

# EUROPE

MAGAZINE OF THE EUROPEAN COMMUNITY

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## CHIPS: EUROPE'S NEW HOPE

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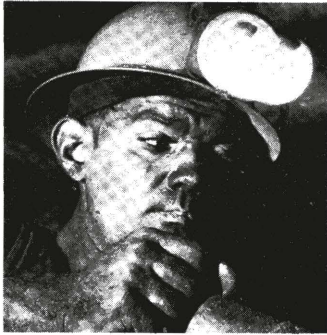
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# EUROPE

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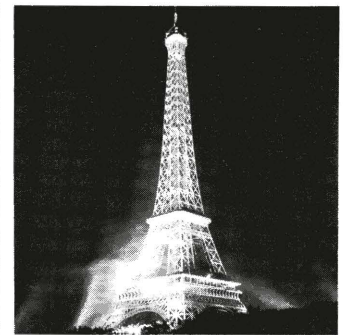


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**T**he E.C. is already helping to lay the groundwork for the Europe of the future. As the world's newly industrialized countries have begun to emerge as new leaders in many of Europe's traditional industries—steel, textiles, and shipbuilding—Europe has been on the lookout for new areas in which to excel. E.C. policymakers and industrialists have spent much of their time and energy in recent years looking for ways the European Community can capitalize on its enormous home market of 270 million citizens (with EFTA and Spain, 350 million citizens) and on other assets to make it big in a high-tech world.

One of the results of this brainstorming has been the European Strategic Program for Research and Development in Information Technology. The program, nicknamed ESPRIT, is an ambitious undertaking important not only in its own right, but as a symbol of Europe's commitment to keeping up with the times and with the competition.

In our cover story in this issue, Michel Carpentier, the E.C. Commission director general responsible for the ESPRIT task force, shares his bird's-eye view of the program and its whys and wherefores. Carpentier explains how the E.C., in cooperation with European industry, hopes to make Europe a major player in such highly competitive fields as software technology, microelectronics, and information processing.

After hearing from two highly respected American voices in the first two editions of our newly inaugurated guest column feature, *Europe* this time makes a shift to the other side of the Atlantic with Emanuele Gazzo. In his many years as chairman of *Agence Europe*, a daily newsletter published in Brussels and covering the Community, Gazzo has become a guru of the E.C. and mentor to the political forces that have helped to shape it. He shares with us some of his insights and his own prescription for more solid ties between the United States and Europe.

France takes its turn in the spotlight as the focus of our member state report. Axel Krause, economic correspondent for the *International Herald Tribune*, reports on the challenges French President François Mitterrand faces in his efforts to revitalize France's economy. With his economic policies under attack from both the right and the left, Krause looks at the question of whether Mitterrand can stay the relatively unpopular course of economic austerity.

In a related article, Bernard Mazières, a political writer for the French weekly *L'Express*, tells us that French politics may be headed for a major turning point this spring. Mazières offers a glimpse at the stresses at work within the Mitterrand Government and assesses the likelihood of a split between the Socialists and their Communist partners. The French left, says Mazières, is looking more confused at a time when the opposition has come to understand the importance of maintaining a united front. The upcoming European Parliament elections in June may give the newly unified right a chance to flex its muscles.

On the cultural front, Carolyn Lesh reports that despite economic austerity, the French are still maintaining an active interest in architecture and are planning for construction of a new opera house, a controversial project for the Louvre, and the construction of several new museums and other public buildings. How might this construction boom change the face of the City of Lights? Lesh gives us some clues.





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# AROUND THE CAPITALS

## ROME

### Monuments Are Suffering

**F**or two years the Porta del Popolo was completely obliterated by scaffolding. The 16th-century gate, still fitted with colossal wooden doors, stands at the northern entrance to the old city of Rome, where the ancient Roman road, the Via Flaminia, opens out into the magnificence of the Piazza del Popolo. The gate had become black with dirt and wrapping it up in scaffolding virtually removed it from sight and mind.

Recently, the scaffolding came down and a stunning new Porta del Popolo emerged, crisp, yellow, and sensibly, barred to most traffic. The journey down to the center of Rome from the north of the city suddenly became a pleasure again. But a little further on, in the center of the Piazza itself, the Egyptian obelisk is boarded off, wrapped up in scaffolding and nylon netting.

So are dozens of the other great monuments of Rome: the columns of the ancient Roman emperors Trajan and Marcus Aurelius, which tell the stories of their conquests in carved friezes, the triumphal arches of Septimus Severus and Constantine, the basilica of Constantine which inspired Michelangelo, Roman temples, part of the Colosseum, and Renaissance palaces and fountains. The masking of some of the most famous buildings in Rome is so complete that many of them almost might not exist, so little is to be seen of them.

Scaffolding is now the most obvious reminder of the frightening decay the monuments of



Piazza del Popolo

Rome have suffered in the past 30 years. Pollution of the air from the exhaust of cars and the use of heavy oil in domestic heating has eaten away at the marble of which so many monuments are made, turning it into something close to plaster which crumbles almost at a touch. Carved friezes of priceless historical value are being lost forever. And many monuments are also in grave danger because of the weight of daily traffic and the shocks caused by slight earthquakes.

Even so, questions are increasingly being asked about the scaffolding, which in some cases has been up for five years. In most cases it is officially there not for treatment, but only for studies to be made of how bad the condition of the monuments actually is. But are such all-embracing structures of scaffolding necessary for that, even if in some cases they keep off the acid rain which is slowly destroying the monuments?

Chemicals based on fluoride have been used with success on threatened marble in other

parts of Italy. Some people are asking why can't they be applied here before it is too late—even though the work would be colossal and vastly expensive?

Adriano La Regina, the government's superintendant for cultural heritage who is responsible for many of the monuments of Rome, says that some of the scaffolding will soon be coming down and the results of such work as has been going on underneath will be seen, just as it was at the much younger Porta del Popolo. But almost nothing can be done to restore what has been lost.

In the meantime, the air remains as poisonous as ever, with virtually nothing being done to improve it. The traffic swirls past the works of antiquity and, though barricades have recently pushed the cars a few yards further from the most delicate monuments, a vast plan to close to traffic much of the area around the ancient Roman Forum was scrapped last year.—JAMES BUXTON

## BRUSSELS

### BBC Brings Golf, Cricket

**A** startling change has taken place in the leisure habits of Belgians and it is all due to the British Broadcasting Corporation (BBC). You can now receive BBC television transmissions via cable in Brussels and throughout most of Dutch-speaking Belgium. What people seem to prefer is sports and especially the traditional British games of snooker (pool), darts, golf, and even—whisper it quietly—cricket. Even low British comedy seems to have taken a hold. The respectable Dutch-language newspaper *De Standaard* has just devoted a full page to a profile of Benny Hill, an English comedian whose brand of humor seemed supremely unexportable.

A pub in Ghent has installed three snooker tables and the manager reports he is "overwhelmed" by bookings. "The BBC television made my business," he says. There are reports that Belgium may soon start its own snooker competitions. The English way of playing darts is now spreading rapidly from west Flanders to the rest of Belgium. A Belgian





is ranked fourth on the world championship scale for darts and Belgium itself bows only to England and Scotland in its mastery of the game.

Golf had never commanded public imagination in Belgium until the BBC broadcasts began. It remains a game for the privileged. There are only 18 clubs in the whole of Belgium, all privately owned. The BBC broadcasts have created a move to "democratize" the sport. According to *De Standaard*, "As we can now see it on the television thanks to the BBC, golf is a wonderful outdoors event. We Continentals once more have to look up to the centuries-old British resourcefulness to remain sportingly and competitively active in nature."

Cricket? Ah, well, that is another thing. A Belgian writer tried hard to explain the rules, only to conclude sheepishly that "until further notice this game can only be understood properly by Britons and inhabitants of Britain's former colonies." Cricket is played in Belgium, but not by Belgians. If you see a gathering of "flannelled fools," it's a safe bet that all of them will be British or "inhabitants of Britain's former colonies." But this may not last. The Belgian television viewers who tune in to the BBC—and there are now so many of them that BBC broadcasts are listed routinely in the newspapers—will be saturated by live transmissions of this summer's test matches and cup competitions in England. "Where snooker leads, cricket will follow," said a BBC man here.

Then there's rugby, which has roughly the same association with American football as cricket does with baseball. But rugby is not unknown to Belgian sportsmen or television viewers since it is played in France. British telecasts may well promote an interest in the sport, but up to now it must be said that the following is largely in the French-speaking regions of Belgium and these are the slowest in hooking up their systems to take British television.

The export of British culture to the Continent, be it by way of songs, books, television programs, or sporting achievements, is one of the more unremarked developments in the European Community. More hard-back copies of novels in English are said to be sold in Holland than in Britain, and presumably Belgium cannot be far behind. Certainly the Belgian following for books by Le Carré, Dick Francis, and Graham Greene is astonishing.

The extra injection of English now that BBC cable television is available could even influence the long-running language war between French and Dutch speakers in Belgium. Said *De Standaard*: "The arrival of BBC programs on cable television has subtly affected the pattern of thinking and acting in Flanders. The Flemish viewer discovers his 'slightly different' British neighbors and, for a community which for generations could only deal with the French speakers, the availability of the 'anglophony' is often a real revelation." —ALAN OSBORN

## LUXEMBOURG

### The Way It Was

**T**he great English painter Turner liked Luxembourg very much. He visited the country in 1828 and 1834, making hundreds of sketches of castles, houses, streets, ravines, hills, and woods. From them, he distilled 60 watercolors that went on display in the state museum earlier this year. It was an occasion for great Anglo-Luxembourg accord, crowned by the purchase by the Grand Duchy of its own Turner "A View of Luxembourg, 1834."

Then a shock went through the country when it was suggested that its prized Turner was a fake. Reports said the painting was the handiwork of the notorious English art forger Tom Keating who died earlier this year. Keating was an odd man. Greatly talented,

he chose to place his expertise in the service of practical jokes. He said he was out to embarrass the so-called expertise of the art critics he despised.

The suggestion that the Luxembourg painting was a forgery was not wholly implausible. Keating had died leaving it known that several more of his "bombshells" had yet to explode. The opportunity to discomfort the staid Luxembourgers was too much for some British officials and journalists. They let out that London Turner experts were questioning the work. The story appeared on April 1. It was a classic April Fool's joke, and it worked. Virtually all the Luxembourg papers picked up the story.

Whether this in turn does much for Anglo-Luxembourg



The great English painter, Turner.

relations is a different question, but it has to be said that the Turner exhibition is a total success. Luxembourg is wonderfully paintable and Turner did it justice. His canvasses suggest a land of romance and enchantment. It's doubtful that any foreigner ever paid a more handsome tribute to the Grand Duchy.

The exhibition is indeed a needed corrective to the perception of Luxembourg held by most other countries. They think of it as tiny, which it is, and inconsequential, which it is not. The idea of a country the size of Maryland, with a population of less than half a million people, having the same clout in the Common Market as the Federal Republic of Germany, the United Kingdom, or France is clearly unacceptable.

The Luxembourgers know this. They do not press absurd claims. They pursue their own national and modest claims with devotion.

Luxembourg is different from other E.C. member countries not just because of its smallness, but also because of its ethnic mix. The proportion of foreigners among the population is striking—more than a quarter of its residents are foreign-born and in some industries half the workers come from abroad. This is worrying to those who want to preserve a "Luxembourg" identity. The country may have been trodden down by invaders over the centuries, but it retains its sense of historical identity. The native birth rate is falling, while the number of foreign residents rises all the time. Who are to be the "Luxembourgers of tomorrow?"

The Turner exhibition raises a flag. It suggests that there is a "Luxembourg identity." It is romantic and perhaps not wholly realistic. The march of foreigners into Luxembourg will not be halted by protestations of national identity. By the end of the decade, it is supposed that a third of all residents in Luxembourg will be foreign-born. Where then will be the national identity? You can see why the Luxembourgers cherished the Turner exhibition. It told them what they once had and to what they could aspire.—ALAN OSBORN

## ATHENS

### Colonels Appeal For Release

**L**ocked away in a high-security wing at Athens' Korydallos prison since 1975, the cashiered colonels of Greece's one-time military junta have recently grown vociferous behind bars. Former dictator George Papadopoulos has been named leader of a new right-wing political party, while his two chief aides, Nicholas Makarezos and Stylianos



Pattakos, have appealed against what they claim is wrongful imprisonment.

A smuggled tape-recording played at the first rally staged in Athens by the new party, EPEN, earlier this year brought tears to the eyes of diehard junta supporters as they listened to Papadopoulos' gravely voice denouncing the Socialist Government. The colonels' efforts to make themselves heard from their prison cells have attracted little comment here. Nobody thinks they could pose a threat to political stability in Greece these days.

EPEN wants the 64-year-old former dictator to head its ticket at next month's elections to the European Parliament. Socialist Government officials point out, however, that the jailed officers were deprived of civil rights when they were sentenced, after being found guilty of conspiracy and high treason.

In the meantime, Makarezos has sued the European Community for failing to grant him freedom. The junta's economic czar claims he should have been released when Greece joined the E.C. in 1981. Makarezos appealed last December to the E.C. Council of Ministers and to the E.C. Commission for immediate release from jail. According to his lawyer, Panayotis Charitos, Makarezos and more than 20 other officers who led a bloodless coup in 1967 were sentenced retroactively under a 1975 decree.

Greek legal experts who were involved in the junta's trial nine years ago dismiss the argument, saying that the officers were condemned under laws dating back to 1939 and 1951. E.C. law experts say Makarezos' suit is unlikely to be heard at the E.C. Court of Justice in Luxembourg on the grounds that it probably will be inadmissible. Ex-artillery officer Stylianos Pattakos had a similar suit thrown out by the Greek supreme court, after appearing before an *in camera* hearing. Undeterred, another leading member of the disgraced junta has filed an appeal

for a retrial.

Papadopoulos, Pattakos, and Makarezos were sentenced to death as leaders of the coup that overthrew democracy for seven years. But the sentences were never carried out and automatically were commuted to life imprisonment in 1978. Many leading Greek Socialists, including Premier Andreas Papandreu were jailed and exiled during the junta years. But according to the imprisoned officers' families, conditions at Korydallos have improved since Papandreu came to power 32 months ago.—KERIN HOPE

## BONN

### Take It To Court

Citizens of the Federal Republic of Germany will go to court to fight a \$20 traffic fine or a \$50 tax assessment and few litigants ever accept the ruling of court of first instance. "No country in the world has more judges per capita," says Franz Klein, president of the Federal Finance Court. "And yet the water is up to our necks." Klein says that his own court, although recently expanded from eight to nine chambers, is suffocating. The federation's other supreme courts—the Federal Court of Justice, the Federal Labor Court, the Federal Administrative Court, the Federal Social Court, and the Federal Constitutional Court—tell the same story.

The Constitutional Court received more than 4,000 complaints in 1983, for a total of more than 58,000 complaints since it was created in September 1951. Only 1.5 percent of the plaintiffs have been successful, although some of that few were spectacularly victorious, such as the two Hamburg lawyers who managed to stop the national census last year on grounds it violated individual rights. Equally successful were two companies fined for unfair competition and for violating banking laws. Klein's Federal



Federal Constitutional Court in Karlsruhe, Federal Republic of Germany.

Finance Court said they could legitimately treat the fines as operating expenses and deduct them from taxable income.

The great majority of cases that reach the supreme courts fail, however, as did the complaint of a Hamburg pet owner to the Federal Constitutional Court. He complained that his constitutional rights were being violated by the city's decision to double the annual tax on dogs to about \$90 per animal. The judges rejected his plea, advising him to come back only after going through the three levels of the Finance Court systems.

In self-defense, the Constitutional Court declared in March that it would no longer accept any complaint involving a fine of less than about \$30. It announced the new limit in rejecting the complaint of a man who claimed a court that fined him about \$20 for illegally riding a bicycle through a pedestrian zone had failed to hear all available witnesses. The court does have the right to charge a fee of up to about \$385 to any plaintiff it considers has abused his right to appeal to it. However, judges are reluctant to assess the fine, on grounds all citizens ought in principle to have free access to the Constitutional Court created to protect their civil rights. However, the court is said to be considering collecting a fee from each lawyer representing a person filing a complaint.

There has been a lot of talk lately about a surplus of lawyers. Judges suspect that some of them will encourage a client to file a complaint even though it clearly is hopeless, simply in order to collect the fee for preparing the complaint, which is a minimum \$190. Proponents of the scheme say that lawyers will be more careful about going to the courts if it's going to cost them their own money. But others say it would do no good as the lawyers would simply pass the charges onto their clients. Until some such rule goes into effect, however, court calendars will continue to overflow. Klein says that because so many persons automatically go to the courts and always appeal twice, tax cases are tied up in the system for about 10 years. Most civil and criminal proceedings require about eight years to go through appeal and revision.

## COPENHAGEN

### A Cautious Eye on Europe

Denmark has never been in the vanguard of European integration. In fact it would be easier to argue exactly the opposite case. And through the present Liberal-Conservative Government is the most favorable to E.C. integration since Denmark joined the E.C. in 1973, there is no



majority in the Danish parliament for such a policy.

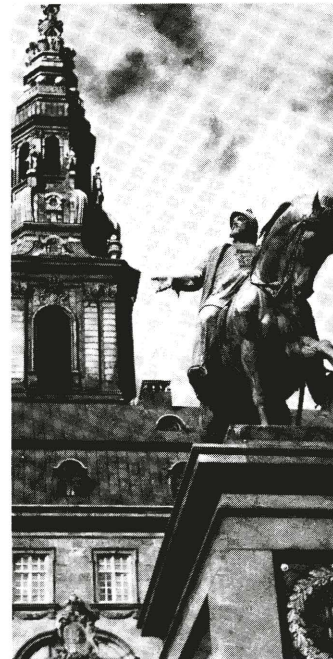
Thus, the election campaign for the European Parliament elections in June is being fought on essentially defensive platforms by the pro-E.C. parties. They stress the practical value of membership and the contribution the E.C. is making toward relatively more stable conditions in the world economy. The largest party in the Danish parliament, however, is still the Social Democratic Party, which rallied late to the very idea that the European Parliament should be directly elected. In this campaign, the party is careful to dissociate itself from those in the European Parliament—Socialist parties included—that still see European union as a desirable, thought distant goal.

Early opinion polls indicate that the best organized national anti-E.C. group in Europe, the Danish People's Movement Against the E.C., in theory has the sympathy of close to half the Danish elec-

torate, those saying they believe that E.C. membership is not beneficial to Denmark. But sympathy is not votes. As the political parties mount their campaigns and call on party loyalties, most observers believe that at least two thirds of the 15 Danish seats in the European Parliament will be occupied by pro-E.C. members.

The anti-E.C. group is troubled not only by a narrow political base, dominated by left-wing groups, but also by the lack of any conspicuous successes of the E.C. in the past five years. It is difficult to present a convincing picture of the E.C. as the super-state usurping the powers of the smaller, independent countries. Lack of interest in the election is seen by many as the gravest threat to the credibility of the European Parliament in Denmark, and to Danish commitment to the E.C. in general. At government level, there is no lack of interest in the E.C., either in political or personal terms.

At least three Danish ministers have shown interest in becoming members of the executive E.C. Commission. One, the Liberal Minister of Finance,



Tower of the House of Parliament and equestrian statue of King Frederick VII of Denmark.

Henning Christophersen, is the official Danish candidate for the E.C. Commission presidency. Considered an extremely able economist and a committed European, he would seem to have two important prerequisites for such a post. Whether Denmark can marshal the necessary political support remains to be seen. But his candidacy has already created problems for his party and the Government. Neither the stock exchange nor party leaders cherish lame-duck Ministers of Finance. The Danish economy is still doing well, but it needs a steady hand at the helm for a long time yet.

—LEIF BECK FALLESEN

## AMSTERDAM Planning a New Polder

Not only do the Dutch face a decision on whether or not to deploy 48 cruise missiles on Dutch soil, but by summer

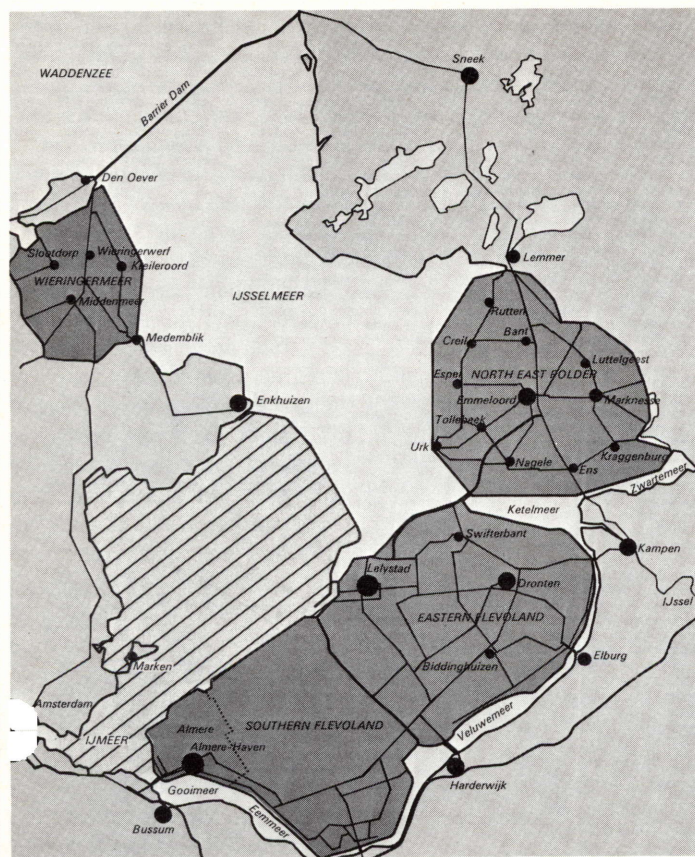
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they also must decide whether to wrest one more polder from the former Zuider Zee, now called the Ysselmeer after the Yssel River flowing into it. While pacifists resist the deployment of missiles, so are there growing numbers of people resisting the reclamation project, which will be the fifth and last polder in the former inland sea.

The Zuyder Zee project is based on the Zuyder Zee Act of 1918 whose three major objectives were greater protection from flooding, better use of the water, and expansion of the area of agricultural land. The first two objectives were realized by the construction of the Zuyder Zee barrier dam, completed in 1932. Four of the planned polders have already been completed and the protecting dyke for the final polder, Markerwaard, was completed in 1976.

Thriving cities have already grown up in the first reclaimed polder, Wieringermeer, as well as in the northeast polder and in eastern and southern Flevoland. The taming of the inland Zuider Zee's nearly 1 million acres must be completed,

farmers argue as they line up for land in the new polder.

The government, though saddled with a large budget deficit, in principle favors reclaiming the Markerwaard. But since the mid-1970s, opponents have argued that the Markerwaard is unnecessary and can be developed only at the cost of the disappearance of a unique area of water. They also claim it will damage coastal cities of the former Zuider Zee, small jewels of Holland's golden age where the ships of the Dutch East Indies Company unloaded their spices and where old monuments recall former greatness. After completion of the first four polders, it was established that the soil on which the coastal cities are built had sunk by 10 to 15 centimeters. Also dead set against the reclamation of the Markerwaard are the fishermen. The Yssel Lake is famous for its fresh-water eel.

Businessmen and Holland's largest banks have already said that if the government won't finance the reclamation, they will. The cities in the other reclaimed polders also have an

interest in reclamation because it shortens the distance to large cities like Amsterdam, the Hague and Rotterdam. The new polder would be an outlet for crowded Amsterdam, especially when the area is well developed with woodlands which are scarce in that part of the Netherlands. The trade unions believe it will help employment.

If the decision in favor of reclamation is taken this summer, it will be some eight to nine years before people could settle there. The conquest of land from the water is no small matter. After the dikes have been built, the water above the former seabed is pumped away, leaving one great mudflat three to 15 feet below sea level. Seeds sown from aircraft transfer the polder into an expanse of reeds.

To make the land suitable for different uses, the Ysselmeer Polders Development Authority as a rule grows crops on it for five years. The rotation includes rapeseed and cereals. Areas of land are leased out for growing of flax, grass seed, and peas for freezing and canning. After five years of cultivation by the state, the land is ready for permanent uses such as private farming, natural areas, recreation, and urban development.

The first polders in the Netherlands date from about 1200. First, windmills were used and several of these polders have survived. Since the Middle Ages, the level of the land in the Netherlands has been sinking in relation to sea level, while the average sea level has been rising relative to the land, at a rate of about one meter per 1,000 years.

—NELS SLIS

## DUBLIN

# The Irish Neutrality

**T**he Irish have a reputation for doing things differently. It's a reputation that is probably exaggerated, but, in one key area of foreign policy,

it certainly rings true. The Republic of Ireland is a neutral country. Neutral countries are nothing new, even in Europe. The Swedes and the Swiss are both neutral, and maintain formidable and unorthodox defense arrangements to deter anyone from interfering with their neutrality. Their chosen position also prevents them from joining the North Atlantic Treaty Organization (NATO) or the E.C.

The Irish, on the other hand, with a tiny army and virtually no naval or air forces, take no steps to protect their neutrality. And, while they refuse to join NATO, they enthusiastically voted to join the E.C. in 1972.

Commentators tend to reach for descriptions from the animal world when trying to describe Irish neutrality. "Sacred cow" describes the way it is trotted out to demonstrate Irish independence; "chameleon," given its ability to change its appearance; and even the "Cheshire cat," to describe its habit of disappearing from view altogether for long periods.

Most of the time, it does not matter much that the Irish stay out of military alliances. There have been times, though, when it mattered a great deal. The crucial period was during World War II, when Ireland stayed out of the conflict and established neutrality as a central policy for Dublin Governments ever since.

The issue arose again during the 1982 conflict between Britain and Argentina over the Falkland Islands. The then Irish Prime Minister, Charles Haughey, cited Irish neutrality as the reason Ireland could not continue to support E.C. sanctions against Argentina, once the British task force went into action. Just as in 1939-45, that demonstration of neutrality caused bad feeling between London and Dublin and further widened the gap between the British-minded Protestants of Ulster and the Irish-minded Catholic majority. But even in those periods, Irish neutrality was not quite what it seemed.

The gradual lifting of secu-



ity from the files of the war years has revealed that Ireland was less neutral than most of its citizens imagined. In the area of military intelligence, the Allies received considerable cooperation. It has long been known that German airmen and sailors who found themselves on Irish soil were interned, while their U.S. and British counterparts were quietly sent back across the border to Northern Ireland.

The view of most observers here over the Falklands dispute is that Ireland's attitude had more to do with her old quarrels with Britain than the principle of neutrality. The sight of British military force being used across the globe to defend an outpost of Empire was too much for many Irishmen, no matter how much they might tell themselves that Argentina was the aggressor.

In fact, Irish neutrality appears to have more to do with the history of Irish nationalist struggle than anything else. Early on, neutrality was a way of proving that Ireland was an independent state, at a time when it was still formally linked to the English Crown. But by 1949, Ireland had become a republic and its independence was no longer in doubt. Why should it not join with the other Western states in a defense pact against Soviet aggression.

The answer at the time was that the partition of the island made it impossible to join a pact in which Britain was a member because Britain, according to the Irish Foreign Minister of the day, Sean McBride, was "responsible for the unnatural invasion of Ireland, and occupies a portion of our country with its armed forces. . . ."

How was such a view to be squared with the joint entry of Britain and Ireland, (along with Denmark) into the E.C. in 1973? For the most part, the Irish ignored the problem and concentrated on the economic benefits which would flow from membership.

Nevertheless, Irish Prime Ministers have always conceded that there is a contradic-

tion between the E.C.'s goal of political union among the nations of Europe and Irish neutrality. A politically united Europe would have to have a common defense policy. Irish ministers took consolation from the fact that European union seemed as distant a prospect as ever . . . just as far away as an end to the partition of Ireland.

But while Irish and European unity remain elusive, a common European defense strategy may be on the way. A combination of factors has led today's European leaders to look again at the possibility of Europe taking more responsibility for its own defense and relying less on U.S. forces. The French, in particular, have activated military consultation procedures with the Federal Republic of Germany, which had not been used since they were agreed to in 1963. They also are interested in reviving the Western European Union, a defense treaty involving most of the E.C. countries which has been moribund even longer—since 1954.

Such developments threaten to leave Ireland isolated and open to accusations, which have already been voiced by a British Defense Minister, that Ireland is willing to let other countries bear the burden of its own defense. Irish members of the European Parliament were left on their own when a motion calling for the E.C. to have a common defense policy was debated recently. Irish officials have already been placed in the position of having to leave certain meetings when security and defense matters were being discussed.

In theory, because Irish neutrality is a matter of policy rather than principle, the Irish could drop it in the interests of closer European union something they support. In practice, there is reason to believe that neutrality will be a harder nut to crack. Ordinary Irish people have come to like their lack of military entanglements. The controversy over the deployment of U.S. cruise and Pershing missiles in Europe has

heightened all Europeans' awareness of the dangers of nuclear war.

No part of the globe could escape the consequences of an all-out nuclear exchange between the superpowers, but the Irish could reasonably hope that they would be spared in a limited European exchange if such a thing were possible. They also do not have to pay the costs of a modern army equipped to NATO standards and many would feel that Irish membership of NATO would make little difference militarily, while it might damage the good trading relations which Ireland has with countries like Iran and Libya.

Nor have people forgotten the last war when Dublin was spared the horrors of aerial bombing (except for one accidental attack by a lost German pilot) while Belfast, 100 miles away in Northern Ireland, received one of the heaviest raids outside London.

So Irish politicians may come to regret their loose use of the neutrality argument. It could become an international embarrassment for them while the electorate is unwilling to give it up. The only way to change opinion may be to begin a rational debate on Ireland's attitude to defense and that would be something new in itself.—BRENDAN KEENAN

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# THE HIGH COST OF PROTECTIONISM

STUDY SHOWS U.S. CONSUMERS PAY "HIDDEN" TAX OF \$58.5 BILLION AS A RESULT OF TRADE BARRIERS.

MICHAEL C. MUNGER  
and KATHLEEN A. REHBEIN

**W**orld leaders today acknowledge that barriers to international trade are both damaging to the producers of exports and costly to consumers who are denied the right to buy these goods at world prices. We might expect, then, that support for protectionist policies is largely a thing of the past. In the past five years, however, political pressures for increased protection of domestic producers have mounted. Governments in many countries have repeatedly given in to these pressures. In the United States recently, there have been a series of "voluntary" quotas on televisions, autos, and steel; numerous "buy American" policies of the federal and state governments; and a number of protectionist legislative proposals, including the "domestic content" bill for automobiles. They all serve to remind us that, although the advantages of free trade are accepted in theory, practical acceptance even in the United States is still largely incomplete.

Precisely how much do trade barriers cost consumers? And why, if these costs are so high, are these barriers erected? To answer these two questions, we present an estimate of the costs imposed on American consumers by U.S. trade barriers in 1980, and then focus on one example, the steel industry.

## The Costs of Protection

Protectionism takes three basic forms: tariffs, or explicit duties; quantitative restrictions, either quotas or any of the various kinds of "voluntary" restrictions on quantity; and other barriers, such as "buy American" laws or the steel trigger price mechanism. Each of these is, in effect, a tax on consumers of the protected products and on producers of products that are not protected, raising the price and reducing the available quantity

of imported goods. This, in turn, raises the consumption of domestically produced goods as well as domestic prices. Thus, we can think of trade barriers as a "hidden tax" on consumers of protected products.

Policymakers can choose to support a faltering domestic industry either by protecting its market from foreign competition or by taxing consumers and subsidizing the industry with the proceeds. In the case of protectionism, the transfer to the protected industry is directly from the consumers' pockets, rather than through government as an intermediary.

Our estimate of the cost of protectionism to U.S. consumers in 1980 is \$58.5 billion. A summary of the components of this cost appears in the accompanying box. Two aspects of this estimate should be emphasized. First, the figure substantially understates what consumers actually pay for protectionism because it includes only the static, or short-run, costs. The dynamic costs—or the losses in capacity, innovation, and productivity that occur when firms are insulated from market forces that give impetus to corrective

changes in industry structure and production methods—are probably substantial, but no estimate is here included.

The estimate is also understated because the static cost estimates are themselves incomplete. No costs have been estimated for more than a dozen specific programs, including orderly marketing agreements on automobiles, ball bearings, dairy products, meat, and tin; tariffs on fruit juices; and other restrictions because no figures were available for use in a cost estimate.

The second point to stress about our overall estimate is that, even though it is incomplete, it represents a significant and little recognized burden to the consumer. Trade barrier costs of \$58.5 billion in 1980 amounted to an implicit per-capita tax of \$255 that year—over \$1,000 for a family of four—to protect a variety of domestic industries. The total tax or transfer associated with tariffs is about \$45.8 billion, with another \$12.7 billion resulting from quantity limitations and other regulatory barriers.

The product category totals contain estimates of the total cost of trade restrictions on broad product groups. The largest cost is for textiles and apparel restrictions at \$18.4 billion, with machinery and transportation equipment next at \$15.9 billion.

The metals and minerals category of \$10.2 billion includes restrictions on aluminum, copper, iron, steel, zinc, etc. Ranking fourth are restrictions on footwear, furniture, stainless steel flatware, glass products, printing and publishing, and other manufactured products. Finally, for agricultural goods, \$3.9 billion of the total of \$6 billion comes from quotas and orderly marketing agree-

COST OF PROTECTIONISM TO U.S. CONSUMERS  
(billions of 1980 dollars)

<i>Product Category</i>	<i>Tariffs</i>	<i>Quantitative restrictions and other barriers</i>	<i>Total</i>
Textiles and Apparel	\$15.0	\$ 3.4	\$18.4
Machinery and Transportation Equipment	15.9	—	15.9
Metals and Minerals	7.3	2.8	10.1
Other manufactured products	5.5	2.6	8.1
Agricultural	2.1	3.9	6.0
<b>TOTAL</b>	<b>\$45.8</b>	<b>\$12.7</b>	<b>\$58.5</b>

Source: Michael C. Munger, "The Costs of Protectionism," Center for the Study of American Business Working Paper #80, Washington University, St. Louis.



ments, with the remainder accounted for by tariffs.

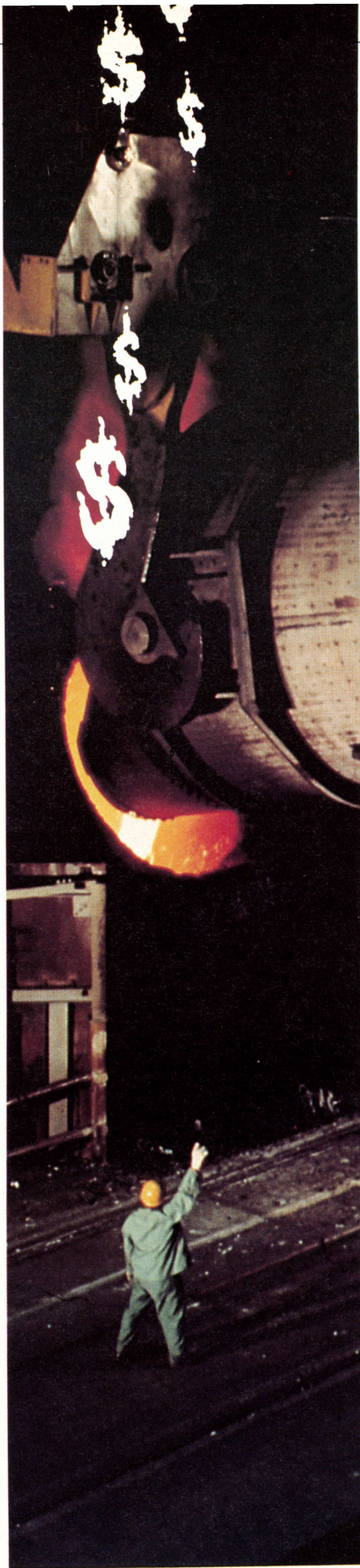
It is difficult to understand the popularity of costly trade barriers as national policy—except in light of the politics of protectionism. Protectionist devices are a means by which small, well-organized groups use the political process to their advantage. That the tax effects of these measures are hidden is of no small importance in explaining their attractiveness to policymakers and to business. Certainly, direct subsidization of producers leading to increased taxes—or, more likely, to increased deficits—would be very unpopular politically. Protectionist aid to industries facing strong foreign competition, on the other hand, can be rationalized by pointing the finger at foreigners.

### Steel: Trade Barriers and Survival

The steel industry provides a useful and enlightening example of the reasons firms may seek to use a political, rather than an economic, response to solve the difficulties posed by foreign competition. Tariffs and quotas on steel imports were estimated to cost consumers nearly \$6 billion in 1980. The trigger price mechanism, by establishing a price floor below which foreign firms could not sell their products, tacked on an additional \$1.1 billion. Since 1980, protection of the steel industry has continued and even accelerated.

The explanation of why this is so—in import-competing industries in general, but in steel in particular—rests on two mutually reinforcing factors. First: It works. The steel industry has had great success in obtaining new trade restrictions from the U.S. Government. Second, and no less important: Little has been done to solve the long-term structural problems of the industry so that there is continuing pressure both on management and political leaders to do something. That “something” has repeatedly been to raise trade barriers.

The success of the steel industry in obtaining protection depends on its well-organized efforts to lobby Congress and on what amounts to a veto power each firm possesses over existing trade policy. The steel industry, or in some cases a single large firm, can at any time veto the existing government policy by initiating a dumping, countervailing-duty, or escape-clause case. Since the initial filing of these cases usually elicits retaliatory threats from exporting nations in Europe or Japan, these filings are really threats to start a trade war, and the exporting country and the United States are forced to negotiate a voluntary settlement restricting those exports.



This pattern of behavior has been repeatedly successful. In 1977, 1980, 1981, and 1984, steel firms filed a flurry of petitions for relief, which under U.S. trade laws engender an automatic review with the possibility of legislative action, while industry representatives lobbied Congress directly and fervently. By providing steel with the ability to veto existing agreements simply by filing complaints, and then pliantly negotiating or imposing stricter barriers after such complaints are filed, the U.S. Government has allowed steel firms to use a political response as an effective bar to economic competition.

The avowed purpose of trade policy has been to facilitate a fair trade environment and, implicitly, to allow the steel industry to earn profits which will help it pay for modernization of its facilities. Far from having this effect, however, the repeated acquiescence to industry demands has slowed the process of adjustment by steel firms. The most important, and most tragic, lesson that U.S. policy on steel has to teach us is that while restricting imports that compete with mature industries may serve short-run political goals, in the long run, trade barriers reduce incentives to innovate and improve productivity and they eventually reduce the likelihood that domestic industries can compete against foreign firms.

By preventing foreign imports from reaching consumers at world prices, protectionism effectively subsidizes domestic production. But the cost is difficult to justify, even in the short run. Estimates of the costs to consumers per job “saved” in the television, footwear, steel, and automobile industries show that consumers pay more than three times, and in some cases nearly 10 times, as much as the worker whose job is saved receives in salary and fringe benefits.

Moreover, as our discussion of the steel industry indicates, trade barriers tend to be self-perpetuating. Unfortunately, protection may impose high long-run costs on the protected industry itself: An industry such as steel that once sought protection as a short-run cure often ends up dependent on trade barriers for its continued existence. The present system of offering protection to faltering industries has tended to increase these firms’ chances of survival for a short period, but in some cases already may have ensured their ultimate decline. €

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# MONETARY RELATIONS ACROSS THE ATLANTIC

OR: HOW TO COOPERATE IN AN "UNSTABLE NON-SYSTEM"

ANDRÉ SZÁSZ

**F**inancial and monetary relations between the United States and Europe in recent years have not been free from irritation and recrimination. These have gone beyond the sphere of monetary experts. U.S. financial policies have been criticized by Prime Ministers, by Presidents, and even by a King. Listening to the reproaches going back and forth, I sometimes feel like that judge who, after having heard the plaintiff, concluded he was right and then, after listening to the defendant, agreed with him also. When someone in court protested that the judge could not agree with both, the latter pondered this and then said: "Why, you're right too!"

I share the European worry that the United States tends to be inward-looking in financial and monetary matters, ignoring the international repercussions of its internal policies. At the same time I believe there is much truth in the American rejoinder that many of the problems Europe blames on the United States are of its own making. Perhaps the most succinct way to summarize the following view is that on neither side of the Atlantic are policies sufficiently consistent to make international monetary cooperation effective. The lack of international monetary cooperation cannot fail to have negative effects outside the monetary sphere.

## U.S. policies

The international monetary role of the United States is characterized at present by its twin deficits: an unsustainably large public-sector deficit and an equally unsustainable current-account deficit. These deficits are reflected in high interest rates and unpredictable, strongly fluctuating exchange rates. Both are bad for the world economy.

The reasons for the U.S. tendency to ignore the external repercussions of its

policies are in part the size and "closedness" of the U.S. economy, and in part what could be called "ideological" factors. The size of the U.S. economy and the modest part of international trade in proportion to national income—some 10 percent—has for many years determined the U.S. attitude in international financial and monetary affairs. Other countries, in taking into account external repercussions, do so not primarily for idealistic reasons but because they are aware of their dependence on the rest of the world. In the case of the United States, both dependence and awareness of it are less. There is a feeling that to take it into account would mean the tail wagging the dog.

The ideological factor, though not new—the expression "benign neglect" dates from the early 1970s—has probably been strengthened by monetarist theories. These discourage

Europeans worry that the United States tends to ignore the international repercussions of its internal policies.

authorities from having external policy objectives concerning the exchange rate or the structure of the balance of payments. In this view, if only the authorities pursue correct domestic monetary policies, international stability will automatically result.

They should not try to aim at a specific exchange-rate or balance-of-payments structure since this would be an obstacle in attaining the domestic monetary objectives, while the authorities are not in

a position to know better than the market the correct exchange-rate or balance-of-payments structure anyway. Whether a country is a net lender or a net borrower should be determined, in this view, by the market.

In my view, proper monetary policies are certainly necessary, but I cannot agree that when such policies are in place the exchange-rate and balance-of-payments structure can be left entirely to the market. There has to be an international consensus on the desirable balance-of-payments structure. The basis of that consensus should be that the industrial world has to be a net lender, not a net borrower. This to some extent is the view that prevails in the European Monetary System (EMS). The U.S. authorities reject it and are not prepared to discuss policy coordination in these terms.

The resulting imbalances bother them less than they do other countries. This is not only because the size of the domestic economy makes it less sensitive, but also because it led to the emergence of the dollar as an international currency. This enables the United States to pay other countries with dollars or, which is the same thing, not to pay but to borrow. Thus, while Europe has to pay the price in the end when it loses control of its public finances, when the U.S. budget gets out of control it is not the United States but others who foot the bill, among them once again Europe. Europeans watch this with a mixture of feelings, in which righteous indignation is paramount and envy not entirely absent.

Monetary relations with the United States are further complicated by a number of factors. One is a divergence of views within the Reagan Administration. There is a general desire to reduce the budget deficit, though no agreement on how to do it. There are also differences in the degree of willingness to take the exterior into account. The Federal Reserve System—at least in Washington and New York—would probably be more ready to cooperate with other countries in, for instance, intervention operations than in fact proved possible in recent years.

Let me try to balance my criticism to some extent. If the United States has been reluctant to accept external constraints with regard to domestic policies, one cannot say that the rest of the world has been more willing to do so if they could help it. Not being reserve centers, most countries could not escape constraints in the way the United States



could. In the IMF, it is the United States which has checked the permanent international pressure for reserve creation which unabated could have turned the IMF into a kind of United Nations or, failing that, to transfer decisions on money creation to the United Nations. Treasuries and central banks of most industrial countries opposed this, but I am not sure how firm some of them would have been in the absence of the consistency in the American view in this matter. And most important of all, of course, economic recovery in the United States played a crucial role in helping the rest of the world to start coming out of the recession.

### European monetary cooperation

An obvious European reaction to mitigate the negative effects of U.S. policies would be intensified efforts for European cooperation. This was the case five years ago, when an uncontrolled slide of the dollar was among the main reasons for the foundation of the EMS. More recently it could also have mitigated the effects of high U.S. interest rates.

If the EMS countries formed a solid bloc with sustainable, and therefore credible, exchange-rate relations among them, they would be less affected by large exchange-rate movements vis-à-vis the dollar than they are now. That would enable them to some extent to insulate their interest-rate policies from U.S. interest rates. If one takes the E.C. as a whole, trade with third countries amounts to merely 12 percent of aggregate GNP, making it comparable to the United States in this respect.

Unfortunately, exchange-rate relations within the EMS in the past seldom have remained credible for long. One reason was diverging policies and diverging fundamentals. This sooner or later—and in fact increasingly sooner—led to realignment of expectations and speculation.

There has always been a tendency in the E.C. to concentrate on technical gimmicks as an escape from policy constraints. Couldn't Europeans obtain autonomy from the dollar by creating a dollar of their own, the European Currency Unit (ECU)? The only thing Europeans need is having it replace present national currencies and creating common European markets comparable to the American ones. Unfortunately that means a phase in integration not quite yet achieved. Then couldn't Europeans achieve autonomy by surrounding themselves with a wall of exchange restrictions? Given the objective, that

would imply uniform exchange restrictions against third countries applied in Europe by both deficit and surplus countries, which it is not so easy to imagine. Here too lack of homogeneity seems to render uniformity impractical.

Quite apart from the fact that exchange restrictions have seldom proved effective, and seldom result in low interest rates. Thus, autonomy vis-à-vis U.S. interest rates does not mean that Europeans can act as they like. It does not

## Effective European cooperation on exchange rates could be a first step toward increased global stability.

free them from the need for monetary discipline. But the dollar constraint, which can be irrational if U.S. policies ignore external repercussions, could to some extent be replaced by EMS discipline, which can be beneficial as long as it reflects the purpose of the EMS: to establish a zone of monetary stability in Europe.

### U.S.-E.C. Cooperation

In 1975, the United States and France, after much bickering about whether or not a system of stable exchange rates was an acceptable objective, finally agreed on a formula subsequently enshrined in the Articles of Agreement of the IMF: not on a system of stable exchange rates, but on "a stable system of exchange rates." Each side could give its own interpretation. It is obvious now that the result was not stable exchange rates. Neither was it a stable system. The question is whether it was a system at all. One might call it an unstable non-system.

It did not prevent the authorities from coping with emergencies, since all participants realized that this was in their own best interests. I am fairly confident that they will cope with emergencies in the future as well. But one should hope for more, for the emergence of a system which to some extent will prevent emergencies from arising. In my view, a system by definition implies the acceptance of international commitments and constraints. On paper, all members of the IMF have accepted the obligation to promote stability and entrusted to the IMF the task of surveillance of their exchange-rate policies.

However, this is a far cry from accepting external constraints in practice. That is what I meant when questioning to what extent we have a system. But I could happily go along with U.S. Treasury Secretary Donald Regan's formulation that the real challenge is to develop the system we already have and to strengthen the fund's surveillance activities.

The real issue is, of course, not one of words. It is how to reconcile internal and external objectives, what external constraint—or discipline—to accept in domestic policies.

In this respect, the EMS countries recognize—at least in principle—that international monetary cooperation implies that internal and external objectives will have to be reconciled. They are not always successful in that reconciliation, i.e., in agreeing on what measure of external discipline is necessary. As long as they disagree about that among themselves, prospects for better transatlantic cooperation are limited. You cannot obtain it by blaming one another for its absence. Nor by instituting "target zones" between the ECU and the dollar. In the present situation, those measures would be meaningless. The ECU would stand for a number of European currencies with widely different balance-of-payments positions. The U.S. would not submit to external constraints, whether the dollar was within the target zone or outside it. As long as that is the case, the institution of target zones would constitute the same kind of gimmickry some want to introduce in the EMS.

Global stability should start within Europe. If Europe succeeded in moving toward becoming a more solid bloc with credible and sustainable exchange rates, this might have two advantages in the monetary sphere. On the one hand, it would become less vulnerable to the effects of dollar fluctuations. On the other, perhaps somewhat paradoxically, it might be in a position to attain better cooperation with the United States and thus reduce dollar fluctuations. Thus, effective European cooperation could be a first step toward increased global monetary stability. A renewed effort to bring about a stable system, while implying the acceptance of constraints, would bring benefits far beyond the monetary sphere. €

André Szász, an executive director of the Netherlands Bank, is a member of the E.C.'s Monetary Committee. This article is adapted from a paper delivered to the eighth annual conference of European and American journalists in Knokke, Belgium, in April.



# COMPARING CONGRESS TO THE PARLIAMENT

CONTRAST BETWEEN TWO VERY DIFFERENT ASSEMBLIES IS STRIKING AS BOTH PREPARE FOR ELECTIONS.

CLIFFORD HACKETT

If you look down from the gallery of the European Parliament when it assembles for an important debate, you will certainly believe that you are watching one of the miracles of Europe in action.

Before you sit members from 10 countries and from 60 political parties. Most of the 434 members will be present. When they speak, it will be in one of the

Parliament's seven official languages. Yet each member can listen in his own language through a combination of gifted interpreters and European technology. The debate will be animated and the voting, when it occurs, comes with a speed and discipline which amazes those more familiar with the folksiness of the U.S. House of Representatives. But the scene deceives the eye. What the European Parliament produces is not legisla-

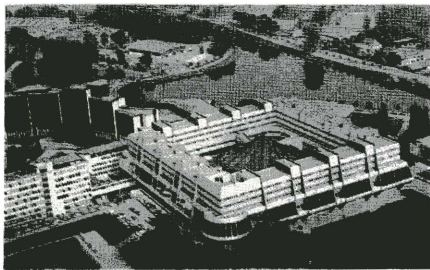
tion, but its own reports. It lacks true legislative powers. It is not even a parliament in the European meaning.

The American Congress, by contrast, has a leisurely and almost homespun pace when viewed from the public galleries. It is rare to see even half of either the House or Senate present on the floor together. Politically, its members seem only distantly related to each other in ideology. They move about the anonymous benches like casual acquaintances meeting in a railroad waiting room.

Yet the Congress is the powerhouse of world legislatures. This power is now making some Europeans look to the Congress as a model toward which its Community's Parliament should move. These comparisons are also of interest this year when both the Congress and the European Parliament face reelection. What do the two bodies have in common and what are their differences?

To start, one is a legislature, the other is not. The Congress actually writes the laws, even though the executive branch

## EUROPEAN PARLIAMENT



Palais de l'Europe in Strasbourg

### Legislative Roles

Only advisory, on proposals made by Commission before their consideration by the Council. Must approve budget.

### Relation to Executive

Reacts to specific Commission proposals, but provides public forum for E.C. issues. Can remove entire Commission but not replace it. Can force some changes in budget. Questions Commissioners in plenary.

### Election, Chambers, Sessions

Elected for five-year term by direct vote, but under national electoral laws.

## U.S. CONGRESS



Capitol of the United States

### Legislative Roles

Exclusive authority to introduce legislation. Two houses consider, amend, and move draft laws to the other for final vote; bills passed proceed to President for action.

### Relation to Executive

Legislative co-responsibility. Consents to treaties and appointments (Senate). Has own investigative and budget arms to check on executive. Committees both authorize and allot funds and oversee expenditure. Questions executive officials in committee.

### Election, Chambers, Sessions

Two chambers: House elected for 2 years by equal population districts; Sen-

Single chamber meets one week in plenary, two weeks in committee, and one week in political groups each month.

### Jurisdictions

Community laws, regulation, and budget (in part) which cover areas defined by the Treaty of Rome creating the E.C. Defense excluded.

### Staffs

Entrance exam into civil service status for secretariat; free hire for political groups. Very small personal staff.

### Committee Structure

*Substantive* (12): Political Affairs; Agriculture; Economic & Monetary; Energy, Research & Technology; External Economic Relations; Social Affairs & Unemployment; Regional Policy & Planning; Transport; Environment, Public Health & Consumer Protection; Youth, Culture, Education, Information & Sport; Development & Cooperation. *Budgetary*: Budget; Budgetary Control. *Institutional*: Rules of Procedure & Petitions; Verification of Credentials; Institutional Affairs.



may make suggestions. But it is a legislature closely tied to the President since the congressional work product cannot become law without both Houses agreeing on a version nor without the President's action.

The European Parliament only reviews proposals of the E.C. Commission, which is the equivalent of the U.S. executive branch. Then the proposed law or regulation goes to the E.C. Council of Ministers, which functions like a parliament by giving final assent to the proposals in the name of the 10 E.C. member countries. Even with European Community finances, where the Parliament has had its most dramatic successes by twice rejecting the budget, the representatives can only delay and debate.

Another major difference, related to this functional one, lies in the institutional structure in which the two bodies operate. In the United States, the Congress was intentionally put into tension with the executive branch with which, however, it must move in tandem. Neither Congress nor the President can go far without the other.

The European Parliament tries to assert its elected role against the E.C. Commission, which is an appointed executive, and against the E.C. Council, which represents national governments meeting as Ministers of Finance, Agriculture, and so on. There is little institutional tension between the Parliament and these two other branches of Community government (although considerable political tension). One can imagine the Commission and the Council making legislation quite easily and quite happily without regard to the Parliament.

The European Parliament fights for recognition of a representative role; the U.S. Congress confidently asserts that role by, among other acts, standing for election more frequently than the President and keeping, therefore, in closer communion with the people. Most national parliaments in Europe also assert this representative role. Their political majorities form the government. When the majority shifts, the government must adjust or fall. The European Parliament exists in institutional isolation from Commission and Council.

To understand better some of these differences, and the similarities, of the European Parliament and the U.S. Congress, it is useful to look at some key operations. The accompanying box shows how the two compare.

Conversations with many members of the present European Parliament suggest that the body, which faces reelection June 14-17, could develop in one of two directions: it could become more like a European parliament by naming the Commission's 14 members or by otherwise taking some legislative power from the Commission, the Council, or both. Or, the Parliament could recognize that the European Community is not ever going to be like a European country and therefore the Parliament of that Community must seek a unique role, perhaps more like that of the Congress whose central role in day-to-day government is unmatched elsewhere in the world. €

Clifford Hackett manages the Congress-European Parliament Project. He worked many years on both House and Senate staffs.

ate elected for 6 years by states; generally equal roles in legislation. House and Senate together set a calendar of sessions which average 180-200 days a year.

#### Jurisdictions

Entire federal structure which, under the Constitution, extends to almost every aspect of country except local and state taxing, police, and education functions.

#### Staffs

Generally meritocratic entrance to committee staff. Political appointment for some housekeeping jobs. Large personal staffs.

#### Committee Structure

*Substantive* (17) (House used as example, but Senate is similar): Agriculture; Armed Services; Banking, Finance & Urban Affairs; Education & Labor; Energy & Commerce; Foreign Affairs; Intelligence; Interior & Insular Affairs; Judiciary; Merchant Marine & Fisheries; Post Office & Civil Service; Public Works & Transportation; Science & Technology; Small Business; Veterans; Ways & Means. *Budgetary*: Appropriations; Budget. *Institutional*: Administration; Rules; Standards of Conduct. *Investigative*: Government Operations.

#### Leadership

President and 12 vice presidents represent national and party balance in plenary vote; they form Bureau for general direction of Parliament; 7 political group chairmen are added to form Enlarged Bureau which handles most important matters involving political management. Five questors serve as ombudsmen for many administrative matters. Rapporteurs, selected by committee members, draft and defend reports. Committee chairmen function as non-partisan managers.

#### Role of Parties

Committee assignments, chairmanships and inter-parliamentary delegations determined by relative size of each of 7 political groups. Discipline varies depending on ideological breadth of groups, but generally is much greater than in U.S. Congress. Group chairmen elected for one-half of 5-year term of Parliament but may be re-elected. Parties tried to run Community-wide electoral campaigns in first direct election in 1979 with varying success. Most members elected on party-list system, which requires them to keep active role in national parties.

#### Leadership

*House*: Speaker elected by majority party and speaks for it, but his function, partly, is to represent House in broad non-partisan way; majority and minority parties each name leader and whip. These five form leadership for the management of 435-member House. *Senate*: Vice president is constitutionally presiding officer, but this is largely a ceremonial function; majority and minority leaders, and their whips, manage 100-member Senate on collegial basis. *Both*: Committee chairmen and (in last decade) subcommittee chairmen play major role in writing legislation and managing it on floor.

#### Role of Parties

Only two major parties. Decisions taken by each house on organization generally follow party votes. Substantive issues bring more diversity although Speaker and President can have effects in organizing party positions. National parties very weak and have almost no effects on Congress which runs own campaign committees, by party, in each house. No effective means of disciplining errant members. Committee assignments and chairmanships depend on party caucus votes. Seniority plays presumptive role in these votes.



# EXPERTS EVALUATE TRANSATLANTIC TIES

TRADE AND SECURITY ISSUES DOMINATE AGENDA AT MEDIA SEMINAR ENTITLED "CONFLICT AND COHESION."

H. PETER DREYER

**T**ense for quite some time now, will the relationship between the United States and the European Community keep getting worse? If so, why? And is this estrangement process bound to continue—conceivably with fatal consequences? Such questions are not precisely new. They might justifiably have been asked (and indeed often were) two or four or more years ago. But familiar as they may be to the players on, and to the observers of, the transatlantic stage, they are as topical as ever. In fact, they may well have become more pressing as well as disquieting than at any time since the Treaties of Rome establishing the E.C. were signed.

There is a simple reason why this should be so. Not only have some major controversies turned into hardy perennials which still elude solution, but fresh and serious problems are being added to them at so fast a pace as to give the overall issue perhaps a new and highly dangerous dimension.

That, in a nutshell, is how the eighth annual European-American media conference—"E.C.-U.S. Relations: Conflict and Cohesion"—can be summed up. That the speakers who came to address this April gathering in Knokke, Belgium, of some 20 newsmen included the French and Belgian Foreign Ministers, two Vice-Presidents of the E.C. Commission, and other prominent American and European political figures and senior officials constituted ample proof as to the importance of this topic to the powers that be.

In previous years, of course, it was trade questions which dominated the proceedings on such occasions and this was quite normal for a seminar on relations between the world's two leading trading units. They have not disappeared, of course, nor have they become less significant. Generally speaking, each side is as vocal as ever in accusing the other of

protectionist attitudes and practices and the sad truth is that such charges tend to be correct one way as well as the other.

More specifically, there has been no abatement whatever of the confrontation on agricultural policy matters, a feuding which started more than 20 years ago with the "chicken war." While novel disputes keep turning up all the time, such as the recent E.C. effort to initiate General Agreement on Tariffs and Trade (GATT) procedures for limiting U.S. shipments of corn-gluten feed, the presentations made by both Claude Villain, Director General of the E.C. Commission's agriculture department, and Richard E. Lyng, U.S. Deputy Secretary of Agriculture, were in essence no different from what the two men might have said a year or two ago.

Lyng actually put this quite clearly, pointing out that at a similar seminar in 1982 he had remarked how, if only someone would come up with a definition of "equitable" world trade which was satisfactory to both the E.C. and the United

States, the solution to the problems would be at hand. "Well, here we are in 1984: the United States and the E.C., still talking, still agreeing that we should agree, and still looking for the definition that would make it possible, he said.

More and more, however, the conflict pattern is broadening out by coming to take in some other actual or potential quarrels. It is no exaggeration to state that, given European unhappiness about the impact of a strong dollar, high U.S. interest rates, and the huge American budget deficit on the outside world, a severe economic policy rift has emerged between the two sides. Here again, the chief difficulty may well be the readiness of either side to blame everything on the other, while considering its own stance to be pure as the driven snow.

It was both useful and unusual therefore to listen to as balanced an evaluation as that submitted by André A. Szász, executive director of the Netherlands Bank. On the one hand, he shared the European concern that the United States tends to look inward in financial and monetary matters and also to ignore the international repercussions of its internal policies. But at the same time, he acknowledged that there is considerable truth in the American rejoinder that many of the problems Europe blames on the United States are of its own making.

"Criticism of the United States," he said, "though justified in several respects, should not ignore those elements that were beneficial. Nor should those Europeans who justly reproach the United States for its reluctance to coordinate policies forget that the negative effects of



Left to right at the seminar are Claude Villain, director-general of the E.C. Commission's agriculture division; Axel Krause, economic correspondent for the International Herald Tribune and moderator of the conference; and Richard Lyng, U.S. Deputy Secretary of Agriculture.



that reluctance would harm us less if only we ourselves would be prepared for more coordination among ourselves." And he added that "Europe would be in a far more advantageous position in the monetary sphere if it succeeded in moving toward a more solid bloc with credible and sustainable exchange rates."

In yet another realm, where the E.C.-U.S. conflict situation may well be heating up, part of the difficulties can be described as "made in Europe." E.C. Commission Vice-President Etienne Davignon, who is responsible for industrial policy, conceded that the E.C. domestic market still is not working adequately, that this deficiency costs the E.C. between 1.5 and 2.0 percent of its combined GNP, and that, had the E.C. managed to maintain the same market shares for "new" products as it had had for "old" ones, it would now have between 6 million and 7 million more job slots than it has.

Europeans, Davignon said, may be unbeatable at working out alibis for why they cannot do this or that, but there can be no doubt at all about their concern over a technological lag behind both the United States and Japan. Were their efforts to catch up blocked or hampered by U.S. legal or other restrictions, the ensuing battle over the transfer of technology might make the current confrontation on agriculture look "like chickenfeed."

The inference of so dire a prediction was naturally that the United States must not resort to a new, but no less pernicious, type of protectionism. Taken on its own merits, such a warning was perfectly sound. Americans, however, might be excused for feeling similarly apprehensive about a matching form of emerging E.C. protectionism, especially after reading an article by Louis Mexandeu, French Minister of Posts and Telecommunications, which appeared in *Le Monde* several days before the Knokke meeting and pleaded for a (tightly fenced in) European telecommunications policy.

Conceivably, as evolved in the discussion, these matters are and might stay a shade academic. For better or worse, in the absence of clearly circumscribed E.C. policies, the leading European companies in the fields of new technologies have often preferred to fashion close cooperation links with individual U.S. or Japanese firms. That they should opt for this approach may not be a question solely of bigger or lesser profits, but literally of survival. Presumably they just cannot afford to remain inactive and resign themselves to waiting until E.C. Governments have managed to create the infrastructure of truly European policies.

All this, though, ties up very definitely with another kind of trouble besetting the transatlantic relationship which, while not new either, appears to have become much more formidable of late. It is that, whether in the industrial-policy realm or that more particularly of defense and security matters, Western Europe still seems to be groping for a role of its own. It was surely no coincidence that in the Knokke debate, which basically should have been limited to economic topics, the problem of the "European pillar" surfaced again and again. The unmistakable implication was that, as judged by the Europeans, this facet and the part they are expected to play in the defense sphere were bound up closely with their economic posture.

In private conversation a senior Commission official came up with the following intriguing, if admittedly highly simplistic, formulation: "The Americans," he said, "want us to spend more money on our common defense. This we cannot do because we do not have the money. Why do we not have the money? Because all our funds are moving to the United States. Why do they do that? Because they are attracted by the high interest rates there. Why are those rates so high? Because of the huge U.S. budget deficit. Why is that deficit so enormous? Because the U.S. is spending so much on defense."

But if this cartoon-like "vicious circle" corroborates the link of defense and economic aspects, it also points to the uneasiness of many Europeans, voiced quite unambiguously at the seminar, as they realize more and more that: 1/ In many ways, they are still not an adequate partner for the United States—the syndrome of, if an American leader wishes to talk to Europe, to whom can and does he talk?—and 2/the E.C. has far to go still before it becomes a real economic community. That certainly was the trenchant summing up by Lord Soames, himself a former Commission Vice-President, and no one contradicted him. Taking as an example the recent truckers' strike he said: "We have not succeeded in superimposing a European interest on our national ones," a state of affairs which had not been anticipated "by our founding fathers."

Precisely because they are unhappy about their own performance, the Europeans in Knokke were worried also about possible new directions in U.S. policy. They were asking themselves whether the "European option" which plainly prevailed in Washington during the post-war decades was still in force and whether Americans, disappointed as they must be in several respects about the E.C.'s less-

than-perfect showing, continued to have a long-term interest in backing European integration. Talk about a "Pacific tilt" in American policy, soothing noises from some U.S. speakers to the contrary notwithstanding, clearly remained distinctly on their minds, as did uneasy thoughts about what this might mean for Europe's future.

Partly in this context George Vest, U.S. Ambassador to the E.C. and one of the seminar's two hosts, put his finger on the two major threats currently confronting the transatlantic relationship. There was first the "generational gap." No longer were the key persons in charge in either the United States or the E.C. the same as those in the 1950s and 1960s whose motivations, aims, and conduct of policy had been determined largely by what had happened before, during, and after World War II. Inevitably for the people now deciding policy, the priorities had changed.

Second, the relationship had undergone many individual crises since the E.C.'s coming into being even so, and usually had managed to handle them quite satisfactorily. What was making things so much more difficult right now, and amounted in fact to an unprecedented challenge, was the convergence at one and the same time of so many acute problems, some of which against the background of the Western world's gravest and most prolonged economic crisis since the Depression.

Diplomats, though, would hardly do honor to their profession were they to let this kind of conference wind up on a near cataclysmic note. Not surprisingly therefore co-host Sir Roy Denman, head of the E.C. Delegation in Washington, made a valiant and at the same time lighthearted effort in his final address to explain away some of the problems Europeans and Americans have with one another and to prove that they are not inevitably condemned to find themselves on a collision course.

Previously, and in a similar vein, Ambassador Vest, while conceding that today's problems are horrendous, that they may well continue indefinitely, and that there exists "no quick fix for our differences," had insisted on "the innate resilience of the transatlantic relationship." Maybe so. One hopes this is right, but would not wish to take it for granted. Or, looking at the scene dispassionately and realistically, things may well get worse, even if not necessarily out of hand, before they get better. €

H. Peter Dreyer reports from Brussels for the *Journal of Commerce*.



# IS A CONFRONTATION OVER CREDIT NEXT?

## EUROPEANS UPSET AS U.S. EXPORT-IMPORT BANK GETS NEW LEASE ON LIFE FROM REAGAN ADMINISTRATION.

BAILEY MORRIS

**T**his year, the U.S. Export-Import Bank celebrated its 50th birthday with pomp and fanfare befitting an institution which has only narrowly escaped a premature death. Just three years ago, the bank appeared doomed, caught as it were in the web of David Stockman's budget cuts and the free-market philosophy inherent in Reaganomics. "We are not going to subsidize our way into export expansion. For us to increase support for export credit means we must take the money from somewhere else in the budget," said Stockman, head of the Office of Management and Budget, in 1981.

Now, however, the EXIM Bank has become a favorite of all three of the leading Presidential candidates in a development which could herald not only a dramatic new chapter in U.S. trade development, but also a serious new trade confrontation with Europe. Walter Mondale is on record in support of what could become a vastly expensive credit-subsidy war. As part of his industrial program to revitalize U.S. industries, he has vowed to match or better the subsidized credit packages offered by foreign governments. President Ronald Reagan, while continuing to denounce the use of credit subsidies to gain new export business, nonetheless has supported his Administration's proposal to "counter foreign mixed credits with subsidies of our own." Even Gary Hart, an avowed anti-protectionist who denounces the use of subsidies, foresees an important role for the EXIM Bank as part of his industrial strategy.

It all adds up to a new lease on life for an institution founded, ironically, to facilitate trade with the Soviet Union following the U.S. decision to recognize formally the new U.S.S.R. in late 1933. "We have a budget this year which is potentially as big as any year we've ever had at the EXIM Bank", says William H. Draper III,

the bank's president. Why the dramatic about-turn?

The answer from official Washington was "job creation." At a time when U.S. unemployment was still high—in the 7-percent range nationally and even higher in depressed, older industries such as steel—the idea of boosting exports to create jobs was not only politically convenient, but philosophically appealing. But at closer glance, it appeared that a series of related developments linked to the recession, the worsening debt crisis, the high-flying dollar, and the dismal U.S. trade performance, were the real reasons for the sudden spurt of interest.

In addition, and again ironically, just two months after taking office in July, 1981, Draper and Marc Leland, former Assistant Treasury Secretary for International Affairs, attacked the problem causing the EXIM Bank's unpopularity within the Administration: the credit-subsidy war. The price war over export-credit subsidies which erupted in 1980 was exhausting the treasuries of industrial nations by an estimated \$10 billion a year. Draper and Leland sensed that the time was right to negotiate a truce. "Nobody could afford it and nobody liked it," Draper said. "It was a matter of breaking the momentum of ignoring commercial rates."

First, however, a cease-fire had to be effected. This was accomplished, Draper said, through a two-stage series of maneuvers resulting in agreements in the Organization for Economic Cooperation and Development and with the European Community. The United States and the E.C. agreed to accommodate changes in the market place with a "fluctuating program" which would vary with commercial rates. There was still some subsidy involved in the new spread, but very little. For the moment, the credit spiral had been broken.

This didn't mean, of course, that in terms of its balance sheet the EXIM Bank

was in the clear. Although rates on new loans were now close to borrowing costs, the weighted average on EXIM loans outstanding was 8.12 percent while the cost of borrowing from the U.S. Treasury averaged 11.33 percent. The losses resulting from this spread amounted to \$240 million in fiscal 1982, \$160 million in fiscal 1983, and are expected to continue through fiscal 1985. But Draper could show a clear trend of narrowing losses and reduced subsidies. In the process, he removed the most convincing argument critics of the EXIM Bank had used against it and he gained the personal support of the President.

This was made clear in the Reagan Administration's new 1985 budget which granted the EXIM Bank \$3.83 billion in direct loan authority and \$10 billion in loan-guarantee commitments. In addition, President Reagan promised to provide up to \$6.5 billion in additional funding if "extraordinary circumstances" warranted it. The EXIM Bank was not only alive but kicking. Another important reason for its renewed vigor was related to the turbulent international events of 1982 and 1983 when the Reagan Administration and European Governments were working to hold together a financial system dangerously close to collapse.

In cobbling together rescue packages of \$10 billion for Mexico in 1982 and \$11 billion for Brazil in 1983, the Administration—in particular R.T. "Tim" McNamar, Deputy Treasury Secretary—realized it had a secret weapon in the EXIM Bank. McNamar used \$1.5 billion in EXIM guarantees as the catalyst to persuade reluctant commercial banks to put up the extra funds needed to secure \$6.5 billion of the \$11 billion for Brazil. The EXIM Bank played a similar, albeit smaller, role in Mexico where it remains active, having created a new \$500-million insurance and guarantee program. Suddenly, the EXIM Bank had a new role to play as an important catalyst in solidifying interna-



tional rescue packages.

The shift in emphasis over the past three years and the global conditions which brought it about were reflected, however, in the EXIM Bank's results. The effect was a dramatic shift in the mix of program activity. In 1981, direct EXIM loans represented 42 percent of the bank's authorization guarantees and insurance, 58 percent. By 1982, loans were down to 38 percent and guarantees and insurance were up to 62 percent. Last year, loans accounted for only 9 percent and guarantees and insurance had surged to 91 percent. The EXIM Bank was being used to fill a void created by the increasing reluctance of commercial lenders to assume the risk of international transactions. It is expected to continue playing this role for the foreseeable future as the United States, shackled with a huge trade deficit projected at \$100 billion in 1984, increasingly looks abroad for new markets.

Inevitably, the new focus on risk has made EXIM operations riskier and given new ammunition to the bank's critics. Last year, it had to create two special task forces to sift through a record number of claims under its guarantee and

insurance programs. Draper, responding to the concern, said the focus should be not on amounts outstanding, but on the EXIM Bank's record of recoveries. The policy guiding the bank's operations would continue to be that "resource-rich countries have long-term credit-worthiness," he said.

In Europe, this message caused raised eyebrows among trade veterans intimately familiar with the ins and outs of financing exports. An official of the European Community said that at the same time the EXIM Bank was publicly decrying the use of subsidies, it appeared to be engaging in what amounted to a different form of subsidy. "A guarantee you don't get back is a subsidy. In the case of Brazil, it is clear that they either won't pay back or they will at such easy terms, it may as well be a subsidy," the E.C. official said.

This outbreak of antagonism, after an encouraging period of relative calm, sets the stage for a new U.S.-European confrontation over subsidies when the two sides meet for the next round of export negotiations—this time on the sensitive issue of mixed credits. In addition, the Reagan Administration said this time it intended to force all players to the table

by fighting fire with fire as it had been directed to do by the Trade and Development Enhancement Act of 1983. This was another first for the EXIM Bank. Under sections 644 and 645 of the new legislation, it was directed by Congress to join with the U.S. Agency for International Development in "establishing a program of mixed credits competitive with those of other exporting nations."

On the one hand, the EXIM Bank said its goal was to eliminate such credits. On the other, it was obligated by statute to develop a competitive program. Draper's response was to try and straddle the two opposing positions by saying the EXIM Bank would never initiate its own mixed aid package. Instead, it would attempt to "neutralize" the market by responding aggressively to the initiatives of other countries. John D. Lange, Deputy Assistant Treasury Secretary, was more specific on the Administration's approach. He said the Administration would adopt a program of extended repayment and extensive grace periods on loans. Thus the stage has been set for another round of credit wars. €

Bailey Morris writes from Washington D.C. for *The Times of London*



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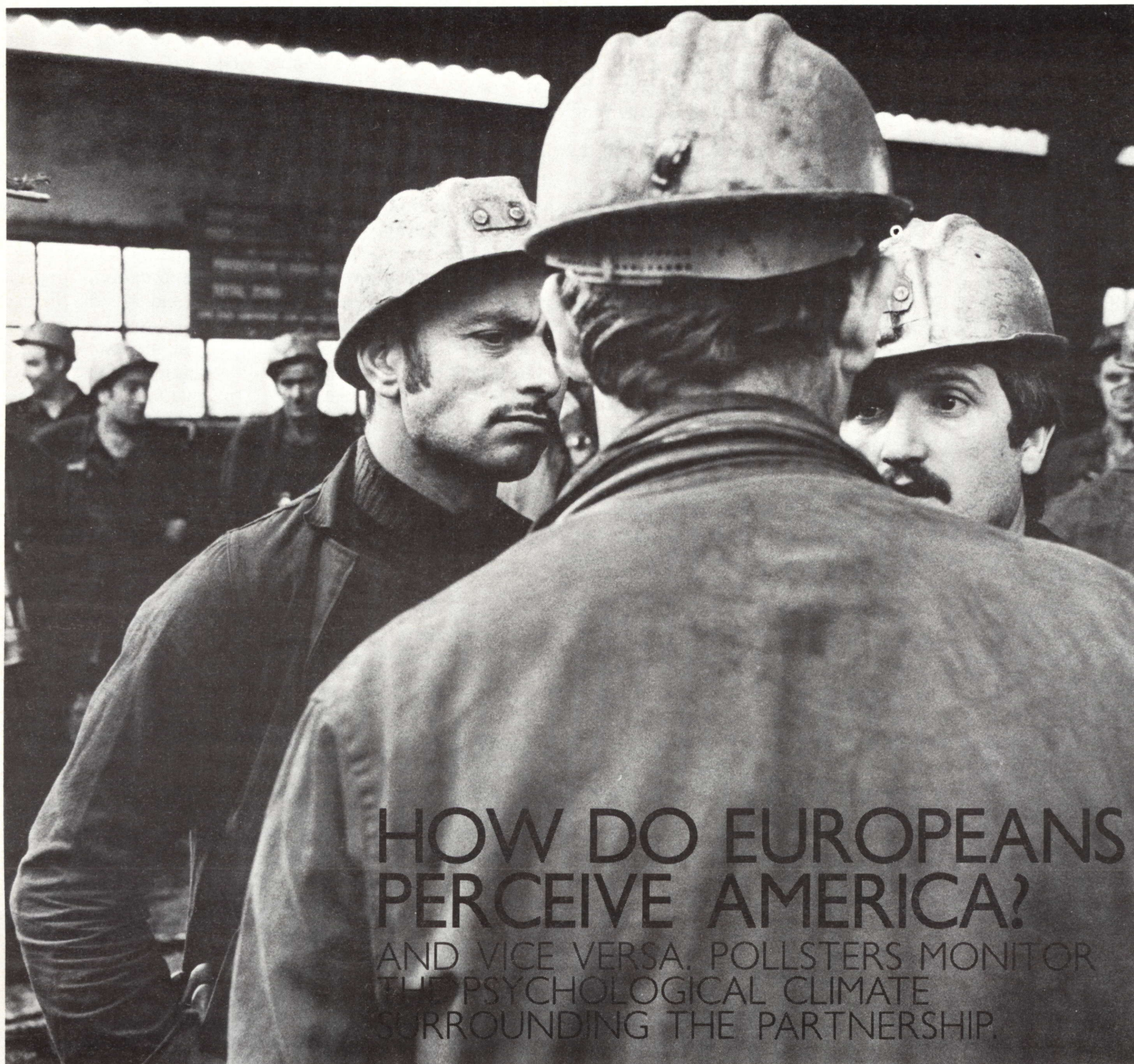
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## HOW DO EUROPEANS PERCEIVE AMERICA?

AND VICE VERSA. POLLSTERS MONITOR THE PSYCHOLOGICAL CLIMATE SURROUNDING THE PARTNERSHIP.

JOHN STARRELS

**W**hat is the psychological climate surrounding the Atlantic partnership today? The answer, you discover, is frequently based on the opinions held by a small number of highly influential people. And their views deserve attention. But opinion leaders also have an understandable tendency to draw conclusions about the state of U.S.-European relations based not only on their "objective" reading of the diplomatic, economic, and political trends, but also on unique personal experiences, which may in turn lead to some questionable conclusions.

We need, then, to develop a broader,

more objective, perspective on the Atlantic partnership, one which makes it possible for us to compare the views of opinion leaders with broader segments of mass public opinion. Fortunately, a number of survey organizations have been gathering such data in both the United States and Western Europe for a number of years now. In summary form, this is what they seem to be telling us about that partnership.

Despite strains, the U.S.-European security partnership remains intact. Really? What about all the threatening noises that we have been hearing from influential spokesmen about the serious deterioration in U.S.-European security ties? In a recent *Newsweek* article ("The Decline

Of Europe," April 9, 1984), for example, former U.S. Secretary of State Henry Kissinger sharply criticized the Europeans for engaging in neutralist practices, even while Helmut Schmidt, former Chancellor of the Federal Republic of Germany, was no less insistent in articulating his impatience with the alleged absence of a "grand design" in U.S. policy toward Europe.

There is little question, of course, that U.S.-European security relations are a bit strained these days. Which is not the same thing as saying that the Atlantic alliance is about to dissolve. Indeed, despite those strains, the trans-Atlantic partnership remains intact. At least this is the view of the United States Information



Agency (USIA) which has been covering the subject for years now.

USIA surveys are specifically designed to measure European opinions on a variety of important foreign and security-policy issues. And those surveys supply a helpful corrective to the fashionable, and largely inaccurate, American view that the Continental allies are embracing neutralism. Commenting on one agency study of European public opinion on key security issues (1981-1982), analyst Stephen M. Shaffer maintains that despite trans-Atlantic strains, "NATO continued to be widely perceived as the cornerstone of Western security." It still is.

Those USIA surveys also confirm, however, some of the underlying anxieties which burden those security relations in the 1980s. Europeans, for instance, are generally at odds with those U.S. policies which seem to be at variance with East-West detente. In Shaffer's words: "East-West negotiations were widely desired by West Europeans [in 1981-1982] to enhance their security, despite wide mistrust of Soviet motives and a general belief that arms talks will not succeed." In other instances, USIA analysts have uncovered longer-term trends (reaching back into the early 1960s) which reflect ambiguities in traditional U.S.-European security arrangements—notably, the overwhelming opposition, by as much as 3 out of every 4 respondents in one 1982 poll, of Europeans to the NATO doctrine of flexible response which envisions the use of tactical nuclear weapons to blunt a Soviet attack on Western Europe. In sum, while European opinion remains strongly supportive of the NATO commitment, it reserves the right to be selectively critical of various U.S. doctrines and overall alliance practices.

On the American side, opinion surveys over the years consistently reflect strong mass support for the trans-Atlantic partnership. A Roper poll in November 1983, for instance, discovered a two-to-one majority in favor of employing U.S. troops if Soviet forces invaded Western Europe. More broadly, there appears to be substantial public support for maintaining America's military commitment to NATO, with 67 percent of the general public and 86 percent of the elite public favoring such a posture, according to a Gallop survey taken in late 1982.

Not surprisingly, however, these surveys of American opinion also reflect varying degrees of tension in the partnership. A case in point is a late 1982 Louis Harris poll which, among other things, reflected a strong U.S. belief that the American public is dissatisfied with Western Europe's contribution to Western se-

curity. Fully 68 percent of the American sample agreed that America's allies are not taking on enough of the burden, versus 28 percent of the European public who agreed with that view. As with European poll findings, however, some American dissatisfaction with European security approaches should not lead to the false conclusion that support for trans-Atlantic security arrangements is eroding in the United States. It isn't.

There are, however, major economic differences. While Americans and Europeans appear to have maintained their security consensus, there are growing indications that economic issues could seriously divide the alliance. Proof is supplied by a three-part survey of Western opinion performed by Louis Harris for the Atlantic Institute and the *International Herald Tribune* between September 1982 and October 1983. For these purposes, the last two surveys (performed in the spring and fall of last year) of 9 Western countries (Britain, France, Italy, Japan, Netherlands, Norway, Spain, the United States, and the Federal Republic of Germany) will concern us.

These surveys did not examine—with one significant exception—Western attitudes toward international economic cooperation, or its absence. But in important ways, the Harris polls do shed light on relevant differences which appear to separate the United States from its West European allies. One of the most significant findings in this regard was the divergence in U.S. and European attitudes on unemployment. To the question, "Which of the following are your greatest concerns for yourself and for your country today?" residents of the European Community members of the sample (the United Kingdom, France, Italy, the Netherlands, and the Federal Republic of Germany) answered that unemployment was their greatest concern, with 71 percent saying so in the spring of 1983, versus 70 percent in the fall. Comparable U.S. responses were 52 percent and 46 percent.

The Harris survey also provides some confirmation of European dissatisfaction with certain U.S. economic policies. On interest rates and the role of the dollar, for instance, E.C. respondents voiced varying degrees of concern—running the gamut from 46 percent of the French sample, to 6 percent of the British sample when they were queried in the fall of 1983. Italy and the Federal Republic of Germany found themselves somewhere between, with one out of every four respondents in those countries registering the opinion that U.S. interest rates and the dollar were responsible for international tension.

Clearly one of the most significant—and disturbing—results of the fall 1983 Harris survey were the comparative findings on attitudes toward international trade. Excluding Norwegian, Japanese, and Spanish responses, here are the question and accompanying answers to the following:

**Question:** Many people believe that, even if free trade brings important benefits, imports must be restricted in your country because jobs are being lost to foreign competition. Do you . . .

**Agree** with this position because unemployment is the most critical short-term problem for your country?

U.K.	53 percent
France	48 percent
Italy	53 percent
F.R.G.	39 percent
U.S.	63 percent
Netherlands	29 percent

**Disagree** because retaliation by other countries would reduce your country's exports and thus aggravate unemployment in your country:

U.K.	36 percent
France	40 percent
Italy	21 percent
F.R.G.	27 percent
U.S.	31 percent
Netherlands	47 percent

The above findings reflect a significantly larger U.S. propensity to resort to trade-restrictive actions under conditions where unemployment is seen to be the result of imports. For the moment, declining unemployment in the United States should dampen popular support for such restrictive measures. In the event joblessness increases in the United States, however, the Harris poll suggests that pressures to adopt those restrictive practices might be very strong indeed. And that's hardly an encouraging economic message for the Europeans.

So what are we to make of this information? Clearly the data suggest there is a full, and complex, agenda ahead for Americans and Europeans—notably in the economic field. In this sense, the experts are justified in their worrying. "There is obvious and evident frustration and impatience" in the trans-Atlantic partnership, in the words of Georgetown University's Robert J. Lieber. Nevertheless, the underlying elements of strength in the partnership—notably in the vital security arena—should not be underestimated. For all of the problems facing the U.S. and Europe, the foundation of political consensus remains strong and very much intact. €

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



# LABOR RELATIONS IN EUROPE AND THE U.S.

AS DIFFERENCES NARROW, THE TWO CONTINENTS HAVE MUCH TO LEARN FROM EACH OTHER.

DAVID CLUTTERBUCK

It's been said with a large measure of truth that hardly anyone in Europe understands industrial relations in the United States and that no one at all in America understands European industrial relations. The truth is that industrial-relations structure is very closely tied to culture—hence in Europe every country has developed its own forms of relationships between employees, employers, and trade unions and they are all different.

The size of the cultural gap between European countries and the United States is also revealed by the radical differences in approach to industrial relations. However, it is increasingly noticeable that those differences are narrowing, as Europe and the United States learn from each other. The industrial problems the two continents now face are increas-

ingly similar, and the solutions often have much in common.

One major common feature on both sides of the Atlantic is that the trade unions are passing through a rough period, perhaps even a decline. In the United States, the aftermath of the air traffic controllers' dispute in the early days of the Reagan Administration, the movement of industrial investment to the less unionized southern states, and the overall economic trend toward small plants which often cost more to organize than can be justified from the expected dues, are all weakening union power. Unemployment in Europe, currently running at 11.2 percent, has also strengthened management's hand even in countries with Socialist Governments such as France and Spain.

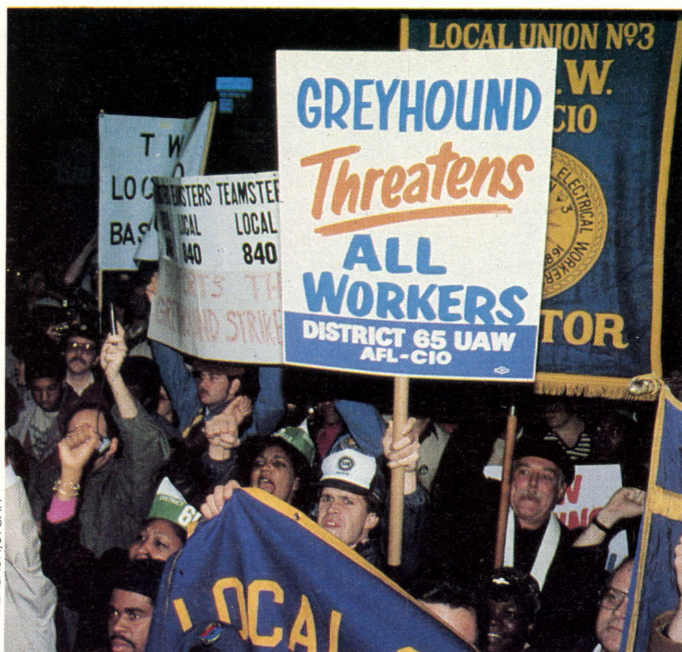
In the United Kingdom, a series of tough stands in both private and public industry, by companies such as Allied

Breweries, British Leyland, and British Steel effectively has broken much of the unions' muscle. The Conservative Government has also introduced a range of legislation designed to curb union power, including measures to break the "closed shop" agreements condemned by the European courts. These agreements restricted employment in a plant to members of a particular union.

Other measures by the British Government include banning secondary picketing (where unions not involved in a dispute would bring their members out in sympathy) and restricting the number of pickets at each site to six people. These laws in particular have led to an angry trade-union reaction, and open defiance in the case of the miners' dispute which began in March this year. Miners' "flying pickets" have been met by an unprecedented mobilization of police. In at least one case, employers have made use of the removal of trade-union immunity from prosecution to claim damages for illegal strike action and union funds have been sequestered by the courts.

The British unions did manage to stave off Government attempts to legislate for secret balloting, by agreeing to try to keep their own house in order. But the threat of Government intervention remains and there seems little doubt that, for the time being, trade-union power in Britain is on the wane.

Both European and U.S. trade unions have failed to capitalize on the growing percentage of women in the labor force.



The industrial-relation problems encountered in the United States and Europe are increasingly similar and there are often lessons to be learned from comparing the two. Shown here are two companies that recently were hit with strikes: the Greyhound bus company in the United States and Talbot in France.

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In the United States, this has led to new female-dominated unions in open opposition to the male-dominated traditional organizations. In Europe, the struggles are still going on within the formal trade-union movement, but with little real progress. Attempts to introduce job-sharing in Britain and "flexi-years" in the Federal Republic of Germany have been blocked or sidetracked by male-dominated union executives with other priorities. "We are not interested in part-time jobs for women until we have found work for all the unemployed men," some union officials have stated.

Another large section of the community, amounting in some European countries to 20 percent of the labor force, is part-time workers. In Holland, the part-timers at the post office became so incensed at second-rate treatment that they formed their own union, picketed, demonstrated and forced both the official union and the Government to accede to most of their demands.

Another new twist to European industrial relations has been the sight of managers and executive in protest marches. In the Federal Republic of Germany, it has been to protest at union demands for a 35-hour week; in Sweden, one of the few countries in Europe where trade-union influence has not been noticeably curtailed, 100,000 people, including many of the country's top industrialists, marched with the Swedish Employers' Federation to protest against the proposed "wage-earner funds," which will take 20 percent of company profits for investment in union-managed funds. The funds, which are expected to accumulate \$250 million a year, will be used to purchase shares in Swedish companies. The Swedish opposition parties have promised to abolish the funds if they are re-elected, but there is pressure in other Scandinavian countries to introduce similar funds.

German unions' demands for shorter working weeks without loss of pay have brought almost all negotiations between Government, industry, and unions to a standstill. Tripartite discussions are a feature of industrial relations in almost all European countries, primarily in those countries where wage bargaining is centralized. (But even the United Kingdom conducts tripartite talks on the economy, where each side makes its views felt.) In Holland, there are signs that the unions have softened on the principle of maintaining pay levels while reducing working time. But there has been little real progress and there are growing doubts as to whether such measures will really create substantial numbers of new jobs.

Most of the main Italian unions have finally reached an agreement with the Government to relax the rules controlling indexation of wages. The unions accepted a 10 percent ceiling on wage increases against a Government promise to take measures to restrain higher prices. The arguments were bitter and long, and even at the end the Communist union refused to agree.

Against the background of all this strife, it has to be remembered that the concept of *cooperation* between employees and employers has been a long-standing feature of many European countries. The quality-of-working-life programs and employee participation now being espoused so enthusiastically by major U.S. companies such as General Motors originated in Europe. Involving employees in major decisions about the future of their workplace goes back 30 years and more to the immediate post-World War II years, where employee council and employee director principles first tried in the British steel industry were applied wholesale in large German firms. Industrial democracy, as it came to be called, played a key role in the German economic miracle of the 1960s and 1970s, and has developed over the years.

Worker participation at the ground floor, through semi-autonomous work groups, originated in Britain, where it was promptly forgotten and left to a Norwegian, Einar Thorsrud, to develop. His experiments were quickly taken up by Swedish firms, most notably car-manufacturer Volvo, and subsequently throughout northern Europe. The recognition that industrial growth and survival depend on securing productivity increases through the cooperation of employees came late to the United States, to a large extent from direct experience in European subsidiaries. New experimentation continues: There are examples of plants where the employees elect the managers and plants where employees rate their managers rather as U.S. college students rate their lecturers. In Sweden, employee-safety representatives have the legal authority to stop any machine or process which they consider unsafe. In none of these cases has there been significant abuse of the privileges.

During 1983, Swedish employers and unions went a lot further in terms of collaboration with an "agreement on efficiency and participation" under which both parties contract to work together to maximize companies' efficiency. In particular, this allows for joint union-management task forces to tackle personnel, production, or commercial problems. The

United States still has a long way to go to catch up with the leading countries in Europe in these areas. Employee participation at shop-floor level has too often and too easily been confused with industrial socialism, but the reality is that it is an essential part of extracting the best effort and motivation from people. The likelihood is that the United States will pull ahead of some European countries within the decade.

Nonetheless, there remain many striking dissimilarities between the two continents in industrial relations. In the United States, the closure of an unprofitable plant, while unpleasant, may be an unavoidable necessity. In many countries of Europe, it may not be possible to close it at all, or be so expensive to do so that the company is forced to keep it open. France may require an employer who closes a plant in one area to take on an equal number of employees elsewhere. Italy and Holland insist on heavy compensation for redundant employees.

In the Federal Republic of Germany, the unions have taken an active part in training the unemployed for new jobs. The clerical workers' union, for example, runs a series of six-month courses where jobless people who lack up-to-date skills work in a total simulation of a modern office. During the training period they sample a range of clerical jobs for a mythical company. There are now several hundred of these companies, together with a simulated tax and Social Security Ministry and a simulated bank. So realistic is the training that occasional slip-ups by the post office cause havoc in the real Social Security Ministry.

Also unfamiliar to the U.S. manager is the concept of managerial trade unions, which are one of the few sectors gaining in strength and influence. Particularly strong in France, the managerial unions are becoming increasingly vocal. In at least one instance involving a U.S. multinational, they forced an investigation by parent-company top management and extracted an agreement for consultation and information on issues that affected them.

Whether trade-union fortunes on either side of the Atlantic will recover with the end of the recession and the expected fall in the number of unemployed people is a matter for speculation. But all sides are agreed that considerable changes are taking place in industrial relations on both sides of the Atlantic and that no one is quite sure where they are leading. €

David Clutterbuck, formerly managing editor of *International Management*, writes on business topics from London.



# TRADE FAIRS OFFER BIG OPPORTUNITIES

WITH OVER 700 SHOWS A YEAR IN THE E.C., AMERICAN FIRMS CAN FIND A WIDE RANGE OF BUYERS FOR THEIR GOODS.

**JAMES DAVID SPELLMAN**

**A**t European trade fairs today, businesses gather like cloth merchants did a millenium ago to tempt, cajole, and dazzle prospective buyers with their goods and services. More than 700 trade fairs are held each year in

the European Community, covering a range of products from marble to security systems to road-maintenance equipment. Fairs can be classified in two ways: *horizontal*, meaning those featuring a diverse range of products and services such as the Milan Fair, and *vertical*, meaning those which specialize in a particular in-

dustry, such as computers or dental equipment.

European fairs provide American companies with access to a \$2.4-trillion market which buys roughly \$78 billion in U.S. goods and services each year. The importance of fairs to American businesses is suggested by a recent Commerce Department survey showing that the 50 trade shows (one-third were in Europe) which were certified over the past 15 months, brought 17,700 U.S. companies representing 49 industries into contact with 1 million potential buyers. Within the 12 months following the Paris Air Show of June last year, the participating 130 U.S. companies anticipate \$97 million in sales as a result of their meetings with about 181,000 business representatives. Systems '83, a computer trade fair in Munich is expected to bring in \$54.7 million worth of business for the 68 U.S. participants by October, which is one

## CALENDAR

<b>BELGIUM—Brussels</b>		9/1-4, 1984	International Games and Toys Exhibition.	<b>LUXEMBOURG</b>	
5/8-10, 1984	COMPEC (data processing, pocket computers, etc.).	9/19-28, 1984	International Exhibition of Data Processing of Communication and Office Organization.	9/1984	International Autumn Fair (consumer products, business equipment, industrial goods).
11/4-9, 1984	HORESCA (hotel and restaurant kitchen equipment).	10/4-14, 1984	Paris Motor Show.	<b>THE NETHERLANDS—Amsterdam</b>	
<b>DENMARK—Copenhagen</b>		11/13-16, 1984	International Exhibition of Prevention, Safety, and Security.	5/8-12, 1984	FESPA '84 (screen printing).
10/3-10, 1984	KONTOR & DATA '84 (computers and other businesses).	<b>GREECE—Athens</b>		5/8-10, 1984	EUROPE SOFTWARE 1984.
10/30-11/3, 1984	INTERTOOL '84 (machine and industrial tools).	11/1984	MULTI-INDEX (mechanical equipment, industrial machinery).	8/31-9/9, 1984	FIRATO '84 (audio-visual equipment).
10/30-11/3, 1984	INDUSTRIKONTAKT '84 (subcontractors and components fair).	Thessaloniki		9/17-21, 1984	AQUATECH '84 (water treatment, storage, transport).
<b>FEDERAL REPUBLIC OF GERMANY—Hannover</b>		11/22-25, 1984	TEXTILIA (textiles, ready-to-wear apparel).	10/29-11/2, 1984	FIAREX '84 (industrial electronics).
5/20-27, 1984	International Aerospace Exhibition.	9/9-22, 1984	Thessaloniki International Trade Fair (consumer goods, industrial products).	12/3-6, 1984	COMDEX EUROPE '84 (computers).
<b>Munich</b>		<b>IRELAND—Dublin</b>		<b>UNITED KINGDOM—London</b>	
5/22-26, 1984	IFAT (waste disposal, city cleaning, winter road repair).	4/1985	COMPUTEX '85 (computers).	6/19-22, 1984	International Control and Instrumentation Exhibition and Conference.
9/21-26, 1984	IKOFA (food industry).	<b>ITALY—Bologna</b>		6/25-29, 1984	International Fluid & Mechanical Tool Exhibition.
11/13-17, 1984	ELECTRONICA (components and assembly methods).	9/7-10, 1984	MICAM (footwear).	9/4-12, 1984	International Printing Machinery and Allied Trades Exhibition.
<b>FRANCE</b>		10/23-28, 1984	SAIE-SUN (building materials, equipment).	9/11-14, 1984	International Dental Exhibition.
5/24-28, 1984	International Exhibition of Wallpapers, Wallcoverings, Furnishing Textiles.	11/14-18, 1984	EIMA (agricultural machinery).	10/17-28, 1984	International Motor Show and Conference.
5/24-28, 1984	International Carpet and Floor Coverings Exhibition.	Milan		12/11-13, 1984	International Medical Electronics Exhibition and Conference.
		5/4-7, 1984	MIDO '84 (optics, optometry, and ophthalmology).		
		9/25-30, 1984	SMAU (office furniture and equipment).		





More than 700 trade fairs, like the annual auto show in Paris are held each year in the European Community, bringing industries into contact with prospective buyers.

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year after the fair was held.

"Europe's major shows are usually held at the same place at the same week of the month each year," said Ingrid Bauer, president of Glahe International, Inc., which assists firms with their trade-show exhibits. The established clientele ensures that participants will not have to risk facing a dearth of visitors, Bauer continued. Further, the trade show enables a company to assess first-hand their competition and consumer demand.

It is the Romans who are said to have introduced fairs to Europe. The earliest fairs in Europe were held near abbeys and cathedrals on the feast days of saints. This religious affiliation is reflected in the German word for fair *messen*, which is derived from the Latin word *missa*, meaning mass. Historians claim that the earliest recorded trade fair occurred in 710 A.D. at St. Denis near Paris. "To it came the iron and lead of the Saxons, the slaves of the northern nations, the jewelry and perfumes of the Jews, the oil, wine, and fat of Provence and Spain, the honey and madder of Neustria and Brittany, the merchandise of Egypt and the East," according to Cornelius Walford in his 1883 classic, "Fairs: Past and Present."

Currency improvements, the emergence of craft guilds, and rapid commercial growth shaped the development of trade fairs as Europe emerged from the feudal age to embrace the Renaissance. Laws, traditions, and etiquette affecting sales agreements, payment, and delivery of goods developed. And the religious link was severed in the 12th century when the Vatican issued instructions forbidding fairs near churches and other religious sites.

Some of the fairs that Americans can

find today are:

- The Paris Air Show, perhaps the most prestigious. The latest in aerospace technology is demonstrated with P.T. Barnum-like showmanship.

- The Hannover Fair, considered to be the world's largest international industrial show. In 1983, about 6,000 exhibitors were spread throughout the fair's 29 halls which range in size from one to 20 acres. The number of visitors reached a record 600,000.

- Cart '85 at Milan for the latest in stationery, school and art supplies.

- The International Spring Gift Fair at Birmingham, England, attracting 50,000 buyers from 80 countries. More than 2,700 firms participate in what is England's largest consumer-goods trade exhibition.

The most difficult decision a company confronts is choosing which fair would best generate sales. A small, highly specialized fair may offer better opportunities to sell one's products and services than the large and famous ones, which demand costly displays to attract visitors' attention amid the hundreds of other exhibits. Most embassies and foreign chambers of commerce in the United States provide background information on their fairs. Additional information is available from the U.S. Commerce Department.

To set up and operate a standard booth at a European fair, the typical cost is between \$15,000 and \$20,000. That kind of investment demands that the potential exhibitor exhaustively research the fairs he plans to join. Exhibition costs, the fair's promotional campaign, the country's business regulations, transportation facilities, and accommodations are just some of the areas of research a company needs to pursue before making a decision.

Trade show experts advise businesses to visit the fairs that interest them prior to their participation. Potential exhibitors should question participants about the fair's advantages and disadvantages. Since location in a fair's hall is critical, fair's facilities should be evaluated to determine where the optimal points of display are.

After the fair has been selected, the company should begin designing its exhibit booth given the fair's rules, electrical sources, floor-load standards, and the fair building's dock capabilities. Promotional literature—including catalogs, invitations, advertisements, and press kits—should be developed. And arrangements for ship or air transportation should be confirmed at least six months prior to the fair, according to some veterans.

At the fair, there are many cultural differences which American firms need to recognize to ensure their exhibit's success, according to a Commerce Department guide entitled "European Trade Fairs: A Guide for Exporters." "Most business visitors to European fairs observe a business-like dress code, are more formal than Americans, never use first names, shake hands at each encounter, are usually punctual, and always exchange business cards. Trade shows in Europe are very serious events and gimmicks are frowned upon. . . . Visitors are experienced, professional buyers and if they visit an American stand, it is more often by design than not."

After the fair, the freshman will probably realize what merchants have been discovering for centuries: that European trade fairs are a timeless and effective tool for commerce. €

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



# SUMMIT SETBACKS HIDE REAL PROGRESS

DESPITE CURRENT GLOOM AND DOOM,  
E.C.'S WORK CONTINUES ON  
NUMEROUS FRONTS.

JOHN WYLES

**T**he European Community's ability to confound its friends, comfort its enemies, and confuse itself has seemed infinite in the last few years. Internal division and crisis has given an impression of political inertia and even of fundamental incompatibility between the present membership. Little wonder that E.C. Commission President Gaston Thorn began his term of office with warnings of the dire consequences of continuing failure to grapple with internal problems and that as time has gone on he has hardened up his doomsday predictions for the future.

And yet, there is a real sense in which the doom and gloom is overdone. French President François Mitterrand wisely pointed out at the end of the Brussels Summit of E.C. heads of Government in March that the Community's work continues despite totally abortive meetings like the one in Athens in December or only partially successful ones such as at Brussels. Since Athens, the 10 E.C. member states have agreed on new measures to clean up the environment, on a framework for high-technology research cooperation between European companies, on new procedures for dealing with unfair trading practices by third countries, and they are also making progress toward removing some of the non-tariff barriers to trade between E.C. member states.

More important still, they have now embarked upon the long-awaited and badly needed reform of the E.C.'s Common Agricultural Policy. Production quotas have been brought in to cut milk output by 7 percent in the first-ever move to grapple with the expensive and absurd dairy surplus. At the same time, guidelines have been adopted which hold out some prospect of a more disciplined approach to the fixing of farm prices in the future and to curbing overproduction in Mediterranean products.

Why, then, is there a tangible sense of disappointment and disillusionment even though the Community wheel still turns and carries the Ten toward closer cooperation? Explanations vary, but there are at least three important elements. The first is the absence of a sense of purpose and direction which carried the Community through the 1960s and into the first enlargement of the E.C. 10 years ago. Whatever the difficulties of the day, politicians and officials had a stronger sense 15

years ago of participating in a great political adventure. This in turn generated a drama and excitement which encouraged people to think the unthinkable.

The objective of economic and monetary union by 1980—set in 1970 and reaffirmed in 1972—seems naive and ingenuous when set against the progress actually made. It represented, nevertheless, a political impulse which was lost through changes of leadership in the United Kingdom, France, and the Federal



Despite only partial success at the March European Council meeting of heads of Government (above), work continues on projects such as cleaning up the environment, new procedures for dealing with unfair trading practices by third countries, and removal of some of the non-tariff barriers to trade between E.C. member states.



## TOWARD "EURO-REALISM"

BERNARD VERNIER-PALLIEZ

There seems to be a general feeling in the United States that Europe is slowly plodding through a quagmire. Progress looked as if it had come to a near halt last March in Brussels when the European Council, composed of the heads of Government and State, failed to reach an agreement on financial issues facing the E.C.

But are Europe's prospects really so bleak? In fact, the E.C. crisis is neither generalized nor irreparable; quite the contrary. It is not generalized, since agreement was reached in March on all issues of the agenda, except one. These included the three following measures:

- Of particular importance was the limitation of increases in Community spending, along with corresponding increases in the Community's financial resources over the next two years and the elaboration of new policies (such as scientific cooperation, notably in the ESPRIT program).
- Reforms in the Common Agricultural Policy (regulation of milk production, elimination of Monetary Compensatory Amounts).
- Enlargement of the Community to include Spain and Portugal as of 1986.

Since January 1, 1984 when France assumed the presidency of the E.C. for a six-month period, President François Mitterrand has shown an unwavering determination to see Europe play an even greater role in the free world.

Our present temporary difficulties should not then obscure the many important technological projects we have recently undertaken which illustrate that Europe is resolutely turned toward the future: a new Airbus (the A 320) and a nuclear fusion research laboratory (JET), for example.

It is equally important to realize that the current crisis can certainly be overcome. All the European leaders have in fact expressed their desire to see the problem of Britain's contribution to the E.C. budget resolved, thereby clearing the way for the application of the aforementioned agreements.

During his state visit to the United States in March, President Mitterrand stressed the French, and European, desire to have even freer commercial relations with the United States, and to fight against protectionism, especially in agricultural exchanges. As America's leading agricultural trading partner and as the world's largest commercial group, Europe, with its 270 million people and long tradition of ties to the Third World, can only favor increased trade and economic cooperation. Indeed, Europe, due to its very structure and own self interest, can ill afford to be protectionist.

Europe has to work its way out of its quagmire. To assert this is not to be overly "Euro-optimistic"; it is, simply, "Euro-realism."

Bernard Vernier-Palliez is the French Ambassador to the United States.

Republic of Germany and which has never been recovered since. As a result, a petty nationalism has taken over and the drama thus created is based on political conflict. The apotheosis is the protracted and objectively trivial row over reducing Britain's payments to the E.C. budget. Differences over sums of money amounting to less than one day's farm spending in the Community were allowed by the heads of Government to obscure important progress made on several other issues at the recent Brussels summit. Instead of being a summit which could have been portrayed as a crucial step forward in relaunching the Community, it became, instead, another sour advertisement for division and disarray.

The summit was a poor reflection on the quality of the Community's current political leadership. Final agreement on the British budget problem will be too little too late, and the political impact of

the related agricultural and budgetary reforms and the setting of new policy priorities has undoubtedly been weakened.

This is a great pity because there are signs from Paris, Bonn, and even London that Governments do want to mold the Community into a more effective vehicle for addressing the crucial economic and political problems of the day. There is a greater agreement than there was five years ago on the need to complete the Community's internal market by dismantling its non-tariff barriers to trade. The 10 E.C. member states are searching in a way they have not searched before for forms of industrial collaboration which will close the technology gap between Europe and the United States and Japan. They are giving a much higher priority to creating the conditions in which small and medium-sized entrepreneurs can restore vitality to an ailing economy. They are

looking more closely than ever before at the United States and Japan for lessons which can be applied on this front.

At the same time, Britain's Prime Minister Margaret Thatcher, France's President François Mitterrand, and Germany's Chancellor Helmut Kohl are increasingly interested in strengthening the Community's political coherence. Much of their incentive comes from the increasing difficulties of containing political and economic disputes with the United States. Their concern is to prevent a further deterioration in the Atlantic alliance which has already helped to create the so-called peace movement in Europe and fears of incipient neutralism in the Federal Republic of Germany.

For the first time in many years, European capitals are again thinking in terms of a "European pillar" within the alliance. France and the Federal Republic of Germany have already taken the initiative to use the moribund Western European Union (WEU) as a forum for security discussions and, even if this exercise comes to nothing, the search for a clearer European identity on security issues is unlikely to be dropped.

It is significant, however, that the initiative within the WEU represents the abandonment for the time being of the attempt to develop security discussions within the E.C.'s political cooperation. Opposition from Ireland (because of its neutrality), Greece, and Denmark has proved too much of an obstacle. The danger for the Community, particularly after enlargement to include Spain and Portugal, is that it will be even more politically and economically unwieldy and even less capable of significant development.

The Ten have barely begun to come to terms with the implications of this. A more determined use of majority voting in the Council of Ministers looks likely to be one response. Another ought to be an agreement to reduce the composition of the Commission so that there will be one nominee per member state, instead of a total of 17 commissioners which could be the case after Spain and Portugal join.

The risk that a Community of 12 could be even more politically incoherent and divided than one of 10 is clearly seen in most capitals. Many are now flirting with the idea of "variable geometry" in which not all member states participate in new common policies. This could be the formula either for stronger growth or further political decline. But the Community is a great political adventure and there is life in the young dog yet. €

John Wyles reports from Brussels for the *Financial Times* of London.



# TOWARD A NEW KIND OF COMMUNITY

ESPRIT PROGRAM ON INFORMATION TECHNOLOGY REPRESENTS EUROPE-WIDE INDUSTRIAL POLICY.

MICHEL CARPENTIER

**T**he European Community is more correctly called the European Communities. The European Coal and Steel Community (ECSC), founded in the shadow of the war, was followed by the atomic energy community, Euratom, and the European Economic Community, the EEC. Now a new form of community is being created in response to the challenges facing European society in the age of information.

Having led the 19th-century industrial revolution, Europe has lagged behind in the industrial application of many 20th-century technologies since the post-war reconstruction period. The newly industrializing countries are increasingly taking over traditional industries. For such industries as steel, textiles and shipbuilding, the process of change has already begun within a Community framework. It is above all in the new sectors, such as information technology and biotechnology, that the Community must safeguard its independence in preparing for the 21st century.

Of the new technologies, information technology is currently of the greatest importance for modern industrial competitiveness and as a source of new activities. The Community's urgent need to keep up with its competitors in this area has persuaded governments and major information-technology companies to embark on an unprecedented venture in international cooperation. This is ESPRIT—the European Strategic Program for Research and Development in Information Technology.

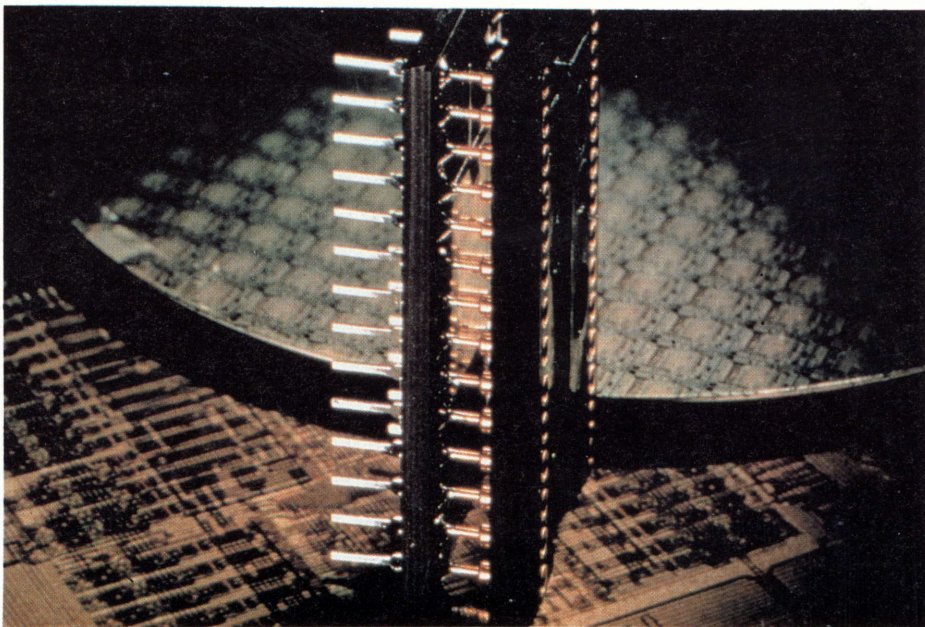
New information technology will be one of the dominant sources of technological advance until the end of the century and information technology will already be one of the world's largest manufacturing sectors by 1990. The world information technology market is projected to grow to around \$650 billion

in 1992, at an annual growth rate of over 8 percent. Information-technology is not only a major industry in its own right but also conditions the productivity of other industries. About 6 percent of the Community's GDP is derived from the information-technology industry itself. Another 29 percent is derived from sectors which are heavily dependent on information technology, such as banking. A century ago, nearly half the European workforce was in agriculture. Today, nearly half the workforce is in information, in one form or another.

However, although it is so important, Europe has not seized the industrial and market-building opportunities offered by information technology. Although the Community represents over 30 percent of the world market, European industry commands scarcely 10 percent of this market and little more than a third of the European information-technology market itself. The E.C. had a trade surplus in information-technology products of \$1.7 billion in 1975. It is now in deficit by \$5

billion and that will double by 1986. If the information-technology market had developed in Europe at the same rate as in Japan and the United States, supplying the additional demand could have created up to 2 million more jobs. As it is, perhaps 4 million jobs now depend on information-technology-related performance in a Community with 12 million unemployed people.

Spending on information-technology products is at least one third lower per capita in the Community than in the United States and Japan. Manufacturers' profitability is lower. Telecommunications penetration, in the proportion of mainlines to population, is lower. All this means that Europe has hitherto been slower in becoming an information-technology society. Because of these factors, European information-technology companies are relatively small compared to world leaders. E.C. governments have attempted to compensate for this lack of size by either protective measures or subsidization. The protective measures



Single-chip memory for micro-computer.

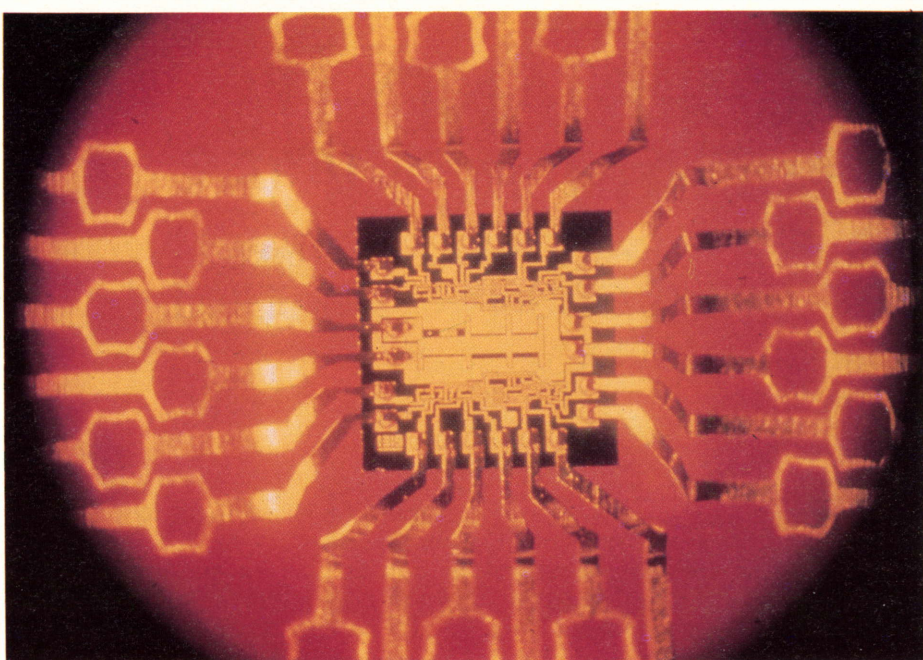


and subsidies may have kept alive some companies, but no world competitors have emerged and these measures have also slowed down the creation of a harmonized Community market with an integrated information-technology infrastructure and compatible standards. Liberalization in external trade, on the other hand, has allowed a spate of licensing agreements between European, American, and Japanese firms, which may hold short-term benefits, but cannot provide a long-term answer.

National protectionism and overseas partnerships, however, are not the only alternatives. The Community offers a continental approach and the major European electronics firms have been exploring ways of taking up the challenge on a Community scale since 1980. The cost of high-technology research and development now can seldom be justified by the size of individual E.C. member states' markets—it needs the E.C.-wide dimension. The Community's linguistic and geographical fragmentation means complex legal, financial, and industrial structures. Yet the information-technology industry is increasingly dominated by economies of scale. With the industry itself taking the initiative of launching a transnational cooperative program, ESPRIT introduces the Community dimension through overall framework policies and specific action programs. These will have to be backed up nearer the market by application programs addressed to leading-edge customers who can draw the industry forward and promote a Community-wide harmonization of standards and regulations.

At the same time, through the Community, national information-technology programs are being linked for greater effectiveness and less duplication of research. Wider aspects of an information-technology society can be addressed, such as educational, social and cultural issues. A coherent Community telecommunications infrastructure is a vital complement to the information-technology industry and here again the E.C. Commission is preparing the ground, looking ahead to an integrated telematics network. ESPRIT comes at a time when the Commission is pushing hard to free the internal market and create a forward-looking, industrial, and technological Community. In the wider perspective, the Community carries considerable weight on the world stage which, beginning with ESPRIT, it can put behind the European information-technology industry.

ESPRIT pilot projects have given encouraging evidence that partnerships between large and small companies, be-



Integrated circuit.

tween universities and laboratories, have been undertaken willingly, in all combina-

**T**he fundamental aim of the ESPRIT program set up after lengthy consultations with industry, small- and medium-size companies, universities, and E.C. member states' administrations is to mount a "technological push" across the European Community to achieve parity with, if not superiority, over American and Japanese competitors within the next 10 years.

A first five-year phase, starting in 1984, will be allocated overall financial support of 1.5 billion European Currency Units (about \$1.3 billion), financed on a 50-50 basis by the Community budget on the one hand and industry on the other. This "catch-up" strategy is designed to stop the process of decline facing the European information-technology sector. The broad research program of ESPRIT will establish a new technological basis for the next generation of products and systems in the information-technology sector. Research activities will be conducted in the so-called "precompetitive" phase.

The program sets out five key areas for action. Advanced microelectronics, advanced information processing, and software are the three central technologies. Their mastery is the key to making the strategy succeed. The two other action areas involve specific applications: office automation and computer-integrated manufacturing.

tions, across national frontiers in the Community. ESPRIT is not the private preserve of big business, nor is it in any way an attempt to create an information-technology "multinational" based in Brussels. ESPRIT is addressed, quite simply, to everyone in the Community who can contribute to the program. In order to be eligible for aid, projects must be put forward by firms or research teams established and currently carrying out research and development.

A primary justification of ESPRIT is the synergetic effect it will have. For this, adequate dissemination of information on research that is being planned or under way, as well as on its possible results and their exploitation, is of fundamental importance. For the scientists directly involved, the Commission intends to organize workshops on each research topic. Meanwhile a wider clearing-house infrastructure is being established to systematically collect and make available appropriate information on work in progress.

The response to ESPRIT has been very positive. But ESPRIT is only one strategic action in a wider context. While it is designed to encourage the necessary change of approach by the European information-technology industry and to speed up the transfer of technology across the Community, a technology push must be complemented by a greater market pull if industry is to amortize the costs of developing a new generation of information-technology products. Staying afloat depends on this push-pull process. ☛

Michel Carpentier is the E.C. Commission director general responsible for the ESPRIT task force.



# EUROPE AND ITS AFRICAN POLICIES

THE E.C.'S TRADE-AND-AID PACT WITH DEVELOPING COUNTRIES IS BEING RENEGOTIATED.

MARC PIERINI

**S**ub-Saharan Africa is presently in the forefront of many international discussions. The European Community and its member states are negotiating the renewal of the Lomé Convention with 64 developing countries, of which 45 belong to sub-Saharan Africa. The World Bank, which issued a major policy document in 1981 entitled "Accelerated Development in Sub-Saharan Africa", is bound to address the economic problems of that region again at its next annual meeting in September. Furthermore, last February, the Reagan Administration launched an "Economic Policy Initiative for Africa" which is due to be implemented in 1985, pending Congressional approval.

All this does not mean that the international community has recognized all the consequences of the serious deterioration in the economic situation of Africa. Official development assistance (ODA) to sub-Saharan Africa from all combined sources, which had increased from \$3.7 billion in 1976 to \$8.1 billion in 1980, an average annual growth rate of about 22 percent for net disbursements, stagnated at that level in 1981 and 1982. The International Development Association (IDA), the World Bank's arm for soft lending to poor developing countries, especially in Africa where IDA, France, and the E.C. are the three main donors, now faces a 25-percent cut in nominal terms in the replenishment of its resources for the next three years, due to U.S. opposition.

Moreover, most of the African countries have only just begun to address their structural adjustment problems effectively and most of the aid donors have only recently devised specific new instruments to help them do so. The severe drought which hit both southern African and Sahel countries in 1983 and 1984, is not only imposing new strains on the population, but also jeopardizing the

longer-term efforts in the food and agriculture sector.

What is the economic diagnosis Europeans make about sub-Saharan Africa? How have they helped Africa to tackle its problems so far? How do they intend to respond to the prolonged and deepened African economic crisis?

## A Worrying Diagnosis

For the sub-Saharan region as a whole, but with wide variations between individual countries, the recent record of economic development is a cause for serious concern. Since 1970, the global economic situation has deteriorated: Per capita incomes and per capita food output have declined; infant mortality is much higher

In 1980, sub-Saharan Africa had a population of 440 million; in 2010, it will reach 1.1 billion inhabitants.

than in other developing countries; substantial shares of the world markets have been lost to other developing countries by African exporters of cocoa, cotton and groundnuts; and the debt burden has become unsustainable in many countries (about 2 out of 3 multilateral debt reschedulings since 1979 have involved African countries).

There are several reasons for this deterioration. The physical constraints are awesome: poor soils, climatic accidents such as drought, and accelerated desertification. Inherited structures and external economic factors also played a negative role: The post-colonial economic structures were often oriented primarily toward the supply of tropical commodities to Europe, linkages between neigh-

boring countries were rarely taken into account. In recent years, commodity prices and official development assistance also have declined in real terms, while interest rates on commercially borrowed funds have increased. Sub-Saharan Africa was hit hardest by the world economic crisis.

The adverse evolution of sub-Saharan Africa is also due to misjudgments made by African Governments in selecting economic priorities and in devising and implementing appropriate domestic policies. During the 1960s, only a handful of countries gave priority to the agricultural sector. When policies existed, they often acted as disincentives to increased domestic production. It is only recently that African Governments have demonstrated an increased awareness—and have taken appropriate measures—of the critical importance of macro-economic and sectoral policy frameworks for their development process.

## Long-Term Concerns

In 1980, sub-Saharan Africa had a population of 440 million; in 2010, it will reach 1.1 billion inhabitants. This corresponds to the highest demographic rate of growth in the world: 2.8 percent in the 1970s, over 3 percent in the 1980s, with even higher rates in urban areas. A recent study commissioned by the European Community—"A Long-Term Image of Sub-Saharan Africa"—envisions profound changes in the geographical allocation of population in sub-Saharan Africa by the year 2010.

For example, in 1970 only Lagos had more than 1 million inhabitants. In 1980, 12 cities had reached the million mark; while, by 2010, it is foreseen that 70 cities will have passed that level. Abidjan, Kinshasa, and Lagos might well have more than 10 million inhabitants each. By then, important population migrations also will occur between African countries and the balance between rural and urban populations will have changed dramatically, thus requiring profound changes in food production and food-supply patterns.

The environmental evolution is no less serious. For example, in the Sahel region alone, the desert grows by 2 million hectares (4.9 million acres) per year. Africa as a whole loses 3.6 million hectares (8.9 million acres) of forest every year. Long-term consequences on population allocation and on agricultural production capacities are potentially disastrous.

## Inadequate Help?

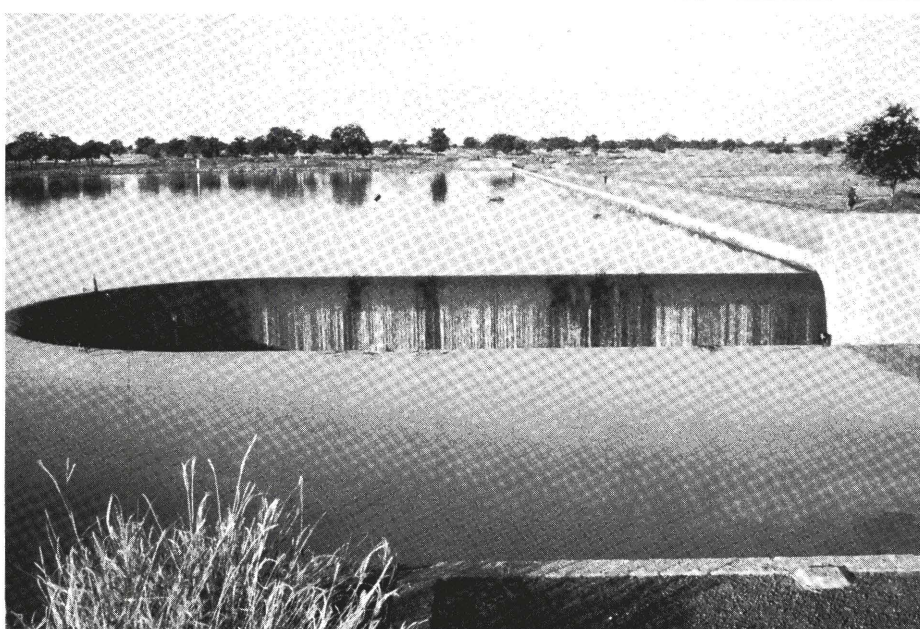
With respect to Africa's environmental,



economic, and social problems, outside governments and organizations have not always come up with optimal responses or adequate policy instruments. Yet, the E.C. record with sub-Saharan Africa, however, is impressive. In the trade field, the one-way duty free area set up by the Lomé Convention gives zero tariff treatment for 99.5 percent of the \$16 billion worth of commodities and goods exported yearly from Africa to the E.C. In the aid field, the E.C. and its member states provide about \$3.8 billion in ODA money to Africa, some 30 percent of the total 1982 commitments.

The European Community itself, through Lomé Convention funds and food aid, commits nearly \$1 billion per year, roughly the same amount as France or the International Development Association (of whose resources E.C. member states presently provide 37 percent). In addition, the Lomé Convention, a five-year treaty encompassing aid, trade, and investment provisions, brings security and predictability to governmental authorities and private operators.

Despite the sophisticated instruments put in place since 1975, however, the E.C. policies did not change the face of



**A water supply project in Upper Volta financed under the Lomé II trade-and-aid treaty.**

Africa. On the eve of the current negotiations for a third "Lomé" Convention to run from 1985 to 1989, the E.C. Commission conducted a thorough review of the policy record over the past decade. Here are some of the findings.

The almost totally free trade regime

granted by the E.C. to sub-Saharan African countries did not trigger any significant increase in their exports to Europe, nor a change of the export structure toward industrial goods. Indeed, in this field, African countries are at a disadvantage vis-à-vis other less developed



**Per capita food output has declined in Africa due to poor soils, climatic accidents, and accelerated desertification. Agricultural projects financed under the Lomé Convention, such as the one in the Ivory Coast shown here, help fight this deteriorating situation.**





Festivities in front of the Convention Hall during the signing of Lomé II.

countries. The E.C. already had a worldwide zero tariff on industrial raw materials such as oil, copper, or bauxite. Eliminating a 3-percent tariff on coffee or a 20-percent tariff on bananas often is not enough to give the African producers an edge on their competitors.

For manufactured goods, an area where the Lomé Convention gives them a substantial tariff preference, African countries could not compete, on the whole, with developing countries in the Far East. Nevertheless, the fact of the matter is that, had the Lomé Convention not existed, sub-Saharan Africa would have been hit harder by the increased competition among developing countries that resulted from reduced demand from recession-ridden European economies.

A case in point is the Lomé Convention scheme for the stabilization of export earnings: STABEX. Its automatic mechanisms have worked with remarkable timeliness and speed to compensate for shortfalls in export receipts from a wide range of agricultural commodities. But it was never meant to regulate the world prices of these commodities, a role that should have been performed by a set of commodity agreements, but was not. Nor was the STABEX supposed to relieve recipient African Governments from implementing the appropriate policies with respect to producer prices, inputs, transportation, marketing, and so on. Yet, these two areas, off the STABEX limits, were probably essential causes in the loss of market shares by African producers.

In the same fashion, \$1 billion per year in project aid can have substantial effects on the lives of the people and the area concerned. Conceived in isolation or as a substitute for self-help, left without an

appropriate policy framework, externally assisted projects are bound to have little impact on long-term development. Food aid, the E.C. Commission acknowledged, could have serious negative effects on nutritional habits or on long-term dependence on imported food and could act as a disincentive to increased production.

#### Correcting the Course

When, in 1974 and 1975, the European Community introduced the Lomé Convention as a new framework for its relations with sub-Saharan Africa and other countries in the Caribbean and Pacific Basins, it was a major step forward. For the first time, the world's major trading partner was embarking on long-term, free-trade arrangements, on a commodity-insurance scheme (STABEX), and on a predictable, guaranteed supply of development finance.

Clearly, in the light of the subsequent economic crisis and the profound changes in the international economic environment, it was not enough. With its proposal for the Lomé renegotiation, with the food-aid reforms adopted in November 1983, and with the Africa policy review currently conducted by the E.C. Commission, the European Community has acknowledged the need to correct the course of its development policy.

Indeed, none of the distinctive features of the Lomé Convention are going to be withdrawn. African and other countries will still benefit from the contractual and multipurpose character of the Lomé Conventions, from its politically non-discriminatory nature, and from the permanent dialogue it enables. But the E.C. would like to put new emphases.

First of all, on trade, while little more

can be done, the E.C. Commission did propose the removal of remaining tariffs and other restrictions on the 0.5 percent of Lomé countries' exports that are not already entering the E.C. duty-free.

On aid, the E.C. Commission considers that financial assistance to Africa should resume its increase and, in the particular case of the Lomé Convention, that there should be an increase in real terms for 1985 to 1989. In addition, new forms of dialogue on the recipient's development policies should ensure, with full respect to its sovereignty, that E.C.-assisted projects are part and parcel of well-thought-out sectoral policies. Where donor coordination needs to be increased, it should be under the leadership of the recipient country concerned, with the full participation of the lead donors (the E.C. or one of its member states is lead donor in about three out of four sub-Saharan African countries). New forms of assistance should be implemented for long-term problems such as desertification, basic energy supplies such as fuelwood, and others.

The E.C. has proposed that the STABEX system be revised in order to tackle the underlying structural problems and to prevent situations where the scheme could actually act as a disincentive to structural reforms. Reforms agreed upon in November 1983 in the food-aid area point in the same direction. Already, E.C. food aid is used more and more as an integral part of broader country food strategies. In areas of mutual interest to Europe and Africa, such as mining, energy, and fisheries, the types of action already used by the E.C. should be expanded and new ones should be found.

Some of these reforms are already being implemented, some are being negotiated between the 74 countries that are partners in the Lomé Convention, others merely are being discussed within the E.C. internally for the time being. Europeans and Africans have a long common history and mutual interests of substantial magnitude. However, a lot more than the European relationship with sub-Saharan Africa is at stake these days: It is the very survival of million of human beings and the preservation of peace and democracy in Africa. History, even recently, shows how hunger, poverty, and social injustice lead to political unrest, foreign intervention, and further suffering. Giving fair help to Africa in its struggle toward long-term development is the joint responsibility of the Western democracies and the international institutions they support. ☛

Marc Pierini is responsible for development affairs at the E.C. delegation in Washington, D.C.



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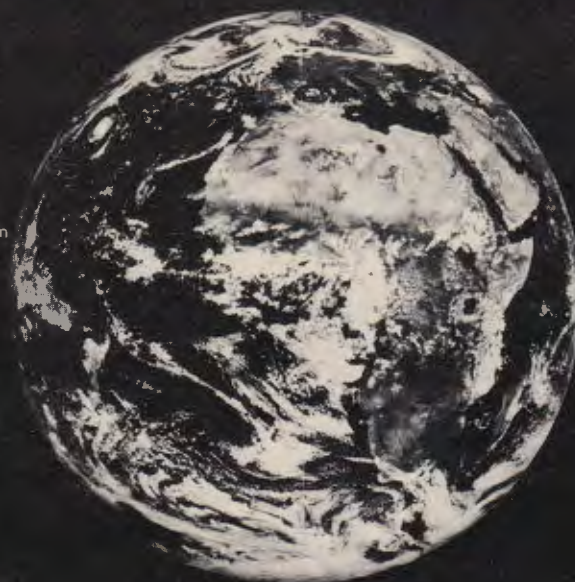
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# FRANCE AND THE E.C. PRESIDENCY

DETERMINATION AND RELIABILITY HAVE MADE RENEWED MOMENTUM POSSIBLE.

## CLAUDE CHEYSSON

*The following is an excerpt from a foreign-policy speech delivered April 26 to the National Assembly by French Foreign Minister Claude Cheysson. France currently holds the six-month, rotating presidency of the E.C. Council of Ministers.*

France is an essential element of the European Community, this Community that . . . is attracting ever greater attention. Now, while the President of the Republic, my colleagues, and I are exercising the presidency of the Community, we are in an even better position than we would otherwise be to realize this.

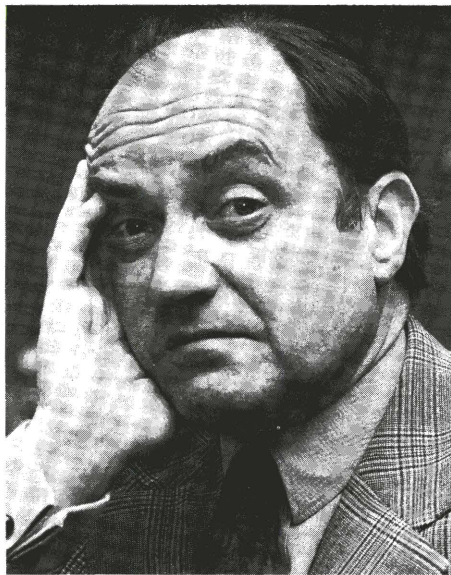
In the space of a few weeks, representatives of China, India, and Japan will have visited Paris, currently the seat of the Community presidency. For the past few months, East European countries have been seeking increased contacts with the Community. I will only mention the example of Hungary, which is especially interesting as an indication of how the economies of these countries might evolve toward greater realism, that is, toward greater freedom of trade.

Moreover, it is hardly necessary to remind you that for several years, two countries of southern Europe have been requesting admission to the E.C. And in the Middle East and Central America, there have been increasing requests for Community intervention. So, at present, the European Community is attracting the attention of the outside world more than ever before.

The Community has finally decided to emerge from its quagmire, to look toward the future, and to encourage its businesses to do the same. . . .

I would just like to remind you of the ideas underlying France's policy, for our presence and our action within the Community are a central element of our foreign policy. I want to emphasize this point

because the French Government believes that in Community matters attention has too often been sidetracked to problems that, although they are certainly important, are nevertheless relatively marginal. I am referring to the Community budget. . . . What matters in the life of the Community is that today there is no longer any country in Europe, nor are there any political or economic forces, that fail to acknowledge that the European dimension is indispensable to all.



French Foreign Minister Claude Cheysson.

It is indispensable for the continued development of agriculture . . . and to improve relations with the Third World. It is indispensable to bring changes in areas that have stagnated in the past—in other words, to facilitate industrial reorganization. It is indispensable to meet the third industrial revolution in such a way that workers will not fall victim to the great multinational economic forces. Finally, the European dimension is indispensable to enable us to negotiate on equal footing with the other great economic powers of the world, not only the multinational companies, but also some important move-

ments.

It is also important that member countries have made the long-overdue decision to fight the immobility that was gaining ground as the same speeches and the same actions were repeated to the point of absurdity while at the same time markets for some products were falling off. Constant repetition of the same gestures and the same statements was leading to paralysis. It was time to break out of the cycle.

We have two significant chances to do so and in this way to look toward the future. First, general elections are to be held throughout Europe in June to choose a new European Parliament, a body that will necessarily introduce a breath of fresh air to the life of the Community, challenge the areas of our shortcomings, stimulate ideas, and bring a promise for the future.

And then there is the shock treatment decided upon at the European Council meeting in Stuttgart, an approach with which I wish to associate myself as a member of France's executive. It was decided that we would face up to all the difficult subjects that had not been dealt with for years and that we would do so together. What is commonly known as a "package" of basic decisions was put together. Its contents were outlined at the European Council meeting in Athens and further analyzed and defined at the Council meeting in Brussels.

We then made some decisions regarding each element of the package, decisions that will enable solutions to be found, or at least pave the way for progress. Fundamental subjects that should be considered at the Community level are being or have already been taken up. No one still scoffs at the progress that the Community is once again making and in all areas, even if the E.C. has lagged somewhat behind its businesses. Our industrialists who are directly involved with the economy did not wait for E.C. decisions in order to move forward in aeronautical cooperation (Airbus), space cooperation (Ariane) and adoption of common European computer standards.

Now that the obstacles blocking the Community's path have been or are being removed, we are in a position to give a new impetus to Europe. Speaking without undue modesty and in the name of France's presidency, I can say that our presidency has been demanding and tenacious. But by its determination and reliability it has made renewed momentum possible.



# FRANCE

MITTERRAND'S SOCIALIST GOVERNMENT IS FORCED INTO AN AUSTERITY PROGRAM AND DIFFICULT REFORMS.

AXEL KRAUSE

**F**rench President François Mitterrand was winding up what had been a successful, exhilarating trip to the United States last month and he was delighted. "It's been no vacation," he told reporters, "but I have found all of it deeply interesting and diverting." In-

deed, as soon as Mitterrand returned to the Elysée Palace in Paris, he immediately was confronted with a political uproar over a government plan to reform France's ailing steel industry which included laying off some 30,000 workers in the Lorraine region.

Within several days, the French leader, appearing determined, but defensive, told

a nationally televised news conference that "the future of France depends necessarily on the modernization of its industry" and that he would implement the government's austerity program with "all the patience and tenacity of which I am capable." Meantime, in Lorraine, angry workers had sealed off the major towns and shut the border crossings to the Federal Republic of Germany, Belgium, and Luxembourg as part of a protest seeking a repeal of the plan.

Mitterrand and his ministers, however, have steadfastly refused to budge in pursuing—and implementing—the key goals for which they were elected in May 1981: easing France out of recessionary conditions; reforming the beleaguered economy, notably industry; and reforming abuses in the nation's social, judicial, and administrative systems. "Given Mitterrand's strong commitment to the alliance and his well-known anti-Communist views," a senior western diplomatic official in Paris commented, "it is clear that his success, or failure, will depend largely on how he manages the economic crisis in France."

Against a background of growing, vociferous attacks on the Socialists' policies from opposition leaders, including former President Valéry Giscard d'Estaing, and poor showings in national polls and local elections, the Administration has expressed confidence that its policies will work and that they are being accepted by the largest share of French people, despite the protests. Many observers agree with that assessment, but quickly add that the policies remain shrouded in uncertainties and are often poorly explained to those directly affected.

Commenting on a mass demonstration in Paris on April 13 by some 50,000 steelworkers protesting the steel modernization plan, a senior executive of a leading nationalized steel company said: "The demonstration probably could not have been avoided, but the decision by Mitterrand to press ahead quickly—perhaps influenced by his stopover in Silicon Valley on the U. S. trip—should have been better explained. . . . Many people, particularly in the industry, were taken by complete surprise and this influenced the initial opposition."

Time is, however, of some importance to the Socialists, who face parliamentary elections in 1986 and clearly will seek to maintain their absolute majority in the National Assembly. According to many political observers, the Government's goal is to prepare the country for a more expansionary policy sometime in 1985,



The experts ask, "has France become America's best ally?" It would seem so after President Mitterrand's recently successful visit to the United States.



coinciding with the runup to the elections and in which the economy is widely expected to be the central issue. But for the remainder of this year, and probably into 1985, the government will continue the present policies even though, as Jacques Delors, the powerful Finance Minister, said recently: "We know there is suffering, but it is less than what Britain and Germany have experienced."

Delors, who perhaps more than any other Cabinet member has come to symbolize the present austerity policy, has repeatedly insisted that the policies are working. "What is really important is that we are winning the major battle—moving the mood of the country toward realism," he commented recently. What this means is continuing restrictive fiscal and monetary policies, aimed at reducing the country's chronic inflation rate, and bolstering foreign confidence in the economy and the franc, while stimulating investments. Delors and other Government leaders have regularly brushed off widespread speculation that they will soon return to the demand-stimulation expansion policies launched after the 1981 victories and which, with considerable embarrassment, were reversed in favor of austerity a year later. "We will maintain our present path and although the players on our team may change, the team will remain in place," a presidential adviser said, commenting recently on reports of an impending Cabinet reshuffling.

However, pursuing what some observers call Thatcherism *à la française* has stirred up widespread uncertainty, fear, and hostility among labor groups, the Communist Party, rank-and-file Socialists, and many in the middle class, including civil servants and businessmen. Some 6 million French civil servants, including teachers, participated in a national one-day strike earlier this year, protesting the Government's refusal to increase their wages.

They and others who now bitterly oppose the Government's austerity program—particularly in ailing industries such as steel, coal, and shipbuilding—voted for the left in 1981. But recent polls and rightist victories in municipal elections showed that support for the left has eroded sharply around the country.

The critics mainly cite two factors. The first is a growing—and deliberate—drift toward joblessness, which is expected to exceed a record 2.5 million persons by the end of this year, compared to 2.1 million unemployed at the end of last year. The second major factor is the Government's recent disclosure that GNP growth during 1984 will be somewhere between 0.5 percent and 1 percent. "Ev-

everything is oriented toward fighting inflation and comes at the expense of stagnation—it is a mistake," said Jean-Pierre Chevènement, Mitterrand's former Industry Minister, and the outspoken leader of the Socialist Party's leftist-leaning faction.

He recently told reporters that what France needed, above all, was an expansionary policy of "mobilization," which should comprise a fourth devaluation of the franc of around 15 percent accompanied by its temporary withdrawal from the European Monetary System (EMS). Heavy government investments also were required, Chevènement said, since "we need action . . . elections are won politically." The reference was to widespread expectations that the Socialists will suffer losses both in the June 17 European Parliament elections and in the 1986 elections for the French National Assembly.

On April 19, the Government won a confidence vote in the National Assembly which was designed to test Communist loyalty as a junior partner in the Government. Although Communist deputies grudgingly voted in favor of the motion, most political observers said that on-going strains, and the threat of a possible break, would continue to shape the coalition of the left in the months to come.

Leaders of the Socialist Party, including Chevènement, have been trying to avoid an open break with the Communists, but they have not hidden their growing annoyance over the confusion being created, particularly in the minds of French voters who supported the left in 1981. In a radio interview on April 15, Prime Minister Pierre Mauroy said that he was planning discussions with Mitterrand aimed at "clarifying" the Communists' role in the Government. He added that he hoped they would not leave.

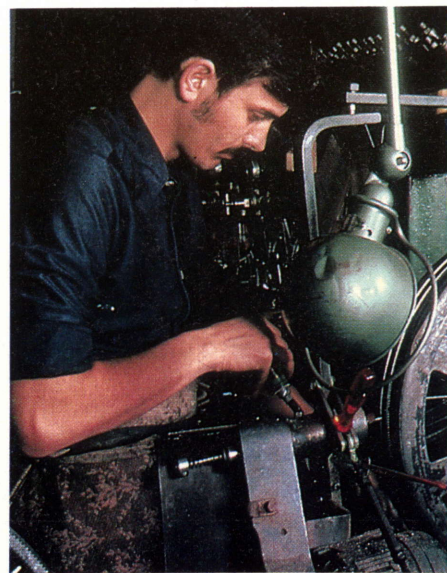
Meanwhile, Raymond Barre, who was Prime Minister in the previous Government of Giscard d'Estaing and who is widely viewed as a leading candidate in the next Presidential election of 1988, has bitterly expressed fears that the Government has failed to improve the nation's productivity and competitiveness in export markets, mainly within the European community. The French economy presently is gripped by "paralyzing recession and fierce corporatism," he said in a recent interview with the newsweekly *L'Express*. The only solution, Barre suggested, was to reduce gradually the role of the state in the French economy.

Jacques Chirac, leader of the neo-Gaullist Party, Mayor of Paris, and another leading contender for the Presidential election, has called for the de-nationaliza-

tion of the country's banks and industrial corporations brought under state control at the end of 1981.

"The French are looking for a bit of fresh air and they are listening to Yves Montand," Barre said in a reference to several, recent television interviews by Montand, one of France's leading, and formerly leftist singers. During one program, Montand created a national sensation earlier this year by presenting a string of filmed, fictionalized accounts of economic disasters such as bank failures. Many opposition leaders quickly portrayed the program as a warning of where things were heading under the Socialists.

From Mitterrand on down, Government leaders praised Montand for his talents, and for having drawn dramatic



Mitterrand recently told a nationally televised news conference that "the future of France depends necessarily on the modernization of its industry."

national attention to the world's economic situation. "The crisis," commented Delors, "is nothing but a giant challenge to Europe and the world. . . I say: *vive l'espoir!*" But when all the discussion died down several weeks later, two key questions remained as crucial to understanding the debate: How are the Socialists actually doing and is a shift in favor of an expansionary policy emerging? The first question is easier to answer.

In interviews, French Government officials, U. S. and European observers, and diplomats cited the following achievements:

- Inflation is slowing. During each of the first three months of 1984, prices rose by 0.7 percent, which works out to 8.6 percent on a 12-month basis, but 7.4 percent when averaged over six months, and the lowest level since 1973. For all of last



year, inflation averaged 9.3 percent. The results for March, however, immediately were criticized by the opposition press in Paris as a failure, since the Government had projected—and committed itself to—a 5 percent inflation rate in 1984. “A lost bet,” said the daily newspaper *Le Figaro* in a front-page story, noting that the inflation rate would be well in excess of the goal by the end of the year. Most recent forecasts, including those of the Conference Board, a U. S. business information service, and of the International Monetary Fund, showed that inflation would average around 7 percent for the year, or slightly more.

- The trade deficit is shrinking. Helped by a weakened franc in export markets, and reduced imports at home because of stagnation in the industrial sector, the nation’s trade deficit fell to 42.4 billion francs (about \$5.5 billion) last year from 92.6 billion francs (about \$14.1 billion) in 1982. The trend is expected to continue this year. Assuming that the dollar continues to weaken, even slightly, against the franc—thus helping France reduce the cost of importing oil and other dollar-denominated commodities—Delors estimates that the trade deficit will fall by 10-15 billion francs in 1984.

- Nationalized companies are doing better financially. Last year, 11 industrial companies, excluding the two steel companies, Usinor and Sacilor, had cut their combined losses to 6 billion francs from 11 billion francs in 1982. By the same token during the past two years, the Government spent a total of 17.5 billion francs in helping the companies expand or modernize; it plans to allocate in additional 12.8 billion francs in aid during 1984. Laurent Fabius, Minister of Industry, has warned that if the money-losing companies are not profitable by 1985, their top managers will be fired. Most of the managers are attempting to comply with the order, which has the backing of Mitterrand, but an extension will be allowed for the steel companies. They each lost 5 billion francs last year and expect to lose the same amount this year.

The following perceptions about failings in present policies also were cited:

- Doubts that the anti-inflationary policy will prove durable. The Conference Board, summing up widespread opinion among multinational corporations, noted that the average inflation-rate difference between France and its main E.C. trading partners, notably the Federal Republic of Germany, averaged around 3 percent in 1983. “The real problem remains that, despite moderate wage increases, unit costs will continue to rise rapidly, since

activity will remain weak in 1984,” the organization said. Indeed, the Conference Board cautioned that unless the Government meets its inflation target of 5 percent this year, a fourth devaluation “is generally expected.” It would be part of a EMS realignment and also could involve a revaluation of the German mark.

- The investment climate remains generally poor. The French business community remains skeptical about government intentions, particularly in light of growing unemployment, record bankruptcies, and France’s growing external debt. At the end of last year, the nation’s short- and medium-term debt rose to \$53 billion, compared to \$44 billion at the end of 1982, representing a 61 percent rise over 1981. Stagnating investments in the private sector may force the Government

“What is really important is that we are winning the major battle—moving the mood of the country toward realism.”

into heavier borrowing aboard, which could further weaken the franc and erode confidence in the economy, French business leaders said. Noting that business investments fell 2-3 percent from the 1982 level last year, their lowest level in recent history, Yvon Gattaz, president of France’s employers’ association, recently urged the Government to reduce or eliminate a wide range of business taxes to spur capital spending.

- Opinion polls have shown that the austerity program remains highly unpopular and that the Government continues to score low points on its ability to govern effectively. A recent survey by *Le Quotidien de Paris*, a right-wing opposition newspaper, showed that 61 percent of those interviewed considered that the Socialists were relying on “visual navigation” in daily policymaking, implying they had no clear idea of where they were heading. Of those interviewed, 62 percent said that they thought the first priority of the Government should be fighting unemployment and 72 percent said that they thought it “probable” that France would face new unrest and demonstrations later in the year. Most polls have given the Government higher points in the handling of foreign policy, including

the country’s participation in the multinational peacekeeping force in Lebanon and in conducting its current six-month Presidency of the E.C. Council of Ministers. Public opinion polls also have shown that the French people favored excluding the Communists from the Government, a move hinted at broadly by Mitterrand during his news conference.

However, if the Government was considering a major switch in its policy, the leaders, from Mitterrand on down, were not tipping their hands. Asked whether easing of the austerity policy might come in a year, as the Government approached the legislative elections, Delors replied in very, very guarded terms. The President, he said, would avoid “acting precipitously.” And, responding to newsmen’s questions, Mitterrand replied with such comments “our situation is healthy” and “the battle is being won.” What the language reflected, in the view of many observers, was a commitment to waiting things out, hopeful that France would benefit from accelerating economic recovery in the United States—and to a lesser degree in the Federal Republic of Germany, France’s largest trading partner—and in Britain.

“The recovery here will come by itself,” Delors commented. To help move things along, the Government during March began cutting back substantially on foreign borrowing, and according to Government insiders, Mitterrand is sticking with his intention to reduce tax and social-security payments by the equivalent of 1 percent of the nation’s GNP during 1985, although he deliberately avoided citing a figure at his news conference. How this can be accomplished, while keeping the Government’s budget deficit restricted to 3 percent of GNP, remains an open question. Indeed, that limit was exceeded slightly in 1983 amid widespread speculation that further, sweeping, and highly unpopular spending cuts were being planned for 1984-1985, with the notable exception of the military sector.

What remains certain is that Delors and other key advisers to Mitterrand, as well as the President himself, are determined to continue pursuing their restrictive policies, hopeful that investments in the industrial sector will lead to a recovery within two years, and even if the policy leads to embarrassing losses in the coming parliamentary elections. “Recovery in the West will certainly help our economy,” a Presidential adviser commented, “but we have no illusions—it will continue being rough for some time yet.” ☾

Axel Krause is economic correspondent for the *International Herald Tribune*.



# COALITION OF THE LEFT FACES NEW STRAINS

THE COMMUNISTS, ALTHOUGH REMAINING IN THE GOVERNMENT, OPENLY CRITICIZE ITS POLICIES.

BERNARD MAZIÈRES

**W**ith the arrival of spring, the French are beginning to wonder whether they still have a Government of the left. A turning point seems near. To overcome the economic crisis, Prime Minister Pierre Mauroy has been forced to use methods that seem well removed from traditional Socialist principles. As a result, there are more and more strains and frictions within the Government. The Communists have openly criticized the austerity measures extolled by President François Mitterrand, all the while maintaining their claim on Cabinet posts.

The Socialists themselves are doing some soul-searching and asking a lot of questions. Some have publicly expressed their disagreement with the policies of Finance Minister Jacques Delors. One of those is Jean-Pierre Chevènement, the leader of the left wing of the Socialist Party, who resigned as Minister of Industry.

In short, faced with a recession and its consequences, the left has entered a turbulent zone. It is so divided, in fact, that Mauroy had to take his Government before the National Assembly for a vote of confidence to force his troupes to regroup and to put the Communists on notice.

For several months, in fact, the Communist Party has played a double-edged game which in the long run called into question the authority and the credibility of the Government. While the four Communist Cabinet ministers have maintained their solidarity with the Government, their party leaders have not done the same. French Communist Party head Georges Marchais has accused the President and the Prime Minister of not keeping promises made in 1981 and he has asked that they modify their policies. In the meantime, the Communists participate without supporting the Government.

It is clear that the massive layoffs the

Government has authorized in basic industries such as steel production, automobile manufacturing, coal mining, and shipbuilding—all aimed at modernizing French industry and making it more competitive globally—are very difficult to swallow for the parties of the left that came to power to safeguard jobs and improve the quality of life. "*Changer la vie*," went the Socialist slogan. But that has been the President's choice.

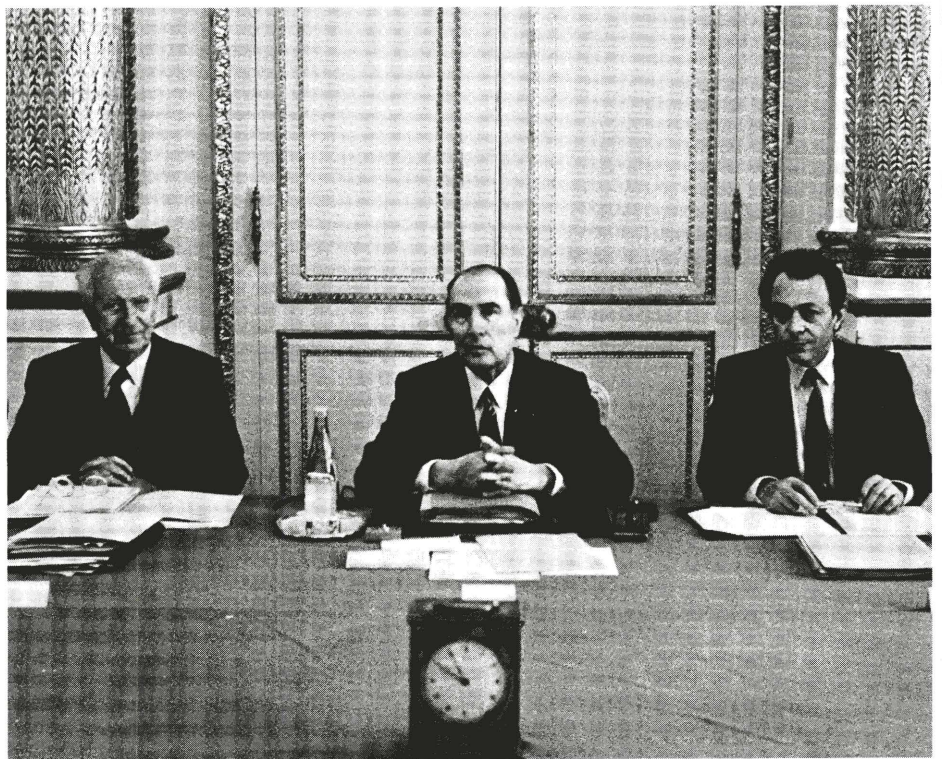
Mitterrand, on the advice of his Finance Minister, has put an end to two years of generous policies that threatened to lead the country into catastrophe. Whether they liked it or not, the Socialists have accepted this choice. The Communists have not. Indeed, they have challenged it, without however accepting the consequences: namely, their departure

from the Government. "We do not want to give any presents to the right," they say. "Without us, the left would fail."

That is a situation that could not last very long. After Marchais's denunciation of the Government's entire industrial policy at the beginning of April, Mitterrand decided it was time to clear the air. He asked his Prime Minister to put the motion of confidence before the parliament, a procedure which clarified nothing. The Communists in parliament voted with the Government April 19, while maintaining their opposition to its economic policies.

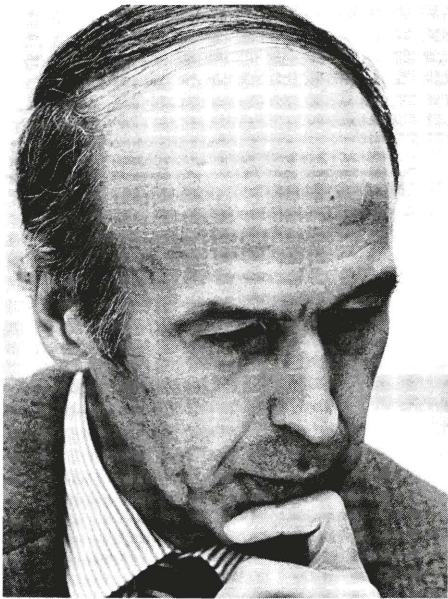
Today, all the elements for a break between Communists and Socialists are assembled. Many think it won't be long before this happens, but neither of the two partners wants to take the responsibility for forcing the issue. Each side sees more advantages than inconveniences in carrying on the present situation.

For the Communist Party, participating in the Government allows it to keep key positions in the machinery of state. At the same time, the party knows only too well that a break on its initiative would not favor the Communists at the ballot box. They learned that lesson in 1977. Thus, the Communists won't leave on their own, but they now run the risk of being forced out. If that happened, it would be proof of a turn to the right in the Government.



President François Mitterrand presides over a weekly Council of Ministers meeting. On the right, Michel Rocard, Minister of Agriculture. Left: Gaston Defferre, Minister of the Interior.





**Former French President Valéry Giscard d'Estaing**

As for President Mitterrand, despite his inclinations, he does not want to push Marchais' party into opposition. The prime reason for this is that industrial restructuring has only just begun. More layoffs will take place. Communist support is essential if Mitterrand is to contain the unions and avoid social upheaval. Furthermore, he wants to keep his image in the public eye as the man who unified the French left.

That very left has become confused by the rigorous policies of the Government and supporters are not even getting ideological compensation. An example of this is the schooling system. The creation of a new lay system, one of the great principles of socialism, was announced by Mitterrand in 1981. His attempt to put it into effect provoked strong reaction among proponents of private schools, with backing from the opposition parties, and resulted in a mass demonstration of 800,000 people last March 4 in Versailles. The Government had to backtrack and make do with a compromise that satisfies no one. The whole thing turned into a handy peg for the opposition parties to accuse the left of interfering with personal liberties.

The opposition, meanwhile, is turning to its advantage all the unhappiness brought on by the Government's policies. A steady stream of by-elections wins is there to prove it. Districts that traditionally belonged to the left have gone the other way recently. Sure of itself, the opposition already sees a win in the parliamentary elections scheduled for 1986—if there are no changes in the electoral laws.

This renewal comes despite an absence of new faces. The political giants are the



**Jacques Chirac, Mayor of Paris and leader of the neo-Gaullist Rally for the Republic party.**

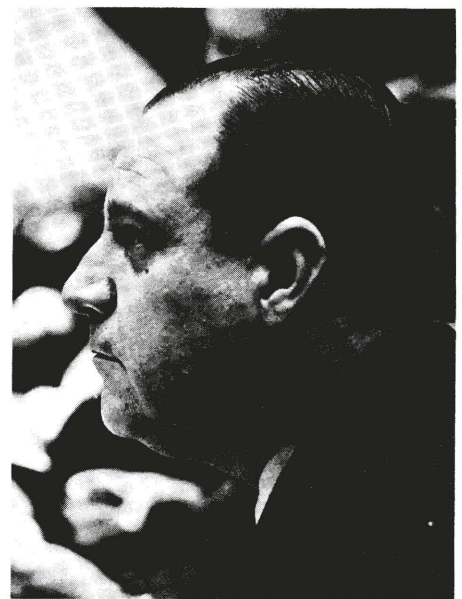
same people that were around when Mitterrand was elected in 1981. They are Jacques Chirac, Mayor of Paris and leader of the neo-Gaullist Rally for the Republic (RPR) Party; former French President Valéry Giscard d'Estaing; and former Prime

## The European Parliament elections could indicate how the political winds are blowing in France.

Minister Raymond Barre, who is running solo. There is a difference compared with 1981: Taking their cue from a perceived rejection of the left, the opposition parties are rediscovering the virtues of avowed liberalism.

What is more, the parties that make up the opposition, largely the RPR and the Giscardian Union for French Democracy (UDF), have learned a lesson from their losses in the last presidential election: They understand now that they must present a united front. Consequently, for the June 17 elections to the European Parliament, the RPR and the UDF will present a joint slate led by Simone Veil, former President of the European Parliament.

This joint effort in fact is not without ulterior motives. The battle of the chief-



**Former French Prime Minister Raymond Barre.**

tains still goes on behind the scenes and, while the three major candidates make public pronouncements of friendship, they are keeping a very careful eye on each other with a view to the next presidential election in 1988. Right now, there is no doubt that Chirac holds the lead as head of the opposition. The opinion polls confirm this. Giscard d'Estaing is trying to make a comeback: Next fall, through a parliamentary by-election, he will probably be back in the National Assembly.

Until then, there are the elections to the European Parliament. The results will define, about halfway through Mitterrand's presidential mandate, the political landscape of France. The opposition is out to prove that, on June 17, the left will be a minority in the country (taking care that its calculations include the emergence of a far-right constituency led by former member of parliament Jean-Marie LePen).

This election will give the Communists a chance to count their numbers and determine whether their participation in the Government is paying off. Current opinion polls are not favorable to the Communists. As for the Socialists, they have no illusions: The social and economic context is not good.

The result, whatever the outcome of the election, will be an indicator—with no political price to pay and no impact on the makeup of the National Assembly—of how the wind is blowing. The most important poll, though, remains the legislative elections of 1986. By then, Mitterrand has wagered, the program of economic austerity will have paid off. €

Bernard Mazières writes on politics for the French weekly *L'Express*.



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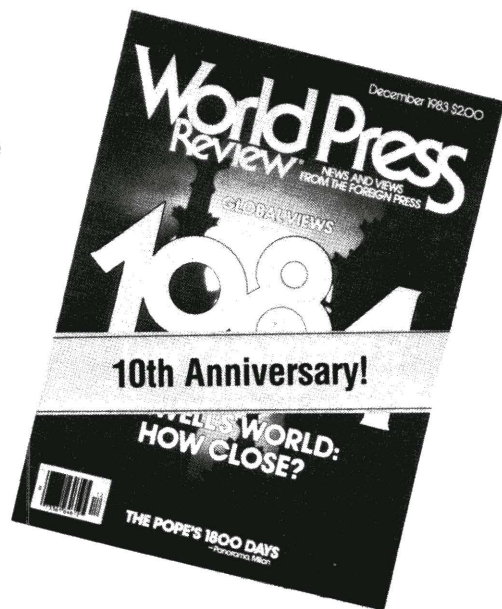
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# PARIS SHOWCASES NEW ARCHITECTURE

DESPITE CONTROVERSY, THE BIGGEST BUILDING DRIVE IN THIS CENTURY IS GOING AHEAD.

CAROLYN LESH

Parisian architecture has a history rich in controversy, with some of the most beloved monuments and museums being condemned at birth. When the Eiffel Tower appeared on the skyline 95 years ago, Parisian artists sent an open letter to the Mayor denouncing it as a "dizzy, ridiculous tower dominating Paris like a gigantic factory chimney."

When the Georges Pompidou center opened its doors seven years ago, its oil-refinery-like architecture produced a hail of criticism. "Take a pretty woman and imagine her intestines on the outside and you know why, physically and inevitably, it is ugly," one newspaper critic wrote at the time, comparing the center to "a mushroom on a dank wall." The Eiffel Tower survived its detractors and for decades ruled the French capital as the most visited tourist site. It lost that honor only a few years ago to the Georges Pompidou center.

These days, French government officials are fond of recalling such past protests over controversial projects that became architectural wonders. Their recollections come in the face of criticism about certain aspects of the ambitious building program now underway in the capital. Despite France's ailing economy, \$1.8 billion will be spent on architectural projects to be completed in Paris during the next five years. It is the biggest building drive in Paris this century and the result of Socialist President François Mitterrand's vow to give the capital "new cultural equipment."

Mitterrand's plans include the construction of the Bastille opera house, a vast renovation project for the Louvre museum, the planned Arab World Institute, the Orsay museum for 19th century artwork, an expansion of the Pompidou center, a new museum of science and industry, a new national telecommunications center, and new quarters for the

Ministries of Finance, Environment, and Urban Affairs.

Many of the new constructions will be gleaming glass-and-steel structures that will add modernistic touches to the city's skyline of rooftop red chimneys. One such new building is the Arab World Institute, which is being built on the left bank of the Seine along the Quai Saint Bernard that fronts part of the Latin Quarter.

Other construction projects make no attempt to alter the existing landscape of the capital. The Orsay museum, along the left bank of the Seine, is being built within the rococo walls of the old Orsay train station. Scheduled to open in 1986 at a renovation cost of \$135 million, the museum will house the state's collection of 19th-century art from Eugene Delacroix to Henri Matisse. The new museum, directly across the Seine from the Louvre, will feature the entire contents of the Jeu de Paume and the Orangerie museums.

Also along the Seine is the ultra-modern Bercy sports palace, which opened in February in Paris' bid to put itself on the international sports map. The massive indoor facility was masterminded by Paris Mayor Jacques Chirac, Mitterrand's conservative rival. Built of glass, concrete, steel, and brick, the 100-foot high building features "living walls" of grass growing on eight outer walls that slope at 45-degree angles.

The cost of Bercy pales, however, when compared to the projected cost of Mitterrand's pet project—the \$250-million proposed Bastille opera house. The new opera house, along with Mitterrand's plans to renovate the Louvre, have caused the most controversy among the current construction programs.

Carlos Ott, a 37-year-old Uruguayan-born Canadian, has designed the new opera complex. It will be located in a working class neighborhood in eastern Paris around the Place de la Bastille, the starting point of the 1789 French revolution. It is scheduled to open in time for

the bicentennial of the revolution. Ott's design was chosen from some 3,000 applicants. The new opera house has been praised for its boldness and imagination, while critics have attacked its projected price. An association to fight its construction has been formed by residents and businessmen who will be displaced by the expansive project covering 6.1 acres.

While the new opera complex has been criticized for its somewhat remote location, the plans for renovating the Louvre have drawn fire for the change it would bring to central Paris. Chinese-born American architect I.M. Pei has proposed putting a 66-foot glass pyramid in the courtyard formed by the three wings of the stately, 700-year-old Louvre. The pyramid, flanked by three mini-pyramids and water fountains, would top an underground main entrance to the Louvre and a parking lot. Under the plan, the Finance Ministry also will be moved out of its offices in the Louvre. No one denies that the Louvre needs more space—of the 15,000 paintings listed in the Louvre's inventory, only 2,200 hang on its walls.

Critics, however, have denounced the pyramid, saying it would block the view that runs through the Tuileries gardens to the Place de la Concorde. Architects at the government's department of historical monuments have howled that the panoramic view of an elegant classical building will be spoiled. The renovation project led to the resignation last October of then Louvre director André Chabaud, who protested that the plan would pose "architectural risks." The French daily *Le Monde* attacked Pei directly by writing, "just because he likes pyramids doesn't mean he can treat the Louvre courtyard as an annex to Disneyland."

Pei, who also designed the east wing of the National Gallery in Washington, D.C., has said the critics have misunderstood his concept. "You can't just walk down into a sunken court," Pei said. "The Louvre needs something prestigious. We do not want to touch the building itself, but we wanted to create a main entrance to the museum that would not look like a subway entrance."

Government officials do not seem to be taking the Louvre criticism to heart. Commented Culture Minister Jack Lang: "In 20 years, the same people who have been fulminating against the pyramid will be the first to complain that the national heritage of Paris is being violated if ever there are plans to remove it." ❧

Carolyn Lesh reports from Paris for the *Associated Press*.





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A taste of modern Parisian architecture, clockwise from above: the Georges Pompidou center, the most visited tourist sight in Paris; a model of the new Bastille opera house; the Forum des Halles, on the site of Paris' former central market; and a model of American architect I. M. Pei's pyramid for a new entrance to the Louvre.



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# U.S. FILMS CAPTURE EUROPEAN MARKET

EUROPEAN PARLIAMENT REPORT FAULTS PERVERSIVE INFLUENCE ON THE CULTURES OF EUROPE.

ROSE DOYLE

Never before have films been so popular in Europe. All the indications are that people's passion for movies is growing. But, it is also true that today's audiences prefer to watch them at home. Now, it is the small square screen of television, not the silver screen of the cinema, that holds sway. And there is another, not so obvious, change. Europe's once-discerning cinema-going public has become less so, and a lot less addicted to European films. Apart from the huge television audience, even the larger cinemas in Europe are today dominated by American films.

The most unhappy change of all is that the film industry in Europe is facing its most serious economic crisis ever. A report from the European Parliament dealing with the promotion of film-making in the Community countries has come up with some depressing statistics for the European movie industry. The report says that the American film industry now takes an overall 47 percent share of the main European markets of Italy, France, the United Kingdom, and the Federal Republic of Germany. This leaves 51 percent to Europe's film leaders and 2 percent to share between the other six Community countries. So less than half the market goes to a single industry, which makes the Community the best foreign market for American films. Again, the development of television has meant that the decline in the number of cinema-goers over the last 25 years has varied from 57 to 91 percent throughout the member states.

The report points to the disastrous effect the crisis is having in social terms (on employment, the standard of living, and all categories of workers in the film industry) as well as in cultural terms, since it jeopardizes the future of a medium for the cultural expression of every European nation. It warns that time is

running out: It will soon be too late to restore the cinema to its former preeminent position as popular entertainment unless the Community begins to deal with what the report terms "anti-competitive" practices by the American film industry, both by permitting and helping E.C. member states to improve the distribution of European films and also by creating a distribution system powerful enough to compete on equal terms with the major American companies.

The report calls for a reversal of the famous dictum of André Malraux—"The cinema is an industry, but it is also an art." It is also concerned about the decline in short films, feeling that all films, as part of the Community's cultural heritage, should be afforded the same protection as other features of Europe's collective heritage.

Television offers no salvation. The film industry's earnings from the new markets which the medium has opened up are derisory, since the cost of purchasing a film for a television network represents,



It's as if you've never left home—American films are shown everywhere in Europe.



on average, no more than 3 percent of its production cost—while the rate for one minute's advertising is generally enough to cover the fee for broadcasting an entire film. Films on television come cheaper for everyone, it seems. On the other hand, if television paid more for films, the excessive numbers broadcast would diminish (the broadcast rights for one film are between nine and 25 times less than an equivalent production whose costs are met by television).

The report reveals an "overwhelming domination" by the American film industry in Europe, with its two-fold advantage. Apart from the benefit of getting the lion's share of the market, there is also the pervasive influence on the culture of Europe. In the recessionary early 1930s, times not unlike today, U.S. President Herbert Hoover bluntly stated the value, economic and cultural, of cinematic dominance: "Where the American film penetrates the market, we sell more American automobiles, more baseball caps, and more American phonographs." While acknowledging the excellence of

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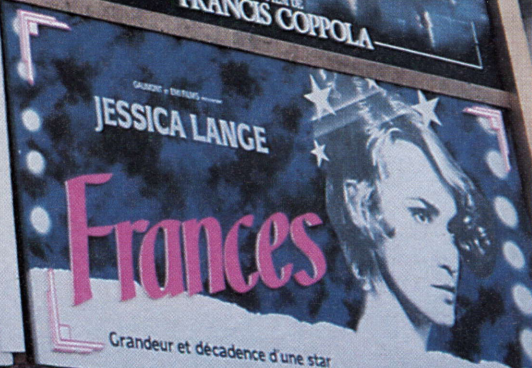


# CINEMAS



## OUTSIDERS

UN FILM DE FRANCIS COPPOLA



**A recent report says that the American film industry now takes an overall 47 percent share of the main European markets of Italy, France, the United Kingdom, and the Federal Republic of Germany.**

many American films, the European Parliament's report indicates that the public is not necessarily convinced that American movies are the only films worth seeing. Nevertheless, a meticulously well organized sales policy and the technical perfection of U.S. films have combined to change public taste in favor of American-style cinema. The public must choose from the films on hand and the reality is that most movies produced by the European film industry simply fail to gain access to the market in other E.C. member states.

This is the heart of the European film industry's problem: Film scheduling is controlled by a group of large American distribution companies, known as the "majors," who, before there was a Common Market in Europe, set up a sophisticated and powerful network there. It controls test markets in capital cities and first-release film theaters so that films offered by other distribution companies (mostly non-American) have no effective

access to the market. In exchange for box-office films, the majors require cinema managements to take all the other films for which they have the distribution right. The result leaves very little projection time for non-American films and means that films which do not comply with American standards and taste increasingly meet with public indifference.

To counter this situation, the Parliament's report calls for a commercial structure on which European films can rely and for quick action before creative cinema disappears. It wants a long-term strategy for the film industry to meet cultural and social needs. The E.C. Commission has already taken steps toward promoting the Community's film industry in preparing, along with national television authorities, a series of television programs which will present the cinema of each E.C. member country to the public in others. This is not enough, the report feels. A European Film Festival is needed—on the Community's initiative,

and with its support, it should include aid for the distribution industry itself.

There is a warning, too, that the abolition of national aid would amount to the complete disappearance of the European film industry. The Community is urged to take a closer look at the truly non-competitive practices on the part of the "majors," which have led to the closing of so many local cinemas and turned smaller conurbations into public wildernesses, as well as alienating the cinema from its public. There are also words about the dangers developing from the rapid movement of cable and satellite television and video cassettes, as well as pirate recordings. The report's final plea is for the Community to show both realism and sensitivity—to build "the Europe of the Treaty of Rome (establishing the E.C.) without destroying the cinema—which is one ramification of the Europe of Culture." €

Rose Doyle writes from Brussels for the *Irish Times* and reports for several Irish radio stations.



# NEWS OF THE E.C.

## E.C. PROPOSALS WOULD LIGHTEN FORMALITIES AT BORDERS

The much-publicized border blockades that snarled traffic throughout much of Europe in February could have been avoided had the E.C.'s Council of Ministers acted on the E.C. Commission's proposals to reform customs procedures, according to E.C. Commissioner Karl-Heinz Narjes who is responsible for the E.C.'s internal market. Narjes and Transport Commissioner Giorgios Contogeorgis told Italian ministers recently that Council action on pending legislation to open up national frontiers to intra-E.C. traffic could have averted the massive demonstrations by European truckers fed up with the administrative red tape they encountered at border crossings.

The truckers blocked many of Europe's major road arteries for several days. They were protesting border-crossing delays touched off by a job action by Italian customs officials seeking improved benefits and working conditions. "When things go wrong like this, it illustrates vividly how far we have to go before we have the fully-effective internal market which is so important for the competitiveness of Community industry and commerce and for overcoming today's economic problems," the Commission said in reaction to the traffic jams created by the truck blockades.

The Commission has made dozens of proposals in recent years aimed at removing the red tape that still hinders much



intra-E.C. trade. At least 10 proposals to that end put before the Council of Ministers in 1982 are still awaiting approval. Narjes told the press that by creating the traffic chaos the truckers in a sense had done Europe a favor by drawing public attention to the problem and perhaps by providing a new impetus for solving it.

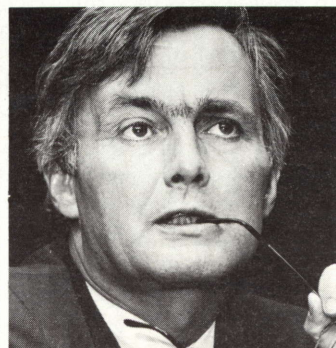
Among the Commission proposals designed to streamline internal E.C. customs procedures is the adoption of a uniform customs document to replace the myriad of forms that presently exist. The Benelux countries have already adopted such a document and will begin to use it as of July 1984. Another Commission proposal designed to speed up the flow of traffic across Europe's borders involves shifting value-added tax payment sites from frontier posts to locations further into the interior of each country.

One of the most positive developments to date in reducing administrative obstacles to trade between E.C. countries was a proposal adopted by E.C. Transport Ministers in December 1983. The ministers agreed that each E.C. country should centralize its various controls and formalities at a single location, replace system-

atic controls with spot-checks, and increase cooperation between the different national customs services in running frontier posts and coordinating working hours at those posts.

## POLLS PREDICT GOOD TURNOUT FOR ELECTIONS TO PARLIAMENT

Election fever is not likely to take Europe by storm as the June 1984 election date for members of the European Parliament approaches, but E.C. policymakers hope interest in the event will increase before Euro-voters go to the polls. In a recently published survey taken by the E.C. Commission in late 1983, a scant 14 percent of E.C. citizens questioned knew about the June elections



Pieter Dankert, President of the European Parliament.

—only the second direct elections in the European Parliament's history.

Almost twice that number knew equally far in advance about the Parliament's first direct elections in 1979. When told about the elections, 49 percent of those surveyed said they would definitely vote and 24 percent said they would probably vote. About 42 percent thought the upcoming election would have important consequences, while 32 percent classified it as an "unimportant event."

The survey showed that only one person in two had recently seen or heard something in the media about the European Parliament—about the same level of public awareness as in 1979. But despite the lack of informed opinion about the Parliament, the body is generally viewed in a positive light by the Community's voters. Slightly more than two-thirds of those surveyed said the Parliament should have more power and a greater say in how the Community is run. However, opinion was about equally divided on the question of whether the Parliament could actually solve Europe's major problems.

Perhaps surprisingly, the European Parliament's members did not fare as well as the institution itself in the public opinion rating. About two-thirds of those surveyed said the members of the European Parliament were too remote from the problems of the people who elected them. Only 11 percent disagreed with that estimation. The British and the Irish were the most critical of the European Parliament's members, while the Germans were the least critical.



Although the Luxembourgers and Danes seemed to be the best informed about the Parliament's activities, the Belgians knew more than their other Community counterparts about the June elections. The election's importance was rated highest by the Greeks and the Italians and lowest by the Germans and Dutch. Overall, 87 percent of the Greeks and 82 percent of the Italians questioned said they would probably cast a ballot in the elections, compared with only 48 percent of the Belgians.

## E.C. URGES LESS AIRLINE REGULATION

American-style airline deregulation is not the right prescription for keeping Europe's air routes profitable and its air fares affordable, the E.C. Commission said recently in a report on the development of an E.C. air-transport policy. Although the Commission said that less stringent regulation of air fares and services within the E.C. could force Europe's airlines to provide more efficient service, it said there were too many differences between the European and American air transport industries for wholesale deregulation to be feasible in the E.C.

The United States deregulated its airline industry in 1978, enacting legislation that repealed government restrictions on many aspects of the airline business, including fares, capacity, and market entry. Whereas U.S. airlines are privately owned businesses, most of Europe's major airlines, however, are state-owned and thus state-financed. For this reason, E.C. policymakers fear that simple deregulation of air routes and fares within the Community, rather than promoting more legitimate competition among the E.C.'s major carriers, would set off a stampede for government subsidies.

The Community Air Transport Policy proposed by the Commission in March compromises between complete de-

regulation and the free competition mandated, at least in theory, by the European Economic Community's founding Treaty of Rome for all E.C. businesses—including the airlines. "The direct application of competition rules would lead to revolution," Frederik Sorensen, chief of the E.C.'s air-transport division, told an industry audience recently. He said the challenge was to establish fair and equitable opportunities for the airlines while still limiting the amount of competition between them.



Relaxing current airline restrictions would give consumers a wider variety of choice and would lower air fares.

Relaxing current airline restrictions would give consumers a wider variety of choice and would lower air fares, while giving innovative and efficient airlines a wider scope for profits, the E.C. Commission told Community Transport Ministers in presenting its proposals. These restrictions could be relaxed in such a way as not to interfere with national social and economic objectives, the Commission said. The proposals generally would bar E.C. governments from granting financial aid to their national airlines.

Within the E.C., state-owned national airlines may hold a virtual monopoly on air travel within their own national boundaries. National governments decide whether or not to license other airline companies and negotiate flying rights with other countries. The proposals would prohibit two E.C. nations from agreeing to each take a 50-50 share for their national airlines on air travel

between the two. However, it would allow a government to intervene to insist that its own national airline provide at least 25 percent of the service on a given route.

The proposals would also prohibit governments from imposing capacity sharing or revenue pooling on intra-E.C. air routes. Pools are agreements in which the airline that collects more revenue from a particular route shares it with the less profitable airline. Europe's current system of air-transport regulation has come under in-

Economic output in the E.C. increased by an average of only 0.8 percent in 1983. The Commission attributed the brighter prospects for economic growth this year to a recovery in world trade and the effects of the "corrective" economic policies adopted by many E.C. countries. However, the Commission said that the level of U.S. interest rates, the value of the U.S. dollar, and the size of the U.S. budget deficit remain key uncertainties in the E.C.'s economic outlook for 1984.

The Commission cited an upsurge in business confidence and in investment intentions as signs that the E.C.'s economy will improve in 1984. It said the outlook for increased industrial investment was particularly good in Denmark and the Netherlands, but also bright in France and the United Kingdom. The Commission said 1984 will see an increase in business investment in the E.C. of an average of 2 percent following three years of decline in real terms.

Inflation rates in the E.C. countries (excluding Greece) this year are expected to range from 3.1 percent in the Netherlands to 10.5 percent in Italy. The average inflation rate across the E.C. in 1984 is forecast at 5.2 percent, down from 6.2 percent in 1983. The expected decline in inflation will add to the real disposable incomes of E.C. householders and thus could increase private consumption by as much as 1.1 percent this year, compared with 0.9 percent in 1983.

The news on the E.C.'s employment front, however, remains relatively bleak. Unemployment in Europe continued its rise in 1983, though more slowly than in 1982. At the end of January 1984, some 12.9 million people in the Community were unemployed, 600,000 more than at the end of January 1983. The modest economic growth expected in the E.C. this year is not expected to reduce the Community's overall unemployment rate, but the employment picture could improve toward the end of the year. The Commis-

Increased attack in recent years from critics that charge that the system's rigidity has allowed airfares to become artificially high. Critics of the present system complain that a one-way economy flight between the E.C. cities of London and Athens often costs as much as a round-trip flight from London to New York.

## E.C. FORECASTS IMPROVED GDP GROWTH IN '84

The E.C. member countries' economies this year probably will grow by more than previously expected, but the upturn will not be strong enough to cut unemployment, the E.C. Commission reported recently. In a March report, the Commission said it now expects the E.C.'s gross domestic product to climb by 2 percent in 1984, up from the 1.5-percent growth forecast it issued last October.





sion said employment prospects differ widely among the E.C.'s members. The Federal Republic of Germany and the United Kingdom actually may experience reductions in their jobless rates, the first such declines since 1979.

## U.S. REJECTS CALL FOR CURBS ON WINE IMPORTS

The U.S. International Trade Commission (ITC) in March effectively denied a call by U.S. winemakers for penalty duties on American imports of French and Italian table wines. The ITC unanimously rejected allegations brought by an American industry group that imports from France and Italy had hurt the U.S. domestic wine industry. The group, the American Grape Growers Alliance for Free Trade, had complained that American grape growers had lost money and that U.S. winemakers had suffered because American wines had been forced to compete with unfairly traded imports.

The growers claimed that the French and Italian wines in question benefited from government subsidies and were being sold in the United States for less than they were worth. The group asked the U.S. Government to impose countervailing and anti-dumping duties on the French and Italian wines

to offset allegedly unfair competitive advantages they enjoyed in the U.S. market. The ITC's ruling, however, in effect ended the government's investigation into the charges.

The E.C. Commission, which had been involved in the wine case on behalf of E.C. members France and Italy, welcomed the trade agency's ruling. The E.C. had vigorously denied the charges that French and Italian wines were being subsidized or dumped—that is, sold at less than their fair value—on the U.S. market. The French and Italian wines covered by the complaints accounted for about \$300 million worth of U.S.-E.C. trade. The E.C. had warned the United States that a decision to impose penalty duties on these wines could have set off a chain reaction of protectionism in the agricultural trade sector, with wide ranging consequences for U.S.-E.C. trade relations.

## SPENDING CURBS FOR TOURISTS RULED ILLEGAL

Some European tourists may soon be able to travel abroad with a little more money in their pockets following a recent ruling by the E.C. Court of Justice. Earlier this year, the court ruled that it was illegal for E.C. countries to stop their citizens from taking money abroad to pay for tourism, busi-

ness trips, foreign study, or health care.

The ruling was a setback for France and Italy, two E.C. countries that impose such controls. French and Italian authorities had urged the court to uphold their right to control foreign exchange outflows by adopting a narrow interpretation of portions of the E.C.'s founding treaties pertaining to payments, capital, and trade in services between E.C. states. The Court of Justice is the "supreme court" in matters of E.C. law. As such, it is often called upon to interpret the founding treaties that serve as the E.C.'s constitution.

The court's decision came in a case referred to it after an Italian court in Genoa had fined two Italian citizens for taking more money outside Italian borders than the permitted 500,000 lire (about \$310) per year. The two people claimed that the money was for tourism and medical treatment and together they challenged Italy's right to bar them from taking money out of the country for those purposes. At issue was whether the tourism and health-care funds constituted "payments" in exchange for services or were instead movements of capital. The E.C. treaties give member countries more leeway to restrict capital outflows, while they provide for a relatively free flow of payments between member countries.

The court generally agreed

with two the Italians. The 11-member tribunal upheld the authority of an E.C. member to impose foreign-exchange controls as a means of verifying that its citizens were not illegally investing abroad. However, it ruled out limits on foreign payments that could impinge on the normal free exchange of services between E.C. member countries, numbering education, tourism, and medical care among these services. The court's decision was welcomed by the E.C. Commission, which has consistently pushed for fewer restrictions on trade in goods, services, labor, and capital.

## GREENLAND PREPARES TO LEAVE E.C.

Greenland, the world's largest island, will withdraw from the European Community as of January 1, 1985, but will keep close ties with the E. C. under a draft agreement recently approved by the Community's Council of Ministers. Greenland, a Danish dependency, became part of the E. C. when Denmark joined in 1973. After Greenland's local government won semi-autonomy under Denmark's Home Rule Act in 1979, it expressed its wish to leave the E. C.

In a 1981 statement, the Greenland government said it wanted Greenland to withdraw from the E. C. in order to pre-



Harbor of Jakobshavn in Greenland



serve its identity and maintain local control of its fishing trade. Greenland's citizens then voted in favor of leaving the E. C. in a 1982 referendum. However, the island's government said it wanted to maintain Greenland's close links with Denmark and with Europe and requested it be granted "Overseas Countries and Territories" (OCT) status. The OCTs are dependencies of E. C. member countries whose products receive preferential access to Community markets. The OCTs include the British Virgin Islands, Guadeloupe, and the Netherlands Antilles.

The Council of Ministers this year resolved the last of the outstanding issues involved in setting the terms of Greenland's departure from the Community. On the key issue—fishing rights—the Council agreed that the Community would compensate Greenland in exchange for guaranteed access to Greenland's waters.

The fisheries protocol is part of an overall 10-year accord defining Greenland's future relationship with the E. C. Because that accord requires changes in the E. C.'s basic treaties, it must be ratified by the national parliaments of the E. C.'s 10 member countries before becoming law. The national parliaments should have ample time to act on the accord before Greenland's formal withdrawal from the E. C. at the start of next year.

Under the fisheries protocol, the Community will be allowed to catch specified quotas of fish in Greenland's waters for an initial five-year period following Greenland's withdrawal. In return the Community will pay Greenland about \$23 million a year.

## NEWLY INDEPENDENT ISLANDS JOIN LOMÉ PACT

The newly independent Caribbean nation of St. Christopher and Nevis (also known as St. Kitts-Nevis) on March 5 be-

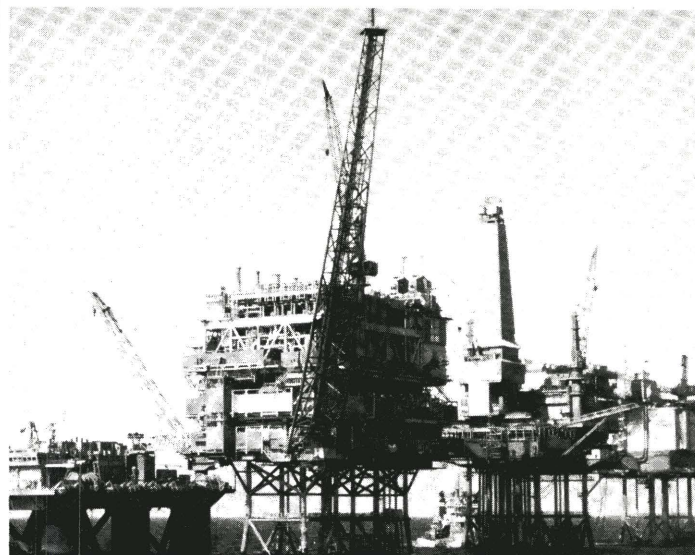
came the newest member of the Lomé Convention, a trade-and-aid pact that links the E. C. with about half of the world's developing countries. The two islands, a former British dependency, became self-governing in 1967 and independent in 1983. Together they now form a single country with a population estimated at close to 44,000.

The accession of St. Christopher and Nevis to the Lomé accord makes that country the 64th Lomé member worldwide and the 12th in the Caribbean region. St. Christopher and Nevis first became associated with the E. C. in 1976 when, as a British dependency it became one of the Community's "Overseas Countries and Territories." As a member of the Lomé Convention, St. Christopher and Nevis will receive trade concessions from the E. C. as well as about \$1.9 million in financial and technical assistance.

## E.C. REDUCES DEPENDENCE ON FOREIGN OIL

Europe has halved its dependence on imported oil over the past decade, but can't afford to relax its efforts to become more energy self-sufficient, the E.C. Commission said recently in a report on the E.C.'s energy strategy for the next decade. The Commission said Europe hardly produced any oil at all in 1973—the year of the first oil price shock. During that year, imported oil accounted for 62 percent of the E.C.'s total energy needs. By 1983, however, imported oil only accounted for 32 percent of the E.C.'s energy use. The Commission attributed the decline in imports to energy conservation and the development of Europe's petroleum resources in the North Sea.

Energy saving measures and diversification into other forms of energy like coal and nuclear power—coupled with the effects of the recession—have meant that the use of oil has declined relative to other en-



Platforms for processing, drilling, and living quarters on an offshore oil rig in the North Sea.

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ergy sources. In 1973, oil accounted for over 60 percent of the E.C.'s total energy consumption. By last year it had fallen to 48 percent and by 1990 is expected to fall to 43 percent. The E.C. will still be relying on imported petroleum, however, for about a third of its energy needs at the end of the decade.

This continued dependence on imported oil would make the E.C. vulnerable—though less so than in the past and in varying degrees from country to country—should political tensions in the Middle East lead to a third oil crisis. Denmark, Ireland, Italy, Greece, and the Netherlands will still depend on oil for at least 50 percent of their energy requirements by 1990. The Commission pre-

dicted that the members of the Organization of Petroleum Exporting Countries probably would supply a larger share of those imports in the future than they do today.

The Commission said that the results of its research show that the E.C. members who have most actively pursued policies to promote energy independence have been most successful in encouraging alternatives to oil in electrical power generation. It said the combined role of solid fuels and nuclear power in generating the E.C.'s electricity will continue to rise through the end of the decade.

In 1990, nuclear power is expected to be providing close to 40 percent of the E.C.'s electricity, while solid fuels and

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nuclear power combined will account for about 80 percent of the electrical power generated in the Community. When hydroelectric and other renewable power sources are taken into account, the Commission estimates that oil could account for less than 10 percent of the fuel used in Europe's electrical power plants.

In a recent shorter-term report on the E.C.'s energy situation, the Commission said the economic growth expected in the E.C. in 1984 will boost the Community's energy needs for the first time in five years. The anticipated 2 percent gain in the E.C.'s gross domestic product is expected to raise the Community's energy use slightly, but not by enough to stimulate oil imports.

In 1983, the E.C.'s energy consumption fell by just over 1 percent, following steeper declines in the previous three years. The Community's oil demand fell by 4.6 percent in 1983, while oil imports fell by 12 percent. Coal demand declined 4 percent last year, while demand for natural gas and electricity each increased about 2 percent. There was a 22 percent increase during the year in the amount of electricity produced by the Community's nuclear power plants as several new power facilities came on line. Over 20 percent of the E.C.'s electricity supply presently derives from nuclear sources.

## AID ROUNDUP

The E.C. Commission recently authorized the following emergency or development assistance projects (1 European Currency Unit, or ECU = \$0.86):

**Emergency Aid—Swaziland:** 100,000 ECU to purchase vital supplies for victims of cyclone "Domoina," which caused numerous deaths, destroyed homes, and disrupted essential services in that country. . . . **Mozambique:** 1.3 million ECU for the purchase and transport of about 1,300 tons of corn and bean seeds to fight

the famine caused by drought and other severe weather conditions. Mozambique's Gaza and Inhambane regions have been afflicted by drought during the past several months and some districts have been dry for several years. The drought has already claimed 100,000 lives and has affected another 800,000 people. In addition, a violent cyclone struck Mozambique's Maputo province recently, causing extensive damage to infrastructure, crops, and livestock. The E.C. already has allocated a total of 2.6 million ECU to Mozambique's disaster victims. It sees the corn and bean-seed shipments as a first step in re-launching agriculture in some of the disaster areas. The E.C. also allocated 500,000 ECU to Mozambique to purchase provisions for those affected by cyclone damage. . . . **Mauritania:** 500,000 ECU in aid to provide medical care and transport foodstuffs to drought victims. . . . **Mali:** 160,000 ECU to buy medicines, medical supplies, and high-protein foodstuffs for drought victims and to fight an increase in disease epidemics. . . . **Niger:** 500,000 ECU for drought relief. The drought, which covers large portions of West Africa, has affected 930,000 people, many of whom had been considered in need of immediate relief. The E.C. aid will be used to purchase grain and distribute it to drought victims. . . . **Ghana:** a 500,000 ECU contribution to a private relief effort involving the transport of 3,000 tons of grain to Ghana. The grain, purchased by the Danish government, will be delivered by the private relief group, Danchurchaid. The grain shipment will help compensate for a drastic decline in Ghana's domestic grain production caused by drought. . . .

**Emergency Food Aid—Haiti:** 2,000 metric tons of rice to relieve hunger caused by a severe drought. . . . **Nicaragua:** 1,000 tons of grain via the World Council of Churches. . . . **Peru:** 300 tons of vitamin-enriched skimmed milk powder. Peru has been hit by floods,

which followed closely on the heels of a drought. . . . **Tunisia:** 4,000 tons of grain to offset a shortfall in that country's crop production. Bad weather conditions last year caused Tunisia's grain output to plunge from 1.28 million tons in 1982 to 863,000 tons in 1983. The E.C. grain will meet the needs of 120,000 people for about three months. Its value is estimated at 740,000 ECU.

**Aid to Non-Associated Developing Countries:** **Honduras:** 9 million ECU to help consolidate an agricultural reform program in southern Honduras. The program proposes to set up a regional agricultural extension service in Choluteca and Valle provinces where land has already been distributed. The service would provide the 245 cooperatives in the agrarian reform area and 100 or so small private owners with inputs and basic services that existing institutions have been unable to supply. . . . **Indonesia:** 7.5 million ECU for the West Pasaman irrigation project. The project will irrigate the fields of 3,200 farming families.

**European Development Fund—Lesotho:** a 5.3 million ECU grant, plus an 8.8-million ECU special loan to pave a gravelled highway that links the capital of Maseru with the agriculturally important south western lowlands and the eastern highlands and border country. . . . **Comores:** 2.3 million ECU to continue a project designed to develop corn production in that country. . . . **Guinea-Bissau:** 3.25 million for a bridge over the Campossa river. The bridge will enable the eastern part of the country to benefit from new highway construction. . . . **Member Countries of the African and Mauritian Common Organization (Benin, Central African Republic, Gabon, Ivory Coast, Mauritius, Niger, Rwanda, Senegal, Seychelles, Togo, and Upper Volta) and other African states:** 4.5 million ECU to expand and improve regional training schools for construction engineers. . . . **Caricom:** a 16-million ECU spe-

cial loan for the purchase of four new aircraft for the Leeward Islands Air Transport Ltd. airline owned by 11 Caribbean governments. It provides a public air transport service in the eastern Caribbean. . . . **Sierra Leone:** 1.55 million ECU for a drinking-water project for the rural population of the Pork Loko/Kambia districts. . . . **Liberia:** 880,000 ECU to improve agricultural training programs at the Rural Development Institute in Suakoko. . . . **Lesotho, Malawi, Mozambique, Mauritius, Swaziland, Tanzania, Uganda, Zambia, Botswana, Ethiopia, Kenya, Seychelles, Sudan, Somalia, and Zimbabwe:** 1 million ECU for a regional education and training program. . . . **Botswana:** a special loan of 800,000 ECU to provide a line of credit to the National Development Bank of Botswana to help fund the nation's agricultural and industrial development programs. . . . **Domenica:** 560,000 ECU to provide for the replanting, weeding and fertilizing, and other care of 690 acres of lime trees. The project is part of a program designed to diversify Dominica's agriculture so that its farmers no longer depend on bananas as their sole cash crop. . . . **Solomon Islands:** 1 million ECU for a line of credit to stimulate industrial and economic development in that nation.

## STRONGER TIES WITH LATIN AMERICA URGED FOR E.C.

At the initiative of one of its Vice-Presidents, Wilhelm Haferkamp, the E.C. Commission has requested the E.C. Council to approve a number of guidelines designed to strengthen and intensify relations between the Community and Latin America as part of a specific Community policy for that region. It proposed a number of measures in the spheres of financial cooperation, industrial, scientific and energy cooperation, trade promotion, training, information and cultural ex-



changes.

The Commission considers that these relations should reflect the Community's many links—historical, cultural, political, and economic—with Latin America. This would further the two sides' economic and political interests, the areas in which their economies complement each other, and Latin America's development potential.

The Commission sees the time as being ripe for the Community and its member states to make determined moves toward strengthening relations. It points to the willingness of the two sides to resume the institutional dialogue following the crisis in the south Atlantic, the support shown on the two sides at parliamentary level for a rapprochement, the conclusion of the cooperation agreement between the Community and the Andean Pact, and the prospect of Spain and Portugal's joining the Community, these countries being particularly close to Latin America.

The Community's commitment to Latin America is all the more essential at a time when that continent is going through a serious economic and financial crisis, but is also experiencing a positive political development in the form of a return to democracy. The Commission says that the Community, having advocated and encouraged these political changes over the years, now has a duty to support them by all the means available to it.

## **E.C. PLANS PROGRAM FOR EMPLOYMENT OF DISABLED PEOPLE**

"Disabled people are among those most severely affected by the present situation, not merely by unemployment, but also by the impact of budgetary austerity which has cut into many of the essential support services on which disabled people depend in their struggle to maintain an independent way of life, and in turn, their capac-

ity and motivation for employment."

These were E.C. Commissioner Ivor Richard's words to a recent conference organized by the Commission on the employment of disabled people. The conference brought together nearly a hundred participants from government bodies and voluntary organizations, from rehabilitation centers and the social partners, as well as the leaders of the district projects on the social integration of disabled people, set up as part of the action program adopted by the E.C. Council in December 1981.

The conference itself, also an important element of the same action program, had as its aim the definition of principles and policy guidelines for action to promote the employment of disabled people, which the Commission intends to present as a draft instrument for adoption by the Council in the near future.

## **E.C. TAKES PART IN NEW ORLEANS WORLD'S FAIR**

The European Community pavilion at the 1984 World's Fair in New Orleans, Louisiana, will feature a new audiovisual system, "Rondovision." Using only one projection device, the system covers the whole perimeter area of a 52-foot-diameter rotunda with a continuous dynamic image. In this way, a new, impressive vision is created which earlier was possible only with the use of nine or more projectors. The 360-degree projector was produced especially for the E.C. pavilion.

As in the World's Fair in Knoxville, Tennessee, the E.C. member states participating at New Orleans, France and Italy, will have their own exhibitions sharing a common facade with the E.C. pavilion.

The E.C. pavilion represents the European Community and all its member states (Belgium, Denmark, Federal Republic of Germany, France, Greece, Ire-

land, Italy, Luxembourg, the Netherlands, and the United Kingdom). The exhibit describes and explains the European Community, its history, its goals, and its place in the world.

The E.C. presence this year follows a Community tradition of participation in World's Fairs since the 1958 event in

Brussels, Belgium. The Community welcomed this opportunity to participate in a fair in the United States in a city with strong ties to Europe. The E.C. also exhibited in North America in 1962 in Seattle, Washington, at EXPO 1967 in Montreal, Canada, and at the 1982 World's Fair in Knoxville.

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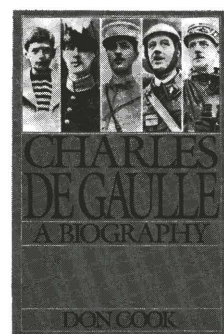
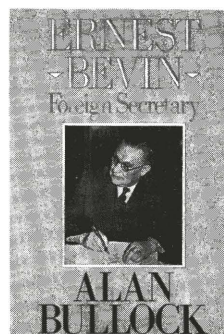
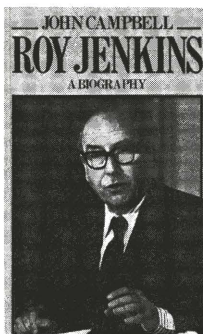
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# BOOKS IN REVIEW



**Roy Jenkins**, by John Campbell, St. Martin's, 256 pages, \$22.50

**Ernest Bevin**, Foreign Secretary, by Alan Bullock, W.W. Norton & Co., 896 pages, \$37.50.

**Charles de Gaulle**, by Don Cook, G.P. Putnam's Sons, 432 pages, \$22.95

MICHAEL D. MOSETTIG

**T**he career of Roy Jenkins synthesizes two themes of modern British politics—the struggle for the soul of Socialism and the influence of the European idea as a maker and wrecker of careers and historical reputations. In this succinct and graceful masterpiece of biography, author and critic John Campbell has presented a vivid portrait of Jenkins the politician. He also draws the reader into the excitement of British politics of the 1950s and 1960s, especially on the Labor side, when an assemblage of bright and talented young politicians was trying to stake out the direction of its society at home and in the world.

Campbell's book makes fascinating reading because it so skillfully blends the personal struggles for power with the intellectual and ideological motivations of such rivals and allies as Jenkins, Anthony Crosland, Richard Crossman, Denis Healy and Anthony Benn, as well as their leaders Hugh Gaitskell and Harold Wilson. This is not a full-scale personal biography and certainly not a Freudian one, but it offers perceptive glimpses and insights on Jenkins's personal path from a Welsh town through Oxford to Hampstead. This development, plus his moderate instincts and refined tastes, helped set him apart from his Labor colleagues who later in life tried to rediscover their long-buried or non-existent roots in the working class.

Yet, what really sets Jenkins apart from the rest, according to Campbell, is that early in his career he established an independent reputation as a promoter of European unity and of British participation in Europe. Jenkins had distinguished stints in the Aviation Ministry and the Home Office and then he rescued the

Wilson Government, after the 1967 devaluation, as Chancellor of the Exchequer. Nevertheless, as Campbell asserts, it was Jenkins's role as a European that ultimately created the ups and downs of his career and reputation.

Future historians and biographers will have to go back to Campbell's book because it captures the moments of exhilaration and the years of torment that the European issue has brought to British politics and especially to the Labor party. Nearly 40 years after a Labor Government rejected the invitation to join the Schuman plan for pooling European coal and steel resources and 15 years after another Labor Government began the Common Market entry negotiations completed by the Tories in 1972, the issue of Europe still runs like a fault line through the British Socialist movement.

Campbell's book portrays another failed vision as well. Jenkins and others of the moderate left saw a Labor party moving away from class struggle, doctrinaire Socialism, and parochialism and hoped to lead a classless, non-ideological, and internationalist party. Events of the 1970s turned that vision into dust. By 1976, when Wilson stepped down as Prime Minister, it was clear already that neither Jenkins nor anyone of his stripe would ever lead the party.

As Labor turned more isolationist, anti-European, and ideological, the choices for such moderates as Jenkins grew more difficult. His good fortune, despite the many frustrations of the job, was to assume the Presidency of the E.C. Commission in Brussels in 1977. Campbell sums up the Brussels phase of Jenkins's career, even while acknowledging such accomplishments as the monetary union, with the observation: "It is really a waste of a major politician to condemn him to the frustration of Brussels; and yet it takes a major politician to achieve even as little as Jenkins did."

Four years removed from domestic office and the center of British politics, Jenkins was ideally poised to grasp the leadership of the homeless center-left in 1981. With far more energy, verve, and

élan than his opponents expected him to devote to the task, Jenkins created a powerful new political force in the Social Democratic-Liberal alliance.

Again, Campbell skillfully brings alive this brief epoch of British politics, its internal rivalries, as well as its ability to capture the enthusiasm of a middle class disenchanted with the hard left of Labor and hard right of the Tories. Unfortunately for American readers, this edition aimed at college readers ends as a campaign biography in the runup to the 1983 general elections and has Jenkins all but poised on the doorstep of Number 10 Downing Street. The lack of an update is a major drawback for an otherwise superb piece of biography. The only other flaw is attributing to President Franklin D. Roosevelt, not to Harry Truman, the Marshall Plan and the North Atlantic Treaty Organization (NATO).

Jenkins, in a great British tradition, is also an accomplished and prolific author. One literary assignment he turned down in 1952, however, was the biography of Ernest Bevin. Instead, the job went to Oxford historian Alan Bullock, best known to American readers for his *Hitler, a Study in Tyranny*. More than 30 years after he took up the task, Bullock has completed the last of a three-volume work, this one concentrating on Bevin's six dramatic years as Foreign Secretary after World War II. The bulk and price of this book will keep it off the shelves of all but specialists and libraries. Even so, with its reliance on papers only recently made available to historians, it will stand as a major and invaluable source of a still much-debated period.

One point does emerge clearly from his mass of material—just how lucky the British and their Western allies were to have had Bevin in the Foreign Office after Clement Attlee and the Labor Party achieved their surprising ouster of Winston Churchill at war's end. Bevin's careers as a trade unionist and as the wartime Minister of Labor were brilliant. Even so, there was little reason to expect a man with such little training or experience in foreign affairs would go into his-



tory as one of the most important Foreign Secretaries of the century and the last to achieve a policy reputation independent of his Prime Minister.

Controversy inevitably will surround the record of a secretary whom time placed in the role of withdrawing Britain from Palestine, aligning it firmly with the United States in the Cold War, grasping the offer of Marshall Plan aid, but rejecting any participation in Continental schemes of European federation.

In the Middle East, Bevin came under attack from Israelis and Arabs as well as many Americans. Even Bullock acknowledges that Britain's efforts to mediate the claims for the mandate and then its abrupt withdrawal hardly were a triumph of policy. But in many of his other policies, Bevin's strongest critics were on the left of his own party, Laborites seeking a policy more accommodating to the Soviets. And he is still under attack from revisionist historians for vainly trying to maintain Britain's global role and setting the country on a course that would drain it economically for two more decades.

The European record is more complicated and less subject to the passionate divides of the Middle East or to Cold War or Socialist theologies. Bevin's decision to grasp U.S. Secretary of State George Marshall's offer of reconstruction aid and to create the European planning and distribution mechanism that the Americans demanded is universally regarded now as brilliant statesmanship. Yet, two years

later, Bevin fudged and let slip by the opportunity to join the Schuman plan. Bullock makes a lengthy explanation of what happened and why (including Bevin's declining health), but even he comes away largely agreeing with Dean Acheson's assessment of 20 years later that this was "the great mistake of the post-war period."

Yet, as Bullock observes, the Europe that has emerged would be much less likely to arouse the anti-federationist fears of Bevin than to disappoint the hopes of Jean Monnet. If any one person can be held responsible for this turn of events, it is former French President Charles de Gaulle, now the subject of his first biography by an American, journalist Don Cook.

Cook, now with the *Los Angeles Times*, has covered Europe since World War II. Unfortunately, in this biography he has chosen to devote far more space to de Gaulle's wartime career than to his second Presidency, from 1958-1969. That is a pity because any accomplished historian could handle the early period, while Cook has passed up a chance to add the insights of his personal experience and of a man on the scene to a relatively contemporary biography. And it is all the more a pity because the years in which de Gaulle contemporaries will be writing his biographies are diminishing quickly.

In fact, Cook makes a major theme of de Gaulle's wartime disputes with Churchill and Roosevelt. To this period he

does bring a subtle appreciation of the conflicting pressures on all three leaders. He spreads the blame for the discord more evenly than such authors as Milton Viorst, who have placed most of it on Roosevelt. If anything, Cook is a bit too sympathetic to Roosevelt and too understanding of his misguided policy of dealing with Vichy France long after there were any political dividends to be gained from it.

Cook defines much of de Gaulle's second Presidency in terms of those wartime disputes, of settling scores with the Anglo-Saxons. That becomes the explanation for the 1963 veto of the British application to join the Common Market and the 1966 expulsion of NATO headquarters from France. What this type of analysis overlooks is that Gaullist policy, in substance if not in tone and style, has been maintained by all his successors as in the best interests of France.

Cook's biography does provide some interesting glimpses into de Gaulle's peculiar relationship with his successor Georges Pompidou and also a fascinating look at a diplomat carrying on a thankless job, U.S. Ambassador Charles Bohlen. The writer is a master of the anecdote, and his book is the most readable, especially for the generalist, of the recent de Gaulle biographies. €

Michael D. Mosettig is a producer on the *MacNeil-Lehrer NewsHour*.

## MINI-REVIEWS

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

**The World Tin Market: Political Pricing and Economic Competition.** By William L. Baldwin. Duke University Press, Durham, 1983. 273 pp. \$45.00

Presents the case that while the structure, conduct and performance of the world tin industry are subject to strongly competitive market forces, major intervention by governments has exerted a controlling influence over the world tin market for the past 60 years. Analyzes economic and political forces in the context of both the Sixth International Tin Agreement and continuing discussion over the proper structuring of the international tin market.

**Unemployment in France, the Federal Republic of Germany and the Netherlands: A Survey of Trends, Causes and Policy Options.** International Labour Office, Washington, D.C., 1983. 116 pp. \$10.00.

Based on case studies of France, the Federal Republic of Germany, and the Netherlands, this monograph seeks to identify factors which have led to increased unemployment in the industrialized market economies.

**Socialism in France: From Jaurès to Mitterrand.** Edited by Stuart Williams. St. Martin's Press, New York, 1983. 180 pp. \$22.50.

A collection of papers presented at the third conference of the Association for the Study of Modern and Contemporary France. Looks at the contemporary position of the French left, examining such questions as the declining influence of the Communist Party and the achievements of the Socialists in power. Also studies the French left from historic, literary, and cultural points of view.

**25 Years of Common Market.** By G.F. Seingry and F. Visine. Editions Delta, Brussels, 1982. 80 pp.

A pictorial essay highlighting significant events in the history of the European Community. Compiled to commemorate the 25th anniversary of the signing of the Treaties of Rome. Text in English, French, and German. With preface by Gaston Thorn.

**Yearbook of International Organizations 1983-84, 20th edition, Volume 2 (Geographic Volume).** Edited by the Union of International Organizations. K.G. Saur, Munich, 1983. Available from Gale Research Co., Detroit. 1,000 pp. \$168.00.

A geographical listing of all the international organizations described in the main volume of the series. Divided into two sections, the yearbook arranges organizations by country according to membership and to location of the organization's secretariat. In addition to providing a reference to the organization's full profile in the main volume, entries contain organization's name, acronym, address, and telephone and telex numbers.

**The UNCTAD Liner Code: United States Maritime Policy at the Crossroads.** By Lawrence Juda. Westview Press, Boulder, 1983. 234 pp. \$20.00, paper.

Based on interviews with key officials and on United Nations and U.S. government documents, this study examines the nature, provisions, and possible effects of the UNCTAD Liner Code. Compares the code with the present U.S. framework for liner regulation and promotion, and outlines and assesses the major policy options available to the United States, given the positions taken by the developing states and the E.C.

**The Political Economy of France: From Pompidou to Mitterrand.** By Volkmar Lauber. Praeger Publishers, New York, 1983. 270 pp. \$28.95.

Proposes to study the politics of the French economy since former French President Charles de Gaulle's resignation in 1969. Describes the positions, philosophies, and programs of major political parties, business, and labor unions during three periods: the Presidency of Georges Pompidou, the years under Valéry Giscard d'Estaing, and the beginning of the Françoise Mitterrand Administration.

**The Second Enlargement of the European Community: Adjustment Requirements and Challenges for Policy Reform.** By



Juergen B. Donges et al. J.C.B. Mohr, Tübingen, 1982. 247 pp.

Studies the policy implications of and the major adjustment challenges posed by the E.C.'s southern enlargement to include Greece, Portugal, and Spain. Discusses the prospect of enlargement in the context of the following: the manufacturing industry, E.C.-Third World preferential trade agreements, the Common Agricultural Policy, and the E.C.'s Mediterranean and regional policies.

**The Structure of the Defense Industry: An International Survey.** Edited by Nicole Ball and Milton Leitenberg. St. Martin's Press, New York, 1983. 372 pp. \$27.50.

Examines the role that the defense industry has played since World War II in the industrial and economic structure of the United States, the Soviet Union, France, the Federal Republic of Germany, Sweden, Czechoslovakia, Italy, China, Israel, and the Third World. Attempts to define the degree to which domestic factors such as defense-related employment and the role of the defense sector in industrial production influence the armament of states.

**Government Employment and Pay: Some International Comparisons.** *Occasional Paper 24.* By Peter S. Heller and Alan A. Tait. International Monetary Fund, Washington, D.C., 1983. 64 pp. \$5.00.

Looks at the following in an effort to produce an international comparison of public-sector employment and pay: the size of government employment; the magnitude of wages at each level of government; relative levels of public and private-sector salaries; and the degree of inequality observed in government salary structures. Provides inter-country indices that can be used in analyses of government wage rates and employment structure.

**EEC Dairy Facts and Figures 1983. 12th edition.** Milk Marketing Board, Surrey, U.K., 1983. 192 pp. £4.

Provides a compact and authoritative summary of the E.C.'s dairy industry. Includes chapters on prices, production and consumption, trade, industry structure, and population and land utilization. Lists pertinent E.C. dairy regulations and directives and details E.C. expenditure in the dairy industry.

**EEC Competition Law: Business Issues and Legal Principles in Common Market Antitrust Cases.** By Utz Toepke. John Wiley and Sons, Somerset, N.J., 1982. 925 pp. \$124.95.

A handbook-style reference guide to the body of antitrust case law that has been created by the E.C.'s Court of Justice and the E.C. Commission. Divides case law into the following categories: reprehensible business conduct; joint ventures; distribution; pricing; and patents, trademarks and copyright. Scheduled to be updated on a regular basis.

**International Debt and the Stability of the World Economy.** By William R. Cline. Institute for International Economics, Washington, D.C., 1983. 134 pp. \$6.00.

Addresses the origins of the current global debt problem and assesses the potential risks posed by the debts of developing and East European countries to the economies of industrialized nations. Studies the dynamics of involuntary lending, debt rescheduling, and default decisions. Seeks to determine whether the international debt crisis is a problem of temporary illiquidity or rather a difficulty which can be overcome only through radical measures. Sets forth policy recommendations.

**World Military and Social Expenditures 1983.** By Ruth Leger Sivard. World Priorities, Washington, D.C., 1983. 46 pp. \$4.00.

An annual accounting of the use of world resources for social and for military purposes. Contains tables, graphs, and articles chronicling what the author believes are extremes of militarism and a lack of social progress characterizing 1983. Sections on military expansion, wars and war-related deaths since 1945, the nuclear arms race, and unmet human needs. With statistical annex.

**Economic Sanctions in Support of Foreign Policy Goals.** By Gary Clyde Hufbauer and Jeffrey J. Schott. Institute for International Economics, Washington, D.C., 1983. 102 pp. \$6.00.

Based on 78 case studies of the use of economic sanctions since World War I, this book presents a comprehensive analysis of the sanctions issue in the 20th century. Studies the anatomy of a sanctions episode, assesses the implementation of sanctions in terms of po-

litical and economic variables, and relates economic costs to the measure of success achieved in the attainment of foreign policy goals.

**The Exchange Rate System.** By John Williamson, Institute for International Economics, Washington, D.C., 1983. 81 pp. \$6.00.

An evaluation of the current, unstructured system of floating exchange rates. Attempts to measure both the volatility and misalignment in the present system and estimates recent misalignments of the five major currencies that make up the Special Drawing Right. Calls for the replacement of the current system with a managed exchange rate under the guardianship of the International Monetary Fund.

**Die Zukunft des Welthandels: Protektionismus oder offener Welthandel?/The Future of World Trade: Freedom or Protectionism?** Nomos Verlagsgesellschaft, Baden-Baden, 1983. 95 pp.

A collection of essays written to commemorate the 60th birthday of E.C. Commission Vice-President Wilhelm Haferkamp, who is responsible for external relations. Topics addressed include the future of the General Agreement on Tariffs and Trade, the role of trade in services in the world economy, and the need to restructure E.C. industrial policy. Contributions by U.S. Trade Representative William Brock, former French Prime Minister Raymond Barre, and E.C. Commission President Gaston Thorn, among others.

**EEC Protectionism: Present Practice and Future Trends, Vol. II.** By Wolfgang Hager and Robert Taylor. European Research Associates, Brussels, 1982. 312 pp.

Focuses on two aspects of protectionism in the E.C.: effects on the Community's individual trading partners—including the United States, Japan, third world countries, Spain, and Portugal—and the Community's instruments and options for dealing with protectionism.

**Yearbook of Labour Statistics 1982, 42nd. edition.** By the International Labour Organization, Washington, D.C., 1983. 760 pp. \$63.00.

A summary of labor statistics for approximately 180 countries and territories. Includes data on employment and unemployment, working time, wages, consumer prices, occupational injuries, and industrial disputes. Also, whenever possible, provides statistics covering the period from 1972-1981.

**An Energy Efficient Future: Prospects for Europe and North America.** By the United Nations Economic Commission for Europe. Butterworths Publishers, Woburn, MA, 1983. 259 pp. \$89.95.

Based on data from 17 countries, this study analyzes the prospects for both energy consumption and conservation for the next 20 years. Includes projections for future energy demand by sector and by country on the assumption that measures for greater energy efficiency will be implemented. Points to international cooperation as a means of achieving the adoption of energy-efficient practices.

**Guide to the International Registration of Marks.** World Intellectual Property Organization, Geneva, 1982. 159 pp.

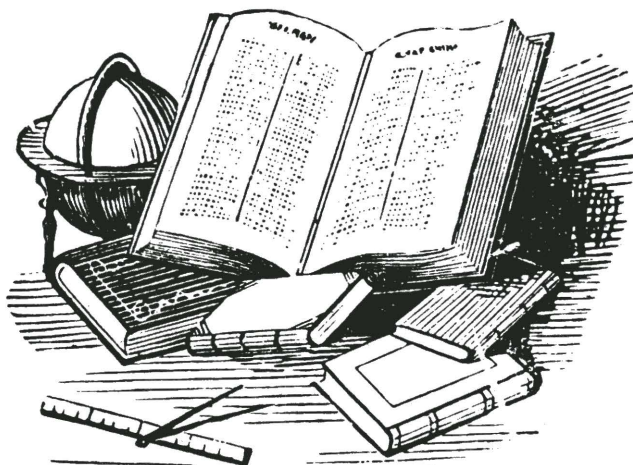
A manual outlining general rules of procedure and the application process for the individual or legal entity interested in obtaining a patent in countries belonging to the Madrid Union on trademarks.

**The Inefficacy of Trade Policy.** By Robert E. Baldwin. International Finance Section, Department of Economics, Princeton University, Princeton, 1982. 26 pp. \$2.50.

A survey of the conditions under which trade policies may be ineffective in carrying out stated objectives. Cites international economic distortion, the offsetting of supply and demand responses, and a policy's uncertain indirect effects as three elements that influence the success of trade policy.

**U.S. Trade Problems in Steel: Japan, West Germany, and Italy.** By A.W. Harris. Praeger Publishers, New York, 1983. 276 pp. \$29.95.

Through examination of U.S. steel trade with Japan, the Federal Republic of Germany, and Italy, this study attempts to isolate and measure variables affecting the cooperation of trading partners with American requests to limit steel exports to the United States. Also discusses trade restrictions used by the United States for steel during the last 15 years and analyzes pertinent sections of the General Agreement on Tariffs and Trade.





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**EEC Competition Rules: Guide for Small and Medium-Sized Enterprises.** *European Documentation 1983/84, Commission, Brussels, 1983, 62 pages.* Guide to Community anti-trust rules under Articles 85 and 86 of the Treaty of Rome establishing the E.E.C. Includes a section on procedural rules. **Free**

**The European Community: Some Questions and Answers.** *European File No. 5-6/84, Commission, Brussels, March 1984, 23 pages.* Outlines Community policies on unemployment, industrial and regional development, agriculture, the E.C. budget, and trade. Available in bulk quantities for classroom use. **Free**

**New Rights for the Citizens of Europe.** *European File No. 1/84, Commission, Brussels, January 1984, 10 pages.* **Free**

**Equal Opportunity for Women.** *European File No. 4/84, Commission, Brussels, February 1984, 10 pages.* **Free**

**Young People in the European Community.** *European File No. 3/84, Commission, Brussels, February 1984, 10 pages.* **Free**

**The European Social Fund: A Weapon Against Unemployment.** *European File No. 2/84, Commission, Brussels, January 1984, 10 pages.* **Free**

**The European Community and the People's Republic of China.** *Europe Information External Relations No. 71/83, Commission, Brussels, October 1983, 15 pages.* **Free**

**Seventeenth General Report on the Activities of the European Communities 1983.** *Commission, Brussels, 1984, 376 pages.* Organized by subject, the report provides a review of Community activities in 1983. **\$4.50**

**The Agricultural Situation in the Community: 1983 Report.** *Commission, Brussels, 1984, 427 pages.* Analysis and statistics on the market situation for agricultural products, factors of production, agricultural incomes, consumers, and financing of the Common Agricultural Policy. **\$18.00**

**Programme of the Commission for 1984.** *Commission, Brussels, 1984, 47 pages.* Address delivered to Parliament on February 15, 1984, by Commission President Gaston Thorn and the Commission's work program for 1984. **\$1.50**

**Europe Today: State of European Integration 1982-1983.** *European Parliament, Luxembourg, 1983, 653 pages.* Handbook outlining E.C. legislation with references to the full texts as well as opinions and reports of the European Parliament. **\$12.00**

**Thirty Years of Community Law.** *European Perspectives, Commission, Brussels, 1983, 498 pages.* A collection of essays surveying the development of the Community's legal system. Covers the legal nature of the E.C., its powers, institutions, financing, and relationship to national law. Separate articles on policy sectors such as agriculture, trade, energy, transport, competition, and economic and monetary union. **\$15.50**

**The Structure of Public Limited Companies: Amended Proposal for a Fifth Directive.** *Bulletin of the European Communities Supplement No. 6/83, Commission, Brussels, 1983, 68 pages.* Amended version of the 1972 Commission proposal. The amendments, submitted in August 1983, reflect the changes recommended by the Parliament and Economic and Social Committee. **\$3.00**

**Report on Economic and Trade Relations Between the European Community and Latin America.** *Working Document No. 1-580/83, European Parliament, Luxembourg, July 15, 1983, 46 pages.* Report prepared for the Committee on External Economic Relations by Jochen van Aerssen. **\$2.00**

**Report on the Delineation and Further Development of GATT and of the Free Trade Principle Underlying the GATT System and Possible Consequences for the EEC and GATT.** *Working Document No. 493/83, European Parliament, Luxembourg, July 12, 1983, 47 pages.* Report for the Committee on External Economic Relations by Hans-Joachim Seeler. **\$2.00**

**Regional Development Programme (Second Generation) Ireland 1981-85.** *Commission, Brussels, 1983, 203 pages.* Description of the current economic and social situation in Ireland and program for promoting development at the national and subnational level. **\$11.00**

**Trends in the Public Finances of the Member States (1970-1981).** *Studies of National Accounts No. 3, Statistical Office, Luxembourg, 1983, 62 pages.* Main trends in government revenue and expenditure in the member states including tax receipts, borrowing, debt burden, and spending on defense, education, housing, and other social benefits. **\$3.00**

**Structural Data Base Tables by Branch 1960-1981.** *Studies of National Accounts No. 4, Statistical Office, Luxembourg, 1984, 173 pages.* Data by industry branch and country on value added at market prices, labor force, gross fixed capital formation, and exports and imports. Provides the methodology used for the extrapolation of data for the 1960s. **\$4.50**

**Stock of Fixed Assets in Industry in the Community Member States: Towards Greater Comparability.** *Studies of National Accounts No. 2, Statistical Office, Luxembourg, 1983, 76 pages.* Compares the parameters used in the calculation of fixed assets by the Federal Republic of Germany, France, Italy, and the United Kingdom and proposes a harmonized estimation method. **\$3.00**

**Iron and Steel 1952-1982.** *Statistical Office, Luxembourg, 1983, 89 pages.* Compilation of economic data on the E.C. iron and steel industry: employment, size of enterprises, production, consumption of raw materials, external trade of ECSC products, and steel consumption. **\$8.50**

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tional training and educational systems in Ireland and then examines the job situations and professional status of trainers. **\$4.00**

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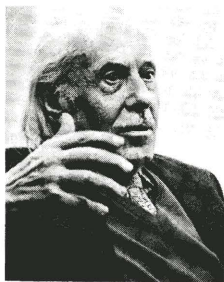
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## ON "EURO- PESSIMISM"

In April of 1963, as a guest of Cornell University, I took part in a debate on the Common Market and its relations with the United States. E.C. Commission Vice President Sicco Mansholt, Pierre Uri (one of the authors of the Treaty of Rome establishing the E.C.), and John Tuthill, then U.S. Ambassador to the E.C., were on the panel. Unlike the other speakers, who very competently dealt with the disputes of the day—the progressive installation of the E.C.'s Common Agricultural Policy (CAP), the threat of a dollar glut, the first steps in the Kennedy round of trade negotiations—I immediately introduced a dramatic note to the debate.

"The European idea has been badly bruised," I said, "following the abrupt breakdown in negotiations for British accession to the European Community. This is serious, more than a routine strain. This break shows that the old demon of a European hegemony has not disappeared and that the fundamental pact between the six founding members of the E.C. can be called into question.

"Europe is beset by a deep malaise," I added, "just when it was successfully headed toward unity. Its problems are those brought about by its very success. Without a doubt," I concluded in my address to the Americans, "the spirit of unity one day will prevail, but, for the time being, be careful. Don't send us challenges that could cause irreparable splits on our side."

A lot of time has passed since that conference, but those concerns are still largely valid today. The political leadership, in Europe as well as in the United States, must take them into account. Why? Because not everything that could have been done was done (the blame is shared, but it is mostly European). Because there are differences between the two continents that are simply in the nature of things and cannot be eliminated, but merely smoothed over by constant negotiation. And also because the world has changed.

Europe must take its responsibilities. In 1962, European debate on the Fouchet

plan for political union was floundering. The direct or indirect consequences were: a break in the British accession negotiations; a feeling of distrust between the six countries of the Community; and an institutional crisis in 1965, with the introduction of a veto process and the blocking of the Community's decision-making machinery. How could one think of an equal partnership with the United States when the European half was lost from sight.

At the same time, helped by its internal momentum and a favorable economic climate, the Community was making spectacular progress. It consolidated the CAP, it entered into contractual links with many Third World countries, it signed trade-and-aid agreements with other nations, it successfully participated in the Kennedy and Tokyo Rounds.

This was indeed spectacular progress, but it was fragile. The E.C. was neglecting to put in place policies for dealing with an expanded marketplace, with technological advances, with new competitors around the world, and with the difficulties resulting from the financial and energy crises. Without the automatic treaty mechanisms of its transition period, the E.C. had practically no integrated institutional structure. More than ever, there was no way of knowing who spoke for Europe.

The "Euro-pessimism" that I had expressed in April 1963 and which still inspires a number of Europeans can be beneficial in so far as it encourages an understanding of the historical role Europe still can play. There is no point in going back to the way it was, but we must establish certain principles and make the best use of past experience. In sum:

- We knew back then that the uniting of Europe can be done only within the framework of a federal organization. Other paths have been tried without success. Today, most European leaders are coming back to the original idea even if they don't have the courage yet to admit it. This direction must be pursued.
- We knew back then that Europe must assume responsibilities and burdens in

the area of security. Today, Europeans are "discovering" that Europe must define its "personality."

- We knew back then that a customs union would be an automatic result of the treaties, whereas economic and monetary union can only result from voluntary choices and actions.

- American politicians understood perfectly well, at the beginning of the 1950s, the historical value of a political investment in the building of a united Europe. Europe's failures, along with the increase in America's internal and external problems fed the disappointment, the indifference, and finally the hostility. The accessory, the sectoral, and the short-term took over the stage and hid the importance of fundamental common interests.

- Europe's "crises" were interpreted as signs of decadence, whereas they are proof of vitality. Europe doesn't need to be "helped." But it has the right to be understood and to be accepted. Its complexity is its wealth and it is up to Europeans to master this and turn it into a unifying force.

What is to be done? In the first place, we must seize the opportunity presented by the extraordinary interpenetration of cultures that has developed over the last quarter century. There can be no more separate debates, but instead one, overall, enlarged debate, from which new initiatives can spring.

The Atlantic alliance's vocation—to defend free societies, to reject all hegemony—would thus find itself strengthened. The more Europe is strong and capable of making its own decisions, the less it will run the risk of being absorbed into the Soviet sphere of influence. This will allow Europe to establish balanced relations with the Soviet Union. At the same time, Europe need not be "taken in charge" by the United States. The dialogue of continents will always encounter difficulties. With clarity, respect, and dignity, they can be surmounted. €

Emanuele Gazzo, the dean of journalists covering the European Community, is the chairman of *Agence Europe*, a daily newsletter published in Brussels.



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