, Arabic, and Hebrew are set phototypographically with a computer.

Brill publishes two journals for Bible scholarship: *Novum Testamentum* and *Vetus Testamentum*. Brill's journals and monographs now cover most aspects of ancient religion, but the most interesting growth has been in works on Judaism. After World War II, there was renewed interest on the Continent for scholarly information about the Jewish past which led Brill to become a leading publisher of Judaic studies.

Brill publishes facsimiles and commentaries on ancient writings in Oriental, Middle Eastern, and classical languages, as well as studies in the history of religion, biology, and paleontology. Brill is also publishing an Old Syrian version in 20 volumes of the Old Testament. The firm has published works in estrangela, a letter type used during the early centuries of the Christian era in what are now Turkey, Iraq, and Iran.

Brill has been inspired throughout the centuries by an early association with scholars at Leiden University, known for its study of ancient Semitic and Oriental literature. Three and a half centuries of colonization of the multilingual Indonesian archipelago also led Brill to print in the Javanese, Madurese, Batak, and Sundanese alphabets.

Brill's latest project is a new 10-volume edition in French and English of the encyclopedia of Islam, begun 20 years ago and scheduled for completion by the year 2000. Brill is also engaged on a 10-volume dictionary of medieval Latin, of which the second volume is out.

The firm has some 90 employees in Leiden, and 20 more in subsidiaries in Krefeld, the Federal Republic of Germany, and in London. Brill also plans to set up a subsidiary in Lahore, Pakistan, and possibly in the United States. The firm operates on an international scale, working together with scholars, institutions, and publishing houses all over the world.

The man in the street in the Netherlands probably has never heard of Brill, but the firm is well known around the world. "You will not find our publications in Dutch bookstores," says the firm's director, Willem Backhuys, "but you will in Ulan Bator, Mongolia. We now sell our books in Papua, New Guinea, on the Falkland Islands, and in Chile. Even in the Fiji Islands, they know us."—NEL SLIS

COPENHAGEN

Compromise Is The Watchword

Compromise will be the keyword in Danish politics in the coming year. The election at the beginning of January turned out to be a non-event. Some even consider the position of the Government to be weaker than before, because it has played its trump card—calling an election—without winning the game.

But it was close. A margin of only 57 votes separated the Danish Prime Minister, Poul Schlüter, from an absolute majority. Strong advances for the Conservative Party were cancelled out by losses by the smaller parties in the minority coalition Government, and only a few seats were transferred from left to right.

The opposition Social Democrats surprised themselves and everybody else by losing only two seats, remaining by far the largest party. Some political observers believe that the Danes once and for all have decided that they will not tolerate strong government based on a parliamentary majority.

The Danish parliament in session at the Christianborg Palace.

That may be going too far, but it is certainly difficult to imagine an incumbent Government with a more favorable situation than the one which led to the election. The economy had been turned around and the opposition seemed to lack a coherent policy. But the opposition closed ranks during the campaign and demonstrated the strength of the trade unions as a durable power base.

Among the newly-elected members of Parliament was an old hand, Mogens Glistrup, founder of the anti-tax Progressive Party. His party was decimated at the election, though he personally won a seat after a campaign which was handicapped by the fact that he was confined to a prison cell for most of the time, serving a sentence of several years for tax fraud.

One of the first decisions of the new parliament was to withdraw his parliamentary immunity, sending him back to prison. Compromise may still provide the stability that many have considered to be sadly lacking in Danish politics for the past 10 years, with a near-record of general elections in Europe.

The Liberal-Conservative Government is under strong pressure to reach far-ranging agreement with the Social Democrats on economic policies and one of the greatest challenges will be to keep inflation down. Danes are just getting used to a low-inflation society, though price rises of 5-6 percent would be considered high by many Americans. Collective pay negotiations start in the autumn, and they may decide that issue.—LEIF BECK FALLESEN

LUXEMBOURG

An Institution Steps Down

Anybody who likes Luxembourg will regret the decision of Pierre Werner, the Prime Minister and leader of the Christian Social Party, to retire from politics after the general election here in June. A shrewd but kindly man, Werner has headed the Government of his country for nearly 20 years and he has served in high office for many more.

Unlike his compatriot E.C. Commission President Gaston Thorn, Werner never pursued a great international career. Nevertheless, there are many people in European circles who would say that his intellectual contributions to the debate on world monetary reform have been among the most valuable of all.

The Christian Socialists certainly will need his support as they prepare for the June elections. Werner's surprise decision to retire—at the relatively early age of 70—has stunned the party and given encouragement to its opponents. "To fight the Government on its record would be one thing; to fight Pierre Werner is another," said a Socialist Party member recently.

Rightly or wrongly there is a general feeling that the broad paternal hand of Werner has managed, in recent years, to sweep all the crumbs of Luxembourg's discontent under a carpet of overall satisfaction. It's true that unemployment has risen, real wages are dropping, the steel industry is in crisis, and the country's hold on the E.C. institutions is weakening day by day. But Werner remains "the father of his country" and the image has shielded his Government from charges that might well have scuttled less ably-led Administrations.

To replace Werner, the CSV —or Christian Socialists, but forget the "Socialist" tag, they are effectively Christian Democrats—have picked Jacques Santer, the present Finance Minister, as leader. All his technical abilities seem to be needed if he is to lead his party to victory against the assault of the liberals, the present coalition partners, under the formidable Colette Flesch, and the Socialists, who have seized on the crisis in the steel industry as the potential undoing of the Government.

To talk of Luxembourg politics and the election at the moment is however, to talk of Astrid Lulling, the mayor of the southern town of Schifflange. She is one of the true eccentrics of public life in Luxembourg. Originally a Socialist, she broke away in 1971 to form a Social Democratic movement which lasted about 10 years. She has galvanized debate in the past few weeks by deciding to join the CSV party, thus completing a total left-right switch.

The faintly comic element in all this is that neither the Socialists nor the CSV knows whether to rejoice or to mourn because Lulling is facing a charge of fraud involving transactions between a Luxembourg construction company and her own commune. The accusation is that she personally benefited from handouts from the firm and indeed influenced its decisions in her favor.

The Socialists believe that Lulling's supposed culpability (she was stripped of parliamentary immunity in 1982 to face charges) is a serious electoral liability. The CSV, while welcoming her to its ranks, has prudently assigned her a role far away from her traditional southern stamping ground. The CSV seems to be gambling that her strong political personality will outweigh the fraud charges. But all this

Luxembourg's Prime Minister Pierre Werner.

could be undone if, as is quite possible, civil-service officials decide to hold a trial for corruption before the election.

A switch of Government in Luxembourg will not spell major changes—not even, one might hazard, for the Luxembourgers themselves. The economic and political options to such a small country are not numerous. But a new leader of Luxembourg is, perforce, a new voice in the E.C. and this election is important.—ALAN OSBORN

DUBLIN

Reagan Plans June Visit

The starry-eyed Ireland that followed every move of visiting President John Fitzgerald Kennedy on its brand-new television service in 1963 may extend a cooler welcome to Ronald Reagan when he comes in June. The Irish loved Kennedy's style, his freshness, and what passed for his radicalism. Reagan, in contrast, seems dangerously conservative. Successive Irish Governments have condemned his Central American policy. And Ireland, like the rest of Europe, is made distinctly uneasy by the masked deterioration of U.S.-Soviet relations over the last four years.

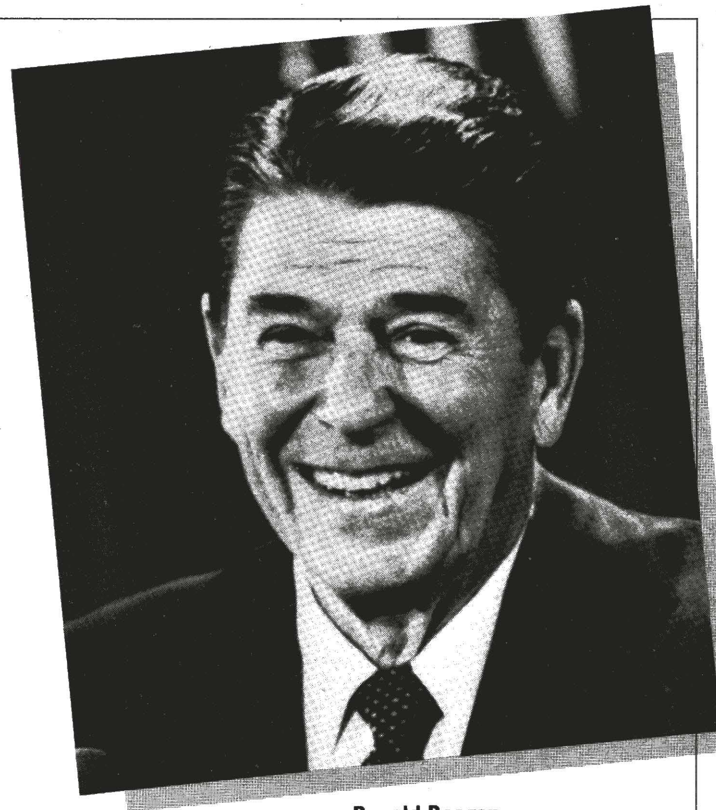
Ireland is also a more skeptical place than it was 20 years ago and, since joining the E.C., Europe has replaced the United States as Ireland's cultural and political big brother. But the Irish still need U.S. dollars, as much as in the days when the money sent home by the Irish in America accounted for a substantial part of its foreign earnings. With a rising unemployment rate and a growing population, Ireland desperately needs foreign investment to create jobs and the United States has so far proved the most fruitful source.

While E.C. membership has benefited the Irish farmer and narrowed substantially the gap between rural and urban worker, farm modernization has meant a reduction of jobs on the land. The Irish unemployment rate has trebled since Ireland joined the E.C. in 1972 and will reach 17.6 percent this year, according to the E.C. Ireland has the fastest growing population in the European Community, and that population growth accounts for 18,000 entrants to the labor force each year. Unemployment has reached crisis proportions, particularly for the under-25s, and successive Irish Governments have been afraid of the social and political consequences of a restless and alienated young generation.

The present recession has brought a series of factory closures. The most recent was the pride of industrial Cork—the Ford assembly plant, Henry Ford's first factory in Europe, closed in January.

The urgent need to fill that gap will be uppermost in the mind of Irish Prime Minister Garret FitzGerald, when he meets with leading U.S. industrialists on his St. Patrick's Day visit to America this month. During the last visit by an Irish Prime Minister, Charles Haughey, in March 1982, the Irish asked Reagan to back the Irish Industrial Development Authority's investment plan, and he did so publicly, an undoubted boost to the drive to attract U.S. investment. He may be asked to repeat that encouragement in March and June.

Ireland is seen by some U.S. industrialists as a convenient entry to E.C. markets and offers very favorable tax concessions to foreign-based industries exporting from Ireland. U.S. investment already accounts for a substantial section of Irish manufacturing industry. There are about 300 U.S. companies in Ireland employing 36,800 people—that's nearly half the employment created by overseas investors. Over the last few years the number of jobs in American companies increased, even though jobs were falling elsewhere. While there are some chemical and pharmaceutical companies, U.S. plants in Ireland are mainly involved in information technology, electronics, and computers.



Ronald Reagan

While the encouragement of industrial investment will be Ireland's main business during the exchange of visits by Reagan and FitzGerald this year, the Irish will have other matters to raise. Northern Ireland will be high on agenda, but so will the interests of the European Community—Ireland's turn to act as President of the 10-member Community comes in July.

The Irish know it is futile to expect President Reagan to step on British corns over Ireland, and indeed know it could be counter-productive. What they would be happy with is a repetition of his encouragement for British and Irish efforts to bring about peace and justice in the North. That, at least, makes it difficult for the British to drop political progress in Northern Ireland from their agenda.

President Reagan has never repeated former President Jimmy Carter's commitment of direct American financial aid for any constitutional settlement of the Northern Ireland problem. What he has overseen, however, is some diminution in the support of the Provisional IRA campaign of violence among Irish-Americans. Noraid, the Irish-American fund-raising body, has been issued a court order to declare itself as supplying funds to the Provisional IRA and has had to choose between winding up its business or facing the sequestration of all its assets and the jailing of its leaders.

While there is a feeling in Ireland that an election year has concentrated Reagan's mind on his Irish roots, Irish Government officials are making the point that the President already has a substantial slice of the Irish vote—simply because he has courted the Catholic vote in the United States. Irish-Americans, as a rule, are politically more to the right than their countrymen at home.

Those who have met him insist that the President, in his advancing years, has a genuine curiosity about his roots (very recently traced to the small village of Ballyporeen in County Tipperary). He has now developed an insatiable appetite for Irish stories and jokes, and for information about Ballyporeen. Maybe, now that they've laid claim to a President, it's not such a long way to Tipperary any more.—OLIVIA O'LEARY

© Hervé Liger

The Bercy sports arena.

PARIS

Sports Palace Opens to Raves

The latest architectural wonder to alter the skyline of Paris is dedicated to the belief that the "City of Light" can put itself on the international sports map. The ultra-modernistic Paris-Bercy omnisports palace, known simply as "Bercy," has opened to critical acclaims that have dubbed the indoor recreational complex "a sports cathedral" and "Notre Dame de Bercy."

Long a leader in the finer arts of food and fashion, Paris now hopes to muscle into the sweatier arena of big-time sports. That hopes rests with the 800-million-franc (about $100 million) Bercy complex, the costliest public construction project in the city's history. Paris Mayor Jacques Chirac, the mastermind of the project, inaugurated Bercy in February by firing a single shot that opened the Paris six-day cycling race. The race was making its first appearance in Paris in a quarter of a century. It had not been held since 1959 when the old Vélodrome d'Hiver was razed, leaving Paris without a versatile indoor sports center.

Bercy, which can seat as many as 17,000 fans, is Paris' answer to New York's Madison Square Garden. And if strong rumors floating through the tennis world prove to be correct, one of Bercy's first major coups could be to capture the site of the 1985 Grand Prix Masters Tennis Tournament from Madison Square Garden. City officials also hope the pyramid-shaped building will be the home of the 1986 world indoor championships for volleyball and field and track, the first world indoor soccer championship in 1987, and the 1992 Olympic games.

Before then, Bercy's program this year includes a European middleweight title boxing match, an international gymnastics meet, the European equestrian jumping finals, and the European qualifying round for the Olympic basketball tournament. Bercy also is equipped for entertainment. Verdi's opera "Aida" will be performed in the spring, Stevie Wonder will sing in the arena in June, and ceremonies marking the 40th anniversary of D-Day will conclude at Bercy in July.

Bercy's architecture is as spectacular as its price tag. The most unusual visual aspect of the 100-feet high building is its "living" walls. Green grass grows on the eight outer walls that slope at 45-degree angles. French architects Michel Andrault and Pierre Parat accomplished the feat by building concrete steps into the eight walls and surfacing it with 196,000 cubic feet of earth secured by wire.

Constructed of glass, concrete, steel, and brick, Bercy's main arena covers 516,000 square feet. It has convertible floor arrangements for 24 types of sports. Seating capabilities range from 3,500 for concerts, 8,000 for cycling, 14,000 for hockey, and 17,000 for boxing.

Plans for Bercy began in 1978, shortly after Chirac was elected Mayor and decided Paris needed a major arena. Construction began in late 1980 on the grounds of a former wine warehouse on the banks of the Seine River. The complex is located in the eastern part of the city in a working class neighborhood of the 12th Arrondissement (district). It took 1,200 workers a little more than three years to complete Bercy and its final cost was four times higher than projected.

Bercy's opening coincides with a growing popularity for spectator sports in France, fueled in part by the successes of tennis ace Yannick Noah, soccer star Michel Platini, and cycling great Bernard Hinault. Still, there have been concerns raised over whether Bercy can cover its construction and maintenance costs through the 200 events it plans to hold each year. But among monied fans, there already seems to be no lack of support. Rental's for the arena's 15-seat loges already have been snapped up at $6,500 each for the year.
—Carolyn Lesh

ROME

Racing for The Presidency

Italian politicians are arguably the busiest in the world. They work far into the night seven days a week and, since there is usually a political crisis in the traditional holiday month of August, they work 12 months a year. They do so because the system of coalition Governments and splinter parties is so unstable that no one can relax for a minute.

The average life of a Government is eight months and, though ministers tend to stay in their posts for several Governments in succession, no one can be sure. So the politicians can never relax and everyone must occupy himself with everyone else's business. Thus you have a Minister of Defense making a speech about the economy or a Minister of Tourism issuing a statement on the Palestine Liberation Organization.

With the Government's life expectancy short, there is only limited appeal in being Prime Minister. But Italy does have one political job with a tenure of no less than seven years, with the possibility of a second term: the Presidency of the Republic. So valued is that job, to which the candidate is elected by Parliament, that the race for the Italian Presidency, which falls due in the middle of 1985, began in earnest several years ago and is now heating up.

courtesy Italian Embassy

87-year-old Italian President Sandro Pertini

The Presidency would not have such attraction were it not for its present incumbent, Sandro Pertini, who is by far the most popular person in Italy. He is 87, but has boundless energy, travels everywhere, and is very outspoken, articulating what the average Italian thinks and positively relishing controversy. The contrast between his utterings and the wordy platitudes of every other Italian politician is dramatic and does nothing to endear him to them. Because he has pushed the power of the Presidency up to, and beyond, its tight legal limits, he has made the position most alluring.

No less than eight leading Christian Democrats, including the Foreign Minister, Giulio Andreotti, are supposed to be in the race and it is even said that the present Prime Minister, the Socialist Bettino Craxi, is interested (Pertini is a Socialist too). But they all have one fear: President Pertini, who is almost as sprightly as he was when he took office, may be thinking of standing for a second term himself, something no predecessor has done. He has denied it, but there is nothing to stop him, not even the fact that he would be 96 by the time his second term ended, and he might be able to get enough members of Parliament to vote for him.

That possibility, if remote, only serves to heighten the controversy currently surrounding the head of state. The Christian Democrats criticized him for his forthright remarks in a New Year broadcast, particularly his remark: "I am with those people who are marching for peace." The left applauded, perhaps forgetting that they would hardly have liked the same outspokenness from a right-wing President.

The affair then took a bizarre turn. From seemingly nowhere there emerged the idea of proposing Pertini for the Nobel Peace Prize. It was endorsed mainly by Socialist Party members and thousands of people used specially arranged telephone lines to record their approval of the idea. Then it was discovered that the austere Norwegian jury which awards the Nobel Peace Prize almost automatically excludes any candidate for whom there has been a public campaign. Suddenly no more was heard of the idea. The race for the Presidency has gone underground again, but anyone embarking on the perilous task of interpreting Italian politics in the next year and a half should bear in mind that the real question is not who forms the next Government, but who moves into the Quirinal Palace next year. —JAMES BUXTON

LONDON

Conference Hall Stirs Debate

When the European Community's heads of Government next come to London for an E.C. summit, they will have special protection not found in any other conference center in Europe: a nuclear-bomb-proof shelter. That is one of the built-in security precautions in the new international conference center near Westminster Abbey and the Houses of Parliament which reached in January the "topping-out" stage—the moment when the highest brick is put in place.

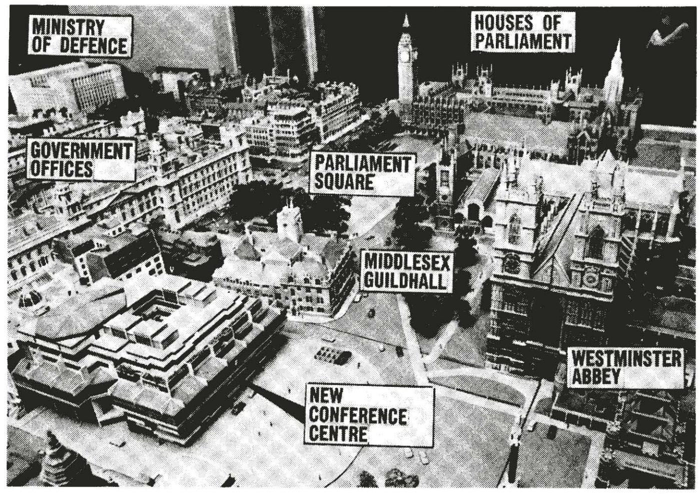
It is still about two years away from being completed, but one thing is certain: The burning controversy which surrounded the initial launching of the project will continue until the British, in the presidency of the E.C. Council of Ministers, welcome their partners to the summit in London in 1987. First, it was the design which caused a furor. Powell and Moya, an award-winning company renowned as one of Britain's most brilliant architects, was entrusted to produce plans for the first modern conference center capable of seating 1,000 delegates to be built in the capital for over 40 years.

The task was daunting since the building had to be of such a design as to fit into historic surroundings which incorporated the medieval style of Westminster Abbey, the neo-baroque features of Central Hall, Westminster, and the Flemish-Gothic facade of Middlesex Town Hall. How to be inventively stylish in face of that neighboring competition is something which will be judged in two years' time. But already argument has raged over the drawings. The center has been condemned by the Victorian Society as "aggressive" and as "totally inappropriate" to its surroundings.

An even more bitter fight erupted over the financing of the center. When the Environment Ministry first announced the project, it was to have been financed by private, not government, capital. An insurance company was to have funded the project and then charged rent to the government under a 125-year lease. But the Treasury stepped in to block that, arguing it would be a serious breach of public borrowing restraints and that the long-term cost of renting from an insurance company would be too big a burden compared with the initial cost to the British taxpayer. So the total cost of construction was thrust back on to the taxpayer who, naturally, found it difficult to understand how he would personally benefit from a conference center to be used by VIPs from other countries.

Next, the controversy switched to the actual cost of the project. At the outset it was estimated that the building would cost £34 million (about $48 million). In the past two years that figure has gone up to about $62 million—in large measure due to the cost of installing the nuclear-bomb-proof shelter and "telecommunications, security, and landscaping" which were not part of the original contract. Many experts, however, believe there will be angry challenges in Parliament to the Government in the next two years over a further escalation of costs which are estimated to reach a total variously estimated at between $98 million and $140 million.

The conference center also has been the subject of heated debate over its interior. With seven floors above ground level, the building has aroused bewilderment over the way the main floor is sited. It is not on the ground floor nor raised from it to mezzanine level from the entrance. Nor is it situated on the first or second floors.



The main floor is the showpiece of the third floor and is suspended from the roof. It projects above the floors beneath it and the four floors above it recede from it. All this has provoked angry comment from the traditionalists and added fuel to the general controversy.

However, for the people who have to write and broadcast about international summits in London, the new conference center cannot come into operation soon enough. Marlborough House, the royal mansion where Queen Mary—grandmother of the present Queen—died, has been closed down for repairs, thus ruling out the building as a conference center for Commonwealth heads of Government meetings. Lancaster House is being prepared for the Western economic summit in June, but there are many qualms about its suitability in terms of space and security. Only with the bomb shelter available in the new international conference center will heads of Government really feel safe at a summit in London.—JOHN DICKIE

WINE TRADE FACES THREAT FROM U.S.

E.C. REJECTS AMERICAN GROWERS' CLAIMS THAT FRENCH AND ITALIAN WINES ARE UNFAIRLY SUBSIDIZED.

Wine, a drink more commonly associated with bonhomie than bitterness, has become the focus of yet another trade dispute between the United States and the European Community. The central issues in the dispute are whether American grape growers and winemakers have been hurt on the U.S. market by unfair competition from French and Italian producers of ordinary table wines and whether the American wine industry is encountering barriers in its efforts to export wines, notably to the European Community. Specifically, the U.S. Department of Commerce is investigating complaints alleging that French and Italian ordinary table wines are being subsidized and sold in the United States at less than their fair market value. Separately, legislation pending before Congress in the wine trade area—the Wine Equity Act—could lead to restrictions on imports of foreign wines.

The dispute constitutes a potential threat to the E.C.'s largest agricultural export to the United States: In 1982, U.S. imports of all wines from the E.C. amounted to some $668 million, helping redress the E.C.'s agricultural deficit with the United States, which amounted that year to some $6.5 billion. The E.C. has challenged the validity of these complaints and fears that they reflect a move toward protectionism in the United States. Furthermore, the E.C. can't help but view these complaints against the background of a U.S.-E.C. relationship already under strain.

In January 1984, the American Grape Growers Alliance for Fair Trade called on the U.S. Government to impose additional duties on imports of ordinary table wines from France and Italy. The group claims that subsidies provided by the European Community and the governments of France and Italy give French and Italian ordinary table wines a substantial edge in the American marketplace.

The American wine growers allege, for instance, that E.C. programs (which apply only to ordinary table wine)—such as the distillation of wines into alcohol; storage aid; E.C. and national-government grants and loans to French and Italian wine producers for the purpose of uprooting vineyards; and programs for improving the production, processing, and marketing of ordinary table wines—all contribute to keeping the prices of these wines artificially low. Thus, the wine-growers group believes that these programs stimulate exports to the United States and cause a displacement of U.S. grapes and wines.

The alliance is also accusing French and Italian producers of selling ordinary table wines on the U.S. market at dumped prices, i.e. prices that do not represent the fair value of these products. The group claims that as a result of these policies, U.S. wineries are not reaping the benefits of increased wine consumption in the United States and are being forced to maintain low prices, leading to financial losses and a downward pressure on grape prices.

The numbers involved help illustrate why the wine trade issue has generated so much heat. In the last 35 years, there has been a spectacular expansion of viticulture and wine production throughout the world. In the United States, the origin of the wine industry dates back to the late 1700s, when the Franciscan fathers of the California missions began cultivating grapes to ensure a dependable supply of sacramental wine. Although dealt a temporary set back by Prohibition, California's wine production has since increased exponentially in both quantity and quality.

The United States is now the world's sixth largest wine-producing country, with California accounting for about 90 percent of U.S. wine production. According to the U.S. Department of Agriculture (USDA) the number of American wineries in the United States more than doubled in the last 10 years. The U.S. market and U.S. wine consumption per capita also doubled from 3 liters in 1950 to 7.6 liters in 1979. The success of California wineries attracted substantial investments from such marketing experts as Coca Cola and Seagrams, as well as European investment. In 1982, however, the growth rate began to show signs of slowing down. The domestic market for table wines expanded only by 2.6 percent compared with annual growth rates of between 7 percent and 15 percent in the previous years.

The European Community, for its part, accounts for over half the world's wine output. The E.C. wine industry is the world's oldest and richest in cultural significance. The industry is thought to employ about 800,000 full-time workers, about 10 percent of the E.C.'s agricultural work force. "To a Frenchman or an Italian, wine is not simply an agricultural product, it is part of his way of life," says Sir Roy Denman, Head of the E.C. Commission's Delegation to Washington.

The last decade has seen a new pattern of consumption develop in the Community. On the one hand, consumption declined in the two biggest producing countries, France and Italy. In France, per-capita consumption dropped from 107 liters in 1970 to 96 liters in 1980. In Italy, it fell from 111 liters in 1970 to 89 liters in 1980. On the other hand, stimulated by the creation of a common market for wine in 1970, consumption increased in the countries that were not traditional wine drinkers. In the United Kingdom, for instance, per-capita consumption rose from 5 liters in 1970 to 8 liters in 1980. In the Netherlands, it increased from 6 liters in 1970 to 11 liters in 1980. During that period, however, the average level of per-capita consumption in the Community as a whole decreased from 51 liters to 48 liters.

Faced with a trend toward a global decrease in consumption, the E.C., in the framework of its wine policy, devised programs to adjust supply and demand for wines in the short as well as the long term. Those tools used by the E.C. are the ones under attack by the Grape Growers Alliance for Fair Trade. In the E.C.'s view, however, these tools, far from lowering prices, have the opposite effect. Indeed, they are used to reduce the volume of production through the uprooting of vineyards producing low-quality wines, to improve the quality of wine, and to avoid the collapse of prices when crops are too large. In addition, wine produced in the E.C. does not bene-

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Although U.S. domestic wine consumption has continued to increase in the 1980s, most of the growth has been captured by French and Italian imports. Shown here is a grape harvest in France.

fit from any export subsidies to the United States. Moreover, similar programs exist in the United States.

The E.C.'s wine policy, first put into place in 1976, and expanded in 1980, is already yielding results: vine acreage has decreased by 8 percent and production of ordinary table wines is declining. Consequently, the E.C. is challenging the subsidy allegations made by the grape growers' group. The E.C. also points out that injury, if any, suffered by the U.S. grape and wine industries is not caused by imports of ordinary table wines from France and Italy; such injury finds its roots in an abundant 1982 grape crop, the concomitant onslaught of economic recession, and a price war among California largest wineries, led by the Gallo company.

The E.C. notes that Italian and French ordinary table wines have found a special niche in the U.S. market. Sales of white wine in particular—the segment of the market where most of the import growth is taking place—continue to increase and U.S. wineries are enjoying the benefits of this expanding market. The E.C. also notes that despite a dramatic depreciation of the French franc and the Italian lira vis-a-vis the dollar between 1980 and 1983 (40 percent for the franc and 34 percent for the lira), prices of French and Italian ordinary table wines have remained stable in dollar terms. And last, but not least, the E.C. is challenging the legal standing of the American Grape Growers Alliance and its member associations to file complaints with the U.S. government against imports of ordinary table wines from France and Italy.

U.S. wine producers have also been pressing Congress to adopt the Wine Equity Act. According to its sponsors, this bill is aimed at eliminating trade barriers to U.S. exports of wine. In the E.C. view, this bill more likely threatens the access of foreign wines to the U.S. market in the guise of seeking strict reciprocity on a product-by-product basis.

"The wine equity bill," Michael Hathaway, deputy general counsel in the Office of the Special Trade Representative, told a House subcommittee hearing last fall, "will not help to reduce foreign barriers to [U.S.] wine exports. To the contrary, it will probably result in the creation of new impediments to U.S. wine imports and create additional friction between the United States and its major trading partners." He further stated that the two most important problems of the U.S. wine industry were the recent economic recession and an increase in the value of the dollar since early 1981 vis-a-vis the currencies of the major wine producing nations. This legislation, which gained the support of more than half of the members of both houses of Congress, has lost much of its steam in the face of continued opposition from the Reagan Administration and important U.S. agricultural export interests.

The European Community has expressed its concern about these latest developments in the U.S. wine sector at a time when the U.S.-E.C. relationship is already under strain. The Community fears that such developments reflect a move toward protectionism in the United States and that any restrictions on imports of wine from the E.C. could lead to a dangerous increase in trade restriction, and a rapid erosion of the open multilateral trading system.

Ironically, the wine equity bill was introduced last summer, only weeks after the United States and the E.C. Commission agreed to reduce technical barriers to U.S.-E.C. wine trade with an exchange of letters in which each side pledged to adapt its winemaking regulations to accommodate winemaking practices used by the other. They also agreed in principle to hold technical discussions aimed at harmonizing U.S. and E.C. wine labeling requirements. As a result, USDA analysts predicted that U.S. wine exports to the E.C. would improve steadily.

The U.S.-E.C. talks on harmonization of wine regulations constitute an encouraging sign of the will to cooperate and should show the way for a healthy trading relationship, an approach from which both sides have considerably more to gain than from legal battles. Similarly, both the E.C. and the United States should benefit from a U.S. market in expansion, stimulated by the 1983 recovery, and this, not only to the benefit of grape growers and wine producers, but also of consumers. €

Staff writers contributed to this article.

STRENGTHENING A VITAL PARTNERSHIP

THERE IS A HUGE VOLUME OF TRANS-ATLANTIC TRADE WHICH IS *NOT* IN DISPUTE

JOHN STARRELS

There is a growing sense of political alarm in the United States today over the alleged deterioration of its vital trade partnership with the 10-nation European Community. No wonder. To begin with, the E.C. is the world's largest trading entity. And between the two of them, the E.C. and America account for one-third of the world's overall volume of exports and imports. Real and imagined conflict within the trans-Atlantic partnership thus has a direct and influential impact on America's most vital economic fortunes.

More to the point, however, the whopping $69-billion trade deficit run by the United States in 1983 was in some degree a reflection of its competitive decline in most regions of the world, including the European Community. For only the second time, the United States ran a deficit in its trade with the European Community last year of $1.6 billion. This is a dramatic reversal for the United States, which in 1980 ran a $16.4 billion surplus with the E.C.

These shifts in America's trade relationship with the E.C., however, would not appear to be so ominous if they were seen apart from the diplomatic arguments over agricultural and steel exports which have erupted between Washington and Brussels as of late. Unfortunately, those disagreements seem to dominate discussions of U.S.-European trade relations these days. Indeed, some people are even beginning to wonder whether these two partners are on the verge of an outright trade war. U.S. Trade Representative William Brock, for instance, has recently asserted that trans-Atlantic trade relations have reached their lowest point ever.

Luckily, however, there is a larger, more-hopeful, perspective within which to view U.S.-European trade today. Consider the December 9, 1983 statement of Secretary of State George Shultz who met with E.C. Commission President Gaston Thorn in Brussels to discuss those vital trade concerns: "It's too easily forgotten that the volume of two-way trade between the United States and Europe totals $90 billion. We must be doing something right." Shultz's statement could not have come at a more appropriate moment.

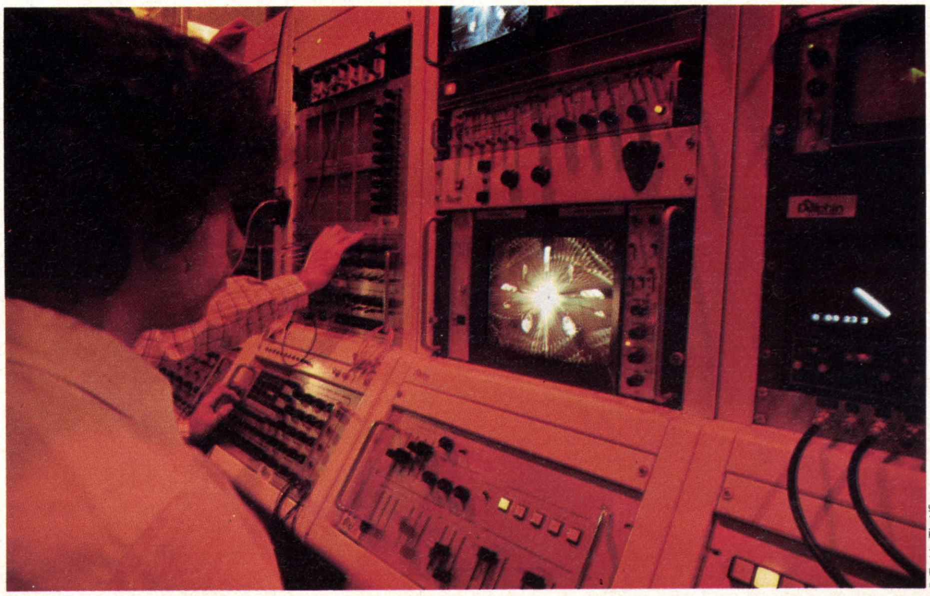
To be sure, America and the European Community have reached a crucial point in their successful trade partnership. Gone, for the moment at least, are the days of bright-eyed optimism, when Washington and Brussels took the lead in reforming the world's trade system under the auspices of the General Agreement on Tariffs and Trade (GATT). In the E.C. and the United States, domestic priorities are paramount, as each partner strives to modernize an industrial base in the face of sustained competition from Japan and a number of advanced developing countries—which have made significant inroads into the U.S. and European marketplaces.

Conflict between Europeans and Americans during this crucial adjustment period—of idle capacity and high unemployment—is probably unavoidable. But conflict need not become a cover for economic despair. Despite their formidable trade differences, America and Europe continue to preside over a vital trade partnership, one which continues to work in their mutual, long-term interest.

Their present disagreements notwithstanding, the United States and the European Community transact a huge volume of trans-Atlantic business. Indeed, the E.C.—not Canada or Japan—is America's most important trade partner today. In 1982, for instance, the United States exported nearly $50 billion worth of products to the Community, which comes to about 22 percent of the United States' total exports. The Europeans, meanwhile, sold the United States a whopping $44.4 billion worth of goods in return that year.

Moreover, with the important exception of large sales of U.S. agricultural goods to the Community (which, in passing, may come as a big surprise to some U.S. observers), the composition of those two-way sales suggests that each side sells complementary products to the other. The statistics (see box) on the top five U.S. exports to, and imports from, the E.C. in 1982 document this point. Note also should be made that the E.C. exported approximately $2.3 billion in agricultural goods to the United States in that year as well.

On both sides of the Atlantic, market prospects point to expanded trade between the Europeans and Americans. For the E.C., the major economic upturn in



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The E.C. spent $5.8 billion in 1982 for U.S. office and telecommunications equipment.

the U.S. market augers well for increased sales of motor vehicles, chemicals (including pharmaceuticals), steel, special-purpose machinery, aircraft and aligned parts, and agricultural goods. In fact, one beneficial contribution of the "strong" U.S. dollar for the E.C. is that its goods are considerably under-priced (and hence that much more competitive) when they enter the United States. Analysts maintain that the erosion of America's traditional trade surplus with the European Community is largely the result of an over-valued dollar.

Even with a strong dollar that increases the cost of U.S. exports, America's sales prospects in the Community are also bright. As the U.S. Department of Commerce magazine *Business America* recently explained: "The high quality and technical sophistication of many U.S. goods, coupled with an aggressive market strategy targeted to fit the needs of European importers, still make U.S. goods attractive and competitive in many E.C. markets." Overall, U.S. exports to the E.C. dropped by 8.5 percent for the first nine months of 1983 from the comparable period the previous year—running the gamut from a 17.5-percent decline in American exports to Denmark, 3.1 percent for France, and a marginal increase for U.S. exports to the Netherlands at 0.1 percent.

Analysts in Europe and America are moderately optimistic that the E.C.'s larger members will move out of their recession in 1984, pulling the smaller members along with them. If and when this occurs, the United States can expect to realize strong sales in such areas as business equipment (particularly electronic computers and parts), analytic and scientific instruments, aircraft and parts, electronic components, telecommunications equipment, auto components, consumer goods, and, of course, agricultural products.

TOP 5 U.S. EXPORTS TO THE E.C. (billions of dollars)	1982
1. Transport equipment and other machinery:	$8.8
2. Food and agricultural products:	$5.8
3. Office and telecommunications equipment:	$5.8
4. Chemicals:	$5.5
5. Machinery for specialized industries:	$3.9
TOP 5 U.S. IMPORTS FROM THE E.C. (billions of dollars)	
1. Fuels:	$6.8
2. Transport equipment and other machines:	$5.7
3. Motor vehicles:	$5.1
4. Chemicals:	$4.0
5. Machinery for specialized industries:	$4.6

Source: The General Agreement on Tariffs and Trade

Will these mutually beneficial trade prospects be realized? Uncertain business conditions, both regionally and worldwide, cloud those prospects. But the available evidence suggests that a global economic upturn is underway. In order for the trans-Atlantic trade partnership to flourish in the years ahead, however, two specific obstacles need to be overcome through joint efforts by the E.C. and the United States.

First, both U.S. and European policymakers need to purge themselves of the dangerous, and misguided, belief that present squabbles over trade are more important than they in fact are. As a U.S. government analyst explains, "The disagreements that we have with the Community over agricultural exports from the United States and steel exports from the E.C. hardly make a perceptible dent in the overall trans-Atlantic trade pattern." Yet this is the news that gets reported. In reality, however, the "real news" is not found in the highly-publicized confrontations which do erupt between Washington and Brussels, but the continued strength, and durability, of the overall trade relationship.

Second, over-reaction to transitory events leads to an equally dangerous European and American belief that the other side's market is being unfairly protected from foreign (i.e., European or American) competition. Protectionism—in its various nefarious guises—is alive and well on both sides of the Atlantic. Nevertheless, shifts in trade patterns in the trans-Atlantic marketplace these days seem to be the result not of protectionist actions, but of larger market forces. For example, during the first six months of 1983, the E.C.'s demand for American coal, feed grains, and manufactured goods dropped. Why? Largely because of the slowdown in economic activity on the Continent, plus the continued decline in overall U.S. export competitiveness as a result of an over-valued dollar.

Formidable problems confront the United States and the European Community in their effort to reach new accommodations with each other. In order to break the diplomatic impasse which seems to have set in as of late, some experts are calling for new initiatives which, at the very least, would demonstrate renewed commitment on both sides of the Atlantic to the principle of liberalized—more open and more competitive—trade. Former U.S. trade negotiator Robert S. Strauss, for instance, is calling for just such a negotiation in the increasingly vital area of "invisibles," or service trade. In the meantime, however, perhaps there should be less glib and gloomy prognoses about the future of U.S.-European trade relations. Despite the problems, Shultz should be taken at his word when he says that "we must be doing something right."€

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In 1982, the United States imported $5.1 billion worth of automobiles from the E.C.

John Starrels is a free lance writer specializing in economic topics.

WHY EUROPE'S RECOVERY IS LAGGING BEHIND

WITH AN UNCONVENTIONAL VIEW OF WHAT SHOULD BE DONE ABOUT IT.

STEPHEN MARRIS

Why is Europe's recovery lagging so far behind America's? True, things are now perking up. But—in stark contrast to America—there seems no hope for a significant drop in the crippling levels of unemployment, even looking several years ahead.

Conventional wisdom has it that the main reason lies in some deep-seated structural impediments to growth in the European economy. There are indeed such structural impediments. But the main cause of Europe's lagging recovery lies elsewhere, in the basically inconsistent mix of monetary and fiscal policies being pursued in Europe and the United States (see chart comparing the two).

In a nutshell, Europe's recovery is being held back by its own successful efforts to reduce structural budget deficits too early in the recovery *and* by high real interest rates resulting from the total absence of such efforts in the United States. If it were not for this paradox—if there had been a more consistent mix of fiscal and monetary policies on both sides of the Atlantic—the European recovery could and should have been much stronger. Nevertheless, the sustainability of such a stronger recovery would depend on further progress in reducing the structural impediments to growth that have emerged in Europe over the past 10-15 years. What is needed is a change in policies in *both* Europe and America.

Structural Impediments to Sustained Recovery

European economies are in important respects less flexible than the American economy. For better or for worse, depending on your vantage point, European workers are generally better protected against economic misfortune than their American counterparts. Collective agreements and government regulations give them more job security. But this makes it more difficult and expensive for European employers to lay off workers when demand weakens. And, for the same reason, they are more reluctant to take on new workers when demand picks up, preferring instead to work more overtime. Provisions for unemployment (and health) insurance are also more generous in Europe. Laid-off workers have more time and more money to look around for a new job that appeals to them. But, by the same token, this slows down the movement of

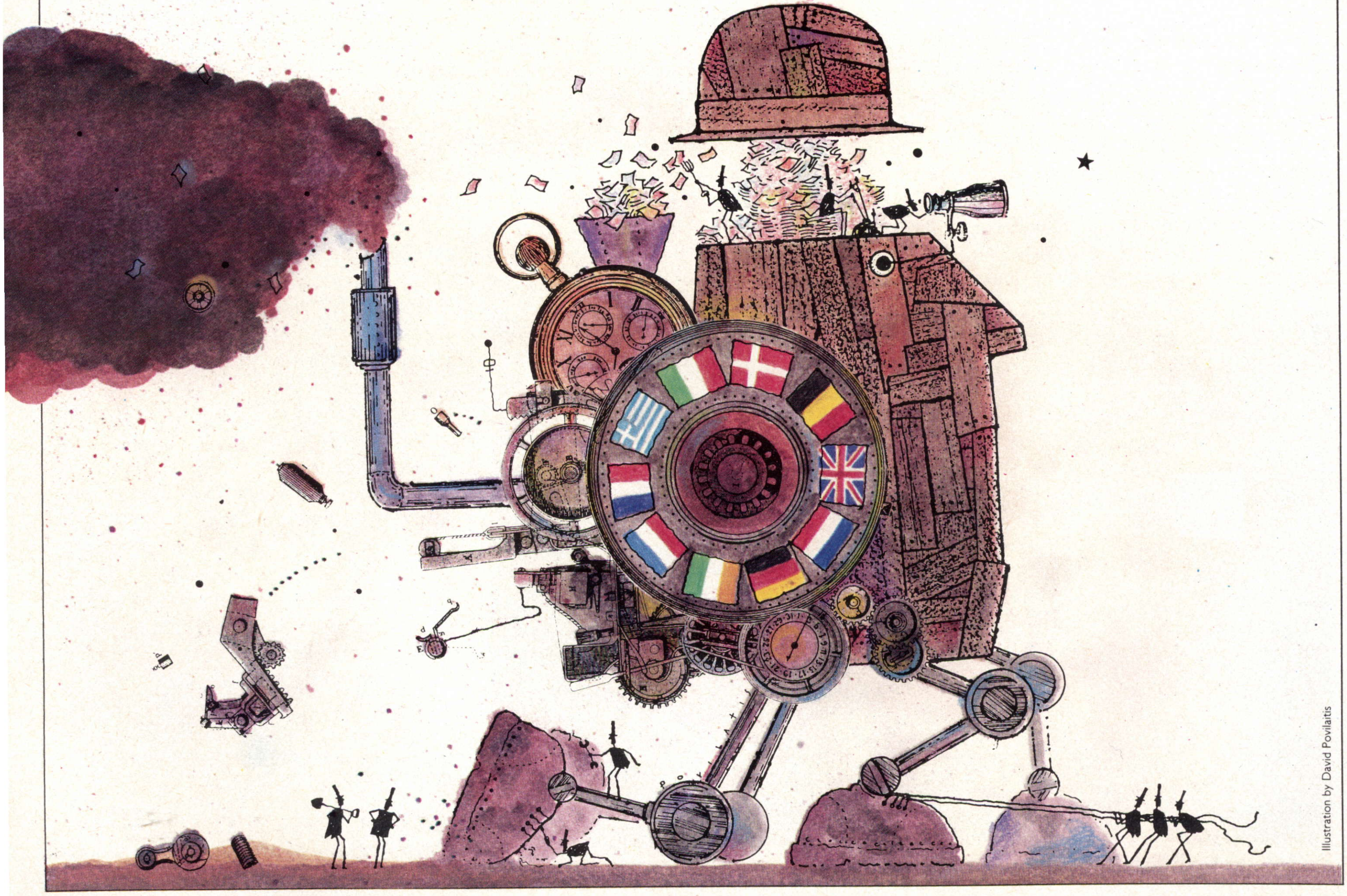
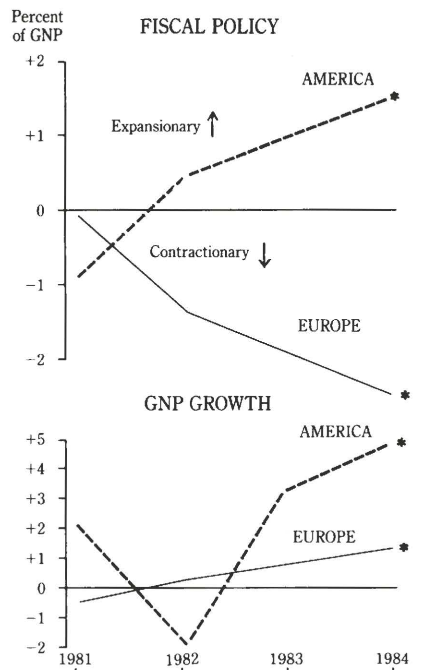


Illustration by David Povilaitis

AMERICA AND EUROPE ON OPPOSITE COURSES[1]



1. See notes to other chart.

Europe's recovery has been lagging behind America's because its fiscal policies have been going in the opposite direction.

labor from declining to expanding industries.

Labor mobility is also inhibited in Europe by the greater rigidity of the *relative* wage structure between industries, occupations, and regions. This results from a tendency toward more nationwide collective bargaining, coupled with greater emphasis on maintaining traditional wage differentials. It is more difficult for employers in expanding industries to bid up wages to attract labor, or for laid-off workers in declining industries to bid down wages to get their jobs back.

These features of European labor markets already existed in the late 1960s when Europe achieved very high growth rates. It is only with much slower growth and rapid structural change in the 1970s that they have come to the forefront as obstacles to faster growth. This has created a very unpleasant dilemma for Governments and labor unions. For, while faster growth would make it easier to live with the adverse effects of these features of the European labor market on labor mobility, it may prove impossible to achieve such faster growth without making, at least temporarily, some unwelcome and socially retrograde changes.

Many other features of the European economy are often cited as impediments to the flexible redeployment of resources to changes in demand and technology. But these other differences between Europe and America—for example, in environmental and safety regulations—are less marked and often more a matter of form of the regulations than of their economic consequence. It seems fair to conclude, therefore, that the really important differences in microeconomic flexibility compared to America are in European labor markets.

The most important structural impediments to faster and more sustained growth in Europe are, however, more macroeconomic in nature. The main culprit is the downward rigidity of real wages, coupled with the high taxes needed to finance well-developed social security systems.

The tenfold increase in oil prices during the 1970s cost Europe dearly in terms of national income. Europeans resisted the inevitable cut in real incomes this involved. They have also been reluctant to swallow the rapid rise in taxation needed to finance the very rapid rise in public expenditure. (Between 1960 and 1983 the ratio of general government expenditure to gross national product (GNP) in the European Community rose from 32 percent to 52 percent).

These partially successful efforts by Europeans to resist the cuts in real take-home pay needed to pay for more expensive oil and rapidly rising public expenditure have been very damaging. They have put a severe squeeze on corporate profit margins and raised the price of labor relative to capital. This is indeed one reason why European businessmen have become less inclined to invest in new factories and equipment (the other being the weakness of demand), and why, when they do, they try to displace as much labor as possible.

What is the answer? Profit margins can be restored only by keeping the rise in real earnings below the rate of productivity growth for a while. This may only be possible if the rise in public expenditure is halted, so as to be able to stabilize or reduce the large bite that all kinds of taxes take out of people's real earnings. Strenuous efforts are being made along these lines in the European Community, but so far the results have been uneven and in most cases insufficient.

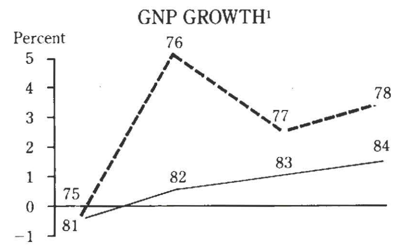
It is here that there has been a very important difference between Europe and America. In America the overall burden of taxation is lower, and real incomes seem to have adjusted more flexibly to the shocks of the 1970s. Indeed, it is hard to escape the conclusion that moderation in the growth of real incomes in America has been one—but again only one—of the reasons why 20 million new jobs have been created in America since 1973 (the other being the relatively strong growth of demand relative to potential output). Against this, there was a net *loss* of around 2.5 million jobs in the European Community over the same period. Compared with Europeans, Americans coming into the labor force have been more willing and able to accept whatever level of real wages was necessary to induce employers to hire them; in other words, to "price themselves" into jobs.

Fiscal and Monetary Policies

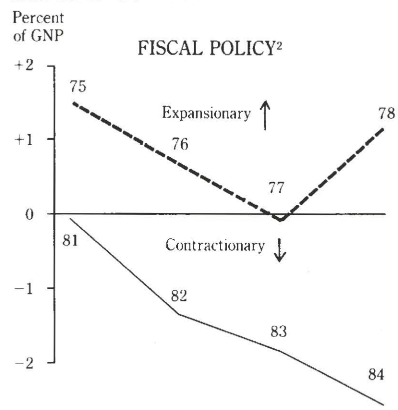
Is this enough to explain why Europe's recovery is lagging and unemployment is still rising? Certainly not. The most obvious reason lies in the striking difference between the fiscal and monetary policies being pursued in this recovery compared with the previous one (see chart). Over the four years 1975-78, the four largest European countries took net expansion-

TWO EUROPEAN RECOVERIES COMPARED

1975-78 and 1981-84

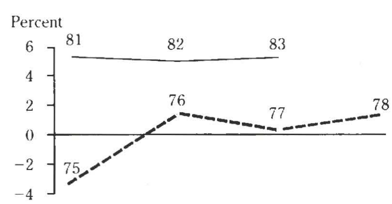


Europe's recovery has been—and is expected to continue to be—much weaker than after the first oil crisis.



The main reason is that fiscal policy was expansionary in 1975-78, but contractionary after the second oil crisis.

REAL INTEREST RATES



Real long-term interest rates have also been much higher, in large part due to high interest rates in the United States and the strong dollar.

1. GNP growth for the European Community. The bottom two panels relate only to the four largest EC countries.
2. The cumulative change in cyclically adjusted (or "structural") budget deficits from 1974 and 1980 respectively.
* Forecast

Source. *OECD Economic Outlook.*

ary fiscal action equivalent to 1.5 percent of GNP (significantly more, allowing for multipliers). There were particularly strong boosts in 1975 and 1978. In other words, using American terminology, they *increased* their "full employment" or "structural" budget deficits by this amount. This time around, they are *reducing* them by the equivalent of 2.5 percent of GNP over the four years 1981-84. It is hardly surprising, therefore, that the recovery is proving much stronger in America—where the fiscal policy has been strongly expansionary—than in Europe, where the reverse has been true.

The difference in monetary policies in this recovery is equally striking—at least as reflected in real long-term interest rates. In the previous recovery they were strongly *negative* in the trough of the recession, and averaged only around 1 percent over the following three years. This time they have been as high as 5 percent. Here, of course, America has been in the same boat, with even higher real long-term interest rates, at around 7 percent. But even the lower rates in Europe may have had more of a inhibiting effect on investment, because of the squeeze on profit margins discussed earlier, and the much slower growth of demand.

Why have European real interest rates been so high this time around? A widely held view is that the main reason lies in large structural budget deficits (which, until recently, were in most cases much higher than in America). But this does not fit well with the facts, since in many cases budget deficits in Europe have been no higher than in the 1974-75 recession when real interest rates were so much lower. It is hard to escape the conclusion, therefore, that the main reason lies outside Europe, especially on the other side of the Atlantic.

Large U.S. structural budget deficits—or rather the *expectation* of large structural budget deficits—have, combined with the Fed's anti-inflationary monetary policy, pushed up U.S. real interest rates to abnormally high levels. This has attracted money into America, in turn pushing up the dollar by more than 50 percent against most European countries since 1980. European monetary authorities strongly dislike the inflationary impact of rising import prices coming from the depreciation of their currencies. So they have felt it necessary to keep real interest rates high in order to keep even more money from flowing to America and pushing their currencies down even further. The difference from 1976-78 is particularly striking. Then, the dollar was *weak*, and the Europeans were trying to prevent their currencies from *appreciating* too much against it. This, surely, is the main reason for the quite different behavior of European real interest rates in this recovery.

Putting Europe and America Back on Course

There is a sad and ironic paradox in this story. In Europe, the real fiscal problem is not so much excessive structural budget deficits; it is rather excessive and generally rising burdens of taxation. In America the problem is not so much an excessive burden of taxation (which is lower than in Europe); it is rather the prospect of excessive and rising structural budget deficits. It follows that a different mix of monetary and fiscal policies would be better for *both Europe and America.*

Europe should concentrate on getting public expenditure under control, and should delay raising taxes to reduce structural budget deficits until the recovery has gathered more momentum. America should also take whatever steps are politically feasible to hold down public expenditure. But in sharp contrast to Europe, it should take strong action *now* to reduce prospective structural budget deficits by raising taxes (or, preferably, by substantially widening the tax base).

If such fiscal action were taken on both sides of the Atlantic, the conflicting pressures on the monetary authorities in both America and Europe would be eased. And there would then be some maneuvering room—which does not exist now—for trans-Atlantic monetary cooperation to get back to a more sensible exchange-rate relationship between Europe and America.

If strong and politically convincing action were taken on the U.S. budget, interest rates would drop and the Fed would be in a much better position to help them on their way down. In Europe, less restrictive fiscal policies would make it less urgent to get interest rates down. The monetary authorities could "lean against the wind" as U.S. interest rates fell, to narrow still further the interest-rate differential in favor of the dollar, and thus help it on its way down. (In practice, this would not be necessary for long since, once expectations have changed, the dollar is likely to fall quite sharply and quickly to—and quite possibly below—a reasonable equilibrium level.) The lower dollar would take the heat off hard-pressed export- and import-competing industries in America, helping to fend off using political pressures for more import restrictions.

Many objections have been raised to suggestions along these lines. It is true, for example, that it was right for Europe to follow more restrictive fiscal and monetary policies after the second oil crisis because of the urgent need to get inflation under control. And in some European countries inflation is still too high.

In at least one important respect, moreover, restrictive policies have helped rather than hindered the recovery: With much lower inflation, people have been saving less, providing a welcome boost to consumer demand. But this can only be temporary. Right now Europe is relying heavily on export demand and on a rising trade surplus to keep the recovery going; but this again can only be temporary. What is urgently needed is stronger growth in other components of domestic demand, especially investment. This requires lower interest rates *and* less restrictive fiscal policies. And the key point is that this is *not,* as many have argued, a contradiction in terms. Equivalent action to reduce budget deficits in America and increase them in Europe would tend, once the bull market for dollars is broken, to reduce, *not* raise, interest rates in Europe, because of the very powerful linkages through the foreign exchange markets.

It may also be true that it is easier to keep real wages running behind productivity, and build up political support for the painful actions needed to bring public expenditure under control, during a policy-induced recession and weak recovery. But in that case the right answer should be along the imaginative lines suggested for the Netherlands by Johannes H. Witteveen, former managing director of the International Monetary Fund, in a speech last October 6. He has argued that action to freeze or reduce social benefits and wages in real terms—which has to be taken anyway—should be coupled with *temporary* tax cuts to get the economy moving again.

The key point is to develop policies which go to the heart of Europe's real problems—high real wages and public expenditure—without at the same time depressing demand. Otherwise, the rewards from success in dealing with these problems—more jobs and faster growth—cannot be reaped. It is a striking measure of today's interdependence between the American and European economies that this will not be possible without a change in policies on both sides of the Atlantic.€

Stephen Marris, a British economist who was economic adviser to the secretary-general of the Organization for Economic Cooperation and Development from 1975 to 1983, is a senior fellow at the Institute for International Economics in Washington, D.C.

RESTORING UNITY ACROSS THE ATLANTIC

A CALL FOR A HEALTHIER ALLIANCE, WITH EUROPE ON ITS OWN TWO FEET.

CHARLES MAECHLING, JR.

The crisis of last summer is over. Despite protests and mass demonstrations, cruise missiles have arrived in Great Britain and Italy and the first Pershing II missiles are on station in the Federal Republic of Germany. Yet, as any recent visitor to Europe can testify, instead of a new sense of reassurance, missile deployment has only added to the widespread malaise and pessimism that has pervaded European public opinion since a deep-freeze in East-West relations replaced détente and the Soviets terminated both the intermediate-range nuclear forces (INF) and strategic arms control negotiations in Geneva.

On both sides of the Atlantic, a fundamental shift of public opinion seems to have occurred which, unless recognized and met squarely on its own terms, will in the long run be destructive of trans-Atlantic unity. The shift is more noticeable in Europe than in the United States, and in the Federal Republic of Germany, Denmark, and the Low Countries than in the rest of Europe. It involves a drastic reorientation of opinion toward both the nature of the Soviet threat and the insurance value of the nuclear deterrent. It challenges not only the basis of current North Atlantic Treaty Organization (NATO) military doctrine, but the exclusion of the public from the strategic planning and decision-making that could precipitate a nuclear confrontation.

In the 1940s and 1950s, the population of Europe accepted virtually without question the principle that the nuclear deterrent provided a shield against Soviet aggression. Today, at both ends of the political spectrum, nuclear war itself is seen as more of a threat than Soviet attack. Moreover, resort to nuclear weapons is seen as more likely to arise not in the context of a defensive action against Soviet armored columns rolling across the Central European plain, but as the result of uncontrolled escalation arising out of a superpower confrontation that may not even be of European origin.

Confidence that the political and military leadership of the west could contain an outbreak of hostilities at the conventional level through graduated response has given way to the view that escalation involving first, tactical nuclear weapons, and then theater and intercontinental missiles, would have its own dynamic, one ruled more by miscalculation, desperation, and panic than by rational crisis management.

For Europeans, the feeling that nuclear war is fundamentally uncontrollable is intensified by the knowledge that, in any showdown, the ultimate decisions will be made in Moscow and Washington on the basis of calculations in which the Europeans have not participated. Indeed, in many quarters the defense of Europe is now perceived as a system of deterrence manipulated from the United States in accordance with global considerations which Europeans do not necessarily share, and are often only dimly aware of.

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Last November the first cruise missiles in Britain arrived by cargo plane at an Air Force base near Greenham Commons.

Adding to the malaise is the knowledge that even at the highest policy-making levels, the credibility of NATO military doctrine is being questioned.

When, in 1947, the United States launched the European Recovery Program, the immediate danger was the economic collapse and social disintegration of Europe and the threat that the resultant chaos would be exploited by indigenous Communists and other elements of the extreme left. After the Communist coup in Czechoslovakia, the Berlin blockade, the solidification of Soviet control over the rest of Eastern Europe, and the Korean War, the Soviet threat began to be viewed more as an outright military one, though not so much from the standpoint of naked aggression as from its potential to reinforce indirect Communist takeover. Nevertheless, since the Soviet Union had never demobilized in any real sense, and stood in overwhelming might at the gates of Western Europe, there was no way that this menace could be ignored.

In 1949, when the North Atlantic treaty was signed, it was still possible to view the defense of Europe in conventional warfare terms. The United States held the monopoly of the atomic bomb and the Soviet Union was only beginning to recover from the devastation of war. Nevertheless, after the first NATO estimates indicated that 96 NATO divisions would be the minimum needed to hold off the 175 smaller divisions which the Soviets could deploy in an attack on Western Europe—and with the United States demobilized, Germany outside the European political framework, and the rest of Europe in the depths of post-war economic crisis—this was considered an impossible defense burden for Europe to sustain. It also seemed unnecessary in view of the American nuclear monopoly.

Hence, from its inception NATO planned on first use of nuclear weapons to protect Western Europe and NATO land forces from overwhelming Soviet attack. Adoption of "first use" enabled NATO in the mid-1950s to reduce its estimate of required force levels from 96 divisions to 30. During the 1950s, reliance on "first use" developed into the doctrine of "massive retaliation," which held sway for the relatively brief period that the West held overwhelming superiority in nuclear weaponry.

With the development of intercontinental missiles and the steady build-up of a Soviet nuclear arsenal, reliance on massive retaliation for defense of Europe against Soviet land attack ceased to be viable strategy. By the 1960s the threat of a Soviet retaliatory strike directly against the United States in response to "first use" in Europe created an unacceptable risk of instant escalation to all out nuclear war. Moreover, the doctrine of massive retaliation, or indeed any use of nuclear weapons, was totally inappropriate for the kinds of regional brush-fire war and insurgencies that were increasingly becoming focal points of American strategic concern.

During the Kennedy and Johnson Administrations the "all-or-nothing" doctrine of massive retaliation was discarded and replaced, in 1967, by the doctrine of "flexible response." At no point, however, was this accompanied by abandonment of first use at the tactical and theater level. By 1970, 7,000 nuclear artillery shells, short-range missiles, and land mines were in place or in storage on German soil.

Flexible response, which is still official doctrine, relies on a "triad" of conventional, theater and strategic weaponry to be applied on a graduated scale in proportion to the violence and penetration of an enemy onslaught. Its purpose is to keep raising the cost of aggression to the enemy, and gain time to organize defense in depth as well as to avert escalation to a suicidal level.

However, the theory that the West could, like a fencer with a slightly weaker opponent, keep intensifying its counterstrokes to match the level of violence chosen by the aggressor, forcing him either to desist or raise the stakes, always depended on a balance of conventional and nuclear military forces in favor of the West. Once the Soviet Union achieved nuclear parity—and retained conventional superiority in tanks, tactical aircraft, and reserves, plus the advantage of surprise—flexible response became an uncertain quantity.

With deployment of the SS-20 the military balance has altered to an extent that drastically impairs the credibility of both first use and flexible response. The Soviet Union now has an improved defense shield against Western bomber forces and intermediate-range missiles and an array of theater nuclear weapons aimed at European military targets and population centers. It, and not NATO, is now in a position to control the measure of escalation. In the view of such respected figures as Robert S. McNamara, Henry Kissinger, and Prime Minister Pierre Trudeau of Canada, the whole basis of NATO defense strategy and especially "first use" is now open to question.

According to General Bernard Rogers, NATO Supreme Commander, the exact number of days that NATO forces could hold out against a full-scale Soviet onslaught before calling on Governments for authority to use nuclear weapons has now shrunk to less than a week, perhaps as little as 4 days. At this point, not only would "first use" take place largely within NATO territory—with the Federal Republic of Germany bearing the brunt—but so would Soviet retaliation. With military and political leaders on both sides functioning under immense pressure, in conditions of interrupted communications and imperfect information, wild and irrational escalation would be inevitable.

Even assuming that a suicidal exchange of multi-megaton strategic warheads between the superpowers could be averted, Western Europe—the Federal Republic of Germany in particular—would be dealt a blow from which it would take centuries to recover. A recent United Nations study estimated that even a limited nuclear exchange would immediately result in military casualties of 400,000 in dead and incapacitated on both sides, and civilian casualties of 5-6 million. Scientists now add a catastrophic temperature drop into the bargain.

It was to forestall this eventuality that Chancellor Helmut Schmidt called on the Carter Administration for deployment of Pershing II missiles on German soil. Deployment is now underway, yet already may be irrelevant to the real danger: nuclear holocaust resulting from uncontrolled escalation.

Conditions also have changed. Western Europe is now free and rich. There is no longer the slightest chance of its succumbing to Marxism or being infected by the value systems of the Communist world. In fact, to judge from the restiveness of Poland and the increasingly Western orientation of East Europeans, quite the reverse is true. The real menace is East-West confrontation, and for this, adding more missiles is no cure. In Carl Sagan's arresting image, the situation resembles two adversaries armed with thousands of matches facing each other across a room awash in gasoline.

For 30 years, the population of Europe sat behind a nuclear shield, secure in the conviction that nuclear war would visit such horrors on the Soviet Union that no matter how malevolent its intentions, it would never resort to naked aggression. For reasons that defy rational explanation, sentiment was widespread that if hostilities ever broke out, they would either stop short of the nuclear level or escalate immediately into a confrontation between the superpowers from which Europe would somehow escape unscathed.

Throughout this period, European Governments took their alliance obligations seriously and built up sizable defense establishments. In the main, however, they were content to leave primary responsibility for strategic planning and East-West crisis management to the strongest partner, the United States. Meanwhile their countrymen concentrated on economic recovery and the development of a standard of living that in many respects now surpasses that of the United States.

As long as the nuclear shield remained credible, European Governments and their people accepted dependency for security on the United States, regardless of the friction it occasionally engendered. They also acquiesced in allowing the calculus for development and use of nuclear weapons to become the exclusive province of a new caste of civilian defense specialists well removed from the political process and uncontaminated by any first-hand military experience. Their infiltration into the highest levels of Defense Ministries, particularly in the United States, relieved politicians of the unpleasant task of mastering the details and facing the implications of nuclear war.

Now, almost overnight, large numbers of Europeans have awakened to the realization that not only is the old security gone, but they have lost control of their destiny twice over—first, to the United States, and second to a group of sorcerers' apprentices, mostly resident in the Pentagon and Washington thinktanks, who use nuclear weapons as counters in arcane war games and go by such nicknames as the Prince of Darkness and Doctor Death.

This sense of mass helplessness in the face of nuclear catastrophe is less remarkable than the fact that it took so long to arrive. So far, popular reaction has been spasmodic, consisting chiefly of outbursts of mass frustration like nuclear freeze resolutions in the United States and non-violent demonstrations in Britain and the Federal Republic of Germany rather than concerted efforts to influence the political process. Politicians and Cabinet officers, sitting between the public and the experts, have been too intimidated by the complexity of the subject matter and fear of disturbing alliance unity to do anything but ride along with existing strategies.

By now, however, it has become obvious to everyone that there are no exclusively military solutions for the defense of Europe. Even an arms control agreement that would completely eliminate tactical nuclear weapons and reduce theater weapons by half would leave unresolved the principal problem of miscalculation,

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Despite protests and mass demonstrations, the first Pershing II missiles are now on station in the Federal Republic of Germany.

panic reaction, and uncontrolled escalation. Nor would increased trade and economic ties between East and West provide the answer, though they would be an asset in themselves and would improve the atmosphere. Only step-by-step political negotiations to settle tangible points of conflict and friction have any hope of arresting the present slide to disaster.

The first need is to discover what this second cold war is all about. Is it Poland? Is it Afghanistan, which was a Soviet puppet before Soviet troops moved in and will doubtless remain so after they leave? Is it the Soviet threat to the Persian Gulf oil fields? Is it Soviet subversion in Central America? Or is it everything connected with the Soviet Union and therefore, for practical negotiating purposes, nothing?

The second need is for the superpowers to cleanse the present poisonous atmosphere by imposing a moratorium on bellicose rhetoric and acrid recriminations, and to commit themselves to insulate substance from ideology. East and West have different political values and historical traditions and the less each tries to convert the other and meddle obtrusively in its culture, the more relationships will improve.

A third need is to scrap the dangerous theory of linkage and the practice of "sending signals" by muscle flexing which are easily misinterpreted as either preludes to hostile action or empty braggadocio. Where serious grievances and points of friction exist, they should be made the subject of immediate negotiations. These should be kept focused on specifics and isolated from relationships at other levels which should be conducted in accordance with international norms and based on strict reciprocity. The recent change in Soviet leadership presents an opportunity for the West to seek new channels of communication with Eastern Europe and, at a minimum, to restore scientific and cultural interchange to pre-1981 levels.

As regards defense, it is time for European military staffs to establish their own strategic planning group within NATO and in concert with their political leadership to make their own appraisals of European defense requirements. A logical first step would be to redefine the precise boundaries of NATO, if only to preclude once and for all outside pressure to entangle Europe in irrelevant Third-World conflicts of the kind that have put such a strain on the alliance in the past.

On these crucial issues Europe henceforth should negotiate collectively with the United States, rather than piecemeal within a multinational forum. The United States has security interests in other parts of the world that by no means converge with those of Europe and these should not be allowed to distort alliance obligations with third countries.

It is also time for European governments to take seriously the exhortations of NATO chief General Bernard Rogers and their own military leaders to increase defense expenditures by at least 10 percent. Such a minimal increase would enable Europe to capitalize on its immense technological resources and equip its forces with advanced electronic weaponry capable of targeting and neutralizing enemy concentrations and command and control systems.

The United States should facilitate the ability of European Governments to finance these increases by getting its deficits under control, reducing interest rates, and in other ways promoting European economic recovery. It should also stop confusing unilateral decisionmaking with the art of leadership.

Regardless of recent scare statements by State Department bureaucrats, the security of Europe will continue to be the centerpiece of U.S. foreign policy for the foreseeable future. Nonetheless, Europe needs to be liberated from its current state of dependency by making its own assessment of its strengths, vulnerabilities, and needs. Only then can the accountability of its political leadership be restored. €

Charles Maechling, Jr., a former State Department official, is a senior associate of the Carnegie Endowment for International Peace in Washington, D.C.

THE POLICYMAKERS

WHO ARE THOSE FAR-AWAY EUROPEAN OFFICIALS AND HOW DO THEY AFFECT AMERICAN LIVES?

PAUL DU MESNIL

"We had a very interesting discussion over luncheon, but the wrong guy is the Prime Minister." These were the very words of a major American multinational's chief executive officer some 10 years ago, while he was having a stroll with his aides in the handsome gardens of one of the Belgian royal estates. And he made his remark rather loudly, even though—or perhaps because—the Belgian was in earshot. The "right guy" he was hinting at was Viscount Etienne Davignon, then the brain behind Belgian diplomacy.

Since those days, Davignon has had his name—often misspelled—and photograph on front pages of all the major newspapers around the world. Stevie Davignon—also nicknamed "Stevie Wonder" by a former journalist presently serving him as a spokesman—is indeed quite a character. His outspoken talent for bringing about successful compromise formulas to maintain the ever-fragile balance of the so-called "European integration process," has made this over-six-foot-tall, pipe-smoking diplomat a respected and often feared negotiator.

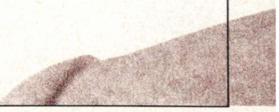
From Henry Kissinger to George Shultz, through all the top people in the U.S. Trade Representative's office—Democrats and Republicans alike—many people have learned to appreciate his polite, witty, yet never-surrendering and tough bargaining. Secretary of Commerce Malcolm Baldrige has driven dozens of miles on dusty roads and nearly been shot by a friend and ranch owner whose telephone he had to use . . . to call Stevie Davignon in Brussels. Even British Prime Minister Margaret Thatcher—the "Iron Lady"—has been impressed by this "Man of Steel," as the London *Financial Times* described him recently. Negotiation fits Etienne Davignon like a glove.

Born in Budapest in 1932, young Etienne followed his father, a Belgian Ambassador, to Berlin in days that made gloomy history. As a small boy, he recalls laughing at and mimicking the pompous attitudes of Nazi Marshall Hermann Göring and other Third Reich big shots paying social calls to the Belgian Ambassador's residence. After World War II, he got his law degree at the Université Catholique de Louvain. Though he was not at all convinced diplomacy was the right career for him, he successfully passed all the tests and examinations at the Foreign Ministry—"to please my father," he claims.

At the age of 29, young and inexperienced as he was, he got involved in Belgium's most delicate diplomatic action ever: negotiating a satisfactory way out of the Congolese turmoil after the little kingdom granted independence to its African colony 60 times its size. That did it. It was love at first sight with the intricate process of multilateral diplomacy. The man who had launched young Davignon into it was to become his mentor: Paul-Henri Spaak, then Foreign Affairs Minister of Belgium. From this one-time Socialist Party street demonstrator, Davignon learned the skills to avoid numerous traps. "A true imbecile," he says quoting Spaak, "is he who makes the same mistake twice, for the same reason."

Like Spaak, he is quick to pass judgment on people and difficult issues. Like Spaak, he refuses to be brain-washed by "experts" and, on the contrary, often rebuffs them with his merciless and well-prepared rebuffs. He grasps the hard-core of complicated cases with serene smiles and draws immediate action plans from there. He is rarely caught in a bad temper, but beware when his voice goes lower and he gets his mandarin look: That is the time when he mentally starts striking back! These skills, and a rather workaholic attitude, have made of Stevie Da-

E.C. Commission President Gaston Thorn and Vice President Etienne Davignon meet with Japan's former Minister of International Trade & Industry, Rokusuke Tanaka.



"Stevie Wonder"

vignon not only a brain behind Belgian diplomacy, but also the forger of major initiatives which brought about concepts like a real two-way street approach to the Atlantic alliance and a joint diplomatic approach of the E.C. member states.

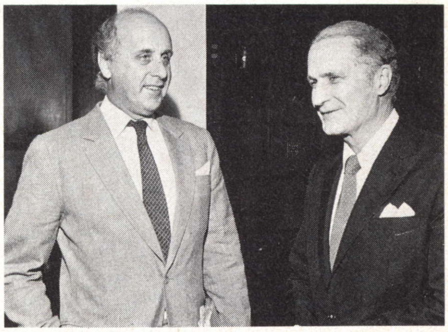
Indeed, Stevie "Wonder" Davignon has a wide view of Europe's future and Europe's role on the world scene. This made him the right choice when the Belgian Government appointed him a member of the E.C. Commission in January 1977. Fundamentally a convinced "Atlantist," he is constantly challenging the Americans when they damage E.C. interests through industrial lobbies or official government channels.

It was no surprise to see him take the lead in settling the U.S.-E.C. steel dispute in 1982 and in launching a courageous action to make Ronald Reagan aware of a few economically unjustified damages for Europe in the aftermath of the U.S. Administration's export embargo related to the Siberian gas pipeline.

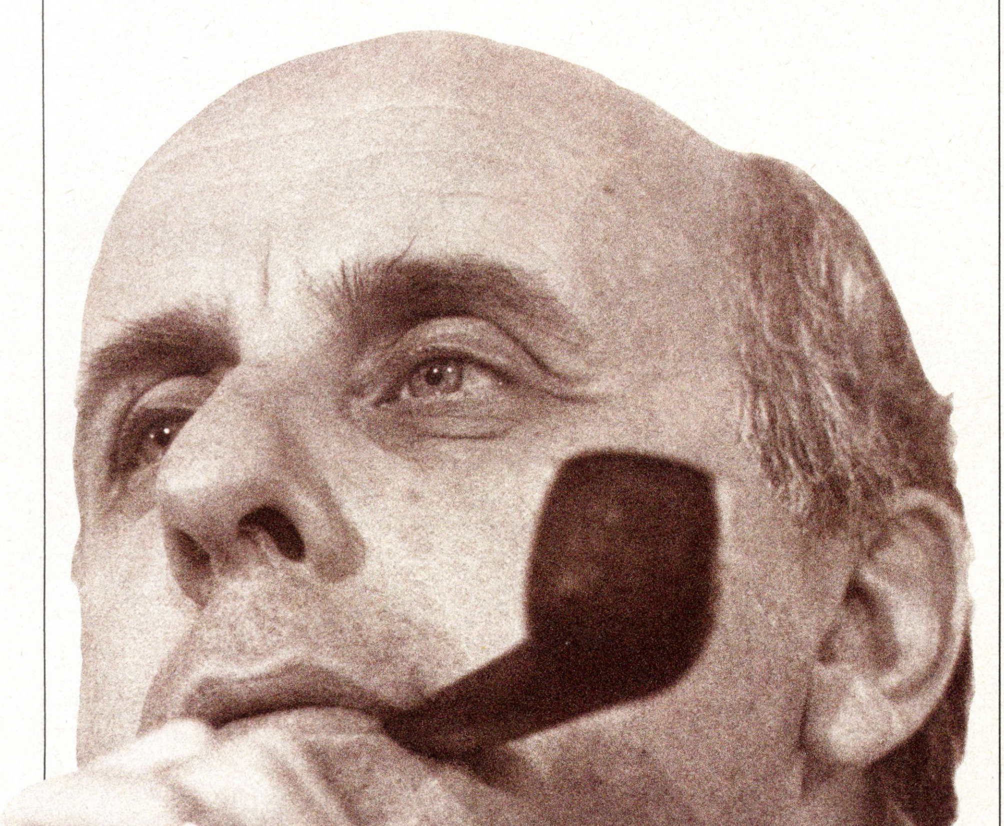
When the announcement came that Davignon would be responsible for industrial affairs within the E.C. Commission, most journalists expressed surprise and disappointment. The bets had been that he would have been a natural for the so-called "external relations" portfolio. In no time, however, Davignon grasped the potential of this arena. His middle-of-the-road, pragmatic approach to solving the problems of Europe's crippled traditional industrial sectors has still proved relatively successful, given the circumstances.

He has wearily negotiated international agreements on textiles, steel, and shipyards to give European industry the indispensable breathing space it needs to reshape and adapt itself to prevailing world standards of competition. Some criticized his "gluttonous appetite" when, after his first four-year term, he became a vice-president of the present E.C. Commission, in charge not only of industry, but also of energy and research.

The fact is that he has quietly and stubbornly succeeded in launching the concept of a European industrial strategy, avoiding the usual confrontation between so-called "liberal" and "interventionist" schools whose quasi-theological feud had blocked progress on this key issue. On this matter, he will not stand for compromise. "Europe's economy," he says, "missed the boat during the 1970s because national Governments, anaesthetized by recession, did not play the European trump-card."



Etienne Davignon with U.S. Secretary of Commerce Malcolm Baldrige.



"This," he adds, "has had dramatic consequences on job creation. In spite of the same crisis, the U.S. economy has been able to generate 19 million new jobs and the Japanese 5 million, whereas the European Community's economy merely created 2 million new job opportunities." He has forced European industry, which traditionally is suspicious of such enterprises and sticks jealously to its national boundaries, to join efforts in car making, aircraft construction, and, more recently, in information technology. He quietly has forced ministers of the 10 E.C. member countries to commit themselves to a discreet, but efficient joint energy-policy approach, cleverly melting their diverging interests into a set of unanimously accepted goals and intermediate targets.

As a fellow Belgian ex-diplomat said: "Stevie is to European diplomacy what Pele was to soccer: naturally highly talented, unpredictable, and weighing on the opposite team's defense." This description suits the man. He happens to be a soccer-fan and connoisseur. That brings him, regularly, to the VIP seats of the AnderLecht Stadium, the true palace of the world-renowned Belgian soccer team whose talented member, Francois van der Elst played with the New York Cosmos a few years back.

Paul du Mesnil is a free lance writer based in Brussels.

EUROPEAN EXCHANGES ENJOY BANNER YEAR

BULL MARKETS SEEN LASTING IF U.S. "LOCOMOTIVE" DOES NOT RUN OUT OF STEAM.

William Karel/SYGMA

TIMOTHY HALLINAN

Last year was a banner year for the major stock markets of Europe. In fact, one has to go back several decades to find another year in which so many European stock exchanges were simultaneously enjoying a boom of similar vigor and duration. The good news began in August 1982 on the New York Stock Exchange, where the venerable Dow Jones Industrial Average surged from 779 to 915—or 17 percent—in the short space of four weeks. In so doing, it signaled the end of a long, depressing period in America's financial history, during which each advance was sooner or later canceled by a downturn and during which stock prices fell further and further behind the ever-rising cost of living.

London—by far the largest of the European markets—was the first to respond to the confidence then surging through Wall Street. The Financial Times Industrial Ordinary Share Index began its upward flight a few days after Wall Street's move. The Japanese market turned upward a month later. The Swiss and Belgian bourses moved soon after Tokyo, with the French and German markets following. All four of these European exchanges showed formidable strength. Prices on the Paris bourse were up 72 percent during the bull market (August 1982 to January 1984), compared to New York's 51 percent. Prices on the Swiss, Belgian, and German exchanges rose by 55 percent during that period. The average for the seven major European markets, adjusted for inflation, was 56 percent.

The 72-percent gain by the Paris bourse would have been impressive on any European market, but for Paris, it was like a landslide. One simple statistic shows why: In July 1982, just before the bull market started in New York, the CAC General Index stood at almost exactly the same level as when the index was begun in 1962. In fact, the Paris bourse found itself in a position which no one reasonably could have predicted—enjoying a full-fledged boom with a Socialist Government in power and the long-term economic outlook threatening. But President François Mitterrand's Government treated the stock market far more gently than the market itself expected, in part because the Government was anxious to encourage industrial investment. To do so, it slashed the capital-gains tax on profits from the sale of stocks from 30 percent on some transactions and 60 percent on others, to a flat 15 percent.

The French Government also pressed forward with other policies which affected the stock market profoundly, even if indirectly. The pro-tenant housing legislation it passed made it more difficult for house and apartment owners to evict their tenants, and this in turn made investment in real estate much less attractive. After many years of soaring, French property values flattened, failing even to keep up with the relatively high rate of inflation.

The Government also dampened the demand for gold—traditionally a major form of investment in France—by requiring that all gold purchases and sales be recorded. This did much to reduce gold's

EUROPE'S SMALLER BOURSES

The major stock exchanges of Europe are well known: London, Paris, Frankfurt, Milan, Brussels, Stockholm, and Zurich are quoted widely in the world's financial press. But there are a number of other bourses in Europe, and although some of them are a little sleepy, they offer many excellent investment opportunities. Their numbers include: Amsterdam, Dublin, Oslo, Copenhagen, Madrid, Vienna, and Luxembourg. The Lisbon Stock Exchange was closed on the 25th of April, 1974, in the course of the Portuguese revolution and has never been reopened. However, trading in the shares of private-sector companies continues on a very small scale.

appeal as a method of avoiding taxes. Some specialists have also argued, paradoxically, that the Government's nationalization of nine large manufacturing companies and some 36 banks drove the market higher by removing those companies' widely traded stocks from the market.

Two bourses marched to their own private drummers. Milan has long had a somewhat unsavory reputation among international investors as an "insiders' market"—meaning that much of the trading that takes place is done on the basis of information held closely by small groups of insiders. Such markets are almost always highly risky for "outsider" investors, as they often undergo sudden, unexpected movements which seemingly make little sense when matched against the underlying trends of the economy.

During the three years covered in the charts, Milan did nothing to improve either its record or its reputation. In 1981-82, during the 12 months before the bull market began, it experienced a series of dramatic tumbles. After the bull markets began in other countries, it did indeed recover some of the ground it had surrendered the year before, but in January 1984 it stood no higher than where it stood three years earlier. Of all the major European bourses, Milan and Zurich were the only ones to end 1983 substantially below their highs.

The Stockholm market also followed a different line which led it ever upward. In a great "tour de force," the Stockholm market (as measured by the Jacobson and Ponspach Index) rose from 423 at the beginning of 1981 to 1,537 at the end of January 1984—an almost four-fold rise. Like the Paris bourse, it made its gains under a Social Democratic Government which, among other things, saw fit to tax dividends at an effective rate of more than 90 percent. Stockholm's fierce assault upon the stratosphere caused many international investors to shake their heads in disbelief. Its climb was not caused, as one might normally assume, by a three- or four-fold increase in the profit margins of major Swedish companies. Instead, it was fueled by a flood of British and American capital attracted to the Stockholm bourse because the stocks of so many Swedish companies were far cheaper than the stocks of comparable companies in the United States and the United Kingdom.

More importantly, however, the rally was fueled by domestic capital which the Swedish Government unlocked by new investment incentives. These eliminated taxes on capital gains and dividends for private savers who invested up to 600 kronor (roughly $75) a month, and created a group of mutual funds that received preferential tax treatment. The highly controversial *lontagarfonder*—the Government's plan for "wage-earner investment funds"—also drove the market upward, despite the fact that the plan was strongly opposed by business.

What lies ahead for Europe's bull markets? Most analysts feel that, with the possible exception of the Italian and Swedish bourses, the large advances which have taken place so far rest on firm foundations. Their worries focus on New York more than any other market, not only because the New York market is the largest in the world—it is, in fact, three times as large as all the European markets put together—but because Europe is looking to the United States as the locomotive to pull the rest of the world into a period of sustained prosperity.

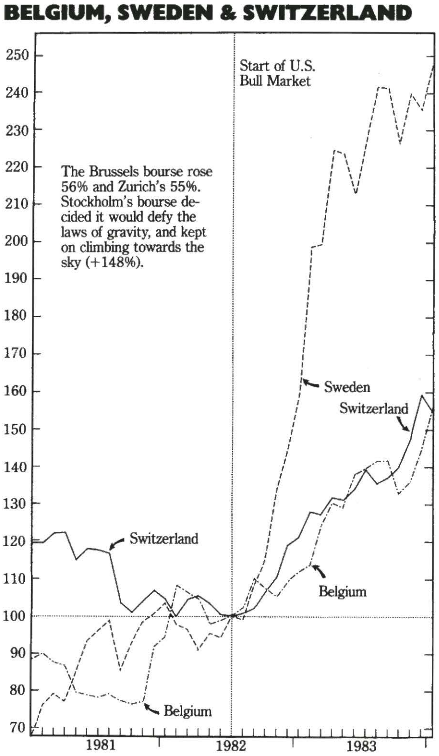
If the locomotive stops, or even begins going backward, the upward movement of the European bourses would be rapidly reversed. Needless to say, when these analysts look to the United States, they see many thing they would rather not—high interest rates, huge budget deficits, and an overly strong dollar. In 1984, they say, European (as well as American) investors may need strong nerves. €

Timothy Hallinan writes on international investing.

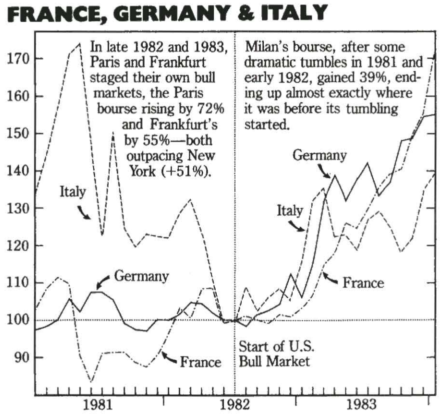
THE LEADING INDEXES

These charts show the movements of each market's leading index, as follows: New York—the Dow Jones Industrial Average; London—the Financial Times Industrial Ordinary Share Index; Tokyo—the New Tokyo Stock Exchange Index; Paris—the CAC General Index; Frankfurt—the Commerzbank Index; Milan—the Banca Commerciale Italiana Index; Brussels—the Belgian Stock Exchange Index; Stockholm—the Jacobson and Ponspach Index; Zurich—the Swiss Bank Corporation Index. In order to make the movements of these indices comparable, each index has been recalculated with the last Friday of July 1982 (before the bull market began in August, 1982) as base 100. Each series shows closing prices on the last Friday of the month.

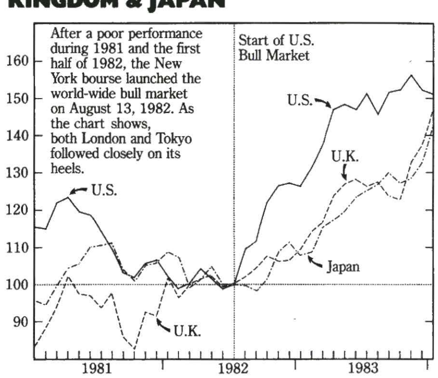
BELGIUM, SWEDEN & SWITZERLAND



FRANCE, GERMANY & ITALY



THE UNITED STATES, UNITED KINGDOM & JAPAN



SMALL COMPANIES GET SPECIAL BREAKS IN EUROPE

MORE ANALYSIS IS NEEDED TO COMPARE WITH U.S. EXPERIENCE.

JAMES DAVID SPELLMAN

European small and medium-sized enterprises (SMEs) tend to outperform the giant corporations in generating new jobs and innovations in both products and manufacturing processes, playing a similar role on a smaller scale than their U.S. counterparts. This is one pattern which emerges from a comparison between the experiences of SMEs in both sides of the Atlantic.

About half (47.9 percent) of all those Americans employed in the private sector in 1980 worked in establishments having fewer than 100 employees. Such firms constitute the majority (87 percent) of all enterprises, according to the U.S. Small Business Administration (SBA). More than 40 percent of the nation's gross national product (GNP) is attributed to small and medium-sized enterprises (employers of fewer than 500). SMEs predominate in construction, service industries, and the retail and wholesale trade. In short, the U.S. group of SMEs is the world's largest.

SMEs work as catalysts in the U.S. economy, generating on average more new jobs and innovations in both products and manufacturing processes than the giant corporations, according to some tentative research findings. Studies by David L. Birch at the Massachusetts Institute of Technology (MIT) reveal that firms employing fewer than 100 persons accounted for about 80 percent of all new jobs created between 1969 and 1976. But an analysis by the Brookings Institution shows that the rate of job growth for such firms was smaller—51 percent of the 11.5 million net new jobs initiated between 1976 and 1980.

In either case, the contribution of small firms far exceeds the average annual rate of employment expansion during the same period (3.6 percent between 1976 and 1980). Researchers at both MIT and Brookings discovered that the majority of new jobs occurred in a fraction (between 12 and 15 percent) of the small business sector. Further, the smallest establishments (those with fewer than 20 employees) experienced the highest net employment growth rate (35 percent) among all SMEs, according to Brookings.

Employment in large U.S. corporations, in contrast, has grown more slowly. The group of companies which formed the Fortune 500 in 1970, Birch has found, had 1.2 million fewer employees by 1982. If the number of jobs linked to the overseas expansion of these firms is subtracted, the loss in U.S. employment is between 2.5 and 3 million between 1970 and 1982.

U.S. small enterprises have proven themselves as inventive and expeditious. The incidence of innovation per million of employees is 2.5 times greater for firms with 100 or fewer employees than that for larger companies. Small businesses engineer products (.69 years for small versus .99 years for large), develop prototype (.18 vs. .39), establish production (1.17 vs. 1.36), and start-up sales (.18 vs. .31) faster on average than the large ones. In other words, the gestation period prior to a product's introduction onto the market is almost 10 months shorter for small firms than for large ones. These findings are from a study by Gellman Research Associates.

"Small business is often thought of as more volatile or less stable than large business," according to Catherine Armington, a senior research associate with the Brookings' Business Microdata Project. "This popular impression appears to have *no basis* in fact. . . ." For U.S. firms employing fewer than 100 persons between 1976 and 1980, 113 *new* jobs resulted from new start-ups and 112 from expansions, but these gains were offset by the 125 jobs lost due to closings and contractions. The new start-ups and expansions of large businesses created 357 new positions, of which 257 were eventually lost due to closings and contractions. "Thus it appears that there was much more turnover of businesses, and growth and shrinkage within existing businesses, amongst the large ones," Armington concludes.

European SMEs—defined as employing 500 or fewer persons—similarly play central roles in their home economies, constituting more than 90 percent of all enterprises in the Community. In France, SMEs employ about 40 percent of the country's private-sector workforce, the lowest percentage among the 10 E.C. member countries, while in Denmark, the SME share is 98 percent, the highest proportion. Between these extremes are the Federal Republic of Germany (43 percent), the United Kingdom (44 percent), Italy (54 percent), the Netherlands (56 percent), and Belgium (68 percent).

Comprehensive studies assessing the impact of European small businesses on product innovation and job generation have yet to be pursued, and no clear patterns emerge from the small amounts of research which have accumulated to date. One 1979 study in France showed that 15 percent of its firms were innovators, while an earlier survey (1974) of 1,000 firms concluded that about half had marketed one new product within a five-year period. A Dutch study (1980) stated that the proportion of innovating firms there was five percent.

A 1979 survey in the Federal Republican of Germany of 3,300 firms found that 10 to 15 percent introduced innovations, while 20 percent put existing products on new markets. Summarizing this disparate research, a study by the Organization for Economic Cooperation and Development (OECD), ***Innovation in Small and Me-***

De Tocqueville on SMEs

Of his travels in America, Alexis de Tocqueville wrote in *Democracy in America* (1834) that "what most astonishes me in the United States is not so much the marvellous grandeur of some undertakings, as the innumerable multitude of small ones. . . . " He justified the success of small businesses as follows: " . . . those who live in the midst of democratic fluctuations have always before their eyes the image of chance; and they end by liking all undertakings in which chance plays a part. They are therefore all led to engage in commerce, not only for the sake of the profit it holds out to them, but for the love of the constant excitement occasioned by that pursuit."

dium Firms (1982), stated that "it is probably reasonable to put the proportion [among OECD members] of small and medium enterprises implementing innovative activities at between 10 and 20 percent."

The importance of European SMEs as innovators is demonstrated by the collaborative arrangements in research and development that the giants in biotechnology, chemicals, and pharmaceuticals —Imperial Chemical Industries, Celltech, Hoechst, BASF, and Roussel-Uclaf, for example—have been forging with SMEs. Another indication is that Philips, the Dutch electricals group, and Olivetti, the Italian office-equipment concern, have both launched venture-capital programs targeted at emerging firms.

Data is also lacking to illustrate how SMEs generate new jobs in E.C. countries. U.K. firms employing 100 or fewer persons experienced between 1973 and 1976 a net increase of 30,000 jobs, while the remaining firms reduced their payrolls by 125,000, according to one study. A 1982 census for Italy, as reported by the *Financial Times*, showed that firms employing between 10 and 99 increased in number by 44 percent and provided 43 percent more jobs.

The hospitality of European states towards SMEs varies greatly according to a report by *The Economist* Intelligence Unit, which ranks all 10 E.C. members on the basis of several factors (specifically, the quality and price of labor; the cost of premises; taxes; the supply of capital and credit; and discriminatory laws). The Federal Republic of Germany offers the most conducive environment, followed by Greece, France, the Netherlands, and Belgium.

"We see the same basic pattern in the United States and Europe, namely that small businesses are creating new jobs, while the large ones are experiencing negative job growth," says Birch, who is director of the Program on Neighborhood and Regional Change at MIT. "The numbers are less dramatic for Europe than for the United States. For example, we're creating four times more companies in one week than the Netherlands creates in a year."

Other differences exist between the experiences of American and European SMEs. U.S. firms have access to a larger home market than their European counterparts—five times and 20 times larger than, respectively, the largest and smallest E.C. countries. European SMEs are hence more dependent on exports than the Americans to compensate for their smaller home markets. U.S. enterprises can delve into a venture capital market which is more sophisticated, larger and less entangled with government involvement. New initiatives in Europe tend to experience slower growth. Whereas the American SMEs have been prolific in their discoveries in genetic engineering and semiconductors, the OECD report observes that the large firms in Europe have been "taking the initiative" in both fields.

On both continents, SMEs list the same complaints. These firms lack information about market conditions, government-assistance programs, regulatory climates, and laws. The paperwork government bureaucracies require needs to be streamlined. Tax levies should be reduced, allowing SMEs, for example, to take larger depreciation allowances for their investments in plant and equipment or providing tax credits for each job an SME generates.

Strengthening SMEs has dominated the European Community's agenda during 1983, which was designated as the European Year of Small and Medium-Sized Enterprises (EYSME). These efforts culminated in the EYSME committee's meeting at Strasbourg in December 1983 to adopt guidelines for E.C. policy. The EYSME program calls for an increase in the funds provided by the European Investment Bank, the European Coal and Steel Community, the European Regional Development Fund, and the New Community Instrument, and for simplifying these programs' application procedures. The E.C. Commission should support the development of consultancy services and data banks specifically for SMEs. A directory of national and international regulations on trade matters and a handbook of E.C. aids for SMEs should be compiled. Tax policies, the committee insists, must be redrawn to help SMEs. The committee also urges the E.C. Commission to prepare a regulation creating a European legal status for limited liability companies.

Almost all European states have already implemented tax breaks, subsidies, and other support schemes for SMEs. The United Kingdom has enacted the Enterprise Allowance Scheme, which provides about $56 a week to unemployed persons starting a business—the Small Engineering Firms Investment Scheme and the Loan Guarantee Scheme. Ireland has established the Innovation Center in Limerick, a "one-stop-shop" providing information on market needs and product development strategies. Italy has enacted Law 675, which allocates funds for industrial reconversion, and Law 48, which encourages investment in high-tech industries.


courtesy Shannon Development

Almost all European states have already implemented tax breaks, subsidies, and other support schemes for small businesses. Shown here is a telecommunications plant in Ireland.

Europe's spotlight on SMEs seems to have dimmed quickly now, the past year's efforts having yielded scores of policy recommendations but little research on how SMEs function within the Common Market. The policymakers resemble mechanics tinkering with engines without mechanical drawings to guide them. What informs some of the E.C.'s policy proposals is the mythology of "small is beautiful." One research initiative the E.C. needs to pursue is a comparative analysis of the American experiences. Such a study would illumine European knowledge about SMEs in the way that Alexis de Tocqueville's study provided insights for Europeans into a democracy's functioning. €

James David Spellman is a free lance writer based in Washington, D.C.

THE EUROPEAN PARLIAMENT: THE LEGITIMIZING LINK

10-NATION ASSEMBLY PREPARES FOR NEW DIRECT ELECTIONS THIS JUNE

MARINA GAZZO

Regular visitors to the European Parliament often complain about its lack of consistency. For example, they ask, why advocate cuts in agricultural expenditure and then promptly vote for big increases when Parliament has to make a decision on farm prices? The occasional visitor, on the other hand, can only marvel at seeing such a diverse crowd get together to talk in Strasbourg, Brussels, or Luxembourg (and many other places) about common concerns. And, he marvels all the more because these people, coming from the far north of Scotland to the deep south of Italy and Greece, were all elected practically the same day in nine different countries (joined later by Greece).

It is indeed a wonder and one that didn't come about overnight. The European Coal and Steel Community, in 1952, already had a parliament called the Common Assembly, but its 78 members were designated by national parliaments and did not feel directly responsible to the electorate for what went on in Europe. They did have at least one important power: the ability to force the High Authority, the executive, to resign by a vote of censure. They never used it, however.

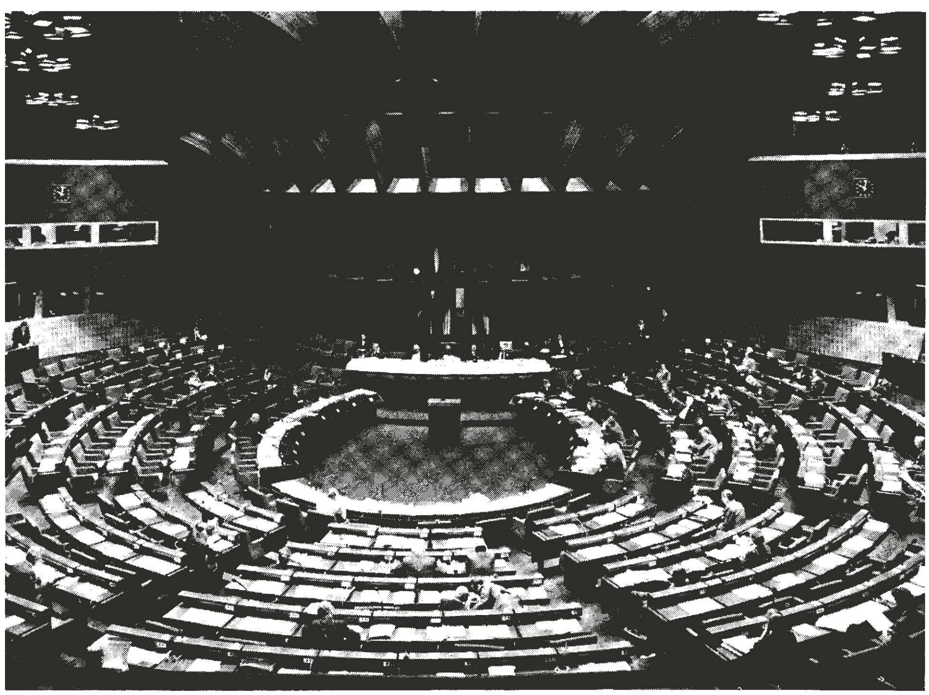
It took another few years before the Treaty of Rome—establishing the European Economic Community in 1957—stated that "the Assembly shall draw up proposals for elections by direct universal suffrage in accordance with a uniform procedure in all E.C. member states." This time, it took even longer—22 years—before the first popular election. Even in the second pan-European election in June of this year, the electoral system will not be "uniform." The main difficulty is the British reluctance to accept any element of proportional representation. Indeed, the "first past the post" system has the big advantage of making each British member of the European Parliament directly responsible to the voters in his constituency, while the "list" system makes members of the European Parliament from other countries more remote from people at home.

The European Parliament adopted a convention on direct elections as far back as 1960, but it had to wait until 1976 before E.C. member Governments at last accepted to fulfill the treaty's provisions. In the meantime, the Parliament took a symbolic but significant step, deciding officially to call itself the European Parliament, instead of Assembly, which is the way the French Government has deliberately called it over the years (with some careful exceptions). It took two summits in 1976 to decide how many members the directly elected Parliament should have and to decide how they would be distributed between member countries.

The heads of Government finally decided that there would be 410 members—81 for each of the "bigger" countries (United Kingdom, France, Italy, and the Federal Republic of Germany), 25 for the Netherlands, 24 for Belgium, 16 for Denmark, 15 for Ireland, and 6 for Luxembourg. When Greece joined the E.C. in 1981, there was an injection of 24 Greek members. The first election was to take place in May or June 1978, but delays in ratification of the implementing legislation postponed it by a year.

The voter turnout in June 1979, was impressive in most countries with an average of 62.8 percent of the electorate voting in the E.C. as a whole. Participation ranged from 91 percent in Belgium and 85 percent in Italy, even though a national election had taken place only a week before, to only 33 percent in the United Kingdom. The present Parliament is worried that turnout in the upcoming second direct election will be much smaller. Polls taken last October, however, show that the percentages of people intending to vote or not are more or less the same as in 1979, when "intentions" and actual participation turned out to be very close. This year, as in 1979, the elections won't all take place on the same day, but will be spaced between June 14 and June 17. Countries where voters normally go to the polls during the week find it very hard to get the electorate out on Sundays, and vice-versa.

The members of the European Parliament are very worried about their voters. This is because the voters, often not very aware of the work of a body which spends a good deal of time submerged in technicalities, are asking with growing impa-



The chamber in the Palais de l'Europe where the European Parliament sits in Strasbourg.

tience what the Parliament has done since it was first elected. They might ask themselves instead just what the Parliament actually can do? It can, and has, rejected the budget, which means telling the E.C. Council of Ministers how it wants E.C. resources to be used (apart from farm spending, where Parliament does not have the last word).

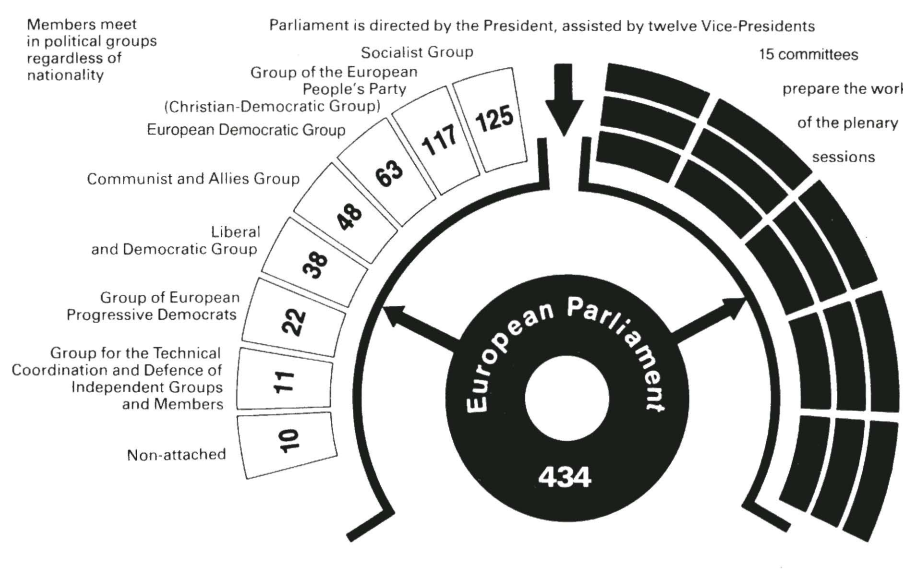
The Parliament also can dismiss the E.C.'s executive Commission through a vote of censure, though it has not yet found either the courage or the right occasion to do so. Torn between a fear of its own courage, a desire to impress the electorate, and a wish to appear at the same time brave and responsible, the European Parliament definitely has tried to break new ground. It would have been unimaginable only a few years ago for a Greek, Danish, or French member of the European Parliament to discuss in session a subject such as European security, an area not covered by the E.C. treaties.

Who would have thought, when the tiny Parliament of the first years met in an atmosphere of almost total intimacy in the old Council of Europe building in Strasbourg, that the voice of its President would be heard in Managua or in Peking? Who would have dared to bet that the "Crocodile Club" (named after one of the best restaurants in Strasbourg) would become the institutional committee which, thanks to the tenacity of Altiero Spinelli, an Italian federalist and former member of the E.C. Commission, has embarked the Parliament on its most important initiative to date: a project for a new treaty relaunching the idea of a European union?

Members of the European Parliament also fear the wrath of people at home because they have too often been in the limelight for the wrong reasons—too many trips, too much expense, too strong a flavor of "wandering circus." It is true that this is a peripatetic Parliament, but it is also true that this is the E.C. member Governments' fault: They were never able to decide where the Parliament should have its seat. The Parliament does do a great amount of work, in spite of the strains of convening in three different places as well as keeping up with the voters at home. The 434 members meet for five days a month during the plenary sessions in Strasbourg, where they are guests of the Council of Europe. Then they run to Brussels, if not elsewhere, for two weeks of committee meetings and one week of meetings in their respective political groups.

The political groups are another small wonder of this European Parliament. Members of different nationalities sit there together and act in concert (although in crucial votes, the "national" element is sometimes decisive). The biggest, and hardest to manage, is the Socialist group, with 125 people, quite a few of them anti-E.C. This is followed by the Christian Democrats (117), the conservatives (63), the Communist group (48), the liberals (38 members from center-left to quite conservative), the European Progressive Democrats (originally a Gaullist group, it has now 15 French, one British, one Danish, and five Irish members), the Groups for the Technical Coordination and Defense of Independent Groups and Members (11 people coming from a wide political spectrum), and 10 non-attached members. After this year's election, the Parliament should in principle be at the same time more politically representative—if the British Liberals get in thanks to their alliance with the Social Democratic Party—and more colorful—if the Green Party's breakthrough at national level is reconfirmed at a European level.

Political composition of the European Parliament



There are 19 parliamentary committees, the youngest one being the Committee of Inquiry on the Treatment of Toxic and Dangerous Substances and the closest to its end the Committee of Inquiry on the Situation of Women in Europe since it has finished its work. The European Parliament's record on women is better than in national parliaments. There are 67 female members and quite a few of them are among the leaders of this Parliament. Among them are Simone Veil, its former President and one of the most popular political figures in France; Katharina Focke, head of the Social Democratic list in the European elections in the Federal Republic of Germany; Carla Barbarella, Italian Communist who proved her toughness on budget issues; Lady Elles, the respect-commanding conservative Vice-President; Heidi Wieczorek-Zeul, called "Heidi the Red" (also because of her flaming hair) when she was the leader of the young German socialists.

Several national parties' leaders also were elected in the current Parliament and, while some attended sessions only a few times (French Communist Georges Marchais, Italian Socialist Bettino Craxi), others were noteworthy by their presence (Italian Radical Marco Pannella, for example), or tried to come when they felt they had to speak on major political issues (Italian Communist Enrico Berlinguer or German Socialist Willy Brandt). All these men and women form a kind of parliamentary "melting pot," where different traditions and habits clash and then are reconciled in the end to create something new.

The presence of lobbyists, of worried diplomats from countries with shaky human-rights records, of French peasants, and of Afghan "freedom fighters" seems to show that the Parliament's voice is not so small. At the same time, the more technical work goes on. The Parliament makes the complex European machinery more public, and this is a good thing, because often even technical subjects are political at the bottom. Some ask why the European Parliament should be given more power in a time of generally increasing power of the executive. The answer is that the center of decision in a 10-member E.C. is too far from the people who are the objects of these decisions and the nature of "European" decisions is often obscure. The Parliament is thus the legitimizing link. €

Marina Gazzo is an editor of *Agence Europe,* published in Brussels.

E.C. PROPOSES LAWS AGAINST ACID RAIN

GERMAN PRESSURE SETS STAGE FOR POLITICAL AND INDUSTRIAL STRUGGLE.

IAN HARGREAVES

It was, historians believe, an Englishman, Robert August Smith, who first coined the term "acid rain" in 1872. But, a century later, it is the Germans who have forced the phrase into the mainstream of Europe's political vocabulary. It was mainly German pressure which led to the publication in December of a draft E.C. Commission directive on air pollution and acid rain, which has set the stage for a major political and industrial struggle in the months to come.

If passed into law, the directive would impose for eight of the 10 members of the E.C., their first specific laws on the volume of emissions from the chimneys of "large combustion plants," chiefly power stations. The Federal Republic of Germany and the Netherlands are the odd couple out. Britain's laws, for example, merely require the government air pollution inspectors to insist upon "the best practical means" of minimizing power-station pollution. Although inspectors theoretically have power to impose numerically quantifiable limits, these are not stated or applied across the board.

In practice, "best practical means" of controlling power station emissions has meant requiring the country's power plants to build taller chimneys. This strategy has certainly cut down the amount of nuisance caused by fumes in the United Kingdom itself, but it has led to bitter complaints from Britain's northeastern neighbors, especially the Scandinavians. They say that British tall stacks are responsible for much of the pollution which, converted into acid rain, is blamed for killing half the fish in Norway's four southernmost counties in the 1940-80 period and for harming over 3,000 lakes in Sweden.

A bilateral squabble between Britain and Scandinavia on this subject rumbled along throughout the 1970s without ever seeming likely to command real political attention in Britain. But the situation has changed dramatically in the last year, in response to events inside the Federal Republic of Germany and to German initiatives within the E.C.

German anxiety about acid rain began to reach fever pitch in advance of the federal elections in March 1983. Faced with reports of massive damage to the German forests, which hold a unique place in the country's folklore and culture, politicians from all parties vied with each other in expressions of concern and commitment to action. This process was intensified by the emergence of the Green Party as an important political force and by the fact that much of the most dramatic forest damage was found in the southern, Bavarian part of Germany, which is a stronghold of the now ruling CDU-CSU coalition. According to some reports, about 5 million acres of German woodland have been damaged. The Black Forest itself, according to the gloomiest descriptions, is dying.

Once in office, the Kohl Administration delivered on its promises. The Bundestag quickly passed a law requiring sharp cuts in emissions of SO_2, oxides of nitrogen (NO_x, for short), and soot, or particulates. On the international stage, the Germans ensured that the communiqué signed by all E.C. heads of state following the Stuttgart summit in June last year contained a strong reference to the Community's forests and the need for "coordinated and effective initiatives" if an irreversible situation was to be avoided. During the German presidency of the E.C. Council of Ministers in the first half of 1983, the groundwork was laid for the December draft directive, which is based to a large degree upon the measures passed by the Bundestag.

One consequence of this is rising alarm among German industrialists, who see their own energy costs being raised by their domestic legislation and fear that this will put them at a competitive disadvantage. "The Germans jumped over the cliff, now they want us all to follow," says one British expert on the subject.

The costs of jumping would certainly be considerable. Britain's Central Electricity Generating Board has calculated that it would cost about $2.8 billion and add 10 to 15 percent to the operating costs of the dozen or so large coal-fired power stations it would need to modify if Britain were to meet the E.C. standard.

The draft regulation would require all E.C. member states to reduce their output of SO_2 by 60 percent and of NO_x and particulates by 40 percent by the year 1995. In addition, new fossil-fuel-fired plants would set specific emission limits of 400 milligrams per cubic meter of waste gas in the case of SO_2, falling to 250 mg per cubic meter after 1995. These restrictions are very similar to those which apply in the Federal Republic of Germany.

The European Parliament, which has recently emerged as a vociferous campaigner on the subject of acid rain, commissioned a report which suggested acid rain was causing damage "on a massive scale," costing between $46 billion and $70 billion a year. Acid rain, the report suggested, could be to blame not only for the dying forests and fishless lakes and streams, but for eating away St. Paul's Cathedral, the Parthenon, and Dutch historical archives. There have also been attempts in Sweden to demonstrate that high acidity in drinking water is damaging health by leeching pipes. Research is also in progress to investigate the possible


Regis Bossu/SYGMA

effects of acid pollution on crop yields.

European scientists, however, like American scientists, are deeply divided about the cause and effect of acid rain. Although few deny that acidity is a proven cause of the fisheries problem in northwestern Europe—parts of Scotland are also quite badly affected—some scientists dispute whether man-made pollutants are really responsible for changes in soil acidity.

As for the German forests, there are rival hypotheses inside the country as well as beyond. The most widely respected theory, the so-called Ulrich hypothesis, suggests that acid rain washes aluminium from the soil and enables it to attack tree roots. Opponents contest this on the grounds that attacks on trees are not uniform geographically. Almost everyone agrees that whatever the role of acid rain, other factors—such as airborn pollution from the Eastern bloc, the dry summer of 1976, and possible incorrect forest-management practices—have also played a part. It also seems likely that ozone is a catalytic factor in producing atmospheric acidity.

Equally difficult is the question of how much effect proposed remedies would have. If power stations were forced to scrub their flue gas to get out the SO_2 and modify their boilers to absorb most of the NO_x, however, it is far from certain that the German forests would recover their health or even that the decline would be arrested. But, reply the environmentalists, that is no reason to avoid taking action, since we may well have reached the point where a declining level of emissions over decades will produce improvement, just as it was an increase in emissions over decades which caused the current problem.

Within most of the E.C. member countries, this type of debate is now the subject of detailed media attention and political scrutiny. Britain's House of Commons select committee on the environment is to consider acid rain in its sessions this spring and there has been an avalanche of reports and conferences. Perhaps the most definitive report will turn out to be the one commissioned recently, at a cost of $7 million from Britain's Royal Society and the Royal Norwegian and Swedish Academies of Science.

All of this debate no doubt feels very familiar to Americans, although the funds being spent on research are small by U.S. standards. In Europe, as in the United States, the prevailing wind blows from southeast to northwest, so the degree of concern follows similar geographical patterns, as do the industrial politics of the issue. But in two respects at least, the European acid-rain conundrum differs from the American. The first is a question of energy politics, the second an East-West issue.

The energy politics differ because in Europe coal is both in shorter supply and more expensive than in the United States, so its economics as a power-generating fuel are, relative to those of nuclear methods, that much less attractive. A recent Worldwatch report, for example, argued that coal was now clearly ahead of nuclear power in the economics of new generation stations in the United States, but found the case much more finely balanced in Europe.

Added to that, Europe has never had an accident comparable to the one at Three Mile Island and, although nuclear power is still a controversial issue in the E.C., new plants continue to be commissioned. France now relies upon nuclear power for about 40 percent of its electricity generation and, in the United Kingdom, a major public inquiry is in progress to decide whether Britain should build its first pressurized water reactor. The economics of coal versus nuclear fuel are crucial.

So, the argument runs, if coal is to acquire the new economic blackmark of flue-gas desulfurization, the balance will tip further toward nuclear power. This explains why Britain's environmental campaigners so far have been muffled in their response to the acid-rain debate, committed as they are above all to resisting the spread of nuclear power.

The East-West issue is a more subtle one. It turns on the fact that in 1982, the Soviet Union accounted for more SO_2 emission than the whole of Western Europe. The Eastern bloc together produced very nearly three quarters of the total in the European region. Countries like Czechoslovakia, the German Democratic Republic, Romania, and Poland, with their large and old coal-fired power stations, are accused of carrying a major responsibility for borderline atmospheric pollution in the Federal Republic of Germany.

It was precisely because of this problem that in 1972 the United Nations Economic Commission for Europe (UNECE) took up the issue, leading to the publication in 1979 of UNECE's convention on long-range transboundary air pollution. This convention came into force last year and requires signatories gradually to reduce air pollution, although without any very specific targets.

Governments of countries like the United Kingdom, France, and Italy are inclined to argue that UNECE is a better forum for action on international pollution questions, since action by the E.C. alone would be ineffective. Opponents counter that the E.C. is a major polluter in its own right—Britain is the largest producer of SO_2 in Europe, apart from the Soviet Union—and that since the wind blows from west to east, much can be achieved by action inside the E.C. Whatever the scientific uncertainties involved, the debate and the politics seem guaranteed to retain a high acid content. €

Ian Hargreaves reports on environmental topics for the *Financial Times* of London.

BELGIUM

MARTENS GOVERNMENT HAS MOVED TO CURB GROWTH OF PUBLIC SECTOR AND TO BOOST EXPORTS.

PAUL CHEESERIGHT

Wilfried Martens is one of the born survivors in politics. He will not be 44 until April, but already he is Prime Minister of Belgium for the fifth time at the head of a center-right coalition known to Belgians as Martens V. The Government is half way through its parliamentary lifespan of four years and most local analysts give it at least an even chance of surviving until elections need to be called a couple of years from now. Opinion polls have shown, if anything, a faintly perceptible drift to the right in political allegiance, with the opposition Socialists holding their ground, to be sure, but not noticeably gaining suppport because of the economic austerity which has been imposed on Belgium.

Martens has emerged as the dominant figure in local politics, although it is true that the Government managed to survive without him in the late summer of last year when he took three months off for a heart operation and subsequent convalescence. Without him, the Government even survived a widespread strike in the public-service sector which closed down the national transport system. But what it did not do was to push forward the resolution of key problems like reform of the ailing steel industry. That had to wait.

Political dominance in Belgium, however, is not the same as holding on to office. The system is too Byzantine for that. Politics is so fragmented that there is a booby trap around every corner. They get sprung because of the structure of the country. There are just under 10 million people in Belgium, but they are divided into two main linguistic communities—Flemish and French. In the middle, there is Brussels, both the national capital and headquarters of the E.C.

The political parties, though, no longer span the linguistic divide. The Flemish Christian Democrats, of which Martens is a member, have a French-speaking and independent counterpart in the southern part of Belgium, Wallonia. It is the same with the Liberals, who with the Christian Democrats, make up the coalition of Martens V. It is the same with the Socialists in opposition. And on top of that, there are purely regional parties.

So the coalition Government is made up of not two parties, but of four, which together won 113 seats at the 1981 election in a parliament of 212 seats. The majority is secure, provided there is no sharp internal argument, but that cannot be ruled out. Martens V is more likely to collapse from the inside.

Although the parties can agree on the broad lines of policy for revitalizing the economy, for example, they are all looking over their shoulders at their regional power bases—the Walloons have to protect the interests of their community in the Cabinet against the Flemish, and vice versa. This means in turn that there only needs to be a communal squabble where the positions become entrenched to bring down a Government whose main purpose has been to redress the economy.

The Government has tried to erode this possibility by pushing toward a greater devolution of power from the center to the regions, but as Martens made clear when he came back from his heart operations, the main objectives remain economic and financial. It is hardly surprising. Government authority sagged in Belgium during the 1970s. The persistent need for compromise in politics robbed the most earnest leaders of the ability to come to terms with the successive oil crises.

The public sector of the economy became increasingly overblown. A system of wage indexation helped sap the competitivity of the private sector in international markets. Belgium had become the sick man of Europe at a time when Continental health standards were low.

The Martens Government had to act because there was no other choice. As a result, from the early part of 1982, there has been a steady series of measures designed, not always successfully, to shift resources away from the public sector and the consumer and into the corporate sector. Business has been impressed, not always with what the Government was doing, but because it was trying to do something.

To act, the Government won special powers from parliament, in effect, to rule by decree on economic questions. This gave it the scope to act more quickly and decisively, but it diminished the power of parliament on day-to-day questions and placed a great premium on the cohesion of the coalition. The key decisions moved

BELGIUM: MAIN ECONOMIC AGGREGATES 1961-1984

	GDP value growth	GDP volume growth	GDP price deflator	Rise in consumer prices	Compensation per employee
	%	%	%	%[2]	%[2]
1961-70	8,5	4,8	3,5	3,2	7,8
1971-80	10,4	3,2	7,0	7,0	11,9
1981	4,0	−1,1	5,2	8,8	7,4
1982	8,1	1,0	7,0	7,4	8,0
1983[1]	6,2	−0,9	7,1	7,8	6,0
1984[1]	7,0	0,6	6,3	6,5	7,7

1 Preliminary estimate of the Commission services on the basis of present or anticipated policies
2 % change over previous period, annual rate.
3 End of year.

away from the elected representatives to the party chiefs: On economic questions, parliament has by and large become a rubber stamp.

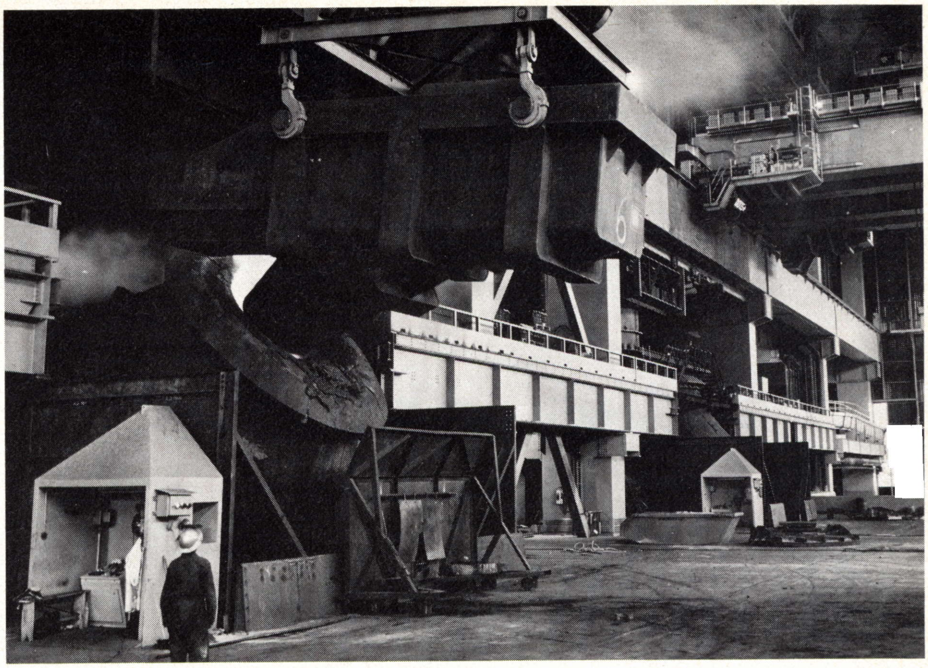
The first thing the Government had to do was to increase sales on the world markets and last year Belgium achieved an increase in exports by carving slightly into the market share of its competitors. The motor for that was a devaluation in the spring of 1982, when the Belgian franc went down 8.5 percent. This was accompanied by cutting into the wage-indexation system with a policy of imposed restraint which has meant that wage levels have been going up by less than the rate of inflation, now down to under 8 percent.

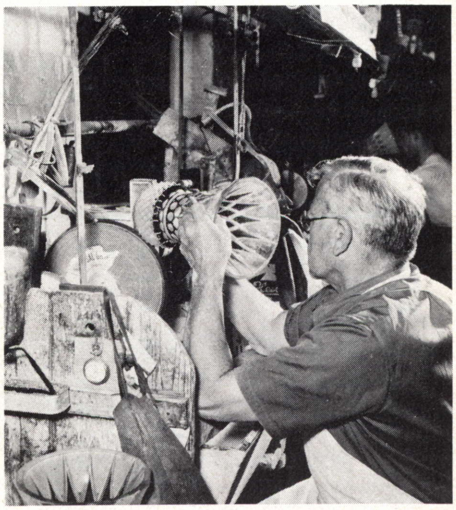
Economists consider that Belgian competitivity has been raised back to the levels of the early 1970s, but are worried that as wage indexing comes back, the advantages gained will be lost. They are predicting that this year Belgian wage rates will be going up faster than those of the country's most important trading partners in Europe. Government policy is to hold them under the level of the trading partners, but it concedes that this is not a wide enough definition of competitivity. Studies are going on for a better and wider form of measurement.

Kredietbank, the major Flemish financial institution, has suggested that a much better measure is company profitability. It points out that on this basis, the economic policies of the Martens Government are really only a beginning. If Belgium is to return to relative prosperity, then corporate profitability has to increase sharply and to increase fast.

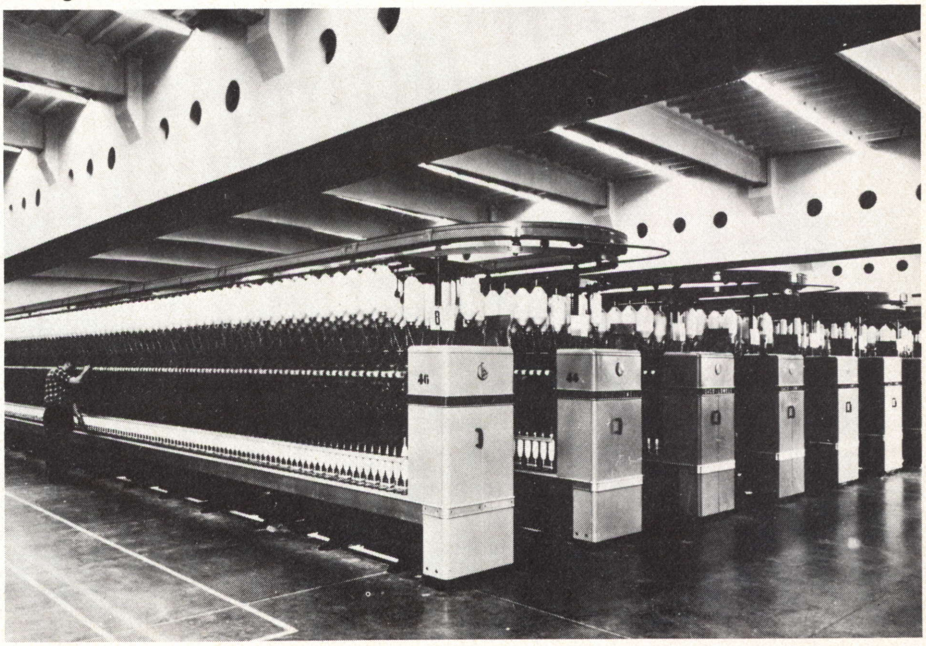
Studies for the most recent year for which full figures are available—1982—show that the profitability of industrial companies generally remains at a low ebb, although it has improved. And the most profitable companies are not in the manufacturing sector, which provides most of Belgium's international trading revenue, but among the utilities.

What the industrial sector needs above all is a revival in demand both at home and abroad, so that sales can be boosted to generate fresh revenues for investment. But the immediate outlook is not too promising, although better than six months ago. The key factor overseas is not the economic revival in the United States, where relatively few Belgian products are sold, although the amount is increasing, but in the European Community. Likely growth is more sluggish than in both the United States and Japan. Thus, an increase in exports depends, just as it has since 1982, on Belgium winning a bigger share of the market.





The most important item on the Martens Government's agenda is revitalizing the Belgian economy. Pictured here are some mainstays of Belgian industry: steel, lace- and glass-making, and textiles.



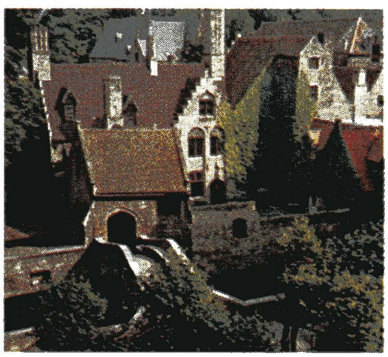
BELGIUM

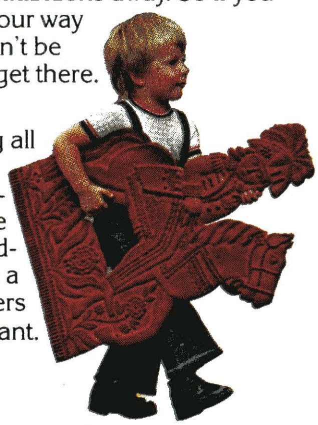
The Surprise Package of Europe.

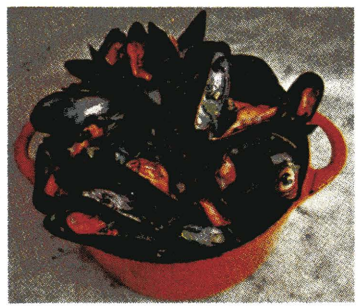
SURPRISE! Belgium is practically a non-stop festival. So whenever you visit us, you're sure to land right smack in the middle of one. (Our fine flowered friend above is featured in The Flower Festival in Antwerp.)

SURPRISE! Belgium is everything you never expected. Food to rival Paris. Castles to capture your heart. Scenery to take your breath away. Festivals to take your inhibitions away. So if you come to Belgium on your way to somewhere else, don't be surprised if you never get there.

SURPRISE! Did you know Waterloo is in Belgium? While most visitors wish they had stayed longer in Belgium, Napoleon wished he had stayed shorter.





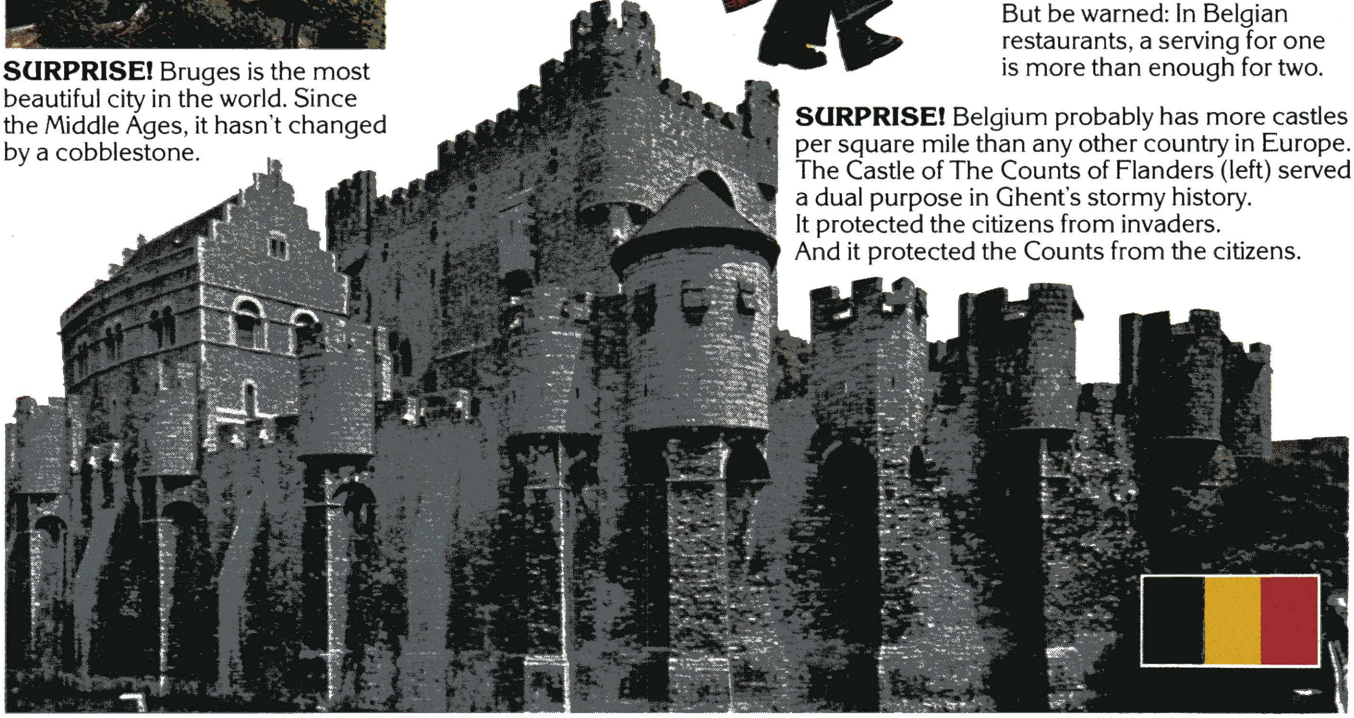


SURPRISE! Calling all Cookie Monsters! These giant gingerbread cookies, made from antique hand-carved molds, are a specialty of the bakers of Dinant.

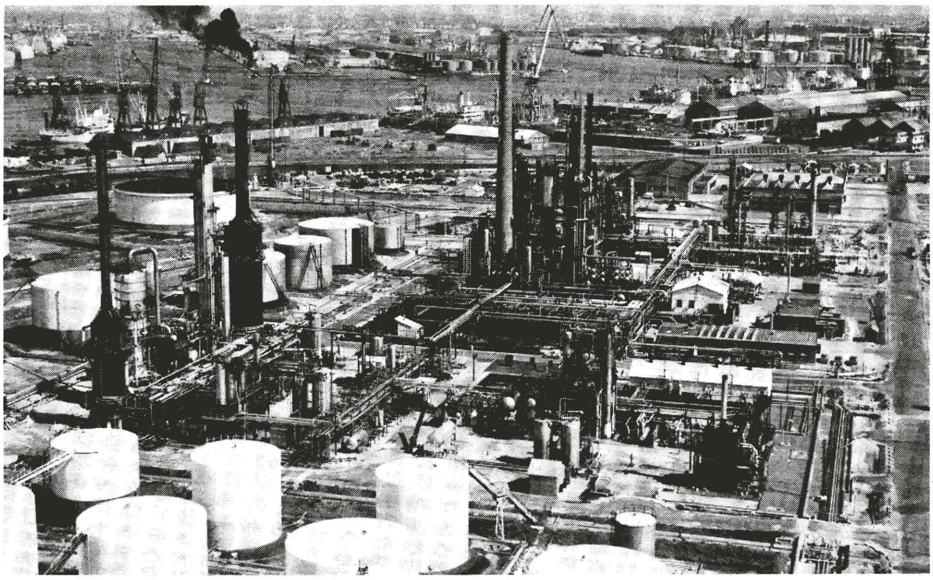
SURPRISE! Mussels in Brussels are a must. But be warned: In Belgian restaurants, a serving for one is more than enough for two.

SURPRISE! Bruges is the most beautiful city in the world. Since the Middle Ages, it hasn't changed by a cobblestone.

SURPRISE! Belgium probably has more castles per square mile than any other country in Europe. The Castle of The Counts of Flanders (left) served a dual purpose in Ghent's stormy history. It protected the citizens from invaders. And it protected the Counts from the citizens.



FOR FURTHER INFORMATION, SEE YOUR TRAVEL AGENT.



Shown here is a petroleum refinery in Antwerp, Belgium's largest port.

The measures taken by the Government over the last two years have helped to achieve this and there has been a substantial improvement in the Belgian balance of payments. This partly reflects a slower flow of funds from the country and a better balance in the services trade, but mainly a sharp improvement in the balance of merchandise trade. Belgium's better external position also reflects, however, a slowdown in import payments and the state of the internal economy, where the Government has kept a tight grip on demand. Retail sales over the first three quarters of last year rose under 3 percent, as the amount of household disposable income fell back under the impact of wage-restraint policies.

The tightness in the internal economy has been demonstrated broadly by the fractional decline in the volume of the gross national product. There are expectations of a slight increase this year, probably of the order of 0.5 percent in private-sector estimates, but a bit more in official calculations. Clearly, then, the recession is not over. One barometer will be the performance of the construction sector which the Government is hoping to stimulate through a series of tax breaks for those investing in new residential or commercial property.

If the construction sector is taken into account, then the Belgian index of industrial production has been falling. Take out the sector and there was a rise of industrial production during the first 11 months of last year of 2.5 percent. During the happier years of the 1960s and 1970s, the construction sector was a major source of employment. Now the progressive layoffs have helped to swell the number of jobless to 12.1 percent of the working population, one of the highest rates in the E.C. It is in this area that the shortcomings of Government policy, set against its aims, start to be revealed.

Economists consider Belgian competitivity has been raised back to the levels of the early 1970s, but wage-indexation could kill any advantages gained.

The Government has so far been able to do little more than check the headlong rise in numbers and slow it down. At the end of last year, it announced broad plans to stimulate investment, but these will take some time to show up in the statistics. In the meantime, it seems to have little choice but to soldier on with the policies it has been developing.

The duration of compulsory schooling has been increased. The Government has worked out and applied a system of trading off slower wage rises for shorter working hours and more hiring and it has been signing contractual agreements with companies to that end. There are pockets of structural unemployment, however, which will not respond to general measures,—for example, in the Walloon part of the country where the ailing state steelmaker, Cockerill Sambre, is moving toward a major restructuring. This is costing 27.6 billion Belgian francs (about $476 million), but official spending does not stop there because of the political need to devise a financial package which takes into account Flemish interests as well. What the Government is doing is handing over the revenue of death duties to the regions.

This is an indication of the pressure on the Government at a time when the balance in the economy requires official spending to be reined in, but the needs on the ground require a continued high level of spending. The Government is aware that its demands on the capital market are taking in funds which might go into private investment, should demand increase. But the overweening importance of the public sector in the Belgian economy means that official retrenchment can only take place slowly, at least in political terms. Business remains highly critical of the fact that the Government so far has managed only to slow the rise in its own spending and has effectively abandoned plans drastically to reduce the overall level by 1985.

As a percentage of gross national product, the state deficit went through 14 in 1982 and this year is likely to remain at over 12. It is a situation which worries the International Monetary Fund (IMF) as well as opinion on the center and right in Belgium itself. Real public expenditure must be reduced by over 2 percent a year, the IMF told the Martens Government. "We fear that if this target cannot be met already in 1984, the prospects for a self-sustaining recovery will be considerably compromised," the IMF said.

With the old system of wage indexation gradually coming back into play—tempered it is true by the variety of sectoral wage-restraint agreements—the economic position is looking precarious, although healthier than a couple of years ago. Few specialists think there is any choice but to continue with policies of restraint for the foreseeable future. Fortunately for the Government, the opposition to such policies is fragmented, with a trade-union movement split three ways on confessional lines and able only rarely to unite against the Government.

Nevertheless the widespread public sector strikes of last year showed the danger of a political explosion of feelings. The Government can never be quite sure what will spark off demonstrations in the streets—they have happened more than once over the question of slimming down Cockerill Sambre. But it knows full well that the battle for restrained economic policies cannot be won with riot police.

Paul Cheeseright reports from Brussels for the *Financial Times* of London.

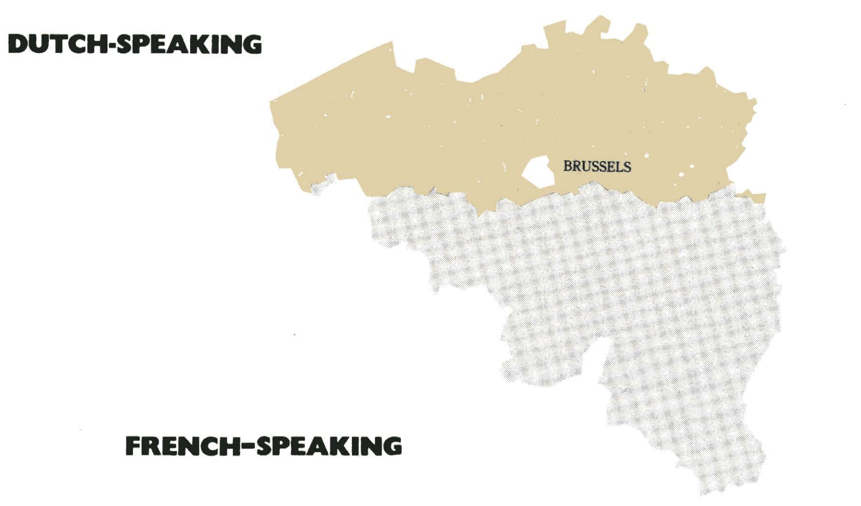
John Fitzmaurice's new book, **The Politics of Belgium**, is a valuable primer for anyone studying the subject. A review appears on page 52.

LINGUISTIC DIVIDE KEY TO BELGIAN NATION

DIFFERENCES BETWEEN DUTCH-SPEAKING FLANDERS AND FRENCH-SPEAKING WALLONIA PERVADE SOCIETY.

ALAN OSBORN

An old joke is being retold in Belgium. European students are asked to write about the elephant. The French child calls his essay "The Elephant and His Love Life." English students start with "The Elephant—Can You Hunt Him?" The German child wonders about "The Elephant—Can He Be Eaten?" But from Belgium comes the longest and most heart-felt piece: "The Elephant and the Belgian Linguistic Problem." The problem (like the joke) should have died 100 years ago, but anyone living in Belgium today knows that the language war, and all it implies for culture and history and politics, is as much a factor of life here as it was five or 10 years—or even a century and a half—ago.



Belgium's borders were basically drawn up in 1830 and for contemporary political reasons. It suited the European powers of the day to carve out a new territory that straddled the north and south areas of a rather arbitrary line. The new state thus comprised two halves of Dutch-speaking and French-speaking communities. In very broad terms, the situation is unchanged to this day. In a country roughly the size of Maryland you have two quite distinctive and frequently antipathetic cultures competing against each other in politics, economics, local government, education, and a whole string of other matters.

There was a moment—about four years ago—when it seemed the problem might be on the way to solution. The idea was to devise separate governing authorities for the two halves. There would be a regional government for Dutch-speaking Flanders and a corresponding body for the French-speaking Wallonians. A third authority would look after Brussels which, while geographically located in Flanders, was bilingual—if not to say multilingual—and thus a law unto itself. Over all three would be a central government with complete control of international policy and broad economic powers. It would not be unlike a United States with just three members.

This ideal has not perished, but the making of it has run up against the uncomfortable truth of economic life. The facts are that Belgium's growing and prosperous industries are mostly located in the nothern, Dutch-speaking half of the country, while the stricken steel and coal activities are mostly to be found in Wallonia. Above all the steel industry, with its enormous workforce, has placed strain on the social fabric. The story of Belgium's steel industry in recent years is painfully similar to that in most other Western countries. It has been on the retreat. New capacity cutbacks mean more job losses. To minimize them, the central government hands out aid. Which, say the thriving northerners, is an imposition on the successful. It has been all too easy to make this another twist in the linguistic divide and the temptation to do so has not always been resisted.

In a different way, the division of Belgium into two cultural communities has blunted the force of trade-union opposition to government policies and thus indirectly helped sustain the government in power. Just over a year ago, for instance, the wrath of the trade unions over the government's austerity program boiled into violence and threatened to unseat the center-right coalition. It was averted at least partly because the Dutch-speaking unions finally shrank from the kind of confrontation demanded by the Wallonia unions, possibly determining that the preservation of the Government (with its Flemish Prime Minister) was preferable to French-speaking socialism.

But to suppose that today's linguistic tensions are wholly due to economic causes is to be dangerously misled. The newspapers carry reports almost every day of some kind of squabble. Trivial in themselves, they add up to an undercurrent of cultural disquiet that no prudent observer ignores. One example: Three French-speaking mayors of communities in the Brussels suburbs recently filed plans to open a French-speaking school in a Flemish community, arguing that Francophone parents living in the area were forced to send their children long distances from home to attend teaching in French. The local Flemish executive responded by appropriating the land set aside for the school, saying it was "of vital importance to the Flemish tourist heritage."

In another example, French-speaking construction workers walked off a job in Brussels when they were told that operation of the canteen serving workmen would be handed over to a firm owned by a Dutch-speaker. There are countless other examples. It may well be that newspapers and television stations seek them out and play them up to serve their own

Evidence of the language division. Where to go? North or south?

particular cause. But, if true, that in itself would be significant.

One particular incident however has engaged the attention of both sides in the linguistic war and, however slight in itself, has served to raise the temperature of the debate quite considerably. It is what almost all Belgians know as the "Fourons problem." Fourons is a tiny community—about 3,000—of French-speakers surrounded by the vast Dutch-speaking province of Limburg close to the Dutch border. Just why it should exist there is a matter of curiosity, but it almost certainly happened through politics. "It is our Berlin," said a Francophone official recently.

Fourons has long been at war with Limburg, but the conflict was sporadic and trivial until last year when the small Francophone community elected a militant French-speaker as its mayor. This inflamed the Limburg authorities, since their rules demand that all officials speak Dutch. A crisis was threatened at the time, only averted when the new mayor, Jose Happart, agreed to delay taking office until he had learned to speak Dutch.

Perhaps he tried to learn. In any event, he assumed office early this year and the Limburg authorities immediately summoned him to test his fluency in Dutch. Happart did not turn up for the examination. More than that, he spent the day visiting an exhibition of Wallonian arts in Paris. The outraged Limburg officials promptly stripped him of his authority as communal counselor, though he remains burgomaster. Happart nevertheless is appealing in the courts.

This may seem like the stuff of comic opera, but the fact is that the issue halted debate in the Belgian parliament and has led to real fears that the Government could be brought down. Almost as soon as the Fourons problem landed, there were bills submitted by Flemish members of parliament demanding bilingual ability for elected officials.

Possibly the Dutch speakers are more animated by the language issue than the Francophones, since many of the latter would probably rather have their children learn English than Dutch as their second language. For the Flemish, the choice of a second language may not be so clear cut. They may well feel that for a Belgian, fluency in French is desirable. But career prospects outside Belgium would almost always demand the ability to speak English.

Social intercourse at first meeting with Belgians is often difficult for non-Belgians—or even other Belgians sometimes. To begin a conversation in French could be offensive to the Flemish and vice versa. An American or Englishman who tries to engage assistance in Ostende, let's say, by speaking in broken French, is sure to get short shrift. Few would dare speaking Dutch in Liége. Perhaps the only answer is to start in English and see what happens. €

Alan Osborn is Benelux correspondent for *The Daily Telegraph*.

THE BELGIANS AND THEIR COUNTRY.

Why not make Belgium your gateway to Europe? Begin your next vacation across the Atlantic with a tour of the many sites shown on these pages. Or take time off from your next business trip to visit a few of them.

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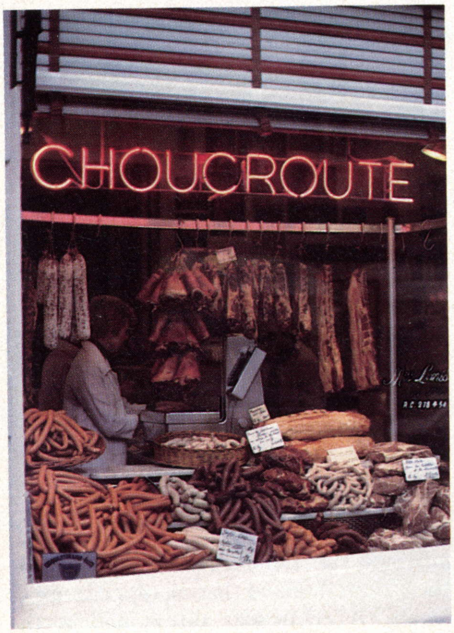
Clockwise from above: One of Brussels' many fascinating museums; the picturesque canals of Bruges; a Belgian specialty food shop; and a favorite pastime—fishing along the canal.

©Serraillier/Photo Researchers, Inc.



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Clockwise from above: The hills over the town of Dinant; a lacemaker in Bruges; disguised for Mardi Gras; the spectacular Grand' Place in Brussels; sun-bathed terrace at the House of Painters restaurant.

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BRUSSELS: A CITY AT THE CROSSROADS OF EUROPE

THE E.C., NATO, AND INTERNATIONAL BUSINESSES MAKE THE BELGIAN CAPITAL A SPECIAL PLACE.

PAUL CHEESERIGHT

The people were hospitable and they were well known for eating chickens. That was the verdict on Brussels from a 15th-century French poet who happened to pass through a city that seemed at the crossroads of Europe. Nowadays, the citizens of Brussels would tend not to consider themselves at the crossroads, but rather in the capital of Europe.

If any city in Europe was to become an international center, then Brussels was a good choice. The siting of offices for the once-warring factions of Europe that had settled their differences on Belgian soil was itself a symbol of peace. Brussels acts as host to the North Atlantic Treaty Organization, with its headquarters just outside the city. At the same time, it is the main center for the European Community. The E.C. Council of Ministers, which takes the decisions, has most of its meetings there. The E.C. bureaucracy is based in a special office building shaped like a stranded starfish, officially called the Berlaymont, but labeled by the French-language press as "Berlaymonster."

And these two organizations are just the tip of the iceberg. There are thought to be over a 1,000 organizations with international pretensions in Brussels, ranging from small industry lobby groups to a free trade union organization grouping together a membership scattered all over the world.

So international has Brussels become that about a quarter of the population is foreign. In some respects the relationship between the foreigners and the local citizens is delicate, though this does not apply so much to the international civil servants and those people who have been drawn to the city precisely because it is international. It applies, instead, to people from southern Europe and northern Africa who are considered to be a charge on the Belgian state because they gain social-security benefits. The Belgian Government even now is engaged in a major political row because it wants to control more closely the arrival and movement of permanent migrant workers.

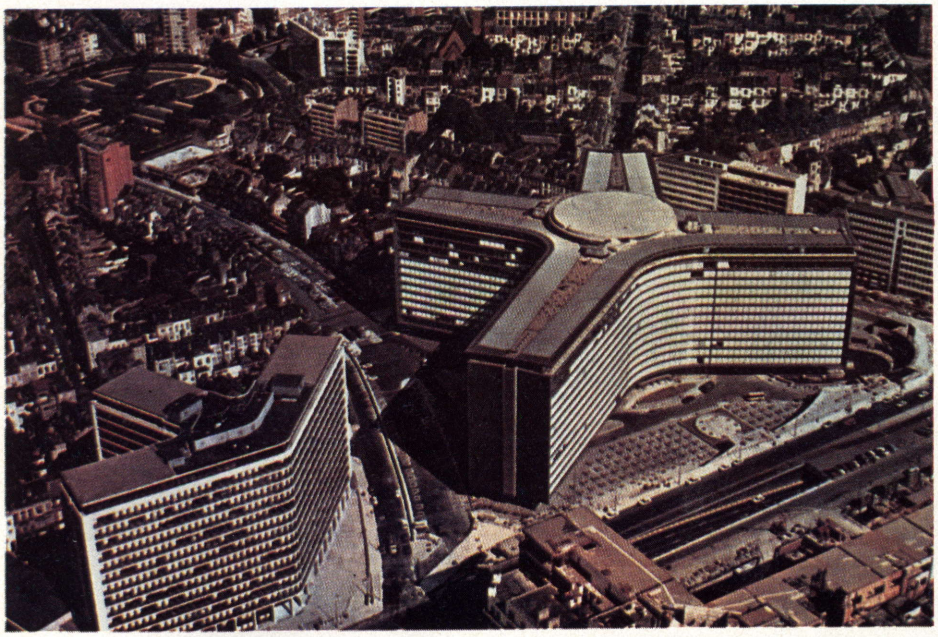
Those who work in the E.C. institutions number around 10,000, of whom about a quarter are Belgians. The "Eurocrats'" presence has brought into Brussels some 2,000 diplomats who might not otherwise be there, as well as around 350 journalists who are accredited to the E.C.

In a legal sense, the presence of so many Community institutions is still provisional, but the temporary has had a permanent look about it for some years, an impression hardened last year when for the first time the E.C. actually bought a building. Not only did the E.C. start changing its role from tenant to proprietor, it also bought an adjacent site on which to develop further. Construction work on a new office complex starts this year. The local newspapers from time to time are full of anguished debate about the nature and siting of new buildings.

In a way such a debate is a little too late. During the 1960s and early 1970s, property developers set about the city with a vigor which has resulted in the sprouting of innumerable office blocks of value only to those who gather the rents. Those who remember the city of a generation ago complain about its decimation. Nevertheless the building spree of those years has left the city with a residue of rentable accommodation which makes Brussels an easy place to become established. There is none of the anguished searching for a home that accompanies a move to London or Paris, for example.

At the same time, a much more cautious approach to town planning has developed as the city authorities have become keener and keener to protect their heritage. And that heritage remains considerable. The centerpiece of the city is the Grand' Place, a masterpiece of Gothic architecture which has survived the attempts of invading armies to destroy it. Victor Hugo, the French writer, who lived there for a spell, described it as the world's most beautiful theater. Nowadays, it is more a theater of life than of performance but from time to time, in the summer, the city authorities do arrange free presentations and a free pageant.

Around the Grand' Place, the narrow cobbled streets house myriad restaurants of all types of cuisine, giving the area an international air much reinforced by the babble of foreign languages heard everywhere. Certainly, for tourists, the Grand' Place area is a good place for indulging in what is generally thought to be one of the



The Berlaymont building, E.C. Commission headquarters in Brussels.

gastronomic centers of the world.

Brussels is growing as a center of services and losing ground as a manufacturing center. A Crédit Général bank study has shown that while in Flanders and Wallonia there was a rough balance between the secondary and tertiary sectors, in Brussels the latter was providing 75 percent of the value added produced in Brussels. This has been caused to some extent by the geographical location of Brussels, but also by the concentration of governmental activity and the presence of international institutions in the city.

Certainly, in a survey of the latest investment trend in the mechanical-engineering and metal-processing industries, it was found that the major part of the fresh capital was coming from abroad, but that only 3.4 percent of it was finding its way to Brabant, the province which surrounds the capital and would be expected to feed off it. Perhaps this is not surprising. With the whole of the E.C. to choose from, Brussels is not the most obvious site for new manufacturing investment. But it is an appropriate place to have an office. It is a place, as a British official once pointed out, to take the temperature of continental Europe—through the Flemish you can understand the needs of the Dutch and the Germans, from the French you can understand the needs of the French in France and the Italians. €

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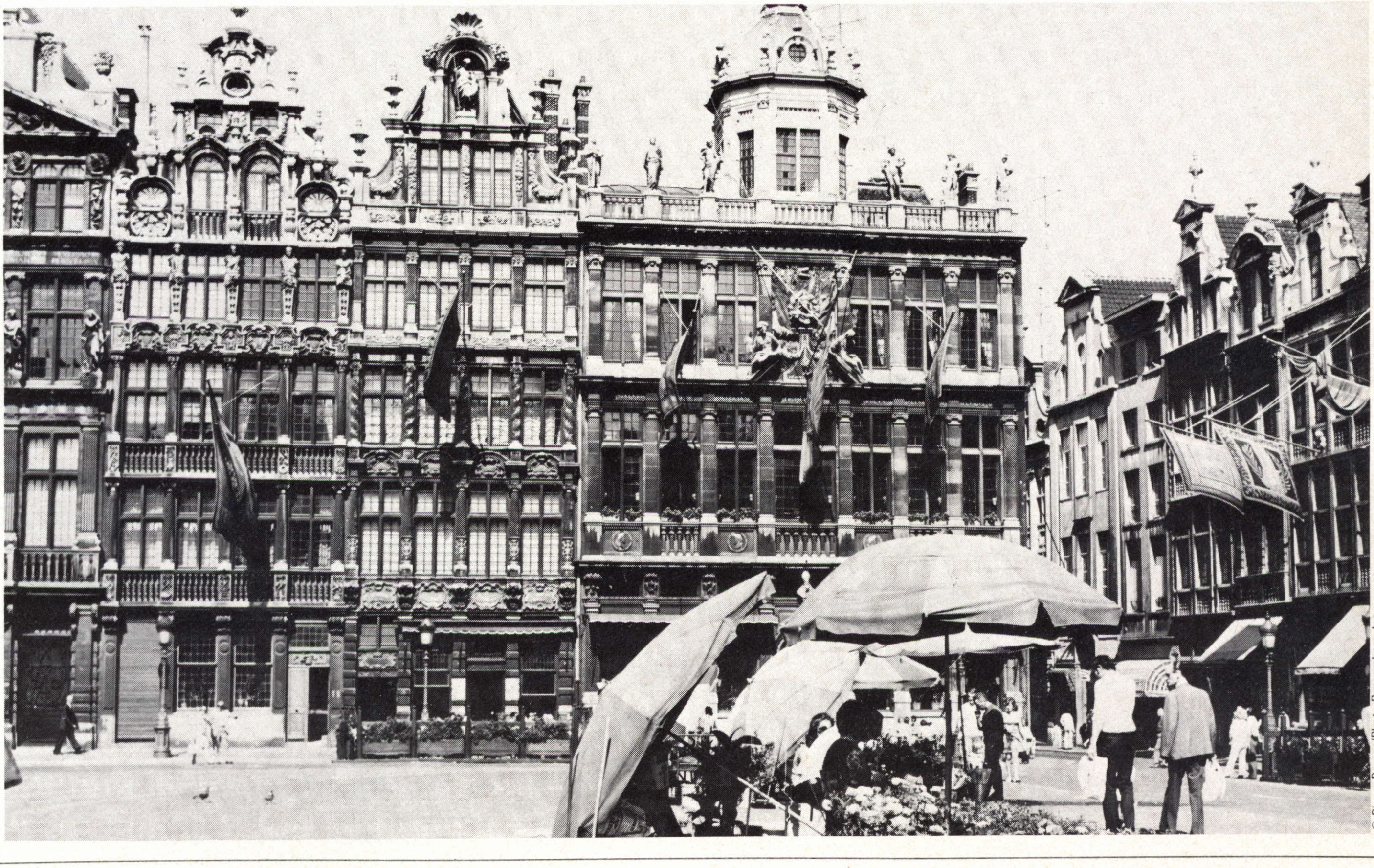
In 1967 the 16-member North Atlantic Treaty Organization moved its headquarters (above) from Paris to Brussels. Below, the Grand' Place, a favorite meeting place of Brussels' international crowd.



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MAKING BOOK WITH THE BEST OF THEM

THINKING OF A LITTLE BETTING NEXT TIME YOU ARE IN EUROPE? TRY BRITAIN, WHERE IT'S THE NATIONAL PASTIME.

PETER DOBEREINER

The English have often been accused of being mad and/or perfidious. Since these charges are leveled at the English by foreigners (whom God has unfortunately designated as inferior beings in His Grand Design for the universe) the insults do not even merit the dignity of a response. However, in one respect the English do admit to being slightly potty. Not just the English, but all the other mongrel races of the British Isles are mad about gambling.

A current joke illustrates the point. An Englishman was having a private audience with the Pope when the Holy Father had a sudden heart attack and died. There was consternation in the Vatican. For diplomatic reasons, it was vital that the news of this untimely demise should not be released for three days. The Englishman was sworn to secrecy. He flew home, went to a betting shop, and enquired the odds against the Pope being dead by Wednesday. He was quoted 1,000 to one and immediately put down £2,000.

As he left the shop he saw a down-and-out in the gutter and in a moment of compassion he said: "Here, my good man, take this pound note, go into the betting shop and put it on the Pope being dead by Wednesday." When the sad news was announced the Englishman returned to the shop to collect his winnings. As he left he saw the derelict still squatting by the roadside, groaning horribly. "What is the matter?" enquired his benefactor. "Didn't you do what I told you?"

"I did, guv'nor, but I had the Pope in a double with the Archbishop of Canterbury."

Gambling fever grips all classes. The royal family is besotted by horses and racing and, just as dog owners are said to come to resemble their pets, so there is some superficial evidence that the House of Windsor is turning centaur by a process of osmosis. At the other end of the social scale, Scottish miners may be seen hunkered down by the roadside studying the daily race form in their newspapers as they wait for the pit bus to take them to work.

Psychologists say that this national gambling mania has nothing to do with money. Rather, they claim, it is a compulsion to earn the respect of peer groups, since the winners demonstrate their superior powers of reasoning. A vast industry caters to the national obsession. Newspapers devote pages of newsprint to daily race cards and football pool forecasts. Bingo halls proliferate to cater for the housewife with a penchant for a gamble. Hardly a day passes without two television channels devoting their afternoon programs to race meetings. Greyhound racing numbers its adherents in the millions.

Gambling is tightly controlled by the government. The nation is the big winner, because it exacts a tithe in tax on every winning bet. Putting on a bet is ludicrously easy. Every factory has at least one commission agent operating on the premises. Or you can have an account with a bookmaker and simply pick up the phone. Alternatively you can step into a betting shop; they are almost as numerous as pubs.

These shops are subject to stringent regulations as to appearance and decor, so that society should not be seen to be encouraging gambling (which, of course, it is). As a result they all look like funeral parlors from the outside, with just the modest legend "Turf Accountants" on the exterior to denote the nature of the business. Inside they resemble a modest Siberian railway waiting room, with lugubrious men slouched on wooden benches as they await deportation to the salt mines or, more precisely, the result of the 3:30 from Sandown Park.

The hypocrisy which forms such a salient strand in the British character is evident in the language of gambling. It is considered terribly gross to speak of a gamble or a bet. One has "a modest punt" or "a little flutter" on the gee gees. Euphemism is also employed to disguise the vulgarity of money. In the world of the turf, punters and bookies alike talk in terms of a flim (£5), handful (£10), score (£20), pony (£25) or monkey (£500).

Bookies come in all shapes and sizes. There are independents operating from one room with two telephones and a knack for mental arithmetic. There are the florid characters who pitch their stands at horse and dog meetings, decked out in the traditional uniform of check tweed suits and expensive cigar and attended by a satchel man, who takes the money and chalks changes in the odds on a blackboard. Another assistant, the tic-tac man, is sited so that he can relay information about how rivals are calling the odds by means of hand signals.

Bookies are not gamblers, of course. Their skill is in quoting odds which will yield a profit to the book of about 17 percent regardless of the outcome of the race. Their business is dominated by the big conglomerates, companies with widespread leisure interests and worldwide influence.

If there is one thing a bookmaker really hates it is refusing to take a punter's money for a bet, no matter how esoteric or lunatic. But how do you calculate the odds against a verified sighting of the Loch Ness monster or the choice for the next Poet Laureate? The answer is that you refer to Ron Pollard, a 60-year-old ascetic and spiritualist who is Ladbroke's director in charge of special bets.

Once a book has been made, the weight of money on different selections governs fluctuations in the odds by precise mathematical formulas so the success of the book depends entirely on the acumen of the starting prices. This is where Pollard's special talents come into play. To set the odds for the Booker prize for fiction, Pollard read all six novels on the short list and used his scholarly judgment. In the event, his second favorite, Schindler's Ark, was the winner, but his book made a profit.

Miss World contests, general elections, the next Pope, or whether it will be a white Christmas. . . . Ron Pollard consults his contacts and sets the odds for them all for the benefit of Britain's gambling fever. Gambling is truly a national mania in this sceptered isle. The author of this article is the only adult in Britain who does not indulge in an occasional flutter and if anyone wants to challenge that claim he can have a shade of 9/4 on it.

Peter Dobereiner writes for the British newspaper *The Observer.*

Illustration by Laura Stutzman

The British bookie's favorite assistant, the tic-tac man, relays information with hand signals about how rivals are calling the odds at the races. Center: 5 to 4; clockwise from top left: 10 to 1, 33 to 1, 6 to 4, and 7 to 4.

TAKE THE CAR *AND* THE VACATION

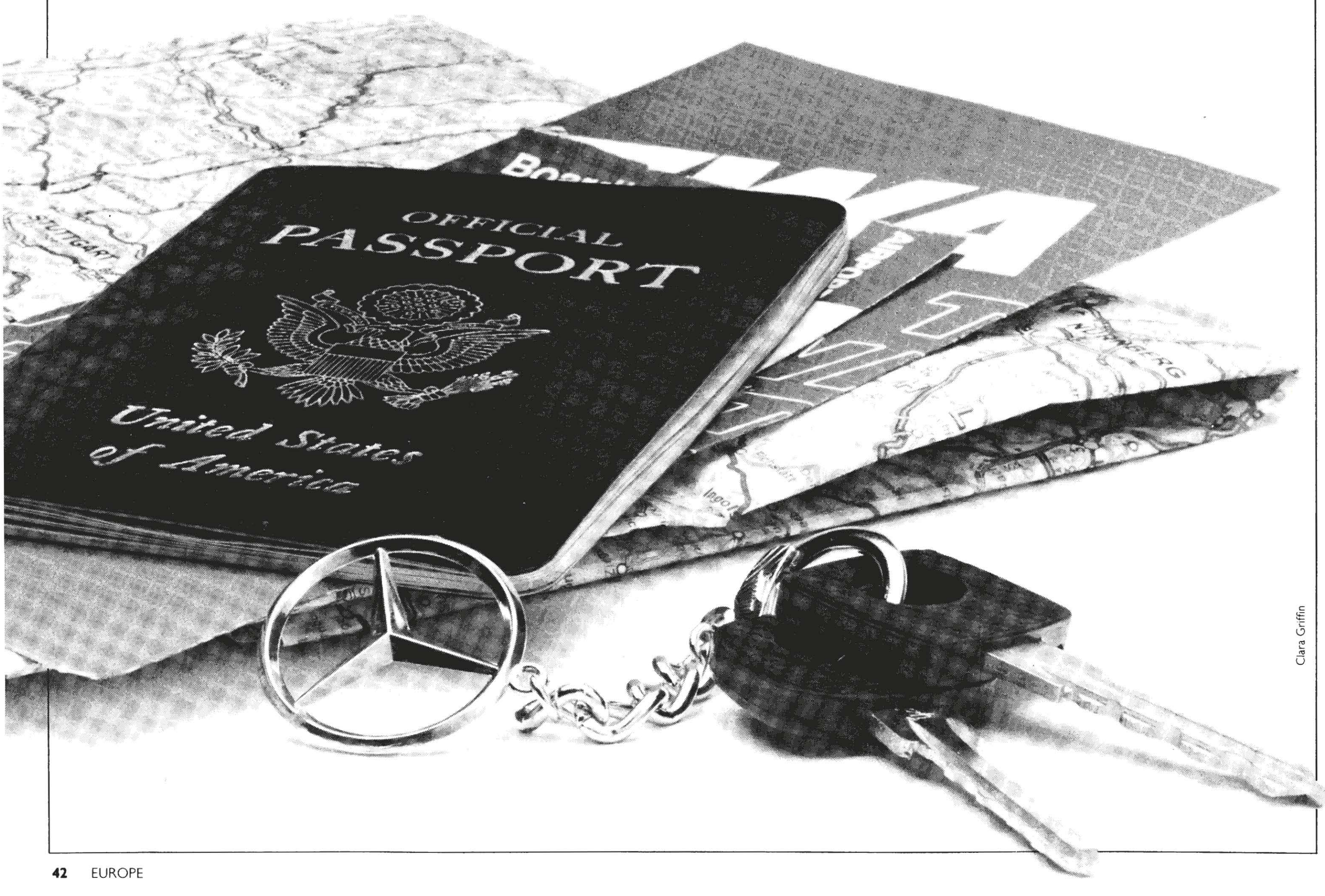
EUROPEAN AUTOMAKERS ARE READY TO MAKE A DEAL YOU CAN'T REFUSE.

MIKE KNEPPER

Here's an entry for your "Too Good to be True" file. You can buy a European import, like a BMW or Mercedes, and get a European vacation as part of the deal. It's true. All you have to do is avail yourself of a little-known service all the major importers offer. It's called European delivery, or sometimes tourist delivery, and here's how it works.

Simply order the car through your local dealer. He'll handle all the paper work. A few weeks later—typically 10 to 14 weeks for a specific order, but much less if you will take a car already built—you show up at the factory and get the keys to your new car. Drive it around Europe as long as you want. Not many tourists can enjoy that kind of freedom without spending a fortune for rental cars. When it's time to go home, leave the car at a specified port where it will be put on a boat and shipped home. You can pick it up at the port of entry a couple of weeks later or, if that isn't convenient, have it shipped right to your dealer.

Sound simple? It is. And how much can you save? A lot. A BMW 533i, for example,



Clara Griffin

lists in the United States for $30,305. Pick it up in Munich and the sticker will read $25,215. That's a difference of $5,090. Even after subtracting marine insurance (for the trip home), shipping, and customs duty you've not only saved the price of air fare, you have enough left over for a few days of Bavarian beer and *schnitzel.*

If your new car shopping has you looking a little higher up the price scale, the savings are commensurate. A Mercedes-Benz 300SD that lists for $39,500 here goes for $32,820 in Stuttgart. Subtracting the $2,115 it costs for shipping, insurance, and duty leaves more than $4,500 to play with.

Although the European delivery price of a Volkswagen, Porsche, or Audi is only 10 percent less than in the United States, those three manufacturers pay for shipping and marine insurance, which can be a sizable chunk. If something British is more your flavor, there is a Jaguar program, but the company says it is really just a convenience for its customers who want to tour in their own car. The difference in price is only about $1,000 and there is usually a five-month wait. Alfa Romeo has no European delivery service now, but may have by the end of the year. Saab and Volvo have very good programs if you'd like to take your free vacation in Scandinavia.

The vacation isn't really free, of course, but the practicality and the good deal are obvious. If you are going to spend X on a car, why not spend X and get the car *and* a vacation. Buying a car for European delivery is simple. Each company has a carefully worked out system and someone in the U.S. office to run it. Foul ups are rare.

You start the process by placing your order with a dealer, specifying model, color, and options as you normally would and doing the usual business about trade-in and financing. Give him some money up front and go home. He'll do all the rest. The company pays him a little for his trouble and he hopes to get you as a regular service customer, since the car will be under the normal warranty.

When you pick up the car, the glove compartment will be filled with all the proper documents, including temporary registration for driving in Europe, insurance—extra but also easily handled through your dealer—even maps and tour guides. A factory representative will familiarize you with the car and answer any questions about local traffic laws and speed limits. You'll even get a full tank of gas. (There's no unleaded fuel in Europe, so your car—U.S. specified in every other way—will not have a catalytic convertor. That will be installed at the port prior to shipment home, or dockside in the United States.)

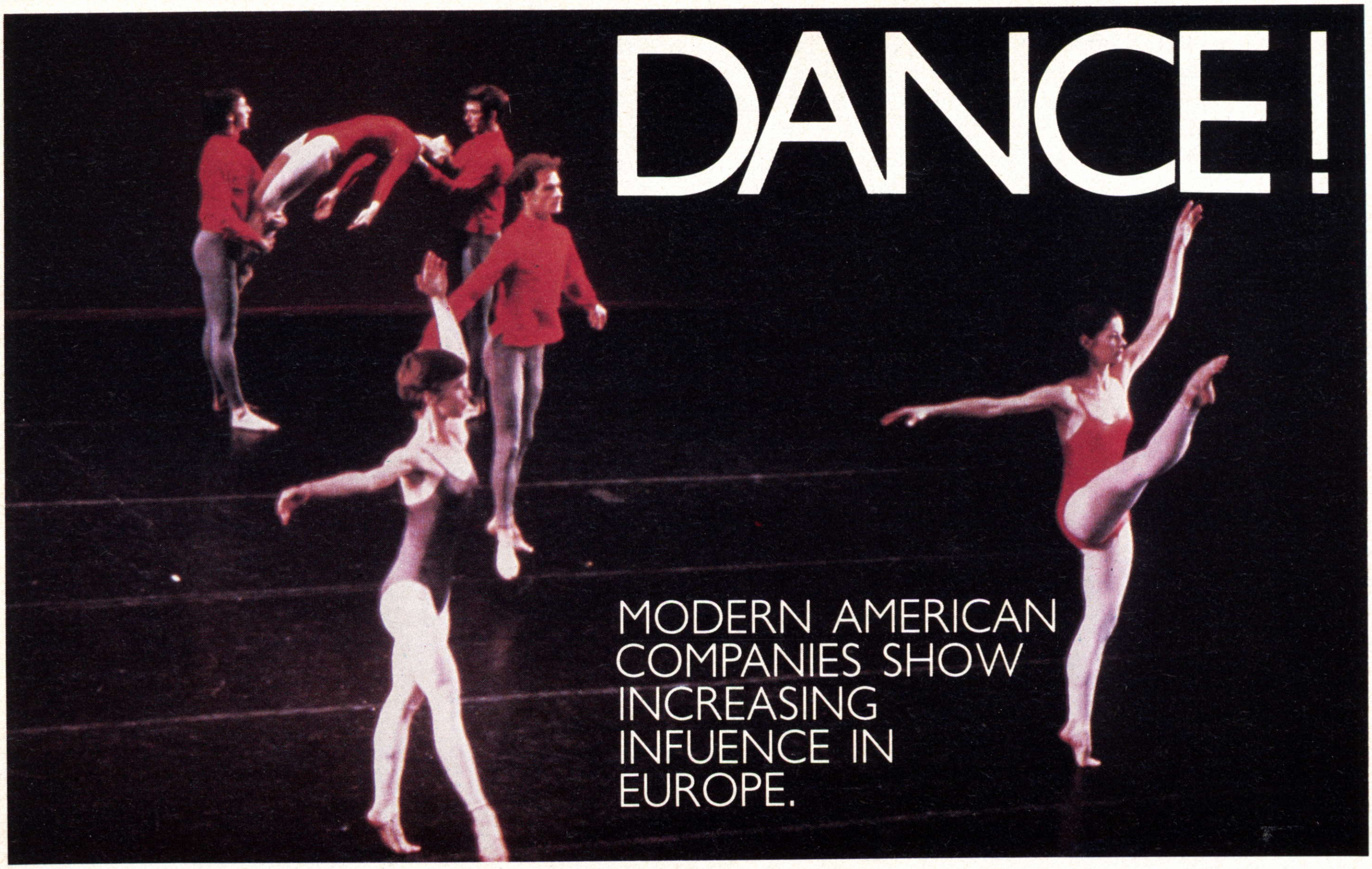
There are usually several inducements to picking the car up at the factory like transportation from the airport, free breakfast or lunch, a place to shower, factory tours, and such. By picking up at the factory you avoid any delivery charges, but for a nominal fee the car can be waiting for you at just about any city you choose. Similarly, at the end of your trip you can deliver the car to the specified port, or, for an additional charge—varying with the distance—the manufacturer will pick up at a location of your choice and transport it to the port. This is handy if you bought a car in the Federal Republic of Germany and want to finish your trip in London.

Although all the European delivery plans are alike in the basics, they do vary from manufacturer to manufacturer, so ask your dealer about specifics. And watch for specials. For a limited time earlier this year, Volkswagen was picking up the round trip air fare for one person. Now that's really a free vacation. €

Mike Knepper was formerly executive editor of *Car and Driver.*

DANCE!

MODERN AMERICAN COMPANIES SHOW INCREASING INFUENCE IN EUROPE.



© Lois Greenfield

The Merce Cunningham Dance Company.

DAVID VAUGHAN

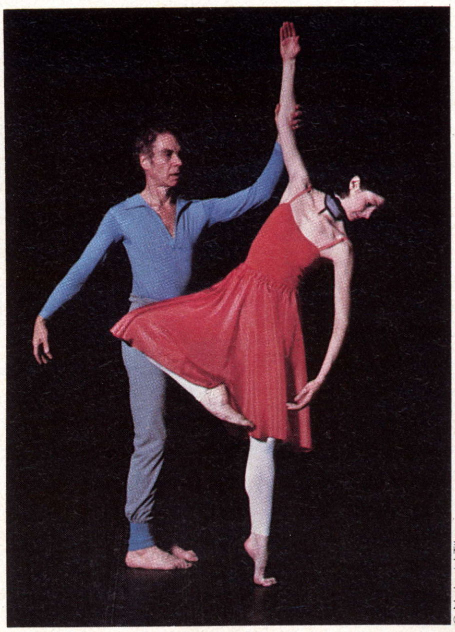
The history of dance is one of continual cross-fertilization and transmigration. The center of dance activity has shifted periodically from one country to another, following the movements of its creators. For instance, the French choreographer Marius Petipa settled in St. Petersburg in 1847, and his ballets—among them *The Sleeping Beauty, La Bayadère,* and *Raymonda*—ensured the ascendancy in the late 19th century of the Imperial Russian Ballet. The impressario Serge Diaghilev, another example, brought a company from Russia to Paris in 1909.

Four years after Diaghilev's death in 1929, George Balanchine, his last choreographer, was invited to the United States to found the School of American Ballet and the companies that emerged from it, culminating in today's New York City Ballet. Before 1934, there was virtually no American ballet—no national style in classic dance. Today, the streamlined, athletic neo-classicism developed by Balanchine, inspired by the American physique and temperament, has become the international style.

Modern dance, on the other hand, is an indigenous American form, the creation of successive generations of individual artists each of whom evolved his, or more usually her, own movement style as a means of personal expression—Isadora Duncan, Loïe Fuller, Ruth St. Denis; then Martha Graham and Doris Humphrey. In the early 1940s, Merce Cunningham broke away from Graham's company and, in collaboration with the composer John Cage, proposed a different kind of dance which was not concerned with personal expression.

Both the elements in which dance moves—space and time—were radically altered. In Cunningham's dances, space is decentralized and time open-ended. Just as Cage's scores admitted the possibility of all kinds of sound, and even silence, so Cunningham's choreography could include non-dance movements, and even stillness. Choreographers who have come after Cunningham, often known as the "post-moderns," have carried experimentation still further.

Now, in the penultimate decade of the 20th century, we see the influence of American modern dance extending itself abroad. In the early years of the century, Isadora Duncan had an important effect on the development of ballet. She was seen in St. Petersburg by the young choreographer Michael Fokine and the ballerina Anna Pavlova. Under Duncan's influence, they introduced a freer plastique into the vocabulary of classic ballet. Loïe Fuller actually settled in Paris, where, with her innovative use of light on the swirling draperies of her costumes, she had more influence on visual artists of the art noveau movement and on symbol-



© Nathaniel Tileston

Merce Cunningham has had a decisive influence on French dance.

ist poets than on other dancers.

It was not until after World War II that the works of the second and third generations of modern dancers began to be seen abroad. In her first appearances in London and Paris, in the early 1950s, Martha Graham reached a very small public. She did not begin to have any effect on British dance until Robin Howard, in the mid-1960s, founded the London School of Contemporary Dance—which made classes in Graham technique available to British dancers—and the London Contemporary Dance Theater, under the artistic direction of two former Graham dancers.

At about the same time, Ballet Rambert, the oldest British ballet company became a modern dance company. This change of direction was effected by Norman Morrice, a dancer and choreographer who had studied modern dance in New York. Many of the works in the new repertory were by another former Graham dancer, Glen Tetley.

Just as ballet was a transplant that soon took root in America, so modern dance has taken on vigorous life in Britain, where it hardly existed 20 years ago. Indeed, British dance may already be said to have entered its "post-modern" phase. In addition to the two main companies, there has been a proliferation of smaller groups and individuals working independently. There is an annual festival of new dance, under the auspices of the aptly-named Dance Umbrella, which presents not only British companies, but also small avant-garde groups from the United States, in various venues both in and out of London.

In Britain, new dance had to overcome the distrust of both audiences and critics of anything experimental—it has, in fact, built its own, predominantly young audience. But in many ways, France was an even more impregnable stronghold of tradition. Ballet, after all, has a history there going back three centuries—British ballet is of much more recent origin. Yet Merce Cunningham has had a decisive influence on French dance (Graham has up to now had very little impact there).

In 1965 Cunningham's company made a six-month world tour during which they played in both Paris and London. Although their London season was the longest consecutive engagement ever played by a modern dance company at that time, return visits to that city have been infrequent. On the other hand, Cunningham has returned to France at least every other year since 1964. His company has performed both in Paris and on tour throughout the country.

In 1973, he and Cage and Jasper Johns received a commission from the Paris Autumn Festival to create a full-evening work for the ballet of the Paris Opera, *Un Jour ou Deux.* This past winter, the newly-formed experimental group of the Opera Ballet has performed another Cunningham dance, *Inlets 2.* That such a group exists at all is largely thanks to Cunningham's influence.

Many French dancers have crossed the Atlantic to study at the Merce Cunningham studio. These dancers go back to France and begin to work on their own, so that in France as in Britain there is now an extraordinary proliferation of small dance companies.

In the last year or two, European modern dance companies have begun to visit the United States. Both Ballet Rambert and London Contemporary Dance Theater performed in New York during the 1982 season (Rambert also toured coast to coast), and the previous summer a small British experimental group, Second Stride, also toured and played in New York. Last summer the American Dance Festival in Durham, North Carolina, presented five young companies from France: Maguy Marin's Thèâtre de l'Arche, Compagnie de Danse l'Esquisse, Compagnie Karine Saporta, Compagnie Dominique Bagouet, and Caroline Marcade et Compagnie.

This year, the company of Pina Bausch from Wuppertal in the Federal Republic of Germany will make its belated first appearances in the United States—at the Olympics in Los Angeles and at Brooklyn Academy of Music. (The Federal Republic of Germany, unlike France and Britain, has its own tradition of modern dance going back to such artists as Mary Wigman, Kurt Jooss, and Rudolf von Laban.)

It is increasingly the case, in fact, that there is no longer one center from which the most creative dance emanates—ideas can travel as fast as jet-travel and television satellites allow. It is of course impossible to predict what the next important developments in dance will be. It may be that large ballet companies will prove to be so ungainly and uneconomic that, like the dinosaur, they will become extinct. There are signs that the much-needed revitalization of ballet will come from the most unlikely source—the avant-garde choreographers on whom directors of companies, desperately aware of the shortage of new creative talent in ballet itself, call for new works.

© Jay Anderson

Last summer the American Dance Festival in Durham, North Carolina presented five modern dance companies from France. Pictured here is the Ballet Théâtre de l'Arche.

Merce Cunningham has given works to American Ballet Theater and the Paris Opera Ballet. Twyla Tharp has already choreographed for the Joffrey Ballet and American Ballet Theater, and will soon collaborate with Jerome Robbins on a new work for New York City Ballet. "Post-modern" choreographers Laura Dean and Lucinda Childs have been commissioned to make ballets for the Joffrey and Pacific Northwest Ballet, respectively. Karole Armitage, an ex-Cunningham dancer, has introduced her own particular brank of punk classicism into the Paris Opera Ballet. Even Britain's Royal Ballet commissioned a piece from Richard Alston. It is, after all, through new uses of dance structures and vocabulary that the art develops, and those are the concerns of these choreographers. €

David Vaughan is the author of *Frederick Ashton and his Ballets* and is currently working on a study of the choreography of Merce Cunningham.

NEWS OF THE E.C.

© Black Star

FARM POLICY REFORM PROPOSALS MEET WITH CRITICISM

The farm policy initiatives put forward thus far this year by the E.C. Commission have caused their share of fireworks both at home and abroad. Many of the E.C.'s 8 million farmers have denounced the austere 1984-85 farm-price package proposed by the Commission as an attempt to solve the E.C.'s increasingly serious budget problems at the farmer's expense.

Meanwhile, the Commission's request for authority to open negotiations aimed at stabilizing E.C. imports of non-grain livestock feed ingredients such as corn gluten feed, has drawn the ire of U.S. farm and trade policymakers who see the move as a threat to one of the most lucrative foreign markets for American agricultural goods.

In January, the Commission proposed an annual farm price package that would increase the amount E.C. farmers receive for their wares by an average of only 0.8 percent in 1984-85, much less than the modest 4.2 percent average price increase of 1983-84. The proposed 1984-85 price increase would be one of the lowest in E.C. history. The Commission also proposed that price supports for surplus commodities such as grains, wine, and milk be frozen at 1983-84 levels. Support prices for some commodities, such as rapeseed and tobacco, would actually be reduced.

Although the proposed package would mean a nominal increase in the average price of E.C. farm goods in the coming season when expressed in European Currency Units (ECU), it would actually mean an average 0.5 percent decrease in farm prices when translated from ECUs into the national currencies of E.C. member states.

The 0.5 percent price decline is the expected result of Commission plans for a gradual dismantling of the E.C.'s network of "monetary compensatory amounts (MCAs)." These are an internal E.C. system of border payments and deductions designed to offset the impact of currency fluctuations on agricultural trade between the E.C.'s member states. The Commission said its decision to propose an unusually austere price package was dictated by the need to discourage surplus farm production and to keep projected agricultural spending within the Community's means.

Agricultural expenditure has put an increasing drain on the Community's budget in recent years as large crops and slack demand gradually have increased the outlays needed to support farm prices. This run-up in farm spending is a major factor in the cash crisis now facing the Community.

The Commission urged the Council of Ministers—the E.C.'s top decision-making body—to approve the price measures and an accompanying series of farm-policy reforms by the end of March. Should the Council fail to act on the price package, more drastic action might be needed to curb the Community's farm spending, according to a warning from Poul Dalsager, E.C. Commissioner responsible for agriculture.

Although the Commission acknowledged that the package could erode E.C. farm incomes next season, it said the E.C.'s Common Agricultural Policy (CAP) must "take into account not just the farm community, but the E.C.'s economy as a whole, including the interests of both farmers and consumers."

"Farmers will certainly not be happy with these prices. I am not happy with them. But they have become unavoidable," Dalsager told reporters soon after the Commission's farm package was unveiled. Indeed, the Commission's proposals almost immediately drew sharp attacks from the E.C.'s powerful farm lobby and even provoked predictions that 1984 could be the year of a European farm revolt. "It's just not possible that farmers will not react violently to such prices," Jan Hinnekens, president of the E.C.'s largest farm group, was quoted as saying of the Commission's proposals.

On top of these complaints, a long-expected proposal from the Commission asking for authority to renegotiate the Community's import scheme for non-grain livestock feeds has met with strong opposition in Washington. The Commission claims that the Community needs to find a way to stabilize these imports to keep them from undercutting the Community's efforts to make much-needed reforms.

The E.C.'s imports of grain substitutes have skyrocketed in recent years. For example, imports of corn gluten—a by-product of the fuel alcohol industry—have mushroomed from 697,000 tons in 1974 to 3.4 million tons in 1982-83. The Commission claims the unrestrained growth of these low-cost, imported feed products has displaced both imported and domestic grains that would otherwise have been consumed by Europe's livestock industry.

The E.C., says the Commission, has been forced to get rid of this displaced grain by marketing it abroad with the use of export subsidies, in competition with other grain exporters, including the United States. U.S. officials, however, have long bristled at any indication that the E.C. might seek import restraints on corn gluten, a major U.S. export to the Community. U.S. policymakers have claimed that such action, in effect, would make U.S. farmers bear part of the cost of supporting European agriculture and have threatened retaliation should the E.C. go through with the move.

E.C. AND EFTA NOW FORM LARGEST FREE TRADE AREA

What do the 10 European Community countries have in common with their neighbors? Answer: Together, they now form the world's largest free trade zone. The new European Free Trade Zone came into being at the stroke of midnight, December 31—the deadline for the dismantlement of the last of the industrial trade barriers between the E.C. and the seven members of the European Free Trade Association (EFTA). EFTA members are Austria, Iceland, Sweden, Switzerland, Norway, Finland, and Portugal.

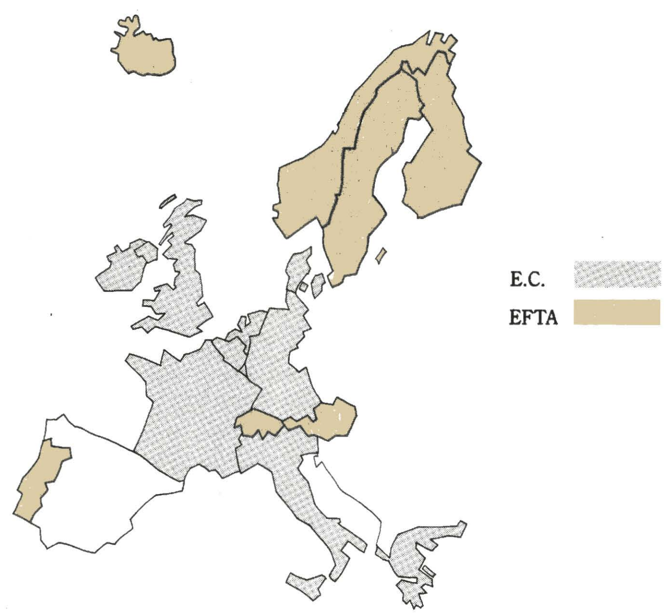
As of January 1, 1984, the E.C. and EFTA countries abolished—with a few minor and temporary exceptions—the last of the tariffs that had existed between them on trade in industrial products. "We must congratulate ourselves on reaching this milestone," said E.C. Vice President Wilhelm Haferkamp in a statement marking the occasion. "In doing so we have proved that it is possible to work toward trade liberalization even in times of great economic difficulties," Haferkamp said, referring to the prolonged worldwide recession from which Europe has only recently begun to emerge.

The disappearance of the last of the E.C.-EFTA industrial trade tariffs marked the culmination of a series of free trade agreements signed between the E.C. and the individual EFTA countries in the early 1970s. Initially, these agreements eliminated import quotas on industrial products traded between E.C. and EFTA countries. Import duties on the bulk of these products were eliminated by 1977.

For a second group of industrial products—mainly textiles and non-ferrous metals—tariffs were phased out gradually over a longer period. For the most economically sensitive products, such as paper, the timetable for dismantling E.C.-EFTA tariffs was extended until the beginning of 1984.

E.C.-EFTA trade has grown substantially over that period. E.C. exports to the EFTA countries blossomed from $16.8 billion (at current exchange rates) in 1973 to $65.3 billion in 1982. E.C. imports from the EFTA countries over the same period rose from $12.8 billion to $47.4 billion.

The newly created European Free Trade Zone takes in some 312 million E.C. and EFTA consumers, making it a bigger market than the United States and Canada combined. Spain's projected entry into the E.C. will add another 38 million consumers to the market and will extend the European Free Trade Zone across the whole of Western Europe. Aside from trade, the E.C. and the EFTA countries maintain a particularly close relationship that also extends into areas such as consumer and environmental protection and telecommunications.



The newly created European Free Trade Zone takes in some 312 million consumers.

INFLATION EASED, JOBLESSNESS ROSE IN 1983

Inflation rates in the E.C.'s 10 member states eased substantially during 1983, but unemployment in the Community continued to rise, according to figures published for the year by the E.C.'s Luxembourg-based statistical office (Eurostat). The E.C.'s unemployment ranks did grow, however, by only 6.5 percent in 1983, compared to a whooping 30 percent increase in the jobless total during 1982.

Overall, unemployment in the E.C. stood at 12.5 million people at the end of December 1983, about 10.8 percent of the Community's workforce. The highest unemployment rates were in Belgium (14.8 percent), Ireland (16.4 percent), and the Netherlands (15.3 percent). The unemployment rolls in the Federal Republic of Germany increased only 5.7 percent over the course of the year—the lowest rate of increase in the Community. The sharpest jump in unemployment during 1983 occurred in Ireland where the number of people without a job grew by 15.7 percent.

While unemployment remained a serious economic problem last year, recently published statistics show that E.C. citizens who remained employed were better off financially in 1983 than in the two previous years. Real earnings in the E.C. countries rose faster in 1983 than in either 1982 or 1981. The E.C. Commission said falling inflation rates meant that those with work had more purchasing power, despite a slowdown in the rate of increase in average hourly wages.

Inflation in the E.C. averaged 8.1 percent last year, the lowest inflation rate in the Community in five years. The average inflation rate in 1982 was 9.4 percent. During 1983, the inflation rate was lowest in the Federal Republic of Germany (2.6 percent) and the Netherlands (2.9 percent) and highest in Greece (20 percent) and Italy (12.7 percent).

Declining inflation rates helped boost confidence in the E.C.'s economy toward the end of the year. The E.C. Commission reported that its quarterly business survey showed a marked rise in industrial confidence in the United Kingdom and in Luxembourg and small rises in the Federal Republic of Germany and in Ireland. Chief executives of business enterprises in Italy, the Federal Republic of Germany, and Denmark were increasingly optimistic about prospects for new orders and responses were generally positive in all E.C. member states except France.

EUROBANK'S LENDING RISES SHARPLY IN 1983

Lending by the European Investment Bank (EIB), the E.C.'s bank for long-term finance, rose sharply in 1983, with most of the increase going for industrial modernization. The Luxembourg-based EIB said its overall lending in 1983 rose to the equivalent of about $5 billion, up 27 percent from $3.9 billion in the previous year.

Industrial modernization, especially among small and medium-sized firms accounted for most of the increase, according to the bank's annual report. Over 60 percent of the loans went to disadvantaged regions within the E.C. where industrial decline has led to high unemployment.

In presenting the annual report, EIB president Yves Le Portz told a press conference that the bank's 1983 lending program was expected to lead directly to the creation of about 33,500 new jobs, mainly in industry. He said the EIB's main objective in the future would be to finance projects designed to reduce the E.C.'s dependence on imported oil. EIB lending projects aimed at increasing energy production rose 50 percent in 1983 to about $830 million. Total lending to the energy sector was $1.39 billion.

CONSUMER POLICY MAY GET NEW PUSH

The E.C.'s long dormant consumer policy may get a much needed second wind in 1984 in the wake of the first-ever E.C. consumer affairs council meeting held in Brussels last December. At that meeting cabinet ministers from the E.C.'s 10 member states discussed proposed Community-wide legislation designed to stamp out some of the biggest headaches facing the E.C.'s 270 million consumers: dangerous or defective merchandise and misleading advertising.

Catherine Lalumière, France's Secretary of State for Consumer Affairs, took the occasion to announce that at least two consumer affairs Councils would be convened during the first half of 1984. France assumed the six-month rotating presidency of the E.C.'s Council of Ministers on January 1. Lalumière, who will chair those meetings during France's term in the presidency, called for a revitalization of Europe's consumer-affairs policy and for closer cooperation between national consumer protection agencies and E.C. Commission authorities.

At the December meeting, the E.C. member states agreed to keep one another better informed and alerted to the discovery of potentially dangerous products. However, the meeting saw virtually no progress toward one of the most significant pieces of business on the E.C.'s consumer agenda—the adoption of joint rules to govern manufacturer liability for damage caused by defective merchandise.

On other fronts, the Council came closer to a consensus on how to regulate door-to-door selling and on protecting consumers from misleading advertising. The wide disparity in national advertising statutes among the E.C.'s member states stands to create serious problems as the rapid growth in satellite and cable broadcasting makes it increasingly common for consumers to receive television and radio transmissions originating abroad.

The E.C. Commission has made some important consumer protection proposals in recent years governing not only product liability and advertising, but also consumer credit terms and product pricing. However, progress toward a coherent E.C.-wide consumer protection policy has been slow.

E.C. Commissioner Karl-Heinz Narjes, who is responsible for consumer protection, warned that the E.C.'s delay in adopting a common consumer protection strategy could create long-term problems for the Community. "If one does not succeed in ensuring respect for consumer safety by Community rules, one must expect that national regulations will be established . . . ," Narjes said recently. He said these differing national standards could eventually create unwelcome barriers to free trade in the E.C.'s internal market.

There is a need for closer cooperation between national consumer protection agencies and E.C. Commission authorities.

E.C. SEEKS SOLUTION TO CASH CRISIS

The failure of E.C. leaders at their summit meeting in Athens last December to resolve the increasingly dire financial problems facing the Community has unleased a flurry of diplomatic activity designed to get the search for a solution back on track. The Athens summit ended with the heads of Government from the E.C.'s 10 member states having made no progress toward a financial reform compromise to halt the Community's slide toward bankruptcy.

French Foreign Minister Claude Cheysson did tell reporters in January that France was determined to secure an agreement at the next E.C. summit on a reform package that would solve the Community's cash crisis, but more recent assessments have been less positive. France presently holds the rotating six-month presidency of the E.C.'s Council of Ministers, the Community's top decision-making body, and will thus chair the next E.C. summit conference.

That summit meeting is set to take place in Brussels on March 19. However, French Agricultural Minister Michel Rocard told reporters after an E.C. farm ministers meeting in February that he doubted an agreement could be hammered out in time to keep the Community from overrunning its $14 billion 1984 agricultural budget.

The growing cost of financing E.C. programs and policies, especially the controversial Common Agricultural Policy, has put an increasing strain on the E.C.'s budget in recent years. Although the E.C.'s spending needs have grown substantially over that period, the Community has remained saddled with strict limits on its income. The bulk of the E.C.'s income derives from the value-added taxes (VAT) collected in its member states. Under current law, however, the E.C. may claim no more than 1 percent of these VAT revenues. This year, that 1 percent ceiling threatens to leave the E.C. without enough money to pay its bills. Since E.C. law prohibits the Community from borrowing to finance a debt, deficit spending is not an option.

Beyond the immediate threat of a budget shortfall, the impasse over how to reshape the E.C.'s funding mechanisms has raised the prospect that the E.C. might not be able to afford the planned entry of Spain and Portugal into the E.C. nor to finance forward-looking programs to promote high-tech industries and cut unemployment.

Negotiations aimed at revamping the E.C.'s present system of financing have been complicated by a host of interrelated issues. Chief among them are demands by several E.C. member states that the E.C. adopt reforms to substantially cut the cost of administering its farm policies. They say such measures are needed to keep the agriculture sector from simply gobbling up any increase the member states might agree to make in the E.C.'s financial resources.

In addition, the United Kingdom has also repeatedly stated its refusal to agree to any E.C. financial reform package that did not resolve the issue of the

British contribution to the E.C.'s finances. Great Britain has long maintained that it pays more into the E.C.'s coffers than it gets out and has been demanding annual rebates from the Community to make up the difference. The yearly wrangling over these rebates has complicated the process of enacting the last several Community budgets.

Fear of the serious political consequences of a bankrupt E.C. has prompted an exhaustive series of bilateral meetings between E.C. leaders in preparation for the next summit, in contrast to the larger scale multilateral sessions that preceded the failed Athens conference. French President François Mitterrand, who will preside at the March meeting, scheduled private meetings with all of his E.C. counterparts ahead of the Brussels parlay. Other European leaders have undertaken similar rounds of talks with their E.C. neighbors in hopes of finding enough common ground to break the present impasse.

E.C. RECOMMENDS IMPROVED FIRE SAFETY NORMS

The thousands of tourists who flock to Europe each year may sleep easier in their beds at night if the E.C. Commission gets its way. It has recommended that E.C. member states adopt equivalent national fire safety standards to protect guests and employees at the 175,000 hotels and inns within the E.C.'s borders.

In a report to the E.C.'s Council of Ministers, the Commission said that the need for E.C.-wide fire safety standards has become more acute because of the enormous increase in both tourism and business travel within the E.C. over the past 20 years. Since these travelers are generally unfamiliar with the layout of their hotels and may not speak the language of the country they are visiting, the need for adequate fire precautions has become particularly urgent,

the Commission said.

The report noted that the number of deaths in hotel fires is low in relation to the total number of deaths from fire each year. However, it said stronger safety standards are urgently needed because of the potential for hotel fires to inflict heavy casualties. In recent years single hotel fires have claimed heavy tolls, including 166 deaths in Seoul, 84 in Las Vegas, 33 in Amsterdam, and 72 in Saragossa, Spain. Although the worst of these fires occurred outside the E.C., the Commission said the death of 18 people in a 1977 blaze at Brussels' Duc du Brabant hotel proved that some of the E.C.'s largest hotels could also be at risk.

At present, all 10 E.C. member states have established or are preparing fire safety regulations to govern existing hotels. Recently built hotels are generally subject to more specific fire safety standards. However, the Commission said these standards and the means by which they are enforced vary widely between E.C. nations. For example, the United Kingdom has a law requiring all hotels and inns offering accommodations for more than six people to have an authorization issued by local authorities responsible for fire safety. In the Netherlands, national law requires local authorities to lay down construction regulations giving the standards with which hotels must comply. In some of the other member states, hotels and inns are covered by general fire safety statutes.

The Commission's recommendations call for more uniformity in these differing fire codes. The Commission said E.C. members should set minimum standards with which hotel keepers would be required to comply to ensure tourists and business travelers an equivalent degree of fire protection throughout the E.C. The Commission called for standards that would require protected fire escape routes, appropriate alarm systems, and emergency lighting, as well as a display of each hotel's floor plan at appropriate places on the premises. However, these standards should be flexible enough to be adapted to the E.C.'s broad array of existing hotels, some of which are hundreds of years old and are closely linked to national or regional traditions.

TECHNOLOGY REVOLUTION POSES SOCIAL CHALLENGE

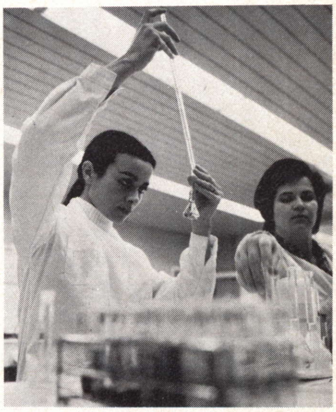
The microchip revolution, robotics, computer-integrated manufacturing, advances in telecommunications, and other facets of the new wave in technological innovation will pose as much a challenge to the E.C.'s social policies as to its research and development capabilities, according to the E.C. Commission. The Commission thus has called for a major E.C. initiative to confront the social challenges of new technologies.

"The case for new industrial, R&D, and innovation policies to improve the Community's position is clear. What is less frequently emphasized is that success in these fields is also at root a social challenge," said E.C. Social Affairs Commissioner Ivor Richard in presenting the Commission's plans. "It is as much about people's skills, education, and attitudes, as about company finance and industrial reorganization," he said.

Although new technologies are a threat to jobs in more traditional industries, they are expected to create as many as 4 to 5 million new jobs in the E.C.'s high-technology sectors over the next decade. However, the Commission warned recently that the job potential of Europe's high-technology industries depends on the success of these industries in competing with American and Japanese companies. Many European companies have identified a shortage of skilled labor as a major obstacle to such success.

"It is clear," says Richard, "that the Community must gear up its educational and training efforts if it is to enable its industry to match developments in the United States and Japan. Without an overall strategy which fully integrates the social dimension into the European response to new technologies, the success of our efforts on the industrial front will be reduced and even jeopardized—with long-term repercussions on employment."

In its report entitled "Technological Change and Social Adjustment," the Commission said E.C.-wide action is needed in three areas: education and training, the distribution of work, and worker participation



New technologies are expected to create as many as 4 to 5 million new jobs in the E.C. over the next decade.

in technological change. The Commission warned that new initiatives are needed to ensure that European industries are able to find workers with the skills they need.

The Commission said it envisioned E.C. efforts to set up and help finance partnership programs between industry and higher education, training, and research establishments tailored to local or regional labor needs. The Commission said it also intended to give priority to developing an awareness of the impact of new technologies on the level of employment, working time, wages, and on working conditions in general.

In addition, the Commission stressed the need for consulting workers on the effects of introducing new technologies and helping to encourage positive attitudes toward innovations. The Commission concluded that a negative view of the social effects of new technologies was a major reason for new technologies being resisted or even rejected by workers. An estimated 65 percent to 70 percent of E.C. workers are currently employed in service industries. The percentage is likely to increase as new technologies are developed.

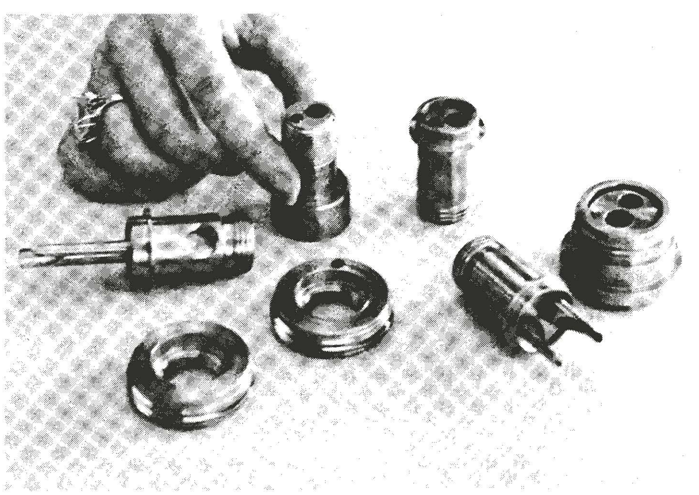
E.C. STRIKES BACK OVER SPECIALTY STEEL CURBS

The E.C. will act unilaterally to counter U.S. trade curbs on imported specialty steel by imposing import quotas of its own and hiking customs duties on some U.S. manufactured goods. The E.C. announced that decision after U.S. and E.C. negotiators failed during months of talks on the issue to agree on how much compensation the Community should receive for the four-year regimen of import restraints the U.S. imposed for specialty-steel products in July 1983.

These import restrictions, expected to cost E.C. specialty steelmakers millions of dollars in lost sales over the next few years, were imposed to protect the American industry from foreign competition. The United States had been a major importer of E.C. specialty steel, one of the few profitable segments of Europe's ailing steel industry. Specialty steel is a class of high-priced alloyed steels prized for their resistance to stress and corrosion. The United States imported about $160 million worth of specialty steel from the E.C. in 1982.

The new E.C. import restrictions on American goods were announced in January and are set to begin on March 1, 1984. They include import quotas and tariff increases on U.S.-made chemicals, plastics, sporting goods, and alarm devices. Specific products covered by the new measures include styrene, polyethylene, vinyl acetate, burglar and fire alarms, gymnastic equipment, snow skis, and sporting guns. The E.C. curbs are expected to remain in effect for four years. The United States sold the E.C. about $130 million worth of these products in 1983.

The U.S. Government expressed "disappointment" with the E.C. move. The United States agreed in principle to compensate the E.C. for American specialty steel import restrictions, but the E.C. had rejected the subsequent U.S. offers as "inadequate."



DISPUTE FLARES OVER STEEL TRADE AGAIN

Carbon steel—the backbone of heavy industry—once again threatens to become a thorn in the side of U.S. and E.C. policymakers as steel industries on both sides of the Atlantic continue to suffer from weak demand and excess production capacity. U.S. and E.C. officials hoped they had laid their steel dispute to rest in 1982 when the E.C. agreed to limit its steel exports to the United States in exchange for a U.S. industry pledge to forego trade complaints against European exporters. However, the future of the U.S.-E.C. steel trade, which both sides would like to maintain, now may be in jeopardy.

In January, Bethlehem Steel Corporation, America's second largest steelmaker, and the United Steelworkers of America jointly petitioned the U.S. International Trade Commission for across-the-board limits on imports of foreign steel. Bethlehem asked that these imports be limited to 15 percent of the U.S. market, compared with their present share of about 22 percent. The petition was filed under a provision of U.S. trade law which allows industries hurt by imported goods—be they fairly traded or not—to seek protection from those imports.

Steel exported to the United States by Third World nations was the primary target of the Bethlehem trade suit. The volume of U.S. imports from the Third World has jumped dramatically since European manufacturers agreed to reduce their sales to the American market. However, U.S. and E.C. officials have voiced concern that the demand for new import controls could threaten the steel pact, which both sides agree has been effective in limiting U.S. steel imports from Europe.

The E.C. asked the United States for formal consultations on the potential impact of the Bethlehem complaint. In February, these consultations were begun in Washington with a meeting between E.C. Vice President Wilhelm Haferkamp and U.S. officials including Trade Representative William Brock and Commerce Secretary Malcolm Baldrige. Later in the month, speaking to an audience in Pittsburgh, Baldrige assailed the Bethlehem petition.

"Our steel industry would be adversely affected by establishing global quotas.... They would encourage inefficiency, inflate domestic prices, undermine our economic recovery, decrease consumer choice, and lead to serious foreign counter-protection against important U.S. exports," Baldrige warned. However, despite that denunciation, E.C. officials have expressed concern that the hearing schedule set for the Bethlehem complaint would bring it to President Ronald Reagan's desk for decision just weeks before the 1984 presidential elections, when protectionist pressures on his Administration would probably be at their highest.

Last year, the United States imposed across-the-board import restraints on specialty steel, a high-priced, corrosion-resistant class of steel alloys. The E.C. countered the move by adopting import restraints of its own on some American goods. American and European policymakers worry that a U.S. move against carbon steel could prompt European steelmakers to pressure the E.C. into abandoning its 1982 steel pact with the United States.

Under the terms of that pact, the E.C. has the right to opt out of the agreement if the U.S. industry presses ahead with steel-trade suits. The Bethlehem suit comes at a time when E.C. member countries have just agreed to impose unpopular new emergency controls on European steel production and trade. They are part of an effort to prevent further deterioration of the European Community's steel industry and to help promote the industry's long-term recovery.

AID ROUNDUP

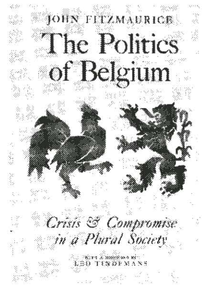
The E.C. Commission recently authorized the following emergency or development assistance projects (1 European Currency Unit, or ECU, = $0.81):

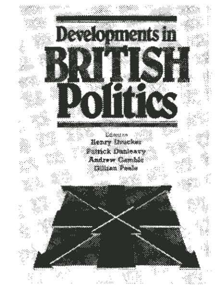
Emergency Aid—*Mozambique:* 2.02 million ECU for relief of the estimated 750,000 famine-stricken residents of Inhambane province. The aid was delivered by an E.C. team made up of staff from the German Red Cross. The team left for Mozambique in December on board an aircraft carrying food and medical supplies. An estimated 100,000 people have died of starvation in the region over the past six months.... *Brazil:* 750,000 ECU for relief of an estimated 25 million people in the northern portion of the country who have been affected by a severe drought. The native population of the north has been hit by serious epidemics with high mortality rates, raising the danger that certain ethnic groups within the country might completely disappear. Of the total aid package, 500,000 ECU were channeled through the League of Red Cross Societies for its aid program in the northeast section of Brazil. Another 150,000 ECU were furnished to Deutsche Welthungerhilfe, for the purchase of food and medicines for 10,000 people. The final 100,000 ECU were allocated to Medecins du Monde for a vaccination campaign and medical care for victims of the epidemics in the Roraima region.... *Ghana:* 500,000 ECU in aid to help the government of Ghana check an epidemic of yellow fever which has been spreading through the country and has already caused numerous deaths. The government program provides for the vaccination of 2 million people. The program will be carried out by the World Health Organization.... *Mauritius:* 15,000 ECU to aid the population of the island of Agalega, whose homes were destroyed by hurricane Andry. The island's 350 inhabitants will receive medicines and essential goods.... *Uganda:* 300,000 ECU to aid 137,000 displaced persons currently gathered in 37 camps in that country. The International Committee of the Red Cross will be responsible for purchasing and transporting foodstuffs, blankets, clothing, and other necessities for the homeless. .... *Portugal:* 100,000 ECU to relieve the thousands left homeless and destitute by torrential rains which hit suburbs of Lisbon on November 19 and 20. The aid was allocated to the League of Red Cross Societies for the purchase and distribution of beds, mattresses, blankets, and kitchen utensils.

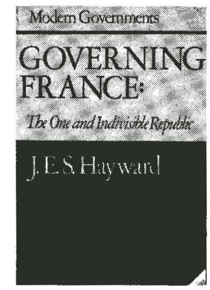
Aid to Non-Associated Developing Countries—*Peru:* 6 million ECU to provide technical assistance for an integrated rural development project being carried out in the Cusco department under the aegis of the Cusco Departmental Development Corporation.... *Yemen:* 2.55 million ECU to support a self-help effort to reconstruct homes in Dhamar province that were destroyed in December 1982 by an earthquake that registered 5.8 on the Richter scale. The Commission also authorized 2.74 million ECU for the second phase of a rural development program that will serve the province of Al Bayda by improving crop and livestock production, infrastructure and drinking water supplies.... *Thailand:* 20 million ECU to cofinance, in conjunction with the Asian Development Bank, a project designed to increase the productivity of Thai farmers through increased and better use of agricultural inputs. .... *Burma:* 2.5 million ECU for a project to improve the rural water supply and sanitation facilities in the Pegu, Rangoon, and Irrawaddy regions. ... *Nepal:* 5.3 million ECU for the purchase of European-made fertilizer that will be imported by Nepal. Nepal will use proceeds from the sale of this fertilizer to finance the local costs of a forestation project. ... *India:* 6.5 million ECU for rural development training centers and 25 million ECU for modernizing tank irrigation systems in Tamil Nadu.... *Pakistan:* 7 million ECU to improve the rural water supply and sanitation in rural areas.

Emergency Food Aid—*Africa:* 9.6 million ECU worth of food aid for several African countries where the food-supply situation has deteriorated markedly over the course of 1983. The total food aid allocation includes 29,000 tons of grains, 8,000 tons of milk powder, 550 tons of butteroil, and 1 million ECU for the purchase of other types of food products. The food situation is especially serious in southern Africa, which is suffering from a second consecutive year of drought, and in the Sahel, where the need for imported food products has been on the rise in recent months. In addition, some west African seaboard states, which do not normally suffer serious food supply problems, are having to import food. €

BOOKS IN REVIEW







The Politics of Belgium, by John Fitzmaurice, St. Martin's, 256 pages, $25.00.
Developments in British Politics, edited by Henry Drucker, Patrick Dunleavy, Andrew Gamble, Gillian Peele, St. Martin's, 326 pages, $25.00.
Governing France: The One and Indivisible Republic, by J.E.S. Hayward, Weidenfeld & Nicolson, 322 pages, $16.50 (hardback), 7.95 (paper).

MICHAEL D. MOSETTIG

What little news of Belgium that appears in the American press usually is framed in reference to the country's language disputes, much in the way that coverage of Northern Ireland focuses far more on religious than class differences. In this work, unique in being aimed at an English-language audience, author John Fitzmaurice tries to broaden the frame of reference and the terms of the national debate. To a large extent he succeeds, even if too much of the book is concentrated on the structures and maneuverings of the political parties and not enough on the powerful economic interests.

Fitzmaurice, a British subject and E.C. Commission official, has produced a work that will be a valuable primer for any English-speaking journalist or diplomat or business executive soon to take up residence there and as well for university comparative-government courses that cover Belgium. For anyone who has already lived there, it is more a survey than an analysis and offers few surprises.

Fitzmaurice's basic point is that the problems of this country—which had the twin misfortunes of being both small and strategically positioned—have roots much deeper than the arguments between the French, Flemish and German-speaking communities. Belgium's history, long before 1830 and back to Roman times, reflects "various influences (that) created more diversity than unity, more basis for conflict than for a folk memory of common historical experience."

A major source of division, he argues, is economic. Far more than in many countries, political issues are ultimately linked to economic cleavages. Because the economy is open and vulnerable, economic issues dominate politics "except when the intra-community question is dominant." Yet in making this argument, Fitzmaurice is arguing against himself. Economic issues tend to dominate politics in democracies, except when questions of peace and war prevail. The difference in Belgium is the important place of community questions on the political agenda.

His argument is more telling in the tracing of the economic ups and downs of the two principal regions, Flanders and Wallonia. Political advantage has followed economic strength and population trends. The French-speaking community was politically dominant when the coal and steel industries of Wallonia were thriving. The Flemish-speaking community gained strength as more foreign and technology-based industries established themselves in Flanders and as the old industries of Wallonia went into decline.

Of course, nearly every industrial democracy is undergoing the pains of transformation. The community disputes complicate the problem further in Belgium in ways that Fitzmaurice elaborates, but that in one way he does not. In Belgium, because of the community divisions, the population is even less economically mobile than other Europeans, all of whom are far less ready than Americans to pick up and move to new jobs.

Fitzmaurice, who has written several other political books including one on Denmark, does go into considerable detail on the structure of the political parties. It's quite an achievement, considering the fragmentation of the parties along historical, ideological, and now community lines. Unfortunately, the author has approached this task with the style of a political scientist. The result is a mishmash of initials, an often times almost incomprehensible alphabet soup.

Even on the 20th reference it would do no harm (considering this book is aimed at a non-Belgian audience) to refer to the parties by their names or shorthand titles rather than initials. A few more trees would be sacrificed to accommodate the necessary extra pages, but it would avoid a jumble such as this posing as an English sentence: "The length of a government crisis is not usually related to the choice of coalition patterns—tripartite PSC/CVP-PVV/PRL; PSC/CVP-PS/SP or classic tripartite; or inclusion of community parties in a basic bipartite PSC/CVP-SP/PS coalition—since this option usually emerges fairly early."

Fitzmaurice's comprehensive look at the parties and their workings on the national and regional levels certainly describes Belgian politics in some depth. Whether it explains it is another question. If the absence of national unity is a critical factor, Fitzmaurice spends comparatively little time discussing the few national symbols such as the monarchy and universal military service. He does detail well the King's influence in forming Governments, but his symbolic role and how that might be affected by King Baudouin's succession are not discussed.

Fitzmaurice certainly describes the competing economic interests—the multinational and Belgian corporations and the unions. There is, however, little analysis of their political power or how they exercise it. By writing so much about the politicians and political parties and so little about the interests, Fitzmaurice resembles a game hunter who constantly keeps the Pygmy bearers in his sights while allowing the elephants to tromp free in the underbush.

IT&T, its symbolic presence so visible in a corporate headquarters that both dominates the skyline and rips into the historic Brussels center, rates not a mention. The influence of the major bank holding companies receives almost a casual reference. Three quarters through the book, Fitzmaurice mentions the shareholdings of the Kredeitbank, Société Général, Brussels-Lambert and Paribas banks in the major media. To an American, it raises the analogy of Citibank with similar holdings in The New York Times, CBS, and the Associated Press combined, a political influence of no small significance, but which goes without analysis here.

For all of Fitzmaurice's argumentation that the community disputes are not the be-all and end-all of Belgian politics, many

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issues in Belgium do keep coming back to the language question. Even the decision to modernize the Air Force, since the competition was between an American and French plane, became a language issue.

The author concludes with a modestly optimistic assessment of Belgium's prospects, more a tribute to the resilience of its people than to the ingenuity of its politicians or interest groups. Economic revitalization is critical, both to maintain the progressive evolution of community governance and to prevent a further breakdown of a foreign policy consensus that has held fast since the end of World War II.

Given Belgium's strategic position and its vital role in Europe, these questions are as important to its friends and allies as they are to the Belgians themselves. This book, with its inevitable focus on language disputes, also should be required reading for those Americans, who out of misplaced sentimentality or political cunning, keep promoting bilingualism as a method of absorbing the latest group of immigrants into society. It demonstrates anew that for countries created bilingually, the problem has to be dealt with, but at the cost of great political and psychic energy that would be better employed elsewhere. This is hardly a reason for a unitary language society to import such problems.

If the absence of ideology has been an important factor in post-war Belgian politics, the revival of ideology is the key to **Developments in British Politics.** The book is aimed at the British equivalent of high school seniors and university freshmen and sophomores, but it is lively and interesting reading for almost anyone other than a native specialist in British politics. The political scientists who contributed to the work peg their analyses to the breakdown of consensus, the end of the broad agreement between the major parties on the relative levels of government, and private initiative in the economy and society.

The end of the post-war economic recovery in the last decade brought down the consensus and provoked the search on the left and right for different answers. These developments have made British politics more interesting and diverse, as the authors say, at least to the analyst and outsider. Whether the average British voter would agree is another matter. The rise of the Social Democrats, though now momentarily faltering, seems to be a different verdict on the crumbling center, albeit a largely middle class one.

In any event, the authors have provided a highly readable and comprehensive updating of British politics that should be especially useful for Americans who can no longer count even on *The New York Times* for consistent daily coverage of the British Government and Parliament.

In **Governing France,** British professor Jack Hayward updates an earlier work, **The One and Indivisible France,** and describes a Fifth Republic that has demonstrated the political flexibility to elect a Socialist President and Government without rattling the rafters of Charles de Gaulle's political structure.

The author has demonstrated once again a comprehensive knowledge of his subject and a gift for felicitous phrasemaking, to wit: "At the heart of French political culture there lies a tension between passionate attachment to personal liberty, conceived as the absence of control by authority, and an intense feeling of dependence upon state power, source of protection and favors in a harshly competitive world."

He makes the interesting argument that de Gaulle's foreign policy fits into a continuum from the French Fourth Republic (at its end seeking to exert French interests separately from those of the United States) to the policies of his successors. The differences, he argues, were of style and range of intervention, not substance.

Raywood is on much shakier ground with the argument that de Gaulle's efforts at détente in Eastern Europe were in retaliation for the refusal of his E.C. partners to accept French leadership. When de Gaulle moved on the East-West stage, his galleries were in Washington and the Federal Republic of Germany, not in Brussels. As Haywood points out, the Fifth Republic has become the most durable French regime, other than the Third Republic, since the Revolution. His book lucidly helps explain how that stability persists despite the new external and internal pressures of the 1980s. €

Michael D. Mosettig is a producer on the *MacNeil-Lehrer NewsHour* and a former UPI correspondent in Brussels.

MINI-REVIEWS

The following are capsule descriptions of recent books dealing with European Community and Atlantic topics.

Marché du travail et mouvements migratoires: l'Euromigration espagnole. By Luciano Berrocal. Editions de l'Université de Bruxelles, Brussels, 1983. 200 pp. 450 BF.

A multidisciplinary analysis of Spanish migratory movements from the perspective of Spain's integration into the E.C. Analyzes migration of Spanish labor in relation to the internationalization of the Spanish economy witnessed by the last 20 years. Offers a prospective analysis of population, employment, and unemployment in Spain to 1995.

The Annual Register: A Record of World Events 1982. Edited by H.V. Hodson. Gale Research Co., Detroit, 1983. 549 pp. $75.00.

A detailed profile of the year 1982, this reference volume contains articles covering: events in each of the nations of the world; activities of the United Nations, the E.C., and other international bodies; developments in science, religion, law, the arts, and sports. Also includes texts of the year's key documents, a chronological record of principal events, and a section of economic and social statistics for the period from 1977 to 1982.

European Communities Yearbook 1982-83, 5th edition. Editions Delta, Brussels, 1982. 592 pp.

Guide to the structure, activities, and personnel of the E.C., with information on institutions, departments, movements, and associations formed within the E.C. context. Includes names and addresses for the diplomatic missions accredited to the Community. Text in English and French.

Annual Report on Exchange Arrangements and Exchange Restrictions, 1983. International Monetary Fund, Washington, D.C., 1983. 530 pp. First copy gratis. Additional copies, $12.00 ea.

Divided into two sections, this volume reviews 1982 and the first quarter of 1983. While Part I addresses main developments in exchange rates and arrangements, restrictive practices, and regional arrangements, Part II gives a detailed country-by-country description of exchange and trade systems of individual International Monetary Fund members.

Regulating the Multinational Enterprise: National and International Challenges. Edited by Bart S. Fisher and Jeff Turner. Praeger Publishers, New York, 1983. 188 pp. $25.95.

A collection of essays that considers antagonistic host-country policies toward U.S. foreign direct investment and makes suggestions for appropriate U.S. policy responses to these national challenges. Analyzes constraints on American multinational enterprises recently implemented by the E.C., Canada, Mexico, and developing countries. Includes an appendix with a model bilateral investment treaty.

Legal Aspects of Doing Business in Japan. Practising Law Institute (PLI), New York, 1983. 512 pp. $35.00.

A coursebook prepared for a PLI conference held on February 10th and 11th, 1983, in New York City. Among the subjects discussed are U.S. negotiations for greater market access in Japan, the availability of American legal services in Japan to facilitate U.S.-Japanese trade, and the forms of representation of Japanese interests in the United States.

The Competitive Status of the U.S. Fibers, Textiles, and Apparel Complex: A Study of the Influences of Technology in Determining International Industrial Competitive Advantage. National Academy Press, 1983. 90 pp. $7.95.

Provides a brief historical description of the U.S. textile complex, assesses the economic and governmental changes that have affected the global textile industry during the past 20 years, and explores the responses of American, European, and Japanese firms to these changes. Also, develops a series of future policy options for the American textile complex and evaluates their impact on the industry's international competitiveness.

NATO Arms Cooperation: A Study in Economics and Politics. By Keith Hartley. George Allen & Unwin, London, 1983. 228 pp. $28.50.

An examination of weapons standardization as one aspect of the North Atlantic Treaty Organization's (NATO) efficiency. In the first of two parts, the book considers the general issues and problems associated with weapons standardization in NATO. Part II presents the results of a detailed study of aerospace that explored alternative weapons procurement policies.

Reform of the Common Agricultural Policy and Re-structuring of the EEC Budget. University Association for Contemporary European Studies (UACES), London, 1983.

Papers presented at a UACES-sponsored conference held at the University of Reading, England, 16-17 September 1982. Topics addressed include E.C. budgetary problems and refund mechanisms, long-term and short-term restructuring of the E.C. budget, and both prospects for and obstacles to reform of the Common Agricultural Policy.

The Harmonization of European Public Policy: Regional Responses to Transnational Challenges. Edited by Leon Hurwitz. Greenwood Press, Westport, 1983. 264 pp. $37.50.

An anthology of essays concerned with attempts by various European organizations—including the E.C., the European Space Agency, the Council of Europe, and the European Science Foundation—to harmonize certain public policies. Among areas in which European cooperation is explored are: scientific and aerospace research, responses to terrorism, civil rights and civil liberties legislation, and the pharmaceutical profession.

The Costs of the Common Agricultural Policy. By Allan E. Buckwell et al. Croom Helm Ltd., London, 1982. 184 pp. $28.50.

Describes the current situation of the E.C.'s Common Agricultural Policy (CAP) and summarizes previous attempts to assess some of the economic and financial flows arising from its creation. Presents the structure and results of a comprehensive model of E.C. agricultural markets and the associated CAP support mechanisms.

East-West Trade, Industrial Cooperation and Technology Transfer: The British Experience. By Malcolm R. Hill. Gower Publishing Co., Brookfield, VT, 1983. 217 pp. $37.00.

Based on case studies of approximately 30 firms in the United Kingdom, this book constitutes an investigation into the experiences of British companies in the areas of trade, industrial cooperation, and technology transfer with the East European members of the Council for Mutual Economic Assistance. Includes tables and graphs.

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Regional Industrial Information Transfer. *EUR 8252.* Edited by P. Degoul and J.M. Gibb. Frances Pinter Publishers, Dover, N.H., 1983. 228 pp. $27.50.

Proceedings of the First European Symposium held in Strasbourg, 26-28 May, 1982.

Hydrogen as an Energy Carrier. *EUR 8651.* Edited by G. Imarisio and A.S. Strub. D. Reidel Publishing Co., Boston, 1983. 520 pp. $61.50.

Proceedings of the 3rd International Seminar held in Lyons, France, 25-27 May 1983.

Better Translation for Better Communication. *EUR 7720.* By G. Van Slype et al. Pergamon Press, New York, 1983. 194 pp. $9.00

A survey of the translation market, present, and future.

Coatings for High Temperature Applications. *EUR 8350.* Edited by E. Lang. Applied Science Publishers, New York, 1983. 442 pp. $89.00.

A publication of the CEC High Temperature Materials Information Centre, Petten, The Netherlands.

Physical Properties of Foods. Edited by Ronald Jowitt et al. Applied Science Publishers, New York, 1983. 425 pp. $85.00.

Proceedings of a seminar held under the auspices of European Cooperation in Scientific and Technical Research (COST) at Leuven, Belgium, 9-11 September 1981.

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